Nirlon Limited

49th Annual Report
2007-08

NIRLON

Board of Directors
(As on August 27, 2008)

SHRI MOOSA RAZA (Chairman)

SHRI KUNAL 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.
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Registrars and Share Transfer Agents:
M/s. Sharepro Services,
Satam Estate, 3rd floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala, Andheri (East),
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CONTENTS

	Page
Notice	2
Directors' Report	7
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules to Accounts	22

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Forty-Ninth Annual General Meeting of Nirlon Limited will be held on Tuesday, September 30, 2008, 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 year ended March 31, 2008 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Shri Rahul Sagar, who retires by rotation, and being eligible offers himself for re-election.
3. To appoint a director in place of Shri Jaidev Shroff, who retires by rotation, and being eligible offers himself for re-election.
4. To appoint a director in place of Shri Arjan Gurbuxani, who retires by rotation, and being eligible offers himself for re-election.
5. 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:

6. Appointment of Shri Rahul Sagar as Executive Director of the Company

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") [including any statutory modification or re-enactment thereof for the time being in force], and subject to any approvals, consents, permissions or sanctions of the Central Government, as may be required and subject to such conditions or modifications as may be prescribed or imposed by the Central Government while granting such approvals, consents, permissions or sanctions, and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "Board" which expression shall include the Remuneration Committee of the Board) and Shri Rahul Sagar, consent of the Company be and is hereby accorded to the appointment of Shri Rahul Sagar as Executive Director of the Company and for payment of remuneration to Shri Rahul Sagar for a period of three years with effect from April 1, 2009 or such other date to be mutually agreed between the Board and Shri Rahul Sagar, on the terms and conditions including remuneration as set out below and incorporated in the proposed agreement between the Company and Shri Rahul Sagar, which proposed agreement be and is hereby specifically approved, with liberty to the Board of Directors to alter and vary the terms and conditions:-

A) Fixed Remuneration

Particulars	Amount (per annum) (In Rupees)
a) SALARY	
Basic Salary (payable monthly)	36,00,000
Gratuity	As per Company's rules
Contribution to Provident Fund	As per Company's rules
b) ALLOWANCE	
House rent allowance (50% of basic salary and payable monthly)	18,00,000
c) PERQUISITES	
Transport and driver	At actuals
Telephones/mobile	At actuals
Leave travel concession	1,00,000
Medical insurance for self and family	As per Company's rules

B) Variable Compensation

Variable pay linked to performance ranging from 50% to 200% of basic salary, to be decided for each corporate financial year by the Board of Directors (which includes any Committee thereof) having regard to the following criterion:

- Variable pay equal to 100% of basic salary on achievement of targets;
- Variable pay of upto 200% of basic salary on over achievement of targets;
- Variable pay of less than 100% of basic salary in the event of under performance of targets."

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove, during the term of appointment of Shri Rahul Sagar, in the event of loss or inadequacy of profit in any financial year, unless otherwise approved by the Central Government, the remuneration payable to Shri Rahul Sagar including salary, perquisites and any other allowances shall be governed and be subject to the ceiling provided under Schedule XIII to the Act or such other limits as may be prescribed by the Central Government from time to time as minimum remuneration."

"RESOLVED FURTHER THAT Shri Rahul Sagar shall not be liable to retire by rotation".

"RESOLVED FURTHER THAT Shri Moosa Raza, Chairman, Shri Arjan Gurbuxani, Director, and Shri J. K. Bhavsar, Company Secretary & H.O.D. (Legal) be and are hereby severally authorized to take all necessary or desirable steps for the aforesaid purpose and matters incidental thereto including but not limited to filing of the required application with the Central Government and requisite e-forms with the Ministry of Corporate Affairs/ ROC".

7. Revision in Managerial Remuneration of Shri Kunal Sagar, Executive Vice Chairman of the Company

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 **("the Act")** [including any statutory modification or re-enactment thereof for the time being in force], and in partial modification of the Resolution passed on May 5, 2007 by postal ballot in respect of re-appointment of and payment of remuneration to Shri Kunal Sagar, the Executive Vice Chairman of the Company, and subject to any approval, consent, permission or sanction of the Central Government as may be required, and subject to such conditions or modifications as may be prescribed or imposed by the Central Government while granting such approval, consents, permissions or sanctions, and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as **"Board"** which expression shall include the Remuneration committee of the Board) and Shri Kunal Sagar, consent of the Company be and is hereby accorded for the following revised remuneration payable to Shri Kunal Sagar with effect from April 1, 2008 for the remaining term of his appointment upto January 31, 2011.

A) Fixed Remuneration

Particulars	Amount (per annum) (In Rupees)
a) SALARY	
Basic Salary (payable monthly)	48,00,000
Gratuity	As per Company's rules
Contribution to Provident Fund	As per Company's rules
b) ALLOWANCE	
House rent allowance (50% of basic salary and payable monthly)	24,00,000
c) PERQUISITES	
Transport and driver	At actuals
Telephones/mobile	At actuals
Leave travel concession	2,00,000
Medical insurance for self and family	As per Company's rules

B) Variable Compensation

Variable pay linked to performance ranging from 50% to 200% of basic salary, to be decided for each corporate financial year by the Board of Directors (which includes any committee thereof) having regard to the following criterion:

- Variable pay equal to 100% of basic salary on achievement of targets;
- Variable pay of upto 200% of basic salary on over achievement of targets;
- Variable pay of less than 100% of basic salary in the event of under performance of targets."

"RESOLVED FURTHER THAT the draft supplementary agreement to be entered into between the Company and Shri Kunal Sagar in regard to the above revised remuneration be and is hereby specifically approved with liberty to Board of Director to alter and vary the terms and conditions."

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove, during the term of employment of Shri Kunal Sagar, in the event of loss or inadequacy of profit in any financial year, unless otherwise approved by the Central Government, the remuneration payable to Shri Kunal Sagar including salary, perquisites and any other allowances shall be governed and be subject to the ceiling provided under Schedule XIII to the Act or such other limits as may be prescribed by the Government from time to time as minimum remuneration."

"RESOLVED FURTHER THAT Shri Moosa Raza, Chairman, Shri Arjan Gurbuxani, Director, and Shri J. K. Bhavsar, Company Secretary & H.O.D. (Legal) be and are hereby severally authorized to take all necessary or desirable steps for the aforesaid purpose and matters incidental thereto including but not limited to filing of the required application with the Central Government and requisite e-forms with the Ministry of Corporate Affairs/ ROC".

By Order of the Board of Directors
For Nirlon Limited

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

Mumbai, August 27, 2008

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

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

ITEM NOS. 6 & 7

It is proposed to appoint Shri Rahul Sagar, currently a Non-Executive Director of the Company, as an Executive Director for the period and on terms of remuneration as are set out in the resolution contained in item no. 6 of the Notice. It is also proposed to revise the remuneration payable to Shri Kunal Sagar, Executive Vice-Chairman of the Company on the terms set out in item no. 7 of the Notice. It is also proposed that Shri Rahul Sagar shall not be liable to retire by rotation.

The proposed remuneration of Shri Rahul Sagar and the proposed revised remuneration of Shri Kunal Sagar are likely to be in excess of the ceilings prescribed in Sections 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956 **("Act")** read with Schedule XIII thereof. Accordingly, Shri Rahul Sagar's proposed appointment and remuneration, and the proposed revision in remuneration of Shri Kunal Sagar require the approval of the Company by way of Special Resolution as well as the prior approval of the Central Government for payment of the proposed remuneration. Shareholders' approval is accordingly being sought by way of Special Resolutions set out in item nos. 6 & 7 of the Notice.

Required applications would be made to the Central Government for the payment of the proposed remuneration. Until such time as approval for payment of the proposed remuneration is received from the Central Government, Shri Rahul Sagar and Shri Kunal Sagar will be paid minimum remuneration as per the provisions of Section 269 read with Schedule XIII of the Act.

The Board and the Remuneration Committee of the Board have approved the appointment and remuneration of Shri Rahul Sagar and the proposed revision in remuneration of Shri Kunal Sagar at their respective meetings held on August 27, 2008.

The information required to be given in terms of Schedule XIII to the Act is as under:-

On account of the continuing uncompetitive nature of its manufacturing operations, particularly at its Goregaon and Tarapur facilities, the Company suffered losses for several years and had to be referred to the Board for Industrial and Financial Reconstruction ("**BIFR**"). After a successful restructuring of its operations over the past 9 years or so (elucidated later herein), the Company was finally de-registered by the Hon'ble BIFR vide its Order dated October 6, 2006.

As the shareholders are aware, the Company has over the past approx. 9 years taken the following initiatives to overcome its losses and reposition itself for sustainable profitability:

- Sale/disposal of its surplus/idle assets;
- Repaid its outstanding creditors including Banks, Financial Institutions, Public Debenture Holders, Fixed Deposit Holders, etc.;
- Downsized and rationalized its manufacturing operations;
- Restructured its erstwhile Conveyor Belting Division into a Joint Venture with Semperit A.G., of Austria, i.e. Sempertrans Nirlon Pvt. Limited, in which Nirlon continues to hold a 26% equity stake;
- Initiated development of its Real Estate at Goregaon (the Nirlon Knowledge Park project).

The cumulative effect of the above initiatives has been to bring the Company out of its long history of losses from unprofitable and increasingly uncompetitive manufacturing activities, onto a path towards sustainable profitability.

