

Sumeet INDUSTRIES LTD.

504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India.
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**POLYPROPYLENE
MULTIFILAMENT YARN**



**POLYESTER
FILAMENT YARN (POY)**



**MENTHOL AND ALLIED
PRODUCT**



WOVEN FABRIC

19th Annual Report
2006-2007

NINETEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Shri Shankar Lal Somani	Chairman
Shri Raj Kumar Somani	Managing Director
Shri Vinod Kumar Ladia	Director
Shri Mangilal Lahoti	Director
Shri Dinesh Sharan Khare	Executive Director
Shri Bhagchand Chordia	Professional Director
Shri Sumeet Kumar Somani	Director
Shri Devi Prasad Saboo	Director

AUDITORS**PRADEEP SINGHI & ASSOCIATES**

Chartered Accountants, Surat

INTERNAL AUDITOR**RAJESH MALANI & CO.**

Chartered Accountants, Surat

BANKERS

Bank of Baroda

REGISTERD OFFICE :

504, Trividh Chamber,
Opp. Fire Station, Ring Road,
Surat - 395 002. (Gujarat)

FACTORY :

Block No. 292, Village Karanj,
Tal. Mandvi,
Dist. Surat-394 110. (Gujarat)

DELHI OFFICE :

901, Vishwa Deep Bldg.,
District Centre,
Janakpuri, New Delhi-110058.

REGISTRAR & SHARE TRANSFER AGENT :-

M/S. BIGSHARE SERVICES PVT. LTD.
E2/3, Ansa Industrial Estate,
Sakivihar Road,
Sakinaka, Andheri (E),
MUMBAI - 400 072.

19TH ANNUAL GENERAL MEETING

DATE : 29th September, 2007.

VENUE : CONFERENCE HALL,
Bombay Market,
Umarwada, SURAT-395 010.

TIME : 10.00 A.M.

INSTRUCTION TO THE MEMBERS

Members are requested to bring their copy of Annual Report at the meeting, as copies of the same will not be circulated at the AGM as a measure of Economy.

CONTENTS	PAGE NO.
Notice	2
Directors' Report	3
Auditors' Report	11
Balance Sheet	15
Profit & Loss Account	16
Schedules	17
Notes on Accounts	22
Balance Sheet Abstract	27
Cash Flow Statement	28
Consolidated Financial Statements	30
Accounts of Subsidiary Company	40

NOTE

SHAREHOLDERS ARE REQUESTED
NOT TO BRING CHILDREN WITH
THEM IN THE MEETING HALL.

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of M/s SUMEET INDUSTRIES LIMITED will be held at Bombay Market Hall, Umarwada, Surat on Saturday 29th Day of September, 2007 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt the Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date and Reports of Auditors and Directors thereon.
2. To consider interim dividend of 10% on equity shares and 6% on preference shares.
3. To appoint Director in place of Shri Shankarlal Somani who retires by rotation and is eligible for Re-appointment.
4. To appoint Director in place of Shri Rajkumar Somani who retires by rotation and is eligible for Re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit to pass the following resolution with or without modifications as an Ordinary Resolution.

"RESOLVED THAT pursuant to section 255, 257 and other applicable provisions of the Companies Act, 1956 Mr. Devi Prasad Saboo be and is hereby appointed as Director liable to retire by rotation."

Registered Office:

504, Trividh Chambers,
Opp. Fire Station,
Ring Road, Surat - 395 002.
Date : 01-08-2007

By order of the Board Directors

Sd/-
Shankarlal Somani
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing proxy in order to be effective must be deposited at Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. Members/Proxies should bring their attendance slip duly filled in for attending the meeting.
4. Shareholders seeking any information with regard to accounts are requested to write to the company at least ten days before the date of meeting to facilitate satisfactory replies.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 24th September, 2007 to Friday, the 28th September, 2007(both days inclusive).
6. Members /Proxy holders are requested to bring their copies of the Annual Report to the meeting as no further copies would be made available.
7. The Shareholders are requested to (a) intimate, if shares are held in the same name or in the same order and names, but more than one folio to enable the Company to consolidate the said folios into one folio and (b) notify immediately, any change in their recorded address along with pin code number, to the Registrar & Share Transfer Agent M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai-400 072.

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

Mr. Devi Prasad Saboo is an Engineer from Birla Institute of Technology & Science, Pilani. Mr. Saboo has worked in various industries with India's top group. He had been working with the Birla group at the Indian as well as overseas operations. Mr. Saboo has worked in Sirpur Paper Mill-Andhra Pradesh, Orient Paper Industries as Vice President (Operations) and in Nigerian Paper Mill in Nigeria which was managed by Birla Group as Project Manager & then Managing Director. His vast experience will be useful for the company and in the on hand backward integration projects. Brief Bio-Data is covered herein above so separate bio data is not given.

Company has received a letter from the member, proposing name of Mr. Devi Prasad Saboo as Director of the Company under section 257 of the Companies Act, 1956.

Board of Director recommends the resolution for adoption.

No director is directly or indirectly interested in the resolution.

Registered Office:

504, Trividh Chambers,
Opp. Fire Station,
Ring Road, Surat - 395 002.
Date : 01-08-2007

By order of the Board Directors

Sd/-
Shankarlal Somani
Chairman

DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting the 19th Annual Report and the audited accounts for the financial year ended on 31st March, 2007.

FINANCIAL RESULTS :

	(Rs. in lacs) 31-03-07	(Rs. in lacs) 31-03-06
Gross profit before interest & Depreciation	1214.89	697.92
Less: Interest	360.62	218.11
Depreciation	360.82	346.67
Profit before Tax	493.45	132.94
Less : Provision for Taxation	58.20	12.13
Current Tax		
Deferred Tax	98.78	35.58
Profit after Tax	336.46	85.17
Balance transfer to General Reserve	-	-
Balance transfer to Balance sheet	451.86	350.01

OPERATIONS

Management is pleased to note that real fruits of the company's expansion plans have started coming from the current year and your company's profit after tax has shown manifold growth in the current year. As per promise Management has also shared with you the growth in the form of Dividend and Bonus shares. Management has taken up one more project of backward integration which will be complete by March 2009.

Management has declared 10 % Interim Dividend during the year and not declaring any final dividend hence total dividend for the year will be 10 %.

SUBSIDIARY COMPANIES

The Company has decided to close its only subsidiary at Nepal due to high Political and labor disturbances. In the process, Company has sold its Plant and Machinery during the last year and winding up process is currently in process and should be complete in the current financial year.

FIXED DEPOSITS

The Company has not accepted any deposits during the year.

DIRECTORS

Mr. Shankarlal Somani and Mr. Rajkumar Somani being longest in the office retire by rotation and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are "reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year end of the profit or loss of the company for the year under review.
- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Pradeep Singhi & Associates, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting. They have confirmed that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. Members are requested to re-appoint them at the Annual General Meeting.

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, no employee is drawing remuneration in excess of the prescribed limits.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

CONSTITUTION OF AUDIT COMMITTEE

Pursuant to the provisions of Sections 292A of the Companies Act, 1956, the Board of Directors has Audit Committee comprising of three directors namely Shri Bhagchand Chordia, Shri Mangilal Lahoti and Shri Devi Prasad Saboo.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with Stock Exchange, Corporate Governance Report and Auditors Certificate regarding compliance of conditions of Corporate Governance are made as a part of the Annual Report.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and shareholders during the year under review. Your directors wish to place on record their deep sense of appreciation for devoted services of the Executives, Staff and workers of the Company for its success.

For and on behalf of the Board of Directors

Place : Surat
Dated : 1st August, 2007

SHANKARLAL SOMANI
Chairman

ANNEXURE-1**A. Conservation of Energy :**

Energy conservation is a high priority area for the company. Our continued effort to reduce and optimize the use of energy consumption has shown positive results. Better controls are planned to achieve further reduction in energy consumption.

FROM A**A. Power and Fuel Consumption :**

	2006-07	2005-06
1. Electricity		
(a) Purchased	NIL	NIL
- Units		
- Total Amount		
- Rate/Unit(Rs.)		
(b) Own generation		
(i) Through diesel generator in Units (KWH)	325500	772890
Liters of HSD Consumed	76000	50006
Unit per Ltr. of Diesel	4.28	15.45
(ii) Through steam turbine/generator		
Unit	10463018	13360434
Consumed MT. of coal	20445.97	13825.01
Unit per MT of Coal	511.74	966.40
2. Gas (specify quality and where used)	N.A.	N.A.
Quantity (Units)		
Total cost		
Average Rate		
3. Furnace oil	N.A.	N.A.
(Quantity In Ltrs.)		
Total amount		
Average rate		
4. Others/internal generation	N.A.	N.A.
Quantity		
Total cost		
Cost/unit		

B. Consumption per unit of production (in tons)

Product : Polypropylene Multi filament (Textile Grade) Yarn

	Standard (if any)	2006-07	2005-06
Electricity			
(a) Purchases	-	NIL	NIL
(b) Own Generation			
Through Diesel generator			
Steam Turbine	-	926.21	1213.33

FROM B
(See Rule 2)**Form for disclosure of particulars with respect to Technology Absorption 1994-95.**

- Specific areas in which Research & Development Carried by the Company.
The Company has set up its full fledged Research & Development cell.
- Benefits derived : The quality and Colours have been improved and the working efficiency of the plant has also gone up.
- Future plan of action : Continuous research & development.
- Expenditure on R & D : Regular R & D centre running expenditure is being done by the company.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- Every conceivable effort has been made to absorb and adopts the Technology for the manufacture of PPMF (Textile Grade) Yarn.
- The Company has been able to develop a cost effective substitute of Nylon & Other Synthetics Yarns.
- (a) Technology imported: Plant & Machinery for the Manufacture of PPMF (Textile Grade) Yarn.
(b) Year of Import :
(c) Has Technology been fully absorbed ? Yes.
(d) N. A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

		(Rs. in Lacs)
	2006-07	2005-06
[a] Foreign Exchange Earnings.	717.52	233.06
[b] Foreign Exchange Outgo.	1008.92	1673.07

CORPORATE GOVERNANCE REPORT

(As required under clause 49 of the listing agreement with Stock Exchange)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Transparency and accountability leading to management reliability are the touchstone of the Corporate Governance at SUMEET INDUSTRIES LIMITED. The ultimate objective of the Corporate Governance at SUMEET INDUSTRIES LIMITED is to enhance shareholder's value in the long term. However, the Corporate Governance at Sumeet Industries Limited is continuously making efforts to implement sound governance practices.

2. BOARD OF DIRECTORS

- (A) SUMEET INDUSTRIES LIMITED is having 8 Directors on its Board consisting of 4 Executive and 4 Non Executive independent Directors with Executive Chairman. None of the directors on the Board is a member of more than 10 committees and chairman of more than 5 committee, across all the companies in which he is director.

The category, composition, attendance of each Director at the Board Meeting, last Annual General Meeting and the number of other Directorship and Chairmanship/ Membership of Committees of each Director in various companies are given below :

Sr. No.	Name of Directors	Category	Attendance Board Meeting	Particulars Last AGM	No. of Other Directorships Committee Memberships/ Chairmanships		
					O.D.	C.M.	C.C.
1.	Shankarlal Somani	Executive/ Non-Independent	27	Yes	3		
2.	Rajkumar Somani	Executive/ Non-Independent	25	Yes	2		
3.	Sumeet Somani	Executive/ Non-Independent	27	Yes	2		
4.	Dinesh Sharan Khare	Executive/ Independent	25	Yes	0		
5.	Bhagchand Chordia	Non Executive/ Independent	27	Yes	1	3	3
6.	Vinod Kumar Ladia	Non Executive/ Independent	20	Yes	0		
7.	Mangilal Lahoti	Non Executive/ Independent	21	Yes	1		3
8.	Devi Prasad Saboo	Non Executive/ Independent	5	-	0		3

Directors Retire/Resigned: Shri Mahesh Kumar Somani, Shri Bajranglal Somani, Shri Shrikishan Bhalla and Shri Shrawan Kumar Kabra have resigned during the year.

