

19TH

ANNUAL REPORT

2007 - 2008



TEXEL

INDUSTRIES

LIMITED

BOARD OF DIRECTORS

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

AUDITORS

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

COMPANY SECRETARY (CONSULTING)

D. A. Rupawala

BANKERS

Union Bank of India,
Industrial Finance Branch,
Ahmedabad.

REGISTERED OFFICE & WORKS

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

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of Texel Industries Limited will be held on 30th September, 2008, Tuesday at 9.30 a.m. at Block No. 2106, Santej - Khatraj Road, Village: SANTEJ, Taluka: Kalol (N.G.), Dist.: Gandhinagar to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2008, the Balance Sheet as at that date and the reports of the Directors and Auditors thereon ;
2. To appoint a Director in place of Mr. Naresh Mehta who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

By order of the Board

Shailesh Mehta
(Managing Director)

Date: **30th August, 2008**

Place: **Santej**

Registered Office :

Block No. 2106,
Santej - Khatraj Road,
Village: SANTEJ, Taluka: Kalol (N.G.)
Dist.: Gandhinagar - 382 721.

NOTES

- a) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll, to vote instead of himself. A proxy need not be a member.
- b) Members/Proxies should bring the attendance slip, duly filled in for attending the meeting.
- c) Members/Proxies attending the meeting should bring their copy of the Annual Report for reference at the meeting.
- d) The Register of Members and the share transfer books of Company will remain closed from 24th September, 2008 to 30th September, 2008 both days inclusive.
- e) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company to be received at least seven days prior to the date of the meeting, so that the information required may be made available at the meeting to the best possible extent.

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

Name of director	Brief particulars	Details of other Directorship	Details of membership of other Company
Mr. Naresh Mehta	He is Plastic Engineer having rich experience in the industry.	Nil	Nil

DIRECTORS' REPORT

To,
The Members,
Texel Industries Limited.

Your Directors are pleased to present you the Nineteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

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

Particulars	2007-08	2006-07
Income	1,831.11	789.75
Expenditure	1,688.14	660.30
Gross Profit / Loss	142.97	129.45
Interest	38.25	13.14
Depreciation	58.83	58.29
Profit before tax	45.89	58.02
Provision for tax	0.00	Nil
Profit after tax	45.89	58.02
Income/Expenses of earlier Year	(1.15)	(4.50)
Add: Profit brought forward	(3,616.36)	(3,669.88)
Balance Carried Forward	(3,571.62)	(3,616.36)

MANAGEMENT DISCUSSION AND ANALYSIS

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

Company's Performance

Keeping in view the key indicators of the performance of the company for the year under review there is definite improvement in the company's performance. The Company has now entered the "Stable" Phase. The company has posted a turnover of Rs. 1,816.45 lakhs and a cash profit of Rs. 142.97 lakhs before interest and deprecation in the year under review.

The company is still operating under various constraints but the management's resolve is to put the company on a growth path. New products are being developed and introduced in the market. The coming years are crucial for the company but the management is confident to turn around the company in a short time.

DIVIDEND

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

DECLARED AS SICK COMPANY

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

DIRECTORS

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

PARTICULARS OF EMPLOYEES:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed:

1. That in the preparation of the Annual Accounts for the year ended 31st March 2008, the applicable accounting standards have been followed and there were no material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.
3. That the Directors have been taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the annual accounts on a going concern basis.

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

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

LISTING

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

AUDITORS AND AUDITOR'S REPORT:

The present Auditors of the Company M/s A.L Thakkar & Company, Chartered Accountants, Ahmedabad retires at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Auditors' Report and the notes to the account being self-explanatory, no further explanation is required.

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Date: 30th August, 2008
Place: Santej

Shailesh Mehta
(Managing Director)

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE 'A'

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

A. CONSERVATION OF ENERGY

a. Energy conservation measures:

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

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

No additional investments are planned at this stage.

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

Consumption of energy has been optimised to the extent possible.

d. Total energy consumption per unit of production.

	2007-08	2006-07
Electricity		
(1) Purchased		
Quantity (Units)	27,59,040	26,68,440
Total Amount (Rs.)	1,30,71,988	1,26,06,187
Average Rate (Rs.)	4.74	4.72
(2) (A) Own Generation		
Unit (kHz)	354.42	996
Unit/Liters of diesel oil	3.40	3.40
Cost / Unit	10.45	10.85
(B) Own Generation		
Unit / (kHz)	1,24,944	1,16,508
Unit/kgs. of Gas	19.00	19.00
Cost/Unit	2.47	2.24

B TECHNOLOGY ABSORPTION

1. Research and Development (R & D):

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

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

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

By addition of the new product the company is trying to improve presence in domestic as well as overseas

markets. The company will be also in a position to achieve higher production by reducing the impact of production mismatch with new product development.

