



19<sup>th</sup> ANNUAL REPORT

# KRISHNA FILAMENTS LIMITED

CERTIFIED TO BE TRUE COPY

For KRISHNA FILAMENTS LTD.

*Krishna*  
DIRECTOR.

**Registered Office**  
Betegaon Village, Boisar (East), Taluka Palghar Dist. Thane - 401 501

**NINETEENTH ANNUAL REPORT 2006-2007**

**BOARD OF DIRECTORS**

Mr. K.K. Agarwal	Director
Ms. Juli Jani	Director
Ms. Leena Thakkar	Director

**AUDITORS**

M/s. Haribhakti & Co.,  
Chartered Accountants  
Mumbai.

**BANKERS**

Karnataka Bank  
ICICI Banking Corporation Limited  
Central Bank of India

**SOLICITORS AND ADVOCATES**

Little & Co., Mumbai

**REGISTERED OFFICE & FACTORY**

Bategaon Village,  
Boisar (E), Tal. Palghar,  
Dist. Thane - 401 501.  
Maharashtra, India.

**REGISTRAR & SHARE TRANSFER AGENTS**

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai - 400 078.



## NOTICE

NOTICE is hereby given that the **Nineteenth Annual General Meeting** of the Members of **KRISHNA FILAMENTS LIMITED** will be held on Saturday, 29<sup>th</sup> September, 2007 at Registered Office of the Company situated at Betegaon Village, Boisar (East), Taluka Palghar, Dist. Thane – 401 501 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 on 31<sup>st</sup> March, 2007 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- 2) To appoint Director in place of Ms. Leena Thakker, who retires by rotation, and being eligible offers herself for re-appointment.
- 3) To appoint Auditors and 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** Ms. Julie Jani, who was appointed as an Additional Director of the Company by the Board of Director of the Company and who hold office up to the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing her candidature for office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation.”

**By Order of the Board of Directors  
For KRISHNA FILAMENTS LIMITED**

**DIRECTOR.**

Date : 04/09/2007  
Place : Betegaon

**Registered Office**  
Betegaon Village,  
Boisar (East),  
Taluka Palghar,  
District Thane – 401 501.

## **NOTES**

1. A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THROUGH A PROXY MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
3. The instrument appointing a proxy should, however be deposited at the registered office of the company not later than 48 hours before the time for holding the meeting the proxy need not be a member of the company.
4. The Register of Members and the Share Transfer Register of the Company shall remain close from 26<sup>th</sup> September, 2007 to 29<sup>th</sup> September 2007 (both days inclusive).
5. Members are also requested to notify changes in address, details of bank account number, name of the bank, bank's branch name and address, if any, immediately to the Company's Registrar & Share Transfer Agents – Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
6. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrar's and Transfer Agents, at the address as stated in note.4 above.
7. Members may please address all their documents/ correspondences relating to the equity shares & NCD's of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated above.
8. Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated above.
9. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchange would be facilitated if share certificates are dematerialized. Members having the physical shares certificate are advised to consider opening of a Demat Account with an authorized Depository Participant and arrange for dematerializing their shareholdings in the Company.
  - a) All unclaimed dividend for the financial year 1997-98 (Interim Dividend) and 1997-98 (Final Dividend) of the company has been transferred to the Investors Education and Protection Fund in terms of Section 205C of the COMPANIES ACT, 1956



10 Members attending the Annual General Meeting are requested to bring with them the following:

- a) Members holding shares in dematerialized form, their DP & Client ID Numbers.
- b) Members holding shares in physical form, their folio Numbers.
- c) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
- d) The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The company would accept only the Attendance Slip from a member actually attending the Meeting or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slip of Members/ valid proxies not personally present at the Meeting, or relating to proxies which are invalid, will not be accepted from any other member/person.

**By Order of the Board of Directors  
For KRISHNA FILAMENTS LIMITED**

**DIRECTOR.**

Date : 04/09/2007

Place : Betegaon

**EXPLANTARY STATEMENT**

**Pursuant to Section 173(2) of the Companies Act, 1956:-**

Item No. 5

Ms. Julie Jani was appointed as Additional Director of the Company by the Board of Directors at their meeting held 20<sup>th</sup> June, 2007. According to the Provision of the Section 260 of Companies Act, 1956, read with the Article of Association of the Company, Ms. Julie Jani hold office of Director up to the date of the ensuing Annual General Meeting of the Company. The Notice have been received from members as required by Section 257 of the Companies Act, 1956, signifying their intention to propose the appointment of Ms. Julie Jani as the Director of the Company liable to retire by rotation.

**By Order of the Board of Directors  
For KRISHNA FILAMENTS LIMITED**

**DIRECTOR.**

Date : 04/09/2007

Place : Betegaon

## DIRECTORS' REPORT

To  
The Members,

Your Directors present the Nineteenth Annual Report of your Company together with the Audited Accounts for the year ended 31<sup>st</sup> March 2007.

### Financial Results

(Rupee in Lakhs)

Description	Year Ended 31-03-2007	Year Ended 31-03-2006
Profit before Interest, Depreciation & Tax	(6505.45)	(6506.23)
Interest	2713.03	2713.49
Profit/(Loss) before Depreciation and Tax	(3792.42)	(3792.74)
Depreciation	519.79	522.52
Profit/(Loss) before Tax & Provisions	(3272.63)	(3270.21)
Provision for Diminution in Value of Investment	Nil	Nil
Provision for Doubtful Debts	Nil	Nil
Provision for Tax	Nil	Nil
Profit/(Loss) after Tax	(3272.63)	(3270.21)
Add : Non-operating loss	Nil	Nil
Add : Prior period and extra ordinary items	Nil	Nil
Add : Surplus b/f from the previous year	(50074.74)	(46804.52)
Deficit	(3272.63)	(3270.21)
Balance carried forward to Balance Sheet	(53347.38)	(50074.74)

### Dividend

In view of the losses incurred by the Company during the year under review, your directors regret their inability to declare any dividend on equity shares of the Company.

### Operations and Outlook

During the year there was no manufacturing operation at plant of the company due to unavoidable circumstances beyond control of the company.

## Directors

Ms. Leena Thakkar, retires by rotation at the conclusion of ensuing Annual General Meeting and being eligible, offers herself for reappointment.

During the year under review Ms. Julie Jani was appointed as Additional Director of the Company by the Board of Directors at their meeting held 20<sup>th</sup> June, 2007. According to the Provision of the Section 260 of Companies Act, 1956, read with the Article of Association of the Company, Ms. Julie Jani hold office of Directors up to the date of the ensuing Annual General Meeting of the Company. The Notice have been received from members as required by Section 257 of the Companies Act, 1956, signifying their intention to propose the appointment of Ms. Julie Jani as the Director of the Company liable to retire by rotation.

