SINTEX
ACTIVE THINKING

Sintex Industries Limited

Annual Report 2008-09

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and the underlying assumptions undergoing change. Should known or unknown risks or uncertainties materialise, or should underlying assumptions not materialise, actual results could vary materially from those anticipated, estimated or projected. Shareholders & Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

Corporate Information

BOARD OF DIRECTORS

Dinesh B. Patel	*Chairman*
Arun P. Patel	*Vice Chairman*
Ramnikbhai H. Ambani	
Ashwin Lalbhai Shah	
Rooshikumar V. Pandya	
Indira J. Parikh	
Dr. Rajesh B. Parikh	
Dr. Lavkumar Kantilal	
Rahul A. Patel	*Managing Director*
Amit D. Patel	*Managing Director*
S.B. Dangayach	*Managing Director*

MANAGEMENT TEAM

Rahul A. Patel	*Managing Director*
Amit D. Patel	*Managing Director*
S.B. Dangayach	*Managing Director*
L.M. Rathod	Group *C.F.O. & Company Secretary*
Sunilkumar Kanojia	*Group President (Corporate)*
Sanjib Roy	*Senior President – SBU-I (Plastic Div.)*
S. Venkatachalam	*President – SBU-II (Plastic Div.)*
B.R. Jayswal	*President – Fin. & Acc. (Plastic Div.)*
Rajan Gulabani	*Vice President – Marketing (Plastic Div.)*
S.M. Anerao	*Vice President – Marketing (Plastic Div.)*
A.C. Saxena	*Vice President – Marketing (Plastic Div.)*
Balakumar Rajgopalan	*Vice President – Housing (Plastic Div.)*
Shashidhar B.C	*President – Marketing. (Textile Div.)*
Ashoke Maitra	*President – Opr. (Textile Div.)*
R.A. Sharma	*President – Proc. (Textile Div.)*
Manven Dubey	*Vice President – MIS*
Siddhartha Jha	*Vice President – Tech. (Textile Div.)*
Rajiv Naidu	*Head - IR & PR*

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants
Ahmedabad

REGISTERED OFFICE

Near Seven Garnala
Kalol (N.G.) 382721
Tel : (0091-2764) 253000
Fax : (0091-2764) 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 Limited

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, Tamil Nadu 636203
- **Bhachau**
  Plot No.1211/1, 1223/24/31
  Bhachau Gandhidham Highway
  Dist.: Kutch
  Bhachau, Gujarat 370 140

Ten years at a glance

(Rs. in crore)

