

**SIXTEENTH
ANNUAL REPORT
2007-2008**



SURBHI

M/S. SURBHI INDUSTRIES LIMITED

Regd. Office : Surbhi Estate, Mohanwadi, Katargam, SURAT - 395 004.

M/S. SURBHI INDUSTRIES LIMITED



BOARD OF DIRECTORS

1. Shri Bipinbhai P. Patel
Chairman
2. Shri Ravjibhai P. Patel
Managing Director
3. Shri Prerak Amin (up to 31.08.2008)
4. Shri Pravinbhai Patel
5. Shri Nimeshbhai Jariwal

AUDITORS:

M/s. D. C. Jariwala & Co.
Chartered Accountant
330, Royal Trading,
Opp. Ratan Cinema, Salabatpura,
Surat - 395003

BANKERS:

Dena Bank
Sahara Gate Branch
Surat - 395004.

REGD. OFFICE

Surbhi Estate,
Mohanwadi,
Katargam,
Surat - 395004

PLANT:

Plot No. 249/1,
Village : Karanj, Ta. Mandvi,
Dist. Surat

COMPANY LAW CONSULTANT:

Pragnesh M. Joshi
Company Secretary



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Sixteenth Annual General Meeting** of the Members of Surbhi Industries Limited Limited will be held on Tuesday, the 30th September 2008 at 12.00 p.m. (noon) at Surbhi Estate, Mohanwadi, Katargam, Surat to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2008, Profit & Loss Accounts for the period ended on 31st March, 2008 together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Pravinbhai Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. D. C. Jariwala & Co, the retiring Auditors who are eligible for re-appointment, as Auditors of the Company from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. De-listing from Ahmedabad Stock Exchange and Vadodara Stock Exchange Limited

To consider and if thought fit to pass with or without modification[s] the following resolution as a Special Resolution.

RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, (including statutory modifications or re-enactment thereof for the time being in force)and the rules framed there under, listing agreement, SEBI (Delisting of Securities) Guidelines, 2003, and such other applicable laws, rules, regulations and guidelines, Listing Agreement and subject to such approvals, permission and sanctions, as may be necessary, the stock exchanges where the shares of the Company are listed and other any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as 'the Board' which terms shall be deemed to include any Committee thereof for the time being in force exercising the power conferred on the Board by this Resolution) the Consent of the Company be and is hereby accorded to Board for voluntarily delisting of its shares from the Ahmedabad Stock Exchange Limited (ASE) at Ahmedabad and , Vadodara Stock Exchange Limited (VSE) at Baroda at such time or times as the Board May decide.

RESOLVED FURTHER THAT the securities of the company shall continue to be listed on the stock exchange having nation wide trading terminals vis the Bombay Stock Exchange Limited and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle all questions, difficulties or doubts as may arise with regard to the voluntary delisting of shares, as it may in its absolute discretion deem fit.



RESOLVED FURTHER THAT the Board of directors of the company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution.

Registered Office:
Surbhi Estate,
Mohanwadi, Katargam
Surat

By order of the Board

Sd/-
Bipinbhai Patel
Chairman

Date : 02/09/2008

Place : Surat

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DULY STAMPED AND RECEIVED BY THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. All documents referred to in the above Notice and the accompanying Explanatory Statements are open for inspection at the Registered Office of the Company during the business hours on any working day(except Sunday and holidays) between 10.00 a.m. and 12.30 p.m. up to the date of the Annual General Meeting.
3. A member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least 7 days prior to the Meeting so that the required information can be made available at the Meeting.
4. Members are requested to 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.
5. Explanatory statement as required under section 173 of the Companies Act, 1956 which form part of this notice is annexed herewith.
6. Members are requested to quote Folio number in all their correspondences.
7. Members are requested to inform the company immediately the changes, if any, in their address specifying full address in Block Capital with Pin code of the post office.
8. As per clause 47 (f) of Listing Agreement with BSE, Company has designated email id: of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors. Investors are requested to send their communication on designated email id : grdsurbhi@gmail.com
9. The of Members and Share Transfer Books of the Company will remain closed from 27.09.2008 to 30-09-2008 (both days inclusive).
10. Members are requested to bring their copy of Annual report of the meeting as the same not be circulated thereat.
11. Members are requested to bring with them the attendance slip and hand it over at entry gate



ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the companies Act, 1956.

Item Nos. 2

Mr. Prerak Amin and Mr. Pravinbhai Patel, were appointed as Director, who are liable to retire by rotation and as per the clause 49 their details are as under:

Name of Director	Shri Pravin Patel
Date of Birth	16 th June 1958
Date of Appointment	25 th December 2002
Qualification	Non Graduate
Expertise in specific functional areas	Finance , business development, negotiation
List of Companies in which directorship is held as on	n.a.
Chairman / Member of the committee of other companies	n.a.

Shri Pravin P. Patel is concerned and interested being appointee.

None of other directors are concerned or interested in these resolutions except the appointee.

The Board of Directors recommend the proposed resolution for acceptance by member.

Item Nos. 4

Presently the Company's shares are listed at the following Stock Exchanges in India.

1. Ahmedabad Stock Exchange Limited , Ahmedabad
2. Vadodara Stock Exchange Limited , Baroda
3. Mumbai Stock Exchange Limited, Mumbai

The Securities & Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 an exit opportunity to the shareholders need not be given where securities of the company remain listed on the stock exchange having nation wide trading terminal, i.e., The Stock Exchange, Mumbai, the National Stock Exchange of India and any other stock exchange that may be specified by SEBI in this regard.

In view of the following reasons it is now proposed that the Company shall seek Voluntary Delisting of its Equity shares from Ahmedabad Stock Exchange Ltd., and Vadodara Stock Exchange Limited:

1. There is no/almost nil trading volume at the said stock exchanges.
2. The Company has looking to the overall business operations/income of the Company and the trading volume, the cost on account of listing fees and other legal paper work involved in continuing the listing of shares at the said stock exchanges, and the cost benefit ratio is lower. And therefore delisting from the Ahmedabad Stock Exchange Ltd., and Vadodara Stock Exchange Limited will prove as one of the cost reduction and time saving steps .
3. The Company will continue listing at the Bombay Stock Exchange Limited, which will provide trading floor to the shareholders / investors.

Considering the negligible (nil) volume of trading and as a part of its cost reduction measure, the consent of members is sought for getting its securities delisted from Ahmedabad Stock Exchange Ltd. at Ahmedabad and Vadodara Stock Exchange Ltd at Baroda as proposed in the special resolution.

The Board recommends the resolution for approval of members.

None of the directors is, in any way, concerned or interested in the said resolution.

Registered Office:
Surbhi Estate,
Mohanwadi, Katargam
Surat

By order of the Board
Sd/-
Bipinbhai Patel
Chairman

Date : 02/09/2008
Place : Surat



DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your Company have pleasure in submitting their **SIXTEENTH ANNUAL REPORT** together with the Audited Statement of Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS AND OPERATIONS

The financial results during the year under review are very much appreciable company has recorded turnover of Rs. 1648.43 lacs as against the previous years turnover of 1357.24 lacs which show 21.45 % increase against the previous year. The Company has earned profit before tax and depreciation of Rs. 108.97 lacs as against Rs. 93.43 lacs of previous year. The net profit after tax of the company increased to Rs. 17.44 lacs against the Rs. 9.69 lacs.