## Directors' Responsibility Statement

As required by section 217(2AA) of the companies Act, 1956, your directors state:

- ◆ that in the preparation of annual accounts, for the year ended 31<sup>st</sup> March 2007, the applicable accounting standards have been followed along with proper explanations relating to material departures except to the extent that an amount of Rs.373.50 which has not been capitalised as a part of fixed assets, which is not in conformity with the Accounting Standard – 10 on “Accounting for Fixed Assets”;
- ◆ that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the loss of the company for that year;
- ◆ that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularity;
- ◆ that the directors had prepared the annual accounts for the year ended 31<sup>st</sup> March 2007, on a going concern basis.

## Corporate governance

As per Clause 49 of the Listing Agreement with the Stock Exchange a separate report on Corporate Governance and requisite certificate from Auditor on compliance of Corporate Governance is annexed and forms part of the report.

The Board have received certification from CEO/CFO under Clause V of the revised clause 49 of the Listing Agreement.

## Auditors

M/s. Haribhakti & Co., Chartered Accountants, Mumbai retire as auditors of the company and have given their consent for reappointment. As required under the provisions of Section 224 of the Companies Act, 1956, the Companies has obtained a written certificate from the above auditors proposed to be re-appointment, if made, would be in conformity with the limits specified in the said section.

## Auditors' Report -

The observations and qualifications made by auditors in the Auditors' Report are explained as under:

- ◆ With reference to point no. II (d) in the Auditor' Report, the company has not capitalised a sum of Rs. 373.50 Lacs as part of fixed assets, which is not in conformity with Accounting Standard – 10 on "Accounting for Fixed Assets".

The company has not made provision on its Non-Convertible debentures for the period up to 15.03.1999, which if provided, would have been capitalised as part of fixed assets. In addition to the explanation given herein above please also refer note No. 3 of Schedule V to the Balance Sheet.

- ◆ With reference to point no. II (f) in the Auditors' Report, Financial Institutions and Bankers of the Company have recalled their credit facilities extended to the company and consequently have adopted realisation action to recover the same. This has adversely affected the functioning of the company.
- ◆ With reference to point no. II (i) in the Auditors' Report, regarding Non-provision of interest on the Non-convertible Debentures issued by the company.

The same has already been dealt in the previous para.

- ◆ With reference to point no. II (i) in the Auditors' Report, confirmation of loans and advances, Sundry Debtors and Sundry Creditors are not available.

The company has sent the balance confirmation requests to all the major parties. However the same were to be received by the company as on the date of the Balance Sheet.

## Particulars Of Employees

There were no employees drawing a salary in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**Conservation of Energy, Technological Absorption, Foreign Exchange Earnings and Outgo**

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed to this report.

**Acknowledgements**

The Board of Directors wishes to thank the Company's members and esteemed business associates for their valued contributions and support.

**For and on behalf of the Board,**

Sd/-

**Place : Betegaon  
Date : 04/09/2007**

**K. K. AGARWAL  
DIRECTOR**

**Registered Office:**  
Betegaon Village, Boisar (E),  
Tal. Palghar,  
Dist. Thane - 401 501

**ANNEXURE TO DIRECTORS' REPORT**

- a. **Conservation of Energy** : The above details are not required to be given by the Company in Form A as our activities do not fall under list of industries specified in the Schedule attached to Rule 2. Ours is not a major power consuming industry.
- b. **Technology absorption** : The Company has not undertaken any R & D work.
- c. **Foreign Exchange Earnings and Outgo**: Nil

**For and on behalf of the Board,**

Sd/-

**K. K. AGARWAL  
DIRECTOR**

**Place : Betegaon  
Date : 04/09/2007**

**Registered Office :**  
Betegaon Village, Boisar (E),  
Tal. Palghar,  
Dist. Thane - 401 501.

## **CORPORATE GOVERNANCE**

### **Company's Philosophy on Corporate Governance**

The Company's philosophy on corporate governance is aimed at assisting the top management of the company in efficient conduct of its business, transparency in management and in meeting its obligations towards shareholders.

#### **I. BOARD OF DIRECTORS**

##### **A) Composition:**

The present strength of the Board is 3 (three) Directors. The Board comprises of 1 (one) Executive Director and 2 (two) Non-Executive Directors. The Board's role, functions, responsibility and accountability are clearly defined. The company has appointed Mr. Krishnakumar Agarwal, Director as Chairman of the Board of Directors of the company.

##### **B) Board meeting held during the year:**

The Meeting of the Board of Directors was chaired by Mr. Krishnakumar Agarwal or in his absence, Ms. Leena Thakkar . The Board held 5 Meetings during the financial year 2006-07 on 28/04/2006, 28/07/2006, 31/08/2006, 30/10/2006 and 29/01/2007.

##### **C) Attendance of Directors at Board Meetings and last AGM:**

The attendance of each Director at the Board Meetings and the last AGM is given below –

Name of the Director	Category of Directorship	Attendance particulars		No. of Directorships of Public Ltd. Cos.
		Board Meeting	Last AGM	
Mr.Krishnakumar Agarwal	Director	5	Yes	2
Mr.M.S.R.Sriniwas	Director	-	No	1
Ms. Leena Thakkar	Director	5	Yes	1

##### **D) Directors with materially peculiarly or business relationship with Co.**

There has been no material relevant peculiarly transaction or relationships between the Company and its non-executive director.

## AUDIT COMMITTEE

The following Directors have been appointed as Members of the Audit Committee;

Mr.Krishnakumar Agarwal	- Chairperson
Ms.Leena Thakkar	- Member
Mr. M.S.R.Sriniwasa	- Member

The Audit Committee met periodically during the year 2006-2007 and gave its reports and recommendations to the Board of Directors for Corporate Governance and overall improvement in the functioning of the Company.

There were 5 meetings of the Audit Committee during the year 2006-2007. The attendance of each member of the Committee is given below;

<u>Name of the Director</u>	<u>No. of Meetings Attended</u>
Mr. Krishnakumar Agarwal	5
Mr.M.S.R.Sriniwasa	-
Ms. Leena Thakkar	5

As per the terms of reference prescribed by the Board as stipulated in Clause 49(II)(d) of the Listing Agreement, the committee performs such duties and tasks as is assigned to it by the Board. The Committee has access to all records of the Company. The committee reviews the report of the internal and statutory auditors, internal audit systems and procedures, internal control systems, etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

## II. REMUNERATION COMMITTEE

The company does not have a remuneration committee, however the Board determines and recommend the remuneration package/ commission on profits payable to the Managing/Wholetime Directors subject to approval by members in the General Meeting.

### Remuneration of Directors

During the year review the details of remuneration paid to directors are as follow :

Mr. K.K. Agarwal	Rs. Nil
Mr. M.S.R.Sriniwasa	Rs. Nil
Ms. Leena Thakkar	Rs. Nil

## **Disclosures by Management to the Board**

During the year there were no transactions relating to financial and commercial transactions where Directors have a potential interest, the disclosure requirements by the Directors do not arise.

