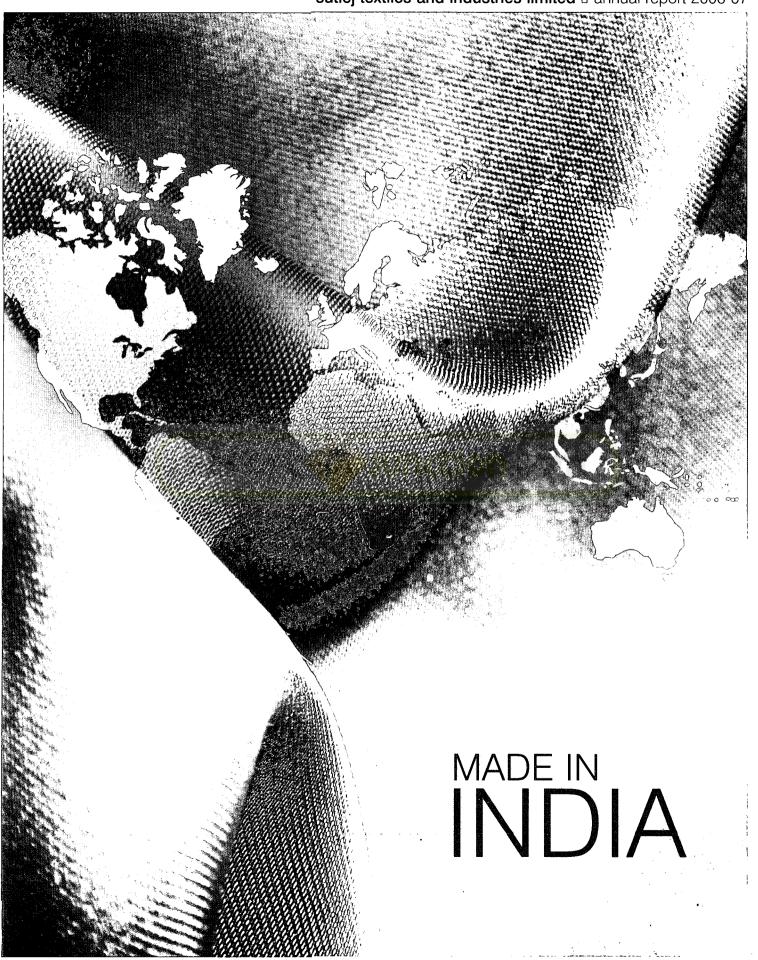
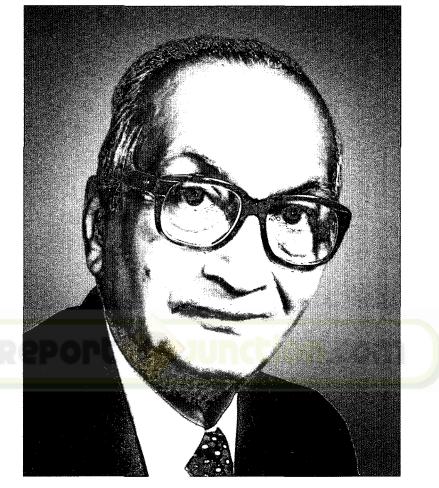
sutlej textiles and industries limited a annual report 2006-07



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Dr. K. K. Birla, Chairman

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But sold in Argentina, Australia, Bahrain, Bangladesh, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, China, Columbia, Cyprus, Dominican Republic, Egypt, Elsalvador, England, Equador, Finland, France, Germany, Ghana, Greece, Hong Kong, Holland, Italy, Iran, Israel, Ireland, Jamaica. Japan, Jordan, Kenya, Kuwait, Korea, Latvia, Lebanon, Lithuania, Malaysia, Morocco, Mauritius, Mexico, Nepal, New Zealand, Portugal, Poland, Romania, Russia, Saudi Arabia, Spain, Singapore, Syria, Sri Lanka, Switzerland, South Africa, Slovenia, Sweden, Taiwan, Tajikistan, Tanzania, Tunisia, Turkey, The Philippines, United States of America, United Arab Emirates (UAE), Uruguay, Vietnam, Yugoslavia, Yemen...

about us



Our legacy: We are the flagship textiles company of the illustrious K.K. Birla Group. The later enjoys a dominant presence in the engineering, fertilizer, sugar, tea, coffee, food products, information technology, media, biotechnology and shipping industries.

