



**SUDITI  
INDUSTRIES  
LTD.**

# **SIXTEENTH ANNUAL REPORT 2006-2007**

**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**

**Union Bank of India**  
**American Express Bank Ltd.**  
**HDFC Bank Ltd.**  
**Indian Overseas Bank**

**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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**SIXTEENTH ANNUAL GENERAL MEETING**

On Friday, the 14th day of September, 2007  
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



## NOTICE FOR THE SIXTEENTH ANNUAL GENERAL MEETING:

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held on Friday the 14<sup>th</sup> September, 2007, at 4.00 p.m. at Kilachand Conference Room, 2<sup>nd</sup> Floor, Lalji Naranji Memorial Indian Merchant's 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 31<sup>st</sup> March, 2007 and Profit & Loss Account of the Company for the year ended 31<sup>st</sup> March, 2007 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri A.Indu Sekhar Rao who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Sushilkumar Kasliwal 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.

By order of the Board  
For SUDITI INDUSTRIES LTD.

Place: Mumbai  
Date : 02.07.2007

H.GOPALKRISHNAN  
COMPANY SECRETARY &  
V.P.FINANCE

### NOTES:

1. A member entitled to attend and vote at the above meeting may appoint one or more Proxies to attend and vote instead of him. The Proxy need not be a member of the company. Proxy to be valid shall be deposited with the company not later than forty eight hours before the time for holding the meeting.
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 29<sup>th</sup> August, 2007, to Friday the 14<sup>th</sup> September, 2007 (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.

### 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 A. Indu Shekar Rao	Shri Sushilkumar Kasliwal
Date of Birth	05.10.1931	24.08.1950
Date of Appointment	26.04.1996	16.06.2003
Expertise in specific Functional areas	Shri I.S.Rao has a wide range of experience in Textile industry and occupied various positions in different organization. He has served Govt. of India as Joint Textile Commissioner. Further he had also served as Director (P&D) in the textile Commissioner's Office. Apart from, he had also worked as head of the textile technology division of SASMIRA. During the tenure of professional life he had also served Finlay Group of Mills in various positions.	Shri S.S.Kasliwal has a wide range of experience in the textile industry span over a period of more than 2 decades particularly in the field of processing, dyeing and finishing of man made fabrics.
Qualifications	a) Bachelor of Textiles (B.Text) from Bombay University. b) Master of Textiles (M.Text) from Bombay University. c) Graduate in Industrial Management (M.I.M.) from B.I.M. London. d) S.Q.C. & N.P.C. short term courses.e) Fellow of institution of Engineers India (F.I.E.)	Technically qualified with a Diploma in Man Made Textile Chemistry (DMTC)
Directorships held in other companies (excluding foreign companies)	International Hometech Ltd. (Formerly: Trimbak Industries Ltd.)	NIL
Committee position held in other companies	International Hometech Ltd. (Member-Remuneration Committee) (Member - Audit Committee) (Chairman-shareholders Grievance Committee)	NIL
No. of Shares held (own)	NIL	NIL

## DIRECTORS' REPORT:

### Dear Shareholders,

The Directors have pleasure in presenting the Sixteenth Annual Report of the Company together with the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended on that date.

### Financial Results:

	(Rs.in Lacs)	
Current Year Ended 31.03.2007	Previous Year Ended 31.03.2006	
Local Sales	2131.09	2175.37
Other Income	83.04	74.96
Profit/(Loss) before Interest and Depreciation	220.16	216.45
Interest	12.54	4.14
Profit/(Loss) after Interest	207.62	212.31
Depreciation	33.31	135.38
Profit/(Loss) before Tax	174.31	76.93
Provision for Tax	-	-
Profit/(Loss) after Tax before extraordinary items	174.31	76.93
Extra Ordinary Items	138.55	215.16
Net Profit / (Loss)	312.86	292.09
Add: Brought forward from the previous year	(2188.16)	(2480.25)
Transfer from General Reserve	-	-
Amount available for appropriation (Loss)	312.86	292.09
Balance carried to Balance Sheet (Loss)	(1875.30)	(2188.16)

### Dividend:

In view of accumulated losses, your Directors regret for their inability to recommend payment of any dividend on the Equity Shares for the year ended 31<sup>st</sup> March, 2007.

