



**23rd
ANNUAL REPORT
2007**



nakoda textile industries limited

ISO 9001-2000

NAKODA TEXTILE INDUSTRIES LIMITED

ISO 9001-2000

Board of Directors

- | | |
|--------------------------|------------------------------|
| (1) Mr. B. G. Jain | Chairman & Managing Director |
| (2) Mr. D. B. Jain | Joint Managing Director |
| (3) Mrs.P. B. Jain | Director |
| (4) Mr. B. L. Maheshwari | Director |
| (5) Mr. S. K. Bhoan | Director |

Registered Office & Plant

Block No. 1&12 to 16,
Village - Karanj,
Taluka - Mandvi,
Dist. - Surat.

Company Secretary

Mrs. Rashmi Bhatt

Corporate Office

738, Ajanta Shopping Centre,
Ring Road, Surat - 395 002

Auditors

N. M. Singapuri & Co
Chartered Accountants,
O-18, Kanaknidhi Apartment,
Opp. Gandhi Smruti, Nanpura,
Surat.

Bankers

Canara Bank
State Bank of Patiala
Syndicate Bank



NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Wednesday, 18th June, 2008 at 12.30 P.M. at the Company's Registered Office at Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist. - Surat.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended on 31st December 2007 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. B. L. Maheshwari who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

4. As An Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or enactment thereof for the time being in force), the company hereby approves the re-appointment and the terms of remuneration of Shri D. B. Jain as Joint Managing Director of the Company for a period of 5 years with effect from July 01, 2008 upon the terms and conditions as set out in the Explanatory Statement annexed to this Notice and that the Board of Directors be and is hereby authorized to execute an agreement in such manner as may be agreed upon between the Board of Directors and Shri D. B. Jain."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and / or alter the terms and conditions of the agreement in such manner, from time to time as it may be agreed between the Company and Shri D. B. Jain."

5. As An Ordinary Resolution

"RESOLVED THAT under Section 198, 269, 310 and other enabling applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the revision in remuneration of Sh B. G. Jain Managing Director with effect from 1st April, 2008, detailed more specifically in the Explanatory Statement."

"RESOLVED FURTHER THAT the said remuneration shall be payable to the Managing Director irrespective of the fact whether the Company has earned any profit or not, i.e. this remuneration shall be payable as minimum remuneration even in the event of inadequacy or absence of profit."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and / or alter the terms and conditions of the agreement in such manner, from time to time as it may be agreed between the Company and Shri B. G. Jain."

6. As An Ordinary Resolution

"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 25.06.2007 pursuant to provision of Section 293(1)(d) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may in its discretion think fit notwithstanding that the money or monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not so set aside for any specific purposes, provided however, that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 1000.00 crores (Rs. One Thousand Crores only)."

7. As A Special Resolution

"RESOLVED THAT, subject to the confirmation by the Registrar of Companies, Gujarat Memorandum of Association of the company be and is hereby altered by inserting two new clauses III(A)(3) & III(A)(4) under the main objects as under:

III(A)(3): To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power in

all its branches at such place or places as may be permitted by appropriate authorities by establishment of thermal power plants, hydraulic power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy as may be developed or invented. To construct, lay down, establish, promote, erect, build, install, commission, carry out and run all necessary power substations, work shops, repair shops, wires, cables, transmission lines, accumulators, street lights for the purpose of conservation, distribution, and supply of electricity to participating industries, State Electricity Boards and other Boards for industrial, commercial, domestic, public and other purposes and also to provide regular services for repairing and maintenance of all distribution and supply lines.

III(A)(4): To carry on the business of builders and contractors. To purchase, acquire, take on lease, or in exchange or in any other lawful manner any area, land, buildings, structures and to turn the same into account, develop the same and dispose of or maintain the same and to build townships, markets, or other buildings, or conveniences thereon and to equip the same or any part thereof with all or any amenities or conveniences, drainage facility, electric, telegraphic, telephonic, television installations and to deal with the same in any manner whatsoever.

8. As A Special Resolution

"RESOLVED THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, the approval of the members of the Company be and is hereby given for commencing and undertaking the new business as stated in the Object Clauses III(A)(3) & III(A)(4) of the Memorandum of Association of the Company upon the said Clause becoming effective."

9. As A Special Resolution

"RESOLVED THAT, pursuant to the provision of section 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share capital of the Company be and is hereby increased to Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crore) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) preference shares of Rs. 100/- each."

"RESOLVED FURTHER THAT, pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause V of the Memorandum of Association of the company be and is hereby altered by substituting the following Clause V thereof:

V. The Authorised Share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crore) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) preference shares of Rs. 100/- each."

10. As a Special Resolution

"RESOLVED THAT, Pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Article V of Articles of Association of the Company be and is hereby altered by substituting the existing article with the following Article: The Authorised Share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crores) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) Preference shares of Rs. 100/- each."

Place: Surat
Date : 15.04.2008

By Order of the Board
RASHMI BHATT
Company Secretary

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote thereat and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the annual general meeting.
2. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share transfer Books of the Company will remain closed from 14th June 2008 to 18th June 2008 (both days inclusive).
4. The transaction at sr. No. 7 requires consent of shareholders through postal ballot. The details are enclosed herewith. If the resolution is assented to by the requisite majority of the

shareholders in the Postal Ballot, it shall be deemed to have been passed at the said Annual General Meeting.

5. As required in the terms of paragraph VI(A) of the Clause 49 of the Listing Agreement, the details of the Directors retiring by rotation and eligible for re-appointment are furnished below. Sh. B. L. Maheshwari, Director of the Company is having a rich experience in Finance. He has been associated with the Company since April 2006 retires by rotation and being eligible offers himself for re-appointment.
6. Pursuant to the recommendation of SEBI Committee on Corporate Governance for appointment of Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors forms part of Corporate Governance report.
7. Members are requested:
 - a) to bring their copies of Annual Report and Attendance slip at the time of the meeting.
 - b) to quote their Folio No.(s) in all correspondence.
 - c) who hold share in dematerialization form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
 - d) to forward their queries, if any, so as to reach the corporate office of the Company on or before 11th June, 2008 enabling the management to keep the information ready.
8. As required under Clause 49 of Listing Agreement, the particulars of Directors seeking re-appointment at Item No. 2 & 4 is given in Annexure-A.
9. Members are requested to note that all correspondence relating to share transfer, Change of Address and Dematerialization should be addressed to the Corporate office at 738, Ajanta Shopping Centre, Ring Road, Surat 395002/MCS Ltd., Neelam Apartment, 88, Sampatrao Colony, B/h Federation Bldg., Alkapuri, Baroda 390007.

Place: Surat
Date : 15.04.2008

By Order of the Board
RASHMI BHATT
Company Secretary

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 4

Shri D. B. Jain was appointed as Joint Managing Director with effect from 01.07.2003 for a period of 5 years. The term expires on 30.06.2008. Considering his qualification and experience, the Board felt desirable that the company should avail of his services. The Board of Directors has subject to approval of members of the company, reappointed Shri D. B. Jain as Joint Managing Director for a period of 5 years with effect from 01.07.2008 on the following terms and conditions.

1. The Joint Managing Director shall be entitled to following remuneration and perquisites.
 - a) Salary Rs. 1,25,000/- per month.
 - b) Perquisites:
 - i) Provident fund, superannuation and gratuity benefit in accordance with the Company's rules and regulations in force from time to time.
 - ii) Reimbursement of medical expenses actually incurred, total cost of which to Company shall not exceed Rs. 15,000/- in any year.
 - iii) Leave on full pay and allowance as per the rules of the Company but not exceeding four weeks leave for every completed year of service, subject to the condition that leave accumulated but not availed will not be allowed to be encashed.
 - iv) Reimbursement of actual fare for self and family (wife and minor children) once a year to and from any place in India.
 - v) Free use of Company car and driver, monetary value of which may be evaluated as per rule 3 of the Income Tax Rules, 1962.
 - vi) Free telephone facilities at his residence and reimbursement of actual electricity expenses at his residence.
 - vii) Personal accident insurance of an amount premium of which does not exceed Rs. 3,000/-.
 - viii) Reimbursement of entrance fee and subscription for membership of a club.
2. In addition to above, the Joint Managing Director will be reimbursed entertainment or other expenses actually and properly incurred in connection with the company's business subject to a maximum of Rs. 3,000/- per month.
3. The remuneration aforesaid including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum

remuneration, for any year in case of absence or inadequacy of profit of such year.

In compliance with the provisions of the companies Act, 1956, the appointment of Mr. D. B. Jain as Joint Managing Director and terms of reappointment specified above are now being placed before members in general meeting for approval.

This Explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of Agreement and Memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board recommended the passing of resolution as set out in item no. 4 of the notice read with the explanation given above.

Shri B. G. Jain, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 5

In partial modification of the agreement executed by the Company with the Managing Director, the Board in its meeting held on 15th April 2008 made the following modifications in the remuneration of Sh. B. G. Jain w.e.f. 1st April 2008 which is subject to your approval.

1. The Managing Director shall be entitled to following remuneration and perquisites.
 - a) Salary Rs. 2,00,000/- per month.
 - b) Perquisites:
 - i) Provident fund, superannuation and gratuity benefit in accordance with the Company's rules and regulations in force from time to time.
 - ii) Reimbursement of medical expenses actually incurred, total cost of which to Company shall not exceed Rs. 15,000/- in any year.
 - iii) Leave on full pay and allowance as per the rules of the Company but not exceeding four weeks leave for every completed year of service, subject to the condition that leave accumulated but not availed will not be allowed to be encashed.
 - iv) Reimbursement of actual fare for self and family (wife and minor children) once a year to and from any place in India.
 - v) Free use of Company car and driver, monetary value of which may be evaluated as per rule 3 of the Income Tax Rules, 1962.
 - vi) Free telephone facilities at his residence and reimbursement of actual electricity expenses at his residence.
 - vii) Personal accident insurance of an amount premium of which does not exceed Rs. 3,000/-.
 - viii) Reimbursement of entrance fee and subscription for membership of a club.
2. In addition to above, the Managing Director will be reimbursed entertainment or other expenses actually and properly incurred in connection with the company's business subject to a maximum of Rs. 3,000/- per month.
3. The remuneration aforesaid including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration, for any year in case of absence or inadequacy of profit of such year.

This Explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of Agreement and Memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board recommended the passing of resolution as set out in item no. 5 of the notice read with the explanation given above.

Shri B. G. Jain, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 6

At the AGM of the company held on 25.06.2007 the consent of the members had been obtained for directors to borrow a maximum amount of Rs. 500 crores not with standing that the money to be borrowed by the Company (apart from temporary loans obtain from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. The Company is planning to go for expansion / integration project as detailed in the directors report is estimated to cost Rs. 325.00 Crores. Hence, the Board of Directors of the Company should be authorized to borrow moneys from time to time, from banks, financial institutions and any other sources. The moneys to be borrowed by the Company may exceed the aggregate paid-up capital and its free reserves, provided however, the total amount of such borrowing shall not exceed the sum of Rs. 1000.00 Crores at any time. This authority can only be exercised by the Board in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956.



Your Board proposes resolution, as set out in Item No. 6 for approval as an ordinary resolution.

None of the directors is concerned or interested in the resolution.

Item No. 7

Your company is planning to enlarge the area of its operation into the realty sector and energy sector. It was understood that the same can be conveniently and advantageously be combined with the existing business of the company. For this it is necessary to alter the object clause of the company so as to include the two new objects related to the realty & infrastructure business and energy business.

In view of above it is proposed to amend the Memorandum of Association of the company by inserting two new clauses III(A)(3) & III(A)(4) under the main objects which would enable your company to undertake the activities as detailed in the said clause.

As per the provisions of Section 17 of the Companies Act, 1956 the Objects of the Company may only be amended after the consent of the members by way of Special Resolution subject to confirmation of the Registrar of Companies.

The proposed resolution is to be passed through **postal ballot** for which necessary details are enclosed herewith.

Your directors recommend that the proposed resolution be adopted in the interest of the Company.

None of the directors of the Company is concerned or interested in the proposed resolution.

Item No. 8

In order to validate the commencement of new business the Company is required to obtain the approval of members by way of a special resolution.

Keeping in view the amendment made in the Object Clause of the memorandum of Association of the company, it is necessary for the members to give their consent to the Company under Section 149(2A) by way of a special resolution for commencing the business as set out in item No. 7.

Your directors recommended to pass necessary resolution as set out in Item No. 8 of the notice.

None of the Directors of the Company are concerned or interested in the resolution except as members of the Company.

Item Nos. 9 & 10

The Company in order to meet its growth objectives and to strengthen its financial position is required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase Authorised Share Capital of the Company from Rs. 40.00 Crore to Rs. 50.00 Crore and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at item No. 9 & 10 of the accompanying Notice.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the authorized share capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

The Board of Directors accordingly recommends the resolutions set out at item Nos. 9 & 10 of the accompanying Notice for the approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

Annexure-A

Details of Directors seeking appointments / re-appointments at the Annual General Meeting (Pursuant to Clause 49(V)(E) of the Clauses 49 of the Listing Agreement)

| | | |
|---|---|---------------------------|
| 1 | Name of the Director: | Shri-D. B. Jain |
| | Date of Birth | 07.04.1978 |
| | Date of Appointment | 29.07.2000 |
| | Qualifications | MBA Finance |
| | Expertise in specific functional area | Textile & Finance |
| | Directorship held in other Public companies | Surat Super Filament Ltd. |
| 2 | Name of the Director: | Shri B. L. Maheshwari |
| | Date of Birth | 30.01.1960 |
| | Date of Appointment | 28.04.2006 |
| | Qualifications | B. COM, FCA |
| | Expertise in specific functional area | Finance |
| | Directorship held in other Public companies | -- |

DIRECTORS REPORT

TO,
The Members,
Your Directors have pleasure in presenting their 23rd Annual Report together with Audited Accounts for the period ended 31st December 2007.

FINANCIAL RESULTS

| | AS AT 31.12.2007 (Rs.In Lacs) | AS AT 31.12.2006 (Rs.In Lacs) |
|--|-------------------------------------|-------------------------------------|
| Turnover & other Income | 58228.25 | 35695.99 |
| Gross Profit (before Financial Charges & Depreciation) | 2184.69 | 1456.33 |
| Interest & Financial Charges | 891.47 | 551.06 |
| Profit before Depreciation (Cash Profit) | 1293.22 | 905.27 |
| Depreciation | 363.00 | 291.02 |
| Profit for the year | 930.22 | 614.25 |

OPERATIONAL REVIEW

Your Company has achieved turnover of Rs. 58228.25 lacs compared to Rs. 35695.99 lacs in the previous year. Gross profit for the year is Rs. 2184.69 lacs compared to Rs. 1456.33 lacs for the previous year. The gross turnover was higher by 63.12% at Rs. 58228.25 lacs.

FINANCIAL OVERVIEW

Your company is presently banking with a consortium of Bankers i.e. Canara Bank (the lead bank), State Bank of Patiala & Syndicate Bank. During the current year company has projected more than 150% turnover as compared to year 2007. To meet the additional working capital requirement for substantial increase in manufacturing and trading activities, Bankers have assessed enhanced working capital limits to Rs. 267 Crore for the year 2008 from Rs. 164.50 Crore in 2007. Consortium has also agreed to admit one more bank in consortium of Bankers to share some portion of enhanced working capital limit.

Company has regularly satisfied the repayment obligation in respect of loans of Canara Bank and State Bank of Patiala. The company continued its focus on efficient Financial Management & Control covering area of working capital and debt.

DIVIDEND

Your directors have declared an interim dividend @5% on 1,50,00,000 equity shares of Rs. 10/- each i.e. 0.50 paise per share for the financial year 2007, which was paid to the members as on the record date 08.02.2008 fixed for the purpose. The total cash outflow on account of interim dividend including dividend tax is Rs. 87,74,625/-.

Your directors have decided the interim dividend paid, as the final dividend for the financial year 2007.

OVERVIEW AND FUTURE OUTLOOK

The year 2007 has been a year of achievement for the company. It has set up a separate unit for manufacturing of FDY/SDY by installing and commissioning 6 lines of the high speed direct FDY plant imported from Korea. In addition the company has added certain balancing plant & machinery for its existing POY plant so as to improve the bottom line of the company.

Your company is contemplating to go for backward integration programme by setting up a continuous polymerization plant for manufacturing of Chips/POY/FDY etc. adjacent to our existing POY/FDY units at Karanj. As a part of forward integration the company will set up texturising units in integrated textile park being set up by Surat Super Yarn Park Ltd. at Hathuran near Surat. This backward integration / expansion / forward integration project is estimated to cost Rs. 325 Crores as per detailed project report prepared by Mott-MacDonald India. The project will be funded through mix of debt equity and internal accruals.

Nakoda Textile Industries Ltd. is exploring the possibility of venturing into the business of infrastructure & leasing and energy sector and thereby diversify its activities.

ISSUE OF FCD AND WARRANTS

The company has on 24.08.2007 allotted 2,60,000 FCD's and 28,44,000 Convertible Share Warrants to promoters and persons other than promoters on preferential basis. The holders of the FCD's / Share Warrants will be entitled to apply for and be allotted 1,50,00,000 (7,80,000 / 1,42,20,000) equity shares at a price of Rs. 20/- per share (including premium of Rs. 10/-) against each FCD's / Warrants any time after the date of allotment but before the expiry of 6/18 months from the date of allotment respectively. The FCD's & Warrants and the equity shares allotted on execution of the option attached to the FCD's / Warrants issued as above shall be locked in from the date of their allotment for such period as specified in clause 13.3.1 of SEBI guidelines.

Above referred 2,60,000 FCDs were converted into 7,80,000 equity shares of Rs.10/- each at a premium of Rs.10/- per share on 20.02.2008. Upon conversion, the paid-up share capital of the company has increased to Rs. 15,78,00,000.

DIRECTORS

Shri B. L. Maheshwari is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

The Board has reappointed Mr. D. B. Jain as the Joint Managing Director of the company for a period of five years w.e.f. 1st July 2008 subject to the approval of shareholders.

FORWARD-LOOKING STATEMENT

This report contains forward looking statements. All statements that address expectations or projections about the future are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performances or achievements could thus differ materially from those projected in any such forward-looking statements.

CORPORATE GOVERNANCE

In line with guidelines recommended by Securities & Exchange Board of India (SEBI) Committee on Corporate Governance adequate steps have been taken to ensure that all the mandatory provisions of Clause 49 of the Listing Agreement already complied with. A separate report on Corporate Governance is included as part of the Annual Report. The Auditors certificate confirming compliance of Corporate Governance is included in the said Corporate Governance report.

SAFETY, ENVIRONMENT & POLLUTION CONTROL MEASURES

During the year, due to various safety measures taken, no major accident took place in plant operations. Training programmes for safety awareness and safe working conditions were held round the year. Your Company has complied with various emission standards and other environmental requirements as per pollution control norms.

In order to improve environment tree plantations within the factory complex is being done on a continuous basis. Installation of Bi-fuel kits on DG sets which reduced SPM & sox discharged. The Company has constructed water pond for rain water harvesting thereby increasing ground water table.

LISTING

Securities of your Company continue to be listed with Mumbai Stock Exchange. Annual listing fees have been paid to the Stock Exchange.

EMPLOYEES

There is no employee getting remuneration as prescribed under section 217(2A) of the Companies (Particulars of Employees) rules, 1975 as amended.

STATUTORY INFORMATION

Statutory information required under the Companies (Disclosure of Particulars in the report of Board of Directors Rules, 1988) applicable to the Company and forming part of this report are set out in Annexure to this report.

AUDITORS

M/s. N. M. Singapuri & Co. Chartered Accountants, Surat retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

DIRECTORS CONFIRM:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors express their gratitude and sincere appreciation for the continued co-operation received from bankers and financial institutions throughout the year and for the utmost faith reposed by the investors and shareholders of the Company. They also place on record their sincere appreciation for the efforts put in by employees of the Company at all levels.