Our establishment: We were incorporated on 22nd June, 2005 and was created through a corporate restructuring exercise in which the textiles divisions of Sutlej Industries Limited and Damanganga Processors Limited were de-merged with effect from 1st July, 2005. Since the company was incorporated on 22nd June, 2005, the results for the full year working period of 2006-07 are not comparable with the previous working period.

Sutlej Textiles and Industries Limited is a visible catalyst of the 'Made in India' revolution. A leading Indian textile company. One of the largest exporter of value-added synthetic and blended yarn. With a presence in more than 60 countries.

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Our business: We are one of India's leading textiles producers with a value chain extending from yarns to fabrics to garments to home textiles; this enables us to capture value at all intermediate points. Our customers: We are proud of a globally-respected customer base comprising Raymonds, Harry's Collection, Digjam, Marks & Spencer, JC Penney, Next, B.H.S., ASDA, Carrefour, Grasim, Donear, Siyaram's and Arvind. Our financials: We are proud of our robust financials: revenues (gross) stood at Rs. 719.53 cr, EBIDTA Rs. 105.51 cr and post-tax profit Rs. 36.32 cr for the 12 months ended 31st March, 2007.

Our strategy: We are committed to extending our value chain, developing innovative products, maximizing resource productivity and efficiently managing costs.

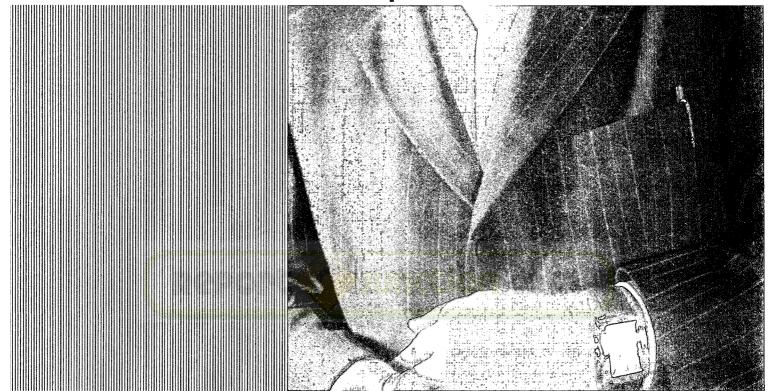
Our international presence: We are one of the India's largest exporters of value-added synthetic and blended yarn, exporting to more than 60 countries.

Our accreditations: We enjoy the status of a three-star export house, conferred by the Government of India for our exemplary export record; our yarn manufacturing units are accredited by the IS/ ISO-9001:2000, indicating our robust quality culture.

Our assets: Our dispersed manufacturing facilities help us service demand with speed and surety.

Units	Locations	Products	Capacities (as at 31st March, 2007)		
Rajasthan Textile Mills	Bhawanimandi, Rajasthan	Cotton yarn, man-made fibres yarn	62,224 spindles 672 rotors		
Chenab Textile Mills	Kathua, J&K	Cotton yarn, man-made fibres yarn	1,38,392 spindles		
Damanganga Fabrics	Daheli, Gujarat	Fabrics	4.8 million metres per annum (58 looms)		
	and the second s	Processed fabrics	20 million metres per annum		
Damanganga Garments	Daheli, Gujarat	Garments	1.6 million trousers per annum		
Damanganga Home Textiles	Daheli, Gujarat	Home textiles furnishings	2 million metres per annum		

directors' report



Dear Thareholden,

Your Directors are pleased to present their second Annual Report on the business and operations of your Company for the year ended 31st March, 2007. The corresponding figures of 31st March, 2006 comprise the working of the textiles business for nine months from 1st July, 2005 till 31st March, 2006.

