

**SUDITI  
INDUSTRIES  
LTD.**

**EIGHTEENTH ANNUAL REPORT  
2008-2009**

**BOARD OF DIRECTORS**

**Anand Agarwal**  
(Chairman & Managing Director)

**Pavan Agarwal**

**A. Indu Sekhar Rao**

**Sushil Kumar Kasliwal**

**Vivek Gangwal**

**H. Gopalkrishnan**

V.P. Finance & Company Secretary

**Registered Office**

A-2, Shah & Nahar Estate, Unit No. 23/26,  
Lower Parel, Mumbai 400 013.

**Factory & Admn. Office**

C-253/254, MIDC, TTC Industrial Area, Turbhe,  
Pawane Village, Navi Mumbai 400 705.

**Works**

**Unit No. 1**

C-253/254, M.I.D.C., T.T.C. Indl. Area,  
Pawne Village, Navi Mumbai 400 705

**Unit No. 2**

C-3/B, M.I.D.C.,  
T.T.C. Indl. Area  
Navi Mumbai 400 705.

**Auditors**

**Chaturvedi & Co.**

81, Mittal Chambers, 228 Nariman Point,  
Mumbai 400 021.

**Legal Advisor**

**A. Ramkrishna**

75, Laxmi Insurance Bldg.,  
4th Floor, Sir P. M. Road,  
Fort, Mumbai 400 001.

**Bankers**

**Union Bank of India**

**Standard Chartered Bank Ltd.**

**HDFC Bank Ltd.**

**Indian Overseas Bank**

**Axis Bank Ltd.**

**Registrar & Share Transfer Agents**

**Sharex Dynamic (India) Pvt. Ltd.**

17/B, Dena Bank Bldg., 2nd Floor,  
Horniman Circle, Fort, Mumbai-400 001.

or

Unit-1, Luthra Indl. Premises, Safed Pool,  
Andheri Kurla Rd., Andheri (E), Mumbai-72.

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**EIGHTEENTH ANNUAL GENERAL MEETING**

On Friday, the 11th day of September, 2009  
at 4.00 p.m. at Kilachand Conference Room,  
2nd Floor, Lalji Naranji Memorial Indian  
Merchants' Chamber Building Trust, (IMC Bldg.),  
Churchgate, Mumbai-400 020.

As a measure of economy, copies of the  
Annual Report will not be distributed at the  
Annual General Meeting. Shareholders are  
requested to kindly bring their copies  
to the meeting



**NOTICE FOR THE EIGHTEENTH ANNUAL GENERAL MEETING:**

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Friday the 11th September, 2009, at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchant's Chamber Building Trust, (IMC Bldg.), Churchgate, Mumbai – 400 020, to transact the following business.

**ORDINARY BUSINESS:**

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account of the Company for the year ended 31st March, 2009 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri A. Indu Sekhar Rao who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Sushil Kumar Kasliwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration

By order of the Board of Directors  
For **SUDITI INDUSTRIES LTD.**

Place: Mumbai  
Date: 30.06.2009

H. GOPALKRISHNAN  
COMPANY SECRETARY &  
V. P. FINANCE

**NOTES:**

1. A member entitled to attend and vote at the above Meeting may appoint one or more Proxies to attend and vote instead of him. The Proxy need not be a member of the Company. Proxy form to be valid shall be deposited with the company not later than forty eight hours before the time for holding the meeting.
2. The relevant details in respect of Item No. 2 & 3 pursuant to clause 49 of the Listing agreements with the Stock Exchanges are annexed hereto.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Thursday the 27th August, 2009, to Friday the 11th September, 2009 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are also requested to notify immediately of any change in their address to the Company/Share Transfer Agents.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Holidays between 10.30 a.m. to 5.00 p.m. upto the date of the Annual General Meeting.

**Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)**

Name of Director	Shri A. Indu Sekhar Rao	Shri Sushil Kumar Kasliwal
Date of Birth	05.10.1931	24.08.1950
Date of Appointment	26.04.1996	16.06.2003
Expertise in specific Functional areas	Shri I.S. Rao has a wide range of experience in Textile Industry and occupied various positions in different organizations. He has served Government of India as Joint Textile Commissioner. Further, he had also served as Director (P&D) in the textile Commissioner's Office. Apart from, he had also worked as head of the textile technology division of SASMIRA. During the tenure of professional life, he had also served Finlay Group of Mills in various positions.	Shri S.S.Kasliwal has a wide range of experience in the textile industry span over a period of more than 2 decades particularly in the field of processing, dyeing, and finishing of man made fabrics.
Qualifications	a) Bachelor of Textiles (B.Text) from Bombay University. b) Master of Textiles (M.Text) from Bombay University. c) Graduate in Industrial Management (M.I.M) from B.I.M. London. d) S.Q.C. & N.P.C. short term courses. e) Fellow of Institution of Engineers India (F.I.E.)	Technically qualified with a Diploma in Man Made Textile Chemistry (DMTC)
Directorships held in other companies (Excluding Foreign Companies)	International Hometech Ltd. (Formerly: Trimbak Industries Ltd.)	NIL
Committee position held in other companies	International Hometech Ltd. (Member-Remuneration Committee) (Member – Audit Committee) (Chairman- Shareholders Grievance Committee)	NIL
No. of Shares held	NIL	NIL

# Eighteenth Annual Report 2008-2009

## DIRECTORS' REPORT:

Dear Shareholders,

The Directors have pleasure in presenting the Eighteenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date.

### Financial Results:

Particulars	(Rs. in Lakhs)	
	Current Year Ended 31.03.2009	Previous Year Ended 31.03.2008
Export Sales	105.60	176.42
Local Sales	2220.07	2189.85
Other Income	126.77	69.74
Profit/(Loss) before Interest and Depreciation	34.37	(102.97)
Interest	-	44.34
Profit/(Loss) after Interest	34.37	(147.31)
Depreciation	48.93	44.76
Profit/(Loss) before Tax	(14.56)	(192.07)
Provision for Tax	6.32	-
Profit/(Loss) after Tax before extra ordinary items	(20.88)	(192.07)
Extra Ordinary Items (Net)	75.91	2538.02
Net Profit / (Loss)	55.03	2345.95
Add: Brought forward from the previous year	470.65	(1875.30)
Transfer from General Reserve	-	-
Amount available for appropriation (Loss)	55.03	2345.95
Balance carried to Balance Sheet (Loss)	525.68	470.65

### Dividend:

Considering the prevailing market conditions and also in view of insufficient operational profit, your Directors regret for their inability to recommend payment of any dividend on the Equity Shares for the year ended 31st March, 2009.

### Operations:

The Company continues to register improvement in its performance despite various problems particularly due to Global economic recession and spiraling oil prices during the year 2008-2009. Further garment unit operations have also registered substantial improvement in terms of Productivity and Profitability. The turnover of Garment unit has increased to Rs. 565.50 lakhs as compared to the previous year's turnover Rs. 377.41 lakhs. The Company has now started the production of Garments on full value basis as against the orders executed on job work basis in the past. Further, to strengthen the overall functioning of the Garment unit, the Company has inducted some senior level Professional into service. This has helped the Company to stabilize the Garment operation to a large extent.

The Company's Insurance claim against the fire losses has

been sanctioned and the part of the claim is already received in the year under review and the balance in the current year. The New India Assurance Company has sanctioned an amount of Rs.99.53 lakhs against the loss of Rs.117.50 lakhs provided in the books during the previous year.

As part of the restructuring and rehabilitation process, the Company has now written back those balances amounting to Rs.116.19 lakhs, which have been adjusted by the customers directly in their books. Therefore the profit as appearing in the accounts is also due to the impact of write back of the above stated balances.

The EPCG License obligation with Joint DGFT Mumbai is yet to be assessed and finalised and the Company is still pursuing the matter with Joint DGFT, Mumbai. In the meantime, the Customs Department has also taken up the matter directly with the Company and the issue is likely to be resolved once the assessment for redemption of the Licenses with Joint DGFT is completed.

### Export Sales:

During the year under review, the total export sales are lower than the previous year. Even though the Company could commence its Export activities from the previous year itself, the actual Export performance is not as per the anticipated level. This is mainly on account of severe recessionary condition in USA and Europe. Further, the Global Economic slump experienced by the major developed Countries also adversely affected the Indian Garment Industry. In spite of these setbacks, still the Company could manage to achieve Exports to the tune of Rs. 106 Lakhs with order bookings for the next 5 months in advance. Since the Company has complied with the standards of various Buyers from the International market, the Company is hopeful of receiving further large volume of orders.

In addition to this the volatile foreign exchange conditions experienced during the year under review, had a negative impact while negotiating the prices of Export orders with Buyers.

However, the Company in order to increase its Exports Business has taken some effective steps. The Company has added some additional facilities in the manufacturing set up such as Printing, Embroidery, etc. in order to attract orders for more value added items. Further, the Company proposes to start export to other Countries in the African as well as Asian regions through some Authorised Buying Houses. The Company on a continuous basis obtains approvals from various Inspections and Certification Agencies to ensure that Company meets the compliance standards of various Buyers. The Company has already started Sampling and testing of various varieties from different Buyers. Some of the Buyers from the USA have already placed their requirements on a regular basis for substantial quantities. The Company proposes to undertake Exports of atleast 50% of its Production Capacity in a phased manner. Since Export Market is highly competitive, the Company is in the process of adding some more machines and equipments, so



as to attract Buyers, by offering better quality products with more design, style, and superior finish. With these initiatives and new markets from different Countries, the Company is hopeful of achieving its Export Plan in the coming years.

**Expansion:**

As envisaged in the previous year, the Company has completed the modernization and upgradation of its processing facilities during the year under review. The modernization and upgradation Program has helped the Company to bring down the costs and wastages to a substantial extent and because of this, the Company is anticipating significant improvement in the profitability levels in the years ahead. Further, as stated in the last year's Annual Report the Company has kept relocation programme on hold for the time being, in view of recessionary conditions prevailing in the world.

**Increase in Share Capital:**

As envisaged in the previous year's Report, the Company has completed the necessary formalities for increasing the Authorised Capital from Rs. 10 Crores to Rs. 18 Crores. Accordingly, the Authorised Capital of the Company now stands at Rs.18 Crores.

**Industrial Relations:**

Industrial relations with the labourers at the Company's plant at MIDC, TTC Industrial Area, Pawne Village, Navi Mumbai, continue to remain healthy and cordial.

**Personnel:**

The statement showing the requisite information in compliance with the provisions of Section 217 (2A) of the Companies Act, 1956 is not furnished herewith, as there are no employees covered by that section.

**Deposits:**

The Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956 and the rules made thereunder.

**Energy, Technology and Foreign Exchange:**

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 is given in the Annexure forming part of this report.

**Directors:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri A. Indu Sekhar Rao and Shri Sushil Kumar Kasliwal, Directors, would retire by rotation, and being eligible, offers themselves for re-appointment.

**Directors' Responsibility Statement:**

The Directors hereby confirm: -

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting

policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Directors have prepared the annual accounts on a 'going concern' basis.

**Corporate Governance:**

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

**Cost Auditors:**

The Company has appointed M/s.V.J Talati & Co. as the Cost Auditor to audit the cost records maintained by the Company for the year 2008-09 as per the direction received from the Central Govt., in respect of conducting the audit of cost records maintained by the Company.

**Auditors:**

M/s Chaturvedi & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**Going Concern Concept:**

In view of improvement in the performance as well as based on the financials, the Company is a going concern and accordingly the accounts are maintained as per the Going Concern Concept.

**The Company's Reference with Board for Industrial & Financial Reconstruction (BIFR):**

Since the Company is no more a sick Company, the BIFR has discharged the Company from the purviews of SICA, 1985 vide order Dated 18th December 2008.

**Appreciation:**

Your Company and its Directors wish to place on record their appreciation for the support received from different Central and State Government Departments and Agencies, Stressed Asset Stabilization Fund (SASF), M/s. The New India Assurance Company Ltd., Company's bankers, Customers and Vendors. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their outstanding contribution towards the operations of the Company.

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 30.06.2009

ANAND AGARWAL  
Chairman & Managing Director

## Annexure I

Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming Part of the Directors Report for the year ended 31st March 2009.

### A) Conservation of Energy:

#### a) Energy Conservation measures taken: -

Energy conservation is a primary concern of the Nation and Company attaches significant importance to these measures. Energy conservation measures are regularly reviewed and evaluated to ensure that systems and methods followed are effective. The Company takes timely measures to adopt the latest developments in the field of energy conservation activities to ensure that energy resources are utilized in a more appropriate and economical way.

Some of the important energy conservation measures implemented/developed during the year under review by the Company are listed below:

- 1) System boiler and Thermic Fluid Heater are converted to Auto feeding and Auto firing system thereby increasing the efficiency of these machines, resulting in saving of fuel.
- 2) Heating area of Thermic fluid has been increased for better efficiency, resulting in saving of fuel.
- 3) "Invertors" are installed on power consuming machines like Dryer, Stenter and Tube reversing machines thereby reducing the overall power consumption in the unit.
- 4) High Power consumption motors are replaced by Low Power consumption motors wherever possible like replacing 30 HP motor with 20 HP motor in Tube reversing machines.
- 5) Timely replacement of old outdated machines with new energy saver machines.
- 6) Reducing the load by not running the high power consuming machines during the peak hours from 18-22 hrs.
- 7) Apart from this, there are strict preventive maintenance schedules, usage of rain water harvesting wherever possible, vigorous quality control on inputs including steam coal has helped the Company to streamline the usage of energy in a more economical way thereby reducing the wastage significantly.

#### b) Additional Investment and proposals being implemented for reduction in the Consumption of energy: -

- 1) Considering the possibility of implementing programmable logic controllers and Auto dosing system on all dyeing machines to cut down energy

consumption and wastage.

