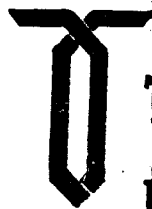


18TH

ANNUAL REPORT

2006 - 2007



TEXEL

INDUSTRIES

LIMITED

BOARD OF DIRECTORS

Shailesh R. Mehta	Managing Director
Naresh R. Mehta	Director
Kirit Mehta	Director
Sushil Kumar Pachisia	Director

AUDITORS

M/s A. L. Thakkar & Company,
Chartered Accountants,
Ahmedabad.

COMPANY SECRETARY (CONSULTING)

D. A. Rupawala

BANKERS

Union Bank of India,
Industrial Finance Branch,
Ahmedabad.

REGISTERED OFFICE & WORKS

Block No. 2106,
Santej-Khatraj Road,
Village Santej, Taluka Kalol,
Dist. Gandhinagar (Gujarat) – 382721.
INDIA.

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of Texel Industries Limited will be held on 31st August 2007, Friday at 9.30 a.m. at Block No. 2106, Santej - Khatraj Road, Village: SANTEJ, Taluka: Kalol (N.G.), Dist.: Gandhinagar to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2007, the Balance-sheet as at that date and the reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Mr. Kirit Mehta who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as special resolution:

RESOLVED THAT pursuant to section 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) and subject to such other approvals if any, as may be required the consent and approval of the company be and is hereby accorded to the appointment of Shri Shailesh Mehta as Managing Director of the Company for a period of 5 years w.e.f. 14th February, 2007.

By order of the Board

Shailesh Mehta
(Managing Director)

TEXEL INDUSTRIES LTD.


Managing Director

Date: 14th July, 2007

Place: Santej

Registered Office :

Block No. 2106,

Santej - Khatraj Road,

Village: SANTEJ, Taluka: Kalol (N.G.)

Dist.: Gandhinagar - 382 721.

NOTES

- a) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll, to vote instead of himself. A proxy need not be a member.
- b) Members/Proxies should bring the attendance slip, duly filled in for attending the meeting.
- c) Members/Proxies attending the meeting should bring their copy of the Annual Report for reference at the meeting.
- d) The Register of Members and the share transfer books of Company will remain closed from 25th August, 2007 to 31st August, 2007 both days inclusive.
- e) The explanatory statement u/s 173 of the Companies Act, 1956 is enclosed.
- f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company to be received at least seven days prior to the date of the meeting, so that the information required may be made available at the meeting to the best possible extent.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

The brief particulars of retiring director proposed for reappointment is as under:

Name of director	Brief particulars	Details of other Directorship	Details of membership of other Company
Mr. Kirit Mehta	He is Practicing Chartered Accountant. He is having rich experience in Finance, Audit, Taxation matters etc.	Nil	Nil

ITEM NO. 4

Shri Shailesh Mehta, joined the Board of the company since incorporation and he was re-appointed as Managing Director of the company for a period of 5 years w.e.f. 14TH February, 2002 and now being further re-appointed as Managing Director for a period of 5 years w.e.f. 14th February, 2007 on the following terms and conditions:-

Salary : To be decided by Board of Directors as and when need arise.

Perquisites :

Perquisites which may include accommodation / HRA, reimbursement of express for gas, electricity, water and furnishing, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to Provident Fund, superannuation fund or annuity fund and leave encashment etc., shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or the amount of entitlement in accordance with Schedule XIII of the Companies Act, 1956 as amended from time to time, whichever is less.

In the event of absence or inadequacy of profits, the remuneration will be paid as per Schedule XIII as minimum remuneration.

Further the Board of Directors have been authorized to fix the ceilings / limits of various perquisites payable to Shri Shailesh Mehta.

Shri Shailesh Mehta, aged 47 years is a Commerce Graduate having over 25 years of rich experience and enjoys good health. He has been associated with the company's project right from its inception.

The above may also be treated as an abstract of the revised terms and conditions of the appointment of Shri Shailesh Mehta pursuant to section 302 of the Companies Act, 1956.

The company is registered with BIFR and at present Shri Shailesh Mehta is not drawing any remuneration. The remuneration will be payable to Shri Shailesh Mehta after Board of Directors give their consent and as per the provisions of BIFR and other relevant acts.

Shri Naresh Mehta, Director being brother of Shri Shailesh Mehta is interested in this resolution.

The Directors recommend the resolution for approval of the members.

DIRECTORS' REPORT

To,
The Members,
Texel Industries Limited.

Your Directors are pleased to present you the Eighteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

The financial results of the company for the year under review are as under: (Rs. in Lacs)

Particulars	2006-07	2005-06
Income	789.75	628.86
Expenditure	660.30	599.30
Gross Profit / Loss	129.45	29.56
Interest	13.14	1.96
Depreciation	58.29	58.15
Profit before tax	58.02	(30.55)
Provision for tax	Nil	Nil
Profit after tax	58.02	(30.55)
Income/Expenses of earlier Year	(4.50)	(4.98)
Add: Profit brought forward	(3,669.88)	(3,634.35)
Balance Carried Forward	(3,616.36)	(3,669.88)

MANAGEMENT DISCUSSION AND ANALYSIS

The operations of your company comprises of manufacturing of Tarpaulins and allied products. This business forms the basis of review of operational performance by the management.

Company's Performance

Keeping in view the key indicators of the performance of the company for the year under review there is definite improvement in the company's performance. The Company has now entered the "Stable" Phase. The company has posted a turnover of Rs. 763.89 lakhs and a cash profit of Rs. 129.45 lakhs before interest and deprecation in the year under review. The company is still operating under various constraints but the management's resolve is to put the company on a growth path. New products are being developed and introduced in the market. The coming years are crucial for the company but the management is confident to turn around the company in a short time.

DIVIDEND

In view of the losses during the year, your Directors have not recommended any dividend for the period under review.

DECLARED AS SICK COMPANY

As you are aware your company was a sick company under the provisions of sick industrial companies (special provisions) Act, 1985 (SICA). The company has been declared sick industrial company vide order-dated 24.05.02 of BIFR New Delhi. The rehabilitation proposal was submitted to the operating agency. The operating agency has submitted its report to the BIFR and has suggested to the company for a comprehensive OTS. The OTS has been submitted to the operating agency, and is under their active consideration.

DIRECTORS

In terms of the Articles of Association of the Company, Mr Kirit Mehta retires by rotation and being eligible, offers himself for reappointment.

Reappointment of Managing Director

Shri Shailesh Mehta, Managing Director of the company to be re-appointed by Shareholders w.e.f. 14th February, 2007. Necessary resolution for the re-appointment have been included in the notice conveying the ensuing Annual General Meeting.

