

GUJARAT RAFFIA INDUSTRIES LIMITED

22ND ANNUAL REPORT 2006-07

BOARD OF DIRECTORS : Shri Pradeep Bhutoria Chairman & Managing Director
Shri Prakash D. Ramnani Director
Shri Alpesh R. Tripathi Director

AUDITORS : M/s. Talati & Talati
Chartered Accountants,
Ahmedabad.

COMPANY LAW
CONSULTANT : Shilpi Thapar & Associates
Practicing Company Secretary
Ahmedabad.

BANKERS : Bank Of Baroda

REGISTERED OFFICE
& WORKS : Plot No.455
Santej Vadsar Road,
Village:Santej,
Taluka:Kalol-382721.
Dist:Gandhinagar.

REGISTRAR AND
SHARE TRANSFER AGENT : M/s. Pinnacle Share Registry Pvt. Ltd.,
Near Asoka Mills Premises,
Naroda Road,
Ahmedabad-380025.

NOTICE

NOTICE is hereby given that the TWENTYSECOND ANNUAL GENERAL MEETING of the Members of GUJARAT RAFFIA INDUSTRIES LIMITED will be held as scheduled below:

Date : 1ST January, 2008
Day : Tuesday
Time : 2.00 p.m.
Place : At the Registered Office of the Company at:
Plot No.455, Santej-Valsar Road, Village:Santej,
Taluka:Kalol-382721.Dist:Gandhinagar.

To transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Profit and Loss Account for the 18 Months period ended 30th September,2007 and the Balance Sheet as on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Prakash Ramnani , who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

Special Business:

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

“RESOLVED that, the whole new set of Memorandum and Articles of Association of the Company, a copy of which is placed before the meeting, duly initialed by the Chairman, be and are hereby approved and adopted as the Memorandum and Articles of Association of the Company in substitution of the existing Memorandum and Articles of Association of the company.”

“ RESOLVED FURTHER THAT Shri Pradeep Bhutoria, Managing Director of the company be and is hereby authorized to sign all such papers, contracts, forms, letters and to do all such acts, matters, deeds to give effect to the aforesaid resolution and to do any other matters consequential thereto.”

By Order of the Board ,

Registered Office:

Plot No.455,Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382721
Dist:Gandhinagar.

Date:1st December,2007

Pradeep Bhutoria
Chairman & Managing Director

NOTES:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business at Item No.4 set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF . A PROXY NEED NOT BE A MEMBER. THE INSTRUMENTS APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTER OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Pursuant to the Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Book Company will remain closed on Monday, the 31st Day of December, 2007 .
4. Member intending to require information about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
5. Members are requested to :
 - a. Intimate, if shares are held in the same name or in the same order and names, but in more than one account to enable the company to club the said accounts into one account.
 - b. Notify immediately the change in their registered address, if any, to the company.

Annexure to the Notice:

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT,1956.

In conformity with the provisions of Section 173(2) of the Companies Act,1956 , the following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Item No.4 of the accompanying notice dated 1st December,2007 and should be taken part of the notice.

In respect to Item No.4:

The Company went for the financial restructuring in form of capital reduction for which Hon'ble High Court of Gujarat passed an order on 21.09.2007 whereby capital of the company is reduced from Rs. 9,98,95,500/- (Rs.10,21,87,000/- being the issued and subscribed capital less forfeited share capital Rs.22,91,500/-) divided into 99,89,550 equity shares of Rs. 10/- each fully paid up to Rs. 4,99,47,750 divided into 99,89,550 equity shares of Rs. 5/- each fully paid up and that such reduction be effected by canceling of Rs. 4,99,47,750 divided into 99,89,550 equity shares of Rs. 5/- each fully paid up.

The said Capital Reduction High Court order is to be included in the Memorandum and Articles of Association of the company and hence, new Memorandum and Articles of Association is to be amended and adopted .

Further, there are certain grammatical, typographical and clerical mistakes which needs to be rectified in the Memorandum and Articles of Association of the Company.

Under the relevant provisions of the Companies Act, 1956, the new set of Memorandum and Articles of Association of the company can be adopted with the approval of its members by passing a special resolution. The Board commends the resolution for altering the Memorandum and Articles of Association of the Company for approval of the members.

Save and except none of the directors of the company are, in any way, concerned or interested in this resolution.

Registered Office:

Plot No.455,Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382721
Dist:Gandhinagar.

Date:1st December,2007

By order of Board,

Pradeep Bhutoria
Chairman & Managing Director

GUJARAT RAFFIA INDUSTRIES LIMITED

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors present the Twenty second Annual Report together with the Audited Statement of accounts for the 18 months period ended on 30th September, 2007.

1. Financial Results:

	For the period 1 st April 2006 to 30 th September 2007 (18 Months) (Rs.in Lacs)	For the period 1 st April 2005 to 31 st March 2006(12 Months) (Rs.in Lacs)
Operating Profit/ Loss (Before Interest and Depreciation)	289.55	(120.07)
Add /Less: Interest	53.73	40.49
Profit/Loss before Depreciation	235.82	160.56
Add: Depreciation	99.59	66.35
Profit/Loss for the year	136.23	(226.91)
Less: Extraordinary Income (Net)	0.50	242.14
Less: Prior Period Income	0.12	11.59
Profit/Loss before Tax	136.84	(26.82)
Fringe Benefit Tax	0.61	1.17
Provision for Taxation	---	----
Profit/Loss after Tax	136.23	25.65
Loss Brought forward from previous year	(155.14)	(1427.41)
Profit/Loss carried to Balance Sheet.	(18.91)	(1401.76)

2. Dividend:

Due to conservative financial policy adopted by the company, your directors are unable to recommend any dividend for the year under review.

3. Review of Operations-Production, Sales and Working Results:

The turnover of Fabrics/Sacks/Tarpaulin etc. during the 18 months period under review was Rs. 2944 lacs as compared to Rs. 2079 during 2005-2006. The Company went for financial restructuring in the form of Capital Reduction and got the order from Hon'ble High court of Gujarat for reducing the paid up capital of the company and wiping off the losses of the company .

The Company wiped off its previous carried forward losses to the tune of Rs.1246.63 lacs by utilizing share premium amount and share capital consequent upon capital reduction as per court order.

The operating profit for the 18 months period under review is Rs. 289.55 lacs as compared to operating loss of Rs. (120.07) lacs during previous year. Further, due to increase in turnover during the period under review, the company earned profit after taxation of Rs. 136.23 lacs as compared to Rs.25.64 lacs in the previous year. Further, due to wiping off losses, the profit to be carried forward to Balance Sheet is Rs. 135 lacs as compared to carried forward losses of Rs. 1401.76 lacs during previous year.

Your directors shall strive harder in future to yield better results in future.

4. Directors:

Shri Prakash Ramnani retires by rotation in terms of Article 99 and 100 of Articles of Association of the company. He, however, being eligible offer himself for reappointment. Shri Chandraprakash Jain resigned as director w.e.f 01.02.2007 and Shri Surendra Patwari was appointed as Additional director on 01.02.2007 & ceased to be director due to death w.e.f.08.09.2007.The Board took the note of the same.

5. Directors' Responsibility Statement:

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

- a. That in the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures.
- b. Appropriate accounting policies have been selected and applied consistently and made judgements and estimates that are responsible and prudent so as to give true and fair view of the state of affairs of the company as at 30th September,2007 and of profit or loss of the company for that period.

c. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d. The annual accounts have been prepared on a going concern basis.

6. Extension of Financial Year and Annual General Meeting of the Company:

The company was granted extension of financial year upto 30.09.2007 from the Registrar of Companies Gujarat on 24.04.2007 and for Annual General Meeting upto 25.03.2008 from the Registrar of Companies, Gujarat vide its order dtd. 4.05.2007.

