





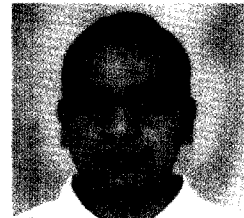
Subhash Gupta



Sushil Gupta



Late Sh. Chet Ram Gupta



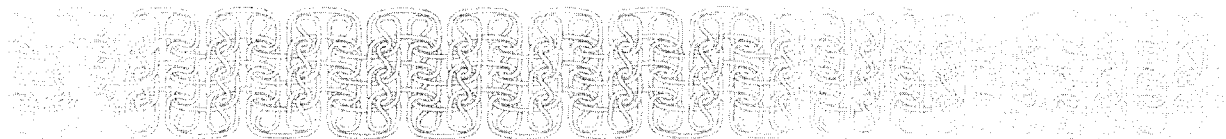
Manish Gupta



Sandeep Gupta

## *A Tribute*

*There are no words to tell how much we will miss our beloved Late Sh. Chet Ram Gupta. We will remember him forever, not only as the best organist around, but also for his dedication to "RICHA FAMILY" and his love for his employees. Our thoughts and prayers are with you, and will continue to be in coming weeks, months & years. He is playing in Heaven now and we are sure that the angles are thrilled to finally have a good accompanist. All our love.*



## Chairman's Letter To Shareholders

Dear Shareholders

I am extremely delighted to share with you the milestones of our repeated exciting year at Richa Industries Limited. With the successful execution of our project at Faridabad, we have established our selves as one of the biggest processors of knitted fabrics. We are also in the news of diversification, which is possible and strengthen by our performance in fiscal 2008.

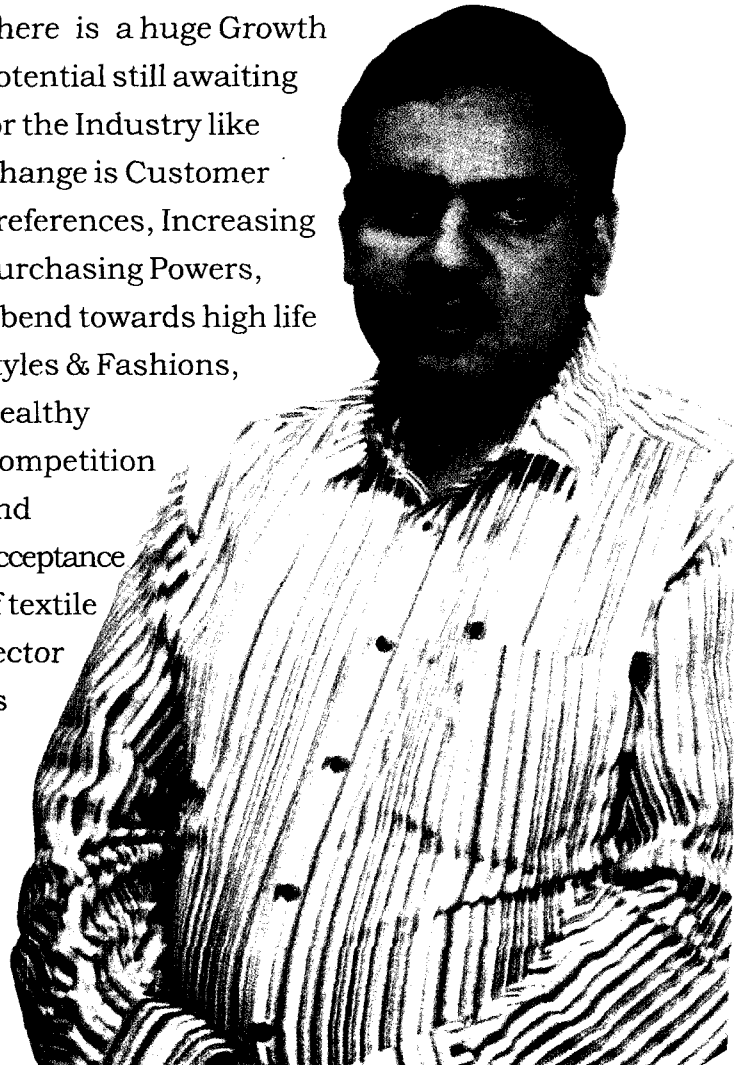
Our growth speaks high confidence of our partners, who are the instruments to our growth, like our customers, shareholders, employees, investors, bankers and community members. The relationship has opened the doors for future and continues growth. Their trust has given sustainability, with which we are playing an integral role in the society. We will continue to penetrate and capture the markets, by making substantial investments, using the domestic resources, and will prove ourselves to be world class by investing in human resources, managing our costs with timely delivery of outputs.

During the fiscal year 2007-08 the company repeated the history itself and

achieved a growth of 56% in sales to RS 9755.80 Lac from RS 6255.05 Lac. The progress in profits is much higher, surprisingly, profits before taxes has been increased to 9.25% of revenues from 7.90% in 2006-07

The textile sector is a major contributor to the exchequer of Indian economy as well as employment. Certainly Natural advantages, as availability of cotton, yarns and abundant labour potential has geared the growth of textile sector and external factors including progress on WTO have fueled growth.

There is a huge Growth Potential still awaiting for the Industry like Change is Customer Preferences, Increasing Purchasing Powers, a bend towards high life styles & Fashions, Healthy Competition and Acceptance of textile sector as



Organized sector.

A step forward, I am delighted to share that your company is going for diversification in the era of Pre-Engineered Building (PEB) and the new unit is expected to function in the current fiscal year 2008-09 itself. PEB is a solution to provide low cost, non conventional substitute to residential / dwelling units, sheds, godowns and platforms. We will also cater to the industries, institutions, medical houses and societies at large to provide full fledged solutions to structural buildings. Your is also expected to set the same records as in textile industry.

We are very dedicated towards the development of our people especially employees and investing a lot towards their technical development. We have achieved a zero accidents in our factory, as employees' health and safety is of

paramount importance to us. Our optimization lies in strong workforce, the potential of which we have to realize.

Further I promise to continue to be a good global citizen, along with my instrumental partners, to work alike where we can achieve better, better..... a hand towards the best. I thank all of you for your overwhelming support and assure a bright future. I also express my gratitude to the Board for their unstinting support and guidance.

With best wishes  
Sincerely,

sd/

Sushil Gupta  
Chairman & Managing Director



## Company Information

### Board of Directors

Sh. Sushil Gupta	Chairman & Managing Director
Sh. Sandeep Gupta	Joint Managing Director
Sh. Manish Gupta	Whole-Time Director
Sh. Neeraj Bajaj	Non-Executive Director
Sh. J. S. Chaudhary	Non-Executive Director
Sh. J. P. Malhotra	Non-Executive Director

### Company Secretary

Sh. Gagan Singhal

### Board Committees:

#### Audit Committee

Sh. Neeraj Bajaj	(Chairman)
Sh. J. P. Malhotra	Member
Sh. Sandeep Gupta	Member

### Shareholders' / Investors'

#### Grievance Committee

Sh. Neeraj Bajaj	(Chairman)
Sh. J. P. Malhotra	Member
Sh. J. S. Chaudhary	Member

### Remuneration Committee

Sh. Neeraj Bajaj	(Chairman)
Sh. J. P. Malhotra	Member
Sh. J. S. Chaudhary	Member

### Bankers

Indian Overseas Bank  
State Bank of India

### Auditors

Tayal & Company  
Chartered Accountants  
49, B. P., First Floor  
Neelam Bata Road,  
Near Syndicate Bank  
Faridabad-121001

### Registered Office

VPO Kanwra  
Old Faridabad to Kheri-Jasana Road,  
Near Lingayas Inst. of Mgmt. & Tech.  
Faridabad- 121101  
Haryana

### Corporate Office

Plot No. 5, Sector-7  
IMT Manesar,  
Gurgaon-122050  
Haryana

### Registrar & Transfer Agent

Intime Spectrum Registry Ltd.  
A-40, 2<sup>nd</sup> Floor, Naraina Indl. Area,  
Phase- II, Near Batra Banquet Hall,  
New Delhi-110 028

### Stock Exchange Where

Company's Securities are listed  
Bombay Stock Exchange

### Web site

[www.richa.in](http://www.richa.in)

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## Management Discussion And Analysis

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### Forward Looking Statement

This Report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to statements about the company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company can not guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on basis of any subsequent developments, information or events.

### Overview

The Company is one of the successful corporation in the textiles sector in India, has a powerful brand 'Richa' and strong export business in the foreign market. While focusing on its vision of being the leader in fashion and lifestyle segment your Company is now also establishing itself as a preferred supplier of value-added premium fabric in the international market. The Company has also forayed into the women's wear segment with offering in the corporate and smart clothing category. The Company is on its way to become a lifestyle solution for discerning customers with an offering of a range of fabrics, garment and accessories in a premium shopping environment.

The financial statements have been prepared in compliance with the requirement of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The management of Richa Industries Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. These

estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and state of affairs and profits for the year.

### Industry Structure and Development

The Indian economy has shown vigorous growth with strong macro economic fundamentals. The GDP is estimated to have grown by 9.2% in 2007-08 compared to 9.0% in 2005-06, as per "Economic Survey 2006-2007". The notable feature of the current growth phase is the sharp rise in the investment rate in the economy which reflect a high degree of business optimism and reinforces the outlook for growth.

The Indian textile industry plays a vital role in the India's economy by contributing to Gross Domestic Product, earning exchange and generating employment. As per estimate around 38 million are employed in the textile Industry in India and contributes to 4% of GDP and 20% of the total export earnings. Indian textile exports are expected to grow from the current levels to USD 50 billion by 2010 consequent to quota removal. After dismantling of quota, India is likely to benefit due to the raw material, design skills and skilled labour advantages. On the other hand there would be pricing pressures, as new small and medium manufacturers would grow not only in India but also in other countries where similar quotas were imposed earlier. Appreciation of Rupee is also a major concern for the growth of the textile industry.

### Financial Performance:

#### Revenues

During the year under review, the Company earned total revenue of Rs. 10307.92 lac compared with Rs. 6358.95 lac during the last year registering a growth of 62.10%. The income from sales and job work at Rs. 10007.26 lac registered a growth of 57.69% compared with Rs. 6346.01 lac earned in the last year. Income from sales increased by 55.97% from Rs. 6255.05 lac to Rs. 9755.80 lac while income from job work increased by 176.44% from Rs. 90.96 lac to Rs. 251.45 lac.

### Expenditure

During the year under review, the operating expenses at Rs. 8225.87 lac increased by 49.97% compared with Rs. 5485.12 lac incurred in the previous year in line with 54.97% increase in operating revenues. As a percentage of total operating revenue, these expenses registered a decline from 87.70% to 84.32%. The profit before taxes has been increased to 9.25% in 2007-08 from 7.90% from 2006-07. The manpower cost as a percentage of operating revenue has declined from 4.16% to 5.86%.

The interest cost increased by 134.48% to Rs. 479.18 lac during the current year compared with Rs. 204.36 lac incurred in the last year as a result of increase in borrowing from Rs. 5926.71 lac to Rs. 8622.78 lac. Depreciation charge increased by 56.16% from Rs. 129.11 lac to Rs. 294.45 lac.

### Opportunities and Challenges

The opportunities thrown open by the buoyant market for textiles in India is good for those companies, such as your that are geared with strong brand positioning, fully integrated production facilities, and the technical innovation capabilities to deliver the kind of patterns, weaves and designs that are demanded by the growing consumer class.

On the exports side, the soaring value of the rupee, took textile exporters in India by surprise in 2007. The rupee rose more than 10% against the US dollar on an average during the year, resulting in many smaller units facing difficulties.

Apart from the escalating rupee firms also had to cope with higher interest rates, high raw material prices especially wool, and continued lack of infrastructure.

Delay in processing and disbursements of TUF loan subsidies also hamper investment in the sector and drives up the cost of funds.

### Internal Controls systems and their Adequacy

The Company has a defined organization structure and has developed well documented policy guidelines with predefined authority levels. An extensive system of internal controls to ensure optimal utilization of resources an accurate reporting of financial transactions and strict compliance with applicable laws and regulations has also been implemented. The Company has put in place sufficient systems to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions

are authorized, recorded, and reported correctly. Also, it has an exhaustive budgetary control system to monitor capital related as well as other costs, against approved budgets on an ongoing basis.

A qualified and independent Audit Committee of the Board of Directors reviews the internal audit reports and the adequacy of internal controls.

### Risk Management

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates and commodity prices and business risk.

#### *Foreign Exchange Risk*

The company's policy is to systematically hedge its long term foreign exchange risks as well as short term exposures in line with its hedging policies.

#### *Interest Rate Risk*

The Company is proactively using derivatives for foreign currency borrowings to hedge interest rate risk and minimizes interest cost.

Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigating strategy, as a result of which interest rate fluctuations are not expected to pose a significant risk nor they are likely to have any material impact on the Company's profitability.

#### *Commodity Price Risk*

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and service and the existence of a strong brand image and a strong marketing network mitigates the impact of price risks on finished goods.

#### *Risk Element in Individual Businesses*

Apart from the risks on account of interest rate, foreign exchange and regulatory change, various businesses of the Company are exposed to certain operation business risks, which are managed by regular monitoring and corrective actions.

### Health Safety and Environment

#### *Health*

The Company has built a proper channel for good health of the employee within the project site. These channels is capable of providing intensive care with

round-the-clock. Preventive medication through comprehensive examination of all new workers and studies and audits for health risk assessment are conducted periodically.

#### **Safety**

The Company believes that safety is integral to efficient business management and has benchmarked its processes to the highest standards of safety at the project site. For this the Company established a safety facility consisting safety professionals. Sound safety systems and procedures are in place with will laid out standards that are accredited and enhanced by good safety professionals. Their implementation and compliance is strictly monitored. Regular audits are also conducted by internal and external experts.

#### **Environment**

The Company is committed to ensuring the highest standards of environment management and strict compliance with regulatory requirement at all times. The objective is to create an environmentally conducive eco-system at the location. Towards this end, the Company has taken utmost care at various stages of project implementation viz. planning, design, construction towards compliance with applicable laws.

#### **Human Resource Development**

One of the "Key" reasons for the exponential growth of Richa is undoubtedly its "People". Given the right environment and nurturing that is provided, time and time again seemingly "Ordinary" people surprise the company as they deliver "extraordinary" results. The Company has always provided an open and challenging work environment wherein the staff members get an opportunity to rapidly gain and assimilate knowledge. Creativity and dedication of all the employees represent the most precious assets of the Company. For the growth of the organization, the human resources function has an important role to play not only in identifying and recruiting suitable individuals but also in developing and rewarding its employees. As such, we have remained focused on strengthening human capital through continuous training and development and by upgrading skills of employees to meet the Company's objectives. The Company has a union free environment and the industrial relations scenario continued to be stable during the year.

#### **Cautionary Statement**

Statement in this Directors' Report & Management Discussion and analysis describing the Company's objectives, estimates, expectations or predictions

may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include raw material availability and prices, cyclical demand and pricing in the Company's principal market, changes in Government regulations, tax regimes, economic developments within India and the Company conducts business and other incidental factors.

#### **Appreciation**

Your directors express their warm appreciation to all the employee at various Units for their diligence and contribution. Your Directors also wish to record their appreciation for the support and co-operation received from the joint venture partners, dealers, agents, suppliers and the banks.

By order of the Board of Directors  
for Richa Industries Limited

Faridabad  
September 01, 2008

(Sushil Gupta)  
Chairman & Managing Director



## Directors' Report

Dear Shareholders,

Your Directors have the pleasure in presenting the Fourteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2008.

### Financial Highlights

Particulars	31.03.2008	31.03.2007
Gross Sales	9755.80	6255.05
Other Income	251.45	90.96
Increase/(Decrease) in Stock	300.66	12.94
Total Revenue	10307.91	6358.95
Profit before Interest, Depreciation & Tax	1781.39	860.91
Interest	533.71	229.88
Depreciation	294.45	129.11
Profit before Tax	953.23	501.92
Tax including Deferred Tax/ Fringe Benefit Tax	230.16	195.30
Profit after Tax	723.07	306.62

### Change of Name

As approved by you through Postal ballot in last Meeting, your company had changed its name from "Richa Knits Limited" to "Richa Industries Limited".

### Performance

The Indian garment segment is on a growth mode because of dismantling of quotas from January, 2005. This is the main factor which propels the growth of the Indian garment industry. Added to this favorable position, one more big advantage is that quotas have been re-imposed on China by both the trading blocks, namely EU and U.S. for three more years. This gave an additional impetus to the Indian apparel export industry. The elimination of quota restriction will also open the way for India to develop stronger clusters of textile expertise, enabling textile Companies to handle all stages of the production chain from growing natural fibers to producing finished clothing.

For giving boost to the apparel industry, the

government has extended Technology Up gradation Fund (TUF) Scheme for another period of five years.

The overall performance of the Company is good. During the year, the Company has scaled new heights and set several new benchmarks in terms of sales, profits, networth and assets. Turnover for the year was Rs. 9755.80 lac against Rs. 6255.05 lac in the previous year, reflection a growth of 55.97%.

Profit after tax, including exceptional item, for the year is Rs. 723.07 Lac as against Rs. 306.62 lac for the previous year, registering an increase of 135.82%.

### Future Prospects

Your Company is all set to improve its performance by improving the capacity utilization, increasing sales, generating better margins and employing cost reducing measures. This would help the Company in getting better operational efficiency and value added products.