PARTICULARS OF EMPLOYEES:

There was no employee in receipt of remuneration under Section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

1. That in the preparation of the Annual Accounts for the year ended 31st March 2007, the applicable accounting standards have been followed and there were no material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.
3. That the Directors have been taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and out-go, in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' to this Report.

LISTING

Your Company's shares are listed with the Stock Exchanges at Ahmedabad & Mumbai. The annual Listing fees have been paid for the year 2007-2008 except for Ahmedabad Stock Exchange. The directors are taking steps to clear the same at the earliest.

AUDITORS AND AUDITOR'S REPORT:

The present Auditors of the Company M/s A.L Thakkar & Company, Chartered Accountants, Ahmedabad retires at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Auditors' Report and the notes to the account being self-explanatory, no further explanation is required. The Company has settled Rs.9,94,968/- disputed statutory dues mentioned in clause 9(b) of Audit Report Annexure pertaining to Customs Duty D.G.F.T., New Delhi.

CORPORATE GOVERNANCE

The report on corporate governance and auditors certificate on compliance with the condition of corporate governance under clause 49 of the listing agreement is annexed to this report.

ACKNOWLEDGEMENT

The Directors record their appreciation of the Co-operation and assistance extended by the Financial Institutions, Banks and Government Authorities as well as valued customers from time to time. They also record their appreciation of the devoted services rendered by the Executives, Staff Members and Workers of the Company.

On behalf of the Board of Directors

Date: 14th July, 2007

Place: Santej

Shailesh Mehta
(Managing Director)

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE 'A'

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

a. Energy conservation measures:

The Company is making continuous efforts for the conservation of energy through improved operational methods and better plan utilisation.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

No additional investments are planned at this stage.

c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Consumption of energy has been optimised to the extent possible.

d. Total energy consumption per unit of production.

	2006-07	2005-06
Electricity		
(1) Purchased		
Quantity (Units)	26,68,440	25,88,626
Total Amount (Rs.)	1,26,06,187	1,16,47,183
Average Rate (Rs.)	4.72	4.50
(2) (A) Own Generation		
Unit (kHz)	996	1,020
Unit/Liters of diesel oil	3.40	3.40
Cost / Unit	10.85	9.79
(B) Own Generation		
Unit / (kHz)	1,16,508	1,17,591
Unit/kgs. of Gas	19.00	19.00
Cost/Unit	2.24	2.11

B TECHNOLOGY ABSORPTION

1. Research and Development (R & D):

(a) Specific area in which R & D carried out by the Company:

The Company employs indigenous technology and continuous efforts are made for improvement in technical process and energy saving. The Company also is continuously working towards product development and achieving higher turnover in such a way that the bottlenecks in the production process is taken care of.

(b) Benefits derived as a result of the above R & D:

By addition of the new product the company is trying to improve presence in domestic as well as overseas markets. The company will be also in a position to achieve higher production by reducing the impact of production mismatch with new product development.

(c) Future plan of action:

The Company will continue to work towards product development and cost cutting measures to achieve higher efficiency.

(d) Expenditure on R & D:

There is no specific/separate expenditure incurred for the R & D during the year under review. The efforts for R & D are part of every productive activity of the Company.

2. Technology Absorption, Adaption & Innovation

(a) Efforts made:

The Company has in house technical expertise and no foreign / imported technology is used. It is constant a endeavour of the Company to absorb new product / process of manufacturing and continue to innovate new products keeping in mind changing demands of the customers. During the year under review Company focussed on developing a product mix which made best use of the available production capacity and reduced the impact of production bottlenecks.

(b) Benefits derived as a result of above efforts:

The Company is now confident of achieving higher production and would be in a position to achieve higher efficiency improving over all working of the Company.

(c) Foreign exchange earnings and outgo:

	2006-07 (Rs. in Lacs)	2005-06 (Rs. in Lacs)
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange earnings	Nil	Nil

ANNEXURE 'B'

Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details

Registration No. : 1 2 5 7 6
 State Code : 0 4
 Balance Sheet Date : 3 1 0 3 0 7
 D M Y

(Amount in Rs. Thousand)

II. Capital raised during the year

Public Issue	Right Issue
NIL	NIL
Bond Issue	Private Placement
NIL	NIL

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	Total Assets
245297	245297

Sources of Funds

Paid up Capital	Reserves & Surplus
5 8 4 5 8	2 8 7 6 2

Application of Funds

Secured Loans	Unsecured Loans
1 4 3 7 6 9	14307
Net Fixed Assets	Investments
6 3 3 3 1	NIL
Net Current Assets	Misc. Expenditure
-180125	NIL

IV. Performance of the Company

Gross Revenue	Total Expenditure
78975	73173
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
5803	5352
EPS on equity shares	Dividend Rate %
1.00	NIL

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

I.T.C. Code	Product Description
3 9 2 6 9 0 0 9 . 9 0	Tarpaulins

As per our Report of even date
For, A. L. Thakkar & Company
 Chartered Accountants

For and on behalf of the Board of Directors

Aseem L. Thakkar
 Partner

Shailesh R. Mehta
 Managing Director

Sushil Kumar Pachisia
 Director

Date : 14th July, 2007
 Place : Ahmedabad

Date : 14th July, 2007
 Place : Santej

**ANNEXURE " C "
TEXEL INDUSTRIES LTD
CORPORATE GOVERNANCE**

INTRODUCTION

Company's philosophy on corporate governance

TEXEL INDUSTRIES LIMITED believes in adopting the best global practices in the areas of Corporate Governance and follows the principles of fair representation and full disclosure of all its dealing and communication thereby protecting rights and interest of all its shareholders. The securities and Exchange Board of India has introduced a code of Corporate Governance for implementation by Listed Companies. The report for the year 2006-2007 is as follows.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management, legal and marketing. The composition of the Board of Directors with reference to number of Executive and Non – Executive Directors, meets with the requirements of Clause 49(I)(A) of the Listing Agreement.

The present strength of the Board of Directors is four , whose composition is given below :

- One Director
- O. ie Executive Director
- Two Independent Director

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

The composition of the Board of Directors, the number of other Directorship and committee position held by the Director, of which the Director is a Member/ Chairman are as under :

A. The constitution of the Board as on 31-03-07

Name of Directors	Category	Category Executive/ Non-Executive	No of Directorship As on 31-3-2007
Shri Shailesh R. Mehta	Managing Director	Executive Director	Nil
Shri Naresh R. Mehta	Director	Director	Nil
Shri Kirit Mehta	Director	Independent	Nil
Shri Sushil Kumar Pachisia	Director	Independent	Nil

BOARD PROCEDURE

The Board meets at least once a quarter to review the quarterly performance and the financial results. The Board Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. All the items on the Agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial/ business plans, financial results, detailed presentations are made. The Agenda and the relevant notes are sent in advance separately to each Director and only in exceptional cases, the same is tabled at the meeting. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

The information as specified in Annexure IA to clause 49 of the Listing Agreement is regularly made available to the Board.