DIVIDEND

In view of requirement of financial resources and considering the future requirements of funds, your Directors are unable to recommend any Dividend for the year ended 31st March 2008

BUSINESS

Efforts are being made to provide better result than earlier years. In view of the increased activities and expansions and programs to grab the emerging opportunities.

The Directors have broad based the board and improved its effectiveness.

DIRECTORS

At the ensuing Annual General Meeting Shri Pravinbhai Patel director retire by rotation in terms of the Articles of Association of the Company and being eligible, offers himself for reappointment. A brief profile of this director are given in the notice of the 16th Annual General Meeting.

A brief resume of director(s) retiring by rotation seeking appointment at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold directorship and /or membership / Chairmanship of Committees of Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section of Annual Report.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public within the meaning of the Companies (Acceptance of Deposits) Rules 1975 during the year.

INSURANCE

All the properties and the insurable interest of the company including building, plants and machinery and stocks wherever necessary and to the extent required have been adequately insured.

AUDITORS

M/s. D. C. Jariwala & Co., Chartered Accountants, the auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting of the Company. They being eligible for reappointment as Statutory Auditor of the Company and have expressed their willingness to accept office and have furnished certificate under Section 224(1B) of the Companies Act, 1956 for their eligibility for re-appointment. Your directors recommend for their appointment.



AUDITORS' REPORT

In the opinion of the directors, the notes to the accounts are self-explanatory and adequately explained the matters, which are dealt with by the auditors.

POLUTION AND ENERGY CONSERVATION AND FOREIGN EXCHANGE.

Company's texturing plants are running with electricity which are supplied by the Daxin Gujarat Vij Company Limited. Moreover, Company has one DG set as a stand by arrangement. The plants are periodically checked as a measure of periodical maintenance to minimise break down and energy conservation. However company's production facilities do not offer much scope for energy conservation. The Company has installed the Wind Turbine having capacity of 800 M.W. During the total 12.23 lacs units were generated. Company has obtained credit of these unites against its electricity consumption at its factory. The particulars regarding technology absorption and Foreign exchange earnings and outgo pursuant to Section 217 (1) (e) of the Companies Act, 1956 are as under :

POWER AND FUEL CONSUMPTION

	2007-08	2006-07
1. Electricity		
(a.) Purchased		
Units (in lacs kw)	30.98	22.60
Total Amount (in lacs Rs.)	145.57	107.44
Rate / unit (In Rs.)	4.70	4.75
(b) Own Generation		
Wind Mill (units in lacs)	12.23	14.23
(Credit was given in Electric Bill)		
Consumption per unit of production		

Products	Polyester Crimped/ Texturised yarn		
	Standard	year	year
	(if any)	2007-08	2006-07
Electricity (Rs./Kg.)		n.a.	n.a.

TECHNOLOGY ABSORPTION

The Company's imported texturing plant is running satisfactorily. No other technology is involved in Company's facility.

FOREIGN EXCHANGE INFLOW / OUT FLOW

	Year 2007-08	2006-07
Foreign Exchange inflow	nil	nil
Foreign Exchange outflow for	Rs.2,22,735	Rs. 1,40,100

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirms the following:

1. That in the preparation of the annual accounts. the applicable accounting standards had been followed along with proper explanation relating to material departures ;



2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31.03.2008 and of the Profit & Loss of the Company for that period ;
3. That they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchange, the report of the Corporate Governance and the Certificate of the Auditors of the Company in respect of compliance thereof are appended hereto and forming part of this report.

LISITNG

At present the your Company's securities are listed on the Bombay Stock Exchange Limited., Ahmedabad Stock Exchange Ltd and Vadodara Stock Exchange Limited. As a cost saving measures and to conserve the resources company seek to delist it shares from Ahmedabad Stock Exchange Ltd and Vadodara Stock Exchange as per the SEBI (Delisting of Securities) Guidelines, 2003. your directors recommend to approve the resolution as stated in the item no. 5 of notice of Annual General Meeting. Necessary steps are being taken to revoke the suspension at the Bombay Stock Exchange Limited.

PARTICULARS OF EMPLOYEES

There was no employee drawing in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

GENERAL

The notes forming part of Accounts, being self-explanatory are not being dealt with separately.

APPRECIATION:

Your Directors express their sincere gratitude for the assistance and co-operation extended by customers, various Government, Semi-Government and Local Authorities, suppliers, Shareholders, business associates.

Your Directors also wish to place on record their deep appreciation for the dedication and hard work put by the employees at all levels towards the growth of the Company. Last but not the least, the Board of Directors wish to thank the Investor/ Shareholders for their unstinted support, co-operation and faith in the Company.

Registered Office:
Surbhi Estate,
Mohanwadi,
Katargam
Surat

For and on behalf of the Board
By order of the Board

Sd/-
Bipinbhai Patel
Chairman

Date : 02/09/2008

Place : Surat



CORPORATE GOVERNANCE

The Company pursuant to Clause 49 of the listing agreement with the Stock Exchanges furnishes its report on the code on Corporate Governance.

COMPANYS' PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions. Shareholders have right to have complete information about the Directors and Management and their interest in the company as well as governance practices followed by them. Towards this end, the company is making extensive disclosures from time to time.

BOARD OF DIRECTORS

I. Composition and Category

The Board of Company as on date of report consist of five directors (one executive and four non executive directors)

II. Board Meetings, attendance, position held in committee meetings

The Board met 1 times on 09.04.2007, 26.04.2007, 05.06.2007, 24.06.2007, 04.07.2007, 10.07.2007, 31.07.2007, 30.10.2007, 15.11.2007, 31.01.2008, and 31.03.2008 Notice of the meetings with agenda along with necessary details were sent to the directors in time.

The names and categories of the Directors, their attendance at Board meetings and General Meeting as also position held by them in committees of other public limited companies as on 31st March 2008 are given below.

Name of the Director	Category	Attendance particular 2007-08				
		Board Meeting held During tenure of Director	Board Meeting Attended	Last AGM	No. of Directorship in other Public Ltd. Cos.	Chairman/ Membership in other Public Ltd. Cos.
1. Shri.Bipinbhai Patel	Non-Executive	11	11	Y	-	-
2. Shri Ravjibhai Patel	Executive	11	11	Y	-	-
3. Shri Prerak Amin	Independent	11	01	N	-	-
4. Shri Pravinbhai Patel	Independent	11	11	Y	-	-
5. Shri Nimesh Jariwala	Independent	11	11	Y	-	-

III. Information on Directors Appointment/Re-appointment

Shri Shri Pravinbhai Patel retire by rotation at the ensuing Annual General Meeting. They being eligible, offer themselves for reappointment.

Name of Director	Shri Pravin Patel
Date of Birth	16 th June 1958
Date of Appointment	25 th December 2002
Qualification	Non-graduate
Expertise in specific functional areas	Finance , business development, negotiation
List of Companies in which directorship is held as on	n.a.
Chairman / Member of the committee of other companies	n.a.

