

**BOARD OF DIRECTORS**

Shri R.L.Toshniwal, Chairman & Managing Director
Shri Ravi Toshniwal, Joint Managing Director
Shri Rakesh Mehra, Wholetime Director
Shri Shaleen Toshniwal, Wholetime Director
Shri D.S.Alva
Shri P. Kumar
Shri D.P.Garg
Shri S.B.Agarwal
Shri Vijay Kumar Agarwal
Shri Kamal Kishore Kacholia
Shri A.N.Jariwala
Shri Vijay Mehta
Shri P.A.Makwana, Nominee Director

EXECUTIVES

Shri S.S. Sajal, President
Shri J.K. Rathi, President (Commercial)
Shri V.G. Maheshwari, President (Daman Unit)
Shri B.C. Jain, President (Surat Unit)
Shri J.K. Jain, Sr.Vice President (Finance & Commerce)
& Company Secretary
Shri S.N. Gupta, Senior Vice President (Technical)
Shri S.S. Kella, Vice President (Audit & Taxation)
Shri S.R. Jain, Vice President (Engineering)

AUDITORS

M/s Kalani & Company, Chartered Accountants
Mangal Marg
Bapu Nagar
JAIPUR-302 004

BANKERS

Punjab National Bank
Union Bank of India
Bank of Baroda
Bank of India

REGISTRAR & SHARE TRANSFER AGENT

M/s. Computech Sharecap Ltd.
147, Mahatma Gandhi Road,
Opp. Jehangir Art Gallery, Fort
MUMBAI-400 023
Email:helpdesk@computechsharecap.com
website:www.computechsharecap.in
Phone No.(022)-22635000, 22635001

OFFICES**REGISTERED OFFICE**

Industrial Area, Dohad Road,
BANSWARA - 327 001 (Raj.)
Email : secbsw@banswarafabrics.com
website:www.banswarasyntex.com
Phone No. (02962) 257676 to 257681
240690, 240691, 240693

HEAD/MARKETING OFFICE

5th Floor, Gopal Bhawan
199, Princess Street
MUMBAI - 400 002

DELHI OFFICE

Flat No. 204,
E-2, A.R.A. Centre,
Jhandewalan Extn.
NEW DELHI - 110 055

JAIPUR OFFICE

Ankur Apartments,
S-6, Jyoti Nagar Extension
JAIPUR - 302 005 (Raj.)

PLANTS

Banswara Unit (Spinning, Weaving & Finishing)
Industrial Area, Dohad Road
BANSWARA - 327001 (Raj.)

Daman Unit (Garment)

- 98/3, Village Kadaiya
Nani Daman
DAMAN - 396 210 (U.T.)
- Survey No. 713/1, 713/2, 713/3, 725/2 & 725/1
Village Dabhel, Nani Daman,
DAMAN - 396 210 (U.T.)

Surat Unit (Garment)

Plot No. 5-6, G.I.D.C., Apparel Park
SEZ Sachin
SURAT - 394 230 (GUJARAT)

QUALITY POLICY

WE, BANSWARA SYNTEX LIMITED, WISH TO BE WORLD CLASS IN THE MANUFACTURE OF YARN & FABRIC.OUR ENDEAVOR IS TO ANTICIPATE & EXCEED CUSTOMER SATISFACTION BY UNDERSTANDING CUSTOMER'S NEED AND EXPECTATION AND THUS, ENSURING QUALITY AND TIMELY DELIVERY BY:-

- BEING IN CLOSE CONTACT WITH CUSTOMERS AND GETTING THEIR FEED BACK.
- CONTINUOUS INNOVATION IN PRODUCT DEVELOPMENT.
- CONTINUAL IMPROVEMENT IN QMS & QUALITY THROUGH H.R.D., UPGRADATION OF PLANT & MACHINERY AND IMPROVEMENT IN METHODS OF WORK.
- PARTICIPATION OF MANAGEMENT AND ALL EMPLOYEES AS ONE TEAM.

NOTICE

NOTICE is hereby given that 32nd Annual General Meeting of the shareholders of Banswara Syntex Limited, will be held on Saturday the day of 13th September, 2008 at its Registered Office, Industrial Area, Dohad Road, Banswara (Raj.) at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2008 and Profit & Loss account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares and preference shares.
3. To appoint a Director in place of Shri Vijay Mehta who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri P. Kumar who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri D.P. Garg who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS

7. Re-appointment of Shri R.L. Toshniwal as Chairman & Managing Director.

To consider, and, if thought fit, to pass, with or without modification the following resolution as Special Resolution:-

“RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 314 and 349 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and subject to such approvals, as may be necessary, appointment of Shri R.L. Toshniwal be and is hereby recommended as Chairman and Managing Director of the Company from 1st August, 2009 to 31st July, 2012 on the terms & conditions including remuneration as set out below:-

- (i) **Salary** : Rs.3,60,000/- per month basic salary, which shall be increased every year on 1st August by Rs. 30,000/- in the scale of Rs. 3,60,000-30,000-4,20,000/-.
- (ii) **Commission** : 1% commission on the net profit of the company computed in the manner laid down as per schedule XIII of the Companies Act, 1956.
- (iii) **Perquisites** : The perquisites shall be as follows:

PART - A

- (a) **Housing** : Free furnished residential accommodation with gas, electricity, water, furnishing and maintenance charges. If the Company does not provide residential accommodation, he will be paid such house allowance as the Board may decide from time to time and expenses on gas, electricity, water, furnishing and maintenance charges will be borne by the Company.
- (b) **Medical Reimbursement** : Reimbursement of expenses actually incurred, the total cost to the Company shall not exceed one month's salary per year or three month's salary in a period of 3 years.
- (c) **Leave Travel Concession** : For self and family once in a year incurred in accordance with the rules specified by the Company.
- (d) **Club Fees** : Fees of clubs subject to a maximum of two clubs except admission and life membership fees.
- (e) **Personal Accident Insurance** : Premium not to exceed Rs.4,000/- per annum.
- (f) **Servant Allowance** : Not exceeding Rs.24,000/- per annum.

PART - B

In addition to the perquisites, Shri R.L. Toshniwal shall also be entitled to the following benefits, which shall not be included in the computation of ceiling on remuneration specified above.

- (a) **Provident Fund** : The Company's contribution to Provident Fund as per the Rules of the Company, to the extent not taxable under the Income Tax Act, 1961.
- (b) **Gratuity** : Gratuity payable shall not exceed half month's basic salary for each completed year of service.
- (c) **Leave** : Leave and leave encashment as per Rules of the Company.

PART - C

- (a) **Conveyance** : Free use of the Company's car with driver. Personal use of car shall be billed by the Company.
- (b) **Telephone** : Free telephone facility at residence. Personal long distance calls shall be billed by the Company.
- (c) **Reimbursement of Expenses** : Apart from the remuneration as aforesaid, Shri R.L. Toshniwal shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in efficient discharge of his duties in connection with the business of the Company.
- (d) **Sitting Fee etc.** : No sitting fee shall be paid to Shri R.L. Toshniwal for attending the Meetings of Board of Directors or any committee thereof. He shall not be liable to retire by rotation.

“RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the central government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the company and Shri R.L. Toshniwal be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the company in general meeting.”

“RESOLVED FURTHER THAT Shri Ravi Toshniwal, Joint Managing Director, Shri Rakesh Mehra, Wholetime Director and Shri J.K. Jain, Sr. Vice President (F&C) & Company Secretary of the Company be and is hereby singly authorized to take all such steps as may be necessary and desirable for giving effect to the above resolution.”

8. Re-appointment of Shri Rakesh Mehra as Wholetime Director.

To consider, and, if thought fit, to pass, with or without modification the following resolution as Special Resolution:-

“RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 314 and 349 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and subject to such approvals, as may be necessary, appointment of Shri Rakesh Mehra be and is hereby recommended as Wholetime Director of the Company from 1st October, 2008 to 30th September, 2013 on the terms & conditions including remuneration as set out below:-

- (i) **Salary** : Rs.2,75,000/- per month basic salary, which shall be increased every year on 1st August by Rs.25,000/- in the scale of Rs.2,75,000-25,000-3,75,000/-.
- (ii) **Commission** : 1% commission on the net profit of the company computed in the manner laid down as per schedule XIII of the Companies Act, 1956.

The Commission will be paid subject to overall limit prescribed under the Companies Act, 1956 and after paying 1% commission to Shri R.L. Toshniwal, Chairman & Managing Director of the Company and another 1% to Shri Ravi Toshniwal, Joint Managing Director of the Company.

- (iii) **Perquisites** : The perquisites shall be as follows :

**PART - A**

- (a) **Housing** : Free furnished residential accommodation with gas, electricity, water, furnishing and maintenance charges. If the Company does not provide residential accommodation, he will be paid such house allowance as the Board may decide from time to time and expenses on gas, electricity, water, furnishing and maintenance charges will be borne by the Company.
- (b) **Medical Reimbursement** : Reimbursement of expenses actually incurred, the total cost to the Company shall not exceed one month's salary per year or three month's salary in a period of 3 years.
- (c) **Leave Travel Concession** : For self and family once in a year incurred in accordance with the rules specified by the Company.
- (d) **Club Fees** : Fees of clubs subject to a maximum of two clubs except admission and life membership fees.
- (e) **Personal Accident Insurance** : Premium not to exceed Rs.4,000/- per annum.
- (f) **Servant allowance** : Not exceeding Rs.24,000/- per annum.

PART - B

In addition to the perquisites, Shri Rakesh Mehra shall also be entitled to the following benefits, which shall not be included in the computation of ceiling on remuneration specified above.

- (a) **Provident Fund** : The Company's contribution to Provident Fund as per the Rules of the Company, to the extent not taxable under the Income Tax Act, 1961.
- (b) **Gratuity** : Gratuity payable shall not exceed half month's basic salary for each completed year of service.
- (c) **Leave** : Leave and leave encashment as per Rules of the Company.

PART - C

- (a) **Conveyance** : Free use of the Company's car with driver. Personal use of car shall be billed by the Company.

- (b) **Telephone** : Free telephone facility at residence. Personal long distance calls shall be billed by the Company.
- (c) **Reimbursement of Expenses** : Apart from the remuneration as aforesaid, Shri Rakesh Mehra shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in efficient discharge of his duties in connection with the business of the Company.
- (d) **Sitting Fee etc.** : No sitting fee shall be paid to Shri Rakesh Mehra for attending the Meetings of Board of Directors or any committee thereof. He shall not be liable to retire by rotation.

"RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the central government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the company and Shri Rakesh Mehra be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the company in general meeting."

"RESOLVED FURTHER THAT Shri R.L. Toshniwal, Chairman & Managing Director, Shri Ravi Toshniwal, Joint Managing Director and Shri J.K. Jain, Sr. Vice President (F&C) & Company Secretary of the Company be and is hereby singly authorized to take all such steps as may be necessary and desirable for giving effect to the above resolution."

Registered Office:

Industrial Area, Dohad Road
BANSWARA-327 001 (Raj.)
Place : Mumbai
Dated : 29th May, 2008

By Order of the Board

J. K. JAIN

Sr. Vice President (F&C)
& Company Secretary

NOTES:

- An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy, in order to be effective, should be duly stamped, filled and signed, must be deposited at the registered office of the Company not less than 48 hours before the meeting.
- M/s Computech Sharecap Limited is the Registrar and Share Transfer Agent (RTA) for physical shares and is also the depository interface of the company with both CDSL and NSDL.
- The Register of Members and Shares Transfer Book of the Company shall remain closed from 6th September, 2008 to 13th September 2008 (both days inclusive) in connection with the payment of dividend for the financial year 2007-08.
- Shareholders are requested to immediately notify to the Company any change in their address.
- The shareholders, who have not converted their shares in demat form, are requested to do so.
- The payment of dividend, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be made on or after 16th September, 2008 as under:-
 - To all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be made available to the company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end of the day on 5th September, 2008.
 - To all those shareholders holding shares in physical form after giving effect to all the valid share transfers lodged with the company before the closing hours on 5th September, 2008.
- Members holding shares in physical form are advised to furnish, on or before 5th September, 2008, particulars of their bank account, if changed, to the company to incorporate the same in the dividend warrants.
In case of payments to the shareholders holding shares in dematerialized form, particulars of bank account registered with their depository participants will be considered by the company to incorporate the same in the dividend warrants.
- The company has declared dividend for the year 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. The shareholders who have so far not encashed the dividend warrants are hereby informed to encash their dividend warrants by surrendering the same in original to the company and get the demand drafts issued in lieu thereof. As per the provisions of the Companies Act, 1956 the unpaid dividend after the expiry of seven years from the date of declaration will be transferred to Investors' Education and Protection Fund.
- The documents referred to in the proposed resolutions are available for inspection at the Registered office of the Company during working hours between 10.00 A.M. to 1.00 P.M. except on holidays.
- Queries on accounts and operations may please be sent to the Company, 7 days in advance of the Annual General Meeting so that the answers can be made available at the meeting.

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

Item No.7

Shri R.L. Toshniwal, aged 74 years, is a textile technocrat from Leeds University, England and has vast experience of over 45 years in the field of textile industry. Before joining the company he was the chief executive of M/s Oriental Carpets Manufacturing (India) Ltd. He is the promoter director of the company and holding the post of Chairman since inception. Shri R.L. Toshniwal is looking after overall activities of the company. His tenure of appointment is expiring on 31st July, 2009.

Looking to the sincere, dedicated and committed services rendered by Shri R.L. Toshniwal, Chairman & Managing Director of the Company, Board of Directors in its meeting held on 29.05.2008 has reappointed him as Chairman & Managing Director of the Company for further three years effective from 1st August, 2009 to 31st July, 2012. Remuneration of Shri R. L. Toshniwal was in the scale of Rs. 3,00,000-30,000-3,30,000/- with perquisites as approved by the shareholders in the Annual General Meeting held on 8th August, 2007. The remuneration proposed to be paid to Shri R.L. Toshniwal is set out in the resolution.

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, Shri R.L. Toshniwal shall, subject to the approval of the central government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

(a) Job Profile

Shri R.L. Toshniwal is looking after the overall activities of the Company and Management including production, exports, HRD activities and Capital Investments.

Considering his skill, your Board is of the opinion that the services of Shri R.L. Toshniwal as Chairman & Managing Director is required for allround growth and development of the company.

(b) Comparative Remuneration in the Industry

No such data is available with the company. But the Board is of the view that the remuneration paid / to be paid by the company is in line with the excellent performance that the Company has made under his dedicated services and able guidance.

(c) Pecuniary relationship with the company and other managerial persons in the company.

Shri R.L. Toshniwal, Chairman & Managing Director and Shri Rakesh Mehra, Wholetime Director in respect of whom the re-appoint as proposed do not have any pecuniary relationship with the company except the managerial remuneration drawn by them. Shri Ravi Toshniwal and Shri Shaleen Toshniwal are sons of Shri R.L. Toshniwal and Shri Rakesh Mehra, Wholetime Director of the Company, is son-in-law of Shri R.L. Toshniwal. Except this relationship and the remuneration proposed to be paid to Shri R.L. Toshniwal and Shri Rakesh Mehra they do not have any pecuniary relationship with the Company.

Shri R.L. Toshniwal holds 1099167 no. of equity shares of Rs. 10/- each in the Company, as on date of this Notice.

None of the Directors except Shri R.L. Toshniwal himself, Shri Ravi Toshniwal, Shri Shaleen Toshniwal and Shri Rakesh Mehra being sons and son-in-law of Shri R.L. Toshniwal are in any way concerned or interested in the above resolution.

This should be considered as an abstract of the terms of appointment and payment of remuneration and a memorandum as to the nature of the concern or interest of the directors as required under section 302 of the Companies Act, 1956.

Your Director recommends the resolution for approval as Special Resolution.

Item No.8

Shri Rakesh Mehra, aged 51 years, is a Chartered Accountant and has over 20 years experience in the field of textile industry. Before joining the company he was the chief executive of M/s RR Toshniwal Enterprises. He is holding the post of Wholetime Director. Shri Rakesh Mehra is looking after all financial activities, export of yarn, and procurement of raw material, besides administrative control at Mumbai office. Board of Directors in it's meeting held on 29.05.2008 has reappointed him as Wholetime Director of the Company for a further period of 5 years as approved by Remuneration Committee effective from 1st October, 2008 to 30th September, 2013. Remuneration of Shri Rakesh Mehra was in the scale of Rs. 250000-25000-275000/- with perquisites as approved by the shareholders in the Annual General Meeting held on 8th August, 2007. The remuneration proposed to be paid to Shri Rakesh Mehra is set out in the resolution.

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, Shri Rakesh Mehra shall, subject to the approval of the Central Government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

(a) Job Profile

Shri Rakesh Mehra is looking after the yarn export activities of the Company.