(O.D.) - Other Directors (C.M.) - Committee Membership (C.C.) - Committee Chairmanship

Note : Transaction of non executive with company is paying Rs, 90,000/- p.a. as consultancy fees to Mr. B.C. Chordia.

(B) No. OF BOARD MEETINGS HELD AND DATES

During the Financial Year 2006-07, the Board met for 27 times.

The dates of the Board Meetings are

1. 08.05.2006	6. 15.07.2006	11. 22.08.2006	16. 31.10.2006	21. 22.01.2007	26. 05.03.2007
2. 31.05.2006	7. 19.07.2006	12. 31.08.2006	17. 19.12.2006	22. 03.02.2007	27. 31.03.2007
3. 08.06.2006	8. 27.07.2006	13. 15.09.2006	18. 20.12.2006	23. 05.02.2007	
4. 26.06.2006	9. 31.07.2006	14. 30.09.2006	19. 05.01.2007	24. 19.02.2007	
5. 30.06.2006	10. 14.08.2006	15. 19.10.2006	20. 16.01.2007	25. 27.02.2007	

3. AUDIT COMMITTEE

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

The Audit Committee of Sumeet Industries Ltd. is Constituted as per requirement of Clause 49 of the Listing Agreement. It consists of 3 Non-Executive Directors. Audit Committee was re-constituted during the year due to resignation of Shri Shrikishan Bhalla and Shrawan Kumar Kabra as Directors during the year who attended first two audit committee meeting of the year.

Composition of Audit Committee and attendance of Directors at the Audit Committee is shown below :

Sr. No.	Directors	Category	No. of Meetings	
			Hold	Attended
1.	B. C. Chordia, Chairman	Non Executive	3	3
2.	Mangilal Lahoti	Non Executive	1	1
3.	Devi Prasad Saboo	Non Executive	1	1

Audit Committee meeting held on 01.06.2006, 29.06.2006 and 31.03.2007 during the year.

The necessary quorum was present at the meeting.

4. REMUNERATION COMMITTEE

The Company has Remuneration Committee. Composition of Remuneration Committee and attendance of Directors at the Remuneration Committee is shown below:

Sr. No.	Directors	Category	No. of Meetings	
			Hold	Attended
1.	B. C. Chordia	Non Executive	1	1
2.	Mangilal Lahoti	Non Executive	1	1
3.	Devi Prasad Saboo	Non Executive	1	1

The following are the details of the remuneration paid to the Chairman, Managing / Executive Director(s) in the financial year 2006-2007.

Sr. No.	Name of Directors	Salary	Perquisites Rs.
1.	Shankarlal Somani	1,20,000/-	-
2.	Rajkumar Somani	1,20,000/-	-
3.	Dinesh Sharan Khare	1,72,128/-	-
4.	Sumeet Somani	1,20,000/-	-

Besides above, the Company has not paid any sitting fees to the Non-Exe. Independent Directors. Remuneration Committee meeting held on 31.03.2007 during the year.

5. INVESTOR'S GRIEVANCES COMMITTEE

The Company has an Investor's Grievances Committee, consisting of three Non-Executive Directors viz. Mr. Mangilal S. Lahoti, Mr. B. C. Chordia (Chairman) and Mr. Devi Prasad Saboo. The Committee, which look into the Redressal of Investors' complaints like Transfer of Shares, Non-receipt of Balance Sheet etc.

Investors Grievances Committee meeting held on 01.03.2007 during the year.

Mr. Jaykrishnan C. is the Compliance Officer.

The number of complaints/requests received from the shareholders during the last financial year and the number of pending complaints is given below:

Received during the year 2006-2007 37

Pending as on 31.03.2007 00

During the year, the Company has constituted a Committee of its Executives for approval of Share transfers, transmissions and transpositions. Generally, the Committee meets once in a month. All the requests for share transfer etc. were processed and the related share certificates were dispatched within 30 days from the date of receipt.

Number of pending Shares Transfer as on 31.03.2007 : Nil

6. GENERAL BODY MEETING

(A) Location and Time, where last three AGM held :

Sr. No.	AGM Date	Location	Time
1.	29.09.2006	Bombay Market Hall, Umarwada, Surat.	10.00 am
2.	30.09.2005	Bombay Market Hall, Umarwada, Surat.	10.00 am
3.	29.09.2004	Bombay Market Hall, Umarwada, Surat.	10.00 am

(B) Company has passed a few resolutions by postal ballot during the year and complied with necessary formalities prescribed under the act and relevant guidelines.

7. DISCLOSURES

The transactions with the companies, where the Directors of the Company are interested were in the normal course of business and there were no materially significant related party transactions that have potential conflict with the interest of the Company at large. There were no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets during the last three years.

8. MEANS OF COMMUNICATION

Half yearly results were not sent to each household of shareholders. However, Sumeet Industries Limited quarterly/half yearly financial results were published in English and Gujarati news papers and were also sent to Stock Exchange. Company has started its website in June, 2007 www.sumeetindustries.com, where the Investors can check Quarterly Results and other details of the company. All price sensitive information is made available at the earliest through press release and presentation made to media on specific occasions.

9. GENERAL SHAREHOLDER INFORMATION**(i) Annual General Meeting (Tentative)**

Date : 29.09.2007, Saturday
 Time : 10.00 AM
 Venue : Bombay Market Hall, Umarwada, Surat.

(ii) Financial Calendar (Tentative)

Annual General Meeting : September, 2007
 Results for quarter ending June 30, 2007 : Second Fortnight of July, 2007
 Results for quarter ending Sept. 30, 2007 : Second Fortnight of October, 2007
 Results for quarter ending Dec. 31, 2007 : Second Fortnight of January 2007
 Results for quarter ending March 31, 2008 : Second Fortnight of April, 2008

(iii) Date of Book Closure : From 24th September, 2007 to 28th September, 2007 (both days inclusive)**(iv) Dividend payment Date : Not Applicable****(v) Listing on Stock Exchange : Mumbai****(vi) The Script of the company is not highly traded hence information related to Code, Market Price Data, Performance in Comparison to broad based indices are not given.**

**(vii) Registrar and Transfer Agent : Bigshare Services Pvt. Ltd.
 E-2/3, Ansa Industrial Estate, Sakivihar Road,
 Saki Naka, Andheri (E), Mumbai - 400 072.**

(viii) Share Transfer System :

Presently the share transfers which are received in physical forms are processed and the certificates returned within a period of 30 days from the date of receipt, subject to documents being valid and complete in all respect. The Company has as per SEBI guidelines offered the facility of transfer cum demate. Under the system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of transfer and the requesting him in case he wishes to demate the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on option letter, generate a demate request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same, the company along with the option letter issued by the Company. On receipt of the same, the Company dematerialize the shares. In case the transferee does not wish to dematerialize the shares, he need not exercise the option and the company will dispatch the share certificates after 30 days from the date of such option letter.

Company has appointed M/s. Bigshare Services Pvt. Ltd. as their Registrar and Share Transfer Agent as per SEBI directives to have common Registrar for Physical as well as Electronic Registrar.

(ix) Distribution of Shareholding (as on 31.03.2007)

	% holding
Industrial Development Bank of India	-
Insurance Companies	-
Nationalized Banks	-
SBI and its Subsidiaries	-

Unit Trust of India	-
Private/Co-operative Banks	-
Other Bodies	15.45
Corporate Indian Promoters	28.38
General Public	56.17

(x) Dematerialization of Shares and Liquidity :

About 79.31% of the Equity Shares have already been dematerialized upto 31st March, 2007. Shares are listed at Mumbai Stock Exchange of the Country and being traded regularly.

(xi) Outstanding GDRs/ADRs/ Warrants or any Convertible instruments : Nil

(xii) Plant Location : Block No. 292, Vill : KARANJ, Tal. Mandvi, Dist. - Surat (Gujarat) Pin : 394110.

Company is manufacturer of Synthetic yarn, Polyester Fabrics and Menthol Products.

Registered Office : 504, Trividh Chambers, Opp. Fire Station, Ring Road, Surat- 395 002 (Gujarat)

(xiii) Address for Correspondence :

Investor Correspondence: Bigshare Services Pvt. Ltd.

E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai- 400 072.

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

On compliance with the condition of Corporate Governance under Clause 49 of the Listing Agreement

TO THE MEMBERS OF SUMEET INDUSTRIES LIMITED, SURAT.

We have reviewed the implementation of Corporate Governance procedures by Sumeet Industries Limited during the year ended March 31, 2007 with the relevant records and documents maintained by the company, furnished to us for our review and report on Corporate Governance as approved by the Board of Directors.

The compliance of condition of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the company.

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

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances is pending for a period exceeding one month against the company as per the records maintained by the Shareholders and Investor's Grievance Committee.

On the basis of our review and according to the information and explanation given to us, the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange have been complied with in all material respect by the company.

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Dated : 1st August, 2007

AUDITOR'S REPORT**TO THE MEMBERS OF
SUMEET INDUSTRIES LIMITED, SURAT.**

We have audited the attached Balance Sheet of SUMEET INDUSTRIES LIMITED, SURAT as at 31st March, 2007 and also the Profit and Loss Account for the year ended and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 include 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 provide a reasonable basis for our opinion.

- (1) As required by the Companies (Auditor's Report) Orders 2004 issued by the company law Board in terms of section 227 (4A) of the companies Act, 1956, we annex hereto Annexure 'A' on the matters specified in paragraphs 4 and 5 of the said order.
- (2) Further to our comments in the Annexure 'A' referred to in paragraph (1) above, we report that :
 - (A) 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.
 - (B) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books.
 - (C) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
 - (D) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956, to the extent applicable.
 - (E) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the companies act, 1956.
 - (F) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the 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:
 - (i) In the case of the Balance sheet, of the state of affairs of the company as at **31st March 2007**.
 - (ii) In the case of the Profit and Loss account, of the profit of the company for the year ended on the date.

And

- (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For, PRADEEP SINGHI & ASSOCIATES
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Dated : 1st August, 2007

As required by the companies (Auditor's Report) order, 2004 and according to the information and explanations given to us during the course of audit and on the basis of such checks as were considered appropriate, we report that.

ANNEXURE 'A' TO THE AUDITORS REPORT

(i) Fixed Assets :

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the assets have been physically verified by the management in accordance with a phased program of verification, which in our opinion is reasonable, considering the size and nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- (c) The company has not disposed of the substantial part of fixed assets during the year which affect the going concern assumption.

(ii) Inventory :

- (a) As informed to us, the stock of finished goods, Work-in-Process, stores, spare-parts and raw materials have been physically verified by the management during the year at reasonable intervals except material lying with third parties, where confirmation are obtained.
- (b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The company has maintained proper records of inventories. The discrepancies noticed on the verification of stocks as compare to book records were not material and these have been properly dealt with in the books of accounts.

(iii) Loans & Advances :

- (a) The company has taken unsecured loans from companies, Firms or other parties listed in the register maintained u/s. 301 of the companies Act, 1956. There is seven Such Parties Covered u/s 301 of the companies Act. 1956. Total amount Credited is Rs. 3.69 Crore and Debited Rs. 2.80 Crore. The company has granted unsecured loans to companies, Firms or other parties mentioned under the register maintained u/s. 301 of the companies Act, 1956. There are three such Parties Covered u/s 301 of the companies Act. 1956. Total amount Debited is Rs. 3.58 Crore and Credited is Rs.2.98 Crore.
- (b) As per information and explanations given to us, the rate of interest is 6% P.A. on the loan taken by the company. Other terms and conditions, if applicable on loan taken are not prima facie prejudicial to the interest of the company.

