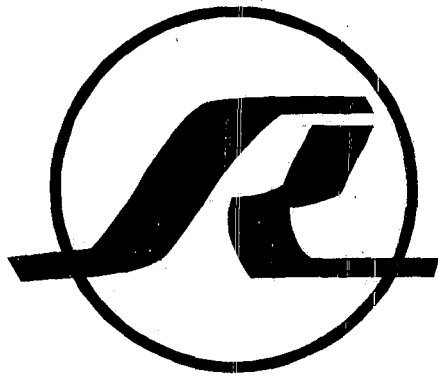


Nineteenth Annual Report
2007-08



S. R. INDUSTRIES LIMITED

Weaving together the fabric of success....

BOARD OF DIRECTORS

Chairman

Mr. S.K.Duggal

Managing Director

Mr. R.C.Mahajan

Whole-time Directors

Mr. Amit Mahajan Director (Commercial)
Mr. Amit Mahajan Director (Operations)
Mr. T. N. Tikoo Director (Works)
Mr. Y. R. Kapur Director (Finance)

Directors

Mr. R.K.Bhandari
Mr. B.K.Malhotra
Mr. H.K.Aggarwal
Mr. M. M. Puri

Company Secretary

Mr. Vikas Goyal

Auditors

M/s. Kansal Singla & Associates

Bankers

State Bank of Patiala

Regd. Office & Works

Village Kuranwala,
Barwala Road,
Derabassi - 140507
Distt. Mohali (Punjab)

**S. R. Industries
Limited**

Annual Report 2007-08

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NINETEENTH ANNUAL GENERAL MEETING

Date : September 29, 2008
Day : Monday
Time : 10:00 a.m.
Venue : Village Kuranwala, Barwala Road,
Derabassi - 140507
Distt. Mohali (Pb.)

**NO GIFTS OR COMPANY'S PRODUCT WILL
BE GIVEN FOR ATTENDING THE MEETING**

NOTE

1. Members intending to require information about accounts to be explained at the Annual General Meeting are requested to inform the Company at least 7 days in advance of the date of meeting.
2. Members are requested to bring their copy of the Annual Report with them at the Annual General Meeting.

S. R. Industries Limited

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DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their NINETEENTH ANNUAL REPORT and the Audited Statement of Accounts for the year ended March 31, 2008.

FINANCIAL RESULT

	2007-08	2006-07
	3321.57	3848.39
Turnover		
Export Incentives	284.42	169.52
Profit before interest, depreciation and taxation	553.53	527.34
Financial expenses	(168.97)	(147.53)
Profit before depreciation & taxation	384.56	379.81
Depreciation	(338.16)	(292.51)
Provision for Taxation		
- Current Tax	(5.00)	(9.10)
- Deferred Tax	(33.12)	(68.20)
- Fringe Benefit Tax	(4.00)	(6.00)
Provision for taxes not required	6.71	-
Expenses relating to previous years	(1.08)	(1.69)
Net profit after tax	9.91	2.31
Earning per share (Rs.)		
- Basic	0.08	0.02
- Diluted	0.08	0.02

FUTURE PROSPECTS

Your Board of Directors are planning to diversify the activities of the company in addition to upgradation/ installation of additional facilities in the existing Terry towel unit, which shall bring more profitability to the company. The necessary details for the same are being worked out.

DIVIDEND

In view of the diversification and expansion plans your Directors want to retain the profits and therefore, do not recommend any dividend for the year under review.

DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

STAFF

The relationship between the employees and the management continued to remain cordial during the year under review. The Directors hereby place on record their appreciation for the efficient and dedicated services rendered by the employees at all levels.

The information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) may be taken as nil as no employee received remuneration in excess of the limits prescribed under the said Section.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Article 74 of the Articles of Association of the Company Mr. Y. R. Kapur, Mr. T. N. Tikoo and Mr. R. K. Bhandari retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for reappointment.

Further, Mr. M. M. Puri, who was appointed as an additional director w.e.f. October 31, 2007 shall hold office till the date of forthcoming annual general meeting. Your Directors have received a notice under section 257 of the Companies Act, 1956 from a member along with deposit of Rs. 500/- recommending his candidature for appointment as director liable to retire by rotation.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required under the Listing Agreement with the Bombay Stock Exchange Ltd. (BSE), Mumbai is annexed to this report. The Certificate issued by Practising Company Secretary, in pursuance of Clause 49 of the Listing Agreement in compliance of Corporate Governance, is also annexed with this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors report -

- that in the preparation of the annual accounts for the financial year 2007-08, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the Company for the year ended on that date,

- that the Directors had 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; and

- that the Directors had prepared the annual accounts for the financial year ended on March 31, 2008 on a Going Concern basis.

AUDITORS

M/s Kansal Singla & Associates, Statutory Auditors, hold office until the conclusion of the ensuing annual general meeting and being eligible offer themselves for reappointment. They have confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956 and willingness to accept the office of the Statutory Auditors, if reappointed.

AUDITORS' REPORT

The Statutory Auditors of the Company have submitted their report on the accounts for the year ended March 31, 2008, which is self explanatory and needs no further comments.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation to State Bank of Patiala, Central/State Government agencies, customer & business associates for their continued cooperation & support.

The Board of Directors also takes this opportunity to acknowledge the dedicated efforts made by workers, staff & officers & their contribution to the success achieved by the company.

Above all the Directors express their gratitude towards the members of the company for their continuing support & for the confidence reposed in the Management.

For and on behalf of the Board

Place: Chandigarh
Date : July 30, 2008

S.K.DUGGAL
Chairman

ANNEXURE TO THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in abiding by the Code of Corporate Governance so as to be a responsible corporate citizen and to serve the best interest of all the stakeholders and the society at large. The Company seeks to achieve this goal by being transparent in its business dealings, by disclosure of all relevant information in an easily understood manner and by being fair to all stakeholders and by ensuring that the Company's activities are managed by a professionally competent Board of Directors. The Company has over the years followed the best practices of Corporate Governance by adhering to the practices laid down by the Management. The most important part of Corporate Governance is the best business principles and leadership. The Company has also followed the implementation schedule of Corporate Governance Code as mentioned in Clause 49 of the Listing Agreement. The Directors are pleased to report the same as under -

BOARD OF DIRECTORS

The present strength of the Board is ten. The Board Comprises of Executive and Non-Executive Directors. Five Directors including the Managing Director, are Whole-time Directors (Executive Directors). There are five Non-Executive Directors, including the Chairman, all of them being Independent Directors.

The composition of Board, number of Directorships & Committee positions held by

S. R. Industries Limited

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each of the Directors are given hereunder –

Sl. No	Name of Director	Category	No. of Board Meeting(s) attended	Attendance at Previous AGM held on September 24, 2007	No. of Outside Directorship(s) held (**)		No. of Membership(s)/ Chairmanship(s) in other Committees (**)	
					As Director	As Chairman	As Member	As Chairman
1.	Mr.S.K.Duggal	Chairman - Non-Executive & Independent	5	YES	10	-	2	3
2.	Mr.B.K.Malhotra	Non-Executive & Independent	1	NO	-	-	-	-
3.	Mr.R.K.Bhandari	Non-Executive & Independent	5	YES	6	2	-	-
4.	Mr.H.K.Aggarwal	Non-Executive & Independent	3	NO	-	-	-	-
5.	Mr.M.M. Puri @	Non-Executive & Independent	1	N.A	-	-	-	-
6.	Mr.Y.R.Kapur	Whole-time	5	YES	1	-	-	-
7.	Mr.T.N.Tikoo	Whole-time	4	YES	-	-	-	-
8.	Mr.Amit Mahajan	Whole-time	5	YES	-	-	-	-
9.	Mr.Amit Mahajan	Whole-time	5	YES	1	-	-	-
10.	Mr.R.C.Mahajan	Managing Director	5	YES	-	-	-	-

* Excludes directorship held in private limited companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956 and memberships of Managing Committees of other Chambers/Institutions/Boards.

** Includes Membership/Chairmanship of Audit Committee and Shareholders Grievances Committee only.

@ Appointed Additional Director w.e.f. October 31, 2007

During the year none of the Directors was either a member of more than ten committees or was a Chairman of more than five committees of any public limited company.

BOARD MEETINGS AND ATTENDANCE

During the year ended March 31, 2008, five Board Meetings were held on the following dates –

Date of Meeting	Board Strength	No. of Directors Present
June 28, 2007	10	8
July 23, 2007	9	8
October 31, 2007	9	8
January 31, 2008	10	8
March 26, 2008	10	7

The gap between two Board Meetings did not exceed four months. Further, the information as required under Annexure I-A to the Clause 49(I)(C)(i) of the Listing Agreement is made available to the Board. The Agenda and other papers having adequate information for consideration of the Board are circulated well in advance. Further, the compliance report of statutory requirements is placed before the Board on quarterly basis.

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Except for Mr. S.K.Duggal and Mr. H.K.Aggarwal who hold (both in own name or on a beneficial basis) 300 & 700 equity shares respectively, no other Non-Executive Director holds any equity share of the Company.

CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.srtowels.com. All Board Members and Senior Management have confirmed compliance with the Code for the year ended March 31, 2008. This Annual Report contains a declaration to this effect signed by the Managing Director who is also the Chief Executive Officer.

