



Rajvir Industries Limited

BOARD OF DIRECTORS

Sri U.K Agarwal	Managing Director
Sri Ritesh Kumar Agarwal	Executive Director
Sri R.K.Agarwal	Director
Sri Vijay Kumar Gupta	Director
Sri S.N.Daga	Director

GENERAL MANAGER(FIN) & COMPANY SECRETARY

Sri Raman Subbaiah

AUDITORS

M/s S.Daga & Co
Hyderabad

BANKERS

Industrial Development Bank of India
State Bank of India
State Bank of Hyderabad
State Bank of Mysore
State Bank of Bikaner & Jaipur

REGISTERED OFFICE

1st Floor, Surya Towers
105, Sardar Patel Road
Secunderabad 500003

FACTORY OFFICES

1. Pillallamarri Road
Mahabub Nagar.
Andhra Pradesh-509002
2. Sy. No. 17 a & 20b,
Gopanpalli Village, Gouthapur Grampanchayat
Tandur Tehsil, R R Dist
Andhra Pradesh

DYEING PLANT

Edira Village
Mahabubnagar Dist.
Andhra Pradesh-5090 02

SALES DEPOT

TIRPUR - 641 604.



NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the Members of Rajvir Industries Limited will be held on Wednesday the 27th September at 3.00 P M at FAPCCI premises, 11-6-841, Red Hills, Hyderabad-500004 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2006, and the Balance sheet as on that date and the reports of the Directors and Auditors thereon.
2. To declare a dividend on the equity shares of the company for the period ended 31st March 2006
3. To appoint a director in place of Sri. U K Agarwal, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a director in place of Sri Ravinder Kumar Agarwal, who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint M/s. S.Daga & Co, chartered Accountants as Auditors of the company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS A SPECIAL RESOLUTION:

“RESOLVED THAT in supercession of the resolution passed by the members in the General Meeting held on 25th April 2005 and pursuant to the provisions of sections 198, 269, 309, 314 and other applicable provisions, if any, of the companies Act, 1956 read with schedule XIII thereof as amended upto date and consent of the Company be and is hereby accorded for revision of the remuneration to Sri U K Agarwal , Managing Director for a period of three years i.e. from 1.04.2006 to 31.03.2009 as under

1. SALARY: Rs. 2,88,000/- per month

2. COMMISSION

At the rate of 1% of the Net Profit of the Company or 50% of annual salary whichever is lower.

3. PERQUISITES



Rajvir Industries Limited

In addition to the salary, the following perquisites shall be allowed to the Managing Director and be within the overall ceilings of the provisions prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time.

CATEGORY - A

- (i) **HOUSING :**
Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.
- (ii) **MEDICAL REIMBURSEMENT :**
Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.
- (iii) **LEAVE TRAVEL CONCESSION :**
For self and family once in a year incurred in accordance with the Rules of the Company.
- (iv) **CLUB FEES :**
Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- (v) **PERSONAL ACCIDENT INSURANCE:**
Of an amount the premium of which shall not exceed Rs.4,000/- per annum.

CATEGORY - B

- i) Contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
- ii) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.

CATEGORY - C

- i) The Company shall provide a Car with driver and a telephone at the residence.

Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

In the absence of or inadequacy of profits in any year Sri U.K.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956."



Rajvir Industries Limited

7. TO CONSIDER, AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS A SPECIAL RESOLUTION:

"RESOLVED that in supercession of the resolution passed by the members in the General Meeting held on 25th April 2005 and pursuant to the provisions of sections 198, 269, 309, 314 and other applicable provisions, if any, of the companies Act, 1956 read with schedule XIII thereof as amended upto date and consent of the Company be and is hereby accorded for revision of the remuneration to Sri Ritesh Kumar Agarwal, Executive Director for a period of three years i.e. from 1.04.2006 to 31.03.2009 as under

i) SALARY: Rs. 240000/- per month

ii) COMMISSION

At the rate of 1% of the Net Profit of the Company or 50% of annual salary whichever is lower.

iii) PERQUISITES

In addition to the salary, the following perquisites shall be allowed to the Executive Director and be within the overall ceilings of the provisions prescribed under Schedule XIII of the Companies Act, 1956, as amended from time to time.

CATEGORY - A

(i) HOUSING:

Rent free furnished residential accommodation with all facilities and amenities including such services as gas, electricity, water, etc., or HRA to the extent of 30% of the salary.

(ii) MEDICAL REIMBURSEMENT:

Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

(iii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with the Rules of the Company.

(iv) CLUB FEES:

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

(v) PERSONAL ACCIDENT INSURANCE:

Of an amount the premium of which shall not exceed Rs.4, 000/- per annum.

CATEGORY - B

(1) Contributions by the Company to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.

(2) Payment of gratuity subject to an amount equal to half month's salary for each completed year of service.



CATEGORY - C

- i) The Company shall provide a Car with driver and a telephone at the residence.
Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

In the absence of or inadequacy of profits in any year Sri Ritesh.K.Agarwal be paid the above remuneration as minimum remuneration subject to provisions of Part II of Schedule XIII of the Companies Act, 1956."

8. TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION (S) AS AN ORDINARY RESOLUTION

"RESOLVED THAT THE company do hereby approve in terms of Section 293 (1)(a) and other applicable provisions if any, of the Companies Act, 1956 the mortgaging and/or charging by the Board of Directors of the Company of all movable and immovable properties of the Company wheresoever situate, present and future, of the whole of the undertaking of the company together with the power to takeover the management of the business and concern of the company in certain events to or in favor of Industrial Development Bank of India (IDBI)/ State Bank of India (SBI) as regards the Mahabubnagar Unit including Dyeing plant at village Edira and State Bank of Hyderabad/State Bank of Bikaner and Jaipur/UTI Bank Ltd., as regards the Tandur unit including the items of Machinery specifically financed by said institutions located at the Mahabubnagar Unit including the Dyeing Plant at village Edira, to secure the Rupee Term Loans / Non Convertible Debentures privately placed / Foreign Currency Loans sanctioned by them on FIRST CHARGE BASIS with first charge holders of Mahabubnagar Unit holding Second charge on Tandur Unit and Vice Versa and on

SECOND CHARGE BASIS TO:

- a) State Bank of India (SBI) of its additional working capital facilities aggregating Rs.2910 lakhs;
- b) State Bank of Hyderabad (SBH) of its additional working capital facilities aggregating Rs.970 Lakhs;
- c) State Bank of Mysore (SBM) of its additional working capital facilities aggregating Rs.970 lakhs;

With interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, cost, charges, expenses and other monies, payable by the Company vide its loan agreement(s) entered into by the Company.

Provided that the above mortgage in favor of SBI/SBH/SBM shall rank second and subservient to the charges created / to be created by the Company in favour of IDBI/ SBI/SBH/SBBJ/UTI to secure the term loans sanctioned by them/Debentures privately placed with them.

"RESOLVED FURTHER THAT the Company does hereby authorize the Board to take all necessary steps for the execution of the documents for the creation of the aforesaid mortgage/charge."



Rajvir Industries Limited

9. TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION(S) AS AN ORDINARY RESOLUTION:

“RESOLVED that in supercession of the resolution passed in the General meeting held on 25.04.2005 that the consent of the company be and is hereby accorded in terms of section 293(1)(d) and other applicable provisions, if any, of the companies Act, 1956 to the Board of Directors of the company to raise or borrow from time to time from Companies Bankers or Financial Institutions or from else where on such terms and conditions as to repayment or interest or otherwise as it thinks fit such sums as may be necessary for the purpose of the company's business in excess of the paid up capital and free reserves of the company that is to say the reserves not set a part for any specific purpose, provided however that the total amount of such borrowings together with the monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of Business) in aggregate shall not exceed at any time a sum of Rs.300 Crores.”

BY ORDER OF BOARD
for RAJVIR INDUSTRIES LIMITED

Place : Secunderabad
Date : August 31, 2006

(RAMAN SUBBAIAH)
GENERAL MANAGER(Fin) & COMPANY SECRETARY

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend on a poll to vote instead of himself and such proxy need not be a member.
2. The instrument appointing a proxy should however be deposited at the Registered Office of the company not less than 48 hours before the meeting .
3. The Register of members and share transfer books will remain closed from 24-09-2006 to 27-09-2006 (both days inclusive) for payment of dividend if approved and for the purpose of Annual General Meeting.
The shares of the Company are listed in the stock Exchanges of Hyderabad, Bombay and National Stock Exchange of India and the listing fees is paid up to the 2006-2007
Members are requested to notify immediately any change of address to their depository participants in respect of their holdings in electronic form and to M/s. Sathguru Management and Consultants (P) Ltd Unit: Rajvir Industries Limited in respect of their physical folios if any.
4. Members are requested to bring their copy of annual report with them at the time of attending the Annual General Meeting.
5. Members desiring any further information as regards the accounts or operations of the company are requested to write to the company so as to reach at least one week prior to the date of meeting for consideration of the management to deal at the meeting.
6. The recent amendment to the Companies Act 1956 has provided for the facility of nomination to the holders of the shares/debentures/Fixed deposits in a company. Accordingly members can avail the facility of nomination in respect of their shares held either singly or jointly. Members desiring to avail this facility are requested to fill up the prescribed nomination form and send the same to the Registered Office of the Company.



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

Item Nos.6

Sri U.K.Agarwal was appointed as Managing Director in the Extra Ordinary General Meeting held on 25th April 2005 for a period of 5 years with effect from 1st April 2005 on a remuneration of Rs. 150000/- plus all applicable perquisites. The activities and responsibilities of the Managing Director have increased on account of continuous growth. Considering the increase in size and operations of the Company, the Remunerations Committee in its meeting held on 31st August 2006 and the Board in their Meeting held on 31st August 2006 passed a resolution approving and recommending the same to the members for their approval. The terms of increase in remuneration are set out in the Resolution. The Board of Directors recommends the same for the approval of members.

Sri. U.K. Agarwal, Sri. Ritesh K Agarwal and Sri. Ravinder Kumar Agarwal are interested in this resolution.

None of the other directors of the company is interested or concerned in the above. The Board recommends the resolution for approval of the members.

Item Nos.7

Sri Ritesh K Agarwal has been appointed as an Executive Director in the General Meeting held on 25th April 2005 for a period of 5 years with effect from 1st April 2005 with a remuneration of Rs.1, 25,000/- per month plus all applicable perquisites. Keeping in view the increase of operations and turn over, expansion of the Company and responsibilities being shouldered by the Executive Director the remuneration committee in their meeting held on 31st August 2006 and the Board in their Meeting held on 31st August 2006 approved the revision in the remuneration of the Executive Director subject to the approval of the members.

Sri. U.K.Agarwal, Sri. Ritesh K Agarwal and Sri. Ravinder Kumar Agarwal, are interested in this resolution.

None of the other directors of the company is interested or concerned in the above. The Board recommends the resolution for approval of the members.

