



SUDITI
INDUSTRIES
LTD.

SEVENTEENTH ANNUAL REPORT
2007-2008

BOARD OF DIRECTORS

Anand Agarwal
(Chairman & Managing Director)

Pavan 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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SEVENTEENTH ANNUAL GENERAL MEETING

On Friday, the 29th day of August, 2008
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 SEVENTEENTH ANNUAL GENERAL MEETING:

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Friday the 29th August, 2008, at 4.00 p.m. at Kilachand Conference Room, 2nd 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 31st March, 2008 and Profit & Loss Account of the Company for the year ended 31st March, 2008 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri Pavan 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.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals, as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Anand Agarwal as Managing Director of the Company for a further period of 5 (five) years with effect from 1st August, 2008, with liberty to either party to terminate the appointment on three months notice in writing to the other and to his receiving remuneration, payments, perquisites and benefits/amenities from that date as given below:

The Managing Director shall be paid the following remuneration:

The Managing Director shall be paid Salary, Commission and perquisites restricted to 5% of the net profits of the company for any financial year.

- (a) Salary : Rs.40,000/- per month

In the event of inadequacy of profits or loss in any particular financial year comprised in the period of appointment, the maximum salary payable shall be Rs.40,000 per month. Under such circumstances, no commission would be payable

- (b) Perquisites: The following perquisites shall be allowed in addition to salary and commission.

For this purpose, the perquisites are classified into three categories

- Part A
- Part B
- Part C

Perquisites with regard to part B & C shall not be considered or included for the computation of the ceiling of perquisites.

Part - A.

1. Housing
 - i. The expenditure incurred by the Company on providing unfurnished accommodation to him will be subject to ceiling of 60% of the salary, over and above 10% payable by him.
 - ii. In case the accommodation is owned by the Company 10% of the salary shall be deducted by the Company.
 - iii. In case no accommodation is provided by the Company or the accommodation is owned or rented by him, House Rent Allowance will be 60% of the salary.
2. The expenditure on gas, electricity, water and furnishings shall be subject to a ceiling of 10% of the salary and shall be valued as per the Income-Tax Rules 1961.

3. Medical Reimbursement:

The Company shall reimburse medical expenses incurred by the Managing Director on himself or his family subject to ceiling as may be prescribed by the Board/ Remuneration Committee from time to time.

4. Leave Travel Concession:

For self and family, once in a year incurred in accordance with the rules of the Company.

5. Club Fees:

Fees of the clubs subject to a maximum of two clubs. This will not include Admission and Life Membership fees.

6. Personal Accident Insurance of an amount the annual premium of which does not exceed Rs.4,000/-.

Part - B.

1. Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
2. Company's contribution towards superannuation fund as may be provided if any, as per the rules of the Company, given together with the Provident fund not to exceed 25% of the salary as laid down under the Income-Tax Rules, 1962.
3. Gratuity not to exceed half months salary for each completed year of service or part thereof.

Part - C.

1. The Managing Director shall be provided with a car for use of Company's business subject to the condition that the use of the car for private purposes shall be billed by the Company to him.
2. Provision for use of telephone (including payment of local and long distance official calls) facsimile and computer facility at residence.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized from time to time to fix, amend, alter or otherwise vary the terms and conditions of the re-appointment of Shri Anand Agarwal including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of managerial remuneration as may be admissible to him within the overall limits specified in

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the Act, as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board of Directors of the Company may deem fit,"

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, agreements, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to this resolution".

6. To consider and if deemed fit, to pass, with or without modification(s), the following as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to section 94 and all other applicable provisions of the Companies Act, 1956 and such other approvals as may be required, authorized share capital of the company be and is hereby increased from Rs.10,00,00,000/- (Rupees ten crores only) to Rs.18,00,00,000/- (Rupees Eighteen Crores only.) divided into 1,80,00,000/- (One Crore Eighty Lakhs) equity shares of Rs.10/- (Rupees ten only) each".

7. To consider and if deemed fit, to pass, with or without modification(s), the following as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to all applicable provisions of the Companies Act, 1956, Clause V of the Memorandum of Association of the company be and hereby substituted with the following:

V. The Authorised share capital of the company is Rs.18,00,00,000/- (Rupees Eighteen Crores only) divided into 1,80,00,000/- (One Crore Eighty Lakhs) equity shares of Rs.10/- (Rupees ten only) each. The company has power, from time to time, to increase or reduce its capital and to divide the shares in the capital for the time being into other classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the company and to vary, modify or abrogate any such rights, privilege or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the company or the legislative provisions for the time being in force in that behalf".

