

Sintex



Sintex Industries Limited

Annual Report 2005-06

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Corporate Information

SINTEX INDUSTRIES LIMITED

BOARD OF DIRECTORS :

Shri Dinesh B. Patel	<i>Chairman</i>
Shri Arun P. Patel	<i>Vice Chairman</i>
Shri Ramnikhbhai Ambani	
Shri Ashwin Lalbhai Shah	
Shri Rooshikumar Pandya	
Smt. Indira J. Parikh	
Dr. Rajesh B. Parikh	
Dr. Lavkumar Kantilal	
Shri Pulak Chandan Prasad	
Shri Rahul A. Patel	<i>Managing Director</i>
Shri Amit D. Patel	<i>Managing Director</i>
Shri S.B. Dangayach	<i>Managing Director</i>

MANAGEMENT TEAM :

Shri Rahul A. Patel	<i>Managing Director</i>
Shri Amit D. Patel	<i>Managing Director</i>
Shri S.B. Dangayach	<i>Managing Director</i>
Shri L.M. Rathod	<i>C.F.O. & Company Secretary</i>
Shri S. Vnekatachalam	<i>President – Opr. (Plastic Div.)</i>
Shri B.R. Jayswal	<i>President – Fin. & Acc. (Plastic Div.)</i>
Shri Sanjib Roy	<i>President – Marketing (Plastic Div.)</i>
Shri Rajan Gulabani	<i>Vice President – Marketing (Plastic Div.)</i>
Shri S.M.Anerao	<i>Vice President – Marketing (Plastic Div.)</i>
Shri A.C.Saxena	<i>Vice President – Marketing (Plastic Div.)</i>
Shri Ashoke Maitra	<i>President – Opr. (Textile Div.)</i>
Shri R.A. Sharma	<i>President – Proc. (Textile Div.)</i>
Shri Shashidhar B.C	<i>President – Marketing. (Textile Div.)</i>

COMPANY SECRETARY :

Shri L.M. Rathod

AUDITORS :

Deloitte Haskins & Sells
Chartered Accountants
Ahmedabad

REGISTERED OFFICE :

Near Seven Garnala
Kalol (N.G.) 382721
Tel (91-2764) 253000
Fax : (91-2764) 253100, 222868
E-mail : bvm@sintex.co.in

REGISTRAR & SHARE TRANSFER AGENT

Pinnacle Shares Registry Pvt. Ltd.
Nr. Ashoka Mills, Naroda Road,
Ahmedabad – 380 025

BANKERS :

State Bank of India
Bank of Baroda
IDBI Bank Ltd.

MANUFACTURING FACILITIES AT:

• Kalol

Nr. Seven Garnala
Kalol – 382 721 (N.G.)
Dist:Gandhinagar, Gujarat.

• Bangalore

61-C, Bommasandra Ind. Estate, Hosur Road,
Bommasandra – 562 158, Karnataka.

• Kolkata

Plot No. 40 & 41,
Uluberia Growth Center,
Nr. Birsipur Railway Station,
Dist. Howrah, West Bengal.

• Daman

Plot No. 34,39 & 40, Survey No. 168
Dabhel Ind.Co. Op. Society Ltd., Dabhel,
Daman (Union Territory).

• Baddi

Pillanvali Road, Nr. Raja Forging Gears Ltd.
Dist : Solan, Himachal Pradesh.

• Nagpur

Plot No : B/124 Batti-bori, MIDC, Batti-Bori
Dist Nagpur, Maharashtra.

• Salem

131,Sandhiyur Attayampatti, Behind S.V.T.School
Via-Mallur,Trichy Main Road, Salem,
Tamilnadu - 636203

• Bhachau

Plot No.1211/1, 1223/24/31
Bhachau Gandhidham Highway,
Dist. Kutch, Bhachau, Gujarat – 370 140