As per information and explanations given to us, the rate of interest is 6% P.A. on the loan granted by the company wherever applicable. Other terms and conditions, if applicable on loan given are not prima facie prejudicial to the interest of the company.
- (c) The parties to whom advances in the nature of loans have been given are repaying the principle amounts as stipulated wherever applicable.
- (d) There is no overdue amount of loans taken or granted by the company.

(iv) Internal control procedure :

In our opinion and according to the information and explanations given to us, internal control procedures for the purchase of stores, Raw materials including components plant and machinery, equipment and other assets and for the sale of goods commensurate with the size of the company and nature of its business. During the course of our audit no major weaknesses has been noticed in the internal control.

(v) Transaction with Parties u/s 301 :

- (a) The transaction made in pursuance of contracts or arrangements that need to be entered in to the registered maintained u/s. 301 of the companies Act, 1956 have been recorded in register.
- (b) In our opinion and according to the information and explanations given to us , the transaction exceeding Rs.5 lacs each have been made at price , which are reasonable having regards to prevailing market price at the relevant time.

(vi) Public Deposits :

The company has accepted deposits which are exempted/ excluded from the provisions of section 58A of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules, 1975.

(vii) Internal Audit System :

In our opinion, the company has an internal audit system which commensurate with its size and nature of its business.

(viii) Cost Records :

We have broadly reviewed the Books of accounts maintained by the company as prescribed by the Central Government for maintenance of cost records u/s. 209 (1) (d) of the companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detail examination of the accounts and records.

(ix) Statutory Dues :

(a) According to the records of the company, the company is Generally regular in depositing undisputed statutory dues including P.F. & E.S.I.C. Income-tax, wealth-tax, sales-tax, custom duty, excise duty, Cess and any other statutory dues with appropriate authorities. According to the information and explanations given to us , there are no undisputed amounts payable in respect of such statutory dues which has remained outstanding as at **31st March, 2007** for a period more than six months from the date they became payable.

(b) According to information and explanation given to us, there is no disputed amounts payable in respect of such statutory dues.

(x) Accumulated/ Cash Losses :

The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding the financial year.

(xi) Default in Repayment of Dues to Banks / Financial Institution etc. :

The company has not defaulted in repayment of dues to the financial institution or Bank.

(xii) Granting of Loan & Advances :

The company has not granted Loan & Advances on the basis of securities by way of pledge of shares, debenture and other securities.

(xiii) Chit Fund / Nidhi / Mutual Fund :

The provisions of any Special Statute applicable to Chit Fund, Nidhi, Mutual Benefit Fund/ Societies are not applicable to the company.

(xiv) Dealing or Trading in Shares etc. :

As explained to us by the management, the company has purchased securities / shares of the Govt. and other companies for the short-term investment purpose. Dealing in shares is not a main activity of the company. The Shares/ Securities held by the company are in its own name.

(xv) Guarantee Given by Company :

As explained to us by the management, the company has not given guarantee for loans taken by others from banks or financial institution.

(xvi) Utilization of Term Loans :

The Term Loans taken by the company were applied for the purpose for which it had been obtained.

(xvii) Application of Short Term Fund for Long Term Investment and vice versa :

On the basis of our examination of the cash flow statement, the funds raised on short term basis have not been used for long term investment and Vice Versa.

(xviii) Allotment of Bonus Shares :

The Company has not issued Bonus Shares to the existing shares holders during the year.

(xix) Creation of Securities for Debenture Issued :

The Company has not issued any Debenture during the year.

(xx) End Use of Money :

The company has not raised any money by way of public issues during the year.

(xxi) Fraud noticed or Reported :

As per information & explanation given to us, no fraud on or by the company has been noticed or reported during the year.

For, **PRADEEP SINGHI & ASSOCIATES**

Chartered Accountants

PRADEEP KUMAR SINGHI

Proprietor

M. NO. 200/24612

Place : Surat

Dated : 1st August, 2007

AUDITED BALANCE SHEET AS AT 31st MARCH 2007

	Schd. No.	As At 31.03.07	As At 31.03.06
I. SOURCES OF FUNDS :			
SHARE HOLDER FUNDS:			
Share Capital	1	223,993,000	223,993,000
Share Application Money		7,500,000	-
Reserve And Surplus	2	53,893,809	43,709,670
		<u>285,386,809</u>	<u>267,702,670</u>
LOAN FUNDS :			
Secured Loans	3	394,412,201	352,592,646
Unsecured Loan	4	50,530,863	40,593,355
		<u>444,943,064</u>	<u>393,186,001</u>
Deferred Tax Liability (Refer Note No.10 On Schedule 20)		38,828,039	25,755,682
Total		<u><u>769,157,912</u></u>	<u><u>686,644,353</u></u>
II. APPLICATION OF FUNDS:			
FIXED ASSETS:	5		
Gross Block		808,776,711	765,091,845
Less Depreciation		<u>365,719,923</u>	<u>329,984,603</u>
Net Block		<u>443,056,788</u>	<u>435,107,242</u>
Capital Work In Progress Including Advances		1,479,630	26,765,224
		<u>444,536,418</u>	<u>461,872,466</u>
INVESTMENTS	6	12,610,006	10,349,228
CURRENT ASSETS , LOANS AND ADVANCES			
(a) Inventories	7	229,884,266	140,534,324
(b) Sundry Debtors	8	57,755,002	51,428,894
(c) Cash & Bank Balance	9	2,561,397	4,610,216
(d) Loans & Advances	10	83,871,045	46,771,497
		<u>374,071,710</u>	<u>243,344,931</u>
Less Current Liabilities & Provisions	11	62,060,222	28,922,272
Net Current Assets		<u>312,011,488</u>	<u>214,422,659</u>
Total		<u><u>769,157,912</u></u>	<u><u>686,644,353</u></u>
NOTES FORMING PART OF THE ACCOUNTS	20		

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Dated : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman
Raj Kumar Somani Managing Director

Place : Surat
Date : 1st August, 2007

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

	Schd. No.	As At 31.03.07	As At 31.03.06
I. INCOME :			
Sales	12	1,124,913,189	821,870,671
Other Income	13	13,699,993	6,289,471
Increase (Decrease) In Finished Goods & WIP Stocks		-	-
Total		65,395,697	35,634,819
		1,204,008,879	863,794,961
II. EXPENDITURE :			
Purchase Of Finished Goods		2,574,844	28,960,489
Raw Material Consumed	14	916,538,139	634,178,444
Manufacturing And Other Expenses	15	86,055,098	90,706,931
Administrative & Other Expenses	16	58,774,622	32,575,891
Salary, Wages & Benefites to employees	17	7,441,205	5,584,618
Financial Charges	18	36,062,529	21,811,501
Selling & Distribution Expenses	19	9,758,282	2,015,699
Depreciation	5	36,082,234	34,667,119
Total		1,153,286,953	850,500,692
III. PROFIT BEFORE TAX (I - II) :		50,721,926	13,294,269
Less : Extra ordinary expenses		1,376,844	-
Less : Prior period expenses		-	6,750
		49,345,082	13,287,519
IV. PROVISION FOR TAXATION :			
Current Tax		5,636,339	1,130,000
Fringe Benefit Tax		183,815	82,655
MAT Credit		3,194,178	-
Deferred Tax		13,072,357	3,558,088
Profit After Tax		33,646,749	8,516,776
Less : Taxation Of Previous Year		112,410	37,180
Add. Balance Brought Forward		35,001,618	26,522,022
		68,535,957	35,001,618
V. Appropriation			
Interim Dividend & Dist. Tax		19,840,350	-
6% Dividend & Dist. Tax on Pref. Share		3,509,850	-
Transfer to general reserve		-	-
Balance Carried Forward To Balance Sheet		45,185,757	35,001,618
Earning Per Equity Share		1.93	0.49
NOTES FORMING PART OF THE ACCOUNTS	20		

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI

Proprietor

M. NO. 200/24612

Place : Surat

Dated : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

Place : Surat

Date : 1st August, 2007

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	Schd. No.	As At 31.03.07	As At 31.03.06
<u>SHARE CAPITAL :</u>	1		
AUTHORISED :			
2,00,00,000 Equity Shares Of		250,000,000	250,000,000
Rs. 10/- Each & 50,00,000 (FIFTY LACS) 6% Non Convertible			
Preference shares of Rs. 10/- Each			
ISSUED, SUBSCRIBED & PAID UP :			
1,73,99,300 Equity Shares Of		173,993,000	173,993,000
Rs. 10/- Each Fully Paidup.			
50,00,000 (FIFTY LACS) 6% Non Convertible		50,000,000	50,000,000
Preference shares of Rs. 10/- Each			
		223,993,000	223,993,000
<u>RESERVE & SURPLUS :</u>	2		
General Reserve		6,208,052	6,208,052
Capital Reserve		2,500,000	2,500,000
Balance in Profit & Loss Account		45,185,757	35,001,618
		53,893,809	43,709,670
<u>SECURED LOAN :</u>	3		
(1) Bank Of Baroda Cash Credit		93,245,253	26,230,696
(2) Bank Of Baroda Packing Credit (PCFC)		-	10,053,158
(3) Bank Of Baroda (FCNR Working capital Loan)		95,414,000	97,856,000
(4) Bank Of Baroda (Term Loan Rs.470.94 lacs in FCNR and Rs. 201.89 lacs in rupees)*		67,282,859	75,485,332
(5) Vehicle Loan*		2,505,139	3,522,660
(6) ECB From BOB NEW YORK *		135,964,950	139,444,800
*(Including Installments of Rs.426.24 Lacs for term loan falling due Within One Year)			
Total		394,412,201	352,592,646
NOTE :			
(1) Working Capital borrowings (Item 1 to 3 above) are secured by way of hypothecation of all stock of raw materials, stock in process, finished goods and book debts.			
(2) Term Loan (Item No. 4 & 6) is secured by way of hypothecation of Machineries and hypothecation of stock as collateral security.			
(3) Vehicle loan (Item No. 5) are secured by hypothecation of vehicles.			
(4) All the above facilities (Item No. 1 to 4 & 6) are further secured by mortgage of immovable properties of the company. These facilities are collaterally secured by the personal guarantees of some of the directors of the company.			
<u>UNSECURED LOAN :</u>	4		
Agency Deposits		8,384,396	6,882,094
Loan From Corporate Bodies		35,159,675	32,438,306
Loan From Directors		6,986,792	1,272,955
		50,530,863	40,593,355

SCHEDULE - 5 : FIXED ASSETS**Schedules To And Forming Part Of Accounts**

				GROSS BLOCK			DEPRECIATION			NET BLOCK	
Sr. No	Particulars	As At 01.04.2006	Addition	Deletion	As At 31.03.2007	As At 01.04.2006	For the Year	Adjust- ment	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
1	Land	2,356,255	-	-	2,356,255	-	-	-	-	2,356,255	2,356,255
2	Building	67,051,245	7,622,929	-	74,674,174	28,362,337	4,114,108	-	32,476,445	42,197,729	38,688,908
3	Plant & Machinery	670,646,580	35,090,976	-	705,737,556	287,240,738	29,699,225	-	316,939,963	388,797,593	383,405,842
4	Furniture, Fixture & Equipments	7,639,083	434,382	-	8,073,465	6,033,701	364,502	-	6,398,203	1,675,262	1,605,382
5	Vehicle	17,398,682	917,449	412,610	17,903,521	8,347,827	1,904,399	378,654	9,873,572	8,029,949	9,050,855
TOTAL		765,091,845	44,065,736	412,610	808,744,971	329,984,603	36,082,234	378,654	365,688,183	443,056,788	435,107,242
PREVIOUS YEAR		637,447,608	129,000,989	1,356,752	765,091,845	296,597,337	34,667,119	1,279,853	329,984,603	435,107,242	340,850,271

		Schd. No.	As At 31.03.07	As At 31.03.06
INVESTMENTS (AT COST)		6		
(A) Other Than Trade - Quoted :-				
500	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Petro Sythetics Ltd.		16,250	16,250
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Tata Iron & Steel Co. Ltd.		14,905	14,905
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Paras Petrofills Ltd.		1,000	1,000
700	Fully Paid-up Equity Shres of Rs. 10/- each of M/s. Chandra Synthetics Ltd.		5,075	5,075
400	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Haryana Petrochemicals Ltd.		6,200	6,200
5000	Fully Paid-up Equity Shares of Rs. 1/- each of M/s. Paras Petro Chemicals Ltd.		17,000	17,000
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Parasrampur Ind. Ltd.		1,050	1,050
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Syntex Ltd.		2,025	2,025
1000	Fully Paid-up Equity Shares of Rs. 2/- each of M/s Zee Telefilms Ltd.		260,778	-
100000	Fully Paid-up Equity Shares of Rs. 1/- each of M/s. Alka Spinners Ltd.		148,180	148,180
20000	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Questfin Ltd.		137,543	137,543
	Investment in Mutual Fund		2,000,000	-
			2,610,006	349,228
(B) Other Then Trade - Unquoted :-				
160000	Fully Paid-up Equity Shares of NRs.100/- each of M/s. Somani Industries Nepal Pvt. Ltd.		10,000,000	10,000,000
			12,610,006	10,349,228
Aggregate Book Value Of Investments				
Unqoted Cost			10,000,000	10,000,000
Quoted Cost			2,610,006	349,228
Market Value *			2,485,368	333,743

* To The Extent Available

Note : Quoted investments for which quotation are not available have been included in market value at the face value.