### Operations:

The Company continue to register significant improvement in the performance since last few years. These improvements are now visible in all aspects of the operations and because of this the company is able to register a profit of Rs.312.86 lacs in comparison to Rs. 292.09 lacs profit recorded in the previous year. Even though these profits include substantial amount of write back of Institutional outstanding due to one time settlement of their dues, still there is considerable improvement in the profit from the operational levels. It is noteworthy to mention that company is able to achieve this remarkable progress inspite of the fact that company is still engaged primarily on job work activities.

During the year the company has commenced its garment manufacturing activities and there are still some teething

trouble in terms of capacity utilization levels, quality control & rejection levels. The unit is slowly but steadily progressing to achieve the economy in the scale of operations. However, the current year financial results are adversely affected to some extent due to the initial operational burden of the Garment unit. Barring the performance of Garment unit, the operations of the process/knitting units are satisfactory.

Till now the Company continued to lay its emphasis on local customers as part of its survival strategy. In view of implementation of GATT and the quota free trade, the time has now become ripe for shifting its focus more on export activities. To have better growth and better profitability, the company is now concentrating more on the promotion of its Garment activities. However, due to working capital constraints & other teething trouble, the company is yet to take full advantage of this new opportunities. The company is hopeful of achieving its export targets during the current year as the unit has achieved necessary compliance standards in line with the requirement of the various overseas buyers.

During the year under review the company has liquidated the liabilities of SBI Commercial and International Bank Ltd., and the entire consortium of banks has discharged the company and its Guarantors from the liabilities. However, there is delay in the payment of installment amounts to SASF as per the terms of Negotiated Settlement of its dues. But the company is permitted to liquidate the liabilities by March 31<sup>st</sup>, 2008 with interest @8% per annum on the remaining balance. The Company has made necessary arrangements to clear the SASF dues before the year end. Further, in respect of EPCG License matter with Jt.DGFT, Mumbai, the company is still pursuing with Jt.DGFT, Mumbai, to assess the EPCG License obligations as per the directions issued by the Addl.DGFT, New Delhi, vide their order dt.03.02.2006.

The company has made certain additions to fixed assets to ensure smooth functioning of the process house. Apart from this, the company is also planning to make necessary stand by arrangement to save the unit from the power shortage situation prevailing in the unit. The company continues to improve its performance through various cost saving measures, product development and better utilization of its manpower & other resources. While the situation in the process house is extremely satisfactory, the conditions in the Garment unit is yet to become very economical and profitable. The customers confidence level and order position are very encouraging and rewarding for the benefit of the unit. The trend is likely to continue in view of boom conditions prevailing in the Textile sector.

The company proposes to undertake the programme of modernization particularly in the area of quality control & inspection. The Company has identified certain key areas in the garment unit for further strengthening and control. The programme designed would help the company to strengthen the garment units in terms of improving productivity, quality control & inspection as also to reduce the rejection levels.



## SUDITI INDUSTRIES LTD.

### ISO 9001-2000:

During the year company had conducted Annual Audit from AQSR in respect of compliance under ISO 9001-2000. Based on this, the Company has now obtained certification for another 3 years. The company has also renewed its certification in respect of OEKOTEX standard 100.

### Export Sales:

During the year under review the company's garment unit has commenced its production and the unit was having lot of initial teething trouble. Because of this the company in order to ensure that the export productions are undertaken under complete satisfactory conditions, has taken a decision to defer the execution of export orders by another few months. Since the workers are totally fresh and under training in-house, the productivity levels are yet to achieve the targeted scale. Because of this the company did not execute any export order. Therefore there are no export activities reflected in the performance for the year under review. However, the company in the meantime has taken some initiatives particularly in completing the necessary inspection & approval of various compliance standards as per the requirement of export buyers. This would enable the company to become a source for their requirement and to get orders directly from these buyers on continuous basis.

In view of the good market conditions and the units technical competence, the company do not anticipate any difficulty in achieving export sales as per the target during the current year.

The company would be mainly targeting the exports market of Europe, UK, apart from USA and the activities will be confined mainly on Knitted Cotton/Blended Apparels, Made-ups etc. The Company is planning to achieve atleast export of one lac pieces per month on full scale utilization of capacity levels.