The Board is requested to take note of the same.

7. Capital Reduction and Division of Shares:

The Company planned for its financial restructuring and applied to Hon'ble High Court for reduction of capital and consequently obtained order from High court of Gujarat dtd. 21.09.2007 approving the scheme of reduction of paid up capital of the company from Rs.9,98,95,550/- (Rs.10,21,87,000/- being the issued and subscribed capital less forfeited share capital Rs.22,91,500/-) divided into 99,89,550 equity shares of Rs.10/- each fully paid up to Rs.4,99,47,750/- divided into 99,89,550 equity shares of Rs.5/- each fully paid up. The order was also registered with The Registrar of Companies, Gujarat.

Further, after getting approval of scheme of capital reduction from High Court, the company converted its reduced face value of shares from Rs.5/- each to Rs.10/- per share i.e 99,89,550 equity shares of Rs.5/- each fully paid up to 49,94,775 fully paid equity shares of Rs. 10 each vide special resolution passed in the Extra Ordinary General Meeting dtd. 15th October, 2007.

The Board is requested to take note of the same.

8. Personnel:

Industrial relations continued to remain cordial and peaceful during the year under review.

9. Listing:

The Equity Shares of the Company are listed on the Ahmedabad, Mumbai, Calcutta and National Stock Exchange. The Company has paid Listing Fees to the Stock Exchange/s up to 2006-2007.

10. Corporate Governance:

As per Clause 49 of the Listing Agreement with the Stock Exchange/s, a Management Discussion & Analysis Statement, a report on corporate governance together with Auditors' Certificate regarding compliance of conditions of Corporate Governance form part of the Annual Report.

11. General:

11.1 Insurance:

The Company's properties including building, plants, and machineries, stock, stores etc. continued to be adequately insured against risks such as fire, riots, strikes, etc.

11.2 Auditors:

The present Auditors of the Company M/s. Talati & Talati , Chartered Accountants, Ahmedabad will retire at the ensuing Annual General Meeting. They have submitted certificate for their eligibility for reappointment under Section 224(1B) of the Companies Act,1956.

The Notes of the Auditors to the accounts are self explanatory.

11.3 Particulars of Employees:

- There is no employee drawing remuneration requiring disclosure under the Companies (Particulars of Employees) Rules, 1975.

11.4 Deposits:

At the end of the Financial Year under Report, no fixed deposit remained unclaimed by the deposit holder, which was due for repayment.

12. Particulars as required under The Companies (Disclosure of Particulars in the report of the Board of Directors)Rules, 1988, is as per Annexure 1 annexed herewith.

13. Acknowledgement:

Your Directors express their sincere gratitude for the assistance and cooperation extended by Financial Institutions, Banks, Government Authorities, Shareholders, Suppliers and Customers.

- Your Directors also wish to place on record their appreciation of the contribution made by the employees at their level towards achievements of the Company's goals.

By Order of the Board ,

Registered Office:

Plot No.455,Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382721
Dist:Gandhinagar.

Date:1st December,2007

Pradeep Bhutoria
Chairman & Managing Director

GUJARAT RAFFIA INDUSTRIES LIMITED

Annexure -1.

A. Conservation of Energy:

a) Energy consumption measures taken, additional properties and its impact.

The Company has installed Power factor panels so as to reduce overall power consumption.

b) Total Energy consumption and Energy Consumption per unit of production as per Form A prescribed in the Rules is as under:

Disclosure of particulars with respect to Conservation of Energy:

A. Power and fuel Consumption

	For the period 1 st April 2005 to 30 th September 2007 (18 Months)	For the period 1 st April 2005 to 31 st March 2006(12 Months)
1. Electricity:		
a) Purchased		
Unit	35,31,067	26,63,943
Total amount (in lacs)	167.65	128.02
Rate/Unit Rs.	4.75	4.80
b) Own generation		
Through Diesel Generator		
Unit	4959	1,15,566
Total Amount (Rs. In lacs)	0.63	8.84
Rate/Unit Rs.	12.70	7.65
2. Coal	Nil	Nil
3. Furnace oil	Nil	Nil
4. LSHS	Nil	Nil
B. Consumption per Unit of Production Of HDPE fabrics/sheets(kg.)	0.905	1.276

B. TECHNOLOGY ABSORPTION:

a) The Company has not carried any Research & Development Activities during the year under Report.

b) Activities relating to Exports, initiatives taken.

The Company exported goods worth Rs. 1134.05 Lacs which is likely to increase in the year 2007-2008. The management is in active discussion with the potential customers in foreign countries.

c) Total Foreign Exchange earned and used.

The Company has earned Foreign Exchange of Rs. 567.56 Lacs by exporting its products and has spent Rs.282.53 lacs for importing raw materials in the current year.

By Order of the Board,

Registered Office:

Plot No.455,Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382721
Dist:Gandhinagar.

Date: 1st December,2007

Pradeep Bhutoria
Chairman & Managing Director

GUJARAT RAFFIA INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION:

Corporate Governance is important to build confidence and trust which leads to strong and stable partnership with the Investors and all other stakeholders. The detailed Report on implementation of Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange/s is set out below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and ability. The Company has implemented the mandatory requirements of the Code of Governance' as mentioned in Clause 49 of the Listing Agreement. The Compliance Report of the Company vis-à-vis the Stock Exchange Listing Agreement is presented below.

2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

Name of Directors	Category of Directorship	No. of other Directorships*	Committee (1) Membership/ (2) Chairmanship in other companies	No. of Board Meeting attended	Attendance at the AGM held on 29.09.2006.
Pradeep Bhutoria Chairman & Managing Director	Executive	2	---	7	Y
Chandraprakash Jain, Director ceased w.e.f 01.02.2007	Independent Non-Executive	--	--	5	Y
Alpesh R. Tripathi Director	Independent Non-Executive	1	1	7	Y
Prakash D. Ramnani	Independent Non Executive	2	1	7	N
Surendra Patwari (Appointed w.e.f 01.02.2007 and ceased w.e..f 08.09.2007.)	Independent Non Executive	---	1	6	N

* Private Companies excluded.

b) Details of the Directors seeking Appointment /Reappointment in forthcoming Annual General Meeting:

Name of Director	Surendra Patwari	Prakash D. Ramnani
Date of Birth	15-08-1959	22-06-1961
Date of appointment	01-02.2007	01-04-2007
Expertise in specific functional areas	Finance and Taxation	Finance and Administration
List of Public Limited Companies in which Directorships held	NIL	1
Chairman/Member of the Committees of the Board of Directors of the Company	Audit Committee and Remuneration Committee	Audit Committee and Remuneration Committee
Chairman/Member of the Committees of Directors of other companies.	-----	-----

C) Board Procedures:

The Board of Directors meets regularly to review the performance and Financial Results. A detailed Agenda File is sent to all the Directors well in time of the Board Meetings. The Chairman/Managing Director briefs the Directors at every Board Meeting, overall performance of the company.

All major decisions/approvals are taken at the meeting of the Board of Directors such as policy formation, business plans, budgets, and investment opportunities, Statutory Compliance etc. The meeting of the board of directors were held on 1.04.2006, 30.06.2006, 31.07.2006, 31.10.2006, 26.12.2006, 01.02.2007, 28.03.2007.