Financial results (Rs. in lakhs)

Particulars	Year ended 31st March, 2007	Period ended 31st March, 2006
Gross sales	71952.49	49034.40
Gross profit	8692.48	5438.41
Less: Depreciation	4241.50	2689.38
Taxation:		
- Current	495.39	235.50
- Earlier years	86.35	49.35
- Deferred	192.43	363.45
- Fringe Benefit tax	45.32	33.35
Net profit	3631.49	2067.38
Add: Balance brought forward from the previous year	2681.79	1319.30
Total	6313.28	3386.68
Appropriations:	Sec. 19. 10. 10. 10. 10. 10. 10. 10. 10. 10. 10	
Proposed dividend	491.48	436.88
Corporate dividend tax	83.53	61.27
Transfer to the general reserve	363.15	206.74
Balance in profit and loss a/c. carried to balance sheet	5375.12	2681,79
Total	6313.28	3386.68

Dividend

Your Directors are pleased to recommend a dividend of 45% (Rs.4.50 per share) for the year ended 31st March, 2007, subject to shareholders' approval at the forthcoming Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of the market hours on 20.09.2007 would be entitled for the dividend. The total amount of dividend to be paid to the shareholders will be

Rs.575.01 lakhs (inclusive of dividend tax).

Capital projects

Your Company has undertaken expansion and modernisation initiatives to reinforce the existing competitive advantage. The Company has completed various expansion and modernisation projects to upgrade technology and enhance the operational scale across its various units through the following initiatives:

- . The expansion of Kathua and Bhawanimandi units by 35,400 spindles and 2,112 spindles respectively to manufacture PV dyed yarn were completed; commercial production commenced during the last quarter of 2006-07.
- Bhilad unit has completed expansion programme to produce home textiles and garments during 2006-07.

All the above projects were financed under the TUFS.

Embarked on the addition of a total of 21 MW captive thermal power plants in Bhawanimandi and Bhilad at a total cost of Rs.86 crore.

The Company has invested Rs.175 crore during the year 2006-07, which include expenditure on the above projects.

Future capital investments

As part of its ongoing investments in state-of-the-art equipment to manufacture quality products, the Company undertook the following projects at a capital outlay of Rs. 461 crore:

Spinning: Embarked on the addition of 75504 spindles by the first quarter of the financial year 2009-10 at a capital outlay of Rs.302 crore.

Captive power generation: Embarked on the addition of a total of 21 MW captive thermal power plants in Bhawanimandi and Bhilad at a total cost of Rs.86 crore. These projects are expected to be commissioned in the next 12 to 15 months.

Modernisation: Embarked on the enrichment of the product mix through technology upgradation and modernization. The Company intends to invest Rs.68 crore over the next two years.

Information technology: Embarked on the implementation of mySAP ERP at a capital outlay of Rs.5 crore, the project is expected to be implemented by the third quarter of the financial year 2007-08. These capital projects are being financed by internal accruals and loans from banks under the Technology Upgradation Fund Scheme under which interest subsidy of 5% p.a. is given by the Government.

Fixed deposits

At the end of the financial year under review, fixed deposits from the public, shareholders and employees amounted to Rs. 1,186.37 lakhs; deposits amounting to Rs. 3.24 lakhs remained unclaimed as on 31st March, 2007.

Particulars of employees

Information in pursuance to the provision of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, are given in Annexure – I, which forms a part of this report.

Energy conservation, technology absorption and foreign exchange earnings and outgo

Information in pursuance to the provision of Section 217(1)(e) of the Companies Act, 1956, in relation to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure-II, which forms a part of this report.

Management discussion and analysis report

The detailed review of the operations, performance and outlook of the Company is given in Annexure–III in the management discussion and analysis report and forms a part of this report.