The new plant of the Company for manufacturing of pre fabricated steel sheets is being set up in Distt. Kashipur, Uttarakhand is going to be operational by March, 2009. With this the Company foresees a lot of growth and business opportunities. The Company has firm plans for expansion of its business apart its existing activities i.e. going to be engage in manufacturing of Pre Fabricated Steel Sheets, Infrastructure, Hotel, Restaurant and Entertainment activities etc. Once the new plant is successfully commissioned and becomes fully operational.

### Management's Discussion & Analysis Report

A detailed review of the progress of the Project and the future outlook of the Company and its business, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report

### Directors

Under the Provisions of Section 260 of the Companies Act, 1956 and Article 123 of Articles of Association of the Company, Sh. Jagbir Singh Chaudhary was appointed as an Additional Director, with effect from May 14, 2008. He shall hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Sh. Jagbir Singh Chaudhary for the office of a Director, liable to retire by rotation.

Under the Provisions of Section 260 of the Companies Act, 1956 and Article 123 of Articles of Association of the Company, Sh. Jai Parkash Malhotra was appointed as an Additional Director, with effect from June 16, 2008. He shall hold office up to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Sh. Jai Parkash Malhotra for the office of a Director, liable to retire by rotation.

Sh. Subhash Gupta, resigned from the office of the Director of the Company with effect from May 14, 2008. The Board records its appreciation for the valuable contribution made by him during his tenure as Director of the Company.

Sh. Subhash Chand Gupta, resigned from the office of the Director of the Company with effect from June 16, 2008. The Board records its appreciation for the valuable contribution made by him during his tenure as Director of the Company.

In terms of Article 138 of the Articles of Association, Sh. Neeraj Bajaj, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

### Addition to the Object Clause

As approved by you through Postal ballot in last Meeting, your company had modified and made addition to the object clause from clause no. 8 to 16 of the company as follows:

8. To carry on the business as contractors, sub-contractors, real estate developers, promoters, builders, colonizers and to lay out, develop, construct, build, erect, demolish, re-erect,

alter, repair, re-model or do any activities relating to construction of any building or building scheme, roads, highways, docks, ships, sewers, bridges, canals, wells, springs, serais, dams power plants, wharves, ports, reservoirs, embankments, tramways, railways, irrigations, reclamations, improvements, sanitary, water, gas, electric light, telephonic, telegraphic and power supply works or any other structural or architectural work of any kind whatsoever.

9. To purchase, acquire, take on lease, or in exchange or in any other lawful manner any area, land, buildings, structures and to turn the same into account, develop the same dispose of or maintain the same and to build townships, commercial complex, or other buildings or conveniences thereon and to equip the same or any part thereof with all or any amenities or conveniences and to deal with the same in any manner whatsoever.

10. To carry on the business as planners, designers, architects, engineers, promoters, consultants, advisors, interior decorators, real estate agents in all matters connected with real estate and building construction or any activity for constructing, manufacturing, trading, distribution either wholesale or retail of any product in connection with construction item like grit ballast, other mining items, cement, steel, sand, bitumen including their crushing, grinding, mixing or any other activity in connection therewith

11. To carry on the business of hotels, motels, restaurant, resorts, flight kitchen, café, tavern, beer house, refreshment room and lodging house, canteens, caterers, pubs, bars, clubs, shopping complex, house keepers and organizing dances, musical and other entertainment shows of all kinds, organizers of games and sports, both indoor and outdoor, cinema houses, theaters, concert halls, picture places, studios amusement park, health resort, water park, theme park, sports club, adventure sports, skiing, tracking water sports, recreation centre, holiday camps, guest houses, banquets halls, picnic spot, casinos, discotheques, swimming pools, health clubs, baths, dressing rooms, health centre, conference centre, gymnastics, yoga centre, beauty parlors, in and

- outside India and related activities thereto.
12. To establish, acquire by purchase or otherwise and to conduct, carry on and manage in India and elsewhere development, manufacture, assembly, fabrication, erection (on turnkey basis or otherwise), Marketing, sale, distribution, purchase, import, export, high Sea Sales or purchases of Pre-Engineered Metal Buildings and Heavy Structural Metal Buildings, Guards Rails, Space Frames, Industrial Racking Systems, Sandwich Panels, Pre-Painted Coils, Doors and Windows Structural Steel and all accessories fasteners, paints and all type of insulated products and to carry out any and all such activities as may be necessary or related to or in connection with carrying on such activities.
  13. To establish, appoint, regulate and discontinue offices, agents, representatives, distributors, certifiedbuilders, retailers, wholesalers, in all such places in India or outside India as the company may from time to time.
  14. To purchase, own, take on lease or in exchange or otherwise acquire and undertake all or any part of the business, rights, privileges, property and liabilities of and to amalgamate or enter into partnerships or into any arrangement for sharing profits, union of interest, co-operation, Joint Ventures, reciprocal concessions or other wise with any company having objects altogether similar or in part similar to those of the company and to lend or guarantee the performance of contracts of or subsidize or otherwise assist any such company for such consideration and on such terms as may seem expedient.
  15. To undertake, identify, formulate, design, develop, structure, promote, aid, procure, establish, equip, manage, construct, erect, operate, maintain, improve, control, regulate, modify, restructure, re-organize, participate and/or assist in the designing, development, construction, implementation, commissioning, operation and maintenance or infrastructure projects in textile sector and other sectors, by way or in special economic zones or otherwise, schemes, facilities, programmers or advisory mandates across sector in India or abroad (including without limitation urban, rural, municipal, social, real estate, industrial infrastructure) and ancillary facilities and services for commercial use by itself, its members, shareholders, through other companies promoted by the Company or promoter identified by the Company or through contractors and operators, on the commercial format by charging, demanding, collection, auctioning, retaining and appropriating tariffs, charges, lots, fees, prices, rents and all types of revenues, user fees from users of infrastructure facilities and projects and ancillary services and facilities, returns, servicing and arrange for financing of the above activities and to develop integrated textile parks inter alia comprising of composite textile units, textile plant and machinery, ginning factories, pressing factories, power looms , effluent treatment plants, drainage, sewerage, waste management water supply works, transport facilities, marketing facilities, internet facilities, information technology facilities, telecommunication systems, labor atones, roads, bridges, captive power plants, warehouses, yards, parks, parking facilities, training centers and other social infrastructure and social services and associated services of any description and ancillary, facilities including construction of buildings, factory sheds, design center, warehouses, raw material depot, crèche, canteen, workers hostel, offices of services providers labor rest and recreation facilities, other commercial premises, real estate development and hoardings and other infrastructure facilities as may be required for the purpose, in public private sector partnership mode or any other formats as may be necessary and for this purpose to enter into all types of contracts with Government and private entities.
  16. To act as a Special Purpose Vehicle for implementing different schemes of the Central/ State Governments, including cluster development scheme of Central Government, and of the or Public authorities and to carry on the business of developing, operating, maintaining and upgrading various infrastructure facilities at transport, road, communication, common facilities for fuel/ gas supply system, effluent treatment, solid waste disposal, product design, captive power

generation, infrastructure for and bench marking centers, common facilities canters, information dispersal/ international marketing infrastructure. ICT induction and process re-engineering and management consultancy service centers and any other physical infrastructure as may be approved under any of the schemes present and future and to engage in textile and allied industrial research, training and Developmental activities.”

#### **Increase in Authorised Capital of the Company**

As approved by you through Postal ballot in last Meeting, your company had increased its Authorised Shared Capital from Rs. 20 Crore (Rupees Twenty Crore) to Rs. 30 Crore (Rupees Thirty Crore).

#### **Increase the borrowing power**

As approved by you through Postal ballot in last Meeting, your company had increased its borrowing power up to a sum of Rs. 1,000 Crore (Rupees One Thousand Crore) over and above the aggregate of the paid up capital of the company and its free reserves.

#### **Grant power of create mortgage and charge**

As approved by you through Postal ballot in last Meeting, your company had granted to the Board of Directors to mortgage and / or charge on all or any of the moveable and / or immoveable properties of the company for securing the borrowings availed/ to be availed by the Company, by way of loan(s) and Securities.

#### **Inter Corporate Loans and Investments**

As approved by you through Postal ballot in last Meeting, your company had accorded to the Board of Directors of the Company to make loan(s) and / or give any guarantee(s) and / or provide security (ies) in connection with loan(s) of any other body corporate up to a limit not exceeding Rs. 200 Crore (Rupees Two Hundred Crore).

#### **Further issue of Capital**

As approved by you through Postal ballot in last Meeting, your company had accorded to the Board, to create, issue an offer whether at one time or from time to time or in trenches by way of Follow on Public Offer/ Preferential Issue/Right Issue/ Private Placement/Qualified Institutional Placements(QIP)/ and/or Preferential Offer or American Depository

Receipt (ADR) or Global Depository Receipt (GDR) to General Public, Members, Employees, Non-Resident Indians, Foreign Institutional Investor(s) (FII's), Companies, Mutual Funds, Banks, Financial Institutions, Stabilizing Agents (SA), other entity(ies) and / or to the Company's Promoters, their Relatives, Friends and Associates including Bodies Corporate

#### **Subsidiaries**

Your company has formed a subsidiary company for undertaking specific business activities. The name of this company is "Richa Infrastructure Limited" and the percentage of your company's stake in them is approximately 59%. The company has not started its operation during the year ended 2007-08. It is expected to start at the earliest in the coming feature

#### **Fixed Deposit**

During the year, Your Company has not accepted any fixed deposits from the public under Section 58A of the Companies Act, 1956 and is therefore not required to furnish information in respect of outstanding deposits under Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1966 and Companies (Acceptance of Deposit) Rules, 1975.

#### **Dividend**

Your Directors consider it prudent not to recommend any dividend for the year 2007-08 keeping in view the need of resources for the new plant as well as further expansion plans of the Company.

#### **Secretarial Audit Report**

Your Company appointed M/s Ajay Garg & Associates, Practicing Company Secretaries, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2008. The Secretarial Audit Report addressed to the Board of Directors of the Company is not attached to this Annual Report. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with Stock Exchanges, Securities Contract (Regulation) Act, 1956 and all the regulations of SEBI as applicable to the Company including SEBI (Disclosure and Investor Protection) Guidelines, 2000 and SEBI (Prohibition of Insider Trading) Regulation, 1992.

#### **Auditor and Auditors' Report**

M/s Tayal & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956. The Directors recommend the re-appointment of M/s Tayal & Co. as Auditors of the Company.

The observations of Auditors in their report read with notes to the accounts are self explanatory and do not call for further explanation.

#### **Change of Registered Office of the Company**

The Board of Directors at their meeting held on June 16, 2008 has decided to shift the registered office of the Company from Gurgaon (Haryana) to Faridabad (Haryana). In view of the fact that majority of the Directors of the Company are based at Faridabad (Haryana), so it would be convenient to carry on the business activities of the Company more efficiently and smoothly from Faridabad. Therefore as a whole it would be in the interest of the Company, its members and general public to shift the Registered Office of the Company at Faridabad (Haryana).

#### **Setting up PEB Division at Kashipur, Uttarakhand**

Now the company is proposing for diversification in the field of Pre-Engineering Buildings to provide low cost, non conventional substitute to residential/dwelling units, Industrial pre-engineered steel buildings, sheds, godowns, and platforms. A step ahead the company is also proposing to cater the need of industries, institutions, medical houses, hospitals and societies at large to provide full fledged solutions as far as steel structures are concerned. The Company also proposes to manufacture of pre-cast panels under which it is possible to manufacture concrete panels that are superior in strength, lower in cost, faster to produce and easier to use for house construction as compares to conventional brick and mortar houses.

The genesis of project lies in the convergence between the technology and manufacturing process and the potential for its high volume usage in India in view of double digit growth (35% to 40% per annum) in this sector, easy and early construction, to escalation, with the time frames.

The P.E.B. concept is widely used in the United States, as well as in many of the industrialized countries. It consists of a complete steel-framed building system, with components pre-designed to fit together in a vast variety of combination to meet the unique requirements of specific end uses. Sub-Systems include anchor bolts, structural framing, insulation, roof and wall cladding, mezzanines or floor including steel floor decking, windows, doors, ventilation systems, canopies, overhangs and fascias.

It consists of a complete steel-framed building system, with components pre-designed to fit together in a vast variety of combinations to meet the unique requirements of specific end uses. Sub-Systems include anchor bolts, structural framing, insulation, roof and wall cladding, mezzanines or floor including steel floor decking, windows, doors, ventilation systems, canopies, overhangs and fascias.

#### **Particulars of employees**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act read with the Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

#### **Directors' Responsibility Statement**

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 your Directors hereby state and confirm that:

- a) in the presentation of the annual accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures for the same;
- B) 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 & fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c) the directors have taken proper and sufficient

care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) they have prepared the annual accounts of the Company on a going concern basis.

#### **Energy Conservation, Technology Absorption and Foreign Exchange Earning and outgo**

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956, read with the Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forms part of this report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo. Any shareholder interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary of the Company for a copy.

#### **Corporate Governance**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the stipulations set out in the Listing Agreement with the Stock Exchanges.

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

Certificate from the Auditor of the Company, M/s Tayal & Co. confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

#### **Forfeited of Shares**

The Board of Director at their meeting held on 13.02.2008 has decided to forfeit 173808 Partly Paid up Equity Shares.

The Company had also given three notices dated 18.01.2007, 16.03.2007 and a Final Notice on dated 24.05.2007 for making payment of Partly paid up Equity Shares, by Registered Post. The holders of partly paid up shares, the payment of balance

amount on or before 5th December, 2008 along with interests of 12% p.a. from the date of allotment not made, the Board had exercised its right to forfeiture of the partly paid up equity shares.

We have to state that in spite of the above said above notices for payment of balance amount of the Allotment Money which was overdue since long, and you were failure to pay the amount call money of Rs. 15/- per shares with interest @ 12% p.a. even after more than reasonable opportunity provided by the Company.

The Board of Directors of the Company had considered the matter at their meeting held on 13th February, 2008 and passed necessary resolution for forfeiture of all the partly paid up equity shares in the best interest of the Company.

#### **Employees' Relation**

The Company continued to have cordial relations with its employees and no dispute had taken place throughout the year.

#### **ACKNOWLEDGEMENT**

The Board of Directors wishes to place on record its appreciation for the commitment, dedication and hard work done by the employees in the Company and the cooperation extended by Banks, Government Authorities, Customers, Shareholders and Employees of the Company and looks forward to a continued mutual support and co-operation.

By order of the Board of Directors  
for **Richa Industries Limited**

Faridabad  
September 01, 2008

(Sushil Gupta)  
Chairman & Managing Director

## **Report on Corporate Governance**

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Corporate Governance is the set of policies, processes and practices governing the affairs of a company in pursuit of its business goals. Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practices stem from the culture and mindset of the organization. As stakeholders across the globe evince keen interest in the practices and performance of companies, Corporate Governance has emerged on the centre stage. Good governance practices stem from the culture and mindset of the organization.

Over the years, governance processes and systems have been strengthened and institutionalized at Richa. Effective implementation of these policies underpins the commitment of the Company to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance shareholders' value.

Keeping in view the Company's size, complexity, global operations and corporate traditions, the Company's Governance framework is based on the following main principles:

- Constitution of a Board of Directors of appropriate composition, size, varied expertise and commitment to discharge their responsibilities and duties.
- Ensuring timely flow of information to the Board and its Committees to enable them discharge their functions effectively.
- A sound system of risk management and internal control.
- Independent verification and safeguarding integrity of the Company's financial reporting.
- Timely and balanced disclosure of all material information concerning the Company to all stakeholders.
- Transparency and accountability.
- Fair and equitable treatment of all stakeholders including employees, customers, shareholders and investors.
- Compliance with all the rules and regulations.

The Company recognizes that good Corporate Governance is a continuing exercise and is committed to follow the best practices in the overall interest of the stakeholders.

In accordance with clause 49 of the Listing Agreement with the Stock Exchange in India (Clause 49) and the best practices followed internationally on corporate governance, the details of governance systems and processes are as under:

### **1. Company's philosophy on Code of Governance**

Your Company has always believed in adopting the best practices of Corporate Governance with an aim to maximize the interest of the shareholders with those of other stakeholders- customers, employees, investors, vendors, dealers, financiers, State and Central Government and society at large in order to achieve long - term sustained value while ensuring accountability in the exercise of corporates' financial, legal and contractual obligations.

The key to good Corporate Governance is in ensuring that the Company takes into account the interest of a wide range of constituencies, as well as of the communities within which Company operate.

Today even in the fiercely competitive business environment, the Management and Employees of your Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamentals of Corporate Governance.

Your Company is fully committed to and continues to follow procedures and practices in conformity with the Code of Corporate Governance contained in the Listing Agreement.

## 2. Board of Directors

### Board Composition

The Board of Directors of the Company ("the Board") consists of 6 Directors, out of which 3 are Independent Directors. The Chairman is Executive and the number of Independent Directors i.e. those who have no business relationship with the Company is 3. The composition of the Board and category of Directors are as under:

Name of the Director	Category
<b>Executive</b>	
Sh. Sushil Gupta	Chairman & Managing Director
Sh. Sandeep Gupta	Joint Managing Director
Sh. Manish Gupta	Whole-time Director
<b>Non-Executive Independent</b>	
Sh. Neeraj Bajaj	Directors
Sh. Jagbir Singh Chaudhary	Directors <sup>1</sup>
Sh. Jai Parkash Malhotra	Directors <sup>2</sup>
<b>Total No. of Directors =6</b>	

1 Sh. Jagbir Singh Chaudhary was appointed as an Additional Director with effect from May 14, 2008.

2 Sh. Jai Parkash Malhotra was appointed as an Additional Director with effect from June 16, 2008.

None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all companies in which they are Directors.