* only public limited companies are considered



IV. Audit Committee

Audit Committee, during the year under review, reconstituted and comprise of three members out of them two are independent directors. Shri Pravinbhai Patel, Independent Director, is a Chairman of the Audit Committee, and Shri Nimesh Jariwala, independent director and Shri Ravjibhai Patel, Managing Director are members to the committee.

Committee met on 21.07.2007, 20.10.2007 and 23.01.2008 for perusal of financial position and unaudited quarterly result and also met on 18-04-2007 for the finalization of account for the year ended on 31.03.2007 and on 31.03.2008 for the review of financial position of the company. The Accounts and Financial position perused by the Audit Committee were placed before board for their consideration.

Attendance

Sr. No	Name of the Members	Number of attended
1	Shri Pravin Patel	5
2	Shri Nimesh Jariwal	5
3	Shri Ravjibhai Patel	5

V. REMUNERATION COMMITTEE :

As on date remuneration committee comprise of two members who are independent and non executive directors namely Shri Pravinbhai Patel, Chairman and Shri Nimesh Jariwala as per the requirement of Code of Corporate Governance as well as under Schedule XIII and under Clause 49 of the Listing Agreement. The Committee reviews and recommends the remuneration proposed to be paid to the Managing Director/Whole time Director and non-executive directors of the Company to the Board of Directors. The Committee is also empowered to decide on Employees' Stock Option Scheme as and when such scheme is considered for introduction in the Company.

As on date Company has a Managing Director, remunerations of the executive directors has been duly approved by Committee, No remuneration were paid to Non-executive Directors including sitting fees for attending the meetings of the Board of Directors or committee thereof. Further the remunerations of the Managing Directors / Whole time Directors as recommended by the remuneration committee thereafter decided by the Board of Directors and then subsequently approved by the shareholders at the general meeting as required by the Companies Act, 1956. The Chairman & Managing Director / Whole-time Director are paid remuneration as per the terms and conditions approved by the Board of Directors and shareholders.

During the financial year 2007-08 meeting of Remuneration Committee was held on 15.04.2007 to decide the remuneration payable to Managing Director.

VI. SHARE TRANSFER COMMITTEE /INVESTOR GRIEVANCE COMMITTEE:

The Investors'/ Shareholders' Grievance Committee comprise of three members chaired by Shri Bipinbhai Patel being non-executive director. The Committee looks into the redressal of investors complaints such as delay in transfer of equity shares, request for transmission of shares, issue of duplicate share certificates, non receipt of declared dividends/ annual reports etc.

During the financial year 2007-08, the Investors' Grievance Committee met five times on 25.04.2007, 31.07.2007, 30.10.2007, 31.01.2008, and 31.03.08.

Investors' Grievance Committee comprised of the following members :



Sr No.	Name	Status	No. of meeting attended
1	Mr. Bipinbhai Patel	Chairman (NE)	5
2	Mr. Pravinbhai Patel	Member (independent)	5
3	Mr. Nimeshbhai Jariwala	Member (Independent)	5

Exclusive email id:

Further as per clause 47 (f) company has designated exclusive email id : grdsurbhil@gmail.com of grievance redressal service department exclusively for the purpose of registering complaints by investor. For prompt disposal of any query or any matters Shareholders may contact to the Registrar and Share Transfer Agent and under the above referred email id.

VII. SHARE TRANSFER :

The company has in house Share Transfer division.

VIII. MEANS OF COMMUNICATION:

The quarterly/half yearly /yearly financial results are published in English and in Gujarati languages news paper. More over necessary reports and certificates as required by the listing agreement, are sent to The Bombay Stock Exchange Ltd.

IX. MARKET PRICE DATA:

There were no trading in the shares on any of the Stock Exchanges during the year 2007-08 and hence month wise detail of market prices of the shares could not be provided.

X. MANAGEMENT DISCUSSION AND ANALYSIS :

Report on Management discussion and analysis has been given separately in this Annual Report and form part of this report.

XI. ANNUAL GENERAL MEETINGS

16th annual General Meeting of the members of SURBHI INDUSTRIES LIMITED will be held on 30-09-2008, Tuesday at 12.00 P.M. (noon) at the registered office of the Company at Surbhi Estate, Mohanwadi, Katargam, Surat - 395004

Particulars of AGM held during last three year

Year	Date	Time	Place of Meeting	Nos. of Special Resolutions Passed
2006-07	29/09/2007	12.00 P.M	Registered office	Nil
2005-06	21/08/2006	12.00 P.M	Registered office	Nil
2004-05	23/08/2005	12.00 P.M	Registered office	Nil

XII. COMPLIANCE OFFICER:

As on date Mr. Aswin Patel is the Compliance Officer of the company.

XIII. LISTING

At present the your Company's securities are listed on the Bombay Stock Exchange Limited., Ahmedabad Stock Exchange Ltd and Vadodara Stock Exchange. As a cost saving measures and to conserve the resources company seek to delist it shares from Ahmedabad Stock Exchange Ltd and Vadodara Stock



Exchange as per the SEBI (Delisting of Securities) Guidelines, 2003. your directors recommend to approve the resolution as stated in the item no. of notice of Annual General Meeting. Necessary steps are being taken to revoke the suspension at the Bombay Stock Exchange Limited.

XIV. STOCK CODE

- (1.) Trading Scrip Code at The Bombay Stock Exchange Ltd. : **514260**
- (2.) Trading Scrip Code at Ahmedabad Stock Exchange Ltd. : **58190**
- (3.) Trading Scrip Code at Vadodara Stock Exchange Ltd. :

XV. FINANCIAL RESULTS:

The quarterly/half yearly /yearly financial results are published in English and Gujarati languages in news papers.

XVI. Book Closure

For updating records and shareholding information of the members of the company, the Share Transfer Books and Register of Members shall remain closed from 27-09-2008 to 30-09-2008 (both days inclusive)

XVII. SHAREHOLDING PATTERN:

Shareholding pattern as on 31.03.2008

Indian

1. Promoters and Promoter Group : 22.72 %
2. Public Shareholding : 77.28%

Foreign

1. Promoters and Promoter Group : 0.00 %
2. Public Shareholding : 0.00 %

TOTAL 100.00%

XVIII.

REGISTERED OFFICE:

Theregistered office of the Company situated at Surbhi Estate, Mohanwadi, Katargam, Surat - 395004

Plant Location

Plot No. 249/1, Village : Karanj, Ta. Mandvi, Dist. Surat

XIV. MANAGEMENT DISCUSSION AND ANALYSIS:

1. INDUSTRY OUTLOOK:

During the period under review there were tremendous growth shown in the markets, GDP was much higher than earlier years.

Current scenario are very impressive there is lot of potential demand for the next years.

2. OPPORTUNITIES AND THREATS:

The company envisaged remarkable growth over previous years . Company's turn over shows increasing trends due to expansion the financial charges and depreciation are higher over the previous year. Government is providing various incentives under TUF .The Customers also growing rapidly. At the same time, there is intense price pressure from the competitors.



3. INITIATIVES

The initiatives are being taken by the Company for improving the quality standards and reduction of costs at appropriate level. The employees at all levels are being made aware of the changing conditions and the challenges of the open market conditions and to train the personnel to tackle the difficult situations which will improve the overall productivity, profitability.