In 2009, the Company will be operationalising Phases 1 & 2 of the ongoing Nirlon Knowledge Park development at Goregaon, Mumbai. The Company also plans to begin construction of the final two Phases of the Nirlon Knowledge Park Development in 2009-2010. Therefore, the Company will be in need of result oriented, focused and self-driven senior management personnel for successful management of the critical stages of the ongoing project, and also to effectively conceptualize, pursue, and execute the

Company's challenging development & growth plans in future. These projects and plans are the foundation for sustainable improvements in the operating and financial performance of the Company in future.

Shri Rahul Sagar, a Promoter & Director of Nirlon Limited, is presently the Chief Operating Officer (COO) of Sempertrans Nirlon Pvt. Limited (SNL), Nirlon's Conveyor Belting Joint Venture. He has been COO of SNL since January 2004, and before that he was Vice President - Marketing of SNL from the date of SNL's commencing operations in November, 2000. During his tenure as COO of SNL, SNL turned around to become a commercially successful Company in which profits and sales have grown strongly through 2008. SNL is also presently completing an expansion (by October-December 2008) which will make it one of the larger textile conveyor belt manufacturers in India today. The proven commercial & project implementation track record of Shri Rahul Sagar, as well as his familiarity with the Company as Promoter Director will be of great support to the Company, not only for the successful execution of the Company's ongoing project but also to implement the Company's future plans.

Shri Rahul Sagar is 37 years of age, and graduated with a B.A. in Economics. Shri Rahul Sagar has been inducted as a Nominee Director of the Sagar Promoter Group w.e.f. June 24, 2006. He is also a Director on the Board of Nyloc Strappings Ltd. Before joining SNL, Shri Rahul Sagar worked with First Datacorp & Amara Capital in Boston MA, in the United States from 1994 to 1996.

Shri Kunal Sagar, a Director of the Company has been Executive Vice Chairman since 1996. He was re-appointed as the Executive Vice Chairman from time to time by the BIFR, the Board of Directors and the shareholders of the Company on the same terms and conditions without modifying/increasing the limits of his remuneration since 1996. There has been no material revision of his remuneration for the last 12 years or so, save and except Rs. 1,500/- p.m. in Basic Salary w.e.f. Feb 1, 2001.

Subsequent to this date, the Company fulfilled its commitments under the BIFR Scheme and exited from the purview of BIFR on October 6, 2006. Thereafter, the Company began the development of its Real Estate in Goregaon, Mumbai. Presently, the remuneration paid to Shri Kunal Sagar is not in line with existing market and industry practices. It is, therefore, recommended that Shri Kunal Sagar's remuneration be revised to bring it more on par with industry and market levels.

Shri Kunal Sagar is 40 years of age, and graduated with a B.A. in Economics. He is also a Director on the Board of SNL, the Company's Conveyor Belting Joint Venture. Before joining Nirlon Ltd., Shri Kunal Sagar worked with Republic National Bank of New York in the United States from 1990 to 1994.

In respect of Shri Rahul Sagar, the other material terms of the draft agreement between Shri Rahul Sagar and the Company are as under: –

i. Shri Rahul Sagar shall report to Shri Kunal Sagar, Executive Vice Chairman and to the Board of Directors. Shri Rahul Sagar shall exercise such powers and discharge such duties as may be vested / assigned to him from time to time by the Board or Shri Kunal Sagar.

ii. Shri Rahul Sagar shall not become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.

iii. Shri Rahul Sagar shall devote his whole time and attention to the management of the Company and its business and the duties assigned to him.

iv. The Agreement may be terminated by either side by giving not less than six months prior notice in writing.

v. Shri Rahul Sagar shall not entitled to receive any sitting fee for attending meetings of the Board of Directors or any Committee thereof.

In the event of loss or inadequacy of profit in any financial year during the tenure of his appointment, the remuneration payable to Shri Rahul Sagar, unless otherwise approved by the Central Government, shall be within the monetary ceiling prescribed under Schedule XIII to the Act as may be in force and/or revised from time to time.

In respect of Shri Kunal Sagar there is no change in the other material terms of his appointment as previously approved by the shareholders.

The above may be treated as an abstract of the terms of agreements proposed to be entered into between the Company and Shri Rahul Sagar and Shri Kunal Sagar pursuant to section 302 of the Companies Act, 1956.

Drafts of the proposed agreements referred to above are available at the Registered Office of the Company for inspection by members between 11:00 a.m. to 1:00 p.m. on any working day excluding Sundays and public holidays.

None of the Directors of the Company except Shri Rahul Sagar himself and Shri Kunal Sagar (who is the brother of Shri Rahul Sagar), is concerned or interested in the resolutions contained in item no. 6 of the Notice.

None of the Directors of the Company except Shri Kunal Sagar himself and Shri Rahul Sagar (who is the brother of Shri Kunal Sagar), is concerned or interested in the resolutions contained in item no. 7 of the Notice.

The Board of Directors accordingly recommend the resolutions set out at the item Nos. 6 & 7 of the accompanying Notice for the approval of the Members of the Company. Your approval is sought by way of a Special resolution.

By Order of the Board of Directors
For Nirlon Limited

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

Mumbai, August 27, 2008

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

NOTES:

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.

1 The Register of Members and Share Transfer Books of the Company will be closed from Thursday, September 25, 2008 to Tuesday, September 30, 2008 (both days inclusive) for the purpose of the Annual General Meeting.

2 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.

3 Members are requested to make all correspondence pertaining to shares to the Company's Registrar & Transfer Agents.

4 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.

5 Members are requested to notify change of address, if any, with pin code, quoting reference of their folio number.

6 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.

7 Members who hold shares in dematerialized form 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.

8 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.

9 The relevant documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, excluding Sundays and public holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the meeting.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors' present their 49th Annual Report and the Audited Financial Accounts for the year ended March 31, 2008.

(Rs. in crore)

	2007-08 (12 MONTHS)	2006-07 (9 MONTHS)
Gross Sales and Other Income	**14.90**	6.81
Rent received	**19.05**	12.69
Total income	**33.95**	19.50
Gross profit/(loss)	**9.22**	4.60
Interest paid	**6.13**	3.73
Cash Profit/(Loss)	**3.09**	0.87
Depreciation	**1.17**	0.66
Net profit before extraordinary items	**1.92**	0.21
Less: Extraordinary items		
VRS	**0.58**	0.15
Net Profit for the year after extraordinary items	**1.34**	0.06
Provision for Taxation		
: Current Tax	**(0.14)**	-
: Deferred Tax	**0.54**	0.36
: Fringe Benefit Tax	**(0.09)**	(0.12)
Profit for the year after Tax	**1.65**	0.30
Less : Excess provision of Income Tax written back	**—**	1.02
Net profit for the year	**1.65**	1.32

DIVIDEND

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

DIRECTORS

Shri Rahul Sagar, Shri Jaidev Shroff and Shri Arjan Gurbuxani, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

In the ensuing Annual General Meeting, it is also proposed to appoint Shri Rahul Sagar as Executive Director (effective from April 1, 2009 or such other date to be mutually agreed between the Board and Shri Rahul Sagar) not liable to retire by rotation, and to revise the remuneration of Shri Kunal Sagar, Executive Vice Chairman of the Company (effective from April 1, 2008). The proposed remuneration of Shri Rahul Sagar and the proposed revised remuneration of Shri Kunal Sagar are likely to be in excess of the ceilings prescribed in Sections 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956 **("Act")** read with Schedule XIII thereof. Accordingly, Shri Rahul Sagar's proposed appointment and remuneration, and the proposed revision in remuneration of Shri Kunal Sagar is subject to the approval of the Company by way of Special Resolution (being sought at the ensuing Annual General Meeting) and also the prior approval of the Central Government.

A brief resume of the Directors to be re-appointed, nature of their expertise and name of the company/ies in which they hold Directorships and Memberships/Chairmanships of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, are provided in *Annexure II*, i.e. the Report on Corporate Governance forming a part of this Report.

OPERATIONS & FUTURE OUTLOOK:

a) Real Estate Division

i) Development of the Information Technology (IT) Park, i.e. Phase 1 and Phase 2 of the Nirlon Knowledge Park (NKP) – Goregaon, Mumbai

The Business Plan of the Company is to retain ownership of the NKP development and to offer office space on a leave and license basis only.

Phase 1

Construction – During the period under review, the construction of Phase 1 progressed largely on schedule. The Company expects to deliver the Phase 1 buildings for fit out to potential occupants by November/ December 2008. Income from this development is estimated to commence from April 2009, subsequent to completion of fit out by the potential occupants, and completion of statutory compliances by the Company.

Marketing – During the period under review, the Company was successful in securing commitments for licensing approx. 90% of its Phase 1 area to well known Information Technology and Financial Services Corporates. The Company expects to successfully market the balance approx. 10% of Phase 1 area by the end of 2008. In such case, income from all of Phase 1 is estimated to be available to the Company from April 2009 on completion of fit outs by potential occupants, and completion of statutory compliances by the Company.

Financing - Confirmation for financing the construction of Phase 1 was received from the Company's Lender during the period under review. The Company intends

to securitize the majority of its income from Phase 1 to repay the construction loan for Phase 1.

Phase 2 –

Construction – The construction of Phase 2 began in March 2008. This phase is expected to be handed over for fit out to potential occupants in June/July 2009. Income from this Phase is estimated to commence from October-November 2009, after completion of fit outs and statutory compliances.

