

ANNUAL REPORT
2006 - 2007

Soaring High with Achievements...

SUPERHOUSE LTD.



LEGACY OF EXCELLENCE

BOARD OF DIRECTORS

Mr. Mukhtarul Amin, Chairman and Managing Director

Mr. Zafarul Amin, Jt. Managing Director

Mrs. Shahina Mukhtar, Whole time Director

Mr. Vinay Sanan, Executive Director

Mr. Anil Kumar Agarwal, Director Finance

Mr. Mohd. Shadab, Whole time Director

Mr. N. C. Jain

Mr. S. M. Rais

Dr. K. K. Agarwal

Mr. Anil Soni

Mr. Kamal Agarwal

Mr. Sartaj Ahmad

COMPANY SECRETARY

Mr. R.K. Agrawal

BANKERS

Punjab National Bank

State Bank of India

AUDITORS

M/s Kapoor Tandon & Co.

Chartered Accountants, Kanpur

OFFICE

Registered Office

150 Feet Road, Jajmau,

Kanpur 208 010

PLANTS

Leather Processing

A-1 Site II, Industrial Area,
Unnao 209 801

B 15,U.P.S.I.D.C Industrial Area,
Site II

Unnao 209 801

Fashion Footwear

Plot No. A 3,
Export Promotion Ind. Park,
Agra 282 007

A 5,U.P.S.I.D.C Industrial Area,
Site b, Sikandra ,
Agra 282 007

D 15,U.P.S.I.D.C Industrial Area,
Site II, Unnao 209 801

Safety Footwear

B 6,Site I, Industrial Area,
Unnao 209 801

Shoe Upper

150 Feet Road, Jajmau,
Kanpur 208 010

71-A, Jajmau,

Kanpur 208 010

Textile Garment

A 14, Sector 65,
Phase III, Noida

Leather Garment

C- 10, Sector 58,
Phase III, Noida

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Superhouse Limited

Registered Office: 150 Feet Road, Jajmau, Kanpur-208010

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held on Saturday the 29th September, 2007 at 10.00 A.M. at the Registered Office of the Company at 150 Feet Road, Jajmau, Kanpur-208 010, to transact the following business:-

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and Audited Accounts for the Year ended on that date and the Reports of the Auditors and Directors thereon.
2. To elect a Director in place of Mr. Krishna Kumar Agarwal who retires by rotation and is eligible for re-election.
3. To elect a Director in place of Mr. Anil Soni who retires by rotation and is eligible for re-election.
4. To elect a Director in place of Mr. Mr. Sartaj Ahmad who retires by rotation and is eligible for re-election.
5. To declare a dividend on Equity Shares.
6. To appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

Place : KANPUR

By Order of the Board

Date : 28th June, 2007

(R. K. AGRAWAL)
Company Secretary

NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The register of members and Share Transfer Book of the Company will remain close from 17th September, 2007 to 29th September, 2007 (both days inclusive).

Place : KANPUR

By Order of the Board

Date : 28th June, 2007

(R. K. AGRAWAL)
Company Secretary



From The Chairman and Managing Director Desk

Welcome. I am proud to present the financial year 2006-2007 annual report of Superhouse Ltd. As all of us are aware, the leather industry is one of the major foreign exchange earners for the country. The import content is very low and therefore the net foreign exchange earned by the leather industry is substantial. The industry has come a long way from the days of export of raw hides, skins and semi-finished leather in the 60s and today the share of value-added products has increased to 76% of total export. In absolute terms, exports have performed remarkably well over the years, though at the Global level the growth have not been a significant one. Among world imports of leather products, leather footwear alone constitutes 40%. India's share in world imports of leather footwear is a mere 1.46%. Major exporting countries of leather footwear are China (22% share), Portugal (6% share), Brazil (5% share) and Indonesia (4% share). The world trade in leather products is growing in view of increasing demand for products made of leather.

Superhouse is one of the leaders of the industry, having our own tanneries and sole making factories, which gives us a big advantage in terms of making the quality goods specially keeping in mind the stringent quality norms of the European Union for the chemicals used in tanning/finishing process. Besides the captive units of leather and sole help us deliver the goods on time, which is one of the main requirements of the customers. Our approach is designed to build a lasting relationship and unshakable trust and confidence amongst our suppliers and patron-customers. Company constantly strives to absorb latest technology and management technique, product development innovation and diversification.