Item No.8.

The Company was at the time of the Demerger allotted Loans under the Scheme from IDBI, SBI and IDBI Trusteeship Services Limited. After the effective date, Rajvir Industries Limited was sanctioned by the State Bank of India Term Loan for its Mahabubnagar Unit. During the course of the Year under review, the Company set up a new unit at Sy. No. 17 a & 20b, Gopanpalli Village, Gouthapur Grampanchayat, Tandur Tehsil, Ranga Reddy District with financial assistance by way of Term Loan from State Bank of Hyderabad and State Bank of Bikaner & Jaipur & UTI Bank Limited. Along with the Tandur Unit establishment, a part of sanctioned Term Loan was for used in Mahabubnagar Unit also. In view of this cross unit financing, the arrangement with the various institutions was that Lead Funding institutions/Banks of the Mahabubnagar Unit shall hold first charge over movable and immovable properties of said Unit and the lead funding institutions/Bankers of the Tandur Unit shall hold first charge on movable and immovable properties of the said Unit, further first charge over the movable and immovable properties specifically funded by the banks in the other unit also be provided. In addition to this the Lead institutions/Bankers of either units were to hold Second Charge on the other Unit for which they are not the lead funding institution/Bankers. The working capital bankers have second charge over the movable and immovable properties of the Company. The working capital bankers have second



Rajvir Industries Limited

they are not the lead funding institution/Bankers. The working capital bankers have second charge over the movable and immovable properties of the Company. The working capital bankers have second charge over these movable and immovable properties as an additional security. The Term Lenders/ Working Capital Bankers have now called upon the company to create a further mortgage over company's movable and immovable properties. The term lenders will have a pari passu unit wise respective First charge over this property and the working capital Bankers will have a second charge over this property. Sections 293(1)(a) of the companies Act, 1956 provides the inter alia that the Board of directors of a public Limited company shall not without a consent of such company in General Meeting, sell lease or otherwise dispose of the whole a substantially the whole of the under taking of the company. Since the mortgage by the company over the immovable properties as aforesaid in favour of Financial Institutions /banks may be regarded as the disposal of the companies properties /undertaking in certain events. It is necessary for the members to pass a resolution under section 293(1)(a) of the companies Act, 1956.

The Board recommends the resolution for the members' approval.

None of the directors is interested or concerned in the above resolution.

Item No.9

At the General Meeting of the company held on 25th April 2005 the Company had accorded its consent under section 293(1)(d) of the companies Act, 1956 to the directors for borrowing monies upto a limit of 100 Crores (excluding temporary loans obtained from companies bankers in the ordinary course of Business) Taking into account the rapid expansion Plan and the speed of Execution with further requirement of additional finance for future plans, it is proposed to increase the existing borrowing limits from Rs..100 Crores to Rs.300 Crores. This requires the consent of the members under section 293(1)(d) of the companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the directors is interested or concerned in the above resolution

BY ORDER OF BOARD
for RAJVIR INDUSTRIES LIMITED

Place : Secunderabad
Date : August 31, 2006

(RAMAN SUBBAIAH)
GENERAL MANAGER(Fin) & COMPANY SECRETARY



DIRECTORS' REPORT

To

The Members

Your Directors present their Second Annual Report on the business and operations of the Company and the financial results for the year ended 31st March 2006

OPERATIONS

(Rs. in lakhs)

	2005-2006	2004-2005
1.Sales and Other Income	12946.08	7694.36
2.Profit Before Interest and Depreciation	1757.29	681.95
3.Interest and Finance Charges	382.66	176.61
4.Depreciation	341.47	174.55
5.Profit after Interest and Depreciation	1033.16	330.79
6.Provision for Taxation		
a) Current Tax	94.50	26.00
b) Deferred Tax	126.94	111.62
7.Profit after Tax	811.72	193.17
Add profit b/fd from last year	894.42	793.46
	1706.13	986.63
APPROPRIATIONS		
1. Transferred to Debenture Redemption Reserves	150.00	-Nil-
2. Transferred to General Reserve	82.00	23.00
3. Dividend	121.40	60.70
4. Dividend Tax	17.03	8.51
5. Surplus Carried Forward to Balance Sheet	1335.71	894.42

During the year under review, in the first full year of operations after the demerger the company achieved a Gross turnover of Rs. 12946.08 Lakhs as against Rs. 7694.36 lakhs for the 7 month period of 2004-2005. The production during the year was 9762118 kgs. The Company has achieved a net profit during the year 811.72 lakhs as against Rs. 193.17 lakhs for the 7 month period of 2004-2005. Your Directors are happy to inform the members that during the year under review your Directors could identify a running unit at Italy which was contracted with and brought to India and your Directors expect the same to boost the performance of the Company during the financial year of 2006-07, as the Commercial Production at its Tandur Unit is expected to commence from middle of the financial year 2006-07. Your Directors expect a considerable increase in the turnover and increase in the Net profit of the company. .

DIVIDEND

In view of the improved performance of the Company during this year, your Directors are pleased to recommend a Dividend of 40% (Previous year 20% on 3 034997 equity shares) on the equity shares of the Company. The Board of directors have met on 31.08.2006 and are happy to declare a dividend @ 40% on the paid up capital of the company in respect of the financial year 2005-2006. The dividend will absorb a sum of Rs.138.43 inclusive of tax on dividend.



