

PODAR KNITEX LIMITED

20

ANNUAL
REPORT

2006-2007

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PODAR KNITEX LIMITED

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of PODAR KNITEX LIMITED will be held at the Registered Office of the Company at Podar Chambers, 4th floor, 109, S.A. Brelvi Road, Fort, Mumbai 400 001 on Saturday, 29th September, 2007 at 4.00 p.m. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and Balance Sheet as at that date together with Report of Directors' and Auditors thereon.
2. To appoint a Director in place of Mr. M. D Shanbhag, who retires by rotation and is eligible for reappointment.
3. To Appoint Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.

The Proxy Form duly filled in should be lodged with the Company not less than 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 22nd September, 2007 to Saturday, 29th September, 2007 (both days inclusive)
3. Members are requested to bring their copies of the Annual Report to the Meeting.

By Order of the Board
FOR PODAR KNITEX LIMITED,

[RAJIV K. PODAR]
DIRECTOR

Regd. Office:
Podar Chambers,
109, S.A. Brelvi Road,
Fort, Mumbai 400 001.

August 25, 2007

PODAR KNITEX LIMITED

DIRECTORS' REPORT

Your Directors are presenting herewith the Twentieth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS.

The Financial results are given below:

	Year Ended 31-3-2007 (Rs. in lacs)	Year Ended 31-3-2006 (Rs. in lacs)
Gross Profit/(Loss) before Depreciation, Interest & Finance Expenses	1763.59	834.70
Interest & Finance Expenses	--	--
Depreciation	6.96	6.96
Profit/(Loss) before Tax	1756.63	827.74
Provision for Taxation	--	--
Balance Brought forward	(3283.78)	(4111.52)
Transfer from General Reserve	--	--
Balance Carried to Balance Sheet	(1527.15)	(3283.78)

OPERATIONS

Directors are pleased to inform you that the Company received Rs.1500.79 lacs interest on Delayed Payment of Insurance Claim. The Company arrived at a One Time Settlement of its dues with Financial Institutions & Banks and cleared their Liabilities. Due to Settlement with the Banks the Company has been able to get back Land and Buildings which was taken over by the Banks in 2004-05. Winding UP Proceedings Matter is still pending with Bombay High Court. The Company hopes in lieu of the settlements the same will be dropped. The Company is also working out some plans to restart some activities in the Company. However in view of the accumulated Financial losses the company is still a 'Sick Industrial Company' within the meaning of clause (o) of Section 3(i) of the SICA (Special Provision) Act, 1983.

DIVIDEND:

Due to Accumulated losses and Shut down of the Company's Operations, your board has decided not to recommend any dividend during the year under review.

DIRECTORS

Mr. M.D. Shanbhag, Director of the Company retire by rotation and being eligible, offers himself for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) The accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) Proper and sufficient care has been taken 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.
- (iv) The annual accounts have been prepared on a going concern Basis.

AUDITORS

M/s. S.K. Bhageria & Associates, Chartered Accountants, Statutory Auditors of the Company retires from the Office at the ensuing Annual General Meeting and are eligible for reappointment. You are requested to appoint them as Auditors for the period from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement, the Company was required to implement Corporate Governance Code and Follow the Procedure laid down in the said Code. Due to adverse financial position of the Company and non availability of independent Directors coupled with Liquidation matter pending in High Court, the Board of Directors had decided to request Stock Exchange for exempting the Company from requirement of Clause 49 of the Listing Agreement. The Company has not received any communication from the Stock Exchange in this matter.

LISTING REQUIREMENTS:

The Equity Shares of the Company are at present listed with the Stock Exchanges at Ahmedabad, Delhi, Kolkatta and Mumbai.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO:

Information in accordance with the Provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure with particulars in the Report of Board of Directors) Rules 1988 are not furnished as there was no manufacturing activities during the year. Foreign Exchange Earning and Outgo Rs. NIL.

PARTICULARS OF EMPLOYEES

During the year under review, there was no employee drawing salary in excess of limits prescribed under Section 217(2)(A) of the Companies Act, 1956 and the Rules prescribed thereunder.

FIXED DEPOSITS:

Your Company has not invited or accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 during the year.

ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere appreciation for the co-operation extended by the Financial Institutions and the Company's Bankers.

Yours Directors also express gratitude to the Shareholders of the Company for the confidence reposed in the management.

On behalf of the Board of Directors
FOR PODAR KNITEX LIMITED.

(RAJIV K. PODAR)
DIRECTOR

(M. D. SHANBHAG)
DIRECTOR

Regd. Office:
Podar Chambers,
109, S.A. Brelvi Road,
Fort, Mumbai 400 001.
August 25, 2007.

PODAR KNITEX LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of PODAR KNITEX LIMITED, as at 31st March, 2007 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

2. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:

(a) Note No. 10(a) & (b) : relating to certain records of the company taken by the Central Excise Authorities and their reconstruction thereupon.

(b) Note No.11 : relating to accounting of Cash Compensatory Support (CCS) of Rs. 7.75 Lacs for the year ended 31/03/1992 as and when received.