### Directors' Profile

Brief resume of all the Directors, nature of their expertise in specific functional areas and name of companies in which they hold Directorship and Membership/Chairmanship of Board Committees are provided below:

#### a) Sh. Sushil Gupta

Sh. Sushil Gupta, aged 43 years is the Chairman & Managing Director of your Company, having more than 19 years of experience in the industry. He has wide experience in Textile Industry with exposure in the field of Chemicals & Textiles. He is associated with the Company since its inception. He has been the driving force behind the Company's evolution. He has done his B.Tech (Mechanical) from Kurushetra University, Haryana and M. Tech (CAD/CAM) from IIT-Delhi.

He started his career in the year 1988 as an executive in Axis Cottex Private Limited and worked there for ten months. He has served as a lecturer for few months in Vaish College (Rohtak) in the year 1989. With the background of business and to continue the family business, he decided to leave the job and put the milestone of the business in the year 1991 in the name of 'Usha Processing Mill'. Later on the business of Usha Processing Mill was taken over by Richa Knits Ltd. Since then he is in this business and is known for his technical capabilities in the industry. His far-sightedness and firm commitment enabled our company to achieve the present status. He is In-charge of overall activities of our Company. His core area of focus remains on R&D, cost effectiveness and customer service. His responsibility includes exercising overall control and supervision of various activities of the Company.

He was conferred with Udyog Patra award for self-made industrialist from IITF for his entrepreneurship & contribution to the industry.

He has also received a Certificate of "Udyog Vibhushan" for Excellence in Industrial Performance by the Institute of Trade and Industrial Development, New Delhi in June 2005.



**b) Sh. Sandeep Gupta**

Sh. Sandeep Gupta aged 30 years is the Joint Managing Director of your Company w.e.f. 29.12.05. He has more than 8 years of experience in the textile and garment industry. He is actively involved in the affairs of our company and looks after the customer relations and marketing aspects. He is an MBA in marketing, Graduate in Industrial Relations and Personal Management from Delhi University. He also holds a Diploma in Apparel Production Technology from Pearl Institute & Diploma in Sales & Marketing from NIS (National Institute of Sales). He joined the family business after completing his Graduation in 2000. He has been groomed under the able guidance of Mr. Sushil Gupta, your Chairman & Managing Director and in the atmosphere of business with the common goal.

Ever since joining the Company, he has assumed responsibilities of activities involved in manufacturing to marketing. Having attained thorough experience of the trade, he is now looking after the Marketing and Finance of the Company.

**c) Sh. Manish Gupta**

Sh. Manish Gupta, aged 29 years is the younger son of your Chairman. He has been appointed as the Whole- Time Director of the Company w.e.f. 29.12.05. He joined our company on July 1, 2002. He is in charge of overall working of plant including Knitting, Processing, Dyeing and administration. He is also on the Board of other group Companies.

He has 6 years experience in the line of textile industry. He has done - B.Tech in Textile Chemistry from DKTE, Ichalkaranji, Maharashtra, Shivaji University.

**d) Sh. Neeraj Bajaj**

Sh. Neeraj Bajaj aged 39 years, has an experience of over 17 years in Accounts and Finance related matters. He is a Qualified Chartered Accountant and is a Fellow Member of The Institute of Chartered Accountants of India. He is an expert in Project Finance. He joined us in December 2005. He is a Non-Executive, Independent Director.

**e) Sh. J. S. Chaudhary**

Mr. Jagbir Singh Chaudhary aged 47 years, has an experience of over 22 years in the field of polymers, and chemicals. He has done M. Tech. (Chemical Engg.) from IIT Bombay in 1983 and done Diploma in Paints Technology from UD City Bombay. He is also an MBA Marketing. He started his career as R&D Engineer from Bombay and move to the post of GM, Vice President and CEO. He is an expert in Polymer, Chemical and Engineering field. He join us in may, 2008. He is a Non-Executive, Independent Director.

**f) Sh. J. P. Malhotra**

Sh. Jai Parkash Malhotra aged 59 years, has an experience of over 38 years in manufacturing industry. He has done - B.E. (Mechanical) from Delhi University He is an expert in Manufacturing of Valves and related activities. He is awarded with Outstanding Small Scale industry for the State of Haryana by President of India and also awarded by eminent Engineer by Institution of Engineers in 2006. He join us in June, 2008. He is a Non-Executive, Independent Director.

**3. Attendance of Directors at Board Meetings, Last Annual General Meeting and number of other Directorship and Chairmanships/Memberships of Committees of each Director in various companies**

Name of the Director	Attendance of meetings during 2007-08		Number of other Directorship (*)	Number of Membership(s)/ Chairmanship(s) of committees Of other companies (**)
	Board meeting	Last AGM		
Sh. Sushil Gupta	9	Yes	2	--
Sh. Sandeep Gupta	9	Yes	3	--
Sh. Manish Gupta	9	Yes	1	--
Sh. Neeraj Bajaj	9	Yes	1	--
Sh. J. S. Chaudhary <sup>1</sup>	--	--	--	--
Sh. J. P. Malhotra <sup>2</sup>	--	--	--	--

- 1 Sh. J. S. Chaudhary was appointed as an Additional Director with effect from May 14, 2008.
- 2 Sh. J. P. Malhotra was appointed as an Additional Director with effect from June 16, 2008.
- \* The Directorship held by Directors, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.
- \*\* In accordance with Clause 49 of the Listing agreement, Membership / Chairmanships of only the Audit Committees and Shareholders'/Investors' Grievance Committees of all Public Limited Companies have been considered.

**4. Number of Board Meetings held and the dates on which held**

Nine Board Meetings were held during the year. The Company has held at least one Board Meeting in every three months and the maximum time gap between any such two meetings was not more than four months. The details of the Board Meetings are as under:

Date	Board Strength	Number of Directors Present
June 29, 2007	6	6
July 30, 2007	6	5
August 16, 2007	6	6
August 25, 2007	6	5
October 31, 2007	6	5
January 10, 2008	6	6
January 31, 2008	6	6
February 13, 2008	6	5
March 14, 2008	6	6

**5. Audit Committee**

The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.

The terms of reference/powers of the Audit Committee has been specified by the Board of Directors as under:

- A. The Audit Committee shall have the following powers:-
  - i. To investigate any activity within its terms of reference.
  - ii. To seek information from any employee.
  - iii. To obtain outside legal or other professional advice.
  - iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.
- B. The role of the audit Committee shall include the following:
  - I. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
  - ii. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of the audit fees.
  - Ii. Approval of payment to the statutory auditors for any other services rendered by the Statutory Auditors.
  - iv. Reviewing, with the management, the annual financial statement before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Directors' Responsibility statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
    - Changes, if any in accounting policies and practices and reasons for the same.
    - Major accounting entries involving estimates based on the exercise of judgment by the management.
    - Significant adjustments made in the financial statements arising out of audit findings.
    - Compliance with listing and other legal requirements relation to financial statements.
    - Disclosure of related party transactions, if any.
    - Qualifications in the draft Audit Report.

- V. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
  - vi. Reviewing, with the management, performance of Statutory and Internal Auditors and adequacy of the internal control systems.
  - vii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audits.
  - viii. Discussion with Internal Auditors regarding any significant findings and follow up thereon.
  - ix. Reviewing the findings of any internal investigation by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter of the Board.
  - x. Discussion with Statutory Auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
  - xi. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  - xii. To review the functioning of the Whistle Blower mechanism, if and when introduced.
  - xiii. Carrying out such other function as may be specifically referred to the Committee by the Board of Directors and / or other Committee(s) of Directors of the company.
- C. Information for Review:
- i Management discussion and analysis of financial condition and results of operation.
  - ii Statement of significant related party transactions (as may be defined by the audit committee), submitted by management.
  - iii Management letters/ letters of internal control weaknesses issued by the Statutory Auditor(s).
  - iv Internal audit reports relating to internal control weaknesses.
  - v. Appointment, removal and terms of remuneration of the Chief Internal Auditor.
  - vi. Uses / application of funds raised through public issues, rights issues, preferential issues, etc.
  - vii. Review of uses/ application of funds raised through an issue (public issue, right issue, preferential issue, etc.)

The Audit Committee met 4 times during the year ended on 31st March, 2008 on 25.06.2007, 30.07.2007, 30.10.2007 and 07.01.2008. The constitution of Audit Committee and attendance of each member is as given below:

Name of Member	Designation	Category	No. of Meeting attended
Sh. Neeraj Bajaj	Chairman	Non Executive Director	4
Sh. J. P. Malhotra <sup>1</sup>	Member	Non Executive Director	—
Sh. Sandeep Gupta	Member	Executive Director	4

1 Sh. J. P. Malhotra was appointed as an Additional Director with effect from June 16, 2008.

The Company Secretary acts as Secretary to the Committee.

Sh. Neeraj Bajaj, who acts as Chairman of the Audit Committee Meetings was present at the Thirteenth Annual General Meeting of the Company held on September 13, 2007 to answer the shareholders' queries.

## 6. Remuneration Committee

### Terms of Reference

- Reviewing the overall compensation policy, service agreements and other employment conditions of Managing / Whole-time Director(s).
- Reviewing the performance of the Managing / Whole-time Director and recommending to the Board, the quantum of annual increments and annual commission.

### Composition

The Remuneration Committee met once during the year on 28.06.2007. The constitution of the Committee and attendance of each member is as given below:

Name of Member	Designation	Category	No. of Meeting attended
Sh. Neeraj Bajaj	Chairman	Non Executive Director	1
Sh. J. P. Malhotra <sup>1</sup>	Member	Non Executive Director	--
Sh. J. S. Chaudhary <sup>2</sup>	Member	Non Executive Director	--

<sup>1</sup> Sh. J. P. Malhotra was appointed as an Additional Director with effect from June 16, 2008.

<sup>2</sup> Sh. J. S. Chaudhary was appointed as an Additional Director with effect from May 14, 2008.

The function of the Remuneration Committee includes recommendation of appointment of Whole-time Director(s)/ Managing Director/Joint Managing Director and recommendation to the Board of their remuneration.

### Remuneration Policy

Payment of remuneration to the Managing Director/Whole-time Director(s) is governed by resolution passed by the Board of Directors and shareholders of the Company, which covers the terms of such appointment and remuneration, read with the service rules of the company. Payment of remuneration to Chairman and Managing Director and Whole-time Director(s) is governed by the respective agreements executed between them and the Company. Remuneration paid to Chairman and Managing Director and Whole-time Director(s) is recommended by the Remuneration Committee, approved by the Board and is within the limits set by the shareholders at the Annual General Meetings. The remuneration package of Chairman and Managing Director and Whole-time Director(s) comprises of salary, perquisites and allowance, commission and contributions to Provident fund as approved by the shareholders at the Annual General Meeting. Annual increments are linked to performance and are decided by the Remuneration Committee and recommended to the Board for approval thereof.

The remuneration policy is directed towards rewarding performance, based on review of achievements. It is aimed at attracting and retaining high caliber talent.

There are no separate provisions for payment of severance fees under the resolutions governing the appointment of Chairman and Managing Director and Whole-time Director(s).

Presently, the Company does not have a scheme for grant of stock or performance linked incentives for its Directors.

Name	Salary	Perquisites	Provident Fund	Total
Sh. Sushil Gupta	Rs. 9,00,000/-	--	Rs. 9360/-	Rs. 9,09,360
Sh. Sandeep Gupta	Rs. 9,00,000/-	--	Rs. 9360/-	Rs. 9,09,360
Sh. Manish Gupta	Rs. 7,20,000/-	--	Rs. 9360/-	Rs. 7,29,360

# Excludes provision for gratuity and leave encashment which are determined on the basis of actuarial valuation done on overall basis for the Company.

### Equity Shares held by the Directors

Except as stated hereunder, none of the directors, held any shares in the Company as on 31st March, 2008:

NAME OF THE DIRECTOR	NO. OF SHARES HELD
Sh. Sushil Gupta	501510
Sh. Sandeep Gupta	1080968
Sh. Manish Gupta	89000

The Company does not have any Stock Option Scheme for its employees.

### 7. Shareholders'/ Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee, inter alia, oversees and reviews all matters connected with the investor services in connection with applications received and shares allotted in the Initial Public Offer, status of refund account, conversion of partly paid shares into fully paid shares, rematerialization and dematerialization of shares and transfer of shares of the Company. The Committee oversees performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Board has delegated the power of approving transfer of securities to the officers of the Company.

Two Committees were held during the year 25.06.2007 and 05.01.2008. The constitution of the Committee as at 31.03.2008 and attendance of each member is as given below:

Name of Member	Designation	Category	No. of meetings attended
Sh. Neeraj Bajaj	Chairman	Non Executive Director	2
Sh. J. P. Malhotra <sup>1</sup>	Member	Non Executive Director	--
Sh. J. S. Chaudhary <sup>2</sup>	Member	Non Executive Director	--

<sup>1</sup> Sh. J. P. Malhotra was appointed as an Additional Director with effect from June 16, 2008.

<sup>2</sup> Sh. J. S. Chaudhary was appointed as an Additional Director with effect from May 14, 2008.

### Compliance Officer

Sh. Gagan Singhal, Company Secretary is the Compliance Officer for complying with the requirements of the Listing Agreement with the Stock Exchanges and requirements of SEBI (Prohibition of Insider Trading) Regulation, 1992

### Complaints from Investors

No. of complaints pending at the beginning of the year	: Nil
No. of complaints received by correspondence during the year ended 31.03.2008	: 46
No. of complaints received for Mutilated / Cheque Correction during the year	: 02
No. of complaints received from B.S.E during the year	: 01
No. of complaints received from SEBI during the year	: 33
No. of complaints resolved / replied during the year	: 82
*No. of Investors complaints pending at the ending of the year 31.03.2008	: Nil

We confirm that No complaints remained unattended / pending for more than 30 days.

\*There were no share transfers pending for registration for more than 15 days as on the said date.

### 8. Corporate Governance Manual

The Board of Directors of the Company approved and adopted a comprehensive Corporate Governance Manual setting out the procedures for effective functioning of the Board and its Committees. It also incorporates the Code of Business Conduct and Ethics for Directors and Senior Management, Code of Ethics for Employee and Policy on Prohibition of Insider Trading. These policies are regularly monitored and reviewed.

### 9. General Body Meetings

The details of date, time and location of Annual General Meetings (AGM) held in last 3 years are as under:

Year	AGM	Date	Time	Venue
2004-05	11th AGM	07.09.2005	11.30 a.m.	Plot No. 5, Sector-7
2005-06	12th AGM	10.08.2006	11.00 a.m.	IMT Manesar, Gurgaon
2006-07	13th AGM	13.09.2007	4.00 p.m.	Haryana-122050

Special Resolution passed at last three Annual General Meeting

AGM	No. of Special Resolution
12th AGM	1

**Passing of resolution by Postal Ballot****In 2006-2007**

One Special Resolution under section 372A and three Ordinary Resolutions under section 293(1)(a) and 293(1)(d) and other applicable provisions of the Companies Act, 1956 were passed through Postal Ballot on 21st March, 2007. Detail of the voting pattern was:

Sr. No.	Description of Ballot Papers received	No.
1.	Votes in favour	40
2.	Votes against	NIL
3.	Invalid votes	NIL

Persons who conducted the postal ballot exercise:

Mr. Rajesh Gupta  
 M/s. Ajay Garg & Associates  
 Company Secretaries  
 970, Sector-21D  
 Faridabad (Haryana)

**In 2007-2008**

Four Special Resolution under section 17(1), 372A, 21, 81 & 81(1A) and three Ordinary Resolutions under section 293(1)(a), 293(1)(d) & 94 and other applicable provisions of the Companies Act, 1956 were passed through Postal Ballot on 19th July, 2008. Detail of the voting pattern was:

**Resolution 1:** Result of the voting conducted through Postal Ballot on the Special Resolution for modify and make additions to the object clause of the Company.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	106(One Hundred and Six)
Votes against the Resolution	NIL

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 2(a):** Result of the voting conducted through Postal Ballot on the Ordinary Resolution for increase in the borrowing powers of the Company.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	105(One Hundred and Five)
Votes against the Resolution	1(One)

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 2(b):** Result of the voting conducted through Postal Ballot on the Ordinary Resolution for charge of mortgage of moveable or immoveable property of the Company.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	103(One Hundred and Three)
Votes against the Resolution	3(Three)

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 3:** Result of the voting conducted through Postal Ballot on the Ordinary Resolution for Inter Corporate Loan and investment.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	104(One Hundred and Four)
Votes against the Resolution	2(Two)

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 4:** Result of the voting conducted through Postal Ballot on the Special Resolution for change of name of the Company from "Richa Knits Limited" to "Richa Industries Limited".

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	105(One Hundred and Five)
Votes against the Resolution	1(One)

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 5:** Result of the voting conducted through Postal Ballot on the Ordinary Resolution for increase Authorised capital of the Company.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	106(One Hundred and Six)
Votes against the Resolution	NIL

The Resolution has therefore been approved / by the shareholder with the requisite majority.