RESUME OF THE DIRECTORS SEEKING REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Mr. Y. R. Kapur

Mr. Y. R. Kapur is a qualified Chartered Accountant and has vast experience in the field of accounts & finance. He is proficient in different areas of business including finance, banking, commercial & general administration. Before this appointment as Whole-time Director on July 30, 2003, Mr. Y. R. Kapur had been in Whole-time employment of company.

Mr. Y. R. Kapur is also a Director (excluding private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956) of M/s Zoom Mercantile & Finance Limited.

Presently, Mr. Y. R. Kapur holds 400 Equity Shares of the Company.

Mr. T. N. Tikoo

Mr. T. N. Tikoo, is a B.Sc. (Tech.) Textile, having 35 years experience in the textile industry. Before his appointment as Whole-time Director on July 30, 2003, Mr. T. N. Tikoo had been in whole-time employment of the company.

Mr. T. N. Tikoo does not hold Directorship in any other company Presently, Mr. T. N. Tikoo holds 200 Equity Shares of the Company.

Mr. R. K. Bhandari

Mr. R. K. Bhandari, is B.E. (Mech.) having over 35 years of experience. He is currently the Director & Chief Executive Officer of Punjab Venture Capital Ltd. (PVCL), an Asset Management Company looking after the affairs of "Punjab Infotech Venture Fund" promoted by the Government of Punjab in association with the Small Industries Development Bank of India (SIDBI). He is on deputation to PVCL from the Punjab State Industrial Development Corporation Ltd. where he had been involved in different divisions viz Projects, Investments & Finance, Infrastructure, etc. Thus, he has in-depth experience in the field of project identification, project implementation, financing, management, monitoring, etc. He had also been the Chairman-cum-Managing Director of Punjab National Fertilizers & Chemicals Ltd. and Executive Director of Punjab State Leather Development Corporation Ltd., another State Government organizations before taking over the present position.

Presently, Mr. R. K. Bhandari is a Member of the Board of Directors (excluding private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956) of the following companies –

Krishna Engg. Works Ltd., Punjab Venture Capital Ltd., Punjab Venture Investors Trust Ltd., Rainbow Breaks (India) Ltd., Abhinav Cotspin Ltd., Poddar Tyres Ltd., JayCee Coach Builder Ltd.

Presently, Mr. R. K. Bhandari does not hold any Equity Share of the Company.

BOARD COMMITTEES

Pursuant to Clause 49 of the Listing Agreement, the Board has constituted the following Committees with necessary delegation for smooth and efficient working: –

AUDIT COMMITTEE

The Audit Committee of the Company has such powers as are detailed under Section 292A of the Companies Act, 1956 and also Clause 49 of the Listing Agreement.

The scope of Audit Committee includes, inter-alia, reviewing the systems, compliance of statutory and legal requirements, recommending appointment & reappointments of statutory auditors, fixation of their remuneration and reviewing internal/statutory audit reports. It also includes the reviewing annual budgets, budgeted vs actual performance and quarterly/annual financial results, before submitting the same to the Board. As and when required, senior management personnel, statutory auditors and other professionals are also invited to attend the Audit Committee meetings.

The powers and role of Audit Committee is in agreement with Clause 49(I)(C)/(D) of the Listing Agreement. Further, the Audit Committee periodically reviews the information required under Clause 49(I)(E) of the Listing Agreement.

The Board of Directors reconstituted the Audit Committee on Sept. 22, 2005.

Presently, the Audit Committee consist of the following three Directors –

- 1) Mr. R.K.Bhandari - Chairman
- 2) Mr. H.K.Aggarwal - Member
- 3) Mr. Y.R.Kapur - Member

Mr. R.K.Bhandari and Mr. H.K.Aggarwal are non-executive and independent directors, whereas Mr. Y.R.Kapur is an executive director. The members of the Committee are qualified, experienced and professional having knowledge in industry, finance, project monitoring, company law and other related matters. The quorum of the Audit Committee Meeting is two members, but there should be a minimum of two independent directors present.

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During the year under review, the audit committee met four times on June 28, 2007, July 23, 2007, Oct. 31, 2007 & Jan. 31, 2008 respectively. The attendees at the Audit Committee was –

Member	No. of Meetings	
	Held	Attended
Mr. R.K.Bhandari	4	4
Mr. H.K.Aggarwal	4	4
Mr. Y.R.Kapur	4	4

REMUNERATION COMMITTEE

The Board of Directors reconstituted the Remuneration Committee of the Company on July 29, 2006. Presently the Remuneration Committee consists of the following three Directors –

- 1) Mr. H.K.Aggarwal - Chairman
- 2) Mr. R.K.Bhandari - Member
- 3) Mr. B.K.Malhotra - Member

All the three members are independent directors. The scope of Remuneration Committee includes the determination of remuneration packages for the Executive and Non-Executive Directors including remuneration policy, pension rights and any compensation payable as stock options, etc.

REMUNERATION POLICY

The Remuneration Policy of the Company is aimed at rewarding performance based on review of achievements on a regular basis. The remuneration of the Directors is decided by the Board/Remuneration Committee within the ceiling fixed by the shareholders.

a) Managing Director & Whole-time Directors

The remuneration paid to the Managing Director and Whole-time Directors is subject to the limits laid down under Section 198, 309/310 and Schedule XIII to the Companies Act, 1956 and in accordance with the terms of their respective appointment approved by the shareholders of the Company. Their remuneration consists of salary, company's contribution to provident fund & gratuity, house rent allowance/rent free accommodation, medical reimbursement, leave travel concession, club fees, personal accident insurance, books, magazines & periodicals, telephone and car and other perquisite and allowances in accordance with Company's Rules, as applicable from time to time. In addition to this, the Managing Director is also eligible for commission @ 1% of the net profits of the Company.

The Managing Director and Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The appointment of Managing Director is for a period of 5 years whereas the appointment of Whole-time Directors is for normal period of retirement. No notice period has been specifically provided for the appointment of Managing/ Whole-time Director(s).

Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

b) Non-Executive Directors

The Non-Executive Directors are not paid any compensation except sitting fees for attending the Board and Audit Committee Meetings which is within the limits prescribed under the Companies Act, 1956.

DETAILS OF REMUNERATION PAID/PAYABLE TO DIRECTORS

The details of the remuneration (excluding contribution to gratuity fund and provision for leave encasement but including all other perquisite/allowances and contribution to the Provident Fund) and sitting fees paid to the Directors for the year ended March 31, 2008 are as under –

	Sitting Fees	Salary	Contribution to Provident Fund	Other perquisites & allowances	Total
Mr. S.K.Duggal	25,000/-	-	-	-	25,000/-
Mr. R.K.Bhandari	15,000/-	-	-	-	15,000/-
Mr. B.K.Malhotra	5,000/-	-	-	-	5,000/-
Mr. H.K.Aggarwal	10,000/-	-	-	-	10,000/-
Mr. M. M. Puri	5,000/-	-	-	-	5,000/-
Mr. Y.R.Kapur	-	5,80,500/-	46,440/-	-	6,26,940/-
Mr. T.N.Tikoo	-	4,11,000/-	49,320/-	1,56,490/-	6,16,810/-
Mr. Amit Mahajan	-	9,90,000/-	79,200/-	27,202/-	10,96,402/-
Mr. Amit Mahajan	-	10,80,000/-	86,400/-	1,15,427/-	12,81,827/-
Mr. R.C.Mahajan	-	18,00,000/-	1,44,000/-	1,98,139/-	21,42,139/-

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of Directors reconstituted the Shareholders/Investors Grievance Committee on Sept. 22, 2005. Presently, the Shareholders/Investors Grievance Committee consists of the following three Directors –

- 1) Mr. B.K.Malhotra - Chairman
- 2) Mr. T.N.Tikoo - Member
- 3) Mr. Y.R.Kapur - Member

Mr. B.K.Malhotra, Chairman of the Committee is a Non-Executive and Independent Director. The scope of Shareholders/Investors Grievance Committee includes the redressal of investors' complaints pertaining to transfer/transmission/dematerialisation/

rematerialisation of shares, dividends and other related issues.

During the year under review 32 (previous year 32) complaints were received, which were promptly attended by the Company and resolved to the satisfaction of the shareholders. Normally all complaints/queries are disposed off within one week of the receipt. The Company had no complaint pending at the close of the year under review.

SHARE TRANSFER AND DEMAT COMMITTEE

The Share Transfer & demat Committee was reconstituted on Sept.22, 2005 by the Board of Directors. Presently, the Share Transfer & Demat Committee of the Company consists of the following three Directors –

- 1) Mr. H.K.Aggarwal - Chairman
- 2) Mr. T.N.Tikoo - Member
- 3) Mr. Y.R.Kapur - Member

Mr. H.K.Aggarwal, Chairman of the Committee is a Non-Executive and Independent Director whereas Mr. T.N.Tikoo and Mr. Y.R.Kapur are Executive Directors.

The scope of Share Transfer and Demat Committee includes transfer/transmission/dematerialisation/rematerialisation of shares, replacement of lost/stolen/mutilated share certificates, splitting/consolidation of share certificates and other related issues. To expedite the process of share transfers/transmission/dematerialisation/rematerialisation, the Registrar & Share Transfer Agents and the Compliance Officer have been delegated the powers for share transfer/dematerialisation/rematerialisation. They meet every fortnight to carry out the same.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary company.

GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as under –

YEAR	VENUE	DATE	TIME	WHETHER ANY RESOLUTION PASSED
2004-05	Village Kuranwala, Barwala Road, Derabassi – 140 507, Distt. Mohali (Punjab)	September 7, 2005	10.00 a.m	YES
2005-06	-do-	September 27, 2006	10.00 a.m	YES
2006-07	-do-	September 24, 2007	10.00 a.m	NO

There was no other general meeting held in the last three years. During the year under review, no resolution was passed/s proposed to be passed through postal ballot as required by the Companies (Passing of the resolution by postal ballot) Rules, 2001 and Clause 49 of the Listing Agreement.

DISCLOSURES

i) Related Party Transactions

The details of the materially significant related party transactions have been annexed to the Balance Sheet given elsewhere in this report. None of such transaction(s) has potential conflict with the interest of the Company at large. The details of the material individual transaction with related parties are periodically placed before the Audit Committee/Board together with the Management's justification, wherever required for the same.

There is no materially significant related party transactions that may have potential conflict with the interest of the Company at large.

ii) Compliances by the Company

The Company continued to comply with the requirements of the Listing Agreement, SEBI and other Statutory Authorities. During the last three years, there has not been any non-compliance, penalties and strictures imposed on the Company for any matter relating to the capital markets by any of the Stock Exchanges, SEBI or any other statutory authorities.

iii) Whistle Blower Policy

The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also meet directly the Managing Director and express their grievances/concerns. There are safeguards to ensure that all employees grievances/concerns receive due consideration.

The Code of Conduct for Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavor to promote ethical behavior and to provide an opportunity to employees to report violations of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employee in good faith.

No employee has been denied access to the Audit Committee.

iv) Details of compliance with mandatory requirements and adoption of non-mandatory requirements

All the mandatory requirements of Clause 49 of the Listing Agreement have been complied with as stated in this report on Corporate Governance.

The non-mandatory requirements as stipulated in Annexure I-D of Clause 49 of the Listing Agreement on the Code of Corporate Governance have been adopted to the extent and in the manner as stated under the appropriate headings in the Report of Corporate Governance.

S. R. Industries Limited

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CEO/CFO Certification -

A certificate from the CEO and the CFO in terms of Clause 49(V) of the Listing Agreement was placed before the Board at its meeting held on June 30, 2008 to approve the audited annual accounts for the year ended March 31, 2008.

MEANS OF COMMUNICATION

i) Quarterly Results

The quarterly, half yearly and annual results of the Company are published in accordance with the requirements of the Listing Agreement.

ii) Newspaper in which results are normally published

Financial Express/Economics Times - All India Editions and Punjabi Tribune

iii) Any website, where displayed

These results are also displayed on the Company's website www.srtowels.com and SEBI's website www.sebiedfarr.nic.in.

iv) Whether it also displays official news releases and presentation made to Institutional Investors or to the analysts

The relevant information, is displayed on the Company's website. As the financial results of the Company are published in the newspapers & also displayed on the Company's website, a separate half-yearly declaration of the financial performance of the company is not sent to each house hold of share holders

GENERAL SHAREHOLDERS' INFORMATION

i) Annual General Meeting

DAY, DATE & TIME : Monday, September 29, 2008.
at 10.00 a.m.
VENUE : Village Kuranwala, Barwala Road,
Derabassi - 140 507 Distt. Mohali
(Punjab)

ii) Financial Calendar

Results for the Quarter/Year Ending : April to March
- June 30, 2008 : End July 2008
- September 30, 2008 : End October 2008
- December 31, 2008 : End January 2009
- March 31, 2009 : End June 2009.

iii) Date of Book Closure

Thursday, September 25, 2008 to
Monday, September 29, 2008
(Both days inclusive)

iv) Dividend Payment Date

No dividend has been recommended.

v) Listing on Stock Exchange(s)

The equity shares of the Company are listed at the Bombay Stock Exchange Ltd. (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Company is regular and has paid upto date listing fee to BSE. The approval for delisting of Company's shares from The Calcutta Stock Exchange Association Ltd. is awaited.

vi) Stock Code

Bombay Stock Exchange Ltd. (BSE) 513515

vii) Market Price Data and Stock Performance

Monthly high and low price of equity shares of the Company at BSE and the Stock Performance in comparison to broad based indices BSE Sensex during the year ended March 31, 2008 is as under -

MONTH	SRIL SHARE PRICE (Rs.)			BSE SENSEX
	HIGH	LOW	CLOSING	
April 2007	8.75	7.40	7.75	13872.37
May 2007	9.35	7.17	8.55	14544.46
June 2007	9.35	7.50	7.59	14650.51
July 2007	9.14	7.06	7.36	15550.99
August 2007	8.00	6.01	7.01	15318.60
September 2007	9.70	7.06	7.98	17291.10
October 2007	8.00	5.77	6.13	19839.99
November 2007	7.34	5.40	6.69	19363.19
December 2007	12.39	6.54	11.84	20286.99
January 2008	13.67	6.27	6.32	17648.71
February 2008	7.14	5.53	6.31	17578.72
March 2008	6.49	4.91	5.67	15644.44

source : www.bseindia.com

viii) Registrar & Share Transfer Agents (RTA)

M/s Intime Spectrum Registry Ltd.
A-31, 3rd Floor, Nariana Industrial Area Phase-I, Near PVR Nariana,
New Delhi - 110 028 Tel : 011-41410592-4, Fax : 011-41410591
E-mail : delhi@intimespectrum.com

Compliance Officer

Mr. Y. R. Kapur, Director (Finance)
Tel. : 01762-506161 Fax : 01762-280409 E-mail : kapur@srtowels.com

Exclusive e-mail ID for Investor Grievances

secretariat@srtowels.com

ix) Share Transfer System

The transfer of shares in physical form is done by the RTA - /M/s Intime Spectrum Registry Ltd. and returned within a period of 15 days from the date of receipt of document complete in all respect. The particulars of movement of shares in dematerialised more are also placed before the Share Transfer & Demat Committee.

x) Distribution of Shareholding (as on March 31, 2008)

No. of Equity Shares Held	No. of Folios	% age	No. of Shares	% age
Upto 2500	7216	66.08	965633	7.68
2501 - 5000	2247	20.58	968422	7.70
5001 - 10000	809	7.41	717717	5.71
10001 - 20000	305	2.79	496835	3.95
20001 - 30000	90	0.82	236044	1.88
30001 - 40000	42	0.38	153241	1.22
40001 - 50000	60	0.55	292795	2.33
50001 - 100000	61	0.56	466079	3.71
100001 & Above	91	0.83	8277234	65.82
TOTAL	10921	100.00	125740000	100.00

Shareholding Pattern (as on March 31, 2008) -

	Category	No. of Share	% age
A	Promoters' Holding		
	1 Promoters		
	- Indian Promoters	4294100	34.15
	- Foreign Promoters	Nil	Nil
2	Persons acting in concert	Nil	Nil
	Sub-Total	4294100	34.15
B	Non-Promoters Holding		
	3 Institutional Investors		
a.	Mutual Funds and UTI	Nil	Nil
	b. Banks, Financial Institutions, Insurance Companies	Nil	Nil
	c. FIs	Nil	Nil
	Sub-Total	Nil	Nil
4	Others		
	a. Private Corporate Bodies	2488305	19.79
	b. Indian Public	5719422	45.69
	c. NRIs/OCBs	72173	0.57
	Any other (please specify)	Nil	Nil
	Sub-Total	8279900	65.85
	Grand Total	12574000	100.00

The sum of foreign promoters, FIs, NRIs/OCBs, foreign banks, foreign national and GDR and ADR holding in the Company is 72173 equity shares.

xi) Dematerialisation of share and liquidity

The ISIN No. of the Company is INE329C01011. Upto March 31, 2008 8824290 (70.18%) equity shares were dematerialised in the two Depositories - NSDL and CDSL.

Secretarial Audit Report -

The Secretarial Audit Report of the Company prepared in terms of SEBI Circular No. D&CC/FITC/CIR-16/2002 dated December 31, 2002 reconciling the shares dematerialised in both the Depositories - NSDL & CDSL and physical form with the total issued/paid-up capital of the Company for every quarter is placed before the Board of Directors and also submitted to BSE and two depositories - NSDL & CDSL.

xii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments

The Company has no outstanding GDR/ADRs/ Warrants or any convertible instruments as on March 31, 2008

xiii) Plant Location

The plant is located at Village Kuranwala, Barwala Road, Derabassi - 140507, Distt. Mohali (Punjab).

xiv) Address for Correspondence

S.R. Industries Ltd.
Village Kuranwala, Barwala Road, Derabassi - 140 507
Distt. Mohali (Punjab)

For and on behalf of the Board

Place: Chandigarh
Date : July 30, 2008

S.K.DUGGAL
Chairman

S. R. Industries Limited

Annual Report 2007-08

ANNEXURE 'A'

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

I CONSERVATION OF ENERGY -

- a) **Energy Conservation Measures Taken**
- To identify and control the present and potential areas of energy loss.
- b) **Additional investment and proposals, if any, being implemented for reduction of consumption of energy.**
- To get the Energy Audit carried out by an independent agency.
- c) **Impact of the measures at (a) and (b) for reduction of energy consumption and conservation impact on the cost of production of goods.**
- Savings in the power cost.
- d) **Total energy consumption and energy consumption per unit of production as per Form "A"**

Form - A :

Form for disclosure of particulars with respect to conservation of energy.

