

25th
Annual
Report
2007-2008

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SANRHEA
TECHNICAL TEXTILES LIMITED



Sanrhea Technical Textiles Limited



DET NORSKE VERITAS MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00106-2003-AQ-BDA-RvA

*This is to certify that
the Quality Management System
of*

SANRHEA TECHNICAL TEXTILES LTD.

at
Dr. Ambedkar Road, Near G. E. B. Kalol-382 721, North Gujarat, INDIA

has been found to conform to the Quality Management System Standard:
ISO 9001:2000

This Certificate is valid for the following product or service ranges:

**MANUFACTURE AND SUPPLY OF INDUSTRIAL WOVEN FABRICS
AND TWISTED YARNS**

Original Certification date:
2001-05-25

Place and date:
New Delhi, 2003-06-17

This Certificate is valid until:
2006-06-03

*Compliance to the Standard in respect to the indicated scope is
verified by the DNV approved registered Team Leader:*

Manish Trivedi
Lead Auditor



for the Accredited Unit:
DNV CERTIFICATION B.V.,
THE NETHERLANDS

Krishnakumar N.R.
Management Representative

Lack of fulfillment of conditions as set out in the Appendix may render this Certificate invalid.

Annual Report 2007-2008**NOTICE**

NOTICE is hereby given that the Annual General Meeting of the members Of the Company will be held on 30th day of September, 2008 at 10.00 a.m. At Parshwanath Chambers, 2nd Floor, Nr. New RBI Building, Income tax, Ashram Road, Ahmedabad-380 014 to transact the following business.

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profits & Loss Account for the financial year ended on 31st March, 2008 and Balance Sheet as at that date and Report of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri Pavan Bakeri who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting and to authorize the Board of Directors to fix their remuneration. In this context, to consider and if thought fit to pass with or without modifications following as an ordinary resolution.

"RESOLVED that M/s. Kantilal Patel & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company.

SPECIAL BUSINESS :

- (4) To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution:

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956 and other applicable provisions of the Securities Contracts (Regulations) Act, 1956, and the rules/regulations/guidelines framed thereunder including SEBI (Delisting of Securities) Guidelines 2003 (hereinafter referred to as 'Delisting guideline'), (including statutory modification(s) or reenactments thereof for the time being in force), and all other applicable laws, rules, regulations and guidelines and subject to such approvals permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals permissions and sanctions, which may be agreed to be the Board of Directors of the company (hereinafter referred to as the "Board", which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution), the consent of the company be and is hereby accorded to the Board to delist the equity shares of the company from all or any of the stock exchange(s) at Ahmedabad, Vadodara and Saurashtra Kutch Stock Exchange (Rajkot Stock exchange).

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary Delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members of otherwise to the end and intent that the members shall be deemed to have give their approval expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authroise any of its Committees or any of its Directors or any of the Officers of the Company to do all such acts, deeds or things to give effect to the aforesaid resolution."

On behalf of the Board

Date : June 30, 2008
Place : Ahmedabad

TUSHAR PATEL
MANAGING DIRECTOR

Sanrhea Technical Textiles Limited**Notes:**

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
- 2) All valid proxies must be deposited at the Regd. Office of the company at least 48 hours before the commencement of the meeting.
- 3) An explanatory statement pursuant to provisions of section 173 is enclosed to this notice.
- 4) Members are requested to bring their copies of Annual Report to the meeting.
- 5) Register of members and share transfer books of the company will remain closed from 27/9/2008 to 29/9/2008 (both days inclusive)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Presently, the securities i.e. equity shares of the company are listed at four stock exchanges at Mumbai, Ahmedabad, Vadodara and Saurashtra Kutch Stock Exchanges. Consequent to technological developments, shares of the company are traded all over India through on-line terminals provided by The Bombay Stock Exchange Limited (BSE). Looking at the record of the past couple of years, it has been found that the company's shares have never been traded on any of the stock exchanges.

In view of this, as per the applicable provisions of the Delisting Guidelines, the Company wishes to get the Equity shares of the Company delisted from one or more stock exchanges out of the three Stock Exchanges viz, Ahmedabad Stock exchange Limited, Vadodara Stock Exchange Limited and Saurashtra Kutch Stock Exchange Limited. No inconvenience will be caused to any of the shareholders residing in the respective regions, since BSE at these regions provide on-line terminals for trading. Further, listing of the company's shares in many stock exchanges apart from not adding any value to the shareholders, results in inavoidable cost, administrative work delay and inconvenience.. As the first step towards this process, the approval of the members of the Company is being sought by way of special resolution as per Delisting Guidelines.

The Directors therefore commend this Special Resolution for the approval of the members.

No Director is concerned or interested in the said resolution.

On behalf of the Board

Date : June 30, 2008

Place : Ahmedabad

TUSHAR PATEL
MANAGING DIRECTOR

Annual Report 2007-2008**DIRECTOR'S REPORT**

Dear Members ;

Your Directors have pleasure in presenting the 25th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2008.

FINANCIAL RESULTS :

	2007-2008 (Rs.lacs)	2006-2007 (Rs.lacs)
Sales & Other Income	1130.91	757.39
Gross Profit/Loss	120.49	70.07
Less :		
Depreciation	43.65	19.25
Finance charges	51.39	23.89
Provision for taxation	4.51	4.40
Net Profit/(Loss)	20.94	22.53
Balance of P & L Account B/F	20.34	(2.19)
Employees benefits written back	1.49	—
Appropriations:		
Transfer to General Reserves	—	—
Balance of Profit/loss carried forward	42.77	20.34

DIVIDENDS :

Yours directors are unable to propose any dividend on Equity Shares of the company due to insufficient profits.

OPERATIONS :

Your directors are pleased to inform you that the company has been able to maintain satisfactory level of operations and has been able to achieve profit in year under review. During the year under review Sales and Other Income has increased from at Rs.757.39 lacs to Rs.1130.91 lacs whereas the company has earned Gross Profit of Rs.120.49 lacs against previous years G.P. of Rs.70.07 lacs. After Depreciation of Rs.43.65 lacs, Finance Charges Rs.51.39 lacs, and provision for taxes of Rs. 4.51 lacs the company has earned Net Profit of Rs.20.34 lacs. Even though sales and other income of the company has shown substantial rise, due to higher depreciation and finance charges the Net profit of the company has marginally gone down. Your directors are optimistic of achieving better results in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS ON STRATEGY, OUTLOOK AND MARKET :

As of last year the main product of the company continues to be Belting Fabrics. However, due to the successful implementation of the In-House RFL Dipping Plant, the concentration has been pre-dominant on the value added RFL Dipped Fabrics vis-à-vis Greig Fabrics produced by the company last year. The Company's Dipped Fabrics not only got well acceptance from the existing customers, but have also got approved at Multi-Nations based in India like Phoenix Yule Ltd., Sempetrans Nirlon Ltd, and Nilos India Pvt. Ltd. The company sees the volumes increasing with these new customers in the coming year. I am further happy to inform you that the company has successfully made its steps into the international markets by getting its belting fabrics approved at Goodyear South Africa, to whom the first supplies should be shipped by end June 08. The company sees a continued growth in this segment into the future, both in the Domestic as well as the International market.

I am further happy to inform you that your company has got its initial approval of Chafer Fabrics for Tyres at MRF, Ceat, Ceat Sri-Lanka, Appollo, and Modi Continental. On completion of the prerequisite trials the company is confident of starting commercial business with these Tyre giants within the coming year.

The company's Brake Diaphragm Fabric has got approved at Sundaram Auto Components Ltd, with commercial supplies having started effective April 08. The company sees substantial growth in this product segment too.