4. Subject to the above:

a) We have obtained all 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 the books of the company.

c) The Balance Sheet, Profit and Loss Account and the cash flow statement dealt with by the Report are in agreement with the books of account of the company.

d) In our opinion, Balance Sheet and Profit & Loss Account comply with the accounting standards referred to in Sub-Section (3C) of section 211 of the Companies Act, 1956.

e) On the basis of written representation received from the Directors as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of Clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956.

5) In our opinion and to the best of our information and according to the explanations given to us, subject to what is stated in para 3 (b) (without taking into accounting para 3 (a) as the extent of loss as, at present in respect of which is unascertainable/not ascertained), aggregate effect of which has resulted in the profit for the year being lower by Rs.7.75 Lacs and accumulated losses carried in the Balance Sheet would be of Rs.1092.69 Lacs as against the reported accumulated losses of Rs. 1100.64 Lacs and subject to what is stated in paragraph 1, 2 & 3 above. The Balance Sheet, Profit & Loss Account and Cash Flow Statement give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India :

(i) in the case of Balance Sheet of the State of affairs of the company as at 31st March, 2007.

(ii) in the case of Profit and Loss Account of the Profit for the year ended on that date.

(iii) in the case of Cash Flow Statement, of the Cash Flow for the year ended on that date.

For S.K.BHAGERIA & ASSOCIATES
Chartered Accountants

Mumbai,
Dated: 25th August, 2007

(S.K.BHAGERIA)
PARTNER

PODAR KNITEX LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITOR'S REPORT TO THE MEMBERS OF PODAR KNITEX LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All the assets have been physically verified by the management during the year according to the information and explanation given to us no material discrepancies were noticed on such verification. In our opinion having regard to the size of the company and the nature of its assets the procedure of verification of fixed assets of the company is reasonable.
- c) Since there is no disposal of Fixed Assets during the year, para 4 (i) (c) of the Companies (Auditor's Report) order, 2003 (the order) is not applicable
- ii) Since there is no stock of the Finished Goods, Raw material and Stores & spares, para 4 (ii) (a) (b) & (c) of the order is not applicable
- iii) a) The company has not granted any secured or unsecured loans to the Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, accordingly para 4(iii) (a) to (c) of the order is not applicable.
- b) In the year end, company don't have any Unsecured loans from companies covered in the register maintained under section 301 of the Companies Act, 1956, accordingly para 4 (iii) (d) to (g) of the order is not applicable
- iv) In our opinion, and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company.
- v) a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, Since the company has not entered in to any transactions of contracts or arrangements exceeding Rs. five lakhs in respect of any party during the financial year that needs to be entered in the register maintained under section 301 of the Companies Act, 1956, Para 4 of (v)(b) of the order is not applicable.
- vi) The company has not accepted any deposits from the public during the year in respect of which section 58A of the Companies Act, 1956 is applicable.
- vii) While the company has no formal Internal Audit System during the year under review, the Directors of the company have always kept adequate vigilance over the day-to-day transactions of the company and over the proper maintenance of the basic records and books of account of the company.
- viii) We are informed that the Central Government has not prescribed the maintenance of cost records as provided under section 209 (1) (d) of the Companies Act, 1956 for the product of the Company.
- ix) a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, service tax, excise duty, cess and other statutory dues applicable to it.
According to the information and explanation given to us, there is no dues of Sales Tax, Income Tax, Wealth Tax, Custom duty, Excise duty, Service Tax and cess, were in arrears, as at 31st March, 2007 for more than six months from the date they became payable except Excise Duty of Rs.535,24,282/-.
- b) The details of disputed dues of Sales Tax, Service Tax, Income Tax, wealth Tax, Custom Duty, Excise Duty and Cess, which have not been deposited, are as under:

Name of the Statute	Forum where dispute is pending	RS. IN LACS	
		AS AT 31.3.07	AS AT 31.3.06
1. Central Excise	Appellate Tribunal	428.26	—
2. Sales Tax	Sales Tax Tribunal	18.25	—

- x) In our opinion and according to the information and explanation given to us, the accumulated losses of the company are more than fifty percent of its net worth at the end of financial year. The company has not incurred any cash losses during the financial year covered by our report and but incurred cash losses in the immediately preceeding financial year.
- xi) According to the information and explanations given to us, the company has defaulted in repayment of its dues to financial institutions & banks. The company has not issued any debentures.
- xii) Based on our examination of the records and of the information and explanations given to us, the company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) In our opinion and accordingly to the information & explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions. Therefore the provisions of clause 4(xv) of the companies (Auditor's Report) order 2003 is not applicable to the company.
- xvi) According to the information and explanations given to us, the company has not taken any term loans during the year. Hence the provisions of clause No 4 (xvi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- xvii) According to the information and explanations given to us and on an over all examination of the balance sheet of the company, Since the company has not raised any short-term fund or long-term funds, Para 4 (xvii) of the order is not applicable..
- xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year. Hence the provisions of clause No 4 (xviii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xix) According to the information and explanations given to us, the company has not issued any debentures during the year and hence, the provisions of clause no 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- xx) According to the information and explanations given to us, the company has not raised any money by way of public issues during the year.
- xxi) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **S.K.BHAGERIA & ASSOCIATES**
Chartered Accountants