3. AUDIT COMMITTEE:

The Audit Committee consists of the following Directors:

Name of the Directors	Expertise	Functions of the Committee	Attendance
Surendra Patwari (ceased w.e.f 08/09/2007) Prakash D. Ramnani Alpesh R. Tripathi	All members are Non-executive, Chairman is independent Director and majority are independent. Two members have thorough financial and accounting knowledge.	The functions of the Audit Committee are as per company law and listing agreement with Stock Exchange(s) which include approving and implementing the audit	All the members and Internal Auditors were present at the meeting held on 1.04.2006, 30.06.2006, 31.07.2006, 31.10.2006, 26.12.2006, 01.02.2007, 28.03.2007.

		procedures, review of financial reporting system, internal control procedures and risk management policies.	
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4. REMUNERATION COMMITTEE:

The Board Committee is vested with the responsibilities to function as per SEBI Guidelines and recommends to the Board Compensation package for the Managing Director. It also reviews from time to time the overall compensation structure and related policies with a view to attract , motivate and retain employees.

The Companies comprises the following Directors as members:

1. Chandraprakash Jain, Chairman – Non Executive Independent
2. Prakash D. Ramnani, Member- Non- Executive
3. Alpesh R. Tripathi, Member- Non –Executive Independent

All the members attended the meetings held on 1.04.2006, 30.06.2006, 31.07.2006, 31.10.2006, 26.12.2006 ,01.02.2007 ,28.03.2007(except Mr.Chandra Prakash Jain as he resigned as director of the company w.e.f.01.02.2007).

Details of remuneration paid:

1. The Company paid Managerial Remuneration of Rs. 4,10,400 to Shri Pradeep Bhutoria, Managing Director during the 18 month period ended 30th September, 2007..
2. The other Directors were not paid sitting fees. No Commission or Stock Option has been offered to the Directors.

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:

The Board has constitutes a Shareholders/Investors' Grievances Committee for the purpose of effective redressal of the complaints of the shareholders such as Dematerialization, Share Transfer, Non receipt of Balance sheet , Dividend Warrants etc.

Shri Prakash Ramnani, Director and Shri Pradeep Bhutoria, Managing Director are the Members of the Committee.

6. GENERAL BODY MEETINGS:

Details of last three Annual General Meetings of the Company are given below:

Financial Year	Date	Time	Venue
2003-2004	29.09.2004	1.00 Noon	Plot No. 455, Santej-Vadsar road, Village: Santej, Taluka Kalol-382 721.Dist: Gandhinagar.
2004-2005	29.09.2005	1.00 Noon	---Same----
2005-2006	29.09.2006	2.00 Noon	---Same----

Pursuant to the provisions of Section 192A of the Companies Act,1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

7. DISCLOSURES:

- a) The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management that may have any potential conflict with the interest of the Company. The Company has no subsidiary.
- b) There has neither been any non compliance of any legal provision of applicable law, nor any penalty, structure imposed by the Stock Exchange/s or SEBI or any other authorities, on any matters related to Capital Market during the last three years.

8. MEANS OF COMMUNICATIONS:

- a) In compliance with the requirements of the Listing Agreement, the Company is regularly intimates Unaudited /Audited Financial Results to the Stock Exchange/s immediately after they are taken on record by Board of Directors. These Financial Results are normally published in " Western Times" (English and Gujarati)

Results are not displayed on Website and are not sent individually to the shareholders.

- b) During the 18 months period ended on 30th September,2007, no presentations were made to Institutional Investors or analyst or any other enterprise.
- c) Management Discussion and Analysis form part of the Annual Report.

9. SHAREHOLDERS' INFORMATION:

- a) Registered Office: Plot No. 455, Santej-Vadsar Road,
Village: Santej, Taluka: Kalol-382721
Dist: Gandhinagar.
- b) Annual General Meeting: Day: Tuesday
Date: 1st January, 2008
Time: 2.00 p.m
Venue: Plot No. 455, Santej-Vadsar Road,
Village: Santej, Taluka: Kalol-382721 Dist. Gandhinagar.
- c) Financial Calendar:
- | | |
|------------------------------------|------------------------------|
| 1 st Quarter Results: | End July, 2006 |
| Half yearly Results: | End October, 2006 |
| 3 rd Quarter Results: | End January, 2007 |
| 4 th Quarterly Results: | End April, 2007 |
| 5 th Quarterly Results: | End July, 2007 |
| Audited yearly Results: | End November- December, 2007 |

The Company was granted extension of Financial Year upto 30.09.2007 from The Registrar of Companies, Gujarat.

- d) Book Closure Date: 31st Day of December, 2007
- e) Dividend Payment Date: Not Applicable
- f) Listing of Shares on:
Stock Exchanges
- Equity Shares of the company are listed on the following
Stock Exchanges:
- Ahmedabad Stock Exchange Limited
Kandhenu Complex,
Nr. Polytechnic, Ambawadi.
Ahmedabad-380015.
- Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001.
- The Calcutta Stock Exchange
Association Ltd.
7, Lyons range,
Kolkatta-700 001.
- National Stock Exchange of India,
Mahindra Towers, "A" Wing,
1st Floor, RBC Worli, Mumbai-400 018.

g) Stock Exchange Code:

Stock Exchange

Code

ASE

20214

BSE

526965

NSE

GUJRAFFIA

CSE

h) Stock Price Data:

The shares of the company have not been traded during the period from 1st April,2005 to 31st March,2006, hence no information is submitted.

i) Registrar and Share Transfer Agents:

In terms of SEBI Circular No. D & CC/FITTC/CIR 15/2004 dated 27th December,2002 read with circular no. D & CC/FITTC/CIR 18/2003 dated 12th February,2003, on appointment of common agency of share registry work, the company has appointed the below mentioned agency as Registrars and Share Transfer Agents(RTA) for both Physical and Demat Segment of Equity Shares of the company.

M/s. Pinnacle Share Registry Pvt. Ltd.
Nr. Asoka Mills Premises, Naroda Road,
Ahmedabad-380025.
Tel No: (079) 2220 4226, 2220 0591
Fax No: (079) 2220 2963
e.mail id: investor.service@psrpl.com

j) Share Transfer System:

The transfer of shares in physical form is processed and completed by M/s. pinnacle share registry pvt. Ltd. within a period of 25 days from the date of receipt thereof.

k) Distribution of Shareholding as on 30th September, 2007:

No. of Equity Shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Upto 500	24601	95.95	5064646	49.56
501-1000	506	2.69	661082	6.47
1001-2000	126	0.79	363747	3.56
2001-3000	44	0.25	191077	1.87
3001-4000	10	0.08	88654	0.87
4001-5000	14	0.10	138485	1.36
5001-10000	14	0.08	160256	1.57
10001 and above	3	0.07	3550753	34.75
Total	25318	100.01	10218700	100.01

i) Category of shareholders as on 30th September, 2007

Category	No. of shares held	% of shareholding
Promoters	3266296	31.96
Financial Institutions/Banks	---	--
Mutual Fund	---	---
Bodies Corporate	68768	0.68
NRI	83550	0.82
Public	6800086	66.55
Total	10218700	100.01

m) Outstanding GDRs/ADRs/Warrants or any convertible instruments, Conversion Date and likely impact on Equity. The Company has not issued any GDRs/ADRs.

n) Dematerialization of Shares:

The Company has entered into shares agreement with NSDL/CDSL for dematerialization of Shares.

As on 30th September, 2007, a total of 4405538 Shares of the company which forms 43.11% of the share capital of the company stands dematerialized.

10. Plant Locations:

The Company's Plant is situated at :
Plot No. 455, Santej-Vadsar road,
Village: Santej,
Taluka: Kalol-382 721.
Dist: Gandhinagar.

