

BOARD OF DIRECTORS

(As on June 25, 2007)

SHRI MOOSA RAZA (Chairman)

SHRI KUNAL V. SAGAR (Executive Vice Chairman)

SHRI RAMA VARMA

SHRI ARJAN GURBUXANI

SMT. RAJANI BHAGAT

SMT. ARUNA MAKHAN

SHRI RAHUL SAGAR

SHRI JAIDEV SHROFF

Company Secretary & H.O.D. (Legal)

SHRI J. K. BHAVSAR

Auditors

M/S. N. M. RAIJI & COMPANY, MUMBAI
CHARTERED ACCOUNTANTS

Legal Advisors

M/S. MATUBHAI JAMIETRAM
ADVOCATES, SOLICITORS & NOTARY

Registered Office

Pahadi Village,
Goregaon (East),
Mumbai: 400 063.
Tele: - 2685 2256/57/58/59

Registrars and Share Transfer Agents:

M/s. Sharepro Services,
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099.
Tele: - 2834 7719/2821 5168-69
e-mail: - sharepro@vsnl.com

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NOTICE TO THE MEMBERS

NOTICE is hereby given that the **Forty-eighth Annual General Meeting** of Nirlon Limited will be held on **Thursday, August 30, 2007, at 11.00 a.m.** at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Near Haji Ali, Mumbai 400 034 to transact the following businesses: -

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet for the period ended March 31, 2007 and the Profit and Loss Account for the period ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Shri Rama Varma, who retires by rotation, and being eligible offers himself for re-election.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

Special Business:

4. Appointment of Shri Moosa Raza as a Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution **as an Ordinary Resolution:**

“**RESOLVED** that pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Shri Moosa Raza, who was appointed as a Director with effect from October 28, 2006, pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company”.

5. Appointment of Smt. Aruna Makhan as a Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution **as an Ordinary Resolution:**

“**RESOLVED** that pursuant to the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Smt. Aruna Makhan, who was appointed as a Director with effect from October 28, 2006, pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company”.

6. Appointment of Shri Kunal Sagar as a Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution **as an Ordinary Resolution:**

“**RESOLVED** that pursuant to the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Shri Kunal Sagar, who was appointed as a Director with effect from October 28, 2006, pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company”.

7. Appointment of Smt. Rajani Bhagat as a Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution **as an Ordinary Resolution:**

“**RESOLVED** that pursuant to the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Smt. Rajani Bhagat, who was appointed as a Director with effect from October 28, 2006, pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company”.

**By Order of the Board of Directors
For Nirlon Limited**

**J. K. Bhavsar
Company Secretary & H.O.D. (Legal)**

Mumbai, June 25, 2007

Registered Office:

Pahadi Village, Goregaon (East),
Mumbai: 400 063.

NOTES:

- (a) **A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- (b) The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out above is annexed hereto. The relevant details of the persons seeking their appointment as Directors under item no. 4 to 7 above as required by the listing agreement are also annexed, and form a part of the Corporate Governance Report.
- (c) The Register of Members and Share Transfer Books of the Company will be closed from **Monday, August 27, 2007 to Thursday, August 30, 2007 (both days inclusive).**
- (d) Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar and Transfer Agents, M/s. Sharepro Services for consolidation into a single folio.
- (e) Members are requested to make all correspondence pertaining to shares to the Company's Registrar & Transfer Agents.
- (f) Members desirous of seeking any further information about the Accounts and/or operations of the Company are requested to address their queries to the Company Secretary & H.O.D. (Legal) at least seven days in advance of the meeting, so that the information, to the extent practical, can be made available at the meeting.

- (g) Members are requested to notify change of address, if any, with pin code, quoting reference of their folio number.
- (h) As a measure of austerity, the copies of Annual Report will not be distributed at the Annual General Meeting. Members/ Proxies are requested to bring their attendance slip along with their copy of the Annual Report to the meeting.
- (i) Members who hold shares in demat are requested to write their client ID and DPID Nos. and those who hold shares in physical form are requested to write their folio no. on the attendance slip for attending the meeting.
- (j) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (k) The relevant documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the meeting.

EXPLANATORY STATEMENT

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956

Item No.4 & 5

Pursuant to the application for deregistration made by the Company to the Hon'ble BIFR on September 7, 2006, the BIFR has passed an order dated October 6, 2006 deregistering the Company from the list of Sick Industries as defined under Sick Industrial Companies (Special Provisions) Act (SICA), 1985.

Consequent to the deregistration of the Company by the BIFR, Shri Moosa Raza, Chairman, and Smt. Aruna Makhan, Special Director appointed by the BIFR, have ceased as Directors on the Board.

Keeping in mind the contribution made, and valuable guidance rendered to the Board and the Company, the Board of Directors of the Company have appointed Shri Moosa Raza and Smt. Aruna Makhan as Independent Additional Directors of the Company under section 260 of the Companies Act, 1956 w.e.f. October 28, 2006, and Shri Moosa Raza has been appointed as the Chairman of the Board of Directors of the Company.

The Company has received written notices under Section 257 of the Companies Act, 1956 from members proposing their candidature for the office of Directors of the Company.

None of the Directors of the Company, save and except Shri Moosa Raza and Smt. Aruna Makhan, are interested in the resolutions set out at Item no.4 and 5 respectively of the Notice.

The Board recommends the resolutions set out in Item no.4 and 5 for your approval.

Item No.6 & 7

The Board of the Company as constituted by the BIFR, had permitted the Bhagat and the Sagar promoter groups to be represented on the Board. Accordingly, Smt. Rajani Bhagat and

Shri Kunal Sagar were representing the respective Promoter Groups.

The Company has been deregistered from the BIFR with effect from October 6, 2006, and hence, the Company is no longer governed by the Sick Industrial Companies (Special Provisions) Act (SICA), 1985 and/or the directions of the BIFR.

In the context of these developments, the Board of the Company appointed Shri Kunal Sagar and Smt. Rajani Bhagat as Additional Directors of the Company w.e.f. October 28, 2006.

The Company has received written notices respectively under Section 257 of the Companies Act, 1956 from the members proposing their candidature for the office of Directors of the Company.

None of the Directors of the Company, save and except Shri Kunal Sagar, Smt. Rajani Bhagat, Shri Rahul Sagar and Shri Jaidev Shroff, are interested in the resolutions set out in Item no.6 and 7 respectively of the Notice.

The Board recommends the resolutions respectively set out in Item no.6 and 7 for your approval.

**By Order of the Board of Directors
For Nirlon Limited**

**J. K. Bhavsar
Company Secretary & H.O.D. (Legal)**

Mumbai, June 25, 2007

Registered Office:

Pahadi Village,
Goregaon (East),
Mumbai: 400 063.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors' present their 48th Annual Report and the Audited Financial Accounts for the period ended March 31, 2007.

FINANCIAL HIGHLIGHTS

| | (Rs. in crores) | |
|---|---------------------|----------------------|
| | 2006-07 9 months | 2005-06 15 months |
| Gross sales and other income | 19.50 | 44.70 |
| Gross profit | 4.59 | 9.80 |
| Interest paid | 3.73 | 6.61 |
| Cash profit | 0.87 | 3.19 |
| Depreciation | 0.66 | 1.25 |
| Net profit before extraordinary items | 0.21 | 1.94 |
| Less: Extra ordinary items VRS | 0.15 | 25.45 |
| Net (loss)/profit for the year after extra ordinary items | 0.06 | (23.51) |
| Less/(Add): Provision for taxation | | |
| Excess provision of income tax written back | 1.02 | - |
| Deferred Tax | 0.36 | 1.33 |
| Fringe Benefit Tax | (0.12) | (0.07) |
| Net (loss)/profit for the year | 1.32 | (22.25) |

FINANCIAL YEAR

The Company's financial year consists of a 9 (nine) month period commencing from July 1, 2006 to March 31, 2007.

DIVIDEND

With a view to conserve resources, the Directors do not recommend any dividend for the year.

OPERATIONS:

(a) Real Estate Division

i) Development of Phase 1 of the Nirlon Knowledge Park - Goregaon

After a detailed evaluation, the Company concluded that the development of an Information Technology (IT) Park, as per the Government of Maharashtra's IT Policy, will allow the Company to optimize the value of its real estate at Goregaon. Accordingly, the Company commenced a detailed planning, budgeting and marketing exercise for the development of this IT Park. This included the appointment of architects, project management consultants, engineering consultants, etc. During this period, the Company also confirmed its financing requirement for the project, and obtained sanctions from the lenders in this regard. After the appointment of the required contractor(s) in April 2007 and obtaining the required permissions, construction commenced in May 2007 as scheduled. Presently, the Company intends to offer constructed premises in the IT Park on a leave and license basis to potential users.

ii) Leave and License activity

Parallel to the planning for development of the Nirlon Knowledge Park as described in (i) above, the Company continued to rent on leave and license basis approx. 5.39 lakh sq. ft. built up area at Goregaon and 0.96 lakh sq. ft. built up area at Tarapur to various corporate clients as on March 31, 2007.

The income from the leave and license activity was Rs.18.51 crores in 2005-06 (15 months). The income for the period under review (9 months) was Rs.12.69 crores.

(b) Belting Division - Roha

Your Company continues to hold 26% Equity in its Conveyor Belting Joint Venture Company 'Sempertrans Nirlon Pvt. Ltd.' which was formed in November 2000 with Semperit A.G., an Austrian Industrial Rubber Products Multinational.

This Joint Venture Company further improved its performance and its profitability in the financial year 2006-07.

During the period under review, the performance of the V-Belt Division also improved.

This improvement has been achieved as a result of the full basic range of V-Belts now being made available to customers, across an increased market.

(c) Nylon Tyrecord Division - Tarapur

Dipping of Tyrecord Fabric and Industrial Fabric, as well as the manufacture/job work of griegie tyre record and industrial fabric continued at the Company's Tarapur location.

FUTURE OUTLOOK:

(a) Real Estate Division

(i) Development of Phase 1 of the Nirlon Knowledge Park - Goregaon

After appointment of the contractors in April 2007, and obtaining necessary permissions, the construction of Phase 1 of the Nirlon Knowledge Park commenced in May 2007. Phase 1 is expected to be ready for internal fit outs in the last quarter of the calendar year 2008. Income from Phase 1 is expected to begin from the first quarter of the calendar year 2009 (last quarter of the financial year 2008-09).

Marketing for licensing of floor areas in Phase 1 of this development is currently in progress, and on schedule. Subsequent phases of this development will commence depending on the response received by the Company for its Phase 1 development from potential users.

(ii) Leave and License activity

The Company expects to continue to receive its regular income from the areas already given on leave and license basis to various corporates in Goregaon and Tarapur during the financial year 2007-08.

However, some reductions may take place in the existing areas given on leave and license, which may be necessary as per the demolition and construction schedules of the Company's IT Park in Goregaon. This may affect the Company's income in the financial year 2007-08.

(b) Belting Division - Roha

Your Company's Conveyor Belting Joint Venture, i.e. 'Sempertrans Nirlon Pvt. Ltd.', has made substantial progress in expanding its production capacities during the financial year 2006-07. This expansion is expected to be substantially completed by the end of the financial year 2007-08, and the Joint Venture Company is expected to benefit from the extra installed capacities during the financial year 2008-09.

The capacity utilization and quality of the Company's V-Belts is expected to continue to improve in the financial year 2007-08. Though the Division has not become profitable during the financial year 2006-07 as planned, it is now close to a breakeven level, and is expected to become profitable during the financial year 2007-08.

(c) Nylon Tyrecord Division - Tarapur

Your Company has evaluated the competitiveness of its Dipping Unit at Tarapur, and has identified areas which require modifications to make this Unit competitive for the medium and long term. The implementation of these modifications will be introduced in a phased manner in the financial year 2007-08, and are scheduled to be completed by the financial year 2008-09.

BIFR STATUS

Pursuant to the application for deregistration made by the Company to the Hon'ble BIFR on September 7, 2006, the BIFR has passed an order dated October 6, 2006 deregistering the Company from the list of Sick Industries as defined under Sick Industrial Companies (Special Provisions) Act (SICA), 1985.