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Fixed assets (Net)	149.74	381.71	378.82	364.87	480.25	493.44	470.64	635.43	783.96	1221.29
New project expenses	51.25	56.44	55.23	121.49	18.33	29.62	19.02	38.79	242.68	197.38
Investments	13.69	11.29	31.07	11.53	56.86	167.47	156.83	206.53	429.77	637.89
Net current assets	85.07	131.35	100.79	122.79	136.05	219.92	449.59	518.63	1690.47	1640.05
Misc. exp. (Not written off)	2.62	1.91	4.07	3.51	3.20	6.10	3.40	2.12	1.15	0.17
Total assets (Net)	**302.37**	**582.70**	**569.98**	**624.18**	**694.69**	**916.56**	**1099.48**	**1401.49**	**3148.03**	**3696.78**
Borrowings	149.77	245.67	217.15	250.33	298.58	338.41	582.66	678.26	1536.93	1938.36
Preference share capital	15.00	15.00	15.00	15.00	–	–	–	–	–	–
Equity share capital	14.56	14.56	14.56	14.56	14.56	18.48	19.73	22.19	27.10	27.10
Share warrants	–	–	–	–	–	13.92	5.41	–	47.80	–
Reserves and surplus	123.04	307.47	316.91	335.23	337.42	488.71	429.73	628.68	1436.75	1600.63
Deferred tax liability	–	–	6.36	9.06	44.13	57.04	61.95	72.36	99.45	130.69
Total capital employed	**302.37**	**582.70**	**569.98**	**624.18**	**694.69**	**916.56**	**1099.48**	**1401.49**	**3148.03**	**3696.78**
Debt/Equity Ratio	1.1:1	1.6:1	1.3:1	1.35:1	1.59:1	0.95:1	1.28:1	1.04:1	1.02:1	1.19:1
Sales and other income	**209.66**	**296.28**	**376.56**	**447.01**	**547.27**	**687.98**	**874.74**	**1184.17**	**1719.60**	**1998.06**
Raw materials	82.11	106.22	145.13	196.51	254.37	318.15	510.54	695.39	1025.08	1159.22
Salaries and wages	17.88	21.08	21.59	23.25	26.46	30.55	37.42	47.90	63.46	77.52
Operations and other expenses	72.12	109.40	143.93	142.25	168.35	215.57	152.26	196.88	242.58	293.29
Interest	9.79	19.29	21.57	28.49	26.24	24.85	29.09	40.99	56.25	63.97
Gross profit/(loss)	27.76	40.29	44.34	56.50	71.85	98.86	145.43	203.00	332.23	404.06
Depreciation	12.92	18.08	22.68	22.07	22.63	28.25	31.13	41.47	51.70	62.40
Profit/(loss) before taxes	**14.84**	**22.21**	**21.66**	**34.43**	**49.22**	**70.61**	**114.30**	**161.53**	**280.53**	**341.66**
Taxes	1.55	1.81	2.43	10.49	15.40	20.49	22.26	30.93	64.20	72.56
Profit/(loss) after taxes	**13.29**	**20.40**	**19.22**	**23.95**	**33.82**	**50.12**	**92.04**	**130.60**	**216.33**	**269.10**
Extra ordinary items	(0.13)	3.74	–	–	(0.16)	3.79	(0.03)	(0.02)	–	(2.39)
Net profit	**13.17**	**24.14**	**19.22**	**23.95**	**33.66**	**53.91**	**92.02**	**130.58**	**216.33**	**266.71**
Dividend	3.60	4.06	4.06	4.79	5.63	7.39	8.86	10.75	13.65	15.02
Tax on dividend	0.40	0.65	0.19	0.57	0.72	0.97	1.24	1.83	2.32	2.51
Retained earnings	22.09	37.51	37.66	40.65	49.94	73.80	113.04	159.48	252.05	311.58
Earning per equity share (Rs.)	1.81	3.32	2.36	2.97	4.43	7.14	9.95	12.15	18.35	19.68
Book value per equity share (Rs.)	94	221	232	246	272	313	*52	*65	*119	*130
Dividends per equity share (Rs.)	1.50	1.50	1.50	2.00	3.00	4.00	*0.88	*0.96	*1.00	*1.10

* On subdivided equity share of Rs. 2 each.

Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the 78th Annual Report and audited accounts for the financial year ending March 31, 2009.

Financial results

The financial performance of your Company for the year 2008-09 is given below:

(Rs. in crore)

	2008-09	2007-08
Gross profit	404.06	332.23
Less : Depreciation	62.40	51.70
Profit before tax	**341.66**	**280.53**
Less: Provision for taxation - current tax (including FBT of Rs. 1.70 crore)	41.32	37.12
Deferred tax	31.24	27.08
Profit/(loss) after tax before prior period items	**269.10**	**216.33**
Excess/(short) provision for taxation in earlier years (net)	(2.39)	–
Profit after tax	**266.71**	**216.33**
Balance brought forward from previous years	456.16	280.80
Profit available for appropriation	722.87	497.13
Appropriations		
General reserve	30.00	25.00
Debenture redemption reserve	1.17	–
Proposed dividend on equity shares	15.02	13.65
Tax on dividend	2.51	2.32
Balance carried to balance sheet	674.17	456.16
Total	722.87	497.13

Review of numbers

The financial year 2008-09 challenged the sustainability of your Company. Surging oil prices in the first half and the appreciating rupee dampened the plastic and textile sectors' sentiments. The second half witnessed the worst global meltdown in decades, adversely impacting global corporates and governments and leading to a global financial crisis and demand destruction across all sectors.

Your Company's ability to innovate solutions, market concepts and create new markets where none existed before enabled a sustainable business model capable of withstanding any adverse external effects. Your Company strategically widened product, project and service portfolios, maintaining an overall growth momentum despite segmental imbalances created by external economic factors. Your Directors are pleased to inform that despite these roadblocks, your Company's performance was commendable during the year under review.

- Gross turnover grew 10.71% from Rs. 1,790.29 crore in 2007-08 to Rs. 1,982.04 crore in 2008-09.
- EBIDTA grew 20.48% from Rs. 388.48 crore in 2007-08 to Rs. 468.03 crore in 2008-09.
- Profit after tax grew 23.28% from Rs. 216.33 crore in 2007-08 to Rs. 266.71 crore in 2008-09.
- Cash plough back in the business grew 21.62% from Rs. 332.23 crore in 2007-08 to Rs. 404.06 crore in 2008-09.
- Earning per share stood at Rs. 19.68 (basic) and Rs. 19.68 (diluted) in 2008-09.