8. To consider and if deemed fit, to pass, with or without modification(s), the following as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to section 31 and all other applicable provisions of the Companies Act, 1956, Article 3/3A of the Articles of Association of the company be and is hereby substituted with the following:

3. The Authorised Share capital of the company is Rs.18,00,00,000/- (Rupees Eighteen Crores only) divided into 1,80,00,000/- (One Crore Eighty Lakhs) equity shares of Rs.10/- (Rupees Ten only) each.

3A. The company shall have the power to increase or reduce the capital for the time being and to divide the shares in the capital into such classes with rights, privileges or conditions as may be determined. The company may issue preference shares which shall or at the option of the company be liable to be redeemed".

9. To consider and if deemed fit, to pass, with or without

modification(s), the following as a SPECIAL RESOLUTION:

"RESOLVED THAT in accordance with the provisions of Section 81 & 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), and the enabling provisions in the Memorandum and Articles of Association of the company and the listing Agreements entered into by the Company with the Stock Exchange where the shares of the company are listed and subject to the approval of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), and all other concerned authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company (hereinafter referred to as the 'Board') and / or duly authorized committee thereof for the time being exercising the powers conferred by the Board, the consent of the company be and is hereby accorded to the Board/ Committee to issue / offer equity shares including unclassified shares if any after classifying them as equity / preference shares and / or convertible debentures (fully or partly) and / or non-convertible debentures, all or any of the aforesaid with or without detachable or non detachable warrants, and / or warrants of any nature, bonds and / or any other financial instruments (hereinafter for brevity's sake referred to as "securities") as the Board at its sole discretion may at any time or times hereafter decide, to the members existing on the record date as and when as may be specified or to such persons whether or not such persons are members of the company including Non-Resident Indians, Overseas corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities / authorities and to such other persons, whether through public issue, rights issue, conversion of loans or otherwise and for general corporate purposes including working capital requirements, strategic investments, any mergers, amalgamations, acquisitions, reconstructions or arrangements or any other re-organisation as the Board may deem fit in one or more Tranche, with or without voting rights in General Meetings / Class Meetings of the company as may be permitted under the then prevailing laws at such price or prices, or in such manner as the Board or Committee thereof may in its absolute discretion thing fit, in consultation with the lead managers, underwriters, advisors and such other persons, and on such terms and conditions including the number of securities to be issued, price, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the number of equity shares to be allotted on conversion of debt instruments exercise of rights attached with warrants, the ratio of exchange of shares and / or any other financial instrument, period of conversion, fixing of record date or book closure and related or incidental matters".

"RESOLVED FURTHER THAT such of the securities to be issued, as are not subscribed may be disposed



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of by the Board / Committee, thereof, to such persons and in such manner and on such terms as the Board or Committee may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks / Financial Institutions / Investment Institutions / Mutual Funds / Foreign Institutional Investors or such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may be in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer / issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matter and things and to finalize and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem and give such directions and / or instructions as it may from time to time decide and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, as required by appropriate authorities, institutions or bodies or as the Board may decide in the best interest of the company, without requiring any further approval of the members and to do all such acts, deeds, matters or things as authorized herein and that all or any of the powers conferred on the Board pursuant to this resolution may be exercised by the Board or such committee there as the Board may constitute in this behalf".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by this resolution to any director or directors or to any committee of directors or to any officer of the Company to give effect to this resolution".

By order of the Board of Directors
For **SUDITI INDUSTRIES LTD**

Place: Mumbai
Date: 30.06.2008

H. GOPALKRISHNAN
COMPANY SECRETARY &
V. P. FINANCE

NOTES:

1. An Explanatory Statement relating to Special Business as set out in the notice is annexed hereto, pursuant to section 173 (2) of the Companies Act, 1956.
2. 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.
3. The relevant details in respect of Item No. 2, 3 & 5 pursuant to clause 49 of the Listing agreements with the Stock Exchanges are annexed hereto.
4. The Register of members and the Share Transfer Books of the Company will remain closed from Thursday the 14th August, 2008, to Friday the 29th August, 2008 (both days inclusive) for the purpose of Annual General Meeting.