(S.K.BHAGERIA)
PARTNER

Mumbai
Dated : 25th August, 2007

PODAR KNITEX LIMITED

BALANCE SHEET AS AT 31ST MARCH 2007

ASAT 31.03.2006	SCH NO.	ASAT 31.03.2007	ASAT 31.03.2006	SCH NO.	ASAT 31.03.2007		
Rupees	LIABILITIES	Rupees	Rupees	ASSETS	Rupees		
48000000	SHARE CAPITAL	1	48000000	<u>FIXED ASSETS</u>	5		
7005000	RESERVES & SURPLUS	2	15525257	22167266	a) GROSS BLOCK	22167266	
				11569695	b) LESS: DEPRECIATION	<u>12266107</u>	
239693803	SECURED LOANS	3	----	10597571		9901159	
68113390	UNSECURED LOANS		----	5000	<u>INVESTMENTS</u>	6	5000
					<u>CURRENT ASSETS</u>		
					<u>LOANS AND</u>	7	
					<u>ADVANCES</u>		
	<u>CURRENT LIABILITIES</u>				(A) <u>CURRENT ASSETS</u>		
	<u>& PROVISIONS</u>	4			8588	CASH & BANK BALANCES	23456
73014232	CURRENT LIABILITIES		99329247	96836976	(B) LOANS & ADVANCES	<u>209449</u>	232905
					<u>MISCELLANEOUS EXPENDITURE</u>		
					(To the extent not written off		
					or adjusted)		
				328378290	Profit & Loss Account	152715440	
<u>435826425</u>	TOTAL RUPEES		<u>162854504</u>	<u>435826425</u>	TOTAL RUPEES	<u>162854504</u>	

NOTE: Notes as per schedule 10, Accounting Policies as per schedule 11 and other schedules referred herein form an integral part of these accounts.

AS PER OUR ATTACHED REPORT OF EVEN DATE
FOR S. K. BHAGERIA & ASSOCIATES.
CHARTERED ACCOUNTANTS

RAJIV K. PODAR
Director

(S. K. BHAGERIA)
PARTNER

MUMBAI
DATE: August 25, 2007

M. D. SHANBHAG
Director

PODAR KNITEX LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

FOR THE YEAR ENDED 31.03.2006 RUPEES	SCH NO.	FOR THE YEAR ENDED 31.03.2007 RUPEES	FOR THE YEAR ENDED 31.03.2006 RUPEES	INCOME	SCH NO.	FOR THE YEAR ENDED 31.03.2007 RUPEES
595		-----	88323742	OTHER INCOME	9	225925328
4853277	8	49566066				
ADMINISTRATIVE, SELLING AND						
696412		696412				
DEPRECIATION						
82773458		175662850				
PROFIT FOR THE YEAR						
CARRIED FORWARD						
<u>88323742</u>		<u>225925328</u>	<u>88323742</u>	TOTAL RUPEES		<u>225925328</u>
411151748		328378290	82773458	PROFIT FOR THE YEAR BROUGHT DOWN		175662850
			328378290	BALANCE CARRIED TO BALANCE SHEET		152715440
<u>411151748</u>		<u>328378290</u>	<u>411151748</u>	TOTAL RUPEES		<u>328378290</u>

	For the year ended 31.03.07	For the year ended 31.03.06
Earning per Share Basic & Diluted	Rs. 36.60	Rs. 17.24

NOTE: Notes as per schedule 10, Accounting Policies as per schedule 11 and other schedules referred herein form an integral part of these accounts.