A) POWER AND FUEL CONSUMPTION	2007-08	2006-07
1. ELECTRICITY :		
a) Purchased :Units (In Lacs)	27.21	28.59
Total Amount (Rs./Lacs)	122.69	125.03
Average Rate/Unit (Rs.)	4.51	4.37
b) Own Generation :		
Through Diesel Generator:		
Unit (in Lacs)	4.35	3.26
Unit/Ltr. Of Diesel Oil	3.03	3.44
Average Cost/Unit (Rs.)	9.74	8.84
2. HUSK/PET COKE		
Husk/Pet Coke (M.T.)	2291	2529
Total Amount (Rs./Lacs)	138.34	132.47
Average Rate (Rs./M.T.)	6038	5238
B) CONSUMPTION PER UNIT OF PRODUCTION		
Terry Towels (M.T.)	1462	1587
Electricity (Kwh/Tonne)	1861	1802
Diesel (Ltr./Tonne)	98	59
Husk/Pet Coke (M.T.)	1.57	1.59

Form - B:

II. TECHNOLOGY ABSORPTION

A Research & Development (R & D)

- a) **Specific area in which R & D is carried out by the Company**
- Reorientation of manufacturing process for towels and replacement of chemicals by trade effective and environment friendly chemicals.
- b) **Benefits derived as a Result of R & D**
- Reduction in the cost
- c) **Future Plan of Action**
- Rerouting of process for achieving internationally acceptable velour and other speciality towel.
- d) **Expenditure on R & D**
- Research & Development being an integral part of production process is carried out in a continuous manner as applied Research & Development Programme. No separate record on the expenditure incurred on R & D is therefore maintained.
- B. **Technology absorption, adaptation and innovation**
- Efforts are being made on continuous basis to improve the shades, feel, absorbency and colour fastness of the finished terry towels for better quality.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) **Activities relating to exports, initiatives taken to increase exports, Development of new export market for products and export plans.**
- The Company is continuously expanding its overseas market base and by adding new customers. After the abolition of quota regime efforts are being made to consolidate and tap additional export market in developed countries.
- b) **Total Foreign Exchange earned and used.**

	2007-08	2006-07
(i) Foreign exchange earned (including from deemed exports)	2988.71	2905.44
(ii) Foreign exchange used	19.98	22.13
Net foreign exchange earned	<u>2968.73</u>	<u>2883.31</u>

For and on behalf of the Board

Place: Chandigarh
Date : July 30, 2008

S.K.DUGGAL
Chairman

CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The Members
S.R.Industries Ltd., Derabassi

I have examined the compliance of conditions of Corporate Governance of S.R.Industries Ltd for the year ended on March 31, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Ltd., Mumbai,

The compliance of conditions of Corporate Governance is the responsibility of the Management. My 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 statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I hereby certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement. I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

Place : Chandigarh
Date : July 30, 2008

SANJIV K GOEL
CP No. 1248

DECLARATION

As provided under Clause 49(I)(D) of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and Senior Management for the year ended on March 31, 2008.

For S.R.Industries Limited

Place : Chandigarh
Date : June 30, 2008

R.C.MAHAJAN
Managing Director

S. R. Industries Limited

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

i) Industry Structure and Developments

Terry towels form an integral part of the home-textile segment. The demand for terry towels varies across the countries depending upon various factors like population, demographics, living style, economic status and its climatic conditions. The annual world demand for cotton terry towels is growing @ 5 % p.a. Historically, there was significant production of terry towels in developed countries like U.S.A, Australia, Japan and Europe, etc. However, during the last few years, the production of terry towels in the developed countries is steadily declining. These countries are increasingly outsourcing their requirement of home textiles (especially terry towels) from the developing countries. This is predominantly on account of lower input as well as labour cost. USA is the largest growth driver in the past years, but Europe, Japan, Australia, New Zealand, Latin America, Canada and South Africa are now emerging as other major markets for Indian companies.

Indian terry towel producers are performing exceedingly well and SRIL is no exception. In addition to the advantage of cheaper labour, India also has an edge over its competitors on account of having adequate availability of the principle raw material-yarn. Furthermore, the investment of Indian companies on product development and quality are also paying off. With the upcoming of major players in retailing, the future demand for terry towels from India is likely to grow further, both for domestic and world markets.

ii) Opportunities and threats

The Indian terry towel industry has been able to establish its position in the global market as a reliable supplier of high quality towels. As a result, it is increasingly being viewed as an alternative source for replacing the local production in the developed world. Most major retailers in the world, including Wal-Mart, K-Mart, J C Penney, Carrefour, Ikea etc. are sourcing a large part of their terry towel requirements from India. There is still a large gap between the demand and supply which offers big scope for further growth in the coming years. Their multiplier effect on demand can be seen from January 2005 onwards after the abolition of quantitative restrictions (quota). This will allow Indian manufacturers to further increase their share in the global textile trade from current levels. In the post quota regime, developed countries are looking for major outsourcing from India for home textile items. The industry will grow further as most of the units have upgraded/expanded their production facilities and take the benefit of 5 % interest subsidy under the Textile Up-gradation Fund Scheme (TUFS) from Government of India.

The domestic market for terry towels, which was till now dominated by low price and low quality products from the unorganized sector, has also been picking up with the emergence of growing segment of consumers looking for high quality products. The per capita consumption of Home Textile products in India is very low compared to the developed countries. This is also expected to improve with the strong economic growth being witnessed in India.

We firmly believe in providing best quality products to its customers at the most affordable "value for money" proposition. The terry towels manufactured by the company are well accepted by the customers worldwide and are known for its quality, competitive pricing and on-time delivery. SRIL has been able to generate good response for its product by maintaining good quality and timely supplies. SRIL has customers in Europe, U.S.A., Australia, New Zealand and Middle East and is receiving repeat orders from its buyers.

Overall it is noted that textile industry, including terry towels, in India is passing through boom period. The favourable Government policies are expected to further accelerate the growth in the post quota period. This has spurred fresh investment for modernization and expansion of existing facilities by all the terry towel manufacturers.

iii) Segment-wise or product-wise performance

The Company has only one segment of activity namely - Terry Towels, in accordance with the definition of "Segment" as per the Accounting Standard 17 issued by "The Institute of Chartered Accountants of India". The performance of the Company is discussed separately in this report.

iv) Outlook

The outlook for the Company remains positive. Recently the Company has made significant investments to nearly double its production capacities. The present order book position of the Company is excellent and we are booked for next three months production.

v) Risks and concerns

Macroeconomic factors like subdued demand, political uncertainty, vagaries of monsoon and other natural calamities may affect the Company and industry at large.

No business is risk free. Proactive recognition of the risks, assessing their influence and initiating action to mitigate their impact becomes critical.

The Company has classified broad risk areas for its business - statutory compliances, economy, financial, government policies, market, operational, product related and technology.

With increasing competitive pressure, the challenge is to increase sales and the customer base, to successfully address changing customer preferences and to produce the right product at right time and at a competitive price. Technology is a critical area to be focused upon.

The challenges arising out of forex fluctuations could be cause of concern especially when the Company exports its major production in global market.

The Company has not been significantly impacted by these factors due to its proper monitoring mechanism and proactive actions against anticipated hindrances.

vi) Internal control systems and their adequacy

The Company has established an internal control system to ensure that -

a) assets are adequately protected;

b) transactions are authorised, recorded and reported correctly; and

c) operations are conducted in an efficient and cost effective manner complying with the applicable laws.

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

vii) Discussion on financial performance with respect to operational performance

The gross turnover for the year decreased from Rs. 3848.39 lacs in 2006-07 to Rs. 3322.57 lacs in 2007-08. The Company during the year sold 1401 MT terry towel as against 1600 MT during the last year. The production during the year was 1462 MT as against 1587 MT during the last year.

The Miscellaneous Income which includes duty drawback is Rs. 284.42 lacs increased from Rs. 174.31 lacs to Rs. 301.80 lacs. This extraordinary gain is due to increase in duty drawback. Further rigorous monitoring of operating overheads assured that these remained under control.

Profit before depreciation, interest and taxation (PBDIT) increased from Rs. 379.81 lacs to Rs. 384.56 lacs during 2006-07. The depreciation for the year is higher at Rs. 338.16 as against Rs. 292.51 lacs. The financial expenses increased from Rs. 147.53 lacs to Rs. 168.97 lacs due to due to utilization of enhanced working capital limits increased discounting of export bills and on term loan for expansion project.

The Profit before tax (PBT) dropped to Rs. 46.40 lacs from Rs. 87.39 lacs during the last year.

The Earning Per Share (EPS) increased from Re.0.02 to Re. 0.08. The which was arrived at by considering the weighted average no. of shares that may be issued on conversion of Convertible Warrants on account of requirements of the Accounting Standards.

The Company has posted a Net Profit after Tax of Rs. 9.91 lacs as against Rs. 2.31 lacs during 2006-07.

viii) Material developments in human resources/industrial relations front, including number of people employed

The relationship between the employees and the management continued to remain cordial during the year under review.

Cautionary Statement - Statement in this Management Discussion and Analysis Report describing Company's objectives, estimates, projections and expectations may be treated as "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ from materially from those expressed or implied therein.

S. R. Industries Limited

Annual Report 2007-08

AUDITORS' REPORT

The Members

S.R. Industries Limited, Derabassi.