Dividend

Your Company practices an intelligent policy of maintaining a prudent balance between rewarding its shareholders and its need to fund growth initiatives. This is reflected in a more than 26.31% CAGR over the last decade and a 75-year uninterrupted dividend payout record. In keeping with this policy, your Directors are pleased to recommend a dividend of Rs. 1.10 per equity share on a face value of Rs. 2 each on 13,64,95,433 equity shares and any further shares that may be allotted by the Company following the conversion of bonds prior to October 1, 2009. In the previous year, Re. 1 per equity share was distributed on a face value of Rs. 2 each on 13,64,95,433 equity shares. This dividend will be subject to the approval of shareholders, financial institutions and banks.

Business review and divisional performance

A detailed discussion of the performance of operations of your Company is given elsewhere in this annual report under 'Management discussion and analysis report'

1) Plastics division

The plastics division grew 15.52% from Rs. 1,311.73 crore in 2007-08 to Rs. 1,515.32 crore in 2008-09, retaining its position as the Company's key growth engine. It accounted for 80.46% of your Company's revenue in 2008-09 against 79.22% in 2007-08. The growth was primarily accelerated by the prefabs and the monolithic construction segments. Other growth drivers included the custom moulding and water tanks segments. Your Company introduced a number of novel products and 'complete solutions' which reinforced their brand name, reflected in growing recall and market share.

Monolithic construction: Your Company's affordable housing programme yielded excellent results and was clearly recognised as a leader in the mass housing for EWS/LIG segment. The monolithic concrete construction technology has been recognised as the best means for delivering superior-quality and low-cost mass housing solutions. The Central Government's initiative to provide homes to every family below the poverty line will boost the Company's growth plans.

Your Company is in the process of negotiating new housing solution contracts in several states. Besides, the Company is looking to develop and offer housing under its own brand name, creating an outfit that will provide appropriate housing in relevant markets.

Your Company delivered a significant number of dwelling units in 2008-09, registering a near four-fold revenue growth. Besides, the massive order book in this segment provides revenue visibility up to May 2010.

Prefabricated structures: The prefabs business, driven by government sector and institutional customer demand, registered considerable growth over 2007-08. The Company's prefabs received excellent response, becoming a leader in small to medium size prefabs for health, education, site and road infrastructure.

Your Company successfully established a global footprint, exporting to Africa and parts of Asia for housing, schools, medical centres, kiosks and BT shelters, among others.

In 2008-09, your Company also introduced a new line for manufacturing continuous sandwich panels, which are sure to emerge as a revolutionary product group and will help the Company redefine construction. These panels are not only insulated but possess superior structural strength enabling the Company to create walls and roofs that will replace traditional built-up structure construction methods. With the use of these panels, your Company will be able to create new markets for this product line.

In tune with swift changes in the telecom space, your Company registered as a total solution provider, providing a consistent and significant growth opportunity over the coming years.

Your Company expanded its range of doors and also witnessed increasing acceptance of PVC windows owing to the various benefits they offer against traditional windows. Doors and windows coupled with plastic sections will deliver impressive growth in years to come.

Custom moulding: Your Company shared excellent business relationships with the electrical sector. Your Company is one of the largest enclosure manufacturers for various products like meters, fuses and electrical equipment, among others. Your Company also serviced utility companies in both private and public sectors. Additionally, your Company executed turnkey projects for last mile connectivity in Rajasthan, Karnataka and Gujarat.

In the FRP tanks segment, your Company's products were approved by IOCL and other oil marketing companies.

Your Company actively pursued business in OEM and secured approval from companies like John Deere, M&M, Cummins and Kirloskar Engines, among others for specialised and customised products.

Liquid management solutions: Water tanks, the foundation of your Company maintained its topline owing to the significant reduction in price gap between the organised and unorganised sectors and an extended, pan-India semi-urban and rural reach. As a product extension, your Company successfully launched the septic tanks. Also, your Company developed and marketed decentralised wastewater treatment systems in collaboration with Aqua Nishihara Corporation Ltd., Thailand and Japan. Other innovative solutions which received heartening acceptance were the rain water harvesting and grey water recycling systems.