Ten years at a glance

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fixed Assets (Net)	5917.19	9431.32	8931.27	14973.62	38170.72	37882.29	36486.64	48025.14	49344.11	46952.64
New Project Expenses	73.51	44.76	7164.03	5124.80	5644.42	5522.87	12148.88	1833.20	2962.47	1902.30
Investments	398.65	836.40	1081.40	1368.83	1129.09	3106.85	1152.69	5686.22	16746.75	15682.60
Net Current Assets	5384.07	8252.87	8887.44	8507.09	13134.86	10079.45	12278.81	13604.50	21992.10	44958.58
Misc. Exp. (Not Written off)	30.89	203.84	257.25	262.45	191.19	406.87	351.47	319.89	610.28	451.54
Total Assets (Net)	11804.31	18769.19	26321.39	30236.79	58270.28	56998.33	62418.49	69468.95	91655.71	109947.66
Borrowings	7056.04	6685.16	12478.47	14976.66	24567	21715.43	25032.93	29857.72	33840.92	58265.57
Preference Share Capital	0.00	0.00	1000.00	1500.00	1500.00	1500.00	1500.00	0.00	0.00	0.00
Equity Share Capital	446.04	1456.17	1456.17	1456.17	1456.17	1456.17	1456.17	1456.17	1847.67	1973.17
Share Warrants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1392.12	540.59
Reserves & Surplus	4302.23	10627.86	11386.75	12303.96	30747.11	31691.18	33523.12	33742.01	48871.44	42973.39
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	635.55	906.27	4413.05	5703.56	6194.94
TOTAL CAPITAL EMPLOYED	11804.31	18769.19	26321.39	30236.79	58270.28	56998.33	62418.49	69468.95	91655.71	109947.66
Debt/Equity Ratio	1.5:1	0.5:1	1:1	1.1:1	1.6:1	1.3:1	1.35:1	1.59:1	0.95:1	1.28:1
Sales & Other Income	14805.84	15832.85	18363.72	20965.76	29628.33	37655.91	44700.68	54727.09	68797.83	87474.35
Raw Materials	5945.89	5372.23	6955.76	8210.75	10621.75	14513.42	19651.22	25437.04	31814.72	51053.64
Salaries & Wages	1197.12	1429.94	1632.29	1788.48	2107.85	2158.52	2325.46	2646.22	3055.00	3742.45
Operations & Other Expenses	5243.34	6070.38	6735.01	7211.53	10940.28	14392.95	14224.66	16834.96	21556.76	15270.37
Interest	1018.62	851.20	675.64	979.20	1929.43	2157.07	2849.44	2623.68	2485.26	2909.26
Gross Profit (Loss)	1400.87	2109.10	2365.02	2775.80	4029.02	4433.95	5649.90	7185.19	9886.09	14498.63
Depreciation	680.56	858.83	1077.03	1291.57	1808.03	2268.29	2206.57	2263.45	2825.03	3068.48
Profit/(Loss) before Taxes	720.31	1250.27	1287.99	1484.23	2220.99	2165.66	3443.33	4921.74	7061.06	11430.15
Taxes	90.00	120.00	121.00	155.00	181.00	243.26	1048.72	1540.10	2049.01	2225.84
Profit/(Loss) after Taxes	630.31	1130.27	1166.99	1329.23	2039.99	1922.40	2394.61	3381.64	5012.05	9204.31
Extra ordinary items	0.00	(90.35)	(112.93)	(12.57)	373.74	0.00	0.00	(15.51)	378.63	(2.66)
Net Profit	630.31	1039.92	1054.06	1316.66	2413.73	1922.40	2394.61	3366.13	5390.68	9201.65
Dividend	156.12	179.74	235.20	359.86	405.92	405.92	478.73	563.39	739.07	886.08
Tax on Dividend	15.61	17.97	25.71	39.59	64.66	19.12	57.00	72.17	96.60	124.27
Retained Earnings	1139.14	1701.04	1870.18	2208.78	3751.18	3765.65	4065.45	4994.02	7380.04	11259.78
Earning per Equity Share Rs.	2.83	1.55	1.45	1.81	3.32	2.36	2.97	4.43	7.14	9.95
Book Value per Equity Share Rs.	106	83	88	94	221	232	246	272	313	52*
Dividends per Equity Share %	35	15	15	15	15	15	20	30	40	44

*On sub-divided equity share of Rs 2/- each

Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the 75th annual report and audited accounts for the financial year ending on 31 March 2006.

Financial results

The financial performance of your Company for 2005-06 is given below.