Dear Members,

1. We have audited the attached Balance Sheet of M/s S.R. Industries Limited as at March 31, 2008, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in Annexure referred to in paragraph 3 above, 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 purposes of our audit;
 - (ii) 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;
 - (iii) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (iv) in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement 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 the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a 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 information and according to the explanations given to us, the said accounts 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
- b) in the case of the Profit & Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.K.KANSAL

Partner

Place : Chandigarh

Date : June 30, 2008

Membership No. 080632

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF S.R.INDUSTRIES LIMITED ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, 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. As explained to us, no material discrepancies were noticed on such verifications.
- (c) According to information and explanations given to us, during the year, the Company has not disposed off major part of the plant and machinery affecting the going concern status of the Company. Therefore, Clause 4(i)(c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as the "said Order") is not applicable to the Company.
- (ii) (a) According to information and explanations given to us, the inventory have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loan to the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) According to the information and explanations given to us, the Company has taken interest free unsecured loans from one director and four companies covered in the register maintained under Section 301 of the Companies Act, 1956 and an amount of Rs. 147.65 lacs is outstanding as at March 31, 2008. The maximum amount outstanding during the year was Rs. 160.15 lacs. In our opinion, the terms and conditions on which these loans have been taken are not prejudicial to the interest of the

S. R. Industries Limited

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Company.

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, we are of the opinion that the particulars of transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted the Deposits covered as per the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the maintenance of cost records has been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 which are maintained by the Company. However, we have not made detailed scrutiny of these records.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, service tax, cess and other material statutory dues applicable to it with appropriate authorities.
Further, since the Central Government has not yet prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were in arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the disputed demands of excise duty against the Company amounting to Rs. 981.70 (previous year Rs. 981.70 lacs) has not been deposited since appeals are pending with CESTAT for final adjudication.
- (x) The Company does not have any accumulated losses at the end of the financial year. Also, the Company has not incurred any cash losses during the current financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institutions and banks. The Company has

not issued any debentures.

- (xii) According to the information and explanations given to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, Clause 4(xiii) of the said Order is not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, Clause 4(xiv) of the said Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used to finance long-term investments. No long-term funds have been used to finance short-term investments except permanent working capital requirements.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanation given to us, during the year covered by our audit report, the Company has not raised any money by public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.K.KANSAL
Partner

Place : Chandigarh
Date : June 30, 2008

Membership No. 080632

**S. R. Industries
Limited**

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BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE	AS AT		AS AT	
	31.03.2008		31.03.2007	
	(Rs.)		(Rs.)	
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
SHARE CAPITAL	A	125,462,000	126,460,400	
RESERVES & SURPLUS	B	<u>33,810,840</u>	<u>31,821,333</u>	158,281,733
LOANS FUND				
SECURED LOANS	C	159,227,659	174,409,332	
UNSECURED LOANS	D	<u>14,765,000</u>	<u>5,765,000</u>	180,174,332
DEFERRED TAX LIABILITY			<u>22,536,000</u>	19,224,000
TOTAL			<u>355,801,499</u>	<u>357,680,065</u>
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	E	473,198,723	470,044,848	
Less : Depreciation		<u>263,123,554</u>	<u>230,004,978</u>	
Net Block		210,075,169	240,039,870	
Capital Work in Progress (including Advances for Capital Expenditure)		<u>591,561</u>	<u>643,261</u>	240,683,131
CURRENT ASSETS, LOANS & ADVANCES	F			
Inventories		134,316,089	114,708,172	
Sundry Debtors		41,305,291	36,638,692	
Cash & Bank Balances		4,918,915	729,603	
Loans & Advances		<u>25,126,429</u>	<u>21,410,334</u>	
		205,666,724	173,486,801	
Less: CURRENT LIABILITIES & PROVISIONS	G			
Current Liabilities		57,159,235	51,989,402	
Provisions		<u>3,372,720</u>	<u>4,500,465</u>	
NET CURRENT ASSETS			<u>145,134,769</u>	116,996,934
TOTAL			<u>355,801,499</u>	<u>357,680,065</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS				
	O			

For & on behalf of the Board

VIKAS GOYAL Company Secretary	Y.R. KAPUR Director-Finance	AMIT MAHAJAN Director-Commercial	R.C. MAHAJAN Managing Director
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As per our report attached to the Balance Sheet
For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

Place : Chandigarh.
Date : June 30, 2008

S.K. KANSAL
Partner
Membership No. 080632

**S. R. Industries
Limited**

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	SCHEDULE	2007-08 (Rs.)	2006-07 (Rs.)
INCOME			
SALES	H	332,157,139	384,838,678
OTHER INCOMES	I	30,179,949	17,430,577
INCREASE IN STOCKS		18,405,302	12,928,193
	TOTAL	380,742,390	415,197,448
EXPENDITURE			
CONSUMPTION OF RAW MATERIALS		175,589,706	185,200,141
MANUFACTURING EXPENSES	J	100,953,455	117,981,464
SALARIES, WAGES & BENEFITS	K	22,357,180	26,864,204
FINANCIAL EXPENSES	L	16,896,652	14,752,591
SELLING EXPENSES	M	17,249,791	23,026,462
ADMINISTRATIVE AND OTHER EXPENSES	N	9,239,604	9,391,259
DEPRECIATION	E	33,815,936	29,250,707
	TOTAL	376,102,324	406,466,828
PROFIT BEFORE TAXES		4,640,066	8,730,620
PROVISION FOR TAXATION			
- CURRENT TAX		(500,000)	(910,000)
- DEFERRED TAX		(3,312,000)	(6,820,000)
- FRINGE BENEFIT TAX		(400,000)	(600,000)
PROVISION FOR TAXES NOT REQUIRED		671,282	-
EXPENSES RELATING TO PREVIOUS YEARS		(108,241)	(169,323)
PROFIT AFTER TAX		991,107	231,297
PROFIT BROUGHT FORWARD FROM LAST YEAR		16,300,833	16,069,536
PROFIT CARRIED TO BALANCE SHEET		<u>17,291,940</u>	<u>16,300,833</u>
EARNING PER SHARE (FACE VALUE Rs. 10)			
- BASIC		0.08	0.02
- DILUTED		0.08	0.02

SIGNIFICANT ACCOUNTING POLICIES
AND NOTES ON ACCOUNTS

O

For & on behalf of the Board

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

As per our report attached to the Balance Sheet
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.
Date : June 30, 2008

S.K. KANSAL
Partner
Membership No. 080632

**S. R. Industries
Limited**

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	YEAR ENDED 31.03.2008 (Rs./Lacs)	YEAR ENDED 31.03.2007 (Rs./Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	46.40	87.31
Adjustments for		
Depreciation	338.16	292.51
Provision for leave encashment	(0.78)	2.92
Loss on sale of fixed assets	2.52	1.83
Financial expenses	168.97	147.53
Operating profit before working capital changes	555.27	532.10
Adjustments for :		
Trade and other receivables	(87.42)	(244.67)
Inventories	(196.08)	(149.64)
Trade payables & other liabilities	51.70	111.92
Cash flow from Operating Activities	323.47	249.71
Direct taxes paid	(9.19)	(19.56)
Expenses relating to previous years	(1.08)	(1.69)
Net Cash Flow from Operating Activities	313.20	228.46
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(42.67)	(234.19)
Sale of fixed assets	2.15	0.70
Net Cash Used in Investing Activities	(40.52)	(233.49)
C. CASH FLOW USED IN FINANCING ACTIVITIES		
Increase/(Decrease) in unsecured loans	90.00	(96.60)
Receipt of share allotment money	0.00	0.01
Issue of equity shares/convertible warrants	0.00	140.94
Increase in bank borrowings	(3.03)	114.91
Proceed/(Repayment) of long term loans (net)	(147.45)	(25.82)
Financial expenses paid	(170.31)	(146.11)
Net Cash from/(used in) Financing Activities	(230.79)	(12.67)
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	41.89	(17.70)
Cash and Cash equivalents as at 1st April (Opening Balance)	7.30	25.00
Cash and Cash equivalents as at 31st March (Closing Balance)	49.19	7.30

For & on behalf of the Board

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

As per our report attached to the Balance Sheet
For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

Place : Chandigarh.
Date : June 30, 2008

S.K. KANSAL
Partner
Membership No. 080632

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SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