(c) Future plan of action:

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

(d) Expenditure on R & D:

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

2. Technology Absorption, Adaption & Innovation

(a) Efforts made:

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

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

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

(c) Foreign exchange earnings and outgo:

	2007-08 (Rs. in Lacs)	2006-07 (Rs. in Lacs)
Foreign Exchange Outgo	Nil	Nil
Foreign Exchange earnings	Nil	Nil

ANNEXURE 'B'

Additional information as required under part IV of Schedule VI to the Companies Act, 1956.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details

Registration No.	:	1 2 5 7 6
State Code	:	0 4
Balance Sheet Date	:	3 1 0 3 0 8
		D M Y

(Amount in Rs. Thousand)

II. Capital raised during the year

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

III. Position of Mobilisation and Deployment of Funds

Total Liabilities		Total Assets
2 3 5 9 9 9		2 3 5 9 9 9

Sources of Funds

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

Application of Funds

Secured Loans		Unsecured Loans
1 3 4 6 2 6		1 4 2 6 9

Net Fixed Assets		Investments
5 8 6 8 0		NIL
Net Current Assets		Misc. Expenditure
-1 7 9 8 4 3		NIL

IV. Performance of the Company

Gross Revenue		Total Expenditure
1 8 3 1 1 1		1 7 8 5 2 2
Profit/(Loss) Before Tax		Profit/(Loss) After Tax
4 5 8 9		4 4 7 4

EPS on equity shares		Dividend Rate %
0.84		NIL

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

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

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

For and on behalf of the Board of Directors

Aseem L. Thakkar
Partner

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : **30th August, 2008**
 Place : **Ahmedabad**

Date : **30th August, 2008**
 Place : **Santej**

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

INTRODUCTION

Company's philosophy on corporate governance

TEXEL INDUSTRIES LIMITED believes in adopting the best global practices in the areas of Corporate Governance and follows the principles of fair representation and full disclosure of all its dealing and communication thereby protecting rights and interest of all its shareholders. The securities and Exchange Board of India has introduced a code of Corporate Governance for implementation by Listed Companies. The report for the year 2007-2008 is as follows.

BOARD OF DIRECTORS

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

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

- One Director
- One Executive Director
- Two Independent Directors

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

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

A. The constitution of the Board as on 31-03-08

Name of Directors	Category	Category Executive/ Non-Executive	No of Directorship As on 31-3-2008
Shri Shailesh R. Mehta	Managing Director	Executive Director	Nil
Shri Naresh R. Mehta	Director	Director	Nil
Shri Kirit Mehta	Director	Independent	Nil
Shri Sushil Kumar Pachisia	Director	Independent	Nil

BOARD PROCEDURE

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

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

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company, with presentations by Functional heads. Senior Management is invited to attend the Board Meetings so as to provide additional inputs to the items being discussed by the Board.

Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, details of joint ventures, sale of business unit/ division, compliance with statutory/ regulatory requirements, major accounting provision and write-offs are considered by the Board.

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

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

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

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

Six Board Meetings were held during the 12 months accounting period ended 31-3-2008. The date of such Board Meetings are 30.04.2007, 14.07.2007, 09.08.2007, 30.10.2007, 31.01.2008 and 25.03.2008.

AUDIT COMMITTEE:

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

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

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

Attendance during the Accounting period ended 31.03.2008 is as under.

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

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE deals with matters relating to

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

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

Attendance during the Accounting period ended 31.03.2008 is as under.

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

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

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

Directors Remuneration

Directors Remuneration during the Accounting year ended 31.03.2008

Name of Director	Sitting Fees	Salary & Perks	Total Rs.
Shri Shailesh R. Mehta	-	-	-
Shri Naresh R. Mehta	-	-	-
Shri Kirit Mehta	-	-	-
Shri Sushil Kumar Pachisia	12,000	Nil	12,000

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

NOTES ON DIRECTORS REAPPOINTMENT

Shri Naresh Mehta retires by rotation at the ensuring Annual General Meeting and being eligible offers himself for reappointment. Shri Naresh Mehta has wide experience in plastic industry.

Details of other Directors : Nil

SHAREHOLDERS INFORMATION

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

Year	AGM/ EGM	Location	Date & Time
2006-07	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	31.08.2007 9.30 A.M.
2005-06	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	07.08.2006 9.30 A.M.
2004-05	AGM	Block No. 2106, Santej Khatraj Road Village : Santej, Tal : Kalol, Pin : 382721	30.09.2005 10.30 A.M.

- (b) Whether the Special Resolution was put through last Year, details of voting pattern.
 No Special Resolution was required to be passed last Year. Hence there was no necessity of postal ballot.

DISCLOSURE

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

None

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

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

MEANS OF COMMUNICATION

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

Internal Control Systems

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

Statutory Relations

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

Industrial Relations

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

GENERAL SHAREHOLDERS INFORMATION

(A) ANNUAL GENERAL MEETING

Date & Time : 30.09.2008 9.30 A.M.
 Block No. 2106, Santej – Khatraj Road,
 Village: Santej, Tal: Kalol, Pin: 382721.

(B) Financial Calendar:

Particulars

Financial Reporting For

Date

Quarter ended June 30, 2008	4 th Week of July, 2008
Quarter ended September 30, 2008	4 th Week of October, 2008
Quarter ended December 31, 2008	4 th Week of January, 2009
Quarter ended March, 2009	4 th Week of April, 2009

Book closure Date : 24.09.2008 to 30.09.2008 (Both Days Inclusive)

Dividend payment date : N.A.