Considering his skill, your Board is of the opinion that the services of Shri Rakesh Mehra as Wholetime Director is need for smooth functioning of the Company.

(b) Comparative Remuneration in the Industry

No such data is available with the company. But the Board is of the view that the remuneration paid /to be paid by the company is in line with the excellent performance made by the company due to his dedicated services.

(c) Pecuniary relationship with the company and other managerial persons in the company.

Shri Rakesh Mehra and Shri R.L. Toshniwal in respect of whom the re-appoint is proposed do not have any pecuniary relationship with the company except the managerial remuneration drawn by them. Shri Ravi Toshniwal and Shri Shaleen Toshniwal are brother in-law of Shri Rakesh Mehra. Shri R.L. Toshniwal is father in law of Shri Rakesh Mehra. Except this relationship and the remuneration proposed to be paid to both of them. Shri Rakesh Mehra do not have any pecuniary relationship with the company or any other managerial person in the company.

Shri Rakesh Mehra holds 25499 no. of equity shares of Rs.10/- each in the Company, as on date of this Notice.

None of the Directors, except Shri Rakesh Mehra, himself, Shri R.L. Toshniwal and Shri Ravi Toshniwal and Shri Shaleen Toshniwal being father-in-law and brothers-in-law of Shri Rakesh Mehra are in anyway concerned or interested in the above resolution.

This should be considered as an abstract of the terms of appointment and payment of remuneration and a memorandum as to the nature of the concern or interest of the directors as required under section 302 of the Companies Act, 1956.

Your Director recommends the resolution for approval.

Registered Office:

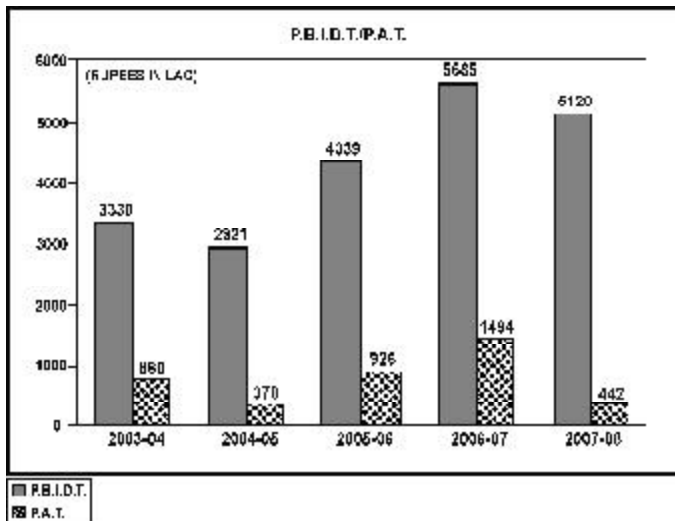
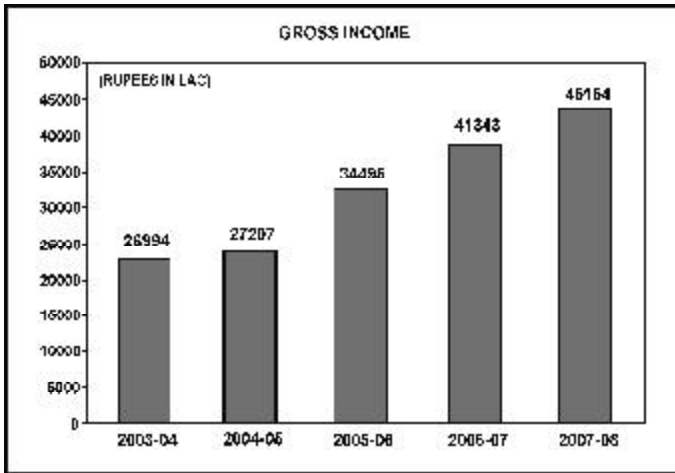
Industrial Area, Dohad Road
BANSWARA-327 001 (Raj.)

Place : Mumbai
Dated : 29th May, 2008

By Order of the Board

J. K. JAIN

Sr. Vice President (F&C)
& Company Secretary

**DIRECTOR'S REPORT****Dear Shareholders,**

Your Directors are pleased to present the 32nd Annual Report covering the operating and financial performance of Banswara Syntex Limited for the year ended 31st March, 2008.

FINANCIAL REVIEW

	Rs. in Lacs	
	This year	Previous Year
	2007-08	2006-07
Gross Income	45,154	41,343
Net Income	43,810	39,395
Profit before depreciation & tax	2,747	3,904
Less: Depreciation	2,180	1,626
Profit before tax	567	2,278
Tax on Income	125	
(a) Fringe Benefit Tax	29	23
(b) Current Tax	65	646
(c) Deferred Tax	96	115
	<u>190</u>	
Less : MAT Credit Entitlement	65	
Profit after Tax	442	1,494
Balance Brought Forward	505	509
Profit available for appropriation	948	2,003
Appropriations:		
Proposed Dividend	162	255
Tax on Dividend	28	43
Transfer to General Reserve	150	1,200
Balance Carried to Balance Sheet	608	505
Earning per share (Rs.) : Basic	3.34	12.02
Diluted	3.34	11.39

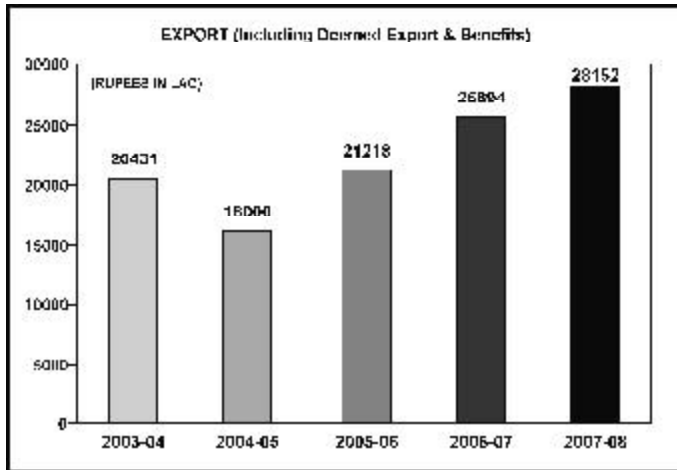
OPERATIONS

Your Company's performance in production and sales has improved during the Financial Year 2007-08. The production of yarn increased to 216 lac kgs. up by 6% and production of garments went up by 30%, as compared to the production of the previous year. Your company has curtailed the production of low-priced 100% polyester fabric and has pushed up the production of value added fabrics. As a result, gross income of the Company (net of inter division transfers) at Rs.45,154 lacs recorded an increase of 9.22% over the previous year.

During the year, the Rupee appreciated against US Dollar was by more than 10%; this coupled with increase in raw material and fuel/coal prices, resulted in the profit before depreciation and tax declining to Rs.2,747 lacs for the year 2007-08 as against Rs.3,904 lacs in 2006-07. The profit after tax for the year 2007-08 has been Rs.442 lacs as compared to Rs. 1494 lacs in the preceding year. The Company paid Rs.29 lacs as fringe benefit tax and Rs.65 lacs as Income Tax during the year besides providing of Rs.96 lacs as deferred tax liability.

EXPORTS

Your Company's performance on the export front has improved, during the year 2007-08; it achieved export turnover of Rs.24,479 lacs as against Rs.22,442 lacs during 2006-07 an increase of over 9%. This is after taking into account the impact of appreciation of Rupee against USD during the year. The fabric export increased by 21% and garment export by 11% while maintaining the quantum of yarn exports.



During the year 2007-08, Turkey the major importer of the company's yarn has initiated Anti Dumping Investigation for imports of "yarn of man-made staple fibre" into Turkey from India. The Company has submitted its response to the Anti Dumping authorities of Turkey.

The Company's Joint Venture with Carreman, France, has given it an access to the World's most prestigious and quality conscious customers for its fabrics and garments. As a result, export of value added fabric is increasing.

Your Company has further attracted new customers of international repute during the year. The marketing and fabric design & development teams participated in national and international trade fairs to get the latest market trends and better understanding of the customer's requirements. The Company is also making sincere efforts to penetrate new international markets.

DIVIDEND

Your Directors are pleased to recommend 12% dividend (previous year 20%) on the equity shares of the Company. The dividend, if approved by the shareholders, will absorb Rs.162.17 lacs, (previous year Rs.255 lacs) besides Rs.27.56 lacs payable to the Government by way of tax on dividend (previous year Rs.43 lacs). This includes the dividend of Rs. 519 lacs payable on preferential shares, besides Rs.0.88 lacs tax thereon.

INCREASE IN SHARE CAPITAL

During the year the company converted 375000 preferential warrants into an equal number of equity shares at a premium of Rs.65.83 per share and issued 187500 bonus shares on these 375000 shares. Consequently the equity paid-up share capital of the Company stands increased from Rs.1251.50 lacs as on 31st March, 2007 to Rs.1308.14 lacs as on 31st March, 2008.

EXPANSION, DIVERSIFICATION AND MODERNISATION

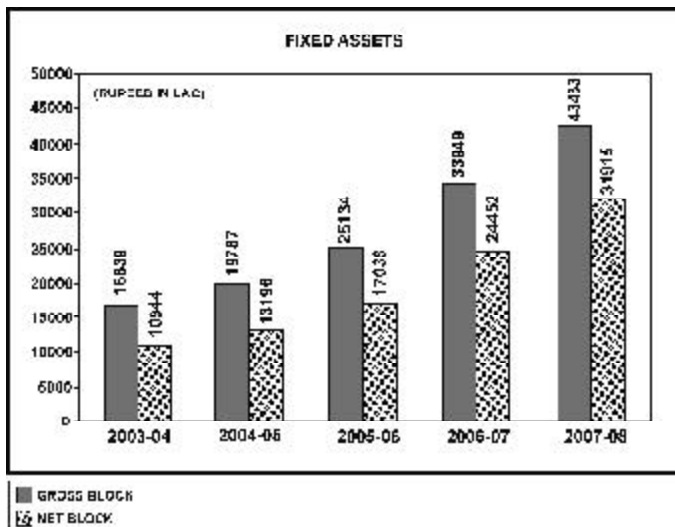
During the year under review the Company invested Rs.10,411 lacs in fixed assets including capital work-in-progress at Rs.3516 lacs as on 31.03.2008.

During 2007-08, the Company added 16440 new Ring Spindles and 17 Air Jet Tsudakuma Looms besides installation of 10 Picanol Looms in Carreman Fabrics India Ltd. The Company has also added 8160 Spindles for production of all wool/ polywool yarn which are expected to be commissioned starting commercial production from June, 2008. As the competition for the cotton yarn business intensified during the year, your Company converted 12096 spindles for cotton yarn spinning to blended yarn production.

The Company has started a brand new fabric textile laboratory of international standards. The Company has applied for ISO 17025 accreditation of NADL certification besides additions of few more machines for production of better quality fabric.

Your directors are also pleased to inform that the Company has installed 10 Jacquard Looms for production of Upholstery Fabric and a new plant for readymade garments at SEZ, Surat. Uptill now the Company had garment production capacity only for Trousers; it has, now added one line for production of Jackets also. The upholstery and Surat division shall start production shortly.

The term loan requirements for these expansion, diversification and modernization projects is being met through term loans under TUF Scheme.



**JOINT VENTURE**

The JV Company, Carreman Fabrics India Ltd., has a weaving plant. Your Company owns 50% stake in its equity capital. This company has earned net profit of Rs.7.10 lacs, in its first year full operations.(2007-08) It is producing fabric for the Company on job work basis. Your Company is also providing power for production of own fabric in JV company.

POWER PLANT

The Company has put-up a coal based Thermal Power Plant of 15/18 MW capacity. It started generation of power from September, 2007. It is meeting more than 90% of the power requirement, the balance requirement being met through Government supply. The Company has been allotted quota for the procurement of coal from Indian coal mines and is expected to get coal supply therefrom July, 2008. The generation of power with coal from Indian coal mines will further reduce the power cost. The furnace oil based power plants and connected load with AVNL Ltd. are stand-by resources.

FINANCE

During the year, The Company availed term loans aggregating Rs.9015.22 lacs, from Banks and Financial Institutions, under TUF Scheme to fund various expansion, diversification and modernization programmes. The Company's Bankers/ Financial Institutions have continued to provide need-based funds to meet the long term and short-term requirements of the Company from time to time.

CONTRIBUTION TO EXCHEQUER

Your Company has, during the year, contributed Rs.1742 lacs to the Government Exchequer by way of Excise Duty, Service Tax, Value Added Tax (VAT), Income Tax, Dividend Tax, TC Cess and other levies.

SUBSIDIARY COMPANY

The Company has no subsidiary as on 31st March 2008. However, it has 50% interest in Carreman Fabrics India Ltd, a Joint Venture Company between Banswara Syntex Ltd. and Carreman, France.

CORPORATE GOVERNANCE/MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance and Management Discussion and Analysis Report are annexed and marked Annexure-I, which forms part of this report.

FIXED DEPOSITS

The Company has not issued any advertisement inviting fixed deposits from the public. However, it continues to accept deposit from public. As on 31st March, 2008, your Company had such deposits aggregating Rs.634.78 lacs. Deposits which matured during the year were either renewed or repaid. All the interest and principal dues are being paid regularly. The Company has duly complied with the provisions of the Companies (Acceptance of Deposits) Rules, 1975.

MANAGEMENT

The tenure of Shri R. L. Toshniwal as Chairman & Managing Director is expiring on 31st July, 2009 and that of Shri Rakesh Mehra, Whole-time Director, on 30th September, 2008. Based on the recommendation of the Remuneration Committee, the Board has decided to re-appoint Shri R.L. Toshniwal as Chairman & Managing Director for a further period of 3 years and Shri Rakesh Mehra as Whole time Director for a further

period of 5 years, subject to approval of the shareholders in the Annual General Meeting.

DIRECTORS

In accordance with the Articles of Association of the Company, Shri Vijay Mehta, Shri P. Kumar and Shri D. P. Garg, Directors, are retiring by rotation and, being eligible, offer themselves for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- I. In the preparation of the annual accounts for the year ended March 31, 2008, the applicable Accounting Standards have been followed.
- II. The Directors 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 on 31st March, 2008 and of the profit of the Company for the year ended on that date.
- III. The Directors 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 frauds and other irregularities.
- IV. The Directors have prepared the annual accounts of the Company for the year ended March 31, 2008 on a going concern basis.

AUDIT COMMITTEE

As per the requirement of Clause 49 of the Listing Agreements with Stock Exchanges and also the provisions of the Companies Act, 1956, the Company has reconstituted the Audit Committee which now comprises of four Independent Directors, viz. Shri D.S. Alva, Chairman, Shri P. Kumar, Shri Kamal Kishore Kacholia and Shri P.A Makwana.

The composition, role, functions and powers of the Audit Committee are in accordance with the applicable laws and Listing Agreements of the Company with Stock Exchanges.

AUDITORS

M/s. Kalani & Company, Chartered Accountants, Jaipur, hold office as the Auditors of the Company until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have also furnished a Certificate to the effect that the re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

AUDITOR'S REPORT

As regards Auditor's observations, the relevant notes on account are self-explanatory and, therefore, do not call for any further comments, except in the matter of non payment of Service Tax and Cess thereon of Rs.5.58 Lacs and disputed liabilities of Rs. 11.75 Lacs towards the excise duty and Rs. 227.71 Lacs towards entry tax.

The service tax has not been paid in view of the representations made by various Industry Associations to the Government of India with regard to the applicability of the service tax on such services provided outside India. As the Government has decided to give the refund of such taxes, the Board of Directors has decided to pay the same.

As regards the payment of disputed liabilities, regarding excise duty the matter is under consideration of Government of India while the entry tax case is under appeal with the Hon'ble High Court, Rajasthan. These liabilities would be met immediately if required and to the extent directed by the competent authorities.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'II', which forms part of this report.

DEMATERIALISATION OF SHARES

In pursuance of SEBI / Stock Exchange directions, your Company offered demat option to its esteemed shareholders so as to enable them to trade the shares in the demat form. In response, 95.22% shares have been converted into demat form up to 31st March, 2008. The stock code number in NSDL and CDSL for equity shares of the Company is ISIN – INE 629 D01012.

PARTICULARS OF EMPLOYEES

During the year under report, the relation between the

Company's management and its staff/workers remained cordial. The Directors place on record their deep appreciation for the devoted services of the workers, staff and the executives.

As required by the provision of Section 217 (2A) of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules, 1975, as amended, the particulars of employees of the company who were in receipt of remuneration of Rs.2,00,000/- per month or more are annexed and marked Annexure 'III', which forms part of this report.

ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, various Central & State Government Departments, Customers and Suppliers during the year under review. The Directors express their profound thanks to the shareholders for their continued support and goodwill and look forward to the future with confidence.