	AS AT 31.03.2008 (Rs.)	AS AT 31.03.2007 (Rs.)
SCHEDULE A : SHARE CAPITAL		
Authorised		
16,500,000 Equity Shares of Rs.10/- each	<u>165,000,000</u>	<u>165,000,000</u>
Issued, Subscribed & Paid-up		
12,574,000 (Previous year 11,950,000) Equity Shares of Rs.10/- each	<u>125,740,000</u>	119,500,000
Less: Allotment Money Unpaid	<u>278,000</u>	<u>278,000</u>
Out of above 1,734,000 (Previous Year 1,110,000) were issued on Preferential Allotment basis	<u>125,462,000</u>	119,222,000
CONVERTIBLE WARRANTS		
Issued, Subscribed & Paid-up		
Nil (Previous year 624,000) Warrants convertible into equal number of equity shares, at the option of its holder, on or after April 1, 2007 but before March 31, 2008 (Issued on Preferential Allotment Basis @ Rs. 11.60 per warrant fully paid up)		7,238,400
TOTAL	<u><u>125,462,000</u></u>	<u><u>126,460,400</u></u>
SCHEDULE B : RESERVES & SURPLUS		
Capital Reserve		
As per last balance sheet	<u>1,713,900</u>	
Add : Addition during the year	<u>-</u>	<u>1,713,900</u>
State Investment Subsidy		
As per last Balance Sheet	<u>3,000,000</u>	<u>3,000,000</u>
Share Premium		
As per last Balance Sheet	<u>10,806,600</u>	9,861,000
Add : Addition during the year	<u>998,400</u>	<u>945,600</u>
Profit & Loss Account		
	<u>17,291,940</u>	<u>16,300,833</u>
TOTAL	<u><u>33,810,840</u></u>	<u><u>31,821,333</u></u>
SCHEDULE C : SECURED LOANS		
TERM LIABILITIES		
State Bank of Patiala		
- Term Loan	<u>70,060,674</u>	81,172,785
- Corporate Loan		3,039,748
Vehicle Loans	<u>3,246,920</u>	<u>3,973,579</u>
	<u>73,307,594</u>	88,186,112
WORKING CAPITAL FACILITIES		
State Bank of Patiala		
- Export Packing Credit	<u>69,682,091</u>	62,481,681
- Foreign Bills Purchased/Discounted	<u>5,858,641</u>	12,343,735
- Cash Credit	<u>10,379,333</u>	<u>11,397,804</u>
TOTAL	<u><u>85,920,065</u></u>	<u><u>86,223,220</u></u>
Term Loan and Working Capital Facilities from the State Bank of Patiala are secured by way of first charge on all the fixed and current assets of the Company. These are further secured by personal guarantees of two directors.		
SCHEDULE D : UNSECURED LOANS		
Inter-corporate Loans	<u>13,515,000</u>	5,765,000
From Director	<u>1,250,000</u>	
TOTAL	<u><u>14,765,000</u></u>	<u><u>5,765,000</u></u>

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SCHEDULE E: FIXED ASSETS

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		
	AS AT	ADDITIONS	SOLD	AS AT	UPTO	FOR THE	ADJUSTMENTS	UPTO	AS AT	AS AT
	31.03.2007			31.03.2008	31.03.2007	YEAR		31.03.2008	31.03.2008	31.03.2007
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Freehold Land	6,823,151	-	-	6,823,151	-	-	-	-	6,823,151	6,823,151
Building	48,971,026	815,236	-	49,786,262	13,424,608	1,656,858	-	15,081,466	34,704,796	35,546,418
Plant & Machinery	382,325,234	2,472,804	-	384,798,038	201,325,609	29,548,967	-	230,874,576	153,923,462	180,999,625
Electrical Installations	9,250,046	73,014	-	9,323,060	5,087,812	589,801	-	5,677,613	3,645,447	4,162,234
D G Sets	3,463,645	-	-	3,463,645	1,592,437	257,707	-	1,850,144	1,613,501	1,871,208
Laboratory Equipments	316,928	-	-	316,928	237,362	20,117	-	257,479	59,449	79,566
Furniture, Fixture & Office Equipments	10,023,703	176,815	-	10,200,518	5,680,682	922,480	-	6,603,162	3,597,356	4,343,021
Vehicles	8,871,115	780,805	1,164,799	8,487,121	2,656,468	820,006	697,360	2,779,114	5,708,007	6,214,647
TOTAL	470,044,848	4,318,674	1,164,799	473,198,723	230,004,978	33,815,936	697,360	263,123,554	210,075,169	
Previous Year (Rs.)	326,169,994	144,541,560	666,706	470,044,848	201,167,608	29,250,707	413,337	230,004,978		240,039,870
Capital Work-in-Progress (at Cost)										51,700
Advances for Capital Expenditure									591,561	591,561
TOTAL									210,666,730	240,683,131

SCHEDULE F: CURRENT ASSETS, LOANS AND ADVANCES

	AS AT 31.03.2008 (Rs.)	AS AT 31.03.2007 (Rs.)
Inventories		
Yarn	6,710,807	6,283,255
Finished Stocks	21,982,070	11,007,606
Stock In Process	83,758,314	76,327,476
Consumable Stores	9,340,812	9,032,806
Packing Materials	4,088,370	4,462,008
Stores & Spares	7,517,640	7,307,938
Fuel	918,076	287,083
	134,316,089	114,708,172
Sundry Debtors (Unsecured - Considered Good)		
Outstanding for period over six months	3,525,211	1,862,444
Others	37,780,080	34,776,248
	41,305,291	36,638,692
Cash and Bank Balances		
Cash in hand	2,157,569	221,320
With Scheduled Banks		
- in current accounts	1,609,443	423,783
- in deposit accounts	1,151,903	84,500
	4,918,915	729,603
Loans and Advances		
Unsecured : Considered Good		
(Advances recoverable in cash or in kind or for value to be received)	4,921,407	6,041,510
Duty Drawback /DEPB Licence Receivable	6,385,188	4,538,729
Interest Subsidy Receivable	4,817,231	4,164,565
CST/VAT Refund Receivable	5,805,887	3,112,205
Advance Taxes (including Advance FBT)	2,151,915	2,511,678
Security Deposits	1,044,801	1,041,647
	25,126,429	21,410,334
TOTAL	205,666,724	173,486,801

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SCHEDULE G: CURRENT LIABILITIES AND PROVISIONS

	AS AT 31.03.2008 (Rs.)	AS AT 31.03.2007 (Rs.)
Current Liabilities		
Sundry Creditors		
- Small Scale Industrial Undertaking	6,402,980	5,934,014
- Other than Small Scale Industrial Undertaking	<u>42,155,014</u>	<u>36,910,971</u>
Creditors for Capital Goods	533,932	335,391
Advances from Customers	468,103	-
Creditors for Expenses	7,599,206	8,809,026
TOTAL	<u><u>57,159,235</u></u>	<u><u>51,989,402</u></u>
Provisions		
- For Taxation (including Current Taxes and FBT)	900,000	1,950,000
- For Staff Benefits	2,472,720	2,550,465
TOTAL	<u><u>3,372,720</u></u>	<u><u>4,500,465</u></u>

	2007-08 (Rs.)	2006-07 (Rs.)
SCHEDULE H : SALES		
Sale - Export	302,648,272	299,082,452
Sale - Local	29,508,867	85,756,226
TOTAL	<u><u>332,157,139</u></u>	<u><u>384,838,678</u></u>

SCHEDULE I : OTHER INCOME		
Export Incentive	28,441,672	16,951,910
Interest on FDR	87,600	25,652
Job Charges	104,470	390,081
Miscellaneous Income	1,546,207	62,934
TOTAL	<u><u>30,179,949</u></u>	<u><u>17,430,577</u></u>

SCHEDULE J : MANUFACTURING EXPENSES		
Consumption of Stores	38,554,515	50,617,473
Packing Materials	12,560,825	14,778,700
Power	12,268,571	12,503,026
Fuel	17,991,494	16,278,790
Labour Charges	13,164,537	16,685,713
Repair & Maintenance - Plant & Machinery	6,387,675	7,091,478
- Building	25,838	26,284
TOTAL	<u><u>100,953,455</u></u>	<u><u>117,981,464</u></u>

SCHEDULE K : SALARIES, WAGES & BENEFITS		
Remuneration & Perks to Directors	5,358,758	4,680,623
Salary, Allowances & Perks to Employees	14,620,207	19,950,200
Staff Welfare	612,540	370,187
Contribution Towards Funds	1,765,675	1,863,194
TOTAL	<u><u>22,357,180</u></u>	<u><u>26,864,204</u></u>

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	<u>2007-08</u> (Rs.)	<u>2006-07</u> (Rs.)
SCHEDULE L: FINANCIAL EXPENSES		
Interest on long term loans	6,488,523	4,357,825
Interest on short term loans	8,213,178	8,130,977
Bank Charges	2,194,951	2,263,789
TOTAL	<u>16,896,652</u>	<u>14,752,591</u>
 SCHEDULE M: SELLING EXPENSES		
Freight Outward	15,654,527	21,449,495
Commission & Discount	1,340,879	1,348,548
Business Promotion Expenses	254,385	228,419
TOTAL	<u>17,249,791</u>	<u>23,026,462</u>
 SCHEDULE N: ADMINISTRATIVE AND OTHER EXPENSES		
Rent, Rates & Taxes	440,510	522,342
Fees & Subscription	262,136	237,071
Legal & Professional Charges	342,275	376,966
Travelling Expenses		
- Directors	1,042,416	1,454,406
- Others	409,512	606,293
Vehicles Running & Maintenance	1,851,127	2,037,533
Postage, Telegram & Telephones	1,287,370	1,347,949
Security Charges	491,438	141,371
Advertisement Expenses	127,054	178,540
Directors' Sitting Fees	60,000	95,000
Printing & Stationery	341,686	482,851
Insurance	803,540	939,915
Auditors' Remuneration	95,506	95,506
Office Repair & Maintenance	116,472	140,537
Exchange Rate Variation	456,412	-
Factory Maintenance	538,171	148,557
Miscellaneous Expenses	321,540	403,053
Loss of Sale of Assets	252,439	183,369
TOTAL	<u>9,239,604</u>	<u>9,391,259</u>

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SCHEDULE O: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- a) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. Accounting policies not specifically referred to are consistent with generally accepted accounting policies.
- b) The company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

2) FIXED ASSETS

The fixed assets are recorded at the cost which includes freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use. Adjustments arising from exchange rate fluctuations relating to outstanding liabilities attributable to the fixed assets are capitalised/adjusted.