- 2) Replacement of high-energy consumption equipments with energy saver equipments.
- c) Impact of measures taken at a) & b) above for reduction of energy consumption and consequent impact on the cost of production of goods: -
  - 1) Significant reduction in the wastage of Energy resources thereby promoting better utilization of energy resources and achieving economy in the cost of operations.
  - 2) These measures have a direct impact on the cost of production through improvement in quality standards and productivity. Further, these measures also help the Company to become competitive in terms of Selling Prices in the International market.

### B) Technology Absorption:

#### a) Research & Development:

1. Specific area in which R&D is carried out by the Company:
  - a) Company is in the process of developing better recipe by using cost effective chemicals and dyes to ensure better finishing and feel of the fabric.
  - b) Company is in the process of developing new products, which requires specific and advanced technology. These products are more of import substitutes with added features.
  - c) Company also develops new recipe by using Laboratory dispensing system to maintain quality as per International Standards.
2. Benefits derived as a result of the above R&D:
  - a) Apart from remaining competitive in the market, these measures have helped the Company to maintain high quality standards with wide product range.
3. Future Plan of Action:
  - a) The Company proposes to develop some specific new products that are used under some extreme weather condition to be used by certain establishment specifically.
  - b) The Company regularly explores new avenues and methods and carries out R&D activities particularly in the utilization of input materials, better processing system and reduction in wastage levels as well as to operate the unit on eco-friendly basis.
4. Expenditure on R&D (in Rs.lakhs)

The aggregate expenditure in R&D both in the nature of capital and revenue is not very significant. The Company continues its efforts towards



improving the products quality standards, productivity levels by using very small portion of its resources.

**b) Technology absorption, adoption, & innovation:**

There are no major significant incidents of technology absorption or innovation to be highlighted. However, the Company does not spare any efforts wherever the need for the same arises. The process house, garment unit, etc. are regularly upgraded with machineries made with latest superior technology. Further, in order to achieve better economy in the production, the Company lays significant importance to each and every technological development particularly in the area of productivity improvement. Further Company continues its programme to study and develop new combination of chemicals, colours, etc. in collaboration with vendors. In order to retain its competitive edge in the International market, the Company needs to upgrade its quality standards on a regular basis as per the changing needs and trends in the International market. Further, the cost of manufacturing is also to be maintained at the optimum level to remain competitive in terms of cost of production. Therefore, the Company regularly monitors development in those areas and timely induction/absorption of these technologies is made to maintain its competitive strength in the market.

Regarding the imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the same are not applicable.

**C) Foreign Exchange Earnings and Outgo: -**

The figure of earnings and expenditure in foreign currency during the period under report are as under:

Particulars	(Rs.in Lakhs)	
	Current Year (2008-09)	Previous Year (2007-08)
Total Foreign Exchange used	20.46	7.19
Total Foreign Exchange earned (FOB Value)	93.99	156.06

**Form - A**  
(See Rule-2)

The disclosure of particulars with respect to conservation of Energy:

**A) Power and Fuel Consumption: -**

	Current Year (2008-09)		Previous Year (2007-08)	
	<b>1. Electricity</b>			
Units (KWH)	2969653		3480184	
Total Amount (Rs.)	13666176		15651760	
Average Rate	4.60		4.50	

<b>2. Diesel Oil</b>		
Quantity (Lt.)	33187	33209
Total Amount (Rs.)	1282027	1159422
Average Rate (Rs./Lt.)	38.63	34.91

<b>3. Steam Coal</b>		
Quantity (Kgs)	4704534	5146202
Total Amount (Rs.)	24005364	21517994
Average Rate (Rs. /Kgs.)	5.10	4.18

**B) Consumption per unit production:**

Electricity (Unit/Kg.)	1.10	1.15
Diesel Oil (Lt. /Kg.)	0.012	0.011
Steam Coal (Kg/Kg)	1.75	1.71

For and on behalf of the Board of Directors

Place: Mumbai ANAND AGARWAL  
Date: 30.06.2009 Chairman & Managing Director

**Corporate Governance:**

**Report of the Directors on Corporate Governance**

The Company lays great emphasis on the Corporate Governance practices and procedures. Company reviews these practices on regular basis to ensure better compliance of the Corporate Governance. This is an important tool for Shareholders protection and maximization of their long-term values. Company believes in conducting its business in fair and equitable manner in all respects as per the ethical, professional, and legal standards. The Company believes that by following the proper Corporate Governance procedures, it is possible to achieve the long-term objectives in a more acceptable and efficient manner. The Company understands and recognizes its role and responsibility towards Shareholders, customers, vendors, employees & regulatory authorities. The standard of business conduct are based on the commitment made by the management to follow fair transparent, honest and equitable business practices, respect the confidentiality entrusted, obey the law of land and rules, honest and accurate reporting to stakeholders. The Company believes that best board practices, transparent disclosures, and Shareholders empowerment are necessary for creating Shareholders value.

**Board of Directors:**

The Board of Directors of the Company is constituted as per the various provisions of the Companies Act including amendments from time to time and the listing requirement of the Stock Exchange, Mumbai. The present strength of the Board is 5 members including whole time Director viz Chairman & Managing Director. The Board is Constituted by inducting expert persons from diverse fields. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the Companies in which he is a Director.

# Eighteenth Annual Report 2008-2009

## Composition of Board of Directors:

The Board has an optimum combination of Executive and Non-Executive Directors as well as Independent Directors.

Name of Directors	Executive or Non-Executive	Independent	Total No. of Directorships (including SIL)	No. of other Outside Committee Membership	No. of other Outside Committee Chairperson
Anand Agarwal	Executive	No	2	--	--
Pavan Agarwal	Non-Executive	No	2	--	--
A.Indu Sekhar Rao	Non-Executive	Yes	2	2	1
Vivek Gangwal	Non-Executive	Yes	5	--	--
Sushil Kumar Kasliwal	Non-Executive	Yes	1	--	--

## Responsibilities:

The responsibilities of the Board include wide range of activities with a greater emphasis on providing strategic direction to the Company towards achieving its goal. Generally, all these activities are formal schedule of activities as laid down by various statutes & provisions. Board takes utmost care to ensure that the Company conducts its business within the framework of the code of conduct followed by the Company.

## Role of Independent Directors:

The Independent Directors plays significant role in the implementation of Corporate Governance policies and practices. The Board consists of three Independent Directors and the Company is benefited immensely with their association. They take active part in the deliberations particularly in the functioning of various committees as they enrich the Board with their vast experience and knowledge. The Company's Audit Committee and Remuneration Committee have significant representation of Independent Director.

## Board Meetings:

The Board Meetings are conducted in accordance with the provision of Companies Act and also in accordance with the provisions of Clause 49 of Listing Agreement. The Board Meetings are held atleast once in every quarter to review the quarterly results and additional meetings are held to consider any specific agenda of items wherever necessary. The Board is appraised and informed of all important matters relating to the business of the Company including those listed in Annexure-1A of clause 49 of the listing agreement. Senior Management Personnel & Auditors are also intimated to attend the Board meeting, to provide additional inputs to

the items being discussed by the Board. Notice and Agenda for the meeting alongwith relevant notes/explanations are circulated in advance to enable the Board to discharge its responsibilities effectively and take informed decisions.

Five Board Meetings were held during the year from 1st April 2008 to 31st March 2009, i.e. on 30th April 2008, 30th June, 2008, 31st July, 2008, 27th October, 2008, & 31st January, 2009. Leave of absence was granted by the Board to the Directors who were absent at the respective board meeting.

Directors	No. of Board Meetings attended	Attendance at the Last AGM
Shri Anand Agarwal	5	Yes
Shri Pavan Agarwal	5	No
Shri A.Indu Sekhar Rao	5	Yes
Shri Vivek Gangwal	4	Yes
Shri Sushilkumar Kasliwal	2	Yes

## Details of Directors being appointed/re-appointed:

During the year under review, no new Director has been inducted to the Board, and also no Director has resigned from the Board.

Shri A. Indu Sekhar Rao and Shri Sushilkumar Kasliwal, Directors of the Company retire by rotation and being eligible; offer themselves for re-appointment at the ensuing Annual General Meeting.

## Board Committee:

Board constitutes various Committees to provide specialized and focused attention relating to all the activities falling within the terms of reference. Apart from complying with the various statutory requirements these Committees, submit its reports, findings and suggestions to the Board for enabling them to take appropriate decision in the best interest of the Company.

## Audit Committee:

Shri Vivek Gangwal chairs the Audit Committee and the other members of the Committee are Shri A. Indu Sekhar Rao and Shri Pavan Agarwal.

- Shri Vivek Gangwal is a Chartered Accountant and an expert in Investment and Securities market operations.
- Shri A.Indu Sekhar Rao is qualified technocrat and expert in Textile Industry.
- Shri Pavan Agarwal is Commerce Graduate with expertise in Garment exports and marketing activities.

The terms of reference of the Audit Committee cover the matters specified in respect of such committee under clause 49 of the Listing Agreement, as amended from time to time



and Section 292A of the Companies Act, 1956.

Brief Description and terms of reference:

- 1) Oversight of the Company's financial reporting systems and procedures and the disclosure of its financial information to ensure that the financial statement is accurate, adequate and credible;
- 2) Recommending to the Board, in respect of appointment, re-appointment, the re-placement or removal of the statutory auditor if necessary and the fixation of audit fees;
- 3) Approval of all payments to the Statutory Auditors for any other services rendered by them;
- 4) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
  - b) Significant changes, if any, in accounting policies and practices and reasons for the same;
  - c) All major accounting entries involving estimates based on the exercise of judgements by management;
  - d) Any significant adjustments made in the financial statements arising out of audit findings;
  - e) Compliance with listing and other legal requirements relating to financial statements;
  - f) Disclosure of any related party transactions;
  - g) Qualifications in the draft Audit report.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- 6) Reviewing, with the management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems;
- 7) Reviewing the adequacy of Internal Audit function, if any, including the frequency of Internal Audit;
- 8) Discussion with Internal Auditors, Cost Auditors etc., any significant findings and follow up thereon;
- 9) Examine the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature resulting in revenue leakage etc; and reporting the matter to the Board;
- 10) Review the Audit programme with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- 11) To examine the functioning of the Whistle Blower mechanism of the Company;

12) Undertake any other function as may be mentioned in the terms of reference of the Audit Committee

The Audit Committee also analyses and reviews the following informations:

1. Management discussion and analysis of financial condition and status of operations;
2. Detailed statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
3. Management notes/circulars/letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports/Cost Audit observations relating to internal control weaknesses;

Audit Committee meetings are regularly attended by Statutory Auditor, Cost Auditor, and Internal Auditor, apart from Senior Executives from Finance, Operational functions of the Company. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee has met 5 times during the year under review. The attendance of the each member of the committee at the Audit Committee meeting held is as under. Apart from this, the Audit Committee also met twice before the presentation of Audited Accounts to the Board.

Directors	No. of Meetings held During the year	No. of Meetings Attended
Shri Vivek Gangwal	5	5
Shri Indu Sekhar Rao	5	5
Shri Pavan Agarwal	5	5

The Minutes of the Audit Committee Meetings were noted at the Board Meetings. The Chairman of the Audit Committee was present at the 17th Annual General Meeting held on 29th August 2008.

**Remuneration Committee:**

The Remuneration Committee is constituted with 3 Independent Directors. Shri A.Indu Sekhar Rao chairs the Committee; Shri Vivek Gangwal and Shri Sushikumar Kasliwal are the other members of the Committee. The Remuneration Committee reviews and recommends compensation payable to the Executive Directors. Further the Committee also review the overall compensation structure and policies of the Company including the incentive schemes payable to all the Senior Management personnel with a view to attract, retain and motivate employees. The Committee also ensures that the compensation payable to the Senior Management personnel are consistent, fair and transparent in motivating and rewarding employees appropriately according to their job, role size, performances, contribution, skill and competence.

The Committee had also reviewed the elements of

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remuneration of whole time Director and suggested to maintain the same for the year without any revision as the Company is still in the process of stabilizing its operations.

Name	No. of Meeting held during the year	Attended the Meeting	Status
Shri A. Indu Sekhar Rao	1	Yes	Chairman
Shri Vivek Gangwal	1	Yes	Member
Shri Sushil kumar Kasliwal	1	Yes	Member

### Remuneration Policy:

The Committee regularly evaluates the compensation policy to ensure its efficacy in all aspects. The compensation policy of the Company provides for performance-oriented incentives for various staff and executives in the organization. These policies are reviewed with the objective of ensuring that compensation level of the Company vis-à-vis other units in the same industry are not detrimental to the interest of the Company to retain the talented and trained executives. Whole-time Directors compensations are recommended by the Committee in accordance with the various provisions of the Companies Act and Rules & regulations. Non Executive Directors have not drawn any remuneration from the Company except sitting fees for the Board Meetings attended by them.

### Details of Remuneration to the Directors during the financial year ended 31st March, 2009

Name of the Director	Salary	Perquisites & Other benefits	Sitting Fees	Reimbursement of expenses	Total
1. Anand Agarwal	672000	9360	-	26997	708357
2. Pavan Agarwal	-	-	7500	4000	11500
3. A.Indu Sekhar Rao	-	-	7500	4000	11500
4. Vivek Gangwal	-	-	6000	3000	9000
5. Sushilkumar Kasliwal	-	-	3000	1000	4000

### Shareholders/Investors Grievance Committee:

The Shareholder/Investors Grievance Committee is constituted with 3 Directors chaired by Shri Pavan Agarwal. The other members are Shri A.Indu Sekhar Rao and Shri Vivek Gangwal. The Committee approves transfers, transmission, splitting, and consolidation of shares. The Committee also monitors redressal of Shareholders grievance relating to transfer of shares, non-receipt of Annual Report etc. The committee also reviews the process, standard operating procedures, and initiatives taken by the Company relating to investor services.