5. Members are also requested to notify immediately of any change in their address to the Company/Share Transfer Agents.
6. 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.
7. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
8. 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Re-appointment of Managing Director:

Pursuant to Section 269 of the Companies Act, 1956, Shri Anand Agarwal was re-appointed as the Managing Director of the Company for a period of 5 years with effect from 1st August 2003 on the terms set out in the said Resolution. The term of office of Shri Anand Agarwal as Managing Director expires on 31st July, 2008. Shri Anand Agarwal has been associated with the Company from the incorporation and also continued to hold the office of managing Director. His long and dedicated service with the Company resulting in considerable experience eminently qualifies him for reappointment as Managing Director of the Company for a further period of five years effective from 1st August, 2008 on the terms and conditions as set out in the Resolution. The proposed remuneration is well within the prescribed limits as specified in Schedule XIII and other relevant provisions of the Companies Act, 1956.

The re-appointment of Shri Anand Agarwal as Managing Director for another term of 5 years has also been reviewed and recommended to the Board by the Remuneration Committee. The Board of Directors recommends this Resolution for your approval.

Shri Anand Agarwal and Shri Pavan Agarwal who are related to each other are deemed to be interested in this Resolution to the extent of his individual appointment.

Item No.6, 7 and 8

Increase in Share Capital:

The Board of Directors vide a resolution dated 30th June 2008 has recommended an increase in the Authorised Share Capital of the Company from Rs.10,00,00,000/- (Rupees Ten Crores only) to Rs.18,00,00,000/- (Rupees Eighteen Crores only) divided into 1,80,00,000 (One Crore Eighty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each. The increase in the Authorised Share Capital is recommended to facilitate further issue of shares to augment resources as and when deemed necessary. Consequent to the increase in the Authorised Share Capital of the Company, the Memorandum and Articles of Association of the Company has to be amended to reflect the increased Authorised Share Capital of the Company.

The Board of Directors recommend the resolution for increasing the Authorised Share Capital and the consequent amendments to the Memorandum & Articles of Association of the Company as detailed in the resolutions.

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Interest of Directors:-

None of the Director is concerned or interested in the resolution.

Item No.9

The Board of Directors proposes to relocate the existing operation from the Navi Mumbai Area to another suitable location preferably within the Thane District due to various reasons as stated in the Directors Report. Along side with the relocation, the Company is also planning to modernize the existing operational facilities and in order to be able to take up the proposed activities in the growing market and also for general corporate purposes, including working capital requirements, strategic investments, any mergers, amalgamations, acquisitions, reconstructions or arrangements or any other reorganization as the Board may decide, the Board of Directors consider that it would become necessary to raise finance at appropriate time (s) by issue of appropriate instruments, at such price or prices, to such persons and in such manner, as stated in the resolution.

Consent of the shareholders is sought to authorize the Board of Directors for issuing Securities as stated in the resolution which would result in issuance of further shares of the Company.

As the Members are aware, as part of the liberalization in the economic policies, the Government of India has permitted free pricing of Equity Issues. The Company, in consultation with its Merchant Bankers and Financial Institutions and other Advisors, will fix the detailed terms of the issue which will be in line with the requirements of guidelines issued by the Securities & Exchange Board of India (SEBI).

The Resolution set out in item no.9 is enabling resolutions conferring authority on the Board to cover all contingencies and corporate requirements.

Section 81 and the applicable provisions of the Companies Act 1956 along with amendments made from time to time provides inter-alia, that when it is proposed to increase the Issued Capital of a Company by allotment of further Shares, such further Shares shall be offered to the existing Shareholders of the Company in the manner laid down in Section 81 unless the Shareholders in the general meeting decide otherwise.

The listing agreement with the Stock Exchange provide, inter-alia, that the Company in first instance should offer all the shares, securities, rights, privileges and benefits to subscribe to pro-rata to the Equity Shareholders of the Company unless the Shareholders in the General Meeting decide otherwise.

Accordingly, consent of Shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing agreement executed by the Company with the Stock Exchange in Mumbai where the Company's Securities are listed.

Directors recommend the resolutions for approval of the Shareholders as a Special Resolution.

All the Directors of the Company may be deemed to be concerned or interested to the extent that they may be entitled to the securities that will be offered to them on Right basis or otherwise and applied for and allotted to them.