11. Address for Correspondence:

For both Physical and Electronic form:
M/s. Pinnacle Share Registry Pvt. Ltd.
Near Asoka Mills Premises Naroda Road,
Ahmedabad-380 025.
Tel No: (079) 2220 4226, 2220 0591
Fax No: (079) 2220 2963.
e.mail id: investor.service@psrpl.com

For any assistance regarding correspondence dematerialization of shares, share transfers, transactions, change in address, non receipt of dividend or any other query, relating to shares:

Registered Office: Plot No.455,
Santej-Vadsar Road, Village: Santej, Taluka: Kalol-382 721.
Dist: Gandhinagar.
Telephone Nos: (02764) 286672, 286673
Fax No: (02764) 28 66 52.

Compliance officer: Shri Dhiren Parikh

Place: Ahmedabad

For and on behalf of the Board

Date: 1st December, 2007.

Pradeep bhutoria
Chairman & Managing Director

AUDITORS' CERTIFICATE

To the Members of Gujarat Raffia Industries Limited,

We have examined the compliance of conditions of Corporate Governance by M/s. Gujarat raffia Industries Limited for the year ended on 30TH September,2007 as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the company for ensuring the compliance of conditions of 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 in all material respects with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

As per representation received from the Registrars of the company, we state that as per records maintained by the shareholders/investors grievance committee, no investor grievance remaining unattended/pending for more than 30 days.

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.

Place: Ahmedabad

Date:01.12.2007

For Ms/ Talati & Talati
Chartered Accountants

Umesh H. Talati
Partner

MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry Structure and Developments:

The Industry is dependent on performance of core sectors like agriculture, fertilizer, cement and exports. Due to indifferent monsoon during last few years and in general recessionary economies, the performance of the above sectors was hit. The policy changes in infrastructure and good monsoon during the year will lead towards the brighter future of the company.

b. Opportunities and Threats:

The HDPE/PP woven Sacks/Bags industry as a whole will be benefited by 40% relaxation of Jute Mandatory and Packaging order which will be enable food corporation of India and other agencies to pack 40% of food grains in HDPE/PP Bags, HDPE/PP Bags sector is the biggest sector in India for packaging. The Company has successfully initiated its efforts for increasing exports and has set a target of exporting 50% of its production.

c. Segment wise Performance:

The Company is operating only in one segment. The production/turnover/performance of the Company have been disclosed in the Directors report under the Head Production, sales and working results.

d. Recent Trend and Future Outlook:

The recent trend in quite favourable for the industry in view of good monsoon as the Company has sizable presence in fertilizer sector. The opening up of food grains sector will enable the woven sacks industry to see better times again.

e. Risks and Concerns:

The industry is plagued by intense competition due to major petrochemical manufacturers making available cheap raw material abundantly.

f. Internal Control Systems and their adequacy:

The Company has a adequate systems of Internal Controls commensurate with its size and operations to ensure orderly and efficient conduct of business. These controls ensure safeguarding of assets, reduction and detection of fraud and error, adequacy and completeness of the accounting records and timely preparation of reliable financial information.

g. Financial Performance with respect to operational performance:

The financial performance of the company for the year 2006-2007 is described in the Director's report under the head "Review of Operations".

h. Material Developments in Human resources and Industrial Relations Front:

The Company has continued to give special attention to Human Resources/Industrial relations development. Industrial relations remained cordial throughout the year and there was no incidence of strike, lock out etc.

i. Cautionary Statement:

Statement in this Management Discussion and Analysis Report, describing the Company's objectives, estimated and expectations may constitute "Forwarding Looking Statements" within the meaning of applicable laws or regulations. Actual results might differ materially from those either expressed or implied.

Place: Ahmedabad

For and on behalf of the Board

Date: 01.12.2007

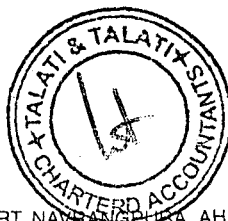
Pradeep bhutoria
Chairman & Managing Director

Talati & Talati
Chartered Accountants

AUDITORS' REPORT

To
The Members
GUJARAT RAFFIA INDUSTRIES LIMITED
AHMEDABAD

1. We have audited the attached Balance Sheet of **GUJARAT RAFFIA INDUSTRIES LIMITED**, as at 30th September 2007, and also the Profit and Loss Account and the cash flow statement for the 18 months 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 the 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 from 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 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 paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that;
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

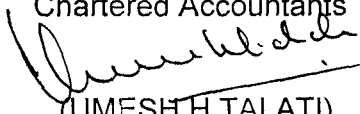


- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet and Profit and Loss Account and Cash Flow statement dealt with by this Report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow statement dealt with this Report comply with the Accounting Standards referred to in Sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the Directors, as on 30th September, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2007 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2007.
- (b) In the case of the Profit and Loss Account, of the profit for the 18 months ended on that date.
- (c) In the case of the Cash Flow statement, of the cash flows for the 18 months ended on that date.

AHMEDABAD
DATE: 11/12/07



For TALATI & TALATI
Chartered Accountants


(UMESH H. TALATI)

Partner

Mem.No. 34834

RE: GUJARAT RAFFIIA INDUSTRIES LIMITED
AHMEDABAD

Referred to in paragraph 3 of our report of even date.

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, majority of the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) During the year, the company has not disposed off any major part of the Fixed Assets.

(ii) (a) As explained to us the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, 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) In our opinion and according to the information and explanations given to us the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to size of operations of the company.

(iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of clause (a),(b),(c), and (d) are not applicable to the company.

(e) The Company has taken loans from one director and four Companies having maximum balance of Rs.1,05,23,850/- and closing balance of Rs. 1,04,88,145/- covered in the register maintained under section 301 of the Companies Act,1956.



- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which loans have been taken from companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (g) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal controls.
- (v)(a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market- prices for such services and items have been made with other parties.
- (vi) In our opinion and according to the information and explanations given to us, the company has neither accepted nor renewed any deposit from the public during the period covered by our audit report , attracting the provisions of Section 58A and 58AA or other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) The Company has appointed a firm of Chartered Accountants as its Internal Auditors for the year under review The Internal Audit for the year is therefore carried out by the said firm. In our opinion, the internal audit system is commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. Hence the provision of this clause is not applicable to the company.



(ix) (a) According to the records of the company, the Company is generally regular in depositing undisputed statutory dues including Investor Education Protection Fund, Income Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, cess and other statutory dues with the appropriate authorities.

(b) According to the records of the company, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, Excise duty and cess which have not been deposited on account of any dispute except the following :

Sr. No.	Name of the Statute	Nature of Dues	Forum where dispute is pending	Unpaid Amount (Rs)
1.	Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	1,21,258/-

(x) The Company does not have any accumulated losses at the end of the 18 months period on 30th September, 2007. The Company has not incurred any cash loss during the financial year covered by our audit. However, The Company has incurred cash loss of Rs. 1,48,97,779/- in immediately proceeding financial year.

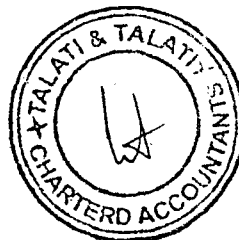
(xi) Based on our audit procedures and on the information and explanations given by the management and as per the restructuring of the Debt by Financial Institution, we are of the opinion that the company has not defaulted in repayment of dues to the banks.

(xii) The company has not granted any loans against security by way of pledge of shares, debentures and other securities.

(xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) In our opinion and according to the information and explanation given to us, the company is dealing in or trading in shares. The Company has maintained proper records of the transactions and timely entries have been made therein.

(xv) In our opinion and according to the information and explanation given to us, the company has not given any guarantee for loans taken by others

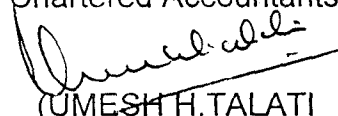


from bank or financial institution hence the provision of this clause is not applicable to the company.