Material handling solution: Your Company's material handling segment registered positive growth. Your Company decided to add racking systems and equipment to its range, offering a total material handling solution to industries and institutions which would enhance its business.

New initiative

Green initiatives and prospects

Your Company integrated certain "green" elements. Our association with CEPT University, Ahmedabad helped spread awareness regarding green and sustainable building materials and technologies. Under Sintex Chair, CEPT has signed an MoU with the Indian Green Building Council for evaluation, approval and recommendation of various materials and technologies that form a part of green buildings in India.

The initiatives taken under this chair will help the country in general and your Company in particular, by bringing about a green orientation in the field of built-up structures.

In the forthcoming years, your Company will be able to offer affordable green housing solutions using several technologies like decentralised wastewater treatment systems, grey water recycling systems, solar water heating systems and rain harvesting structures.

2) Textiles division

Despite the sizeable reduction in global consumption expenditure impacting textile purchases, the textiles division grew 7.01% from Rs. 343.97 crore in 2007-08 to Rs. 368.09 crore in 2008-09. Although this division's contribution to the Company's revenue was 19.54% in 2008-09 against 20.78% in 2007-08, this business segment continued to be a value driver.

Your Company undertook a number of business strengthening initiatives in 2008-09:

- Installed state-of-the-art equipment in the spinning and weaving section to improve product quality and machine productivity.

- Added two new buyers in the UK and added a number of brands in the domestic market.
- Added a new business house which will grow the ladies wear business.
- Launched the ready-to-stitch cut pieces and small metre lengths for retailers on a pan-India basis.
- Ventured into the technical textile segment with tents, water proof and fire retardant fabrics for the defence segment.
- Developed about six new finishes and seven new products to grow our addressable market.

The contribution from the new revenue verticals, namely women's wear and furnishing, increased over the previous year.

Subsidiaries - performance

1) Zeppelin Mobile Systems India Ltd.

The Company's topline declined from Rs. 127.26 crore in 2007-08 to Rs. 110.82 crore in 2008-09 owing to an order for a leading service provider which was completed but could not be converted into revenue. Despite negative topline growth, Zeppelin sustained profitability growth momentum by widening product portfolio and adding three new clients. Additionally, the Company received approvals for its composite shelter from Bharti Infratel Ltd. which would grow the Company's size and profitability in the coming years. Also, the Company received product approvals from BSNL and ITI Rae Bareli. It received specific approvals on certain products:

- For supplying towers to Aircel from IIT, Chennai
- For refrigerated body for Tata ACE

As a significant value addition, the Company acquired Digvijay Group, an end-to-end communication solution provider and emerged as a total solution provider in the telecom space from a conventional product supplier.

2) Bright AutoPlast Pvt. Ltd.

Bright AutoPlast reported a Rs. 126.66-crore topline with improved profit margin during the period under review. The bottomline improved owing to the addition of new customers, acceptance of products for new platforms of existing clients. The Company commissioned its second facility at Chennai in March 2009; this is expected to add significantly to growth and profitability over the coming years.

The Company's Pune unit was awarded the coveted TS-16949 certificate and its Chennai facility received the 'Best Supplier' Award in spares by MOBIS.

3) Wausaukee Composites Inc. (WCI)

The Company registered a turnover of USD 44.11 mn in 2008-09. During the year under review, WCI added an important client — New Flyer Bus Company. New Flyer, the largest North American bus manufacturer, transferred its account to WCI, a programme worth around USD 1.20 mn annually. The program was launched at Owosso, Michigan. The launch of the Harley-Davidson, Tri-Glide Motorcycle Body Programme was a highly successful programme for the Company. With a long-term view of wind energy development, especially in North America, the production of wind turbine nacelles and blade hub covers for Acciona Wind Energy and Clipper Wind was on an upward trend.

Additionally, the Company was awarded the Siemens Transportation Systems as well as Salt Lake City Interior Components Programme of mass transit segment. It also received a new baggage scanner project for Analogic Corporation for the medical imaging segment.