During the year under review, the committee met 14 times and the members were present in all the meetings respectively.

Name	No.of Meetings held During the year	Attended all the Meeting
Shri Pavan Agarwal	14	Yes
Shri Indu Sekhar Rao	14	Yes
Shri Vivek Gangwal	14	Yes

The Committee also reviews the performance of R&T Agents periodically, which includes monthly charges, fees for undertaking the services as per the contracts and review of the contract in line with the volume of work and responsibility. The Committee also reviews the grievances report submitted by the Company's Registrar / Transfer Agents, and based on the report, there are no complaints pending against the Company. Details of Shareholders complaints, Compliance Officer etc. are separately indicated in the Shareholders information attached herewith and forms part of this report.

### Annual General Meeting:

- a) The details of the Annual General Meeting (AGM) held during the last 3 years are as under:

AGM Year	Financial	Date and Time	Venue of AGM
17th	2007-08	August 29, 2008 at 4.00 p.m.	Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchants' Chamber Building Trust, (IMC Bldg.), Churchgate, Mumbai - 400 020.
16th	2006-07	September 14, 2007 at 4.00 p.m.	Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchants' Chamber Building Trust, (IMC Bldg.), Churchgate, Mumbai - 400 020.
15th	2005-06	September 22, 2006 at 4.00 p.m.	

- b) Special Resolutions passed at the last three Annual General Meetings:

There were five Special Resolutions passed in the last AGM i.e. 17th AGM, except these resolutions, no other Special Resolutions were passed at the last three Annual General Meetings.

- c) Passing of Special Resolutions by Postal Ballot:

There were no Extra Ordinary General Meetings held during the last three years. There were no Special Resolutions required to be passed through Postal Ballot at the last three Annual General Meetings. None of the Resolutions proposed for the ensuing Annual General Meeting needs to be passed by Postal Ballot.

### Code of Conduct:

All the Directors and Senior Management Personnel have affirmed compliance with the code of conduct/ethics as approved by the Board of Directors.

### Communication and relationship with Shareholders:

The Company has maintained a proper and regular system of communication with the Shareholders. Chairman's



Statement and Annual Report which inter-alia includes the Directors Report, the Report of the Board of Directors on Corporate Governance, Management Discussion, and Analysis Report, and the Audited financial results are the important means of communications with the Shareholders. Further, Company as well as its R&T Agents responds to each and every Shareholder whenever any request for any information or any enquiry is forwarded to the Company directly or through postal or other services. Annual General Meeting is the principal forum for interaction with Shareholders and is a major source for face-to-face communication with the Shareholders. The Company lays great emphasis on the role played by Shareholders and therefore engages open and active dialogue with all its Shareholders.

Further Shareholders are also informed through the press on a quarterly basis while publishing the quarterly financial results in the Free Press Journal in English and Navshakti daily in Marathi as also in Financial Express (All India Edition). Apart from this, announcement of Board meeting and book closures are also published through the press as per the listing requirement. The annual report contains general shareholder information including inter-alia, shareholding pattern, distribution of shareholding, and information about the share prices during the year at the Stock Exchange, Mumbai, in accordance with the provisions of the listing agreements. The Quarterly and Annual Results etc. are also available in the Company's website.

The Management discussion and analysis report is provided as part of the Directors' Report on Corporate Governance.

Details of Directors proposed to be re-appointed at the 18th AGM are provided as an annexure to the notice convening the said AGM.

**Disclosures:**

- 1) **Related Party Transaction:** During the year, the Company has not entered into any materially significant transactions, which could have a potential conflict of interest between the Company and its Promoters, Directors, Management and/or their relatives etc. other than the transactions entered into the normal course of business. The Board has received disclosures from Key Managerial Personnel relating to material, financial, and commercial transactions where they and/or their relatives have personal interest. Further, the Company ensures that the terms and conditions in respect of related party transaction are not prejudicial to the interest of the Company. During the year under review sales/purchase transactions between associate companies did not exceed in value in the aggregate of 10% of the total sales/purchase of the Company.
- 2) The Company has not observed any significant variation in the accounting treatment from that prescribed to be followed generally in the preparation of the financial statements.
- 3) Details of non-compliance, penalties, strictures by

SEBI / Statutory Authorities /Stock Exchanges on matters relating to capital markets during the last 3 years.

The Company has also complied with the requirements of regulatory authorities on capital markets and also in respect of whistle blower policy regarding access to Audit Committee. No penalties or strictures were imposed on the Company by any Stock Exchanges, SEBI or any statutory authority on any matters relating to capital markets during the last 3 years.

**General Shareholder Information:**

The required information has been furnished separately under the head "Shareholder's Information."

**Auditors Certificate on Corporate Governance:**

The Company has complied with all the requirements of code of corporate governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai and certificate from statutory auditors to this effect is annexed herewith as per the requirement.

Further compliance report from Practicing Company Secretary M/s.V.V.Shah & Associates is also annexed herewith in respect of compliance of various provisions, rules & regulations of Companies Act 1956 including the amendments upto this date, listing rules and regulations, SEBI requirements etc.

**Risk Management:**

The Company evaluates and manages the risks as an integral part of its decision making process. The Audit Committee and the Board of Directors are regularly appraised regarding key risk assessment and risk mitigation mechanisms.

**CEO/CFO Certification:**

Shri Anand Agarwal Chairman & Managing Director and CEO/CFO has submitted necessary certificate to the Board stating the particulars specified under said clause 49 and reviewed by the Audit Committee.

**DECLARATION & CERTIFICATION BY THE CHAIRMAN & MANAGING DIRECTOR AND CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

I Shri Anand Agarwal, Chairman & Managing Director of Suditi Industries Ltd., to the best of my knowledge and belief certify that:

- a. I have reviewed the financial statement and cash flow statement for the year ended 31st March, 2009 and to the best of my knowledge and belief:
  - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii) These statements together present a true and

fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.

- b. I also certify that to the best of our knowledge and belief, there are no transactions entered into by Suditi Industries Ltd., during the year, which are fraudulent, illegal, or violative of the Company's Code of Conduct.
- c. I am responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies, in the design or operation of such internal controls, if any, of which I am aware and the steps that I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the Auditors and the Audit Committee:
  - i) Significant Changes, if any, in internal controls during the year.
  - ii) Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statement and
  - iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.
- e. I affirm that I have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any).
- f. I further confirm that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the Directors and Senior Management for the financial year ended 31st March 2009, as approved by the Board.

SUDITI INDUSTRIES LTD.

Place: Mumbai  
Date: 30.06.2009

ANAND AGARWAL  
CHAIRMAN, MD & CEO

#### NON-MANDATORY REQUIREMENTS:

1. The Company has constituted a Remuneration Committee and the details are already provided in the Corporate Governance Report.
2. As regards training of Board members, the Directors on the Board are seasoned professionals having wide range of expertise in diverse fields and no separate training program is given.
3. The quarterly/half yearly and Annual Financial Results, Code of Conduct etc., are also displayed in the website of the Company for the information of Shareholders/

members and general public. The quarterly/half yearly results are also reported to Stock Exchange and published in National newspapers in English and in Marathi newspapers having wide circulation. The same are not sent separately to Shareholders of the Company.

4. Maintenance of Non-Executive Chairman's Office.
  - (a) Company is not maintaining Non-Executive Chairman's office
  - (b) As on date no Independent Directors have a continuous tenure exceeding nine year as they are subject to retire by rotation every alternate year.
5. Mechanism for evaluating Non-Executive Board Members.

Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board Members.
6. Whistle Blower Policy.

Company complies with the requirements and no personnel have been denied access to the Audit Committee.
7. Audit Qualifications – Nil.

#### Management Discussion and Analysis Report.

Management discussion and analysis report reflecting the performance and outlook including the future prospects for the Company is presented herewith.

#### Overview:

The economy of India is as diverse as it is large with a number of Major sectors including Manufacturing Industries, Agriculture, Textile and Handicrafts and services. Agriculture is a major component of Indian Economy as over 66% of Indian population earns its income from this area. Indian economy has been one of the stars of Global Economy in recent years, growing 9.2% in 2007 and 9.6% in 2006. Growth has been supported by market reforms, huge inflows of FDI, rising Foreign Exchange resources with booming IT and Capital Market. But like most of the world, India is also facing the challenges of the Global recession and its impacts on the growth of the economy. With all the advanced economies in a synchronized recession, Global GDP is projected to contract for the first time since the World War II anywhere between 0.5 % and 1 % according to the March, 2009 forecast of the International Monetary Fund. Further, the World Trade Organization (WTO) has forecast that Global trade volume will contract by 9 % in 2009.

Economic activity in India slowed down in Quarter 1 and Quarter 2 of 2008-2009 as compared with over 9 % growth in the previous three years. However, growth decelerated sharply in quarter 3 following the failure of Lehman Brothers in mid September and 'know-how' effects of the Global Financial crisis on the Indian economy. Consequently, the



growth rate during the first three quarters (April-December) of 2008-2009 slowed down significantly to 6.9% from 9% in the corresponding period of the previous year. The advance estimates of the Central Statistical Organization (CSO) released in February 2009 have placed the real GDP growth for 2008-2009 at 7.1%.

Corporate Performance of various products, non-financial sectors also deteriorated during the year 2008-2009. Both sales as well as profit showed a marked decline in the year 2008-2009 compared to its performance from 2003-2008. The Industrial outlook Survey of Reserve Bank of India for January to March 2009 indicates a further worsening perception for the Indian Manufacturing Sector. The overall business and financial sentiments which touch a seven year low in the preceding quarter slid below the neutral 100 mark, for the first time since the computation of index began in 2002.

Exports by textile and textile products, an important employment intensive sector, during April-December 2008 at US \$ 14.6 Billion sharply slowed down to 4.8% (9.7% of a year ago). The Major component viz. the readymade garments that accounted for 50% share in textile and textile products exports however maintained its growth. But other major items viz. cotton yarn, fabrics made ups, yarn, fabrics, etc. however showed either deceleration or declining. In spite of these adverse, India can still hope to survive the crisis, as our dependence on external sources is not very substantial. Apart from this our economy is again insulated from the impact of Global crisis to a considerable extent. Therefore, with a strong domestic demand and even with the moderate exports, the Country can still look forward to have better sustainability under the prevailing conditions.

**Significant Financial Events of the Year:**

The Company has recorded operating loss of Rs.20.88 lakhs against the operating loss of Rs.192.70 lakhs in previous year. There is a substantial reduction in the loss due to the major improvement in the performance of the Company as the Company has undertaken various stringent cost and wastage control measures. Further the Company has also rationalized the workforce to improve the productivity by utilizing the resources in an effective manner.

Further, during the year the Company submitted its Insurance claim against the fire loss to the Insurance Company. The claim is assessed and approved by the Insurance Company and accordingly sanctioned an amount of Rs. 99.53 lakhs. The Company has received part of the amount during the year under review and the remaining in the current year.

The Company has successfully completed the upgradation Programme of the process house as envisaged in the last year report. Since the machines are of Superior technology, the capacity of the process house has now improved substantially in terms of quality and quantity. The Company would be adding some more balancing equipment in the current year to achieve optimum level of the Production capacity.

The Production and Export Performance of the Company was not in line with the anticipated levels due to lack of working capital facilities. The Company has taken some effective measures to source the working capital facilities from Banks apart from sourcing the same from internal sources. This will help the Company to expand the volume of Export sales to a considerable extent in the current year.

**Opportunities & Threats:**

The Textile Industry in India has been a Pioneer Industry. Industrialization in the other fields has mainly been achieved on the back of the resources generated by this Industry. The recent liberalization measures and particularly after abolishing of quota restrictions, the Industry is provided with golden opportunity to regain its lost glory. The Industry has right potential and great challenge ahead. The Indian Textile Industry has witnessed significant growth during the last decade in terms of installed Spindalage, production of yarn; output of cloth as also exports. This became a possibility as the Indian Textile Industry has natural advantages of strong Multi fibre base, Traditional skills, and cheap labour. But these strengths get diluted due to high contamination of cotton, lack of Technology, Upgradation, Low Productivity, an absence of focused and coordinated development strategy, inadequate product diversification, value addition and inability to meet quality and market compliances. Because of these, our Global market share continues to remain around 4% although there has been an increase in the absolute numbers. Therefore, from one side while the Industry is gifted with vast opportunities, from the other side the opportunities have come with some riders in the form of threats.

One of the major opportunities for Indian textile sector particularly for Garment sector is the growing domestic and International market. While Global textile is likely to grow from US \$ 309 billion to US \$ 856 billion by 2014, our market share is just 4%. This indicates huge scope for expansion even if the market share is retained at 4%. However, efforts are made for doubling the market share. The rising cost of production in China has also provided greater opportunity for the Indian textile sector to compete in the Global market. Further Country is also looking for new markets in the emerging economies of Latin American & Central Asian region. This would open up new avenues for the Indian textile sectors particularly Garment Industry.

The technological changes are providing scope for better product mix and products diversification. The Indian textile particularly Garment units are now well equipped with latest technologically advanced machineries and equipments. This offers ample scope for the units to have better product mix and diversification.

Another area of opportunity thrown open to Garment sector is to become sub-contractor to large units. This provide uninterrupted production schedule throughout the calendar year for the small and medium enterprises. Many units are

now allocating part of the Production for the large units, while undertaking the production for other Buyers directly to have a balanced approach to maximize the profitability and growth.