For and on behalf of the Board

Place: Surat Chairman & Managing Director Shri B. G. Jain
Date : 15.04.2008 Joint Managing Director Shri D. B. Jain

MANAGEMENT DISCUSSION & ANALYSIS INDUSTRY STRUCTURE & DEVELOPMENT

The removal of quota restrictions has been the most significant demand driver for the Indian textiles industry over the last few years. The lifting of quotas paved way for increased outsourcing of textiles and apparel from low-cost manufacturing bases such as India and China. The exports of manmade fibre based garments are expected to grow at a CAGR of around 7.1 per cent. India's cost competitiveness in POY has improved over the years. In fact, the country currently ranks as the second least-cost producer after China.

The domestic nonclothing market (home and technical textiles) would be largely driven by improving standards of living, rising income levels and nuclearisation of families.

OPPORTUNITIES & THREATS

In clothing, demand for polyester will be largely driven by sarees and ladies dress materials. Urbanisation combined with a rising female working population will drive the demand for female western wear, which uses polyester or blended yarn. Moreover, a large part of the Indian population still wears affordable non-cotton clothes (such as sarees, trousers and shirts), thus representing a sizeable market for the polyester industry.

Though there exists strong potential for demand, the polyester industry will continue to face pressure on margins over the medium term. Feed stock prices are expected to remain firm over the medium term. The pricing flexibility of polyester makers is therefore expected to be limited.

FUTURE OUTLOOK

In India, though preference for cotton is high, a sizeable segment of the population does wear apparels made of polyester and other synthetics, which are more affordable and will therefore continue to support the demand for polyester. The domestic home textiles market will emerge as a key growth driver for the polyester market. Polyester is preferred over cotton in the home furnishings segment, as it is easier to wash and maintain. Favourable income and age demographics are also supporting the growth of apparels and non-apparels in the domestic market. In addition, technical textiles, though currently in the infancy stage in India, are likely to emerge as a key demand driver for the man-made fibre industry.

Demand for POY is expected to increase from segments such as roads, bridges and airports under construction (Geo-textiles), which have been attracting huge investments, for tyre cords and protective airbags in automobiles in auto tech and packaging materials.

It is expected that total polyester demand will grow at a CAGR of around 9.0 per cent from approximately 1.9 million tones in 2006-07 to 2.9 million tones in 2011-12. Polyester filament yarn / partially oriented yarn (PFY/POY) is expected to grow at a slightly higher rate of around 9.2 per cent CAGR till 2011-2012. In contrast, polyester staple fibre (PSF) is projected to grow at a lower CAGR of around 8.7 per cent.

HUMAN RESOURCE DEVELOPMENT (HRD)

Human Resource Development continued to receive focused attention. Industrial relations continued to be cordial throughout the year. The company has strength of 250 permanent employees. The company and its management value the dedication of its employees and acknowledge their contribution in attaining goals of the company. The company has been encouraging employees by providing a better working environment and other additional benefits.

ENERGY CONSERVATION

Nakoda Textile Industries Ltd. has replaced present power plant based on LDO/FO to GAS. From this replacement the company is going to have substantial cost saving, pollution free supply of power. We are also to claim carbon credit because of the use of gas as a fuel for power generation. The process for accreditation for claiming carbon credit has already been started.

RISK & CONCERNS

The domestic polyester industry has witnessed significant capacity addition in the last 2 years. These capacities had been set up envisaging higher consumption from the end-use garments and made-ups sectors. However, the additions have taken place too swiftly and far outstrip the growth in demand. The demand supply gap is wide in the industry and that overcapacity will continue in the medium term.

Although feedstock rates are projected to fall in 2008-09, the over supply situation implies that polyester players will have to pass on the decline to consumers, exerting pressure on margins.

CAUTIONARY STATEMENT

Statements in this MDA may be 'forward looking statements' within the meaning of applicable securities laws and regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged.



**ANNEXURE TO THE DIRECTORS' REPORT
FORM - A
DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

| | AS AT 31.12.2007 | AS AT 31.12.2006 |
|--|---------------------|---------------------|
| A. POWER AND FUEL CONSUMPTION | | |
| Electricity | | |
| Own Generation | | |
| i) Through Diesel Generator Units (In 000's) | 2594.65 | 6487.98 |
| Unit per liter of HSD/LDO/FO | 4.16 | 3.71 |
| Cost/Unit (Rs.) | 8.10 | 7.04 |
| ii) Through Gas Engine Units (In 000's) | 15085.36 | 8110.39 |
| Unit per scm. | 3.53 | 4.00 |
| Cost/Unit (Rs.) | 4.42 | 4.27 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | KWH/KGS | KWH/KGS |
| Products | | |
| POY / FDY | 0.65 | 0.55 |
| FORM - B | | |
| A. RESEARCH AND DEVELOPMENT | | |
| 1. Specific area in which R & D carried out by the Company | | : Not Applicable |
| 2. Benefits derived as a result of above R & D | | : Not Applicable |
| 3. Future plan of Action | | : Not Applicable |
| 4. Expenditure on R & D | | : Not Applicable |
| B. TECHNOLOGY ABSORPTION ADOPTION AND INNOVATION | | |
| 1. Replacement of 2Nos old Cooling Tower Aluminum Fan Blade with FRP Blade helps us to improve Cooling Tower efficiency. | | |
| 2. Redistribution of medium Air pressure Air in wet and dry helps us to reduce load on dryer and improve efficiency of Compressor by reducing Air flow through dryer (0.6--0.8 Kg/Cm2 Air pressure drop takes place across dryer). | | |
| C. Foreign Exchange Earnings | | : NIL |
| Foreign Exchange Outgo | | : 832949549.00 |

Place: Surat
Date: 15.04.2008

For and on behalf of the Board
Chairman & Managing Director Shri B. G. Jain
Joint Managing Director Shri D. B. Jain

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Nakoda Textile Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Nakoda Textile Industries Ltd. ("The Company") for the year ended 31st December, 2007 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and according to the explanations given to us, we certify that the company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against Company as per the records maintained by the shareholders / investor's grievances committee.

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

**FOR N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS**

Place: Surat
Date: 15.04.2008

N.M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601



CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company continues to follow procedures and practices in conformity with the code of Corporate Governance enshrined in the Listing Agreement.

We endeavor to have work culture, which is performance driven and conclusive to improve discipline, accountability, team spirit and honesty in all our personal and professional relationships.

BOARD OF DIRECTORS

The present strength of the Board of Directors is Five of which one is chairman cum managing director, one joint managing director and Three non-executive directors. Six Board Meetings were held during the year 2007 and all the operational and statutorily required information were placed before the Board. The detail of the composition of the existing Board of Directors is given below:

| Name of the Directors | category | Attendance | | No of other directorship and committee member / chairmanship | | |
|-----------------------|----------|---------------|----------|--|------------------------|--------------------|
| | | Board Meeting | Last AGM | Committee Membership | Committee Chairmanship | Other Directorship |
| Sh. B. G. Jain | CMD | 6 | No | 1 | 1 | 6 |
| Sh. D. B. Jain | JMD | 6 | Yes | 4 | 1 | 10 |
| Smt. P. B. Jain | NED | 6 | No | 2 | --- | 2 |
| Sh. B. L. Maheshwari | NED/I | 2 | No | 3 | 2 | 5 |
| Sh. S. K. Bhoan* | NED/I | 4 | No | --- | --- | 5 |

CMD-Chairman & Managing Director, JMD-Joint Managing Director, NED-Non Executive Director, I-Independent (* appointed on 25.04.2007)

BOARD PROCEDURE

The Board meets atleast once a quarter to review the quarterly performance and the financial results. A detailed agenda folder is sent to each Director in advance of the Board Meetings. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company, and with presentations by functional heads.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The Company has constituted an audit committee, comprising of three directors viz. Sh. B. L. Maheshwari, Sh. D. B. Jain and Smt. P. B. Jain. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The committee met three times during the period under review.

Audit Committee met on 16.01.2007, 11.04.2007 & 10.10.2007 during the year under review.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the institute of Chartered Accountants of India during the year. Compliance of the AS as applicable to the Company has been ensured in the Financial Statements for the year ended December 31, 2007.

REMUNERATION COMMITTEE

Remuneration Committee constituted by Board of Directors consists of Shri B. L. Maheshwari as Chairman of the Committee and Shri D. B. Jain as its member.

Sitting Fee and Remuneration

The Non-executive directors of the Company are paid total sitting fees Rs. 9000/- for attending the meetings of the Board / committees during the year under review.

The details of the remuneration paid to Sh. B. G. Jain, Managing Director & Sh. D. B. Jain Joint Managing Director is given below:

| Name | Salary | Perquisites |
|----------------|-----------------|---|
| Sh. B. G. Jain | 1,00,000/- P.M. | * Perquisites shall be restricted to an amount equal to the annual salary |
| Sh. D. B. Jain | 80,000/- P.M. | |

* Perquisites shall include Housing, Medical Reimbursement, Entertainment reimbursement, Leave, Traveling reimbursement, Club fees, Personal Accident Insurance, Provident fund, superannuation fund, Telephone, Car, Gratuity etc. There was no Stock Option issued to any directors of the Company.

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has formed a share transfer committee comprising of Sh. D. B. Jain and Smt. P. B. Jain. The Committee oversees the performance of the share transfer and all the matters relating to investors grievance.

The Company has authorized Smt. R. T. Bhatt, Company Secretary to approve the share transfers.

The Board has designated Smt. R. T. Bhatt, Company Secretary as the Compliance officer.

The no. of complaints received and replied to the satisfaction of the shareholders during the year under review were 12. There were no outstanding complaints/transfers.

GENERAL BODY MEETING

The last three Annual General Meetings of the Company were held as under:

| | Location | Date | Time | Number Of Special Resolution Passed |
|-----|--|------------|-----------|-------------------------------------|
| AGM | Block No. 1 & 12 to 16, Village - Karanj, Taluka - Mandvi, Dist - Surat. | 30.06.2005 | 12.30 P.M | 0 |
| AGM | Block No. 1 & 12 to 16, Village - Karanj, Taluka - Mandvi, Dist - Surat. | 30.06.2006 | 12.30 P.M | 5 |
| AGM | Block No. 1 & 12 to 16, Village - Karanj, Taluka - Mandvi, Dist - Surat. | 25.06.2007 | 12.30 P.M | 4 |

DISCLOSURES

A. There were no materially significant transactions with related parties, which were in conflict with the interests of the Company. Suitable disclosures as required by Accounting Standard (AS-18)- Related Party Transactions, has been made in the Annual Report.



