

SARUP TANNERIES LTD.

**ANNUAL REPORT
AND
ACCOUNTS
2005-2006**

P.O. Ramadaspora, JALANDHAR - 144003, PUNJAB (INDIA)

SARUP TANNERIES LIMITED

DIRECTORS : BAWA ATAMJIT SINGH
: Mrs. MANJIT BAWA
: Mr. G.S. BEDI
: BAWA SIMERJIT SINGH
: Col. GURCHARAN SINGH (Retd.)
: Col. SURAT SINGH BAJWA (Retd.)

AUDITORS : M/s. Y.K. SUD & CO.
: DURGANIWAS
: OPP. FRIENDS CINEMA
: JALANDHAR - 144 001

LEGAL ADVISOR : Mr. V.K. SAREEN
: 7, NEW RAJENDRA NAGAR
: POLICE LINES ROAD,
: JALANDHAR

REGISTERED OFFICE : P.O. RAMDASPURA
AND FACTORY : JALANDHAR - 144 003

OTHER FACTORY : (1) PLOT NO. 141
: LEATHER COMPLEX
: KAPURTHALA ROAD
: JALANDHAR

: (2) Unit No. IV, Vill, Dherowal
: P.O. Majholi, Distt. Solan (H.P.)

BANKERS : PUNJAB & SIND BANK
: I.B.D. BRANCH
: NEHRU GARDEN ROAD
: JALANDHAR - 144 001

SARUP TANNERIES LIMITED**SARUP TANNERIES LIMITED****Regd. Office: P.O. Ramdaasppur, Jalandhar-144003, Punjab (India)****NOTICE**

Notice is hereby given that the TWENTY SEVENTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Friday, the 29th day of September 2006 at 10.30 AM at the Registered Office of the company at P.O. Ramdaspora, Jalandhar to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit & Loss Account for the year ended on that date and the Report of the Auditors and Directors thereon.
- 2 To declare dividend for the year 2005-2006.
- 3 To appoint a Director in place of Mrs. Manjit Bawa, who retires by rotation and, being eligible, offers her self for re-appointment.
- 4 To appoint a Director in place of Mr.G.S.Bedi, who retires by rotation and, being eligible, offers him self for re-appointment.
- 5 To appoint Statutory Auditors by passing the following ordinary resolution with or without modifications:

"RESOLVED THAT pursuant to the provisions of Section 224A of the Companies Act, 1956, M/S Y.K. Sud & Company, Chartered Accountants, 6, Durga Niwas, Civil Lines, Jalandhar, be and are hereby appointed as statutory auditors of the company for the year ending 31st March, 2006 and to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration to be decided by Board of directors of the Company.

SPECIAL BUSINESS

6. 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 provision of section 17 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the approval of the Registrar of Companies and other competent authorities, if required, clause III of the Memorandum of Association of the Company be and is hereby altered in the following manner:

Part C of Clause III containing the "Other Objects" be and is hereby altered by inserting the following clauses as sub-clauses no.6 immediately after the existing sub-clause no.5:

- 1.To carry on the business of Builders, colonizers, real estate developers and to set up Special Economic Zones, Industrial and Technology Parks, Multiplexes, Shopping Malls, Hotels, Banquets, Restaurants, Bars, Fast Food Centers and deals in all kind of infrastructure development.
- 2.To carry on the business of contractors, sub-contractors, civil and mechanical engineers, structural designers, consultant, construction supervisors, interior decorators, furnishers sanitary and wood workers in all types works connected with lands, building and roads for railways, P.W.D., or municipal committees and corporation, or any other mode from any other contractor or builder for any type of construction activity electrification and wiring and to compose building plants, prepare construction estimates, projects and projects reports and and to carry on the business of real estates deal in all kinds of movable and immovable properties.
- 3.To invest, subscribe, acquire, hold, buy, sell, trade, dispose off or otherwise deal in shares, securities and financial products of all kinds including shares, debentures, bonds, units, government securities, treasury bills, commercial papers, other negotiable instruments other than the business of an investment company or a Non Banking Financial Company.

