



**SUDITI
INDUSTRIES
LTD.**

**FIFTEENTH ANNUAL REPORT
2005-2006**

BOARD OF DIRECTORS

Anand Agarwal

(Chairman & Managing Director)

Pawan Agarwal

A. Indu Sekhar Rao

Sushil Kumar Kasliwal

Vivek Gangwal

H. Gopalkrishnan

V.P. Finance & Company Secretary

Registered Office

A-2, Shah & Nahar Estate, Unit No. 23/26,
Lower Parel, Mumbai 400 013.

Factory & Admn. Office

C-253/254, MIDC, TTC Industrial Area, Turbhe,
Pawane Village, Navi Mumbai 400 705.

Works

Unit No. 1

C-253/254, M.I.D.C., T.T.C. Indl. Area,
Pawne Village, Navi Mumbai 400 705

Unit No. 2

C-3/B, M.I.D.C.,
T.T.C. Indl. Area
Navi Mumbai 400 705.

Auditors

Chaturvedi & Co.

81, Mittal Chambers, 228 Nariman Point,
Mumbai 400 021.

Legal Advisor

A. Ramkrishna

75, Laxmi Insurance Bldg.,
4th Floor, Sir P. M. Road,
Fort, Mumbai 400 001.

Bankers

American Express Bank Ltd.

HDFC Bank Ltd.

SBI Commercial & International Bank Ltd.

Union Bank of India

Registrar & Share Transfer Agents

Sharex Dynamic (India) Pvt. Ltd.

17/B, Dena Bank Bldg., 2nd Floor,
Horniman Circle, Fort, Mumbai-400 001.

or

Unit-1, Luthra Indl. Premises, Safed Pool,
Andheri Kurla Rd., Andheri (E), Mumbai-72.

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FIFTEENTH ANNUAL GENERAL MEETING

On Friday, the 22nd day of September, 2006
at 4.00 p.m. at Kilachand Conference Room,
2nd Floor, Lalji Naranji Memorial Indian
Merchants' Chamber Building Trust, (IMC Bldg.),
Churchgate, Mumbai-400 020.

As a measure of economy, copies of the
Annual Report will not be distributed at the
Annual General Meeting. Shareholders are
requested to kindly bring their copies
to the meeting



SUDITI INDUSTRIES LTD.

NOTICE FOR THE FIFTEENTH ANNUAL GENERAL MEETING:

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Friday the 22nd September, 2006, at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchants' Chamber Building Trust (IMC Bldg.), Churchgate, Mumbai - 400 020, to transact the following business.

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account of the Company for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri Pawan Agarwal who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Vivek Gangwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company. A member unable to attend may appoint another person (Whether a member or not) as his proxy in the enclosed form. The instrument appointing the proxy and the Power of Attorney or other authority, if any, under which it is signed or a copy of that power or authority duly

certified by a Notary Public or other proper authority shall be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting, in default, the instrument of proxy shall not be treated as valid.

2. The relevant details in respect of Item No. 2 & 3 pursuant to clause 49 of the Listing agreements with the Stock Exchanges are annexed hereto.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Wednesday the 6th September, 2006 to Friday the 22nd September, 2006 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are also requested to notify immediately of any change in their address to the Company/Share Transfer Agents.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Holidays between 10.30 a.m. to 5.00 p.m. upto the date of the Annual General Meeting.

By order of the Board
For SUDITI INDUSTRIES LTD.