Listing of Equity Shares

On the stock Exchange

 (1) The Stock Exchange, Ahmedabad
Kamdhenu Complex, Near Panjrapole,

 (2) The Stock Exchange Mumbai,
Phirozjeejeebhoy Tower,
Dalal Street, Mumbai.

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

(c) Stock Code: -
Name of Stock Exchange
Stock Code

 The Stock Exchange Ahmedabad Kamdhenu complex
Nr. Panjrapole, Ambavadi Ahmedabad-380 015

60449

The Stock Exchange Mumbai, Phiroz jeejeebhoy tower Dalal Street Mumbai

26638
Demat :

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

STOCK MARKET DATA: - The Shares are not traded during the year 2007-2008

REGISTRAR & SHARE TRANSFER AGENTS

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

SHARE TRANSFER SYSTEMS

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

DISTRIBUTION OF SHAREHOLDING AS ON 31-03-2008

Shareholding		Shareholders Numbers	% Total Nos.	Shares Amount in Rs.	% of Total Nos.
From Nos.	To. Nos.				
Up to	5000	4406	82.07	67,01,600	12.54%
5001	10000	298	5.55	26,21,000	4.90%
10001	20000	391	7.28	65,58,400	12.27%
20001	30000	83	1.55	21,47,400	4.02%
30001	40000	48	0.89	17,01,990	3.18%
40001	50000	39	0.72	18,45,440	3.45%
50001	100000	96	1.79	1,56,39,320	29.26%
100001	and above	8	0.15	1,62,43,270	30.38%
TOTAL		5369	100.00	5,34,58,420	100.00%

CATEGORIES OF SHAREHOLDING AS ON 31-03-2008

Category	No. of Shares Held	Percentage
Promoters	17,58,432	32.89%
Mutual Funds	-	-
Private Corporate Bodies	3,37,290	6.32%
NRI Holding	4,78,000	8.92%
Indian Public	27,71,120	51.87%
TOTAL	53,45,842	100.00%

DEMATERIALIZATION OF SHARES AND LIQUIDITY:

None of the Equity Capital held in dematerialised form with NSDL and CDSL as on date 31-03-2008. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f 01.04.2003 as per notification issued by the Securities and Exchange Board of India (SEBI). The Company is in process of obtaining D-mat Facilities.

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

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

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

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

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

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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

We have read the Report of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by the Texel Industries Limited for the year ended 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement executed by Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the Listing Agreement.

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

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

For **A.L. Thakkar & Co.,**

Place: **Ahmedabad**
Date: **30.08.2008**

Aseem L. Thakkar
(Partner)

CEO Certification

The Board of Directors,
Texel Industries Limited,
Santej, Tal. Kalol,
Dist. Gandhinagar.

Re: Financial Statements for the year 2007-08-Certification by CEO.

I Shailesh R. Mehta, Managing Director of Texel Industries Limited, on the basis of review of the financial statements and the Cash Flow Statements for the financial year ending 31st March, 2008 and to the best of my knowledge and belief, I hereby certify that:

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2008 which is fraudulent, illegal or violate of the Company's Code of Conduct.
4. I accept responsibility for establishing and maintaining internal controls, I have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which I am aware, in design or operation of the internal control systems and that I have taken required steps to rectify these deficiencies.
5. I further certify that :
 - a. there have been no significant changes in internal control during this year.
 - b. there have been no significant changes in accounting polices during the year.
 - c. there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or employee having significant role in the Company's internal control systems.

Place: Santej

Date: **30th August, 2008**

Shailesh R.Mehta

Managing Director

AUDITORS' REPORT

To,
The Members
TEXEL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of M/s. '**TEXEL INDUSTRIES LIMITED**' as at 31st March 2008 and the Profit and Loss Account of the company for the year ended on that date annexed there to. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards accepted in India. Those standards required that we *plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements*. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the companies (Auditors report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclosed in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. **Further to our comments in the Annexure referred to above, and Note no 22 and 23 of note forming part of Balance sheet and Profit & Loss account, we report that :**
 - (I) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (II) In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as appears from our examination of the books.
 - (III) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
 - (IV) In our opinion the Balance sheet, profit and loss account dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
 - (V) On the basis of written representation received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st march, 2008 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956.
 - (VI) In our opinion and to the best of our knowledge and according to the explanation given to us, the accounts read with notes thereon, give the information required by the Companies Act, 1956, in the matter so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2008
 - b) In the case of Profit & Loss account for the Profit for the year ended on that date.

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

Date: 30th August, 2008
Place: Ahmedabad

Aseem L. Thakkar
Partner

ANNEXURE TO THE AUDITORS REPORT

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

1. In respect of assets:

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets on the basis of information available.
- b. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c. In our opinion, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.

2. In respect of inventories:

- a. The inventory has been physically verified during the year by the management. In our Opinion, the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanation given to us, the Procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- c. The Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to book records.

3. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties is covered in the register maintained under section 301 of the companies Act, 1956:

- a. The Company has not granted loan to any party covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. The company has taken loans from three parties covered in the register maintained under section 301 of the companies Act, 1956. The maximum amount involved during the year was Rs. 18.94 Lacs and the year-end balance of loans taken from such parties was Rs. 18.56 lacs.
- c. In our opinion and according to the information and explanations given to us, the rate of the interest, wherever applicable and other terms and conditions of loans taken are not prima facie prejudicial to the interest of the company.
- d. **The company is not regular in repaying the principal amounts as stipulated and has not been regular in the payment of interest wherever applicable.**

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and also with to the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.**5. In respect of transactions covered under section 301 of the companies Act, 1956.**

- a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts of arrangements that need to be entered into the register maintained under section 301 of the companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at price which are reasonable having regards to prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public.**7. In our opinion, the company has an internal audit commensurate with the size of the company and the nature of its business.****8. We have been informed by the management that the Central government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of products manufactured by the company.**

9. In respect of statutory dues.

- a. According to the records of the company, the company is not regular in depositing with appropriate authorities undisputed statutory dues of provident fund, employees state insurance, and Professional tax dues applicable to it. The company is regular in depositing with appropriate authorities undisputed statutory dues of investors education and protection fund, income tax, wealth tax, Service tax, custom duty and excise duty. According to the information and explanation given to us, the following undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2008 for a period of more than six months from the date they become payable.

Name of the statute	Nature of dues	Amount Rs.
E.P.F. Act	Provident Fund	4,72,188
E.P.F. Act	Interest & Damages	3,73,043
E. S. I. Act	E. S. I.	63,917
Professional Tax Act	Professional Tax	77,900
Municipal Act	Property Tax	81,621

- b. The disputed statutory due aggregating to Rs.48.35 Lacs, that have not been deposited on account of matters pending before appropriate authorities are as under :

Name of the Statute	Nature of Dues	Forum where Dispute is pending	Amount Rs.
Municipal Act	Property Tax	Small cause court	1,90,443
Excise Act	Excise duty	Dy. Com. Excise	6,47,791
Custom Act	Custom duty	D.G.F.T New Dehli	39,53,898

10. The accumulated losses of the company have exceeded fifty percent of its net worth as at 31st March 2008. The company has not incurred any cash loss during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedure and according to the information and explanation given to us, we are of the opinion that the company has defaulted in repayment of dues to financial institutions and banks.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit fund or a nidhi / mutual benefit fund, society. Hence clause 4 (xiii) of the companies (Auditors Report) Order 2003 is not applicable of the company.
14. In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Hence clause 4 (xiv) of the Companies (Auditors Report) Order 2003 is not applicable to the company.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The company has not raised any new term loan during the year. The term loans outstanding at the beginning of the year were applied for the purpose for which they were raised.

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

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

Date: **30th August, 2008**
Place: **Ahmedabad**

Aseem L. Thakkar
Partner

BALANCE SHEET AS ON 31ST MARCH 2008

Particulars	Schedule	As At 31/03/08 (Amount Rs)	As At 31/03/07 (Amount Rs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	5,84,58,420	5,84,58,420
Reserves & Surplus	2	2,86,45,349	2,87,62,385
		8,71,03,769	8,72,20,805
LOAN FUNDS :			
Secured Loan	3	13,46,25,745	14,37,69,163
Unsecured Loan	4	1,42,69,025	1,43,07,003
		14,88,94,770	15,80,76,166
TOTAL FUNDS EMPLOYED		<u>23,59,98,539</u>	<u>24,52,96,971</u>
APPLICATION OF FUNDS :			
FIXED ASSETS :			
	5		
Gross Block		13,67,32,029	13,55,48,924
Less: Depreciation		7,80,51,969	7,18,17,934
Net Block		5,86,80,060	6,37,30,990
INVESTMENTS :		NIL	NIL
CURRENT ASSETS, LOAN & ADVANCES :			
Inventories	6	2,09,46,426	1,11,58,290
Receivables	7	4,89,59,221	3,54,59,015
Cash & Bank Balance	8	25,33,077	27,47,242
Loans and Advances	9	1,05,20,957	62,60,304
		8,29,59,681	5,56,24,851
LESS: CURRENT LIABILITIES & PROVISIONS		10	
Current Liabilities		5,58,35,917	2,60,91,914
Provisions		20,69,66,751	20,96,02,494
		26,28,02,668	23,56,94,408
NET CURRENT ASSETS		-17,98,42,987	-18,00,69,557
PROFIT & LOSS ACCOUNT (Dr. Bal)		35,71,61,466	36,16,35,538
TOTAL FUNDS APPLIED		<u>23,59,98,539</u>	<u>24,52,96,971</u>
Notes to the Accounts	19		