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, with presentations by Functional heads. Senior Management is invited to attend the Board Meetings so as to provide additional inputs to the items being discussed by the Board.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, details of joint ventures, sale of business unit/ division, compliance with statutory/ regulatory requirements, major accounting provision and write-offs are considered by the Board.

The Minutes of the Board Meetings are circulated in advance to all Directors and confirmed at subsequent Meeting. The Minutes of Audit Committee and other committees of the Board are regularly placed before the Board.

B. Attendance of each director at the Board Meetings and the last Annual General Meeting is as under :

Name of Director	No. of Board Meeting Attended		Last Annual General Meeting Attended
	Held	Attended	
Shri Shailesh R. Mehta	6	6	YES
Shri Naresh R. Mehta	6	0	NO
Shri Kirit Mehta	6	0	NO
Shri Sushil Kumar Pachisia	6	6	YES

C. Number of Board Meetings were held and the dates on which such meeting were held.

Six Board Meetings were held during the 12 months accounting period ended 31-3-2007. The date of such Board Meetings are 30.04.2006, 25.06.2006, 05.08.2006, 30.10.2006, 31.01.2007 and 30.03.2007.

AUDIT COMMITTEE:

The Board of the company has constituted the audit Committee comprising independent Non Executive Directors.

- (1) Shri Shailesh R. Mehta - Managing Director
- (2) Shri Sushil Kumar Pachisia - Chairman
- (3) Shri Kirit Mehta - Member

They have considered the draft account and internal Audit report. During the year Audit Committee held three Meetings.

Attendance during the Accounting period ended 31.03.2007. is as under.

Members	Category	Meeting Attended
(1) Shri Shailesh R. Mehta	Managing Director	Yes
(2) Shri Sushil Kumar Pachisia	Chairman	Yes
(3) Shri Kirit Mehta	Member	Yes

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE deals with matters relating to

- (1) Transfer of Shares
- (2) Issue of duplicate / new sub-divided and consolidated share certificates.
- (3) Shareholders / Investors Grievance and its redressal.

During the year Shareholders / Investors Grievance Committee held 2 Meetings.

Attendance during the Accounting period ended 31.03.2007 is as under.

Members	Category	Meeting Attend
(1) Shri Shailesh R. Mehta	Managing Director	Yes
(2) Shri Sushil Kumar Pachisia	Chairman	Yes

Name of the Compliance Officer : Shri Shailesh Mehta
 Designation : Managing director

Number of Shareholders complaints received during the year : Nil
 Number of complaints not resolved to the satisfaction of Shareholders : Nil
 Number of pending Share Transfer : Nil

Directors Remuneration

Directors Remuneration during the Accounting year ended 31.03.2007

Name of Director	Sitting Fees	Salary & Perks	Total Rs.
Shri Shailesh R. Mehta	-	-	-
Shri Naresh R. Mehta	-	-	-
Shri Kirit Mehta	-	-	-
Shri Sushil Kumar Pachisia	18,000	Nil	18,000

The Company does not pay any remuneration to its Directors. Hence there was no meeting of the remuneration committee during the year.

NOTES ON DIRECTORS REAPPOINTMENT

Shri Kirit Mehta retires by rotation at the ensuring Annual General Meeting and being eligible offers himself for reappointment. Shri Kirit Mehta has more than 32 years of experience in the financial sector being a Chartered Accountant.

Details of other Directors : Nil

SHAREHOLDERS INFORMATION

(a) Location and time where the last 3 AGM – EGM were held.

Year	AGM/ EGM	Location	Date & Time
2005-06	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	07.08.2006 9.30 A.M.
2004-05	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	30.09.2005 10.30 A.M.
2003-04	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	30.09.2004 10.30 A.M.

(b) Whether the Special Resolution was put through last Year, details of voting pattern.

No Special Resolution was required to be passed last Year. Hence there was no necessity of postal ballot.

DISCLOSURE

(a) Disclosure on materially significant related party transaction, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relative etc. That may have potential conflict with the interests of company at large.

None

(b) Details on Non-compliance by the company, penalties, strictures, imposed on the Company by Stock Exchange or SEBI or any statutory authority, or any matter related to capital markets, during the last three years.

The trading in equity shares of the company has been suspended by stock exchanges due to certain inevitable non compliances . However no penalties and strictures are imposed on the company.

MEANS OF COMMUNICATION

The Board of Directors / Committee of Directors of the Company approved and takes on record the Unaudited Quarterly Financial Results and audited results in performa prescribed by the Stock Exchange and announces forthwith the results to all the Stock Exchange where the share of the Company are listed. The company is regular in submitting quarterly results to the stock exchanges and they are published in News Papers.

Internal Control Systems

The Company has got adequate Internal Control System and procedures relating to the purchase of various raw-materials, stores and other consumables. The plants are sending regular and timely reports to the managing directors and other management executives and corrective actions as and when, required are being taken by the management.

Statutory Relations

Managing Directors of the Company is the Compliance Officer, Moreover the Company has retained services of a consulting Company Secretary for making of all provisions of Companies Act, Securities Control and Regulation Act, SEBI Act, etc.

Industrial Relations

The Company has been maintaining cordial industrial relations and the labours are Co-operative. Productivity Measures are being taken to reduce wastage and improving the sales.

GENERAL SHAREHOLDERS INFORMATION

(A) ANNUAL GENERAL MEETING

Date & Time : 31-08-2007 9.30 A.M.
Block No. 2106, Santej – Khatraj Road,
Village: Santej, Tal: Kalol, Pin: 382721.

(B) Financial Calendar:

Particulars	Date
Financial Reporting For	
Quarter ended June 30, 2007	4 th Week of July ' 2007
Quarter ended September 30, 2007	4 th Week of October ' 2007
Quarter ended December 31, 2007	4 th Week of January ' 2008
Quarter ended March, 2008	4 th Week of April ' 2008
Book closure Date	: 25.08.2007 to 31.08.2007 (Both Days Inclusive)
Dividend payment date	: N.A.

**Listing of Equity Shares
On the stock Exchange**

- (1) The Stock Exchange, Ahmedabad
Kamdhenu Complex, Near Panjrapole,
Ambavadi, Ahmedabad 380 015.
- (2) The Stock Exchange Mumbai,
Phirozjeejeebhoy Tower,
Dalal Street, Mumbai.