- B. There were no penalties, strictures imposed on the Company by Stock Exchanges or Securities & Exchange Board of India (SEBI) or any other Statutory Authority on any matter related to Capital Markets during the last three years.
- C. No personnel has been denied access to the audit committee.

MEANS OF COMMUNICATION

- i) The Board of Directors of the Company approves and takes on record the quarterly, half yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within one month of the close of the respective period.
- ii) The approved financial results are forthwith sent to the Listed Stock Exchanges and are published in the leading newspapers namely the Western Times English & Gujarati, Surat and Economic Times all edition within forty-eight hours of approval thereof.
- iii) Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard.
- iv) As the Company's quarterly financial results are published in press, the same are not mailed to the shareholders.
- v) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

GENERAL SHAREHOLDER INFORMATION

| | | | |
|----|--|---|--|
| 1. | Annual General Meeting Day, date, time & venue | Wednesday, 18 th June, 2008 at 12.30 P.M. at Block No. 1&12 to 16, Village - Karanj, Taluka -Mandvi, Dist. - Surat. | |
| 2. | Financial calendar December 2007 | AGM - 25.06.2007 | Board Meeting |
| | | EGM - 18.07.2007 | 30.01.2007 25.04.2007 06.06.2007 30.07.2007 24.08.2007 30.10.2007 |
| 3. | Date of Book Closure | 14.06.2008 To 18.06.2008 (both days inclusive) | |
| 4. | Registered office | Block No. 1&12 to 16, Village - Karanj, Taluka -Mandvi, Dist. - Surat. | |
| 5. | Investors Correspondence For transfer/dematrisation of shares & any other query relating to the shares of the Company. | 738, Ajanta Shopping Centre, Ring Road, Surat -395002 Phone : (0261) 2325114, 2328381 Fax : (0261) 2329609 Email : bhattrr@yahoo.co.in | |
| 6. | Listing on Stock Exchanges | Mumbai Stock Exchange Annual Listing fee for the year 2008-09 has been paid to the exchange. | |
| 7. | Stock code - physical Demat ISIN No.in NSDL & CDSL | 521030 INE559B01015 | |

8. Stock Market data During 2007

| MONTH | SHARE PRICE | | BSE SENSEX Corresponding to Share Price | |
|-----------|-------------|-------|--|----------|
| | HIGH | LOW | HIGH | LOW |
| January | 21.90 | 16.00 | 14325.92 | 13303.22 |
| February | 22.40 | 16.30 | 14723.88 | 12800.91 |
| March | 22.00 | 15.15 | 13386.95 | 12316.10 |
| April | 18.50 | 15.40 | 14383.72 | 12425.52 |
| May | 17.60 | 16.00 | 14576.37 | 13554.34 |
| June | 21.95 | 16.70 | 14683.36 | 13946.99 |
| July | 30.70 | 20.00 | 15868.85 | 14638.88 |
| August | 37.80 | 24.75 | 15542.40 | 13779.88 |
| September | 38.50 | 31.25 | 17361.47 | 15323.05 |
| October | 36.30 | 30.85 | 20238.16 | 17144.58 |
| November | 39.15 | 30.45 | 20204.21 | 18182.83 |
| December | 54.50 | 35.60 | 20498.11 | 18886.40 |

9. Distribution of Shareholding as on March 31, 2008.

| No. of Equity Shares held | No of Shareholders | Percentage of Shareholders | No. of Equity Shares held | Percentage of Shareholding |
|---------------------------|--------------------|----------------------------|---------------------------|----------------------------|
| 1 to 500 | 7090 | 91.77 | 1620916 | 10.27 |
| 501 to 1000 | 376 | 4.88 | 296965 | 1.88 |
| 1001 to 2000 | 102 | 1.32 | 163736 | 1.04 |
| 2001 to 3000 | 45 | 0.58 | 113601 | 0.72 |
| 3001 to 4000 | 12 | 0.16 | 43950 | 0.28 |
| 4001 to 5000 | 26 | 0.34 | 123374 | 0.78 |
| 5001 to 10000 | 21 | 0.27 | 148702 | 0.94 |
| 10001 & above | 54 | 0.70 | 13268756 | 84.09 |
| Total | 7726 | 100.00 | 15780000 | 100.00 |

Shareholding Pattern as on March 31, 2008

| | Category of Shareholder | No. of Share holders | Total No. of Shares | Percentage of Shareholding |
|------------|---|----------------------|---------------------|----------------------------|
| (A) | Shareholding of Promoter & PromoGroup | | | |
| 1 | Indian | | | |
| (a) | Individuals/ Hindu Undivided Family | 9 | 427100 | 2.71 |
| (b) | Central Government/ State Government(S) | 0 | 0 | 0 |
| (c) | Bodies Corporate | 9 | 70990300 | 44.93 |
| (d) | Financial Institutions/ Banks | 0 | 0 | 0 |
| (e) | Any Other (Specify) | 0 | 0 | 0 |
| | Sub-Total(A)(1) | 18 | 7517400 | 47.64 |
| 2 | Foreign | | | |
| (a) | Individuals (Non-Resident Individuals/ Foreign Individuals) | 0 | 0 | 0 |
| (b) | Bodies Corporate | 0 | 0 | 0 |
| (c) | Institutions | 0 | 0 | 0 |
| (d) | Any Other (Specify) | 0 | 0 | 0 |
| | Sub-Total(A)(2) | 0 | 0 | |
| | Total Shareholding of Promoter & Promoter Group (A)=(A)(1)+(A)(2) | 18 | 7517400 | 47.64 |
| (B) | Public Shareholding | | | |
| 1 | Institutions | | | |
| (a) | Mutual Funds/UTI | 0 | 0 | 0 |
| (b) | Financial Institutions/Banks | 4 | 6400 | 0.04 |
| (c) | Central Government/State Government(s) | 0 | 0 | 0 |
| (d) | Venture Capital Funds | 0 | 0 | 0 |
| (e) | Insurance Companies | 0 | 0 | 0 |
| (f) | Foreign Institutional Investors | 0 | 0 | 0 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 |
| (h) | Any Other (Specify) | 0 | 0 | 0 |
| | Sub-Total(B)(1) | 4 | 6400 | 0.04 |
| 2 | Non-Institutions | | | |
| (a) | Bodies Corporate | 131 | 4269051 | 27.05 |
| (b) | Individuals- | | | |
| | i. Individual shareholders holding nominal share capital up to Rs. 1 lakh | 6281 | 2050897 | 13.00 |
| | ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 20 | 1576767 | 9.99 |
| (c) | Any Other (Specify) NRI | 1272 | 359485 | 2.28 |
| | Sub-Total(B)(2) | 7703 | 8254800 | 52.31 |
| | Total Public Shareholding (B)=(B)(1)+(B)(2) | 7707 | 8261200 | 52.35 |
| (C) | Shares held by custodians and against which Depository Receipt have been issued | 0 | 0 | 0.00 |
| | Grand Total: (A)+(B)+(C) | 7726 | 15780000 | 100.00 |

10. Share Transfer System

The transfer of shares in physical form is processed and completed by MCS Ltd. Within a period of fifteen days from the date of receipt thereof provided all the documents are in order.

In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants.

11. Dematerialization and Liquidity of shares

The equity shares of the Company are traded in the S Group at the Mumbai stock Exchange, 10373205 shares being 65.74% of equity shares of the Company are dematerialized. (31.03.2008)

12. Registrar & Transfer Agent (for both physical & demat segment of Equity Shares of the Company.)

MCS LIMITED

Neelam Apartment, 88, Sampatrao Colony, B/h Federation Bldg., Alkapuri, Baroda-390007

13. Outstanding GDRS, ADRS, Warrants or any Convertible Instruments etc.:NIL



Auditor's Report

To,
The Members of
Nakoda Textile Industries Ltd.,

We have audited the attached Balance Sheet of Nakoda Textile Industries Limited, Surat as at 31st December, 2007 and also 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 responsibilities 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 3 above, We report that :

- (1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (2) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (3) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (4) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standard referred to in Section 211 (3C) of the Companies Act, 1956.
 - (5) On the basis of written representations received from the Directors of the Company as at 31st December, 2007 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31st December 2007 from being appointed as a Director of the Company under clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - (6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles Generally Accepted in India :
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2007
 - (b) In the case of the Profit and Loss account, of the Profit of the company for the year ended on that date.
- And
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS**

**Place : Surat
Date : 15.04.2008**

**N.M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601**

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in phased periodical manner which in our opinion is reasonable, having regard to the size of company and nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. (a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
3. The company has neither granted nor taken any loans, secured or unsecured to/from the companies/firms or parties covered in the register maintained Under Section 301 of the companies act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in aforesaid internal control procedures.
5. The company has not entered in to transactions exceeding the value of Rs. 5 Lacs with any party need to be entered in to register in pursuance of the section 301 of the Companies Act.
6. The company has not accepted any deposit from the public.
7. In our opinion, the internal audit system of the company is commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records with a view to determine whether they are accurate or complete.
9. (a) According to the records of the company undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Excise and Custom, Wealth Tax, Estate Duty have been generally regularly deposited with the appropriate authorities.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st December 2007 for the period of more than six months for the date of becoming payable.
- (c) According to records of the company, following disputed statutory dues have not been deposited with appropriate authorities.