For and on behalf of the Board

Place : Mumbai
Dated : 29th May, 2008

R.L.TOSHNIWAL
Chairman & Managing Director

ANNEXURE - I TO THE DIRECTOR'S REPORT

CORPORATE GOVERNANCE REPORT

"Corporate Governance" is the system by which companies are directed, controlled and managed. The Corporate Governance structure specifies the distribution of the role and responsibilities among different participants in the organisation, such as, the Board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. It also provides a mechanism through which the company objectives are set, the means to achieve these objectives are defined and the process of monitoring performance is delineated.

I. COMPANY'S PHILOSOPHY

Banswara Syntex Limited is committed to the best governance practice and its adherence in the true spirit at all times. The Company is committed to maintain the highest level of transparency, accountability and equity in its operation. It firmly believes that Corporate Governance is about management and conduct of an organization based on ethical business principles and commitment to values. It is the desire to strive for and ensure sustainable returns to all stakeholders of the business and a belief that sound Corporate Governance is critical to retain, strengthen and enhance investor trust. Corporate Governance is a set of principles, processes and systems to be followed by the directors, management and all employees of the Company for enhancement of shareholders value while complying with the law in all dealings with Government, customers, suppliers, employees and other stakeholders is the principal objectives of our corporate policy. These principles and objects are embodied in your company philosophy on the code of Corporate Governance.

The Company has complied with the provisions of the Corporate Governance as per Clause 49 of the Listing Agreements with the Stock Exchanges. A report on the implementation of these provisions of the Corporate Governance is furnished hereunder.

II. BOARD OF DIRECTORS

The present Board of Directors comprises of 13 members. It includes four Whole-Time Directors, viz. from the promoter group and nine Non-Executive Directors including one Nominee Director of EXIM Bank. Thus, more than 2/3rd of the Board's strength is of Independent Directors. The Non-Executive Independent Directors are eminent professionals with long experience in business, industry, finance and public enterprises. The Independent Directors are not related to the promoter Directors. The Board provides leadership, strategic guidance, objective analysis independent views to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and accountability.

The Directors do not have any pecuniary relationship with the Company except to the extent of the following :

- (a) Whole-time Directors - Remuneration as per their terms of appointment and reimbursement of expenses actually incurred within the approved conditions.
- (b) Non-Executive Directors - Reimbursement of expenses and payment of sitting fees for the Board/Committee meetings attended by them.

Five Board Meetings were held during the year 2007-08 i.e. on 6th April, 2007, 24th May, 2007, 27th July, 2007, 29th October, 2007 and 29th January, 2008. The frequency and quorum etc. at these meetings were in conformity with the provisions of the Companies Act, 1956. All the Board members and the senior management personnel have affirmed compliance with the Code of Conduct as on 31st March, 2008.

A. Composition of the Board of Directors as on 31.03.2008 and attendance at the Board Meetings/Committees during the year.

Name of the Directors	Attendance at last AGM	No. of Board meetings Attended	Category of Director	No. of directorship in other Public Limited Companies	No. of other Board Committees of which Member/ Chairman
Shri R.L.Toshniwal	Yes	5	ED	3	-
Shri Ravi Toshniwal	Yes	5	ED	2	-
Shri Rakesh Mehra	Yes	4	ED	1	-
Shri Shaleen Toshniwal	No	4	ED	-	-
Shri D.S.Alva	Yes	5	NED	3	3
Shri P.Kumar	Yes	5	NED	1	3
Shri A.N. Jariwala	No	4	NED	2	1
Shri Kamal Kishore Kacholia	No	3	NED	1	1
Shri Vijay Mehta	No	5	NED	5	-
Shri D.P. Garg	No	5	NED	1	-
Shri S.B. Agarwal	Yes	2	NED	2	2
Shri Vijay Kumar Agarwal	No	2	NED	1	-
Shri P.A. Makwana* (Nominee Director of EXIM Bank)	No	4	NED	2	2

ED- Executive Director, NED- Non Executive (Independent) Director

B. Board Procedure

The members of the Board are provided with the requisite information mentioned in the Listing Agreements well before the Board Meetings and the same is dealt with, appropriately.

The Board of Directors considers all the matters, which are statutorily required to be considered by them. In addition, following issues are also discussed at the meetings of the Board :

- Annual operating and capital expenditure budgets and periodical review thereof.
- Investment/expansion/modernization/diversification plans of the Company.
- Overall strategy and business plans.
- Approval of quarterly/half yearly/annual results (after review by Audit Committee)
- Compliance with statutory/regulatory requirements and review of major pending legal issues.
- Foreign exchange exposure and risks.
- Major accounting practices, provisions and write-offs.
- Transactions pertaining to acquisition/disposal of fixed assets/related party transactions.
- Review of working of various committees of the Board.
- Issues regarding mergers and amalgamation, joint venture, collaboration, etc. with any other Company.
- Significant labour problems, if any.
- General industrial environment and developments related to textile industry in particular.

All the Directors, who are members of the various committees, are within the limits prescribed in the Listing Agreements. The Directors have intimated, from time to time, about their directorship/membership in committees in other Companies.

III. DETAILS OF REMUNERATION PAID TO DIRECTORS FOR THE YEAR 2007-08

1. Appointment of Shri R.L. Toshniwal, Chairman & Managing Director, was approved by shareholders for 5 years from 1st August, 2004 to 31st July, 2009.
2. Appointment of Shri Ravi Toshniwal, Joint Managing Director was approved by shareholders for 5 years from 24th August, 2007 to 31st July, 2012.

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3. Appointment of Shri Rakesh Mehra, Wholetime Director was approved by shareholders for 5 years from 1st October, 2003 to 30th September, 2008.
4. Appointment of Shri Shaleen Toshniwal, Wholetime Director was approved by the shareholders for 5 years from 1st November, 2005 to 30th September, 2010.

The remuneration to Executive/Whole-time Directors is paid as determined / recommended by the Remuneration Committee, and the Board of Directors and also finally approved by the Shareholders in their meeting held on 8th August, 2007. No remuneration is paid to the Non-Executive Directors except sitting fees and reimbursement of out-of-pocket expenses. The remuneration paid to each Director during the period from 1st April, 2007 to 31st March, 2008 is as under:-

(i) Executive Directors

			(Rs. in Lacs)
S. No.	Name of Directors	Salary (Including commission, if any)	Perquisites (Including PF)
1.	Shri R.L. Toshniwal	32.80	12.98
2.	Shri Ravi Toshniwal	26.21	14.13
3.	Shri Rakesh Mehra	26.80	12.60
4.	Shri Shaleen Toshniwal	22.00	5.23

(ii) Non-Executive Directors

		(Rs. in Lacs)
S. No.	Name of Directors	Amount
1.	Shri D.S. Alva	1.20
2.	Shri P. Kumar	1.20
3.	Shri A.N. Jariwala	0.40
4.	Shri Kamal Kishore Kacholia	0.60
5.	Shri Vijay Mehta	0.53
6.	Shri D.P. Garg	1.18
7.	Shri S.B. Agarwal	0.20
8.	Shri Vijay Kumar Agarwal	0.20
9.	Shri P.A. Makwana, (Nominee Director of EXIM Bank)	0.70

Details of Shareholding of Directors as on 31st March, 2008.

S. No.	Name of Directors	Number of Shares
1.	Shri R.L. Toshniwal	10,99,167
2.	Shri Ravi Toshniwal	8,53,466
3.	Shri Rakesh Mehra	25,499
4.	Shri Shaleen Toshniwal	13,27,913
5.	Shri Vijay Mehta	20

The Company has not issued any convertible debentures. However, Shri R.L. Toshniwal and Shri Shaleen Toshniwal subscribed to the preferential allotment of 3,30,000 warrants convertible into equal no. of equity shares. These warrants have since been converted in to equity shares.

IV. COMMITTEES OF THE BOARD

The Committees appointed by the Board focus on specific areas and make informed decisions within the delegated authority. The Committees also make specific recommendations to the Board on various matters from time-to-time. All decisions and recommendations of the Committees are placed before the Board for approval. The Company has four Board-level Committees:

A. AUDIT COMMITTEE

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with the generally accepted auditing practices and for issuing reports based on such audits. The Board of Directors has constituted the Audit Committee to oversee financial reporting process, reviewing periodical financial results, statements and adequacy of internal control system, The Audit Committee also reviews the periodic internal and statutory auditors reports.

Minutes of meetings of the Audit Committee are circulated to members of the committee and placed before the Board for its confirmation and record.

COMPOSITION :

The Audit Committee has been reconstituted at the meeting of the Board of Directors held on 24th May, 2007 to include Shri P.A. Makwana as a member of the Committee. Now, there are in all four Independent Non-Executive Directors viz. Shri D.S. Alva (Chairman), Shri P. Kumar, Shri Kamal Kishore Kacholia and Shri P. A. Makwana on the Audit Committee.

MEETINGS

Four Audit Committee meetings were held during the year 2007-08 i.e. on 24th May, 2007, 27th July, 2007, 29th October, 2007 and 29th January, 2008.

The frequency and quorum, etc. at these meetings were in conformity with the provisions of the Companies Act, 1956 as also the Listing Agreements with the Stock Exchanges.

ATTENDANCE

The attendance of the members at these meetings is as under :-

Name of Member	Meetings held	Number of Meetings attended
Shri D.S. Alva	4	4
Shri P. Kumar	4	4
Shri Kamal Kishore Kacholia	4	3
Shri P.A. Makwana	4	3

Members of the Audit Committee have requisite financial and management expertise and hold/have held senior positions in other reputed organisations.

At the invitation of the Committee, representatives of various departments of the Company, besides the Chairman & Managing Director, Whole-time Director, in-charge of finance function, Statutory Auditors, Internal Auditors, Sr.VicePresident (F & C) & Company Secretary, who also acting as the Secretary to the Committee, also attend the Audit Committee meetings to answer and clarify the points raised at the meetings and generally assist the Committee in its deliberations.

ROLE

The role and terms of the reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreements and under the provisions of Section 292A of the Companies Act, 1956.

The Audit committee has powers:

- i) To investigate any activity within its terms of reference.
- ii) To seek information from any employee.
- iii) To obtain outside legal or other professional advice.
- iv) To secure attendance of outsiders with relevant expertise, if considered necessary.

B. INVESTOR'S GRIEVANCES COMMITTEE

The Investor's Grievances Committee is empowered to perform all the functions of the Board in relation to handling of shareholders grievances.

The Committee primarily focuses on:

- Review of investor complaints and their redressal and.
- Review and consideration of the queries received from the investors

COMPOSITION :

There is no change in the composition of the Investor Grievances Committee since the last Annual General Meeting. The Committee comprises 3 Independent Non-Executive Directors, viz. Shri D.S. Alva, (Chairman), Shri P. Kumar and Shri Kamal Kishore Kacholia.

The Board has also appointed Shri J.K. Jain, Sr.Vice President (F & C) & Company Secretary, as the compliance officer of the Company for the purpose of investor's complaints / grievances.

MEETINGS

During the year 2007-08, two meetings of the Committee were held i.e. 6th April, 2007 and 29th January, 2008. During the year 17 complaints were received from the shareholders/investors and all these were resolved to the satisfaction of the complainants.

ATTENDANCE

The attendance of the members at these meetings is as under:-

Name of Member	Meetings held	Number of Meetings attended
Shri D.S. Alva	2	2
Shri P. Kumar	2	2
Shri Kamal Kishore Kacholia	2	-

DISPOSAL OF COMPLAINTS

The shareholder's complaints are being promptly attended to and disposed off within one month. The details of Share holder's complaints received and resolved during the year are as under :-

Nature of Complaint	No. of complaints not replied at beginning of the year	No. of complaints received during the year	No. of complaints attended during the year	Range of No. of days taken to reply the complaints (if it exceeds 15 days, pls. specify)	If Pending for reply No. of days pending	No. of complaints not resolved at the end of the year
Non-receipt of Dividend	0	7	7	<15 days	0	0
Non-receipt of Shares lodged for Transfer/Exchange	0	10	10	<15 days	0	0
Others	0	0	0	Not Applicable	0	0

C. REMUNERATION COMMITTEE

The Remuneration Committee has been constituted as per the requirement of Clause 49 of the Listing Agreements and other applicable provisions of the Companies Act, 1956.

The terms of reference of the Committee are:-

- To review, assess and recommend to the Board, the appointment of Executive / Whole-time Directors and the remuneration payable to them besides the quantum of sitting fees payable to Non-Executive Independent Directors
- To consider and recommend human resource policies relating to compensation and performance management.

The remuneration paid to the Whole-time Director was approved by the Remuneration Committee and shareholders of the company.

The Remuneration Committee in its meeting held on 29th May, 2008 recommended re-appointment of Shri R.L. Toshniwal as the Chairman & Managing Director and Shri Rakesh Mehra, Whole-time Director of the Company from 1st August, 2009 to 31st July, 2012 and 1st October, 2008 to 30th September, 2013 respectively. The Board re-appointed Shri R.L. Toshniwal, as Chairman & Managing Director and Shri Rakesh Mehra, Whole-time Director for the aforesaid period subject to approval of the shareholders.

Non-Executive Directors are being paid sitting fee of Rs. 10,000/- for each meeting of the Board of Directors or Committee thereof attended by them. However, in case of Share Transfer Committee meetings, sitting fee is Rs. 2,500/- per meeting.

COMPOSITION :

The Remuneration Committee comprises 3 Independent Non-Executive Directors, viz. Shri D.S. Alva, (Chairman), Shri P. Kumar and Shri D.P. Garg.

MEETINGS

During the year 2007-08, one meeting of the Committee was held i.e. on 24th May, 2007

ATTENDANCE

The attendance of the members at these meetings are as under:-

Name of Member	Meetings held	Number of Meetings attended
Shri D.S. Alva	1	1
Shri P. Kumar	1	1
Shri D.P. Garg	1	1

D. SHARE TRANSFER COMMITTEE

The Share Transfer Committee looks into the shareholders requests for transfer of shares, transmission of shares, etc held in physical form.

The Committee primary focus is to :

- To scrutinizes the share transfer application forms received by the Company and, if found in order in all respects, to register transfers of shares in the Register of Members of the Company.
- To register the various documents as mentioned above in the Register of Documents maintained by the Company.
- To approve the issue of split share certificates and new share certificates in place of defaced, torn, damaged and soiled share certificates on receipt of proper applications and other required papers and documents from the shareholders.

- To sign the share certificates and to affix the Company's Common Seal on them in accordance with the provisions of the Companies Act, 1956 the Companies (Issue of Share Certificates) Rules, 1960 and those of the Articles of Association of the Company, and
- To take all other consequential and incidental actions and measures.

COMPOSITION :

The Share Transfer Committee was reconstituted by the Board at its meeting held on 29th January, 2008 when Shri P.A. Makwana who had been included in place of Shri Vijay Mehta who had resigned from the Committee. As on date, the Share Transfer Committee comprises 3 Directors, viz. Shri R.L.Toshniwal, Chairman & Managing Director, Shri D.P.Garg and Shri P.A. Makwana, Directors.

MEETINGS

During the year 2007-08, 24 meetings of Share Transfer Committee were held. Two members constitute the quorum for each meeting.

ATTENDANCE

The attendance of the members at these meetings are as under:-

Name of Member	Meetings held	Number of Meetings attended
Shri R.L. Toshniwal	24	24
Shri D.P. Garg	24	23
Shri Vijay Mehta	20	1
Shri P.A. Makwana	4	-

V. CODE OF CONDUCT

The Code of Conduct for the Directors and the Employees of the Company has been laid down by the Board and the same is posted on the website of the Company.

VI. SHARE TRANSFERS

Since the Company's shares are traded in the dematerialised form on the Stock Exchanges, bulk of the transfers takes place in the electronic form.

For expediting transfers, the Company has appointed a common agency, M/s. Computech Sharecap Ltd., 147, Mahatma Gandhi Road, Opp. Jehangir Art Gallery, Fort, Mumbai-400 023, for demat as well as physical transfers. The Board has delegated share transfer function to the Share Transfer Committee, which is later confirmed by the Board. Physical transfers are effected within one month. The Board has designated the Company Secretary as the Compliance Officer.