None of the Director is either a Chairman in more than five committees or member in ten committees.

## **III. SHAREHOLDERS**

### *Disclosure regarding appointment and reappointment of Directors*

As per the statute two thirds of the directors should be retiring directors. One third of the directors are required to retire every year and if eligible, these directors qualify for re-appointment.

Ms.Leena Thakkar retires by rotation at the ensuing Annual General Meeting. She is eligible for reappointment.

Considering her experience in the corporate world and association with the Company for more than 4 years, it is doubtless that her guidance would be beneficial in the progress of the Company.

### **Means of Communication**

The Board takes on record the unaudited financial results in the prescribed proforma of the stock exchanges within a month of closure of the quarter and announces forthwith the results to all the stock exchanges where the company is listed. Further, information is also provided to concerned registrar & depository participant.

### **Details of Non Compliance**

There have been no instances of Non compliance on any matter relating to the capital market during the last three years.

### **General Shareholder information**

#### *Investors/Shareholders Grievance cum Share Transfer Committee*

The Board has constituted an investors/shareholders Grievance cum Share Transfer Committee. Compliance Officer is Mr. S. H. Kabra. The Committee was headed by Ms.Leena Thakkar. The Committee looks into investors/shareholders complaints. The Committee meets twice a month to look after share transfer. All share transfer work of the company is carried out by the Company's Share Transfer Agents M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.

# KRISHNA FILAMENTS LIMITED

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The status of investor queries/complaints is as under:

No. of investor queries / complaints received during the year 2006-07	Pending at the end of the year	No. of pending share transfer
12	Nil	Nil

## **General Body Meetings**

Date time and venue for the last 3 Annual General Meetings are given below;

Financial Year	Date	Time	Venue
2005-06	30.09.2006	04.00 p.m.	Boisar
2004-05	30.09.2005	04.00 p.m.	Boisar
2003-04	30.09.2004	04.00 p.m.	Boisar

## **Annual General Meeting**

AGM will be held on Saturday, 29<sup>th</sup> September, 2007 at Boisar at the Registered Office of the Company.

## **Financial Year**

01<sup>st</sup> April to 31<sup>st</sup> March.

## **Book Closure**

26<sup>th</sup> September, 2007 to 29<sup>th</sup> September, 2007 (Both days inclusive)

## **Dividend**

No dividend was declared for last financial year.

## **Dividend declared in earlier years**

31 <sup>st</sup> March, 2006	–	Nil
31 <sup>st</sup> March, 2005	–	Nil
31 <sup>st</sup> March, 2004	–	Nil

## **Listing of Shares**

The Company's shares are listed at Mumbai Stock Exchange and National Stock Exchange. Listing fees for the BSE has been paid.

# KRISHNA FILAMENTS LIMITED

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## Stock code

Stock Exchange, Mumbai

Physical Script Code No. 248

Demat Script Code No. 500248

National Stock Exchange, MUMBAI.

NSC SYMBOL: KRISHNAFILA

## Registrar & Transfer Agents

Share Transfers in physical and demat forms is handled by the Company's Share Transfer Agents M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400078.

## Share Transfer System

All the transfers are received, processed and approved by the Share Transfer Agents and sent back to transferee.

## Shareholding Pattern

The following tables give the pattern of shareholding as on 31<sup>st</sup> March, 2007.

*Pattern of shareholding by ownership as on 31<sup>st</sup> March, 2007.*

<b>Category</b>	<b>No. of Shares held</b>	<b>Shareholding %</b>
Promoters	4875656	62.62
Financial Institutions/Insurance Companies/ Nationalized Banks	211289	2.71
Mutual Funds – UTI	100	0.00
Foreign Institutional Investors	500	0.01
Bodies Corporate	1254943	16.12
Non Resident Indians	68117	0.87
Others	1374095	17.65
Clearing Members	1600	0.02
<b>Total</b>	<b>77,86,300</b>	<b>100.00</b>

# KRISHNA FILAMENTS LIMITED

*Pattern of shareholding by share class as on 31<sup>st</sup> March 2007.*

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Upto 2500	3358	365145	4.70
2501 to 5000	348	143162	1.84
5001 to 10000	218	187323	2.41
10001 to 20000	81	127100	1.63
20001 to 30000	35	92647	1.19
30001 to 40000	19	65687	0.84
40001 to 50000	11	52146	0.66
50001 to 100000	17	132930	1.71
100001 and above	41	6620160	85.02
<b>Total</b>	<b>4128</b>	<b>77,86,300</b>	<b>100.00</b>

## **Market Price Data:**

The market price and volume of the company's shares traded in stock exchange during the year was as follow:

Year 2006-07	High	Low	Volume
Month	(Rs.)	(Rs.)	(Nos)
April 2006	5.95	4.84	41980
May 2006	6.70	5.05	34382
June 2006	5.69	4.27	30798
July 2006	5.87	4.60	14820
August 2006	5.76	4.87	34171
September 2006	6.44	4.85	53378
October 2006	8.25	6.05	31886
November 2006	7.73	5.48	58289
December 2006	6.54	5.11	19345
January 2007	8.25	5.25	50613
February 2007	7.50	5.41	23363
March 2007	7.94	4.96	29407

## **Dematerialization of shares and liquidity**

74.57 % of shareholding has been dematerialized.

### **Registered Office**

Betegaon Village,  
Boisar (East),  
Tal. Palghar,  
Dist. Thane - 401501  
Ph.No.: 952525 - 284961  
Fax No.:952525 - 284978

For and on behalf of the Board

K. K. Agarwal  
Director

## **Certificate**

To,  
*The Board of Directors,*  
KRISHNA FILAMENTS LIMITED  
Betegaon Village ,  
Boisar (E), Tal. Palghar,  
Dist. Thane-401501

We have reviewed the implementation of Corporate Governance procedures by the Company during the period ended March, 31, 2007 with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, except non compliance of sub-clauses I (D) (i) and (IV) (G) (ii) (non posting of code of conduct and quarterly results on the website of the Company).

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

**For P.C. SHAH & Co.**  
Practicing Company Secretary

P.C. SHAH  
Proprietor  
Mumbai,04/09/2007  
FCS -1483  
COP- 436

**AUDITORS' REPORT  
TO THE MEMBERS OF KRISHNA FILAMENTS LIMITED**

We have audited the attached Balance Sheet of KRISHNA FILAMENTS LIMITED as at 31<sup>st</sup> March, 2007 and the Profit & Loss Account and also 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.

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 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.