By order of the Board of Directors
For **SUDITI INDUSTRIES LTD**

Place: Mumbai
Date: 30.06.2008

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 Pavan Agarwal	Shri Vivek Gangwal	Shri Anand Agarwal
Date of Birth	19.02.1965	17.12.1970	02.01.1953
Date of Appointment	12.09.1991	16.06.2003	12.09.1991
Expertise in specific/Functional areas	Shri Pavan 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.	Shri Anand Agarwal has more than 30 years of experience in the Textile Industry and has been closely associated with technical, commercial and other aspects of the Textile Industry. Undergone extensive training in Kobe-Japan for the manufacture of Knitted Fabrics.
Qualifications	A graduate in Commerce.	A graduate in Commerce and Chartered Accountant	A graduate in Commerce
Directorships held in other companies (excluding foreign companies)	R.Piyarellal P.Ltd.	S.S.J.Finance Securities Ltd., S.S.J.Holding Ltd., Soba Infosec P.Ltd., Soba Financial Services P.Ltd.	Harsh EOU Estates P.Ltd.
Committee position held in other companies	NIL	NIL	NIL
No. of Shares held	612500	NIL	536500

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**DIRECTORS' REPORT:****Dear Shareholders,**

The Directors have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date.

Financial Results:

	(Rs.in Lacs)	
	Current Year Ended 31.03.2008	Previous Year Ended 31.03.2007
Export Sales	176.42	-
Local Sales	2189.85	2131.09
Other Income	69.74	83.04
Profit/(Loss) before Interest and Depreciation	(102.97)	220.16
Interest	44.34	12.54
Profit/(Loss) after Interest	(147.31)	207.62
Depreciation	44.76	33.31
Profit/(Loss) before Tax	(192.07)	174.31
Provision for Tax	-	-
Profit/(Loss) after Tax before extra ordinary items	(192.07)	174.31
Extra Ordinary Items	2538.02	138.55
Net Profit / (Loss)	2345.95	312.86
Add: Brought forward from the previous year	(1875.30)	(2188.16)
Transfer from General Reserve	-	-
Amount available for appropriation (Loss)	2345.95	312.86
Balance carried to Balance Sheet (Loss)	470.65	(1875.30)

Dividend

In view of insufficient operational profit, your Directors regret for their inability to recommend payment of any dividend on the Equity Shares for the year ended 31st March, 2008.

Operations:

The overall improvement observed in the performance in the last few years is maintained during the year under review despite the turbulent market conditions particularly in the currency exchange rates. However, the Garment operations continue to incur operational losses due to low productivity, as the operations are yet to stabilize as per projected standards. Added to this during the year under review the exchange rates were highly unfavourable for Garments Exporters which has affected the process of stabilization to a large extent. Even though the Company has registered a growth of 11% in the sales there is a setback in the operational profit because of losses in garment operations.

Further, there were damages due to a major fire occurred at our Plant located at C-3/B, TTC Indl.Area, Pawne Village, Navi Mumbai, during the month of Nov.2007. The Company has made a provision of Rs.117.50 lacs towards the losses due to fire. However, the Company has made necessary claim with the New India Assurance Co.Ltd., and the amount of claim would be dealt with appropriately in the books once the amount of claim is approved and sanctioned by the Insurance company.

These factors were also partly responsible for the adverse performance of both the garment and process house during the year under review. Apart from this the productivity at the garment unit continued to remain below the expected levels and the Company continues to incur substantial expenditure towards development of skills of the garment workers to improve the productivity. The conditions are expected to improve during the current year which will help the Company to increase the productivity as per the projections.

However, after many years the Company has recorded positive networth due to write back of interest provisions and the balance principal amount after completing the payment of dues as per the negotiated terms of settlement with SASF (Industrial Development Bank of India).

The Company is yet to complete the assessment of EPCG License obligations with Jt.DGFT Mumbai, as per the directions issued by Add.DGFT, New Delhi, vide their order dt.3.2.2006. The Company is still pursuing with Jt.DGFT, Mumbai, to expedite the matter as early as possible.

Export Sales:

During the year under review the company could commence its export activities from the Garment unit, even though the export performance is not as per the projected levels. The lower level of exports is mainly due to delay in complying with various International norms and standards as well as obtaining approvals from various certifying authorities in respect of compliance standards. These approvals are essential to execute orders from reputed buying houses/brands in USA and Europe.