FIXED DEPOSITS

The Company has neither accepted nor has invited any fixed deposits during the year. The Company has already, under Section 205-C of the Companies Act, 1956 (the Act), transferred the unpaid and unclaimed matured deposits lying with the Company to the "Investor Education and Protection Fund (IEPF)".

DEBENTURES

The Company has no overdue debenture redemption amounts, save and except unclaimed amounts.

The Company will transfer unpaid/unclaimed debenture redemption amounts/interest pertaining to IV and V Issues of Debentures under Section 205-C of the Act, to the "Investor Education and Protection Fund (IEPF)" on December 28, 2007 as required under the provisions of the Act.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information as required under Section 217 (1) (e) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is provided in **Annexure I** and forms part of this report.

EMPLOYEES

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not applicable for the year under review as there was no employee of the Company who was paid Rs.24,00,000/-p.a during the year or Rs.2,00,000/- p.m. if employed for part of the year.

DIRECTORS

Consequent to the deregistration of the Company by the BIFR, Shri Moosa Raza, Chairman and Smt. Aruna Makhan, BIFR Special Director, appointed by BIFR ceased to be Directors on the Board. At the Board meeting held on October 28, 2006, the Board, keeping in mind the contribution made and guidance rendered by them to the Company, appointed Shri Moosa Raza as the Chairman of the Board of Directors and Smt. Aruna Makhan as an Independent Additional Director of the Company.

At the Board meeting held on October 28, 2006, Shri Kunal Sagar and Smt. Rajani Bhagat were also appointed as Additional Directors on the Board of Directors of the Company. Further, the Board approved the appointment and remuneration of Shri Kunal Sagar as the Executive Vice Chairman of the Company w.e.f. February 1, 2006 subject to the confirmation of shareholders.

The Company conducted a Postal Ballot under Section 192A of the Companies Act, 1956, to consider, inter alia, the appointment and remuneration of Shri Kunal Sagar as the Executive Vice Chairman of the Company w.e.f. February 1, 2006 for a period of 5 (five) years, and the shareholders approved the same with the requisite majority.

POSTAL BALLOT

Under Section 192A of the Companies Act, 1956, the Company conducted the Postal Ballot by issuing a notice dated March 12, 2007 to the shareholders seeking their approval on the following:

- (i) **Under Section 293 (1) (d)** – to borrow money up to Rs.750.00 crore for development of the real estate of the Company, where the money to be borrowed by the Company, will exceed the aggregate of the paid up capital of the Company and its free reserves,
- (ii) **Under Section 293 (1) (a)** - to create a charge/mortgage on the Company's movable and/or immovable properties, wherever situated both present and future in order to create security in favour of the lending agencies for securing the loan/credit facility availed/to be availed by the Company up to an aggregate value not exceeding Rs.750.00 crore together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, cost, charges, expenses and all other monies as may be payable by the Company to the Lending Agencies,
- (iii) **Under Section 269 read with Schedule XIII of the Companies Act, 1956** - to confirm the appointment and remuneration of Shri Kunal Sagar as the Executive Vice Chairman of the Company w.e.f. February 1, 2006.

Shareholders of the Company approved all the above resolutions with the requisite majority.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, the Board of Directors hereby confirm:

- (i) that in the preparation of the annual accounts for the period ended March 31, 2007, applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company for the period ended March 31, 2007, and of the profit of the Company for that period.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the accounts for the period ended March 31, 2007 on a 'going concern' basis.

COMPLIANCE CERTIFICATE

The Compliance Certificate is enclosed.

CORPORATE GOVERNANCE DISCLOSURE

The information required is provided in **Annexure II** and forms part of this report.

MANAGEMENT DISCUSSION ANALYSIS

Details are provided in **Annexure III** and forms part of this report.

INTERNAL AND STATUTORY AUDITORS

M/s. Haribhakti & Co., Chartered Accountants are appointed as Internal Auditors of the Company and their reports are reviewed by the Audit Committee appointed by the Board.

M/s. N. M. Raiji & Co., Chartered Accountants, the Statutory Auditors of the Company, retire from the office of auditors and being eligible, offer themselves for re-appointment as the Statutory Auditors of the Company.

Members are requested to appoint **M/s. N. M. Rajji & Co.** as the Statutory Auditors of the Company and authorize the Board of Directors to fix their remuneration.

AUDITORS' REPORT

The Auditors' Report and Notes to the accounts are self-explanatory.

INDUSTRIAL RELATIONS AND ACKNOWLEDGEMENTS

Industrial relations with employees continue to remain cordial.

Your Directors record their appreciation for the services rendered by employees at all levels. They acknowledge and record their appreciation for the co-operation and assistance rendered by lenders, Financial Institutions, Banks and various Government Authorities at the State and Central levels including the Hon'ble BIFR. Your Directors thank all stakeholders for their continued support.

For and on behalf of the Board of Directors
For Nirlon Limited

Moosa Raza
Chairman

Mumbai, June 25, 2007

ANNEXURE I TO THE DIRECTORS' REPORT FORM A

Since the manufacturing activities at the Company's Goregaon Plant have been discontinued, no additional measures have been taken for conservation of energy. However, during the financial year 2006-07, measures were taken for conservation of energy in the Company's manufacturing activities at Roha.

Energy conservation measures have resulted in improvement in the consumption of electricity.

Impact of measures

(1) Power consumption

| | 2006-2007 | 2005-06 | |
|---|-------------------|------------------|--------|
| | 9 months | 15 months | |
| 1. Electricity | | | |
| a. Purchased Units (KWH) | 395484 | 418106 | |
| Amount (Rs.) | 22.55 lacs | 21.86 lacs | |
| Rate/unit (Rs./KWH) | 5.70 | 5.22 | |
| 2. Consumption per unit of production: | | | |
| V-BELT | | | |
| Particulars | Standard | 2006-2007 | |
| | | 9 months | |
| | | 2005-2006 | |
| | | 15 months | |
| Production | Pieces | 438193 | 507987 |
| Electricity | KWH/PC | 1.10 | 1.21 |

ANNEXURE II TO THE DIRECTORS' REPORT CORPORATE GOVERNANCE REPORT

[Information given in this report relates to the financial year (nine-month period) ended March 31, 2007]

The Company has set up a policy for adequate and timely corporate disclosure. The Company has been endeavoring to attain the highest level of accountability in all facets of operations, and in all interaction with its shareholders, employees, government, lenders, customers, suppliers/vendors and other stakeholders.

BOARD OF DIRECTORS

The Board of Directors (**Board**) of the Company consists of:

As on 31.03.2007

| | |
|------------------------|----------|
| Chairman (independent) | 1 |
| Promoters | 2 |
| Nominees of Promoters | 2 |
| Independent Directors | 3 |
| | 8 |

During the financial year 2006-07, the Board met five (5) times (as against the minimum requirement of 4 meetings) on the following dates, viz. July 31, 2006, September 28, 2006, October 28, 2006, January 31, 2007 and February 27, 2007.

The Company has held at least one Board meeting every 3 months and the maximum time gap between any 2 meetings was not more than 4 months.

The following timetable gives details of Directors, attendance of Directors at the Board meetings during the financial year 2006-07, at the last Annual General Meeting, and the number of memberships held by Directors on the Boards of various companies:

| Sr. no. | Name | Category | Relationship with other directors | Attendance Particulars | | Directorships in Public Ltd Company/ies | Committee Memberships | |
|---------|----------------------|----------|-------------------------------------|------------------------|----------|---|-----------------------|--------|
| | | | | Board meetings | Last AGM | | Chairman | Member |
| 1. | Shri Moosa Raza | C* | None | 4 | Y | 1 | 1 | - |
| 2. | Shri Kunal Sagar | EVC* | Brother of Shri Rahul Sagar | 5 | Y | - | - | - |
| 3. | Shri Rama Varma | NED* | None | 2 | Y | 4 | - | - |
| 4. | Shri Arjan Gurbuxani | NED* | None | 5 | Y | 1 | - | - |
| 5. | Mrs. Rajani Bhagat | NED* | Mother in law of Shri Jaidev Shroff | 5 | Y | - | - | - |
| 6. | Mrs. Aruna Makhan | NED* | None | 4 | Y | 2 | - | - |
| 7. | Shri Rahul Sagar | NED* | Brother of Shri Kunal Sagar | 4 | N | - | - | - |
| 8. | Shri Jaidev Shroff | NED* | Son in law of Smt. Rajani Bhagat | 2 | N | 15 | - | - |

***C: Chairman, EVC: Executive Vice Chairman, NED: Non-executive Director**

- (i) Shri Moosa Raza is the Chairman of the Board.
(ii) Shri Kunal Sagar is the Executive Vice Chairman.
(iii) All Directors, except Shri Kunal Sagar, Shri Rahul Sagar, Smt. Rajani Bhagat and Shri. Jaidev Shroff, are independent.

None of the Directors is a member in more than ten committees and acts as a Chairman in more than five committees across all companies in which he/ she is a Director.

A brief resume of Directors who are being appointed at this Annual General Meeting, the nature of their expertise in specific functional areas, and names of companies in which they hold Directorships, Memberships and Chairmanships of the Boards/ Committees are provided below:

(a) Shri Moosa Raza

Shri Moosa Raza, aged 70 years, has been a Civil Servant for 35 years. Shri Raza served the Government of Gujarat, Jammu & Kashmir, Uttar Pradesh and the Government of India in various capacities as Secretary (Health), Secretary in Cabinet Secretariat, Secretary of Steel and Governor's Advisor.

Currently he is also the President of the Indian Steel Alliance. He also runs several NGOs dealing with Education and is associated with Central Universities.

He also headed as CEO more than 10 public and private sector Industrial and Commercial organizations such as National Textile Corporation, Gujarat State Fertilizers & Chemicals, India Trade Promotion Organization, Calico Group of companies, etc.

He was also elected Chairman of the Standing Committee of public enterprises, and was a Member/Director of several organizations dealing with management and administration, such as International Management Institute, IMI-A, SMG, etc.

Shri Raza was initially nominated by ICICI in the year 1996 as a Director and thereafter, appointed by the Board of Directors of the Company as per the directive of BIFR as the Chairman w.e.f. April 28, 2001. Shri Raza ceased to be a nominee of BIFR subsequent to the BIFR order dated October 6, 2006 deregistering the Company from the list of Sick Industries as defined under Sick Industrial Companies (Special Provisions) Act (SICA), 1985. The Board of Directors of the Company appointed Shri Raza as an Independent Additional Director and Chairman of the Company w.e.f. October 28, 2006.

He is also holding the position of Chairman/Director on the Board of IL&FS Trust Co. Ltd., Jindal Praxair Oxygen Co. Pvt. Ltd. and Management Options for Value Enhancement Pvt. Ltd.

(b) Smt. Aruna Makhan

Smt. Aruna Makhan, aged 63 years joined IA&AS in 1967 and opted for ICAS in 1976. She acquired 37 years experience of handling public financial management at the apex level and retired as Controller General of Accounts, Government of India. She has also been the Director of National Institute of Financial Management under the aegis of the Ministry of Finance. She was a member of the Board of Directors of Oriental Bank of Commerce, TTCL, PEC and Prasar Bharati (Broadcasting Corporation of India) besides having held several directorial posts in various Government Undertakings and Autonomous Bodies.

Smt. Makhan was appointed by BIFR as a Special Director w.e.f. July 9, 2004 and ceased to be a nominee of BIFR subsequent to the BIFR order dated October 6, 2006 de-registering the Company from the list of Sick Industries as defined under Sick Industrial Companies (Special Provisions) Act (SICA), 1985. The Board of Directors of the Company appointed Smt. Makhan as an Independent Additional Director of the Company w.e.f. October 28, 2006.

She is also holding the position of Director on the Board of M/s. Eastern Coalfields Ltd. and M/s. Mangalam Cements Ltd.

(c) Shri Kunal Sagar

Shri Kunal Sagar, aged 39 years graduated with a B.A. in Economics. Shri Sagar was initially appointed as an Alternate Director to the late Shri V. V. Sagar in the year 1995 and thereafter, was appointed as one of the Joint Executive Vice Chairmen w.e.f. February 1, 1996 as per a BIFR directive. He continues to occupy the position of the Executive Vice Chairman of the Company pursuant to the approval of the shareholders of the Company through a Postal Ballot held on May 5, 2007. The Company has entered into an agreement appointing him as the Executive Vice Chairman of the Company for a period of 5 (five) years w.e.f. February 1, 2006 as per the terms and conditions stated therein.