**Resolution 6:** Result of the voting conducted through Postal Ballot on the Special Resolution for further issue of capital of the Company.

Particulars	Number
Total number of postal ballot forms received	111(One Hundred and Eleven)
Number of invalid postal ballot forms received	5(Five)
Votes in favour of the Resolution	106(One Hundred and Six)
Votes against the Resolution	NIL

The Resolution has therefore been approved / by the shareholder with the requisite majority.

Persons who conducted the postal ballot exercise:

Mr. Ajay Garg

M/s. Ajay Garg & Associates

Company Secretaries

970, Sector-21D

Faridabad

Haryana - 121001

As on date the Company does not have any proposal for Postal Ballot.

#### **Extraordinary General Meeting**

No Extraordinary General Meeting was held during the year 2007-08.

#### **10. Subsidiaries:**

The Company has one subsidiary non-listed Indian Company namely Richa Infrastructure Limited. But the Company does not have any material non-listed India Subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

**11. Disclosures**

- There are no materially significant related party transactions made by the Company with its Promoters, Directors or management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large. The transactions with related parties as per requirements of Accounting Standard (AS-18) - 'Related Party Disclosures' are disclosed in Point No.-7 of Notes on account of Schedule 22 of the Accounts in the annual Report.
- In the preparation of the financial statements, the Company has followed the Accounting Standards referred in Section 211(3)(c) of the Companies Act, 1956. the significant accounting policies which are consistently applied are set out in Annexure to Notes to the Accounts.
- Business risk evaluation and management is an ongoing process within the Company. During the year under review, a detailed exercise on 'Risk Assessment and Management' was carried out covering the entire gamut of business operation and the Board was informed of the same.
- The Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, there were no structures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital market since the Company be listed.
- Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

**12. Means of Communication**

- The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results, the Performa prescribed by Clause 41 of the Listing Agreement within one month of the close of the respective period.
- The approved financial results are forthwith sent to the listed Stock Exchanges and are published in the leading National English Newspapers namely 'The Financial Express'. In addition, the same are published in Local language Newspaper namely 'Jansatta' (Haryana), with in forty-eight hours of approval thereof. The same are not sent to the shareholders separately.
- Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are hosted on the Electronic data information Filing and Retrieval (EDIFAR) website [www.sebidifar.nic.in](http://www.sebidifar.nic.in) maintained by SEBI in association with the National Information Centre, with the time frame prescribed in this regard.
- The Company's financial results and official news releases are displayed on the Company's website [www.richa.in](http://www.richa.in).
- No formal presentations were made to the institutional investors and analyst during the year under review.
- Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

**13. Management Discussion & Analysis Report**

A detailed review of the progress of the Project and the future outlook of the Company and its business, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report.

**14. General Shareholder Information**

**Registered Office**

VPO Kawnra  
Old Faridabad to Kheri-Jasana Road  
Near Lingayas Institute of Mgmt. & Tech.  
Faridabad - 121101, Haryana (India)



**Annual General Meeting**

Day, Date, Time	Monday, 29th September, 2008 , 4:00 p.m.
Venue	FCCI Centre Near Tubewell No. 4 Sector-11B, Faridabad-121006 Haryana (India)

**Financial Calendar**

Financial reporting for the quarter ending June 30, 2008	:	End July 2008
Financial reporting for the half year ending September 30, 2008	:	End October 2008
Financial reporting for the quarter ending December 31, 2008	:	End January 2009
Financial reporting for the year ending March 31, 2009	:	End April 2009

**Book Closure Period**

September 24th, 2008 to September 29th, 2008 (Both days inclusive)

**Dividend**

Your Directors consider it prudent to not to recommend any dividend for the year 2007-08 keeping in view the need of resources for the new plant as well as further expansion plans of the Company.

**Listing of Equity Shares on Stock Exchanges and Payment of Listing Fee**

Bombay Stock Exchange Limited, (BSE)

P. J. Towers,

Dalal Street, Mumbai-400001

Annual Listing fee for the year 2008-09, has been paid by the Company to BSE.

**Stock Code**

Scrip Code - Bombay Stock Exchange - '532766'

ISIN for Equity Shares - INE516H01012

**Stock Market Data**

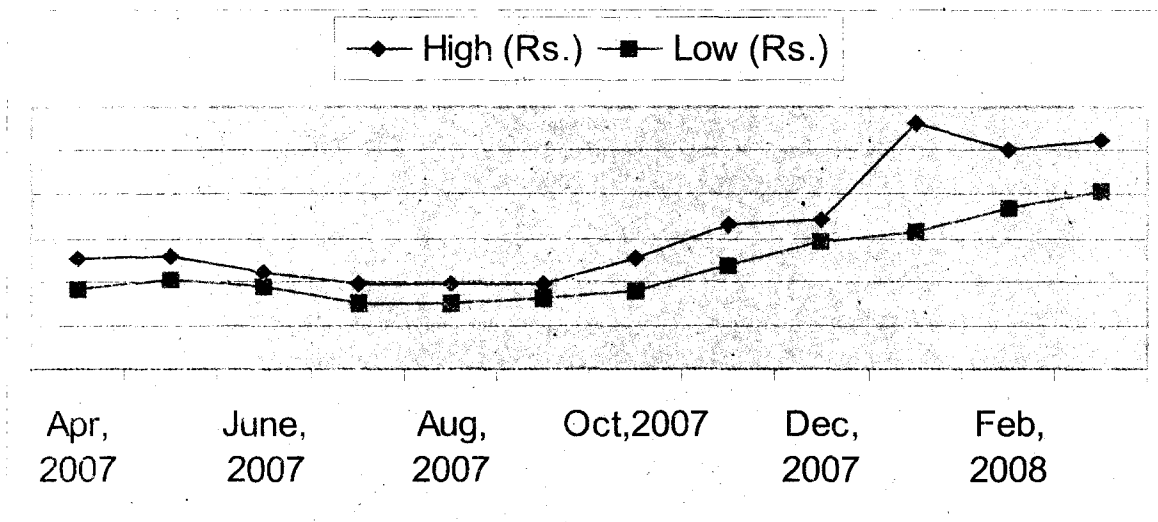
a) **Richa vs Sensex**

MONTH	RICHA		SENSEX	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2007	25.45	18.05	14383.72	12425.52
May, 2007	25.90	20.35	14576.37	13554.34
June, 2007	22.00	18.55	14683.36	13946.99
July, 2007	19.50	15.10	15868.85	14638.88
August, 2007	19.50	15.00	15542.40	13779.88
September, 2007	19.30	16.20	17361.47	15323.05
October, 2007	25.50	17.50	20238.16	17144.58
November, 2007	32.90	23.40	20204.21	18182.83
December, 2007	33.90	29.00	20498.11	18886.40
January, 2008	56.40	31.15	21206.77	15332.42
February, 2008	49.90	36.95	18895.34	16457.74
March, 2008	52.10	40.60	17227.56	14677.24

**Stock Performance (Indexed)**

The performance of the Company's Shares during the year is given in the graphical chart below:

## Stock Performance



**Registrar & Share Transfer Agent**

**INTIME SPECTRUM REGISTRY LIMITED**

Intime Spectrum Registry Ltd.

A-40, 2<sup>nd</sup> Floor, Naraina Indl. Area,

Phase- II, Near Batra Banquet Hall,

New Delhi-110 028

Tel.: 011-41410592, 93, 94

Fax: 011-41410591

Contact Person - Mr. Swapan Kumar Naskar

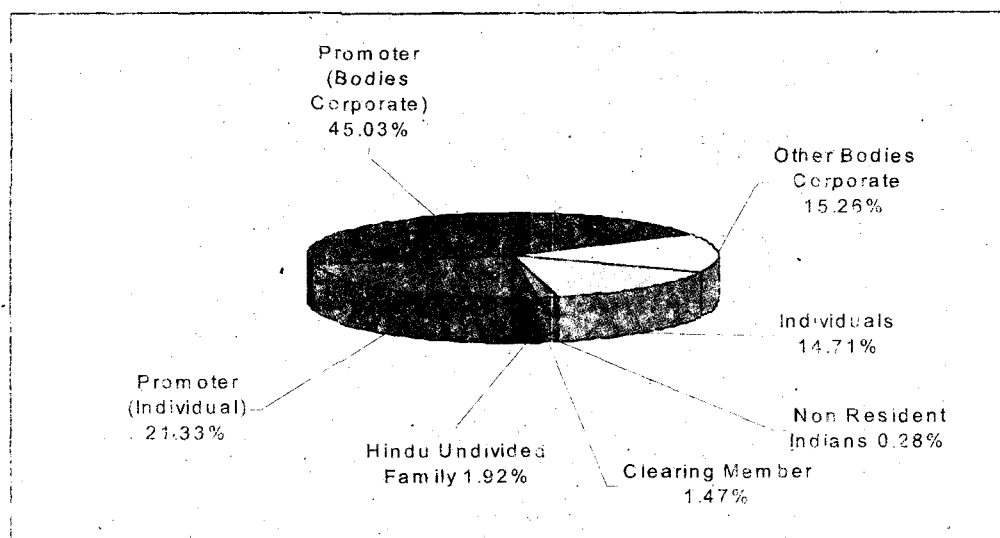
Email: delhi@intimespectrum.com

Time: 10.00 a.m. to 1.00 p.m. and 2.00 p.m. to 4.00 p.m. (Monday to Friday)

**Share Transfer System**

Shares sent for transfer in physical form is processed and completed by our Registrar and Share Transfer Agents within a period of 15 days from the date of receipt provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. Shares under objection are returned within two weeks.

## Distribution of Shareholding as on March 31, 2008



## Shareholding Pattern as on March 31, 2008

CATEGORY		NO. OF SHARE HELD	PERCENTAGE OF SHAREHOLDING
(A)	<b>Shareholding of Promoter and Promoter Group</b>		
1	<b>Indian</b>		
(a)	Individuals/Hindu Undivided Family	3611109	21.33
(b)	Bodies Corporate	7621156	45.03
	<b>Sub Total (A)(1)</b>	<b>11232265</b>	<b>66.36</b>
2	<b>Foreign</b>		
	<b>Sub Total (A)(2)</b>	--	--
	<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>11232265</b>	<b>66.36</b>
(B)	<b>Public Shareholding</b>		
1	<b>Institutions</b>		
	<b>Sub Total (A)(1)</b>	--	--
2	<b>Non-Institutions</b>		
(a)	Bodies Corporate	2583264	15.26
(b)	Individuals		
i.	Individual shareholders holding nominal share capital up to Rs. 1 Lakh	882766	5.22
	Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	1605879	9.49
(c)	Other		
i.	Non Resident Indians	47469	0.28
ii.	Clearing Member	248048	1.47
iii.	Hindu Undivided Family	325863	1.92
	<b>Sub Total (B)(2)</b>	<b>5693289</b>	<b>33.64</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>5693289</b>	<b>33.64</b>
	<b>TOTAL (A)+ (B)</b>	<b>16925554</b>	<b>100.00</b>
(C)	Shares held by Custodians and against which depository Receipts have been issued	--	--
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>16925554</b>	<b>100.00</b>

**Shareholding Pattern by size**

The distribution of shareholding as on 31st March, 2008 is going below:

Shares holding of nominal value of	Shares holders	SHARES AMOUNT					Total	
		Physical	Nsdl Demat	Cdsl Demat				
Rs.	Rs.	Number	% of total	(In Rs.)	(In Rs.)	(In Rs.)	(In Rs.)	% to total
Upto 2,500	1553	63.988	620	308910	264360	573890	0.339	
2,501 -- 5,000	383	15.781		1252940	202090	1455030	0.860	
5,001 -- 10,000	264	10.878		1625560	293710	1919270	1.134	
10,001 -- 20,000	79	3.255		948160	297500	1245660	0.736	
20,001 -- 30,000	34	1.401		534050	267670	801720	0.474	
30,001 -- 40,000	14	0.577		362230	143360	505590	0.299	
40,001 -- 50,000	11	0.453		524890		524890	0.310	
50,001 -- 1,00,000	21	0.865		1115660	518400	1634060	0.965	
1,00,001 & Above.	68	2.802		80993620	8075660	71526150	160595430	94.883
<b>** TOTAL **</b>	<b>2427</b>	<b>100</b>		<b>80994240</b>	<b>14748060</b>	<b>73513240</b>	<b>169255540</b>	<b>100</b>

**Dematerialisation of shares and liquidity**

52.00 % of the Company's Paid up Equity Shares Capital is in the dematerialized form as on March 31, 2008.

**Outstanding GDRs/Warrants and Convertible Instruments**

The Company has not issued any GDRs / Warrants or any other instruments, which is convertible into Equity Shares of the Company.

**Plant Locations:**

**Manesar Works** : Plot No. 4 & 5, Sector-7, IMT Manesar, Gurgaon-122050, Haryana

**Faridabad Works** : Village Kanwra, Kheri-Jasana Road, Faridabad, Haryana Address for Correspondence

**(A) Investor Correspondence:** For any query relation to the shares of the Company.

**For Shares held in Physical Form:**

Intime Spectrum Registry Ltd.  
 A-40, 2nd Floor, Naraina Indl.  
 Area, Phase- II, Near Batra  
 Banquet Hall, New Delhi-110 028

**For Shares held in Demat Form:**

To the Investors' Depository participant(s) and / or Intime Spectrum Registry Limited  
 at the above address

**(B) For grievance redressal and any query on Annual Report**

Secretarial Department  
Richa Industries Limited,  
VPO Kawnra, Old Faridabad to Kheri Jasana Road  
Near Lingayas Institute of Mgmt. & Tech.  
Faridabad, Haryana - 121101

**15. Compliance Certificate of the Auditors**

The Statutory auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange and the same is annexed to the Directors' Report and Management Discussion and Analysis.

The Certificate from the Statutory Auditors will be sent to the Listed Stock Exchange will be sent to the Listed Stock Exchange alongwith the Annual Report of the Company.

**16. Secretarial Audit Report**

The Company has appointed M/s Ajay Garg & Associates, Practicing Company Secretary, to conduct Secretarial audit of the Company for the financial year ended March 31, 2008, who has submitted his report confirming the compliance with all the applicable provisions of various corporate laws. The Secretarial Audit Report does not forms part of the Annual Report.

**Declaration of the Chairman & Managing Director and Joint Managing Director**

We, Sushil Gupta, Chairman & Managing Director and Sandeep Gupta, Joint Managing Director of Richa Industries Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account and all its schedules and notes to accounts, as well as the cash flow statements and the directors' report;
2. Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3. Based on our knowledge and information, these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the company during the year which is fraudulent, illegal or violative of the company's code of conduct;
5. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Further we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken to rectify these deficiencies;
6. We have indicated to the Company's Auditors and the Audit committee significant changes in internal control over financial reporting during the year and significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.

**Sushil Gupta**  
Chairman & Managing Director

**Sandeep Gupta**  
Jt. Managing Director

Place: Faridabad

Date: September 01, 2008

## Auditors' Report

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To the Members of  
Richa Knits Limited

- 1 We have audited the attached Balance Sheet of Richa Knits Limited as at March 31, 2008 and the Profit & Loss Account and also the Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing 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 of the Companies Act, 1956. We enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
- 4 Further to our comments in Annexure referred to in paragraph (3) above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) 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;
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956;
  - e) On the basis of written representation received from the Directors, as on 31<sup>st</sup> March 2008 and taken on records by the Board of Directors, we report that none of the Director is disqualified as on 31<sup>st</sup> March 2008 from the being appointed as directors in terms of clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and notes thereon give the information required by the Companies Act 1956, in the manner so required and true and fair view in conformity with the accounting principal generally accepted in India;
    - 1 in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;
    - 2 In the case of Profit & Loss Account, of the profit for the year ended on the date; and
    - 3 In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

Faridabad  
June 30th, 2008

**For Tayal & Co**  
Chartered Accountants

**(R.A. Gupta)**  
Partner  
Membership No. 080997

## Annexure To Auditors' Report

The annexure referred to in the Auditors' Report to the members of Richa Knits Limited (the Company) for the year ended 31<sup>st</sup> March 2008, we report that:

- 1 (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 in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.  
(c) The company has disposed off its unit located at I-16, DLF Industrial Area, Faridabad. The unit was very small as compared to the size of the company, the going concern status of the company is not affected.
- 2 In respect of Inventories  
(a) The inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion and according to 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) The Company has maintained proper records of inventory. As explained to us, there was no material discrepancies noticed on physical verification of inventory as compared to the books records.
- 3 (a) The company has not granted or taken any loan, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Sec 301 of the Act. Accordingly Clause 4(iii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- 4 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, for the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- 5 In respect of contracts or arrangements referred to in Section 301 of The Companies Act, 1956;  
(a) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements, that needed to enter into the Register maintained under Section 301 of The Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of The Companies Act, 1956 aggregating during the year to Rs. 500000/- (Rupees Five Lac Only) or more in respect of each party.
- 6 The Company has not accepted any deposits from public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Orders are not applicable to the Company.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8 The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the manufacturing activities of the Company. Accordingly provisions of Clause (vi) of paragraph 4 of the Orders are not applicable to the Company.
- 9 In respect of statutory dues:  
(a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess, Service Tax and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date of becoming payable.  
(b) As per the records of the Company, the Company has no disputed dues of Sales Tax/ Income Tax/Custom Duty/Excise Duty/Education Cess/Service Tax as on 31-03-2008.