Marketing – During the period under review, the Company has been successful in securing commitments for licensing approx. 30% of this Phase of development. The Company is confident that prior to the estimated fit out date in June-July 2009, it will be able to successfully market the rest of the available space in Phase 2.

Financing – The Company has in principle approval from its Lender for financing the construction of Phase 2. The repayment of the Phase 2 construction loan is, once again, proposed to be effected through securitization of the majority of Phase 2 income, presently estimated to begin from October-November 2009.

Further Phases – The development and construction of a further two phases in NKP is scheduled to begin in 2009-2010, depending on the progress of Phase 1 and Phase 2.

ii) Leave and License Activity

Concurrent to the development of Phase 1 and Phase 2 of NKP, the Company continues to rent on a leave and license basis approx. 5.19 lac sq. ft. of built up area at Goregaon, Mumbai, approx. 1.72 lac sq. ft. of built up area at Tarapur (Thane Dist., Maharashtra) and approx. 0.30 lac sq. ft. in the Nirlon House building in Worli, Mumbai, to various corporate clients as on March 31, 2008. Income from this leave and license activity was Rs.19.05 crore for the period under review (12 months) as against Rs.12.69 crore for the F. Y. 2006-07 (9 months).

Leave and license income from the existing licensees is expected to decrease marginally in 2008-09, as certain agreements are expiring and will not be renewed, so as to make further space available for the development of NKP in 2009-2010.

b) Belting Division – Roha

i) ***Conveyor Belts-*** The Company continues to hold 26% Equity in its Conveyor Belting Joint Venture 'Sempertrans-Nirlon Pvt. Ltd.' (SNL) which was formed in January 2000 with Semperit A.G., an Austrian industrial rubber products multinational.

This Joint Venture Company considerably improved its performance and its profitability in the F.Y. 2007-08. It also began an expansion to double its capacity during 2007-2008. This expansion is likely to be completed by the end of 2008, and the benefit of this extra installed capacity should be available to SNL from 2009 onwards.

ii) ***V-Belts-*** During the period under review, the performance of the V-Belt Division also improved once again.

This improvement was achieved as a result of ensuring that a full basic range of V-Belts continued to be made available to customers, in an expanding market. However, the V-Belt Division continued to lose money due to its limited installed capacity, and therefore not having the economies of scale required to compete in fiercely competitive and price sensitive market, in which the unorganized sector has only limited barriers to entry. In this context, as V-Belt is now a non-core area, the Company has taken the decision to phase out its V-Belt Division in the F.Y. 2008-09 through offering a proposed VRS to its concerned employees and workmen. The assets of the Division, including fixed and net current assets, will be monetized for the best possible value.

c) Nylon Tyrecord Division - Tarapur

Dipping of Tyrecord Fabric and Industrial Fabric, as well as the manufacture/job work of griege tyrecord and industrial fabric, continued at the Company's Tarapur location which made a small profit during the period under review.

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 has transferred unpaid/unclaimed debenture redemption amounts/interest pertaining to the series IV and V Issues of Debentures under Section 205-C of the Act to the "Investor Education and Protection Fund (IEPF)" on January 21, 2008 as required under the provisions of the Act, and will further transfer unpaid/unclaimed debenture redemption amounts/interest on September 20, 2008 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' 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 confirms:

i) that in the preparation of the annual accounts for the year ended March 31, 2008, 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 year ended March 31, 2008, and of the profit of the Company for that year;

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 year ended March 31, 2008 on a 'going concern' basis.

COMPLIANCE CERTIFICATE OF AUDITORS

Certificate from the Auditors of the Company, M/s. N. M. Raiji & Co, confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 is annexed to the Directors' Report forming part of the Annual Report.

CORPORATE GOVERNANCE DISCLOSURE

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

MANAGEMENT DISCUSSION ANALYSIS

Details are provided in *Annexure III* and form 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. Raiji & 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 HDFC, Financial Institutions, Banks and various Government Authorities at the State and Central levels. Your Directors thank all stakeholders for their continued support.

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

Moosa Raza
Mumbai, August 27, 2008 **Chairman**

ANNEXURE I TO THE DIRECTORS' REPORT

FORM A

During the F.Y. 2007-08, no additional measures have been taken for conservation of energy in the Company's manufacturing activities at Roha, in view of its proposed phase out during the F.Y. 2008-09.

Impact of measures (Roha)

(1) Power and steam consumption (Roha)

			2007-2008	2006-07
1.	Electricity:			
	a. Purchased Units (KWH)		**508640**	395484
	Amount (Rs.)		**30.09 lac**	22.55 lac
	Rate/unit (Rs./KWH)		**5.92**	5.70
2.	Consumption per unit of production:			
	V-BELT			
	Particulars		**2007-2008**	2006-2007
	Production	Pieces	**639782**	438193
	Electricity	KWH/PC	**1.26**	1.10

ANNEXURE II TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

[Information given in this report relates to the F.Y. ended March 31, 2008]

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 and transparency in all aspects 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 31.03.2008
Chairman (Independent)	1
Promoters	2
Nominees of Promoters	2
Independent Directors	3
	8

During the F.Y. 2007-08, the Board met 5 times (as against the minimum requirement of 4 meetings) on the following dates, viz. June 25, 2007, July 31, 2007, August 30, 2007, October 30, 2007 and January 30, 2008.

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 table gives details of Directors, attendance of Directors at the Board meetings during the F.Y. 2007-08, at the last Annual General Meeting, and the number of memberships held by Directors on the Boards of various other companies:-

Name	Category	Relationship with other directors	Attendance Particulars		Directorships in Public Ltd Company/ies	Committee Memberships	
			Board meetings	Last AGM		Chairman	Member
Shri Moosa Raza	C*	None	4	Y	1	1	-
Shri Kunal Sagar	EVC*	Brother of Shri Rahul Sagar	5	Y	-	-	-
Shri Rama Varma	NED*	None	3	N	2	-	-
Shri Arjan Gurbuxani	NED*	None	5	Y	-	-	-
Smt Rajani Bhagat	NED*	Mother-in-law of Shri Jaidev Shroff	4	N	1	-	-
Smt. Aruna Makhan	NED*	None	5	Y	2	-	-
Shri Rahul Sagar	NED*	Brother of Shri Kunal Sagar	5	Y	1	-	-
Shri Jaidev Shroff	NED*	Son-in-law of Smt. Rajani Bhagat	2	N	16	-	-

*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 Directorship, Membership and Chairmanship of the Board/Committees are provided below:-

(a) Shri Rahul Sagar

Shri Rahul Sagar, aged 37 years, graduated with a B.A. in Economics. Shri Rahul Sagar has been inducted as a nominee of the Sagar Promoter Group w.e.f. June 24, 2006 and thereafter, the shareholders at their meeting held on September 28, 2006 have appointed Shri Rahul Sagar as a director liable to retire by rotation.

He is the Chief Operating Officer of the Company's Conveyor Belting Joint Venture **"Sempertrans Nirlon Pvt. Ltd."**.

He is the brother of Shri Kunal Sagar, one of the Directors of the Company. He is also a Director on the Board of Nyloc Strappings Ltd.

(b) Shri Jaidev Shroff

Shri Jaidev Shroff, aged 43 years, graduated with a B.Sc. Shri Jaidev Shroff has been inducted as a nominee of the Bhagat Promoter Group w.e.f. June 24, 2006 and thereafter, the shareholders at their meeting held on September 28, 2006 have appointed Shri Jaidev Shroff as a director liable to retire by rotation.

He is a Director of United Phosphorus Ltd. and designated as Global CEO of the Group. He is the Son-in-law of Smt. Rajani Bhagat, one of the Directors of the Company.

He is also on the Board of United Phosphorus Ltd., Uniphos Enterprises Ltd., Enviro Technology Ltd., Nivi Trading Ltd., Ventura Guaranty Ltd., Bharuch Enviro Infrastructure Ltd., Agrinet Solutions Ltd., Demuric Holdings Pvt. Ltd., Search Enviro Pvt. Ltd., Shroff Environmental Pvt. Ltd., Uniphos Agro Industries Ltd., Isar Builders & Developers Pvt. Ltd., Hardstone Properties India Pvt. Ltd., Magnus Properties Pvt. Ltd., Latur Water Supply Management Co. Ltd., SWAL Corporation Ltd., Sharvak Environment Ltd., Heline Environment Pvt. Ltd., Khagay Environment Pvt. Ltd., Khaline Environment Pvt. Ltd., Praskand Environment Pvt. Ltd., Asia Society India Centre Pvt. Ltd., Force Aviation Pvt. Ltd., Advanta India Ltd., UPL Environmental Engineers Ltd., UPL Djai Power Ltd. and Entrust Environment Ltd.

(c) Shri Arjan Gurbuxani

Shri Arjan Gurbuxani, aged 74 years, graduated with a B.A. (Hons.), LL.B. and C.A.I.I.B. Shri Arjan Gurbuxani has been occupying the office of Director of the Company since 1994.

He resigned as a nominee of the Bhagat Promoter Group w.e.f. June 24, 2006 and has been re-appointed as an Independent Director on the same date by the Board. Subsequently, the shareholders at their meeting held on September 28, 2006 have appointed Shri Arjan Gurbuxani as a director liable to retire by rotation.

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 meet 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 meet the requirements of law.

Shri J.K. Bhavsar, Company Secretary & H.O.D. Legal of the Company, is the Secretary of the Audit Committee.

The Audit Committee undertakes the following major 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 Internal 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/or 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 F.Y. 2007-08, the Audit Committee met 4 (four) times on the following dates, viz. June 25, 2007, July 31, 2007, October 30, 2007 and January 30, 2008.