He is the brother of Shri Rahul Sagar, one of the Directors of the Company.

He is also a Director on the Board of Sempertrans Nirlon Pvt. Ltd., the Company's Conveyor Belting Joint Venture.

(d) Smt. Rajani Bhagat

Smt. Rajani Bhagat, aged 69 years graduated with a B.A. (Hons.), B. Com. and B.Sc. (Eco). Smt. Bhagat was inducted as a nominee of the Bhagat Promoter Group w.e.f. March 12, 2003.

She is related to Shri Jaidev Shroff, one of the Directors of the Company.

She is also on the Board of Shital Trading & Investment Co. Pvt. Ltd., Punu Trading & Investment Co. Pvt. Ltd., D. S. Patel Trading & Investment Co. Pvt. Ltd., Nirfil Investments Pvt. Ltd., Hugo Wachsmann (I) Ltd., Pali Manor Pvt. Ltd. and Bhagat Trading Co. Pvt. Ltd.

AUDIT COMMITTEE

The Audit Committee constituted by the Board of Directors of the Company consists of 4 Independent Directors, viz. Shri Moosa Raza - Chairman, Shri Arjan Gurbuxani, Shri Rama Varma and Smt. Aruna Makhan.

The constitution of this Audit Committee meets with the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange. The terms of reference for the Audit Committee and frequency of meetings meets the requirements of law.

The Company Secretary and H.O.D. (Legal) of the Company acts as the Secretary of the Audit Committee.

The Audit Committee undertakes the following functions:

- (i) To review reports of the Internal Auditors, and recommend to the Board the scope of their work, including the examination of major items of expenditure.
- (ii) To meet the Internal Auditors periodically and discuss their findings, suggestions, and other related matters.
- (iii) To review the Auditors Report on the financial statements and to seek clarification thereon, if required, from the Auditors.
- (iv) To review weakness in internal controls, if any, reported by the Internal and Statutory Auditors and Report to the Board the recommendations relating thereto.
- (v) To act as a link between the statutory and internal auditors and the Board of Directors.
- (vi) To recommend a change in the Auditors, if in the opinion of the Committee the Auditors have failed to discharge their duties adequately.
- (vii) To review all quarterly, half-yearly and annual results.

During the financial year 2006-07, the Audit Committee met 3 (three) times on the following dates, viz. July 31, 2006, October 28, 2006 and January 31, 2007.

| Name of the member | No. of meetings attended |
|-------------------------|--------------------------|
| 1. Shri Moosa Raza | 2 |
| 2. Shri Arjan Gurbuxani | 3 |
| 3. Smt. Aruna Makhan | 2 |
| 4. Shri Rama Varma | 1 |

REMUNERATION COMMITTEE

The Remuneration Committee constituted by the Board of Directors of the Company consists of 4 Independent Directors, viz. Shri Moosa Raza - Chairman, Shri Arjan Gurbuxani, Shri Rama Varma and Smt. Aruna Makhan.

None of the non-executive Directors of the Company draws any remuneration except sitting fees.

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During the financial year 2006-07, the Remuneration Committee met on January 31, 2007.

| Name of the member | No. of meetings attended |
|-------------------------|--------------------------|
| 1. Shri Moosa Raza | - |
| 2. Shri Arjan Gurbuxani | 1 |
| 3. Smt. Aruna Makhan | - |
| 4. Shri Rama Varma | 1 |

Details of remuneration to all the Directors for the 9 month period ended March 31, 2007:

(Rs. in lacs)

| Name of the director | Salary | Benefits | Commission | Sitting fees* | Total | Service contract/ Notice period Severance fees |
|-------------------------|--------|----------|------------|---------------|-------|---|
| 1. Shri Moosa Raza | - | - | - | 0.24 | 0.24 | - |
| 2. Shri Kunal Sagar | 5.40 | 1.52 | - | - | 6.92 | Agreement dated 25.06.2007 for a period of 5 years w.e.f. 01.02.2006/ Three months notice |
| 3. Shri Rama Varma | - | - | - | 0.15 | 0.15 | - |
| 4. Shri Arjan Gurbuxani | - | - | - | 0.36 | 0.36 | - |
| 5. Smt. Rajani Bhagat | - | - | - | 0.15 | 0.15 | - |
| 6. Smt. Aruna Makhan | - | - | - | 0.24 | 0.24 | - |
| 7. Shri Rahul Sagar | - | - | - | 0.12 | 0.12 | - |
| 8. Shri Jaidev Shroff | - | - | - | 0.06 | 0.06 | - |

* Inclusive of Board, Audit Committee, Shareholders/Investors Grievances Committee and Remuneration Committee meetings

SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE

The Shareholders/Investors Grievances Committee constituted by the Board of Directors of the Company consists of 4 Independent Directors, viz. Shri Moosa Raza - Chairman, Shri Arjan Gurbuxani, Shri Rama Varma and Smt. Aruna Makhan.

The Committee has been formed to specifically look into redressing of shareholder complaints like transfer of shares, non-receipt of balance sheet, etc.

The Committee ensures that the grievances of the investors are attended to promptly, besides taking pro-active actions for a high level of investor service. The Committee aims to focus the attention of the Company on shareholders' grievances and helps the management in the redressal of their grievances.

During the financial year 2006-07, the Committee met 3 (three) times on the following dates, viz. July 31, 2006, October 28, 2006 and January 31, 2007.

| Name of the member | No. of meetings attended |
|-------------------------|--------------------------|
| 1. Shri Moosa Raza | 2 |
| 2. Shri Arjan Gurbuxani | 3 |
| 3. Smt. Aruna Makhan | 2 |
| 4. Shri Rama Varma | 1 |

The Board has designated Shri J. K. Bhavsar, Company Secretary & H.O.D. (Legal) as the Compliance Officer.

The total number of complaints received and replied to, to the satisfaction of the shareholders during the financial year ended March 31, 2007 (9 months) was nil, and outstanding complaints as on March 31, 2007 were nil. The number of pending share transfers was nil and pending requests for dematerialization were also nil as on March 31, 2007.

GENERAL BODY MEETINGS

Location and time where the last 3 Annual General Meetings were held:

| Financial Year | Date | Location of the meeting | Time |
|----------------|------------|-------------------------------------|------------|
| 2003-2004 | 27.09.2004 | Amar Gian Grover Auditorium, Mumbai | 11.00 a.m. |
| 2004-2005 | 30.09.2005 | Amar Gian Grover Auditorium, Mumbai | 11.00 a.m. |
| 2005-2006 | 28.09.2006 | Amar Gian Grover Auditorium, Mumbai | 11.00 a.m. |

A Special Resolution for commencement of new business by the Company was proposed and approved by the shareholders at the last Annual General Meeting.

Postal Ballot

The Company issued a notice to the shareholders dated March 12, 2007 under section 192A of the Companies Act, 1956 and appointed Shri Taizoon M. Khumri, Practicing Company Secretary, as the Scrutinizer for the postal ballot in respect of the following business, and the shareholders of the Company approved the resolutions through the postal ballot with the requisite majority. The result of the postal ballot was declared on May 5, 2007 as follows:

| Resolutions | Number of valid postal ballot forms received | Number of invalid postal ballot forms received | Votes/ Percentage in favour of the Resolution | Votes/ Percentage against the Resolution |
|---|--|--|---|--|
| Resolution (i) Under Section 293 (1) (d) | 2109 | 215 | 7110169 99.50% | 35734 0.05% |
| Resolution (ii) Under Section 293 (1) (a) | 2068 | 256 | 7102981 99.51% | 34766 0.49% |
| Resolution (iii) Under Section 269 | 2061 | 263 | 7077173 99.17% | 59175 0.83% |

- (i) **under Section 293 (1) (d)** – to borrow money up to Rs.750.00 crore for development of the real estate of the Company, where the money to be borrowed by the Company, will exceed the aggregate of the paid up capital of the Company and its free reserves,
- (ii) **under Section 293 (1) (a)** - to create a charge/mortgage on the Company's movable and/or immovable properties, wherever situated both present and future in order to create security in favour of the lending agencies for securing the loan/credit facility availed/to be availed by the Company up to an aggregate value not exceeding Rs.750.00 crore together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, cost, charges, expenses and all other monies as may be payable by the Company to the Lending Agencies,
- (iii) **under Section 269 read with Schedule XIII of the Companies Act, 1956** - to confirm the appointment and remuneration of Shri Kunal Sagar as the Executive Vice Chairman of the Company w.e.f. February 1, 2006.

DISCLOSURES

- (a) *Disclosure on materially significant related party transactions, i.e. transactions of the Company of material nature with its promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large:-*

The Company does not have any related party transactions, which may have a potential conflict with the interests of the Company at large (Ref. Schedule 19 – Note no. 19).

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

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it during the last three years.

(c) *The Management Discussion and Analysis Report.*

The Management Discussion and Analysis Report is attached to the Directors' Report and forms part of this Annual Report.

DISCLOSURE OF RISK MANAGEMENT

The Company has laid down procedures to inform the Board of Directors about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that the Executive Management controls risks through means of a properly defined framework.

SHAREHOLDER INFORMATION

Means of Communication

Quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchange within the prescribed period after they are approved by the Board. They are also published as required in the prescribed pro-forma within 48 hours of the conclusion of the meeting of the Board in which they are considered.

Any website where displayed

On the EDIFAR site of SEBI.

Any official norms released

No

Presentation made to institutional investors/analysts

No

Newspapers in which results are published

'Free Press Journal' (English daily) and 'Navshakti' (Marathi daily)

GENERAL SHAREHOLDER INFORMATION:

Annual General Meeting:

Date: Thursday, August 30, 2007

Time: 11.00 a.m.

Venue: Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai.

Annual General Meeting for the period ending on March 31, 2008

End of September 2008 (tentative)

Financial Year:

1st April, 2007 to March 31, 2008

Board meetings (tentative)

April – June quarter results – end of July 2007

July – September quarter results – end of October 2007

October – December quarter results – end of January 2008

Audited results for March 31, 2008 - end of June 2008

Date of Book Closure:

Monday, August 27, 2007 to Thursday, August 30, 2007 (both days inclusive)

Dividend Payment:

Nil

Listing of Stock Exchange:

Equities are listed on the Bombay Stock Exchange Limited, Mumbai. Stock Exchange Mumbai (BSE) Code: 307

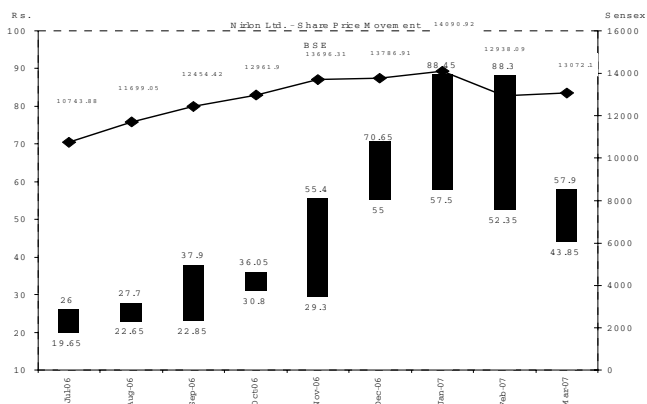
ISIN no. in NSDL and CDSL for equity shares : INE910A01012

Stock Market Data: July 2006 to March 31, 2007

The Stock Exchange, Mumbai

| | High (Rs.) | Low (Rs.) |
|----------------|------------|-----------|
| July 2006 | 26.00 | 19.65 |
| August 2006 | 27.70 | 22.65 |
| September 2006 | 37.90 | 22.85 |
| October 2006 | 36.05 | 30.80 |
| November 2006 | 55.40 | 29.30 |
| December 2006 | 70.65 | 55.00 |
| January 2007 | 88.45 | 57.50 |
| February 2007 | 88.30 | 52.35 |
| March 2007 | 57.90 | 43.85 |

Share price performance in comparison to broad based indices – BSE SENSEX



Address for communication: Shri J. K. Bhavsar
Company Secretary & H.O.D. (Legal)
Nirlon Limited, Share Dept.,
Pahadi Village, Goregaon (E),
Mumbai: 400 063.
Tel No. 2685 2256
Fax No. 2685 1196
e-mail address: share@nirlonltd.com

Registrars and Share Transfer Agents:

M/s. Sharepro Services,
Satam Estate, 3rd floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai: 400 099.