The Company has paid annual Listing Fees to the above Stock Exchange for the year 2007- 2008 except Ahmedabad Stock Exchange.

(c) Stock Code: -

Name of Stock Exchange	Stock Code
The Stock Exchange Ahmedabad Kamdhenu complex Nr. Panjrapole, Ambavadi Ahmedabad-380 015	60449
The Stock Exchange Mumbai, Phiroz jeejeebhoy tower Dalal Street Mumbai	26638.

Demat :

ISIN NUMBER for Equity shares: - The Company is in process of obtaining D-mat Facilities as NSDL / CDSL do not en roll BIFR registered company.

STOCK MARKET DATA: - The Shares are not traded during the year 2006-2007

REGISTRAR & SHARE TRANSFERAGENTS

- (1) For Physical & Electronic Mode: The Company is in process of appointing of Share Transfer Agent.

SHARE TRANSFER SYSTEMS

Share sent for transfer in physical form are registered by the company and returned Between 15 to 30 days from the date of receipt, if documents are in order in all respects, shares under objections are returned within 2 weeks.

DISTRIBUTION OF SHAREHOLDING AS ON 31-03-2007

Shareholding From Nos.	To. Nos.	Shareholders Numbers	% Total Nos.	Shares Amount in Rs.	% of Total Nos.
Up to	5000	4409	82.07	67,01,600	12.54%
5001	10000	298	5.55	26,21,000	4.90%
10001	20000	391	7.28	65,58,400	12.27%
20001	30000	83	1.55	21,47,400	4.02%
30001	40000	48	0.89	17,01,990	3.18%
40001	50000	39	0.72	18,45,440	3.45%
50001	100000	96	1.79	1,56,39,320	29.26%
100001	and above	8	0.15	1,62,43,270	30.38%
TOTAL		5372	100.00	5,34,58,420	100.00%

CATEGORIES OF SHAREHOLDING AS ON 31-03-2007

Category	No. of Shares Held	Percentage
Promoters	17,58,432	32.89%
Mutual Funds	-	-
Private Corporate Bodies	3,37,290	6.32%
NRI Holding	4,78,700	8.95%
Indian Public	27,71,420	51.84 %
TOTAL	53,45,842	100.00 %

DEMATERIALISATION OF SHARES AND LIQUIDITY:

None of the Equity Capital held in dematerialised form with NSDL and CDSL as on date 31-03-2007. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f 01.04.2003 as per notification issued by the Securities and Exchange Board of India (SEBI). The Company is in process of obtaining D-mat Facilities.

Plant location : Block No. 2106 Santej – Khatraj road,
Village : Santej, Tal : Kalol, Pin : 382 721

Address of Correspondence : Block No. 2106 Santej – Khatraj road,
Village : Santej, Tal : Kalol, Pin : 382 721

- (1) Investor correspondence for Transfer / Dematerialisation of shares and any other query relating to the shares of the Company.

For Shares held in Physical Form : **Texel Industries Limited**
Block No. 2106 Santej – Khatraj road
Village : Santej, Tal : Kalol, Pin : 382 721

(2) Any Query on Annual Report : **Texel Industries Limited**
Block No. 2106 Santej – Khatraj road
Village : Santej, Tal : Kalol, Pin : 382 721

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
TEXEL INDUSTRIES LIMITED
Block No: 2106,
Santej – Khatraj Road, Village: Santej,
Tal: Kalol, Pin: 382 721.

We have read the Report of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by the Texel Industries Limited for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement executed by Company with the Stock Exchanges.

The Compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance 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 to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the Listing Agreement.

We state that no investors complaints are pending for a period exceeding for 30 days against the Company as per the records maintained by the Share Transfer and investors Grievance committee.

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

For A.L. Thakkar & Co.,
Chartered Accountants

Place: **Ahmedabad**
Date: **14-07-2007**

Aseem L. Thakkar
(Partner)

AUDITORS' REPORT

To,
The Members
TEXEL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of M/s. 'TEXEL INDUSTRIES LIMITED' as at 31st March 2007 and the Profit and Loss Account of the company for the year ended on that date annexed there to. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards accepted in India. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the companies (Auditors report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclosed in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. **Further to our comments in the Annexure referred to above, and note no 23 of note forming part of Balance sheet and Profit & Loss account, we report that:**
 - (I) 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.
 - (II) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as appears from our examination of the books.
 - (III) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
 - (IV) In our opinion the Balance sheet, profit and loss account dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
 - (V) On the basis of written representation received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956.
 - (VI) In our opinion and to the best of our knowledge and according to the explanation given to us, the accounts read with notes thereon, give the information required by the Companies Act, 1956, in the matter 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 March, 2007
 - b) In the case of Profit & Loss account for the Profit for the year ended on that date.

For **A. L. Thakkar & Company,**
Chartered Accountants

Aseem L. Thakkar
Partner

Date: 14th July, 2007
Place: Ahmedabad

ANNEXURE TO THE AUDITORS REPORT

Referred to in paragraph (3) of our report of even date.

1. **In respect of assets:**
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets on the basis of information available.
 - b. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c. In our opinion, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.
2. **In respect of inventories:**
 - a. The inventory has been physically verified during the year by the management. In our Opinion, the frequency of verification is reasonable.
 - b. In our opinion and according to the information and explanation given to us, the Procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to book records.
3. **In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties is covered in the register maintained under section 301 of the companies Act, 1956:**
 - a. The Company has not granted loan to any party covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b. The company has taken loans from three parties covered in the register maintained under section 301 of the companies Act, 1956. The maximum amount involved during the year was Rs.20.08 Lacs and the year-end balance of loans taken from such parties was Rs.18.94 lacs.
 - c. In our opinion and according to the information and explanations given to us, the rate of the interest, wherever applicable and other terms and conditions of loans taken are not prima facie prejudicial to the interest of the company.
- d. **The company is not regular in repaying the principal amounts as stipulated and has not been regular in the payment of interest wherever applicable.**
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and also with to the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.
5. **In respect of transactions covered under section 301 of the companies Act, 1956.**
 - a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts of arrangements that need to be entered into the register maintained under section 301 of the companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at price which are reasonable having regards to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the company has an internal audit commensurate with the size of the company and the nature of its business.
8. We have been informed by the management that the Central government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of products manufactured by the company.

9. In respect of statutory dues.

- a. According to the records of the company, the company is not regular in depositing with appropriate authorities undisputed statutory dues of provident fund, employees state insurance, and Professional tax dues applicable to it. The company is regular in depositing with appropriate authorities undisputed statutory dues of investors education and protection fund, income tax, wealth tax, Service tax, custom duty and excise duty. According to the information and explanation given to us, the following undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the date they become payable.