CAPITAL EXPENDITURE

Mahabubnagar Unit:

As a continuous process the Company has been increasing its capacity and balancing equipment and in this regard the spindleage has gone up from 50176 to 57568 as at 31st March 2006. Your Company could make the financial arrangement for the same and through a Term Loans from Bank and Financial Institutions to part fund the same during the period under Review and the results of which are already reflected in the current financial with full results being effects from next financial year. The Company has continued to focus on the Value addition, in turn leading to enhanced profitability

New Manufacturing facility at Tandur:

In line with the company Philosophy of making most while the textile industry is in the boom, your company has gone ahead and contracted with an Italian Company for Transfer and Sale of their Units located in Italy manufacturing Compact Yarn. The said project has been part funded by Banks and Financial institutions with a total project Cost of Rs.42 Crores. The said expansion is completed and the Commercial production is expected to start from the Month of September 2006. Your Company has established a separate unit at Sy. No. 17 a & 20b, Gopanpalli Village, Gouthapur Grampanchayat, Tandur Tehsil, Ranga Reddy District, where the said spindles are to be placed.

EXPORTS

During the year under review the Company has achieved Exports of Rs.22.21 crores

FIXED DEPOSITS

The Company has not invited /accepted any deposits from the public within the meaning of section 58 A of the companies Act, 1956

DIRECTORS

Pursuant to the provisions of Companies Act, 1956 and in terms of the Articles of Association of the company Sri U K Agarwal and Sri Ravinder Kumar Agarwal retire by rotation at the ensuing 2nd Annual General Meeting and being eligible offer themselves for reappointment.

Brief resume of the directors retiring by rotation, nature of their expertise in specific functional areas and names of the companies in which they hold the directorships and the membership/chairmanship of committees of the Board as stipulated under clause 49 of the listing agreement with the stock exchanges are given in the section of the Corporate Governance elsewhere in the Annual Report.

CORPORATE GOVERNANCE

As per the revised Clause 49 of the Listing Agreement on Corporate Governance, Management Discussion and Analysis Report forms part of the Annual Report. Further, a separate report on the Corporate Governance together with the Certificate from the Auditors of the Company regarding compliance of the Corporate Governance also forms part of the Annual Report. Details of retiring Directors (by rotation) mentioned elsewhere in Corporate Governance Report.

AUDITORS

The Auditors, M/s S Daga & Co., Chartered Accountants, Statutory Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to



Rajvir Industries Limited

accept the appointment and have confirmed that their appointment, if made, shall be in accordance with the provisions of section 224(1B) of Companies Act 1956.

COST AUDITORS

The Cost Accounts records maintained by the Company for the products manufactured are subject to yearly audit by qualified Cost Auditors. Your company has appointed M/s Parankusam & Co., Cost Auditors for conducting the audit of Cost Account Records for the year 2005-06.

AUDIT COMMITTEE

Details of Audit Committee are elsewhere given in the Corporate Governance Report.

ENVIRONMENT AND HUMAN RESOURCE DEVELOPMENT

Your Company takes utmost care to prevent and avoid any kind of Environment pollution and in this quest has built State of Art ETP plant at its dyeing unit. We would like to place on record our appreciation for the efforts made by the management and the keen interest taken by the Employees of your company in this regard.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

1. That the preparation of the annual accounts the applicable accounting standards has been followed and there has been no material departure;
2. That the selected accounting policies were applied consistently and the Directors 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 as at March 31, 2006 and of the Profit & Loss Account of the Company for the year ended on that date.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the annual accounts have been prepared on a going concern basis.

AUDITORS' QUALIFICATIONS

No qualifications were made by the Auditors in their report on the accounts for the year-ended 31.03.2006.

FIXED DEPOSITS

The Company has not invited/accepted deposits within the meaning of section 58 A of the companies Act, 1956



Rajvir Industries Limited

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

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure-I and form part of the Report.

EMPLOYEES

No employee was in receipt of remuneration in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 and hence the prescribed information is not required to be given.

ACKNOWLEDGEMENT

The Board of Directors is pleased to place on record their appreciation of the co-operation and support extended by, Banks and various State and Central Government Agencies. The Board would like to thank the Company's shareholders, customers, suppliers for the support and the confidence, which they have reposed in its management. The Board also wishes to place on record its appreciation of the valuable services rendered by all the employees of the Company.

for and on behalf of the Board of Directors

Place : Secunderabad
Date : August 31, 2006

(U.K. Agarwal)
Managing Director

(Ritesh.K. Agarwal)
Executive Director



ANNEXURE-I

ANNEXURE TO DIRECTORS' REPORT

Details as required under Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 read with clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken:
The Company has given priority for Energy Conservation in all its units, and it has put continuous efforts
- (b) To reduce consumption of energy the Company has taken steps of continuous monitoring for replacement of conventional electrical motors, etc. with improved technology.
- (c) The above measures have reflected in reduction of Energy Consumption during part of the year and full year benefits are expected to achieve in the ensuring Financial Year.

**FORM - A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :****A. Power and Fuel Consumption**

	2005-06	2004-05
1. Electricity:		
a) Purchased		
Units (in lakhs of KWH)	337.21	182.03
Total Amount (Rs. In lacks)	1113.00	617.14
Average Rate: (Rs./Unit)	3.30	3.39
b) Own Generation:		
Through Diesel Generators		
Units (in lakhs of KWH)	1.80	0.47
Units per Litre of Diesel Oil	3.03	2.80
Average Cost: Rs. / Unit	8.91	9.01
2. Coal (Rs. In lakhs)	31.05	6.76
3. Furnace Oil	Nil	Nil
4. Others	29.48	13.48
B. Consumption per Unit of Production		
Yarn Production (Kgs in lakhs)	97.62	62.10
Fibre Dyed (Kgs in lakhs)	11.44	3.36
Electricity (Units/Kg of Yarn)	3.47	2.94
Coal (Kgs/Kg of Dyed Fibre)	2.71	2.01

**FORM-B**

B. Form for Disclosure of particulars with respect to Technology Absorption: Nil

Research and Development (R&D):

The company is in a position to explore the development of new varieties of Yarn and with more Value addition.