- 10 The Company does not have accumulated losses as at the end of financial year. The Company has not incurred any cash losses in the financial year covered by the audit and in the immediately preceding financial year.
- 11 The Company has not defaulted in repayment of dues to any financial institution or bank or debentures holder as the Balance Sheet date.
- 12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 In our opinion, the company is not a chit fund / nidhi / mutual benefit fund / societies. Therefore, the provisions of clause (xiii) of paragraph 4 of the Orders are not applicable to the Company.
- 14 The Company has maintained proper records of the transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures, and other investments have been held by the Company in its own name.
- 15 The Company has not given any guarantee for loans taken by others from bank or financial institutions during the year.
- 16 In our opinion and according to information and explanations given to us, term loans had been applied for the purpose for which the loans were obtained.
- 17 On the basis of an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investments..
- 18 During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 19 The Company has not issued any debentures
- 20 The Company has not raised any money by way of public issue during the year under audit.
- 22 In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

Faridabad  
June 30th, 2008

For Tayal & Co  
Chartered Accountants  
(R.A. Gupta)  
Partner  
Membership No-080997

#### AUDITORS' CERTIFICATION ON CORPORATE GOVERNANCE

To the Members of  
**RICHA KNITS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Richa Knits Limited, for the year ended on 31<sup>st</sup> March 2008, 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 Management. Our examination has been limited to a review of the procedure and implementation thereof adopted by the company for ensuring compliance with the conditions of the corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

Faridabad  
June 30th, 2008

For Tayal & Co  
Chartered Accountants  
(R.A. Gupta)  
Partner  
Membership No-080997



**Balance Sheet as on 31-03-2008**

(Amount in Rs)			
PARTICULARS	Schdule no.	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>I. SOURCES OF FUNDS</b>			
<b>(1) Share Holder's Fund</b>			
(a) Share Capital	1	170,124,580.00	169,650,910.00
(b) Reserve & Surplus	2	355,201,116.03	245,784,935.53
(c) Deferred Tax		40,600,193.00	29,600,193.00
		<u>565,925,889.03</u>	<u>445,036,038.53</u>
<b>(2) Loan Funds</b>			
(a) Secured Loans	3	862,278,136.07	592,671,321.45
(b) Un- Secured Loans		-	-
Total		<u>862,278,136.07</u>	<u>592,671,321.45</u>
		<u>1,428,204,025.10</u>	<u>1,037,707,359.98</u>
<b>II APPLICATION OF FUNDS</b>			
<b>(1) Fixed Assets</b>			
(a) Gross Block	4	853,539,924.70	527,125,291.81
(b) Less Depreciation		56,562,182.88	38,600,909.38
(c) Net Block		796,977,741.82	488,524,382.43
(d) Capital Work in Progress		18,755,211.00	228,124,860.43
		<u>815,732,952.82</u>	<u>716,649,242.86</u>
<b>(2) Investments</b>			
	5	9,200,000.00	-
<b>(3) Current Assets, Loans &amp; Advances</b>			
(a) Inventories	6	486,143,868.06	184,461,988.97
(b) Sundry Debtors	7	242,645,314.17	105,979,683.79
(c) Cash & Bank Balances	8	7,323,106.07	55,422,872.63
(d) Loans & Advances	9	74,952,147.16	18,942,108.71
Total (A)		<u>811,064,435.46</u>	<u>364,806,654.10</u>
<b>Less Current Liabilities &amp; Provisions</b>			
(a) Sundry Creditors	10	190,274,680.92	32,013,322.91
(b) Current Liabilities	11	7,621,164.26	7,470,077.07
(c) Provision for Taxation		10,350,000.00	5,000,000.00
Total (B)		<u>208,245,845.18</u>	<u>44,483,399.98</u>
		<u>602,818,590.28</u>	<u>320,323,254.12</u>
<b>(4) Miscellaneous Expenditure</b>			
(To extent not written off or adjusted)	12	452,482.00	734,863.00
Total		<u>1,428,204,025.10</u>	<u>1,037,707,359.98</u>

Significant accounting policies & notes on accounts. (as per Schedule 22)

As per separate Report of even date attached

for Tayal & Co  
Chartered Accountants

for and on behalf of the board of  
Directors of Richa Knits Limited

(R A Gupta)

Gagan Singhal

Sushil Gupta

Sandeep Gupta

Partner

Company Secretary

Managing Director

Jt. Managing Director

M No. 080997

Place :- Gurgaon

Date :- 30-06-2008

**Profit & Loss Account For the year Ended 31-03-2008**

(Amount In Rs)			
PARTICULARS	Schdule no.	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>INCOME</b>			
Gross Sales	13	975,580,422.02	625,505,073.28
Other Income	14	25,145,079.93	9,096,358.33
Increase/ (Decrease) in Stocks	21	30,066,367.79	1,293,606.53
<b>TOTAL</b>		<b>1,030,791,869.74</b>	<b>635,895,038.14</b>
<b>EXPENDITURE</b>			
Raw Material Consumed	15	746,722,406.68	442,866,206.77
Manufacturing Expenses	16	43,630,971.84	34,098,757.07
Staff Expenses	17	40,582,016.68	36,666,490.80
Administrative & Other Expenses	18	17,231,667.25	20,797,307.49
Selling & Distribution Expenses	19	4,485,938.22	15,375,645.45
Financial Expenses	20	53,370,821.72	22,987,800.37
Depreciation	5	29,445,198.22	12,910,662.08
		<b>935,469,020.61</b>	<b>585,702,870.03</b>
<b>Profit Before Tax</b>		<b>95,322,849.13</b>	<b>50,192,168.11</b>
<b>ADD :</b>			
Provision for Taxation-Earlier Years		-	(1,124,142.50)
<b>LESS :</b>			
Provision for Taxation - Current Year		10,000,000.00	5,000,000.00
Provision for FBT		350,000.00	-
Fringe Benefit Tax		372,429.00	235,620.00
Provision for Taxation - Deferred		11,000,000.00	13,130,240.00
Income Tax/ Wealth tax		1,293,579.63	-
Previous Year Expenses		-	40,000.00
Profit After Tax		<b>72,306,840.50</b>	<b>30,662,165.61</b>
Balance Brought Forward from Last Year		<b>30,662,165.61</b>	<b>54,436,099.44</b>

**Significant accounting policies & notes on accounts. (as per Schedule 22)**

**As per separate Report of even date attached**

for **Tayal & Co**  
Chartered Accountants

**(R A Gupta)**

Partner

M No. 080997

Place :- Gurgaon

Date :- 30-06-2008

**Gagan Singhal**

Company Secretary

**Sushil Gupta**

Managing Director

**Sandeep Gupta**

Jt. Managing Director

for and on behalf of the board of  
Directors of Richa Knits Limited



	(Amount In Rs)	
Schedule annexed to & forming part of Balance Sheet	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>Loans &amp; Advances from Banks</b>		
1 Term Loan	382,867,321.00	414,955,655.50
2 FCL(Demand Loan)	94,999,996.00	-
3 WCFC (Demand Loan)	121,600,000.00	-
4 Working Capital Limits	249,100,829.07	126,181,858.91
5 Packing Credit	7,404,557.00	24,652,278.00
6 Foreign Bill Purchase	6,015,467.00	-
7 Bills payable under LC (The above loans are secured with Indian Overseas Bank ,ICICI Bank & SBI against following Securities: Primary - Hypothecation of present and future stocks, Plant & Machinery and book debts. Colleteral : Equitable Mortgage of factory Land & Building of Plot 4-5, Sec-7, Manesar (Gurgaon), VPO - Kawnra Faridabad & House of one of the director's Wife, & Personal Guarantees of Sh Sushil Gupta, & Smt Geeta Devi) Sh Sandeep Gupta, Sh Manish Gupta	218,117.00	4,211,003.04
8 Loan against Specific Assets (Secured against hypothecation of Specific Assets)	71,849.00	22,670,526.00
	<b>862,278,136.07</b>	<b>592,671,321.45</b>
<b>SCHEDULE - 5</b>		
<b>INVESTMENT</b>		
Share with Moksh Leisure Entertainment Pvt. Ltd fully paid	2,000,000.00	-
Share with Richa Infrastructure Ltd. 72000 share fully paid	7,200,000.00	-
	<b>9,200,000.00</b>	-
<b>SCHEDULE - 6</b>		
<b>INVENTORIES</b>		
Raw Materials	393,784,321.11	122,168,809.81
Consumables	2,584,516.95	4,289,958.99
Finished Goods	6,085,334.00	1,979,530.47
Work in Progress	83,689,696.00	56,023,689.70
(Cost or net realizable value whichever is lower Verified Physicaly as to quantity & Value by management)	<b>486,143,868.06</b>	<b>184,461,988.97</b>

**SCHEDULE - 4  
 FIXED ASSETS**

Sr. No	Particulars	Cost as on	Additions		Subtraction		Total Cost as	Dep. Upto	Depreciation	Depreciation	Toal Dep.	W.D.V. As	W.D.V. As
		01.04.07	Purchase	Transfer	Sale	Transfer	on 31.03.08	31.03.2007	For the Year	W/ Back	31-03-08	on 31.03.2008	on 31.03.2007
1	Land	75,370,019.50	1,403,394.00	229,220.00	31,234,109.00	229,220.00	45,539,304.50	0	0	0	0	45,539,304.50	75,370,019.50
2	Building	82,895,251.36	40,228,140.90	207,824.40	7,093,040.60	207,824.40	116,030,351.66	4,174,069.07	3,024,303.74	1,211,932.46	5,986,440.35	110,043,911.31	78,721,182.29
3	Plant & Machinery	346,728,105.80	327,275,564.81	32,459,619.26	11,716,995.34	32,459,619.26	662,286,675.27	26,801,839.13	24,265,282.82	6,816,911.67	44,250,210.28	618,036,464.99	319,926,266.67
4	Vehicles	9,169,841.06	2,709,097.00	374,437.00	2,898,980.06	374,437.00	8,979,758.00	3,741,439.77	841,306.59	2,166,844.77	2,415,901.59	6,563,856.41	5,428,201.29
5	Office Equipment	3,870,134.09	3,573,239.30	15,500.00	404,980.00	15,500.00	7,038,393.39	789,163.31	256,743.24	286,173.22	759,733.33	6,278,660.06	3,080,970.78
6	Furniture & Fixture	3,677,943.00	3,091,736.93	60,000.00	575,218.00	60,000.00	6,194,461.93	844,018.69	263,828.83	405,188.69	702,658.83	5,491,803.10	2,833,924.31
7	Computer/CC TV	4,671,672.00	2,691,255.45	33,000.00	584,877.50	33,000.00	6,778,049.95	1,956,852.60	770,876.31	535,282.10	2,192,446.81	4,585,603.14	2,714,619.40
8	Fax/EPABX/Telephone	562,714.00	59,800.00	0	109,395.00	0	513,119.00	113,715.81	22,856.69	61,591.81	74,980.69	438,138.31	448,998.19
9	Temporary Structure	179,811.00	0	0	0	0	179,811.00	179,811.00	0	0	179,811.00	0	0
		527,125,291.81	381,032,228.39	33,379,600.66	54,617,595.50	33,379,600.66	853,539,924.70	38,600,909.38	29,445,198.22	11,483,924.72	56,562,182.88	796,977,741.82	488,524,382.43
	Previous Year	276,594,866.77	262,233,591.04	607,300.00	9,874,432.00	2,436,034.00	527,125,291.81	27,039,089.70	12,910,662.08	1,348,842.40	38,600,909.38	488,524,382.43	0

for Tayal & Co  
 Chartered Accountants  
 (R A Gupta)  
 Partner  
 M No. 080997  
 Place :- Gurgaon  
 Date :- 30-06-2008

Gagan Singh  
 Company Secretary

Sushil Gupta  
 Managing Director

for and on behalf of the board of  
 Directors of Richa Knits Limited  
 Sandeep Gupta  
 Jt. Managing Director

(Amount In Rs)

Schedule annexed to & forming part of Balance Sheet	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered good)	237,114,808.28	99,447,823.04
Less than Six Months Others	<u>5,530,505.89</u>	<u>6,531,860.75</u>
	<u><b>242,645,314.17</b></u>	<u><b>105,979,683.79</b></u>
<b>SCHEDULE - 8</b>		
<b>CASH &amp; BANK BALANCES</b>		
(Bank Balance with Scheuled Banks)		
Fixed Deposit A/c	3,146,889.00	5,509,663.00
(Pledged against Bank Guarantees)		
Current Accounts	3,264,036.43	46,366,826.46
Cash In Hand	<u>912,180.64</u>	<u>3,546,383.17</u>
	<u><b>7,323,106.07</b></u>	<u><b>55,422,872.63</b></u>
<b>SCHEDULE - 9</b>		
<b>LOANS &amp; ADVANCES</b>		
(Recoverable in cash or in kind for the value received)		
Advances to Trade Creditors	1,811,897.45	161,051.47
Balance in CENVAT/Service Tax Account	2,535,131.30	2,308,154.31
Duty Drawback/DEPB Receivable	1,757,223.00	1,687,957.00
TUFS(Capital) Subsidy Receivable	36,162,000.00	-
Advances to Employees	151,375.00	137,970.00
Security Deposits	4,923,102.00	3,330,758.00
TDS/Provision of TDS	4,297,053.69	3,738,965.93
EMD with AEPC	460,461.00	460,461.00
Sales tax receivable(input tax)	755,261.72	-
Insurance Claim Receivable	322,901.00	322,901.00
Prepaid Expenses	1,423,182.00	1,164,203.00
TUFS(Interest) Subsidy Receivable	20,069,309.00	5,629,687.00
Advance FBT (2008-2009)	283,250.00	-
	<u><b>74,952,147.16</b></u>	<u><b>18,942,108.71</b></u>
<b>SCHEDULE - 10</b>		
<b>SUNDRY CREDITORS</b>		
Creditors for Trade	136,604,812.79	28,595,789.52
Creditors for Capital Goods	2,296,019.12	3,242,470.39
Creditors for Expenses	51,373,849.01	175,063.00
(SSI Balance overdue more than 30 days from Credit Term = NIL)	<u><b>190,274,680.92</b></u>	<u><b>32,013,322.91</b></u>

Schedule annexed to & forming part of Balance Sheet	(Amount In Rs)	
	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES</b>		
Advances from Customers	432,085.40	1,629,366.00
Duties & Taxes Payable	463,879.00	2,119,994.10
Expenses Payable	5,154,413.86	3,720,716.97
Provision for Gratuity/Leave Encashment	1,570,786.00	-
	<u>7,621,164.26</u>	<u>7,470,077.07</u>
<b>SCHEDULE - 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
<b>(A) Pre-operative Expenses</b>		
Opening Balance	734,863.00	1,017,244.00
Less : Written Off during the year	282,381.00	282,381.00
Closing Balance	<u>452,482.00</u>	<u>734,863.00</u>
<b>(B) Deferred Revenue Expenditure</b>		
Opening Balance	-	5,271,590.00
Less : Written Off during the year	-	5,271,590.00
Closing Balance	<u>-</u>	<u>-</u>
<b>GRAND TOTAL (A)+(B)</b>	<u>452,482.00</u>	<u>734,863.00</u>
<b>SCHEDULE - 13</b>		
<b>GROSS SALES</b>		
Sales	791,204,483.65	450,221,162.70
Jobwork	123,046,707.11	130,014,986.29
Inter-Unit Sales/Jobwork	-	-
Exports	61,329,231.26	45,268,924.29
	<u>975,580,422.02</u>	<u>625,505,073.28</u>
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Cash Discount	2,198.00	17,858.00
Duty Drawback/DEPB	5,810,648.00	2,891,588.00
Interest Received - Alloment money	61,712.95	-
Interest Received	2,898,787.78	134,478.06
Interest on FDR	278,153.00	1,205,621.00
Rental Income	240,000.00	-
Misc. Receipts	5,300.60	-
Foreign Exchange Fluctuation (Net)	852,102.09	(641,814.13)
Profit on sale of Fixed Assets	3,173,631.51	(1,034,579.60)
Commission Received	11,822,546.00	6,523,207.00
	<u>25,145,079.93</u>	<u>9,096,358.33</u>

(Amount In Rs)