- (xvi) During the year under report, Company has not taken any term loan.
- (xvii) In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that there are no funds raised on short-term basis have been used for long-term investment by the company.
- (xviii) The company has not made any preferential allotment of shares to any parties and companies covered under the register maintained u/s.301 of the Act.
- (xix) During the period covered by our audit report, the company has not issued any debentures.
- (xx) During the period covered by our audit report, the company has not raised any money out of public issue.
- (xxi) In our opinion and according to information and explanations given to us, no material fraud on or by the company has been noticed or reported during the course of our audit.

AHMEDABAD
DATE: 11/12/07

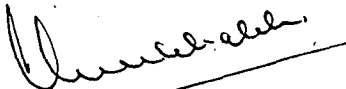


For TALATI & TALATI
Chartered Accountants

(UMESH H. TALATI
Partner
Mem.No. 34834


**GUJARAT RAFFIA INDUSTRIES LIMITED
BALANCE SHEET AS AT 30TH SEPTEMBER, 2007.**

	SCHE DULE	Amount Rs.	As on 30.09.2007 Amount Rs.	As on 31.03.2006 Amount Rs.
1 SOURCES OF FUND:				
SHARE CAPITAL	1	49947750		101135997
RESERVES & SURPLUS	2	<u>17949260</u>	67897010	<u>77914654</u> 179050651
2 LOAN FUNDS				
SECURED LOANS	3	10898287		26374441
UNSECURED LOANS	4	<u>13664319</u>	24562606	<u>2647225</u> 29021666
Total			<u>92459616</u>	<u>208072317</u>
APPLICATION OF FUNDS:				
1 FIXED ASSETS				
GROSS BLOCK	5	158332952		154420956
LESS: DEPRECIATION		<u>101353529</u>	56979423	<u>91681284</u> 62739672
NET BLOCK				
2 INVESTMENT				
	6		500	500
3 CURRENT ASSETS, LOANS & ADVANCE				
INVENTORIES	7	32750954		22239985
SUNDRY DEBTORS	8	14033523		24864661
CASH & BANK BALANCES	9	1449132		2390511
LOANS & ADVANCES	10	<u>18173052</u>		<u>23779213</u>
		66406661		73274370
LESS: CURRENT LIABILITIES & PROV.	11	<u>30926968</u>		<u>52719145</u>
NET CURRENT ASSETS			35479693	20555225
4 PROFIT & LOSS ACCOUNT				
	12		0	124776920
Total			<u>92459616</u>	<u>208072317</u>
NOTES FORMING PART OF THE ACCOUNTS	20			

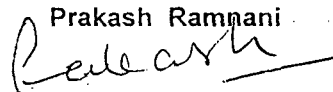
As per our report of even date
For Talati & Talati
Chartered Accountants


Umesh H. Talati
Partner

For and on behalf of the Board
Pradeep Bhutoria


Managing Director

Prakash Ramnani


Director
Place : Ahmedabad
Date : 11/12/07

Place : Ahmedabad
Date : 11/12/07

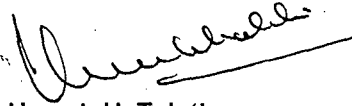


GUJARAT RAFFIA INDUSTRIES LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM
1ST APRIL, 2006 TO 30TH SEPTEMBER, 2007**

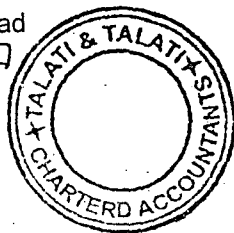
Particulars	SCHE DULE	Period Ended	Period Ended
		30-09-2007 18 Months Amount(Rs.)	31-03-2006 12 Months Amount(Rs.)
INCOME :			
INCOME FROM OPERATIONS	13	294424175	207897350
OTHER INCOME	14	2070489	475665
INCREASE/(DECREASE) IN STOCK	15	11723898	(8995052)
TOTAL		308218562	199377963
EXPENDITURE :			
RAW MATERIAL CONSUMPTION		213504208	161769261
MANUFACTURING & OTHERS EXP.	16	65759272	49615822
INTEREST	17	5372716	4049151
DEPRECIATION		9959877	6634854
TOTAL		294596073	222069088
PROFIT/(LOSS) FOR THE YEAR		13622489	(22691125)
ADD :EXTRA ORDINARY INCOME	18	49740	24214372
PRIOR PERIOD ADJUSTMENT	19	11809	1158492
PROFIT/(LOSS) BEFORE TAXATION		13684038	2681739
LESS :PROVITON FOR TAXATION			
Fringe Benefit Tax		60759	116924
PROFIT/(LOSS) AFTER TAXATION		13623279	2564815
LOSS BROUGHT FORWARD	12	(15514052)	(142741735)
BALANCE CARRIED TO BALANCE SHEET		(1890773)	(140176920)
Basic & Diluted Earning Per Share		1.36	(2.23)
(Face value of Rs. 5 each)			
(Note No. 11 of Schedule 20)			
NOTES FORMING PART OF THE ACCOUNTS	20		

As per our report of even date
For Talati & Talati
Chartered Accountants

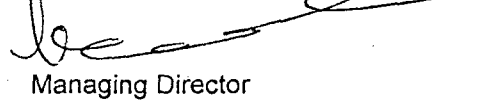


Umesh H. Talati
Partner

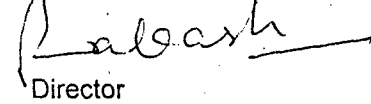
Place : Ahmedabad
Date : 1/12/07



For and on behalf of the Board
Pradeep Bhutoria


Managing Director

Prakash Ramnani


Director

Place : Ahmedabad
Date : 1/12/07

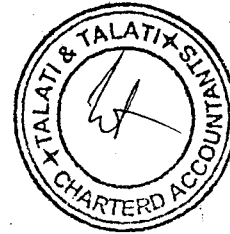


GUJARAT RAFFIA INDUSTRIES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	As at 30.09.2007 18 Months Amount Rs.	As at 31.03.2006 12 Months Amount Rs.
SCHEDULE-1 : SHARE CAPITAL		
AUTHORISED :		
1,10,00,000 Equity Shares of Rs.10/- each (Pervious year 1,10,00,000 Eq.Shares of Rs. 10/- each)	110000000	110000000
ISSUED,SUBSCRIBED & PAID UP :		
99,89,550 Equity Shares of Rs.5/- each (The Equity share capital of the Company had been reduced from 10,21,87,000 comprising of 1,02,18,700 shares of Rs.10/- per share fully paid up (except calls-in-arrears of Rs.10,51,003/- comprising of 2,29,150 shares partly paid up, which had been forfeited during the year) to Rs.4,99,47,750/- comprising of 99,89,550 equity shares of Rs.5/- each fully paid up. The reduction in capital had been approved under section 100 of the Companies Act, 1961 by the High Court of Gujarat vide its order dated September 21, 2007.) (Previous year 10218700 Equity shares of Rs. 10/- each fully paid up)	49947750	102187000
Less:		
Calls in arrear (Other than Directors)	0	1051003
	<u>49947750</u>	<u>101135997</u>
SCHEDULE-2 : RESERVES & SURPLUS		
CAPITAL RESERVE		
On Forfeiture of 2,29,150 Equity shares	2530849	0
SHARE PREMIUM :		
As per last Balance Sheet	76005470	76005370
Less Adjusted against debit balance of P & L A/c on capital reduction pursuant to court order.	<u>(76005470)</u>	<u>100</u>
	0	76005470
SUBSIDY:		
As per last Balance Sheet	1909184	1909184
GENERAL RESERVE:		
As per last Balance Sheet	15400000	15400000
Less: Deduct from P&L A/c.	<u>(1890773)</u>	<u>(15400000)</u>
	13509227	0
	<u>17949260</u>	<u>77914654</u>
SCHEDULE-3 : SECURED LOANS		
1) TERM LOAN FROM IDBI/[SASF]	0	10425000
(secured by the immovable and movable assets of the company except inventories & book debts and also guaranteed by Chairman and Managing Director)		
2) CASH CREDIT FROM BANK OF BARODA	10898287	15949441
Secured against entire stock of Raw Material (imported / indogenous) semi-finished goods finished Goods,Book Debts and Second Charge on immovable and movable assets of the company		
	<u>10898287</u>	<u>26374441</u>
SCHEDULE-4 : UNSECURED LOANS		
1) Loan from Directors	2960397	0
1) Corporate Deposits	10585043	2369872
2) Vehicle Loans	118879	277353
	<u>13664319</u>	<u>2647225</u>



