

29th
Annual
Report
2011-2012

SANRHEA
TECHNICAL TEXTILES LIMITED



DET NORSKE VERITAS

MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 04204-2006-AQ-IND-RvA Rev.02

This is to certify that

SANRHEA TECHNICAL TEXTILES LTD.

at

Dr. Ambedkar Road, Near G. E. B. 382 721, 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 for the following scope:

MANUFACTURE AND SUPPLY OF INDUSTRIAL WOVEN FABRICS

Initial Certification date:
26 June 2012

This Certificate is valid until:
25 June 2015

The audit has been performed under the supervision of:

Neelakantan Gopalan
Lead Auditor



Place and date of issue:
Chennai, 28 June 2012

for the Accredited Unit:
DET NORSKE VERITAS CERTIFICATION B.V.,
THE NETHERLANDS

Bhupalam Ajit
Management Representative

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

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ISSUED BY: DET NORSKE VERITAS AS, EMILIEEN CHAMBERS, 10, C.S.T. ROAD, SAN (WARR) ZEE, MUMBAI - 400 098, INDIA - www.dnv.com / www.dnvindia.com

SANRHEA TECHNICAL TEXTILES LIMITED

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Board of Directors : Shri Tushar Patel Managing Director
Shri Vimal Ambani
Shri Ishwarbhai Patel
Shri Pavan Bakeri
Shri Miten Mehta
Shri G. Ravishankar Director (Technical)

Company Secretary : Shri Dhawal Jadhav

Bankers : United Bank of India

Auditors : Kantilal Patel & Co.
Chartered Accountants
(A Member of Polaris Intl., USA)
202, Paritosh, Usmanpuar,
Ahmedabad - 380013

Registered Office : Parshwnath Chambers, 2nd Floor,
Near New RBI Building, Income Tax,
Ashram Road, Ahmedabad - 380 014.

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NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the members of the Company will be held on 01/09/2012 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, 2012 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. Ishwarlal Patel, 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 resolutions.

"RESOLVED THAT M/s. Kantilal Patel & Co., Chartered Accountants [Firm Registration No: 104744W] 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 resolutions as a special resolution:

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of the Securities Contract (Regulations) Act, 1956, and the rules/regulations/guidelines framed there under including SEBI (Delisting of Securities) Guidelines 2003 (hereinafter referred to as 'Delisting guideline'), (including statutory modification(s) or reenactments thereof for 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 an 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 both the stock exchange(s) at 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 regards 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 authorized to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorize any of its Committees or any of its Directors or Company Secretary or any of the officers of the company to do all such acts, deeds or things to give effect to the aforesaid resolutions."

- (5) To consider and if thought fit to pass with or without modifications, following resolutions 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

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accorded for reappointment of Mr. Tushar Patel as managing Director of the company for a period of 3 years w.e.f 01/08/2012, on the following remuneration, terms and conditions subject to such modifications, if any, as may be acceptable to the Boards of Director of the companies and Mr. Tushar Patel within the ceiling as laid down under the provision of the companies act, 1956.

- 1) A salary of Rs. 1,00,000 (Rupees One Lakh 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: Perquisite may allowed in addition to salary and/or commission or both but perquisites shall be restricted to an amount equal to the annual salary

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.
- 4) Leave travel concession: For self and family, once in a year in accordance with the rules of company.
- 5) *Personal Accident Insurance: Premium not to exceed Rs. 4,000 per annum.*
- 6) 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.
- 7) Encashment of leave at the end of tenure will not be included in the computation of the ceiling of the perquisites.
- 8) Bonus to be paid as per policy of the company or as per Bonus Act.
- 9) Provisions of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance call and use of the car for the private 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 At, 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 : 29/05/2012
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. Register of members and share transfer books of the company will remain closed from 30/08/2012 to 31/08/2012 (both days inclusive)

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5. At this Annual General Meeting Mr. Ishwarlal Patel retires by rotation and being eligible offers himself for reappointment. As required under clause 49 of the listing Agreement with the Stock Exchanges, given below is the details of the above director to be appointed/reappointed as Director of the Company.

Shri Ishwar Lal Patel is a resident of Vancouver, Canada is a self made businessman well established in the field of commodity and consumer products in British Columbia, Canada. He is a commerce graduate from India. On completion of his studies, Mr. Patel emigrated out of the country seeking fortunes in the western world. His endeavor took him to Iran, Persia, England and finally to British Columbia where he finally settled. Mr. Patel started off by establishing a small provision store too caters to the needs of the Indian community settled in Vancouver. His enterprise and hard work made him grow his shop into a mini supermarket catering to both Indian as well as local clients. Over the next decade, Mr. Patel grew from a simple shop owner to a large commodities trader, trading in commodities from China and India into the NAFTA Countries. Mr. Patel, today is semi retired and hold investment in various companies both in India as well as Canada.

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

ITEM NO: 4

Presently, the securities i.e. equity shares of the company are listed at four stock exchanges at Bombay Stock Exchange, 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. Looking at the record of the past couple of years, it has been found that the company's shares have never trade on any of the stock exchanges.

In view of this, as per the applicable provisions of delisting Guidelines, the Company wishes to get the Equity shares of the company Delisted from two stock exchanges 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 unavoidable 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 Directors are interested in the said resolution.