It is heartening to announce that the company has achieved a major feat as for the year ending as on 31st March 2007 the sales of the Company has increased by 38.92% as compared to the previous year. New set of efforts taken to augment marketing, gear up human resources and expansion in the production capacities have started to show its results. Good work done! But much needs to be done ahead...

The envisaged target of US\$7 Billion export from the leather industry as per the vision document of Council for Leather Exports, calls for immediate investments in capacity augmentation, HRD and Training of manpower. The marketing strategy needs a paradigm shift by focusing on the large markets like USA and new markets in the Far East and Scandinavian countries. The investment climate needs a re-look from the point of FDI and the Impediments in the logistic channel needs to be removed with urgency and understanding.

Company has robust plans to augment business. In order to increase production capacities the company has plans to invest Rs. 45 crores. Additionally Rs. 15 crores has been allocated for setting up a Greenfield plant in NOIDA for enhancing the capacities of footwear. Company will be adding another 30-40 per cent to its existing capacity. Superhouse currently has fifteen factories and is setting up an additional one, which would be operational by early next year. Retail market operations for its brand 'Allen Cooper' are going to receive a boost.

Leather industry today is witnessing a sea change. There has been a significant change in the composition of leather sector's export over the years. Even in late 1970s nearly 80 to 90% of export was in the form of hides and skins and some finished leather. Over the last two decades largely due to effective Government Policy interventions, the export of value added products has been on the

rise. Today, over 80% of export is all of value added products. Even out of the remaining 20%, the finished leather constitutes a major chunk, which also has considerable value addition. In fact for the first time, schemes have been proposed under the Tenth Five Year Plan to modernise production units of value added products.

A number of measures can be taken to give a boost to the industry. Council for Leather Export, (CLE) an export promotional body for leather industry under the Ministry of Commerce, Government of India has analysed the growth pattern of Leather exports and formulate Intervention strategies with an objective to enhance the exports. CLE has drawn the road map to enhance export to \$ 7 Billion by 2010-11 (creating additional 1 million jobs in the sector) from the present exports at \$ 2.39 Billion (2004-05). It is a fact to be recognised that India has the capabilities to produce the best products. One way to encourage this trend is to identify such capable units and assist them appropriately to promote their own brands or to acquire some of the international brands, or to forge large market tie-ups with overseas partners. Such measures will go a long way to enhance our capabilities and thereby gain the status of being a major player in the global market. A formal notification de-reserving the entire leather sector from the scope of SSI issued a few days back is certainly a forward looking step for attracting large overseas and domestic investments in leather sector. Particularly the current players in this sector are keen to expand their existing capacities to significant volumes if the labour laws are conducive.

Some major changes are seen in the global leather market, which India can capitalise on to increase exports. Worldwide growth in fashion consciousness and Imposition of Anti Dumping Duty on China by European Commission are some of the factors. Additionally, closure of Leather and Leather Goods manufacturing facilities in Europe has given us an opportunity to grow substantially.

In order to increase India's share in the global market, industry has to Change the product mix in footwear in favour of comfort shoes and ladies shoes.

Switch over to volumes rather than persisting in the high price segments.

Scale of production has to change to bigger productions.

Focus more on larger markets like US and find new markets in Scandinavian countries and the Far East.

Join the brands as contract manufacturers or have brands in the international markets for garments and goods.

Innovative methods like the FAM tours of the Opinion Makers and prominent buyers must be organized.

Continuous updating of the buyers' data, market and consumer analysis along with trend forecasting Subscribing to market intelligence sources

Now little bit of boasting. The Company has received a number of distinguished Awards for Performance and Exports. The number of awards it has received over the decade is a vindication of our commitment towards quality, and also a recognition of the hard work put in by employees. Some of the awards received over the years are:

Five awards out of twenty during the year 2006-07 which includes Gold trophy for overall exports from Council for leather export.

Export Award from Council for Leather Exports for creditable export performance during year 2005-2006 under the category Saddlery & Harness.

Top Award in the year 2004-2005 under the category Saddlery & Harness.

The Gold Trophy for best exports performance in the export of leather and leather products during 2003-04.