Gujarat Raffia Industries Limited										
SCHEDULE -5 : FIXED ASSETS AT ON 30/09/2007										
Description	GROSSBLOCK				DEPRECIATION			NET BLOCK		
	AS AT 01.04.06	Addition	Sales/ Adj.	As at 30.09.07	As at 31.03.06	Provided For current period	Deduct./ Adj./	As at 30.09.07	As at 30.09.07	As at 31.03.06
1 Land (free hold)	822932	0	0	822932	0	0	0	0	822932	822932
2 Building	30714964	2368597	0	33083561	11663613	1560793	0	13224406	19859155	19051351
3 Plant & Machinery	117212261	1096556	0	118308817	76913969	7816671	0	84730640	33578177	40298292
4 Furniture & Fixture	2062451	215750	0	2278201	1048893	141246	0	1190139	1088062	1013558
5 Office Equipment	728688	236653	0	965341	513239	39544	0	552783	412558	215449
6 Instruments (Mobile)	19631	42640	0	62271	19631	42640	0	62271	0	0
7 Vehicles	2860029	303701	351901	2811829	1521939	358983	287632	1593290	1218539	1338090
TOTAL	154420956	4263897	351901	158332952	91681284	9959877	287632	101353529	56979423	62739672
Previous Year	155371645	277904	1228593	154420956	85565455	6634854	519025	91601284	62739672	69806191



**SCHEDULE-6 : INVESTMENT AT COST
QUOTED**

Asia Pacific Ltd.	500	14725
500 Shares @ Rs.1.00		
(Market Value Rs.500/-, Previous Year Rs. 500/-)		
Less :Provision for diminution in value of investment	0	14225

UNQUOTED

500	500
0	0
500	500

SCHEDULE-7 : INVENTORIES

(As taken valued and certified by Management)

STORES & SPARES	780925	561567
RAW MATERIALS	7310132	8742419
WORK IN PROGRESS	14722577	4745732
FINISHED GOODS	9224872	7464495
WASTAGE	21138	34462
SHARES	691310	691310
	32750954	22239985

SCHEDULE-8 : SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding Six months:

Considered Good	1636154	445456
Considered Doubtful	331169	331669
<u>Other Debts:</u>		
Considered Good	12066200	24087536
	14033523	24864661

SCHEDULE-9 : CASH & BANK BALANCES

CASH ON HAND	668876	1903815
BALANCE WITH SCHEDULED BANKS:		
in Current Account	569087	306177
in Fixed Deposits	211169	180519
	1449132	2390511

SCHEDULE-10 : LOANS & ADVANCES

(Unsecured - Considered Good)

Advances recoverable in cash or in kind or for value to be received	4231070	18482277
Tender & Term Deposits	1585545	1345998
Balance with Government Department	11081939	3403024
Advance Tax	1274498	547914
	18173052	23779213



SCHEDULE-11 : CURRENT LIABILITIES & PROVISINS

CURRENT LIABILITIES:

Sundry Creditors :

-For Goods

-For S.S.I.

-Others

258916	243260
10208985	39133375

For Expense

544223	2444768
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Advance from Customers

18250014	9063278
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Statutory Liabilities

1487147	1757322
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PROVISIONS:

F.B.T.Provision

177683	116924
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<u>30926968</u>	<u>52719145</u>
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SCHEDULE-12 : PROFIT & LOSS ACCOUNT

Debit balance as per

Profit & Loss Account

140176920	140176920
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Less Adjusted against Share Capital and Share premium on capital

124662868	---
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Reduction as per court order.

15514052	140176920
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13623279	---
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Less: Current period profit as per Profit & Loss Account

1890773	140176920
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1890773	15400000
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Less : General Reserve

0	<u>124776920</u>
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GUJARAT RAFFIA INDUSTRIES LIMITED

SCHEDULE OF PROFIT AND LOSS ACCOUNT AS ON 30/09/2007

	Period Ended 30-09-2007 18 Months Rupees	Period Ended 31-03-2006 12 Months Rupees
SCHEDULE-13 : INCOME FROM OPERATION		
Sales	292590132	206780380
Waste Sales	1834043	1116970
	<u>294424175</u>	<u>207897350</u>
SCHEDULE-14 OTHER INCOME		
Commission Income (Net of Com. Exp. of Rs.73,35,618/-)	1785723	0
Interest (TDS Rs.13099/-,previous year Rs. 7960/-)	249349	468437
Interest on I.T. Refund	8631	0
Profit on sales of Machine	0	628
Dividend	6500	6600
Sundry Balance written off Account	20286	0
	<u>2070489</u>	<u>475665</u>
SCHEDULE-15 INCREASE/DECREASE IN STOCK		
CLOSING STOCK :		
Finished Goods	9224872	7464495
Waste	21138	34462
Shares	691310	691310
	<u>9937320</u>	<u>8190267</u>
Process Stock	14722577	4745732
	<u>24659897</u>	<u>12935999</u>
Less : Opening Stock		
Finished Goods	7464495	16043347
Waste	34462	2851
Shares	691310	740610
	<u>8190267</u>	<u>16786808</u>
Process Stock	4745732	5144243
	<u>12935999</u>	<u>21931051</u>
INCREASE/ (DECREASE)	<u>11723898</u>	<u>(8995052)</u>



SCHEDULE-16**MANUFACTURING EXPENSES**

EXCISE DYTU EXP.	23165903	19020033
PROCESSING CHARGES	750593	2198086
STORES & SPARES CONSUMED	4402086	4263790
POWER & FUEL	16828461	13685869
	45147043	39167778

PAYMENT TO & PROVISIONS FOR EMPLOYEES.

SALARY,WAGES,BONUS	3672797	2019140
CONTRIBUTION TO P.F.& OTHER FUNDS	189281	119172
STAFF WELFARE	45957	154187
	3908035	2292499

SALES & DISTRIBUTION EXPENSES.