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

Aseem L. Thakkar
 Partner

Date : 30th August, 2008
 Place : Ahmedabad

For and on behalf of the Board of Directors

Shailesh R. Mehta **Sushil Kumar Pachisia**
 Managing Director Director

Date : 30th August, 2008
 Place : Santej

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-3-2008

Particulars	Schedule	As on 31/03/08	As on 31/03/07
INCOME :			
Sales	11	18,16,44,847	7,63,88,576
Other Income	12	14,66,112	25,86,590
Increase/(Decrease) in Stock		0	0
Total Rs.		<u>18,31,10,959</u>	<u>7,89,75,166</u>
EXPENDITURE :			
Raw Material Consumed	13	13,07,04,565	3,49,39,437
Manufacturing Operating Expenses	14	3,22,17,030	2,62,85,300
Payment to & Provision for Employees	15	23,25,581	23,61,603
Administration & Other Expenses	16	19,95,974	18,99,676
Selling & Distribution Expenses	17	15,70,468	5,43,721
Financial Expenses	18	38,25,378	13,14,400
Depreciation		58,82,929	58,28,459
		<u>17,85,21,925</u>	<u>7,31,72,596</u>
NET PROFIT FOR THE YEAR BEFORE TAX		45,89,034	58,02,570
PRIOR YEAR INCOME/EXPENSES		-1,14,962	-4,50,493
PROVISION FOR TAX		0	0
PROFIT AFTER TAX		44,74,072	53,52,077
ADD : Surplus brought forward from previous year		-36,16,35,538	-36,69,87,615
BALANCE CARRIED TO BALANCE SHEET		<u>-35,71,61,466</u>	<u>-36,16,35,538</u>
E.P.S. & DILUTED E.P.S.		0.84	1.00
Notes to the Accounts	19		

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

Aseem L. Thakkar
Partner

Date : 30th August, 2008
 Place : Ahmedabad

For and on behalf of the Board of Directors

Shailesh R. Mehta **Sushil Kumar Pachisia**
Managing Director *Director*

Date : 30th August, 2008
 Place : Santej

SCHEDULE FORMING PART OF THE BALANCE SHEET

Particulars	As at 31/03/08	As at 31/03/07
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED		
80,00,000 Equity Shares of Rs 10 each	8,00,00,000	8,00,00,000
5,00,000 Redeemable Preference Shares of Rs 10 each	50,00,000	50,00,000
ISSUED SUBSCRIBED & PAID-UP		
53,45,842 Equity Shares of Rs 10 each fully paid up (Previous year 53,45,842 Equity Shares of Rs. 10 each)	5,34,58,420	5,34,58,420
5,00,000 18% Cumulative Redeemable Preference Shares of Rs 10 each fully paid up (Previous year 5,00,000 18% Cumulative Redemable Preference Shares of Rs. 10 each.)	50,00,000	50,00,000
	5,84,58,420	5,84,58,420
SCHEDULE 2: RESERVES AND SURPLUS		
REVALUATION RESERVE	8,12,349	9,29,385
SHARE PREMIUM	1,94,99,668	1,94,99,668
CAPITAL REDEMPTION RESERVE	33,33,332	33,33,332
GENERAL RESERVE	50,00,000	50,00,000
	2,86,45,349	2,87,62,385
SCHEDULE 3: SECURED LOAN		
WORKING CAPITAL FROM BANKS		
Union Bank of India (Secured by First charge by way of Hypothecation of Raw Materials, Stock in Process, Finished Goods, Stores & Spares, Packing Materials & Book debts, further secured by Second Charge on the Land & Building, Plant & Machinery & Personal Guarantees of two Directors of the Company) (Refer Note No. 23 of Notes forming part of B/S & P&L A/C)	8,13,76,933	8,24,68,395
TERM LOAN		
STANDARD CHARTERED BANK (Secured by Equitable Mortgage of Land and Building, Hypothecation of Plant & Machinery and Hypothecation of Immovable & Movable propertis subject to the prior charge on current assets in favour of Bankers for securing working capital borrowings) (Refer Note No. 23 of Notes forming part of B/S & P&L A/C)	4,01,07,063	4,81,59,019
OTHERS		
Under Hire Purchase Scheme	1,31,41,749	1,31,41,749
	13,46,25,745	14,37,69,163

Particulars	As at 31/03/08	As at 31/03/07
SCHEDULE 4 : UNSECURED LOAN		
Inter-Corporate Deposit (Repayable within one year)	40,00,000	40,00,000
Others (Repayable within one year)	85,32,926	85,32,926
Agency Deposit	80,000	80,000
From Directors	16,56,099	16,94,077
	<u>1,42,69,025</u>	<u>1,43,07,003</u>

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	Cost Addition as on during 1/4/07 the year	Deduc- tion	Cost as on 31/3/08	Provided up to 31/3/07	For Adjust- ment the year	Total upto 31/3/08	As on 31/3/07	As on 31/3/08	
Land	2332388	71228	0	2403616	0	0	0	2332388	2403616
Fac. Building	24702054	65874	0	24767928	9231030	825055	0	10056085	15471024
Office Building	1821108	0	0	1821108	362307	29684	0	391991	1458801
Plant & Mach.	88570847	761571	0	89332418	49873478	4225409	0	54098887	38697369
Ele. Installation	6200734	0	0	6200734	3352815	294536	0	3647351	2847919
Furniture	6194245	0	0	6194245	4623190	392096	0	5015286	1571055
Off. Automation	4494928	50362	0	4545290	3379373	136157	0	3515530	1115555
Vehicle	1466690	0	0	1466690	1229811	97028	0	1326839	236879
Total	135782994	949035	0	136732029	72052004	5999965	0	78051969	63730990
Previous Yr	134939239	843755	0	135782994	66106511	5945493	0	72052004	68832728