Rajya Niryat Puraskar, 1998-99 (First Prize) by Government of Uttar Pradesh.

C.L.E. Certificate of Merit for commendable performance in exports in 1998-99

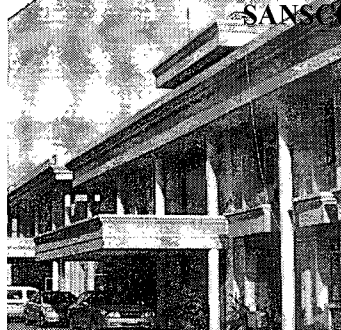
Certificate and Trophy for showing commendable export performance in 1998-99 in leather Footwear.

Certificate of merit awarded by C.L.E. Chennai for commendable performance in Exports in 1997-98.

21st Century Millennium Award to Mr. Mukhtarul Amin by International Institute of Education and Management C.L.E. Certificate and Trophy for Exports in Leather Goods in 1997-98

I am proud to be associated with people who are committed to growth and development of Superhouse.

Mukhtarul Amin
Chairman and Managing Director



DIRECTORS' REPORT

DIRECTORS' REPORT

To
The Shareholders.
Superhouse Limited,
Kanpur.

The Directors have pleasure in presenting their 27th Annual Report alongwith the Audited Accounts of your Company for the year ended 31st March, 2007.

FINANCIAL RESULTS :	Current Year (Rs. in '000)	Previous Year (Rs. in '000)
Profit before Depreciation	169826	127082
Less: Depreciation	59219	48483
Profit before tax	110607	78599
Less : Provision for taxation	39942	31168
Profit after tax	70665	47431
Income Tax relating to earlier year	11718	3040
Loss transferred on Amalgamation	(-2723)	-
Balance Brought forward from previous year	315898	285536
	372122	329927
Appropriations :		
Proposed Dividend	14276	7918
Tax on Proposed Dividend	2145	1111
Transferred to General Reserve	10000	5000
Balance carried to Balance Sheet	345701	315898
	372122	329927

Dividend :-

Your Directors are pleased to recommend final dividend of Rs. 1.50 per equity share (previous year Rs. 1.00 per equity share) on the equity share capital of the company for the financial year ended 31st March, 2007. This includes the interim dividend of Rs. 1.00 per equity share paid during the year. The cash outflow on account of dividend on equity capital will be Rs. 164.21 lacs (previous year Rs. 90.29 lacs) including dividend tax of Rs. 21.45 lacs (previous year Rs. 11.11 lacs).

Financial Performance :-

The company has achieved the sales and other Income of Rs. 32702.55 lacs against Rs. 23201.38 lacs reported last year. The Profit after Tax was Rs. 706.65 lacs during the year under review as compared to Rs.474.31 lacs reported during the previous year.

Recognition :-

Council for Leather Exports :- Mr. Mukhtarul Amin, Chairman and Managing Director of the company has been unanimously elected as Chairman of Council for Leather Exports, a body functioning under Ministry of Commerce and Industries, Government of India, for the period 2007-2009.

Gold Trophy:- Your company has once again bagged the most prestigious Golden Peacock Award for the best performance in Overall Export in leather industry. The companies with total FOB export turnover of leather and leather products of Rs. 100.00 crore and above are eligible for considering this award. In addition to Gold Trophy, the company has also claimed five other outstanding awards for Brand Promotion, Export of non-leather harness and saddlery, maintaining high standard for environment production and adhering to International Standard of quality, health and safety.

Amalgamation with Super Footwear Limited and Allen Shoes Limited :-

M/s Super Footwear Limited and M/s Allen Shoes Limited have been amalgamated with the company during the year. The combined financial and other resources of all the three companies have resulted in better and more profitable utilization of these sources and the company has been better placed for further profitable growth.

Delisting of Equity Shares :-

The Equity Shares of the company have been delisted from the Stock Exchanges at Kanpur, Delhi and Ahmedabad. The delisting application of the Calcutta Stock Exchange is pending with the Exchange. However, the Listing of Equity Shares of the company will be continued with the Bombay Stock Exchange.