	(Rs in lacs)	
	2005-06	2004-05
Gross profit	14498.63	9886.09
Less : Depreciation	3068.48	2825.03
Profit before tax	11430.15	7061.06
Less: Provision for taxation - Current tax (including FBT of Rs.105 lacs)	1734.46	758.50
Deferred tax	491.38	1290.51
Profit/(Loss) after tax before prior period items	9204.31	5012.05
Add/(Less): Short provisions for taxation of earlier years	(2.66)	378.63
Profit after tax	9201.65	5390.68
Balance of profit of previous year	11088.11	7533.10
Profit available for appropriation	20289.76	12923.78
Appropriations		
General reserve	1500.00	1000.00
Proposed dividend on equity shares	886.08	739.07
Tax on dividend	124.27	96.60
Balance carried to balance sheet	17779.41	11088.11
Total	20289.76	12923.78

Review of operations

The Company's attractive growth in 2005-06 was to a great extent driven by the buoyancy in the Indian economy which in turn was derived from resurgence in the country's industrial and service sectors coupled with higher exports.

The result:

- 31.97% increase in the Company's total income to Rs. 883.21 crore
- 30.56% growth in the Company's textile division revenues to Rs. 249.33 crore
- 27.97% growth in the Company's plastics division revenues to Rs. 607.86 crore

What made this performance creditable was that despite considerably higher raw material costs, your Company strengthened its EBITDA/Net Sales margin by 162 basis points to 20.40% during the year under review. Consequently, profit after tax grew 70.70% to Rs. 92.01 crore in 2005-06.

Dividend

The Company is pleased to recommend a dividend of Rs. 0.88 per equity share on a face value of Rs. 2 each on 9,86,58,320 equity shares fully paid up on March 31, 2006 (previous year Rs. 4 per equity share on a face value of Rs. 10 each on 184,76,664 equity shares) and any further shares that may be allotted by the Company following the conversion of bonds or the exercise of convertible warrants prior to June 15, 2006 (being the beginning date of book closure period for the purpose of dividend entitlement) for 2005-06. This dividend will be paid subject to your approval and the approval of the financial institutions and banks.

Operational highlights

I. PLASTICS DIVISION

This division continued to be the mainstay of the Company's operations during the year under review. For one, it accounted for 71% of the Company's turnover in 2005-06, introduced new related businesses and its products continued to be preferred by discerning Indian and international consumers.

Prefabricated buildings

This sub-business accounted for 48.59% of the division's gross sales during 2005-06 (44.32% in 2004-05) even as its direct revenues

increased from Rs. 230.80 crore in 2004-05 to Rs. 321.30 crore in 2005-06.

A burgeoning economy, a growing urgency for various constructions and their established time and cost benefits have made today the day and age of prefabricated structures.

To respond to the growing scope, your Company has designed and developed a total solution offering using small and medium prefabricated segments. We are pleased to report that several Indian states now propose to use prefab structures due to their faster project delivery and quality uniformity, liberating them from the worries of a time overrun and under-delivery.

The result is that the demand for prefabs has grown appreciably across school buildings, army shelters and remote housing. BT shelters, work shelters, agro shelters and toilet blocks are also potentially attractive businesses. Creditably your Company's BT Shelters were preferred by leading telecom brands like BSNL, TATA, Reliance and Airtel as well as a number of equipment manufacturers (Ericsson and Nokia etc.).

We expect the Company's prefab growth to remain robust with an overall thrust on infrastructure and urban development.

Custom moulding and lightweight technical engineering products

This sub-business accounted for 25.78% of the division's gross sales during 2005-06 (20.09% in 2004-05) even as their direct revenues increased from Rs. 104.63 crore in 2004-05 to Rs. 170.48 crore in 2005-06.

Your Company is convinced that the day is not far off when an increasing number of engineered components used in Indian automobiles are made of plastic. Even as this concept is relatively new in India today, your company has invested meaningfully in the manufacture of lightweight technical engineering products, custom moulded products and auto ancillary products for large multinational corporations.

This nascent business is already taking off: your Company has been identified by Cummins Inc. USA as its sole Asian outsourcing partner for products that find application in generators and fuel injection systems.

Sintex Industries also tied up with New Holland Tractors and General Electric, U.S.A for the manufacture of farm equipment components

and auto ancillary products.