Since most of the Garment Process Houses are located in an easily accessible level to each other, many units are accepting bulk orders and distribute the work over the cluster units by forming a proper network. This will help all the units to earn a reasonable margin apart from encouraging the units to accept bulk orders.

Further the development of the Retail sector / Mall businesses, etc. and entry of multinational FDI in retail sector are all opening new avenues apart from giving a thrust to the existing business. This comes as an additional incentive to the Garment units to enhance its production capacity and profitability.

But these opportunities bring threat alongwith it. One of the major threats for the Indian textile sector is tough competition from various countries such as Pakistan, China, Vietnam, Srilanka, Bangladesh, etc. Competitions are mainly on the value and pricing formula followed by the manufacturers of these countries. While cost of production in India is very high and steadily rising, the cost structure of these countries is still maintained at an attractive level for the Buyers in the Global market.

Another threat for the Domestic manufacturers is because of the need for improvement in quality on continuous basis in view of different demand patterns all over the World. There is slow improvement in matching the Quality to International standards and adoption to fast changing fashion demands.

Further, even though the quota elimination has opened up the huge Global market for the Indian textiles sector, it has also added additional problems such as huge fluctuations in export demand and at the source, some countries are still given some special advantages because of development and economic considerations. The Manufacturers in our Country have to confront with these challenges more effectively unlike in the past.

Another threat is from the stringent International Labour Laws and Environmental Laws. These laws cause severe constraints in achieving the productivity as per the International standards. Further complying with these laws is not easy only for the textile sector in isolation as these laws are not applicable throughout the country in all other sectors.

Further, in view of higher crop prices for cotton, it is extremely difficult to make a balance between price and quality. When the input prices are steadily rising, there is always stiff resistance to increase the prices of the finished products. Similarly, the Indian textile sector is also burdened with excess capacity. Therefore, to balance between demand and supply, the manufacturers are forced to operate without any reasonable margin on the products. In addition to this,

there are other threats like geographical disadvantages, formation of trading blocks like NAFTA, SAPTA, etc., opening up of Domestic market for foreign players.

Inspite of all these, Indian Textile Industry particularly Garment sector is poised to take quantum jump in increasing its market share in the Global market. The Industry is bestowed with more favourable factors that have become its strengths, Such as abundant raw material availability, cheap and skilled manpower, potential domestic market, flexibility in manufacturing etc. The Company closely monitors its position vis a vis the trends in the Global market to identify and strengthens its area of operations on a continuous basis. The amount of flexibility available in our units is a great help in strengthening our position in the Domestic as well as Global market.

### Industry Structure & Development:

The Indian textiles and clothing industry has an overwhelming presence in the national economy. Apart from providing one of the basic necessities of life, the industry contributes about 14 per cent to the country's industrial production, 4 per cent to the GDP, and 16.63 per cent to the export earnings. It is the second largest provider of employment after agriculture. It provides direct employment to 33.17 million people and indirect employment to 54.85 million people through allied sectors, totaling around 88 million. Thus, the growth and all-round development of this industry has a significant bearing on the economy.

The Indian Textile Industry is highly fragmented sector. Industry is fully vertically integrated across the whole value chain and interconnected with various operations. The industry comprises of small scale, medium scale, large scale, non-integrated, spinning, weaving, twisting, and apparel making firms and enterprises. There is unorganized sector, which includes handlooms, powerlooms, and hosiery, knitting readymade garments, khadi, carpet, and handicrafts manufacturing units. In the organized sector, there are spinning mills and composite mills where spinning, weaving and processing activities are done. This has become one of the greatest weaknesses of the Indian Textile sector and affects its growth and development in a uniform way to become more competitive in the International market.

There is tremendous potential for knit products and global demand for the same is growing faster than for woven textiles. Increased use of knitted fabrics for fashion wear and household articles has opened up new vistas for this sector. The knitted segment has been dereserved from March 2005. Production of this sector touched 10.297 million sq. m in 2005-06. With the removal of restrictions in investment due to de-reservation, investment is likely to go up in the future.

The value addition in High -Tech processing is maximum, often manifold; in the form of bio-finishes, various surface finishes such as peach finish, sand finish, raised finish or brush fabrics, coated, impregnated fabrics, water repellents,



fire retardants and anti – bacterial finish. In India also, many high-tech processing units have been set up in the recent past and many more are at the implementation stage. The Government has approved additional 10 per cent capital subsidy for specified processing machinery under TUFs from April 2005. Major deterrents for investment in processing are the stringent effluent discharge norms in certain major textile producing states. In some cases, the norms are even higher than the industrially developed countries. The high costs involved do not provide a level-playing field for the processing industry in certain states.

The clothing segment has gained prominence since the 1970s owing to the growth potential of apparel exports. It has grown into a gigantic industry spread across the country. Its growth rate has almost doubled over the last eight years and the knitted segment has grown faster than woven garments. The estimated production of this industry is about 8000 million pieces. The country pines its hopes on this segment to drive the textile industry and trade. In spite of several problems, this segment has shown dynamism and achieved rapid growth in the last two decades. It has the potential for tremendous growth particularly in the global trade by broadbasing its market and product mix to overcome the hurdles created in its major markets, namely, the US and the EU. To provide the segment with world-class infrastructure facilities, the Scheme for Integrated Textile Parks (SITP) was launched.

Further, there is lack of professionalism in the management of many units particularly in the Garment sector because of which the units in our Country are not able to operate in the economies of scale. The Global Textile Industry is likely to grow from US \$ 309 Billion to US \$ 856 Billion by 2014. Further Domestic Demand is also growing by leaps and bounds. The Government is also keen to take active role in promoting the growth of this sector because of its huge potential to generate employment as well as exports. Therefore, in order to take advantage of these benefits there is a need for a drastic change in the structure for the development of the industry. There should be pragmatic exit of idle units, modernization of outdated technology, better training for skilled man power development, integration of information technology in the Industry, change over to professionalized style of management and integration of supply chain, etc. can improve the functioning of the textile units particularly Garment unit and Process house to become a competitive in the Global market.

The Company is conscious of these needs to survive in the competitive market and accordingly has introduced most of these aspects in its functioning. Further flexibility in the manufacturing and quick adaptability to the fast changing trends and fashions enables the Company to carve out a niche for itself in the market both domestic and overseas markets.

**Performance:**

The overall performance of the Company is better than the previous year even though the performance of the Garment

unit is not as per the projected levels. However, the Garment unit has already started giving positive indications and the Company is anticipating major improvement in the performance in the current year. Further, during the year under review, the Company has completed the modernization and upgradation of its processing facilities and the operation of the unit are now fully stabilized. Again, this would also facilitate further strengthening of the process house operation through improving the profitability during the current year. The details of revenue by segments are given below:

(Rs.in Lakhs)

	2008-09	2007-08	Percentage Change
Local Sales	2220.07	2189.85	1.38
Export Sales	105.60	176.42	(40.14)
Other Income	126.77	69.74	81.78
<b>Total:</b>	<b>2452.44</b>	<b>2436.01</b>	<b>0.67</b>

The Company has registered marginal improvement in the income levels and correspondingly the Company has also recorded improvement in the performance by registering the operating loss of Rs. 20.88 lakhs against the operating loss of Rs. 192.07 lakhs in the previous year. In view of modernizing the process house and also due to stabilizing the Garment operation the Company is hopeful of achieving better margin in its sales turnover in the current year.

**Earnings per share:**

The Company's earning per share for 2008-09 is Rs. 0.65 as against Rs.27.53 per share during 2007-08.

**Fixed Assets/ Investments:**

The Fixed Assets are adequately insured and maintained in good conditions. The Company continues to hold investment of 2880 Nos. of equity shares of IDBI Ltd., in the demat form.

**Current Assets:**

There is no significant change in the current assets levels and the current ratio position as on 31st March 2009 is 1.50.

**Human Resources :**

Human Resources play a significant part in the development and growth of the organization. The relationship between the Company and the Employees are very cordial and there is no problem on account of labour unrest. The Company's Productivity based incentive scheme has contributed substantially in improving the productivity and reduction in wastage levels. Further, the Company is conducting in-house training and orientation programme for the Labour in the Garment Division to promote better co-ordination and participation of the employees in improving the productivity. The strength includes both direct and indirect labourers, which vary from month to month. The overall Employee Relations environment was healthy and worked well towards aligning colleagues across the organization, with the Company's business goals and mission.

### Risk and Concerns:

Globalization has rendered business risk-ridden and the domestic cotton and textile industry has suffered setback, as the Industry could not cope with the changes in the market place. The market risks may become composite in nature in a Globalised trade environment with issues such as non-tariff barriers adding new dimensions. It was imperative for the textile industry to apply the system of confining risks by turning to risks management mechanisms such as cotton futures that hedge against volatility and uncertainty in the market.

Managing price risk at the start of the value-chain would become essential for the country's export to be competitive and retrieve its pre-eminent position in cotton textiles. The prices of the input and output products are not inter-related particularly in the export sales because of severe competition and Global recession. While input prices rose steadily during the year under review, the corresponding increase did not take place while negotiating the selling prices. Because of this, the margins were under severe strain.

One of the critical elements in the fabric and garment sales is managing the receivables as major portion of the sales is made on credit basis. Therefore, credit risk is very high in the Garment and fabric sales. The Company has to take adequate measures to safeguard its money as defaults are now become very common in the overseas market due to recession. Further, there is also the Practice of post sales negotiation of price in the pretext of some quality or other issues which erodes the meager margin available in the prices.

Further, there is also exchange risk associated with export sales. The Report says the credit profiles of exporters have also been impacted by losses from foreign exchange contracts. Some of these are notional, although certain exporters have taken significant risks by entering into exotic derivative instruments. These players have largely financed the ensuing losses through debt, thus weakening their credit profiles even further. Therefore, Exchange risk assumes significant importance in the prevailing Global economic conditions.

Another risk factor associated with textile and garment industry is from unfair competition. The competition exists both in the overseas market from manufacturers of other competitive countries like China, Pakistan, Iran, Vietnam, etc. But at the same time, competition also exists in the domestic market from International brands and products. Competition amongst players in the Indian industry is intense, reflected in extremely low margins (average 4%) in the business. Better demand prospects in recent times have further intensified competition. Big players with established brands stand to gain from the growing opportunities but even they face tough competition from the unbranded players, who are catering to the masses. Changing competition has forced Indian T&G companies to alter business strategies

as well. In order to be highly cost-efficient, many players have started investing in better technology, IT solutions; and captive power generation. Vertical integration activities are also on a rise to enable companies to control their input, logistics, and marketing costs. Over the next few years, branding initiatives are expected to accelerate and many garment companies are expected to join the brand bandwagon as competition in the market is expected to further heat up.

There are also risks associated with the fast changing trends and fashions, etc. There is a gradual shortening of fashion cycle. Therefore unless and until the units are made highly flexible and able to restructure its manufacturing methods and ability within a short period, the units are likely to lose its share in the market abruptly. Apart from this there are also, risk associated with technological changes that are sweeping across the industry in line with fast changing trends and fashions. While India produces high quality yarn, it depends on imported fabrics for the manufacture of high-quality garments for exports. Hence, despite the strong backward linkages, the Indian T&G industry is rendered uncompetitive due to technological backwardness. A large number of T&G players in India operate with low-end machinery. Moreover, about three-fourths of the industry's demand for textile machinery is met through imports due to an underdeveloped domestic textile machinery industry. Nevertheless, technological changes are gradually sweeping across the industry as many firms across segments have started upgrading machinery to increase production capabilities and efficiency. Technological changes in the industry have been led by the urge to become competitive and reap the benefits of growing demand, internationally as well as domestically.

The industry faces high risk on the exchange rate front, as steady appreciation in the rupee could lead to revenue as well as employment losses. The industry faces moderate business risk in terms of machinery supplies; as it is largely dependent on imported machinery. Since many textile and garment companies are implementing major expansion plans, any hurdle in machinery supplies from abroad could pose great financial risks. The other risk element in India's textiles and garments business is the imbalanced product mix, highly favouring cotton, contrary to the Global trend, which favours synthetics over cotton. Some element of business risk may also emanate from the shortage of technically trained manpower, which is extremely crucial to retain India's competitive edge in the Global textiles market. While the country is blessed with abundant labour force, there is a shortage of skilled persons as there are very less training and education facilities for training the manpower. The Company's garment unit is predominantly labour intensive operations. Therefore, shortage of skilled persons has a direct impact on the productivity of the unit.

Apart from this, there are various other concerns such as Government's policy measures for the revival of the textile unit, infrastructure bottleneck, high processing cost, and high interest rates on the borrowings. The Company has



already examined all these risks and concerns in detail to ensure that these facts do not hamper the growth of the organization. The Company has taken various measures such as compliance with various International norms and standards, obtaining certification from various certifying authorities for complying with the requirements of International Buyers, maintaining high quality standards, usage of eco-friendly chemicals and colours, etc. This will help the Company to get orders from various buyers with better value addition, inspite of having tough competition in the market.

The Company also negotiates the prices with buyers in the currency like such as Euro depending upon the stability of currency. By observing the trend regularly, the Company is able to negotiate the prices in fairly reasonable manner to avoid any major risk associated with exchange rate fluctuation. The Company has adopted a very cautious approach towards credit sales to minimize the credit risk. Almost all export sales are under valid Letter of Credit or on advances. In case of domestic sales adequate security is kept while releasing the goods on credit basis. Apart from this, Company regularly evaluates and closely monitors the financial condition of its buyers through various financial parameters. This has helped the Company to reduce the impact of credit risk on the sales both domestic and exports. Further, the Company regularly upgrades its manufacturing facilities to enable the unit to produce the goods at the best possible manner in terms of quality and changing trends and fashions. The Company also reviews its Labour policy and procedures to ensure that policies and procedures followed are in line with the aspirations of the workforce.