Subsidiary Companies :-

The company is having three wholly owned subsidiary companies namely M/s Superhouse (UK) Limited, M/s Superhouse (USA) International Inc and Superhuose Middle East FZC. A statement pursuant to section 212 of the Companies Act, 1956 relating to company's interest in subsidiaries companies is forming part of the Annual Accounts.

Corporate Governance :-

During the year under review, the company has taken necessary steps to comply with the requirements of the Corporate Governance Code and a Report on the Corporate Governance forms part of this Report.

Consolidated Financial Statement :-

As required by clause-32 of the Listing Agreement and in accordance with the Accounting Standard-21 your directors have pleasure to attach the Consolidated Financial Statements and Cash Flow Statement which form part of the Annual Report and Accounts.

Management Discussion and Analysis :-

The Report as required by clause-49 of the Listing Agreement is annexed hereto and form part of the report.

Personnel :-

The relations with the employees continued to be cordial during the year. The Directors record their appreciation for the sincere and hard work put in by all categories of employees during the year.

Conservation of Energy :-

Your Company is engaged in the manufacture of Finished Leathers, Leather Goods and Textile Garments and consumption of energy in these industries is not significant as compared to that of in other industries. However, the Company is making continuous efforts to conserve energy wherever possible by economizing on use of power and fuel in factory and offices. The company has also conducted the Energy Audit of various factories and offices of the company. However, the company has not made specific additional investment for the reduction of consumption of energy.

Technology Absorption :-

The company is carrying on the technological innovations, up-gradation and improvements on a regular way. The company is getting benefit of R & D by developing new range of Products.

The company is hopeful that sustained efforts put in by all concerned and that will continue in future to achieve excellent working results and improve competitive strength of the company.

The company has incurred expenditure of Rs. 45.65 lacs for the Research and Development Activities during the year. The company has not incurred any capital expenditure on R & D during the year.

The company is not using imported technology, However, Imported Plants and Machineries are also being used by the company.

Foreign Exchange Earnings & Outgo :-

Your Company continues to enjoy the status of a Government of India Recognized Export House. Continuous efforts are being made to identify the new markets. Exports during the year was Rs. 24572.11 lacs in comparison to previous year of Rs. 17842.35 lacs on FOB basis. During the year, total Foreign Exchange outgo was Rs. 5208.39 lacs as compared to Rs. 3574.86 lacs during the preceding financial year.

Particulars of Employees u/s 217 :-

No employee was covered Under Section 217(2-A) of the Companies Act, 1956 during the year.

Directors :-

Mr. Krishna Kumar Agarwal, Mr. Anil Soni and Mr. Sartaj Ahmad retire by rotation at the ensuing Annual General Meeting. However, being eligible they offer themselves for re-election.

Directors' Responsibility Statement :-

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956 your Directors confirm that :

1. In the preparation of the annual accounts the applicable accounting standards have been followed;
2. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
3. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

Statutory Auditors :-

M/s. Kapoor Tandon & Co, present Auditors will hold office until the conclusion of this Annual General Meeting. We have received a certificate from the Auditors to the effect that their re-appointment, if made, will be in accordance with the limits specified in sub section(1B) of Section 224 of the Companies Act, 1956. Directors commend for re-appointment of M/s. Kapoor Tandon & Co.

Cost Auditors :-

The Central Government vide its Order No. 52/348 CAB-2000 dated 10th August, 2000 has directed the company to carry out audit of the Cost accounts maintained by the company in respect of Footwear. Your board has appointed M/s. R. M. Bansal & Co., Cost Accountants to carry out the Cost Audit for this purpose. This appointment has to be made in the beginning of each financial year and an application has already been forwarded to the Central Government to renew the appointment for the current financial year.

DIRECTORS' REPORT

Place : KANPUR
Date : 28th June, 2007

For and on behalf of the Board
MUKHTARUL AMIN
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Overview

Vigorous growth with strong macroeconomic fundamentals has characterized developments in the Indian economy in 2006-07 so far. However, there are some genuine concerns on the inflation front. Growth of 9.0 per cent and 9.2 per cent in 2005-06 and 2006-07, respectively, by most accounts, surpassed expectations. While the up-and-down pattern in agriculture continued with growth estimated at 6.0 per cent and 2.7 per cent in the two recent years, and services maintained its vigorous growth performance. Entrenchment of the higher growth trends, particularly in manufacturing, has boosted sentiments, both within the country and abroad. The overall macroeconomic fundamentals are robust, particularly with tangible progress towards fiscal consolidation and a strong balance of payments position. With an upsurge in investment, the outlook is distinctly upbeat.