### Expansion:

The company has completed its first phase of expansion by starting commercial production in the garment unit from October 2006. Further, the company is also planning to add some additional equipments to the unit to enhance its production, quality control activities. The unit is designed to achieve production level of around 4000 pieces per day. However, the capacity may vary substantially depending upon the nature, style & design of the product. The company would be taking up further enhancements in the Garment production capacity only after complete stabilization and satisfactory functioning of the present unit.

However, the company would continue its modernization & upgradation of its processing house to augment and enhance its production activities to ensure better economy in the scale of operations.

### 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:

The company continues to have its connectivity with NSDL & Central Depository Services (I) Ltd. The ISIN No. is **INE691D01012**. Still considerable portion of the issued capital is not dematerialized and, the members are advised to dematerialize their holding immediately.

### De-listing:

The Company had 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 A.Indu Sekhar Rao and Shri Sushilkumar Kasliwal, Directors would retire by rotation, and being eligible, offers themselves for re-appointment.

### 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



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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 2006-07 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/clarify on the important observations as follows:

- a) In view of steady and continuous improvement in the performance, the Company is in the process of wiping out all its accumulated losses. Hence the accounts are prepared on the concept of "going concern basis" despite erosion of networth of the company.
- b) The Company has already received back substantial amount of advances paid to M/s. Harsh EOU Estates Pvt. Ltd., a company covered in the register maintained under section 301 of the Companies Act 1956 and the balance amount would be received in due course as per mutually agreed terms. Hence no interest is provided on the advances as per the policy decision followed in the earlier years.

### Going Concern Concept:

The company continues to register significant improvement in the performance and gradually the company has turned to become a profit making organization. This has also been reflected in the annual accounts since last 2 years. Further the Company's Garment unit has also started its commercial production and it is anticipated that Garment exports would commence very soon. In view of all this company is anticipating further remarkable improvement in the performance from this year onwards. In addition to this, as per the programme the company has liquidated all banks liabilities and the remaining part of institutional (SASF) liabilities would be liquidated during the current year. All these measures will help the company to wipe out its accumulated losses and register positive growth in the

performance. Accordingly the company continue to follow the 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 Board has declared the Company vide their order dt. 10th August, 2006, as Sick unit and directed to make necessary rehabilitation proposal. However, in the meantime, the Company has on its own taken the necessary rehabilitation measures and the outcome of these measures are very encouraging. The company is hopeful of coming out of sickness by March, 2008.

### 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), M/s. 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 : 02.07.2007

ANAND AGARWAL  
Chairman & Managing Director

### 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 31<sup>st</sup> March, 2007.

#### A) Conservation of Energy:

##### a) Energy Conservation measures taken:-

Energy conservation measures have become critical issue through out the state. The company lays great emphasis on the energy saving activities and takes active role in the energy conservation activities. Apart from regular review and evaluation of the various energy conservation activities, there is constant effort on the part of the company to develop more appropriate and economical utilization of the various energy sources. Some of the important energy conservation measures implemented during the year under review by the company are listed below:

- 1) Addition of fresh water feeding to the boiler for steam generation is avoided through strengthening further the condensate and cooling water recovery system.
- 2) Power factor is maintained to unity.
- 3) Water consumption in dyeing process is further reduced by modification of dyeing machines.
- 4) Advantage of Rain water harvesting is taken during rainy season.
- 5) Maintenance free, wind power based Turbo Ventilators are provided in process house and Garment division for air circulation and ventilation.

