

26th
Annual
Report
2008-2009

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SANRHEA
TECHNICAL TEXTILES LIMITED



DET NORSKE VERITAS MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 04204-2006-AQ-BOM-RvA Rev. 01

This is to certify that

SANRHEA TECHNICAL TEXTILES LTD.

at

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

has been found to conform to the Quality Management System Standard:

ISO 9001:2008

This certificate is valid concerning all activities related to:

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

Initial Certification date:

25 May 2001

This Certificate is valid until:

03 June 2012

*The audit has been performed under the
supervision of:*

Soumya Chatterjee
Lead Auditor



Place and date:

Chennai, 30 June 2009

for the Accredited Unit:

**DET NORSKE VERITAS CERTIFICATION B.V.,
THE NETHERLANDS**

Bhupalajit Ajit

Management Representative

Lack of fulfilment of conditions as set out in the Certification Agreement may render this Certificate invalid.

DET NORSKE VERITAS CERTIFICATION B.V. Zwolsseweg 1, 2994 LB Barendrecht, The Netherlands, TEL: +31 10 2922 688 - www.dnv.com / www.dnv.nl

day of September, 2009 at 4.00 PM in the Chairman's Chamber, and 1007, 111, New Hazratganj, 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, 2009 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 Mr. G. Ravishanakar 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 modifications, following resolution as a special resolution.

"RESOLVED THAT pursuant to provisions of section 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the companies Act, 1956, consent of the company be and is hereby accorded for reappointment of Mr. Tushar Patel as Managing Director of the company for a period of 3 years w.e.f 1/08/2009, on the following remuneration, terms and conditions subject to such modifications, if any, as may be acceptable to the Board of Directors of the company and Mr. Tushar Patel within the ceiling as laid down under the provisions of the Companies Act, 1956.

1. A Salary of Rs.30, 000/- (Rupees Thirty Thousand per month)
2. Commission at the rate of 1% on the Net Profits of the company calculated as per the provisions of section 309 (5) read with section 198 of the Companies Act, 1956, subject to a maximum of 20% of the annual Salary.
3. Perquisites and Benefits: Perquisites may be allowed in addition to salary and/or commission or both but perquisites shall be restricted to an amount equal to the annual salary.
4. Medical Reimbursement: Expenses incurred for self and family subject to ceiling of one month's salary in a year or three months salary over a period of three years.
5. Leave Travel Concession : For self and family, once in a year in accordance with the rules of company.
6. Personal Accident Insurance : Premium not to exceed RS.4,000 per annum
7. Contribution to Provident Fund, Superannuation fund, Annuity Fund will not be included in computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under The Income Tax Act. Gratuity payable should not exceed half a month salary for each completed year of service.
8. Encashment of leave at the end of tenure will not be included in the computation of the ceiling of the perquisites.

perquisites. Personal long distance call and use of the car for the private purpose shall be billed by the company to the individual appointee concerned.

MINIMUM REMUNERATION :

In the event of inadequacy or absence of profits in any financial year, Mr. Tushar Patel shall be paid remuneration subject to limit specified in Schedule XIII of the Companies Act, during the tenure of his office as considered and approved by the remuneration committee in terms of revised guidelines for managerial remuneration.

On behalf of the Board

Date : June 30, 2009

Place : Ahmedabad

TUSHAR PATEL

MANAGING DIRECTOR

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. Members are requested to bring their copies of Annual Report to the meeting.
4. An explanatory statement pursuant to provisions of section 173 (2) of The companies Act, 1956 is annexed hereto forming part of this notice.
5. Register of members and share transfer books of the company will remain closed from 29/9/2009 to 30/9/2009 (both days inclusive)

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

Item No.4:

Mr. Tushar Patel is actively involved in the day today management and administration of the company, and efficiently looking after affairs of the company since last many years as Managing director of the company. Looking at his contribution, it was thought fit at the meeting of Board of directors of the company held on 30th June, 2009 to reappoint him as Managing Director of the company for a period of three years w.e.f.1st day of August, 2009 on the terms, conditions and remuneration enumerated in the resolution. Pursuant to provisions of Section 198, 269, 309, and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, it is necessary to pass special resolution at the next Annual General Meeting after approval in the Board Meeting. Therefore, the present resolution has been recommended for your approval.

Mr. Tushar Patel, may be deemed to be interested in the proposed resolution to the extent of payment of remuneration to his and, None other directors are interested in the resolution.

On behalf of the Board

Date : June 30, 2009

Place : Ahmedabad

TUSHAR PATEL

MANAGING DIRECTOR

Your Directors have pleasure in presenting the 26th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2008.