ITEM NO: 5

Mr. Tushar Patel is actively involved in the day to day management and administration of the company, and efficiently looking after the 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 29th May, 2012 to reappoint him as Managing Director of the company for a period of three years w.e.f 1st day of August, 2012 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 resolutions.

On behalf of the Board

Date : 29/05/2012
Place : Ahmedabad

TUSHAR PATEL
MANAGING DIRECTOR

DIRECTOR'S REPORT

Dear Members:

Your Directors have pleasure in presenting the 29th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2012.

FINANCIAL RESULTS:

	2011-2012 (Rs.lacs)	2010-2011 (Rs.lacs)
Sales & Other Income	2736.70	2677.62
Gross Profit/(Loss)	258.28	259.83
Less:		
Depreciation	76.56	52.56
Finance Charges	106.86	108.02
Provision For Taxation	2.48	1.97
Net Profit	72.38	97.28
Balance of P&L Account B/F	71.56	(25.72)
Employees Benefits written Back	—	—
Appropriation:		
Transfer to General Reserve	—	—
Balance of Profit/Loss Carried Forward	143.94	71.56

DIVIDENDS :

Yours directors have not proposed any dividend on Equity Shares of the company, for conservation of profit for future year.

OPERATIONS :

In spite of a rather turbulent year your directors are pleased to inform you that the company has been able to maintain its operations at a satisfactory level and achieve profit in year under review. During the year Sales and Other Income has increased from Rs. 2678 lacs to Rs.2737 lacs whereas the company has earned Gross Profit of Rs. 258 lacs against previous years G.P. of Rs. 260 lacs. After Depreciation of Rs. 77 lacs, Finance Charges Rs. 107 lacs, and provision for taxes of Rs. 2 lacs the company has earned Net Profit of Rs. 72 lacs. Your directors are optimistic of achieving better results in the coming year and are confident of a continued growth both in the sales as well as the profit of the company. The year in review was a year in which we saw an unprecedented depreciation of the rupee. Since almost all the raw material of the company is imported, and the effective rise in costs were not entirely passable to the customers, the company's profitability got adversely affected. Besides due to various external factors, the year saw a slowdown in the growth of the Power, Coal Mining, and steel Industry. This too affected the demand and the prices of Conveyor Belting Fabric, which is the main product of the company.

MANAGEMENT DISCUSSION AND ANALYSIS ON STRATEGY, OUTLOOK AND MARKET :

As earlier, the main product of the company continues to be Belting Fabrics. The Company's Belting Fabrics continue to find supreme acceptance amongst the finest of Conveyor Belt manufacturers in India like Ms. Phoenix Conveyor Belt India Pvt. Ltd., which happens to be the premier manufacturer of Conveyor Belts in India, and a part of the globally reputed Continental Group. Sanrhea continues to be their prime fabric vendor. Over the year the Company's Polyester-Nylon blended Belting Fabrics have gained tremendous acceptability and have been in big demand across the country. The Company proposes to majorly concentrate

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on this segment in all its future growth within the Belting Fabric segment. The company sees a continued growth in this segment into the future, both in the Domestic as well as the International market. The Company has started active dialogues with various overseas Conveyor-Belt manufacturers, and is confident of establishing good business overseas in the coming year. We are further happy to inform you that after having got its initial approval of Chafer Fabrics for Tyres at Ceat, Apollo and BKT, supplies of semi-commercial trial rolls have been made to these valued customers, and the full commercial approval of our company as a regular vendor is awaited. The company ultimately targets a minimum monthly presence of 25 tons in this segment. In the Square Woven Fabric segment, the company continues to be the principal vendor of Brake Diaphragm Fabrics to Sundaram Auto Components Ltd. The company has further made its first commercial export of the same fabric and hopes to establish this product in the international market on a continuous basis. Further, the company continues its development and marketing work in this segment of Square woven fabrics and is confident of growth, not only from its various existing customers in India, but also from new customers overseas. Though the company currently continues to be under pressure of margins, due to external factors like the Erratic World petroleum pricing, Exchange Fluctuations and Political led Economic Instability, the company foresees a strong and secure growth in the year to come and onwards.

EXPANSION CUM DIVERSIFICATION :

The Company has just completed its expansion and has now taken the plant capacity from a monthly 100 tons to 150 tons of fabric. Though this was anticipated to be completed in the beginning of the year, delay in arranging finance led to a delay in the completion of the said expansion. The Company hopes to see effects of this in the coming year.

DIRECTORS:

Mr. Ishwarlal Patel, 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 have become applicable and have 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 wish to inform you that diminution in the value of investment is of short term nature and therefore, no provision has been made.

AUDITORS:

The auditors of the company M/s. Kantilal Patel & Co., Chartered Accountants [Firm Registration No: 104744W] 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

Date : 29/05/2012
Place : Ahmedabad

TUSHAR PATEL
MANAGING DIRECTOR

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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 is 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:

- a) 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.

- b) Total Foreign Exchange Used and Earned:

	(Rs.lacs)	
	<u>2011-2012</u>	<u>2010-2011</u>
(i) Foreign Exchange earned including indirect export:	US\$ 164228	US\$ 87201
(ii) Foreign Exchange used:		
Euro	3212	-
US\$	1094629	923295
Swiss F.	160	1944
British Pound	3596	10
New Turkish Lira	1916	-
ECU	510	545
Kuna	-	2101
Aus \$	-	34
Thai Baht	86555	23995