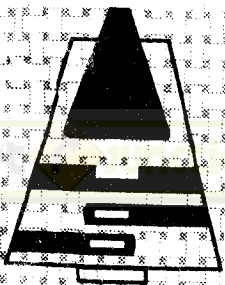


yarn syndicate limited.

One Star Export House



ANNUAL REPORT
2005 - 2006

YARN SYNDICATE LIMITED

BOARD OF DIRECTORS

SRI M. L. PATODIA, Chairman & Managing Director

SRI R. K. PATODIA, Managing Director

SRI K. P. BAGARIA

SRI SITA RAM SARAF

SRI DEVENDRA JHUNJHUNWALA

SRI DILIP KUMAR KHANDLWAL

SRI VIKASH SINGHAL

SMT. SHEELA PATODIA

SRI RISHIRAJ PATODIA (w.e.f. 2-5-06)

BANKERS

CANARA BANK

Overseas Branch

2/1, Russel Street, Kolkata - 700 071

AUDITORS

LODHA & CO.

Chartered Accountants

14, Government Place East, Kolkata - 700 069

REGISTERED OFFICE

7, Sambhu Nath Mullick Lane, Kolkata - 700 007

NOTICE OF THE 60TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday the 15th day of September, 2006 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended on that date together with the Auditor's and the Directors' Reports thereon.
2. To appoint a Director in place of Shri Sita Ram Saraf, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Vikash Singhal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company 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 Shri Rishiraj Patodia, who was appointed as an Additional Director of the Company on 2nd May, 2006 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution.

"RESOLVED THAT M/s. Rungta & Associates, Chartered Accountants, Mumbai - 400 058, be and are hereby appointed as the Branch Auditors of the Company for auditing the books of accounts of the Home Textiles Unit of the Company at Naroli, Union Territory of Dadra & Nagar Haveli from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, pursuant to section 228 of the Companies Act, 1956 at a remuneration to be mutually fixed by the Board of Directors of the Company after discussion with the aforesaid Auditors."

Registered Office :

7, Sambhu Nath Mullick Lane
Kolkata - 700 007

By order of the Board

For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI

COMPANY SECRETARY

Dated : the 23rd day of June, 2006

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/herself and such proxy need not be a member of the Company. Proxies in order to be valid, must be received by the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books shall remain closed from 1st September, 2006 to 15th September, 2006 (both days inclusive).
3. Pursuant to Section 205A(5) of the Companies Act, 1956 any money transferred to the Unpaid Dividend Account of the Company which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.

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Unclaimed/unpaid dividend amounts for the Financial year 1997-98 have been transferred to the Investor Education and Protection Fund of the Central Government.

Members who have not encashed the dividend warrant(s) for the Financial Year 1998-99 are requested to make their claims to the Company.

REQUEST TO THE MEMBERS :

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents, "M/s. AMI Computers (I) Limited, 60A & B Chowringhee Road, Kolkata - 700 020."
5. As the Members are aware, your Company's shares are tradable compulsorily in electronic form and in view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT

(In pursuance of Clause 49 of the Listing Agreement)

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Name
Date of Birth
Date of Appointment
Qualifications
Expertise in specific functional area. | Shri Sita Ram Saraf
01.01.1937
29.06.1992
B.Sc.
Since 1958, involved in various
Business activities. |
| | Chairman/Director of other Companies | Directorships :
1. Mangal Tea Marketing Ltd.
2. Gunjan Estates Private Ltd.
3. Europa Commercial & Traders Ltd.
4. Tushar Agencies Private Ltd. |

Chairman/Member of Committees of the Board
of Companies of which he is a Director

<u>Name of Company</u>	<u>Committee type</u>	<u>Membership status</u>
Yarn Syndicate Ltd.	1. Audit	Member
	2. Remuneration	Member

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | Name
Date of Birth
Date of Appointment
Qualifications
Expertise in specific functional area. | Shri Vikash Singhal
27.12.1970
29.11.1996
B.Com, AICWA, FCA.
Working Partner of M/s B.L. Singhal & Co.,
Chartered Accountants since 1994. |
| | Chairman/Director of other Companies | Directorships :
1. Beekaypee Credit Pvt. Ltd.
2. Patodia Exports & Investments Pvt. Ltd.
3. Umang Finance Private Limited
4. GTN Enterprises Limited
5. BLS Securities Pvt. Ltd. |

Chairman/Member of Committees of the Board
of Companies of which he is a Director

YARN SYNDICATE LIMITED – ANNUAL REPORT 2005-06

<u>Name of Company</u>	<u>Committee type</u>	<u>Membership status</u>
Yarn Syndicate Ltd.	1. Audit	Chairman
	2. Remuneration	Chairman
	3. Share Transfer & Grievance	Chairman

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

Shri Rishiraj Patodia was appointed as Additional Director on the Board of Directors at the Board Meeting held on 29th April, 2006. As an Additional Director, Shri Rishiraj Patodia holds the office up to the date of the ensuing Annual General Meeting of the Company.