There were distinct signs of sustained improvements on the industrial front. Growth of industrial sector, from a low of 2.7 per cent in 2001-02, revived to 7.1 per cent and 7.4 per cent in 2002-03 and 2003-04, respectively, and after accelerating to over 9.5 per cent in the next two years, touched 10.0 per cent in 2006-07.

A notable feature of the current growth phase is the sharp rise in the rate of investment in the economy. Investment, in general being a forward looking variable, reflects a high degree of business optimism. The revival in gross domestic capital formation (GDCF) that commenced in 2002-03 has been followed by a sharp rise in the rate of investment in the economy for four consecutive years. This sharp increase in the investment rate has sustained the industrial performance and reinforces the outlook for growth.

India's exports (in US dollar terms and customs basis) have been growing at a high rate of more than 20 per cent since 2002-03. During 2005-06, with growth of 23.4 per cent, India's exports crossed the US\$100 billion mark. During 2006-07, after a slow start, exports gained momentum to grow by an estimated 36.3 per cent in the first nine months to reach US\$89.5 billion. Buoyancy of exports was driven by the resurgence in the manufacturing sector and sustained demand from major trading partners.

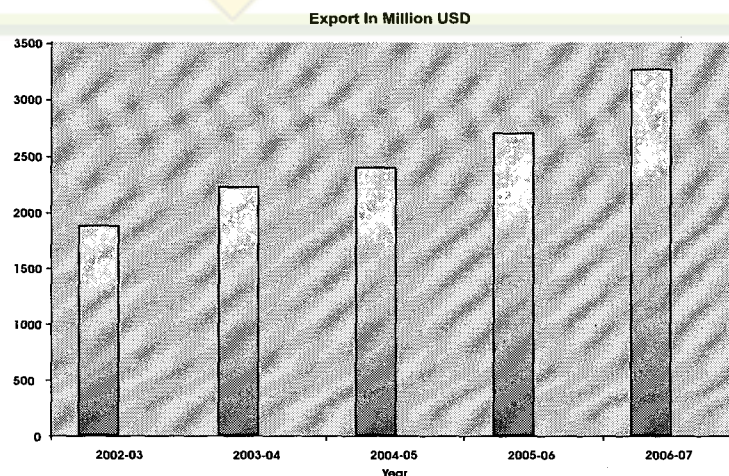
Industry Structure and Developments :-

The leather industry is spread in different segments, namely, Finished Leather Footwear, Footwear Components, Leather Garments and Leather Goods including Bags, Saddlery, Harness and Leather Gloves etc. The major production centers for leather and leather products are located at Chennai, Ambur, Ranipat, Vaniyambadi, Trichi and Dindigul in Tamilnadu, Kolkata in West Bangal, Kanpur, Unnao and Agra in Uttar Pradesh, Jalandhar in

Punjab, Bangalore in Karnataka, Mumbai in Maharashtra and Hyderabad in Andhra Pradesh. The leather industry is mainly concentrated in small and medium sector.

The composition of export of leather and leather products from India has undergone a structural change during the last three decade, from merely an exporter of raw materials in the sixties to that of value added finished products in the nineties. The value added finished products presently constitute around 80% of total export from the industry, which was mere 7% in 1956-57.

The exports of leather and leather goods from India during last 5 years were as under :-



Realizing the growth potential of the leather industry, the Government of India has been making significant efforts to promote rapid advancement of the industry. On June 30, 2005, the Cabinet Committee on Economic Affairs (CCEA) decided to implement a Rs. 2.9 billion scheme for the integrated development of the leather sector. Under this scheme, existing tanneries are being modernized and new units are being set up for footwear, components and leather products. This scheme is resulting in gains in terms of productivity, right-sizing of capacity, cost-cutting, and design-development.