A. Shareholding Pattern as on 31st March, 2008

S. No.	Category	No. of Shares held	Percentage of Shareholding (%)
1.	Promoters	7735316	59.02
2.	Mutual Funds and UTI	4925	0.04
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions, Non-Government Institutions)	60865	0.46
4.	Foreign Institutional Investors	-	-
5.	Private Corporate Bodies	1272232	9.71
6.	Indian Public	3744496	28.57
7.	NRIs/OCBs/Foreign Nationals	288527	2.20
8.	GDR	-	-
Grand Total		13106361	100.00

B. Distribution of Share holding as on 31st March, 2008

No. of Shares	No. of Shareholders	% of Share holders	No. of shares held	Voting Strength (%)
1 to 500	10717	89.40	1159196	8.85
501 to 1000	628	5.24	481249	3.67
1001 to 2000	286	2.39	435232	3.32
2001 to 3000	105	0.88	268877	2.05
3001 to 4000	44	0.37	155116	1.18
4001 to 5000	40	0.33	184987	1.41
5001 to 10000	68	0.57	495542	3.78
10001 & above	99	0.82	9926162	75.74
TOTAL	11987	100.00	13106361	100.00

Category	Number of shareholders	Shareholders (%)	Number of Shares held	Shareholding (%)
Physical	4900	40.88	626310	4.78
Electronic	7087	59.12	12480051	95.22
Total	11987	100.00	13106361	100.00

Note : The Company had issued 15 lac warrants eligible for preferential issue of one equity share against each warrant to promoters and others on payment of Rs.75.83 per equity share, including premium of Rs.65.83 per equity share. 10% issue price was received as advance. Entire 15 lac warrants, have since been converted into fully paid equity shares.

VII. SHAREHOLDER INFORMATION

1. 32nd Annual General Meeting (to be held)

Date : 13th September, 2008
 Time : 4.00 P.M.
 Venue : Industrial Area, Dohad Road, Banswara – 327 001 (Raj.)

2. Date of Book Closure

The register of members and share transfer books of the Company shall remain closed from 6th September, 2008 to 13th September, 2008 (both days inclusive).

3. Tentative Financial Calendar

First Quarter Results	End July, 2008
Limited Review on first quarter results	End Aug. 2008
Second Quarter/ half yearly results & Limited Review	End Oct. 2008
Third Quarter Results & Limited Review	End Jan. 2009
Audited Annual Results (2008-09)	End June, 2009

4. Dividend Payment Date (Tentative) : Dividend for the year 2007-08, if approved by the shareholders, will be paid on or after 16th September, 2008.

5. Listing of Equity Shares on Stock Exchanges

The Company's shares are listed on Bombay Stock Exchange Ltd., Mumbai (BSE) and National Stock Exchange of India Ltd., Mumbai (NSE).

During the year, 375000 shares issued due to conversion of warrants into equity shares were listed by BSE & NSE. However, listing approval for 187500 bonus share issued on the above 375000 shares is still awaited from the BSE/ NSE. The Company is pursuing the matter.

The requisite listing fees have been paid for the year 2008-09 to both the Stock Exchanges.

6. Registered Office

Industrial Area, Dohad Road, BANSWARA-327 001 (Raj.)

7. Dematerialization of shares and liquidity :

The Company's shares are available for dematerialization on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Shares of the company are to be delivered compulsorily in the demat form on Stock Exchanges by all investors. Shares representing 95.22% of the Paid-up Capital have so far been dematerialized by Investors. 11,50,000 No. of Shares issued to promoters due to conversion of warrants are subject to lock-in period up to 7th October, 2008 as per SEBI guidelines; besides this, 189425 shares issued to promoters of the Company due to amalgamation of erstwhile Banswara Textile Mills Ltd. with the Company are also under lock-in till 31.12.2009, as per the pre listing condition of Bombay Stock Exchange Ltd.

8. Stock Code

Number in NSDL and CDSL for equity shares	-	ISIN – INE 629 D01012
Bombay Stock Exchange Ltd., Mumbai	-	503722
National Stock Exchange of India Ltd., Mumbai	-	BANSWRAS

9. Market Price Data

Monthly high/low market price of the Company's ordinary shares traded on Bombay Stock Exchange Ltd., Mumbai and National Stock Exchange of India Ltd., Mumbai during the last financial year are as follows :-



Month	BOMBAY STOCK EXCHANGE LTD.		NATIONAL STOCK EXCHANGE INDIA LTD.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2007	75.00	56.10	77.95	61.30
May, 2007	68.00	60.55	70.00	60.05
June, 2007	64.00	55.05	64.00	56.05
July, 2007	65.00	52.10	65.00	51.80
August, 2007	56.00	47.55	55.50	47.00
September, 2007	63.10	52.15	66.00	51.00
October, 2007	57.70	46.40	58.90	40.05
November, 2007	56.45	43.30	59.95	44.00
December, 2007	75.75	48.10	79.00	49.00
January, 2008	87.00	43.35	86.00	41.00
February, 2008	50.00	40.25	56.90	40.00
March, 2008	45.80	28.35	45.60	25.00

10. Address for correspondence

The Company has appointed M/s. Computech Sharecap Limited as Common Agency for share registry work both for electronic and physical modes.

Shareholders can make correspondence at the following addresses for share transfer matters and other grievances, if any:-

- (a) Mr. Patrick A. Butelho
M/s. Computech Sharecap Ltd.
(Unit: Banswara Syntex Ltd.)
147, Mahatma Gandhi Road
Opp. Jehangir Art Gallery
Fort, MUMBAI-400 023
- (b) Registered Office :
Industrial Area, Dohad Road,
BANSWARA - 327 001 (Raj.)

11. General Body Meetings

The last 3 Annual General Meetings of the Company were held as under :

Financial Year	Date	Time	Venue
2006-07	8 th Aug., 2007	4.00 P.M.	Regd. Office : Indl. Area, Dohad Road, Banswara –327 001
2005-06	12 th July, 2006	4.00 P.M.	Regd. Office : Indl. Area, Dohad Road, Banswara –327 001
2004-05	26 th Sept.,2005	4.00 P.M.	Regd. Office : Indl. Area, Dohad Road, Banswara –327 001

Special resolutions passed in the last 3 AGMs : The details of special resolutions passed during last 3 years i.e 2005, 2006 & 2007 are as under :

Sr. No.	AGM held on	Special Resolution Passed
1.	26.09.2005	1. Increase in Authorised Share Capital 2. Issue of warrants on preferential basis
2.	12.07.2006	1. Issue of Bonus shares 2. Appointment of Shri Shaleen Toshniwal as Whole-time Director. 3. Increase in borrowing Power of the Board of Directors 4. Increase in remuneration payable to Shri R.L.Toshniwal, Chairman & Managing Director 5. Increase in Remuneration payable to Shri Ravi Toshniwal, Jt. Managing Director 6. Increase in Remuneration payable to Shri Rakesh Mehra, Whole-time Director 7. Increase in Remuneration payable to Shri Shaleen Toshniwal, Whole-time Director 8. Delisting of shares from Jaipur Stock Exchange & The Delhi Stock Exchange Association Ltd. 9. Alteration of Articles Of Association

3.	08.08.2007	<ol style="list-style-type: none"> 1. Re-Appointment of Shri Ravi Toshniwal as Joint Managing Director 2. Revision in remuneration payable to Shri R.L.Toshniwal, Chairman & Managing Director 3. Revision in remuneration payable to Shri Rakesh Mehra, Whole-time Director
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12. Postal Ballot

Following four Special/ Ordinary Resolutions were passed on 24.05.2007, by the Company's members through postal ballot.

1. For alteration in Articles under Section 31 the Companies Act, 1956
2. For increase in total number of Directors from 12 to 15 in Articles of Association.
3. For increase in borrowing powers of the Board
4. For increase in power of the Board to mortgage/charge etc.

Details of the aforesaid resolutions passed through postal ballot are as under :-

A. Person who conducted the postal ballot exercise:

The Board appointed Shri Manoj Maheshwari, Practising Company Secretary, as the scrutinizer to conduct postal ballot voting process. Shri Manoj Maheshwari conducted the process and submitted his report to the Chairman & Managing Director.

B. Procedure followed

- (i) The postal ballot notice and accompanying documents were despatched to the shareholders under certificate of posting.
- (ii) A calendar of events along with Board resolution was submitted to the Registrar of Companies, Rajasthan, Jaipur.

C. Details of voting pattern: After scrutinizing all the ballot forms received, the Scrutinizer reported the results as under :

S. No.	Items	% of shareholders representing total voting strength voted in favour of the resolution
1.	For alteration in Articles of Association of the Company U/S 31 the Companies Act., 1956	99.97%
2.	For increase in number of Directors in Articles of Association	99.93%
3.	For increasing the borrowing powers of the Board	99.98%
4.	For Increasing the Board's power to mortgage/charge etc.	99.95%

Based on which the results were declared and the resolutions were carried out with majority.

13. Non-Mandatory Requirements

The Company has not adopted any non-mandatory requirements.

14. Disclosures

The Company has entered into certain transactions with its Promoters, Directors and the Management related parties in ordinary course of business, but these transactions do not have any potential conflict with the interests of the Company at large. The Company has complied with mandatory requirements of Clause 49 of the Listing Agreement.

No penalties or structures have been imposed on the Company by the Stock Exchanges or SEBI or any other authority on any matter related to the capital market during the year. However, in the year 2004-05 an inspection under Section 209A of the Companies Act, 1956 was carried out by the office of The Regional Director (NR), Kanpur. On the basis of the inspection, the department issued default notices and same were compounded by paying compounding fees of Rs.3000/- under Section 224(8)(b), Rs.2,000/- under Section 209 and Rs.3,000/- under Section 297 of the Companies Act, 1956.

15. Means of Communication

The Company has established adequate systems and procedures to disseminate the relevant information, in a planned way. Quarterly and half yearly results are published in Hindi & English Newspapers in Rajasthan Patrika, Dainik Bhaskar, Economic Times, Nav Bharat Times and are also displayed on the Company's website.

Information released to the press at the time of declaration of results is also being sent to all Stock Exchanges, where the shares of the Company are listed, for the benefit of investors. The Company made a couple of presentations to analysts, Institutional Investors and press regarding the Company's results and future plans.

Management Discussion and Analysis form part of the Annual Report, which is posted to the shareholders of the Company.

16. Relationship between Directors

Except as detailed below other directors do not have any relationship with each other.



Sr. No.	Name of Director	Relationship
1.	Shri R.L. Toshniwal (Chairman & Managing Director)	1. Father of Shri Ravi Toshniwal and Shri Shaleen Toshniwal 2. Father-in-law of Shri Rakesh Mehra
2.	Shri Ravi Toshniwal (Jt. Managing Director)	1. Son of Shri R.L. Toshniwal 2. Brother of Shri Shaleen Toshniwal 3. Shri Rakesh Mehra, Whole-time Director is Sister's Husband
3.	Shri Shaleen Toshniwal (Whole-time Director)	1. Son of Shri R.L. Toshniwal 2. Brother of Shri Ravi Toshniwal 3. Shri Rakesh Mehra, Whole-time Director is Sister's Husband

17. Re-appointment of Directors

Appointment of Shri R. L. Toshniwal, Chairman & Managing Director will be expiring on 31st July, 2009 and that of Shri Rakesh Mehra, Whole-time Director on 30th September, 2008. The Remuneration Committee and Board of Directors of the Company, at their meetings held on 29th May, 2008 have recommended re-appointment of Shri R.L. Toshniwal as Chairman & Managing Director and Shri Rakesh Mehra as Whole-time Director for a further period of 3 years from 1st August, 2009 to 31st July, 2012 and for a further period of 5 years from 1st October, 2008 to 30th September, 2013 respectively.

Brief particulars of Shri R.L.Toshniwal and Shri Rakesh Mehra are given below:-

Shri R.L. Toshniwal, aged 74 years, is a Textile technocrat from Leads University, U.K. and has over 45 years experience in the textile industry. Before joining the Company, he was the chief executive of M/s Orient Carpets Manufacturing (India) Ltd. He is the promoter director of the Company currently holding the post of Chairman & Managing Director. During his tenure, the Company has made impressive growth in all the fields both in terms of volumes and value as evident from the Financial Performance. Shri R.L. Toshniwal is also looking after overall activities of the Company.

Shri Rakesh Mehra, aged 51 years, is a Chartered Accountant and has over 20 years experience in the textile industry. Before joining the company he was the chief executive of M/s RR Toshniwal Enterprises. He is holding the post of Whole time Director. Shri Mehra is looking after all financial activities, export of yarn and procurement of raw material besides administrative control at Mumbai office.

Name of Public Limited Companies in which Shri R.L. Toshniwal is Director :

S.No.	Name of the Company
1.	Banswara Fabrics Ltd.
2.	Carreman Fabrics India Ltd.
3.	APM Industries Ltd.

Name of Public Limited Companies in which Shri R.L. Toshniwal is Member/ Chairman of the Committee.

S.No.	Name of the Company
	Nil

Name of Public Limited Companies in which Shri Rakesh Mehra is Director :

S.No.	Name of the Company
1.	Banswara Fabrics Ltd.

Name of Public Limited Companies in which Shri Rakesh Mehra is Member/ Chairman of the Committee.

S.No.	Name of the Company
	Nil

Three Non-Executive Directors are due for retirement by rotation at this Annual General Meeting and are eligible for re-appointment.

Brief particulars of Directors retiring by rotation are given below :-

1) Shri Vijay Mehta, Aged 55 years, Consultant, is on the Board of the Company for the last 27 years.

Name of Public Limited Companies in which Shri Vijay Mehta is Director :-

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S.No.	Name of the Company
1.	Mefcom Infrastructure Projects Ltd.
2.	Mefcom Capital Markets Ltd.
3.	Mefcom Securities Ltd.
4.	Mefcom Commodity Brokers Ltd.
5.	Jaipur Stock Exchange Ltd.

Name of Public Limited Companies in which Shri Vijay Mehta is Member/Chairman of the Committee

S.No.	Name of the Company
	Nil

2) **Shri P. Kumar**, Aged 71 years, Financial Consultant is on the Board of the Company for the last 7 years.

Name of Public Limited Companies in which Shri P. Kumar is Director :-

S.No.	Name of the Company
1.	N.R. Agarwal Industries Ltd.

Name of Public Limited Companies in which Shri P. Kumar is Member/ Chairman of the Committee(s) :

S.No.	Name of the Company
1.	N.R. Agarwal Industries Ltd.

3) **Shri D.P. Garg**, Aged 61 years, Industrialist is on the Board of the Company for the last 5 years.

Name of Public Limited Companies in which Shri D.P. Garg is Director :-

S.No.	Name of the Company
1.	Garuda Cotex Shades Ltd.

Name of Public Limited Companies in which Shri D.P. Garg is Member/ Chairman of the Committee.

S.No.	Name of the Company
	Nil

18. Plant Locations

1.	Banswara Syntex Ltd. Banswara Syntex Ltd. Unit - BTM Banswara Syntex Ltd. Unit - BFL Banswara Syntex Ltd. Unit - BJF	Industrial Area, Dohad Road BANSWARA - 327 001 (Rajasthan) Industrial Area BANSWARA - 327 001 (Rajasthan)
2.	Readymade Garment Unit - I "Banswara Garments" Readymade Garment Unit - II "Banswara Garments"	98/3, Village Kadaiya, Nani Daman Distt. DAMAN - 396 210 (U.T.) Survey No. 713/1, 713/2, 713/3, 725/2 and 725/1 Village Dabhel, Nani Daman Dist. DAMAN - 396 210 (U.T.)
3.	Banswara Apparel	Plot No. 5 & 6 GIDC Apparel Park, Sez Sachin SURAT - 394 230 (Gujarat)

VIII. AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Company has obtained a Certificate from its Auditors regarding compliance of conditions of Corporate Governance as stipulated in the Listing Agreements with Stock Exchanges. The said Corporate Governance Certificate is annexed to this report.

The above report has been placed before the Board at its meeting held on 29th May, 2008; the same has been duly approved.

For **BANSWARA SYNTEX LIMITED**

Place : Mumbai
Date : 29th May, 2008

R.L. TOSHNIWAL
Chairman & Managing Director

CERTIFICATE

To the Members of Banswara Syntex Limited,
Banswara

We have examined the compliance of conditions of Corporate Governance by Banswara Syntex Limited for the year ended on 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For KALANI & COMPANY
Chartered Accountants

K.L. JHANWAR
Partner
M.No. 14080

Place : Mumbai
Date : 29th May, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is the manufacture and marketing of synthetic blended yarn, wool and wool mix yarn, synthetic and worsted spun fabrics and readymade garments. The management discussion and analysis is given in sub-paragraphs (a) to (j) below:

a) Industry structure and development

Large number of textile companies/manufactures in India have expanded their production capacities. The Government of India has further helped the textile industry by continuing the Technology Upgradation Fund Scheme (TUFS) for the 11th Five Year Plan.

The Indian manufacturers have to compete Chinese industry all over the world to increase its share, and therefore, they have to become competitive.

Indian spinning industry has substantially increased its installed/production capacities and is finding itself in a difficult market situation. However, there is good scope for forward integration i.e. production of good quality fabrics as also the readymade garments. The Indian production capacities for these two segments need further strengthening to capture the world market in a big way.