(Rs. In Lacs)

| Sr. No | Name of Status | Nature of the dues | Forum where disputes is pending | Amount |
|--------|-------------------------|--------------------|-----------------------------------|--------|
| 1 | Central Excise Act 1944 | Excise Duty | CEGATE and Commissioner of Excise | 21.36 |

10. The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. 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 (as amended) are not applicable to the Company.
14. In respect of dealing/trading in securities, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The securities have been held by the Company in its own name.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to information and explanations given to us and based on the documents and records produced to us, the company has applied the term loans for the purpose for which the loan were obtained.
17. According to the information and explanations given to us and an overall examination of the Balance Sheet and Cash Flow Statement of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. No security or charge has been created in respect of fully Convertible Debentures issued on preferential allotment.
20. The company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS**

Place : Surat
Date : 15.04.2008

**N.M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601**



BALANCE SHEET AS AT 31ST DECEMBER, 2007

| | | AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
|---|----|-------------------------------|-------------------------------|
| I. SOURCES OF FUNDS : | | | |
| SHARE HOLDERS' FUNDS | | | |
| Share Capital | 1 | 150,000,000 | 150,000,000 |
| Share Application Money | 2 | 80,000,000 | 0 |
| Share Warrant & FCD | 3 | 30,000,000 | 0 |
| Reserves & Surplus | 4 | <u>443,085,395</u> | <u>285,031,116</u> |
| | | <u>703,085,395</u> | <u>435,031,116</u> |
| LOAN FUNDS | | | |
| Secured Loans | 5 | 642,533,935 | 363,771,975 |
| Unsecured Loans | 6 | 264,886,122 | 153,811,943 |
| Deferred Tax Liability | | <u>36,454,278</u> | <u>13,756,990</u> |
| | | <u>943,874,335</u> | <u>531,340,908</u> |
| TOTAL | | <u>1,646,959,730</u> | <u>966,372,024</u> |
| II. APPLICATION OF FUNDS : | | | |
| Fixed Assets | | | |
| Gross Block | 7 | 928,571,788 | 674,778,215 |
| Less : Depreciation | | <u>316,631,206</u> | <u>385,377,506</u> |
| Net Block | | <u>611,940,582</u> | <u>289,400,709</u> |
| Investments | 8 | 1,905,000 | 1,905,000 |
| CURRENT ASSETS, LOANS AND ADVANCES : | | | |
| Inventories | 9 | 346,953,326 | 265,110,642 |
| Sundry Debtors | 10 | 1,518,556,681 | 936,895,051 |
| Cash & Bank Balances | 11 | 290,495,901 | 146,154,193 |
| Loans & Advances | 12 | <u>16,667,703</u> | <u>20,381,900</u> |
| | | <u>2,172,673,611</u> | <u>1,368,541,786</u> |
| Less : Current Liabilities & Provisions | 13 | <u>1,139,559,463</u> | <u>693,475,471</u> |
| Net Current Assets | | <u>1,033,114,148</u> | <u>675,066,315</u> |
| TOTAL | | <u>1,646,959,730</u> | <u>966,372,024</u> |
| Significant Accounting Policies & Notes to the Accounts | 20 | | |

As per our attached report of even date.

For N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS

For and on Behalf of the Board

N. M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601
Surat, 15.04.2008

| | |
|------------------------------|--------------|
| CHAIRMAN & MANAGING DIRECTOR | B. G. JAIN |
| JOINT MANAGING DIRECTOR | D. B. JAIN |
| COMPANY SECRETARY | RASHMI BHATT |
| Surat, 15.04.2008 | |



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2007

| | SCHEDULES | AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
|--|--------------|-------------------------------|-------------------------------|
| INCOME : | | | |
| Sales | 14 | 5,800,425,469 | 3,550,368,814 |
| Less : Excise Duty | | 141,338,894 | 126,223,250 |
| VAT/Sales Tax | | 61,866,236 | 39,448,744 |
| Net Sales | | 5,597,220,339 | 3,384,696,820 |
| Other Income | 15 | 22,399,426 | 19,229,891 |
| Variation in Stocks | | (+) 139,206,633 (-) | 105,351,252 |
| TOTAL | | 5,758,826,398 | 3,509,277,963 |
| EXPENDITURE : | | | |
| Consumption of Materials | 16 | 5,247,664,386 | 3,133,565,652 |
| Manufacturing Expenses | 17 | 263,074,968 | 217,124,421 |
| Financial Expenses | 18 | 89,146,853 | 55,105,632 |
| Administrative & Selling Expenses | 19 | 19,125,901 | 12,537,685 |
| Depreciation | 7 | 36,299,588 | 29,101,580 |
| TOTAL | | 5,655,311,696 | 3,447,434,970 |
| Profit before tax | | 103,514,702 | 61,842,993 |
| Less : Provision for Taxation | | 9,928,000 | 0 |
| Fringe Benefit Tax | | 565,000 | 418,171 |
| Profit after tax | | 93,021,702 | 61,424,822 |
| Balance Brought Forward from last year | | 155,376,593 | 107,708,761 |
| Add : Differential Depreciation (SLM) | | 96,504,490 | 0 |
| Less : Interim Dividend | | 7,500,000 | 0 |
| : Tax on Interim Dividend | | 1,274,625 | 0 |
| : Deferred Tax Liability | | 22,697,288 | 13,756,990 |
| Balance Carried to Balance Sheet | TOTAL | 313,430,872 | 155,376,593 |

Significant Accounting Policies & Notes to the Accounts 20

As per our attached report of even date.

For N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS

For and on Behalf of the Board

N. M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601
Surat, 15.04.2008

CHAIRMAN & MANAGING DIRECTOR B. G. JAIN
JOINT MANAGING DIRECTOR D. B. JAIN
COMPANY SECRETARY RASHMI BHATT
Surat, 15.04.2008



**SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET
AS AT 31ST DECEMBER, 2007**

| | AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
|---|-------------------------------|-------------------------------|
| SCHEDULE - 1 : SHARE CAPITAL | | |
| AUTHORISED | | |
| 3,00,00,000 Equity Shares of Rs.10/- each | 300,000,000 | 300,000,000 |
| 10,00,000 Preference Shares of Rs.100/- each | 100,000,000 | 100,000,000 |
| | <u>400,000,000</u> | <u>400,000,000</u> |
| ISSUED, SUBSCRIBED & PAID UP | | |
| 15000000 Equity Shares of Rs. 10/- each fully paid up | 150,000,000 | 150,000,000 |
| (i) 6,50,000 shares are allotted as fully paid up by way of Bonus Shares as on 16-09-1991 | | |
| (ii) 6,32,500 Shares fully paid up converted from fully Convertible Debentures as on 17-09-1992) | | |
| TOTAL | <u>150,000,000</u> | <u>150,000,000</u> |
| SCHEDULE - 2 : SHARE APPLICATION MONEY | | |
| Share Warrant & FCD Application Money | 80,000,000 | 0 |
| TOTAL | <u>80,000,000</u> | <u>0</u> |
| SCHEDULE - 3 : SHARE WARRANT & FCD | | |
| 1) 260000 Fully Convertible Debenture of Rs. 60 each | 15600000 | |
| Less : Uncalled Money | <u>14040000</u> | 0 |
| 2) 2844000 Share Warrants of Rs. 100 each | 284400000 | |
| Less : Uncalled Money | <u>255960000</u> | |
| TOTAL | <u>30,000,000</u> | <u>0</u> |
| SCHEDULE - 4 : RESERVES & SURPLUS | | |
| Share Premium Account | 87,550,000 | 87,550,000 |
| General Reserve | 37,536,125 | 37,536,125 |
| Investment Subsidy | 4,568,398 | 4,568,398 |
| Profit & Loss Appropriation | 313,430,872 | 155,376,593 |
| TOTAL | <u>443,085,395</u> | <u>285,031,116</u> |
| SCHEDULE - 5 : SECURED LOANS | | |
| Working Capital Borrowing from Canara Bank | 268,566,389 | 213,971,063 |
| Working Capital Borrowing from Syndicate Bank | 88,312,536 | 0 |
| Working Capital Borrowing from State Bank of Patiala | 88,792,846 | 60,997,466 |
| Canara Bank Term Loan | 31,222,842 | 48,400,000 |
| State Bank of Patiala Corporate Loan | 13,490,167 | 40,403,446 |
| Canara Bank Term Loan (FDY) | 61,222,842 | 0 |
| Syndicate Bank Term Loan (FDY) | 90,926,313 | 0 |
| TOTAL | <u>642,533,935</u> | <u>363,771,975</u> |
| Note :- (I) Facilities from Canara Bank, State Bank of Patiala & Syndicate Bank are secured by hypothecation of stock in trade and book-debts and collateral security of equitable mortgage of Land and Building situated at Company's Texturising division at Karanj. First charge by way of hypothecation of machineries situated at Company's Texturising Division at Karanj and 5 POY lines situated at Block No.13 to 16. Second charge by way of mortgage and/or hypothecation of Land, Building and Machineries situated at Company's POY division at Karanj on which G.I.I.C. Ltd. & G.S.F.C. having 1st charge and personal guarantee of Directors of the Company and corporate guarantee of B.G.Jain Investment Pvt.Ltd., G.P.Shah Investment Pvt.Ltd., P.B.Jain Investment Pvt.Ltd. and Varju Investment Pvt.Ltd. | | |
| | AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
| SCHEDULE - 6 : UNSECURED LOANS | | |
| From Agency Deposit | 264,886,122 | 153,811,943 |
| TOTAL | <u>264,886,122</u> | <u>153,811,943</u> |

SCHEDULE - 7 : FIXED ASSETS

| Particulars | Gross Block | | | | Depreciation | | | Net Block | |
|-----------------------|-------------------|------------------|-------------------|---------------------|-------------------|-----------------|----------------|---------------------|---------------------|
| | As On 01.01.07 | Addition | Deduction | As On 31.12.2007 | As On 01.01.07 | Addition | Deduction | As On 31.12.2007 | As On 31.12.2007 |
| Land | 5101783 | | 164,540 | 4937243 | - | | | - | 4937243 |
| Building & Godown | 80726086 | 32176460 | 12,177,642 | 100724904 | 19262931 | 2483251 | 8541398 | 13204784 | 87520120 |
| Plant & Machinery | 544333137 | 220286119 | | 764619256 | 244778705 | 30679308 | | 275458013 | 489161243 |
| Electric Installation | 19967905 | 13673176 | | 33641081 | 10265813 | 1174629 | | 11440442 | 22200639 |
| Office Equipment | 5240094 | | | 5240094 | 2279417 | 276677 | | 2556094 | 2684000 |
| Furniture & Fixtures | 4989030 | | | 4989030 | 3943882 | 315806 | | 4259688 | 729342 |
| Vehicles | 14420180 | | | 14420180 | 8342268 | 1369917 | | 9712185 | 4707995 |
| TOTAL | 674778215 | 266135755 | 12,342,182 | 928571788 | 288873016 | 36299588 | 8541398 | 316631206 | 61,194,0582 |
| Previous Year | 662910768 | 11867447 | - | 674778215 | 356275926 | 29101580 | 0 | 385377506 | 289400709 |

| | |
|-------------------|-------------------|
| AS AT | AS AT |
| 31.12.2007 | 31.12.2006 |
| RUPEES | RUPEES |

SCHEDULE - 8 : INVESTMENTS
UNQUOTED :

| | | |
|--|------------------|------------------|
| Nakoda Syntex P. Ltd. (Long Term - Non Trade) (50 fully paid up Rs. 100/- each) | 5,000 | 5,000 |
| Surat Super Yarn Park Ltd. (Long Term - Non Trade) (40000 fully paid up Rs. 10/- each) | 400,000 | 400,000 |
| Vrushti Financial Services Pvt. Ltd. (Application Money 1,50,000 Equity Share of Rs. 10/- each) | 1,500,000 | 1,500,000 |
| TOTAL | 1,905,000 | 1,905,000 |