The following Shares and Bonds purchases and sold during the year.

Name of the Company	Nos. Of Shares	Purchase Cost
Bank of Baroda	2,000	470,173
Hindustan Lever Ltd.	13,213	3,142,055
Zee Telefilms Ltd.	1,000	260,778
Alka Spinners Ltd.	129,329	76,893
DCM Shriram Ltd.	1,000	112,046
Shree Precoa Ltd.	500	208,745
Mefcom Agro Ltd.	67,559	1,886,952
Ansal Hous. & Cons. Ltd.	400	121,449
Electrotherm India Ltd.	1,450	443,444
Reliance Com. Ltd.	1,700	710,489
Advani Hotels & Resorts Ltd.	300	47,583
Peninsula Land Ltd.	200	131,411
Maral Overseas Ltd.	10,000	199,287
Reliance Petro Ltd.	10,000	729,312
Hindalco Inds. Ltd	4,000	753,889
Gujarat Ambuja Cement Ltd.	5,000	488,015

	Schd. No.	As At 31.03.07	As At 31.03.06
INVENTORIES :	7		
(As Taken, Valued, And Certified By The Management)			
Stores & Spares, Packing Material & LDO		61,511,584	51,620,676
Raw Material		31,246,002	17,182,665
Finished Goods		31,443,044	40,673,845
Work In Progress		105,683,636	31,057,138
Total		229,884,266	140,534,324
SUNDRY DEBTORS :	8		
(Unsecured Considered Good)			
(a) Over Six Months		-	-
(b) Other Debts		57,755,002	51,428,894
Total		57,755,002	51,428,894
CASH AND BANK BALANCES :	9		
Cash On Hand		123,428	377,580
Balances With Scheduled Banks In Current Accounts		2,437,969	1,171,136
In Fixed Deposit Accounts / Margin Account		-	3,061,500
Total		2,561,397	4,610,216
Note : Fixed deposits aggregating Rs. Nil (P. Y. 3,061,500) lodged with bank as margin money for the issue of guarantees and letter of credits.			
LOANS & ADVANCES :	10		
Advances (Recoverable In Cash Or In Kind or for value to be received)		20,467,053	15,673,746
T.D.S. Receivable & Advace Income Tax		5,342,133	1,042,812
Advance To Staff		768,543	331,493
Prepaid Expenses		1,155,963	1,092,944
Modvat Receivable		46,980,490	25,360,604
Vat Recivable		385,517	2,111,098
MAT Credit		3,194,178	-
Balance With Excise Dept. (PLA)		8,763	8,763
Sundry Deposits		5,568,405	1,150,037
Total		83,871,045	46,771,497

	Schd. No.	As At 31.03.07	As At 31.03.06
<u>CURRENT LIABILITIES & PROVISIONS :</u>	11		
A) CURRENT LIABILITIES			
Sundry Creditors For Goods & Expenses		44,089,620	20,778,907
Other Liabilities & TDS Payable		6,255,961	5,311,724
Advance Received from customer		798,685	1,618,986
Provision For Unpaid Dividend & Dist. Tax		5,095,802	
B) PROVISION			
Prov. For Fringe Benefit Tax		-	82,655
Prov. For Fringe Benefit Tax(Current Year)		183,815	
Prov. For Taxation		-	1,130,000
Prov. For Taxation(current year)		5,636,339	
Total		62,060,222	28,922,272
SCHEDULES TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNTS			
<u>SALES :</u>	12		
Yarn Sales		1,095,180,072	869,618,961
Export Sales		79,384,882	23,375,229
Fabric Sales		28,106,278	43,702,405
Menthol Product Sales		10,702,570	-
Wastage Sales (net)		1,787,942	1,493,560
Total		1,215,161,744	938,190,155
Less : Excise Duty		90,248,555	116,319,484
Net Sales		1,124,913,189	821,870,671
<u>OTHER INCOME :</u>	13		
Dividend Received		303,359	3,163
Brokerage and Commission		1,314,997	-
Profit on Sale of Shares & Commodities		1,656,376	4,277,414
Profit on Sale of Fixed Assets		49,044	333,101
MISC. Income		150	21,995
Exchange Difference		1,393,171	993,384
Claim Received		8,225,884	
Interest Received :			
On Fixed Deposit		757,012	660,414
Others		-	-
From Wholly Owned Subsidiary In Nepal		-	-
Total		13,699,993	6,289,471
<u>RAW MATERIAL CONSUMED :</u>	14		
Opening Stock		17,182,665	28,169,065
Add : Purchase (Net)		930,601,476	623,192,044
		947,784,141	651,361,109
Less : Closing Stock		31,246,002	17,182,665
Total		916,538,139	634,178,444

	Schd. No.	As At 31.03.07	As At 31.03.06
<u>MANUFACTURING EXPENSES :</u>	15		
Power & Fuel		57,130,119	40,740,433
Labour & Security Expenses		228,407	357,483
Packing Materials		21,757,807	20,783,963
Stores and Spares		4,158,791	7,709,840
Freight and Octroi		1,494,636	606,697
Repairs to Plant & Machineries		953,734	866,520
Repairs to Factory Building		164,265	89,649
Factory Expenses		80,250	69,775
Job Charges		87,089	19,482,571
Rent		-	-
Total		86,055,098	90,706,931
<u>ADMINISTRATIVE & OTHER EXPENSES :</u>	16		
Rent, Rates And Taxes		42,144,986	20,039,160
Postage, Telegram and Telephone Expenses		1,053,337	518,595
Printing and Stationary		624,770	438,472
Insurance Expenses		3,078,953	2,959,266
Electricity Expenses		183,855	181,570
Legal & Professional Expenses		1,077,402	986,615
Travelling and Conveyance		473,159	541,707
Vehicles Expenses		8,894,961	5,008,638
Director's Remuneration		540,000	663,000
Auditor's Remuneration		285,712	208,290
Membership and Subscription		20,314	19,271
Donation		32,075	5,200
Other Repairs		179,916	183,325
Office and General Expenses		185,182	98,482
Pre op. Expenses on Steel Plant W/off		-	-
Bonus Issue Exp.		-	724,300
Bad Debts		-	-
Total		58,774,622	32,575,891
<u>SALARY , WAGES AND BENEFIT TO EMPLOYEES :</u>	17		
Wages, Salaries & Bonus Cont. To P.F. & F.P. F.		7,277,355	5,316,861
Welfare And Other Expenses		163,850	267,757
Total		7,441,205	5,584,618
<u>FINANCIAL CHARGES :</u>	18		
Interest To : Banks & Financial Institution		32,927,140	19,728,175
Bank Charges & Guarantee Commission		2,386,564	1,639,181
Others		748,825	444,145
Total		36,062,529	21,811,501
<u>SELLING & DISTRIBUTION EXPENSES :</u>	19		
Commission, Brokerage & Discount		2,333,479	1,423,986
Carriage Outward & Shipment Charges		6,746,958	496,099
Sales Promotion		677,845	95,614
Total		9,758,282	2,015,699

SCHEDULE 20 : NOTES ON ACCOUNTS**(1) Significant Accounting Policies :**

Significant accounting policies adopted in the preparation and presentation of the accounts are as below :

- (a) **Basis of Accounting** : The financial statements are prepared under historical cost convention on an accrual basis.
- (b) **Fixed Assets** : Fixed Assets are stated at cost of acquisition (net of modvat) or construction less accumulated depreciation. Cost comprises of purchase price and all other attributable cost bringing the asset to its working condition for its intended use.
- (c) **Depreciation** : Depreciation is provided on fixed assets (except land) on written down value method at the rates specified in schedule XIV to the companies Act, 1956 except on trucks, addition in the vehicle from 01.04.2003, cater pillar D.G. Sets one Himson Texturising machine and additions in plant & machinery from 01.04.2002, where depreciation has been provided on straight line methods as per schedule XIV to the companies Act, 1956.
- (d) **Investments** : Investments are stated at cost.
- (e) **Foreign Currency Transactions** : In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liabilities arising out of exchange rates at the year end and the resultant net gains and losses are adjusted in the profit and loss account.

Sales in foreign currencies are accounted at the rate prevailing on the date of purchase of bills by the collecting bank. Current assets in foreign currencies as at the balance sheet date (not covered above) are reconverted at the rate prevailing at the year end and the resultant net gains and losses are adjusted in the profit and loss account.

(f) Inventories :

- (a) Stores & Spares and fuel Oil : At Cost
- (b) Raw Material : At Cost.
- (c) Goods in Transit (Raw Mat.) : At Cost
- (c) Work-in-Progress : At Cost + Procurement charges
- (d) Finished Goods : At Cost or Net Realizable values whichever is lower.
- (e) Wastage : At Net Realizable Value

Cost of inventories is ascertained on the "First-in-First-Out" basis.

- (g) **Retirement Benefits** : Provision for gratuity has been made in the accounts, only in case of those employees who have become eligible for the retirement benefits. Leave encashment, LTA, Medical Assistance are accounted as and when paid.
- (h) **Excise duty** : The liability of excise duty amounting to Rs 20.16 lacs has been provided for the goods manufactured but not cleared as on 31.3.2007. , the effect of which on profit and loss account of the year is Nil.
- (i) **Sales** : Sales include packing and forwarding charges, octroi & sales-tax but excludes excise duty wherever applicable and a sale of goods is recognized on transfer of property of goods as per agreed terms.

Export Sales : These are accounted at the exchange rate prevailing on the date of purchasing of bills by the collecting bank. These are gross of commission and include freight wherever applicable as per the terms of the sales contract.

- (j) **Modvat on Inputs** : The purchase cost of raw materials is shown net of excise duty and utilized amount of CANVAT on raw material consumed has been credited to Excise Expenses Account.
- (k) **Borrowing cost** : Borrowing costs that are directly attributable to the acquisition or construction of fixed assets are capitalized as a part of the cost of asset. Other borrowing costs are recognized as an expense in the period in which they are accrued / incurred.

(l) **Income Tax** : Tax expenses for the year, comprising current tax and deferred tax is included in determining the net profit for the year. Deferred tax asset and liabilities are recognized for the future tax consequences of temporary difference between the carrying value of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgement that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary difference are expected to be reviewed or settled.

(m) **Segment Accounting** : The requirement of segment reporting is not applicable to the company both in respect of geographical segment and product wise segment.

(n) Quantity discount, Rate difference, Rebate and interest are accounted as and when settled. It is general practice prevailing in this type of industry.

(2) Advances include Rs.32,46,649 to companies in which directors are interested.