We report as under:

- I. As required by the Companies (Auditors' Report) Order, 2003 as amended by the companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956' (the Act), and on the basis of such checks of the books and records we considered appropriate and according to the information and explanations given to us by the management, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above:
  - a) We have obtained all the information and explanation, 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 such 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, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards as referred to in section 211(3C) of the Companies Act, 1956, to the extent, applicable to the Company, except that as mentioned in Note no. B (3) of schedule Q, a sum of Rs. 373.50 Lakhs has not been capitalised as a part of Fixed Assets, which is not in conformity with Accounting Standard – 10 on “Accounting for Fixed Assets”. The Company has provided for substantial diminution in value of fixed assets in earlier year and thereby not providing unamortized depreciation over the remaining useful life of the assets which is not in compliance with Accounting Standard 6 on Depreciation Accounting. Further, the Company has not provided for impairment of assets, if any, as required by Accounting Standard 28 on ‘Impairment of Assets.’
- e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report, read together with the Notes thereon, give the information required by the Companies Act, 1956 in the manner so required.
- f) The net worth of the Company is fully eroded due to heavy losses and financial institutions and Bankers of the Company have recalled their credit facilities extended to the Company. Further, the Company has also revalued its fixed assets, except land and the reduction in value of Rs.174.68 crores had been charged to Profit & Loss Account in earlier year. In view of all these, the Company does not appear to be a ‘**Going Concern**’ and hence, the value of its assets would not be adequate to meet its liabilities.
- g) In our opinion and according to the information and explanations given to us, all the Directors of the Company as on 31<sup>st</sup> March 2007 are disqualified from being appointed as Directors as per the provisions of Section 274(1)(g) of the Companies Act, 1956.
- h) As mentioned in Note no. B (9) of schedule Q, the book value of relevant assets fall short by Rs. 416.41 crores, as compared with the Secured Loans and Interest accrued thereon outstanding as on 31.03.2007.
- i) We further report that (i) as mentioned in Note no. B (3) of schedule Q, no provision has been made for interest of Rs.51,71,17,581 on Non-Convertible Debentures and no provision has been made for Depreciation of Rs. 2,23,00,883 on the Non-Capitalised value of Fixed Assets as referred to in para ‘d’ above, which also includes depreciation for the year Rs. 27,71,397, (ii) as mentioned in the Note no. B (7) of schedule(Q) , confirmation of Loans and Advances obtained/given, balances with scheduled banks, Deposits, Sundry Debtors and Sundry Creditors are not available and (iii) The agreement and other relevant details for land are not available for our review (iv) As mentioned in Note no.6, no provision had been made for debenture redemption reserve (v) No details are available in respect of court receiver expenses amounting to Rs.1.80 lacs (vi) No provision has been made for Interest on working capital loans, and (vii) No Details are available for Investment for which the Company has earned Dividend of Rs.5000/-.

## KRISHNA FILAMENTS LIMITED

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- j) We are unable to comment on the resulting effect of our observations in paragraph (d), (f), (h) and (i) above on relevant assets, liabilities and on loss for the year. Subject to this, the said accounts, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2007,
  - ii) in case of the Profit & Loss Account, of the loss of the Company for the year ended on that date and
  - iii) In case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date

For **HARIBHAKTI & CO.**  
*Chartered Accountants*

**Chetan Desai**  
*Partner*  
**Membership No.17000**

Place: Mumbai.  
Date: 4<sup>th</sup> September 2007

**ANNEXURE REFERRED TO IN PARAGRAPH '1' OF OUR REPORT  
OF EVEN DATE TO THE MEMBERS OF KRISHNA FILAMENTS LIMITED**

**Fixed Assets:**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. We are informed that fixed assets have not been physically verified by the Management as the same have been taken over by Hon'ble Court Receiver. We are unable to comment on discrepancies in absence of such verification.
3. During the year, the Company has not disposed off major part of fixed assets.

**Inventories:**

4. We are informed that the physical verification of inventory has not been carried out by the management as the same is under the possession of the Hon'ble Court Receiver.
5. We are unable to comment on the procedures for physical verification in absence of such verification.
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventory. We are unable to comment on discrepancies in absence of physical verification.

**Related party transactions:**

7. The company has not granted any loans or advances in the nature of loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has taken an interest free loan amounting to Rs. 6.83 lacs from the Company listed in the register under Section 301 of the Companies Act, 1956 and outstanding balance at year end is Rs. 10.83 lacs. Other terms and conditions are, prima facie, not prejudicial to the interest of the Company and there is no stipulation with respect to its repayment.
9. In our opinion and according to the information and explanations given to us, the transactions for services made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
10. We are informed that the company has not given guarantee for loan, if any, taken by others from bank.

## KRISHNA FILAMENTS LIMITED

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### Internal Controls:

11. Based on the information and explanations and verification of records, we are of the opinion that there are adequate internal control system considering the size of the Company and nature of its business.
12. The Company does not have an internal audit system.

### Deposits:

13. The Company has not accepted any deposits from the 'public' to which the provisions of section 58A and section 58AA of the Companies Act, 1956, and the rules framed there under apply.

### Taxation:

14. The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, ESIC dues, Income tax, Investor Education and Protection Fund, Sales tax, Wealth tax, Excise duty and other material statutory dues applicable to it except sales tax payable amounting to Rs.3.29 Lacs which has been outstanding for more than 6 months.
15. According to the information and explanations given to us, there were no dues of custom duty, wealth tax, excise duty and sales tax except the following:

Name of the Statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Income Tax Block Asst.	Income Tax	1,06,50,61,820/-	Settlement Commission
Income Tax A Y 1999-00	Income Tax	57,37,80,044/-	Settlement Commission
Income Tax A Y 2002-2003	Income Tax	30,50,844	CIT (Appeals)
Income Tax A Y 2003-2004	Income Tax	26,02,006	CIT (Appeals)

### Miscellaneous:

16. We are informed that the Central Government has not prescribed maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.
17. The Company has accumulated losses exceeding its net worth as at 31<sup>st</sup> March, 2007 as well as it has incurred cash losses in the year under audit and in the immediately preceding year.
18. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has defaulted in repayment of dues to a financial institution, bank and debenture holders amounting to Rs.453.42 crores. Details are not made available to us as to the period since when the default continues and the said amounts are subject to confirmations by the respective institutions/banks.

19. Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
20. The Company has not dealt or traded in shares, securities, debentures, or other investments during the year.
21. Based on our examination of the balance sheet of the company as at March 31 2007 on an overall basis and as per the information and explanation given to us, we find that funds amounting to Rs.1.92 lacs raised on short term basis were utilized for long term purpose.
22. During the year, the Company has not taken any term loans, and hence, question of its application for the purpose for which it was obtained, does not arise.
23. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
24. Clauses 4(iii) (c) (d)(g) ,(v)(b), 4(xiii), 4(xviii), 4(xix), 4(xx) are not applicable to the Company and hence, not reported upon.