AS PER OUR ATTACHED REPORT OF EVEN DATE
FOR S. K. BHAGERIA & ASSOCIATES.
CHARTERED ACCOUNTANTS

(S. K. BHAGERIA)
PARTNER

MUMBAI

25 AUG 2007

RAJIV K. PODAR
Director

M. D. SHANBHAG
Director

PODAR KNITEX LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2007

	ASAT 31/03/07		ASAT 31/03/06		ASAT 31/03/07		ASAT 31/03/06	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<u>SCHEDULE - 1</u>				<u>SCHEDULE - 3</u>				
<u>SHARE CAPITAL</u>				<u>SECURED LOANS:</u>				
AUTHORISED:				<u>TERM LOANS FROM FINANCIAL INSTITUTIONS:</u>				
5000000 Equity								
Shares of Rs. 10/- each	50000000		50000000					
ISSUED:				a) Rupee Loan	----	17598581		
4800000 Equity				b) Foreign Currency Loan	----	1421811		
Shares of Rs. 10/- each	48000000		48000000	c) Rupee Tied Loan	-----	-----	14954019	33974411
<u>SUBSCRIBED AND PAID UP:</u>				<u>FROM BANKS:</u>				
4800000 Equity				a) On Cash Credit Account	----	5869226		
Shares of Rs. 10/- each				b) Canara Bank OTS				
fully paid in cash	48000000		48000000	Payable	-----	----	4485000	10354226
TOTAL RUPEES	48000000		48000000	INTEREST ACCRUED & DUE		----	195365166	
<u>SCHEDULE - 2</u>				TOTAL RUPEES		-----	239693803	
<u>RESERVES AND SURPLUS</u>				<u>SCHEDULE - 4</u>				
<u>CAPITAL RESERVES:</u>				<u>CURRENT LIABILITIES AND PROVISIONS:</u>				
State subsidy as per				<u>CURRENT LIABILITIES</u>				
last account	1000000		1000000	Sundry Creditors	99329247		72969013	
Central subsidy as per				Temporary Overdraft				
last account	1000000	2000000	1000000	from a Bank	---	99329247	45219	73014232
<u>SPECIAL RESERVES</u>				TOTAL RUPEES		-----	99329247	73014232
Transferred during the year								
(Refer Note No. 8 of								
Schedule 10)	8520257		----					
<u>FORFEITED SHARES MONEY</u>								
As per last account	5000		5000					
<u>INVESTMENT ALLOWANCE RESERVE:</u>								
As per last account	5000000		5000000					
TOTAL RUPEES	15525257		7005000					

PODAR KNITEX LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE - 5

FIXED ASSETS:

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Cost/Book Value as at 01.04.2006	Additions	Deductions	Cost/Book Value as at 31.03.2007	Till 31.3.2006	For the Year	Adjustment /Transfer	Total as on 31.03.2007	As at 31.03.2007	As at 31.03.2006
Leasehold land	856853	—	—	856853	178143	9020	—	187163	669690	678710
Buildings (including Road & Drains)	21310413	—	—	21310413	11391552	687392	—	12078944	9231469	9918861
TOTAL RUPEES	22167266	—	—	22167266	11569695	696412	—	12266107	9901159	10597571
Previous Year's Figure	73212896	—	51045630	22167266	55818343	696412	44945060	11569695	10597571	17394553

	Rupees	Rupees	ASAT 31/03/07 Rupees	Rupees	Rupees	ASAT 31/03/06 Rupees
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SCHEDULE - 6

INVESTMENTS: (AT COST)

UNQUOTED

IN GOVERNMENT SECURITIES

Kisan Vikas Patra (Deposited with Sales-Tax Department-Daman)	5000	5000
TOTAL RUPEES	5000	5000

SCHEDULE - 7

CURRENT ASSETS, LOANS & ADVANCES:

(A) CURRENT ASSETS:

CASH AND BANK BALANCES:

Cash on hand	6200	1881
With Scheduled Banks	10549	—
In Current account	6707	6707
	23456	8588

(B) LOANS AND ADVANCES:

(Unsecured, Considered good unless otherwise stated)

Prepaid Expenses	4988	4509
Cash compensatory support receivable	—	1673912
TDS receivable	—	9094
Insurance claim receivable	—	94945000
Balance with Central Excise Authorities	157889	157889
Sundry Deposits:		
a) With Govt. & Semi Govt. Dept.	27522	27522
b) With Others	19050	46572
	209449	19050
TOTAL RUPEES	232905	96845564

PODAR KNITEX LIMITED

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	FOR THE YEAR ENDED 31/03/07		FOR THE YEAR ENDED 31/03/06		FOR THE YEAR ENDED 31/03/07		FOR THE YEAR ENDED 31/03/06	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<u>SCHEDULE - 8</u>				<u>SCHEDULE - 9</u>				
<u>ADMINISTRATIVE, SELLING & OTHER EXPENSES:</u>				<u>OTHER INCOME:</u>				
(i) Rates & Taxes		63850		1700	Interest on delayed receipt of			
(ii) Printing & Stationery		67378		56131	Insurance Claim	55133604		----
(iii) Postage, Telephone and Telex		1135		568	Sundry balances written off (Net)	----		4600000
(iv) Travelling and Conveyance (Including Director's Travelling Rs. 25002/-) (Previous year Rs.39690/-)		82472		42202	Liabilities No Longer payable on One Time settlement of Dues with Financial Institutions & Banks	170791724		83723742
(v) Miscellaneous Expenses		110830		184196	TOTAL RUPEES	<u>225925328</u>		<u>88323742</u>
(vi) Security Charges Paid to Banks		255055		----				
(vii) Excise Duty Provided for earlier years		42826086		----				
(viii) Sales Tax Provided for earlier years		1824980		----				
(vii) Legal and Professional charges (including Rs. 2589332 paid to lawyers for settlement of Insurance Claim)		2643464		708366				
(viii) Payment to Auditors:								
i) for Audit fees	15000		15000					
ii) for Service Tax	<u>1836</u>	16854	<u>1836</u>	16836				
(ix) Bank Charges & Commission		50		750				
(x) Cash Compensatory Support no longer Receivable Written Off		1673912		----				
(xi) Loss on Surrender of Fixed Assets		----		3382570				
(xii) Loss on Surrender of Stock		----		459958				
TOTAL RUPEES		<u>49566066</u>		<u>4853277</u>				