**Internal Controls & Systems:**

The Company's internal control and systems are effectively placed to regularly review all the functions and procedures. This supplements the Company's efforts to check any major revenue leakage or wastage of resources. These Internal Controls and Systems are evaluated on a regular basis. Regular reviews of systems are made by Internal Auditors through checking inspection and verification. The Internal Audit department has a detailed Audit plan to identify the operational risk, wastage, and revenue leakages apart from identifying any non-compliance of statutory or other legal requirements. The Internal Audit process involves identification of the risks perceived for a particular function with review and evaluation of the effectiveness of the existing controls for ensuring adherence to policies, systems, and recommendations for improvement. The recommendation and suggestions are also placed before the Audit Committee as per the requirement and necessary actions are initiated as per the Audit Action Plan.

**Outlook:**

The growth outlook for the industry is positive on the domestic and exports front, backed by strong economic growth in the domestic market and increased market opportunities internationally post the dismantling of textile quotas. D&B

Industry Research Service forecasts the market for Indian textiles and garments to touch US \$ 67.7 billion in 2007, with a potential to reach US \$ 88.8-93.0 billion by 2010. Of this, the domestic market is expected to be worth US \$ 60.4-65.5 billion and exports worth US \$ 27.5-30.8 billion by 2010.

The Government is also taking keen interest to revive the textile sector. The Government has also allocated Rs.1400 crores towards clearing the backlog of disbursements under TUFS. It has introduced an interest subvention of 2 % on export packing credit upto March 2009. A cut in domestic excise duty of 4 % on cotton textiles has also been announced. Further, there is an additional incentive of 2 % is also on the anvil for exports from April 2009. Further separate stimuli package exclusively for Textiles is also under consideration in the forthcoming Budget. These steps clearly indicate the commitment of the Government towards reviving the textile sector.

Considering all these aspects, it is now very clear that future outlook for the Textile sector particularly for Garment is very promising. The Company understands this situation and accordingly necessary measures are taken at various levels to take maximum benefit out of the anticipated boom in the textile sector.

From the production side, the Company has already upgraded its production facilities both at Process house as well as Garment unit. Further Company has taken necessary compliance certificates from various certifying authorities in line with the requirements of International standards and practices. The Company has a clear edge in the market due to its quality standards especially in the fabrics produced at the process house. Therefore, with all these favourable factors it is needless to say that the projections and expectations are firmly grounded and realizable in the coming years. The overall outlook for our unit is very optimistic and truly based on its strength and merits.

**Cautionary Statement:**

Statements and observations stated in this Management Discussion and Analysis & other reports; describing the Company's objectives, projections, data informations and estimates may be "forward looking" statements within the meaning of applicable securities, laws, and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and International markets, changes in the Government regulations, tax laws, statutes, and other incidental factors.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : 30.06.2009

ANAND AGARWAL  
Chairman & Managing Director

# Eighteenth Annual Report 2008-2009

## Shareholders' Information

### Registered Office:

A-2, Shah, & Nahar Indl.Estate,  
Unit No.23/26, Lower Parel,  
Mumbai – 400 013.

### Factory & Admn.Office:

C-253/254, MIDC, TTC Indl.Area,  
Pawne Village, Turbhe,  
Navi Mumbai-400 705.

### Knitting Division:

C3-B, MIDC, TTC Indl.Area,  
Pawne Village, Turbhe, Navi Mumbai-400 705

### Annual General Meeting:

18th A.G.M.

### Date and Time:

11th September, 2009 - 4.00 p.m.

### Venue:

Kilachand Conference Room, 2nd Floor,  
Lalji Naranji Memorial Indian Merchant's,  
Chamber Building Trust (IMC Bldg.),  
Churchgate, Mumbai – 400 020.

### Financial Calendar (Tentative)

- First Quarter : End of July
- Second Quarter/Half year: End of October
- Third Quarter: End of January
- Fourth Quarter : End of April(Incase of Unaudited Results)  
End of June (Audited Results)

### Date of Book closure:

27.08.2009 to 11.09.2009 (both days inclusive)

### Dividend payment:

Nil

### Listing on Stock Exchanges:

Company's (SIL) equity shares are listed on The Stock Exchange, Mumbai (BSE),

### Listing fees:

The annual Listing fee for the financial year 2009-10 has been paid to Mumbai Stock Exchange.

### Delisting:

The Company continues to remain listed with Stock Exchange, Mumbai. Delisted from Ahmedabad Stock Exchange. Applied for delisting of shares from Delhi, & Calcutta Stock Exchanges.

### Dematerialisation:

The Company's Shares are dematerialised in National Securities Depository Ltd. & Central Depository Services (India) Ltd. The Company's ISIN No. is INE691D01012. The Company is in the process of dematerialising the entire share capital and the members are advised to dematerialise their holding immediately.

### Complaints:

The Company has received a letter from its R&T Agent M/s. Sharex Dynamic (I) Pvt.Ltd. indicating that there are no complaints pending against the Company. (Refer Investor Grievances Report)

### Unclaimed Dividend:

There is no unclaimed Dividend account pending for transfer to IEPF.

Market Price Data: Source (Website – bseindia.com)

Month	The Stock Exchange, Mumbai.		
	Low (Rs.)	High (Rs.)	Monthly Volume
April 2007	5.96	6.32	3000
May 2007	5.40	5.96	2700
June 2007	5.20	5.40	3200
July 2007	4.94	5.32	9400
August 2007	5.23	7.08	5200
September,2007	5.91	7.22	5900
October, 2007	5.80	5.80	100
November, 2007	5.90	5.90	1000
December, 2007	-	-	-
January, 2008	-	-	-
February, 2008	4.82	5.81	600
March, 2008	-	-	-

Stock Code : Stock Exchange Mumbai (521113)

The ISIN Number is : INE691D01012 (NSDL & CDSL)

### Share Transfer Agent: -

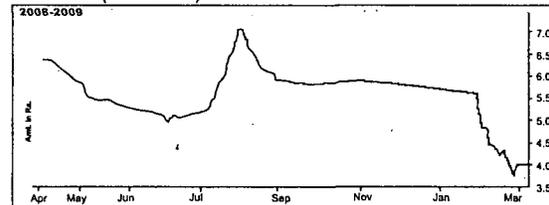
M/s.Sharex Dynamic  
(India) Pvt.Ltd.  
17/B, Dena Bank Bldg.,  
2<sup>nd</sup> Floor, Horniman Circle,  
Fort, Mumbai – 400 001.

M/s.Sharex Dynamic  
(India) Pvt.Ltd.  
Unit-1, Luthra Ind. Premises,  
Safed Pool, Andheri Kurla Rd,  
Andheri (E), Mumbai – 400 072.

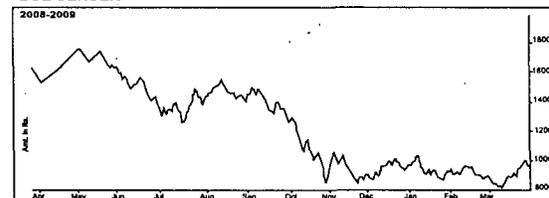
### Stock Price Suditi v/s BSE Sensex

(Source-Website)

#### SUDITI IND.(BSE 521113)



#### BSE SENSEX





**Distribution of shareholding as on 30th June 2009**

Category From To	No. of Cases	% of Cases	Amount	% of Amt.
Upto 5000	10912	94.85	14477310	16.99
5001 – 10000	295	2.56	2399000	2.82
10001 – 20000	114	0.99	1811000	2.13
20001 – 30000	69	0.60	1746000	2.05
30001 – 40000	18	0.16	630000	0.74
40001 – 50000	16	0.14	753000	0.88
50001 – 100000	36	0.31	2839200	3.33
100001 and above	45	0.39	60544490	71.06
<b>Total:</b>	<b>11505</b>	<b>100.00</b>	<b>85200000</b>	<b>100.00</b>
Physical Mode	8963	77.91	46576000	54.67
Electronic Mode	2542	22.09	38624000	45.33
<b>Total:</b>	<b>11505</b>	<b>100.00</b>	<b>85200000</b>	<b>100.00</b>

**Shareholding Pattern as on 30th June, 2009.**

Categories	No. of folios	No. of Shares	Percentage (%)
Foreign Collaborators	—	—	—
Foreign Promoters	—	—	—
Non-Resident Indians	573	184700	2.168
Nationalised Banks	5	1100	0.013
Other Bodies Corporate	111	761173	8.934
Directors	3	1149000	13.486
Company Promoters	18	2551600	29.948
Individuals / Others	10790	3869327	45.415
Overseas Corporate Bodies	—	—	—
Clearing Members	5	3100	0.036
<b>Grand Total:</b>	<b>11505</b>	<b>8520000</b>	<b>100.00</b>

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

**Plant Location:**

- C-253/254, MIDC, TTC Indl.Area, Pawne Village, Navi Mumbai.
- C-3B, MIDC, TTC Indl.Area, Pawne Village, Navi Mumbai.

**Address for Correspondence:**

Shareholders correspondence should be addressed to the Company's Share Transfer Agents at the address given above. In case of any difficulty, shareholders may contact Compliance Officers Mr. Deepak Naik (Tel: 65167831/32, 32982702/704)/or Company Secretary at the Company's Secretarial Dept. at C-253/254, MIDC, TTC Indl.Area, Pawne Village, Turbhe, Navi Mumbai – 400 705.

**SUDITI INDUSTRIES LTD.**

**INVESTOR GRIEVANCE REPORT FOR THE PERIOD 01.07.2008 TO 30.06.2009**

(As submitted by the R&T Agents M/s.Sharex Dynamic (I) P.Ltd. - Mumbai)

Sl.Particulars	Receipt	Replied
<b>1. REQUESTS</b>		
a Change/Correction of address	4	4
b Receipt of dividend warrants for revalidation.	—	—
c Correction of name on dividend warrants	—	—
d Change/Correction of Bank Mandate	—	—
e Receipt of IB for issue of duplicate d/w	—	—
f Letter of intimation of Bank Mandate	—	—
g Registration of Power of Attorney	—	—
h Request for ECS facility	—	—
i Loss of securities and request for issue of duplicate Shares	3	3
j Receipt of IB and affidavit for issue of duplicate Shares	—	—
k Request for stop transfer of securities	—	—
l Receipt of damaged/mutilated dividend warrant	—	—
m Request for consolidation/split of securities	—	—
n Request for issue of duplicate dividend warrant	—	—
o Deletion of joint name due to death	—	—
p Request for transmission of securities	2	2
q Request for transposition of securities	—	—
r Receipt of 15G Form for Exemption of Tax	—	—
s Specimen sign change/ not mentioned in application.	—	—
t Receipt of securities for endorsement as fully paid	—	—
u. Queries regarding payment of allotment money	—	—
<b>2. COMPLAINTS</b>		
a. Non-receipt of Dividend Warrant	2	2
b. Excess/Short payment of dividend	—	—
c. Non receipt of Annual Report	2	2
d. Correspondence/Query relating to NSDL/CSDL operations	—	—
e. Non receipt of refund order	4	4
f. Correction of name on securities	1	1
g. Non receipt of securities/complaint relating to transfer of shares	—	—
<b>3. Others</b>	2	2
<b>Total:-</b>	<b>20</b>	<b>20</b>

# Eighteenth Annual Report 2008-2009

## COMPLIANCE REPORT

To the Board of Directors  
SUDITI INDUSTRIES LIMITED

We have examined the registers, records, books and papers of Suditi Industries Ltd. (the Company), having its Registered Office at A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400013, and having Registration No.(11-63245) L19101MH1991PTC063245 as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from 1st April, 2008 to 31st March, 2009. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify, in respect of the aforesaid financial year, that:

1. The necessary registers and records have been maintained properly and in accordance with the requirements.
2. All the requisite forms, returns, and documents have been filed with the Registrar of Companies and other authorities as per the provisions of the Act and Rules thereunder.
3. All the requirements relating to the meetings of Directors, Committees of Directors, and Shareholders as well as relating to the minutes of the proceedings thereat have been complied with.

4. All appointment/reappointment of Directors including the Managing Director have been made in accordance with the requirements of the Act.
5. Due disclosures have been made by the Directors under Section 299 and Section 274(1) (g) of the Act. The Company also complied with the requirements in pursuance of the disclosure made by its Directors.
6. Certificate of Shares and other securities have been issued and the Transfer and Transmission thereof have been registered as per requirement
7. All necessary approvals of Directors, Shareholders and other authorities as per requirement have been obtained.
8. Disclosure requirements as per listing agreements with BSE have been complied with.
9. The Company has transferred all unpaid Dividend to Investors Education & Protection Fund and there is no outstanding as on date.
10. The Company has complied with the disclosure requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

For V.V.SHAH & ASSOCIATES

Place: Mumbai  
Date: June 30th, 2009

V.V.SHAH  
Company Secretary  
FCS 1567 CP 621

## CERTIFICATE

To,  
The Members of Suditi Industries Limited

We have examined the compliance of conditions of Corporate Governance by **Suditi Industries Limited** for the year ended 31st March, 2009 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 the procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of representation received from The Registrars and Share Transfer Agents and as per records maintained by the Company which are presented to the Shareholders Grievances Committee, we state that, during the year ended 31st March, 2009 no investor grievances were pending for a period exceeding one month.