For **HARIBHAKTI & CO.**  
*Chartered Accountants*

**Chetan Desai**  
*Partner*  
**Membership No.17000**

Place: Mumbai.  
Date: 4<sup>th</sup> September 2007

# KRISHNA FILAMENTS LIMITED

## KRISHNA FILAMENTS LIMITED

### BALANCE SHEET AS AT 31ST MARCH , 2007

PARTICULARS	Sch.	Rupees	As at	As at
			31.03.2007	31.03.2006
			Rupees	Rupees
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds				
Share Capital	A	77,863,000		77,863,000
Reserves & Surplus	B	793,683,600		793,683,600
			871,546,600	871,546,600
Loan Funds				
Secured Loans	C	4,220,647,408		3,984,075,678
Unsecured Loans	D	314,667,559		291,884,389
			4,535,314,967	4,275,960,067
			5,406,861,567	5,147,506,667
<b>APPLICATION OF FUNDS</b>				
Fixed Assets				
Gross Block	E	1,126,593,379		1,139,621,648
Less : Depreciation		1,076,710,027		1,024,731,261
Net Block			49,883,351	114,890,388
Investments	F		38,000	38,000
Current Assets, Loans & Advances				
Inventories	G	459,632		459,632
Cash & Bank Balances	H	6,168,807		6,209,664
Sundry Debtors	I	-		-
Loans & Advances	J	24,143,653		24,143,653
		30,772,092		30,812,950
Less:Current Liabilities & Provisions				
Current Liabilities	K	2,074,718		2,335,348
Provisions	L	6,495,180		6,495,180
		8,569,898		8,830,528
Net Current Assets			22,202,194	21,982,422
Miscellaneous Expenditure	M		-	3,121,592
Profit & Loss Account			5,334,738,022	5,007,474,259
			5,406,861,567	5,147,506,667
Notes on accounts	Q			

As per our attached Report of even date annexed

**For HARIBHAKTI & CO.**  
Chartered Accountants

**For and on behalf of the Board**

**Chetan Desai**  
Partner  
Place : Mumbai  
Date: 4th September, 2007

**K. K. Agarwal**      **Leena Thakkar**  
Director                      Director  
Place : Boisar  
Date: 4th September, 2007

# KRISHNA FILAMENTS LIMITED

## KRISHNA FILAMENTS LIMITED

### PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	Sch.	Year Ended	Year Ended
		31st March, 2007	31st March, 2006
		Rupees	Rupees
<b>INCOME</b>			
Other Income	N	193,649	299,648
		<b>193,649</b>	<b>299,648</b>
<b>EXPENSES</b>			
Administrative Expenses	O	4,175,298	3,718,583
Financial Expenses	P	271,303,347	271,349,837
Depreciation (Refer note no. 3)	E	51,978,766	52,252,644
		<b>327,457,412</b>	<b>327,321,064</b>
<b>Profit/(Loss) for the year</b>		(327,263,763)	(327,021,416)
Add :Profit/( Loss) Brought Forward From Previous Year		(5,007,474,259)	(4,680,452,843)
<b>Amount Available for Appropriation</b>		<b>(5,334,738,022)</b>	<b>(5,007,474,259)</b>
<b>Balance Carried to Balance Sheet</b>		<b>(5,334,738,022)</b>	<b>(5,007,474,259)</b>
<b>Earning per share : (Refer note 9 of Schedule P)</b>			
Basic		(42.03)	(42.00)
Diluted		(42.03)	(42.00)
<b>Notes on accounts</b>	Q		

As per our attached Report of even date annexed

For **HARIBHAKTI & CO.**  
Chartered Accountants

**Chetan Desai**  
Partner  
Place : Mumbai  
Date: 4th September, 2007

For and on behalf of the Board

**K. K. Agarwal**      **Leena Thakkar**  
Director                      Director  
Place : Boisar  
Date: 4th September, 2007

# KRISHNA FILAMENTS LIMITED

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

PARTICULARS	Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
<b>SCHEDULE - A</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
1) 80,00,000 (80,00,000) Equity Shares of Rs. 10/- each		80,000,000	80,000,000
2) 2,20,00,000 (2,20,00,000) Unclassified Shares of Rs 10/- each		220,000,000	220,000,000
		<b>300,000,000</b>	<b>300,000,000</b>
<b>Issued , Subscribed &amp; Paid - up</b>			
77,86,300 (77,86,300) Equity Shares of Rs. 10/-each fully paid		77,863,000	77,863,000
		<b>77,863,000</b>	<b>77,863,000</b>
<b>SCHEDULE - B</b>			
<b>RESERVE &amp; SURPLUS</b>			
<b>Capital Reserve</b>		4,336,000	4,336,000
<b>Share Premium</b>		629,347,600	629,347,600
<b>Debenture Redemption Reserve</b>		160,000,000	160,000,000
		<b>793,683,600</b>	<b>793,683,600</b>
<b>SCHEDULE - C</b>			
<b>SECURED LOANS</b>			
<b>A. DEBENTURES</b>			
<b>NON- CONVERTIBLE DEBENTURES</b>			
31,12,187 (31,12,187) 19% Non Convertible Debentures of Rs. 200/- each.		622,437,400	622,437,400
<b>B. TERM LOANS</b>			
<b>I. FROM FINANCIAL INSTITUTIONS</b>			
a) Foreign Currency Loans	593,545,646		568,173,916
b) Rupee Loans	2,283,441,804		2,096,241,804
		2,876,987,450	2,664,415,720
<b>II. FROM BANKS</b>			
Rupee Loans		307,610,408	283,610,408
<b>C. WORKING CAPITAL LOANS</b>			
From Banks		413,612,150	413,612,150
		<b>4,220,647,408</b>	<b>3,984,075,678</b>

### Notes :

1. Debentures referred to in 'A' and Term Loans from Financial Institutions and Banks in Foreign currency and Rupee as referred to in B(I) & (II) above respectively are secured by hypothecation of plant and machinery and immovable property, except as mentioned in Note No. 3.
2. Working Capital Loans from Banks referred to in "C" above are Secured by hypothecation of present & future Stocks, Book Debts & against Bills drawn confirmed orders.
3. Term Loans referred to in B (II) above to the extent of Rs. 90,000/- is Secured by hypothecation of machinery acquired under Deferred Payment Terms.
4. The 19% Non Convertible Debentures were due for redemption in three equal instalments each at the end of 36, 48 and 60 months from the date of allotment of OFCDDs commencing from 17.06.2000.