Corporate governance

Your Company is committed to ethics and governance, resulting in enhanced transparency for the benefit of stakeholders. As per the revised Clause 49 of the Listing Agreement with stock exchanges, the Company adopted a code of conduct applicable to the Board and senior management. The Company fully complies with the governance practices as enunciated in the Listing Agreement. A detailed compliance report on corporate governance along with a certificate of compliance from the Auditors is given in Annexure-IV, which forms a part of this report.

Listing

Following the Scheme of Arrangement approved by the Jaipur Bench of the Hon'ble High Court of Rajasthan, the textile divisions of the erstwhile Sutlej Industries Limited and Damanganga Processors Limited were vested with the Company. The Company issued 1,08,71,908 equity shares of face value of Rs. 10 each to the shareholders of these companies. The Company was

given an exemption by the Bombay Stock Exchange Limited (the designated stock exchange) under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957, for listing of its equity shares without making a public offer. The equity shares of the Company were listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) on 12th December, 2006. The Company's shares are compulsorily tradable in a dematerialised form and accordingly the Company entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to facilitate trading in electronic form.

Compliance of accounting standards

As per requirement of the Listing Agreement with Stock Exchanges and Accounting Standards of the Institute of Chartered Accountants of India, your Company has made disclosure in respect of Related Party Transactions and Deferred Taxation. The Company has duly adopted all the Accounting Standards in pursuance to the provision of Section 211 (3C) of the Companies Act, 1956.

Directors' responsibility statement

Your Directors hereby confirm:

- (i) That in the preparation of the annual accounts, the applicable accounting standards were followed along with proper explanations relating to material departures, and the Notes in the Auditors' Report in this regard are self-explanatory;
- (ii) That such accounting policies were selected and applied consistently and judgements and estimates were made that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ended 31st March, 2007;
- (iii) That proper and sufficient care were taken 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 and
- (iv) That the annual accounts were prepared on a going concern basis.

Directors

Mr. Rajaram Muchhal, Director of the Company passed away recently. The Board places on record its deep appreciation of the valuable guidance rendered by Mr. Rajaram Muchhal, during his tenure on the Board.

Under Article 139 of the Articles of

Association of the Company, Mr. Bodhishwar Rai, Mr. Amit Dalal and Mr. U.K. Khaitan, Directors of the Company, retire by rotation and are eligible for re-election.

Auditors' report

The Audit Notes in the Auditors' Report are self-explanatory and need no further clarifications.

Auditors

M/s.Singhi & Co., Auditors and M/s. S.R. Batliboi & Co., Branch Auditors retire at the conclusion of Annual General Meeting and are eligible for re-appointment.

Acknowledgements

Your Directors place on record their deep appreciation of the devoted and sincere services rendered by the officers, staff and workers who have contributed significantly for its performance and for enhancing the Company's inherent strength. Your Directors are also grateful for the cooperation and assistance received from financial institutions and banks during the year under review.

For and on behalf of the Board

Place: New Delhi Dr. K.K. Birla
Dated: 10th May, 2007 Chairman

annexure-I to the directors' report

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THERE-UNDER AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007 IN RESPECT OF EMPLOYEES IN RECEIPT OF REMUNERATION FOR THAT YEAR AGGREGATING NOT LESS THAN Rs.24,00,000 PER YEAR OR Rs.2,00,000 PER MONTH.

No.	Name of employees	Age (Yrs.)		Remuneration (Rs.)	Qualifications	(Yrs.)	employ-	Last employment held
1.	Mr. Gupta N.M.	78	President	1,11,41,723	B.Com.	52		Bowreah Cotton Mills Ltd. Kolkata Secretary – 7 years
2.	Mr. Khandelia S.K.	56	Vice President	51,63,628	B.Com., FCA	32		Rajasthan Textile Mills Bhawanimandi (Raj.) Commercial Manager- 2 years

Notes:

- 1. Other terms and conditions: As per Company's rules and regulations.
- 2. Remuneration received includes salary, reward, encashment of leaves, medical expenses, premium of personal accident policy, perquisites and Company's contribution to provident fund and superannuation fund, but excludes gratuity.
- 3. None of these employees is a relative of any Director of the Company.