Opportunities and Threats :-

Council for Leather Exports introduced a vision document for 2010-11 which was presented to Hon'ble Minister of State, Commerce, Govt. of India with the object to analyze the growth pattern of leather exports and formulate intervention strategies with and object to enhance the exports to \$ 7 Billion by 2010-11 from the present export at USD 2.39 Billion by creating additional one million jobs in the sector. Council estimated 42% of value as additional exports is required to meet the target of USD 7 Billion. To achieve the target, major growth is required in Footwear i.e. 25%, Finished Leather i.e. 14%, Garments i.e. 12% and Leather Goods i.e. 18%. Council has also estimated requirement of finished leather is 4 Billion Sq. ft. out of 2 Billion Sq. Ft. is available at present for achieving the USD 7 Billion export target.

Export Projections as per Vision Document:					(In Million USD)
Product	2006-07	2007-08	2008-09	2009-10	2010-11
Leather	673.01	726.85	785.00	847.80	915.63
Footwear	1490.81	1967.88	2597.60	3428.83	4526.05
Garments	344.74	358.53	372.87	387.78	403.30
Leather Goods	673.50	733.34	798.69	870.06	948.04
Saddlery & Harness	87.32	105.66	127.85	154.70	187.19
Total	3269.38	3892.26	4682.01	5689.17	6980.21

The above mentioned export projections clearly show the opportunities available in the export of leather and leather goods.

The Indian leather industry is now more comfortable in competition with China and Vietnam due to a provisional anti-dumping duty of 19.40% for China and 16.80% for Vietnam introduced by European Commission on leather footwear.

The major threat to the Indian industry and to your Company is posed by the aggressive increase of the production capacities by the Chinese and Vietnamese manufacturers, who with their large infrastructure have a cost advantage. Your Company is handling this threat with value additions in design and developments.

The stringent pollution regulations may also cause challenges to the leather industry.

Performance Overview:

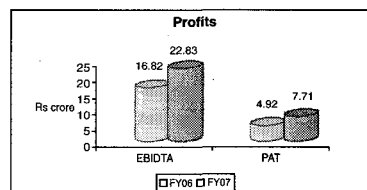
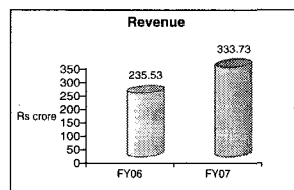
Superhouse Limited is one of the leading leather exporters with certification from Government of India. The company has 12 units spread across Kanpur, Unnao, Noida and Agra. Superhouse is engaged in production of Leather garments, shoes, bags, accessories, fashion garments and riding garments. Equipped with some of the most modern machineries and specialized workforce, the company produces all types of leather and value added finished leather items, which are accepted and appreciated all over the world.

The Company also has made its foray into the Indian retail sector and owns the retail brand in the name of Allen Cooper with exclusive stores at Lucknow, Allahabad, Varanasi, Kanpur, Ghaziabad and several other cities. The company is one of the major suppliers to GAP, DKNY, Miss Sixty, Dolcis, C&A, Next PLC, Liz, Steve Madden, Euro Shoes, Spapino, Burton's, Andre, Heckel Security, Kramer Pferdesport, Hooks, J.D. Williams, Cipesz ES, Cofra SRL, Heba, M-Tech, PT Alasmas Berkat, Punto FA, and Tesco. The company is among the largest footwear exporters from the country to France. It has also forayed into Germany, Holland, South Africa and Australia with safety shoes.

The company is committed to produce quality products for its customers and has acquired ISO9001-2000, ISO-14001-2004 & OHSAS-18001-1999 certification. It also has the distinction of quality certification under British, Australia, USA and Canadian standards also.

Today Superhouse is major exporter to European countries including UK, France, Italy, Germany, Denmark and Netherland. Apart from European countries the company also exports to USA, China, Hong Kong, South Africa, Australia & New Zealand and Middle East countries.

During FY07, the company recorded total consolidated revenue of Rs 333.73 crore, an increase of 42% y-o-y. The consolidated net profit increased 57% y-o-y to Rs 7.71 crore. There was a slight dip in the operating margin to 6.83% from 7.13% on account of depreciation of rupee towards the end of fiscal. The EPS for the year was Rs 8.67 as against Rs 6.21 at the end of FY06.