4) Nief Plastics SA

During 2008-09, Nief Plastics recorded a turnover of Euro 113.68 mn. Nief Plastic manufactures a wide variety of plastic products with applications in the automotive, electrical and electronics, aeronautics and defence, household appliances and building industries. Nief has strong presence across Europe, especially in high quality insertion moulding technology. Its clientele includes prestigious European and global brands namely ABB, Areva, EADS, Faurecia, Legrand, Schneider, Siemens, Snecma, ThyssenKrupp Automotive, Valeo and Visteon. Nief Plastic successfully entered into the high-growth aerospace sector. In October 2008, Nief Plastics acquired AIP SAS – a Company present in the lucrative aeronautic and medical sectors. AIP is largely involved in plastic injections.

Strategic acquisitions

The Company strengthened its business during the year under review through the following strategic acquisitions:

Digvijay Group

Pursuant to a business transfer agreement dated June 16, 2008, Zeppelin Mobile Systems India Limited, a Sintex subsidiary, acquired the Digvijay Group for Rs. 64.52 crore. The Group essentially provides end-to-end communication solutions. The Group has a 3,600-TPA tower manufacturing facility near Indore, Madhya Pradesh with the ability of supplying a variety of towers as per order design and specifications. Its services include infrastructure development, installation and commissioning of towers and BT structures. Its communication solution comprises site acquisition, architecture planning, civil work, tower erection and site maintenance. Its core areas of operation comprise Madhya Pradesh and Chhattisgarh; its footprint extends to other states namely Gujarat, Maharashtra, Andhra Pradesh and Uttar Pradesh, among others.

AIP SAS

AIP specialises in CNC machining and is a leader in this activity. AIP's market is split into three sectors — aerospace, medical and industry.

The consolidation of the turnover made in the aerospace sector, the diversification in the medical sector into value-added products, the contribution of complementary processes would allow Nief Plastic to improve its offer in these sectors. This buy-out will also enable Nief Plastic to acquire a new know-how i.e. CNC machining.

Non-convertible debentures

On February 18, 2009, the Company issued 11.50% secured redeemable non-convertible debentures aggregating to Rs. 250 crore to LIC of India on a private placement basis for financing capital expenditure on existing operations, general corporate purpose and to meet long term working capital purpose as well as other expenditures as permitted by the investors.

The debentures would be redeemable in three annual equal installments at the end of the seventh, eighth and ninth year from the date of allotment.

CARE has assigned "AA+" ("Pronounced Double A plus") rating to these debentures. This rating indicates high degree of safety with regard to timely payment of interest and principal on the instrument.

The aforesaid debentures are listed on the wholesale debt market of the Bombay Stock Exchange Limited.

Preferential warrants allotment

During the last year, the Company allotted 1,32,00,000 warrants at a price of Rs. 454.74 per warrant (10% of the consideration received upfront) to the Promoters' Group on preferential allotment basis and the warrants are optionally convertible into equity shares of Rs. 2 each within 18 months of allotment date.

During the year under review, the promoter group to whom the warrants were allotted informed the Company of not exercising the balance warrants of 1,05,12,000 and the Company, thereby, forfeits the 10% upfront amount of Rs. 47.80 crore as per the SEBI Guidelines and credited the amount to capital reserve.

Employee stock option scheme

The shareholders of the Company had approved of its employee stock option plan (Sintex Industries Limited Employees Stock Option Scheme 2006) in February 2006. This ESOPS is administered by the Sintex Employee Welfare Trust on the basis of recommendations of the Compensation Committee of the Board. In terms of the plan, the Company periodically granted stock options to eligible employees. The Company will conform to the accounting policies specified in the guidelines as amended periodically. The details of the scheme are set out in Annexure 1 of this report.

Changes in equity share capital

In 2008-09, there was no change in the share capital of the Company.

Scheme of arrangement

The Scheme of Arrangement between Sintex Industries Limited and its equity shareholders was approved by the Board of Directors vide the Circular Resolution dated June 30, 2008, the shareholders in its Court Convened meeting held on September 15, 2008 and by the Honorable High Court of Gujarat vide its order dated March 25, 2009.

The Scheme envisages a financial restructuring exercise for the Company by earmarking an amount of INR 200 crore from its Securities Premium Account as on March 31, 2008 towards the "International Business Development Reserve". International Business Development Reserve so created would be utilised towards the permissible expenditure as per the Scheme of Arrangement, on stand alone as well as consolidated basis. The effects have been given in our books of accounts.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Rooshikumar V. 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 reappointment.

Fixed deposits

Your Company did not float any deposit scheme.

Listing of shares and securities

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

- The National Stock Exchange of India Ltd., Exchange Plaza, Plot No. C-1, G Block, IFB Centre, Bandra Kurla Complex, Bandra (East), Mumbai 400051.
- Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001.
- Ahmedabad Stock Exchange Ltd., Kamdhenu Complex, Panjrapole, Ahmedabad 380015.
- Singapore Exchange Securities Trading Limited, 2 Shenton Way, # 19 – 00 SGX Centre 1, Singapore 068804. (FCCB'S USD 225 million).
- Bombay Stock Exchange Limited (Wholesale Debt Market), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001 (NCD INR 250 crore).

The Company paid listing fees to all the above stock exchanges for 2009-10.

Corporate Governance Report

Your Directors adhered to the requirements set by the Securities and Exchange Board of India's Corporate Governance practices and implemented all the stipulations prescribed.

A separate Corporate Governance Report is furnished as a part of Directors' Report and the Certificate from the Company's Auditors regarding compliance with the conditions of Corporate Governance is annexed to it.

Directors' Responsibility Statement

To the best of their knowledge and belief and based on 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 March 31, 2009, 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 March 31, 2009 have been prepared on a going concern basis.

Consolidated financial statements

The company has made an application u/s. 212(8) of the Companies Act, 1956 to the Central Government seeking exemption from attaching the Annual Accounts of subsidiaries and expects to receive the same.

The some key information has been disclosed in a brief abstract forming part of this Annual Report. Accordingly, the report contains the consolidated audited financial statements prepared as per Clause 41 of the Listing Agreement entered into with the stock exchanges and prepared in accordance with the accounting standards prescribed by the ICAI.

Further, the annual accounts of the subsidiary companies and the related detailed information will be made available to any member of the Company/its subsidiaries at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any member of the Company/its subsidiaries at the registered office of the Company and that of the respective subsidiary companies.

Conservation of energy, technology absorption, etc.

A statement containing the necessary information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this report as Annex 2.

Particulars of emloyees

The information required under section 217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975, forms part of this report as Annex 3. However, as permitted by section 219(I)(b) (iv) of the Companies Act, 1956, this Annual Report is being sent to all shareholders excluding the said Annexure. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary at the registered office of the Company.

Insurance

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

Auditors

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

The Company has earmarked Rs 200 crores from Securities Premium Reserve to International Business Development Reserve Account, in accordance with the Scheme of Arrangement approved by the Honorable High Court of Gujarat vide its order dated March 25, 2009. There are no other observations/ comments of the auditors in their report.

Cost accounting records

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

Acknowledgements

Your Directors express their gratitude for the cooperation and support received from vendors, customers, banks, financial institutions, shareholders and society at large. Your Directors also take, on record, their appreciation for the contribution and hard work of employees across all levels. Without their commitment, inspiration and hard work, your Company's consistent growth would not have been possible.

On behalf of the Board,

Rahul A. Patel — *Managing Director*

Amit D. Patel — *Managing Director*

Date : May 9, 2009
Place : Ahmedabad

Annexure 1 to the Director's Report

Disclosure pursuant to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Details of the grants as on March 31, 2009	
a. Total number of options covered under the plan	10,00,000
b. Total number of options granted	10,00,000
c. Pricing formula	An exercise price of Rs. 91.70 per share shall be payable by an employee pursuant to the ESOP Scheme. The employee can opt for conversion of the options by applying to the Trust by a written notice during the exercise period, in a specified format accompanied by payment of the exercise price and all applicable taxes. Such notice is required to be provided by the employees to the Trust not less than 30 (thirty) days before the exercise of the options by the employee.
d. Vesting schedule	All options granted on any date shall vest at the expiry of 36 months from the date of the grant
e. Options vested	Nil
f. Options exercised	Nil
g. Options lapsed	Nil
h. Variation of terms of options	No terms of the ESOP scheme have been varied.
i. Money realised by exercise of options	No options have been exercised so far and therefore no money has been realised till date by exercise of options.
j. Total number of options in force	10,00,000
k. Person-wise details of options granted to:	
i) Directors	10,000
ii) Key managerial employees	9,90,000
iii) Any other employee who received a grant in any year of options amounting to 5% or more of options granted during that year	Nil
iv) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant	Nil
l. Diluted earnings per share	Not applicable as no options have been exercised.
m. Weighted average exercise price	An exercise price of Rs. 91.70 per equity share shall be payable to the ESOP Scheme.
n. Weighted average fair value of options	Not applicable
o. Description of method and assumptions used for estimating fair value of options	Not applicable