C.FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports; incentives taken to increase exports; development of new export markets for production, service and service and new export plans:

Exports of the company has increased to Rs. 22.21 crores compared to Rs.4.41 Crores of previous year, to various countries like Hong Kong, Korea, Taiwan, Malaysia etc. The Company is exploring new markets for export of its products.

b) Expenditure in Foreign Currency during the year on account of:	2005-06 Amount (Rs)	2004-05 Amount (Rs)
I) Plant & Machinery - Imported (CIF Value)	210306107	2397000
ii) Raw Material (CIF Value)	--	72416743
iii) Stores and Spares (CIF Value)	--	13094
iv) Foreign Travel	1894005	44000
v) Export Commission	1763417	914398
c) Earnings in Foreign Exchange: FOB Value of Exports	213582129	42315705

For and on behalf of the Board of Directors

(U. K. AGARWAL)
Managing Director

Place: Secunderabad
Date : 31.08.2006

(RITESH K AGARWAL)
Executive Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS FORMING PART OF THE ANNUAL REPORT DISCUSSES BELOW THE FOLLOWING MATTERS WITH REFERENCE TO THE COMPANY'S BUSINESS VIZ., YARN.

INDUSTRY STRUCTURE, DEVELOPMENTS AND PRODUCT WISE PERFORMANCE

The Company manufactures Cotton & Blended Yarns in its Mahabubnagar Unit in Andhra Pradesh and Compact yarn at its proposed unit at Sy. No. 17 a & 20b, Gopanpalli Village, Gouthapur Grampanchayat, Tandur Tehsil, Ranga Reddy District, in Andhra Pradesh.

Textile Industry plays a significant role in the Indian Economy, constituting as it does 20% of its industrial production, 30% of export revenue and is its largest employer. The textile industry is extremely complex and diversified ranging from small-scale sector to highly sophisticated mills. The yarn industry comprises 2745 mills (including SSI) with installed spindleage of about 39.03 million. Three Fourths of the production in the spinning industry is from the private sector and the balance from the Cooperative / Public Sector units. Growth of the spinning industry achieved peak levels in 1990's.

After abolition of quotas, Indian Textile Exporters are facing pressure on prices, driven mainly by sharp fall in the prices of Chinese products. Though the big overseas textile buyers are approaching Indian textile buyers as an alternative to China, the drop in price demanded is up to 20%. Recognising the need for Indian Textile Industry to survive in the highly competitive global market, the Indian Government has provided incentives through Technology Up gradation Fund Scheme (TUFS), cut in Customs Duties for importing textile machinery, efforts towards rationalisation of domestic duties Government has also created support infrastructure for policy formulation, planning, export promotion and trade regulation in the textile sector.

The State Government in Andhra Pradesh has also taken steps to ensure better power supply and also establish attractive incentive electricity tariff to support the industry. The Company believes that this has opened up large opportunities for growth in textiles and clothing for India in general and in particular to the company.

The Company has continued to focus on production of high value added products like mélange, combed yarns, which in turn have contributed to the enhanced profitability of the company. In line with this thought the company has set up 24240 spindle compact and on the quality front, the Company has been able to achieve good quality standards for Yarn and garments. In fact, in terms of many productivity parameters, the object of the Company is to achieve a better rank. The Company is establishing a quality lab at the Tandur unit for a better Quality control

The Company has a modernised machinery to improve the quality of its products to meet the changing requirements and also the international market in the constantly changing market scenario. The Company has been exporting a variety of high value added yarns to various markets like U.S.A., Korea, Taiwan, Italy, Egypt, Spain, Mauritius and other countries. In the domestic market also, the Company has improved its supplies to the high-end quality market with improved realisations. The Company is reasonably confident of maintaining its steps in this direction. Your Unit at Tandur, which is expected to boost the resources of the company substantially.



OPPORTUNITIES, THREATS, RISKS AND CONCERNS:

The dismantling of quota regime represents both an opportunity as well as threat. For many of the developing countries including India, it is an opportunity. In the present textile situation, countries such as China, India, Pakistan form major textile manufacturing / exporting countries. All along the Indian yarn exports were restricted by quota restrictions to both US and EEC markets.

With the removal of quota restrictions, spinning mills now have free entry into both EEC and US markets. Indian mills are already familiar with yarn markets in Europe and there is scope for further increase in quantities. US yarn market is new to Indian Mills as India's yarn exports to USA were negligible all along. Further, studies now conducted shows excellent opportunity available for yarn exports to US also. During the first quarter January-March, 2005, USA has imported total of 19.55 Million Kgs of Combed Yarn, of this India's share was just about 0.36 Million Kgs. Even this quarter of 0.36 Million Kgs is substantial improvement over the earlier year period. In comparison, Pakistan has exported during the quarter January-March, 2005 about 5.79 Million Kgs. Thus, Indian mills have extra-ordinary scope in exporting yarn to US Markets.