SALES TAX	3603496	1513409
TRAVELLING EXPENSES	178562	323855
COMMOSSIN	---	110543
TRANSPORTION CHARGES	6354113	1024805
BAD DEBTS	0	50000
	10136171	3022612

ESTABLISHMENT & OTHER EXPENSES

RENT RATES & TAXES	35371	49821
LEGAL & PROFESSIONAL CHARGES	830403	365146
VEHICAL EXPENSES	0	700495
AUDITORS REMUNERATION :		
AUDIT FESS	37556	27000
TAXAUDIT FEES	9622	10800
GENERAL EXPENSES	2287380	2671773
DIRECTOR'S REMUNERATION	410400	273600
INSURANCE	161139	171389
DIRECTORS SITTING FEES	0	10000
LOSS ON SALES OF FIXED ASSETS (NET)	22769	0
FOREIGN EXCHANGE LOSS (NET)	1570451	4375
	5365091	4284399

REPAIRS & MAINTENANCE

PLANT & MACHINARY	956278	409867
BUILDING	2981	45818
OTHERS	243673	392849
	1202932	848534

TOTAL**65759272****49615822****SCHEDULE-17: INTREST & FINANCE CHARGES**

INTEREST ON TERM LOAN	831471	0
INTEREST TO BANK	2353386	2280481
INTEREST ON SALES TAX	14074	0
OTHER INTEREST EXPENSES	2173785	1768670
	5372716	4049151

SCHEDULE-18: EXTRA ORDINARY ITEMS

Extra Ordinary Income	49740	24228597
Less: Diminution in value of investment	0	14225
	49740	24214372

SCHEDULE-19: PRIOR PERIOD ADJUSTMENT

Prior Period-Interest Income (TDS Rs.3416.76) (Previous Year Rs.230828.00)	11809	1248245
Less.:Prior Period Expense	0	89753
	11809	1158492



SCHEDULE - 20**NOTES FORMING PART OF THE ACCOUNTS:****1 SIGNIFICANT ACCOUNTING POLICIES :****BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared under the historical cost convention in accordance with generating accepted accounting principles in India, the Accounting standards issued by the Institute of chartered accountants of India and the relevant provisions of the Companies Act, 1956.

REVENUE RECOGNITION

Sales are recognised when goods are supplied and are recorded net of trade discount but includes Sales tax, excise duty, export incentive and job work income.

FIXED ASSETS, DEPRECIATION AND AMORTISATION

Fixed assets are stated as cost net of Cenvat less accumulated depreciation, amortisation and impairment loss if any. All cost relating to the acquisition & installation of fixed assets are capitalised.

Depreciation is provided on the straight line method and at the rates and in the manner specified in schedule -XIV to the companies Act, 1956.

FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Foreign currency monetary Assets and Liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions & translation of monetary items are recognised in profit & loss account.

INVESTMENTS

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary.

INVENTORIES

(A)	Raw Materials	At cost or Net realisable value, whichever is lower
(B)	Finished Goods	At cost or Net realisable value, whichever is lower
(C)	Work in process	At cost or Net realisable value, whichever is lower
(D)	Stores & Spares	At cost or Net realisable value, whichever is lower
(E)	Waste	At cost or Net realisable value, whichever is lower
(F)	Shares	At cost or Net realisable value, whichever is lower



RETIREMENT BENEFITS

Contribution to defined contribution scheme such as provident fund and family pension fund are charged to the profit & loss accounts are incurred. The company also provides retirement benefits in the form of gratuity based on actuarial valuations at the balance sheet date. In the opinion of the management no provision for the year is required to be made in respect of leave encashment and hence not provided for in the books of accounts.

TAXATION

Current Tax

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax

Deferred Tax is recognised on timing differences being the difference between taxable income & accounting income that originate in one period & are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed 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.

PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.



GUJARAT RAFFIA INDUSTRIES LTD.

II. NOTES TO BALANCE SHEET:

- 1 Company has entered into a Scheme of Settlement with SASF (Stress Assets Stabilisation Fund). As per the Scheme of Settlement the Company is to pay the principal amount of Rs.200 lakhs till 31-03-2007 as full and final settlement along with interest @ 10.25% p.a. calculated on the out- standing balance commencing from 1/4/2006. Accordingly the company has paid the said amount.
- 2 The previous year's figures have been regrouped wherever necessary. The previous year's figures are not comparable with current year figures as the current period is of 18 months and the previous period was of 12 months.
- 3 The company had calls-in-arrears of 2,29,150 equity shares amounting to Rs.10,51,003/-. During the year, the company had forfeited the above equity shares amounting to Rs.22,91,500/- and its share premium of Rs. 12,90,352/-. In virtue of the forfeiture of shares the company has transferred corresponding equity share capital and share premium to capital reserve account by Rs.25,30,849/-.
- 4 The Company's Petition of Capital Reduction filed under section 100 of the Companies Act, 1956, has been approved by Honorable High Court of Gujarat on 21/09/2007. Certified copy of the said order has been given on 27/09/2007. The Company has filed Form No.21 with the Registrar of Companies on 29/09/2007.
In view of the said order of The Honorable High Court of Gujarat the equity share capital of the company has been reduced from Rs.9,98,95,550/- (Rs.10,21,87,000/- being issued and subscribed capital less forfeited share capital Rs.22,91,500/-) divided into 99,89,550 equity shares of Rs.10/- each fully paid up to Rs. 4,99,47,750/- divided into 99,89,550 equity shares of Rs. 5/- each fully paid up.
- 5 In consonance with the approval of the capital reduction petition by the Honorable High Court of Gujarat, the Company has consolidated 99,89,550 equity shares of Rs.5/- each into 49,94,775 equity shares of Rs.10/- each fully paid up in Extra Ordinary General Meeting held on 15th October, 2007. The effect of the same shall be given in the next year.
- 6 Small scale industrial undertakings to whom amounts are due have been determined based on the information available with the Company and are given below. The dues are within the period of agreed terms.
 1. Friendship Spring Works
 2. Jay Shakti Electric Engineering
 3. Flexibond Industries
 4. The Chandan Polypack
 5. Usha Graphics
 6. Deep Plast Industries
- 7 The Company has not received information from Suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Here disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been made.



- 8 Segment Information:
Based on the guiding principle given in Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company's primary business is manufacturing of P.E.Tarpaulin, H.D.P.E/P.P. Woven Sacks. Fabrics which has similar risks and returns, accordingly there are no separate reportable segment as far as primary segment is concerned.

The operation of the Company are in India and all assets and liabilities are located in India. An Analysis of sales by geographical market is given below:

Name of the country	Amount (Rs.)
India	181,018,724
Out of India	113,405,451
	<u>294,424,175</u>

- 9 Related Parties disclosure under Accounting Standard - 18 :

- A) i) Key management personnel :
Pradeep Bhutoria
- ii) Related concern:
Bengal Business Ltd
Asian Gases Ltd.
Pradeep Finstock & Services Pvt. Ltd.
Sneha Finlease Pvt. Ltd.
Sushma Securities Pvt. Ltd.

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

- B) Transaction carried out with related parties referred to in A) above.

Nature of transactions	Related parties referred in A(i) above Amount (Rs.)	Related parties referred in A(i) above Amount (Rs.)
Purchase	-----	-----
Sales	-----	-----
Jobwork Income	-----	-----
Payment Recd.	-----	30415338
Expenses	-----	315,636
Remuneration	4,10,400	-----
Interest Paid	-----	636018
Directors sitting fees	-----	-----

- 10 As the Company does not anticipate taxable profit in near future, so to comply with the Accounting Standard - 22 issued by the Institute of Chartered Accountants of India. The provision for deferred tax liabilities has not been made during the year.

- 11 Earning per share :

	Current year (For 18 months as on 30.09.2007)	Previous year (For 12 months as on 31.03.2006)
Profit/(Loss) after tax as per profit & loss account	13561730	(22808049)
Total weighed average no.of Equity Shares for Basic & Diluted EPS	9989550	10218700
Basic Earning per Shares (Rs.)	1.36	(2.23)
Diluted earning per share (Rs.)	1.36	(2.23)

- 12 MANAGING DIRECTOR'S REMUNERATION:

A. Remuneration	3,60,000	2,40,000
B Perquisites	50,400	33,600
	<u>4,10,400</u>	<u>2,73,600</u>



13 The additional information pursuant to the provisions of Paragraphs 3, 4c & 4b of Part - II of the Schedule VI of the Companies Act, 1956.