In this connection, one of the members of the Company has given notice under Section 257 of the Companies Act, 1956 for appointment of Shri Rishiraj Patodia on the Board of Directors of the Company.

Shri Rishiraj Patodia is a young and dynamic person and your Directors recommend his appointment on the Board of the Company.

None of the Directors except Sri M. L. Patodia, Sri R. K. Patodia and Smt. Sheela Patodia is concerned or interested in the proposed resolution.

Item No.6

The company is setting up a Home Textiles Unit at Naroli, Union Territory of Dadra & Nagar Haveli. In order to rationalize the work related to accounting and audit, it is proposed to appoint M/s. Rungta & Associates, Chartered Accountants of S. V. Road, Andheri (W), Mumbai - 400 058 as the company Branch Auditors for the Naroli Unit.

The shareholders' approval, is therefore, sought for the appointment of M/s. Rungta & Associates, Mumbai - 400 058 as Branch Auditors of the Company's Branch Unit in Naroli for the financial year 2006-07 and to authorize the Board of Directors to determine the remuneration payable.

The Board commends the resolution as set out in Item No. 6 of the notice for your approval.

None of the Directors is concerned or interested in the proposed resolution.

Registered Office :
7, Sambhu Nath Mullick Lane
Kolkata - 700 007

Dated : the 23rd day of June, 2006

By order of the Board
For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI
COMPANY SECRETARY

REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 60th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2006.

FINANCIAL RESULTS :

	2005-2006	2004-2005
	<u>Rs. in Lacs</u>	<u>Rs. in Lacs</u>
Export Sales	2,914.35	1,123.64
Profit/(Loss) before Interest & Depreciation	48.70	(67.94)
Less : Interest	2.10	(4.92)
Depreciation	23.91	(16.20)
	26.01	11.28
Profit/(Loss) before Tax	22.69	(79.22)
Less : Provision for Taxation	0.45	
Fringe Benefit Tax	2.28	–
Profit/(Loss) after Tax	19.96	(79.22)
Add : Balance brought forward from last year	61.88	141.10
	81.84	61.88

Appropriations :

Balance carried forward to next year	81.84	61.88
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DIVIDEND :

Your Directors do not recommend dividend on Equity shares for the Financial Year ended 31st March, 2006.

PERFORMANCE REVIEW :

The Indian Textile Industry has come out of a long recession and the outlook on export sales is much brighter today. The new market scenario has resulted in a significant increase in export sales by your Company during the year under review as compared to export sales in the previous year. Your Company has posted a net profit of Rs. 19.96 lakhs for the year 2005-06 as compared to a loss of Rs. 79.22 lakhs the previous year.

The global textile industry remains highly competitive and your Company has explored new export markets in order to prevent any erosion of its market share. Your Company was able to increase its export market share by exporting to these new markets strictly adhering to the quality of yarn and delivery schedules.

Your Company is setting up a Home textiles unit at Naroli in the Union Territory of Dadra and Nagar Haveli. The Company has entered into an agreement with GHCL Ltd., for the purposes of job work assignments of home textile items.

PARTICULARS OF EMPLOYEES :

Particulars of Employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder are not applicable for the year under review.

DIRECTORS :

Shri Sita Ram Saraf and Sri Vikash Singhal, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Rishiraj Patodia had resigned as Director of the Company on 12.12.2005 due to other commitments. The Board at its Meeting held on 29th April, 2006 once again appointed Shri Rishiraj Patodia as an Additional Director of the company and he shall hold office up to the date of the next Annual General Meeting of the Company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing the name of Shri Rishiraj Patodia for appointment as Director on the Board of the Company.

With the exception of Shri M. L. Patodia, Shri R. K. Patodia and Smt. Sheela Patodia, your Directors recommend the appointment of Shri Rishiraj Patodia as Director on the Board of the Company at the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed;
- (ii) that the directors had 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 the year under review;
- (iii) that the directors had 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;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

CORPORATE GOVERNANCE :

A Report on Corporate Governance and Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 issued under Section 217 (1) (e) of the Companies Act, 1956, your Directors have to state that the particulars in respect of Energy Conservation and Technology Absorption are not applicable to your Company. As regards the Foreign Exchange earning and outgo, your Directors have to state that the relevant figures are given in Schedule 13 annexed to the Audited Accounts. The Company's activity of export is in the line of Cotton Yarn and Textiles. Your Directors plan to continue their initiatives in order to further increase the export turnover.

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AUDITOR'S OBSERVATIONS :

In respect of the reference to the Notes on Accounts in the Auditor's Report, your Directors have to state that the same are self explanatory and do not need further clarification.

AUDITORS :

M/s. Lodha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS :

The Board is grateful to the Company's Bankers, Canara Bank for their continued co-operation and financial assistance. The Board is thankful to the Management, Officers and staff of Canara Bank for their prompt and timely assistance rendered by them as and when required. The Board is grateful to the Reserve Bank of India, State Bank of India and United Bank of India, Burrabazar Branch, The Cotton Textiles Export Promotion Council, Textile Committee, Export Credit Guarantee Corporation of India Limited, Collector of Central Excise, Director General of Foreign Trade, New Delhi, Joint Director General of Foreign Trade, Kolkata, Registrar of Companies, and other Institutions for their kind co-operation in day to day activities of the Company. Your Directors are thankful to all the executives and staff members of the Company for their whole-hearted co-operation.

Registered Office
7, Sambhu Nath Mullick Lane,
Kolkata - 700 007

On behalf of the Board

Dated : the 23rd day of June, 2006.

M. L. PATODIA
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

The following is a report on Corporate Governance is given pursuant to Clause 49 of the Listing Agreement as amended w.e.f. 01.01.2006 :

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has always recognized the importance of good Corporate Governance and continues to practice good Corporate Governance based on transparency, professionalism and accountability to its shareholders and others stakeholders, including employees, the government and lenders. The company will strive to improve on these aspects on ongoing basis. The Board of Directors of the Company has adopted a Code of Conduct for the Board members and senior management of the Company.

2. COMPOSITION, CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

BOARD OF DIRECTORS

<u>Director</u>	<u>Promoter Executive/ Non-executive Independent</u>	<u>Member of Board of Other Companies Including Pvt. Ltd. Cos.</u>	<u>Total No. of Committee Membership held</u>	
			<u>As Chairman</u>	<u>As Member</u>
Shri M. L. Patodia	Promoter	8	–	1
Shri R. K. Patodia	Promoter	7	–	1
Shri K. P. Bagaria	Independent/ Non-executive	1	–	–
Shri S. R. Saraf	Independent/ Non-executive	4	–	2
Shri D. K. Jhunjunwala	Independent/ Non-executive	4	–	–
Shri D. K. Khandelwal	Independent/ Non-executive	2	–	2
Smt. Sheela Patodia	Non-Executive	4	–	–
Shri Vikash Singhal	Independent/ Non-executive	5	3	–
Shri Rishiraj Patodia (resigned w.e.f. 12.12.05)	Non-Executive	–	–	–

BOARD, ANNUAL GENERAL MEETING & ATTENDANCE :

Board Meetings were held on 28th April 2005, 3rd June 2005, 30th July 2005 31st October 2005, 12th December 2005 and 30th January 2006.

The maximum time gap between any two meetings was not more than three calendar months.

The Annual General Meeting was held on 14th September, 2005.

<u>Director</u>	<u>No. of Board Meeting</u>		<u>Attended last AGM</u>
	<u>Held</u>	<u>Attended</u>	
Shri M. L. Patodia	6	6	No
Shri R. K. Patodia	6	2	Yes
Shri K. P. Bagaria	6	2	No
Shri S. R. Saraf	6	5	No

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Shri D. K. Jhunjhunwala	6	2	No
Shri D. K. Khandelwal	6	3	Yes
Smt. Sheela Patodia	6	2	Yes
Shri Vikash Singhal	6	6	Yes
Shri Rishiraj Patodia	6	1	Yes

3. **AUDIT COMMITTEE**

The broad terms of reference of the Audit Committee are given hereunder :

- It shall oversee the Company's financial reporting process and the disclosure of its financial information and ensure that financial statements are correct, sufficient and credible.
- It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- It shall review with management the annual, half-yearly and quarterly financial statements in all respects.
- Review with management and statutory auditors the adequacy of internal control systems and internal audit functions.
- Discuss with external auditors before the audit commences nature and scope of audit as well have post-audit discussion to ascertain any area of concern.
- Review the company's financial and risk management policies.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN :

The Audit Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October 2002. Audit Committee Meetings were held on 2nd June 2005, 29th July 2005, 29th October, 2005 and 28th January, 2006.

MEMBERS OF THE AUDIT COMMITTEE		Meetings held	Meeting Attended
Chairman & Independent Director	Sri Vikash Singhal	4	4
Member & Independent Director	Sri S. R. Saraf	4	4
Member & Independent Director	Sri D. K. Khandelwal	4	3

4. **REMUNERATION COMMITTEE :**

The Remuneration Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002.

MEMBERS OF THE REMUNERATION COMMITTEE :

Chairman & Independent Director	:	Sri Vikash Singhal
Member & Independent Director	:	Sri S. R. Saraf
Member & Independent Director	:	Sri D. K. Khandelwal

The Remuneration Committee met once on 2nd June 2005 during the year under review. Sri Vikash Singhal, Sri S. R. Saraf and Sri D. K. Khandelwal attended the meeting.