Challenges of free quota trade

The quota dismantling has its own difficulties also. Earlier, countries such as USA and EEC had to necessarily buy from India for quota permitted. In view of the changed situation, the yarn importers would have right to choose the country of import, thus cost and quality would be important parameters. India may have several advantages of Raw Material availability, manpower availability. But still the manufacturing cost of India is still high compared to the major manufacturing countries i.e. China and Pakistan. Power, Interest factors form the major aspects for India's conversion cost being on the higher side. Reports suggest that China would be the major beneficiary of the free quota trade and it would be just impossible for India to match China. Yet, the Government of India and Industry have realized the aspects which need attention and country as a whole is hoping take advantages of the situation.

Material Developments in Human Resources / Industrial Relations Front, including number of people employed:

There are no material developments in the Human Resources area. The Industrial relations have been generally satisfactory. The Company constantly reviews the manpower requirements and has a properly equipped to take care of the requirements.

NOTE :

Readers are advised to kindly note that the above discussion contains statements about risks, concerns, opportunities, etc., which are valid only at the time of making the statements. A variety of factors known/unknown expected or otherwise may influence the financial results. These statements are not expected to be updated or revised to take care of any changes in the underlying presumptions. Readers may therefore appreciate the context in which these statements are made before making use of the same.

**CORPORATE GOVERNANCE REPORT****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Corporate Governance is crucial for the very existence of the Company as it builds confidence in its investors and other Shareholders. Corporate Governance means being responsive to aspirations of customers and expectations of the society. Your Company always strives for excellence in quality of goods and services with the objective of enhancing customer satisfaction and shareholders value.

Your Company continues to follow procedures and practices in conformity with the code of Corporate Governance as per the Listing Agreement. The Company has also outlined the procedures & practices of Corporate Governance that are followed and steps taken to ensure transparency, accountability and integrity.

We are committed to upgrade our system, processes and disclosure norms to achieve high standards Corporate Governance

2. BOARD OF DIRECTORS:

- a) Composition and category of directors as on 31.03.2006 / Number of other Board of Directors or Committees of which Member / Chairman.

Name of the Director	Category	No. Of other Directorships Board in Public Companies	No. Of other Board Committees of which Member	No. Of other Board Committees of which Chairman
U K Agarwal	Managing Director/ Promoter/Executive	Nil	Nil	Nil
Ritesh Kumar Agarwal	Executive Director/ Promoter	Nil	Nil	1
R. K. Agarwal	Non-Executive Director	2	2	1
Vijay Kumar Gupta	Non Executive Independent Director	1	3	1
S N Daga	Non Executive Independent Director	1	2	Nil



Rajvir Industries Limited

b) Number of Board of Directors Meeting held and the dates on which held. During Financial year ended 31/3/2006, 7 board Meetings were held on 30/06/2005, 8/8/2005, 16/9/2005, 29/10/2005, 16/11/2005, 6/12/2005, 31/1/06.

Attendance of each Director at the Board of Directors Meeting and the last Annual General Meeting.

Name of the Director	No. Of Board Meetings during the period April, 2005 to March, 2006		Attendance at the last Annual General Meeting Held on 31.12.2005
	Held	Attended	
U K Agarwal	7	7	Yes
Ritesh Kumar Agarwal	7	7	Yes
R. K. Agarwal	7	7	Yes
Vijay Kumar Gupta	7	7	Yes
S N Daga	7	4	No
**R. Surender Reddy	7	2	No
*C. Narsi Reddy	7	2	No

** Since Resigned

* Since expired

C. Reappointment Of Retiring Directors

As required by Clause 49 of the Listing Agreement on Corporate Governance particulars of the Directors being reappointed are provided hereunder.

Sl. No	Particulars	U K Agarwal	Ravinder K Agarwal
1	Designation	Managing Director	Director
2	Date of birth & Age	19.03.1951 & "55"	25.10.1948 & "58"
3	Education	BA	B.Sc
4	Other Directorship	None	Suryajyothi Spinning Mills Diamond Parentals Limited
5	Details	He has more than 2 decades of experience in the field of Spinning and was associated for 19 years with M/s Surya Lakshmi Cotton Mills Ltd in the capacity of Addl. Managing Director before he assumed charge as Managing Director of M/s Rajvir Industries Limited.	He has more than 3 decades of experience in the field of spinning and is currently the Managing Director of M/s Suryajyothi Spinning Mills Limited.



3. AUDIT COMMITTEE

a) Brief description of terms of reference

- i) Oversight of Company's financial reporting process and disclosure of financial information.
- ii) Review of financial statements before submission to Board.
- iii) Review of adequacy of internal control systems and internal audit functions.
- iv) Review of Company's financial and risk management policies

b) Composition, Name of Members and Chairperson

- 1) Sri Vijay Kumar Gupta - Chairman, Non-Executive & Independent Director
- 2) Sri Ravinder Kumar Agarwal - Member, Non-Executive Director
- 3) Sri S N Daga - Member, Non-Executive & Independent Director

c) Meetings and attendance during the year

During the financial year March 31, 2006, three Audit Committee Meetings were held on 29.10.05, 06.12.2005 and 30/01/2006.

Name	No. Of the Meetings attended
Sri Vijay Kumar Gupta	3
Sri Ravinder Kumar Agarwal	3
Sri S N Daga	3

4. REMUNERATION COMMITTEE

a) Brief description of terms of reference.

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the Executive Directors.

b) Composition, Name of members and Chairperson

- 1) Sri Ravinder Kumar Agarwal - Member, Non-Executive
- 2) Sri Vijay Kumar Gupta - Member, Non-Executive & Independent Director
- 3) Sri S N Daga - Member, Non-Executive & Independent

c) Attendance during the year

During the financial year March 31, 2006, two Remuneration Committee Meetings were held on 21/06/2005 and 30/01/2006.