Resolved further that the Board of Directors of the Company be and is hereby authorised to agree to such changes/modifications as may be suggested by the Registrar of Companies or other competent authority or that may otherwise deem fit by the Board and to take such other steps as may be required to give effect to this resolution."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"Resolved that the consent of the Company be and is hereby accorded under the provisions of section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that money to be borrowed together with money already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not so set apart for any specific purpose, provided that the total amount up to which money may be borrowed by the Board of Directors shall not exceed the aggregate of the paid up capital and free reserves of the Company by more than the sum of Rs. 100 Crores at any one time.

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"Resolved that in pursuance of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals as may be necessary and subject to such conditions and modifications as may be prescribed, required or directed in granting any such approvals or consents and which the Board of Directors be and is hereby authorised to accept, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging in any manner whatsoever of all movables and immovable properties of the Company wheresoever situated, present or future and the whole of the undertaking of the Company, for borrowing of a sum not exceeding Rs. 100 Crore outstanding at any one time as loans from Banks, Financial Institutions or elsewhere or from issuing of Debentures, Promissory notes, Bonds, Commercial Papers.

By Order of the Board
For Sarup Tanneries Limited

Bawa Atamjit Singh
Managing Director

Place: Jalandhar

Date: August 31, 2006

SARUP TANNERIES LIMITED**NOTES**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll on his behalf and such proxy need not be a member of the company. A proxy may be sent in the form enclosed and in order to be effective must reach the registered office of the company at least 48 hours before the commencement of the meeting.
2. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing the representatives to attend and vote at the General Meeting
3. Documents referred to in the Notice and the Explanatory Statement are open for inspection at the registered office of the Company at all working days except Sunday between 10 A.M. and 1 P.M. up to the date of the General Meeting.
4. Explanatory Statement as required under section 173(2) of the Companies Act, 1956, in respect of Special Business under item no. 1 is enclosed herewith.
5. The Register of Members and share transfer books of the company shall remain closed from 21st September 2006 to 29th September 2006 (both days inclusive) for the purpose of determining entitlement of dividend as may be declared by the company.
6. The unclaimed dividends upto the Company's financial year 1997-98 have been transferred to the "Investor Education and Protection Fund" of the Central Government.
7. Pursuant to sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period 7 years from the date of such transfer shall be transferred by the company to the fund called "Investor Education and Protection Fund" to be set up by the Central Government. Accordingly, the unpaid/ unclaimed dividend for the years 1998-99 onwards will become transferable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall be against the fund or the company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check up and send their claims, if any, for the relevant years from 1998-99 onwards before the respective amounts become due for transfer to the above fund.
8. Members are requested to notify changes in their address, if any, quoting their folio number to the Registered Office of the Company.
9. Members are requested to bring the copy of their Annual Report with them at the Annual General Meeting.
10. Shareholders desiring any information as regards the Accounts are requested to write to the company at least seven working days prior to the meeting so as to enable the management to keep the information ready.

Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956**Item No. 6**

Your Company has been making conscious efforts to broad base its business activities and to maximize its return to its stakeholders. Some of the activities the Company intends to carry on are not specifically covered under its existing objects clause. Therefore, it is proposed to amend the objects clause by inserting various sub-clauses in the 'Other Objects' clause of the Company to enable the Company to take up some more businesses in future

Further In line with the expansion and diversification plans, the company has tied up with M.G.F Metropolo for setting up of a Multiplex cum Shopping Mall at P.O Ramdaspura, Jalandhar located at the prime location of Jalandhar City.

In terms of the provisions of the Companies Act, 1956, approval of the members by way of a special resolution is required for the alteration of the Object Clause of Memorandum of Association.

None of the Directors is interested in the resolution.

SARUP TANNERIES LIMITED**Item No. 7 and 8**

In its continuous efforts to increase its scale of operation, your company is setting up a new project at village Shyampura Distt. Una. The company has also planned for opening of various franchisee shops and showrooms. Besides this the company is also venturing into setting up of a multiplex cum shopping mall. Keeping in view the expansion envisaged by the company, the company may require additional funds for capital expenditure and working capital. The consent of the shareholders is therefore, sought in accordance with the provisions of section 293(1)(d) of the Act to enable the Directors to borrow monies to the extent of Rs. 100 crores. Consent of the shareholders is also sought under section 293(1)(a) to charge/mortgage /hypothecate the assets of the company to the extent of Rs.100 crores.

None of the Directors is interested in the resolution.

BRIEF RESUME OF THE DIRECTOR OF THE COMPANY, SEEKING REAPPOINTMENT AT 27TH ANNUAL GENERAL MEETING

1. Mrs. Manjit Bawa, Date of Birth 26th June 1953, Residence Address 534, Model Town Jalandhar, Present Occupation Business, Educational Qualifications includes GEC, Nem Castle on tyne U.K. She is not acting as a director in any other listed unlisted company. She have worked as Executive Director of the Company since 8th October 1994 upto 29.12.2005. She was controlling & taking care of all matters related to Personnel & Human Resource Management.

2. Gurendra Singh Bedi, Date of Birth 26.08.1947, Residence address Flat No D-303, Nagarjuna Apts, Mayur Vihar 1, Delhi – 110096, Present occupation General Manager /CEO Alwardha Footwear, Muscat, Oman, Educational qualification B.Sc (Engg), Elect, He does not hold directorship in any listed/unlisted company, Experience & Achievements 1969 -1973 Project Engineer General Electric Co –Calcutta 1973 -1981 Commercial cum Development Manager -Punjab Concast Steels –Ludhiana 1981- 1984 Resident Director, Mukerian Papers Ltd -Mukerian Pb.1984 -2003 STL Bsc

By Order of the Board
For Sarup Tanneries Limited

Bawa Atamjit Singh
Managing Director

Place: Jalandhar

Date: August 31, 2006

SARUP TANNERIES LIMITED**DIRECTORS REPORT**

Dear Shareholders,

Your Directors are pleased to present the Twenty Seventh Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

		Current Year ended 31.3.2006	Previous Year ended 31.3.2005 (Fig.in Lacs)
<u>INCOME&PROFITS</u>			
Sales & Other Income		3125.84	2721.30
Profit before Interest	(a)	241.70	209.31
Interest		63.96	68.04
Depreciation		81.71	84.94
		<hr/>	<hr/>
		145.67	152.98
Exceptional Item (Loss)		0.00	395.40
		<hr/>	<hr/>
	(b)	145.67	548.38
Profit before tax	(a)-(b)	96.03	(339.07)
Less: Provision for Taxation - Current		13.68	---
- Deferred		(8.61)	(3.42)
		<hr/>	<hr/>
Profit after tax		90.96	(335.65)
Surplus b/fd		261.86	653.59
Others		3.98	4.28
		<hr/>	<hr/>
Balance of P&L B/F		356.80	322.22
Proposed Dividend		39.02	39.02
Income Tax Provisions of Pr. Year		--	--
Interim Dividend		--	--
Dividend Tax on Proposed Dividend		5.48	5.48
Dividend Tax on Interim Dividend		--	--
Transfer to General Reserve		10.00	10.00
Income Tax & Tds Adj/ Wealth Tax Prov.		0.08	5.86
SURPLUS CARRIED TO BALANCE SHEET		302.22	261.86
		<hr/>	<hr/>
		356.80	322.22
		<hr/>	<hr/>

OPERATING PERFORMANCE

Your Company have registered total sale of Rs. 3096.96 Lacs in the year ended on 31 March 2006 as compared to last year, which was of Rs.2665.55 Lacs registering growth of 16.17%. Out of current year sale, sales effected from new unit no. IV is for Rs. 1555.59 Lacs. The unit will come into full swing during the current financial year and the turnover and profitability of the company will increase substantially

Your Company have earned a Net Profit of Rs. 90.96 Lacs after tax in the year ended on 31st March 2006 as against Loss of Rs. 335.65 Lacs in the previous year (due to unanticipated loss of Rs. 395.40 Lacs). The Earning per share as on March 31, 2006 is Rs.2.80 and cash earning per share Rs 5.31.

SARUP TANNERIES LIMITED**DIVIDEND**

The Board of Directors have proposed a dividend at Rs.1.20 per share(12%) for the year 2005-06. The amount of dividend & tax thereon will aggregate of Rs.44.50 Lacs

DIRECTORS

Mrs.Manjit Bawa & Mr.G.S.Bedi retire by rotation and being eligible offer themselves for reappointment. The Board recommends their appointment.

Energy conservation has remained an area of high priority for the company. The deployment of latest technology in the manufacturing process helped the company in controlling and saving the energy consumption. Employee awareness has also been increased through constant guidance.

The Auditors of the company Messrs Y.K. Sud & Co., have retired and offer themselves for re-appointment. The Board recommends their reappointment. The Note referred to in Auditor's Report are self explanatory and do not require any further comments.

The Board have appointed M/s Vema, Verma & Associates as Cost Auditor for the year 2005-06 in Pursuence of sections 233-B of the Companies Act 1956

The employees of the company has worked with dedication and commitment during the year and have made an excellent contribution to achieve the high level of profitability. The Board wishes to record its deep appreciation to all employees of the company. The Board also wishes to place on record their thanks to the Bankers and suppliers for their trust and confidence reposed and to the Customers for their valuable patronage.

There is no employee whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 and the Companies(particulars of employees) Rules, 1975. Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure-A annexed hereto, forms part of this Report.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreements with Stock Exchanges, a Management Discussion and analysis, Corporate Governance Report, Managing Director's and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the Sec 217(2AA) of the Companies (Amendment) Act, 2000 the Director confirm that :

- (i) in preparation of the Balance Sheet and the profit & Loss Account of the Company the applicable accounting standards had been followed along with proper explanation relating to material departures
- (ii) the Director 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 of the Company for that period.
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud & other irregularities.
- (iv) the Directors had prepared the annual accounts on a "going concern basis". The stocks of the company is available for the trading in dematerialised shape on the stock exchanges. The equity share of the Company are listed on the following Stock Exchanges and that the annual fees for the year 2006-2007 has been duly paid.

The Mumbai Stock Exchange Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001

VOLUNTARY DELISTING OF THE COMPANY'S ORDINARY SHARES FROM CERTAIN STOCK EXCHANGES

The ordinary shares of the company have been delisted from Ludhiana Stock Exchange and the company's application for delisting of ordinary shares is pending with The Delhi Stock Exchange Association Ltd.

Place : Jalandhar

for & on BEHALF OF THE BOARD

Dated : 31st August 2006

BAWA ATAMJIT SINGH
Managing Director

SARUP TANNERIES LIMITED**ANNEXURE TO DIRECTOR'S REPORT**

Statement pursuant to section 217(1)(e) read with the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31st March, 2006.

A. CONSERVATION OF ENERGY

- (a) All the machinery used is subject to a strict repair and maintenance schedule. Further, the maintenance department has been instructed to take every step necessary for energy conservation.
- (b) No additional investment or proposal is there for reduction of consumption of energy.
- (c) Cost of production of goods has come down.

B. TECHNOLOGY ABSORPTION**Research & Development (R&D)**

The company has not formally established a Research & Development wing.

Efforts in brief The company is using the modern technology in the manufacturing process. Benefits derived as a Improvement in the quality of the result of above products manufactured Information regarding Imported technology has been technology imported introduced in upper and during last 5 years complete shoe section. The technologies has been fully absorbed.

C. DETAILS OF IMPORT OF TECHNOLOGY

During the year no fresh technology has been imported but for the normal repair and maintenance items.

D) FOREIGN EXCHANGE EARNINGS AND OUTGO

Detail in item 7, 8 & 9 of Schedule 20.