**SUDITI INDUSTRIES LTD.**

- 6) Usage of electric lights are avoided during day time by tapping natural light through proper designing of the factory layout in the garment unit.
  - 7) Low watt, energy saver spot lighting is provided on stitching machines instead of illuminating the whole area. It improves efficiency and saves energy also.
  - 8) Apart from this, strict maintenance schedule, selective usage of machines & equipments, vigorous quality control on inputs including steam coal has helped the unit to optimize the use of energy and facilitate saving of energy to a large extend.
- b) Additional Investment and proposals being implemented for reduction in the consumption of energy:-
- 1) Further replacement of higher energy consuming lights with latest energy saver lights in all the departments.
  - 2) Replacement of old outdated low capacity, high power/utility consuming machines and equipments with new energy saver high capacity machines and equipments.
- 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) Economical utilization of steam & power has helped the company to reduce the cost & wastage significantly.
  - 2) All the measures taken including the proposal under implementation have a direct impact on the cost of production through improved and economic utilization of scarce resources and reduction in the wastage levels. These efforts are undertaken for improving the quality standards as well as to improve the 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 in the laboratory has helped the company to develop new recipe correctly and efficiently.
  - b. Company is in the process of development of new methods to ensure that product meet the quality standards zero defect. Company has surveillance Audit by AQSR of ISO 9001-2000, to confirm its commitment towards ISO Certification. Further company has OEKOTEX Standard-100 Certification and is now pursuing for Control Union Certification for Organic Cotton for Processing and Garments.
  - c. Company is constantly taking measures to develop different combination and new systems to ensure the effective usage of input material.

**2. Benefits derived as a result of the above R&D**

- a) The Company is able to develop a niche for itself in the market as these measures helped the Company to maintain its competitive edge in terms of quality, product range and also price.

**3. Future Plan of Action:-**

- a) The Company is regularly evaluating its measures and undertake R&D activities particularly in the utilization of input materials better processing systems, reduction in wastage levels as well as new and improved product ranges.
- b) The Company also undertakes its R&D activities to ensure that effluent levels are kept at the lowest limits and the unit is operated on an eco-friendly basis.

**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, timely delivery etc. as per the changing needs of the buyers 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 at 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 is also to be maintained at the optimum level to remain competitive in the market. All these 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:

(Rs.in Lacs)

	Current Year (2006-07)	Previous Year (2005-06)
Total Foreign Exchange used	155.67	8.63
Total Foreign Exchange earned (FOB Value)		-

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## Form - A

(See Rule-2)

The disclosure of particulars with respect to conservation of Energy.

**A) Power and Fuel Consumption:-**

	Current Year (2006-07)	Previous Year (2005-06)
<b>1. Electricity</b>		
Units (KWH)	3324747	3746510
Total Amount (Rs.)	16437812	13086135
Average Rate	4.94	3.49
<b>2. Furnace Oil or Fuel Oil</b>		
Quantity (Lt.)	6113	15840
Total Amount (Rs.)	135211	367643
Average Rate (Rs./Lt.)	22.12	23.21
<b>3. Steam Coal &amp; Others</b>		
Quantity (Kgs)	5159099	5106575
Total Amount (Rs.)	18231276	17266040
Average Rate *	3.53	3.38

**B) Consumption per unit production:**

Electricity (Unit/Kg.)	1.15	1.32
Furnace Oil (Lt./Kg.)	0.002	0.006
Steam Coal	1.78	1.79

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

For and on behalf of the Board of Directors

Place: Mumbai

**ANAND AGARWAL**

Date : 02.07.2007

Chairman & Managing Director

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

The Company believes in adopting and adhering to the best recognized Corporate Governance practices in all its sphere activities. The Company reviews these practices on continuous basis through bench marking itself against such practice. The philosophy on corporate governance is an important tool for shareholders protection and maximization of their long term values.

The company believes in coordinating its business by adhering strictly to the business ethics and moral values. The company also believe that by following the proper Corporate Governance practices, it is possible to achieve the business objectives in a more acceptable and efficient manner. The Company understands, recognizes its role and responsibility towards shareholders, customers, vendors, employees & regulatory authorities. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit. The company believes that best board practices, transparent disclosures and shareholders empowerment are necessary for creating shareholders value.

**Board of Directors:**

The Board of Directors of the Company is constituted as per the various provisions of the Companies Act 1956 including amendments from time to time and the listing rules and requirements of the Stock Exchange, Mumbai, where the securities issued by the company are listed. The Present strength of the Board is 5 members including whole time Director viz Chairman & Managing Director. The Board consists of expert 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. Further all the Directors have obtained necessary DIN from Dept. of Corporate Affairs and submitted the details to the Company. The company has also filed necessary information in DIN-3 with Registrar of 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 Kasiwal	Non-Executive	Yes	1	—	—

**Responsibilities:**

Board responsibilities cover wide spectrum of activities with particular emphasis on providing strategic direction to the Company towards achieving its goal. Generally Board activities consists of formal schedule of activities as laid down by various statutes & provisions. Apart from this Board oversees the functions and activities of the company to ensure 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 assumes great significance in the implementation of Corporate Governance policies and practices. They contribute substantially towards the growth and development of the organization as they bring wide range of experience, knowledge and expertise from their respective fields such as Finance, Management, Accountancy, Public Policy, Technical, Marketing &





Corporate Strategy. They enrich the Board with their experience and the company benefits immensely from their association with the company 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 Director.