Name	No. Of the Meetings attended
Sri Vijay Kumar Gupta	2
Sri Ravinder Kumar Agarwal	2
Sri S N Daga	2



Rajvir Industries Limited

d) Remuneration policy

To periodically review the remuneration package of whole time Directors and recommend suitable revision to the Board.

e) Details of remuneration to all the Directors, as per format in main report.

(During 01.04.2005 to 31.03.2006)

Name of the Director	Designation	Salary Rupees	Commission Rupees	Perquisites Rupees	Total Rupees
U K Agarwal	Managing Director/ Promoter/Executive	32,40,000	9,00,000	42,132	41,821,32
Ritesh Kumar Agarwal	Executive Director	27, 00,000	7,50,000	25,528	34,75,528
Ravinder Kumar Agarwal	Director	Nil	Nil	Nil	Nil
Vijay Kumar Gupta	Director	Nil	Nil	Nil	Nil
S N Daga	Director	Nil	Nil	Nil	Nil

Sitting Fees

Name of the Director	Sitting Fees
C.Narsi Reddy	4000
R.Surender Reddy	4000
Ravinder Kumar Agarwal	14000
Vijay Kumar Gupta	12000
S N Daga	8000



Rajvir Industries Limited

The Company does not have any stock option plan or performance linked incentive for the Executive Directors.

The appointments are made for a period of five years on the terms and conditions in the respective resolution passed by the Members in the General Meetings, which do not provide for severance fees.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

a) Composition & brief terms of reference

- | | |
|--------------------------|------------|
| 1) Sri Vijay Kumar Gupta | - Chairman |
| 2) Sri U. K. Agarwal | - Member |
| 3) Sri Ritesh K Agarwal | - Member |

The Share holders/investors Greviance committee overseas and reviews all matters connected with the securities transfers and also looks into redressing of share holders complaints like transfer of shares, non receipt of balance sheets, non reciept of declared dividends, etc. The committee oversees the performance of the Registrar and Transfer agents and recommend measures for overall improvement in the quality of investor services.

b) Name and designation of Compliance Officer.

Raman Subbaiah General Manager (Finance) & Company Secretary

c) Number of Shareholders Complaints received so far.

40

d) Number not solved to the satisfaction of shareholders

NIL

e) Number of pending share transfers.

NIL

6. GENERAL BODY MEETINGS:

a) Location and time, where last AGM held.

Financial Year	Date	Venue	Time
2004 - 2005	31.12.2005	FAPCCI Premices, 11-6-841, Red Hills	2.00PM.

(i) A meeting of the shareholders of the Company was convened on January 20, 2005 as per the directions of the Hon'ble High Court of Andhra Pradesh to consider the Scheme of Demerger.

(ii) Two Extraordinary General Meetings of the Members of the Company was held on 25th April 2005 & 17th October 2005 to consider various businesses as per the respective notices.

b) Whether Special resolutions were put through postal ballot last year, details of voting pattern.- NO-

c) Person who conducted the postal ballot exercise. - NOT APPLICABLE -

(d) Whether any resolutions are proposed to be conducted through postal ballot.

Provisions of Companies Act, 1956 regarding passing of resolutions through postal ballot shall be complied with whenever necessary.

e) Procedure for postal ballot.

Prescribed procedure shall be complied with whenever necessary.



Rajvir Industries Limited

7. DISCLOSURES

- a) CEO and CFO Certificate
The Managing Director has given a certificate to the Board as contemplated in Clause 49 of the listing agreement and is enclosed at the end of the Report.
- b) Disclosures on materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of Company at large. There were no materially significant related party transactions having potential conflict with the Interests of the Company at large. Transactions with related parties are disclosed in note no. 23 of Notes on Accounts under Schedule 24.
- c) Details of non-compliance by the company, penalties, strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the Capital Markets during the last 3 years: Nil

8. MEANS OF COMMUNICATION

- a) Quarterly results.
Quarterly report is not being sent to each household of shareholders as shareholders are intimated through the press and the Company's Website www.rajvirindustrieslimited.com
- b) Quarterly results are normally published in which newspapers
The Quarterly results are usually published in Business Standard and Andhra Bhoomi.
- c) Any website, where displayed www.rajvirindustrieslimited.com
- d) Whether it also displays official news releases and the presentations made to institutional investors or to the analysts. The website shall be used for this purpose, when the occasion arises

9. GENERAL SHAREHOLDER INFORMATION

- a) Annual General Meeting:

Date : Wednesday, September 27, 2006

Time : 3:00 p.m.

Venue : FAPCCI Premises, 11-6-841,
Red Hills, Hyderabad- 500004

- b) Financial Calender : 1st April to 31st March

Quarter	Publication
June	31 July 06
September	October end 06
December	January end 07
March	April end 07

- c) Date of Book Closure: September 24, 2006 to September 27, 2006 (both days inclusive)
- d) Dividend Payment Date: Within 30 days of declaration at AGM.
- e) Listing on Stock Exchanges & Stock Code



Rajvir Industries Limited

The Company's Shares are listed in the following Stock Exchanges.

Name of the Stock Exchange	CODE	Address
The Hyderabad Stock Exchange		6-3-654, Somajiguda, Hyderabad-500082
The National Stock Exchange of India Ltd	RAJVIR	Exchange plaza, 5 th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E) MUMBAI-400051
The Bombay Stock Exchange Limited	532665	Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI-400001

The listing fees for the year 2005-06 have been paid to all of the Stock Exchanges.

f) Market Price Data: High, Low during each month in last financial year and Performance in comparison to broad based indices such as BSE Sensex, CRISIL index, etc.