FINANCIAL RESULTS :

	2008-2009 (Rs.lacs)	2007-2008 (Rs.lacs)
Sales & Other Income	1255.26	1130.91
Gross Profit/Loss	(53.07)	120.49
Less :		
Depreciation	41.64	43.65
Finance charges	60.40	51.39
Provision for taxation	1.47	4.51
Net Profit/(Loss)	(156.58)	20.94
Balance of P & L Account B\F	42.77	20.34
Employees benefits written back	—	1.49
Appropriations:		
Transfer to General Reserves	—	—
Balance of Profit/loss carried forward	(113.80)	42.77

DIVIDENDS :

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

OPERATIONS :

Your directors would like to inform you that due to unprecedented fluctuations in the international market and very heavy volatile situation, the company's performance had been adversely affected. During the year under review Sales and Other Income has been placed at Rs.1255.26 lacs whereas the company has incurred gross loss of Rs. 53.07 lacs. After Depreciation of Rs.41.64 lacs, Finance Charges Rs.60.40 lacs, and provision for taxes of Rs. 1.47 lacs the company has earned incurred Net of Rs.156.58 lacs. Your directors have taken steps for revival and are optimistic of recovery in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS ON STRATEGY, OUTLOOK AND MARKET :

Since the company is predominantly dependant on the imported raw material, due to volatility and heavy fluctuations in the foreign exchange in the international market, the company had a very bad phase and ended up incurring loss. The company continued to have focus on its main product, Belting Fabrics. However, due to the successful implementation of the In-House RFL Dipping Plant, the concentration has been predominant on the value added RFL Dipped Fabrics vis-à-vis Greig Fabrics produced by the company last year. With the acceptance of Dipped Fabrics by the existing customers as well as Multi-National companies like Phoenix Yule Ltd, Sempertans Nirlon Ltd, etc., the company is expected to increase its share in the market in the segment of dipped fabrics. 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. 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 various other value added fabrics have also got good response and approval from the market and company will be able to tap the new segment in near future. The company is further very actively pursuing various other high value products for other critical rubber component manufacturers.

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 have been successfully installed,. 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:

Mr. G. Ravishankar, Director of the company retires by rotation and being eligible for reappointment offers himself for reappointment. Shri Tushar Patel, managing director was appointed for a period of three years whose tenure expires on 31/7/2009. Board of directors have proposed to reappoint him as Managing Director for a further period of three years w.e.f. 1/08/2009.

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 and needs no further explanation. However, your directors wishes to inform you that diminution in the value

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, 2009

Tushar M. Patel

Managing Director

ANNEXURE TO DIRECTORES 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.

	2008-2009	(Rs. lacs) 2007-2008
(2) Total foreign exchange used and earned. :		
(i) Foreign Exchange earned including indirect export :	Nil	US \$ 28333
(ii) Foreign exchange used :		
Euro	2520	1500
Us \$	1142161	680842
CHF	12144	—
Hongkong \$	—	—
Swiss F.	232	—
Pound	208	—
Turkish Lira	513	—
UAE Dirham	—	615
SA Rand	—	1611

A. Power and fuel consumption	<u>Current year</u>	<u>Previous year</u>
(1) Electricity :		
(a) Purchased		
Unit (KWH in lacs)	5.98	5.65
Total Amount (Rs)	Rs. 34,77,105	Rs. 29,26,023
Cost/Unit (Rs)	5.82	5.18
(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>	<u>Previous year</u>
Products : Cloth			
(1) Electricity (KWH)	—	0.94	0.94
Cloth (per Kg.)			
(2) Coal	—	Nil	Nil
(3) Furnace Oil	—	Nil	Nil
(4) Others	—	Nil	Nil

FORM - B

(a) Research and Development : Nil

(b) Technology absorption, adaptation 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

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 : 30/04/2008, 30/06/2008, 31/07/3008, 10/08/2008, 16/08/2008, 31/10/2008, 31/01/2009, 23/03/2009

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 29th September, 2007
Mr Tushar Patel	Executive Director (M.D.)	3	08	0	0	Yes
Mr. Vimal Ambani	Non-Executive & independent	5	00	0	0	No
Mr. Pavan Bakeri	Non-Executive & independent	6	08	0	0	No
Mr. Ishwar Patel	Non-Executive & independent	0	00	0	0	No
Mr. Miten Mehta	Non-Executive & independent	1	08	0	0	Yes
Mr. G. Ravishankar	Non-Executive & Independent	0	08	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 reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The