4. RISKS AND CONCERNS;

Major fluctuations in the raw material price can affect the company's performance.

5. INTERNAL CONTROL SYSTEM:

The Company has an adequate internal audit system commensurate with its size and the nature of its business towards achieving efficiency in the operation, optimum utilization of resources and effective monitoring thereof and compliance with applicable laws.

6. HUMAN RESOURCES:

Employees relations continue to be cordial. Training and development activities are identified, organizes and progress monitored as part of human resource development activities.

7. FUTURE PLAN:

As a long term planning strategy company is planning to develop cotton based technology. Promoters are working very hard to lead company to new horizons and giving better results.

Registered Office:
Surbhi Estate,
Mohanwadi, Katargam
Surat – 395004

For and on behalf of the Board of Directors
By order of the Board

Sd/-
Bipinbhai Patel
Chairman

Date : 02/09/2008
Place : Surat



AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To,
The Members of
SURBHI INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by SURBHI INDUSTRIES LIMITED ('the Company') for the year ended March 31, 2008, as stipulated in amended 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance with the 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, the **representation** made by the directors and **management**, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in amended Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances is pending as on 31st March, 2008 no other investor grievances are pending for a period exceeding one month **against** the Company as per **the records** maintained by the Company which are presented to Shareholders/ Investors Grievance Committee.

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

For D. C. Jariwala & Co.

Place : SURAT
Date : 24th June 2008

(DEVENDRA JARIWAL)
PROPRIETOR
Membership No. 37990



AUDITORS REPORT

To,
The Members,
M/s. SURBHI INDUSTRIES LIMITED
SURAT.

We have audited the attached Balance Sheet of **M/S. SURBHI INDUSTRIES LIMITED, SURAT** as at **31 March 2008**, and Profit & Loss Account for the year ended on that date, attached thereto. These financial statements are the responsibility of company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We have 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 & disclosures in the financial statements. An Audit also include assessing the accounting principles used and significant as well as evaluating the overall financial statement presentations. We believe that our audit provide a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - a. 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.
 - b. In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of the books :
 - c. The Balance Sheet and Profit & Loss Account referred to in the Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and Profit and Loss Account complies with the requirements of the mandatory accounting standards referred to in Section 211(3C) of the Companies Act. 1956.
 - e. On the basis of written representation received from the directors of the company, taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director under section 274(1) (g) of the companies Act., 1956.
 - f. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account read together with the Notes on Accounts attached herewith give the information required by the Companies Act., 1956 in the manner so required and give a true and fair view:-
 - (i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2008;
 - (ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on same date and
 - (iii) In case of the cash flow statement, of the cash flow for the year ended on 31st March, 2008.

FOR D. C. JARIWALA & CO.
CHARTERED ACCOUNTANTS

PLACE: SURAT
DATED: 24TH JUNE, 2008

D.C.JARIWALA
PROPRIETOR
M.NO.37990



ANNEXURE "A" TO AUDITORS REPORT

(i) Fixed Assets :-

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies with respect to book records were noticed on such verification.
- (c) The company has not disposed of the substantial part of fixed assets during the year which affect the going concern assumption.

(ii) Inventory :-

- (a) As informed to us, the stocks of finished goods, work-in-process stores, spare parts and raw materials have been physically verified by the management during the year at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of stocks followed by the management are adequate and reasonable in relation to the size of the company and nature of its business.
- (c) The company has maintained proper records of inventories. The discrepancies noticed on verification of stocks as compared to book records were not material and these have been properly dealt with in the books of account.

(iii) Loans & Advances :-

- (a) The Company has not taken unsecured loans from companies, firms or other parties listed in register maintained under section 301 of the Companies Act., 1956. The Company has not granted unsecured loan to the Company mentioned under the register maintained under section 301 of the companies Act, 1956.
- (b) As per information and explanations given to us, the rate of interest and other terms and conditions, if applicable on loan given are not prima facie prejudicial to the interest of the Company.
- (c) The parties to whom loans has been given are repaying the principal amount as stipulated, where ever applicable.
- (d) There is no overdue amount of loans given by the company.

(iv) Internal control procedure:-

In our opinion and according to the information and explanations given to us, internal control procedures for the purchase of stores, Raw materials including components plant and machinery, equipment and other assets and for the sale of goods commensurate with the size of the company and nature of its business. During the course of our audit no major weaknesses has been noticed in the internal control.

(v) Transaction with parties u/s 301:-

- (a) The transaction made in pursuance of contracts or arrangements that need to be entered in to the register maintained under sanction 301 of the Companies Act., 1956 have been recorded in register.
- (b) There are transactions of purchase & sales of goods, material, lease of building and machinery & services etc. made in pursuance of contracts or arrangement entered in to the register maintained under sanction 301 of the Companies Act., 1956 aggregating during the year to Rs.5,00,000/- or more in respect of each party.

(vi) Public Deposits:-

The Company has not accepted deposits from the public.

(vii) Internal Audit System:-

In our opinion, the Company has an internal audit system which commensurate with its size and nature of its business.

(viii) Cost Records:-

We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance cost records under section 209(1)(d) of the Companies Act., 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.



(ix) Statutory Dues:-

- (a) According to the records of the company, the Company is generally regular in depositing undisputed statutory dues including P.F & E.S.I, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March ,2008 for a period more than six months from the date they became payable.
- (b) According to the information & explanations given to us, there is no disputed amounts payable in respect of such statutory dues.

(x) Accumulated / Cash Losses:-

The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding the financial year.

(xi) Default in Repayment of Dues to Banks / Financial Institution etc.:-

The company has not defaulted in repayment of dues to the financial institution or Bank.

(xii) Granting of Loan & Advances:-

The company has not granted Loan & Advances on the basis of securities by way of pledge of shares, debenture and other securities.

(xiii) Chit Fund / Nidhi / Mutual Fund:-

The provisions of any Special Statute applicable to Chit Fund, Nidhi, Mutual Benefit Fund/ Societies are not applicable to the company.

(xiv) Dealing or Trading in Shares etc. :-

As explained to us by the management, the company has purchased shares/securities of the other companies and Co.Op Banks for the investment purpose only. The company is not trading in shares and securities. The Shares held by the company are in its own name.

(xv) Guarantee Given by Company:-

As explained to us by the management, the company has not given guarantee for loans taken by others from banks or financial institution.

(xvi) Utilisation of Term Loans:-

The Term Loans taken by the company were applied for the purpose for which it had been obtained.

(xvii) Application of Short Term Fund for Long Term Investment and vice versa:-

On the basis of our examination of the cash flow statement, the funds raised on short term basis have not been used for long term investment, as they have been financed out of internal accruals. The Co. has not raised long term funds. Hence, the used of such funds for short term investment doesn't arise.

(xviii) Preferential Allotment of Shares:-

The Company has not issued any shares during the year.

(xix) Creation of Securities for Debenture Issued:-

The Company has not issued any Debenture during the year.

(xx) End Use of Money:-

The company has not raised any money by way of public issues during the year.

(xxi) Fraud noticed or Reported:-

As per information & explanation given to us no fraud on or by the company has been notice or reported during the year.