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

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.

Details of remuneration to all the Directors for the period ended March 31, 2008

(Rs. in lac)

Name of the Director	Salary	Benefits	Commi-ssion	Sitting fees*	Total	Service contract/ Notice period Severance fees
Shri Moosa Raza	-	-	-	0.33	0.33	-
Shri Kunal Sagar	7.59	1.98	-	-	9.57	Agreement dated 25.06.2007 for a period of 5 years w.e.f.01.02.2006, Three months notice
Shri Rama Varma	-	-	-	0.24	0.24	-
Shri Arjan Gurbuxani	-	-	-	0.39	0.39	-
Smt. Rajani Bhagat	-	-	-	0.12	0.12	-
Smt. Aruna Makhan	-	-	-	0.39	0.39	-
Shri Rahul Sagar	-	-	-	0.15	0.15	-
Shri Jaidev Shroff	-	-	-	0.06	0.06	-

* Inclusive of Board meetings, 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 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 F.Y. 2007-08, the Committee met 4 (four) times on the following dates, viz. June 25, 2007, August 30, 2007, October 30, 2007 and January 30, 2008.

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

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

As per amended clause no. 47(f) of the Listing Agreement, the Company has designated an E-mail ID "share@nirlonltd.com" for registering complaints by shareholders. The Company's details are displayed in the Company's website "www.nirlonltd.com".

The total number of complaints received and replied to, to the satisfaction of the shareholders during the F.Y. ended March 31, 2008 were 26, and outstanding complaints as on March 31, 2008 were nil. The number of pending share transfers were nil and pending requests for dematerialization were also nil as on March 31, 2008.

GENERAL BODY MEETINGS

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

F.Y.	Date	Location of the Meeting	Time
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.
2006-2007	30.08.2007	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 their AGM held on September 28, 2006.

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)	2,109	215	71,10,169 99.50%	35,734 0.50%
Resolution (ii) Under Section 293 (1) (a)	2,068	256	71,02,981 99.51%	34,766 0.49%
Resolution (iii) Under Section 269	2,061	263	70,77,173 99.17%	59,175 0.83%

(i) Under Section 293 (1) (d) – to borrow money upto 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.

There may be further resolutions proposed to be conducted through a Postal Ballot during 2008-09.

DISCLOSURES

a) *Disclosure on materially significant related party transactions, i.e. transactions of the Company of a 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 20 – Note no. 17).

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 of the capital markets and no penalties/ strictures have been imposed against it during the last three years.

c) *Management Discussion and Analysis Report.*

The Management Discussion and Analysis Report has been attached to the Directors' Report as *Annexure III* and forms part of this Annual Report.

(d) Nirlon Ltd. has followed the guidelines of the Accounting Standards laid down by the ICAI in preparation of its Financial Statement.

DISCLOSURE OF RISK MANAGEMENT

The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. These procedures are periodically reviewed, to ensure that the executive management controls risk 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 (www.sebi.gov.in)

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: Tuesday, September 30, 2008

Time: 11.00 a.m.

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

Annual General Meeting for the year ending on March 31, 2009

End of September 2009 (tentative)

Financial Year

1st April, 2008 to March 31, 2009

Board meetings (tentative)

April – June quarter results – end of July 2008

July – September quarter results – end of October 2008

October – December quarter results – end of January 2009

Audited results for March 31, 2009 - end of June 2009

Date of Book Closure

Thursday, September 25, 2008 to Tuesday, September 30, 2008 (both days inclusive)

Dividend Payment

Nil

Company's website

www.nirlonltd.com

Company's Registration details

The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is U17120MH1958PLC011045.

Listing of Stock Exchange:

The Company's Equity Shares are listed on the Bombay Stock Exchange Limited (BSE), Mumbai. The Company has paid the annual listing fee for the F.Y. 2008-09 to the BSE.

BSE Code: 500307

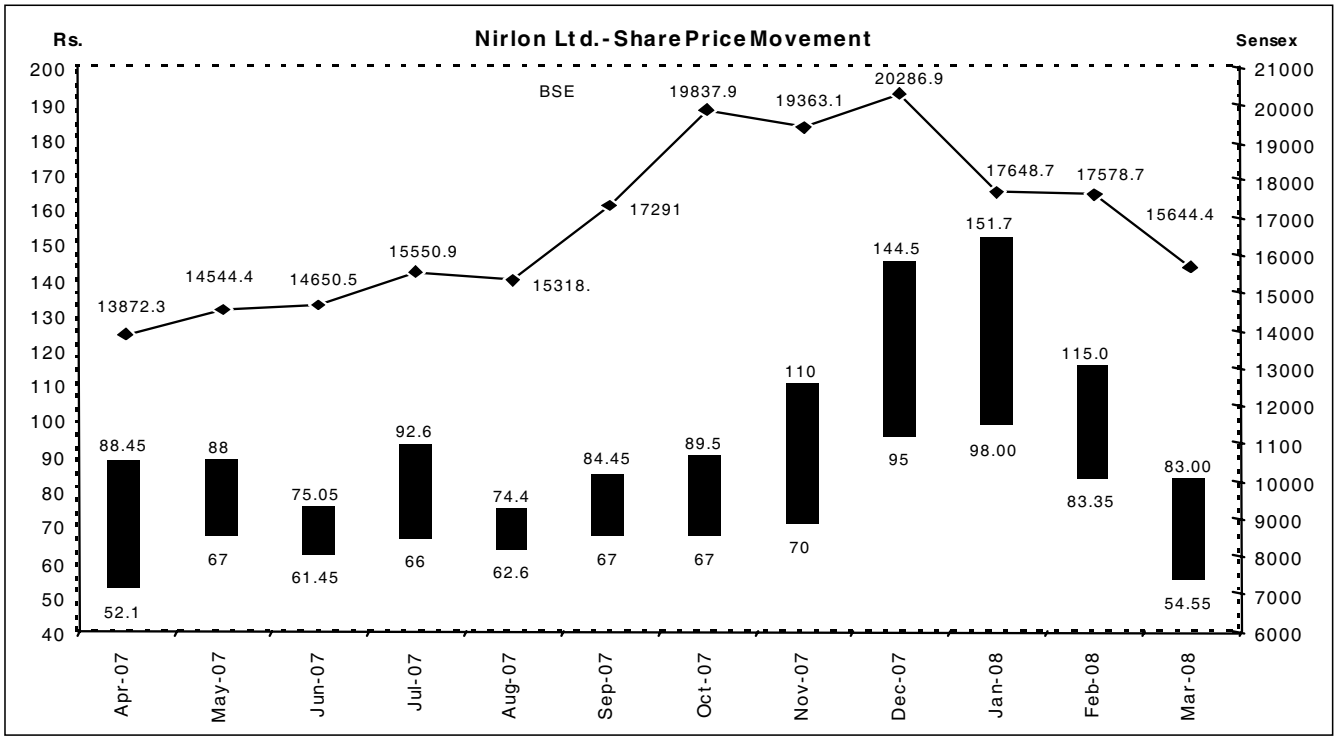
ISIN no. in NSDL and CDSL for equity shares: INE910A01012

Stock Market Data: April 1, 2007 to March 31, 2008

The Stock Exchange, Mumbai

	High (Rs.)	Low (Rs.)
April 2007	88.45	52.10
May 2007	88.00	67.00
June 2007	75.05	61.45
July 2007	92.60	66.00
August 2007	74.40	62.60
September 2007	84.45	67.00
October 2007	89.50	67.00
November 2007	110.00	70.00
December 2007	144.50	95.00
January 2008	151.70	98.00
February 2008	115.00	83.35
March 2008	83.00	54.55

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. (91-22) 2685 2256
Fax No. (91-22) 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.
Tele: (91-22) 2834 7719/2821 5168-69
e-mail address : sharepro@vsnl.com

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, 2008)

Range of shares	No. of share holders	No. of shares	Percentage of share amount to total
Up to – 500	51,827	65,46,845	11.246
501 – 1000	3,129	25,59,786	4.396
1001 – 2000	1,338	21,03,752	3.614
2001 – 3000	428	11,10,165	1.907
3001 – 4000	202	7,31,591	1.257
4001 – 5000	237	11,36,289	1.952
5001 – 10000	340	25,91,858	4.452
10001 and above	336	4,14,36,300	71.176
Total	**57,837**	**5,82,16,586**	**100.000**

Shareholding Pattern – Nirlon Limited

	As on March 31, 2008	
	No. of shares	Percentage
Promoters and Promoter Group	93,83,382	16.12
Non-Promoter Public shareholding*		
(a) Banks, MFs/FIs	3,42,378	0.59
(b) Foreign Institutional Investors (FIIs)	1,17,42,552	20.17
(c) Others	3,67,48,274	63.12
Sub-total (a + b+ c)	4,88,33,204	83.88
Total	**5,82,16,586**	**100.00**
Total no. of shareholders	57,837	

*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, 2008 82.42 % of the paid-up Share Capital issued and subscribed of 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.

A copy of the Code of Conduct has been put on the Company's website.

All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the F. Y. ended March 31, 2008.

A declaration to this effect is signed by the Executive Vice Chairman forming part of this Report.

CEO/CFO Certification

Shri P. S. Chomal, General Manager – Finance & Accounts has issued a certificate to the Board of Directors on the fairness and correctness of the Annual Audited Accounts.