3) INVENTORIES

Inventories are valued, on FIFO method

- Raw materials - at lower of cost or net realisable value.
- Packing materials, consumables and stores & spares - at cost
- Stock-in-process - material cost plus appropriate share of production overheads.
- Finished goods - at lower of cost or net realisable value.

4) EXPENDITURE ON EXPANSIONS

Expenditure directly relating to construction/substantial expansion activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

5) DEPRECIATION

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

6) FOREIGN CURRENCY TRANSACTIONS

Export sales are accounted for at exchange rates prevailing on the date the documents are negotiated/realised with/through Bank. In case of direct remittance from buyers the difference between the exchange rates on the despatch date and actual exchange rate of foreign currency on receipt of payment is booked in sales.

The assets and liabilities at the year end are translated at the closing exchange rate and the difference between the transaction is taken into profit and loss account.

The foreign currency transactions in respect of payments towards cost of fixed assets, spares, travelling, commission, etc. are accounted for at the exchange rates prevailing on the date of transaction/remittance.

7) BORROWING COST

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

8) TAXES ON INCOME

Tax expenses comprises of current, deferred and fringe benefit tax. Provision for current income tax and fringe benefit tax is made for the amount of tax payable in respect of taxable income for the year under the Income Tax Act, 1961.

Deferred tax is recognised subject to the consideration of prudence, on timing difference, being the difference between book profit and tax profit that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax loss that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient further taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against further taxable profits. Unrecognized deferred tax assets of earlier years are reassessed and recognized to the extent that it has become reasonably certain that further taxable income will be available against which such deferred tax assets can be realized.

9) RETIREMENT BENEFITS

The liability on account of Gratuity is covered by the Group Gratuity Policy taken from Life Insurance Corporation of India. Contribution to the gratuity fund is charged to revenue. The liability of leave encashment is provided on actuarial basis. The contribution to Provident Fund is made as per the provisions of The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

10) USE OF ESTIMATES

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

11) EARNING PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders after deducting taxes by the weighted average number of equity shares outstanding during the year. Equity shares that are partly paid up are treated as a fraction of an equity share to the extent they entitled to participate in dividends. The weighted average number of equity shares outstanding during the year are adjusted for events such as bonus issue, bonus element in a right issue to the existing shareholders, share split and consolidation of shares. For the purpose of calculating diluted EPS, the net profit or loss attributable to equity share holders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

12) INTANGIBLE ASSETS

An intangible asset is recognized if and only if -

- a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and
- b) the cost of the asset can be measured reliably

An intangible asset is measured initially at cost. The amortization method will be used to reflect the pattern in which the assets economic benefits are consumed by the enterprise. If that pattern cannot be determined reliably, the straight line method will be used.

13) IMPAIRMENT OF ASSETS

An asset is treated as impaired, when carrying cost of asset exceeds its recoverable amount. An impaired loss is charged to Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

14) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Provisions are determined based on the best estimates required to fulfill the obligation on the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

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II. NOTES ON ACCOUNTS

- 1) Contingent liabilities :-
 - a) Export/Domestic Bills drawn on customers against letters of credit and discounted with bank are Rs. 50.88 lacs (Previous year Rs. 233.96 lacs).
 - b) Central Excise Authorities have gone in appeal against the order of Commissioner (Appeals) which was decided in favour of the Company for the demand of Rs. 258.70 lacs (Previous year Rs. 258.70 lacs). The Company has refuted the liability based on the advice received from the legal experts and accordingly has not made any provision in the Books of Account. The requisite provision, if any, will be made in the year in which any demand is finally established.
 - c) The Central Excise Authorities, Mumbai have imposed a duty and penalty aggregating to Rs. 723.00 lacs (Previous year Rs. 723.00 lacs) for purchase of certain items against CT-3 Forms without payment of duty. The Company has disputed the said demand and filed an appeal to set aside the said orders. The requisite provision, if any, will be made in the year in which any demand is finally established.
 - d) The Company has given counter guarantee to the Bank for Rs. 10.00 Lacs (Previous year Rs. Nil) in respect of the guarantee issued by the Bank on behalf of the company
- 2) Purchase Tax/Sales Tax liability has been provided based on the returns filed with the Sales Tax Authorities. The Sales Tax assessments have been completed upto the financial year 2004-05 and no demand is pending in respect thereto.
- 3) Income Tax assessments have been completed upto the Assessment Year 2005-06 and no demand is pending in respect thereto.
- 4) In the opinion of the Management, the current assets, loans and advances have a value which on realisation in the ordinary course of business would be at least equal to that at which these have been stated in the books of account.
- 5) The turnover includes Rs. Nil (Previous year Rs. 5.38 lacs) on account of realisation/entitlement of DEPB Licence.
- 6) There is no claim from suppliers under Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993. Sundry creditors include Rs. 47.70 lacs (Previous year Rs. 45.99 lacs) due to small scale industrial undertakings to whom the Company owes sum exceeding Rs. one lac and which are outstanding for more than 30 days. These units are Didsu Chemicals (P) Ltd., Dipsy Chemicals (P) Ltd., Uniroyal Textile Industries Ltd., Creative Arts, Jai Balaji Labels and M.K. Enterprises. The above information has been furnished on the basis of information regarding the status of supplier available with the Company.
- 7) The Company has opted for the exemption under Notification No. 30/2004 dated July 9, 2004 issued by the Central Board of Excise & Customs and therefore no excise duty is payable on the goods manufactured/despatched by it.
- 8) Capital Reserve has arisen from the Capital profit on forfeiture of 10% upfront payment on 591000 Convertible Warrants at a price of Rs. 29/- each issued during 2005-06.
- 9) Managerial remuneration including all benefits but excluding provision for leave encashment and gratuity.

	(Rs./lacs)	
	2007-08	2006-07
Salary	48.62	39.35
Provident Fund Contribution	4.05	3.54
Perks	4.97	7.46
	<u>57.64</u>	<u>50.35</u>

The above does not include contribution to LIC Group Gratuity Fund and provision for Leave Encashment as such contribution/provision is made on a global basis and the employee-wise breakup is not available.

10) Installed Capacity & Production (As certified by the management)

	2007-08		2006-07	
	QTY (M.T.)	VALUE (Rs./Lacs)	QTY (M.T.)	VALUE (Rs./Lacs)
Licensed Capacity (Terry Towels)	NA		NA	
Installed Capacity (MT)	2134		2134	
Opening Stocks	49	109.73	62	124.22
Production (Terry Towels)	1462		1587	
Sales				
- Terry Towels	1401	3,309.44	1600	3,829.59
- Dyed Yarn		1.28		3.19
- DEPB Licence		-		5.38
- Scrap		10.85		10.23
Closing Stocks	110	219.68	49	109.73
11) Consumption of raw material (*)				
- Yarn	1283	1147.76	1406	1267.48
- Unfinished Towels	423	608.14	450	584.52

* No imported raw material is used.

	(Rs./Lacs)	
	2007-08	2006-07
12) CIF value of Imports		
- Stores & Spares	4.30	7.35
13) Expenditure in Foreign Currency		
- Travelling	4.19	5.07
- Commission	4.32	2.06
- Discount	7.09	6.81
- Others	0.08	0.89
14) Earnings in Foreign Exchange		
- FOB Value of Exports	2988.69	2904.84
- Others	0.02	0.60
15) Statutory Auditors' Remuneration (including applicable service tax) - Audit Fee (Rs.)	95,506	95,506
16) Value of Consumable Stores, Stores and Spares consumed during the year		

Particulars	2007-08		2006-07	
	Imported	Indigenous	Imported	Indigenous
Consumable Stores				
- Value	-	385.55	-	506.17
- Percentage	-	100.00	-	100.00
Stores & Spares				
- Value	7.13	45.61	6.33	55.11
- Percentage	13.52	86.48	10.30	89.70

17) SEGMENT REPORTING

Based on the guiding principles given in the Accounting Standard 17 "Segment Reporting" issued by "The Institute of Chartered Accountants of India" the Board of Directors considers and maintains that the manufacture of "Terry Towels" is the only business segment of the Company.

18) IMPAIRMENT OF ASSETS

In the opinion of the Board, there is no material impairment in the value of overall assets.

19) RELATED PARTY DISCLOSURE

Disclosures as required by the Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, are given below :-

a) RELATED PARTIES

Key Management Personnel - Mr. R. C. Mahajan, Mr. Amit Mahajan, Mr. T.N. Tikoo, Mr. Y.R. Kapur and Mr. Amit Mahajan

Associates - Universal Cyber Infoway (P) Ltd., Susang Mac (P) Ltd, Gulmohar Investments & Holdings Ltd. and Pride Properties (P) Ltd.