Place: Mumbai
Date : 30.06.2006

H.GOPALKRISHNAN
COMPANY SECRETARY &
V.P.FINANCE

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

| Name of Director | Shri Pawan Agarwal | Shri Vivek Gangwal |
|---|--|---|
| Date of Birth | 10.02.1965 | 17.12.1970 |
| Date of Appointment | 12.09.1991 | 16.06.2003 |
| Expertise in specific Functional areas | Shri Pawan Agarwal has more than two decades of experience in the finance, marketing & other related matters particularly with reference to manufacture and export of garments | Shri Vivek Gangwal has vast experience and knowledge in the various aspects of primary and secondary market operations, port folio management, equity research. His experience span over a period of more than 10 years and also traveled for enhancing and sharing his wide business experience. |
| Qualifications | A graduate in commerce. | A graduate in Commerce and Chartered Accountant |
| Directorships held in other companies (including foreign companies) | R.Piyarellal P.Ltd. | S.S.J.Finance & Securiteis Ltd. S.S.J.Holding Ltd., Soba Infosec P.Ltd. Soba Financial Services P.Ltd. |
| Directorship position in other companies | NIL | NIL |
| Shares held (own) | 612500 | NIL |

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DIRECTORS' REPORT:

Dear Shareholders,

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date.

Financial Results:

| | (Rs.in Lacs) | |
|---|-------------------------------------|--------------------------------------|
| | Current Year Ended 31.03.2006 | Previous Year Ended 31.03.2005 |
| Local Sales | 2175.37 | 2019.14 |
| Export Sales | - | 21.78 |
| Other Income | 74.96 | 32.59 |
| Profit/(Loss) before Interest and Depreciation | 431.61 | 36.63 |
| Interest | 4.14 | 5.45 |
| Profit/(Loss) after Interest | 427.47 | 31.18 |
| Depreciation | 135.38 | 295.77 |
| Profit/(Loss) before Tax | 292.09 | (264.59) |
| Provision for Tax | - | - |
| Profit/(Loss) after Tax | 292.09 | (264.59) |
| Income Tax - Income/(Exps.) | - | - |
| Add: Brought forward from the previous year | (2480.25) | (2215.66) |
| Transfer from General Reserve | - | - |
| Amount available for appropriation (Loss) | 292.09 | (264.59) |
| Balance carried to Balance Sheet (Loss) | (2188.16) | (2480.25) |

Dividend:

In view of accumulated losses, your Directors regret their inability to recommend payment of any dividend on the Equity Shares for year ended 31st March, 2006.

Operations:

After nearly a gap of 4 years, the Company has registered substantial improvement in the performance and recorded a profit of Rs.292.09 lacs against a loss of Rs.264.59 lacs last year. This was made possible due to implementation of various measures both in terms of cost reduction as well as improving the productivity. This modest achievement has been made inspite of the fact that the company continues to undertake its operations on job work basis.

During the year the company has added some higher capacity machines in replacement of the old low capacity machines. This has helped the Company to strengthen its production lines thereby achieving higher productivity levels. Further these measures also helped the company to reduce the wastage levels, achieving better utilization of power, steam, water & other input materials.

The growth in the profit level is attributed to reversal of provisions of Rs.215.16 lacs made against interest payable to the institutions on account of settlement of certain institutional outstandings under one time/negotiated settlement scheme. Even though, there is substantial improvement in the local sales, the Company is yet to improve its export activities. Since the export activities involves some significant amount of investment in working capital finance, the company is in the process of stabilizing its operations to facilitate the arrangement of adequate working capital finance to undertake export business on a large scale.

As indicated in the last year, the implementation of GATT in the world trade has opened up new avenues for the textile sector. Garment Industry is now becoming a major player in the country's export activities. The industry is anticipating significant improvements both in terms of value of exports as well as in the unit value realization.

Your company is witnessing a significant change in the response from local export customers, and because of this the company had excellent order position throughout the year. The buoyancy is expected to continue in the coming years also barring few months during the 1st quarter of the year.

However, the trend in the export market is more towards Garments and Made-ups. The overseas buyers are always attracted towards the units which has a complete set up for manufacturing garments i.e. right from knitting of yarn to finished garments. Your Company is one of few units in the industry which has a complete facility to manufacture garments right from the stage of knitting of the yarn to the finished garments. Apart from this the quality parameters maintained by the company are of high standards which is an added advantage to the company in catering to the requirements of overseas buyers.