**FOR D. C. JARIWALA & CO.
CHARTERED ACCOUNTANTS**

**PLACE: SURAT
DATED: 24TH JUNE, 2008**

**D.C.JARIWALA
PROPRIETOR
M.NO.37990**



BALANCE SHEET AS AT MARCH 31, 2008

	<u>Schedule</u>	<u>As at March 31,</u>	
		<u>2008</u>	<u>2007</u>
<u>SOURCE OF FUNDS</u>			
Shareholders Funds :			
Share capital	1	34,348,000	34,348,000
Reserves and surplus	2	13,739,888	11,995,816
Loan Funds :			
Secured loans	3	52,946,299	48,115,952
Deferred Tax Liability		5,395,843	5,119,957
Total		106,430,030	99,579,725
<u>APPLICATION OF FUNDS</u>			
Fixed Assets :			
Gross Block	4	115,388,538	102,425,694
Less : Depreciation		46,393,901	37,822,941
Net Block		68,994,637	64,602,753
Investments:	5	2,173,700	2,020,000
Current Assets, Loans and Advances :			
Inventories	6	17,259,117	7,251,487
Sundry Debtors		20,696,214	24,700,602
Cash and Bank balances		2,476,370	1,707,466
Loans and Advances		10,240,409	14,011,981
Total Current Asstes		50,672,110	47,671,536
Less : Current liabilities and provisions	7	15,410,417	14,714,565
Net Current Assets :		35,261,693	32,956,971
Total		106,430,030	99,579,725

Significant accounting policies and notes to accounts 18

The schedules referred to above and the notes therein form an intergal part of the accounts

As per our report of even date,

For and on behalf of the Board

For **D.C JARIWALA & CO.**
Chartered Accountants

Sd/-

Ravjibhai Patel
Director

Sd/-

Bipin J. Patel
Director

D.C JARIWALA
Proprietor
M.No.37990

Surat, 24th June, 2008

Surat, 24th June, 2008

M/S. SURBHI INDUSTRIES LIMITED



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	<u>Schedule</u>	<u>As at March 31,</u>	
		<u>2008</u>	<u>2007</u>
<u>INCOME :</u>			
Sales	8	164,843,184	135,724,301
Other Income	9	2,209,735	1,473,227
Increase /(decrease) in stock of finished goods	10	8,179,158	577,684
Total Income		175232077	137775212
<u>EXPENDITURE :</u>			
Consumption of Raw Materials	11	122,089,705	93,128,515
Purchases	12	8,199,666	8,909,503
Manufacturing expenses	13	14,793,523	10,354,294
Payment to Employees	14	5,446,150	4,828,872
Administrative Expenses	15	2,218,559	2,006,547
Selling & Distribution Expenses	16	4,841,466	5,089,921
Financial Charges	17	6,745,167	4,114,452
Depreciation		8,570,960	7,434,241
Total Expenses		172,905,196	135,866,345
Profit/ (loss) before tax for the year		2,326,881	1,908,867
Less : Provision for Tax.-Current MAT		237,342	214,175
Less/(Add) : Deferred Tax		275,886	644,859
Less : Provision for FBT		60,400	51,100
FBT of Earlier Year		9181	29,349
Net Profit After Taxation		1,744,072	969,385
Balance brought forward from previous year		9,495,817	8,526,432
Balance carried to the Balance Sheet		11,239,889	9,495,817
Earning per Share		0.51	0.28
Significant accounting policies and notes to accounts	18	As per our report of even date,	
For and on behalf of the Board		For D.C JARIWALA & CO. Chartered Accountants	
Sd/- Ravjibhai Patel Director	Sd/- Bipin J. Patel Director	D.C JARIWALA Proprietor M.No.37990 Surat, 24th June, 2008	
Surat, 24th June, 2008			



SCHEDULES

SCHEDULES ANNEXED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

	<u>Schedule</u>	<u>As at March 31,</u>	
		<u>2008</u>	<u>2007</u>
1	<u>SHARE CAPITAL :</u>		
	Authorised Capital		
	5000000 Equity shares of Rs. 10/-	50,000,000	50,000,000
	Issued, Subscribed & Paid up		
	3437400 Equity shares of Rs.10/- each.	34,374,000	34,374,000
	Less : Amount in Arrears	26,000	26,000
	Total	34,348,000	34,348,000
2	<u>RESERVES & SURPLUS :</u>		
	Capital Revenue	2,500,000	2,500,000
	Profit & Loss Account	11,239,888	9,495,816
	Total	13,739,888	11,995,816
3	<u>SECURED LOANS :</u>		
	1 From Dena Bank		
	a. Cash Credit & FCDL Working Capital	19,057,398	14,756,046
	(Secured by hypothecation of raw materials, stock in process, finished goods, consumebale stores & spares & account reciveables)		
	b Term Loan	33,888,901	33,359,906
	(Secured by equitable mortgage of factory land & Building. Further secured by hypothecation of plant & machinery and all other movable fixed assets, both existing as well as future.)		
	Total	52,946,299	48,115,952

**SCHEDULES (cont..)**

**SCHEDULES ANNEXED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008**

4 FIXED ASSETS :

Description	Rate S.L.M.	Gross Block				Depreciation				Net Block	
		As at 31.03.07	Addition	Sale/ Transfer	As at 31.03.08	Upto 31.03.07	For the Year	Sale/ Transfer	Upto 31.03.08	As at 31.03.08	As at 31.03.07
Land		370540	2030220		2400760		0			2400760	370540
Factory Building	3.34%	9146631	4783304		13929935	2538907	378157		2917064	11012871	6607724
Tube Well	3.34%	57612			57612	21383	1924		23307	34305	36229
Plant & Machinery	10.34%	84843244	7855659		92698903	33051063	7773188		40824251	51874652	51792181
Electrification	4.75%	1920460	463059		2383519	729956	94739		824695	1558824	1190504
Motor Car	9.50%	2275365			2275365	636313	216160		852473	1422892	1639052
Office Equipments	4.75%	359219	8160		367379	184506	17289		201795	165384	174713
Computer	16.21%	90555	98484		189039	16594	21921		38515	150524	73961
Wireless Sets	4.75%	143620			143620	84013	6822		90835	52785	59607
Testing & Lab.Equ.	4.75%	189335	7312		196647	93587	9160		102747	93900	95748
Furniture & Fixtures	6.33%	458748	31860		490608	375668	29947		405615	84993	83080
Vehicles	9.50%	179817	75333		255150	90951	21653		112604	142546	88866
Work in Progress	0.00%	2390549	0	2390549	0	0	0		0	0	2390549
Total		102425694	15353391	2390549	115388538	37822941	8570960	0	46393901	6899463	64602754
Previous Years		89622385	12803310	0	102425695	30388700	7434241	0	37822941	64602754	59233685

M/S. SURBHI INDUSTRIES LIMITED



SCHEDULES (cont...)