In the domestic market the growth is now being driven by the organized retail chains. The textile products are consumable items and can achieve rapid growth through proper alignment with the organized retail marketing chains. The industry generates employment for various classes of skilled and unskilled workers. The industry has represented to the Government of India to extend all support for continued growth for this segment.

b) Opportunities

1. Higher labour cost in the developed countries is driving out the textile and yarn trade to low cost Asian markets, viz. China, India, Vietnam, Bangladesh, Pakistan etc.
2. India is fast becoming a preferred destination for several global brands for sourcing their raw material requirements in the textile and apparel segment.
3. Though China is better equipped for manufacture of higher volume commodity products, India's strength lies in short run quality of products, better service to the customers and exclusivity in the premium and mid segment categories.
4. India has all the pre-requisites for emerging as a long term sourcing hub for manufacture and marketing textiles and apparel in terms of a stable political climate, trade friendly laws, a well balanced economy as well as key factors like abundant raw material supply, established textile base and a wide, varied and flexible product mix.

Industry Challenges & concerns

1. Increasing fuel oil prices causing hike in the cost of power, transportation and other inputs leading to an increase in overall product costs. This is also affecting the availability of raw materials and increasing the competitiveness of the industry.
2. The level of inflation is currently in two digits, may result in reduction of per capita consumption of textile products. This will reduce the consumer spending on textile products.

3. Several Indian textile manufacturers have set up their own captive coal based thermal power plants. The coal prices have however gone up by more than 75% in the last 9 months and as such the expected level of returns has substantially come down.
4. Fluctuation of Indian Rupee against foreign currencies particularly US Dollar is also a matter of serious concern.
5. Shortage of trained manpower is also affecting the working.

c) Segment-wise performance

The company is engaged in the manufacture of textile products such as man-made synthetic blended and woolen worsted yarn, all types of high quality suiting for readymade garmenting and readymade garments. For manufacture and sales, the company has only one major operating activity, viz. textile products. Accordingly, the Company is of the view that it has only a single business segment. The Company has no activity outside India except export of textile products manufactured in India, thus, there is no geographical segment.

The Company is focusing on increasing the fabric and garment sales. The share of fabric and garments in the Company's total turnover was 44% during the year 2007-08, which is expected to grow up to 60% in the next couple of years. Thus, the Company is moving towards higher value chain.

d) Outlook

During the year 2007-08, the Company invested mainly to rationalise and diversify its business within the textile trade. It started a worsted spinning plant with 14740 spindles, a readymade garment plant at SEZ area, Surat a brand new weaving plant for furnishing fabrics and an 18 MW coal based captive thermal power plant besides increasing the production capacities in spinning and weaving. The installed capacities of the Company after completion of this moderate expansion and diversification programme on hand will be as under:-

Particulars		Before start of the schemes	On completion of the Schemes	Present position As on 29.05.08
Spinning	R/F Spindle Nos.	98,144	1,34,152	1,26,016
	Air Jet Spindle (Nos.)	576	576	576
Weaving Looms (Nos)		153	194	185
Upholstery (No.of Loom)		Nil	10	10
Processing (Mtrs/Month)		25,00,000	25,00,000	25,00,000
Garments	Trousers (Pcs/Month)	1,50,000	2,40,000	1,90,000
	Jackets (Pcs/Month)	Nil	11,250	2,000
Madeup	(Sets/Month)	Nil	30,000	Nil

The impact of this investment and increase in production capacities will be felt in the current financial year.

The Company has set up a Design Studio for fabrics and garments. It is also opening a Marketing Office in New York, U.S.A. The availability of polywool yarn for fabric will open up new opportunities for the fabric business. The Company has a Joint Venture with a French company, Carreman. They are providing "Women's Wear Western Solution". BSL marketing team is focusing for its "Mens' Wear Complete Solution".

The company is a preferred supplier to the premium garment brands. Commencement of production at its new garment unit at SEZ area, Surat will further improve the Company's future business prospects.

The Indian currency has become weak against other foreign currencies mainly against US Dollar. This can give better price realization on exports in future.

e) Internal control system

The Company has a proper internal control mechanism which provides adequate safeguards and effective monitoring of the transactions. The Company has a strong and independent Internal Audit Department. The internal control system provides for well documented policies, guidelines, authorizations and approvals procedures. The Internal Auditor reports to the Managing Director and the Audit Committee of the Board. Personnel of Internal Audit Department conduct periodical audits in all the areas to ensure that the Company's control mechanism is properly followed and all statutory requirements are duly complied with.

f) Discussion on financial performance with respect to operating performance

The operating performance of the Company has been detailed in the first two paragraphs of this Directors' Report under the head 'Financial Review' and 'Operations'.

g) Developments in human resources and industrial relations

The Company's progress is a reflection and outcome of the optimum utilization of its human resources. The Company has fostered a culture of ownership, accountability and self evaluation that encourages the employees to continuously strive to improve their efficiency. Regular meetings at periodical intervals facilitate interaction between the senior Management and employees at various levels for building a transparent organization in each area of the company's business. Face-to-face interaction between the employees and top management enables sharing of business information and discuss general queries and taking care of the general concerns of the employees. The industrial relations remained cordial throughout the year.

h) Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's expectations or predictions



may be "forward looking" within the meaning of applicable laws or regulations. Actual results may differ materially from those expressed or implied.

i) Major events during the year

1. Commencement of commercial production of 18 MW captive thermal power plant from September, 2007.
2. Commencement of commercial production at Garment Unit in SEZ area, Surat from April, 2008.
3. Commencement of production of Jackets at Garment factory at Daman.
4. Commencement of trial production for wool and wool mix yarn, from May, 2008, commercial production scheduled from June, 2008.

5. Commencement of trial production of furnishing fabrics in Jacquard Weaving Division from May, 2008; commercial production expected from July, 2008.
6. The Company discontinued the labour job spinning contract with Banswara Fabrics Limited and since taken over the workforce of BFL on its rolls.

j) Profit before tax

The profit before tax for the year 2007-08 is Rs.567.36 lacs i.e. 1.29% of sales as against Rs.2278.49 lacs i.e. 5.78% of sales in the Financial Year 2006-07.

For **BANSWARA SYNTEX LIMITED**

Place : Mumbai
Date : 29th May, 2008

R.L. TOSHNIWAL
Chairman & Managing Director

**ANNEXURE-III TO DIRECTOR'S REPORT
INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2008**

S. No.	Name of the Employee	Designation & nature of duties	Remuneration (Rs. in Lacs)	Qualifications & Experience (No. of years)	Age (Years)	Date of Commencement of employment	Previous employer designation, period of service (No. of years)
A. Employed through-out the year and were in receipt of remuneration aggregate of not less than Rs.24,00,000/- per annum							
1.	Shri R.L. Toshniwal	Chairman & Managing Director	45.78	M.Sc. (Tex.) Leeds University, England (45)	74	01.08.77	Oriental Carpets Mfg. (India) Ltd. Chief Executive (6)
2.	Shri Ravi Toshniwal	Joint Managing Director	40.34	B.Tech (Chem. Engg.) (16)	44	24.08.92	-
3.	Shri Rakesh Mehra	Whole-time Director	39.40	F.C.A (20)	51	01.10.93	R.R. Toshniwal Enterprises Chief Executive (5)
4.	Shri Shaleen Toshniwal	Whole-time Director	27.23	MBA (5)	31	21.10.03	-
5.	Shri S.S. Sajal	President	35.51	B.Tech PGDIM (38)	59	21.09.78	Blue Nilo Spinning & Wvg. Co. Ltd. SUDAN Dy. Wvg. Manager (8)
B. Employed for a part of the year and were in receipt of remuneration of not less than Rs.2,00,000/- per month							
- NIL -							

Notes :-

- 1) Total number of employees included in the above statement are Five and the nature of their employment is contractual.
- 2) The above figures are for the twelve months period from 1.4.2007 to 31.3.2008.
- 3) Remuneration comprises salary, allowances, monetary value of perquisites, commission out of profit of the Company and contribution to provident fund.
- 4) In addition to the above remuneration, employees are also entitled to gratuity.
- 5) Employees At Sr. No. 1 to 4 are related to each other.

AUDITORS' REPORT

TO THE MEMBERS, BANSWARA SYNTEX LIMITED

We have audited the attached Balance Sheet of BANSWARA SYNTEX LIMITED, as at 31st March, 2008, and also the Profit & Loss Account and Cash Flow Statement of the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India in terms of Sub-Section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.

- 1) Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit.
 - ii) In our opinion, the Company has kept proper books of accounts as required by the law, so far as appears from our examination of those books.

- iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- iv) In our opinion, Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2008 from being appointed as a Director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2008;
 - b) In the case of Profit & Loss Account, of the profit for the year ended on that date; and
 - c) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For KALANI & COMPANY
Chartered Accountants

K. L. JHANWAR
Partner
M.No.14080

Place : Mumbai
Dated : 29th May, 2008

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph (3) of our report of even date to the shareholders of the **BANSWARA SYNTEX LIMITED** on the accounts for the year ended 31st March, 2008.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets of the company have been physically verified by the management during the year and there is also a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets have been disposed off during the year.
- (ii) (a) The Inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Inventories with others are verified by respective party.

- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has not granted any unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (e) Unsecured loans taken from 8 (eight) persons covered in the register maintained under section 301 of the Companies Act, 1956 amounting to Rs. 336.45 lacs,
- (f) Interest and other terms & conditions of loan taken are not prima facie prejudicial to the interest to the company.
- (g) Company is regular in payment of principal amount and interest.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our



audit, we have not observed any continuing failure to correct major weakness in internal controls system.

- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, but few transactions could not be compared as the material supplied/ services rendered by such parties are either in short supply or not supplied/ services rendered by any other party.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. To the best of our knowledge and according to the information and explanations given to us, no order on the company under aforesaid section has been passed by the Company Law Board.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed under Section 209 (1) (d) of the Companies Act, 1956, the maintenance of cost records in respect of its products manufactured by the Company. We have broadly reviewed the books of account maintained and in our opinion; the prescribed accounts and records have *prima facie* been made and maintained by the company. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31.03.2008 for a period of more than six months from the date they became payable, except that of Service Tax and Cess thereon of Rs. 5.58 lacs.
- (b) According to the information and explanations given to us, there are no dues of sales tax, income tax, service tax, customs duty, wealth tax and excise duty which have not been deposited on account of any dispute except the following.

Nature of Statute	Nature of dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	11,74,534	Joint Secretary Government of India, New Delhi
The Rajasthan Tax on Entry of Goods into Local Area Act, 1999	Entry Tax	2,27,71,330	Honourable High Court, Rajasthan

- (x) There are no accumulated losses at the end of the financial year. The company has also not incurred cash losses during the financial year covered by our audit and preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has generally not defaulted in repayment of dues to a financial institution and bank.
- (xii) According to the information and explanations given to us, the company has not given any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund. Therefore, the provisions of clause 4 (xiii) of Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has given guarantee for Rs. 1950 lacs for loans taken by Carreman Fabrics India Limited, a Joint Venture. The terms and conditions of such guarantee are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the company, we report that the no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, in accordance with the guidelines issued by Securities and Exchange Board of India and is not prejudicial to the interest of the company.
- (xix) The Company has not issued debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For KALANI & COMPANY
Chartered Accountants

K. L. JHANWAR

Partner

M.No.14080

Place : Mumbai

Date : 29th May, 2008

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BALANCE SHEET

AS AT 31st March, 2008

Rupees in Lacs

	Schedule	As at 31st March, 2008	As at 31st March, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,481.14	1,424.50
Share Application Money		-	285.01
Reserves & Surplus	2	<u>6,944.80</u>	<u>6,462.57</u>
Deferred Tax Liability		2,053.07	1,956.78
Loan Funds			
Secured Loans	3	33,207.47	23,039.10
Unsecured Loans	4	<u>1,313.00</u>	<u>1,532.87</u>
		<u>44,999.48</u>	<u>34,700.83</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	39,170.18	28,164.92
Less: Depreciation		<u>11,517.70</u>	<u>9,496.69</u>
		27,652.48	18,668.23
Add: Capital work-in-progress		3,515.59	4,387.35
Add: Advance on Capital Account		<u>747.08</u>	<u>1,396.32</u>
Net Block		31,915.15	24,451.90
Investments			
Current Assets, Loans & Advances	6	663.29	653.29
Inventories	7	10,700.47	8,236.31
Sundry Debtors	8	3,597.80	3,030.36
Cash & Bank Balances	9	692.40	613.63
Loans & Advances	10	1,934.54	1,443.03
Other Current Assets	11	<u>2,408.95</u>	<u>1,997.53</u>
		19,334.16	15,320.86
Less: Current Liabilities & Provisions			
Current Liabilities	12	6,278.68	4,852.31
Provisions	13	<u>634.44</u>	<u>872.91</u>
Net Current Assets		12,421.04	9,595.64
		<u>44,999.48</u>	<u>34,700.83</u>
Accounting Policies & Notes on Accounts	22		

Schedule 1 to 13 and notes in schedule 22 form part of this Balance Sheet.

In terms of our Audit Report of even date:

For KALANI & COMPANY
Chartered Accountants

R.L.TOSHNIWAL
Chairman & Managing Director

RAVI TOSHNIWAL
Joint Managing Director

K.L. JHANWAR
Partner
M.No. 14080

Directors
RAKESH MEHRA, Wholetime Director
SHALEEN TOSHNIWAL, Wholetime Director
D.S. ALVA
P. KUMAR
D.P. GARG
S.B. AGARWAL
KAMAL K. KACHOLIA
P.A. MAKWANA, Nominee - Exim Bank

Place : Mumbai
Dated : 29th May, 2008

J. K. JAIN
Sr. Vice President (Finance & Commerce)
& Company Secretary

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st March, 2008**

Rupees in Lacs

	Schedule	Current Year 31st March, 2008	Previous Year 31st March, 2007
INCOME			
Sales	14	44,983.42	41,051.99
Job Income		<u>170.65</u>	<u>291.46</u>
		45,154.07	41,343.45
Less : Excise Duty		<u>1,344.03</u>	<u>1,948.28</u>
		43,810.04	39,395.17
Other Income	15	89.30	326.97
Accretion/ (Decretion) to Stock	16	1,585.03	811.19
Export Growth Entitlements		-	<u>150.55</u>
		45,484.37	40,683.88
EXPENDITURE			
Materials	17	23,198.30	19,586.46
Manufacturing Expenses	18	9,429.73	8,887.13
Payments to and Provisions for Employees	19	4,292.39	2,805.24
Administrative & Selling Expenses	20	3,251.37	3,394.72
Financial Expenses	21	2,373.08	1,780.96
Excise Duty		<u>192.10</u>	<u>325.27</u>
Profit Before Depreciation & Tax		2,747.40	3,904.10
Depreciation		<u>2,180.04</u>	<u>1,625.63</u>
Profit Before Tax		567.36	2,278.47
Taxes on Income			
Fringe Benefits Tax		28.75	23.17
Current Tax		65.23	645.62
Deferred Tax		<u>96.29</u>	<u>115.35</u>
		190.27	784.14
Less : MAT Credit Entitlement		<u>65.23</u>	-
		125.04	784.14
Profit After Tax		442.32	1,494.33
Balance Brought Forward		<u>505.43</u>	<u>509.41</u>
Profit Available for Appropriations		947.75	2,003.74
APPROPRIATIONS			
Proposed Dividend on Preference Shares		5.19	4.62
Proposed Dividend on Equity Shares		156.98	250.37
Tax on Dividend		27.56	43.32
Transfer to General Reserve		<u>150.00</u>	<u>1,200.00</u>
Balance Carried to Balance Sheet		608.02	<u>505.43</u>
Earning Per Share Basic (Rs.)		3.34	12.02
Earning Per Share Diluted (Rs.)		3.34	11.39
Accounting Policies & Notes on Accounts	22		

Schedule 14 to 21 and notes in schedule 22 form part of this Profit & Loss Account .