During the last year IDBI had transferred its entire rights and securities in respect of term loan liabilities of the company to M/s. Stressed Asset Stabilization Fund (SASF). During the year under review the Company has finalized the settlement package with SASF, and executed necessary agreement towards the settlement of the entire dues. The company has paid substantial part of the settlement amount during the year and the balance amount would be paid in due course as per the terms of the settlement.

The company has also finalized the one time settlement package with SBICI Bank Ltd. and executed necessary agreement with SBICI Bank Ltd. The Company has paid substantial amount of the settlement amount and the remaining balance would be paid during the current year as per the terms of the settlement. The company has also completed the payment schedule of ING Vysya Bank Ltd., as per the terms of the settlement. The Company has paid the dues of Union Bank of India in full. This would enable the company to become an interest free unit and a totally competitive unit in the export market. As a result of restructuring the interest burden of the company reduced greatly which will help the company in const funds for its export activities.

The Company's appeal filed with Addl.DGFT, New I



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against the order issued by Jt.DGFT, Mumbai, imposing penalty against non fulfillment of export obligation had been decided in favour of the company and accordingly the order has been issued by Addl.DGFT to set aside the order issued by Jt.DGFT, Mumbai. As per the order the Company is now pursuing with Jt.DGFT to assess the case as per the directions given in the order. With this the recovery action initiated by Jt.DGFT, Mumbai, against the company stands suspended.

The Company proposes to continue its programme of modernization & upgradation of its plant by adding additional latest technology machines in place of old outdated machines. This would eventually help the company to enhance its production capabilities as well to economise its cost of operations.

ISO 9001-2000

During the year the company had also obtained ISO 9001-2000 certification from AQSR. This is apart from obtaining OEKOTEX standard 100 certification. This would enable the company to become a major source of procurement for garments in the overseas market.

Export Sales:

Even though there were large number of enquiries for export business, the company could not translate these into actual export business due to non-availability of adequate working facilities and the local business was found to be more attractive.

However, in the meantime the company is enhancing its activities in the Garment sector to manufacture and export of garments on a large scale. In view of implementation of GATT (WTO) scope for export of garments are very bright and the company can obtain orders directly from buyers on a large scale. The company has started negotiation with some of the leading buyers in the overseas market. Further the company has also appointed Marketing Consultant in Europe with the object of obtaining regularly necessary advise and opinion for developing the company's marketing activities in these regions. In view of this the company is hopeful of starting export of garments from the current year onwards.

Expansion:

The company has embarked upon a forward integration programme by setting up a garment unit in the premises constructed under expansion programme. Since the future is now looking more towards exports of garments & made ups instead of fabrics as was done by the company in the earlier years, the company is now positioning itself to become one of the major player in the garment business. Along side the company also undertakes the modernization and upgradation programme of its processing technical capabilities.

Major civil and interior work for the garment unit is almost complete. The imported machines & other equipments are expected to reach the site very soon. This will facilitate manufacturing of garments and made ups on a scale of approx. 5000 pcs. per day mainly for the export business.

The company has already received good responses from some of the reputed buyers from US & Europe. The company is hopeful of translating these enquiries into huge export business in the coming years.

The company has not yet commenced any new business activities in the field of infrastructure development.

Fixed Assets:

The Company's fixed assets are maintained in good condition and are adequately insured.

Investments:

The Company continues to hold investment of 2880 Nos. of equity shares of IDBI in the demat form.

Depository System:

During the current year the company has also established its connectivity with Central Depository Services (I) Ltd. (CDSL) and accordingly the shares are now dematerialized with CDSL apart from NSDL. The ISIN No. with CDSL is **INE691D01012**. Still considerable portion of the issued capital is not dematerialized and, the members are advised to dematerialize their holding soon.

De-listing :

The Company has already delisted its shares from Ahmedabad Stock Exchange and is anticipating similar approval from Delhi and Calcutta Stock Exchanges. The company continue to remain listed with Stock Exchange Mumbai.

Industrial Relations:

Industrial relations with the labourers at the Company's plant at MIDC, TTC Industrial Area, Pawne Village, Navi Mumbai, continue to be healthy and cordial.