Schedule annexed to & forming part of Profit & Loss Account	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 15</b>		
<b>RAW MATERIAL CONSUMED</b>		
<b>DYES &amp; CHEMICALS</b>		
Opening Stock	2,982,630.33	2,530,561.50
Add : Purchases during the year	65,062,088.81	62,184,119.95
	68,044,719.14	64,714,681.45
Less: Closing Stock Consumed	7,187,060.74	2,982,630.33
	<b>60,857,658.40</b>	<b>61,732,051.12</b>
<b>PACKING MATERIAL</b>		
Opening Stock	109,667.79	66,512.82
Add : Purchases during the year	4,251,894.50	3,150,079.19
	4,361,562.29	3,216,592.01
Less: Closing Stock Consumed	134,128.93	109,667.79
	<b>4,227,433.36</b>	<b>3,106,924.22</b>
<b>FUEL</b>		
Opening Stock	846,662.96	882,201.44
Add : Purchases during the year	24,190,793.02	20,421,839.99
	25,037,455.98	21,304,041.43
Less : Closing Stock Consumed	1,715,758.10	846,662.96
	<b>23,321,697.88</b>	<b>20,457,378.47</b>
<b>FABRIC</b>		
Opening Stock	108,249,357.46	33,123,549.39
Add : Purchases during the year	817,958,314.45	317,118,083.07
	926,207,671.91	350,241,632.46
Purchase Transfer Fabric+jobwork	-	-
Less : Closing Stock Consumed	379,437,981.37	108,249,357.46
	<b>546,769,690.54</b>	<b>241,992,275.00</b>
<b>YARN</b>		
Opening Stock	9,664,697.12	7,809,944.19
Add : Purchases during the year	100,731,709.00	111,953,534.92
	110,396,406.12	119,763,479.11
Less: Closing Stock Consumed	5,257,196.97	9,664,697.12
	<b>105,139,209.15</b>	<b>110,098,781.99</b>
<b>ACCESSORIES</b>		
Opening Stock	315,794.15	-
Add : Purchases during the year	5,296,137.55	4,215,027.96
	5,611,931.70	4,215,027.96
Less : Closing Stock Consumed	52,195.00	315,794.15
	<b>5,559,736.70</b>	<b>3,899,233.81</b>
<b>GARMENTS</b>		
Opening Stock	-	-
Add : Purchases during the year	-	332,766.40
	-	332,766.40
Less: Closing Stock Consumed	-	-
	-	<b>332,766.40</b>
Cartage/Freight & Octroi	846,980.65	1,246,795.76
<b>TOTAL CONSUMPTION</b>	<b>746,722,406.68</b>	<b>442,866,206.77</b>



Schedule annexed to & forming part of Profit & Loss Account	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 16</b>		
<b>MANUFACTURING EXPENSES</b>		
Knitting, Brushing, Stitching Etc	12,316,953.46	9,231,050.64
Power & Electricity	22,576,879.60	14,270,882.91
Water & Sewerage Charges	406,644.00	413,529.00
Consumable Stores/sampling	3,193,026.89	3,277,677.13
Repairs & Maintenance Machinery	5,137,467.89	6,905,617.39
	<u>43,630,971.84</u>	<u>34,098,757.07</u>
<b>SCHEDULE - 17</b>		
<b>STAFF EXPENSES</b>		
Salary, Wages & Bonus	35,387,183.00	33,443,184.50
Workman & Staff Welfare	1,512,135.68	1,366,123.30
Contribution & Other Benefits	2,111,912.00	1,857,183.00
Gratuity & Leave Encashment-Provision	1,570,786.00	-
	<u>40,582,016.68</u>	<u>36,666,490.80</u>
<b>SCHEDULE - 18</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Auditors Remmuration	337,080.00	339,780.00
Auditors Out of Pocket Expenses	13,170.00	9,005.00
Books & Preodicals	21,308.00	34,917.00
Charity & Donation	97,800.00	50,701.00
Demand from PF/ESI	-	88,316.00
Claims & Compensations	1,113,000.00	-
Cleaing & Senitation	265,171.36	468,095.22
Directors Remumeration & Commission	2,880,000.00	3,000,000.00
Directors' Travelling & Conveyance	1,203,100.08	638,679.05
Diwali Expenses	138,736.00	83,038.00
General Expenses	105,547.00	22,367.00
Insurance Others	2,026,156.10	591,298.21
Insurance on Cars	114,293.00	37,604.00
Legal & Professional Charges	1,278,555.78	839,646.64
Meeting Expenses	33,524.00	-
Postage Expenses	400,606.60	360,786.06
Pre-operative Expenses W/off	282,381.00	282,381.00
Deffered Reveue Expenses W/off	-	5,271,590.00
Printing & Stationery Expenses	1,156,538.97	916,652.62
Rates & Taxes	428,084.00	253,654.00
Rent Paid	232,200.00	1,492,781.00
Repair & Maintenance - Building	191,044.99	741,111.99
Repair & Maintenance - Computer/Others	401,716.80	271,518.97
Repair & Maintenance - Electricals	47,402.71	283,773.82
Repair & Maintenance - Vehicle Commercial	1,052,559.71	1,362,365.86
Repair & Maintenance - Vehicle-Others	286,857.40	881,536.97
Repair & Maintenance - Furniture	59,625.00	-
Short & Excess-Net	931.28	(129,671.67)
Subscription Fee	522,348.47	100,064.00
Telephone, Modem & Internet Expenses	490,475.45	810,411.06
Testing Charges	260,411.55	392,694.15
Travelling & Conveyance Expenses	1,564,299.00	1,113,109.93
Office Maintenance Expenses	226,743.00	189,100.61
	<u>17,231,667.25</u>	<u>20,797,307.49</u>

	(Amount In Rs)	
Schedule annexed to & forming part of Profit & Loss Account	Current Year 31-Mar-08	Previous Year 31-Mar-07
<b>SCHEDULE - 19</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Sales Promotion Expenses	213,134.26	685,775.40
Freight paid on Sales	296,851.39	1,277,186.49
Advertisement Expenses	10,000.00	299,953.00
Commission on Sales	889,000.51	2,516,392.67
Export Freight & Clearance Charges	2,144,116.74	3,524,081.43
Bad Debts	932,835.32	6,196,380.66
Sales Tax on Assessment	-	28,650.00
Showroom Maintenance Expenses	-	847,225.80
	<u>4,485,938.22</u>	<u>15,375,645.45</u>
<b>SCHEDULE - 20</b>		
<b>FINANCIAL EXPENSES</b>		
<b>(A) Interest Paid</b>		
Interest on Bank Loans	47,644,784.61	17,115,690.85
Interest on Vehicle Loans	13,451.00	39,316.24
Interest on Other Accounts	260,760.10	826,427.89
Interest on Unsecured Loans	-	2,455,153.00
	<u>47,918,995.71</u>	<u>20,436,587.98</u>
<b>(B) Bank Charges</b>	<u>5,451,826.01</u>	<u>2,551,212.39</u>
<b>GRAND TOTAL (A)+(B)</b>	<u>53,370,821.72</u>	<u>22,987,800.37</u>
<b>SCHEDULE - 21</b>		
<b>INCREASE/DECREASE IN WIP /FINISHED GOODS</b>		
<b>Closing Stocks</b>		
WIP	83,689,696.00	56,023,689.70
Consumable Store	2,584,516.95	4,289,958.99
Finished Goods	6,085,334.00	1,979,530.47
	<u>92,359,546.95</u>	<u>62,293,179.16</u>
<b>Opening Stocks</b>		
WIP	56,023,689.70	40,179,048.95
Consumable Stores	4,289,958.99	1,143,544.39
Finished Goods	1,979,530.47	19,676,979.29
	<u>62,293,179.16</u>	<u>60,999,572.63</u>
<b>INCREASE/DECREASE IN WIP/FINISHED GOODS</b>	30,066,367.79	1,293,606.53

## SCHEDULE 22

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### (A) SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Preparation of Financial Statements

The Financial Statements are prepared in accordance with Indian Generally Accepted Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied, unless otherwise stated, on going concern basis.

The Company follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis, unless otherwise stated otherwise.

##### 2. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### 3. Fixed Assets and Capital Work in Progress

Fixed Assets are stated at cost net of CENVAT/Value Added Tax less accumulated depreciation. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized. Capital work in progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

##### 4. Depreciation

Depreciation on fixed assets is applied on the straight line basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act 1956 over the useful life of the assets.

##### 5. Foreign Currency Transactions

(a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction

(b) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by foreign exchange contracts, the transaction is recorded at the rate when the same was incurred. The premium paid on forward contracts is recognized only when the forward contract is matured.

(c) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit or loss account except in cases where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such asset.

##### 6. Investments

Current Investments are carried at the lower of cost or quoted / fair value, computed categorywise. 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.

##### 7. Inventories

Inventories are valued at lower of cost or net realizable value after providing for obsolescence, if any. In case of raw materials, packing material, stores and spares, the cost includes duties and taxes (Net of CENVAT/VAT, wherever applicable) and is arrived on FIFO basis. Finished goods & WIP cost includes the cost of raw materials, an appropriate share of fixed and variable overheads on the basis of standard cost method and other costs bringing them to their respective present location and condition. Obsolete, defective and unserviceable stocks are provided for wherever required.

##### 8. Turnover

Turnover includes sale of goods, services, adjusted for discounts, net of returns, sales Tax, Service Tax and Excise Duty. Sales are recognized when goods are supplied and are recorded freight charges realized from customers but exclude trade discounts and rebates. Export incentive receivable in cash are recognized as income on export being made. Export sales include goods invoiced against confirmed orders /Lcs.

**9. Employees' Retirement Benefits**

The Company is making regular contribution to PF and other statutory funds and their contribution is charged to P&L A/c. Provision has been made in accounts with respect of liability for future gratuities and leave encashment payable to the employees of the company on the basis of Payment of Gratuity Act, 1972

**10 Revenue Recognition**

The income & expenditure are accounted for on accrual basis except leave encashment and gratuity which are accounted on cash basis.

**11 Deferred revenue Expenditure**

Pre-operative expenditure/Deferred Revenue Expenditure are being amortized over a period of 5 Years

**12 Provision of Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing Differences" between taxable and accounting incomes is accounted for using the tax rates and laws that are substantively enacted as-on the balance sheet date. The deferred tax is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

The major components of deferred tax assets / liabilities arising on account of timing differences as at 31<sup>st</sup> March 2008 are as follows:

	ASAT 31 <sup>st</sup> March (Rs in Lacs)	
	2008	2007
Deferred Tax Liabilities :-		
Timing differences	406.00	296.00

**13 Amounts to SSI**

The amount due to Small Scale Industrial Undertakings (SSIs) is furnished under the relevant head, on the basis of information available with the company regarding small scale industry status of the supplier under the "Industries (Development and Regulation) Act, 1951". There is no amount outstanding to such suppliers which are due for more than 30 days beyond the credit period.

**14 Sales / Transfers**

Inter-Unit transfers of finished goods for captive consumption are valued at market price. The value of such inter-unit transfers is included in the materials consumption of consuming units. The year end stock of such transferred goods is valued at cost.

**15 Sundry Debtors**

Sundry debtors are stated after writing off- bad debts.

**16 Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized 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 recognized but are disclosed on the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**17 Expenditure during Construction**

In respect of new projects, all expenses including interest incurred up to the date of commencement of commercial production are capitalized. In respect of substantial expansion of business at existing location only direct costs are capitalized together with interest on the funds related to them up to the date of commercial production.

**18 Borrowing Costs**

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

**(B) NOTES ON ACCOUNTS**

- 1 The previous year's figures have been reworked, rearranged and reclassified wherever necessary. Amounts and other disclosures for the preceding year are included as an integral part of the current year

Financial statements and are to be read in relation to the amounts and other disclosures relating to the current year

- 2 The disclosures required under Accounting Standards 15 "Employee Benefits" notified in the Companies (Accounting Standard) Rules 2006, are given below:

**Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

	2007-08	2006-07
Employer's Contribution to Provident Fund	43021	45208
Employer's Contribution to Pension Fund	97648	102611

**Defined Benefit Plan**

The provision for gratuity is made as per the Payment of Gratuity Act, 1972. The obligation for leave encashment is recognized on the basis of amounts due for leaves outstanding to the credit of the employees at end of the year.

- 3 **Payment to Auditors:**

(Exclusive of Service Tax / Education Cess)

	(Amount in Rs)	
	2007-08	2006-07
(i) Audit Fees	260000-00	260000-00
(ii) Tax Audit Fees	40000-00	40000-00
(iii) Income Tax Matters	--	45000-00
(iv) Expenses Reimbursed	13170-00	9005-00
	313170-00	354005-00

- 4 **Managerial Remuneration**

(a) Remuneration to Managing Director / Executive Directors

	(Rs in Lac)	
Particulars	2007-08	2006-07
(I) Salaries and Allowances	28.80	30.00
(ii) Incentives	-	1.50
(iii) Contribution to Provident Fund	0.20	0.19
(iv) Perquisites	-	1.08
(v) Provision for Gratuity	4.36	-
(vi) Provision for Leave Encashment	3.00	-
<b>TOTAL</b>	<b>36.36</b>	<b>32.77</b>
No. of Directors	6	6

(b) Commission to Non-Executive Directors

(included under the head "Directors Remuneration")

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956

	(Rs in Lacs)	
	2007-08	2006-07
Profit Before Taxation	953.23	501.92
Add : Depreciation as per accounts	294.45	129.10
Managerial Remuneration	28.80	30.00
Less: Depreciation as per Sec 350 of the Act	294.45	129.10
Premium on Investments in Shares	92.00	-
Profit/(Loss) on Sale of Fixed Assets	31.74	(10.35)
<b>Net Profit for the year</b>	<b>858.29</b>	<b>542.27</b>
Eligibility (10% of the Net Profit)	85.83	54.22
Paid or payable for the year	28.80	30.00

5 Expenditure on account of premium on forward exchange contracts to be recognized in the profit and loss account of subsequent period aggregate to Rs. 2526015.00 (Previous year Nil)

6 Earnings Per Share (EPS) (Rs in lac)

	2007-08	2006-07
(i) Net Profit after tax as per P&L Account	736.01	317.86
(ii) Excess / (short) provision for tax of earlier years	12.94	11.24
(iii) Net Profit attributable to shareholders	723.07	306.62
(iv) Weighted Average number of equity Shares used as denominator for calculating EPS	169.26	138.03
(v) Basic and Diluted Earning Per Shares	4.27	2.22
(vi) Face Value per equity Share (Rs)	10.00	10.00

7 As per Accounting Standard 18, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(I) List of related parties where control exists and related parties with whom transactions have taken place and relationship:

List of Related Parties and their Relationship

(a) Key Managerial Personnel

1 Sh Sushil Gupta                      2 Sh Subash Gupta                      3 Sh Sandeep Gupta  
4 Sh Manish Gupta

(b) Relatives of Key Managerial Personnels:

1 Smt Shweta Gupta                      2 Smt Usha Gupta                      3 Smt Garima Gupta  
4 Smt Kamlesh Mangla

(c) Enterprise over which Key Managerial Personnel (KMP) or their Relatives have significant influence

1 Richa Processing Mills Pvt. Ltd                      2 SMS Infotech                      3 Moksh Leisure & Entertainment P Ltd

(D) Subsidiaries Companies

1 Richa Infrastructure Ltd

#### Transactions with Related Party

Particulars	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which KMP & their Relatives Have Significant Influence	Grand Total
Rent of I-16 Faridabad (Rent Received)					2.40	2.40
Remuneration			36.36	4.10	-	40.46
Sale of Unit at DLF Faridabad					131.19	131.19
Value of Investments incl Premium paid	72.00				20.00	92.00
Sale/Jobwork	-	-	-	-	0.01	0.01
Purchase/Jobwork	-	-	-	-	16.00	16.00
Outstanding						
Receivables	-	-	-	-	1.00	1.00
Payable (Gross)	-	-	2.11	0.30	-	2.41

8 As per the Accounting Standard (AS) 17 "Segment Reporting" the information is submitted as below :

**(a) Primary Segment Reporting by Business Segment**

Company's primary business segments are

**Manufacture in Textiles.** The textile business incorporate the product group namely: Dyeing & Processing of Knitted Fabrics and Processing / Knitting of Yarn and Manufacture of Knitted Fabric & Ready made Garments, which mainly have similar risks and returns.

**(b) Secondary Segment Reporting (By Geographical Segments)**

The following is the distribution of the Company's consolidated sales by geographical segment, regardless of where the goods were produced

Particulars	(Rs. in Lac)	
	2007-08	2006-07
i Sales to Overseas Market	613.29	452.69
ii Sales to Domestic Market	9142.51	5802.36

The company has common fixed assets for producing goods for overseas markets and domestic markets. Hence separate figures for fixed assets / additions to fixed assets etc can't be furnished.

**9 Additional Information**

**(i) Particulars of Capacity, Production, Turnover, Consumption**

Particulars	2007-08	2006-07
<b>(a) Licensed Capacity(As per IEM)(at the close of Year)</b>		
Knitting (M.T.)	3058	3058
Processing of Fabrics(M.T.)	13200	13200
Garments ('000 Pcs)	3900	3900
<b>(b) Installed Capacity</b>		
- Knitting	1390 Tons	1190 Tons pa*
-Processing of Fabrics	7500 Tons pa	4200 Tons pa
-Garments (Equivalent to Polo T-Shirts)	900000 Pcs pa	900000 Pcs pa*

\*Capacities are calculated on the basis of weighted average basis and the expansion of 9000 Tons pa in 2007-08 (PY 1000 Tons pa) in processing of fabrics & 500000 Pcs in 2006-07 in Garment had been implemented during the year. In Knitting 13 Machines has been added (PY 4 Machines ) added.