PODAR KNITEX LIMITED

SCHEDULE 10

NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for NIL
2. a. There was a major fire in the factory premises of the Company at Mahad on 28th May, 1993, causing extensive damages to Buildings, Plant & Machinery, Electrical Installations, Furniture, & Fixtures and Stocks.
 - b. i) The matter relating to Company's Fire Insurance claim lodged with the New India Assurance Co. Ltd. was pending with the Insurance Company since May, 1993, which has been rejected by the Insurance Company. Since the Insurance Company has failed to finalize the claim of the Company, it has, therefore, filed a comprehensive Complaint before the National Consumer Dispute Redressal Commission, New Delhi, under the Consumer Protection Act, 1986, claiming a sum of Rs. 1117.00 lacs plus accrued interest thereon at the rate 24% p.a. for the delayed payment. The Company's Advocates have opined that the claim is very valid and the same should be considered favourably by the Forum.
 - ii) Pending disposal of the Complaint of the Company by the Forum, the Board considered prudent, not to take credit for 100% of the claim, but to take credit to the extent 85% of the claim of Rs. 1117.00 lacs (Which excludes interest) on a conservative basis in the accounts for the Year ended 30th September, 1994. Thus the Company has taken estimated credit of Rs. 949.45 lacs (being 85% of Rs. 1117.00 lacs) for its Fire Insurance Claim in the accounts for the period ended 30th September, 1994 as extraordinary item of Income.
 - iii) The National Consumer Dispute Redressal Commission, New Delhi. Vide its order dated 22nd April, 2004 allowed the Petition in Company's favour and directed to the Insurance Company to pay Rs. 6,17,19,192/- towards loss assessed for the Building, Plant, machinery, Furniture and fixtures and stocks and Rs. 1,40,00,000/- towards consequential loss with interest @ 9% p.a. w.e.f. from 18.12.1993 till the date of payment. However the Insurance Company filed appeal against the said order with the Supreme Court.
 - iv) The Supreme Court vide its order dtd 26th April, 2006 has upheld the decision of the National Consumer Dispute Redressal Commission and ordered payment to the Company of Rs. 617.19 Lacs towards Material Damage claim and Rs. 81.62 Lacs towards claim against Loss of Profit alongwith interest @9% P.A. from 18.12.1993 till the date of making payment.
 - v) Accordingly the company received during the year Rs. 1500.79 Lacs including interest for delayed payment of claim. The company having offered as income estimated amount of Insurance Claim of Rs. 949.45 Lacs in the Accounts for the year ended 30th Sept., 1994, the balance amount of Rs. 551.34 Lacs has been accounted during the year as other income (Refer Schedule '9').
3. The Company has provided Depreciation on the following basis:
 - a. Leasehold Land is amortized over the period of lease.
 - b. On Fixed Assets acquired up to 30th June, 1987, on straight line basis at the rates corresponding to the rates applicable under the Income Tax Rules in force in accordance with the Provisions of Section 205(2)(b) of the Companies Act, 1956.
 - c. On Fixed Assets acquired after 30th June, 1987, on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956 as amended by notification GSR No. 756E dated 16.12.1993.
 - d. On increase in the value of Fixed Assets due to foreign exchange fluctuation on the same method as mentioned in (b) and (c) above during the residual life of the assets.
 - e. On Fixed Assets added/disposed off/destroyed/discarded during the year on estimated prorata basis with reference to the date of such addition/disposal/destruction/discardment.
4. a. In pursuance of the order dtd. 24th September, 2002 of Supreme Court, the company has been held to be liable for payment of Excise Duty on its Finished product (Fur Fabrics). In pursuance of the said order the Central Excise Authorities has asked the company to pay an amount of Rs. 1,45,78,305/- towards Central Excise Duty payable on the goods cleared by the company during the period from 20.10.1987 To 31.07.1990. The company has accordingly provided a sum of Rs. 1,45,78,305 towards Central Excise Duty liability in its accounts during the year ended 31st March 2003. The Company has however not provided for interest on the demand of Rs. 1,45,78,305 from the date of the order of the Supreme Court.
 - b. In pursuance of the order dtd. 30th November, 2004 of Additional Commissioner, Central Excise, Mahad, the company has been held liable for demand of BED, AED and A D (T & T) under section 11 A of C. Excise Act, 1944 on its finished products Fur Fabrics. In pursuance of the said order the Central Excise authorities has asked the company to pay an amount of Rs. 1,60,29,381/- towards

PODAR KNITEX LIMITED

Central Excise Duty payable on the goods cleared by company during the period from Sept 96 to Nov 2000 the company has accordingly provided a sum of Rs. 1,60,29,381/- towards Central Excise Duty liability in its account during the year ended 31st March,2005. The company has however not provided for Interest on demand of Rs. 1,60,29,381/- from the date of the order.