Personnel:

The statement showing the requisite information in compliance with the provisions of Section 217 (2A) of the Companies Act, 1956 is not furnished herewith, as there are no employees covered by that section.

Deposits:

The Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956 and the rules made thereunder.

Energy, Technology and Foreign Exchange:

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 is given in the Annexure forming part of this report.

Directors:

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company Shri Pawan Agarwal and Shri Vivek Gangwal, Directors would retire by rotation, and being eligible, offers themselves for re-appointment.

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Directors' Responsibility Statement:

The Directors hereby confirm:-

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period.
- iii) 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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Directors have prepared the annual accounts on a 'going concern' basis.

Corporate Governance:

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

Cost Audit:

The Company has appointed M/s.Vijay Talati & Associates as the cost auditor to audit the cost records maintained by the company for the year 2005-06 as per the direction received from the Central Govt., in respect of conducting the audit of cost records maintained by the company.

Auditors/Auditors Remark:

Messrs.Chaturvedi & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors have noted the observation of the auditors and wish to comment/clarity on the important observations as follows:

- a) The company has recorded substantial improvement in the performance and also in view of significant reduction in the long term liabilities on account of payments made under one time/negotiated settlement with the institutions, future prospects for the unit is very encouraging. Accordingly the company has continued to maintain the accounts on the concept of going concern basis.
- b) The company has executed one time/negotiated settlement for the dues with SASF (IDBI) & SBICI Bank Ltd. and accordingly maintained the payment schedule upto date as per the terms of settlement. In view of this the company has not provided any interest on the loans availed from these institutions.

- c) The company does not maintain any leave encashment system except under very special circumstances and the same is accounted on cash basis. However, impact of the same is not very significant.
- d) Subsequent to SASF (IDBI) taking action under SRES Act 2002, the company has received substantial amount of the advance and is in the process of making necessary arrangement with HEEPL to recover the entire advances. In view of this the company has discontinued the charging of interest.

Factory Visit:

As per the request made by the members in the last AGM, the company had arranged a factory visit during the month of October'05. The Hon'ble members had a very encouraging interactive session with Senior Managers of the plant during the visit.

Going Concern Concept:

The company was steadily maintaining its book of accounts on the concept of "going concern basis" inspite of recording substantial losses in the earlier years. This was mainly because the company had taken various measures to rehabilitate the unit. As envisaged by the management these measures have shown significant improvement in the performance and after a lapse of nearly 4 years the company has recorded net profit amounting to Rs.292.09 lacs. Further the company continues its programme to modernize and enhance its operation apart from starting garment manufacturing operation on a substantial scale. In view of this, the company is anticipating further remarkable improvement in the performance in the future years. Accordingly the company continue to follow its decision taken in the previous years to maintain the accounts on the concept of going concern basis.

The Company's Reference with Board for Industrial & Financial Reconstruction (BIFR):

The company is awaiting final decision from the Board for Industrial & Financial Reconstruction in respect of the company's reference filed with them for rehabilitation.

Appreciation:

Your Company and its Directors wish to place on record their appreciation for the support received from different Central and State Government Departments and Agencies, Stressed Asset Stabilization Fund (SASF), The New India Assurance Company Ltd., and Company's bankers, Customers and Vendors. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their outstanding contribution towards the operations of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 30.06.2006

ANAND AGARWAL
Chairman & Managing Director



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Annexure I

Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming Part of the Directors Report for the year ended 31st March, 2006.