(3) Contingent Liabilities :

(a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 128.53 lacs against which advance of Rs.35.74 lacs given (Previous year Rs.7.27 lacs, Advance Rs. 1.31 lacs).

(b) Export sale bills raised on overseas buyers purchased by company's banker outstanding Rs 67.46 lacs. (Previous year Rs 2.96 lacs.).

(c) Letter of credit outstanding Rs.250.48 lacs as on 31.03.2007. (Previous year Rs. 204.10 Lacs)

(d) Excise matter in respect of which company has filled an appeal with Excise Tribunal Rs. 29.40 lacs (Previous year Rs. 29.40Lacs)

	Current year Rs.	Previous year Rs.
(4) Payment to Auditors :		
As Auditors : (Including Service Tax)	1,85,000	1,10,200
As Advisor or in any other capacity in respect of :		
Company Law matter	Nil	10,000
Taxation matter	15,000	15,000
Others	Nil	1,250
(5) Managerial Remuneration :		
Salary	5,40,000	6,63,000
Perquisite	Nil	Nil
(6) Earnings Per share :	3,35,34,339	84,79,596
Net profit attributable to share holder	1,73,99,300	1,73,99,300
Number of equity share	1.93	0.49
Earning per share of Rs. 10/- each		

(7) Related Party Transaction :

As per AS-18 issued by the Institute of Chartered Accountants of India, the company's related parties in terms of AS-18 are disclosed below:

(Rs. in ' 000)

Name of the related parties	Nature of Relationship	Nature of transactions	Amounts
Key management Personnel			
Shankarlal Somani	Chairman	Loan outstanding (Cr.) as on 31st march, 2007	5683
		Interest Paid	91
		Remuneration	120

(Rs. in ' 000)

Name of the related parties	Nature of Relationship	Nature of transactions	Amounts
Key management Personnel			
Rajkumar Somani	Managing Director	Loan outstanding (Cr.) as on 31st march, 2007	675
		Interest Paid	38
		Remuneration	120
Mahesh Kumar	Relative of key Management Personal	Loan outstanding (Cr.) as on 31st march, 2007	131
		Interest Paid	3
		Remuneration	120
Bajranglal Somani	Relative of key Management Personal	Loan outstanding (Cr.) as on 31st march, 2007	127
		Interest Paid	0
		Remuneration	60
Sumeet Somani	Relative of key Management Personal (Director)	Loan outstanding (Cr.) as on 31st march, 2007	98
		Salary	120
Dinesh Khare	Director	Remuneration	180
Vibha Khare	Relative of Director	Salary	194
Somani Industries Nepal Pvt. Ltd.	100% Subsidiary Company	Loan outstanding (Cr.) as on 31st march, 2007	6672
Somani Overseas Ltd.	Relative of key Management Personal (Director)	Loan outstanding (Dr.) as on 31st march, 2007	551
		Interested Paid	117
Sitaram Prints Pvt Ltd.	Relative of key Management Personal (Director)	Loan outstanding (Cr.) Interested Paid	3419 145
Betex India Ltd.	Relative of key Management Personal (Director)	Loan outstanding (Cr.) Interested Paid	1533 76
Bajrang Processors Pvt Ltd.	Relative of key Management Personal (Director)	Loan outstanding (Dr.) Interested Paid	2695 154

(Rs. in ' 000)

(8) Deferred Tax :

(a) The movement of deferred tax account is as follows :

Opening Balance	25756
Provision for current year deferred tax liability (Net)	13072
Total	38828

(b) Deferred tax asset and liability are being offset as they relate to taxes on income levied by the same governing taxation laws. The following amounts are shown in the balance sheets.

Deferred Tax liabilities	39430
Deferred Tax Assets	602
Total	38828

(c) Breakup of deferred tax assets / liabilities and reconciliation of current year deferred tax change:

Deferred tax liabilities :

(Rs. in ' 000)

	Opening	Charged/Credited to P & L	Closing
Tax impact of difference between carrying amount of fixed asset in the financial statements and the income tax return	34290	5140	39430
Total (a)	34290	5140	39430

Deferred Tax Assets

Tax impact of expenses charged in the financial statements but allowable as deduction in future years under income tax.

Provision for gratuity	279	-13	266
Provision for Bonus	84	-16	68
Carry forward of Deprecation	7065	-7065	-
Loss From Speculative Business	-	2478	2478
Foreign Exchange Difference	-	-2211	-2211
MAT Credit c/f	1106	-1106	-

Total (b)	8535	-7933	602
Net Dererred tax liability (a-b)	25756	13072	38828

Pursuant to Accounting Standards (AS) 22 Accounting for taxes on income, the impact of deferred tax liability of Rs. 13072 for the year-ended 31.3.07 has been debited to Profit and Loss account.

(9) Additional Information's :

Pursuant to provisions of paragraphs 3 and 4 in Part II of Schedule VI to the companies Act, 1956.

				(Rs. in ' 000)		
				Units	2006-2007	2005-2006
A. Capacity :						
a) Polypropylene/Polyester POY						
i) Licensed Capacity	*	TPA		-		-
ii) Installed Capacity	**	TPA		12900		12900
b) Twisted						2500
i) Installed Capacity	**	TPA		2500		
c) Texturised	**	TPA		3300		3300
d) Draw twisted	**	TPA		700		700
e) Weaving Unit (Fabrics)	**	Mtr		3500000		Nil
f) Menthol Product	**	TPA		720		Nil

* Not Applicable in terms of Government of India's Notification No. S.O. 477(E) dated 25.7.1991.

** As Certified by the management, being a technical matter.

B. Production :	Unit	2006-2007	2005-2006
Polyester/Polypropylene	Kgs.	14486069	11648372
Multifilament Yarn	Mtrs.	2161867	Nil
Polyester Fabrics	Kgs.	17488	Nil
Menthol Product			

C. Turnover :	Unit	Quantity	Value Rs.	Quantity	Value Rs.
PP/POLY Yarn (Including Export)	Kgs.	14623091	1086333	11324279	776675
Wastage	Kgs.	298044	1788	248707	1494
Fabrics Local	Mtrs.	Nil	Nil	1942830	43702
Weaving Unit (Fabrics)	Mtrs.	2003091	28106	Nil	Nil
Menthol Product	Kgs.	17488	10703		
Total			1126930		821871

D. Raw Material Consumed :	Unit	Quantity	Value Rs.	Quantity	Value Rs.
Poly / PP Chips*	Kgs.	15090145	845523	11981272	615768
Master Batch*	Kgs.	58920	9158	46750	11337
Spin Finish/ Yarn Oil	Kgs.	86275	7703	83820	7834
Polyester Yarn	Kgs.	356555	32773	-	-
Menthol Product	Kgs.	42840	21381	-	-
Total			916538		634939

* Excluding increase in stock of compounding chips of Rs. 1823/- (Previous years increase in stock Rs. 761/-)

E. Purchase :

P.P. Yarn
Polyester Fabrics
Poly. Yarn

Total

Unit	Quantity	Value Rs.	Quantity	Value Rs.
Kgs.	-	-	117.97	13
Mtrs.	113840	2575	1344368	28948
Kgs.	-	-	-	-
		2575		28961

F. Finished Stock :

(a) Opening Stock : PPMFY*
(b) Closing Stock : PPMFY*

* Including texturised and twisted yarn and wastage stock.

Kgs.	426666	40254	120157	9682
Kgs.	316210	26459	426666	40254

G. Value of Raw Materials Consumed :

Imported*
Indigenous

Total

Amount	% of Total Consumption	Amount	% of Total Consumption
2006-2007		2005-2006	
75448	8.00	145174	22.89
841090	92.00	489004	77.11
916538	100.00	634178	100.00

*Including Purchase from Nepal in Indian currency.

H. Value of Stores & Spares Consumed :

Imported
Indigenous

Total

231	5.00	963	12.49
3928	95.00	6747	87.51
4159	100.00	7710	100.00

I. Expenditure in Foreign Currencies on account of (on Accrual Basis) :

Interest
Commission to selling Agent
Foreign Traveling
Overseas Banking Charges

J. C.I.F. Value of import :

i) Raw Material
ii) Stores and Spares
iii) Capital Goods

K. Earnings in Foreign Currency (FOB Value of Exports) :

Fabrics
Yarn

2006-2007	2005-2006
24282	14899
0	0
0	0
189	124
75448	125042
166	861
807	26381
-	-
71752	23306

(10) Figures of previous year have been regrouped and / or recast wherever necessary.

(11) There are no sundry creditors due to small-scale industrial undertakings to whom the company owe a sum exceeding Rs. 1 lacs, which is outstanding for more than 30 days for the years, ended **31st March 2007**. This disclosure is on the basis of information available with the company regarding the status of suppliers.

(12) Part IV of schedule VI to the companies Act is as per Annexure "A".

(13) Cash Flow statement is as per Annexure "B"

(14) **Signature** to schedules "1" to "20"

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Dated : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman
Raj Kumar Somani Managing Director

Place : Surat
Date : 1st August, 2007

Annexure B
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	2006-07		2005-06	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and Extraordinary Items		49345082		13287519
Adjustment For :				
Depreciation	36082234		34667119	
Interest Income	-757012		-660414	
Dividend Income	-303359		-3163	
Miscellaneous expenditure written off	0		0	
Profit / Loss on Sale of Fixed Assets	-49044		-333101	
Profit / Loss on Sale of Investments	-1656376		-4277414	
Interest Paid	33675965		20172320	
		66992468		49568347
Operating Profit before Working Capital Changes		116337490		62852866
Adjustment For :				
Trade & Other Receivables	-43425656		2710992	
Inventories	-89349942		-43625592	
Trade Payables and Other Liabilities	33137950	-99637648	8683686	-32230914
Cash Generated From Operations		16699842		30621952
Interest Paid	-33675965		-20172320	
Provision For Taxation	-2625976		-1212655	
Previous Year Taxation	-112410	-36414351	-37180	-21422155
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		-19714509		9199797
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Income Form sale of investments :				
Interest Income	757012		660414	
Dividend Income	303359		3163	
Purchases of Fixed Assets	-18780142		-63102563	
Sale of Fixed Assets	83000		410000	
Purchase / Sale of Investment	-604402		4459496	
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		-18241173		-57569490
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Increase in borrowings	54519399		47243022	
Increase in Term Loan	-2762336			
Increase in share capital	7500000		-4456509	
Dividend Payments	-23350200		NIL	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		35906863		42786513
Net Increase in Cash & Cash equivalents (A+B+C)		-2048819		-5583180
Cash and Cash equivalents as on 1 st April, 2006		4610216		10193396
Cash and Cash equivalents as on 31 st March, 2007		2561397		4610216

Note: Figures in brackets indicate cash outflows.

For and on behalf of Board of Directors

Place : Surat
Dated : 1st August, 2007

Shankarlal Somani
Chairman

Raj Kumar Somani
Managing Director

Auditors Report on consolidated financial statements

Auditors Reports to the Board of directors of Sumeet Industries Ltd. on the consolidated financial statements of Sumeet Industries Ltd. and its subsidiary.

We have examined the attached consolidated balance sheet of Sumeet Industries Ltd. and its subsidiary as at 31st March 2007, the consolidated profit and loss account and the consolidated cash flow statement for the year then ended.

These financial statements are the responsibility of the company's Management. Our responsibility is to express an opinion on these financial statement based on our audit. We conducted out audit in accordance with generally accepted auditing standards in India. These standard require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosure 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. We believe that our audit provide a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary whose financial statement reflect total assets of Rs. 116.54 Lacs (P.Y. Rs .135.05) in Nepal currency as at 31st March 2007 and total revenues of Rs. 17-40. Lacs (P.Y. Rs . 5.09 lacs) in Nepal Currency for the year then ended. These financial statements have been audited by other auditors whose report has been furnished to us and our opinion In so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting standard (AS) 21 consolidated financial statement, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of Sumeet Industries Ltd. and its subsidiary included in the consolidated financial statements.