- c. In pursuance of the order dtd. 16th March,2005 of Assistant Commissioner, Central Excise, Mahad Division the company has been held liable for demand of short payments arising out of the finalisation of the Provisional assessment on its Finished Product Fur Fabrics. In pursuance of the said order of Central Excise authorities has asked the company to pay an amount of Rs. 2,29,16,596/- towards Excise Duty payable on goods cleared during the period from 24.3.1987 to 31.5.1994. The company has accordingly provided a sum of Rs. 2,29,16,596/- towards Central Excise Duty liabilities in its accounts during the year ended 31st March,2005.
- d. In pursuance of the order dtd. 19th December, 2006 of The Commissioner, Central Excise (ADJ.), Mumbai, the company has been held liable for demand of duty u/s. 11A(2) of The Central Excise Act 1944 for Rs.2,22,34,778/- and also Penalty imposed Rs.2,00,91,308/- u/s.11AC and Rs.500000/- under Rule 209 of CER,1944 regarding its Deemed Export transactions under 100% EOU with GCU Ltd. during the period August 1996 to July 1998.
- Although the company has disputed the same and filed appeal against the same before the Appellate Tribunal u/s 35B of the Central Excise Act, the company has provided for total amount of Duty and Penalty amounting to Rs.4,28,26,086/- towards Central Excise Duty liability in its accounts during the year. The adjustments if any will be made in the Books of accounts in the year as & when the appeal is decided.

5. In pursuance of the assessment proceedings before Sales Tax Officer, the company has received demand notices from Sales Tax Office under the Bombay Sales Tax Act & Central Sales Tax Act in respect of the following Financial Years.

<u>Financial Year</u>	<u>Amount(Rs.)</u>	
	<u>BST</u>	<u>CST</u>
1994-95	1,75,500	49700
1995-96	13,43,000	10160
1997-98	9,920	—
1998-99	30,000	—
1999-2000	<u>2,06,700</u>	<u>—</u>
TOTAL	<u>17,67,120</u>	<u>59860</u>

Although the company has disputed the same and filed appeal against the same before The Sales Tax Tribunal, Mumbai, the company has provided for total Demand amount of Rs.18,24,980/- towards Sales Tax liability in its accounts during the year. The adjustment if any will be made in the Books of accounts in the year as & when the appeal is decided.

6. In the opinion of the Board of Directors the Company expect that there would be no liability of custom duty & other charges payable Rs.558.00 lacs (Apprx.) on raw materials imported under Duty Exemption scheme for non – fulfillment of Export obligation due to major fire in the factory premises of the company on 28th May 1993, hence no provision for the same has been made in the Books of Account.
7. In the opinion of the Board of Directors the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business atleast equal to the amount stated in the Balance Sheet unless otherwise stated
8. During the year the company has arrived at one Time Settlement of its dues (Principal amount of loan and interest dues thereon) with Financial Institutions and Banks. In pursuance of the Scheme of One Time Settlement, the excess amount no longer required to be paid towards principal amount of Loan in respect of IDBI amounting to Rs.85,20,257/- has been transferred to Special Reserve Account and excess amount & interest has been shown as "Liabilities no longer payable on settlement of Dues with Financial Institutions and Banks" under the head of "Other Income".
9. During the year on settlement of dues with Canara Bank and Bank of Baroda, the company has received back the possession of its Land & Building at Mahad
10. a Some of the Books and Records of the Company pertaining to previous financial years taken by the central excise authorities on 01/02/1997 are still lying with concerned Authorities. The accounts for the previous financial years therefore were reconstructed and reconciled from available informations and records. Adjustments as may be deemed necessary will be made in the accounts after the release of the Books and Records by the concerned authorities

PODAR KNITEX LIMITED

- b. Some of the Books & Records of the company pertaining to previous financial years were taken by the central excise authorities on 23.07.98 are still lying with concerned Authorities. The accounts of the company for the previous financial years therefore were reconstructed and reconciled from available informations and records. Adjustments as may be deemed necessary will be made in the accounts after the release of the Books and records by the concerned authorities. The company is therefore not in a position to ascertain the quantum of liability if any arising and therefore the same will be provided as and when demand is raised.
11. The Company's claim for Cash Compensatory Support (CCS) against its Deemed Exports was rejected by the concerned authorities of the Joint Chief Controller of Imports and Exports against which though a writ petition filed by the Company was admitted by the Bombay High Court pending final disposal of the writ, the Company has not accounted for the CCS claim of Rs. 7,74,786/- for the year ended 31.03.1992 and the same will be accounted for in the year of receipts.
12. Accounting Standard 22 – "Taxes on Income" issued by The Institute of Chartered Accountants of India requires the Company to accrue taxes on income in the same period as the revenue and expenses to which they relate. As the taxable income are different from the reported income due to timing differences, there arises a necessity to create a deferred tax asset or deferred tax liability, as the case may be. In view of the carry forward losses for earlier years, no deferred tax liability is required to be created. Further, as availability of future taxable profits to realize deferred tax assets can not be estimated with virtual certainty the same has not been accounted for.
13. Earning per share is calculated as per Accounting Standard 20 issued by ICAI. The calculation of basic and diluted earnings per share is calculated by dividing the profit/(loss) after tax, attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as below :-