In terms of our Audit Report of even date:

For KALANI & COMPANY
Chartered AccountantsR.L.TOSHNIWAL
Chairman & Managing DirectorRAVI TOSHNIWAL
Joint Managing DirectorK.L. JHANWAR
Partner
M.No. 14080Directors
RAKESH MEHRA, Wholetime Director
SHALEEN TOSHNIWAL, Wholetime Director
D.S. ALVA
P. KUMAR
D.P. GARG
S.B. AGARWAL
KAMAL K. KACHOLIA
P.A. MAKWANA, Nominee - Exim BankPlace : Mumbai
Dated : 29th May, 2008J. K. JAIN
Sr. Vice President (Finance & Commerce)
& Company Secretary

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SCHEDULES

Schedule 1 to 22 Annexed to and forming integral part of the Accounts for the year ended 31st March, 2008

	As at 31st March, 2008	Rupees in Lacs As at 31st March, 2007
SCHEDULE '1' SHARE CAPITAL		
Authorised		
2,00,00,000 Equity Shares of Rs.10 each	2,000.00	2,000.00
5,00,000 Redeemable Preference Shares of Rs.100 each	500.00	500.00
	<u>2,500.00</u>	<u>2,500.00</u>
Issued & Subscribed		
1,31,06,361 Equity Shares of Rs.10/- each * (1,25,43,861 Equity Shares of Rs.10/- each)*	1,310.64	1,254.39
1,73,000 3% Redeemable Preference Shares of Rs. 100 each	173.00	173.00
	<u>1,483.64</u>	<u>1,427.39</u>
Paid Up		
1,31,06,361 Equity Shares of Rs.10 each* (1,25,43,861 Equity Shares of Rs.10 each)*	1,310.64	1,254.39
Less: Allotment money due From Directors	-	-
From Others	2.50	2.89
	1,308.14	1,251.50
1,73,000 3% Redeemable Preference Shares of Rs. 100 each	173.00	173.00
	<u>1,481.14</u>	<u>1,424.50</u>

* Of above 3,82,222 Equity Shares of Rs. 10 each issued in terms of scheme of Amalgamation of erstwhile Banswara Textile Mills Limited and 43,44,638 (41,57,138) Equity Shares were issued as fully paid up Bonus Shares by way of Capitalisation of Securities Premium Account.

SCHEDULE '2' RESERVES AND SURPLUS

Capital Reserve		
As per last Balance Sheet	202.39	202.39
Securities Premium Account		
As per last Balance Sheet	1,520.58	1,552.78
Add: Received During the year	248.39	383.51
Less: Utilised for Issue of Bonus Share	18.75	415.71
	1,750.22	1,520.58
General Reserve		
As per last Balance Sheet	4,234.17	3,034.17
Add: Transfer from Profit & Loss a/c	150.00	1,200.00
	4,384.17	4,234.17
Profit & Loss Account		
	608.02	505.43
	<u>6,944.80</u>	<u>6,462.57</u>



Rupees in Lacs

**As at
31st March, 2008****As at
31st March, 2007****SCHEDULE '3' SECURED LOANS****Term Loans From Financial Institutions and Banks**

Industrial Development Bank of India	1,498.31	1,971.31
Bank of Baroda	2,760.00	2,480.84
Punjab National Bank	7,023.44	4,991.30
Export Import Bank of India	8,600.56	4,715.58
Union Bank of India *	1,110.10	1,377.10
Bank of India	673.01	696.51
Axis Bank	2,015.27	-
From Others	38.67	53.05
Interest Accrued and Due on Term Loans	117.50	81.25
	<u>23,836.86</u>	<u>16,366.94</u>

Deferred Payment Credits

Deferred payment credits under Rajasthan Sales Tax Deferment Scheme	266.47	268.62
--	---------------	--------

Working Capital Loans from Banks

Punjab National Bank	5,832.43	4,565.85
Union Bank of India	928.59	1,057.72
Bank of Baroda	1,331.40	350.15
Bank of India	1011.72	429.82
	<u>9,104.14</u>	<u>6,403.54</u>
	<u>33,207.47</u>	<u>23,039.10</u>

Securities**Term Loans from Financial Institutions and Banks:**

Term Loans from Financial Institutions and Banks are secured by a joint equitable mortgage and/or hypothecation charges ranking pari-passu on immovable/movable properties, present and future of the Company subject to prior charges in favour of the Bankers on specified movable properties created and/or to be created for working capital facilities.

Term Loans from Financial Institutions and Banks are guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities except for term loan of Rs. 5911 lacs from Export Import Bank of India, which is guaranteed only by Shri R.L. Toshniwal, Chairman & Managing Director.

* Includes Term Loan of Rs. 188.00 lacs of erstwhile Banswara Textile Mills Ltd. (e BTML) secured by joint equitable mortgage of land & building acquired by e BTML vide lease agreement dated 11-6-1980 and 20-6-1980, registered at Book No. 1, admeasuring 54 bigha, 12 biswa and/ or hypothecation of plant & machinery of e BTML and further guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Shaleen Toshniwal, Wholetime Director in their personal capacities.

For Others:

Term Loans from others are finance from HDFC Bank Ltd. and ICICI Bank Ltd. secured by way of hypothecation of Vehicle financed by them.

For Deferred Payment Credits:

Deferred payment credits under Sales Tax Deferment Scheme for Industries 1987 are secured by a joint equitable mortgage and/or hypothecation charges ranking pari-passu on immovable/movable properties procured for expansion project as prescribed under the said scheme Rs. 56.95 lacs are payable within one year.

For Working Capital Loans:

Working Capital Loans are secured by way of hypothecation (Floating charges) of Raw material, Dyes-Chemicals, Packing Materials, Stores & Spares, Stock-in-process, Finished goods, Book debts, Export Incentives and second charge on all the Fixed Assets of the Company and also guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities.

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		Rupees in Lacs	
		As at 31st March, 2008	As at 31st March, 2007
SCHEDULE '4' UNSECURED LOANS			
Unsecured Loans:			
Fixed Deposits :	From Directors	21.28	21.23
	From Others	613.51	<u>799.90</u>
		634.79	821.13
Long Term Loans from Corporates		269.47	200.25
Short Term Loans :	From Bank	200.00	502.54
	From Others	208.74	<u>8.95</u>
		408.74	511.49
		1,313.00	<u>1,532.87</u>

Note :

Short term loan from Bank is guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities.

SCHEDULE '5' FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION		NET BLOCK	
	As at 01-04-2007	Additions	Deductions/ Adjustment	As at 31-03-2008	For the Year	Up to 31-03-2008	As at 31-03-2008	As at 31-03-2007
Lease Hold Land & Site Development	265.00	88.32	3.98	349.34	3.98	-	349.34	265.00
Free Hold Land & Site Development	47.13	-	-	47.13	-	-	47.13	47.13
Road & Buildings	3528.37	1169.07	-	4697.44	136.97	743.83	3953.61	2921.52
Plant & Machinery	22813.47	9527.54	270.23	32070.78	1872.61	9842.11	22228.67	14691.71
Building Machinery	1.38	-	-	1.38	-	1.31	0.07	0.07
Electric & Water Supply Installation	656.20	271.48	2.84	924.84	64.23	376.93	547.91	340.94
Furniture & Fixtures	334.40	72.60	0.26	406.74	36.03	245.27	161.47	125.07
Office Equipments	294.12	75.84	-	369.96	42.16	216.23	153.73	120.05
Live Stock	0.07	-	-	0.07	-	-	0.07	0.07
Vehicles	224.78	78.16	0.44	302.50	24.05	92.02	210.48	156.67
SUB-TOTAL	28164.92	11283.01	277.75	39170.18	2180.03	11517.70	27652.48	18668.23
Previous Year	23843.34	4613.33	291.75	28164.92	1625.63	9496.69	18668.23	15746.74
Capital Work-In-Progress							3515.59	4387.35
Advance on Capital Account							747.08	1396.32
SUB-TOTAL							4262.67	5783.67
TOTAL							31915.15	24451.90

Note: Road & Buildings includes Rs.234.37 lacs paid for acquiring 539 equity shares of M/s Rastogi Estate & Construction Co. (Pvt.) Ltd. attached with right of ownership and possession of office building at Mumbai.



	As at 31st March, 2008	Rupees in Lacs As at 31st March, 2007
SCHEDULE '6' INVESTMENTS (AT COST)		
Long Term		
I. Trade		
A) Quoted		
In Equity Shares		
3,00,000 Equity Shares of Rs. 10/- each of Banswara Fabrics Ltd. (Quotation not available)	30.00	30.00
B) Unquoted		
Government & Other Securities		
National Savings Certificate (Deposited with State and Central Excise Authorities)	0.13	0.13
Investment in Joint Venture Company		
61,99,700 Equity Shares of Rs. 10/- each of Carreman Fabrics India Ltd.	620.07	620.07
Sub Total (I)	<u>650.20</u>	<u>650.20</u>
II. Other		
A) Quoted		
In Equity Shares		
10,114 Equity Shares of Rs. 10/- each of Union Bank of India	3.04	3.04
B) Unquoted		
Units in Mutual Fund		
1,00,000 Units @ Rs. 10/- Each Principal PNB Long Term Equity Fund 3 Year Plan Series-II Growth Plan	10.00	-
Shares in Co-Operative Bank		
500 Equity Shares of Rs. 10/- each of New Indian Co-Operative Bank Ltd.	0.05	0.05
Sub Total (II)	<u>13.09</u>	<u>3.09</u>
Total (I + II)	<u>663.29</u>	<u>653.29</u>
Investments aggregate value of		
Quoted Investment		
Book Value	33.04	33.04
Market Value	44.24	40.52
Unquoted Investment	630.25	620.25

SCHEDULE '7' INVENTORIES*

(At lower of Cost or Net Realisable Value)

Raw Materials	3,344.58	2,680.27
Stores & Spares	777.47	562.65
Works-in-Process	1,070.96	798.74
Finished Goods		
Yarn	2,409.61	1,396.50
Cloth Grey	807.22	967.84
Cloth Processed	2,058.04	1,594.35
Garment	215.49	219.47
Waste	17.10	16.49
	<u>5,507.46</u>	<u>4,194.65</u>
	<u>10,700.47</u>	<u>8,236.31</u>

*** Includes:**

- (i) In transit **Rs. 605.69 Lacs** (Rs. 471.01 Lacs)
(ii) With others **Rs. 571.85 Lacs** (Rs. 385.60 Lacs)

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	As at 31st March, 2008	Rupees in Lacs As at 31st March, 2007
SCHEDULE '8' SUNDRY DEBTORS (Unsecured)		
Outstanding Exceeding Six Months		
Considered Good	151.85	173.38
Considered Doubtful	<u>102.64</u>	<u>67.33</u>
	254.49	240.71
Less: Provision for Doubtful Debts	<u>102.64</u>	<u>67.33</u>
	151.85	173.38
Other Debts		
Considered Good	<u>3,445.95</u>	<u>2,856.98</u>
	<u>3,597.80</u>	<u>3,030.36</u>
 SCHEDULE '9' CASH & BANK BALANCES		
Cash on Hand	16.45	27.42
Bank Balances		
Scheduled Banks:		
-Fixed Deposits (Including Interest)*	514.37	453.85
-Current Account	<u>161.58</u>	<u>132.36</u>
	675.95	586.21
	<u>692.40</u>	<u>613.63</u>
* Fixed Deposits with interest pledged with Bankers and Government authorities Rs.209.61 Lacs (Rs. 296.35 Lacs)		
 SCHEDULE '10' LOANS AND ADVANCES		
(Unsecured-Considered Good)		
Advance recoverable in cash or in kind or for value to be received	1,306.79	985.99
Loans to Employees & Workers	57.97	51.73
Security Deposits with Govt.Deptt. & others	238.83	184.91
Prepaid Expenses	182.84	220.40
MAT Credit Entitlement	65.23	-
Advance Income Tax (net of provision)	<u>82.88</u>	<u>-</u>
	<u>1,934.54</u>	<u>1,443.03</u>
 SCHEDULE '11' OTHER CURRENT ASSETS		
A) Receivables Against Export		
Duty Entitlements Pass Book	356.99	465.94
Others	<u>824.23</u>	<u>1032.07</u>
	1,181.22	1,498.01
B) Other Claims Receivable		
Under TUF Scheme	1,174.10	455.84
Others	<u>53.63</u>	<u>43.68</u>
	1,227.73	499.52
	<u>2,408.95</u>	<u>1,997.53</u>



	As at 31st March, 2008	Rupees in Lacs As at 31st March, 2007
SCHEDULE '12' CURRENT LIABILITIES		
Acceptance	679.95	-
Sundry Creditors	-	-
- Micro, Small and Medium Enterprises @		
- Others	5,035.00	4,566.08
{Including book overdrawn Rs. 95.03 Lacs (201.59 Lacs)}		
Unclaimed Dividend	14.02	7.40
Security Deposits	40.42	41.71
Interest accrued but not due	33.25	16.81
Other Liabilities	476.04	220.31
	<u>6,278.68</u>	<u>4,852.31</u>

SCHEDULE '13' PROVISIONS

Proposed Dividend	162.17	254.92
Tax on Dividend	27.56	43.32
Gratuity	375.15	288.94
Leave Encashment	69.56	44.11
Taxation (net of advance)	-	241.62
	<u>634.44</u>	<u>872.91</u>

@ The company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act have not been given.

	Current Year 31st March, 2008	Previous Year 31st March, 2007
SCHEDULE '14' SALES		
Yarn	24,386.36	23,098.04
Cloth	16,816.66	14,969.80
Garment	2,972.33	2,291.63
Waste	240.00	328.49
Fibre 7,77,909 Kgs.(4,79,781 Kgs.)	476.35	266.27
Scrap	91.72	96.76
Trading Goods	-	1.00
	<u>44,983.42</u>	<u>41,051.99</u>

SCHEDULE '15' OTHER INCOME

Rent received	2.56	2.15
Profit on sale of fixed assets	9.57	13.94
Liabilities no Longer Required Written Back	0.06	9.92
Gain in Forward Exchange Contract	-	163.31
Exchange Rate Fluctuation	5.37	7.02
Income Tax Refund	-	51.96
Dividend Received	0.20	0.51
Others	71.54	78.16
	<u>89.30</u>	<u>326.97</u>

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		Rupees in Lacs	
		Current Year 31st March, 2008	Previous Year 31st March, 2007
SCHEDULE '16' ACCRETION / (DECRETION) TO STOCK			
Closing Stock	Yarn	2,409.61	1,396.50
	Cloth Grey	807.22	967.84
	Cloth Processed	2,058.04	1,594.35
	Work-in-Process	1,070.96	798.74
	Waste	17.10	16.49
	Garment	215.49	219.47
		<u>6,578.42</u>	<u>4,993.39</u>
Less : Opening Stock	Yarn	1,396.50	998.91
	Cloth Grey	967.84	839.47
	Cloth Processed	1,594.35	1,352.15
	Work-in-Process	798.74	796.80
	Waste	16.49	47.58
	Garment	219.47	147.29
		<u>4,993.39</u>	<u>4,182.20</u>
		<u>1,585.03</u>	<u>811.19</u>
SCHEDULE '17' MATERIALS			
Raw Material Consumed			
Opening stock		2,680.26	3,092.38
Add : Purchases (Excluding for Sale/Claim)		21,795.23	17,764.07
		<u>24,475.49</u>	20,856.45
Less : Closing stock		<u>3,344.58</u>	2,680.27
		21,130.91	18,176.18
Dyes & Chemicals Consumed		1086.10	977.06
Purchase :	Cloth	154.64	74.94
	Yarn	357.20	153.02
	Fibre 7,77,909 Kgs. (4,79,781 Kgs.)	469.45	264.50
		<u>981.29</u>	492.46
		23,198.30	19,645.70
Less: Cenvat Refunds		-	59.24
		<u>23,198.30</u>	<u>19,586.46</u>
SCHEDULE '18' MANUFACTURING EXPENSES			
Stores & Spare Parts Consumed		1,441.47	1,334.78
Packing Expenses		686.77	588.23
Power & Fuel		4,982.78	4,691.07
Job Charges		1,726.49	1,894.84
Processing Expenses		56.37	64.23
Repairs to :	Plant & Machinery	370.99	199.11
	Building	148.47	91.64
	Others	16.39	23.23
		<u>9,429.73</u>	<u>8,887.13</u>
SCHEDULE '19' PAYMENTS TO AND PROVISIONS FOR EMPLOYEES			
Salaries, Wages, Allowances, Bonus etc.		3,694.64	2,412.50
Contribution to Provident & Other Funds		404.15	278.63
Workmen & Staff Welfare Expenses		193.60	114.11
		<u>4,292.39</u>	<u>2,805.24</u>



Rupees in Lacs

**Current Year
31st March, 2008****Previous Year
31st March, 2007****SCHEDULE '20' ADMINISTRATIVE, SELLING & OTHER EXPENSES****Administrative Expenses**

Rent	36.67	36.89
Rates and Taxes	90.36	171.67
Managing Director's Remuneration	36.74	50.47
Directors' Remuneration	84.01	132.40
Insurance Charges	70.98	91.21
Payment to Auditors		
As Auditors		
-Fees	3.05	2.75
-Expenses	1.17	1.37
In other capacity		
-Tax Audit Fees	0.61	0.60
-Certification	1.80	1.55
-Taxation Matters	1.66	2.50
-Service tax	0.48	0.64
Directors' Fees	6.20	3.77
Travelling Expenses	37.70	29.04
Directors' Travelling Expenses	10.63	8.22
Foreign Travelling Expenses	79.81	75.74
Communication Expenses	82.51	69.06
Legal & Professional Expenses	77.72	108.92
Charity & Donation	9.69	7.44
Loss on forward exchange contracts	11.43	-
Loss on Sale of Fixed Assets	10.82	7.92
Miscellaneous Expenses	351.97	287.04

1,006.01**1,089.20****Selling Expenses**

Commission to Selling Agents	708.27	870.74
Brokerage and Cash Discounts	133.97	65.41
Freight, Octroi and Forwarding Charges	1,267.29	1,222.47
Claims	40.11	63.51
Advertisements	11.34	12.89
Provision for Doubtful Debts	37.62	36.11
Others	46.76	34.39

2,245.36**2,305.52****3,251.37****3,394.72****SCHEDULE '21' FINANCIAL EXPENSES****Interest on**

Term Loans	1,002.36	536.89
Bank & Others	1,412.17	1,178.54
	2,414.53	1,715.43
Less : Interest Received	283.83	156.27

(Tax Deducted at sources Rs.36.79 lacs)

2,130.70**1,559.16****Bank & Other Charges****242.38****221.80****2,373.08****1,780.96**

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) ACCOUNTING POLICIES

1. System of Accounting and Use of Estimates

The Company follows the mercantile system of accounting by following accrual concept in the preparation of accounts. The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

2. Fixed Assets

Value of Gross Block of fixed assets represent cost of acquisition, including non-refundable taxes & duties, expenditure on installations, attributable pre-operative expenses including borrowing cost and other identifiable direct expenses incurred upto the date of commencement of commercial use of the assets.