On the basis of the information's and explanations given to us and on consideration of separate audit reports on individual audited financial statements of Sumeet Industries Ltd. and its subsidiary we are of opinion that;

- (a) The consolidated Balance Sheet gives as true and fair view of the consolidated state of affairs of Sumeet Industries Ltd. and its subsidiary as at 31st March, 2007 and,
- (b) The consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operation of Sumeet Industries Ltd. and its subsidiary for the year then ended.
- (c) The consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flow of the company and its subsidiary for the year then ended.

For, **PRADEEP SINGHI & ASSOCIATES**

Chartered Accountants

PRADEEP KUMAR SINGHI

Proprietor

M. NO. 200/24612

Place : Surat

Dated : 1st August, 2007

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2007

	Schd. No.	As At 31.03.07	As At 31.03.06
I. SOURSES OF FUNDS :			
(a) Share Capital	1	223,993,000	223,993,000
(b) Share Application Money		7,500,000	-
(c) Reserve And Surplus	2	51,177,176	42,080,773
		<u>282,670,176</u>	<u>266,073,773</u>
LOAN FUNDS :			
Secured Loans	3	394,412,201	352,592,646
Unsecured Loan	4	43,858,408	33,990,431
		<u>438,270,609</u>	<u>386,583,077</u>
Deferred Tax Liability (Refer Note G. On Schedule 20)		38,828,039	25,755,682
Total		<u><u>759,768,825</u></u>	<u><u>678,412,532</u></u>
II. APPLICATION OF FUNDS :			
FIXED ASSETS :	5		
Gross Block		808,776,711	765,091,845
Less Depreciation		<u>365,719,923</u>	<u>329,984,604</u>
Net Block		<u>443,056,788</u>	<u>435,107,241</u>
Capital Work In Progerss Including Advances		1,479,630	26,765,224
		<u>444,536,418</u>	<u>461,872,465</u>
INVESTMENTS :	6	2,610,006	349,228
CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventories	7	229,884,266	140,534,324
(c) Sundry Debtors	8	57,755,002	51,428,894
(b) Cash & Bank Balance	9	2,787,238	4,637,610
(d) Loans & Advances	10	84,264,141	48,512,284
		<u>374,690,647</u>	<u>245,113,111</u>
Less Current Liabilities & Provisions	11	62,068,246	28,922,272
Net Current Assets		<u>312,622,401</u>	<u>216,190,839</u>
MISCELLANEOUS EXPENDITURES : (To the extent not written off or adjusted)			
Preliminary Expenses		-	-
Total		<u><u>759,768,825</u></u>	<u><u>678,412,532</u></u>
NOTES FORMING PART OF THE ACCOUNTS	20	0	0

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Dated : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman
Raj Kumar Somani Managing Director

Place : Surat
Date : 1st August, 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED
31st MARCH, 2007

	Schd. No.	As At 31.03.07	As At 31.03.06
I. INCOME :			
Sales	12	1,124,913,189	821,870,671
Other Income	13	13,699,993	6,626,336
Increase (Decrease) In Finished Goods & WIP Stocks		65,395,697	35,634,819
Total		1,204,008,879	864,131,826
II. EXPENDITURE :			
Purchase Of Finished Goods		2,574,844	28,960,489
Raw Material Consumed	14	916,538,139	634,178,444
Manufacturing And Other Expenses	15	86,055,098	90,706,931
Administrative & Other Expenses	16	59,854,856	32,579,186
Salary, Wages & Benefites To employees	17	7,448,705	5,584,618
Financial Charges	18	36,062,529	21,817,563
Selling & Distribution Expenses	19	9,758,282	2,015,699
Despreciation		36,082,234	34,667,119
Preliminary Expenses Written Off		-	8,856
Total		1,154,374,687	850,518,905
III. PROFIT BEFORE TAX (I - II) :		49,634,192	13,612,921
Extra ordinary expenses		1,376,844	-
Less : Prior Period expenses		-	6,750
		48,257,348	13,606,171
IV. PROVISION FOR TAXATION :			
Current Tax		5,636,339	1,130,000
Fringe Benefit Tax		183,815	82,655
MAT Credit		3,194,178	-
Deferred Tax		13,072,357	3,558,088
Profit After Tax		32,559,015	8,835,428
Less : Taxation Of Previous Year		112,410	37,180
Add. Balance Brought Forward		33,372,720	24,574,472
		65,819,324	33,372,720
V Appropriation :			
Interim Dividend & Dist. Tax		19,840,350	-
6% Dividend & Dist. Tax on Pref. Share		3,509,850	-
Transfer to general reserve		-	-
Balance Carried Forward To Balance Sheet		42,469,124	33,372,720
Earning Per Share		1.87	0.51

NOTES FORMING PART OF THE ACCOUNTS

20

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat

Date : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman
Raj Kumar Somani Managing Director

Place : Surat

Date : 1st August, 2007

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS (CONSOLIDATED)

	Schd. No.	As At 31.03.07	As At 31.03.06
SHARE CAPITAL :			
AUTHORISED	1		
2,00,00,000 Equity Shares Of Rs. 10/- Each & 50,00,000 (FIFTY LACS) 6% Non Convertible Preference shares of Rs. 10/- Each		250,000,000	250,000,000
ISSUED, SUBSCRIBED & PAID UP		173,993,000	173,993,000
1,73,99,300 Equity Shares Of Rs. 10/- Each Fully Paidup.			
50,00,000 (FIFTY LACS) 6% Non Convertible Preference shares of Rs. 10/- Each		50,000,000	50,000,000
		223,993,000	223,993,000
RESERVE & SURPLUS :	2		
General Reserve		6,208,052	6,208,052
Capital Reserve		2,500,000	2,500,000
Balance In Profit & Loss Account		42,469,124	33,372,721
		51,177,176	42,080,773
SECURED LOAN :	3		
(1) Bank Of Baroda Cash Credit		93,245,253	26,230,696
(2) Bank Of Baroda Packing Credit (PCFC)		-	10,053,158
(3) Bank Of Baroda (FCNR Working capital Loan)		95,414,000	97,856,000
(4) Bank Of Baroda (Term Loan Rs.470.94 lacs in FCNR and Rs. 201.89 lacs in rupees)*		67,282,859	75,485,332
(5) Vehicle Loan*		2,505,139	3,522,660
(6)ECB From BOB NEW YORK *		135,964,950	139,444,800
*(Including Installments of Rs. 29.32 Lacs for term loan and Rs.8.96 lacs falling due Within One Year)			
Total		394,412,201	352,592,646
NOTE :			
(1) Working Capital borrowings (Item 1 to 3 above) are secured by way of hypothecation of all stock of raw materials, stock in process, finished goods and book debts.			
(2) Term Loan (Item No. 4 & 6) is secured by way of hypothecation of Machineries and hypothecation of stock as collateral security.			
(3) Vehicle Loan (Item No. 5) are secured by hypothecation of vehicles.			
(4) All the above facilities (Item No. 1 to 4 & 6) are further secured by mortgage of immovable properties of the Company. These facilities are collaterally secured by the personal guarantees of some of the directors of the company.			
UNSECURED LOAN :	4		
Agency Deposits		8,384,396	6,882,094
Loan From Corporate Bodies		28,487,220	25,835,382
Loan From Directors		6,986,792	1,272,955
		43,858,408	33,990,431

SCHEDULE - 5 : FIXED ASSETS

				GROSS BLOCK			DEPRECIATION			NET BLOCK	
Sr. No	Particulars	As At 01.04.2006	Addition	Deletion	As At 31.03.2007	As At 01.04.2006	For the Year	Adjust- ment	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
1	Land	2,356,255	-	-	2,356,255	-	-	-	-	2,356,255	2,356,255
2	Building	67,051,245	7,622,929	-	74,674,174	28,362,337	4,114,108	-	32,476,445	42,197,729	38,688,908
3	Plant & Machinery	670,646,580	35,090,976	-	705,737,556	287,240,738	29,699,225	-	316,939,963	388,797,593	383,405,842
4	Furniture, Fixture & Equipments	7,639,083	434,382	-	8,073,465	6,033,701	364,502	-	6,398,203	1,675,262	1,605,382
5	Vehicle	17,398,682	917,449	412,610	17,903,521	8,347,827	1,904,399	378,654	9,873,572	8,029,949	9,050,855
TOTAL		765,091,845	44,065,736	412,610	808,744,971	329,984,603	36,082,234	378,654	365,688,183	443,056,788	435,107,242
PREVIOUS YEAR		637,447,608	129,000,989	1,356,752	765,091,845	296,597,337	34,667,119	1,279,853	329,984,603	435,107,242	340,850,271

		Schd. No.	As At 31.03.07	As At 31.03.06
INVESTMENTS (AT COST)				
(A)	Other Than Trade - Quoted :-	6		
	500 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Petro Synthetics Ltd.		16,250	16,250
	100 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Tata Iron & Steel Co. Ltd.		14,905	14,905
	100 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Paras Petrofills Ltd.		1,000	1,000
	700 Fully Paid-up Equity Shres of Rs. 10/- each of M/s. Chandra Synthetics Ltd.		5,075	5,075
	400 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Haryana Petrochemicals Ltd.		6,200	6,200
	5000 Fully Paid-up Equity Shares of Rs. 1/- each of M/s. Paras Petro Chemicals Ltd.		17,000	17,000
	100 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Parasrampur Ind. Ltd.		1,050	1,050
	100 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Syntex Ltd.		2,025	2,025
	1000 Fully Paid-up Equity Shares of Rs. 2/- each of M/s Zee Telefilms Ltd.		260,778	-
	100000 Fully Paid-up Equity Shares of Rs. 1/- each of M/s. Alka Spinners Ltd.		148,180	148,180
	20000 Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Questfin Ltd.		137,543	137,543
	Investment in Mutual Fund		2,000,000	-
Total			2,610,006	349,228
(B)	Other Than Trade - Unquoted :-		2,610,006	349,228
Aggregate Book Value Of Investments				
Unquoted Cost			-	-
Quoted Cost			2,610,006	349,228
Market Value *			2,485,368	333,743

* To The Extent Available

Note : Quoted investments for which quotation are not available have been included in market value at the face value.

The following Shares and Bonds purchases and sold during the year.

Name of the Company	Nos. of Shares	Purchase Cost
Bank Of Baroda	2,000	470,173
Hindustan Lever Ltd.	13,213	3,142,055
Zee Telefilms Ltd.	1,000	260,778
Alka Spinners Ltd.	129,329	76,893
DCM Shriram Ltd.	1,000	112,046
Shree Precoa Ltd.	500	208,745
Mefcom Agro Ltd.	67,559	1,886,952
Ansal Hous. & Cons. Ltd.	400	121,449
Electrotherm India Ltd.	1,450	443,444
Reliance Com. Ltd.	1,700	710,489
Advani Hotels & Resorts Ltd.	300	47,583
Peninsula Land Ltd.	200	131,411
Maral Overseas Ltd.	10,000	199,287
Reliance Petro Ltd.	10,000	729,312
Hindalco Inds. Ltd	4,000	753,889
Gujarat Ambuja Cement Ltd.	5,000	488,015

	<u>As At 31.03.07</u>	<u>As At 31.03.06</u>
<u>INVENTORIES :</u>	7	
(As Taken, Valued, And Certified By The Management)		
Stores & Spares, Packing Material & LDO	61,511,584	51,620,676
Raw Material	31,246,002	17,182,665
Finished Goods	31,443,044	40,673,845
Work In Progress	105,683,636	31,057,138
Total	229,884,266	140,534,324

<u>SUNDRY DEBTORS :</u>	8	
(Unsecured Considered Good)		
(a) Over Six Months	-	-
(b) Other Debts	57,755,002	51,428,894
Total	57,755,002	51,428,894

<u>CASH AND BANK BALANCES :</u>	9	
Cash On Hand	323,008	378,713
Balances With Scheduled Banks In Current Accounts	2,464,230	1,197,397
In Fixed Deposit Accounts / Margin Account	-	3,061,500
Total	2,787,238	4,637,610

Note: Fixed deposits aggregating Rs. Nil (P.Y. 3,061,500) lodged with bank as margin money for the issue of guarantees and letter of credits.