SCHEDULE - 9 : INVENTORIES

| | | |
|---|--------------------|--------------------|
| Raw Materials | 78,220,442 | 139,077,357 |
| Finished goods | 246,838,676 | 107,632,043 |
| Fuel, Oil Chemical & Packing Material and Stores Spares | 21,894,208 | 18,401,242 |
| TOTAL | 346,953,326 | 265,110,642 |

SCHEDULE - 10 : SUNDRY DEBTORS (Unsecured Considered Good)

| | | |
|---|----------------------|--------------------|
| Outstanding for a period exceeding six months | 615,831 | 520,154 |
| Others | 1,517,940,850 | 936,374,897 |
| TOTAL | 1,518,556,681 | 936,895,051 |

SCHEDULE - 11 : CASH & BANK BALANCE

| | | |
|-------------------------|--------------------|--------------------|
| Cash & Cheque in Hand | 679,457 | 2,755,439 |
| With Schedule Bank in : | | |
| Fixed Deposits | 289,336,000 | 143,014,130 |
| Current Account | 480,444 | 384,624 |
| TOTAL | 290,495,901 | 146,154,193 |

SCHEDULE - 12 : LOANS & ADVANCES (Unsecured Considered Good)

| | | |
|---|-------------------|-------------------|
| Deposits with Govt. Authorities | 422,990 | 422,990 |
| Advances Recoverable in Cash or in kind | 16,244,713 | 19,958,910 |
| TOTAL | 16,667,703 | 20,381,900 |

SCHEDULE - 13 : CURRENT LIABILITIES & PROVISIONS
Current Liabilities :

| | | |
|---|----------------------|--------------------|
| Acceptances Under L/C | 1,125,338,395 | 688,444,201 |
| Sundry Creditors | | |
| (1) Dues of small scale industrial undertaking(s) | 230,166 | 425,555 |
| (2) Other | 2,091,462 | 1,817,713 |
| Other Liabilities | 3,124,815 | 2,788,002 |
| Provision for Dividend & Tax | 8,774,625 | 0 |
| TOTAL | 1,139,559,463 | 693,475,471 |


SCHEDULE - 14 : SALES

| | AS AT 31.12.2007 Rupees | Quantity Kgs./Mtrs | AS AT 31.12.2006 Rupees | Quantity Kgs./Mtrs. |
|-------------------------|-------------------------------|-----------------------|-------------------------------|------------------------|
| Chips | 333,724,532 | 5,956,500 | 440,139,727 | 9,238,500 |
| POY / FDY | 2,119,168,097 | 26,768,117 | 1,930,653,658 | 25,602,287 |
| Texturised / D. T. Yarn | 41,257,116 | 408,426 | 42,000,917 | 391,544 |
| PFY/ YARN | 1,787,851,824 | 19,892,305 | 1,137,574,512 | 13,741,786 |
| SALT | 1,518,423,900 | 5,061,413,000 | 0 | 0 |
| TOTAL | 5,800,425,469 | 5,114,438,348 | 3,550,368,814 | 48,974,117 |

| AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
|-------------------------------|-------------------------------|
|-------------------------------|-------------------------------|

SCHEDULE - 15 : MISCELLANEOUS INCOME

| | | |
|---------------------------------|-------------------|-------------------|
| Interest | 6,908,447 | 4,224,918 |
| Other Income | 13,010,548 | 14,226,304 |
| Insurance Claim | 1,181,215 | 729,709 |
| Profit on Sales of Fixed Assets | 1,299,216 | 0 |
| Income Tax Refund Int. A/c | 0 | 48,960 |
| TOTAL | 22,399,426 | 19,229,891 |

SCHEDULE - 16 : CONSUMPTION OF RAW MATERIAL

| | | |
|----------------------|----------------------|----------------------|
| Opening Stock | 139,077,357 | 119,473,461 |
| Purchase | 5,186,807,471 | 3,153,169,548 |
| | 5,325,884,828 | 3,272,643,009 |
| Less : Closing Stock | 78,220,442 | 139,077,357 |
| TOTAL | 5,247,664,386 | 3,133,565,652 |

SCHEDULE - 17 : MANUFACTURING EXPENSES

| | Current Year | Previous Year | | |
|---|--------------|---------------|--------------------|--------------------|
| Fuel Consumed | | | 87,680,842 | 80,945,514 |
| Opening Bal. | 1523462 | 2141260 | | |
| Add : Purchase | 87336342 | 80327716 | | |
| Less : Clos. Bal. | 1178962 | 1523462 | | |
| Oil, Chemicals & Packing Material Consumed | | | 60,746,240 | 38,600,249 |
| Opening Bal. | 4586176 | 3947016 | | |
| Add : Purchase | 62900938 | 39239409 | | |
| Less : Clos. Bal. | 6740874 | 4586176 | | |
| Repairs & Maintenance to Building | | | 2,038,567 | 1,218,452 |
| Stores spares & Maintenance to Machineries Consumed | | | 20,971,041 | 11,985,618 |
| Opening Bal. | 12291604 | 11794308 | | |
| Add : Purchase | 22653809 | 12482914 | | |
| Less : Clos. Bal. | 13974372 | 12291604 | | |
| Salaries, Wages & Others Employees Benefits | | | 21,322,864 | 18,784,918 |
| Contribution to P.F. & Other Funds | | | 1,843,978 | 1,813,927 |
| Insurance Premium | | | 1,906,844 | 1,384,513 |
| Transportation & Octroi | | | 14,637,606 | 26,836,982 |
| Factory Expenses | | | 963,141 | 655,756 |
| Customs Clearing Expenses | | | 22,202,550 | 34,290,768 |
| Purchase & Entry Tax | | | 0 | 607,724 |
| Lease Rental Charges | | | 28,761,295 | 0 |
| TOTAL | | | 263,074,968 | 217,124,421 |

SCHEDULE - 18 : FINANCIAL CHARGES

| | | |
|---------------------------------|-------------------|-------------------|
| Interest payment on Fixed Loans | 15,445,876 | 12,656,918 |
| Other Loans | 73,700,977 | 42,448,714 |
| TOTAL | 89,146,853 | 55,105,632 |

SCHEDULE - 19 : ADMINISTRATIVE & SELLING EXPENSES

| | | |
|-----------------------------|-----------|-----------|
| Printing & Stationery | 524,718 | 482,190 |
| Travelling Expenses | 2,724,910 | 1,338,314 |
| Other Repairs & Maintenance | 942,710 | 747,915 |



| | | |
|----------------------------------|-------------------|-------------------|
| Postage & Telephone Expenses | 2,086,710 | 1,492,227 |
| Office Expenses | 516,710 | 314,526 |
| Rent | 2,026,840 | 15,508 |
| Legal & Professional Expenses | 1,703,068 | 2,117,299 |
| Directors Sitting Fees | 9,000 | 5,500 |
| Subscription & Membership Fees | 216,715 | 136,754 |
| Rates & Taxes | 80,790 | 42,446 |
| Donations | 724,915 | 576,919 |
| Staff Welfare Expenses | 785,962 | 548,710 |
| Audit Fee | 1,685,400 | 112,240 |
| Electricity Expenses | 1,224,817 | 1,047,542 |
| Advertisement & Recruitment Exp. | 794,187 | 609,826 |
| Listing Fee | 52,591 | 30,000 |
| Sales Commission | 2,385,097 | 1,907,429 |
| Secretarial Exp. | 96,025 | 64,924 |
| Vehicle Maintenance | 457,012 | 328,872 |
| Textile Committee Cess | 87,724 | 618,544 |
| TOTAL | 19,125,901 | 12,537,685 |

As per our attached report of even date.

For N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS

For and on Behalf of the Board

N. M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601
Surat, 15.04.2008

CHAIRMAN & MANAGING DIRECTOR B. G. JAIN
JOINT MANAGING DIRECTOR D. B. JAIN
COMPANY SECRETARY RASHMI BHATT
Surat, 15.04.2008

SCHEDULE - 20 : NOTES FORMING PART OF THE ACCOUNTS.

1. Significant Accounting Policies:

(A) Basis of Preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India, the applicable accounting standards and as per provisions of the Companies Act, 1956. The company follows the mercantile system of accounting and recognizes Income and Expenditure on accrual basis. Accounting Policies not referred to otherwise are consistent with the generally accepted accounting principles.

(B) Fixed Assets:

Fixed Assets are stated at cost less Accumulated Depreciation. Cost comprises purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

(C) Depreciation:

The company was providing Depreciation on written down value basis on all assets (Except Land) as per Income Tax Act 1961, upto year ended 31st December, 2006. The Company has changed the method of depreciation from written down value basis to straight line method at the rates specified in schedule XIV to the Companies Act, 1956 with effect from first day of January, 2007. The differential depreciation upto year 2006 of Rs. 965.04 lacs has been credited to Profit & Loss Account and Net Block as on 31st December, 2007 has been determined accordingly.

(E) Investments:

Investments are stated at cost of acquisition.

(F) Inventories:

Inventories are valued at lower of cost or net realisable value using FIFO cost method.