Share Transfer System

The shares of the Company being in the compulsory demat list, are transferable through the depository system. In terms of SEBI Guidelines, share transfers in physical form have also been shifted to the Registrars and Share Transfer Agents, M/s. Sharepro Services, Mumbai.

Distribution of Shareholding (As on March 31, 2007)

| Range of shares | No. of share holders | No. of shares | Percentage of share amount to total |
|-----------------|----------------------|-----------------|-------------------------------------|
| Up to – 500 | 51410 | 6629828 | 11.388 |
| 501 – 1000 | 3429 | 2828434 | 4.858 |
| 1001 – 2000 | 1474 | 2328623 | 4.000 |
| 2001 – 3000 | 488 | 1276504 | 2.193 |
| 3001 – 4000 | 225 | 820091 | 1.409 |
| 4001 – 5000 | 265 | 1276744 | 2.193 |
| 5001 – 10000 | 405 | 3146053 | 5.404 |
| 10001 and above | 390 | 39910309 | 68.555 |
| Total | 58086 | 58216586 | 100.000 |

Shareholding Pattern

| | As on March 31, 2007 | |
|-------------------------------------|----------------------|---------------|
| | No. of shares | Percentage |
| Promoters and Promoter Group | 8174366 | 14.04 |
| Non-Promoter Public shareholding* | | |
| (a) Banks, MFs/FIs | 1081708 | 1.86 |
| (b) Foreign Institutional Investors | 7717689 | 13.26 |
| (c) Others | 41242823 | 70.84 |
| Sub-total (a + b+ c) | 50042220 | 85.95 |
| Total | 58216586 | 100.00 |
| Total no. of shareholders | 58086 | |

*Public shareholding includes shareholding of 'persons acting in concert' with the promoter group, in accordance with the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended by the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2006 notified on 26th May, 2006, and in accordance with Clause 35 of the Listing Agreement, as amended to-date.

Dematerialization of Shares:

As per notification issued by SEBI, the shares of the Company are traded in dematerialized form as on March 31, 2007. 79.40 % of the paid-up share capital issued and subscribed by the Company has been dematerialized.

Outstanding GDRs, ADRs, warrants or any convertible instruments, conversion data and likely impact on equity:

N.A.

Code of Conduct

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the financial year (9 months) ended March 31, 2007. A declaration to this effect is signed by the Executive Vice Chairman and forms part of this report.

Declaration - Code of Conduct

All Board Members and Senior Management personnel have, for the financial year (9 months) ended March 31, 2007, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement with the Bombay Stock Exchange.

For **Nirlon Limited**

Sd/-

Kunal Sagar
Executive Vice Chairman

June 25, 2007

CFO Certification

Shri P. S. Chomal, General Manager – Finance & Accounts has issued a certificate to the Board of Directors.

Manufacturing, Jobwork Manufacturing and Real Estate Activity locations:

1. Roha - Dhatav, Roha, Dist. Raigad. Maharashtra.
2. Tarapur - D-8, MIDC Industrial Area, Tarapur, and
3. Goregaon- Pahadi Village, Goregaon (E), Mumbai: 400 063.

ANNEXURE III TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION ANALYSIS

OVERVIEW

During the year, the Company made an application for deregistration to the Hon'ble BIFR as the Company had substantially implemented the Rehabilitation Scheme. Accordingly, the Hon'ble BIFR passed an order dated October 6, 2006 deregistering the Company from the list of companies functioning under the Sick Industrial Companies (Special Provisions) Act, 1985.

The Company has evaluated in detail the opportunities available to optimize its core real estate and related assets. Accordingly, after obtaining the requisite approvals, it has commenced Phase 1 development of its Information Technology Park (Nirlon Knowledge Park) at Goregaon. It will also continue to consolidate and make resources available to its existing real estate activity at Goregaon and Tarapur, which forms the basis of the Company's return to profitability.

In this context, the shareholders of the Company have passed resolutions enabling the Company to borrow and create security on its assets upto Rs.750.00 crore so as to allow it to make further progress in the development of its real estate.

SEGMENT ANALYSIS AND REVIEW

(a) Real Estate Division

The Nirlon complex (now known as the Nirlon Knowledge Park) at Goregaon has attracted various corporates, more particularly in the field of Information Technology (IT)/ Information Technology Enabled Services (ITES) and related activities, pharmaceuticals, banking, etc. in terms of their requirement for quality office space on a lease and license basis.

In order to further take advantage of this business opportunity, the Company has already commenced its Phase 1 development of the Nirlon Knowledge Park and the same is expected to complete by the last quarter of 2008.

The Company will continue to develop this business activity in a planned and systematic manner.

Realizations from the Company's property at Nirlon House, Worli, Mumbai, have also contributed towards the Company's efforts to consolidate its position.

(b) V-Belt Division - Roha

In the financial year 2006-07, the Company made major attempts to ensure full capacity utilization of the installed production capacity.

To this end, the Company has strengthened its marketing efforts and expects to see improved results in the second half of the financial year 2007-08.

(c) Nylon TyreCORD Division - Tarapur

The Company is taking effective steps through selective modifications, to improve the manufacturing process at its fabric dipping and conversion unit at Tarapur to make its product competitive.

RISKS AND CONCERNS

(a) Real Estate Division

At present, the Company is developing its property situated at Goregaon as 'Nirlon Knowledge Park' to offer space for Information Technology (IT)/ITES activities.

More than 60% of commercial demand in India is driven by Information Technology (IT) and related industries. Increasing salaries, attrition rates, real estate prices, and other increasing expenditure in Mumbai, will continue to mean that the city could remain less attractive to IT/related companies when compared to other more cost effective

destinations in Maharashtra and India. The commercial real estate market without IT (including retail) is also fiercely competitive, and is likely to remain so for the foreseeable future as the demand supply gap reduces in the coming years. A similar situation exists in the residential real estate sector as well.

Further, increasing rates of interest, inflation, increase in steel and cement prices, and Government decisions with regard to Property Tax, Service Tax, TDR, FSI, etc. will be major factors during the development of the Company's IT Park at Goregaon.

However, the continuing shift of businesses and residential locations away from South Mumbai towards the suburbs, as well as the continuing rapid growth of the economy as a whole, will certainly help to mitigate these factors.

It is, therefore, essential that the Company recognizes its strengths and weaknesses in this industry, and acts to evaluate and optimize its assets accordingly.

(b) V-Belt Division - Roha

The V-Belt Division still continues to see stiff competition posed by unorganized small-scale players who predominate in this industry. The relatively small scale of the Company's operations when compared to its competitors in the organized market, is also a major concern for this Division.

CERTIFICATE

To:

The members of Nirlon Ltd.

We have examined the compliance of conditions of Corporate Governance by Nirlon Ltd., for the nine month period ended 31st March, 2007, as stipulated in **Clause 49** of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report issued by the Registrar and Share Transfer Agents of the Company to the Shareholders/Investor Grievances Committee as on March 31, 2007, there were no investor grievances remaining unattended/pending for more than 30 days.

We 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.

**For N. M. Rajji & Co.,
Chartered Accountants**

**Y. N. Thakkar
Partner
M. No. 33329**

Mumbai, June 25, 2007

AUDITORS' REPORT

TO THE MEMBERS OF NIRLON LIMITED

- 1) We have audited the attached Balance Sheet of **NIRLON LIMITED** as at 31st March 2007, the Profit and Loss Account and also Cash Flow statement of the Company for the period 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 as amended from time to time and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable;
- 4) Further to our comments in the Annexure referred to 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 purpose 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 such books;
 - iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow statement comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
 - v) On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as 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 Balance Sheet and the Profit and Loss Account read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
 - (1) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (2) in the case of the Profit and Loss Account, of the Profit of the Company for the period ended on that date and'
 - (3) in the case of Cash Flow Statement, of the Cash Flows for the period ended on that date.

For **N.M. RAJI & CO.**
Chartered Accountants

Y.N. THAKKAR
Partner
Membership No.33329

Mumbai, 25th June, 2007

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our report of even date.

- 1) a) The Company is in the process of updating the records showing full particulars including quantitative details and situation of fixed assets:
 - b) As explained to us, all the assets have not been physically verified by the management during the year, but there is a phased programme for verification of fixed assets designed to cover all assets over a period of time, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As the records have not been updated, comparison of the physically verified assets with that of book records have not been completed.
 - c) The Company has not disposed off a substantial part of its fixed assets during the year:
- 2) a) The inventories in possession of the Company have been physically verified by the management at the close of the year. In respect of inventories lying with third parties, they have confirmed these. In our opinion, the frequency of verification is reasonable;
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- c) In our opinion, on the basis of our examination of records of inventory, the company has maintained proper records of inventory and no material discrepancies were noticed on physical verification;
- 3) In our opinion, the company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

- 4) There is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories, fixed assets and for the sale of goods. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system;
- 5) In our opinion, the transactions for the purchase of goods and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- 6) The Company has not accepted any deposits from the public during the year;
- 7) The Company has an internal audit system conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business;
- 8) The provision of clause (d) of sub-section (1) of section 209 of the Companies Act for the maintenance of cost records prescribed by the Central Government is not applicable to the Company.
- 9) a) The company is generally regular in depositing undisputed statutory dues of the Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Sales tax, Excise duty, Custom duty, Cess and any other statutory dues with the appropriate authority. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2007 for the period of more than six months from the date it became payable;
- b) As at 31st March 2007, according to the records of the Company, the following are the particulars of disputed dues on account of statutory matters that have not been deposited;
- 10) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year ending on 31st March 2007, but has incurred cash losses in the financial year immediately preceding this financial year;
- 11) The Company has not defaulted in repayment of dues to Financial Institutions and banks;
- 12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- 13) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society;
- 14) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in shares, securities, debentures and other investments. All the investments of the company are held in its own name;
- 15) The Company has not given any guarantees for loans taken by others from banks or Financial Institutions;
- 16) In our opinion, the term loans availed by the Company during the year, were applied for the purpose for which they were obtained;
- 17) Based on the information and explanations given to us and on an overall examination of the Financial Statements of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment;
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956;
- 19) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company;
- 20) The Company has not raised any money by public issue during the year;
- 21) According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported during the course of our audit.

| Name of the statute | Amount Rs. Lacs | Forum where dispute is pending |
|--|------------------------------------|--|
| Excise duty | 813.73 276.47 12.05 33.13 | Supreme Court Appellate Authority – Tribunal. Dy. Commissioner of Central Excise Commissioner (Appeals) |
| Sewerage Tax – Mumbai Municipal Corporation. | 35.60 | Small Causes Court |
| Property tax – Mumbai Municipal Corporation. | 444.42 | Mumbai High Court |
| Income Tax | 99.56 | Commissioner (Appeals). |
| Provident Fund | 45.44 | Employees Provident Fund Appellate Tribunal, New Delhi |
| TOTAL | 1760.40 | |

For N.M. RAIJI & CO.
Chartered Accountants

Y.N. THAKKAR
Partner

Mumbai, 25th June, 2007

Membership No.33329

BALANCE SHEET AS AT 31ST MARCH, 2007

(Rupees in lacs)

| | Schedule | As at 31st March 2007 | As at 30th June 2006 |
|--|----------|-----------------------------|----------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds : | | | |
| Capital | 1 | 5,821.65 | 5,821.65 |
| Reserves and Surplus | 2 | 6,553.63 | 6,466.58 |
| | | 12,375.28 | 12,288.23 |
| Loan Funds : | | | |
| Secured Loans | 3 | 6,372.72 | 5,104.86 |
| Unsecured Loans | 4 | 125.53 | 633.84 |
| | | 6,498.25 | 5,738.70 |
| TOTAL | | 18,873.53 | 18,026.93 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets : | | | |
| Gross Block | 5 | 23,554.82 | 24,521.89 |
| Less: Depreciation | | 3,133.71 | 4,084.55 |
| Net Block | | 20,421.11 | 20,437.34 |
| Capital work-in progress | | 1,319.03 | 230.05 |
| | | 21,740.14 | 20,667.39 |
| Investments | 6 | 600.00 | 600.00 |
| Deferred Tax Assets (Net) (Refer note no.20 of Schedule 19) | | 386.93 | 350.82 |
| Current Assets, Loans and Advances : | | | |
| Inventories | 7 | 213.15 | 122.93 |
| Sundry Debtors | 8 | 124.97 | 267.65 |
| Cash and Bank Balances | 9 | 509.34 | 25.69 |
| Loans and Advances | 10 | 597.87 | 1,136.70 |
| | | 1,445.33 | 1,552.97 |
| Less: | | | |
| Current Liabilities | 11 | 5,223.36 | 4,980.50 |
| Provisions | 12 | 75.51 | 163.75 |
| | | 5,298.87 | 5,144.25 |
| Net Current Assets | | (3,853.54) | (3,591.28) |
| TOTAL | | 18,873.53 | 18,026.93 |
| Notes forming part of the Accounts | 19 | | |

FOR AND ON BEHALF OF THE BOARD

PRAHLAD S. CHOMAL
General Manager (F & A)

MANISH B. PARIKH
Dy. General Manager (F & A)

J. K. BHAVSAR
Company Secretary &
HOD (LEGAL)

MOOSA RAZA
Chairman

As per our report attached

For N.M. Raiji & Co.,
Chartered Accountants

Y.N. THAKKAR
Partner
Membership No. 33329

Mumbai, 25th June, 2007.