Highlights of the Year

- Achieved entry into the US leather market, the biggest importer of leather footwear. A breakthrough achievement for the company given the stringent regulations posed by US market for Indian exporters
- Entered into new product category viz ladies footwear
- Exported ladies footwear to France, UK and got good response
- Signed up clients like Steve Madden and Georgio Brutini, the leading brands in US

Segment-wise Performance :-

The segment-wise performance of the company during the year is as under :-

Segments	Turnover
a- Leather and Leather Products	Rs. 268.93 Crores (previous year Rs. 207.93 crore)
b- Textile Garments	Rs. 28.92 Crores (previous year Rs. 22.84 crore)

Business Outlook:-

Superhouse Limited has plans to ramp up its capacity, both by organic and inorganic routes. For this, we are setting up two new shoe factories with a capacity of 5,000 pairs a day at Agra and Kanpur, which are expected to start production by the end of the current fiscal. The company is also expanding its tannery capacity to three million sq ft a month from two million sq ft currently. Through a Rs 50 crore expansion plan, the company has a target of increasing its turnover to about Rs 400 crore. The new capacity is to primarily cater to the US and European markets.

Handling Industry Issues:-

The company is dealing with the issue of appreciation of rupee towards the end of FY07 by reducing wastage and overhead expenses. The appreciation will affect only the orders booked before rupee appreciation. Moreover, the government has now increased the drawback/DEPB and lowered interest rates on exports, which will make the scenario better for the industry and the company.

Industry Outlook :-

During 2006-07 the leather industry has registered very impressive growth of 21.33% as against previous year growth of 7.98%. The trend of positive growth is continuing during the current year. The company has demand of its products from all over the world. The company has achieved export growth rate of 37.72% and thereby surpassing the industry growth rate of 21.33% during 2006-07. It is expected that the company will maintain the growth rate during 2007-08.

Risk and Concerns :-

The major raw material for leather industry is raw hide/skins. Leather is a natural product and its prices and availability are changing from time to time. The company is having vast experience in sourcing the raw materials for its tanneries and leather products divisions from India and outside which help in keeping the prices and availability under control. The output of raw hides/skins are also depend upon person skill of the purchasers and technicians, which are being properly taken care-off by the experienced personnel of the company. The substantial revenue of the company is being generated in foreign exchange. The adverse foreign exchange rates may effect the profitability of the company. The experienced professional of the company are keeping close watch over movement in currency rates. The company has regularly hedged and is keeping part of the proceeds in EEFC accounts for imports in foreign currency.

Cautionary Statement :-

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectation or prediction may be 'forward-looking statement' within the meaning of applicable securities laws and regulations. Further, the performance of the company is also dependent on domestic and global economic conditions, government and regulatory policies on which company is not having any control.

Internal Control System and their Adequacy :-

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transactions are authorized, recorded and reported correctly. Proper checks and controls have been introduced for all the incoming and outgoing materials. The Audit Committee and Internal Audit Department regularly review the financial and operating controls at all location of the Company. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

Financial Performance with Respect to Operational Performance:-

The financial statements have been prepared in compliance with the requirements of the companies Act, 1956 and Generally Accepted Accounting Principals in India. The company has achieved the sales and other income of Rs. 32702.55 lacs against Rs. 23201.38 lacs reported last year. The profit after tax was Rs. 706.65 lacs during the year as compared to Rs. 474.31 lacs reported during the previous year. The gross block of the company as at 31.03.2007 was Rs. 122.24 crores against Rs. 101.73 crores as at 31.03.2006. The net current assets as at 31.03.2007 was Rs. 92.54 crores as against Rs. 74.30 crores as at 31.03.2006. The detailed information of financial performance is given in the attached annual financial statements. The summarized financial performance during the year is as under :-

FINANCIALS OF THE COMPANY

	(Rs.in lacs)	
	2005-06	2006-07
Sales	23099.10	32460.33
Other Income	102.28	242.22
PBT	785.99	1106.07
PAT	474.31	706.65
Paid up Capital	889.48	949.48
Res.& Surplus	7674.91	8186.22
Net Worth	8596.82	9404.78
Earning per share	5.99	7.94

Industrial Relations and Human Resources Development :-

The relations with the employees continued to be cordial during the year. The Directors record their appreciation for the sincere and hard work put in by all categories of employees during the year. There were 1171 permanent employees with the company as on 31st March, 2007.