<u>LOANS & ADVANCES :</u>	10	
Advances (Recoverable In Cash Or In Kind or for value to be received)	20,530,343	15,953,151
T.D.S. Receivable & Advance Income Tax	5,370,385	1,134,352
Advance To Staff	768,543	331,493
Prepaid Expenses	1,155,963	1,092,944
Modvat Receivable	46,980,490	26,717,946
Vat Recivable	674,573	2,111,098
MAT Credit	3,194,178	-
Balance With Excise Dept. (PLA)	8,763	21,263
Sundry Deposits	5,580,905	1,150,037
Total	84,264,141	48,512,284

	Schd. No.	As At 31.03.07	As At 31.03.06
<u>CURRENT LIABILITIES & PROVISIONS :</u>	11		
A) CURRENT LIABILITIES			
Sundry Creditors For Goods & Expenses		44,092,745	20,778,907
Other Liabilities & TDS Payable		6,260,860	5,311,724
Advance Received from customer		798,685	1,618,986
Provision For Unpaid Dividend & Dist. Tax		5,095,802	-
B) PROVISION			
Prov. For Fringe Benefit Tax		183,815	82,655
Prov. For Taxation		5,636,339	1,130,000
		<u>62,068,246</u>	<u>28,922,272</u>
Total			
Schedules To And Forming Part Of The Accounts			
<u>SALES :</u>	12		
Yarn Sales		1,095,180,072	69,618,961
Export Sales		79,384,882	23,375,229
Fabric Sales		28,106,278	43,702,405
Menthol Product Sales		10,702,570	-
Wastage Sales (net)		1,787,942	1,493,560
		<u>1,215,161,744</u>	<u>938,190,155</u>
Total			
Less : Excise Duty		90,248,555	116,319,484
Net Sales		<u>1,124,913,189</u>	<u>821,870,671</u>
<u>OTHER INCOME :</u>	13		
Dividend Received		303,359	3,163
Brokerage and Commission		1,314,997	-
Profit on Sale of Shares & Commodities		1,656,376	4,277,414
Profit on Sale of Fixed Assets		49,044	340,528
MISC. Income		150	351,433
Exchange Difference		1,393,171	993,384
Claim Received		8,225,884	-
Interest Received :			
On Fixed Deposit		757,012	660,414
Others		-	-
		<u>13,699,993</u>	<u>6,626,336</u>
Total			
<u>RAW MATERIAL CONSUMED :</u>	14		
Opening Stock		17,182,665	28,169,065
Add : Purchase (Net)		930,601,476	623,192,044
		<u>947,784,141</u>	<u>651,361,109</u>
Less : Closing Stock		31,246,002	17,182,665
		<u>916,538,139</u>	<u>634,178,444</u>
Total			

	Schd. No.	As At 31.03.07	As At 31.03.06
<u>MANUFACTURING EXPENSES :</u>	15		
Power & Fuel		57,130,119	40,740,433
Labour & Security Expenses		228,407	357,483
Packing Materials		21,757,807	20,783,963
Stores and Spares		4,158,791	7,709,840
Freight and Octroi		1,494,636	606,697
Repairs to Plant & Machineries		953,734	866,520
Repairs to Factory Building		164,265	89,649
Factory Expenses		80,250	69,775
Job Charges		87,089	19,482,571
Rent		-	-
Total		86,055,098	90,706,931
<u>ADMINISTRATIVE & OTHER EXPENSES :</u>	16		
Rent, Rates and Taxes		42,144,986	20,039,160
Vat & Income Tax		6,877	-
Postage, Telegram And Telephone Expenses		1,053,337	518,595
Printing And Stationary		624,770	438,472
Insurance Expenses		3,078,953	2,959,266
Electricity Expenses		183,855	181,570
Legal & Professional Expenses		1,077,402	986,615
Travelling And Conveyance		473,159	541,707
Vehicles Expenses		8,894,961	5,008,639
Director's Remuneration		540,000	663,000
Auditor's Remuneration		288,837	211,415
Membership And Subscription		20,314	19,272
Donation		32,075	5,200
Other Repairs		179,916	183,325
Office And General Expenses		194,005	98,650
Loss On Sale of Investment (Net)		-	-
Loss On Sale Of Fixed Assets (Net)		-	-
Loss on goods damage in transit		-	724,300
Local Development Tax Written Off		1,061,409	-
Total		59,854,856	32,579,186
<u>SALARY , WAGES AND BENEFIT TO EMPLOYEES :</u>	17		
Wages, Salaries & Bonus Cont. To P.F. & F.P. F.		7,284,855	5,316,861
Welfare And Other Expenses		163,850	267,757
Total		7,448,705	5,584,618
<u>FINANCIAL CHARGES :</u>	18		
Interest To : Banks & Financial Institution		32,927,140	19,728,187
Bank Charges & Guarantee Commission		2,386,564	1,645,231
Others		748,825	444,145
Total		36,062,529	21,817,563
<u>SELLING & DISTRIBUTION EXPENSES :</u>	19		
Commission, Brokerage & Discount		2,333,479	1,423,986
Carriage Outward & Shipment Charges		6,746,958	496,099
Sales Promotion		677,845	95,614
Total		9,758,282	2,015,699

SCHEDULE 20 : NOTES ON ACCOUNT

Significant Accounting policies and notes to the consolidated financial statements.

1) Significant Accounting policies :

Significant Accounting policies adopted in the preparation and presentation of the consolidated financial statement are as below :

- a. **Basis of accounting :** The financial statement are Prepared under historical cost convention on an accrual basis Financial Statement of a foreign subsidiary company prepared in accordance with the Accounting Standard of that country have in recast for the purpose of consolidation with indian parents.
- b. **Fixed Assets :** Fixed Assets are stated at cost of acquisition (net of Modvat) or construction less accumulated depreciation. Cost comprises of purchase price and all other attributable cost for bringing the asset to its working condition for its intended use.
- c. **Depreciation :** Depreciation is provided on fixed assets (except land) on written down value method at the rates specified in schedule XIV to the companies Act, 1956 except on trucks, addition in the vehicle from 01.04.2003, cater pillar D.G. Sets one Himson Texturising machine and additions in plant & machinery from 01.04.2002, where depreciation has been provided on straight line methods as per schedule XIV to the companies Act, 1956.

In case of subsidiary company no depreciation has been provided as all assets were not in use and sold during the year.

- d. **Consolidated of Accounts :** These accounts comprise a consolidated of the accounts of Sumeet Industries Ltd. and its subsidiary Somani Industries Nepal Pvt. Ltd.

All Inter Company transactions, balances, unrealised surpluses and deficits on transactions have been eliminated.

- e. **Goodwill / Capital Reserve :** Since the Somani Industry Nepal Pvt. Ltd. has been incorporated by issuing 1,60,000 share at face value of Rs. 100 per share so there is no Goodwill or Capital Reserve.

f. Inventories :

- (a) Stores & Spares and fuel Oil : At Cost
- (b) Raw Material : At Cost
- (c) Goods in Transit (Raw Mat.) : At Cost
- (d) Work-in-Progress : At Cost plus procurement charges
- (e) Finished Goods : At Cost or Net Realisable value which ever is lower.
- (f) Wastage : At Net Realisable Value
- (g) Cost of inventories is ascertained on the "First-in-First-Out" basis.

g. Income Tax :

Tax expenses for the year, comprising current tax and deferred tax is included in deterring the net profit for the year. Deferred tax asset and liabilities are recognized for the future tax consequences of temporary difference between the carrying value of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgement that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary difference are expected to be reviewed or settled. This Accounting Standard 22 Accounting for Taxes on Income is not applicable to Subsidiary company.

h. Segment Accounting :

The Accounting Standard 17 Segment Accounting is not applicable to Subsidiary company.

- i. **Minority Interest :** Since the company holding 100% share in subsidiary company there is no Minority Interest.

j. Earnings Per share :

Net profit attributable to share holder	32559015	8835428
Number of equity share	17399300	17399300
Earning per share of Rs 10 each	1.87	0.51

- k. Cash Flow statement is as per Annexure "A"

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI

Proprietor
M. NO. 200/24612

Place : Surat
Date : 1st August, 2007

For and on behalf of Board of Directors

Shankarlal Somani Chairman
Raj Kumar Somani Managing Director

Place : Surat
Date : 1st August, 2007

Annexure A
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	2006-07		2005-06	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and Extraordinary Items		48257348		13606171
Adjustment For :				
Depreciation	36082234		34667119	
Interest Income	-757012		-660414	
Dividend Income	-303359		-3163	
Miscellaneous expenditure written off	0		8860	
Profit / Loss on Sale of Fixed Assets	-49044		-340528	
Profit / Loss on Sale of Investments	-1656376		-4277414	
Interest Paid	33675965		20172332	
		66992408		49566792
Operating Profit before Working Capital Changes		115249756		63172963
Adjustment For :				
Trade & Other Receivables	-42077965		5824027	
Inventories	-89349942		-43625592	
Trade Payables and Other Liabilities	33145974	-98281933	8286533	-29515032
Cash Generated From Operations		16967823		33657931
Interest Paid	-33675965		-20172332	
Provision For Taxation	-2625976		-1212655	
Previous Year Taxation	-112410	-36414351	-37180	-21422167
B. NET CASH FLOW FROM OPERATING ACTIVITIES (A)		-19446528		12235764
CASH FLOW FROM INVESTING ACTIVITIES :				
Income Form sale of investments:				
Interest Income	757012		660414	
Dividend Income	303359		3163	
Purchases of Fixed Assets	-18780142		-63102563	
Sale of Fixed Assets	83000		468125	
Purchase / Sale of Investment	-604402		4459496	
C. NET CASH FLOW FROM INVESTING ACTIVITIES (B)		-18241173		-57511365
CASH FLOW FROM FINANCING ACTIVITIES :				
Increase in borrowings	54449868		43258334	
Increase in Term Loan	-2762336		-	
Increase in share capital	7500000		-4456509	
Dividend Payments	-23350200		NIL	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		35837332		38801825
Net Increase in Cash & Cash equivalents (A+B+C)		-1850372		-6473776
Cash and Cash equivalents as on 1 st April, 2005		4637610		11111386
Cash and Cash equivalents as on 31 st March, 2006		2787238		4637610

Note: Figures in brackets indicate cash outflows.

Place : Surat

For and on behalf of Board of Directors

Dated : 1st August, 2007

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

AUDITORS REPORT :

We have examined the above cash flow statement of the SUMEET INDUSTRIES LIMITED for the year ended 31st March, 2007. The Statement has been prepared by the company in accordance with the requirements of listing Agreement clause 32 With Bombay Stock Exchange and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report dated 1st August, 2007 to the members of the company

Place : Surat

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Dated : 1st August, 2007

SOMANI INDUSTRIES (NEPAL) PVT. LTD.
AUDITORS' REPORT

TO THE SHAREHOLDERS OF
SOMANI INDUSTRIES (NEPAL) PVT. LTD.

We have audited the attached Balance Sheet of M/s Somani Industries Nepal Pvt. Ltd. as on 31st March, 2007 and Profit & Loss Account of the company for the year ended on that date from the books, records and other documents as maintained by the Company and report that :-

In our opinion.