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b) TRANSACTIONS WITH RELATED PARTIES

Nature of Transaction	2007-08		2006-07	
	Key Mgmt Personnel	Associates	Key Mgmt Personnel	Associates
Remuneration & Perks	57.64	--	54.63	--
Payment of Rent	--	--	--	1.50
Unsecured Loans				
- received	12.50	100.00	216.99	61.40
- repaid/adjusted	--	12.50	216.99	158.00
Issue of Equity shares/ Convertible Warrants	--	--	140.94	--

20) Earning per share ["EPS"] computed in accordance with Accounting Standard 20: "Earning per Share":

Basic/Diluted -		2007-08	2006-07
Net Profit as per Accounts (Rs./Lacs)	A	9.91	2.31
Weighted average no. of shares	B	12,574,000	11,950,000
EPS (Rs.)	A/B		
- Basic		0.08	0.02
- Diluted		0.08	0.02

21) DEFERRED TAX LIABILITY

Deferred tax assets and liability are being offset as they relate to taxes on income levied by the same governing Taxation Laws. Break up of deferred tax assets/liability and reconciliation of current year deferred tax -

		As at March 31, 2008	(Rs./Lacs) As at March 31, 2007
A. Deferred Tax Liability			
- Difference between carrying amount of fixed assets in the financial statements and the income tax returns.		747.33	793.53
TOTAL	A'	747.33	793.53
B. Deferred Tax Assets			
- Unabsorbed Depreciation/business loss as per income tax returns		45.29	120.59
- Expenses charged in the financial statements but allowable as deduction under Income Tax Act in subsequent years.		--	44.46
- Expenses disallowed under Section 40(a)		39.03	57.35
TOTAL	B'	84.32	222.40
Net Deferred Tax Liability	(B - A)	663.01	571.13
Tax impact		225.36	192.24

22) MOVEMENT OF PROVISIONS

Provisions	Income-Tax	FBT	Bonus
Opening Balance	13.50	6.00	3.30
Add : Additions	5.00	4.00	3.58
Less : Amount used	9.12	3.67	2.53
Less: Unused Amount Reversed	4.38	2.33	--
Closing Balance	5.00	4.00	4.35

24) Previous year figures have been regrouped and rearranged wherever necessary to make them comparable.

For & on behalf of the Board

Vikas Goyal Y.R.KAPUR AMIT MAHAJAN R.C. MAHAJAN
Company Secretary Director-Finance Director-Commercial Managing Director

As per our report attached to the Balance Sheet

For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.K.KANSAL

Partner

Place : Chandigarh
Date : June 30, 2008

Membership No. 080632

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of the Company will be held on Monday, September, 29, 2008 at 10.00 a.m. at the Registered Office of the Company at Village Kuranwala, Barwala Road, Derabassi - 140507, Distt. Mohali (Punjab) to transact the following business -

ORDINARY BUSINESS -

- To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
- To appoint a Director in place of Mr. Y. R. Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. T. N. Tikoo, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. R. K. Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorise Audit Committee to fix their remuneration.

SPECIAL BUSINESS

- To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ordinary resolution:-
"RESOLVED that Mr. M.M Puri, who was appointed as an Additional Director w.e.f October 31, 2007 and pursuant to the provisions of Section 260 and other applicable provisions, if any, of the Companies Act, 1956 and Article 85(i) of the Articles of Association of the Company, who holds office upto the date of forthcoming Annual General Meeting be and is hereby appointed as Director liable to retire by rotation"

For and on Behalf of the Board

Place : Chandigarh
Date : July 30, 2008

VIKAS GOYAL
Company Secretary

Regd. Office -
Village Kuranwala, Barwala Road,
Derabassi - 140 507, Distt. Mohali (Punjab)

NOTES -

- A Member entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and on a poll to vote instead of himself/herself. The proxy need not be a Member of the Company. A blank form of proxy is enclosed and if intended to be used, it should be returned, duly completed, to the Registered Office of the Company, not less than 48 hours before the scheduled time of the meeting.
- Explanatory Statement pursuant to Section 173(2) of the companies Act, 1956 in respect of the Special business is annexed
- The Register of Members and the Share Transfer Register will remain closed from Thursday, September 25, 2008 to Monday, September 29, 2008 (both days inclusive) in terms of provisions of Section 154 of the Companies Act, 1956 and the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai.
- Members holding shares in physical form are requested to notify change in address, if any, to the Company at its Registered Office or to the Registrar & Transfer Agents - M/s Intime Spectrum Registry Ltd., A-31, 3rd Floor, Nariana Industrial Area Phase - I, Near PVR Cinema, New Delhi - 110 028.
- Members holding shares in electronic form are requested to notify change in their address, if any, to their Depository Participant.
- Members/Proxies are requested to bring their copies of the Annual Report alongwith duly filled admission slips for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Mr. M.M Puri was appointed additional director w.e.f October 31, 2007. Pursuant to the provisions of section 260 of the Companies Act, 1956 and Article 85(i) of the Articles of Association, he holds office up to the date of forthcoming annual general meeting. Mr Puri has wide experience in the field of Education & Industry. As required by Section 257 of the Act, a notice alongwith a deposit of Rs. 500/- has been received from a Member signifying his intention to propose Mr. Puri's candidature for appointment as director liable to retire by rotation.

The Board considers it desirable that the company should continue to avail itself of his services and hence recommends the resolution for approval of the shareholders.

Mr M.M Puri does not hold any Shares of the company. The Board recommends the passing of the subject resolution. None of the Directors except Mr. M.M Puri himself is interested in this resolution.

For and on Behalf of the Board

Place : Chandigarh
Date : July 30, 2008

VIKAS GOYAL
Company Secretary

Regd. Office -
Village Kuranwala, Barwala Road,
Derabassi - 140 507, Distt. Mohali (Punjab)

S. R. Industries Limited

Annual Report 2007-08

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No.	<input type="text" value=""/>	State Code	<input type="text" value=""/>			
Date	<input type="text" value="3"/> <input type="text" value="1"/>	<input type="text" value="0"/> <input type="text" value="3"/>	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="8"/>			
	Date	Month	Year			

II CAPITAL RAISED DURING THE YEAR : (RS.IN THOUSANDS)

Public Issue	<input type="text" value=""/>	N I L	Rights Issue	<input type="text" value=""/>	N I L
Bonus Issue	<input type="text" value=""/>	N I L	Private Placements	<input type="text" value=""/>	N I L

III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS : (RS.IN THOUSANDS)

Total Liabilities	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="2"/>	Total Assets	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="2"/>
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SOURCES OF FUNDS :

Paid-up Capital	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="2"/>	Reserves and Surplus	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="1"/>
Secured Loans	<input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/>	Unsecured Loans	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="5"/>
Deferred Tax Liability	<input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="6"/>		

APPLICATION OF FUNDS :

Net Fixed Assets	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="7"/>	Investment	<input type="text" value=""/>	N I L
Net Current Assets	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="5"/>	Miscellaneous Expenditure	<input type="text" value=""/>	N I L
Accumulated Losses	<input type="text" value=""/>	N I L		

IV PERFORMANCE OF THE COMPANY (RS.IN THOUSANDS)

Turnover	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/>	Total Expenditure	<input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="2"/>	
Profit Before Tax	<input type="text" value=""/>	Profit After Tax	<input type="text" value=""/>	
Earning Per Share (Rs.)	<input type="text" value=""/>	Dividend Rate %	<input type="text" value=""/>	N I L

V GENERIG NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.	<input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="0"/>
Product Description	100% COTTON TERRY TOWELS

For & on behalf of the Board

Place : Chandigarh
Date : June 30, 2008

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

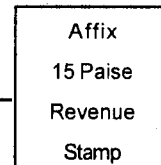
R.C. MAHAJAN
Managing Director

PROXY FORM

Folio No. _____ DPID _____
Client ID _____

I/We _____ of _____
(Name in Blocks) (Address)
in the State of _____ being a member(s) of S.R. Industries Limited
hereby appoint _____
(Name in Blocks)
of _____ in the State of _____ or failing
(Address)
him/her _____ of _____
(Name in Blocks) (Address)
in the State of _____ as my/our proxy to vote for me/us and on my/our behalf at
the Nineteenth Annual General Meeting of the Company to be held on Monday, September 29, 2008 at 10:00 a.m.
at its Registered Office: Village Kuranwala, Barwala Road, Derabassi-140507, Distt. Mohali (Pb.) or at any
adjournment thereof.

Signed this _____ day of _____ 2008.
(Date) (Month)



Signature

- Notes: (1) The proxy need not be a member of the Company.
(2) The proxy form duly completed and signed across 15 Paise Revenue Stamp must be deposited at the Registered Office of the Company at least 48 hours before the time fixed for commencement of the meeting.

NO GIFTS/COMPANYS' PRODUCT WILL BE GIVEN FOR ATTENDING THE MEETING

(TEAR HERE)

ATTENDANCE SLIP

**Nineteenth Annual General Meeting
September 29, 2008**

**S. R. Industries
L i m i t e d**

Folio No. _____ DPID _____
No of Share(s) held _____ Client ID _____

Full name of the Member/Proxy attending the meeting

(First Name) (Second Name) (Surname)

FIRST HOLDER/JOINT HOLDER/PROXY
(Strike out whichever is not applicable)

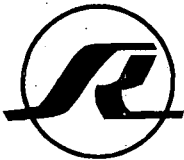
I hereby record my presence at the Nineteenth Annual General Meeting of the Company held on Monday, September 29, 2008 at 10:00 a.m. at Village Kuranwala, Barwala Road, Derabassi-140507, Distt. Mohali (Pb.)

Signature of the Member/Proxy

(CUT HERE)

BOOK - POST

S .R. Industries Limited



Regd. Office & Works :
Village Kuranwala, Barwala Road, Derabassi - 140507
Distt. Mohali (Punjab)
Phones : (01762) 506161 Fax : (01762) 280409