A) Conservation of Energy:

a) Energy Conservation measures taken:-

The Company attaches utmost importance to the energy conservation measures and there is a regular system of review & evaluation of the various measures taken and its efficiency in the conservation of energy and its utilization. Some of the important energy conservation measures implemented during the year under review by the company are listed below:

1. Condensate recovery of dyeing machines is further augmented & excess water is used for boiler & dyeing machines.
2. Hot water of heat recovery & condensate recovery is connected for flexibility in utilization.
3. Fully automatic 650 kg dyeing machine has been installed in place of old low capacity machines with the provision of extra hot water tank to save energy as well as to improve productivity.
4. Energy savings Inverter drives are installed on many important machines to reduce power MDI & also the maintenance related problems on those machines.
5. Rain water harvesting scheme introduced also helps in saving water cost and the resultant saving in power.
6. Five-Tube Tubular Dryer installed & converted to oil heating instead of steam heating for better conservation of energy.
7. Regular maintenance, strict quality control checking on various input materials including steam coal and monitoring of water consumption on each machine has helped in reducing power consumption to a large extent.
- b) Additional Investment and proposals being implemented for reduction in the consumption of energy:-
 - 1) Further addition of high capacity dyeing machine with latest technology in place of low capacity machine of outdated technology, is proposed to be installed during the ensuing year which will have direct impact on utility consumptions.
 - 2) Inverter Drive is proposed to be installed on all machines to reduce the power consumption further.
 - c) Impact of measures taken at a) & b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
 - 1) Utilization of steam & power has become more economical thereby saving in cost by approximately 9%.
 - 2) The measures implemented including proposals under implementation have a direct impact on the cost of production due to better utilization of facilities and reduction in the wastage levels. Further these measures

are more targeted towards achieving consistency in the quality parameters and also improved product ranges.

B) Technology Absorption:

a) Research & Development:

1. Specific area in which R&D is carried out by the Company:
 - a) Laboratory Dispensing System is expected to be in operation during the current year to strengthen the company's efforts further to develop the product as per the needs of the customer and also to maintain consistency in the dyeing etc.
 - b) Company proposes to use the latest technology to supplement the company's efforts in the development of new designs in garment as well as manufacturing methods through the use of imported software system from Germany / Taiwan.
 - c) Company has achieved ISO 9001-2000 Certification through AQSR effective from 15th February, 2006. The company OEKOTEX Standard 100 certification is revalidated for further period of 1 year.
2. Benefits derived as a result of the above R&D
 - a) These measures enable the company to maintain its competitive edge in terms of quality, product range etc. which helps the company to secure better market share in the International market.
3. Future Plan of Action:-
 - a) Company continues its efforts to undertake R&D activities in the effective utilization of all input materials as well as development of better processing systems & methods to reduce cost by minimising wastage levels.
 - b) The Company also undertakes its R&D activities to reduce the effluent levels in the discharge of process wastages with the object of becoming an eco-friendly unit.

4. Expenditure on R&D (in Rs.lakhs)

The aggregate expenditure in R&D both in the nature of capital and revenue is not very significant. The Company is committed to maintain its efforts to improve the products quality as per the changing standards in the International market.

b) Technology absorption, adoption & innovation

The company regularly upgrade its facilities with the object of adopting the latest technological developments introduced in the International level. The Company's proposed garment unit is designed on the basis of latest technologically advanced machineries so as to achieve higher productivity with minimum wastage. Further, company continues to test the various new combination of chemicals, colours in its laboratory to adopt the same in its actual manufacturing operations in collaboration with vendors & suppliers. It is essential to remain competitive in the international market and this can be achieved only through maintaining the quality as per international standards. Further the cost of manufacturing

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is also to be maintained at the optimum level to remain competitive in the market. All those measures have benefited the company significantly in the operations as referred above.

Regarding the imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the same is not applicable.