KUNAL SAGAR
ARJAN GURBUXANI
RAJANI BHAGAT
ARUNA MAKHAN
RAHUL SAGAR
JAIDEV SHROFF } Directors



PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 31st MARCH, 2007

(Rupees in lacs)

| | Schedule | 2006-07 (9 Months) | 2005-06 (15 Months) |
|---|----------|-----------------------|------------------------|
| INCOME | | | |
| Sales | | 455.11 | 920.87 |
| Processing charges received | | 296.83 | 232.65 |
| | | <u>751.94</u> | <u>1,153.52</u> |
| Less: Excise duty | | 137.16 | 79.20 |
| | | <u>614.78</u> | <u>1,074.32</u> |
| Other Income | 13 | 66.74 | 1,544.75 |
| Rent received | | 1,268.71 | 1,851.21 |
| | | <u>1,950.23</u> | <u>4,470.28</u> |
| EXPENDITURE | | | |
| Raw Materials consumed | 14 | 195.62 | 165.59 |
| Payments to and provisions for employees | 15 | 385.25 | 667.18 |
| Manufacturing and other expenses | 16 | 985.57 | 2,638.58 |
| Depreciation | | 69.98 | 132.79 |
| Less: Transferred to Revaluation Reserve | | <u>4.33</u> | <u>7.82</u> |
| | | <u>65.65</u> | <u>124.97</u> |
| Interest | 17 | 372.55 | 660.70 |
| Provision for doubtful debts and advances | | - | 17.25 |
| | | <u>2,004.64</u> | <u>4,274.27</u> |
| Add/(Less) : Decretion/(Accretion) to stock | 18 | (75.47) | 1.96 |
| | | <u>1,929.17</u> | <u>4,276.23</u> |
| Profit for the year before extraordinary items | | 21.06 | 194.05 |
| Less : Voluntary Retirement Scheme | | 15.12 | 2,545.16 |
| Profit/(Loss) for the year after extraordinary items | | 5.94 | (2,351.11) |
| Add/(Less) : Provision for Tax : | | | |
| : Excess provision of income tax written back | | 101.56 | - |
| : Deferred Tax (Refer note no.20 of schedule 19) | | 36.11 | 133.32 |
| : Fringe Benefit Tax | | (11.52) | (7.12) |
| Profit/(Loss) for the year | | 132.09 | (2,224.91) |
| Add/(Less) : Balance of Loss brought forward from previous year | | - | (10,607.76) |
| | | <u>132.09</u> | <u>(12,832.67)</u> |
| Less : Transferred from Revaluation Reserve (Refer note no.3 of Schedule 19) | | - | 12,832.67 |
| Profit carried to Balance Sheet | | 132.09 | - |
| Weighted average number of equity shares outstanding during the year | | 58,216,586 | 58,216,586 |
| Basic and diluted earning per share including extraordinary items (net of tax) (Refer note no.17 of Schedule 19) | | 0.23 | (3.82) |
| Notes forming part of the Accounts | 19 | | |

FOR AND ON BEHALF OF THE BOARD

PRAHLAD S. CHOMAL
General Manager (F & A)

MANISH B. PARIKH
Dy. General Manager (F & A)

J. K. BHAVSAR
Company Secretary &
HOD (LEGAL)

MOOSA RAZA
Chairman

As per our report attached

For N.M. Raiji & Co.,
Chartered Accountants

Y.N. THAKKAR
Partner
Membership No. 33329
Mumbai, 25th June, 2007.

KUNAL SAGAR
ARJAN GURBUXANI
RAJANI BHAGAT
ARUNA MAKHAN
RAHUL SAGAR
JAIDEV SHROFF } Directors

Schedules attached to and forming part of the Balance Sheet as at 31st March, 2007

| | | (Rupees in lacs) | |
|----------------------|--|-----------------------------|----------------------------|
| | | As at 31st March 2007 | As at 30th June 2006 |
| Schedule 1 | | | |
| SHARE CAPITAL | | | |
| Authorised | | | |
| 7,40,00,000 | Equity Shares of Rs.10 each | 7,400.00 | 7,400.00 |
| 1,00,000 | Cumulative Redeemable Preference Shares of Rs.100 each | 100.00 | 100.00 |
| | | 7,500.00 | 7,500.00 |
| Issued | | | |
| 5,82,30,608 | Equity Shares of Rs.10 each | 5,823.06 | 5,823.06 |
| Subscribed | | | |
| 5,82,16,586 | Equity Shares of Rs.10 each, fully paid-up | 5,821.65 | 5,821.65 |

Notes :

- Of the above:
 - 5,00,000 fully paid-up equity shares of Rs.10 each have been issued pursuant to a contract for consideration other than cash.
 - 75,72,500 fully paid-up equity shares of Rs.10 each have been issued as Bonus Shares by capitalisation of General Reserve, Capital Reserve and Share Premium.
- Rate of dividend on Preference Shares and the terms of redemption will be determined at the time of issue subject to provisions of such Acts as may be applicable.

(Rupees in lacs)

| | | As at 31st March 2007 | As at 30th June 2006 |
|-----------------------------|--|-----------------------------|----------------------------|
| Schedule 2 | | | |
| RESERVES AND SURPLUS | | | |
| | Share Premium | 264.98 | 264.98 |
| | Revaluation Reserve | | |
| | As per last Balance Sheet | 6201.60 | 667.40 |
| | Add : Asset Revalued during the year | — | 18,374.69 |
| | Less: Transferred to Profit and Loss Account | 4.33 | 7.82 |
| | Less: Reversal on account of building demolition | 40.71 | — |
| | Less: Adjusted against Profit & Loss Account (Refer note no. 3 of Schedule 19) | — | 12,832.67 |
| | | 6,156.56 | 6,201.60 |
| | Credit balance of Profit and Loss account | 132.09 | — |
| | | 6,553.63 | 6,466.58 |

| | | (Rupees in lacs) | |
|----------------------|--|-----------------------------|----------------------------|
| | | As at 31st March 2007 | As at 30th June 2006 |
| Schedule - 3 | | | |
| SECURED LOANS | | | |
| | Loan from HDFC (Refer note no.1 below) | 6,372.72 | 5,104.86 |
| | | 6,372.72 | 5,104.86 |

Notes :

- Loan from HDFC is secured by a charge in the nature of equitable mortgage by deposit of title deeds of land situated at Goregaon, Mumbai together with buildings and structures standing thereon, both present and future.
- In respect of the above loans Rs. 548.45 lacs is due and payable within one year (previous year Rs. 567.86 lacs).

(Rupees in lacs)

| | | As at 31st March 2007 | As at 30th June 2006 |
|---|------------------------------|-----------------------------|----------------------------|
| Schedule 4 | | | |
| UNSECURED LOANS | | | |
| Loan from the State Industrial and Investment Corporation Maharashtra Limited : | | | |
| | Interest-free Sales Tax loan | 120.92 | 459.11 |
| | M.I.D.C. Incentive | 4.61 | 4.61 |
| | Dues to Leasing Companies | — | 170.12 |
| | | 125.53 | 633.84 |

Note :

In respect of the above loans Rs.125.53 lacs is due and payable within one year (previous year Rs.633.84 lacs).

Schedule 5
Fixed Assets

(Rupees in lacs)

| Assets | Gross Block | | | | Depreciation | | | | Net Block |
|--|---------------------------------|--------------------------------|---|---------------------------------|--------------------------------|-------------------------------|---|-------------------------------|---------------------------------|
| | As on 01-07-2006 | Additions during 2006-07 | Deductions/ Adjustments during 2006-07 | As on 31-03-2007 | As on 01-07-2006 | Provided during 2006-07 | Deductions/ Adjustments during 2006-07 | Upto 31-03-2007 | As on 31-03-2007 |
| Land and Site Development | | | | | | | | | |
| Freehold | 18,855.34 (480.65) | - (18374.69) | - (-) | 18,855.34 (18,855.34) | - (-) | - (-) | - (-) | - (-) | 18,855.34 (18,855.34) |
| Leasehold | 269.59 (269.59) | - (-) | - (-) | 269.59 (269.59) | 64.71 (60.54) | 2.50 (4.17) | - (-) | 67.21 (64.71) | 202.38 (204.88) |
| Buildings | 3,652.34 (3,146.87) | 238.71 (513.09) | 1,221.06 (7.62) | 2,669.99 (3,652.34) | 2,454.60 (2,401.19) | 48.05 (59.68) | 1,012.91 (6.27) | 1,489.74 (2,454.60) | 1,180.25 (1,197.74) |
| Plant and Machinery | 1,143.60 (11,790.23) | 11.68 (14.37) | - (10661.00) | 1,155.28 (1,143.60) | 1,034.11 (9,320.49) | 8.95 (44.52) | - (8,330.90) | 1,043.06 (1,034.11) | 112.22 (109.49) |
| Electrical Installations | 44.65 (375.63) | - (-) | - (330.98) | 44.65 (44.65) | 44.17 (251.75) | 0.20 (2.27) | - (209.85) | 44.37 (44.17) | 0.28 (0.48) |
| Furniture, Fixtures & Appliances | 390.89 (386.45) | 5.64 (4.44) | 1.09 (-) | 395.44 (390.89) | 365.22 (355.29) | 5.08 (9.93) | 0.82 (-) | 369.48 (365.22) | 25.96 (25.67) |
| Factory Equipment | 149.49 (775.23) | 9.05 (-) | - (625.74) | 158.54 (149.49) | 109.57 (560.57) | 4.34 (10.15) | - (461.15) | 113.91 (109.57) | 44.63 (39.92) |
| Vehicles | 15.99 (15.99) | - (-) | 10.00 (-) | 5.99 (15.99) | 12.17 (10.10) | 0.86 (2.07) | 7.09 (-) | 5.94 (12.17) | 0.05 (3.82) |
| | 24,521.89 (17,240.64) | 265.08 (18,906.59) | 1,232.15 (11,625.34) | 23,554.82 (24,521.89) | 4,084.55 (12,959.93) | 69.98 (132.79) | 1,020.82 (9,008.17) | 3,133.71 (4,084.55) | 20,421.11 (20,437.34) |
| Capital work in Progress (including Capital Advances) | | | | | | | | | 1,319.03 (230.05) |
| Total | | | | | | | | | 21,740.14 (20,667.39) |

Notes :

- Land includes:
Leasehold land at Tarapur, Maharashtra acquired at a cost of Rs.123.82 lacs, vide agreement dated 8th January, 1981 the lease deed in respect of which is pending execution.
- Based on valuation reports submitted by M/s. I.H. Shah & Associates, approved valuers, the following assets of Goregaon, Roha and Tarapur had been revalued as on 1st April, 1984 and as on 30th June, 2006 on the basis of assessment about their market value and were written up by the amounts, on that date, as shown below.