Manufacturing, Jobwork Manufacturing and Real Estate Activity locations:

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

Declaration – Code of Conduct

All Board Members and Senior Management personnel have, for the F.Y. March 31, 2008, 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

August 27, 2008

ANNEXURE III TO THE DIRECTORS' REPORT
MANAGEMENT DISCUSSION ANALYSIS

OVERVIEW

During the year, the Company made steady progress in developing its Information Technology (IT) Park at Goregaon, Mumbai, i.e. Nirlon Knowledge Park (NKP). The Company has set itself the challenging task of completing the development of NKP in the F.Y. 2011-2012. If successful, this would mean the creation of approx. 28 lac sq. ft. of built-up area at Goregaon. (Please note this number refers to the total potential constructed area, and not to FSI or chargeable area, both of which will be less. This is because the built-up area number includes basement car parks, multi level car parks (MLCPs) and other amenity and utility areas). In this context, the Company's focus will be to try and ensure that the entire potential income from NKP is available to the Company during the F.Y.2011-2012.

One of the most critical areas in determining the Company's capability to achieve this target will be its ability to recruit and retain the qualified personnel necessary for implementing this project. As will be evident from the increasing personnel numbers and costs beginning in the F.Y. 2008-09, the Company is presently making, and will continue to make focused and professional efforts to successfully address this issue.

SEGMENT ANALYSIS AND REVIEW

a) **Real Estate Division -** The immediate challenge before the Company is to ensure the timely delivery of the Phase 1 NKP development, as per agreed specifications, to potential occupants in November/ December 2008. This would help ensure that income from Phase 1, and therefore repayment of the construction loan to the Lender, can begin from April 2009. This would also be of importance for the Company's credibility as a real estate developer.

   Further, the Company will focus its efforts of securing binding commitments from potential occupants for its Phase 2 development. The combination of successfully beginning the income stream from Phase 1, and receiving binding commitments for Phase 2, would allow the Company to better analyse its options for the subsequent two phases of development in NKP. The same can then be taken forward with adequate risk management, and in a manner that maximizes the potential value of the NKP development.

b) **Belting Division -** The proposed phase out of the V-Belt Division will ensure that the losses from this Division are permanently eliminated. Further, it will free up the time and resources of the Company's Management to focus on the real estate development business.

   The Company expects that its 26% share in the Conveyor Belting Joint Venture will continue to create value based on the continuing strong profitability of the Joint Venture Company. However, the Company is also open to the possibility of divesting its stake in this Joint Venture Company under appropriate conditions.

c) **Tyrecord/Industrial Fabric Division** - The Company will continue to take required steps to improve the safety and efficiency of the manufacturing process at its Fabric Dipping and Conversion Unit in Tarapur so as to remain competitive in the market.

RISKS AND CONCERNS

a) Real Estate Division

i) Global Economic Downturn – The slowing of the global economy, and the rise in inflation and interest rates worldwide has had an impact on the Indian economy. The sub-prime crisis has also had an effect on the expansion/growth plans of leading financial services and multinational companies. The Indian real estate market too, has been negatively affected by these developments. It is, therefore, possible that Nirlon's NKP development may be affected during the Company's efforts to market its second, as well as its subsequent two phases of development. Accordingly, the speed at which the subsequent two phases of development (those after Phase 2) are initiated, and therefore completed, may be negatively impacted.

ii) Availability of Construction/Development Infrastructure in India today - The rapid growth in construction and infrastructure development during the past few years has meant that the capacities of established construction companies are today often stretched to their maximum. This has, at times, resulted in inadequate deployment of time, material, and human resources to ongoing projects in the country. These circumstances also sometimes mean that development companies award work to less established construction companies/contractors, in order to fulfill commitments and avoid late delivery penalties etc. from potential occupants. A combination of these factors may, on a case to case basis, lead to circumstances where delivery and quality could both be negatively affected.

   However, the present slowing in the growth rate of the Real Estate Sector, coupled with increased capacities and an increasing number of emerging construction companies, could help mitigate this issue.

iii) Availability/Cost of Qualified Personnel - For a similar set of reasons as described above in point (ii) above, the identification and retention of qualified persons is an issue being faced by several companies developing Real Estate in India today. Especially acute is the shortage of quality Civil Engineers and managerial talent. In order to attract the required level of talent, companies are having to resort to paying increasingly higher compensations. Despite this, attrition rates for Real Estate Developers are high. The slowdown in the sector may help alleviate this issue to some extent.

b) Belting Division: –

i) Conveyor Belt Joint Venture - Large expansions by most of the major players could lead to over capacity, and therefore declining realizations for this industry in 2009. At the same time, raw material prices have significantly increased in 2008 due to the global increase in commodity prices i.e. petroleum derivatives, natural rubber, etc.

ii) V-Belt Division- The Company is phasing out this Division in the F.Y. 2008-2009 due to its limited capacity, and the extremely competitive and price sensitive nature of this market. Thereby, losses of this Division will be eliminated.

c) Tyrecord /Industrial Fabric - Increased raw material prices, most of which are petroleum based products, have resulted in a significant pressure on margins in 2008. Further, competitive imports of Tyrecord / Industrial Fabric continue to limit price realization in this market.

Cautionary Statement

Statements in the Annual Report, including the Directors' Report and its annexures describing the Company's objectives, projections, estimates, expectations, etc. may be 'forward looking statements' within the meaning of applicable laws and regulations. Important factors that could make a difference to the Company's operations/ development include economic conditions affecting demand/supply and price conditions in domestic and overseas markets, changes in Government regulations, policy, tax laws, other statutes and other incidental factors.

CERTIFICATE

To:

The Members of Nirlon Ltd.

We have examined the compliance of conditions of Corporate Governance by Nirlon Ltd., for the year ended March 31 2008, 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 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 Registrars and Share Transfer Agents of the Company to the shareholders / Investor Grievance Committee as on March 31, 2008, 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. Raiji & Co.,
Chartered Accountants

CA Y. N. Thakkar
Partner
M No. 33329

Mumbai, August 27, 2008

AUDITORS' REPORT

TO THE MEMBERS OF NIRLON LIMITED

1) We have audited the attached Balance Sheet of **NIRLON LIMITED** as at 31st March 2008, the Profit and Loss Account and also Cash Flow statement of the Company for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

2) We have conducted our audit in accordance with auditing standards generally accepted in India. 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, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as 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, 2008;

      (2) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and

      (3) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

CA Y.N.THAKKAR
Partner
Membership No.33329

Mumbai, 26th June, 2008

ANNEXURE TO THE AUDITORS' REPORT

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

1) a) The Company is in the process of updating its records showing full particulars including quantitative details and situation of fixed assets other than furniture and fixtures, equipment and appliances;

   b) As explained to us, all the assets have been physically verified by the Management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.

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. Accordingly, sub clauses iii (b), iii (c) and iii (d) of paragraph 4 of the Order, are not applicable;

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 and services. 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. Therefore, the provisions of clause (vi) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company;

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) According to the information and explanations given to us, 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 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, 2008 for a period of more than six months from the date it became payable;

   b) As on 31st March 2008, 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;

Name of the statute	Amount (Rs. in Lac)	Forum where dispute is pending
Excise duty	813.73 92.26 33.13	Supreme Court Appellate Authority – Tribunal. Commissioner (Appeals)
Property tax – Mumbai Municipal Corporation.	361.50	Mumbai High Court
Provident Fund	42.71	Employees Provident Fund Appellate Tribunal, New Delhi
Water Charges	99.17	Executive Engineer MIDC (Thane)
TOTAL	**1,442.50**	

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 2008, as well as in the immediately preceding 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.

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

CA Y.N.THAKKAR
Partner
Membership No.33329

Mumbai, 26th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

(Rupees in lac)

Schedule		Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS				
Shareholders' Funds :				
Capital	1	**5,821.65**		5,821.65
Reserves and Surplus	2	**6,707.36**		6,553.63
			12,529.01	12,375.28
Loan Funds :				
Secured Loans	3	**17,071.53**		6,372.72
Unsecured Loans	4	**125.53**		125.53
			17,197.06	6,498.25
TOTAL			**29,726.07**	18,873.53
APPLICATION OF FUNDS				
Fixed Assets :	5			
Gross Block		**24,581.70**		23,554.82
Less: Depreciation		**2,721.82**		3,133.71
Net Block		**21,859.88**		20,421.11
Capital work-in progress		**11,247.02**		1,319.03
			33,106.90	21,740.14
Investments	6		**600.00**	600.00
Deferred Tax Assets (Net) (Refer note no.18 of Schedule 20)			**440.53**	386.93
Current Assets, Loans and Advances :				
Inventories	7	**289.20**		213.15
Sundry Debtors	8	**134.33**		124.97
Cash and Bank Balances	9	**1,471.90**		509.34
Loans and Advances	10	**1,385.80**		597.87
		3,281.23		1,445.33
Less:				
Current Liabilities	11	**7,592.06**		5,223.97
Provisions	12	**110.53**		74.90
		7,702.59		5,298.87
Net Current Assets			**(4,421.36)**	(3,853.54)
TOTAL			**29,726.07**	18,873.53
Notes forming part of the Accounts	20			

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 &
H.O.D. (LEGAL)

MOOSA RAZA
Chairman

KUNAL SAGAR, Executive Vice Chairman

RAMA VARMA
ARJAN GURBUXANI
ARUNA MAKHAN
RAHUL SAGAR
} Directors

As per our report attached

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

CA Y.N. THAKKAR
Partner
Membership No. 33329

Mumbai, 26th June, 2008.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rupees in lac)