However value of gross block of fixed assets acquired upto 31.03.1985 has been stated at revalued amount as on 31.03.1986.

3. Depreciation

Depreciation on fixed assets is provided for on straight line method in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956. Depreciation on additions/disposals during the year is provided on pro-rata basis.

Consequent to changes made in schedule XIV, vide Notification No. GSR 756E dated 16.12.93, the company had revised the rate of depreciation. The specified period had been recomputed as suggested by the Circular dated 20.12.93 except in case of petty assets like furniture, fixture and office equipment where it is difficult to effect the changes. While adopting the revised rates, the Spinning Plant has been categorized as "Continuous Process Plant" on the basis of technical opinion obtained by the company.

Value of leasehold land is amortized over the period of its lease.

4. Valuation of Inventories

Inventories are valued at Lower of Cost or Net Realisable Value. Cost is measured on first in first out basis.

5. Sales and Job Income

i) Sales are inclusive of excise duty , refund and other related realization but exclusive of value added tax charged.

ii) Job income is accounted for on delivery of finished goods inclusive of excise duty.

6. Investments

Long Term Investments are carried at cost. Whereas, Current Investments are carried at lower of Cost or Net Realisable Value. In case of Long Term Investments, permanent diminution in the value is provided for.

7. Benefits receivable against export and its obligation

Unutilised credits, entitlements under Duty Entitlements Pass Book (DEPB) schemes are accounted for in the year of export at market value.

8. Foreign Currency Transactions

i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the day of the transactions.

ii) Monetary items denominated in foreign currency at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward contracts are translated at the rate ruling at the date of transactions as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transactions such difference having been recognized over the life of the contract.

Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

9. Employees' Benefits

i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

ii) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)
10. Provision for doubtful debts

15% is being provided each year on amount outstanding over a period of 6 months.

11. Taxes on Income

Current tax is determined as the amount of tax payable to the Taxation Authorities in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, in respect of deferred tax assets, on timing differences being difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

In respect of unabsorbed depreciation / carry forward of losses under the tax laws, deferred tax assets are recognized only to the extent that there is virtual certainty that future taxable income will be available against which such deferred tax assets can be realized.

12. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

13. Except where stated, accounting policies are consistent with the generally accepted accounting principles and have been consistently applied.

B) NOTES ON ACCOUNTS

1. Contingent liabilities not provided for in respect of :-

Rupees in Lacs

	As at 31.03.2008	As at 31.03.2007
a) Bills discounted with banks remaining outstanding		
i) Against Foreign LC	4,086.16	3,635.07
ii) Others	1,025.69	1,217.84
b) Letter of Credit established with banks	526.37	454.37
c) Guarantees given by the bankers on behalf of the company for which FDRs Rs.10.20 lacs (Rs.9.55 lacs) pledged with them.	92.94	95.44
d) Guarantees given by company to Banks for loan to Carreman Fabrics India Ltd	1,950.00	1,950.00
e) Claims against the company not acknowledged as debt :-		
a) Under Tax Laws	391.70	183.17
b) By Others:		
(i) On Revenue account	3.49	2.84
(ii) On Capital account	Nil	Nil

There is no reimbursement possible on account of contingent liabilities.

2. Estimated amount of contracts remaining to be executed on Capital account Rs. 3204.84 lacs (Rs. 3406.58 lacs) and export obligation against EPCG licenses Rs. 15956.00 lacs (previous year Rs. 16846.72 lacs)
3. In terms of Accounting Policy No.2, Borrowing Cost Rs. 223.62 lacs, Salary Rs. 53.96 lacs, Foreign Travelling Rs.6.34 lacs, Power & Fuel Rs.134.76 lacs and Administrative expenses Rs.24.95 lacs incurred during the construction/installation of fixed assets have been capitalized. Capital work-in-progress includes Pre-operative expenses of Rs. 66.86 lacs.
4. Advances includes amount due from officers of the Company Rs. Nil (Nil) with maximum debit balance Rs. 1.51 lacs (Rs. 4.47 Lacs). Debtors include Rs. Nil (Nil) due from directors with maximum balance of Rs.6.06 lacs (Rs.78.24 Lacs) .It also includes Rs.Nil (Nil) due from a partnership firm with maximum balance of Rs. 28.01 lacs (Rs.54.92 Lacs) in which directors are partners.
5. Excise Duty shown under expenditure represents the aggregate of excise duty borne by the Company and difference between excise duty on opening and closing stock of finished goods.
6. Credit in respect of Minimum Alternative Tax under Income Tax Act 1961 (MAT Credit –Entitlement) is recognized in accordance with guidance note issued by the Council of the Institute of Chartered Accountants of India.

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

7. Disclosures as required by Accounting Standards:

A) Accounting Standard – 22 “Taxes on Income”

Considering accounting procedure prescribed by the Standard, the following amounts have been worked out and provided in books :

Major components of deferred tax balances

PARTICULARS	31st March, 2008	Rupees In Lacs
		31st March, 2007
Deferred Tax Liabilities		
i) Difference between accounting and tax depreciation (cumulative)	<u>2,858.74</u>	<u>2,178.32</u>
TOTAL	<u>2,858.74</u>	<u>2,178.32</u>
Deferred Tax Assets		
i) Accumulated unabsorbed depreciation	402.29	–
ii) Provision for doubtful debts (to date)	34.89	22.89
iii) Disallowances under section 43B for non payment of expenses	216.13	83.69
iv) Others	<u>152.36</u>	<u>114.96</u>
TOTAL (i to iv)	<u>805.67</u>	<u>221.54</u>
Net Deferred Tax Liabilities	<u>2,053.07</u>	<u>1,956.78</u>

Net current deferred tax liability of Rs. 96.29 Lacs has been charged to Profit & loss Account besides current tax Rs. 65.23 lacs as per Income Tax Act, 1961.

B) Accounting Standard 17 - “ Segment Reporting”

The Company is engaged in production of Textile products having integrated working. For management purposes, Company is organized into one major operating activity of the textile products. Accordingly Company is of view that it has only single business segment. The Company has no activity outside India except export of textile products manufactured in India. Thereby there is no geographical segment.

C) Accounting Standard 18 - “Related Party Disclosure”

The company has identified all the related parties as per details given below:

1. Relationship:

a) Joint Venture and Associate concerns

Carreman Fabrics India Ltd.
Banswara Fabrics Ltd.

b) Key Management Personnel and Their Enterprises :

Shri R.L.Toshniwal
Shri Ravi Toshniwal
Shri Rakesh Mehra
Shri Shaleen Toshniwal
Dhruv Impex
Mehra International

c) Relatives of key management personnel and their enterprises where transactions have taken place. :

Smt. Prem Toshniwal
Smt. Navneeta Mehra
Smt. Radhika Toshniwal
Smt. Sonal Toshniwal
Toshniwal Trust
Ms. Esha Toshniwal

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)
2. Transactions carried out with related parties referred in 1 above, in ordinary course of business :

Rupees in Lacs

Nature of Transaction	Related Parties					
	Referred in 1 (a) above		Referred in 1 (b) above		Referred in 1 (c) above	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
SALES						
Cloth	181.47	1,625.34	5.88	5.92	-	-
Yarn	13.65	-	28.01	293.94	-	-
PURCHASE						
Cloth	96.91	-	-	-	-	-
JOB CHARGES						
Spinning	-	636.26	-	-	-	-
Weaving	978.55	486.16	-	-	-	-
EXPENSES						
Rent	-	-	-	-	9.60	9.60
Remuneration	-	-	152.75	217.71	-	-
Interest	0.20	-	2.37	2.12	11.78	9.51
Reimbursement of expenses (Net)	3.30	406.52	-	-	-	-
SUNDRY BALANCES TAKEN OVER						
Credit Balances	60.29	-	-	-	-	-
Debit Balances	39.65	-	-	-	-	-
FINANCE						
Fixed Deposit Accepted	-	-	-	7.25	11.50	24.00
Fixed Deposit Repayment	-	-	-	-	5.50	-
OUTSTANDING						
Fixed Deposits	-	-	21.28	21.23	115.17	108.95
Amount Receivable	26.30	-	-	-	-	-
Amount Payable	295.98	162.15	-	-	-	-
Property Deposit	-	-	-	-	80.00	80.00
Capital Contribution	650.07	650.07	-	-	-	-

In respect of the outstanding balance recoverable as at 31st March, 2008, no provision for doubtful debts is required to be made. During the year, there were no amounts written off or written back from such parties.

D) Accounting Standard 20- "Earning Per Share"

Required disclosures are given below :

	<u>Unit</u>	<u>2007-2008</u>	<u>2006-2007</u>
a. Amount used as the numerator Profit after tax, dividend on preference shares and tax thereon	Rs. In Lacs	436.25	1,488.93
b. Weighted average number of equity shares used as the denominator in computing Basic Earning Per Share	No.	1,30,75,208	1,23,88,968*
Add : Potential number of equity shares that could arise on conversion of warrants into equity shares and bonus thereon	No.	-	-
Weighted average number of shares used in computing Diluted Earning Per Share	No.	-	1,30,77,461*
c. Nominal value Per Share	Rs.	10	10
d. Earning Per Share :			
- Basic	Rs.	3.34	12.02
- Diluted	Rs.	3.34	11.39

*Includes 1,87,500 Bonus Shares issued during the current year for recalculation of EPS/ DPS as per AS 20.

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

E) Accounting Standard 15 - "Employee Benefits", the disclosures of Employee benefits as defined in the accounting standard are given below :

1. Defined Contribution Plan

Employer's contribution to provident fund paid Rs.280.00 Lacs (Previous year Rs.199.66 Lacs) has been recognized as expense for the year.

2. Defined Benefit Plan

Present value of gratuity and leave encashment obligation is determined based on actuarial valuation using the projected unit credit method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each units separately to built up the final obligation.

I. Changes in present value of obligations*

	Gratuity (Unfunded) 2007-2008	Rupees In Lacs Leave Encashment (Unfunded) 2007-2008
Present Value Obligation at beginning of the year	312.75	47.47
Interest Cost	23.33	3.39
Current Service Cost	61.57	23.93
Benefits Paid	(42.30)	(10.16)
Actuarial (Gain)/Loss on obligation	19.80	4.93
Present value obligation	375.15	69.56
II. Amount to be recognized in the balance sheet and statement of profit & loss account*		
Present Value Obligation at end of period	375.15	69.56
Fair Value of Plan Assets at end of period	-	-
Funded Status	(375.15)	(69.56)
Unrecognized Actuarial Gain/(Loss)	-	-
Net Asset/(Liability) recognized in the balance sheet	(375.15)	(69.56)
III. Expense recognized in the statement of P & L A/c*		
Current Service Cost	61.57	23.93
Interest Cost	23.33	3.39
Expected Return on Plan Assets	-	-
Net Actuarial (Gain)/ Loss recognized for the year	19.80	4.93
Expense recognized in the statement of P & L A/c.	104.70	32.25
IV. Movements in the Liability recognized in Balance Sheet*		
Opening Net Liability	312.75	47.47
Expenses as above	104.70	32.25
Contribution paid	(42.30)	(10.16)
Closing Net Liability	375.15	69.56

* Previous years figures are not given as the Accounting Standard 15 (Revised) made applicable for the first time.

V. Actuarial assumptions*

	2007-2008	2006-2007
Mortality	LIC (1994-96) Ult	LIC (1994-96) Ult
Discount Rate	8.50%	8.00%
Rate of increase in compensation	3.50%	2.00%
Rate of return (expected) on plan assets withdrawal rates	0.80%	0.80%
Expected average remaining service	32.75 years	30.57 years

* Application of the principles of accounting for employee's benefits has been changed by applying revised Accounting Standard 15 as against old Accounting Standard 15 with Aggregate Method, has effect in current period. However effect of such change could not be ascertained.

F) Accounting Standard 27 - "Financial Report of interest in Joint Venture"

a) The Company has entered into the Joint Venture with Carreman, France for 50% ownership interest in jointly controlled entity Carreman Fabrics India Ltd.

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

- b) The above Joint Venture Company is incorporated in India. The company's share of assets and liabilities as on **31st March, 2008** and income and expenses for the period ended on that date in respect of joint venture entities as per Financial Statements is given below:

	31st March, 2008	Rupees In Lacs 31st March, 2007
i) Assets		
Long Term Assets	1,607.58	1,762.12
Current Assets	261.07	278.20
Total (a)	1,868.65	2,040.32
ii) Liabilities		
Long Term Liabilities	1,158.16	1,284.17
Current Liabilities	34.45	83.66
Total (b)	1,192.61	1,367.83
iii) Contingent Liability	Nil	109.30
iv) Capital Commitments	Nil	Nil
v) Incomes	626.61	1186.16
vi) Expenditures	623.06	1228.68

The Company has given guarantee in favour of bankers of Carreman Fabrics India Ltd. for an amount of Rs. **1,950 lacs** (Rs. 1,950 Lacs) for term loan.

8. Financial and Derivative Instruments

- a) Derivative Contracts entered into by the Company and Outstanding as on 31st March, 2008.

Hedging Currency and Interest Rate Related Risks:

Nominal amount of derivative contracts entered into by the Company and outstanding as at 31st March, 2008 amount to Rs.15835.84 Lacs (Previous year Rs.4745.40 Lacs). Category wise break up as given below:

	31st March, 2008	Rupees In Lacs 31st March, 2007
Interest Rate Swaps	2,500.00	-
Options	12,542.04	-
Forward Contracts	793.80	4,745.40

- b) Foreign Currency exposure that are not hedged by derivative instruments or forward contracts as at 31st March, 2008 amount to Rs.1514.14 Lacs (Nil)
- c) In respect of outstanding derivative contracts which are stated in para 'a' above, there is a net unrealized gain as on 31st March, 2008 which has not been recognised in the books, considering the principles of prudence as enunciated in Accounting Standard 1 "Disclosure of Accounting Policies" notified in the Companies (Accounting Standards) Rules 2006.

9. Managerial Remuneration and Perquisites :-

	Managing Director		Other Whole-time Directors	
	2007-08	2006-07	2007-08	2006-07
Salary	32.80	22.00	75.01	49.40
Provident Fund	3.94	3.17	9.00	7.11
Benefits and Perquisites	9.04	10.03	22.96	24.80
Commission	-	25.30	-	75.90
	45.78	60.50	106.97	157.21

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SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Computation of net profit in accordance with Section 198 read with section 309(5) and section 349 of the Companies Act, 1956.

	2007-2008	Rupees in Lacs 2006-2007
Profit before taxation	567.37	2,278.47
Add : Depreciation (As per Books)	2,180.04	1,625.63
Directors Remuneration	152.75	217.71
Directors' fees	5.88	3.77
Provision for doubtful debts (Net)	37.62	36.11
Loss on sale of fixed assets as per Books	10.82	7.92
	<u>2,954.48</u>	<u>4,169.61</u>
Less : Depreciation as per Section 349	2,180.04	1,625.63
Profit on sale of fixed assets as per Books	9.57	13.94
Loss on sale of fixed assets under section 349 (Net)	-	-
	<u>2,189.61</u>	<u>1,639.57</u>
Net Profit under section 198 of the Companies Act, 1956	<u>764.87</u>	<u>2,530.04</u>
Commission payable @ 1% of above profit to CMD, Jt. MD & 2 Whole - time Directors each.	-	25.30

10. Information in respect of :-

a) Licensed capacity	N.A.	N.A.
b) Installed capacity		
Yarn Spinning (Ring Spindles)	1,18,904	1,02,464
Yarn Spinning (Air Jet Spindles)	576	576
Fabric Weaving (Looms)	165	148
Fabric Processing (Stenters)	4	4
	(25 Chambers)	(25 Chambers)
Garment (Pcs.)	Not Assessed	Not Assessed

c) Quantitative details in respect of manufactured & other goods.