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The company is further very actively pursuing various other high value products for other critical rubber component manufacturers.

With the growth of the Indian Economy and the major shift of purchases of the Western Worlds from India and S.E Asia, the Company foresees a continued growth for its production into the next few years. However, as seen in the second half of the last year, the company continues to be under pressure of margins, as the world petroleum crisis has lead to a surge in all raw material prices, to an effect that are difficult to pass on in the same proportion.

EXPANSION CUM DIVERSIFICATION :

Having successfully implemented its RFL Dipping Plant, the Company intends on increasing its current weaving capacity to match optimally with the Dipping capacity of Apx. 100 -120 tons. Towards this the company has already acquired the additional twistors which are currently under installation, and is in the process of identifying suitable looms to be installed in the coming year. The company is also actively looking into the prospects of manufacturing and establishing itself in the field of Cycle-Tyre Cord Fabrics. Trials production for the same shall be conducted within the current facility, however on successful establishment of the same, the Company intends setting up a full additional facility to cater to this product segment

DIRECTORS:

Shri Pavan Bakeri Director of the company retires by rotation and being eligible for reappointment offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT -SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :

The Board of Directors states :

- 1 that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation) relating to material departures;
- 2 that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- 3 that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4 that the Directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES :

There is no employee of the Company drawing total remuneration of Rs.24,00,000 p.a. or Rs.2,00,000 p.m. as required U/S 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975.

CORPORATE GOVERNANCE :

Your directors are pleased to inform you during the year provisions relating to the Corporate Governance as per listing Agreement has become applicable and has complied with the various requirements a report along with certificate is attached forming part of this report. The company has also laid down code of conduct for Board members and Senior management of the company.

FIXED DEPOSITS:

Fixed Deposit from the shareholders as at the end of the accounting year aggregate to Rs. Nil. The company has adhered to rules and regulations as per Companies (Acceptance of Deposits) Rules and the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

A statement showing the required particulars in accordance with the companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 read with provisions of section 217(1) (e) of The Companies Act, 1956 is annexed forming part of this report.

AUDITORS REPORT :

The observations of the auditors are explained where ever necessary in appropriate notes to the Accounts.

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AUDITORS:

The auditors of the company M/s. Kantilal Patel & Co., Chartered Accountants retires and being eligible, offers themselves for reappointment.

ACKNOWLEDGEMENT

Your Directors would like to express their appreciation for the support extended by Bankers and Government Officers. Your Directors also place on record their deep appreciation of the services rendered by the Officers, staff and workers of the company at all levels. Your Directors also acknowledge the continued invaluable support extended by you - our shareholders- and the confidence that you have placed in the company.

For & on behalf of the Board

Place : Ahmedabad
Date : June 30, 2008

Tushar M. Patel
Managing Director

ANNEXURE TO DIRECTORS REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Sec. 217(1)(e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY :

- (a) Measures taken : Energy Audit is regularly being carried out by the Professionals suggestions are implemented to conserve energy and reduce cost.
- (b) Additional investments and proposals, if any being implemented for reduction of energy consumption.: Nil
- (c) Impact of the measures at (a) and (b) above and consequent impact on cost of production : Slowly and gradually cost of production is being reduced.
- (d) Total energy consumption and energy consumption per unit of production : As per Form A annexed herewith.

B. TECHNOLOGY ABSORPTION :

Details are provided in form 'B' annexed herewith.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- (1) Activities relating to exports initiative taken to increase exports, development of new export plans: The Company is in process of tapping overseas market and enquiries are being generated for export of gray industrial fabrics.

	(Rs. lacs)	
	2007-2008	2006-2007
(2) Total foreign exchange used and earned.		
(i) Foreign Exchange earned including indirect export :	Nil	US \$ 4308.08
(ii) Foreign exchange used :		
Euro	2520	45079.58
Us \$	1142161	652140.30
CHF	12144	1518
Hongkong \$	—	1176.27
Swis F.	232.75	—
Pound	208.34	—
Turkish Lira	513.04	—

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FORM A (Rule 21)

Form for Disclosure of Particulars with respect to conservation of energy.