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 CHATURVEDI & COMPANY  
Chartered Accountants

Place: Mumbai  
Date: 30.06.2009

(S.N.CHATURVEDI)  
Partner

**AUDITOR'S REPORT**

To,  
The Members of

**SUDITI INDUSTRIES LIMITED**

- 1) We have audited the attached Balance Sheet of **SUDITI INDUSTRIES LIMITED** as at 31st March, 2009, the Profit and Loss Account and also the Cash Flow Statement for 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.
- 2) 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003, and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the 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 & 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
  - a) 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;
  - b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and 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.
  - e) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March 2009, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information

and according to the explanations given and management representations made to us, the said accounts subject to what is stated in Para 4 above, read together with the accounting policies and other notes thereon, 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;

- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009
- ii) In the case of the Profit and Loss account, of the "Profit" for the year ended on that date; and
- iii) In the case of the Cash Flow statement, of the Cash Flow for the year ended on that date.

**For CHATURVEDI & COMPANY**  
Chartered Accountants

Place : Mumbai  
Date : June 30, 2009

**S.N. CHATURVEDI**  
(Partner)  
Membership Number: 40479

**ANNEXURE TO THE AUDITORS' REPORT****Referred to in paragraph 3 of our Report of even date**

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for the assets under installation.
- b) All the assets have not been physically verified by the management during the year but there is a regular program 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) As the assets disposed during the year is not very significant, it does not have any bearing on the going concern assumption followed by the company.
- 2) a) The inventory has been physically verified during the year by the management at reasonable intervals during the year.
- 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.
- c) The Company is maintaining proper records of inventory. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
- 3) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under

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section 301 of the Companies Act, 1956.

- 4) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b) As regards transactions made in pursuance of contracts or arrangement entered into the registers maintained under Section 301 & exceeding the value of rupees five lac in respect of any party during the year, in our opinion and according to the information and explanation given to us, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) The company has not accepted any deposits during the year from the public within the meaning of the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) a) Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise duty, Cess and other statutory dues have generally been regularly deposited with appropriate authorities though there have been occasional delays.
- b) According to the information and explanations given to us, except for the following, no undisputed amounts payable in respect of income tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March 2009 for a period of more than six months from the date they became payable.

Name of the Statute	Nature of Dues	Amount (Rs in lacs)	Period to which the amount relates
Maharashtra Industrial Development Corporation (MIDC)	Being demand raised for differential water charges for earlier years	26.27	Nov.2001 onwards
		4.90	FY 04-05
		4.77	FY 05-06
		4.75	FY 06-07
		2.62	FY 07-08
Bombay Provincial Municipal Corporation (Cess on Entry of Goods) Rules, 1996	Being interim demand raised for Cess	72.84	1998-1999
		5.51	1999-2000
		5.06	2000-2001
Navi Mumbai Municipal Corporation	Property tax	3.75	1996-1997
		11.68	2000-2001
		3.73	2001-2002
		5.89	2007-2008

- c) According to the records of the Company, the dues outstanding of Sales Tax, Excise Duty, on account of disputes are as follows.

Name of the Statute	Nature of Dues	Amount (Rs in lacs)	Forum where dispute is pending
Central Excise Act, 1944	On account of interpretation of exemption notification of Excise duty for the period (a) March, 2002 to November, 2002 (b) December, 2002 to January, 2003 (c) September, 1998 to September, 1999	33.78	Commissioner (Appeals)
		6.34	
		0.73	
Sales Tax	Interest on delayed payment of Tax  Demand raised as per Revised Order for F.Y.1998-99	10.85	Asst. Commissioner, Sales Tax, (Appeals) Mumbai
		65.17	
		80.23	

- 10) The company neither has accumulated losses at the end of the financial year nor has incurred cash losses in the financial year under report. However, in the immediately preceding financial year the company has incurred cash losses.
- 11) According to the records examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of



shares, debentures and other securities.

- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14) 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.
- 15) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- 16) On the basis of the records examined by us, and according to the information and explanations given to us, the Company has not obtained any term loan during the year.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that, prima facie, no funds raised on short-term basis have been used for long-term investment.
- 18) During the year the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301, of the Act.
- 19) During the period covered under audit, the company has not issued any debentures.
- 20) The company has not raised any money through public issue during the year.
- 21) During the course of our examination of the books and records of the company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For CHATURVEDI & COMPANY**  
Chartered Accountants

**S.N. CHATURVEDI**  
(Partner)

Place : Mumbai  
Date : June 30, 2009

Membership Number: 40479

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## BALANCE SHEET AS AT 31st MARCH, 2009

(Amount in Rs.)

	SCHEDULE	As at 31.03.2009		As at 31.03.2008
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Equity Share Capital	A	85,200,000		85,200,000
Reserves & Surplus	B	52,568,291		47,065,159
		<u>137,768,291</u>		<u>132,265,159</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
a) Gross Block	C	308,680,419	294,208,079	
b) Less : Depreciation		248,241,632	243,348,988	
c) Net Block		<u>60,438,787</u>	<u>50,859,091</u>	
d) Capital Work in Progress		<u>4,041,810</u>	<u>4,081,810</u>	54,940,901
Investments	D	234,000		234,000
Deferred Tax Assets		17,080,086		17,080,086
<b>Current Assets, Loans &amp; Advances :</b>				
a) Inventories	E	25,787,770	13,565,207	
b) Sundry Debtors	F	58,497,884	50,921,651	
c) Cash & Bank Balances	G	17,715,851	52,651,961	
d) Loans and Advances	H	64,832,175	43,281,141	
		<u>166,833,680</u>	<u>160,419,960</u>	
<b>Less : Current Liabilities &amp; Provisions</b>				
a) Current Liabilities	I	110,860,072	100,409,788	
<b>Net Current Assets</b>		<u>55,973,608</u>		60,010,172
		<u>137,768,291</u>		<u>132,265,159</u>
Significant Accounting Policies &	Q			
Notes to the Accounts :				

This is the Balance Sheet referred to in our report of even date

**For CHATURVEDI & COMPANY**  
CHARTERED ACCOUNTANTS

**S. N. CHATURVEDI**  
PARTNER

**ANAND AGARWAL**  
(CHAIRMAN & MANAGING DIRECTOR)

**PAVAN AGARWAL**  
(DIRECTOR)

**A. INDUSEKHAR RAO**  
(DIRECTOR)

**VIVEK GANGWAL**  
(DIRECTOR)

Place : Mumbai  
Date : 30.06.2009

**H.GOPALKRISHNAN**  
(V.P.FINANCE & CO.SEC)


**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009**

(Amount in Rs.)

	SCHEDULE	Year ended 31.03.2009	Year ended 31.03.2008
<b>INCOME</b>			
Sales - Export		10,559,949	17,641,608
Sales - Others		222,006,906	218,985,012
Other Income	J	12,677,054	6,973,814
		<u>245,243,909</u>	<u>243,600,434</u>
Increase /(Decrease) in Stock	K	7,835,975	733,078
		<u>253,079,884</u>	<u>244,333,512</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed	L	91,123,531	101,824,996
Manufacturing Expenses	M	97,404,104	101,177,200
Payment to & Provisions for Employees	N	31,331,852	24,582,579
Administrative & Selling Expenses	O	28,480,567	25,975,050
Interest	P	-	4,433,920
		<u>248,340,054</u>	<u>257,993,745</u>
Extra Ordinary Items:-			
Write-back of excess provision		11,618,658	-
Loss due to fire		-	(11,750,325)
Loss on disposal of Structure		-	(14,943,468)
Settlement of claims		(4,027,475)	-
Write back of waiver under one time settlement		-	280,495,352
Profit before Depreciation & Tax		12,331,013	240,141,326
Depreciation		4,893,213	4,475,659
Profit before Tax		7,437,800	235,665,667
Taxation for the Year			
Current Tax		631,909	-
Fringe Benefit Tax		1,302,759	1,070,267
Profit after Tax		5,503,132	234,595,400
Balance brought Forward		47,065,159	(187,530,241)
Balance carried to Balance Sheet		52,568,291	47,065,159
Basic and diluted Earnings per share		0.65	27.53
(Face value Rs 10/- per share)			
No. of equity shares		8,520,000	8,520,000
Significant Accounting Policies & Notes to the accounts			

This is the Profit & Loss Account referred to in our report of even date

For CHATURVEDI & COMPANY  
CHARTERED ACCOUNTANTS

S. N. CHATURVEDI  
PARTNER

ANAND AGARWAL  
(CHAIRMAN & MANAGING DIRECTOR)

PAVAN AGARWAL  
(DIRECTOR)

A. INDUSEKHAR RAO  
(DIRECTOR)

VIVEK GANGWAL  
(DIRECTOR)

Place : Mumbai  
Date : 30.06.2009

H.GOPALKRISHNAN  
(V.P.FINANCE & CO.SEC)

# Eighteenth Annual Report 2008-2009

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009

(Amount in Rs.)

	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE "A" - SHARE CAPITAL</b>		
<b>Authorised</b>		
18,000,000 Equity Shares of Rs. 10 each (Previous year 10,000,000 Equity Shares of Rs.10 each)	180,000,000	100,000,000
Issued, Subscribed & paid up		
8,520,000 Equity Shares of Rs. 10 each, fully paid up	85,200,000	85,200,000
	<u>85,200,000</u>	<u>85,200,000</u>
<b>SCHEDULE "B" - RESERVES &amp; SURPLUS</b>		
Balance as per Profit & Loss Account	52,568,291	47,065,159
	<u>52,568,291</u>	<u>47,065,159</u>

## SCHEDULE "C" - FIXED ASSETS

(Amount in Rs.)

Sr. Description No.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions	Deduction/ Adjust.	As at 31.03.2009	As at 01.04.2008	For the Period	Deduction/ Adjust.	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
1 Land (Leasehold)	1,642,190	-	-	1,642,190	-	-	-	-	1,642,190	1,642,190
2 Building	16,214,666	-	-	16,214,666	7,447,412	541,570	-	7,988,982	8,225,684	8,767,254
3 Plant & Machinery	252,921,238	13,494,446	-	266,415,684	222,679,213	3,050,584	-	225,729,797	40,685,887	30,242,025
4 Furniture & Fixtures	7,601,511	-	-	7,601,511	4,735,955	481,176	-	5,217,131	2,384,380	2,865,556
5 Office & Other Equip.	7,179,772	242,344	14,625	7,407,491	4,312,784	339,199	569	4,651,414	2,756,077	2,866,988
6 Electrical Installation	7,349,055	750,175	-	8,099,230	3,953,414	357,218	-	4,310,632	3,788,598	3,395,641
7 Vehicles	1,299,647	-	-	1,299,647	220,210	123,466	-	343,676	955,971	1,079,437
	<b>294,208,079</b>	<b>14,486,965</b>	<b>14,625</b>	<b>308,680,419</b>	<b>243,348,988</b>	<b>4,893,213</b>	<b>569</b>	<b>248,241,632</b>	<b>60,438,787</b>	<b>50,859,091</b>
Previous Year	332,379,882	1,225,943	39,397,746	294,208,079	275,952,229	4,475,659	37,078,900	243,348,988	50,859,091	56,427,653

Capital Work in Progress

4,041,810 4,081,810


**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009**

(Amount in Rs.)

	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE " D" - INVESTMENTS (At Cost)</b>		
(Quoted) :	234,000	234,000
Industrial Development Bank of India Ltd. [ 2880 (Including Bonus issues of 1080 shares) Equity Shares of Rs. 10/- each fully paid up ]	<u>234,000</u>	<u>234,000</u>
(Aggregate Market Value Rs. 1,30,752/- ; P.Y.Rs. 2,56,464/-)		
<b>SCHEDULE "E" - INVENTORIES</b>		
(As taken, valued & certified by the Management)		
Stores & Spares	4,902,119	3,654,768
Raw Materials	8,924,036	5,784,799
Work in Process	11,828,173	3,858,934
Finished Goods	<u>133,442</u>	<u>266,706</u>
	<u>25,787,770</u>	<u>13,565,207</u>
<b>SCHEDULE "F" - SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months	21,394,702	23,840,931
Other Debts	<u>37,103,182</u>	<u>27,080,720</u>
	<u>58,497,884</u>	<u>50,921,651</u>
<b>SCHEDULE "G" - CASH &amp; BANK BALANCES</b>		
Cash on hand	974,481	343,535
Balances with Scheduled banks :-		
Current Accounts	9,741,370	52,308,426
Deposit Account	<u>7,000,000</u>	
	<u>17,715,851</u>	<u>52,651,961</u>
<b>SCHEDULE "H" - LOANS &amp; ADVANCES</b>		
(Unsecured, considered good and subject to confirmation)		
Receivables in cash or in-kind or for values to be received	46,161,264	35,592,741
Deposits	13,225,648	2,139,648
Balance with Central Excise & Customs	<u>5,445,263</u>	<u>5,548,752</u>
	<u>64,832,175</u>	<u>43,281,141</u>

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## SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009

(Amount in Rs.)

	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE "I" - CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities :</b>		
Sundry Creditors :	51,933,432	42,345,763
Other Liabilities	48,823,700	48,102,129
Advances from customers	10,102,940	9,961,896
	<u>110,860,072</u>	<u>100,409,788</u>

## SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

(Amount in Rs.)

	Year ended 31.03.2009	Year ended 31.03.2008
<b>SCHEDULE "J" - OTHER INCOME</b>		
Interest received	766,309	148,318
Miscellaneous Income	11,910,745	6,825,496
	<u>12,677,054</u>	<u>6,973,814</u>
<b>SCHEDULE "K" - INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
- Finished Fabric	78,513	156,848
- Finished Garments	54,929	109,858
Work in Progress	11,828,173	3,858,934
	<u>11,961,615</u>	<u>4,125,640</u>
<b>Less : Opening Stock</b>		
Finished Fabric	156,848	209,145
Finished Garments	109,858	144,550
Work in Progress	3,858,934	3,038,867
	<u>4,125,640</u>	<u>3,392,562</u>
	<u>7,835,975</u>	<u>733,078</u>
<b>SCHEDULE "L" - RAW MATERIAL CONSUMED</b>		
Opening Stock	5,784,799	5,674,916
Add : Purchases	94,262,768	101,934,879
Less : Closing Stock	8,924,036	5,784,799
	<u>91,123,531</u>	<u>101,824,996</u>



**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009**

(Amount in Rs.)