(Rupees in lacs)

| | Gross Amount written up on revaluation | Deduction/ adjustment (Refer note no.3 of Schedule 19) | Reversal on account of building demolition | Depreciation provided upto 31.03.07 | Amount written up net of depreciation/ adjustments as on 31.03.2007 |
|----------------|--|--|---|---|--|
| Freehold land | 18836.98 | 12832.67 | - | - | 6004.31 |
| Leasehold land | 150.40 | - | - | 41.15 | 109.25 |
| Buildings | 1050.34 | - | 40.71 | 966.63 | 43.00 |
| | 20037.72 | 12832.67 | 40.71 | 1007.78 | 6156.56 |

Depreciation of Rs.4.33 lacs (previous year Rs.7.82 lacs) on the revalued portion has been provided for the year on the same rate as is applicable and this amount has been directly adjusted from the Revaluation Reserve.

- Previous year's figures are given in brackets.

Schedule 6**INVESTMENTS (At cost)** (Rupees in Lacs)

| Nos. | Face Value per unit Rupees | Description | As at 30th June 2007 | As at 31st March 2006 |
|------------------------------|----------------------------|---|----------------------|-----------------------|
| LONG TERM : | | | | |
| Non-Trade Investments | | | | |
| Unquoted: | | | | |
| 60,00,000 (60,00,000) | 10 | Equity Shares of Sempertans Nirilon Limited (fully paid-up) | 600.00 | 600.00 |
| | | | <u>600.00</u> | <u>600.00</u> |

Note : Figures in brackets represent number of units/shares held as on 30th June, 2006.

(Rupees in lacs)

| | As at 31st March 2007 | As at 30th June 2006 |
|--|-----------------------|----------------------|
| | <u>600.00</u> | <u>600.00</u> |

Schedule 7**INVENTORIES**

| | | |
|---|------------------------------|-----------------------------|
| Stores and Spares (at cost) (including in transit Rs. Nil, Previous year Rs. Nil) | 28.21 | 22.17 |
| Raw Materials (at cost) (including in transit Rs. Nil, Previous year Rs. Nil) | 12.85 | 4.14 |
| Stock-in-process (at cost) | 15.45 | 14.46 |
| Finished Products | 156.64 | 82.16 |
| | <u>213.15</u> | <u>122.93</u> |
| | As at 31st March 2007 | As at 30th June 2006 |

Schedule 8**SUNDRY DEBTORS**

(Unsecured - considered good, unless otherwise stated)

| | | |
|---|---------------|-----------------|
| Outstanding for a period exceeding six months : | | |
| Considered good | 4.67 | 145.40 |
| Considered doubtful | 840.57 | 883.98 |
| | <u>845.24</u> | <u>1,029.38</u> |
| Less : Provided for | <u>840.57</u> | <u>883.98</u> |
| | 4.67 | 145.40 |
| Other Debts : | | |
| Considered good | 120.30 | 122.25 |
| | <u>124.97</u> | <u>267.65</u> |

(Rupees in lacs)

| | As at 31st March, 2007 | As at 30th June, 2006 |
|--|------------------------|-----------------------|
|--|------------------------|-----------------------|

Schedule 9**CASH AND BANK BALANCES**

| | | |
|---|---------------|--------------|
| Cash on hand | 9.66 | 1.96 |
| Fixed deposits with banks | 86.59 | - |
| Bank Balances with Scheduled Banks | | |
| In Current accounts | 412.62 | 23.49 |
| Balance in current account with the Municipal Co-op. Bank Ltd., Roha (Maximum balance outstanding during the year Rs. 0.47 lacs previous year Rs.0.47 lacs) | 0.27 | 0.04 |
| Fixed Deposit with the Municipal Co-op. Bank Ltd., Roha (Maximum balance outstanding during the year Rs. 0.20 lacs previous year Rs.0.20 lacs) | 0.20 | 0.20 |
| | <u>509.34</u> | <u>25.69</u> |

(Rupees in lacs)

| | As at 31st March, 2007 | As at 30th June, 2006 |
|--|------------------------|-----------------------|
|--|------------------------|-----------------------|

Schedule 10**LOANS AND ADVANCES**

(Unsecured - considered good, unless otherwise stated)

| | | |
|---|---------------|-----------------|
| Loans : | | |
| To Employees | 10.25 | 8.87 |
| Advances recoverable in cash or in kind or for value to be received : | | |
| Considered good | 540.09 | 1101.54 |
| Considered doubtful | 445.98 | 466.40 |
| | <u>986.07</u> | <u>1,567.94</u> |
| Less: Provided for | <u>445.98</u> | <u>466.40</u> |
| | 540.09 | 1,101.54 |
| Prepaid expenses | 10.37 | 9.63 |
| Deposit with Customs, Central Excise Department, etc. | 18.79 | 7.15 |
| Advance payment of Income Tax | 14.52 | 9.51 |
| Advance payment of Fringe Benefit Tax | 3.85 | — |
| | <u>597.87</u> | <u>1,136.70</u> |

(Rupees in lacs)

| | As at 31st March, 2007 | As at 30th June, 2006 |
|--|------------------------|-----------------------|
|--|------------------------|-----------------------|

Schedule 11**CURRENT LIABILITIES**

| | | |
|--|----------------|----------------|
| Sundry Creditors (including advance received for sale of assets Rs.149.51 lacs, previous year Rs.Nil) (Refer note no.7 of Schedule 19) | 1975.61 | 1761.89 |
| Rent Deposit received | 3247.75 | 3218.61 |
| | <u>5223.36</u> | <u>4980.50</u> |

(Rupees in lacs)

| | As at 31st March, 2007 | As at 30th June, 2006 |
|--|------------------------|-----------------------|
|--|------------------------|-----------------------|

Schedule 12**PROVISIONS**

| | | |
|----------------------------------|--------------|---------------|
| Provision for Leave Encashment | 0.61 | 0.61 |
| Provision for Gratuity | 63.38 | 60.08 |
| Provision for Fringe Benefit Tax | 11.52 | 1.50 |
| Provision for Taxation | — | 101.56 |
| | <u>75.51</u> | <u>163.75</u> |

**Schedules attached to and forming part of the Profit and Loss Account
for the period ended 31st March, 2007 (9 Months)**

| (Rupees in lacs) | | | (Rupees in lacs) | | | | |
|--------------------------------------|--|--|---|-------------|---------|------------|-------------|
| | | | 2006-07 | 2005-06 | | | |
| | | | (9 Months) | (15 Months) | 2006-07 | 2005-06 | |
| | | | | | | (9 Months) | (15 Months) |
| Schedule - 13 | | | Schedule 16 | | | | |
| OTHER INCOME | | | MANUFACTURING AND OTHER EXPENSES | | | | |
| Interest Gross : | | | Stores and spares consumed | | | | |
| Other interest | | | 158.17 | 122.35 | | | |
| (Tax deducted at Source | | | 89.30 | 128.12 | | | |
| Rs. 0.02 lacs, previous year Rs.Nil) | | | 3.25 | 11.69 | | | |
| Interest on deposits with banks | | | 3.02 | 5.69 | | | |
| (Tax deducted at source | | | 10.67 | 26.08 | | | |
| Rs.Nil, previous year | | | 250.07 | 267.80 | | | |
| Rs.0.46 lacs) | | | 2.76 | 1.89 | | | |
| | | | 6.81 | 6.64 | | | |
| | | | 18.83 | 7.01 | | | |
| | | | 76.99 | 530.65 | | | |
| | | | - | 292.33 | | | |
| | | | 8.44 | 12.16 | | | |
| | | | 1.86 | 7.57 | | | |
| | | | 10.30 | 9.35 | | | |
| | | | 6.42 | 9.28 | | | |
| | | | 15.37 | 480.65 | | | |
| | | | 0.51 | 0.40 | | | |
| | | | 3.69 | 5.42 | | | |
| | | | 1.32 | 2.25 | | | |
| | | | 58.47 | 89.89 | | | |
| | | | 7.60 | 10.71 | | | |
| | | | 10.85 | 30.21 | | | |
| | | | 13.34 | 22.53 | | | |
| | | | - | 263.26 | | | |
| | | | 227.53 | 294.65 | | | |
| | | | 985.57 | 2638.58 | | | |
| | | | (Rupees in lacs) | | | | |
| | | | 2006-07 | 2005-06 | | | |
| | | | (9 Months) | (15 Months) | | | |
| Schedule 14 | | | Schedule 17 | | | | |
| RAW MATERIALS CONSUMED | | | INTEREST | | | | |
| Opening stock | | | Interest on Term Loans | | | | |
| Add: Purchases | | | 366.36 | 624.53 | | | |
| | | | 6.19 | 36.17 | | | |
| | | | 372.55 | 660.70 | | | |
| | | | (Rupees in lacs) | | | | |
| | | | 2006-07 | 2005-06 | | | |
| | | | (9 Months) | (15 Months) | | | |
| Less: Closing Stock | | | Schedule 18 | | | | |
| | | | (ACCRETION)/DECRETION TO STOCK | | | | |
| | | | Opening stock | | | | |
| | | | Stock-in-process | | | | |
| | | | 14.46 | 6.86 | | | |
| | | | Finished product | | | | |
| | | | 82.16 | 91.72 | | | |
| | | | 96.62 | 98.58 | | | |
| | | | Closing stock | | | | |
| | | | Stock-in-process | | | | |
| | | | 15.45 | 14.46 | | | |
| | | | Finished product | | | | |
| | | | 156.64 | 82.16 | | | |
| | | | 172.09 | 96.62 | | | |
| | | | (75.47) | 1.96 | | | |
| | | | (Rupees in lacs) | | | | |
| | | | 2006-07 | 2005-06 | | | |
| | | | (9 Months) | (15 Months) | | | |
| Schedule 15 | | | Schedule 18 | | | | |
| PAYMENTS TO AND | | | (ACCRETION)/DECRETION TO STOCK | | | | |
| PROVISIONS FOR EMPLOYEES | | | Opening stock | | | | |
| Salaries, Wages, Bonus and | | | Stock-in-process | | | | |
| Leave Encashment | | | 178.43 | 321.76 | | | |
| | | | Finished product | | | | |
| | | | 16.26 | 28.01 | | | |
| | | | 34.66 | 52.21 | | | |
| | | | 155.90 | 265.20 | | | |
| | | | 385.25 | 667.18 | | | |
| | | | (Rupees in lacs) | | | | |
| | | | 2006-07 | 2005-06 | | | |
| | | | (9 Months) | (15 Months) | | | |

Schedule 19

NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies :

The Financial statements are prepared under the Historical cost convention on an accrual basis, except for certain fixed assets, which have been revalued.

a. Fixed Assets :

Fixed Assets are carried at cost less depreciation. The cost comprises of purchase price, interest on borrowings and directly attributable costs of bringing the asset to its working condition for its intended use. The cost of Fixed Assets includes additions on account of revaluation of land and buildings done on 1st April, 1984 and also as on 30th June, 2006. The cost of leasehold land is amortised over the period of the lease.

b. Investments :

Investments, being long term, are stated at Cost less permanent diminution in value, if any.

c. Foreign Currency Transactions :

Transactions on account of foreign currency are converted into Indian Rupees at the exchange rate prevailing on the date of transaction. Remittances not received or made until the date of the Balance Sheet are considered at the exchange rate prevailing on the date of the Balance Sheet.

d. Inventory Valuation :

Raw materials, Packing materials and Stores and spares, are valued on a weighted average basis. Materials in transit and semi finished goods are valued at cost.

Finished goods are valued at cost including excise duty or net realisable value, whichever is lower.

e. Depreciation :

- i) Depreciation on fixed assets has been provided at the rates specified in Schedule XIV of the Companies Act, 1956.

| | Method of providing Depreciation |
|---------------------------------|-------------------------------------|
| a) Continuous Process Plants | @ 5.28% |
| b) All Other Assets | Written down value method |

- ii) Depreciation on a revalued portion of Fixed Assets is provided on a basis consistent with the policy for book depreciation and the same is directly adjusted against the Revaluation Reserve.

f. Taxes on Income:

Current Tax:

Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax Provision:

Deferred tax is recognised on timing differences, being the difference between the taxable income and accounting income that originates in one period and is capable of reversal in one or more subsequent periods.

g. Retirement Benefits :

- i) The Company has created the Employees Group Gratuity Fund which has taken a Group Gratuity cum Life Insurance Policy from the Life Insurance Corporation of India. Gratuity is provided based on the revised AS-15.
- ii) Retirement Benefit in the form of Provident Fund is accounted on an accrual basis and is charged to the Profit and Loss Account for the year.
- iii) Compensation paid under Voluntary Retirement Scheme is amortised in the year in which it is paid.

h. Income and Expenses :

- i) Sales and processing charges received include excise duty recovered from customers and excludes sales tax.
- ii) Insurance claims, sale of production waste/scrap are accounted for in the books on receipt basis.
- iii) Rent income, and expenses and income incidental to it, are accounted for on an accrual basis.
- iv) Overdue Interest receivable from customers is accounted as and when realised.
- 2 The Appellate Authority for Industrial and Financial Reconstruction (AAIFR) sanctioned the Amendments to Modified Rehabilitation Scheme for the Company on 24th March, 2005. During the period under review, the company completed the implementation of the said Rehabilitation Scheme. Since the company ceases to be a Sick Industrial Company within the meaning of Section 3 (1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985, the BIFR vide its Order dated 6th October 2006 has discharged the company from the purview of SICA/BIFR.
- 3 a) The Company discontinued manufacturing activity at its Goregaon unit, Mumbai with effect from May 2004. The employees at this location were offered a VRS which was accepted by all the workmen. All workmen dues, including VRS and statutory dues, have been paid in full by the company. Subsequently, in this context, The Commissioner of Labour, Maharashtra State, Mumbai also allowed closure of the company's Nylon Tyre record manufacturing operations at Goregaon Vide his Order dated 27th October 2004.
- b) The Company is in the process of developing an Information Technology park (IT park) at Goregaon, Mumbai as per the IT policy of the Government of Maharashtra. In order to show a fair value of its Goregaon Land in its books, and as approved by the Board of Directors in their meeting held on 26th May 2006, the company revalued its land situated at Goregaon, Mumbai based on the valuation report of M/s. I.H. Shah & Associates, Approved Valuer. The Revaluation amount of Rs.18374.69 lacs has been credited to the Revaluation Reserve Account.
- c) Accordingly, since the company's present business at Goregaon comprises mainly of the development of its land as stated above, and as this activity substantially represents the Goregaon location's present and future business possibilities, as per legal opinions obtained, the company has adjusted the accumulated losses amounting to Rs.12832.67 lacs as on 30th June 2006 against the Revaluation Reserve created during the period 2005-06.

4 Sundry Debtors considered doubtful of recovery and fully provided for include Rs.339.28 lacs due from two parties. As per the BIFR Order dated 5th January, 1996 and the Board's Resolution dated 29th January, 1996, these parties offered their assets worth Rs.216 lacs and Rs.84 lacs respectively to be transferred in favour of the Company against these dues, the charge in respect of which was created in favour of the Company. The matter was referred to an Arbitrator. As per the Award of the Arbitrator and the Court's Order, the Company has realised an amount of Rs.55 lacs during the year 2002-03 from sale of the property of one party valued at Rs.216 lacs.

The assets of the other party have also been sold and the amount is with the Official Liquidator, pending disbursement to the company.

5 Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs.2009.61 (previous year Rs.50.35 lacs).

6 Contingent liabilities not provided for:

a) Claims against the Company not acknowledged as debts Rs.18.38 lacs (previous year Rs.18.90 lacs).

b) Demand of Sewerage charges by Bombay Municipal Corporation disputed by the Company Rs.35.60 lacs (previous year Rs.35.60 lacs).

c) Excise duty amounting to Rs.1145.39 lacs (previous year Rs.1148.25 lacs), pending decision of the Appellate Tribunal/Supreme Court.

d) Penal damages claimed by the Regional Provident Fund Commissioner, for delay in payment of Provident Fund contribution amounting to Rs.45.44 lacs (previous year Rs.45.44 lacs).

e) Demand of Property tax by Bombay Municipal Corporation disputed by the Company Rs.444.42 lacs (previous year Rs.441.31 lacs)

f) Demand of water charges by MIDC, Tarapur disputed by the company Rs.74.16 lacs (previous year Rs.74.16 lacs).

g) Income tax demand disputed by the company Rs.101.56 lacs (previous year Rs.Nil).

7 Sundry creditors in Schedule 11 includes dues payable to Micro, Small and Medium Enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006. The company is in the process of identifying such suppliers.

However, the company has not received any intimation/claims from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure, if any, relating to the amount payable as at the year end together with interest paid/payable as required under the said Act have not been given.

8 Balances of sundry debtors, creditors, loans and advances and deposits are subject to confirmation.

| | |
|----------------------------------|---------------|
| 9 Expenses capitalised includes: | (Rs. in lacs) |
| Salaries | 10.48 |
| Legal & Professional expenses | 7.11 |
| Interest on project loan | 45.20 |
| Insurance on Construction policy | 22.43 |
| | <u>85.22</u> |

10. In Schedule 16 Other Expenses include the following payments made to Auditors:

| | | |
|-----------------------------------|--------------------|-------------|
| | (Rupees in lacs) | |
| | 2006-07 | 2005-06 |
| | (9 Months) | (15 Months) |
| Audit Fees | 1.87 | 3.12 |
| For Taxation matters | 0.28 | 0.28 |
| For certifying various statements | 0.67 | 0.96 |
| Reimbursement of expenses | 0.23 | 0.64 |
| | <u>3.05</u> | <u>5.00</u> |

11. Remuneration to Whole-time Director :

| | | |
|-------------------|--------------------|--------------|
| | (Rupees in lacs) | |
| | 2006-07 | 2005-06 |
| | (9 Months) | (15 Months) |
| Remuneration | 5.40 | 9.00 |
| Provident Fund | 0.54 | 0.90 |
| Other perquisites | 0.98 | 1.46 |
| | <u>6.92</u> | <u>11.36</u> |

12. Consumption of raw materials with value and quantitative break-up:

| | | | | |
|------------------|-------------------|----------------------|-----------------|---------------|
| | (Rupees in lacs) | | | |
| | 2006-07 | | 2005-06 | |
| | (9 Months) | | (15 Months) | |
| | Quantity | Value | Quantity | Value |
| | Tonnes | | Tonnes | |
| Rubber | 144.45 | 112.16 | 143.47 | 93.29 |
| Carbon | 14.84 | 7.46 | 9.04 | 3.60 |
| Fabric and Cords | 45.03 | 76.00 | 44.46 | 68.70 |
| | | <u>195.62</u> | | <u>165.59</u> |

13. Value of Imports on CIF basis in respect of :

| | | |
|------------------------|-------------------|-------------|
| | (Rupees in lacs) | |
| | 2006-07 | 2005-06 |
| | (9 Months) | (15 Months) |
| Stores and Spare parts | 1.06 | 0.97 |

14. Value of raw materials and stores and spares consumed:

| | | | | |
|------------------------|----------------------|----------------------|---------------|---------------|
| | (Rupees in lacs) | | | |
| | 2006-07 | | 2005-06 | |
| | (9 Months) | | (15 Months) | |
| | Value | % | Value | % |
| Raw materials : | | | | |
| Imported | - | - | - | - |
| Indigenous | 195.62 | 100.00 | 165.59 | 100.00 |
| | <u>195.62</u> | <u>100.00</u> | <u>165.59</u> | <u>100.00</u> |
| Stores & Spare parts : | | | | |
| Imported | 2.17 | 1.38 | 4.60 | 3.76 |
| Indigenous | 156.00 | 98.62 | 117.75 | 96.24 |
| | <u>158.17</u> | <u>100.00</u> | <u>122.35</u> | <u>100.00</u> |

15. Expenditure in foreign currency (Fully capitalised) :

| | (Rupees in lacs) | |
|----------------------------|-----------------------|------------------------|
| | 2006-07 (9 Months) | 2005-06 (15 Months) |
| Technical service received | 97.94 | 15.21 |
| Travelling expenses | 4.33 | 1.22 |

16. Particulars relating to capacities, production, stocks and turnover:

i) Capacity and Production: Fan and V-Belt pieces

| | |
|--------------------|----------------------|
| Licensed Capacity | 1200000 (1200000) |
| Installed Capacity | 1200000 (1200000) |
| Production | 438193 (507987) |

Previous year's figures are given in brackets.

Note : Installed capacities as mentioned above are as per the figures certified by the Management.

| | | (Rupees in lacs) | | | |
|---------------------|--------|------------------|--------|---------|--------|
| | | 2006-07 | | 2005-06 | |
| ii) Finished Stock: | Unit | Qty. | Value | Qty. | Value |
| Opening Stock: | | | | | |
| Tyecord Fabric | Tonnes | - | - | 2.48 | 5.30 |
| Industrial Fabric | Tonnes | 0.34 | 0.80 | 2.90 | 6.77 |
| Fan and V-Belts | Pieces | 76660 | 81.36 | 54553 | 79.65 |
| | | | 82.16 | | 91.72 |
| Closing Stock | | | | | |
| Industrial Fabric | Tonnes | - | - | 0.34 | 0.80 |
| Fan and V-Belts | Pieces | 139224 | 156.64 | 76660 | 81.36 |
| | | | 156.64 | | 82.16 |
| Sales | | | | | |
| Tyecord yarn | Tonnes | - | - | 3.73 | 2.87 |
| Tyecord Fabric | Tonnes | - | - | 2.48 | 5.41 |
| Industrial Fabric | Tonnes | 5.11 | 11.87 | 5.68 | 9.89 |
| Fan and V-Belts | Pieces | 375154 | 387.70 | 485721 | 443.97 |
| Other Sales | | | 55.54 | | 458.73 |
| | | | 455.11 | | 920.87 |

Note : Closing stock is after adjusting internal consumption, degraded waste, samples and damages.

17. Earnings per Share are given below:

| Particulars | 31.03.2007 (9 Months) | 30.06.2006 (15 Months) |
|--|--------------------------|---------------------------|
| 1 Profit/(Loss) after extraordinary items and taxation (Rs. in lacs) (A) | 132.09 | (2,224.91) |
| 2 Weighted average of number of equity shares Nos. (B) | 58216586 | 58216586 |
| 3 Face value per Equity shares Rs. | 10 | 10 |
| 4 Earning per share (Basic and diluted) Rs. (A / B) | 0.23 | (3.82) |
| 5 Profit/(Loss) before extraordinary items net of tax (Rs. in lacs) (C) | 147.21 | 320.25 |
| 6 Earning per share (Basic and diluted) Rs. (C / B) | 0.25 | 0.55 |

18. Segment reporting :

Segments have been identified in line with the Accounting Standard on Segment Reporting (As-17), taking into account the Company's organisational structure as well as the differential risks and returns of these segments.