(G) Retirement Benefits:

Contribution to Provident Fund, Liability for Leave encashment and Gratuity are accounted for on accrual basis.

(H) Excise Duty:

The liability for Central Excise duty on account of stocks lying in factory has not been provided in the books of accounts as the same is being accounted for on payment basis and not carried into stock as per practice followed by the company. However, the liability if accounted would have no effect on the Profit for the year.

(I) Revenue Recognition:

- Sales is net of Sales Tax/VAT, Excise duty, Sales return, Rate difference, damage goods Compensation etc.
- Other income is accounted on due basis as per the terms.

(J) Foreign Currency Transactions:

Transaction in foreign currency are recorded at the rates of exchange in force at the time transactions are affected

(K) Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction of qualifying assets, Wherever applicable, are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.



(L) Related Party disclosures as per accounting standard 18

- (a) Where control exists
- Nakoda Syntex Pvt. Ltd.
 - B. G. Jain Investment Pvt. Ltd.
 - G. P. Shah Investment Pvt. Ltd.
 - P. B. Jain Investment Pvt. Ltd.
 - Varju Investment Pvt. Ltd.
- (b) Key Management Personnel:
- Shri B. G. Jain (Chairman & Managing Director)
 - Shri D. B. Jain (Joint Managing Director)
- (c) Other related parties with whom transaction have taken place during the year: NIL

Transaction with Related Parties

(Rs. In Lacs)

| Type of Related Party | Description of Nature of Transaction | Volume of Transaction | | Outstanding as on | |
|--------------------------|--------------------------------------|-----------------------|-------|-------------------|------|
| | | 2007 | 2006 | 2007 | 2006 |
| Where control Exists | FCD Issued | 1560.00 | NIL | NIL | NIL |
| | Share Warrant Issued | 2844.00 | NIL | 1900.00 | NIL |
| Key management Personnel | Remuneration etc. | 21.60 | 17.40 | NIL | NIL |

2. **Contingent Liabilities:**

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. Nil (Pre. Year Rs. Nil)
- (b) Outstanding guarantee furnished by Company's bankers Rs. 216.94 lacs (Pre. Year Rs. 14.80 lacs).
- (c) Claim against the Company not acknowledged as debt : Rs. NIL
- (d) Uncalled Liabilities : Rs. NIL

3. Salary and wages Rs. 2,13,22,864/- (Pre. year Rs. 1,87,84,918/-) includes remuneration paid to Directors Rs. 2,160,000/- (Pre. year Rs. 1,740,000/-)

4. The Balances of debtors, creditors, deposits, loans & advances are subjects to confirmation.

5. **Auditor's Remuneration:**

| | Current Year Rs.: | Previous Year Rs.: |
|--|-------------------|--------------------|
| (a) As Auditor's : (including tax audit) | 80,000 | 80,000 |
| (b) As Advisor or in any other capacity in respect of: | | |
| a) Company law matter: | --NIL-- | --NIL-- |
| b) Taxation matter: | --NIL-- | --NIL-- |
| c) Management service | --NIL-- | --NIL-- |
| d) in any other matter | 20,000 | 20,000 |

6. **Segment Information as per Accounting Standard 17:**

A) Primary Segment Reporting (by Activity Segment) - The two identified Segments are (i) Manufacturing (ii) Trading

(Rs.in Lacs)

| | 2007 | Manufacturing | Trading | Total |
|--|------|---------------|----------|---------|
| 1 Segment Revenue | | | | |
| Net Income from Sales | | 21604.25 | 36400.00 | 5800425 |
| 2 Segment Result | | | | |
| Profit Before Interest & Tax | | 1011.59 | 915.03 | 1926.62 |
| Less : Interest | | 404.80 | 486.67 | 891.47 |
| Total Profit/(Loss) before Tax | | 606.79 | 428.36 | 1035.15 |
| Exceptional items | | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after Exceptional items | | 606.79 | 428.36 | 1035.15 |
| 3 Capital Employed | | - | - | 5930.85 |
| Capital Employed has not been identified with any of the reportable segments, as the assets used in the company's business and liabilities contracted are used interchangeable between segments. | | | | |

7. Deferred Tax liability that has been recognised in the Balance Sheet is as under:

| Deferred Tax Assets (Liability) | Opening as on 01-01-07 | Debit/(Credit) during the year | Closing as at 31-12-07 |
|--|------------------------|--------------------------------|------------------------|
| Unabsorbed depreciation Under Income Tax Act, 1961 | (1061038) | (12338230) | (13399268) |
| Unabsorbed Losses Under Income Tax Act, 1961 | (12695952) | (12372873) | (23055010) |
| Total | (13756990) | (22697288) | (36454278) |

8. As required by Accounting Standard 20 on Earning Per Share Issued by the Institute of Chartered Accountants of India (ICAI) basic & Diluted Earning Per Share are calculated as under.

| | 31/12/2007 | 31/12/2006 |
|---------------------------------|------------|------------|
| Profit as per P&L A/c | 93021702 | 61424822 |
| Weighted number of Equity Share | 15000000 | 15000000 |
| Face Value of Share | 10.00 | 10.00 |
| Basic & Diluted EPS | 6.20 | 4.09 |

9. Registered/ installed capacity and production of each class of goods manufactured :

| | Items | Units Nos. | Capacity | | Production | |
|----|------------------------------|------------|------------|--------------------------------|--------------|---------------|
| | | | Registered | Installed | Current Year | Previous Year |
| 1 | POY <input type="checkbox"/> | M.T | 50000 | 30000 <input type="checkbox"/> | 27344 | 26048 |
| 2 | FDY <input type="checkbox"/> | | | 19500 <input type="checkbox"/> | | |
| 3 | Texturised Yarn | M.T | 650 | 650 <input type="checkbox"/> | | |
| 4. | Draw Twisted Yarn | M.T. | 420 | 420 <input type="checkbox"/> | 410 | 404 |

10. Turnover: (Rs. in 000's)

| Items | Units | Current Year | | Previous Year | |
|-----------------------------------|-------|--------------|---------|---------------|---------|
| | | Qty. | Value | Qty. | Value |
| POY Yarn <input type="checkbox"/> | M.T. | 26768 | 2119168 | 25602 | 1930654 |
| FDY <input type="checkbox"/> | | | | | |
| Texturised Yarn / D.T. Yarn | M.T. | 408 | 41257 | 392 | 42001 |

11. Details of Raw Materials, Components, Stores, Packing Materials, Oils & Chemicals purchased or acquired during the year under audit were :

| | |
|---|-------------------|
| (i) Raw Material (Chips) Imported | (Rs.) 832949549/- |
| (ii) Raw Material (Chips) Indegineous | 4353857922/- |
| (iii) Fuel, Oil & Chemicals, Packing Material, Components, Stores & Spares Etc. | 172891089/- |

12. Details regarding Opening Stock, Purchase, Sales, Consumption and Closing Stock.

| | Chips (Kgs.) | POY(Kgs.) | Texturised(Kgs.) | PFY/FDY (Kgs.) | Salt (Mt) | Soya (Mt) |
|-------------------------|-----------------|-----------------|------------------|-----------------|----------------|-----------------|
| Opening Stock | 2663098 | 75124 | 12483 | 384647 | 0 | 0 |
| Purchase | 27708058 | 0 | 0 | 19763588 | 5437719 | 6183.440 |
| Transfer from Chips/POY | 0 | 27344096 | 409964 | 0 | 0 | 0 |
| Total | 30371156 | 27419220 | 422447 | 20148235 | 5437719 | 6183.440 |
| Sales | 595600 | 26768117 | 408426 | 19892305 | 5061413 | 0 |
| Consumption | 27344096 | 409964 | 0 | 0 | 0 | 0 |
| Wastage | 1123642 | 0 | 0 | 0 | 0 | 0 |
| Closing Stock | 1307818 | 241139 | 14021 | 255930 | 376306 | 6183.440 |
| Total | 30371156 | 27419220 | 422447 | 20148235 | 5437719 | 6183.440 |

13. Value of imports on C.I.F. Basis (Rs. in 000's):

| | | |
|---------------|--------------|---------------|
| Raw Materials | Current Year | Previous Year |
| | 832949.549 | 1543423.471 |

14. Earning in foreign exchange on export of goods calculated on FOB Basis (Rs. in 000's):

| | |
|--------------|---------------|
| Current Year | Previous year |
| ---NIL--- | ---NIL--- |

15. Expenditure in foreign currency (Rs. in 000's):

| | |
|--------------|---------------|
| Current Year | Previous year |
| ---NIL--- | 746.710 |

16. Consumption of Imported Raw Material (Rs. in 000's):

| | |
|--------------|---------------|
| Current Year | Previous year |
| 832949.549 | 1512289.658 |

17. Sundry Debtors and advances include Rs. NIL due from concern in which directors of the Company are directors or the members or partners in case of firm

18. Small Scale industries to whom the company owes a sum which is outstanding for more than 30 days are Rs. NIL

19. Previous year's figures have been regrouped and/or recast wherever necessary and made them comparable with the current year's figure.

As per our attached report of even date.