SCHEDULE 6 : INVENTORIES
(As certified and valued by the Management)

Raw Material/Work in Progress	2,06,21,106	1,08,92,510
Stores & Spares	3,25,320	2,65,780
	<u>2,09,46,426</u>	<u>1,11,58,290</u>

SCHEDULE 7 : RECEIVABLES
(Unsecured, considered good, unless otherwise stated)

More than Six months	Pr. Year	2,79,23,152	1,69,28,493
Considered good	1,60,20,224	19,30,488	
Considered doubtful	1,19,02,928	1,49,98,005	
Less than Six months		2,10,36,069	1,85,30,522
		<u>4,89,59,221</u>	<u>3,54,59,015</u>

Particulars	As at 31/3/08	As at 31/3/07
SCHEDULE 8 : CASH & BANK BALANCE		
Cash on hand	9,23,419	16,44,651
With Schedule bank in Fixed Deposit	1,99,174	1,99,174
(Lodged with Banks as security against bank guarantee and Letter of Credit)		
With Co-operative Bank in Fixed Deposit	3,00,000	0
Current Account	11,10,484	9,03,417
	25,33,077	27,47,242
SCHEDULE 9 : LOANS & ADVANCES		
(Unsecured considered good unless otherwise stated)		
Deposit with Govt. Dept. & Others	43,41,163	24,94,756
Loan to Staff	11,805	11,805
Security Deposit	21,22,477	21,22,477
Loans and Advances	40,45,512	16,31,266
(Considered doubtful Rs. 1,12,265 Pr. Year Rs. 1,12,265/-)		
	1,05,20,957	62,60,304
SCHEDULE 10 : CURRENT LIABILITIES		
Sundry Creditors (for goods)	3,38,84,452	1,48,13,339
Sundry Creditors (for expenses)	1,00,88,237	72,50,693
Sundry Creditors (for capital & other item)	15,57,864	15,67,864
Other Current Liabilities	1,03,05,364	24,60,018
	5,58,35,917	2,60,91,914
PROVISIONS :		
Provision for Bank Interest	20,69,66,751	20,96,02,494
	20,69,66,751	20,96,02,494
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT		
	year Ended 31 March'08 Amount (Rs.)	year Ended 31 March'07 Amount (Rs.)
SCHEDULE 11 : SALES		
Sales	17,26,62,196	4,63,97,782
Job work sales	89,82,651	2,99,90,794
	18,16,44,847	7,63,88,576
SCHEDULE 12 : OTHER INCOME		
Interest Income	78,649	82,244
Sundry Balances written off	13,87,463	25,04,346
	14,66,112	25,86,590

Particulars	Year Ended 31st March, 2008	Year Ended 31st March, 2007
SCHEDULE 13 : RAW MATERIAL CONSUMED		
Opening Stock	1,08,92,511	1,41,96,997
Add Purchases	14,04,33,160	3,16,34,950
Less Closing Stock	-2,06,21,106	-1,08,92,510
	<u>13,07,04,565</u>	<u>3,49,39,437</u>
SCHEDULE 14 : MANUFACTURING & OPERATING EXPENSES		
Frieght Octroi & Cartage	31,58,909	11,63,576
Power	1,33,84,293	1,28,78,501
Repairs & Maintenance	3,06,651	2,89,025
Consumable store & spares	27,94,433	28,14,310
Factory Exp	2,31,152	65,590
Conversion Charges	1,12,17,516	89,15,537
Gujarat Sales Tax/Vat	5,34,939	1,54,600
Central Sales Tax	5,23,175	4,161
Custom Duty	65,962	0
	<u>3,22,17,030</u>	<u>2,62,85,300</u>
SCHEDULE 15 : PAYMENT TO & PROVISION FOR EMPLOYEES		
Salaries & Wages	20,45,184	20,55,950
Staff Welfare, Perquisites & Other Expenses	2,80,397	3,05,653
	<u>23,25,581</u>	<u>23,61,603</u>
SCHEDULE 16 : ADMINISTRATION & OTHER EXPENSES		
Audit Fees	28,090	28,090
Computer Exp	72,464	53,549
Conveyance	2,07,299	2,13,315
Donation	21,500	501
Electricity Expenses	6,346	0
Fringe Benefit Tax	55,605	69,915
Gram Panchayat Tax	12,500	0
Insurance charges	1,22,945	2,561
Legal & Professional charges	7,99,643	7,12,938
Municipal Tax	32,977	25,459
Office Expenses	32,906	88,532
Penalty & Damages	5,477	12,200
Professional Tax	1,000	1,000
Post & Telegram	91,918	98,811
Printing & Stationary	1,07,568	1,05,284
Security Expenses	1,26,000	1,41,297
Service Tax	0	0
Sitting Fees	12,000	18,000
Telephone Expenses	2,23,571	2,07,794
Training & Seminar Expenses	3,200	0
Vehicle Expenses	32,965	1,20,430
	<u>19,95,974</u>	<u>18,99,676</u>
SCHEDULE 17 : SELLING & DISTRIBUTION EXPENSES		
Advertisement Expenses	57,870	67,538
Discount & Kasar	2,65,169	1,39,347
Sales Commission	7,91,874	0
Sales Promotion Expenses	2,23,797	1,10,437
Sundry written off	0	0
Tender Fee	4,700	1,100
Travelling Expenses	2,27,058	2,25,299
	<u>15,70,468</u>	<u>5,43,721</u>