Further unfavorable exchange rate conditions also remained a major hurdle for exporters as the real unit value realization has come down drastically due to fall in rupee exchange rates with US\$. The Company is pursuing the customers in Europe etc. to execute contracts in Euro or other stronger currencies as the US\$ continues to remain volatile.

The Company has taken some important steps to obtain certification from some of the reputed authorities in order to ensure that necessary compliance conditions required by the International Brands/Customers are followed. This has helped the Company to obtain orders from Belgium, Italy, Spain etc. apart from USA. The Company's samples are approved by various buyers for quality parameters. Further the company is regularly exploring the various avenues available to expand its export base by actively participating in various Exhibitions, Fairs or Expositions as well as by directly promoting the sales through E-Commerce or by visiting at the buyers & buying agents location in the

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overseas countries by the Company's Directors and Senior Managerial Personals. These measures are expected to generate more orders with better value addition. The Company is hopeful of improving its export performance in the current year barring any unforeseen circumstances and market conditions. The capacity constraints are now almost removed and company plans to export atleast 50% of the production capacity of the garment unit.

Expansion:

The company continues modernization and upgradation of its processing facilities to ensure better productivity with minimum cost. The Company is in the process of removing some of the old Dyeing machines and replacing it with more technically advanced machines. Company proposes to complete this programme by the year end.

In addition to this the Company intends to improve the quality testing & control facilities of the Garment unit significantly as the buyers follow very strict and rigid quality norms. Apart from these, the Company does not intend to undertake any other expansion programme immediately.

However, in view of certain environmental regulations and rules enforced by the Local Bodies, Pollution Control Board etc, the Company may have to relocate its present activities from Navi Mumbai to some other suitable location in the Thane District in the next few years. The Company is in the process of taking necessary steps in this regard and appropriate decision will be taken accordingly in the due course.

Increase in Share Capital:

The company intends to raise finance by issue of shares on such terms and at such prices as may be decided at the appropriate time. Hence it is necessary to increase the authorized capital to facilitate the issue of fresh shares. Accordingly the Board has taken decision to increase the authorized capital from Rs.10 Crores to Rs.18 Crores subject to the approval of members in the general meeting. This will enable the company to augment resources for the relocation modernization activities.

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 Ltd., in the demat form.

Depository System:

The Company continues to maintain its connectivity with National Securities Depository Ltd., & Central Depository Services (I) Ltd. The ISIN No. is **INE691D01012**. Sizable portion of the issued capital is yet to be dematerialized and, the members are advised to dematerialize their holding immediately.

De-listing :

The Company continues to remain listed with Stock Exchange, Mumbai and is anticipating delisting approval from Delhi and Calcutta Stock Exchanges at the earliest.

Industrial Relations:

Industrial relations with the labourers at the Company's plant at MIDC, TTC Industrial Area, Pawne Village, Navi Mumbai, continue to remain 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 Pavan Agarwal and Shri Vivek Gangwal, Directors, would retire by rotation, and being eligible, offers themselves for re-appointment.

Further the contract executed with Managing Director is due for renewal on 1st August, 2008. The remuneration committee in its meeting held on 30th April'2008, has recommended to the Board the re-appointment as well as the terms and condition of the re-appointment of the Managing Director. Accordingly Board accorded its consent to renew the contract for a further period of 5 years subject to the approval of member in the forthcoming AGM as per the terms set out in the notice calling the Seventeenth Annual General Meeting.

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



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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 V. J. Talati as the Cost Auditor to audit the cost records maintained by the company for the year 2007-08 as per the direction received from the Central Govt., in respect of conducting the audit of cost records maintained by the company.

Auditors:

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

Going Concern Concept:

In view of steady improvement in the performance and also due to write back of excess provision and balance principal amount on account of liquidating the liabilities as per the negotiated terms of settlement SASF(IDBI), the Company's networth which was negative till last year has now become positive and there are no accumulated losses to reckon with in the books. In view of this, Company is a going concern and accordingly the accounts are maintained as per the Going Concern Concept.

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

In view of the various rehabilitation measures taken the Company has successfully wiped out all its accumulated losses. The Company therefore is no more a sick Company as declared by BIFR vide their order dt.10th Aug.2006. Accordingly, the Company would be making the necessary application before the Honourable BIFR to revoke aforesaid order declaring the company as a Sick unit.

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 : 30.06.2008

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 31st March, 2008.