For N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS

For and on Behalf of the Board

N. M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601
Surat, 15.04.2008

CHAIRMAN & MANAGING DIRECTOR B. G. JAIN
JOINT MANAGING DIRECTOR D. B. JAIN
COMPANY SECRETARY RASHMI BHATT
Surat, 15.04.2008



Balance Sheet Abstract and Company's General Business Profile

| | | | |
|------------|--|--|----------------------------------|
| I | Registration Details | Registration No.. L17111GJ1984PLC45995 | State Code 04 (Refer Code List) |
| | Balance Sheet Date | 31 12 | 2007 |
| | | Date Month | Year |
| II | Capital raised during the year (Amount Rs.) | | |
| | Public Issue | | Rights Issue |
| | NIL | | NIL |
| | Bonus Issue | | Private Placement |
| | NIL | | NIL |
| III | Position of Mobilisation and Deployment of Funds (Amount Rs.) | | |
| | Total Liabilities | | Total Assets |
| | 1,646,959,730 | | 1,646,959,730 |
| | Sources of Funds | | |
| | Paid-up Capital | | Share Application Money |
| | 150,000,000 | | 80,000,000 |
| | Share Warrant & FCD | | |
| | 30,000,000 | | Reserves & Surplus |
| | Secured Loans | | 443,085,395 |
| | 642,533,935 | | |
| | Deferred Tax Liability | | Unsecured Loans |
| | 36,454,278 | | 264,886,122 |
| | Application of Funds | | |
| | Net Fixed Assets | | Investments |
| | 611,940,582 | | 1,905,000 |
| | Net Current Assets | | Deferred Tax Assets |
| | 1,033,114,148 | | 0 |
| | Misc. Expenditure | | Accumulated Losses |
| | NIL | | NIL |
| IV | Performance of Company (Amount Rs.) | | |
| | Turnover (Net) | | Total Expenditure |
| | 5,758,826,398 | | 5,655,311,696 |
| | + - Profit/Loss Before Tax | | + - Profit/Loss After Tax |
| | 103,514,702 | | 93,021,702 |
| | | (Please tick appropriate box + for profit, - for loss) | |
| | Earning per Share in Rs. | | Dividend Rate % |
| | 6.20 | | 5 |
| V | Generic Names of Principal Products / Services of Company (as monetary terms) | | |
| | Item Code No | 54024600 | |
| | (ITC Code) | | |
| | Product Description | | PARTIALLY ORIENTED YARN |
| | Item Code No | 54023300 | |
| | (ITC Code) | | |
| | Product Description | | POLYESTER TEXTURISED YARN |
| | Item Code No | 54024300 | |
| | (ITC Code) | | |
| | Product Description | | POLYESTER FILAMENT YARN |

AUDITOR'S CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Nakoda Textile Ind. Ltd. for the year ended 31st December, 2007 reported upon by us on 15th April, 2008. According to the information and explanations given the aforesaid Cash Flow Statement has been prepared pursuant to clause 32 of the Listing Agreement with Stock Exchanges.

**FOR N.M. SINGAPURI & CO.
CHARTERED ACCOUNTANTS**

Place : Surat
Date : 15.04.2008

N.M.SINGAPURI
PARTNER
MEMBERSHIP NO. 11601



CASH FLOW STATEMENT FOR THE 12 MONTHS ENDED ON 31ST DECEMBER, 2007

| | AS AT 31.12.2007 RUPEES | AS AT 31.12.2006 RUPEES |
|--|-------------------------------|-------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary items | 93,021,702 | 61,424,822 |
| Add : Depreciation | 27,758,190 | 29,101,580 |
| Interest | 89,146,853 | 55,105,632 |
| Operating Profit before Working Capital Charges | <u>209,926,745</u> | <u>145,632,034</u> |
| Add / (Less) : (Increase) / Decrease in Current Assets | | |
| Debtors | (581,661,630) | (462,818,000) |
| Inventories | (81,842,684) | (125,473,806) |
| Loans & Advances | 3,714,197 | (18,087,712) |
| Add / (Less) : (Increase) / Decrease in Current Liabilities & Provisions | (449,863,372) | (460,747,484) |
| Cash Generated From Operations | <u>(3,779,380)</u> | <u>(5,360,722)</u> |
| Interest Paid | (98,486,478) | (55,523,803) |
| Direct Taxes Paid / Fringe Benefit Tax | 565,000 | 418,171 |
| Net Cash Flow From Operating Activities | <u>(101,700,858)</u> | <u>(60,466,354)</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase Of Fixed Assets | (253,793,573) | (11,867,447) |
| Purchase of Investments | - | 300,000 |
| Sales of Investments | - | - |
| Profit on Sale of Fixed Assets | - | - |
| Net Cash Flow From Investing Activities | <u>(253,793,573)</u> | <u>(11,567,447)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increasing in Share Capital | - | 40,000,000 |
| Increasing in Share Premium | - | 40,000,000 |
| Share Application Money | 110,000,000 | (75,000,000) |
| Proceeds From Borrowings | 278,761,960 | 14,559,688 |
| Proceeds From Unsecured Loans | 111,074,179 | 139,425,678 |
| Dividend Paid | - | - |
| Net Cash Flow From Financing Activities | <u>499,836,139</u> | <u>158,985,366</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | 144,341,708 | 86,951,565 |
| CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 146,154,193 | 59,202,628 |
| CASH & CASH EQUIVALENTS AT THE END OF THE YEAR | 290,495,901 | 146,154,193 |

As per our attached report of even date.

For N.M.SINGAPURI & CO.
CHARTERED ACCOUNTANTS

For and on Behalf of the Board

N. M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601
Surat, 15.04.2008

CHAIRMAN & MANAGING DIRECTOR B. G. JAIN
JOINT MANAGING DIRECTOR D. B. JAIN
COMPANY SECRETARY RASHMI BHATT
Surat, 15.04.2008



POSTAL BALLOT NOTICE

(Pursuant to provision of Section 192-A of the Companies Act, 1956)

Dear Member(s)

As per Section 192-A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot), Rules, 2001, the members consent for the matter set out at item **No.7** of the notice of Annual General Meeting enclosed herewith is required to be obtained by means of a Postal Ballot. Accordingly, we are appending the Postal Ballot Form for your consideration. You are requested to carefully read the instructions printed in the Postal Ballot Form and return the form duly completed in the attached self-addressed, postage prepaid envelope so as to reach the Scrutinizer before the close of working hours, on or before Monday, the 16th June 2008. The Ballot Form received after the said date will be considered invalid and will not be counted for the voting purpose. No other form or photocopy thereof, other than the original Postal Ballot paper, is permitted. The Scrutinizer will submit his report to the Chairman after completion of the scrutiny and the results of the Postal Ballot will be declared on Wednesday, the 18th June 2008 at the AGM of the Company.

The Company has appointed Shri S. Durairaj, Company Secretary, as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

By Order of the Board of Directors
For Nakoda Textile Industries Ltd.

Rashmi Bhatt
Company Secretary

Enclosures:

1. Resolution with Explanatory Statement as in the notice at Item No. 7.
2. Postal Ballot Form & self addressed postage prepaid envelope.

Sr. No. 5009**POSTAL BALLOT FORM**

| | |
|--|------------------------------------|
| 1. Name(s) of Shareholder(s) (in block letters) (including joint holders, if any) | 1. _____ 2. _____ 3. _____ |
| 2. Registered address of the sole/ first named shareholder | |
| 3. Registered Folio No./DP ID No.*/Client ID No.* (*Applicable to investors holding shares in dematerialized form) | |
| 4. Number of shares held | In numbers _____ In words _____ |
| 5. I/We hereby exercise my / our vote in respect of the special resolution to be passed through postal ballot for the business stated at item No. 7 in the notice dated 15 th April 2008 of the Company by sending my / our assent or dissent to the said resolution as under:- | |

| Description | Assent/Dissent | Please Tick () mark in the appropriate box below |
|--|---|---|
| Special resolution for insertion of new Object Clauses III(A) (3) & III (A) (4) under the main Object of the Memorandum of Association of the Company as per the draft resolution circulated to the shareholders vide notice dt. 15.04.2008. | I/We assent / agree to the Resolution. | <input type="checkbox"/> |
| | I/We dissent / dis-agree to the Resolution. | <input type="checkbox"/> |

Place:
Date:**(Signature of Shareholders)**
(Refer instruction No.3)**INSTRUCTIONS**

1. A Member desiring to exercise vote by postal ballot may complete this postal ballot form and send it to the Company in the attached self-addressed envelope. Postage will be borne by the Company. However, envelopes containing postal ballots if sent by courier at the expense of the registered shareholders will also be accepted.
2. The self addressed envelopes bears the name and address of the scrutinizer appointed by the Board of Directors of the Company.
3. This form should be completed and signed by the shareholder. In case of joint holding, this form should be completed and signed (as per specimen signature registered with the Company/DP) by the first named shareholder and in his absence, by the next named shareholder. In case of Corporate shareholders / Trusts / Societies, this form should be accompanied by a certified true copy of the Board resolution / authority and signed by an authorized signatory, whose signature is already registered with the Company/DP.
4. The Postal ballot shall not be exercised by a proxy.
5. Unsigned or incomplete postal ballot forms will be rejected.
6. Duly completed postal ballot form should reach the Company not later than the close of working hours of 16th June 2008. Postal ballot forms received after this date will be strictly treated as if the reply from the Member has not been received.
7. The result of the postal ballot will be declared on Wednesday the 18th June 2008 at the Annual General Meeting of the Company. Members may if they so desire address any query in relation to the aforesaid Resolution to the Company Secretary, at the Corporate office of the Company.

NAKODA TEXTILE INDUSTRIES LIMITED

Registered Office: Block No. 1&12 to 16, Village - Karanj, Taluka -Mandvi, Dist.- Surat

PROXY FORM

Folio No. / Client ID _____

I/We _____ of

_____ being a member/members of the

above named Company, hereby appoint _____

of _____

or failing him _____ of _____

as my/our proxy to vote for me/our behalf at the 23rd Annual General Meeting of the Company, to

be held at _____ and at adjournment thereof.

Signed this _____ day of _____ 2008.



Signature: _____

Note: Proxy Forms must reach the Company's Registered Office not less than 48 hours before the meeting.

------(TEAR HERE)-----

NAKODA TEXTILE INDUSTRIES LIMITED

Registered Office: Block No. 1&12 to 16, Village - Karanj, Taluka -Mandvi, Dist.- Surat

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

| | |
|--|-----------------------|
| Name of the attending Member (In Block Letters) | Folio No. / Client ID |
| | |
| Name of Proxy (In Block Letters) (To be filled in if the Proxy attends instead of the Member) | |
| | |

number of Shares held: _____

I hereby record my presence at the 23rd Annual General Meeting of the Company held at, Block No. 1&12 to 16, Village - Karanj, Taluka -Mandvi, Dist.- Surat at 12.30 P.M. on Wednesday, the 18th June, 2008.

Member's/Proxy's Signature
(To be signed at the time of handling over this slip)

(TEAR HERE)

BOOK-POST

If undelivered, Please return to :

NAKODA TEXTILE INDUSTRIES LIMITED
738, Ajanta Shopping Centre,
Ring Road, Surat - 395 002.