C) Foreign Exchange Earnings and Outgo:-

The figure of earnings and expenditure in foreign currency during the period under report are as under:

| | Current Year (2005-06) | Previous Year (2004-05) |
|--|---------------------------|----------------------------|
| Total Foreign Exchange used | 8.63 | 47.32 |
| Total Foreign Exchange earned (FOB Value) | - | 18.83 |

Form - A
(See Rule-2)

The disclosure of particulars with respect to conservation of Energy:

A) Power and Fuel Consumption:-

| | Current Year (2005-06) | Previous Year (2004-05) |
|-----------------------------------|---------------------------|----------------------------|
| 1. Electricity | | |
| Units (KWH) | 3746510 | 3908986 |
| Total Amount (Rs.) | 13086135 | 13683738 |
| Average Rate | 3.49 | 3.50 |
| 2. Furnace Oil | | |
| Quantity (Lt.) | 15840 | 25046 |
| Total Amount (Rs.) | 367643 | 389134 |
| Average Rate (Rs./Lt.) | 23.21 | 15.54 |
| 3. Steam Coal & Others | | |
| Quantity (Kgs) | 5106575 | 5218512 |
| Total Amount (Rs.) | 17266040 | 19233256 |
| Average Rate* | 3.38 | 3.68 |

B) Consumption per unit production:

| | | |
|------------------------|-------|-------|
| Electricity (Unit/Kg.) | 1.32 | 1.45 |
| Furnace Oil (Lt./Kg.) | 0.006 | 0.009 |
| Steam Coal | 1.79 | 1.93 |

* Average rate is arrived by taking value of coal & others.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 30.06.2006

ANAND AGARWAL
Chairman & Managing Director

Corporate Governance:**Report of the Directors on Corporate Governance**

The Company has adopted the Corporate Governance not just as a mandatory requirement, but as an important tool for shareholders protection and maximization of their long term values. The company believes in adopting and adhering to the recognized good Corporate Governance practices as well as review on continuous basis, the efficiency of

these practices, through bench marking itself against such practice. The company understands, recognizes its role & responsibility towards shareholders, customers, vendors, employees & regulatory authorities. Upholding the standards of business conduct is one of the primary concerns to the company and the standards are particularly applicable for the integrity value. Therefore, the company believes that best board practices, transparent disclosures and shareholders empowerment are necessary for creating shareholders value.

Board of Directors:

The composition of the Board of Directors of the Company is governed by the Companies Act 1956 including its amendments and the listing rules and requirements of the Stock Exchange, Mumbai, where the securities issued by the company are listed. Presently the Board comprises of 5 members including whole time Director viz Chairman & Managing Director. The Board has been constituted by inducting persons from diverse fields and represents an optimum mix of professionalism, knowledge and experience. None of the Directors on the Board is a member of more than 10 committees and chairman of more than 5 committees across all the companies in which he is a Director. All the Directors have made necessary disclosures about the Directorship/Committee membership in other companies.

Composition of Board of Directors:

The Board has an optimum combination of Executive and Non-Executive Directors as well as Independent Directors.

| Name of Directors | Executives or Non-Executives | Independent | Total No. of Directorships (including SIL) | No. of other Outside Committee Membership | No. of other Outside Committee Chairperson |
|------------------------|------------------------------|-------------|--|---|--|
| Anand Agarwal | Executive | No | 2 | — | — |
| Pawan Agarwal | Non-Executive | No | 2 | — | — |
| A.Indu Sekhar Rao | Non-Executive | Yes | 2 | 2 | 1 |
| Vivek Gangwal | Non-Executive | Yes | 5 | — | — |
| Sushilkumar S.Kasliwal | Non-Executive | Yes | 1 | — | — |

Responsibilities:

Board provide strategic direction to the company towards accomplishing its goal. The Board activities consists of formal schedule of activities as laid down by various statutes & provisions apart from ensuring that the business is conducted in fair and equitable manner as per the ethical, professional and legal standards and more precisely in a socially responsible manner.

Role of Independent Directors:

The Independent Directors play a vital role in ensuring the implementation corporate governance in any organization. They contribute substantially towards the progress of the

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organization as they bring to the company a wide range of experience, knowledge and judgement as they draw from their varied proficiencies in Finance, Management, Accountancy, Public Policy, Technical, Marketing & Corporate Strategy. The company benefits immensely from their inputs in achieving its strategic direction. They take active part in the deliberations particularly in the functioning of various committees of the Board. The Company's Audit Committee and Remuneration Committee have significant representation of Independent Directors.