Name of the statute	Nature of dues	Amc unt Rs.
E.P.F. Act	Provident Fund	4,72,188
E.P.F. Act	Interest & Damages	3,73,043
E. S. I. Act	E. S. I.	63,917
Professional Tax Act	Professional Tax	77,900
Municipal Act	Property Tax	48,644

- b. The disputed statutory due aggregating to Rs. 59.89 Lacs, that have not been deposited on account of matters pending before appropriate authorities are as under :

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Amount Rs.
Municipal Act	Property Tax	Small cause court	1,90,443
Stamp duty Act	Stamp duty	Chief Controller of Revenue Authority	2,02,256
Excise Act	Excise duty	Dy. Com. Excise	6,47,791
Custom Act	Custom duty	D.G.F.T New Dehli	49,48,866

10. The accumulated losses of the company have exceeded fifty percent of its net worth as at 31st March 2007. The company has not incurred any cash loss during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedure and according to the information and explanation given to us, we are of the opinion that the company has defaulted in repayment of dues to financial institutions and banks.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company 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. Hence clause 4 (xiii) of the companies (Auditors Report) Order 2003 is not applicable of the company.
14. In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Hence clause 4 (xiv) of the Companies (Auditors Report) Order 2003 is not applicable to the company.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.

16. The company has not raised any new term loan during the year. The term loans outstanding at the beginning of the year were applied for the purpose for which they were raised.
17. According to the information and explanation given to us and on an overall Examination of the Balance sheet of the company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanation given to us the company has not made any preferential allotment of shares, during the year, to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanation given to us no fraud on or by the company has been noticed or reported during the year.

For **A. L. Thakkar & Company,**
Chartered Accountants

Aseem L. Thakkar
Partner

Date: 14th July, 2007
Place: Ahmedabad

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-3-2007

Particulars	Schedule	As on 31/03/07	As on 31/03/06
INCOME :			
Sales	11	7,63,88,576	4,79,57,671
Other Income	12	25,86,590	25,314
Increase/(Decrease) in Stock		0	0
Total Rs.		7,89,75,166	4,79,82,985
EXPENDITURE :			
Raw Material Consumed	13	3,49,39,437	1,67,13,748
Manufacturing Operating Expenses	14	2,62,85,300	2,22,39,771
Payment to & Provision for Employees	15	23,61,603	20,70,980
Administration & Other Expenses	16	18,99,676	15,39,827
Selling & Distribution Expenses	17	5,43,721	24,62,466
Financial Expenses	18	13,14,400	1,95,658
Depreciation		58,28,459	58,15,604
		7,31,72,596	5,10,38,054
NET PROFIT FOR THE YEAR BEFORE TAX		58,02,570	-30,55,069
PRIOR YEAR INCOME/EXPENSES		-4,50,493	2,44,754
PROVISION FOR TAX		0	0
PROFIT AFTER TAX		53,52,077	-35,52,910
ADD : Surplus brought forward from previous year		-36,69,87,615	-36,34,34,705
BALANCE CARRIED TO BALANCE SHEET		-36,16,35,538	-36,69,87,615
E.P.S. & DILUTED E.P.S.		1.00	-0.57
Notes to the Accounts	19		

As per our Report of even date
For, A. L. Thakkar & Company
Chartered Accountants

Aseem L. Thakkar
Partner

Date : 14th July, 2007
Place : Ahmedabad

For and on behalf of the Board of Directors

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : 14th July, 2007
Place : Santej

TEXEL INDUSTRIES LTD.


Managing Director

SCHEDULE FORMING PART OF THE BALANCE SHEET

Particulars	As at 31/03/07	As at 31/03/06
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED		
80,00,000 Equity Shares of Rs 10 each	8,00,00,000	8,00,00,000
5,00,000 Redeemable Preference Shares of Rs 10 each	50,00,000	50,00,000
ISSUED SUBSCRIBED & PAID-UP		
53,45,842 Equity Shares of Rs 10 each fully paid up (Previous year 53,45,842 Equity shares of Rs.10 each)	5,34,58,420	5,34,58,420
5,00,000 18% Cumulative Redemable Preference shares of Rs 10 each fully paid up (Previous year 5,00,000 18% Cumulative Redemable Preference Shares of Rs.10 each.)	50,00,000	50,00,000
	<u>5,84,58,420</u>	<u>5,84,58,420</u>
SCHEDULE 2: RESERVES AND SURPLUS		
REVALUATION RESERVE	9,29,385	10,46,421
SHARE PREMIUM	1,94,99,668	1,94,99,668
CAPITAL REDEMPTION RESERVE	33,33,332	33,33,332
GENERAL RESERVE	50,00,000	50,00,000
	<u>2,87,62,385</u>	<u>2,88,79,421</u>
SCHEDULE 3: SECURED LOAN		
WORKING CAPITAL FROM BANKS		
Union Bank of India (Secured by First charge by way of Hypothecation of Raw Materials, Stock in Process, Finished Goods, Stores & Spares, Packing Materials & Book debts, further secured by Second Charge on the Land & Building, Plant & Machinery & Personal Guarantees of two Directors of the Company) (Refer Note No. 23 of Notes forming part of B/S & P&L A/C)	8,24,68,395	8,47,00,054
TERM LOAN		
STANDARD CHARTERED BANK (Secured by Equitable Mortgage of Land and Building Hypothecation of Plant & Machinery) (Refer Note No. 23 of Notes forming part of B/S & P&L A/C)	3,09,01,824	3,09,01,824
STANDARD CHARTERED BANK (secured by Hypothecation of Immovable & Movable properties subject to the prior charge on current assets in favour of Bankers for securing working capital borrowings) (Refer Note No. 23 of Notes forming part of B/S & P&L A/C)	1,72,57,195	1,72,57,195
OTHERS		
Undert Hire Purchase Scheme	1,31,41,749	1,31,45,880
	<u>14,37,69,163</u>	<u>14,60,04,953</u>

Particulars	As at 31/03/07	As at 31/03/06
SCHEDULE 4 : UNSECURED LOAN		
Inter-Corporate Deposit (Repayable within one year)	40,00,000	40,00,000
Others (Repayable within one year)	85,32,926	1,00,97,926
Agency Deposit	80,000	80,000
From Directors	16,94,077	18,07,628
	<u>1,43,07,003</u>	<u>1,59,85,554</u>