SCEDULES ANNEXUED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

	As at March 31,	
	<u>2008</u>	<u>2007</u>
5 INVESTMENTS :		
1727 (65) Equity Shares of Surat Peoples Co.Op. Bank Ltd. Of Rs.100/- each	172,700	6,500
125 Equity Share Shree Vitrag Co.Op Bank of Rs.100/- each	-	12,500
4000 Equity Share of Surbhi Textile Mills Pvt. Ltd. Of Rs.100/- each (unquoted)	2,000,000	2,000,000
100 Equity Shares Indo Fashions Pvt. Ltd. of Rs.10 (unquoted)	1,000	1,000
Total	2,173,700	2,020,000
6 CURRENT ASSETS, LOANS & ADVANCES :		
CURRENT ASSETS :		
a. INVENTORIES :		
(As taken, valued & certified by the management)		
Finished Goods Yarn	4,335,113	2,124,152
Raw Material (Yarn)	2,734,807	3,191,507
Yarn W.I.P	903,852	622,846
Grey Cloth	5,735,853	48,662
Oil & Chemicals	1,109,334	521,220
Stores, Spares & Accessories	1,243,868	488,858
Packing Materials	1,196,290	254,242
Sub Total	17,259,117	7,251,487
b. SUNDRY DEBTORS :		
(Unsecured considered goods)		
1. Debts exceeding more than Six Month	1,206,860	-
2. Others	19,489,354	24,700,602
Sub Total	20,696,214	24,700,602
c. CASH & BANK BALANCES :		
Cash on Hand	1,198,187	59,251
Balances with Schedule Banks :		
in Current Account/Book Debts	-	-
in Fixed Deposits	1,278,183	1,648,215
Sub Total	2,476,370	1,707,466



SCHEDULES (cont...)

SCEDULES ANNEXUED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

	As at March 31,	
	<u>2008</u>	<u>2007</u>
d. <u>LOANS & ADVANCES :</u>		
(Unsecured, considered good recoverables in cash in kind or for value to be received)		
Sundry Deposits	2,230,710	1,268,764
Advances to Staff	98,900	81,400
Other Adavance	4,978,000	10,510,000
P.F Receivables	8,332	8,094
DGVCL Receivable	451,296	360,783
Prepaid Expenses	50,511	53,644
T.D.S & Advance Tax	1,459,057	1,260,937
FBT Advance Payment	43,658	55610
Interest Subsidy Receivable on TUFs	318,898	263,962
Advances for Capital Goods	601,047	148,787
Sub Total	10,240,409	14,011,981
GRAND TOTAL	50,672,109	47,671,536
7 <u>CURRENT LIABILITIES & PROVISIONS</u>		
A. <u>CURRENT LIABILITIES :</u>		
Sundry Creditors for Goods	12,831,386	11,726,114
Sundry Creditors for Expenses	1,527,862	1,935,852
B.O.B Current A/c. (Due to BRS)	61,212	53,257
Creditors for others	11,208	4,311
Sub total	14,431,668	13,719,534
B. <u>PROVISIONS :</u>		
Provision for Taxation	451,517	451,082
Provision for Expenses	398,338	367,130
Provision for Sales Tax / VAT	68,494	125,719
Provision for FBT	60,400	51,100
Sub total	978,749	995,031
Total	15,410,417	14,714,565



SCHEDULES (cont...)

SCEDULES ANNEXUED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

		As at March 31,	
		<u>2008</u>	<u>2007</u>
8	<u>SALES :</u>		
	Yarn (Net)	158,449,535	124,039,870
	Grey Cloth (Net)	3,357,102	9,666,906
	Job Work Income	3,036,547	2,017,525
	Total	164,843,184	135,724,301
9	<u>OTHER INCOME :</u>		
	Interest on F.D.R	170,371	164,599
	Interest on I.T.Refunds	35,813	69,023
	Other Interest	2,002,576	1,189,527
	Compa.Against Def. Goods	-	50,078
	Dividend Income	975	-
	Total	2,209,735	1,473,227
10	<u>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS AND W.I.P.</u>		
	a) Closing stock		
	Yarn	5,238,965	2,746,998
	Grey Cloth	5,735,853	48,662
	Less : Opening stock	-	-
	Yarn	2,746,998	1,906,086
	Grey Cloth	48,662	311,890
	Total	8,179,158	577,684
11	<u>CONSUMPTION OF RAW MATERIALS</u>		
	P.O.Y / P.F.Y		
	Opening Stock	3,191,507	1,628,982
	Add : Purchase fo Raw Material	121,633,005	94,691,040
	during the year Net	124,824,512	96,320,022
	Less : Closing Stock	2,734,807	3,191,507
	Total	122,089,705	93,128,515
12	<u>PURCHASE OF GREY</u>		
	Grey Cloth Purchase	8,199,666	8,909,503
	Total	8,199,666	8,909,503



SCHEDULES (cont...)

SCHEDULES ANNEXED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

	As at March 31,	
	<u>2008</u>	<u>2007</u>
13 MANUFACTURING EXPENSES :		
Power & Fuel Expenses	8,937,488	4,386,480
Oil & Chemicals	1,774,390	1,487,307
Consumable Stores	1,761,535	1,499,943
Factory Expenses	154,516	204,831
Electrical Expenses	331,570	323,720
Repairs & Maintenance	1,193,932	837,207
Twisting Charges	578,492	1,590,939
Lease Rent	61,600	23,867
Total	14,793,523	10,354,294
14 PAYMENT TO EMPLOYEES :		
Wages, Salary, Bonus & Leave Salary	5,265,987	4,672,043
Staff Welfare Expenses	68,967	42,691
Provident Fund Contribution	111,196	114,138
Total	5,446,150	4,828,872
15 ADMINISTRATION EXPENSES :		
Postage & Courier	17,341	12,920
Printing & Stationary	117,789	103,726
Telephone Expenses	136,041	115,549
Vehicle Expenses	375,040	386,090
Office & General Expenses	41,495	36,200
Repairs & Maintenance	2,400	31,572
Travelling & Conveyance	28,748	4,437
Legal & Professional Charges	126,484	165,498
Fees & Subscription	32,706	37,048
Directors Remuneration	120,000	120,000
Auditors Remuneration	15,000	15,000
Insurance Premium	107,529	27,286
Panchayat / Municipal Tax	10,200	7,500
Office Staff Salary	778,787	718,722
Foreign Travelling	222,735	140,100
Internal Audit Fees	7,000	6,000
Cash Withdrawal Transaction Tax	9,612	5,820
Computer Expenses	57,152	73,079
Amount Written Off	12,500	-
Total	2,218,559	2,006,547



SCHEDULES (cont...)

SCHEDULES ANNEXED TO AND FORMING PART OF
THE BALANCE SHEET AS AT MARCH 31, 2008

	As at March 31,	
	2008	2007
16 SELLING & DISTRIBUTION EXPENSES		
Sales Tax	16,219	41,270
Packing Material Consumed	1,478,831	1,577,229
Octroi	977,938	1,013,045
Transportation Expenses	1,553,538	1,055,310
Brokerage & Commission	451,358	1,106,953
Comp. Againsts Deff. Goods		55,000
Rate Difference	24,628	-
Advertisement Expenses	-	10,100
Discount & Rebate	283,954	286,014
Total	4,841,466	5,089,921
17 FINANCIAL CHARGES :		
Cash Credit Interest	1,004,685	527,804
Term Loan Interest	3,832,325	2,936,643
FCDL Interest	734,532	482,547
Bank Charges	94,461	58,018
Other Interest	735,155	11,601
Premium on forward booking FCDL	344,009	97,839
Total	6,745,167	4,114,452

SCHEDULE : "18"

SIGNIFICANT ACCOUNTING POLICES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES :

1 GENERAL :

- These accounts are prepared under historical cost convention on accrual basis.
- Accounting Policies not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles.