Board Meetings:

Meetings of the Board of Directors are convened in compliance with the provisions of the Companies Act and the listing guidelines. The meetings are generally held at the Registered Office of the company atleast once in a quarter to review among other items, the quarterly performance and the financial results. The notice along with agenda & other explanatory notes are circulated well in advance to the Directors and the members of the Board have complete access to all the informations of the company. Senior Management personal & Auditors are also invited whenever required to attend the Board Meetings, so as to provide additional inputs to the items being discussed by the Board.

Four Board Meetings were held during the year from 1st April 2005 to 31.03.2006, i.e on 30th April 2005, 30th July'05, 29th Oct'2005, & 31st January'2006. Leave of absence was granted by the Board to the Directors who were absent at the respective board meeting.

| Directors | No. of Board Meetings attended | Attendance at the Last AGM |
|---------------------------------|--------------------------------|----------------------------|
| Shri Anand Agarwal | 4 | Yes |
| Shri Pawan Agarwal | 3 | Yes |
| Shri A.Indu Sekhar Rao | 4 | Yes |
| Shri Vivek Gangwal | 4 | Yes |
| Shri Sushilkumar Singh Kasliwal | 1 | Yes |

Details of Directors being appointed/re-appointed:

During the year under review no new Director has been inducted to the Board, and also no Director has resigned from the Board.

Shri Pawan Agarwal and Shri Vivek Gangwal, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Board Committees:

As set up by the Board to provide specialized and focused attention on various matters apart from ensuring compliance with the statutory and other requirements, these committees regularly examine and discuss in detail all the matters which are in the ambit of their functioning areas. The committee submits its reports, findings and suggestions to the Board for enabling the board to take appropriate decision.

Audit Committee:

The Audit Committee is constituted with 3 member Directors namely Shri Vivek Gangwal, (Chairman) Shri A. Indu Sekhar Rao and Shri Pawan Agarwal. The terms of reference of the Audit Committee are in accordance with the respective clauses of the listing agreement and inter alia include the following:

- The prime responsibility of the audit committee is to review with management the quarterly/annual financial statements prior to it being submitted to the board for approval.
- The committee recommends to the board, the appointment or re-appointment of the statutory Auditor and the Audit fees payable. In addition the committee approves payment of fees for other services rendered by the statutory Auditor. The Committee also approves the appointment or re-appointment of Internal Auditors & Cost Auditors and the fees payable to them.
- The Audit Committee's functions include reviewing the adequacy of internal control functions and systems, its structure, reporting process, audit coverage and frequency of internal audits. The responsibility of the committee is also to review the findings of any remarkable observations made by the internal auditors in matters relating to revenue loss or irregularity or failure in the internal control systems of material nature and report the same to the board.
- The committee reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors. In addition to this, the committee annually reviews the performance of the internal and statutory auditors to ensure that an objective, professional and cost effective relationship is being maintained.
- The committee also reviews the remarks and observations made by the Cost auditors including the cost audit report and the necessary inferences are drawn to ensure cost control system are effective and efficient in all respects.
- Further the Company's financial and risk management policies and systems are also examined on a regular intervals.
- The committee ensures that financial reporting systems and procedures are maintained to ensure timely compliance with regulatory guidelines and statutory requirements.

Audit Committee meetings are regularly attended by Statutory Auditors, Cost Auditors and Internal Auditors, apart from Senior Executives from Finance, Operational functions of the Company. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee has met 4 times during the year under review. The attendance of the each member of the committee at the Audit Committee meeting held is as under. Apart from

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this the Audit Committee also met twice before the presentation of Audited Accounts to the Board.

| Name | No. of Meetings held During the year | Attended all the Meeting |
|----------------------|--------------------------------------|--------------------------|
| Shri Vivek Gangwal | 4 | Yes |
| Shri Indu Sekhar Rao | 4 | Yes |
| Shri Pawan Agarwal | 3 | Yes |

Remuneration Committee:

The Remuneration Committee comprises of independent directors. The members of the committee are Shri A. Indu Sekhar Rao, Shri Vivek Gangwal & Shri Sushilkumar Kasiwal. The terms of Remuneration committee are to review and recommend compensation payable to the executive directors and also to formulate and administer the appropriate incentive schemes to all the senior management personnel. The committee also ensures that the compensation payable to the Sr. Management personnel are consistent, fair and transparent in motivating and rewarding employees appropriately according to their job, role size, performances, contribution, skill and competence.