		For 18 Months ended on 30/09/07		For 12 Months ended on 31/03/06					
UNIT	QUANTITY	RUPEES		QUANTITY	RUPEES				
A) CAPACITY:									
PRODUCTION & SALES:									
INSTALLED CAPACITY:									
PE-FABRICS / SACKS /									
TARPAULIN / ROPES	M.T.	6660.000		4440.000	--				
PRODUCTION :									
PE-FABRICS / SACKS /									
TARPAULIN / ROPES	M.T.	3201.469		3552.910					
SALES :									
FABRICS	M.T.	223.924	20,340,286	893.870	7,37,68,526				
SACKS	M.T.	209.759	19,412,778	231.046	1,70,62,063				
TARPAULIN	M.T.	2599.296	240,776,163	1363.639	10,23,90,214				
(OTHERS INCL. TRADE SALES)	----	--	13,894,948	--	1,46,27,247				
SHARES	NOS	--		--	49,300				
			<u>294,424,175</u>		<u>20,78,97,350</u>				
B) CONSUMPTION OF RAW MATERIALS :									
FABRICS	M.T.	298.203	23,392,079	932.149	6,19,54,291				
GRANULES	M.T.	3082.900	183,141,972	1685.815	9,55,32,021				
OTHERS	---	---	4,859,913	---	27,57,552				
			<u>211,393,964</u>		<u>16,02,43,864</u>				
C) PURCHASES OF GOODS :									
EYELETS	M.T.	---	---	M.T	7,45,397				
SACKS	M.T.	19.536	21,10,243	M.T	11.509				
TARPAULIN	M.T.	---	---	M.T	---				
FABRICS	M.T.	---	---	M.T	---				
			<u>21,10,243</u>		<u>15,25,397</u>				
D) FINISHED GOODS :									
		As on 1/4/2006		As on 1/4/2005		As on 30/09/07		As on 31/03/2006	
OPENING STOCK				CLOSING STOCK					
UNIT	Qty.	Amount	Qty	Amount	Qty	Amount	Qty	Amount	
SACKS	NO'S	---	5760	50,400	219154	21,03,878	---	---	
TARPAULINE /									
ROLL / COVER /									
FABRIC SHEET	M.T.	25.989	74,64,495	28801	1,59,92,947	79.655	71,20,993	25989	74,64,495
			<u>74,64,495</u>		<u>1,60,43,347</u>		<u>92,24,871</u>		<u>74,64,495</u>
SHARES	NO'S	576300	6,91,310	588500	7,40,610	576300	6,91,310	576300	6,91,310



22ND ANNUAL REPORT 2006-07
For 18 Months ended on 30/09/07

For 12 Months ended on 31/03/06

	Amount Rs.	% of total	Amount Rs.	% of total
E) CIF VALUE OF IMPORTS :	18454673	100.00	93,30,106	100.00
Raw materials				
F) VALUE OF RAW MATERIALS CONSUMED :				
a) Imported	28253956	13.40	2,21,84,199	13.84
b) Indigenous	183140008	86.60	13,80,59,665	86.16
	<u>211393964</u>	<u>100.00</u>	<u>16,02,43,864</u>	<u>100.00</u>
G) VALUE OF STORES & SPARE PARTS CONSUMED :				
Imported	—	0.00	—	0.00
Indigenous	44,02,086	100.00	42,63,790	100.00
H) EXPENDITURE IN FOREIGN CURRENCY :				
a) Foreign travel	—		1,02,218	
b) Import of goods	28253956		1,30,48,668	
c) Commission	7335618		—	
I) EARNINGS IN FOREIGN CURRENCY :				
By way of export of goods	56756668		93,29,793	

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details Registration No. '07-7124 Balance Sheet Date :	State Code	04
II	Capital Raised during the year (Amount in Rs. '000)		
	Public Issue NIL Bonus Issue NIL	Right Issue Private Issue	NIL NIL
III	Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)		
	Total Liabilities 92460	Total Assets	92460
	Source of Funds	Application of Funds	
	Paid - up Capital 49948 Reserves & Surplus 17949 Secured Loans 10898 Unsecured Loans 13665	Net Fixed Asset 56979 Investments 1 Net Current Assets 35480	
IV	Performance of the Company (Amount in Rs. '000)		
	Turnover including other income 296494 Profit before Tax 13622 Provision for Taxes 61 Earning per share basic Rs. 1.36	Total expenditure 282872 Profit after Tax 13561 Extra Ordinary Income 62 Dividend Rate (%) NIL	
V	Generic Names of three principal products / services of Company		

ITEM CODE NO.	PRODUCT DESCRIPTION
1 392010.01	HOPE WOVEN SHEETS
2 392010.01	HOPE WOVEN SACKS
3 392010.01	TARPAULIN

Signatures to Schedule 1 to 20
Examined and found correct
For Talati & Talati
Chartered Accountants

Umesh H. Talati
Partner

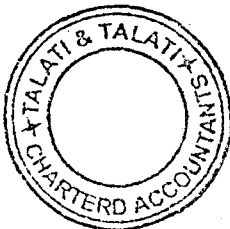
Place: Ahmedabad
Date: 11/12/07

For and on behalf of the Board
Pradeep Bhutoria

Managing Director

Prakash Ramnani
Director

Place: Ahmedabad
Date: 11/12/07



GUJARAT RAFFIA INDUSTRIES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30TH SEPTEMBER, 2007

Particulars	Period Ended 18 Months on 30/09/2007	Period Ended 12 Months on 31/03/2006
A. CASH FLOW FROM OPERATOR ACTIVITIES		
Net Profit before Tax	13,684,038	2,681,739
Adjustment for :		
Depeciation	9,959,877	6,634,854
Interest income	(249,349)	(468,437)
Dividend Income	(6,500)	(6,600)
Loss on sale of fixed assets	22,769	(628)
Interst paid	5,372,716	4,049,151
Sundry Balances written off	0	----
Excess provision written off	0	----
Extra Ordinary & Prior period - Items & other items	0	(25,408,242)
Operating Loss before working capital changes	28,783,551	(12,518,163)
Adjustment for :		
Trade & Other Receivables	16,538,165	12,679,674
Inventories	(10,510,969)	13,266,883
Trade Payable	(21,852,935)	1,255,760
Cash Generated From Operation	12,957,812	14,684,154
Direct Taxes Paid (Fringe Bebefit Tax)	(100,866)	(19,891)
Net Cash Flow from Operating Activities (A)	12,856,946	14,664,263
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,263,898)	(277,904)
Sale of Fixed Assets	41,500	838,103
Interest Received	249,349	207,977
Dividend Received	6,500	6,600
Net Cash generated from Investing Activities (B)	(3,966,549)	774,776
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Interest paid	(5,372,716)	(2,722,728)
Proceee for Calls in Arrears	0	250
Proceed for Secured Borrowing	(15,476,154)	(12,864,151)
Proceed for other borrowing	11,017,094	711,371
Net cash used in Financial Activities ©	(9,831,776)	(14,875,258)
Net Increase (A+B+C)	(941,379)	563,781
Cash & Cash Equivalent as on 01.04.06	2,390,511	1,826,730
Cash & Cash Equivalent as on 3d.09.07	1,449,132	2,390,511

FOR TALATI & TALATI
 CHARTERED ACCOUNTANTS

UMESH H. TALATI
 PARTNER

MEM.NO. 34834

Place : Ahmedabad

Date : 11/12/07



FOR & ON BEHALF OF BOARD
 PRADEEP BHUTORIA PRAKASH RAMNANI

MANAGING DIRECTOR

DIRECTOR

Date: 11/12/07