**(ii) Production**

-Knitting	1230 Ton	1103 Ton
-Processing of Fabrics	6013 Ton	3747 Ton
-Garments Pcs	860.91 '000	781.28 '000

**(iii) Sales in respect of each class of goods with quantity**

Particulars	Unit	2007-08		2006-07	
		Qty	Value (Rs Lac)	Qty	Value(Rs Lac)
Fabric Sales	Ton	2985.83	7861.47	1904.45	4431.89
Garments(Eqvl to Polo T-Shirts)	'000Pcs	817.64	654.48	817.52	521.88
Jobwork	Ton	2297.82	1231.35	2418.34	1300.16
Yarn	Ton	0.60	1.28	0.60	1.12
Fuel & Others	--		7.22	--	--
<b>Total</b>			<b>9755.80</b>		<b>6255.05</b>

(iv) The value of raw material consumed item wise break up indicating the quantity

Particulars	Unit	2007-08		2006-07	
		Qty	Value (Rs Lac)	Qty	Value (Rs Lac)
Dyes & Chemicals	Ton	2644.87	608.58	2417.01	617.32
Fabric	Ton	2466.55	5740.27	3016.95	2419.92
Yarn	Ton	1311.588	1051.39	1379.28	1100.99
Fuel	Ton/'000Ltr	5468.62	233.22	5366.07	204.57
Packing Material	--	--	42.27	---	31.07
Accessories	--	--	55.60	--	39.99
Garments	--	--	--	---	3.33
<b>Total</b>			<b>7458.75</b>		<b>4416.19</b>

(v) Inventories in respect of each class of raw material with quantity

Particulars	Unit	2007-08		2006-07	
		Qty	Value(Rs Lac)	Qty	Value (Rs Lac)
Dyes & Chemicals	Ton	140.41	71.87	60.31	29.83
Fabric	Ton	1480.21	3794.38	531.09	1082.49
Yarn	Ton	39.20	52.57	76.00	96.65
Fuel	Ton/'000Ltr	174.40	17.16	95.87	8.47
Packing Material	--	--	1.34	--	1.10
Accessories	--	--	0.52	--	3.15
Garments	--	--	--	--	--
<b>Total</b>			<b>3937.84</b>		<b>1221.69</b>

	2007-08	2006-07
10 Number of Employees in receipt of or entitled to receive employment (including perks of Rs 200000/- pm or more during the year	NIL	NIL
11 Outstanding commitments for capital expenditure on capital structure & machinery (approx) (INR)	49200000	84046000.00
12 <b>Contingent Liabilities</b>		
(i) Custom duty which may if obligation for exports not fulfilled against import of raw material & machinery	28288521	31229596.00
(ii) Bank Guarantees issued by Bank	3410000.00	3410000.00
(iii) Outstanding Letter of Credit	3040644	4211003.00
(iv) Value of assets taken on lease, future obligations	NIL	NIL
13 Commission paid to selling agents (Not sole selling agents)	889000.51	2516392.67
14 The current assets, loans and advances are stated at the value, which in the opinion of the management is not less than the amount of realization of such assets, loans and advances in the ordinary course of business and provision for all known liabilities have been made		
15 The Company has claimed capital subsidy of Rs. 361.62 Lac. The same has been approved by Indian Overseas Bank, NIT, Faridabad, (Nodal Agency under the TUFs) vide their letter dated 30-03-2008. The amount receivable is credited to Capital Reserve account during the year under consideration.		
16 The Company had already entered into an agreement dt 28-03-2007 with M/s Richa Processing Mills Private Ltd for the sale of its plant at I-16, Phase 1, DLF Industrial Area, Faridabad for a consideration of Rs. 13191000/-. The same has been disposed off during the year. The going concern of the company does not affected, as the size of unit was very small as compared to the size of the company.		



17 Sundry Debtors and Sundry Creditors are subject to confirmation from the parties.

18 Financial and Derivatives Instruments

(a) Nominal Value of Derivative Contracts (Currency Swaps) entered into by the Company and outstanding as on 31<sup>st</sup> March 2008 amount to Rs 3958.60 Lac maturing on 17-09-2007 (Previous Year Nil)

(b) Foreign Currency exposures that are not hedged by derivatives instruments or forward contracts as at 31<sup>st</sup> March 2008 amount to Rs NIL (Previous year NIL)

19 Value of Imports on CIF Basis in respect of (Rs)

	2007-08	2006-07
Raw Material Including Accessories	1034038.00	88824.00
Stores and Spares	410543.00	--
Capital Goods	30014315.00	17951710.00

20 Expenditure in Foreign Currency (Rs)

	2007-08	2006-07
On Subscriptions/Exhibitions/Seminars	186327.00	--
On Foreign Traveling	691427.00	325882.05

21 Value of Raw Material Consumed including Accessories

	2007-08		2006-07	
	Rs Lac	% of Consumption	Rs Lac	% of Consumption
Imported	10.34	0.14%	0.88	0.02%
Indigenous	7456.88	99.86%	4427.78	99.98%
	-----	-----	-----	-----
	7467.22	100.00%	4428.66	100.00%
	-----	-----	-----	-----

22 Value of Stores, Spares (shown under Repair & Maintenance)

	2007-08		2006-07	
	Rs Lac	% of Consumption	Rs Lac	% of Consumption
Imported	4.11	8.00%	--	--
Indigenous	47.26	92.00%	69.05	100.00%
	-----	-----	-----	-----
	51.37	100.00%	69.05	100.00%
	-----	-----	-----	-----

23 Earnings in Foreign Exchange (RS)

	2007-08	2006-07
(i) Value of Exports	61329231.26	45268924.29
(ii) Royalties, know how, professional & Consultation fees	NIL	NIL
(iii) Interest and dividends	NIL	NIL
(iv) Other income, indicate the nature thereof	NIL	NIL

**24 Remittance in Foreign Currency on Account of Dividend**

The Company has not paid any interim / final dividend in respect of any shares held by the residents or non residents. Hence the dividend remitted by company is nil during the year. (Previous Year NIL)

**25 The Company has given an advance of Rs 151.00 Lac for purchase of land at Kashipur, Uttrakhand for setting up a new plant.****26 Detail of Investments as on 31-03-2008**

Name of company	No. of Shares	Quoted/Unquoted	Amount (Rs)
1 Moksh Leisure & Entertainment P Ltd (Equity Shares of Rs 10/- each Fully paid up at a premium of Rs 90/- each)	20000	Un-Quoted	2000000-00
2 Richa Infrastructure Ltd (Equity Shares of Rs 10/- each Fully paid up at a premium of Rs 90/- each)	72000	Un-Quoted	7200000-00

1 The Company holds 40% Equity Shares in M/s Moksh Leisure & Entertainment Pvt Ltd

2 The Company holds 59% Equity Shares in Richa Infrastructure Ltd

**27 Financial Information on Subsidiary Companies**

Name of Subsidiary	Richa Infrastructure Limited
Reporting Currency	Indian Rupees
Capital	Rs 1220,000-00
Reserves	Rs 6480,000-00
Total Assets	Rs 7700,000-00
Total Liabilities	Rs 7700,000-00
Investments	NIL
Turnover/Total Income	NIL
Profit Before Taxation	NIL
Provision for Taxation	NIL
Profit After Taxation	NIL
Proposed Dividend	NIL
Country	India

for Tayal & Co  
Chartered Accountants

for and on behalf of the board of  
Directors of Richa Knits Limited

(R A Gupta)  
Partner  
M No. 080997  
Place :- Gurgaon  
Date :- 30-06-2008

Gagan Singhal  
Company Secretary

Sushil Gupta  
Managing Director

Sandeep Gupta  
Jt. Managing Director

**PROFILE AS PER SCHEDULE VI, PART-IV OF THE COMPANIES ACT, 1956**

**I REGISTRATION DETAILS**

Registration No. L17115HR1993PLC032108  
State Code 05

**II CAPITAL RAISED DURING THE YEAR**

	<b>AS ON 31-MAR-08</b>	<b>AS ON 31-MAR-07</b>
Public Issue	NIL	88657
Right Issue	NIL	NIL
Bonus Issue	NIL	NIL
Private Placement	NIL	NIL

**III POSITION ON MOBILISATION AND DEVELOPMENT OF FUNDS**

Total Liabilities	1428204	1037707
Total Assets	1428204	1037707

**SOURCES OF FUNDS**

Paid up Capital	170125	169651
Reserves & Surpluses	395801	275385
Secured Loans	862278	592671
Unsecured Loans	0	0

**APPLICATION OF FUNDS**

Net Fixed Assets	815733	716649
Investments	9200	0
Net Current Assets	602819	320323
Misc Expenditure	452	735
Accumulated Losses	0	0

**IV PERFORMANCE OF THE COMPANY**

Turnover including others Income	1030792	635895
Total Expenditure	935469	585703
Profit / Loss Before Tax	95323	50192
Earning Per Shares (Rs)-Weighted	5.60	2.75
Dividend Rate (%)	0	0

**V GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY**

Item Code No. (ITC Code)	2353
Product Description	KNITTED & PROCESSING OF FABRICS
Item Code No. (ITC Code)	2352
Product Description	COTTON SPINNING & WEAVING IN MILLS
Item Code No. (ITC Code)	2650
Product Description	MANUFACTURE OF ALL TYPE OF TEXTILE GARMENT AND CLOTHING ACCESSORIES
Item Code No. (ITC Code)	2365
Product Description	BLEACHING, DYEING AND PRINTING OF CLOTH OTHER THAN BY HAND

for **Tayal & Co**  
Chartered Accountants

for and on behalf of the board of  
Directors of Richa Knits Limited

**(R A Gupta)**

**Gagan Singhal**

**Sushil Gupta**

**Sandeep Gupta**

Partner

Company Secretary

Managing Director

Jt. Managing Director

M No. 080997

Place :- Gurgaon

Date :- 30-06-2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008		Year Ended 31-03-08	Year Ended 31-03-07
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit Before Tax	95,322,849.13	50,192,168.11
	Adjustment for :		
	Depreciation	29,445,198.22	12,910,662.08
	Interest Paid	47,918,995.71	20,436,587.98
	Bad Debts Written Off	932,835.32	6,196,380.66
	Unrealized Foreign Exchange gain/(Loss)	852,102.09	(641,814.13)
	Profit/(Loss) on sale of fixed assets	3,173,631.51	(1,034,579.60)
	Deferred Expenses Written Off		5,271,590.00
	Pre-operative Exps Written Off/Added(Net)	282,381.00	282,381.00
		82605143.85	43421207.99
	Previous Year Expenses		(40000.00)
	Operating profit before working capital changes	177,927,992.98	93,573,376.10
	Adjustment for :		
	Trade and other receivables	(158,298,606.24)	(41,245,709.08)
	Inventories	(301,681,879.09)	(79049647.00)
	Trade Payable & Other Liabilities	158,412,445.20	-3346054.38
	Cash generated from Operations	(123,640,047.15)	(30,068,034.36)
	Income Tax/ FBT Paid	- 6,666,008.63	5,859,762.50
	<b>NET CASH FROM/(USED IN OPERATING ACTIVITIES)</b>	<b>(130,306,055.78)</b>	<b>(35,927,796.86)</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of Fixed Assets	(152,907,367.96)	(261,733,591.04)
	Work in Progress/Advances for Capital Goods	(18,755,211.00)	(228,124,860.43)
	Sale of fixed assets	39,960,039.27	8,952,869.20
	Tuff subsidy Received and credited to Fixed Assets		2,436,034.00
	Investments	(9,200,000.00)	
	<b>NET CASH FROM/(USED IN INVESTING ACTIVITIES)</b>	<b>(140,902,539.69)</b>	<b>(478,469,548.27)</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Issue of Equity Shares	1,421,010.00	265,971,870.00
	IPO Expenses		(29,436,820.44)
	Proceeds from Long Term Bank Borrowings	(54,687,011.50)	329,342,157.58
	Proceeds/(Repayment) of Unsecured Loans		(13,884,293.00)
	Proceeds from/(Repayment of) Short Term Borrowings	324,293,826.12	34,721,409.24
	Interest Paid	(47,918,995.71)	(20,436,587.98)
	<b>NET CASH FROM/(USED IN FINANCING ACTIVITIES)</b>	<b>223,108,828.91</b>	<b>566,277,735.40</b>
	<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(48,099,766.56)</b>	<b>51,880,390.27</b>
	Cash and Cash Equivalent as the opening of Year	55,422,872.63	3,542,482.36
	Cash and Cash Equivalent as the Close of Year	7,323,106.07	55,422,872.63
		7,323,106.07	55,422,872.63

for **Tayal & Co**  
Chartered Accountants

(R A Gupta)  
Partner  
M No. 080997

Gagan Singhal  
Company Secretary

Sushil Gupta  
Managing Director

for and on behalf of the board of  
Directors of Richa Knits Limited

Sandeep Gupta  
Jt. Managing Director

Place :- Gurgaon  
Date :- 30-06-2008

**Notice of 14<sup>th</sup> Annual General Meeting  
of the Company for the year  
2007-08**

**14TH ANNUAL GENERAL MEETING**

**Date : Monday, 29<sup>th</sup> September 2008**

**Time : 4.30 p.m.**

**Venue : FCCI Centre  
Near Tubewell No. 4  
Sector-11 B, Faridabad - 121006  
Haryana (India)**



**RICHA INDUSTRIES LIMITED**

**(Formerly known as RICHA KNITS LIMITED)**



# **RICHA INDUSTRIES LIMITED**

(Formerly known as RICHA KNITS LIMITED)

## **NOTICE**

**NOTICE** is hereby given that the **Fourteenth Annual General Meeting** of the Members of Richa Industries Limited will be held on Monday, the 29<sup>th</sup> September, 2008 at 4.00 p.m. at FCCI Centre, Near Tubewell No. 4, Sector- 11 B, Faridabad - 121006 (Haryana), to transact the following businesses:

### **Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2008, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Neeraj Bajaj, who retires by rotation and being eligible, offers himself for reappointment.
3. To re-appoint Statutory Auditor to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

### **Special Business**

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** Shri Jagbir Singh Chaudhary, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** Shri Jai Parkash Malhotra, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

for **Richa Industries Limited**

Faridabad  
September 1<sup>st</sup>, 2008

**(Gagan Singhal)**  
Company Secretary



# **RICHA INDUSTRIES LIMITED**

(Formerly known as RICHA KNITS LIMITED)

## **Registered Office:**

VPO Kanwra,  
Old Faridabad to Kheri-Jasana Road  
Near Lingayas Institute of Mgmt. & Tech.  
Faridabad-121101, (Haryana)

## **Enclosures:**

1. Notes to Notice
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business at item B of the Notice.
3. Proxy Form
4. One copy of the 14<sup>th</sup> Annual Report of the Company for the year 2007-08.

## **NOTES:**

1. **A member entitled to attend and vote at the Annual General Meeting (“the meeting”) is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing proxy in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
2. Corporate Members intending to send their authorized representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. In terms of Article 138 of the Articles of Association of the Company, Shri Neeraj Bajaj, Director, liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. A brief resume of Shri Neeraj Bajaj, nature of his and expertise in specific functional areas, and names of companies in which he holds directorship and membership/chairmanship of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends his re-appointment.
4. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of place of the meeting. Proxy/representative of a member should mark on the Attendance Slip as “Proxy” or “Representative” as the case may be. Members holding shares in electronic form and desirous of attending the meeting are required to bring alongwith them Client ID and DP ID Numbers for easy identification.



## **RICHA INDUSTRIES LIMITED**

(Formerly known as RICHA KNITS LIMITED)

5. Members who hold shares in dematerialized mode are requested to intimate any power of attorney, change of address/name etc. to their Depository Participant only and not to the Company's Registrar & Share Transfer Agent. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrar & Share Transfer Agent to provide efficient and better service to the members.
6. Members holding shares in physical form are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address/name etc. to the Company's Registrar & Share Transfer Agent quoting their registered folio number.
7. Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 24th September, 2008 to Monday, 29th September, 2008 (both days inclusive).
8. Members desirous of having any information regarding accounts are requested to address their queries to the Manager (Finance) at the Registered Office of the Company at least seven days before the date of the meeting, so that the requisite information is made available at the meeting.
9. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
10. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts relating to the special business is annexed hereto.





**RICHA INDUSTRIES LIMITED**

(Formerly known as RICHA KNITS LIMITED)

**Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956**

**Item No. 4**

Pursuant to the Article 123 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Shri Jagbir Singh Chaudhary was appointed as an Additional Director w.e.f. 14<sup>th</sup> May, 2008 on the Board of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder proposing the name of Shri Jagbir Singh Chaudhary as Director of the Company. A brief resume of Shri Jagbir Singh Chaudhary as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director, liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

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

**Item No. 5**

Pursuant to the Article 123 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Shri Jai Parkash Malhotra was appointed as an Additional Director w.e.f. 16<sup>th</sup> June, 2008 on the Board of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder proposing the name of Shri Jai Parkash Malhotra as Director of the Company. A brief resume of Shri Jai Parkash Malhotra as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director, liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

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

By Order of the Board of Directors

for **Richa Industries Limited**

Faridabad  
September 1<sup>st</sup>, 2008

**(Gagan Singhal)**  
Company Secretary



# **RICHA INDUSTRIES LIMITED**

(Formerly known as RICHA KNITS LIMITED)

## **Details of Director retiring by rotation and seeking reappointment (in pursuance of Clause 49 of the Listing Agreement)**

<b>Name</b>	<b>Shri Neeraj Bajaj</b>
<b>Date of Birth</b>	September 17, 1969
<b>Date of Appointment</b>	December 29, 2005
<b>Qualification</b>	Chartered Accountant
<b>Expertise in specific functional areas</b>	Project Finance
<b>Chairman/ Director of other Companies</b>	Richa Infrastructure Limited
<b>Chairman/ Member of Committees of the Board of Companies of which he is a Director</b>	NIL

# **RICHA INDUSTRIES LIMITED**

(Formerly known as Richa Knits Limited)

Registered Office: VPO Kawnra, Old Faridabad to Kheri-Jasana Road, Faridabad- 121101

## **ATTENDANCE SLIP**

**Fourteenth Annual General Meeting**  
**Monday, 29<sup>th</sup> September, 2008 at 4.00 P.M.**

<b>DP ID No.</b>	<b>LF. No.</b>
<b>Client ID No.</b>	<b>No. of Shares held</b>

I/We hereby record my/our presence at the Annual General Meeting of the Company held at FCCI Centre, near Tubewell No.-4, Sector 11-B, Faridabad,-121006, on Monday 29<sup>th</sup> September, 2008 at 4.00 p.m.