The committee also reviewed the elements of remuneration of whole time Director and suggested to maintain the same for the year without any revision as the company is still in

the process of recovering its accumulated losses.

| Name | No. of Meeting held during the year | Attended all The Meeting | Status |
|---------------------|-------------------------------------|--------------------------|----------|
| A Indu Sekhar Rao | 1 | Yes | Chairman |
| Vivek Gangwal | 1 | Yes | Member |
| Sushilkumar Kasiwal | 1 | Yes | Member |

Remuneration Policy:

The committee ensures that the compensation policy of the company provides performance-oriented incentives for various staff and executives in the organization. These policies are reviewed regularly on a periodical basis and ensures that the compensation level of the company vis-a-vis other units in the same industry are not detrimental to the interest of the company to retain the talented and trained executives. Whole time Directors compensations are recommended by the committee in accordance with the various provisions of the Companies Act and rules & regulations. Non Executive Directors have not drawn any remuneration from the company except sitting fees for the meetings of the Board attended by them.

Details of Remuneration paid to the Directors during the financial year ended 31st March 2006

| Name of the Director | Salary | Perquisites & Other benefits | Sitting Fees | Reimbursement of expenses | Total |
|------------------------|--------|------------------------------|--------------|---------------------------|--------|
| 1. Anand Agarwal | 480000 | 179400 | - | - | 659400 |
| 2. Pawan Agarwal | - | - | 4500 | 3000 | 10000 |
| 3. A.Indu Sekhar Rao | - | - | 6000 | 4000 | 10000 |
| 4. Vivek Gangwal | - | - | 6000 | 4000 | 10000 |
| 5. Sushilkumar Kasiwal | - | - | 1500 | 500 | 2000 |

Shareholders/Investors Grievance Committee:

Shri Vivek Gangwal was inducted into the committee during Feb.06 to strengthen further the role of the committee in the redressal of shareholders grievances.

The Shareholder/Investors Grievance Committee comprises of Shri Pawan Agarwal- Chairman, Shri A.Indu Sekhar Rao and Shri Vivek Gangwal - Directors as other members of the committee. The committee oversees transfers and monitors redressal of shareholders grievance. The committee also reviews the process, standard operating procedures and initiatives taken by the company relating to investor services.

During the year under review the committee met 23 times and the members were present in the respective meetings accordingly.

| Name | No. of Meetings held During the year | Attended all the Meeting |
|------------------------|--------------------------------------|--------------------------|
| Shri Pawan Agarwal | 23 | Yes |
| Shri A.Indu Sekhar Rao | 23 | Yes |
| Shri Vivek Gangwal | 23 | No (4)* |

* Meetings attended after appointment w.e.f. Feb.06)

The Committee also review the performance of R&T Agents periodically, which includes monthly charges, fees for undertaking the services as per the contracts and review of the contract in line with the volume of work and responsibility.

The Committee also reviews the grievances report submitted by the Company's Registrar / Transfer Agents, and based on the report, there are no complaints pending against the company. Details of shareholders complaints, compliance officer etc. are separately indicated in the shareholders information attached herewith and forms a part of this report.

Annual General Meeting:

During the year 2005-06 there were no special resolution passed in the respective 14th AGM and ordinary resolutions were passed unanimously on a show of hands by the shareholders present at the meeting. None of the business transacted at these AGM's were passed by the postal ballot as were not necessary.

There were no EGM's held during the last 3 years and no resolution was passed with the use of postal ballots.

The details of the Annual General Meeting held during the