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Cost as on 1/4/06	Addition during the year	Deduction	Cost as on 31/3/07	Provided up to 31/3/06	For the year	Adjustment	Total upto 31/3/07	As on 31/3/06	As on 31/3/07
Land	2332388	0	0	2332388	0	0	0	0	2332388	2332388
Fac. Building	24702054	0	0	24702054	8405983	825047	0	9231030	16296071	15471024
Office Building	1821108	0	0	1821108	332623	29684	0	362307	1488485	1458801
Plant & Mach.	87770604	800243	0	88570847	45694272	4179206	0	49873478	42076332	38697369
Ele. Installation	6200734	0	0	6200734	3058279	294536	0	3352815	3142455	2847919
Furniture	6194245	0	0	6194245	4231094	392096	0	4623190	1963151	1571055
Off. Automation	4451416	43512	0	4494928	3251477	127896	0	3379373	1199939	1115555
Vehicle	1466690	0	0	1466690	1132783	97028	0	1229811	333907	236879
Total	134939239	843755	0	135782994	66106511	5945493	0	72052004	68832728	63730990
Previous Yr	133050320	1888919	0	134939239	60173871	5932640	0	66106511	72876449	68832728

SCHEDULE 6 : INVENTORIES

(As certified and valued by the Management)

Raw Material/Work in Progress	1,08,92,510	1,41,96,998
Stores & Spares	2,65,780	2,95,837
	<u>1,11,58,290</u>	<u>1,44,92,835</u>

SCHEDULE 7 : RECEIVABLES

(Unsecured, considered good, unless otherwise stated)

More than Six months		Pr. Year	1,69,28,493	1,36,37,117
Considered good	19,30,488	14,98,841		
Considered doubtful	1,49,98,005	1,21,38,276		
Less than Six months			1,84,75,051	41,54,452
			<u>3,54,03,544</u>	<u>1,77,91,569</u>

Particulars	Year Ended 31st March, 2007	Year Ended 31st March, 2006
SCHEDULE 13 : RAW MATERIAL CONSUMED		
Opening Stock	1,41,96,997	6,14,238
Add Purchases	3,16,34,950	3,02,96,508
Less Closing Stock	<u>-1,08,92,510</u>	<u>-1,41,96,998</u>
	3,49,39,437	1,67,13,748
SCHEDULE 14 : MANUFACTURING & OPERATING EXPENSES		
Frieght Octroi & Cartage	11,63,576	3,61,113
Power	1,28,78,501	1,19,05,234
Repairs & Maintenance	2,89,025	3,30,681
Consumable store & spares	28,14,310	22,47,705
Factory Exp	65,590	34,735
Conversion Charges	89,15,537	73,60,303
Gujarat Sales Tax/Vat	1,54,600	0
Central Sales Tax	4,161	0
	<u>2,62,85,300</u>	<u>2,22,39,771</u>
SCHEDULE 15 : PAYMENT TO & PROVISION FOR EMPLOYEES		
Salaries & Wages	20,55,950	19,07,208
Staff Welfare, Perquisites & Other Expenses	3,05,653	1,63,772
	<u>23,61,603</u>	<u>20,70,980</u>
SCHEDULE 16 : ADMINISTRATION & OTHER EXPENSES		
Audit Fees	28,090	16,836
Computer Exp	53,549	45,260
Conveyance	2,13,315	1,95,788
Donation	501	0
Electricity Exp	0	175
Fringe Benefit Tax	69,915	43,720
Insurance charges	2,561	1,725
Legal & Professional charges	7,12,938	5,25,468
Municipal Tax	25,459	25,459
Office Exp	88,532	36,249
Penalty & Damages	12,200	0
Professional Tax	1,000	1,100
Post & Telegram	98,811	79,488
Printing & Stationary	1,05,284	67,003
Security Exp	1,41,297	1,38,852
Service Tax	0	654
Sitting Fees	18,000	15,000
Telephone Expenses	2,07,794	2,45,361
Vehicle Expenses	<u>1,20,430</u>	<u>1,01,689</u>
	18,99,676	15,39,827
SCHEDULE 17 : SELLING & DISTRIBUTION EXPENSES		
Advertisement Exp	67,538	26,649
Discount & Kasar	1,39,347	11,641
Sales Promotion Exp	1,10,437	48,267
Sundry written off	0	22,30,327
Tender Fee	1,100	1,600
Travelling Exp	2,25,299	1,43,982
	<u>5,43,721</u>	<u>24,62,466</u>
SCHEDULE 18 : FINANCIAL CHARGES		
Bank Charges & Commission	1,17,615	36,209
Interest	<u>11,96,785</u>	<u>1,59,449</u>
	13,14,400	1,95,658

SCHEDULE: 19**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007.****A. Significant Accounting Policies**

The accounts are prepared in accordance with the accounting principles accepted in India.

The significant accounting policies to the extent applicable to the company as under :

1) System of Accounting

The financial statements are prepared on the basis of historical cost convention on accrual basis and on going concern basis.

2) Revenue Recognition:

All known expenditure and income to the extent payable or receivable respectively and quantifiable till the date of finalisation of accounts are accounted on accrual basis.

3) Fixed Assets:

Fixed Assets are carried at cost of acquisition and construction including incidental expenses related to acquisition and installation on concerned assets, less accumulated depreciation and amortisation. Certain assets were re-valued for which proper disclosure is made in accounts. Refer Note –18.

4) Depreciation:

Depreciation has been provided at cost on Straight Line Value method in accordance with the provision of section 205(2)(b) of the Companies Act, 1956 at the rate prescribed in Schedule XIV of the Companies Act, 1956 on prorata basis with reference to the date of acquisition / installation.

5) Investments:

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

6) Valuation of Inventories:

- i. Raw Materials, stores & spares and packing materials are valued at cost. Cost for this purpose includes interest on usance L/Cs opened for procurement of raw materials, L/C opening charges and other incidental charges directly related with procurement of raw materials.
- ii. Work in process is valued at cost. Cost for this purpose includes the cost of direct material, direct labour and other conversion cost incurred upto the respective stages of work in process.
- iii. Finished goods are valued at lower of cost or market value. Cost for this purpose includes cost of direct material, direct labour and factory and administration overheads.
- iv. Scrap is valued at net realisable value.

7) Sales

Sales are invoiced on delivery of goods to the customers. Invoiced value of sales including value added tax and net of sales return.

8) Retirement Benefits:

No provision for retirement's benefits for employees has been made. The company has adopted Pay-As-You-Go for the method for the payment of retirement benefits if any payable to the employees.