\_\_\_\_\_  
Name of Attending Member

\_\_\_\_\_  
Name of the Attending Proxy

\_\_\_\_\_  
Signature of the Attending Member

\_\_\_\_\_  
Signature of the Attending Proxy

**Note:** Please fill up this attendance slip and hand it over at the entrance of the meeting hall, Members are requested to bring this slip for the meeting.

# **RICHA INDUSTRIES LIMITED**

(Formerly known as Richa Knits Limited)

Registered Office: VPO Kawnra, Old Faridabad to Kheri-Jasana Road, Faridabad- 121101

<b>DP ID No.</b>	<b>LF. No.</b>
<b>Client ID No.</b>	<b>No. of Shares held</b>

## **FORM OF PROXY**

I/We \_\_\_\_\_ R/o \_\_\_\_\_ being  
Member/Members of Richa Industries Limited hereby appoint \_\_\_\_\_ R/o  
\_\_\_\_\_ falling him/her \_\_\_\_\_ R/o \_\_\_\_\_ as my/our  
Proxy to attend and vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of  
the Company, to be held on Monday, 29<sup>th</sup> September, 2008 at 4.00 p.m. and at any adjournment thereof.

\_\_\_\_\_  
Name of the Member/Proxy

\_\_\_\_\_  
Signature of the Member/ Proxy

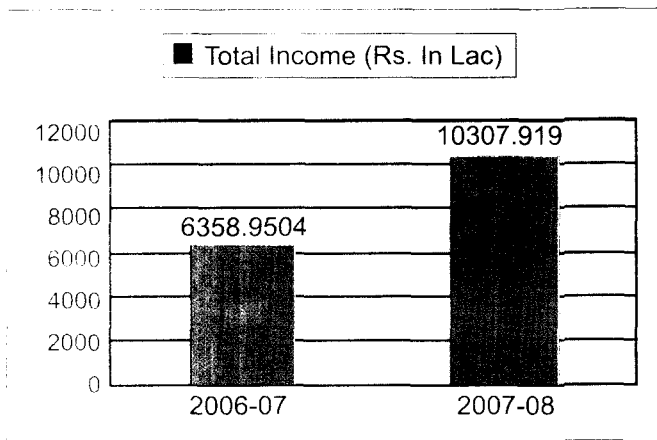
Affix  
15 Paisa  
Revenue  
Stamp

- Note:**
1. Please fill up this attendance slip and hand it over at the entrance of the meeting hall, Members are requested to bring this slip for the meeting.
  2. The Proxy Form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
  3. A Proxy need not be a member of the Company.

**Annual Report 2007-08**

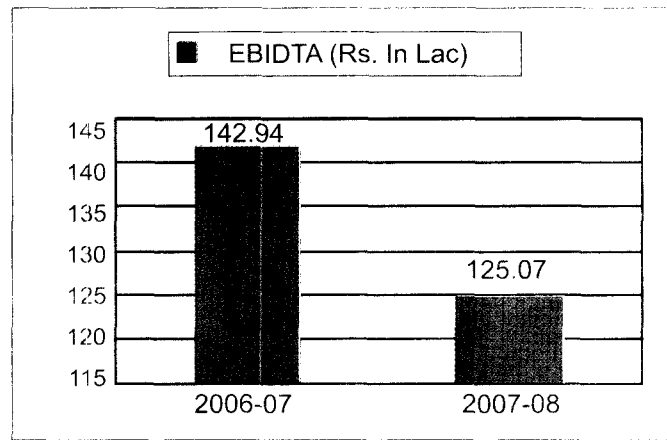
**Total Income (Rs. in Lac)**

2006-07	6358.95
2007-08	10307.92



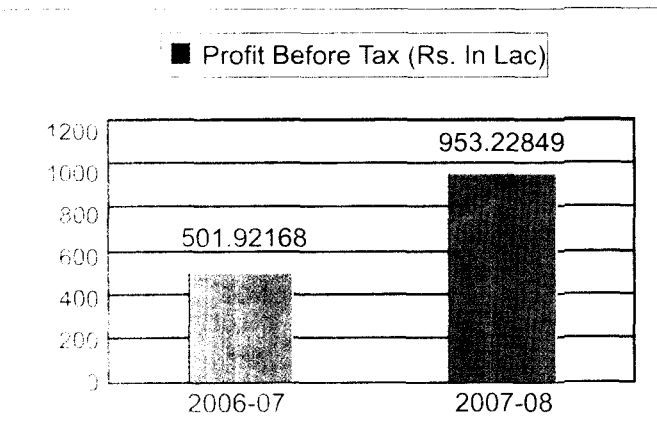
**EBIDTA (Rs. in Lac)**

2006-07	142.94
2007-08	125.07



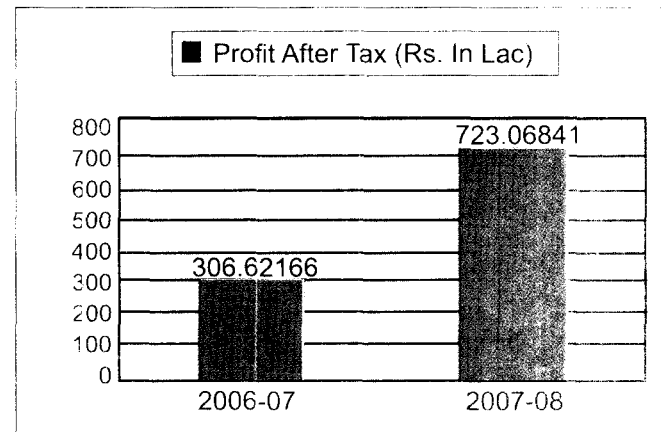
**Profit before Tax (Rs. in Lac)**

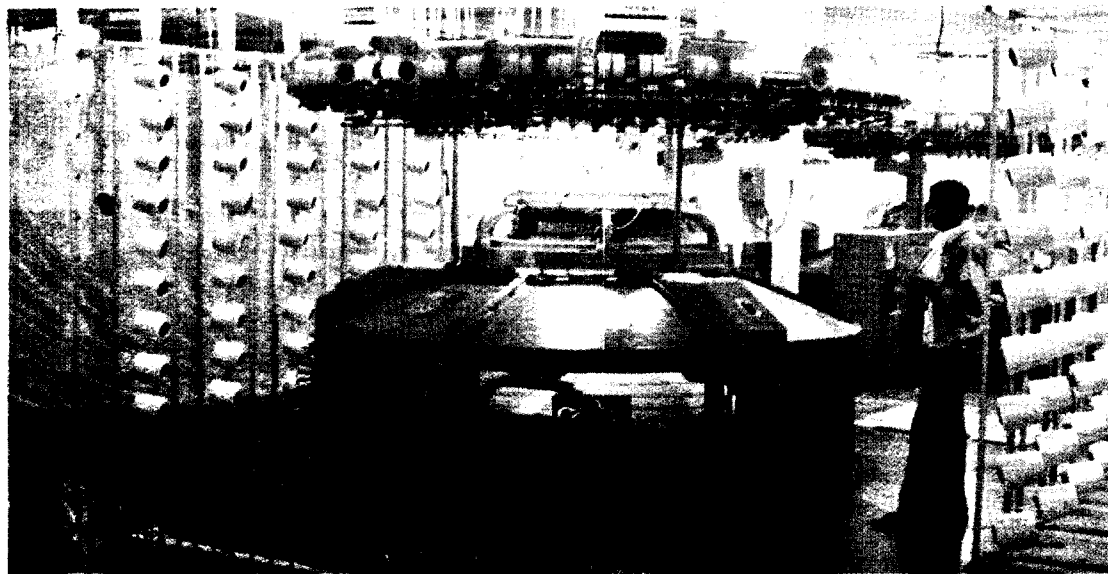
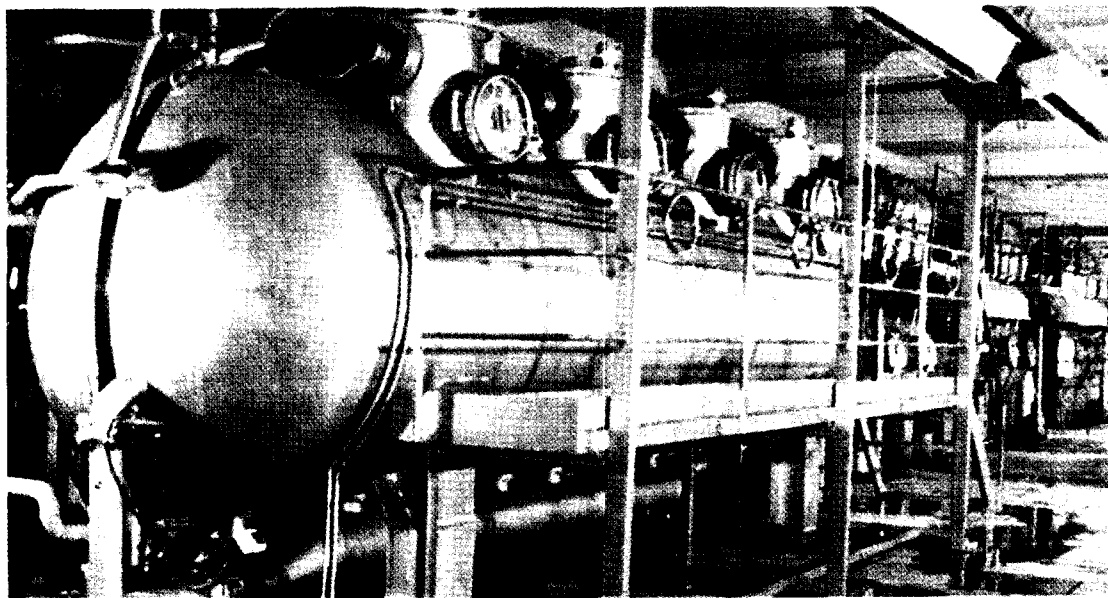
2006-07	501.92
2007-08	953.23



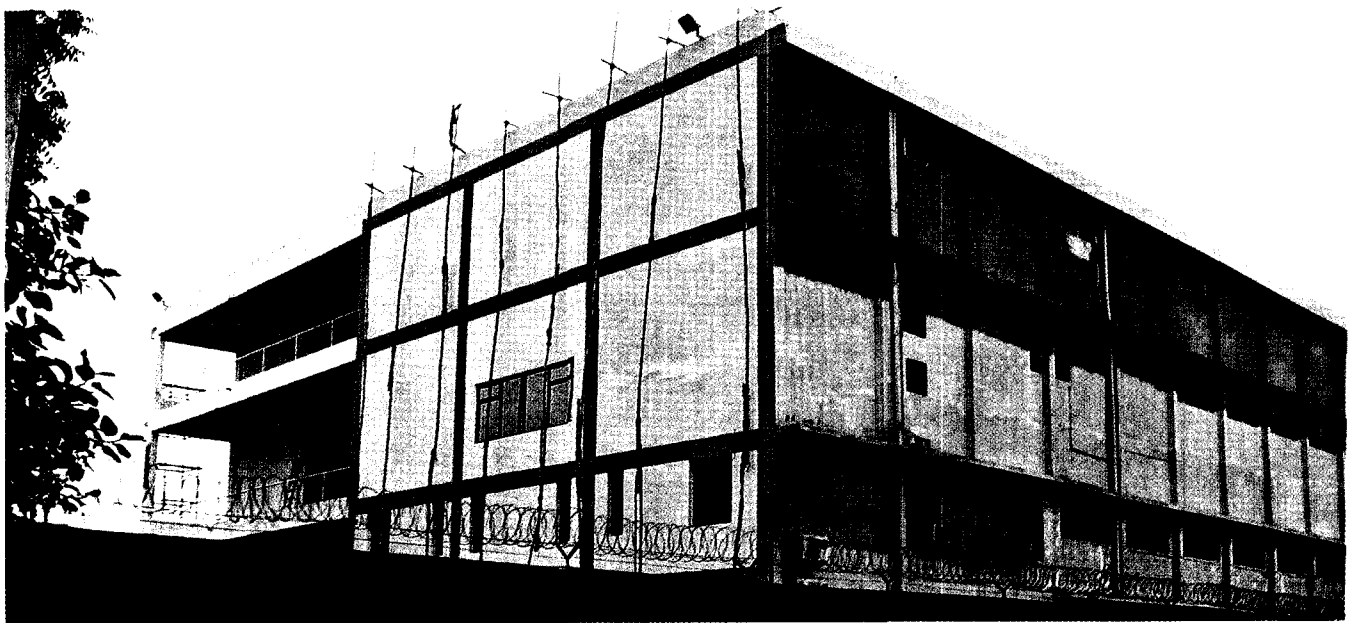
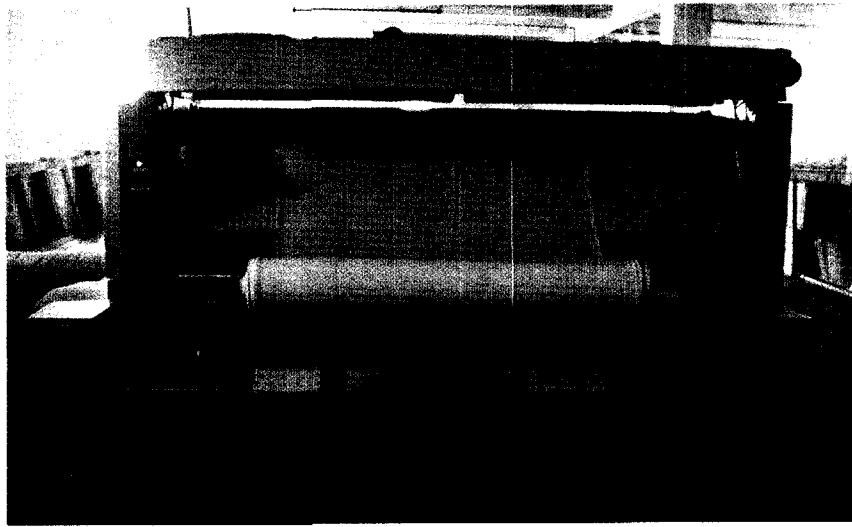
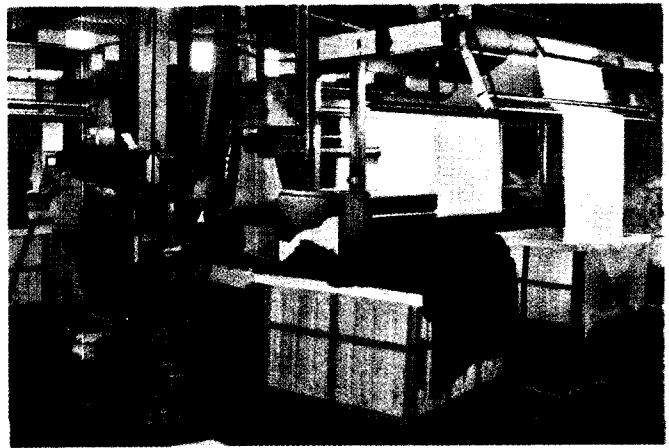
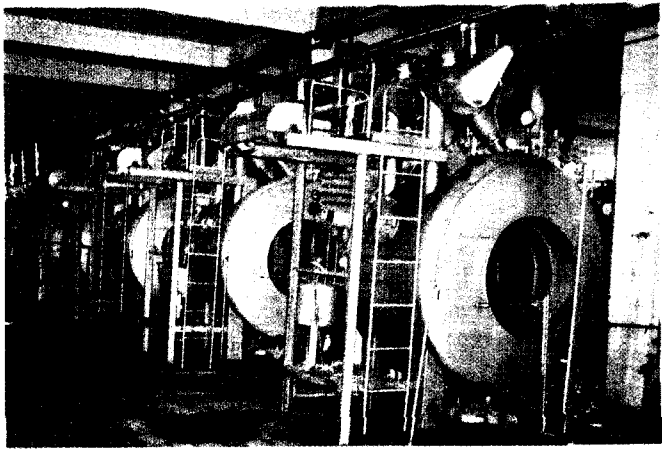
**Profit After Tax (Rs. in Lac)**

2006-07	306.62
2007-08	723.07





**MANUFACTURING WORKS**



## **RICHA INDUSTRIES LIMITED**

(Formerly known as Richa Knits Limited)

**Manesar Plant :**

Plot No. 5, Sector - 7, IMT Manesar, Gurgaon - 122 050

Tel. : 91-124-4175800, 02 Fax : 91-124-2290211

**Faridabad Plant :**

Village Kanwar, Kheri- Jasana Road, Faridabad- 121 101

Tel. : 91-129-2201132, 34 Fax : 91-129-2201137

E-mail : [richa@richa.in](mailto:richa@richa.in) Website : [www.richa.in](http://www.richa.in)