Particulars	Year Ended 31st March, 2008	Year Ended 31st March, 2007
SCHEDULE 18 : FINANCIAL CHARGES		
Bank Charges & Commission	1,19,615	1,17,615
Interest	37,05,763	11,96,785
	<u>38,25,378</u>	<u>13,14,400</u>

SCHEDULE: 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008.

A. Significant Accounting Policies

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

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

1) System of Accounting

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

2) Revenue Recognition:

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

3) Fixed Assets:

Fixed Assets are carried at cost of acquisition and construction including incidental expenses related to acquisition and installation on concerned assets, less accumulated depreciation and amortisation. Certain assets were re-valued for which proper disclosure is made in accounts. Refer Note -17.

4) Depreciation:

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

5) Investments:

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

6) Valuation of Inventories:

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

7) Sales

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

8) Retirement Benefits:

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

B. Notes to the Accounts

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

	Current Year	Previous Year
(a) Licensed Capacity	Not Applicable	Not Applicable
(b) Installed Capacity	2595.00	2595.00
(c) Production (M . T.)		
Own Production	2185.96	711.95
Job work production	594.55	2013.81
	<u>2780.51</u>	<u>2725.76</u>
(d) Sales (M . T.)	2768.37	2722.61
(e) Raw Materials		

Item	Unit	Opening Stock	Receipt	Consumption /Resale	Closing Stock
POLYMERS	M. T.	140.19	2258.61	2111.74	287.07
(Include WIP & MB)	(Rs. Lacs)	108.00	1374.28	1280.16	202.12
Packing Materials	(Rs. Lacs)	0.00	30.60	30.60	0.00
Total	(Rs. Lacs)	108.00	1404.88	1310.75	202.12

(f) Finished Goods Particulars

		Opening Stock	Closing Stock
Quantity (M. T.)	2007-08	0.00	0.00
	2006-07	0.00	0.00
Value (Rs. Lacs)	2007-08	0.00	0.00
	2006-07	0.00	0.00

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

No of employees	Nil	Nil
Amount Paid	Nil	Nil

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

4. The company has advise that the computation of the net profit under section 349 of the Companies Act, 1956 need not be made since no remuneration / commission is paid / payable under section 348 of the companies Act, 1956 for the year ended 31 st March, 2008.

5. In the opinion of the Board of Directors, Current Assets Loans and Advances are realisable in the ordinary course of business at the value at which they are stated, except those mentioned in Note No. 18.
6. Schedule " 1 to 19" forms the integral part of the Balance Sheet as at 31 st March 2008 and the Profit and Loss account for the year ended on that date.
7. We are unable to categories the dues to Small Scale Industries (SSI) separately due to lack of information regard to the status of the creditors for goods outstanding as on the Balance sheet date.

8. SEGMENTATION REPORTING:

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

9. RELATED PARTY DISCLOSURE:

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

1. Name of related parties and descriptions of relationship:

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

2. Transaction during the year with related parties:

Particulars	Associates/ Joint Venture	Key Management Personnel	Companies controlled by Directors/Relatives
(a) Loans and Advances			
Given during the year	Nil	Nil	Nil
Returned during the year	Nil	Nil	Nil
Balance as on 31-3-2008	Nil	Nil	16,15,209
(b) Unsecured Loans			
Received during the year	Nil	Nil	Nil
Returned during the year	Nil	37,978	Nil
Balance as on 31-3-2008	Nil	16,56,099	2,00,000
(c) Sundry Creditors			
Received during the year	Nil	35,590	Nil
Paid during the year	Nil	42,630	Nil
Balance as on 31-3-2008	Nil	4,22,189	Nil
(d) Sitting Fee			
Paid during the year	Nil	12,000	Nil

10. EARNING PER SHARE

	2007-2008	2006-2007
Profit /(Loss) After Tax	44,74,072	53,52,077
No. of Equity shares	53,45,842	53,45,842
Earning per Share (E.PS)	0.84	1.00

11. ACCOUNTING FOR TAXES ON INCOME

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

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

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

13. Paise are rounded up to the nearest rupee.

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

15. Auditors' Remuneration

	2007-08 (Rs.)	2006-07 (Rs.)
Audit Fees	28,090	28,090

16. 1. Contingent Liabilities not provided for in respect of :	(Rs in Lacs) 2007-08	(Rs in Lacs) 2006-07
a. Stamp duty in respect of which the company has filed an appeal	Nil	2.02
b. Excise duty in respect of which the company has filed an appeal	6.48	6.48
c. Property Tax in respect of which the company has filed an appeal	1.90	1.90
d. Dividend in respect of 18 % Redeemable Cumulative Preference Shares issued During the year 1996-97	53.51	53.51
e. Legal undertakings in favour of Customs	67.37	141.55
g. E.P.F Interest and Damages	3.73	3.73

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

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

1. Receivable	Rs. 1,19,02,928
2. Loans & Advances	Rs. 1,12,265
Total	Rs. 1,20,15,193

and during the year debts of Rs. 0.28 lakhs and loans and advances of Rs 0.32 lakhs has been written off.