BALANCE SHEET AS ON 31ST MARCH 2007

Particulars	Schedule	As At 31/03/07 (Amount Rs)	As At 31/03/06 (Amount Rs)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	5,84,58,420	5,84,58,420
Reserves & Surplus	2	2,87,62,385	2,88,79,421
		8,72,20,805	8,73,37,841
LOAN FUNDS :			
Secured Loan	3	14,37,69,163	14,60,04,953
Unsecured Loan	4	1,43,07,003	1,59,85,554
		15,80,76,166	16,19,90,507
TOTAL FUNDS EMPLOYED		<u>24,52,96,971</u>	<u>24,93,28,348</u>
APPLICATION OF FUNDS :			
FIXED ASSETS :			
Gross Block	5	13,55,48,924	13,48,22,205
Less: Depreciation		7,18,17,934	6,59,89,475
Net Block		6,37,30,990	6,88,32,730
INVESTMENTS :		NIL	NIL
CURRENT ASSETS, LOAN & ADVANCES :			
Inventories	6	1,11,58,290	1,44,92,385
Receivables	7	3,54,03,544	1,77,91,569
Cash & Bank Balance	8	27,47,242	23,69,718
Loans and Advances	9	62,60,304	1,30,07,969
		5,55,69,380	4,76,62,091
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	10	2,60,91,914	2,45,51,594
Provisions		20,96,02,494	20,96,02,494
		23,56,94,408	23,41,54,088
NET CURRENT ASSETS		-18,01,25,028	-18,64,91,997
PROFIT & LOSS ACCOUNT (Dr. Bal)		36,16,35,538	36,69,87,615
TOTAL FUNDS APPLIED		<u>24,52,41,500</u>	<u>24,93,28,348</u>
Notes to the Accounts	19		

As per our Report of even date
For, A. L. Thakkar & Company
Chartered Accountants

Aseem L. Thakkar
Partner

Date : 14th July, 2007
Place : Ahmedabad

For and on behalf of the Board of Directors

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : 14th July, 2007
Place : Santej

TEXEL INDUSTRIES LTD.


Managing Director

B. Notes to the Accounts

1. Additional information pursuant to provisions of paragraphs 4C, 3 and 4D of part II of schedule IX to the companies Act 1956 Information given to the extent applicable)

	Current Year	Previous Year
(a) Licensed Capacity	Not Applicable	Not Applicable
(b) Installed Capacity	2595.00	2595.00
(c) Production (M. T.)		
Own Production	711.95	465.25
Job work production	2013.81	1533.69
	<u>2725.76</u>	<u>1998.94</u>
(d) Sales (M. T.)	2722.61	1993.69
(e) Raw Materials		

Item	Unit	Opening Stock	Receipt	Consumption /Resale	Closing Stock
POLYMERS	M. T.	175.49	489.56	524.85	140.19
(Include WIP & MB)	(Rs. Lacs)	100.70	297.93	306.57	92.06
Packing Materials	(Rs. Lacs)	0.00	17.60	17.60	0.00
	(Rs. Lacs)	100.70	315.53	324.17	92.06

(f) Finished Goods Particulars

		Opening Stock	Closing Stock
Quantity (M. T.)	2006-07	0.00	0.00
	2005-06	0.00	0.00
Value (Rs. Lacs)	2006-07	0.00	0.00
	2005-06	0.00	0.00

2. Expenditure incurred on employees who are in receipt of remuneration on the aggregate of not less than Rs. 24,00,000/ per annum if employed throughout the year and of Rs. 2,00,000/- per month if employed for part of the year

No of employees	Nil	Nil
Amount Paid	Nil	Nil

3. Balance of Sundry creditors, debtors, loans and advances are subjects to confirmation.

4. The audit has been carried out on the basis of the fresh computerised out put reconciled.

5. The company has advise that the computation of the net profit under section 349 of the Companies Act, 1956 need not be made since no remuneration / commission is paid / payable under section 348 of the companies Act, 1956 for the year ended 31 st March, 2007.

6. In the opinion of the Board of Directors, Current Assets Loans and Advances are realisable in the ordinary course of business at the value at which they are stated, except those mentioned in Note No. 19.

7. Schedule " 1 to 19" forms the integral part of the Balance Sheet as at 31 st March 2007 and the Profit and Loss account for the year ended on that date.
8. We are unable to categories the dues to Small Scale Industries (SSI) separately due to lack of information regard to the status of the creditors for goods outstanding as on the Balance sheet date.

9. SEGMENTATION REPORTING:

The company is dealing in singly segment i.e. Mfg & Job work of Tarpaulin and sales are entirely in the domestic market hence the segmentation reporting in pursuance to accounting standard No 17 issued by Institute of Chartered Accountants of India not made.

10. RELATED PARTY DISCLOSURE:

List of related parties with whom transactions have taken place during the year:

1. Name of related parties and descriptions of relationship:

- a. Associates / Joint Venture : Nil
- b. Key management Personnel : 1. Shailesh R. Mehta
2. Naresh R. Mehta
3. Kirit Mehta
4. Parag Mehta
5. Sushil Kumar Pachisia
- c. Companies controlled by Directors / Relatives : 1. Crossland finance & ccnstruction pvt. ltd.
2. Mehta & Dholabhai

2. Transaction during the year with related parties:

Particulars	Associates/ Joint Venture	Key Management Personnel	Companies controlled by Directors/Relatives
(a) Loans and Advances			
Given during the year	Nil	Nil	Nil
Returned during the year	Nil	Nil	Nil
Balance as on 31-3-2007	Nil	Nil	16,15,209
(b) Unsecured Loans			
Received during the year	Nil	74,529	2,00,000
Returned during the year	Nil	1,88,080	Nil
Balance as on 31-3-2007	Nil	16,94,077	2,00,000
(c) Sundry Creditors			
Received during the year	Nil	30,190	Nil
Paid during the year	Nil	-	Nil
Balance as on 31-3-2007	Nil	4,29,229	Nil
(d) Sitting Fee			
Paid during the year	Nil	18,000	Nil

11. EARNING PER SHARE

	2006-2007	2005-2006
Profit /(Loss) After Tax	53,52,077	(30,55,069)
No. of Equity shares	53,45,842	53,45,842
Earning per Share (E.PS)	1.00	(0.57)

12. ACCOUNTING FOR TAXES ON INCOME

- a. Provisions for income tax have not been made in the account in absence of taxable income computed under the provisions of income Tax Act 1961.
- b. The company has got unabsorbed depreciation and carry forward losses under tax laws and there is not virtual certainly supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised and therefore there is no requirement for any adjustment of taxes on income/loss.

13. We have verified the vouchers and documentary evidences wherever made available.

Where no documentary evidence was available, we relied on the authentication given by the management.

14. Paise are rounded up to the nearest rupee.

15. Previous years figures are regrouped and rearranged wherever necessary.

16. Auditors' Remuneration

	2006-07 (Rs.)	2005-06 (Rs.)
Audit Fee	28,090	16,836

17.