2. VALUATION OF INVENTORIES :

- All the Materials including Raw Materials, Finished Goods, Stores & Spares and Packing Materials valued at the lower of the Cost or Net Realizable value as certified by the management.
- Cost is inclusive of taxes or duties incurred to bring goods at present location and condition as per AS-2.

3. SALES:

Sales includes forwarding & Octroi Expenses but excludes Excise Duty & Sales Tax, wherever applicable and sales of goods is recognized on transfer of property of good as per agreed terms. Quantity Discount, Rate Difference, Rebate are accounted as and when settled.



4. FIXED ASSETS :

Fixed assets are stated at cost of acquisition or construction; including expenses attributable of bringing the assets to its present working condition and capitalised preoperative expenses less accumulated depreciation thereon.

5. DEPRECIATION :

Depreciation on fixed assets except land is provided on the SLM on pro-rata basis at the rates and in the manner specified in schedule XIV of the companies ACT, 1956.

6. INVESTMENTS :

Investments are stated at cost.

7. INCOME TAX:

Income tax comprises the Current tax provision and the net change in the deferred tax asset or / liability in the year. Deferred tax assets or liability are recognised for the future tax consequences if temporary differences, between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgement that realisation is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

8. CONTINGENT LIABILITIES :

Contingent liabilities have been shown in the Notes on accounts (if any) and no provisions for the same have been made in the books of accounts.

9. NOTES ON ACCOUNT :

1. Contingent Liability Nil (Previous year Rs.Nil.)
2. Remuneration paid to Directors Rs.120000/- (Previous year Rs.120000/-)
3. Estimated amount of capital contract remaining to be executed and not yet provided for Rs.Nil. (Advance given Rs.Nil).
4. Related Party Transactions.

As Per AS-18 issued by the institute of Chartered Accountants of India, the Company's related parties in terms of AS-18 are disclosed below:

List of related Parties:

(a) Key Management Personnel:

Ravjibhai P. Patel	Managing Director
Bipinbhai J. Patel	Director
Pravinbhai G. Patel	Director
Prerak Amin	Director
Nimesh Jariwala	Director



The Company related parties' balance and transaction are summarised as follows:

Sr. No	Name of the related party	Nature of transaction	Amount	Closing Balance
1	Indo Fashions Pvt. Ltd.	Grey Sale	11068	1707036/- Dr
		Yarn Sales	13581712	
		Twisting Job Income	1589702	
		Yarn Purchase	7393345	
		Grey Purchase	5319262	
		Advance	4723000	
2	Surbhi Textile Mills Pvt. Ltd.	Grey Sales	53687	1298708/- Dr
		Twisting Job Income	1446845	
		Advance	255000	7010000/- Dr
3	Ravjibhai P. Patel	Director Remuneration	120000	Nil

5. Segment Reporting:

The Company operates in a single segment viz. Textile only. There is no other distinguishable components of company which can be identified as segment.

6. Auditors Remuneration :

	<u>Current Year</u>	<u>Previous Year</u>
(a) As Auditors	15,000	15,000
(b) In any other Capacity		
(i) Company Law Matters	10,000	10,000
(ii) Taxation Matters	20,000	20,000
	<hr/>	<hr/>
	45,000	45,000
	<hr/>	<hr/>
Total.....	45,000	45,000
	=====	=====

7. No employee was in receipt of Remuneration aggregating to Rs.24,00,000/- or more per year or Rs.200000/- or more per month for the part of the year. Previous year also there was no such employee.

8. Small Scale Industries :-

The Company does not possess information as to which of its suppliers are ancillary Industrial undertaking / Small-Scale industrial undertaking. Consequently, the liability, if any of interest which could be payable under the interest of delayed payment to small-scale and ancillary industrial Act., 1993 can not be ascertained. However, the company has not received any claim in respect of interest.

9. Additional information pursuant to the provisions of paragraph 3, 4C & 4D of Part II of Schedule VI to the Companies Act., 1956:

(Taken, Valued as certified by the management).

M/S. SURBHI INDUSTRIES LIMITED



		Current Year			Previous Year		
		Unit	Qty.	Amount Rs.	Unit	Qty.	Amount Rs.
I	Licenced Capacity: Not Laid Down						
II	Raw Material & Consumed						
	P.O.Y	Kgs.	1049402.820			591377.200	
	Text./PFY Yarn	Kgs.	591357.755			645646.109	
III	Production						
	Text. Yarn	Kgs.	1056783.000			595307.310	
	Twisted Yarn	Kgs.	585642.180			58934.892	
	Crepe Yarn	Kgs.				580515.861	
IV	Closing Stock						
	Raw Material	Kgs.	32925.540	2734807		33568.490	3191507
	Work in Prog						
	(POY & Twisted)	Kgs.	10820.574	903852		6731.129	62284
	Finished Good						
	(Text/Twis/Crape)	Kgs.	36934.370	4335113		16461.070	2124152
	Grey Cloth	Mts.	318658.500	5735853		2495.500	48662
	Packing Materials			1196290			254242
	Oil & Chemicals			1109334			521220
	Stores & Spares &			1243868			488858
V	Opening Stock						
	P.O.Y	Kgs.	33568.490	3191507		9683.020	977573
	Raw Material	Kgs.	6731.129	622846		20188.650	1628982
	Twisted Yarn	Kgs.	16461.070	2124152		9665.450	928513
	Grey Cloth	Mts.	2495.500	48662		15594.500	311890
	Packing Materials			254242			285450
	Oil & Chemicals			521220			112687
	Stores & Spares &			488858			138455
VI	Purchase (Net)						
	P.O.Y	Kgs.	1056485.460	80669512		610771.520	47091199
	PFY/Text. Yarn	Kgs.	464649.120	40963493		534352.480	47599841
	Grey Cloth	Mts.	502554.000	8199666		617545.750	8909503
VII	Sales						
	P.O.Y	Kgs.	10642.270	815993		5838.820	439844
	PFY/Text. Yarn	Kgs.	1488237.120	157633542		1119796.365	123600026
	Grey cloth	Mts.	186391.000	3357102		630644.750	9666906



10. Imported raw materials, Spare Parts and components purchased during the year value Rs.Nil
(Previous year Rs. Nil)
11. Imported Raw Materials, Spare Parts consumed during the year Rs.Nil (Previous year Rs. Nil).
12. Expenses in Foreign Currency:

Raw Materials	Rs.	Nil	Previous Year Rs. Nil
Foreign Travelling		Rs.222735	Previous Year Rs.140100
Capital Goods	Rs.1640781		Previous Year Rs. Nil
13. Earning in Foreign Currency is Rs.Nil (Previous year Rs.Nil)
14. The balance of sundry debtors, sundry creditor and Loans & Advances account are subject to confirmation.
15. The figures for the previous year have been regrouped and rearranged wherever considered necessary.