	As at 31.03.2009	As at 31.03.2008
<b>SCHEDULE "M" - MANUFACTURING EXPENSES</b>		
Stores & Spares Consumption	20,247,247	19,615,213
Stiching & Processing Charges	2,909,038	4,212,759
Fuel & Oil	25,287,391	22,677,416
Water Charges	6,052,151	8,042,699
Electricity Charges	13,666,176	15,651,760
Labour Charges	21,795,275	23,407,653
Jobwork-Garments	2,862,445	2,028,063
Knitting Charges	4,584,381	5,541,637
	<u>97,404,104</u>	<u>101,177,200</u>
<b>SCHEDULE "N" - PAYMENT TO &amp; PROVISIONS FOR EMPLOYEES</b>		
Salary, Wages & Bonus	11,473,853	8,063,758
Contribution to Gratuity Fund	491,256	429,977
Welfare Expenses	18,875,608	15,743,410
Contribution to Provident Fund	491,135	345,434
	<u>31,331,852</u>	<u>24,582,579</u>
<b>SCHEDULE "O" - ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Transportation	4,274,416	4,581,537
Travelling & Conveyance Expenses		
Conveyance Expenses	1,276,219	1,090,374
Travelling Expenses-Directors	389,294	1,015,013
Travelling Expenses-Others	311,064	199,620
Security Charges	1,864,148	1,842,453
Rates & Taxes	2,234,154	1,630,275
Electricity Expenses	153,296	99,690
Repairs and Maintenance :		
Building	458,429	918,547
Machinery	2,079,827	2,001,149
Others	3,247,632	1,874,089
Export Clearing & Forwarding Expenses	168,207	1,442,167
Motor Car Expenses	1,623,418	1,103,249
Printing & Stationery	951,376	1,008,240
Bank Charges, Commission & Others	982,021	215,436
Telephone/Telex & Postage Expenses	1,044,529	961,364
Advertisement Expenses	124,993	67,163
Registrar & Transfer Expenses	45,852	56,834
Insurance	260,668	242,484
Subscription & Membership	29,115	33,140
Licence & Fees	660,262	131,177
Remuneration to Managing Director	672,000	480,000
Consultancy Charges	1,471,540	2,158,227
Statutory Auditors Remuneration	165,450	168,540
Cost Auditors Remuneration	30,060	27,950
General Expenses	2,805,521	1,446,837
Sundry Balance (W.Off)	1,105,223	757,820
Prior Period Expenses	51,853	421,675
	<u>28,480,567</u>	<u>25,975,050</u>
<b>SCHEDULE "P" - INTEREST</b>		
SASF Interest	-	4,429,642
Bank Interest	-	4,278
	<u>-</u>	<u>4,433,920</u>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE**

**SCHEDULE - Q**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

- |   |   |
|---|---|
| <p><b>A) SIGNIFICANT ACCOUNTING POLICIES:</b></p> <p><b>(i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS: -</b></p> <p>a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.</p> <p>b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles. The company follows the mercantile system of Accounting and recognises Income &amp; Expenditure on accrual basis.</p> <p><b>(ii) FIXED ASSETS:</b></p> <p>a) Fixed Assets are stated at cost less accumulated depreciation. All costs relating to acquisition and installation of Fixed Assets including financing costs up to the date the Assets are put to use and adjustment arising from exchange rate variation relating to specific borrowings attributable to the Fixed Assets are allocated to the respective fixed assets.</p> <p>b) Capital Work In Progress: All expenditure incurred and interest cost during the project construction period, on projects which are not abandoned, are accumulated and shown as Capital Work-in-Progress until the assets are ready for use. Assets under construction are not depreciated.</p> <p><b>(iii) DEPRECIATION:</b></p> <p>a) Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956.</p> <p>b) Depreciation on fixed assets added/disposed off during the year has been provided on pro-rata basis with reference to the date of addition/disposal.</p> <p>c) Depreciation on increase/decrease in value of fixed assets due to foreign exchange fluctuation has been provided on the basis of residual life of the assets.</p> <p><b>(iv) FOREIGN CURRENCIES:</b></p> <p>a) Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Foreign currency denominated current assets and current liabilities are translated at the year-end exchange rates. The resulting gain/loss is recognised in the Profit &amp; Loss account.</p> <p>b) Foreign Currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year. The resulting gain/loss is recognised in the Profit &amp; Loss account.</p> | <p><b>(v) INVESTMENTS:</b></p> <p>Long-term investments are carried at cost. Provision for diminution in the value of the investment is made only if such a decline is other than temporary in the opinion of the management.</p> <p><b>(vi) INVENTORIES:</b></p> <p>Inventories are valued as under: -</p> <p>a) Raw materials, Stores, Spares, Dyes &amp; Chemicals : At cost.</p> <p>b) Stock in process : At cost.</p> <p>c) Finished goods : At lower of cost or net realisable value.</p> <p>Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the company. The cost formulae used for determination of cost are on FIFO basis.</p> <p><b>(vii) REVENUE RECOGNITION:</b></p> <p>Revenue is recognised at the point of despatch of finished goods, which are exempted from excise duty. Sales value is net of returns and sales tax.</p> <p><b>(viii) CUSTOM DUTY:</b></p> <p>Custom duty payable on imported Raw materials, components, stores/spares etc. is recognised to the extent assessed and charged by the customs department.</p> <p><b>(ix) CUSTOM DUTY BENEFITS:</b></p> <p>Custom duty entitlements eligible under Duty Entitlement Pass Book Scheme/Duty Draw Back benefit scheme is accounted in the year in which the exports are made.</p> <p><b>(x) EXCISE DUTY:</b></p> <p>Excise duty is not applicable for the subject goods as the same is exempted from excise duty.</p> <p><b>(xi) CENVAT:</b></p> <p>Cenvat benefit was accounted for in the past by reducing the purchase cost of the material/fixed asset. However, no cenvat is considered for the year under review as the finished goods are exempted from Excise duty as per the Department's notification.</p> <p><b>(xii) RETIREMENT BENEFITS:</b></p> <p>Retirement benefit costs are expensed to revenue as incurred. The Company contributes to Employees' Provident Fund and Gratuity Fund in accordance with the rules of the respective funds and/or statute, as appli-</p> |
|---|---|



cable. Accruing gratuity and leave encashment liabilities are provided for, according to the rules of these schemes, on the basis of actuarial valuations at year end made by an independent actuary and in accordance with Accounting Standard (AS) -15 on "Employee Benefits" prescribed by the Institute of Chartered Accountant of India.

**(xiii) BORROWING COST:**

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard (AS) - 16 on "Borrowing Costs" are capitalized as part of the cost of such assets up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

**(xiv) CASH FLOW:**

The cash flow statement is prepared by the "Indirect Method" set out in Accounting Standard (AS) -3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company. Cash and cash equivalents presented in the Cash Flow Statement consists of cash on hand and deposits with banks.

**(xv) CONTINGENT LIABILITIES:**

Contingent liabilities as defined in Accounting Standard (AS) - 29 on "Provisions, contingent liabilities and contingent assets" are disclosed by way of notes to the accounts. Provision is made if it is probable that an outflow of future economic benefit will be required for an item previously dealt with as a contingent liability.

**(xvi) EARNINGS PER SHARE:**

Basic earnings per share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period in accordance with AS-20, "Earning Per Share" issued by The Institute of Chartered Accountants of India.

**(xvii) INCOME TAX:**

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year. The deferred tax assets and liabilities are calculated on the accumulated timing difference at the end of an accounting period based on prevailing enacted tax rates. Deferred tax assets are not recognised on un-absorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xviii) SEGMENT REPORTING:**

The company is presently engaged in the business of carrying out job work for processing of textile fabrics and manufacture/export of garments. Disclosure relating to primary and secondary business segments under the Accounting Standard on Segment

Reporting (AS) -17 issued by the Institute of Chartered Accountants of India have been made for a single product and for two geographical segments—local & exports.

**(xix) DEFERRED REVENUE EXPENSES:**

Preliminary expenses are written off in installments over a period of ten years.

**B) NOTES TO THE ACCOUNTS :**

**1) l) Contingent Liabilities not provided for:**

a) In respect of Bonds executed in favour of:

- i Asst. Commissioner of Customs under EPCG scheme towards export obligation-Rs.169.07 lacs. (Previous Year Rs.169.07 lacs)

b) Disputed matters in appeal

Contested in respect of	Current year 31.03.2009 (Rs. in lacs)	Previous year 31.03.2008 (Rs. in lacs)
Excise Duty	40.85	40.85
Sales Tax	156.25	156.25

2) The Insurance company has settled the claim for a sum of Rs. 99.53 lacs against the claim of Rs.117.50 lacs filed by the company in respect of damages due to a fire at the factory premises. Accordingly the company has accounted for this claim during the current year as other income.

3) The Company's Sales Tax assessment is completed upto the accounting year 1999-2000 and the disputed demand outstanding upto the said assessment year is Rs.156.25 lacs. Based on the opinion received by the company, the demands made are likely to be either deleted or substantially reduced and accordingly no provision has been made in the accounts.

4) Some of the Balances in the customers and suppliers, deposit accounts are taken as per books and are subject to confirmation/reconciliation and consequent adjustments.

**5) Deferred Income Tax:**

In terms of Accounting standard 22 "Accounting of Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has computed Net Deferred Tax asset for the FY 2008-09 amounting to Rs.646.64 lakhs (Previous Year Rs.679.17 Lakhs). The Management does not consider it to appropriate to account for the Net Deferred Tax Asset due to uncertainty of future profits.

6) a) The Company makes contribution towards Provident Fund administered by the Central Government. The contribution towards the Fund are made as per the Provident Fund Act and Rules amended from time to time. The amount of contribution is directly charged to the Profit and Loss account as revenue expense. Since the contribution

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is paid to the Provident Fund authorities of the Central Government as per rules & regulations, there are no further liabilities on the Company towards this obligation.

b) The Company makes annual contribution to the Employees Group Gratuity cum Life Assurance Scheme of Life Insurance Corporation of India, a funded "Defined Benefit Plan" for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Gratuity Scheme. Vesting occurs upon completion of five years of service. There are no other schemes, apart from the above, that are administrated by the company for the benefit of employees.

c) The Company has also computed and made necessary provisions on account of leave encashment benefits based on actuarial valuation as per Accounting Standard —15 (Revised) "Employee Benefits". The total service eligibility as per the Company's leave rules are estimated and provided in the books as a revenue expenditure after making adjustment towards the benefit paid on this account. The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 31st March, 2009. The following tables set out the funded status and amounts recognized in the Company's financial statement as at 31st March, 2009 for the defined benefit plans.

	(Rs. in lacs)	
	Gratuity	Leave encashment benefits
	As at 31.3.2009	As at 31.3.2009
a) Changes in the defined benefit Obligation		
Projected defined benefit obligation, beginning of the year	14.47	6.18
Current service cost	2.10	0.74
Interest Cost	1.26	0.52
Actuarial (gain)/loss	2.42	0.75
Benefits paid	(1.69)	(0.95)
Projected defined benefit obligation, end of the year	18.56	7.24
b) Changes in the fair value of plan assets		
Fair value of plan assets, beginning of the year (1st April, 2008)	11.86	-
Expected return on plan assets	0.98	-
Employer's contributions	4.05	-
Actuarial gain/(loss)	-	-
Benefits paid	(1.68)	-
Fair value of plan assets, end of the year	15.21	-
Liability (net)	3.35	7.24

c) Net employee benefit expense (recognized in Employee cost) for the year		
Current service cost	2.10	0.74
Interest defined benefit obligation	1.26	0.52
Expected return on plan assets	(0.98)	-
Net actuarial (gain)/loss recognized in the year	2.42	0.75
Past service cost	(4.05)	(0.95)
Net benefit expense	0.75	1.06
Actual return on plan assets	-	-

d) Assumptions used in accounting for gratuity And post-employment medical benefit Obligations		
Discount rate	7%	7%
Expected rate of return on plan assets	9%	8%
Increase in compensation cost	5%	5%

i) Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

ii) Expected rate of return on plan assets is based on the average long-term rate of return expected on Investments of the fund during the estimated term of the obligations.

iii) The estimates of future salary increases, considered in actuarial valuation, take account the inflation, seniority, promotion and other relevant factors.

(Rs. in Lacs)

	Year ended (March 31, 2009)	Year ended (March 31, 2008)
--	-----------------------------------	-----------------------------------

## 7) Managerial Remuneration:

Managing Director's Remuneration		
Salary & Allowances	6.99	5.13
Company's contribution to PF	0.09	0.09

## 8) Auditors Remuneration:

Audit Fees		
- Statutory	1.38	1.40
Tax Audit Fees	0.27	0.28
Certification work	0.27	0.22
Reimbursement of Expenses	0.15	0.13
Cost Audit	0.30	0.28

## 9) CIF Value of Imports

Capital Goods	7.91	4.47
Spares	12.55	2.72

## 10) Expenditure in Foreign Currency

Travelling	-	-
Other	-	-

## 11) Earnings in Foreign Currency

Export of Goods (FOB Value)	93.99	156.06
-----------------------------	-------	--------

12) There are no Micro, Small and Medium Enterprises, to whom the Companies owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the company has neither paid nor is any interest payable to any Micro, Small and Medium Enterprises on the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.