Goods Manufactured	Opening Stock	Production	Purchase/ Transfer	Sales/ Utilised	Closing Stock
Yarn (Kgs.)	10,48,559 (7,99,407)	2,15,59,374 * (2,03,55,343)	3,38,398 (1,29,097)	2,11,12,246 (2,02,35,288)	18,34,085 (10,48,559)
Cloth (Mtrs)	43,74,884 (36,67,931)	2,10,39,912 ** (2,09,97,972)	5,01,268 (1,45,452)	2,13,37,199 (2,04,36,471)	45,78,865 (43,74,884)
Garments (No. of Pcs)	86,102 (57,804)	8,36,148 *** (6,57,850)	Nil (Nil)	8,28,566 (6,29,552)	93,684 (86,102)
Waste (Kgs.)	1,01,568 (2,39,054)	13,02,180 (14,66,447)	Nil (Nil)	12,76,811 (16,03,933)	1,26,937 (1,01,568)

* Excluding job spg. for others

Nil Kgs.

(Nil Kgs.)

* Including job done by others

Nil Kgs.

(70,823 Kgs.)

** Including job woven by others

1,17,15,124 Mtrs

(1,16,20,042 Mtrs)

** Excluding job weaving for others

Nil Mtrs.

(Nil Mtrs)

** Excluding job processing for others

15,34,691 Mtrs

(34,82,644 Mtrs.)

*** Including job done by others

Nil Pcs.

(3,334 Pcs.)

*** Excluding job done for others

23,378 Pcs.

(3,369 Pcs.)

SCHEDULE '22' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)
11. (A) Quantitative details in respect of Raw Materials :-

	<u>Opening Stock (Kgs.)</u>	<u>Purchase/ Transfer (Kgs.)</u>	<u>Consumption*</u>		<u>Sales/ Adjustments (Kgs.)</u>	<u>Closing stock (Kgs.)</u>
			(Kgs.)	(Rs. in Lacs)		
Fibre	22,01,059 (35,42,875)	2,34,73,847 (2,08,41,435)	2,27,72,498 (2,17,03,470)	19,890.11 (16,965.72)	7,77,909 (4,79,781)	21,24,499 (22,01,059)
Yarn	4,11,092 (3,53,405)	6,77,123 (6,02,185)	5,79,801 (5,44,498)	754.81 (723.74)	Nil (Nil)	5,08,414 (4,11,092)
Cloth (Mtrs.)	93,489 (1,11,399)	1,68,231 (1,79,181)	1,70,452 (1,97,091)	486.00 (486.73)	Nil (Nil)	91,268 (93,489)

* Excludes 47,23,925 kgs (45,57,477 kgs) yarn and 9,58,418 mtrs (6,84,854 mtrs) cloth valuing Rs.8,435.17 Lacs (7,730.04 Lacs) used out of internally transferred.

(B) (a) Value of Imports on CIF basis :-

	Rupees In Lacs	
	2007-2008	2006-2007
(i) Raw Material	950.06	679.50
(ii) Dyes & Chemicals	41.61	36.93
(iii) Components & Spare Parts	384.24	253.26
(iv) Capital goods	3,656.64	1,942.99

(b) Value of Raw Materials, Components & Spare Parts consumed :-

	<u>Rupees in Lacs</u>		<u>Percentage (%)</u>	
(I) Raw Materials				
(i) Imported	958.27	(590.31)	4.53	(2.27)
(ii) Indigenous	20,172.64	(25,315.91)	95.47	(97.73)
	21,130.91	(25,906.22)	100.00	(100.00)
(II) Components & Spare Parts				
(i) Imported	399.17	(286.08)	27.69	(21.43)
(ii) Indigenous	1,042.30	(1,048.70)	72.31	(78.57)
	1,441.47	(1,334.78)	100.00	(100.00)

(c) Dyes & Chemicals:-

	<u>Rupees in Lacs</u>		<u>Percentage (%)</u>	
(i) Imported	51.40	(46.58)	4.73	(4.77)
(ii) Indigenous	1,034.70	(930.48)	95.27	(95.23)
	1,086.10	(977.06)	100.00	(100.00)

(d) Expenses in Foreign Currency (in respect of) :-

(i) Dividend	Rs. 6.67 Lacs	(Rs. 1.86 Lacs)
(ii) Professional & Consultancy Charges	Rs. 2.16 Lacs	(Rs. 57.51 Lacs)
(iii) Others	Rs. 1,118.44 Lacs	(Rs. 1,061.01 Lacs)

(e) Earning in Foreign Currency (in respect of):-

Exports of Goods on FOB Basis	Rs. 22,725.45 Lacs	(Rs. 20,027.06 Lacs)
Other Realization	Rs. 507.57 Lacs	(Rs. 319.29 Lacs)

12. Previous year figures have been reworked, rearranged, regrouped and reclassified, wherever considered necessary.

Note : Figures in brackets are pertaining to the previous year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details			
	Registration Number	L24302 RJ 1976 PLC 00 1684	State Code	17
			Balance Sheet Date	31.03.2008
II	Capital raised during the year (Amount in Rupees Thousands)			
	Public Issue	Right Issue	Bonus Issue	Private Placement
	NIL	NIL	1,875	3,750
III	Position of mobilization and deployment of funds (Amount in Rupees Thousands)			
	Total Liabilities	51,91,260	Total Assets	51,91,260
	Sources of Funds:			
	Paid-up Capital	1,48,114	Share Application Money	-
	Reserves & Surplus	6,94,480	Deferred Tax Liability	2,05,307
	Secured Loans	33,20,747	Unsecured Loans	1,31,300
	Application of Funds:			
	Net Fixed Assets	31,91,515	Investments	66,329
	Net Current Assets	12,42,104	Misc. Expenditure	-
	Accumulated Losses	NIL		
IV	Performance of the Company (Amount in Rupees Thousands)			
	Turnover	45,15,407	Total Expenditure	44,58,671
	Profit before tax	56,736	Profit after tax	44,232
	Earning per share in Rs.	Basic : 3.34	Diluted :	3.34
	Dividend Rate %	12		
V	Generic Names of Three Principal Products/Services of Company.			
	Item Code No. (ITC code)	5509		
	Product Description	YARN SYNTHETIC STAPLE		
	Item Code No. (ITC code)	5513		
	Product Description	WOVEN FABRIC		
	Item Code No. (ITC code)	6203		
	Product Description	GARMENT		

Signature to Schedules 1 to 22 and Balance Sheet abstract.

In terms of our Audit Report of even date:

For KALANI & COMPANY
Chartered Accountants

R.L.TOSHNIWAL
Chairman & Managing Director

RAVI TOSHNIWAL
Joint Managing Director

K.L. JHANWAR
Partner
M.No. 14080

Directors
RAKESH MEHRA, Wholetime Director
SHALEEN TOSHNIWAL, Wholetime Director
D.S. ALVA
P. KUMAR
D.P. GARG
S.B. AGARWAL
KAMAL K. KACHOLIA
P.A. MAKWANA, Nominee - Exim Bank

Place : Mumbai
Dated : 29th May, 2008

J. K. JAIN
Sr. Vice President (Finance & Commerce)
& Company Secretary

**Cash Flow Statement For The Year Ended 31st March, 2008, pursuant to the Listing Agreement with Stock Exchange, Mumbai.**

	<u>2007-2008</u>	<u>2006-2007</u>
Rupees in Lacs		
A) Cash Flow From Operating Activities		
Net Profit after tax as per P & L Account	442.32	1,494.33
Adjustment for		
Provision for Taxation and Deferred Tax Liabilities	125.04	784.14
Net profit before tax and extra ordinary items	<u>567.36</u>	<u>2,278.47</u>
Adjusted for		
Depreciation	2,180.04	1,625.63
Profit/Loss on sale of fixed assets (net)	1.26	(6.02)
Interest paid	2,373.08	1,780.95
Rent received	(2.56)	(2.15)
Dividend received	(0.20)	(0.51)
Operating profit before working capital changes	<u>5,118.98</u>	<u>5,676.37</u>
Adjusted for		
Increase in trade & other receivable	(1,322.26)	(12.34)
Increase in inventories	(2,464.16)	(505.49)
Increase in trade payable	<u>1,538.03</u>	<u>680.02</u>
Cash generated from operations	<u>2,870.59</u>	<u>5,838.56</u>
Tax paid	<u>(353.25)</u>	<u>(482.05)</u>
Net cash from operating activities (A)	<u>2,517.34</u>	<u>5,356.51</u>
B) Cash Flow From Investing Activities		
Increase in capital work-in-progress	1,521.00	(4,492.57)
Purchase of fixed assets	(11,257.91)	(4629.55)
Purchase of investment	(10.00)	(374.98)
Sale of fixed assets	28.67	55.55
Rent received	2.56	2.15
Dividend received	0.20	0.51
Unpaid hire charges paid	-	(0.10)
Net cash used in investing activities (B)	<u>(9,715.48)</u>	<u>(9,438.99)</u>
C) Cash Flow From Financing Activities		
Proceeds from issue of Share Capital	1.27	654.67
Proceeds from long term borrowings	9,015.22	6,917.56
Repayment of long term borrowings	(1,549.00)	(1,273.84)
Interest paid	(2,373.08)	(1,780.95)
Increase/(Decrease) in bank borrowings	2,700.61	(282.89)
Proceeds from unsecured loan	(219.87)	23.86
Dividend and tax thereon paid	(298.24)	(177.26)
Net cash from financing activities (C)	<u>7,276.91</u>	<u>4,081.15</u>
Net increase/ (Decrease) in cash and cash equivalents (A+B+C)	<u>78.77</u>	<u>(1.33)</u>
Opening balance of cash and cash equivalents	613.63	614.96
Closing balance of cash and cash equivalents	<u>692.40</u>	<u>613.63</u>

In terms of our Audit Report of even date:
For KALANI & COMPANY
Chartered Accountants

R.L.TOSHNIWAL
Chairman & Managing Director

RAVI TOSHNIWAL
Joint Managing Director

K.L. JHANWAR
Partner
M.No. 14080

Directors
RAKESH MEHRA, Wholetime Director
SHALEEN TOSHNIWAL, Wholetime Director
D.S.ALVA
P. KUMAR
D.P. GARG
S.B. AGARWAL
KAMAL K. KACHOLIA
P.A. MAKWANA, Nominee - Exim Bank

Place : Mumbai
Dated : 29th May, 2008

J. K. JAIN
Sr. Vice President (Finance & Commerce)
& Company Secretary

ANNUAL REPORT 2007-2008

ANNEXURE-II TO DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988.

A. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken.

- Replacement of copper ballast with electronic ballast to save power in lighting.
- Providing Invertors in humidification towers to reduce the speed of the fans.
- Fixing of tube light reflectors in the departments to reduce the no. of fittings.
- Providing transparent sheets on the roof where there is no false ceiling to switch off lights during day time.
- Stoppage of air leakage at various points in main line and machines.
- Installation of invertors on carding machines.

b) Additional investment and proposal being implemented for reduction of consumption of energy.

The Company has installed 15/18 MW. Captive Thermal Power Plant. This started generation of power w.e.f. September, 2007. The uninterrupted power supply through Thermal Power Plant gives better productivity, less stoppages and breakdowns thereby reducing the consumption of power.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The cost of generation of power through coal based thermal power plant is less than the cost of electricity purchased through AVVNL or produced through furnace oil based generating sets. It has reduced the cost of production for the Company's finished products.

d) Total energy consumption and energy consumption per unit of production in respect of Industries specified in the schedule thereto.

As per form 'A' enclosed.

B. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption.

As per form 'B' enclosed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans have been discussed under the head "Exports" in the main body of the Directors Report.

The information in respect of Foreign Exchange earning and outgo is contained in item 10(B)(d) & (e) in Schedule 22 annexed to the Balance Sheet as at 31st March, 2008.

Form - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

1. Electricity	Current year 2007-08	Previous year 2006-07
a) Purchased Units	1,84,17,009*	2,43,11,082
Total Amount (Rs.)	8,53,20,547	10,96,69,374
Rate/Unit	4.63	4.51
b) Own generation		
i) Through Coal based Thermal Power plant unit	5,40,13,300**	-
Units per kg. of Coal	1.075	-
Cost/Unit	3.28	-
ii) Through Furnace Oil Generator Unit	3,37,89,345	7,24,87,441
Units per Kg. of Furnace oil	4.33	4.32
Cost/Unit	4.34	3.99
iii) Through Furnace Oil Generator Unit	12,09,479	30,64,754
Units per Kg. of Diesel oil	3.12	3.25
Cost/Unit	9.61	8.46
2. Coal Quantity (MT)	55,947	4,884
Total cost (Rs.)	20,13,30,056	1,77,96,705
Average rate/MT (Rs.)	3,599	3,644
3. Lignite Quantity (MT)	8,291	6,140
Total cost (Rs.)	1,93,57,072	1,35,59,152
Average rate/MT (Rs.)	2,335	2,208
4. LPG Quantity (MT)	502	318
Total cost (Rs.)	1,83,33,322	1,01,81,947
Average rate/MT (Rs.)	36,521	32,019
5. Furnace oil Quantity (Kgs.)	83,37,940	1,67,38,814
Total amount (Rs.)	15,27,68,504	28,40,31,369
Average rate (Kg./Rs.)	18.32	16.97

6. Diesel Quantity (Ltrs.)	5,43,788	11,44,459
Total amount (Rs.)	1,64,52,656	3,10,46,978
Average rate (Kg./Rs.)	30.26	27.13
7. Other/Internal generation	Not applicable	Not applicable

* Excluding 234905 KWH consumed during erection/installation of fixed assets treated as pre operative expenses
** Including 1815570 KWH given to Carreman Fabrics India Ltd. for job weaving done for the company

B. CONSUMPTION PER UNIT OF PRODUCTION

Power facility is common for production of cloth and yarn; accordingly, separate information per unit for each product is not workable.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION 2007-08

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company.

The company has set up a world class fabric testing laboratory. Now the Company has also applied for ISO 17025 accreditation of NADL certifications. It has also created fabric design department and a garment studio at Mumbai to develop various type of fabric and improvement in the garment designs. The Company has also purchased a computer program with designing software for production of Jaquard fabric.

The Company has imported low cost Chinese Spinning and Weaving machines, which are cheaper than LMW/Indian Machines.

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

The products of the Company are well accepted due to adherence to the international quality standards. The products have wide acceptability among its customers. The fabric samples can be tested in the Company as per customers requirements.

The Company purchased Chinese ring frames, garment machineries and worsted spinning plant and other machines which are cheaper than other Indian/ Imported machines. The delivery period for these machines from China was much lower in comparison.

3. Future plans and action

Research and Development is a continuous process. The Company is going to add new testing equipment for woolen and worsted fabrics and upholstery fabric.

For the garment division, the Company has imported Jackets stitching machinery which has been installed in garment factory at Surat.

4. Expenditure on R & D

- Capital expenditure is approx. Rs. 200 lacs.
- Recurring - Normal running expenditure Rs. 95 lacs.
- Total Rs. 295 lacs.
- Total R & D expenditure as a percentage of total turnover is less than 1%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adoption and innovation.

The Company has production capacities for synthetics and wool & wool mix yarn besides, weaving of low cost fabric to the products for high end customers at Banswara. It is manufacturing garments at Daman and Surat. The Company is regularly modernizing its existing Plant, diversifying its activities and also expanding its installed capacities. During the year, the Company has installed Tsudacoma looms, ring frames from China, Compact with ELL Twist (R) LMW LR6, Carding machine, TFO, doubling machine, Comber and Autoconer besides 15/18M.W. Captive Thermal Power Plant, with Turbine from China, a worsted spinning unit and jacquard weaving unit. The Company has upgraded its laboratory at finishing section to have a testing facility of international standard.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, production development, import substitution etc.

Good quality yarn, fabrics and garments are being produced. The Company is saving in cost due to high productivity and automated machines. The products of the Company are well accepted in international market. Captive Thermal Power Plant has reduced the cost of production. It has developed specialty yarn which is an achievement besides import substitution.

3. In case of imported technology (import during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished.

Not applicable.

For and on behalf of the Board

Place : Mumbai

Dated : 29th May, 2008

R. L. TOSHNIWAL

Chairman & Managing Director