SIGNATURE TO SCHEDULE "1" TO "18"

FOR D.C JARIWALA & CO.
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

Sd/-
Ravjibhai Patel
Director

Sd/-
Bipin J. Patel
Director

D.C JARIWALA
PROPRIETOR
M.No.37990

DIRECTOR

DIRECTOR

PLACE : SURAT.
DATED : 24th June, 2008

DATED : 24th June, 2008.



Additional information Pursuant to the Provisions in Part IV of Schedule VI of the Compines Act., 1956:-

Balance Sheet Abstract and Company's General Business Profile :-

1	Company's Regitration Detials :-	
	a. Registration No.	17672 of 1992-93
	b. State Code	04
	c. Balance Sheet Date	31/03/2008
2	Capital Raised During the year :-	
	a. Public Issue	NIL
	b. Right Issue	NIL
	c. Bonus Issue	NIL
	d. Private Placement	NIL
3	Details of Mobilisation and Deployment of Fund :-	
	a. Total Liabilities	106,430,030
	b. Total Assets	106,430,030
	Sourecs Of Fund	
	a. Paid up Capital	34,348,000
	b. Reserves & Surplus	13,739,888
	c. Secured Loans	52,946,299
	d. Unsecured Loans	Nil
	Application of Funds	
	a. Net Fixed Assets	68,994,637
	b. Investments	2,173,700
	c. Net Current Assets	35,261,693
	d. Accumulated Losses	-
4	Performance Of Company	
	a. Turnover	164,843,184
	b. Total Expenditure	172,905,196
	c. Profit Before Tax	2,326,881
	d. Profit After Tax	1,744,072
	e. Earningh per Share in Rs.	0.51
	f. Dividand Rate%	—
5	Generic Names of three Principal Products/Services of Company (As per Monetary Terms)	
	a. Item Code No.	
	b. Product Description	Text. Yarn , Twisted Yarn Grey Cloth Trading.



AUDITORS CERTIFICATE

We have examined the attached Cash Flow Statement of **M/s.Surbhi Industries Limited** for the period ended 31st March, 2008. The statement has been prepared by the company in accordance with the requirement of listing agreement clause 32 with Bombay Stock Exchange and is based on and in agreement with the corresponding Profit & Loss account and Balance Sheet of the company covered by our report of even date to the members of the company.

PLACE : SURAT.
DATED : 24th June, 2008

D.C JARIWALA
PROPRIETOR
M.No.37990

CASH FLOW FOR THE YEAR ENDED ON 31/03/2008

	<u>Amount Rs.</u>	<u>Amount Rs.</u>
A. Cash Flow from Operating Activities:		
Net Profit Before Tax		2,257,300
<i>Adjusted for :</i>		
Add: Depreciation	8,570,960	
Financial Charges	6,745,167	15,316,127
		17,573,427
Less: Interest Income	2,208,760	
Profit on sale of Fixed Assets	-	
Dividend Income	975	2,209,735
<i>Working Capital generated from Operating Activities</i>		15,363,692
<i>Add/Less: Working Capital changes</i>		
(Increase)/Decrease in inventories	-10,007,630	
(Increase)/Decrease in Receivables	4,004,388	
(Increase)/Decrease in Loans & Ad.	3,771,572	
Increase/(Decrease) in Payable	695,852	- 1,535,818
<i>Cash generated from Operations:</i>		13,827,874
Income Tax Paid		237,342
Net Cash Flow from operating Activities (A)		13,590,532
B. Cash Flow from investment Activities		
Purchase of fixed assets	-12,962,842	
Sale of Fixed Assets		
Increase in Advance for Capital Good		
Decrease in FDR	370,032	

M/S. SURBHI INDUSTRIES LIMITED



Increase in Investments	- 153,700	
Interest Income from Investments	2,208,760	
Dividend Income Form investments	<u>975</u>	
Net Cash Flow from Investing		
Activities (B)		- 10,536,775
C. Cash Flow from financial Activities		
Repayment of Car Loan	-	
Fresh Term Loan	528,995	
Repayment of Term Loan		
Change in Working Capital Loans	4,301,352	
Financial Charges	- 6,745,167	
Net Cash Flow from Financing		
Activities (C)		- 1,914,820
Net Changes in Cash &		
Cash Equivalents (A+B+C)		1,138,937
Add/Less : Opening Balance of		
Cash and cash Equivalants		<u>59,251</u>
		<u>1,198,188</u>
Cash & Cash Equivalents at year end		<u><u>1,198,187</u></u>



ANNEXURE

PART A

1	Name fo the Assessee	M/s. Surbhi Industries Ltd.
2	Address	"Surbhi Estate", Mohanwadi, Katargam, Surat.
3	Permanent Account No.	AADCS 4385 E
4	Status :	Public Limited Company
5	Assessment Year	2008-09

PART B

Nature of Business	Code	1 2 0
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Sr. No.	Parameters	Current year	Preceding year
1	Paid up Share Capital	34,348,000	34,348,000
2	Shre Application Money	-	-
3	Reserves & Surplus	19,135,731	17,115,773
4	Secured Loans	52,946,299	48,115,952
5	Unsecured Loans		
6	Current liabilities and Provision	15,410,417	14,714,565
7	Total of Balance Sheet	121,840,447	114,294,290
8	Gross Trun Over	164,843,184	135,724,301
9	Gross Profit	22,493,298	19,080,801
10	Commission Received		
11	Commission Paid	451,358	1,106,953
12	Interest Received	2,208,760	1,423,149
13	Interest Paid	6,745,167	4,114,452
14	Depreciation as per Books of account	8,570,960	7,434,241
15	Net Profit (or loss) before Tax	2,326,881	1,908,867
16	Taxes on income paid / Provided for in the Books	513,228	859,034



ATTENDANCE SLIP

(To be handed over, duly filled in, at the Entrance of the meeting Place)

Name of the attending Member/Proxy :
(in block letters)
Member's Folio No. / :
DP id No. :
No. of Shares held :
Date of A.G.M. : 30TH September , 2008
Place : Surbhi Estate,
Mohanwadi, Katargam
Surat - 395004
Time : 12:00 P.M. (noon)

I hereby record my presence at the Annual General Meeting on 30TH September , 2008

Signature of the Shareholder / Proxy holder : _____

FORM OF PROXY

I/We _____ of
_____ being a member(s) of the above named Company hereby
appoint Shri/ Smt. _____
of _____ or failing him, Shri
_____ of _____ as my/our proxy to vote for
me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30th
September, 2008 at 12:00 P.M. (noon) at Registered Office of the Company and at any adjournment
thereof.

Signed this _____ day of _____ 2008.

Affix Revenue
Stamp

Signature

Note :

The proxy and the Power of Attorney (if any) under which it is signed or a notarially certified copy of that Power of Attorney must be deposited at the Registered Office of the Company not less than 48 hours before the date and time for holding the Annual General Meeting.



M/S. SURBHI INDUSTRIES LIMITED

Book Post



M/S. SURBHI INDUSTRIES LIMITED

Regd. Office : Surbhi Estate

Mohanwadi, Katargam,

SURAT - 395 004.