	<u>31.03.07</u>	<u>31.03.06</u>
Profit /(Loss) after taxation	Rs.17,56,62,850	Rs.8,27,73,458
Weighted average No. of shares		
Outstanding during the year.	4800000	4800000
Basic and Diluted earning per share	Rs. 36.60	Rs. 17.24

14. In terms of AS-17 of the ICAI, segment information has not been given, as company does not have any segment.
15. Figures of Previous year have been regrouped/rearranged wherever considered necessary.
16. The figures have been rounded off to the nearest Rupee.
17. Additional information pursuant to the provisions of paragraph 3, 4-C and 4-D of the Part II of Schedule VI to the Companies Act, 1956.
- a. Quantitative information with regard to Licenced and Installed capacity of the goods manufactured by the Company. Since Factory is closed and there is no production the same is not applicable.
- b. Quantitative information is respect of Finished Goods. Since there is no stock, the same is not applicable.
- | | | |
|--|-----|-----|
| c. Raw Materials Consumed : | NIL | NIL |
| d. C.I.F. Value of Imports : | NIL | NIL |
| e. Expenditure in Foreign Currency | NIL | NIL |
| f. Value of Imported and Indigenous raw material, stores and spare parts consumed and percentage of each to the total consumption. | NIL | NIL |
| g. Earning in Foreign Currency | NIL | NIL |
| h. Amount remitted in Foreign Currency | NIL | NIL |

SCHEDULE 11

SIGNIFICANT ACCOUNTING POLICIES

1. System of Accounting

The Company generally adopts the accrual basis in the preparation of the Accounts i.e the Revenue/Income and Cost/Expenditure are generally accounted on accrual basis as they are earned or incurred except in case of significant uncertainties.

2. Depreciation

Depreciation has been provided in the Books, on the following basis:

- a. Leasehold Land is amortised over the period of lease.
- b. On Fixed Assets acquired up to 30th June, 1987, on straight line basis at the rates corresponding to the rates applicable under the Income tax Rules in force in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956.
- c. On Fixed Assets acquired after 30th June, 1987, on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956 as amended by notification GSR No. 756E dated 16.12.1993.
- d. On increase in the value of Fixed Assets due to foreign exchange fluctuation on the same method as mentioned in (b) and (c) above during the residual life of the assets.
- e. On Fixed Assets added/disposed off/destroyed /discarded during the year on estimated prorata basis with reference to the date of such addition/disposal/destruction/discardment.

3. Investments.

Investments are shown at cost.

4. Gratuity

Since in the year end there was no employee in company therefore there are no liability in respect of the same.

5. Leave Pay

Since in the year end there was no employee in company therefore there are no liability in respect of the same.

6. Taxation

Income Tax expense comprises Current tax and Deferred tax charge or Credit. Provision for Current tax is made only on the assessable income at the tax rate applicable to the relevant assessment year. Deferred Tax Assets / Deferred Tax Liabilities, being the tax effect of timing differences representing the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s). The Deferred Tax Assets and Deferred Tax Liability is calculated by applying the the tax rate and tax laws that have been enacted and substantively enacted by the Balance Sheet date. Deferred Tax Assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws are recognized only if there is a virtual certainty of its realization supported by convincing evidence.

Deferred Tax Assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

PODAR KNITEX LIMITED

SCHEDULE 12

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

I Registration Details :

Registration No.

	3	7	6	5	2
--	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	1	0	3	2	0	0	7
---	---	---	---	---	---	---	---

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

Public Issue

-	-	-	-	-
---	---	---	---	---

Bonus Issue

-	-	-	-	-
---	---	---	---	---

Right Issue

-	-	-	-	-
---	---	---	---	---

Private Placement

-	-	-	-	-
---	---	---	---	---

III Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousand)

Total Liabilities

	6	3	5	2	5
--	---	---	---	---	---

Sources of Funds :

Paid up Capital

4	8	0	0	0
---	---	---	---	---

Secured Loans

-	-	-	-	-	-
---	---	---	---	---	---

Application of Funds :

Net Fixed Assets

-	9	9	0	1
---	---	---	---	---

Net Current Assets

(-)	9	9	0	9	6
-----	---	---	---	---	---

Accumulated Losses

1	5	2	7	1	5
---	---	---	---	---	---

Total Assets

	6	3	5	2	5
--	---	---	---	---	---

Reserves & Surplus

1	5	5	2	5
---	---	---	---	---

Unsecured Loan

-	-	-	-	-
---	---	---	---	---

Investments

				5
--	--	--	--	---

Misc Expenditure

-	-	-	-	-
---	---	---	---	---

IV Performance of Company (Amount in Thousand) :

Turnover

2	2	5	9	2	5
---	---	---	---	---	---

+ - Profit/Loss before Tax

	1	7	5	6	6	3
--	---	---	---	---	---	---

Earning per Shares Rs.