# KRISHNA FILAMENTS LIMITED

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

### SCHEDULE - E

#### FIXED ASSETS

(AMOUNT IN RUPEES)

Sr. No.	Assets	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K	
		As At 31.03.2006	Additions/ (Deductions)	As At 31.03.2007	As At 31.03.2006	Provided/ (W/Back)	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
1	Land	3,425,377		3,425,377	-	-	-	3,425,377	3,425,377
2	Factory Building	79,922,083		79,922,083	68,978,879	2,669,398	71,648,277	8,273,806	10,943,204
3	Plant & Machinery	988,058,586	(13,028,270) #	975,030,316	896,389,787	46,313,940	942,703,727	32,326,589	91,668,799
4	Electrical Installations	52,157,712		52,157,712	44,918,061	2,477,491	47,395,552	4,762,159	7,239,650
5	Furnitures & Fixtures	6,163,163		6,163,163	4,946,206	390,128	5,336,334	826,829	1,216,957
6	Office Equipments	1,570,904		1,570,904	1,356,775	74,618	1,431,393	139,511	214,129
7	Vehicles	319,970		319,970	319,970	-	319,970	-	0
8	Weighing Scale	367,600		367,600	266,866	17,461	284,327	83,273	100,734
9	Generator	752,220		752,220	670,682	35,730	706,412	45,807	81,537
10	Fork Lift Truck	821,160		821,160	821,160	-	821,160	0	-
11	Gas Cylinders	1,227,200		1,227,200	1,227,200	-	1,227,200	-	-
12	Computers	4,835,675		4,835,675	4,835,675	-	4,835,675	0	-
		<b>1,139,621,648</b>	<b>(13,028,270)</b>	<b>1,126,593,379</b>	<b>1,024,731,261</b>	<b>51,978,766</b>	<b>1,076,710,027</b>	<b>49,883,352</b>	<b>114,890,388</b>
	<b>TOTAL</b>	<b>1,139,621,648</b>	<b>(13,028,270)</b>	<b>1,139,621,648</b>	<b>1,024,731,261</b>	<b>52,597,609</b>	<b>1,077,328,870</b>	<b>62,292,778</b>	<b>114,890,388</b>
	<b>Previous Year</b>	1,131,003,996	8,617,658	1,139,621,648	972,478,616	52,252,644	1,024,731,261	114,890,388	-

# Represents amount capitalised on account of conversion of value of foreign currency loans & liabilities contracted for acquiring Plant & Machinery at the year end exchange rates.

# KRISHNA FILAMENTS LIMITED

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

PARTICULARS	Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
<b>SCHEDULE - D UNSECURED LOANS</b>			
a) From Banks & Institutions	306,743,718		285,043,718.00
b) From Others	7,923,841		6,840,671.00
		314,667,559	291,884,389
		<b>314,667,559</b>	<b>291,884,389</b>
Note : Short term loan referred to in (a) above being 4,00,000 Floating Rate Non-convertible Debenture of Rs. 100/- each, Secured Transferable Note of Rs. 5.00 Crores and Short term loan of Rs. 2.00 Crores all including interest are secured by Personal Guarantee given by Directors and their relatives and Pledge of shares held by Directors and their relatives.			
<b>SCHEDULE - F INVESTMENTS</b>			
<b>Long Term Investments</b>			
<b>In Equity shares</b>			
<b>Unquoted :</b>			
910200 (910200) of Rs. 10/- each of Krishna Vinyls Limited	63,714,000		63,714,000
Less : Provision for Diminution	63,714,000	-	63,714,000
			-
200000 (200000) of Rs. 10/- each of Krishna Capital Services Limited	2,000,000		2,000,000
Less : Provision for Diminution	2,000,000	-	2,000,000
			-
<b>Others :</b>			
Kisan Vikas Patra (Deposited with Sales Tax Authorities)		38,000	38,000
		<b>38,000</b>	<b>38,000</b>
<b>SCHEDULE - G INVENTORIES</b>			
( As taken, valued and certified by the management )			
Stores , Spares & Packing Materials		459,632	459,632
		<b>459,632</b>	<b>459,632</b>
<b>SCHEDULE - H CASH &amp; BANK BALANCES</b>			
Cash on Hand		106,864	111,763
Balances with Scheduled Banks :			
In Current Accounts	696,230		740,838
In Fixed Deposit Accounts	153,562		144,913
In Margin Money Accounts	5,212,151		5212151
		6,061,943	6,097,902
		<b>6,168,807</b>	<b>6,209,664</b>

# KRISHNA FILAMENTS LIMITED

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

PARTICULARS	Rupees	<i>As at</i> <i>31.03.2007</i> Rupees	<i>As at</i> <i>31.03.2006</i> Rupees
<b>SCHEDULE - I</b>			
<b>SUNDRY DEBTORS</b>			
( Unsecured, considered good unless otherwise stated)			
Debts outstanding for more than six months			
- Considered Good			-
- Considered Doubtful	326,070,450		326,070,450
Less : Provision for doubtful debts	326,070,450	-	326,070,450
			-
		-	-
<b>SCHEDULE - J</b>			
<b>LOANS &amp; ADVANCES</b>			
( Unsecured, considered good unless otherwise stated)			
(i) Loans			
- Considered Doubtful	8,841,058		8,841,058
Less : Provision for doubtful loans	8,841,058	-	8,841,058
(ii) Deposits		4,607,890	4,607,890
(iii) Advances receivable in cash or kind or for value to be received			
- Considered Good		50000	50,000
- Considered Doubtful	2,538,406		2,538,406
Less : Provision for doubtful advances	2,538,406	-	2,538,406
(v) Advance Tax & Tax Deducted at Source		19,485,763	19,485,763
		<b>24,143,653</b>	<b>24,143,653</b>
<b>SCHEDULE - K</b>			
<b>CURRENT LIABILITIES</b>			
Other Current Liabilities		2,074,718	2,335,348
		<b>2,074,718</b>	<b>2,335,348</b>
<b>SCHEDULE - L</b>			
<b>PROVISIONS</b>			
Provision for Taxation		6,495,180	6,495,180
		<b>6,495,180</b>	<b>6,495,180</b>

## KRISHNA FILAMENTS LIMITED

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

PARTICULARS	Rupees	<i>As at</i> <i>31.03.2007</i> Rupees	<i>As at</i> <i>31.03.2006</i> Rupees
<b>SCHEDULE - M</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)			
<b>Preliminary Expenses</b>			
As per last Balance Sheet	3121592		6,265,067
Less : Written off during the year	3121592	-	3,143,475
			3,121,592
		-	<b>3,121,592</b>

# KRISHNA FILAMENTS LIMITED

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

PARTICULARS	Rupees	Year ended	Year ended
		31.03.2007	31.03.2006
		Rupees	Rupees
<b>SCHEDULE - N</b>			
<b>OTHER INCOME</b>			
Rent -Income		180,000	180,000
Miscellaneous receipts		-	82,700
Dividend		5,000	4,000
Sundry Balance W/Back		-	7,540
Bank Interest on FD		8,649	25,408
		<b>193,649</b>	<b>299,648</b>
<b>SCHEDULE - O</b>			
<b>ADMINISTRATIVE EXPENSES</b>			
Legal & Professional Fees		655,768	161,837
Printing & Stationary		2,827	260
Advertisement & Publicity		1,435	1,687
Rent , Rates & Taxes		120,000	120,000
Miscellaneous Expenses		2,195	298
Auditors' Remuneration		56,180	78,364
Listing Fees		31,683	30,662
Filing Fees		3,612	2,000
Preliminary Expenses Written off		3,121,592	3,143,475
Court Receiver Expense		180,000	180,000
		<b>4,175,293</b>	<b>3,718,583</b>
<b>SCHEDULE - P</b>			
<b>FINANCIAL EXPENSES</b>			
Interest :			
On Term Loans	249,600,000		249,600,000
On Others	21,700,000		21,700,000
		271,300,000	271,300,000
Bank Charges & Commission		3,347	49,837
		<b>271,303,347</b>	<b>271,349,837</b>

# **KRISHNA FILAMENTS LIMITED**

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## **SCHEDULE FORMING PART OF THE ACCOUNTS**

### **SCHEDULE - Q**

#### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

##### **A. SIGNIFICANT ACCOUNTING POLICIES:**

###### **1. GENERAL :**

The Company maintains its accounts on accrual basis under historical cost convention. The financial statements are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956, to the extent applicable and as per the requirements of the Companies Act, 1956.

###### **2. FIXED ASSETS :**

Fixed Assets are stated at cost of acquisition or as revalued and reduced by accumulated depreciation. The cost of an asset includes direct/indirect and incidental costs incurred to bring such asset into its present location and working condition for its intended use.

All costs, including financial costs till the commencement of commercial production, and adjustments arising out of exchange rate fluctuations relating to borrowings in foreign currency attributable to the fixed assets are capitalised.

###### **3. DEPRECIATION :**

Depreciation is provided on Straight Line Method on pro-rata basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

###### **4. INVESTMENTS :**

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

###### **5. INVENTORIES :**

Raw materials, Stores, Spares and Packing materials are valued at cost or net realisable value whichever is lower.

###### **6. PRELIMINARY AND SHARE ISSUE EXPENSES :**

Preliminary and Share issue expenses are amortised over a period of ten years from the year in which such expenses are incurred.

**7. CONTINGENT LIABILITIES & EVENTS OCCURRING AFTER THE BALANCE SHEET DATE :**

- Contingencies that can be reasonably ascertained are provided for if, in the opinion of the Company, there is a probability that the future outcome may be materially detrimental to the Company.
- Where material, events after the date of Balance Sheet up to the date of finalisation of the accounts are considered.

**8. FOREIGN EXCHANGE TRANSACTIONS :**

Transactions in foreign currency are recorded as follows:

- A transaction in foreign currency is booked by applying the exchange rate at the date of the transaction.
- Exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.
- Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated either at forward contracted rates when covered by forward contracts or at the rates prevailing at the year end of such currency, as the case may be.
- In the case of Liabilities in respect of the foreign currency loans obtained for acquisition of fixed assets, the variation in the liability arising out of the exchange rates on repayment or at the year end is adjusted to the cost of acquisition of such fixed assets.

**B. NOTES ON ACCOUNTS:**

1. The Schedules referred to in the Balance Sheet & Profit and Loss Account form an integral part of the accounts.
2. Contingent Liabilities not provided for :
  - Bank guarantee Rs. 6,03,500/- (Rs. 6,03,500/-).
  - Disputed Income Tax demand of Rs. 1,641,443,870 /- (P.Y. Rs. 1,641,443,870/-)
  - Liquated damages for default of payment to debenture holder – amount not ascertained.
3. The Company has not made provision of Rs. 473,052,424/- (Rs. 473,052,424/-) being Interest accrued and due and Rs.44,065,157/- (44,065,157/-) being interest accrued and not due as on 31.03.2003 on 19% Non-Convertible Debentures. Had this provision been made, an amount of Rs. 3,73,50,360/- (Rs. 3,73,50,360/-) would have been capitalised and an amount of Rs. 2,771,397/- (Rs. 2,771,397) would have been charged to Profit & Loss Account. As a result of this, Fixed Assets have been understated by an amount of Rs. 1,50,49,477/- (Rs.1,78,20,874/-) (net of depreciation), Secured Loans have been understated by an amount of Rs. 517,117,581/- (Rs. 473,052,424/-) and Loss for the year has been understated by an amount of Rs. 2,771,397/- (Rs. 2,771,397).

## KRISHNA FILAMENTS LIMITED

4. Interest on secured loans from Financial Institution / Banks has been provided in the accounts at the contracted normal rate of interest which is subject to confirmation by the lenders. The company has provided interest in accounts without prejudice to the right of the company to dispute the same before the appropriate Forum. Counterclaims of the company have not been considered while stating the dues of the company to the Financial Institution/Banks. No interest has been provided on unpaid instalments of loans from the respective due date of instalment No provision has been made for interest on working capital loans and its effect on loss for the year is unascertained.
5. 1,62,400 (1,62,400) Shares held by the Company in Krishna Vinyls Limited have been pledged with Industrial Development Bank of India. Further the Company has agreed to transfer the balance 7,47,800 (7,47,800) shares held by it in Krishna Vinyls Limited in favour of Shanti Capital Services (P) Ltd. and Nishita Capital Services (P) Ltd., as at the instance of the Company these two companies had also pledged with Industrial Development Bank of India equal number of shares held by them in Krishna Vinyls Limited. The pledge of shares was in connection with the private placement of shares offered by Krishna Vinyls Limited.
6. In the absence of profit, the Company has not transferred any amount to Debenture Redemption Reserve during the year as required by SEBI guidelines for the protection of the interests of Debenture Holders.
7. Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans & Advances from parties / Banks / Financial Institution and Bank Balances are subject to confirmation however as informed to us the company has initiated legal proceeding against its debtors amounting to Rs. 11,72,26,941/- for recovery.
8. The future liability on account of lease rent on Land to be paid over remaining period of 85 years and 3 months is Rs. 1,02,30,000/-.
9. As against Secured Loans of Rs. 4,22,06,47,408/- the book value of relevant assets aggregate Rs. 5,65,11,790/-.
10. **Earning per share:**

	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March 2006
Basic Earnings per Shares	Rs. (42.03)	Rs. (42.00)
Diluted Earnings per Shares	Rs. (42.03)	Rs. (42.00)
Nominal value per Shares	Rs. 10.00	Rs. 10.00

Earnings per Share is calculated by dividing the (Loss)/Profit attributable to the Equity Shareholders by the weighted average no. of equity shares outstanding during the period. The numbers used in calculating basic and diluted earnings per Equity Share are stated below:

	Rs. ('000)	
	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006
(Loss) / Profit after taxation	Rs. (32,72,63,763)	Rs. (32,70,21,416)
Weighted average No. of shares outstanding during the period	Nos 77,86,300	Nos 77,86,300

## 11. Related Party Disclosure:

### (A) List of Related Parties:

- (I) Associates:
- (i) Krishna Vinyls Ltd.
  - (ii) Clever Capital Services Ltd.
- (II) Directors :
- (i) Shri Krishna Kumar Agarwal
  - (ii) Shri MSR Srinivasa
  - (iii) Ms. Leena Thakkar

### (B) Transaction during the year with related parties:

- (I) Lease Rent for Land paid to Krishna Vinyls Ltd. Rs. 1,20,000/-
- (II) Advance received during the year from Krishna Vinyls Ltd. Rs. 6,83,170/-, balance outstanding at the year end Rs.10,83,170/-

There is no written off/ written back of any amount from related parties

12. In terms of prudence accounting policy and in view of the fact that the reference is made to BIFR, no provision is required to be made for deferred tax in accordance with Accounting Standard 22.

## 13. Auditors' Remuneration :

PARTICULARS	Year Ended 31 <sup>st</sup> March, 2007 (Rs.)	Year Ended 31 <sup>st</sup> March, 2006 (Rs.)
For Audit fees	56,180	56,120
For Other Matters	--	11,224
<b>Total</b>	<b>56,180</b>	<b>67,344</b>

14. Additional information pursuant to the provisions of paragraphs 3, 4C & 4D of part II of Schedule VI to the Companies Act, 1956.

### A. Details of Products, installed capacity and actual production:

Products	Units	Installed Capacity	Actual Production
Synthetic Ropes	Metric Tons	21000.00 (21000.00)	Nil (Nil)

## **KRISHNA FILAMENTS LIMITED**

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**B. Expenditure in Foreign Currency : Nil**

**C. Earnings in Foreign Exchange : Nil**

15. Figures given in brackets relate to previous year. Previous year's figures have been re-grouped, re-arranged and re-cast wherever necessary to correspond with the figures of the current year.

**For & on behalf of the Board**

**K. K. Agarwal**

*Director*

Place : Boisar

Date : 4<sup>th</sup> September, 2007

**Leena Thakkar.**

*Director*

# KRISHNA FILAMENTS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (Persuant to Listing Agreement with Stock Exchange)

	2006-2007 Rs.	2005-2006 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit/(Loss) Before Tax and Extraordinary Items	(327,263,763)	(327,021,416)
<b>Adjustments For :</b>		
Depreciation	51,978,766	52,252,644
Preliminary expenses written off	3,121,592	3,143,475
Interest	271,300,000	271,300,000
Dividend Income	(5,000)	(4,000)
<b>Operating Profit Before Working Capital Changes</b>	<b>(868,405)</b>	<b>(329,297)</b>
<b>Adjustment For :</b>		
Trade & Other Receivables	(30,310)	(30,310)
Trade Payables	(416,020)	(416,020)
<b>Cash Generated From Operation</b>	<b>(1,314,735)</b>	<b>(775,627)</b>
Interest Paid	(271,300,000)	(271,300,000)
<b>Net Cash From Operating Activities</b>	<b>(272,614,735)</b>	<b>(272,075,627)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	5,000	4,000
<b>Net Cash Used in Investing Activities</b>	<b>5,000</b>	<b>4,000</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowing	271,300,000	271,300,000
<b>Net Cash Used in Financing Activities</b>	<b>271,300,000</b>	<b>271,300,000</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(1,309,735)</b>	<b>(771,627)</b>
<b>Cash &amp; Cash Equivalents As At 31.03.2006 (Opening Balance)</b>	<b>6,041,739</b>	<b>6,813,367</b>
<b>Cash &amp; Cash Equivalents As At 31.03.2007 (Closing Balance)</b>	<b>4,732,003</b>	<b>6,041,739</b>

For and on behalf of the Board

Place : Boisar  
Date : 4th September, 2007

**K. K. Agarwal**      **Leena Thakkar**  
Director                      Director

# KRISHNA FILAMENTS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details	<input type="text" value="-"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="8"/>	State Code	<input type="text" value="1"/> <input type="text" value="1"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/>		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/>	Rights Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/>
Bonus Issue	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/>	Private Placement	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value="-"/> <input type="text" value="-"/>
III Position of Mobilisation and Deployment of Funds (Amount in Thousands)			
SOURCES OF FUNDS		APPLICATION OF FUNDS	
Total Liabilities	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="2"/>	Total Assets	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="2"/>
Paid up capital	<input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="3"/>	Net Fixed Assets	<input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="3"/>
Reserves & Surplus	<input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="3"/>	Investments	<input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="8"/>
Secured Loans	<input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="7"/>	Net Current Assets	<input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="2"/>
Unsecured Loan	<input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="8"/>	Misc Expenditure	<input type="text" value="0"/>
		Accumulated Losses	<input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="8"/>
IV Performance of Company (Amount in Rupees Thousands)			
Turnover	<input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/>	Total Expenditure	<input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="7"/>
Loss (Before Tax)	<input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="4"/>	Loss (After Tax)	<input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="4"/>
EPS in Rupee	<input type="text" value=""/> <input type="text" value=""/> <input "="" type="text" value="("/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value=")"/> <input type="text" value=""/>	Dividend Rate (%)	<input type="text" value="-"/>
V Item Code No.	<input type="text" value="-"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="0"/>		
Product Description	<input type="text" value="S"/> <input type="text" value="Y"/> <input type="text" value="N"/> <input type="text" value="T"/> <input type="text" value="H"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="P"/> <input type="text" value="E"/> <input type="text" value="S"/>		

For and on behalf on the Board,

Place : Boisar  
Date : 4th September, 2007

K. K. Agarwal      Leena Thakkar  
Director                      Director

# KRISHNA FILAMENTS LIMITED

## ATTENDANCE SLIP

### KRISHNA FILAMENTS LIMITED

Registered Office: Betegaon Village, Boisar (East), Taluka Palghar, Dist. Thane 401 501.

DP Id*	
Client Id*	
Regd.Folio No.	
No of Shares held	

NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER

\*Applicable if shares are held in electronic form

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the **NINETEENTH ANNUAL GENERAL MEETING** of the Company at Betegaon Village, Mahagaon Rd, Boisar (E), Taluka Palghar, Dist: Thane Office of the Company on Saturday, 29<sup>th</sup> September, 2007 at 4.00 p.m.

\_\_\_\_\_  
Member's/ Proxy's Signature.

## PROXY FORM

### KRISHNA FILAMENTS LIMITED

Registered Office: Betegaon Village, Boisar (East), Taluka Palghar, Dist. Thane 401 501.

I/We .....of .....in the district of ..... Being a Member/ Members of KRISHNA FILAMENTS LIMITED hereby appoint ..... of .....in the district of ..... (or failing him) ..... of ..... in the district of ..... as my/our Proxy to vote for me/us on my/our behalf at NINETEENTH ANNUAL GENERAL MEETING of the Company to be held on Saturday, 29<sup>th</sup> September, 2007 at 4.00 p.m. and at any adjournment thereof.

Signed this ..... day of ..... 2007.

DP Id*	
Client Id*	
Regd. Folio No.	

\*Applicable if shares are held in electronic form

Affix Re.1 Revenue Stamp
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Signature of the Member(s)

NOTE: This Form is to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the company less than 48 hours before the Meeting.

**If undelivered please return to:**  
**Krishna Filaments Limited**  
Betegaon Village, Boisar (East), Taluka Palghar Dist. Thane - 401 501