	(Rs in Lacs) 2006-07	(Rs in Lacs) 2005-06
1. Estimated amount of contract remaining to be executed on capital account	—Nil—	— Nil—
2. Contingent Liabilities not provided for In respect of :	—Nil—	—Nil—
a. Gujarat Sales tax in respect of which the company has filed an appeal	--Nil--	12.96
b. Stamp duty in respect of which the company has filed an appeal	2.02	2.02
c. Excise duty in respect of which the company has filed an appeal	6.48	6.48
d. Property Tax in respect of which the company has filed an appeal	1.90	1.90
e. Dividend in respect of 18 % Redeemable Cumulative Preference Shares issued During the year 1996-97	53.51	53.51
f. Legal undertakings in favour of Customs	*141.55	298.21
g. E.P.F Interest and Damages	3.73	3.73
* (Since settled Rs.42.33 lakhs)		

18. The gross block includes Rs. 24.64 lacs added on account of revaluation carried out by the approved valuer Mr Mukesh M Shah as at 31 st March 1994 In respect of certain items of Plant & Machinery. Accordingly, the said amount of Rs. 24.64 lacs on account of revaluation was credited to Revaluation Reserve . Depreciation includes Rs. 1.17 lacs against revaluation amount of Fixed Assets and equivalent amount has been charged to Profit & Loss Account.

19. During the year, the management had an in-depth analysis of the book-debts and loans and advances and based on such analysis the company is of the opinion that fowling debts and loans and advances are doubtful for recovery.

1. Receivable	Rs.1,49,98,005
2. Loans &Advances	Rs. 1,12,265
Total	<u>Rs.1,51,10,270</u>

and during the year debts of Rs. 1.25 lakhs and loans and advances of Rs 3.71 lakhs has been written off.

20. The 18 % Cumulative Redeemable Preference Shares, amounting to Rs.50.00 lacs were due for redemption during the year 1999-00. However, in view of the loss during the year, the company could not have transferred required amount to Capital Redemption Reserve, hence the same could not have been redeemed so far.

21. Since the accumulated losses continue to exceed the net worth of the company, it remains a Sick Industrial Company under the provisions of Sick Industrial Company (Special Provisions) Act, 1985 (SICA). The company has been declared sick industrial company in terms of the Act vide order-dated 24.05.02 of B.I.F.R. New Delhi.

22. Under Loans & Advances

(a) Due from Companies in which Directors are Directors/Members:

Security deposits for residence for Directors at Mumbai Rs.10 lacs (Previous year Rs. 10 lacs). Maximum amount outstanding was Rs. 10 lacs.

(b) Due from a firm in which one of the Directors is a partner. Security Deposit of

Rs.6.15lacs (Previous year Rs. 6.15lacs), Maximum amount outstanding was Rs.6.15 lacs.

23. During the year company has not provided interest on Working Capital loan from Union Bank of India and Term Loan from Standard Chartered Bank, as the company is registered with B.I.F.R and restructuring application is pending with B.I.F.R./A.I.F.R. If the interest has been provided the loss would have been more by Rs.680.42 lacs.

Signature to Schedule 1 to 19

As per our Report of even date

For, A. L. Thakkar & Company
Chartered Accountants

For and on behalf of the Board of Directors

Aseem L. Thakkar
Partner

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : 14th July, 2007

Place : Ahmedabad

Date : 14th July, 2007

Place : Santej

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

Particulars	Amount in Rs. '000)	
	2006 - 07	2005-06
A. CASH FLOW ARISING FROM OPERATING ACTIVITIES	5801	(3055)
Add Back :		
a. Depreciation	5828	5816
b. Financial Charges	1314	196
e. Loss on sale of Assets	0	0
f. Other Income	(2587)	(1545)
	4555	4467
Operating profits before working capital changes	10356	(1412)
Deduct :		
a. Increase in Trade Receivables	17667	(7383)
b. Increase in Loans & Advances	(6748)	(2847)
c. Increase in Inventories	(3335)	13607
	2772	(1965)
Add : Increase in Trade Payables	1540	4265
	4312	2295
Deduct :		
Interest Paid	(1314)	196
Income Tax Paid	(450)	0
A. NET CASH (OUTFLOW) IN COURSE OF OPERING ACTIVITIES	2548	2491
B. CASH FLOW ARISING FROM INVESTMENT ACTIVITIES		
INFLOW :		
a. Other income including interest	2587	1545
b. State Capital Subsidy /sale of Assets	0	0
	2587	1545
OUTFLOW : Acquisition of Fixed Assets	844	1889
NET CASH (OUTFLOW) IN COURSE OF INVESTMENT ACTIVITIES	1743	(344)
C. CASH FLOW ARISING FROM FINANCING ACTIVITIES		
INFLOW :		
a. Share Capital issued	0	0
b. Proceedings from borrowings	(3914)	(1505)
	(3914)	(1505)
NET CASH INFLOW IN COURSE OF FINANCING ACTIVITIES	(4031)	(1505)
Net increase in Cash/Cash equivalent (A+B+C)	377	642
ADD : Balance at the beginning of the year	2370	1728
Cash equivalent at the close of the year	2747	2370

For and on behalf of the Board of Directors

Shailesh R. Mehta
 Managing Director

 Date : 14th July, 2007
 Place : Santej

Sushil Kumar Pachisia
 Director

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of TEXEL INDUSTRIES LIMITED for the year ended 31 st March 2007. The Statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the Listing Agreement. The Statement is based on and is derived from the Profit & Loss Account and the Balance sheet of the Company for the year ended 31 st March 2007 covered by our Report dated 14th July, 2007 to the members of the Company.

For A. L. Thakkar & Co.,
Chartered Accountants

Date: 14th July, 2007
Place: Ahmedabad

Aseem L. Thakkar
Partner

TEXEL INDUSTRIES LIMITED

Block No. 2106, Santej-Khatraj Road,
Village Santej, Taluka Kalol, Dist. Gandhi Nagar
(Gujarat) - 382721, INDIA.

PROXY FORM

IL. F. NO _____

I/We _____ of _____

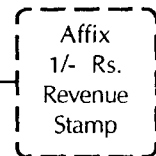
_____ being a member/members of **TEXEL INDUSTRIES LIMITED** hereby

appoint _____ or failing him _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held on Friday, 31st day of August, 2007.

As witness my hand/our hand(s) this _____ day of _____ 2007.

Signed by the said _____ (as per specimen with company)



NOTE : 1 The Proxy need not be a member.

2. The form of Proxy duly signed across 1 Rupee Revenue Stamp should reach to the company's Regd. Office at least 48 hours before the timing of meeting.

TEXEL INDUSTRIES LIMITED

Regd. Office & Works : Block No. 2106, Santej-Khatraj Road, Village Santej,
Taluka Kalol, Dist. Gandhinagar (Gujarat) - 382721, INDIA.