A) Conservation of Energy:

a) Energy Conservation measures taken:-

Energy conservation measures continues to receive utmost importance in the Company. The Company regularly reviews and evaluates the various systems/ methods followed in the energy conservation activities in order to find the efficacy of the measures followed in the company. There is constant effort on the part of the company to examine and adopt the various developments in the field energy conservation activities to ensure that energy resources are utilized in a more appropriate and economical way.

Some of the important energy conservation measures implemented/developed during the year under review by the company are listed below:

- 1) Water consumption in dyeing process is further reduced by Air Injection at the time of fabric feeding.
- 2) All Dyeing machines have CFL lamp instead of 100W lamp, resulting in saving of electric power.
- 3) Dryer machine is closed from inlet and outlet side for better heat utilization. It has resulted in increase of drying speed by 10%.
- 4) Power factor is maintained to unity.
- 5) Advantage of Rain water harvesting is taken during rainy season.
- 6) Low watt, energy saver spot lighting is used in the Garment unit to illuminate the specific areas.
- 7) The condensate and cooling water recovery system is strengthened to improve the boiler efficiency.
- 8) Further, 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) Dust Collector provided on Coal Fired Thermopac to make it more eco-friendly and also to save energy.
- 2) Replacement of old outdated 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) Proper utilization of steam & power has helped the company to achieve economy in the cost of operations.

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- 2) The above mentioned measures have a direct impact on the cost of production through improved and economic utilization of scarce resources and reduction in the wastage levels. These measures are undertaken for improving the quality standards as well as to enhance the productivity in the company.

B) Technology Absorption:**a) Research & Development:**

1. Specific area in which R&D is carried out by the Company:

- a. Company is in the process of development of new methods to ensure that product meet the quality standards with zero defect. Company has surveillance Audit by AQSR of ISO-9001-2000, to confirm its commitment towards ISO Certification. Further company has achieved OEKOTEX Standard-100 Certification and GOTS Certification for Organic Cotton from Control Union Certification.
- b. Company may plan to execute TPM system for plant maintenance and utilization. and some introductory programme is already conducted.
- c. Appropriate use of the Laboratory dispensing system in the laboratory has helped the company to develop new recipe correctly and efficiently.

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

- a) The Company is able to maintain its strong position in the market as these measures helped the Company to remain competitive in terms of quality, product range and also price.

3. Future Plan of Action:-

- a) The Company evaluates its measures regularly and also carries out R&D activities particularly in the utilization of raw-materials, development of better processing systems, reduction in wastage levels as well as to develop new product ranges.
- b) The Company also explores new measures to ensure that effluent levels are kept at the lowest limits in order to operate the unit 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 has dedicated its efforts towards improving the products quality, timely delivery etc. by improving productivity as per the requirements of the buyers in the International market.

b) Technology absorption, adoption & innovation

Even though there are no significant major

technology absorption, adoption or innovation to be highlighted, the company is making some conscious efforts towards this direction. The company is now upgrading its process house facilities by replacement of the existing machines with technically more advanced machines. The Company regularly monitors the various technological developments to ensure that timely induction/ absorption of these technology is made by the Company to maintain its competitive strength in the market. The Company's Garment unit is developed on the basis of latest technologically advanced machineries, so as to achieve higher productivity as well as in compliance with the various norms and standard of International buyers.

Further, Company regularly test the various new combination of chemicals, colours in its laboratory to develop and adopt the same in the actual manufacturing process in collaboration with vendors/suppliers. In order to retain its competitive edge in the International market, the Company needs to upgrade its quality standards on a regular basis as per the changing needs and trends in the International market. Further the cost of manufacturing is also to be maintained at the optimum level to remain competitive in terms of cost of production.

The Company is planning to develop and implement ERP system to streamline the working procedure. The preliminary programme has already been developed by trainees from an Educational Institute.

Further Garment Division is now preparing for an Audit from V.F. Corporation for Lee Wrangler and other important brands of Readymade Garments. In addition to this the Company has designed and redeveloped the Imported Raising machines which was completely burnt during the fire that took place in Nov.2007, with its own technical staff. The Company has fabricated these machines with its own technical competency in an innovative manner and the machines are functioning in an excellent manner.

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 (2007-08)	Previous Year (2006-07)
Total Foreign Exchange used	7.19	155.67
Total Foreign Exchange earned (FOB Value)	156.06	-