In view of the attractive potential this business enjoys, your company expects to enter into similar arrangements with other large customers over the coming year.

Electric distribution enclosures, boxes and accessories

The Government is strengthening India's power and distribution system under the aegis of its ambitious Rajiv Gandhi Gramin Vidyutikaran Yojna, which is expected to drive the off-take of meter boxes, loop-in, loop-out boxes and distribution boxes. Your Company enjoys a considerable presence in the enclosure product segment, addressing needs that range from fuse boxes to meter boxes to distribution boxes.

The Company is also engaged in addressing the bulk demand coming out of institutional projects: power sector utilities in Tamil Nadu, Andhra Pradesh, Chhatisgarh, Delhi, Rajasthan and Madhya Pradesh. During the third quarter of the year under review, the Company secured a large order from the state electricity boards for the supply of polymeric insulators, insulator boxes, cross arms and other related products.

Going forward, there is a big opportunity in this sub-business from more states in the country over the foreseeable future.

Water tank segment

All your Company's water tank brands - Sintex Premium, Sintex, Reno and Jenio - sustained their market acceptability; Sintex Premium and Sintex addressed the demand witnessed from the country's premium consumers while Reno and Jenio catered to the growing demand from India's value-for-money segment.

These products performed favorably for a number of reasons: The growing popularity of rain water collection and harvesting in India catalysed the off-take of Sintex tanks and accounted for 18.96% of the plastic division's revenues. Since the market reality is expected to only become more favourable, we foresee a growing urban demand for the product over the coming years.

We are pleased to report Reno's increasing popularity as an economical storage tank across India's hinterland as a result of its prudent positioning and promotion in several parts of India and abroad.

Plastic pallets and sections too are becoming an attractive business.

The banning of the use of wood pallets by several countries has compelled Indian exporters to use plastic pallets. Consequently, insulated boxes manufactured by the Company are being preferred wherever there is a need to maintain a uniform temperature during bulk material transportation.

Your Company has emerged as a dominant player in specialty products like insulated boxes and pallets; these are supplied to clients like Pepsi and Coke. During the year under review, your Company expanded its product range, offering boxes with variable shapes and capacities to cater to the growing needs of India's food processing, fisheries, ice cream, soft drinks and related industries.

These Sintex pallets are now being preferred by a number of leading brands in India's pharmaceutical, food processing and related hygiene-critical industries for their packaging, in-plant handling and storage utility.

Factory-made doors / plastic boards

Over the last decade, this segment of the business grew due to an increasing preference over expensive wood. However, this business segment - sections and doors - has seen the entry of a number of many low cost manufacturers. As a consequence the Company has reduced its activity in this business.

II. TEXTILE DIVISION

This division increased its turnover by 31% to Rs. 249.33 crore in 2005-06, accounting for 29% of the Company's turnover.

Sintex' collaboration with Canclini has delivered several benefits.

The Company's demonstrated ability to consistently meet high quality standards in its compact structured yarn supplies to Canclini has enabled it to explore opportunities in other weaves and fabrics. These include new varieties like Jaquard, Dense Popuplin in solid type and Coated Fabric.

Our partnership with Canclini has also given us a significant edge in international and domestic markets, as a result of our access to several new designs and ability to forecast colours. Revenues from our brand business exceeded Rs. 30 crore and the Company is well positioned to maintain its position as a 'trendsetter in the industry'.

The Canclini JV has also strengthened our position in the international markets as a result of which we expect to enter into corporate tie ups with European brands in the near future.

Our world-class facilities and ability to consistently supply high quality fabric has also enabled Sintex to emerge as the preferred supplier to brands like GAP, Nike, Ann Taylor, Marks & Spencer as well as domestic brands like Van Heusen, Louis Phillip, Raymond, Zodiac and ITC Wills etc.

Recently, Sintex also perfected its skill in the development of a special 'Nano Care' finish. Besides, the Company also acquired a new technology to develop special finishes which offer considerable value addition and product differentiation. Trial installations of superior Jacquard looms, which are much appreciated by both the Indian and global fashion industry, also began.

Additionally, Sintex has added a coating infrastructure for the development of special coated fabrics that may be used in sportswear, travel as well as industry. The value addition in these fabrics is high and they are seen to enjoy a significant potential going forward.

The Company expects to establish a presence in the large US market by building upon its close association with clients like GAP and Ann Taylor.

New projects

I. PLASTICS DIVISION

Power utility products: Your Company is introducing a number of power utility products as the industry grows its generation capacity, transmission, distribution and electrification capacities. Recently, your Company secured an order for the supply of materials for power transmission lines in Rajasthan comprising the supply of polymeric insulators, insulator boxes, cross arms and other plastic products for the electrical industry. Going ahead, your Company will enter into strategic alliances with power transmission companies for the supply of cross arms, polymeric insulators, insulation boxes and pultruded channels/bars. Your Company also expects to enter the business of design, testing, fabrication, erection and construction of power transmission networks on a turnkey basis.

Underground FRP tanks: Your Company is addressing the rapid growth in India's fuel distribution. The underground fuel tanks manufactured by your Company were received favorably by leading players like Shell and Reliance. Following necessary tests and approvals, they will become an integral part of Indian petrol retailing.

Expansion: Your Company is commissioning three manufacturing facilities at Salem, Secunderabad, Baddi and Bhachau (Gujarat) to address the growing relevance of its products.

The Bhachau unit will manufacture underground FRP tanks, FRP pipes and PVC/HDPE pipes and house facilities for PVC profiles, doors and windows, BT shelters, SMC products, roto-molded and blow-molded products. This plant commenced operations in December 2005 to capitalise on excise exemptions in Kutch.

II. TEXTILE DIVISION

Installation of new facilities: In keeping with evolving fashion trends, your Company commissioned its newly installed jacquard looms. These special, electronically operated, higher end hand-loom address exacting international needs in a short turnaround time.

Setting up of new coating division: During the year under review, your Company added a coating division to impart a special fabric coating used in sportswear, military purposes, travel and industrial products. The Company foresees a huge potential in this innovative product, representing attractive value addition among the company's exclusive products.

Widening value-added presence: Following the introduction of the coating division, your Company will concentrate on high end, high growth segments like jacquards, cotton silk, cotton linen and high value corduroy. This will translate into a distinctive edge in exclusive product lines in the domestic and growing international market. Moreover, the Company installed state-of-the-art equipment to produce blankets to address the needs of various international markets resulting in exact and quick replica of the required sophisticated designs. Also, the complex needs, structures and designs required by clients can be made quickly, thereby reducing lead time.

Issue of foreign currency convertible bonds (FCCB)

Pursuant to the approval of the shareholders at the extra ordinary general meeting on 10 October 2005, your Company accessed the international financial markets with an issue of US \$ 50 million zero coupon foreign currency convertible bonds due in 2010. The bonds were issued on 24 October 2005, listed on Singapore Stock Exchange and convertible into equity shares at a price of Rs. 183.581 per share. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed in U.S. dollars on 25 October 2010 at 140.067% of their principal amount. The funds raised from the FCCB offering will be utilised in funding

international acquisitions and/or strategic alliances, including capacity expansion and new segment presence across the plastics and textiles business.

Preferential allotment to foreign investors & promoters

Your Directors allotted 48,00,000 equity shares to the Warburg Pincus Group and 14,75,000 equity shares to the promoter group respectively following an exercise of the option of conversion of 9,60,000 warrants by Warburg Pincus and 2,95,000 warrants by the promoters.

Following the conversion of warrants during the year under review, the equity capital of the Company increased from Rs. 1847.67 lacs to Rs. 1973.17 lacs and the securities premium account increased from Rs. 17402.00 lacs to Rs. 19812.65 lacs (net of expenses relating to issue of FCCBs).

Captive power

All the Company's three captive power plants (aggregate capacity 14,250 KVA) ran without interruption, generated quality power at a low cost and ensured complete self-sufficiency. In addition the company is planning to acquire a gas turbine from Turbomach (Switzerland), which will enable it to convert its feedstock from furnace oil to natural gas. Turbomach has been building gas turbine generator packages and co-generation systems for 24 years. The advantage of this turbine is that it can be run on multi-fuels ensuring operational continuity in the event of any planned / unplanned disruption in fuel linkage.