	Schedule			2007-08 (12 Months)	2006-07 (9 Months)
INCOME					
Sales				**734.90**	455.11
Processing charges received				**798.85**	296.83
				1,533.75	751.94
Less: Excise duty				**403.69**	137.16
				1,130.06	614.78
Other Income	13			**360.18**	66.74
Rent received				**1,904.63**	1,268.71
				3,394.87	1,950.23
EXPENDITURE					
Raw Materials consumed	14			**266.60**	195.62
Payments to and provisions for employees	15			**553.16**	385.25
Cost of traded goods	16			**0.09**	–
Manufacturing and other expenses	17			**1,719.42**	985.57
Depreciation		**120.40**			69.98
Less: Transferred to Revaluation Reserve		**3.81**			4.33
				116.59	65.65
Interest	18			**612.72**	372.55
				3,268.58	2,004.64
Add/(Less) : Decretion/(Accretion) to stock	19			**(65.53)**	(75.47)
				3,203.05	1,929.17
Profit for the year before extraordinary items				**191.82**	21.06
Less : Voluntary Retirement Scheme				**57.75**	15.12
Profit for the year before Tax				**134.07**	5.94
Provision for Tax :					
: Current Tax				**(13.85)**	–
: Deferred Tax (Refer note no.18 of Schedule 20)				**53.60**	36.11
: Fringe Benefit Tax				**(8.96)**	(11.52)
Profit for the year after Tax				**164.86**	30.53
Add : Excess provision of income tax written back				**–**	101.56
Net Surplus after Tax				**164.86**	132.09
Add : Balance brought forward from previous year				**132.09**	–
Balance carried to Balance Sheet				**296.95**	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.14 of Schedule 20)				**0.28**	0.23

Notes forming part of the Accounts 20

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 &
H.O.D. (LEGAL)

MOOSA RAZA
Chairman

KUNAL SAGAR, Executive Vice Chairman

RAMA VARMA
ARJAN GURBUXANI
ARUNA MAKHAN
RAHUL SAGAR
} Directors

As per our report attached

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

CA Y.N. THAKKAR
Partner
Membership No. 33329

Mumbai, 26th June, 2008.

Schedules attached to and forming part of the Balance Sheet as at 31st March, 2008

(Rupees in lac)

		As at 31st March 2008	As at 31st March 2007
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 :

1. Of the above:
   (a) 5,00,000 fully paid-up equity shares of Rs.10 each have been issued pursuant to a contract for consideration other than cash.
   (b) 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.
2. 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 lac)

			As at 31st March 2008	As at 31st March 2007
Schedule 2				
RESERVES AND SURPLUS				
Share Premium			**264.98**	264.98
Revaluation Reserve				
As per last Balance Sheet	**6156.56**			6201.60
Less: Transferred to Profit and Loss Account	**3.81**			4.33
Less: Reversal on account of building demolition	**7.32**			40.71
			6,145.43	6,156.56
Profit and Loss account			**296.95**	132.09
			6,707.36	6,553.63

(Rupees in lac)

	As at 31st March 2008	As at 31st March 2007
Schedule - 3		
SECURED LOANS		
Loan from HDFC (Refer note no.1 below)	**17,054.35**	6,372.72
Car loan from Bank of India (Refer note 2 below)	**17.18**	-
	17,071.53	6,372.72

Notes :

1. 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.
2. Car loan from Bank of India is secured against hypothecation of said cars.
3. In respect of the above loans Rs. 246.76 lac is due and payable within one year (previous year Rs.548.45 lac).

(Rupees in lac)

	As at 31st March 2008	As at 31st March 2007
Schedule 4		
UNSECURED LOANS		
Loan from the State Industrial and Investment Corporation Maharashtra Limited :		
Interest-free Sales Tax loan	**120.92**	120.92
M.I.D.C. Incentive	**4.61**	4.61
	125.53	125.53

Note :

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

Schedule 5

Fixed Assets **(Rupees in lac)**

	Gross Block				Depreciation				Net Block
Assets	**As on 01-04-2007**	**Additions during 2007-08**	**Deductions/ Adjustments during 2007-08**	**As on 31-03-2008**	**As on 01-04-2007**	**Provided during 2007-08**	**Deductions/ Adjustments during 2007-08**	**Upto 31-03-2008**	**As on 31-03-2008**
Land and Site Development									
Freehold	**18,855.34** (18,855.34)	**-** (-)	**-** (-)	**18,855.34** (18,855.34)	**-** (-)	**-** (-)	**-** (-)	**-** (-)	**18,855.34** (18,855.34)
Leasehold	**269.59** (269.59)	**-** (-)	**-** (-)	**269.59** (269.59)	**67.21** (64.71)	**3.34** (2.50)	**-** -	**70.55** (67.21)	**199.04** (202.38)
Buildings	**2,669.99** (3,652.34)	**1,196.16** (238.71)	**185.93** (1221.06)	**3,680.22** (2,669.99)	**1,489.74** (2,454.60)	**74.59** (48.05)	**157.93** (1,012.91)	**1,406.40** (1,489.74)	**2,273.82** (1,180.25)
Plant and Machinery	**1,155.28** (1,143.60)	**5.59** (11.68)	**363.40** (-)	**797.47** (1,155.28)	**1,043.06** (1,034.11)	**8.13** (8.95)	**312.24** (-)	**738.95** (1,043.06)	**58.52** (112.22)
Electrical Installations	**44.65** (44.65)	**-** (-)	**-** (-)	**44.65** (44.65)	**44.37** (44.17)	**0.26** (0.20)	**-** (-)	**44.63** (44.37)	**0.02** (0.28)
Furniture, Fixtures & Appliances	**395.44** (390.89)	**392.80** (5.64)	**-** (1.09)	**788.24** (395.44)	**369.48** (365.22)	**20.90** (5.08)	**-** (0.82)	**390.38** (369.48)	**397.86** (25.96)
Factory Equipment	**158.54** (149.49)	**24.46** (9.05)	**68.21** (-)	**114.79** (158.54)	**113.91** (109.57)	**8.01** (4.34)	**62.12** (-)	**59.80** (113.91)	**54.99** (44.63)
Vehicles	**5.99** (15.99)	**25.41** (-)	**–** (10.00)	**31.40** (5.99)	**5.94** (12.17)	**5.17** (0.86)	**-** (7.09)	**11.11** (5.94)	**20.29** (0.05)
	23,554.82 (24,521.89)	**1,644.42** (265.08)	**617.54** (1,232.15)	**24,581.70** (23,554.82)	**3,133.71** (4,084.55)	**120.40** (69.98)	**532.29** (1,020.82)	**2,721.82** (3,133.71)	**21,859.88** (20,421.11)
Capital work in Progress (including Capital Advances)									**11,247.02** (1,319.03)
Total									**33,106.90** (21,740.14

Notes :

1. Land includes:

   Leasehold land at Tarapur, Maharashtra acquired at a cost of Rs.123.82 lac, vide agreement dated 8th January, 1981 the lease deed in respect of which is pending execution.

2. 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 lac)

	Gross Amount written up on revaluation	**Reversal on account of building demolition**	**Depreciation provided upto 31.03.08**	**Amount written up net of depreciation/ adjustments as on 31.03.2008**
Freehold land	6004.31	-	-	6004.31
Leasehold land	150.40	-	42.74	107.66
Buildings	1050.34	48.03	968.85	33.46
	7205.05	48.03	1011.59	6145.43

   Depreciation of Rs.3.81 lac (previous year Rs.4.33 lac) 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.

3. Previous year's figures are given in brackets.

Schedule 6

INVESTMENTS (At cost) (Rupees in Lac)

Nos.	Face Value per unit Rupees	Description	As at 31st March 2008	As at 31st March 2007
LONG TERM :				
Non-Trade Investments				
Unquoted:				
60,00,000 (60,00,000)	10	Equity Shares of Sempertrans Nirlon Limited (fully paid-up)	**600.00**	600.00
			600.00	600.00

Note : Figures in brackets represent number of units/shares held as on 31st March, 2007.