#### Board Meetings:

Board Meetings are conducted by taking into consideration the various provisions of Companies Act and the listing guidelines. The Board Meetings are held at the Registered Office of the company and the review of various items are made particularly the quarterly performance and the financial results. Senior Management personal & Auditors are also invited to attend the Board Meetings, so as to provide additional inputs to the items being discussed by the Board.

Five Board Meetings were held during the year from 1<sup>st</sup> April 2006 to 31.03.2007, i.e on 29<sup>th</sup> April 2006, 30<sup>th</sup> June'06, 31<sup>st</sup> July'06, 31<sup>st</sup> Oct'2006, & 31<sup>st</sup> January'2007. 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	4	Yes
Shri A.Indu Sekhar Rao	5	No.
Shri Vivek Gangwal	5	Yes
Shri Sushilkumar Singh Kasliwal	2	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 A.Indu Sekhar Rao and Shri Sushilkumar Kasliwal, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

#### Board Committees:

The various committees of the Board are constituted to provide specialized and focused attention as well as to take informed decisions in the best interest of the Company. Apart from ensuring compliance with the statutory and other requirements, these committees monitor the activities falling within the terms of their reference. 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 chaired by Shri Vivek Gangwal. The other members of the Committee are Shri A.Indu

Sekhar Rao and Shri Pawan Agarwal. The terms of reference of the Audit Committee are in accordance with clause 49 of the listing agreement entered into with stock exchange Mumbai 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 Auditor, Cost Auditor and Internal Auditor, 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 5 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 this, the Audit Committee also met twice before the presentation of Audited Accounts to the Board.

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Name	No. of Meetings held During the year	No. of Meeting Attended
Shri Vivek Gangwal	5	5
Shri Indu Sekhar Rao	5	5
Shri Pawan Agarwal	5	4

**Remuneration Committee:**

The Remuneration Committee is constituted with 3 Independent Directors. The Committee is chaired by Shri A.Indu Sekhar Rao, The other members of the committee are Shri Vivek Gangwal & Shri Sushilkumar Kasliwal. The Remuneration Committee reviews and recommends compensation payable to the Executive Directors. Further the Committee also review the overall compensation structure and policies of the company with a view to attract, retain and motivate employees, consider the incentive schemes payable to all the Senior Management personnel. The committee also ensures that the compensation payable to the Senior 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 had 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 Kasliwal	1	Yes	Member

**Remuneration Policy:**

The committee regularly evaluates the compensation policy to ensure its efficacy in all aspects. The compensation policy of the company provides for performance-oriented incentives for various staff and executives in the organization. These policies are reviewed with the objective of ensuring that 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. Wholtime 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 Board Meetings attended by them.

**Details of Remuneration paid to the Directors during the financial year ended 31<sup>st</sup> March 2007**

Name of the Director	Salary	Perquisites & Other benefits	Sitting Fees	Reimbursement of expenses	Total
1. Anand Agarwal	480000	352027	-	-	832027
2. Pawan Agarwal	-	-	6000	4000	10000
3. A.Indu Sekhar Rao	-	-	7500	5000	12500
4. Vivek Gangwal	-	-	7500	5000	12500
5. Sushilkumar Kasliwal	-	-	3000	15040	18040

**Shareholders/Investors Grievance Committee:**

The Shareholder/Investors Grievance Committee is constituted with 3 Directors chaired by Shri Pawan Agarwal. The other members are Shri A.Indu Sekhar Rao and Shri Vivek Gangwal. The Committee approves transfers, transmission, splitting and consolidation of shares. The Committee also monitors redressal of shareholders grievance relating to transfer of shares, non receipt of Annual Report etc. 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 all the meetings respectively.

The Committee also reviews 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

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	Yes

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:**

The details of the Annual General Meeting held during the last 3 years are as under: