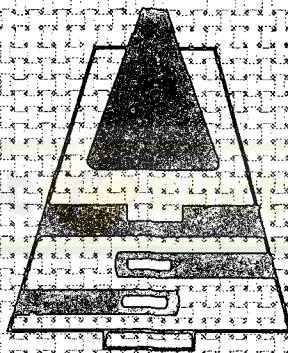


yarn syndicate limited.

One Star Export House



ANNUAL REPORT
2006 - 2007

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 KHANDELWAL

SRI VIKASH SINGHAL (upto 15.04.07)

SMT. SHEELA PATODIA

SRI RISHIRAJ PATODIA

Report

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

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

NOTICE OF THE 61ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixty First Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday the 14th day of September, 2007 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, 2007 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 Sri Dilip Kumar Khandewal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Devendra Jhunjhunwala, 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.
5. To appoint Branch 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 :

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT Sri R. K. Patodia be and is hereby re-appointed as Managing Director of the Company for a period of 5 (five) years w.e.f. 1st July, 2007."
7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.
"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, approval be and is hereby accorded to the keeping of the Register of Members and copies of all Annual Returns together with the copies of certificates and documents required to be annexed thereto with the Company's Transfer Agents, M/s. R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata-700026."

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 30th day of June, 2007

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, 2007 to 14th September, 2007 (both days inclusive).

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

REQUEST TO THE MEMBERS :

- 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.
- 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.
- Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
- All communications relating to shares are to be addressed to the Company's Share Transfer Agents, "M/s R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata - 700026".
- 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)

- Name : Shri Dilip Kumar Khandelwal
- Date of Birth : 18.12.1943
- Date of Appointment : 01.04.2002
- Qualifications : B.E. (Civil Engineer)
- Expertise in specific functional area. : Business
- Chairman/Director of other Companies : **Directorships :**
 - SSK Broking Services Private Limited
 - Venus Funds Management Limited

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

Name of Company

Yarn Syndicate Ltd.

Committee type

- Audit
- Remuneration
- Share Transfer-
Cum-Grievance Committee

Membership status

- Member
Member
Member

- Name : Shri Devendra Jhunjhunwala
- Date of Birth : 27.09.1952
- Date of Appointment : 01.04.2002
- Qualifications : B.Com
- Expertise in Specific functional area : Business
- Chairman/Director of other Companies : **Directorships :**
 - Swastic Heights Private Limited
 - Swastic Habitat Private Limited
 - High Seas Traders Private Limited
 - Mendarian Enterprises Private Limited

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

: Nil

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

ANNEXURE TO NOTICE

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

Item No. 6

Shri R. K. Patodia was appointed as the Managing Director of the Company for a further period of 5 (five) years with effect from 1st July, 2002 to 30th June 2007. In consideration of excellent and valuable services being rendered by Shri R. K. Patodia to the Company, the Board of Directors, at its Meeting held on 30th June, 2007, have re-appointed him as Managing Director for another period of (5) years with effect from 1st July, 2007 on the terms and conditions set out in the agreement subject to your approval. The main terms and conditions of Shri R. K. Patodia's appointment is set out below :

Period :

5 Years from 01.07.2007 to 30.06.2012

A) Salary :

Rs. 35,000/- per month in the scale of Rs. 35000 - Rs. 5000 - Rs. 55000.

B) Perquisites :**i) Commission :**

One percent commission on the net profits of the Company computed in accordance with the provisions of Section 349 of the Companies Act, 1956 subject to a ceiling of 50% of the Annual Salary.

ii) Housing :

- a) The expenditure by the Company for hiring unfurnished accommodation shall be subject to a ceiling of 60% of the Salary over and above 10% payable by him.
- b) The Expenditure incurred by the Company on gas, electricity, water and house maintenance shall be valued as per the Income-tax Rules, 1962 subject to a ceiling of 30% of his salary.

iii) Medical Reimbursement :

Expenses incurred for self and family subject to a ceiling on one month's salary in a year or three months' salary over a period of three years.

iv) Leave Travel Concession :

For self and family once in a year, provided that only actual fare shall be paid to and from any place in India and no Hotel Expenses shall be paid.

v) Club fees :

Fees of clubs subject to a maximum of two clubs which will not include admission and life membership fees.

vi) Personal Insurance :

Premium not to exceed Rs. 10000 per annum.

vii) Contribution to Provident Fund as per Rules of the Company and will not be included in the Computation of ceiling in perquisites to the extent it is not taxable under the Income Tax Act.**viii) Gratuity payable as per the Rules of the Company.****ix) Earned / Privileged leave not exceeding one month for every eleven months of service. Leave accumulated but not availed of shall not be allowed to be encashed.****x) Provision of car for use on Company's business and telephone at his residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company.**

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

C) Others Terms & Conditions :

- i) In the case of inadequate or absence of profit, Sri R. K. Patodia will get the same remuneration as mentioned herein above.
- ii) So long as Sri R. K. Patodia functions as the Managing Director of the Company he will not be entitled to any sitting fee for attending the meeting of the Board of Directors or any Committee thereof.
- iii) So long as Sri R. K. Patodia holds the office of the Managing Director he will not be liable to retire by rotation.
- iv) So long as Sri R. K. Patodia holds the office of the Managing Director of the Company he will not become interested or concerned in any selling agency directly or through his wife or children without prior approval of the Central Government.
- v) The appointment of Sri. R. K. Patodia may be terminated by giving three months' notice by either side.

The agreement between the Company and Sri. R. K. Patodia is available for inspection by the Members of the Company at its registered office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

This may be treated as an abstract of the Agreement made by the Company with Shri R. K. Patodia pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors recommend this resolution for approval of members at this Meeting.

Except Shri M. L. Patodia, Shri R. K. Patodia, Smt. Sheela Patodia and Shri Rishiraj Patodia, none of the Directors of the Company is concerned or interested in the resolution.

Item No.7

Under the provisions of the Companies Act, 1956 the Register and Index of Members and copies of all Annual Returns together with the copies of certificates and documents required to be annexed thereto are required to be kept at the Registered Office of the Company or with the approval of the Members at any other place within the city, town or village in which the Registered Office is situated. The Company has appointed 'R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata - 700026' as the Share Transfer Agents of the Company. Since the records will be kept at the Office of the Share Transfer Agents, the Board recommends the said resolution for your approval.

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

Registered Office :

7, Sambhu Nath Mullick Lane
Kolkata - 700 007

Dated : the 30th day of June, 2007

By order of the Board
For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI
COMPANY SECRETARY

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 61st Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2007.

FINANCIAL RESULTS :

	2006-2007 Rs. in Thousand	2005-2006 Rs. in Thousands
Export Sales	146917	291435
Domestic Sales	2500	-
	<u>149417</u>	<u>291435</u>
Profit/(Loss) before Interest & Depreciation	(85073)	4870
Less : Interest	4195	210
Depreciation	2731	2391
	<u>6926</u>	<u>2601</u>
Profit/(Loss) before Tax	(91999)	2269
Less : Provision for Taxation (earlier year)	65	45
Provision for Deferred Tax	743	-
Fringe Benefit Tax	198	228
	<u>1006</u>	<u>273</u>
Profit/(Loss) after Tax	(93005)	1996
Add : Balance brought forward from last year	8184	6188
	<u>(84821)</u>	<u>8184</u>
Appropriations :		
Balance carried forward to next year	(84821)	8184

DIVIDEND :

Your Directors do not recommend dividend on Equity shares for the Financial Year ended 31st March, 2007.

PERFORMANCE REVIEW :

During the financial year under review, the export sales have decreased to Rs. 1469.17 lakhs as compared to export sales of Rs. 2914.35 lakhs during the previous year. The reason for lower export sales is mainly because of the growing competition from low cost suppliers, which have put severe pressure on margins. Furthermore, the high interest costs and the sudden impact of the appreciating rupee towards the end of the last financial years also had an adverse effect on the Company's performance. However, the Company is making all possible effort to face the challenges ahead.

Your Company had fully set up a Home Textiles Unit at Naroli, Union Territory of Dadra & Nagar Haveli and commercial production started on 1st September 2006. The Unit produces bed linen sets including designer bed linen sets and pillow cases for which there is a great demand in both the domestic and overseas markets. The Unit has recently been shifted to Sarigam, Dist. - Valsad, Gujarat that offers better overall conditions for doing business.

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.

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

DIRECTORS :

Shri Dilip Kumar Khandelwal and Shri Devendra Jhunjhunwala, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Vikash Singhal resigned from the Board of Directors of the Company w.e.f. 16th April, 2007 and the Board recorded its appreciation for the services rendered by Shri Singhal during his tenure as a Director of the Company.

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, 2007, 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, 2007 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, the information in respect of Energy Conservation, Technology Absorption and Foreign Exchange earning and outgo is given in Annexure I forming part of this Report.

AUDITORS' 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.

M/s. Rungta & Associates, the Branch Auditors of the Company's Home Textiles Unit, 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

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

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, the Federation of Indian Export Organisations 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

Dated : the 30th of June, 2007.

For and on behalf of the Board

M. L. PATODIA

Chairman & Managing Director



YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

YARN SYNDICATE LIMITED

ANNEXURE I TO THE REPORT OF THE BOARD OF DIRECTORS

A. The Company is making all round efforts for the conservation of energy by optimum withdrawal of power.

Total energy consumption and energy consumption per unit of production as prescribed in Form 'A'.

A. Power Consumption :

Electricity :

2006 - 07
(w.e.f. 01.09.2006)

a) Purchased - Units	42920.00
Total Amount (Rs).	103,008.00
Rate / Unit (Rs.)	2.40
b) Own Generation :	-
From D.G. Sets - Units	-
Units/ltr. Of Diesel	-
Cost / Unit	-

2. Coal	-
3. Furnace Oil	-
4. Other internal generation	-

B. Consumption per unit of Production :

a) Electricity :

Product	Total Production (No. of Pieces)
Bed Linen - Flat	109104
Bed Linen - Fitted	48762
Bed Linen - Duvet	2600
Bed Linen - Sham	6960
Pillow Cases	229804
Total	397230

Electricity consumed on average per 100 pieces : 10.80 units.

b) Coal and Furnace Oil : -

B. Technology Absorption :

Efforts made in Technology Absorption as per Form 'B'

Indigenous technology alone is used. In view of size of the Unit of the Company, the scope for Research & Development is not affordable.

C. Foreign Exchange Earning and Outgo :

a) Activities relating to export, initiatives taken to increase exports, Development of new export market for products and services and export plans:

The Company is presently exporting yarn & textiles. Endeavors are being made to explore untapped markets.

b) Total Foreign Exchange earned and used excluding capital goods, components, and spares:

Earned : Rs. 145999 Thousand (Previous Year Rs. 283986 Thousand)

Used : Rs. 3545 Thousand (Previous Year Rs. 5924 Thousand)

Registered Office

7, Sambhu Nath Mullick Lane,
Kolkata - 700 007

For and on behalf of the Board

M. L. PATODIA

Chairman & Managing Director

Dated : the 30th of June, 2007.