(Rupees in lac)

	As at 31st March 2008	As at 31st March 2007
Schedule 7		
INVENTORIES		
Stores and Spares (at cost) (including in transit Rs. Nil, Previous year Rs.Nil)	**33.07**	28.21
Traded goods (V-belts)	**0.55**	-
Raw Materials (at cost) (including in transit Rs.Nil, Previous year Rs. Nil)	**17.96**	12.85
Stock-in-process (at cost)	**17.76**	15.45
Finished Products	**219.86**	156.64
	289.20	213.15

(Rupees in lac)

		As at 31st March 2008	As at 31st March 2007
Schedule 8			
SUNDRY DEBTORS			
(Unsecured - considered good, unless otherwise stated)			
Outstanding for a period exceeding six months :			
Considered good	**3.66**		4.67
Considered doubtful	**770.64**		840.57
	774.30		845.24
Less : Provided for	**770.64**		840.57
		3.66	4.67
Other Debts :			
Considered good		**130.67**	120.30
		134.33	124.97

(Rupees in lac)

	As at 31st March, 2008	As at 31st March, 2007
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	**4.25**	9.66
Bank Balances with Scheduled Banks In Current accounts	**174.34**	412.62
Balance in current account with the Municipal Co-op. Bank Ltd., Roha (Maximum balance outstanding during the year Rs. 0.51 lac previous year Rs.0.47 lac)	**0.49**	0.27
Fixed Deposit with the Municipal Co-op. Bank Ltd., Roha (Maximum balance outstanding during the year Rs. 0.20 lac previous year Rs.0.20 lac)	**0.20**	0.20
Short term deposits with banks	**869.47**	86.59
Margin Money with banks	**423.15**	-
	1,471.90	509.34

(Rupees in lac)

		As at 31st March, 2008	As at 31st March, 2007
Schedule 10			
LOANS AND ADVANCES (Unsecured - considered good, unless otherwise stated)			
Loans :			
To Employees		**29.07**	10.25
Advances recoverable in cash or in kind or for value to be received :			
Considered good	**1249.97**		540.09
Considered doubtful	**432.00**		445.98
	1681.97		986.07
Less: Provided for	**432.00**		445.98
		1,249.97	540.09
Prepaid expenses		**9.79**	10.37
Deposit with Customs, Central Excise Department,etc.		**50.82**	18.79
Advance payment of Income Tax		**20.85**	14.52
Advance payment of Fringe Benefit Tax		**25.30**	3.85
		1,385.80	597.87

(Rupees in lac)

	As at 31st March, 2008	As at 31st March, 2007
Schedule 11		
CURRENT LIABILITIES		
Sundry Creditors (including advance received for sale of assets Rs.221.31 lac, previous year Rs.149.51 lac) (Refer note no.5 of Schedule 20)	**2,388.22**	1,976.22
Rent Deposit received	**5,203.84**	3,247.75
	7,592.06	5,223.97

(Rupees in lac)

	As at 31st March, 2008	As at 31st March, 2007
Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer note no.16 of schedule 20)	**69.08**	63.38
Provision for Current Tax	**13.85**	-
Provision for Fringe Benefit Tax	**27.60**	11.52
	110.53	74.90

Schedules attached to and forming part of the Profit and Loss Account for the year ended 31st March, 2008

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule - 13		
OTHER INCOME		
Interest Gross :		
Other interest (Tax deducted at Source Rs. 0.04 lac, previous year Rs.0.48 lac)	**0.85**	1.67
Sales tax refund	**1.90**	2.53
Liability written back	**287.52**	1.29
Miscellaneous receipts	**18.97**	26.81
Excess provision for doubtful debts and advances written back	**1.21**	12.19
Profit on sale of Assets (Net)	**49.73**	22.25
	360.18	66.74

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule 14		
RAW MATERIALS CONSUMED		
Opening stock	**12.85**	4.14
Add: Purchases	**271.71**	204.33
	284.56	208.47
Less: Closing Stock	**17.96**	12.85
	266.60	195.62

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule 15		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Bonus and Leave Encashment	**271.58**	178.43
Contribution to Provident Fund, Gratuity Fund and other funds	**36.02**	16.26
Welfare expenses	**44.11**	34.66
Pension paid to Staff and Workers	**201.45**	155.90
	553.16	385.25

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule 16		
COST OF TRADED GOODS (V-BELT)		
Opening stock	**-**	-
Add: Purchases	**0.64**	-
	0.64	-
Less: Closing Stock	**0.55**	-
	0.09	-

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule 17		
MANUFACTURING AND OTHER EXPENSES		
Stores and spares consumed	**325.53**	158.17
Power, fuel and water charges	**169.47**	89.30
Processing charges	**-**	3.25
Rent	**5.92**	3.02
Insurance	**15.52**	10.67
Rates and taxes	**388.43**	250.07
Repairs to machinery	**3.19**	2.76
Repairs to other assets	**13.83**	6.81
Repairs to building	**6.73**	18.83
Loss on Assets discarded	**-**	76.99
Cash Discount	**15.93**	8.44
Advertisement and publicity	**2.48**	1.86
Freight and forwarding	**17.66**	10.30
Octroi	**9.99**	6.42
Excise duty	**0.09**	15.37
Donations	**0.32**	0.51
Bank charges and guarantee commission	**10.98**	3.69
Directors' sitting fees	**1.68**	1.32
Legal and Professional expenses	**75.27**	58.47
Telephone expenses	**10.82**	7.60
Factory Maintenance expenses	**84.56**	10.85
Travelling expenses	**20.51**	13.34
Other Expenses (Refer note no.7 of Schedule 20)	**540.51**	227.53
	1719.42	985.57

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Schedule 18		
INTEREST		
Interest on Term Loans	**547.07**	366.36
Other Interest	**65.65**	6.19
	612.72	372.55

(Rupees in lac)

		2007-08 (12 Months)		2006-07 (9 Months)
Schedule 19				
(ACCRETION)/DECRETION TO STOCK				
Opening stock:				
Stock-in-process	**15.45**		14.46	
Finished product	**156.64**		82.16	
		172.09		96.62
Closing stock:				
Stock-in-process	**17.76**		15.45	
Finished product	**219.86**		156.64	
		237.62		172.09
		(65.53)		(75.47)

Schedule 20

NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies :

The Financial Statements are prepared on an accrual basis under the Historical cost convention in accordance with the Generally Accepted Accounting Principles ("GAAP") and in compliance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

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, 2007. The cost of leasehold land is amortised over the period of the lease.

All revenue expenses related to the Nirlon Knowledge Park project have been capitalised.

b. Investments :

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

c. Foreign Currency Transactions :

i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates.

iii) Non monetary foreign currency items are carried at cost.

iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in cases where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

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 and Life Insurance Policy from the Life Insurance Corporation of India. Gratuity (Defined Benefit Plan) is provided based on the revised AS-15.

ii) Retirement Benefit in the form of Provident Fund (Defined Contribution Plan) is accounted on an accrual basis and is charged to the Profit and Loss Account for the year.

iii) Retirement benefit in the form of Pension (Defined Contribution Plan) is accounted on an accrual basis and is charged to Profit and Loss Account for the year.

iv) 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 an accrual basis.

iii) Rent income (excluding Service Tax) 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 Sundry Debtors considered doutbful of recovery and fully provided for include Rs.335.24 lac due from a party. As per the BIFR Order dated 5th January 1996 and the Board's Resolution dated 29th January, 1996, this party offered its assets to be transferred in favour of the Company, and simultaneously the recovery matter was referred to an Arbitrator. As per the Award of the Arbitrator and the Court's Order, the assets of this party have been sold and the amount is with the Official Liquidator, pending disbursal to the Company.

3 The estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs.15,760.60 lac (previous year Rs. 2,009.61 lac).

4 Contingent liabilities not provided for (excluding interest):

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

b) Excise duty amounting to Rs.949.13 lac (previous year Rs.1,145.39 lac), pending decision of the Appellate Tribunal/Supreme Court.

c) Penal damages claimed by the Regional Provident Fund Commissioner, for delay in payment of Provident Fund contribution amounting to Rs.42.71 lac (previous year Rs.45.44 lac).

d) Demand of Property tax by Bombay Municipal Corporation disputed by the Company Rs.695.47 lac (previous year Rs.444.42 lac)

e) Demand of water charges by MIDC, Tarapur disputed by the Company Rs.99.17 lac (previous year Rs.74.16 lac).

5 The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure requirements in this regard as per Schedule VI of the Companies Act, 1956 could not be provided.

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

7 In Schedule 17, Other Expenses include the following payments made to Auditors:

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Audit Fees	**4.50**	1.87
For Taxation matters	**0.28**	0.28
For certifying various statements	**0.69**	0.67
Reimbursement of expenses	**0.55**	0.23
	6.02	3.05

8 Remuneration to Whole-time Director :

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Remuneration	**7.59**	5.40
Provident Fund	**0.77**	0.54
Other perquisites	**1.21**	0.98
	9.57	6.92

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

(Rupees in lac)

	2007-08 (12 Months)		2006-07 (9 Months)	
	Quantity Tonnes	**Value**	Quantity Tonnes	Value
Rubber	**156.50**	**156.14**	144.45	112.16
Carbon	**25.23**	**14.08**	14.84	7.46
Fabric and Cords	**57.44**	**96.38**	45.03	76.00
		266.60		195.62

10 Value of Imports on CIF basis in respect of :

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Stores and Spare parts	-	1.06

11 Value of raw materials and stores and spares consumed:

(Rupees in lac)

	2007-08 (12 Months)		2006-07 (9 Months)	
	Value	**%**	Value	%
Raw materials :				
Imported	**-**	**-**	-	-
Indigenous	**266.60**	**100.00**	195.62	100.00
	266.60	**100.00**	195.62	100.00
Stores & Spare parts :				
Imported	**0.80**	**0.24**	2.17	1.38
Indigenous	**324.73**	**99.76**	156.00	98.62
	325.53	**100.00**	158.17	100.00

12 Expenditure in foreign currency (Fully capitalised) :

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Technical services received	**125.73**	97.94
Travelling expenses	**8.10**	4.33

13 Particulars relating to capacities, production, stocks and turnover:

i) Capacity and Production:

	Fan and V-Belt
	pieces
Installed Capacity	12,00,000 (12,00,000)
Production	6,39,782 (4,38,193)

Previous year's figures are given in brackets.