**13) Capacity and Production:**

Class of Goods	Unit of Measurement	Installed capacity		Actual production	
		Current Yr.	Previous. Yr.	Current Yr.	Previous. Yr.
Processed fabrics	MT	4050	4050	2695.60	3017.85
Garments	PCS	1200000	1200000	681783	699861

Production includes Job work done for third parties.

(As certified by the management and being a technical matter accepted by the Auditor.)

**14) Raw Materials consumed:**

Unit of Measurement		Year ended (March 31, 2009)		Year ended (March 31, 2008)	
		Qty.	Value (Rs. in lacs)	Qty.	Value (Rs. in lacs)
Yarn & Fabric	MT	303.13	390.09	346.76	406.95
Dyes & Chemicals		--	521.14	--	611.30

**15) Consumption of Imported and indigenous raw materials, stores and spare parts and percentage of each to the consumption.**

		Year ended March 31, 2009 (Rs. in lacs)		Year ended March 31, 2008 (Rs. in lacs)	
		Value	%	Value	%
i) Raw Materials					
a) Imported		--	--	--	--
b) Indigenous		911.23	100	1018.25	100
ii) Stores & Spare parts					
a) Imported		12.55	6.20	2.72	1.39
b) Indigenous		189.92	93.80	193.43	98.61

**16) Sales:**

		Year ended March 31, 2009 (Rs. in lacs)		Year ended March 31, 2008 (Rs. in lacs)	
		Qty.	Value	Qty.	Value
Processed Fabrics	MT	2576.96	1753.62	3017.85	1984.23
Ready-made Garments	PCS	681783	565.50	699861	377.41

**17) Stock of finished goods:**

		Current year March 31, 2009 (Rs. in lacs)		Previous year March 31, 2008 (Rs. in lacs)	
		Qty.	Value	Qty.	Value
Knitted Fabrics					
Opening Stock	MT	0.94	1.57	0.94	2.09
Closing Stock	MT	0.94	0.78	0.94	1.57
Ready-made Garments & Made ups					
Opening Stock	PCS	2891	1.10	2891	1.45
Closing Stock	PCS	2891	0.55	2891	1.10

# Eighteenth Annual Report 2008-2009

<p><b>18) Name of Related Parties and nature of related party relationships</b></p> <p>As per AS-18 issued by The Institute of Chartered Accountants of India, the Companies related parties are disclosed below.</p> <p><b>a) KEY MANAGEMENT PERSONNEL</b></p> <p>1) Anand Agarwal, Chairman &amp; Managing Director</p> <p>2) Relatives of Key Management Personnel : Mr. Kishorilal Agarwal (Father), Mr. Govind Agarwal (Brother), Mr. Rajendra Agarwal (Brother), Mr. Pavan Agarwal (Brother), Mrs. Pramila Agarwal (Wife).</p> <p><b>b) Enterprises under Common Control of the Promoters</b></p> <p>1. BLR Knits Pvt. Ltd. 2. Intime Knits Pvt. Ltd. 3. Black Gold Leasing Pvt. Ltd.</p>	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Deposits</td> <td style="width: 20%; text-align: right;">100.80</td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td style="text-align: right;">(-)</td> <td style="text-align: right;">(-)</td> </tr> <tr> <td>Loans &amp; Advances (net)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(-)</td> </tr> <tr> <td>Sale of Fixed Assets (Building)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(-)</td> </tr> <tr> <td></td> <td style="text-align: right;">(766.55)</td> <td style="text-align: right;">(-)</td> </tr> <tr> <td>Payments for Services Rendered</td> <td style="text-align: right;">22.62</td> <td style="text-align: right;">(-)</td> </tr> <tr> <td></td> <td style="text-align: right;">(26.65)</td> <td></td> </tr> <tr> <td>Managing Director's Remuneration</td> <td style="text-align: right;">-</td> <td style="text-align: right;">7.08</td> </tr> <tr> <td></td> <td style="text-align: right;">(-)</td> <td style="text-align: right;">(5.22)</td> </tr> </table> <p>Note:</p> <ul style="list-style-type: none"> <li>• Figures in bracket represents corresponding amount of previous year.</li> <li>• Related party relationship have been identified by the management and relied upon by the auditors.</li> </ul>	Deposits	100.80			(-)	(-)	Loans & Advances (net)	-	(-)	Sale of Fixed Assets (Building)	-	(-)		(766.55)	(-)	Payments for Services Rendered	22.62	(-)		(26.65)		Managing Director's Remuneration	-	7.08		(-)	(5.22)
Deposits	100.80																											
	(-)	(-)																										
Loans & Advances (net)	-	(-)																										
Sale of Fixed Assets (Building)	-	(-)																										
	(766.55)	(-)																										
Payments for Services Rendered	22.62	(-)																										
	(26.65)																											
Managing Director's Remuneration	-	7.08																										
	(-)	(5.22)																										

**Transactions with Related Parties:**

During the year the following transactions were carried out with the related parties in the ordinary course of business.

	(Rs .in lacs)	
Particulars	Associate concerns & companies referred to in 19(b) above	Key Management Personnel
Sales of Goods	192.79 (174.62)	(-)
<b>Balance outstanding as at the year end :</b>		
Sundry Debtors	29.69 (40.43)	(-)

**19) The Computation of Earnings Per Share**

Particulars	Current Year 2008-09	Previous Year 2007-08
Profit after tax (Excluding extraordinary item)	(2088051)	(19206159)
Nominal value of shares	Rs.10/- each	Rs.10/- each
Number of equity shares	8520000	8520000
Basic & Diluted Earnings Per Share	(0.25)	(2.25)
Basic & Diluted Earnings Per Share (Inclusive of extraordinary items)	0.65	27.53

20) The previous year's figures have been regrouped & rearranged wherever necessary.

For CHATURVEDI & COMPANY  
CHARTERED ACCOUNTANTS

For and on behalf of Board

**S. N. CHATURVEDI**  
(PARTNER)

**ANAND AGARWAL**  
(CHAIRMAN & MANAGING DIRECTOR)

**PAVAN AGARWAL**  
(DIRECTOR)

**VIVEK GANGWAL**  
(DIRECTOR)

**A. INDUSEKHAR RAO**  
(DIRECTOR)

**H.GOPALKRISHNAN**  
(V.P.FINANCE & COMPANY SECRETARY)

Place : Mumbai.  
Date : 30.06.2009.



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH 2009**  
**(Pursuant to amendment to clause 32 of the Listing Agreement)**

(Rs. in Lacs)

	2008-09	2007-08
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	(14.56)	(192.06)
ADJUSTED FOR:		
DEPRECIATION	48.93	44.76
FOREIGN EXCHANGE	-	-
INVESTMENTS	-	-
INTEREST	-	44.34
LOSS ON SALE OF ASSETS	-	-
PRE-OPERATIVE EXPENSES WRITTEN OFF	-	-
LOSS DUE TO FIRE	-	-
CAPITAL ADVANCES WRITTEN OFF	48.93	89.10
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	34.37	(102.96)
ADJUSTED FOR:		
TRADE AND OTHER RECEIVABLES	(291.27)	(123.78)
INVENTORIES	(122.22)	(17.17)
TRADE PAYABLES	95.88	125.67
PROVISION & OTHER LIABILITIES	8.63	18.79
CASH GENERATED FROM OPERATIONS	(274.61)	(99.45)
DIRECT TAXES PAID	(6.32)	-
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	(280.93)	(99.45)
<b>EXTRA ORDINARY ITEMS</b>		
LOSS DUE TO FIRE	-	(117.50)
LOSS ON DISPOSAL OF STRUCTURE	-	(149.43)
ECCG OLD SETTLEMENT	(40.27)	-
WRITE BACK OF EXCESS PROVISION	116.19	75.92
<b>NET CASH FROM OPERATING ACTIVITIES (a)</b>	<b>(205.01)</b>	<b>(366.38)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
PURCHASE OF FIXED ASSETS	(144.35)	(12.26)
SALE OF FIXED ASSETS	-	1,455.32
ACQUISITIONS OF COMPANIES	-	-
PURCHASE OF INVESTMENTS	-	-
SALE OF INVESTMENTS	-	-
INTEREST RECEIVED	-	-
DIVIDEND RECEIVED	-	-
CAPITAL ADVANCE	-	-
DISPOSAL OF ASSETS (DUE TO FIRE)	-	23.18
<b>NET CASH USED IN INVESTING ACTIVITIES (b)</b>	<b>(144.35)</b>	<b>1,466.24</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	-
PROCEEDS FROM LONG TERM BORROWINGS	-	-
REPAYMENT OF FINANCE LEASE LIABILITIES	-	(566.47)
DIVIDEND PAID	-	-
INTEREST PAID	-	(44.34)
<b>NET CASH USED IN FINANCING ACTIVITIES (c)</b>	<b>-</b>	<b>(610.81)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS(a+b+c)</b>	<b>(349.36)</b>	<b>489.05</b>
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2008	526.52	37.47
(OPENING BALANCE)		
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH 2009	177.16	526.52
(CLOSING BALANCE)		

Negative figures (-) represent cash outflows.

This is the Cash Flow Statement referred to in our report of even date

**For CHATURVEDI & COMPANY**  
 CHARTERED ACCOUNTANTS

**S.N. CHATURVEDI**  
 (PARTNER)

Place : Mumbai  
 Date: 30.06.2009

On behalf of the Board  
**For SUDITI INDUSTRIES LTD**

**ANAND AGARWAL**  
 (CHAIRMAN & MANAGING DIRECTOR)

# Eighteenth Annual Report 2008-2009

## Balance Sheet abstract and Company's General Business Profile as per Schedule VI. Part-(IV) of the Companies Act, 1956.

### I. Registration Details

Registration No. 6 3 2 4 5 State Code 1 1  
 Balance Sheet Date 3 1 0 3 2 0 0 9  
Date Month Year

### II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue □ □ □ □ □ □ N 1 1  
 Right Issue □ □ □ □ □ □ N 1 1  
 Bonus Issue □ □ □ □ □ □ N 1 1  
 Private Placement □ □ □ □ □ □ N 1 1

### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousand)

Total Liabilities □ □ □ 2 4 8 6 2 8  
 Total Assets □ □ □ 2 4 8 6 2 8

#### Source of funds

Paid-up Capital □ □ □ □ 8 5 2 0 0  
 Reserves & Surplus □ □ □ □ 5 2 5 6 8  
 Secured Loans □ □ □ □ □ □ □ 0  
 Unsecured Loans □ □ □ □ □ □ □ 0

#### Application of Funds

Net Fixed Assets □ □ □ □ 6 4 4 8 0  
 Investments □ □ □ □ □ 2 3 4  
 Net Current Assets □ □ □ □ 5 5 9 7 4  
 Miscellaneous Expenditure  
 (including deferred tax assets) □ □ □ □ 1 7 0 8 0  
 Accumulated Losses □ □ □ □ □ □ N 1 1

### IV. Performance of the Company

(Amount in Rs. Thousand)

Turnover (Income) □ □ □ 2 3 2 5 6 7  
 Total Expenditure □ □ □ 2 2 5 1 2 9  
 Profit before Tax □ □ □ □ □ 7 4 3 8  
 Profit after Tax □ □ □ □ □ 5 5 0 3  
 Earnings per share (Rs.) □ □ □ □ □ 0 6 5  
 Dividend rate (%) □ □ □ □ □ □ N 1 1

### V. Generic names of Two principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
6 0 0 2 9 2 0 0	Knitted Cotton Fabric
Item Code No. (ITC Code)	Product Description
6 0 0 2 9 3 0 0	Knitted Man Made Fabric

**ANAND AGARWAL**  
(CHAIRMAN & MANAGING DIRECTOR)

**PAVAN AGARWAL**  
(DIRECTOR)

**A. INDU SEKHAR RAO**  
(DIRECTOR)

**VIVEK GANGWAL**  
(DIRECTOR)

Place : Mumbai  
Date : 30.06.2009

**H.GOPALKRISHNAN**  
(V.P.FINANCE & CO.SEC)

# SUDITI INDUSTRIES LIMITED

Registered Office : A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400 013.

## PROXY FORM

Folio No.: ...../DP ID No.\* ..... & Client No.\* ..... No. of Shares held.....

\* Applicable for members holding shares in electronic form.

I/We..... of.....

..... in the district of

..... being a Member/Members of the above name Company hereby

appoint..... of..... in

the district of..... or failing him.....

of..... in the district of .....

as my/our proxy to vote for me/us on my/our behalf at the EIGHTEENTH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 11th September, 2009 and at any adjournment thereof.

Signed this..... day of ..... 2009 Signature.....

Affix  
1 Rupee  
Revenue  
Stamp

**Note : The proxy form should be deposited at the Registered Office of the Company forty-eight hours before the meeting.**

# SUDITI INDUSTRIES LIMITED

Registered Office : A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400 013.

## ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

**Eighteenth Annual General Meeting - September 11, 2009**

I hereby record my presence at the EIGHTEENTH ANNUAL GENERAL MEETING of the Company on Friday, 11th September, 2009 at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchant's Chamber Building Trust (IMC Bldg.), Churchgate, Mumbai - 400 020.

Full name of Member (In Block Letters) .....

Folio No.: ...../ DP ID No.\* ..... & Client No.\* ..... No. of Shares held .....

\* Applicable for members holding shares in electronic form.

Full name of Proxy (In block letters) .....

Member's/Proxy Signature .....



If undelivered please return to :



## SUDITI INDUSTRIES LTD.

FACTORY & ADMN. OFF. : C-253/254, M.I.D.C., T.T.C. INDUSTRIAL AREA, VILLAGE PAWNE,  
NAVI MUMBAI - 400 705. TEL.: (91) 22 6516 7831/32/33, FAX : (91) 22 2768 3465.  
e-mail : silltd@bom3.vsnl.net.in