Employee stock option scheme

In line with your approval at the extra ordinary general meeting held on 24 February 2006, your Company has formulated an ESOP scheme for rewarding and retaining employees. As per the Sintex Industries Limited Employee Stock Option Scheme 2006 (the "ESOP Scheme"), the Company proposes to allot up to 10,00,000 equity shares of the Company of Rs. 2 each to the Sintex Employees Welfare Trust at Rs. 91.70 per share (as per the terms of the Scheme). The maximum number of options to be allotted to each employee shall not exceed 10,000 in any one financial year and no employee shall be allotted options equal to or exceeding 10% of the issued capital (excluding outstanding options and conversions) of the Company at the time of grant of the option. However, we will obtain your approval by way of a separate resolution passed at a shareholders

meeting, prior to the grant of any employee stock options to identified employee, during any one year, which is equal to or exceeding 1% of the issued share capital of the Company at the time of grant of the option. The Company shall conform to the accounting policies specified in the guidelines as amended periodically. The details of the ESOP Scheme are set out in Annexure 1 to this Report.

Directors

In accordance with the requirements of the Companies Act 1956 and the Articles of Association of the Company, Shri Rooshikumar Pandya, Shri Rahul A. Patel and Shri Amit D. Patel retire by rotation, but being eligible offer themselves for re-appointment.

For the kind perusal of the shareholders, a brief resume of each of them, the nature of their expertise and the name of the Companies in which they hold directorships and the details of membership of the committees of the Board are enclosed. Your Directors recommend their appointment.

Fixed deposits

Your Company has not floated any deposit scheme.

Listing of shares

The names and addresses of the stock exchanges where the Company's shares are listed are given below:

- Ahmedabad Stock Exchange Ltd., Kamdhenu Complex, Panjrapole, Ahmedabad – 380015
- Bombay Stock Exchange Limited, Phiroze Jeejeebouv Towers, Dalal Street, Mumbai – 400001
- The National Stock Exchange of India Ltd, Exchange Plaza, Plot No. C-1, G Block, IFB Centre, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

The Company has paid listing fees to all the above stock exchanges for the year 2006-07.

Corporate governance

As per the amended listing agreement with the stock exchanges, the Company has complied with the requirements of Corporate Governance. A report on Corporate Governance is attached.

Corporate development

Following the signing of an MOU with Zeppelin Mobile Systems India

Ltd. (ZMIL), the Company is in the process of acquiring a 74% stake in it. ZMIL is a subsidiary of the Germany based Zeppelin Mobile Systeme GmbH, which possesses an expertise in designing and commissioning world-class telecom shelters. Following the government's thrust on improving the telecom footprint across the country, this strategic acquisition will enable Sintex to emerge as a leader in the space.

Directors' responsibility statement

To the best of their knowledge and belief and according to the information obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956:

1. That in the preparation of the annual accounts for the year ending 31 March 2006, the applicable accounting standards have been followed and there have been no material departures.
2. That the Directors have 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.
3. That the Directors have 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 frauds and other irregularities.
4. That the annual accounts for the year ending 31 March 2006, have been prepared on a going concern basis.

Information regarding conservation of energy etc. and Employees

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended from time to time, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are

being sent to all the shareholders of the Company excluding the information relating to conservation of energy, technology, absorption and foreign exchange earning and outgo, and the statement of earning of employees. Any shareholders interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary for a copy.

Insurance

All the insurable interests of the Company, including plant and machinery, stocks, loss of profits, standing charges and the insurable interest, are adequately insured.

Auditors

M/s. Deloitte Haskins & Sells, statutory auditors of the Company, retire and are eligible for re-appointment and have indicated their willingness to be re-appointed.

The observations made in the Auditor's Report are self explanatory and do not call for any further comments under Section 217 of the Companies Act, 1956.

Cost accounting records

As required under the order made by the Central Government, the Company is maintaining necessary cost accounting records in respect of cotton textiles.

Acknowledgments

Your Directors place on record their deep appreciation for the continued co-operation, assistance and guidance provided by financial institutions, banks, investors, customers, suppliers, shareholders, dealers and other stakeholders.

Your Directors also place on record their deep appreciation for the dedication of the employees leading to an attractively improved performance.

On behalf of the Board

Dated: April 25, 2006
Place: Ahmedabad

Dinesh B. Patel
Chairman