A. Power and fuel consumption	<u>Current year</u>	<u>Previous year</u>
(1) Electricity :		
(a) Purchased		
Unit (KWH in lacs)	5.65	3.96
Total Amount (Rs)	Rs.29,26,023	Rs.20,80,815
Cost/Unit (Rs)	5.18	5.25
(b) Own Generation through Diesel Generator :		
Unit (KWH in lacs)	Nil	Nil
Unit per ltr. of Diesel oil	N.A.	N.A.
Total amount	N.A.	N.A.
Cost/ unit (Rs.)	N.A.	N.A.
(2) Furnace Oil	Nil	Nil
(3) Coal	Nil	Nil
(4) Others/internal generation	Nil	Nil
B. Consumption per unit of production :		
	<u>Standards (if any)</u>	<u>Current year</u>
Products : Cloth		<u>Previous year</u>
(1) Electricity (KWH)	—	0.94
Cloth (per Kg.)		0.69
(2) Coal	—	Nil
(3) Furnace Oil	—	Nil
(4) Others	—	Nil

FORM - B

- (a) Research and Development : Nil
- (b) Technology absorption, adoption and innovation :
- (1) Efforts in brief, made towards technology absorption, adaptation and innovation : The company had status of ISO 9002. The company has complied requirements of new standards ISO 9001-2000 and has also get renewal of registration as per new norms.
 - (2) Benefits derived as a result of above efforts : By implementation of ISO system the company had been able to effectively monitor activities at all levels and there is a positive impact on productivity of company.
 - (3) Information regarding technology imported during the last 5 years : Nil

Annual Report 2007-2008**CORPORATE GOVERNANCE REPORT 2007-08**

(As required under Clause 49 of the Listing Agreements)

The Directors presents the Company's report on Corporate Governance.

The Board has adopted the principles of good corporate governance and it is committed to adopting the same in future. It is true that the compulsion may initiate steps for compliance however voluntary adoption may take the same at its true place. We have taken steps for the good corporate governance practice, which will lead to the ethics of integrity, transparency and accountability.

THE BOARD OF DIRECTORS

The Board consists of 6 Directors showing the fair combination of Executive, Non-Executive and Independent Directors. The directors are different in respect of the knowledge and expertise in the field. Some of the directors are professionals from different field; some are having the vast knowledge and experience of marketing/production.

Attendance at board Meetings :

Date of Board Meetings : 30/04/2007,
30/06/2007,
31/07/2007,
16/08/2007,
31/10/2007,
31/01/2008

Name	Executive/ Non-Executive/ Independent	No. of other Directorship held	Board meetings attended	Membership in the committee of other companies	Chairmanship at the committee of other companies	Attended last AGM on 28th September, 2005
Mr Tushar Patel	Executive Director (M.D.)	3	06	0	0	Yes
Mr. Vimal Ambani	Non-Executive & independent	5	00	0	0	No
Mr. Pavan Bakeri	Non-Executive & independent	6	06	0	0	No
Mr. Ishwar Patel	Non-Executive & independent	0	00	0	0	No
Mr. Miten Mehta	Non-Executive & independent	1	06	0	0	Yes
Mr. G. Ravishankar	Non - Executive & Independent	0	06	0	0	No

As required by the law, the appointment(s) and remuneration(s) of any executive Director(s) requires the approval of shareholders; such approvals are for a period of not more than 5 years and when eligible, they can be re-appointed at the end of the term. One third of other Directors retire every year and, when eligible, qualify for re-appointment.

AUDIT COMMITTEE**Term of Reference :**

The terms of reference of the Audit committee, as specified by the Board, includes the whole as specified in the clause 49 of the listing agreement, including a review of audit procedures and techniques, financial