19. The 18 % Cumulative Redeemable Preference Shares, amounting to Rs.50.00 lacs were due for redemption during the year 1999-00. However, in view of the carried forward losses, the company could not have transferred required amount to Capital Redemption Reserve, hence the same could not have been redeemed so far.
20. Since the accumulated losses continue to exceed the net worth of the company, it remains a Sick Industrial Company under the provisions of Sick Industrial Company (Special Provisions) Act, 1985 (SICA). The company has been declared sick industrial company in terms of the Act vide order-dated 24.05.02 of B.I.F.R. New Delhi.
21. Under Loans & Advances
- (a) Due from Companies in which Directors are Directors/Members:
Security deposits for residence for Directors at Mumbai Rs.10 lacs (Previous year Rs. 10 lacs). Maximum amount outstanding was Rs. 10 lacs.
- (b) Due from a firm in which one of the Directors is a partner. Security Deposit of Rs.6.15lacs (Previous year Rs. 6.15lacs), Maximum amount outstanding was Rs.6.15 lacs.
22. During the year company has not provided interest on Working Capital loan from Union Bank of India as the Company is registered with B.I.F.R and restructuring application is pending with B.I.F.R./A.I.F.R. If the interest has been provided the profit of Rs.44.74 lacs would be changed to a loss of Rs.96.93 lacs.
23. During the year the company has entered in to a compromise settlement with Standard Chartered Bank on 18/05/2007. In view of clause 7 and clause 13 of compromise settlement the effect of entries as per compromise settlement will be passed in the year when all the dues of Standard Chartered Bank will be paid and on receipt of no due certificate from Standard Chartered Bank.

Signature to Schedule 1 to 19

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

Aseem L. Thakkar
Partner

Date : **30th August, 2008**
Place : **Ahmedabad**

For and on behalf of the Board of Directors

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : **30th August, 2008**
Place : **Santej**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH, 2008

Particulars	Amount in Rs. '000)	
	2007-08	2006-07
A. CASH FLOW ARISING FROM OPERATING ACTIVITIES	4589	5801
Add Back :		
a. Depreciation	5883	5828
b. Financial Charges	3825	1314
c. Loss on sale of Assets	0	0
d. Other Income	(1466)	(2587)
	8242	4555
Operating profits before working capital changes	12831	10356
Deduct :		
a. Increase in Trade Receivables	13500	17667
b. Increase in Loans & Advances	4261	(6748)
c. Increase in Inventories	9788	(3335)
	(27549)	(7584)
	(14718)	2772
Add : Increase in Trade Payables	29744	1540
Increase in Provisions	(2636)	0
	12390	4312
Deduct :		
Interest Paid	(3825)	(1314)
Income Tax Paid	(115)	(450)
A. NET CASH (OUTFLOW) IN COURSE OF OPERING ACTIVITIES	8450	2548
B. CASH FLOW ARISING FROM INVESTMENT ACTIVITIES		
INFLOW :		
a. Other income including interest	1466	2587
b. State Capital Subsidy /sale of Assets	0	0
	1466	2587
OUTFLOW : Acquisition of Fixed Assets	949	844
NET CASH (OUTFLOW) IN COURSE OF INVESTMENT ACTIVITIES	517	1743
C. CASH FLOW ARISING FROM FINANCING ACTIVITIES		
INFLOW :		
a. Share Capital issued	0	0
b. Proceedings from borrowings	(9181)	(3914)
	(9181)	(3914)
NET CASH INFLOW IN COURSE OF FINANCING ACTIVITIES	(9181)	(3914)
Net increase in Cash/Cash equivalent (A+B+C)	(214)	377
ADD : Balance at the beginning of the year	2747	2370
Cash equivalent at the close of the year	2533	2747

For and on behalf of the Board of Directors

Shailesh R. Mehta
Managing Director

Sushil Kumar Pachisia
Director

Date : 30th August, 2008

Place : Santej

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of TEXEL INDUSTRIES LIMITED for the year ended 31 st March 2008. The Statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the Listing Agreement. The Statement is based on and is derived from the Profit & Loss Account and the Balance sheet of the Company for the year ended 31 st March 2008 covered by our Report dated 30th August, 2008 to the members of the Company.

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

Date: **30th August, 2008**
Place: **Ahmedabad**

Aseem L. Thakkar
Partner

TEXEL INDUSTRIES LIMITED

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

PROXY FORM

IL. F. NO _____

I/We _____ of _____

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

appoint _____ or failing him _____

as my/our proxy to attend and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on Tuesday, 30th day of September, 2008

As witness my hand/our hand(s) this _____ day of _____ 2008.

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

Affix
1/- Rs.
Revenue
Stamp

NOTE : 1 The Proxy need not be a member.

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

TEXEL INDUSTRIES LIMITED

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