Segment Revenues, Results, and Assets and Liabilities figures include the respective amounts identifiable to each of the segments. Interest and other financial charges/income are reported at a corporate level. Also those assets and liabilities, which are not identifiable to the individual segments are reported at a corporate level.

| A) Primary segmental reporting | | (Rupees in lacs) | |
|----------------------------------|--------------------------|---------------------------|--|
| | 31.03.2007 (9 Months) | 30.06.2006 (15 Months) | |
| 1. Segment Revenue: | 31,03,2007 | 30,06,2006 | |
| a) Segment - Tyecord | 231.08 | 234.12 | |
| b) Segment - Rental activity | 1,292.35 | 1,914.62 | |
| c) V-Belt | 329.00 | 382.02 | |
| d) Unallocable | 97.80 | 1,939.52 | |
| Total | 1,950.23 | 4,470.28 | |
| Less: Inter segment revenue | - | - | |
| Sales and other operating income | 1,950.23 | 4,470.28 | |
| 2. Segment Results: | | | |
| a) Segment - Tyecord | (40.21) | (144.38) | |
| b) Segment - Rental activity | 874.73 | 1,132.80 | |
| c) V-Belt | (48.36) | (109.00) | |
| d) Unallocable | (392.55) | (24.67) | |
| Operating Profit | 393.61 | 854.75 | |
| Less : Interest | 372.55 | 660.70 | |
| : Voluntary Retirement Scheme | 15.12 | 2,545.16 | |
| Profit/(Loss) before Tax | 5.94 | (2,351.11) | |
| 3. Segment Assets: | | | |
| a) Segment - Tyecord | 487.36 | 669.47 | |
| b) Segment - Rental activity | 15,649.85 | 14,443.68 | |
| c) V-Belt | 362.07 | 232.25 | |
| d) Unallocable | 1,516.56 | 1,624.18 | |
| Total Assets | 18,015.84 | 16,969.58 | |
| 4. Segment Liabilities: | | | |
| a) Segment - Tyecord | 457.68 | 550.46 | |
| b) Segment - Rental activity | 5,699.67 | 3,797.51 | |
| c) V-Belt | 279.19 | 367.75 | |
| d) Unallocable | 5,360.58 | 6,167.24 | |
| Total Liabilities | 11,797.12 | 10,882.96 | |

| | 31.03.2007 (9 Months) | 30.06.2006 (15 Months) |
|---------------------------------------|--|---------------------------|
| 5 Capital Expenditure during the year | 1354.06 | 592.26 |
| 6 Depreciation and amortisation : | | |
| a) Tyrecord | 17.98 | 63.30 |
| b) Rental activity | 42.39 | 50.35 |
| c) V-Belt | 5.29 | 11.31 |
| d) Unallocable | 15.12 | 2545.16 |
| Total | 80.78 | 2670.12 |

B) Secondary segmental reporting :

The Company has no reportable secondary segment.

19. a) Disclosure of transactions between the company and M/s. Sempertans-Nirlon Limited, in which the company is holding 26% shares.

| | (Rupees in lacs) | |
|---|-------------------------------------|------------------------|
| | 2006-07 (9 Months) | 2005-06 (15 Months) |
| 1 Purchases of Raw Material & Other utilities | 127.61 | 129.65 |
| 2 Sale of goods | - | 6.28 |
| 3 Jobwork charges received | 91.13 | 129.31 |
| 4 Purchase of Flat | 3.12 | - |
| 5 Amount payable | 89.53 | 201.64 |
| 6 Amount receivable | 59.94 | 212.10 |

b) Key Management Personnel

Directors of the Company **Executive Director :**

Shri Kunal V. Sagar,
Executive Vice Chairman

Non Executive Directors:

Shri Moosa Raza, Chairman
Shri Rama Varma
Shri Arjan Gurbuxani
Smt. Rajani Bhagat
Smt. Aruna Makhan
Shri Rahul Sagar
Shri Jaidev Shroff

(Rupees in lacs)

Key Management
Personnel

| | 2006-07 (9 Months) | 2005-06 (15 Months) |
|--------------------------|-------------------------------------|------------------------|
| Remuneration to Director | 6.92 | 11.36 |
| Sitting fees | 1.32 | 2.25 |

20. Consequent to the mandatory Accounting Standard issued by the ICAI on accounting for taxes on income, the Deferred Tax Adjustments for the year ended 31st March, 2007 amounting to Rs.36.11 lacs have been recognised in the Profit and Loss Account.

| | (Rupees in lacs) | |
|--|-------------------------------------|------------------------|
| | 2006-07 (9 Months) | 2005-06 (15 Months) |
| Deferred tax Assets | | |
| Arising on account of timing differences in: | | |
| Unabsorbed depreciation | 263.77 | 198.19 |
| Others | 435.73 | 472.64 |
| | 699.50 | 670.83 |
| Deferred tax Liability | | |
| Arising on account of timing differences in: | | |
| Depreciation | 312.57 | 320.03 |
| | 312.57 | 320.03 |

Deferred Tax Asset on account of unabsorbed depreciation has been recognised, as the Company is of the opinion that there is virtual certainty of realisation of the same in view of the profits of the Company.

21. Statement Pursuant to Part IV to the Companies Act, 1956**Balance Sheet and Company's General Business Profile****I. REGISTRATION DETAILS**

| | | |
|--------------------|---|------------------------------|
| Registration No. | : | 11045 |
| State Code | : | 11 |
| Balance Sheet Code | : | 31 st March, 2007 |

II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in lacs)

| | | |
|-------------------|---|-----|
| Public Issue | : | Nil |
| Rights Issue | : | Nil |
| Bonus Issue | : | Nil |
| Private Placement | : | Nil |

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (Amount Rs. in lacs)

| | | |
|-------------------|---|-----------|
| Total Liabilities | : | 18,873.53 |
| Total Assets | : | 18,873.53 |

SOURCES OF FUNDS :

| | | |
|---------------------|---|----------|
| Paid up Capital | : | 5,821.65 |
| Reserve and Surplus | : | 6,553.63 |
| Secured Loans | : | 6,372.72 |
| Unsecured Loans | : | 125.53 |

APPLICATION OF FUNDS :

| | | |
|---------------------------|---|------------|
| Net Fixed Assets | : | 21,740.14 |
| Investments | : | 600.00 |
| Deferred Tax Assets (Net) | : | 386.93 |
| Net Current Assets | : | (3,853.54) |

IV. PERFORMANCE OF COMPANY (Amount Rs. in lacs)

| | | |
|---|---|----------|
| Turnover | : | 1,950.23 |
| Total Expenditure | : | 1,929.17 |
| Profit/(Loss) before tax and extraordinary items | : | 21.06 |
| Profit/(Loss) after tax and extraordinary items | : | 132.09 |
| Face value per Equity shares | : | Rs.10 |
| Basic and diluted earning per share after extraordinary items (net of tax) | : | 0.23 |
| Basic and diluted earning per share before extraordinary items (net of tax) | : | 0.25 |
| Dividend Rate (%) | : | — |

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :

(As per Monetary Terms)

| | | |
|--------------------------|---|----------|
| Item Code No. (ITC Code) | : | 54071000 |
| Product Description | : | V-Belt |

22 a) Pursuant to the Resolution passed by the Board of Directors in their meeting held on 28th April 2006, the company had extended the financial year 2005-06 from 31st March 2006 to 30th June 2006. In view of this change, the figures in the Profit and Loss Account for the period ended on 31st March 2007 are for the period of 9 months and hence not comparable with the corresponding figures for the period of 15 months for 2005-06.

b) Previous year's figures have been re-arranged and re-grouped wherever necessary to conform to the classification adopted for the current year.

Signatures to Schedules 1 to 19

FOR AND ON BEHALF OF THE BOARD

PRAHLAD S. CHOMAL
General Manager (F & A)

MANISH B. PARIKH
Dy. General Manager (F & A)

J. K. BHAVSAR
Company Secretary &
HOD (LEGAL)

MOOSA RAZA
Chairman

As per our report attached

For N.M. Raiji & Co.,
Chartered Accountants

Y.N. THAKKAR
Partner
Membership No. 33329
Mumbai, 25th June, 2007.

KUNAL SAGAR
ARJAN GURBUXANI
RAJANI BHAGAT
ARUNA MAKHAN
RAHUL SAGAR
JAIDEV SHROFF } Directors

CASH FLOW FOR THE PERIOD ENDED ON 31ST MARCH, 2007

(Rupees in lacs)

| | 2006-07 (9 Months) | 2005-06 (15 Months) |
|--|-----------------------|------------------------|
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) before tax and extra ordinary items | 21.06 | 194.05 |
| ADJUSTED FOR : | | |
| Depreciation | 65.65 | 124.97 |
| Provision for doubtful debts & advances | (12.19) | 17.25 |
| Investment income | (1.67) | (14.95) |
| Interest & other finance charges | 372.55 | 660.70 |
| Profit on sale of assets | (22.25) | (1403.78) |
| Loss on assets discarded | 76.99 | 530.65 |
| Stores written off | 0.00 | 292.33 |
| | <u>479.08</u> | <u>207.17</u> |
| Operating Profit/(Loss) before Working Capital changes | 500.14 | 401.22 |
| CHANGES IN | | |
| Trade & other receivables | 702.56 | 22.61 |
| Inventories | (90.22) | (3.34) |
| Payables | 256.19 | (899.50) |
| Cash generated from Operations | 868.53 | (880.23) |
| Direct taxes (paid)/refund | (5.01) | 18.76 |
| Payment of Fringe Benefit Tax | (15.37) | (7.12) |
| Cashflow before extra ordinary items | 848.15 | (868.59) |
| Voluntary retirement scheme | (15.12) | (1212.21) |
| Cash generated from Operating Activities | 833.03 | (2080.80) |
| Net Cash used in Operating Activities (A) | 1333.17 | (1679.58) |
| (B) CASHFLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (1354.06) | (592.26) |
| Sale of fixed assets | 115.87 | 4020.93 |
| Interest received | 1.67 | 14.95 |
| Net Cash from Investing Activities (B) | (1236.52) | 3443.62 |
| (C) CASHFLOW FROM FINANCING ACTIVITIES | | |
| Increase/(decrease) of term liabilities | 759.55 | (1096.93) |
| Interest paid | (372.55) | (660.70) |
| Net Cash used in Financing Activities (C) | 387.00 | (1757.63) |
| Net increase/(decrease) in Cash & Cash Equivalent (A+B+C) | 483.65 | 6.41 |
| Cash & Cash Equivalent at the commencement of the year | 25.69 | 19.28 |
| Cash & Cash Equivalent at the end of the year | 509.34 | 25.69 |
| NET INCREASE/(DECREASE) AS DISCLOSED ABOVE | 483.65 | 6.41 |

Note :

- 1 Previous year's figures have been regrouped wherever necessary.
- 2 Cash and Bank Balances as per accounts have been classified as Cash and Cash Equivalents.
- 3 All figures in brackets are outflows.

FOR AND ON BEHALF OF THE BOARD

PRAHLAD S. CHOMAL
General Manager (F & A)

MANISH B. PARIKH
Dy. General Manager (F & A)

J. K. BHAVSAR
Company Secretary &
HOD (LEGAL)

MOOSA RAZA
Chairman

As per our report attached

For N.M. Raiji & Co.,
Chartered Accountants

Y.N. THAKKAR
Partner
Membership No. 33329
Mumbai, 25th June, 2007.

KUNAL SAGAR
ARJAN GURBUXANI
RAJANI BHAGAT
ARUNA MAKHAN
RAHUL SAGAR
JAIDEV SHROFF } Directors

NIRLON LIMITED

Regd. Office : Pahadi Village, Goregaon (East), Mumbai - 400 063.

ATTENDANCE SLIP FOR SHAREHOLDERS/PROXIES ONLY

TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

I/We hereby record my/our presence at the Forty-eighth Annual General Meeting of Nirlon Limited to be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Near Haji Ali, Mumbai 400 034 on Thursday, August 30, 2007 at 11.00 a.m.

Folio/Client ID/DP ID No. _____

(Full name of the member attending the meeting) (In Block Letters)

Signature

(Full name of the Proxy attending the meeting) (In Block Letters)

Signature

NIRLON LIMITED

Regd. Office : Pahadi Village, Goregaon (East), Mumbai - 400 063.

PROXY

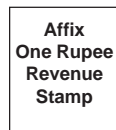
I/We _____ of _____

being a Member / Members of the above named Company, hereby appoint _____

of _____ or failing him _____

of _____ as my / our proxy to attend and vote for me/us on my/our behalf at the Forty-eighth Annual General Meeting of the Company to be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Near Haji Ali, Mumbai 400 034 on Thursday, August 30, 2007 at 11.00 a.m.

Signed this _____ day of _____ 2007



Folio / Client ID /DP ID No. _____

IMPORTANT

- (a) The Proxy should be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time fixed for holding the meeting.
- (b) A Proxy need not be a member.
- (c) The shareholders are requested to indicate their folio number in the proxy form as mentioned on the address slip overleaf.