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

ii) Finished Stock:

(Rupees in la)

		2007-08		**2006-07**	
	Unit	**Qty.**	**Value**	Qty.	Value
Opening Stock:					
Industrial Fabric	Tonnes	**–**	**–**	0.34	0.80
Fan and V-Belts	Pieces	**1,39,224**	**156.64**	76,660	81.36
			156.64		82.16
Closing Stock:					
Fan and V-Belts	Pieces	**1,82,527**	**219.86**	1,39,224	156.64
			219.86		156.64
Sales:					
Industrial Fabric	Tonnes	**-**	**-**	5.11	11.87
Fan and V-Belts	Pieces	**5,95,029**	**630.47**	3,75,154	387.70
Traded goods (V-belts)	Pieces	**150**	**0.13**	-	-
Other Sales			**104.30**		55.54
			734.90		455.11

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

14 Earnings per Share are given below:

Particulars	31.03.2008 (12 Months)	31.03.2007 (9 Months)
1 Profit/(Loss) after extraordinary items and taxation (Rs. in lacs) (A)	**164.86**	132.09
2 Weighted average of number of equity shares Nos. (B)	**58,216,586**	58,216,586
3 Face value per Equity shares Rs.	**10**	10
4 Earning per share (Basic and diluted) Rs. (A / B)	**0.28**	0.23
5 Profit/(Loss) before extraordinary items net of tax (Rs. in lacs) (C)	**222.61**	147.21
6 Earning per share (Basic and diluted) Rs. (C / B)	**0.38**	0.25

15 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 lac)

1. Segment Revenue:	31.03.2008 (12 Months)	31.03.2007 (9 Months)
a) Segment - Tyrecord	**496.43**	231.08
b) Segment - Rental activity	**1,917.30**	1,292.35
c) V-Belt	**530.08**	329.00
d) Unallocable	**451.06**	97.80
Total	**3,394.87**	1,950.23
Less: Inter segment revenue	**-**	-
Sales and other operating income	**3,394.87**	1,950.23
2 Segment Results:		
a) Segment - Tyrecord	**5.89**	(40.21)
b) Segment - Rental activity	**884.20**	874.73
c) V-Belt	**(88.43)**	(48.36)
d) Unallocable	**2.88**	(392.55)
Operating Profit	**804.54**	393.61
Less : Interest	**612.72**	372.55
: Voluntary Retirement Scheme	**57.75**	15.12
Profit/(Loss) before Tax	**134.07**	5.94
3 Segment Assets:		
a) Segment - Tyrecord	**415.16**	487.36
b) Segment - Rental activity	**29,130.40**	15,649.85
c) V-Belt	**458.52**	362.07
d) Unallocable	**1,279.15**	1,516.56
Total Assets	**31,283.23**	18,015.84
4 Segment Liabilities:		
a) Segment - Tyrecord	**228.71**	457.68
b) Segment - Rental activity	**17,593.93**	5,699.67
c) V-Belt	**252.66**	279.19
d) Unallocable	**6,824.35**	5,360.58
Total Liabilities	**24,899.65**	11,797.12
5 Capital Expenditure during the year	**11,572.41**	1,354.06
6 Depreciation and amortisation :		
a) Tyrecord	**21.15**	17.98
b) Rental activity	**85.59**	42.39
c) V-Belt	**9.84**	5.29
d) Unallocable	**57.75**	15.12
Total	**174.33**	80.78

B) Secondary segmental reporting : The Company has no reportable secondary segment.

16 Disclosure relating to employee benefits - as per revised AS15

(Rupees in lac)

	2007-08 (12 Months)
(A) Expenses recognised in the statement of Profit & Loss Account for the year ended 31.03.2008	Gratuity
1) Current Service Cost	5.35
2) Interest Cost	4.46
3) Expected Return on Plan Assets	-
4) Net Actuarial (Gain)/Loss recognised during the year	-
5) Settlements paid	5.13
Total expenses	14.94
(B) Net Asset/(Liability) recognised in the Balance Sheet	
1) Present value of the obligation	69.08
2) Fair value of Plan Assets	-
3) Funded Status (surplus/deficit)	-
Total provision	69.08

17 a) Disclosure of transactions between the Company and M/s. Sempertrans-Nirlon Limited, in which the Company is holding a 26% equity share.

(Rupees in lac)

		2007-08 (12 Months)	2006-07 (9 Months)
1	Purchases of Raw Material & Other utilities	**169.88**	127.61
2	Jobwork charges received	**178.82**	91.13
3	Purchase of Flat	**-**	3.12
4	Amount payable	**43.85**	89.53
5	Amount receivable	**48.32**	59.94

b) Key Management Personnel

Directors of the Company	Whole-time 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 lac)

	Key Management Personnel	
	2007-08 (12 Months)	2006-07 (9 Months)
Remuneration to Whole-time Director	**9.57**	6.92
Sitting fees	**1.68**	1.32

18 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, 2008 amounting to Rs.53.60 lac have been recognised in the Profit and Loss Account.

(Rupees in lac)

	2007-08 (12 Months)	2006-07 (9 Months)
Deferred tax Assets		
Arising on account of timing differences in:		
Unabsorbed depreciation	**316.69**	263.77
Others	**556.21**	435.73
	872.90	699.50
Deferred tax Liability		
Arising on account of timing differences in:		
Depreciation	**432.37**	312.57
	432.37	312.57

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.

19. 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	:	31st March, 2008
II.	**CAPITAL RAISED DURING THE YEAR (Amount Rs. in lac)**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement	:	Nil
III.	**POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (Amount Rs. in lac)**		
	Total Liabilities	:	29,726.07
	Total Assets	:	29,726.07
	SOURCES OF FUNDS :		
	Paid up Capital	:	5,821.65
	Reserve and Surplus	:	6,707.36
	Secured Loans	:	17,071.53
	Unsecured Loans	:	125.53
	APPLICATION OF FUNDS :		
	Net Fixed Assets	:	33,106.90
	Investments	:	600.00
	Deferred Tax Assets (Net)	:	440.53
	Net Current Assets	:	(4,421.36)
IV.	**PERFORMANCE OF COMPANY (Amount Rs. in lac)**		
	Turnover	:	3,394.87
	Total Expenditure	:	3,203.05
	Profit/(Loss) before tax and extraordinary items	:	191.82
	Profit/(Loss) after tax and extraordinary items	:	164.86
	Face value per Equity shares	:	Rs.10
	Basic and diluted earning per share after extraordinary items (net of tax)	:	0.28
	Basic and diluted earning per share before extraordinary items (net of tax)	:	0.38
	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

20 a) The figures for the year 2007-08 are for 12 months and hence are not comparable with the corresponding figures for the 9 month period for 2006-07.

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 20

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 &
H.O.D. (LEGAL)

MOOSA RAZA
Chairman

KUNAL SAGAR, Executive Vice Chairman

RAMA VARMA
ARJAN GURBUXANI
ARUNA MAKHAN
RAHUL SAGAR
} Directors

As per our report attached

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

CA Y.N. THAKKAR
Partner
Membership No. 33329

Mumbai, 26th June, 2008.

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

(Rupees in lac)

	2007-08 (12 Months)		2006-07 (9 Months)	
(A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax and extra ordinary items		**191.82**		21.06
ADJUSTED FOR :				
Depreciation	**116.59**		65.65	
Provision for doubtful debts & advances	**(1.21)**		(12.19)	
Investment income	**(0.85)**		(1.67)	
Interest & other finance charges	**612.75**		372.55	
Profit on sale of assets	**(49.73)**		(22.25)	
Loss on assets discarded	**–**		76.99	
		677.55		479.08
Operating Profit/(Loss) before Working Capital changes		**869.37**		500.14
CHANGES IN				
Trade & other receivables	**(768.30)**		702.56	
Inventories	**(76.05)**		(90.22)	
Payables	**2,389.87**		256.19	
Cash generated from Operations	**1,545.52**		868.53	
Direct taxes (paid)/refund	**(6.33)**		(5.01)	
Payment of Fringe Benefit Tax	**(30.41)**		(15.37)	
Cashflow before extra ordinary items	**1,508.78**		848.15	
Voluntary retirement scheme	**(57.75)**		(15.12)	
Cash generated from Operating Activities		**1,451.03**		833.03
Net Cash used in Operating Activities (a)		**2,320.40**		1,333.17
(B) CASHFLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	**(11,572.41)**		(1,354.06)	
Sale of fixed assets	**127.66**		115.87	
Interest received	**0.85**		1.67	
Net Cash from Investing Activities (b)		**(11,443.90)**		(1,236.52)
(C) CASHFLOW FROM FINANCING ACTIVITIES				
Increase/(decrease) of term liabilities	**10,698.81**		759.55	
Interest paid	**(612.75)**		(372.55)	
Net Cash used in Financing Activities (c)		**10,086.06**		387.00
Net increase/(decrease) in Cash & Cash Equivalent (a+b+c)		**962.56**		483.65
Cash & Cash Equivalent at the commencement of the year		**509.34**		25.69
Cash & Cash Equivalent at the end of the year		**1,471.90**		509.34

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 &
H.O.D. (LEGAL)

MOOSA RAZA
Chairman

KUNAL SAGAR, Executive Vice Chairman

RAMA VARMA
ARJAN GURBUXANI
ARUNA MAKHAN
RAHUL SAGAR
} Directors

As per our report attached

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

CA Y.N. THAKKAR
Partner
Membership No. 33329

Mumbai, 26th June, 2008.

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-Ninth 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 Tuesday, September 30, 2008, 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-Ninth 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 Tuesday, September 30, 2008, at 11.00 a.m.

Signed this _____ day of _____ 2008

Affix One Rupee Revenue Stamp

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.

BOOK-POST

If undelivered please return to :
Nirlon Limited
Pahadi Village, Goregaon (East),
Mumbai - 400 063.

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