- a) We have obtained information and the explanation required for the purpose of our audit .
- b) The Balance Sheet, Profit and Loss Account are presented as required under the Company Act, 2053 and conform to the accounts maintained by the company.
- c) The Accounts and records of the company have been maintained in accordance with the law.
- d) To the best of our information and according to the explanation given to us and read with the attached Notes on Accounts, the Financial Statements give true & fair view, in the case of Balance Sheet, the financial position of the company as at 31st March, 2007 and in the case of Profit and Loss Account and Cash Flow Statement, the operational result and cash flow for the period ended on that date.
- e) To the best of our information and according to the explanation given to us, the Board of Directors or the representative or any employee of the company has not acted contrary to the provisions of the law relating to accounts, nor caused direct loss or damage to the company or misappropriated the funds of the company.

For, **J.P. Khandelwal & Co.**
Chartered Accountants

Place : BIRGUNJ (NEPAL)
Dated : 31-7-2007

J. P. Khandelwal
Proprietor

SOMANI INDUSTRIES (NEPAL) PVT. LTD.
BALANCE SHEET AS AT 31 ST MARCH, 2007 (NEPAL)

Sr. No.	PARTICULARS	Schedule	Amount (NRS) As On 31.03.07	Amount (NRS) As On 31.03.06
I.	SOURCES OF FUND			
1	Shareholders' Fund			
a)	Share Capital	A	16,000,000.00	16,000,000.00
b)	Reserve & Surplus	B	-	-
2	Loans Fund			
a)	Unsecured Loan	C	-	111,250.00
	Total		16,000,000.00	16,111,250.00
II.	APPLICATION OF FUND			
1	Fixed Assets	D	-	-
2	Current Assets, Loans & Advances			
a)	Closing Stock	E	-	-
b)	Sundry Debtors	F	-	-
c)	Cash & Bank Balance	G	361,345.62	43,829.65
d)	Loans & Advances	H	11,304,881.28	13,461,186.55
e)	L/C Margin		-	-
	Total Current Assets		11,666,226.90	13,505,016.20
	Less : Current Liabilities & Provisions	I	12,839.26	-
	Net Current Assets		11,653,387.64	13,505,016.20
3	Miscellaneous Expenditure			
	(To the Extent not Written off or adjusted)		-	-
4	Profit & Loss A/c. : (Net Loss)		4,346,612.36	2,606,233.80
	Total		16,000,000.00	16,111,250.00

As per our Report of even date attached
For, **J.P. Khandelwal & Co.**
Chartered Accountants

Accountant

Director

Director

J. P. Khandelwal
Proprietor

Place : BIRGUNJ (NEPAL)
Dated : 31-7-2007

SOMANI INDUSTRIES (NEPAL) PVT. LTD.**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

Sr. No.	PARTICULARS	Schedule	AMOUNT (NRS) AS ON 31.03.07	AMOUNT (NRS) AS ON 31.03.06
I. INCOME				
a)	Sales of Goods	J	-	-
	less: Cost of sales	K	-	-
b)	Other Income	K1	-	538,983.88
	Total		-	538,983.88
II. EXPENDITURE				
a)	Manufacturing Expenses	L	-	14,170.00
b)	Administrative Expenses	M	1,740,378.56	5,268.00
c)	Selling & Distribution Expenses	N	-	-
d)	Financial Expenses	O	-	9,699.03
	Total		1,740,378.56	29,137.03
Net Profit (Loss) before Income Tax (I)- (II)			(1,740,378.56)	509,846.85
Income Tax			-	-
Net Profit (Loss)			(1,740,378.56)	509,846.85
Previous Year Profit (Loss) Balance			(2,606,233.80)	(3,116,080.65)
Balance Transferred to Balance Sheet			(4,346,612.36)	(2,606,233.80)

As per our Report of even date attached
For, **J.P. Khandelwal & Co.**
Chartered Accountants

Accountant

Director

Director

J. P. Khandelwal
Proprietor

Place : BIRGUNJ (NEPAL)
Dated : 31-7-2007

SOMANI INDUSTRIES (NEPAL) PVT. LTD.
SCHEDULE FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT
(FOR THE YEAR ENDED 31ST MARCH, 2007) NEPAL

Schd.	PARTICULARS	AMOUNT (NRS) AS ON 31.03.07	AMOUNT (NRS) AS ON 31.03.06
A	<u>SHARE CAPITAL :</u>		
	Authorised Share Capital		
	867000 Equity Share of Rs.100 each	86,700,000.00	86,700,000.00
	Issued & Subscribed share Capital		
	280000 Equity Share of Rs.100 each	28,000,000.00	28,000,000.00
	Paid-up Share Capital		
	160000 Equity Share of Rs.100 each	16,000,000.00	16,000,000.00
	Total	16,000,000.00	16,000,000.00
B	<u>RESERVE & SURPLUS :</u>		
	Balance B/F	-	-
	Net Profit for the year	-	-
	Total	-	-
C	<u>UNSECURED LOAN :</u>		
	From Directors	-	111,250.00
	Total	-	111,250.00
D	<u>FIXED ASSETS :</u>		
	Gross Block	-	-
	Depreciation	-	-
	Net Block	-	-
	Total	-	-
E	<u>CLOSING STOCK :</u>		
	Raw Material	-	-
	Packing Material	-	-
	Finished goods	-	-
	Total	-	-
F	<u>DEBTORS (For) :</u>		
	Domestic Sales	-	-
	Export Sales	-	-
	Total	-	-
G	<u>CASH & BANK BALANCE :</u>		
	Cash in Hand	319,328.50	1,812.53
	Cash at Bank :-		
	Nepal SBI Bank Ltd- Kathmandu	13,221.14	13,221.14
	Nepal SBI Bank Ltd-Birgunj	28,795.98	28,795.98
	Cheque in transit	-	-
	Total	361,345.62	43,829.65
H	<u>DEPOSITS, LOANS & ADVANCES :</u>		
	Loan to Parties (inc. Sumeet Ind. Ltd.)	10,675,928.60	11,122,976.40
	Security Deposit	-	-
	VAT Receivable	462,489.00	473,492.31
	Bank Guarantees	-	-
	Deposit (Dept. of Industries)	20,000.00	20,000.00
	Other Advances	-	-
	Local Development Tax	-	1,698,254.16
	Advance Income tax & Special tax	146,463.68	146,463.68
	Total	11,304,881.28	13,461,186.55
I	<u>CURRENT LIABILITIES & PROVISIONS :</u>		
	Sundry Creditors	-	-
	Audit Fees Payble	5,000.00	-
	Tax Deducted at Sources	7,839.26	-
	Interest Payble	-	-
	Office Rent Payable	-	-
	Total	12,839.26	-

Schd.	PARTICULARS	AMOUNT (NRS) AS ON 31.03.07	AMOUNT (NRS) AS ON 31.03.06
J	<u>SALES OF THE GOODS :</u>		
	Export Sales	-	-
	Domestic Sales	-	-
	Wastage & Scrap Sales	-	-
	Raw Material Sales	-	-
	Total	-	-
K	<u>COST OF SALES :</u>		
	Raw Material Consumed :-	-	-
	Opening Stock of Raw Material	-	-
	Add : Cost of Raw Material Purchase (POY)	-	-
	Less : Closing Stock of Raw Material	-	-
	Add : Opening Stock of Finished Goods	-	-
	Less : Closing Stock of Finished Goods	-	-
	Total	-	-
K1	<u>OTHER INCOME :</u>		
	Profit on sale of Machinery	-	11,882.47
	Misc. Income (Sales From Scrap etc.)	-	527,101.41
	Interest on Loan From Parties	-	-
	Total	-	538,983.88
L	<u>MANUFACTURING EXPENSES :</u>		
	Preliminary Exps (Written off)	-	14,170.00
	Packing Material Consumed	-	-
	Stores Consumable	-	-
	Local Development Tax on Raw Material	-	-
	Electricity Exps.	-	-
	Freight & Octroi	-	-
	Clearing & Commission	-	-
	Loading & Unloading Exps.	-	-
	Insurance Exps.	-	-
	Power & Fuel	-	-
	Labour Charges	-	-
	Inward Transportation	-	-
	Repairing & Maintenance of M/c	-	-
	Total	-	14,170.00
M	<u>ADMINISTRATIVE EXPENSES :</u>		
	Salary & Allowance	-	-
	Travelling Expenses	-	-
	Printing & Stationary	-	-
	Office Exps.	-	-
	Consultancy Charges	-	-
	Legal Exps.	-	-
	Director's Sitting Fees	-	-
	Director's Remuneration	-	-
	Audit Fees	5,000.00	5,000.00
	Postage & Telegrams	-	-
	Subscription & Donation	-	-
	Staff Welfare	12,000.00	-
	General Exps.	14,121.09	268.00
	Repairing & Maintenance Exps.	-	-
	Local Development Tax Recivable W.Off.	1,698,254.16	-
	VAT Penalty	11,003.31	-
	Total	1,740,378.56	5,268.00

Schd. No.	PARTICULARS	AMOUNT (NRS) AS ON 31.03.07	AMOUNT (NRS) AS ON 31.03.06
N	<u>SELLING & DISTRIBUTION EXPENSES :</u>		
	Advertisement	-	-
	Certificate of Origin Charges	-	-
	Custom duty on Export	-	-
	Forwarding & Commission	-	-
	Transportation	-	-
	Total	-	-
O	<u>FINANCIAL CHARGES :</u>		
	Bank Charges	-	9,680.49
	Interest on Unsecured Loan	-	18.54
	TOTAL	-	9,699.03

As per our Report of even date attached
For, **J.P. Khandelwal & Co.**
Chartered Accountants

Accountant

Director

Director

J. P. Khandelwal
Proprietor

Place : BIRGUNJ (NEPAL)
Dated : 31-7-2007

SCHEDULE : P

Annexed to and forming part of Balance Sheet as at 31st March, 2007.

NOTES TO ACCOUNTS :-

A) ACCOUNTING POLICIES :

Significant accounting policies are summarized below :

1. Accounting Conversion :

The accounts have been prepared in accordance with Historical Cost convention.

2. Fixed Assets and Depreciation :

All the Fixed Assets has been sold and there is no Fixed Assets at the end of year.

3. Inventories :

No inventory at the end of year.

4. Miscellaneous Expenditure :

Preliminary expenses are amortised over a period of five year.

B) BALANCE SHEET AND PROFIT & LOSS ACCOUNT :

As there was no business activity during the year as such surplus fund lying with the company has given to holding company as advance and no interest charged on that advance.

As per our Report of even date attached
For, **J.P. Khandelwal & Co.**
Chartered Accountants

Accountant

Director

Director

J. P. Khandelwal
Proprietor

Place : BIRGUNJ (NEPAL)
Dated : 31-7-2007

SUMEET INDUSTRIES LIMITED

504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India.

ATTENDANCE SLIP

ANNUAL GENERAL MEETING - 29.09.2007

Regd. Folio No. No. of Shares held

I certify that I am a registered shareholder/Proxy for the registered shareholder of the Company.

I hereby record my presence at the 19th ANNUAL GENERAL MEETING of the Company at Conference Hall, Bombay Market, Umarwada, Surat - 395 010 on Saturday the 29th September, 2007

Member's/Proxy's Name in Block Letters_____
Signature of Member / Proxy

Note : Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL.

Tear Here

SUMEET INDUSTRIES LIMITED

504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India.

PROXY FORMRegd. Folio No. No. of Shares held

I/We _____
of _____ in the District
of _____ being a member/members of
the above named Company hereby appoint _____
or failing to him/her _____
of _____ in the District of _____
as my/our proxy to vote for me/our behalf at the 19th ANNUAL GENERAL MEETING of the company to be held on
Saturday the 29th day of September, 2007 at 10.00 a.m. any adjournment(s) thereof.

Signed this _____ day of _____ 2007.

Signature _____

Affix
1 Rupee
Revenue
Stamp

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited the Registered office of the Company, not less than 48 hours before the meeting.

BOOK-POST

To,



If Undelivered please return to :

SUMEET INDUSTRIES LIMITED

504, Trividh Chambers,
5th Floor, Opp. Fire Brigade Station,
Ring Road, Surat-2 (Guj.) India.