36.60

Total Expenditure

		5	0	2	6	2
--	--	---	---	---	---	---

+ - Profit/Loss after Tax

	1	7	5	6	6	3
--	---	---	---	---	---	---

Dividend Rate %

NIL

V Generic Names of Three Principal Products/ Services of Company (as per monetary terms) :

Item Code No (ITC Code)

5	4	0	2
---	---	---	---

Product Description

POLYESTER	YARNS
-----------	-------

Item Code No (ITC Code)

5	5	0	7
---	---	---	---

Product Description

FUR	FABRICS
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Signature to Schedule 1 to 12 which form an integral part of the Balance Sheet and Profit and Loss Account.

For S.K.BHAGERIA & ASSOCIATES
CHARTERED ACCOUNTANTS

(S.K.BHAGERIA)
PARTNER

MUMBAI
Date : 25th August, 2007

RAJIV K. PODAR
Director

M. D. SHANBHAG
Director

PODAR KNITEX LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Rupees	ASAT 31/03/07 Rupees	Rupees	ASAT 31/03/06 Rupees
<u>A. CASH FLOW FROM OPERATING ACTIVITIES :</u>				
NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS			175662850	82773458
<u>ADJUSTMENTS FOR :</u>				
Depreciation	696412		696412	
Loss on Surrender of Fixed Assets	----		3382570	
Interest & Finance charges	50		750	
	-----		-----	
		696462		4079732
OPERATING PROFIT BEFORE WORKING				
CAPITAL CHANGES		176359312		86853190
<u>ADJUSTMENT FOR :</u>				
Trade and other Receivables	96627527		565747	
Inventories	----		460553	
Trade Payables	<u>26315015</u>		<u>(49866493)</u>	
		122942542		48840193
CASH GENERATED FROM OPERATIONS :		299301854		38012997
Interest & Finance charges Paid		(50)		(750)
NET CASH FLOW FROM OPERATING ACTIVITIES :		<u>299301804</u>		<u>38012247</u>
<u>B. CASH FLOW FROM INVESTING ACTIVITIES :</u>				
Sale of Fixed Assets		----		2718000
		-----		-----
NET CASH USED IN INVESTING ACTIVITIES		299301804		40730247
<u>C. CASH FLOW FROM FINANCING ACTIVITIES</u>				
Proceeds from Borrowings (Net of Repayments)	(307807193)		(42611689)	
Proceeds from / Repayment of Borrowings	<u>8520257</u>		----	
NET CASH USED IN FINANCING ACTIVITIES		<u>(299286936)</u>		<u>(42611689)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		14868		(1881442)
CASH AND CASH EQUIVALENTS AS AT 01/04/2006 <u>(OPENING BALANCE)</u>		8588		1890030
CASH AND CASH EQUIVALENTS AS AT 31/03/2007 <u>(CLOSING BALANCE)</u>		23456		8588

AS PER OUR REPORT ATTACHED

FOR S.K. BHAGERIA & ASSOCIATES
CHARTERED ACCOUNTANTS

S.K. BHAGERIA
PARTNER
MEMBERSHIP NO. 41404

PLACE : MUMBAI
DATE : 25th August, 2007

FOR AND ON BEHALF OF THE BOARD

RAJIV K. PODAR
Director

M. D. SHANBHAG
Director

PODAR KNITEX LIMITED

Registered Office : Podar Chambers, 109, S.A. Brelvi Road, Fort, Mumbai - 400 001.

ANNUAL GENERAL MEETING - SATURDAY 29TH SEPTEMBER, 2007

PROXY FORM

I/We _____ of _____ in the district of _____ being a member(s) of PODAR KNITEX LIMITED hereby appoint _____ or failing him/her _____ of _____ in the district of _____ to attend the 20th ANNUAL GENERAL MEETING of the Company's to be held on Saturday, 29th September 2007 at 4.00 PM or at any adjournment thereof.

Signed this _____ day of September, 2007

Regd. Folio No. _____

Please Affix
30 Paise
Revenue
Stamp

Sign. of Member

PODAR KNITEX LIMITED

Registered Office : Podar Chambers, 109, S.A. Brelvi Road, Fort, Mumbai - 400 001.

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting Hall)

I certify that I am a Registered Shareholder/Proxy for the Registered Shareholder of the Company and hold _____ shares. I hereby record my presence at the Annual General Meeting being held at Podar Chambers, 109, S.A. Brelvi Road, Fort, Mumbai - 400 001 on Saturday, 29th September, 2007 at 4.00 PM.

Name of the Member/Proxy in Block Letters

Member's/Proxy's Signature

Registered Folio No. _____

Printed by : Shah Enterprises
Office : 022-6523 4761
Cell : 92244 34353
98201 75630

BOOK - POST

PODAR KNTTEX LIMITED

Regd. Office : Podar Chambers, 109, S. A. Brelvi Road, Fort, Mumbai - 400 001.