	NATIONAL STOCK EXCHANGE		THE STOCK EXCHANGE, MUMBAI			
Month	SHARE PRICE - Rupees		SHARE PRICE - Rupees		SENSEX	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
September 2005 *	357.00	180.30	355.00	181.00	8722.17	7818.90
October 2005	275.00	156.30	251.90	153.10	8821.84	7656.15
November 2005	221.90	171.80	230.00	171.00	9033.99	7891.23
December 2005	213.50	177.00	218.00	170.00	9442.98	8769.56
January 2006	189.50	159.10	200.00	157.25	9945.19	9158.44
February 2006	218.80	147.15	217.00	150.00	10422.65	9713.51
March 2006	195.00	162.00	210.00	151.00	11356.95	10344.26

* Company is listed in Stock Exchanges on 15th September 2005

g) Registrar & Transfer Agents

M/s. Sathguru Management Consultants Pvt.Ltd.,
Plot No.15, Hindi Nagar, Behind Saibaba Temple,
Punjagutta, Hyderabad - 500 034.

Phone No(s) - 23356507, 23356975, 23350586,
Fax No - 23354042.



Rajvir Industries Limited

h) Share Transfer System:

The share transfers are processed and the share certificates are returned to the shareholders within a maximum period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

i) Shareholding pattern as on 31.03.2006.

Category	No. of Shares	% of holding
1) Promoters	2072959	68.30
2) Mutual Funds	700	0.02
3) Banks, FIs, & Insurance Companies	110081	3.63
4) FIs	666	0.02
5) Private Corporate Bodies	180466	5.95
6) Indian Public	664841	21.91
7) NRIs/OCBs	5284	0.17
Total	3034997	100.00

Distribution of shareholding as on 31.03.2006

Nominal Value	Holders		Amount	
	Number	% to Total	Rupees	% to Total
Upto 5000	3138	92.85	2827280	9.31
5001- 10000	112	3.32	90640	2.75
10001-20000	45	1.33	835260	2.29
20001-30000	25	0.74	638890	2.11
30001-40000	6	0.18	218670	0.72
40001-50000	12	0.36	557730	1.84
50001-100000	16	0.48	1152860	3.80
100001 & above	25	0.74	23423030	77.18
Total	3379	100.00	30349970	100.00
Physical Mode	751	22.23	21008660	69.22
Demat Mode	2628	77.77	9341310	30.78

j) Dematerialisation of shares and liquidity

The Company's shares are available for dematerialisation on both the Depositories i.e, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as above as on 31 March 2006.

k) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity. - NOT APPLICABLE



Rajvir Industries Limited

l) Plant Locations

Yarn Division

Pillalamarri Road
Mahabubnagar Dist.
Andhra Pradesh - 509 002

Dyeing Division

Edira Village
Mahabubnagar Dist.
Andhra Pradesh - 509 002

m) Address for correspondence :

- i) For transfer / dematerialisation of share, change of address of members and other queries relating to the shares of the Company:

M/s. Sathguru Management Consultants Pvt.Ltd.,
Plot No.15, Hindi Nagar, Behind Saibaba Temple,
Punjabutta, Hyderabad - 500 034.
Phone No(s) - 23356507, 23356975, 23350586.
Fax No - 23354042.
e-mail : info@sathguru.com , sta@sathguru.com

- ii) Any queries relating to dividend, annual reports, etc.

The Company Secretary,
Rajvir Industries Limited,
1st Floor, Surya Towers, 105, S.P.Road,
Secunderabad 500 003.
Phone No: 27845628
Fax No :27840656
e-mail : rajvir@rajvirindustrieslimited.com

DECLARATION

As provided under clause 49 of the listing agreement with the stock exchanges, all Board members and senior management personnel have affirmed compliance with Rajvir Industries Limited Code of Conduct for the year ended March 31, 2006.

for **Rajvir Industries Limited**

Secunderabad
August 31, 2006

(U.K. AGARWAL)
MANAGING DIRECTOR



Auditors' Certificate on compliance of Corporate Governance

To the members of RAJVIR INDUSTRIES LIMITED, SECUNDERABAD.

We have examined the compliance of conditions of Corporate Governance by RAJVIR INDUSTRIES LIMITED, for the year ended 31st March 2006 as stipulated in Clause 49 of the listing agreement of the Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures 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 an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2006, no investor grievances are pending against the Company as on 31st August, 2006 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **S Daga & Co.,**
Chartered Accountants

(Purohit Sridhar)
Partner
(Membership No. 209350)

Place : Hyderabad
Date : 31.08.2006



AUDITORS' REPORT

To
The Members of
RAJVIR INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of RAJVIR INDUSTRIES LTD. as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (and amended by The Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 purposes of our audit,
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books,
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account,
 - d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors, as on 31st March 2006, and taken on record by the Board of directors, we report that none of the directors of the company is disqualified as referred to in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies as appearing in schedule '22 and Notes on accounts as appearing in Schedule '23, more particularly Note No 3 with regard to current



Rajvir Industries Limited

liability of Rs 4.17 Cr(Previous year Rs 4.17 cr) which is subject to review and final reconciliation and Note No13 regarding accounting treatment of Export benefits under DEPB Scheme amounting to Rs 38.99 Lacs(Previous year Nil) for the year aggregating Rs 38.99 Lacs (Previous year Nil) , gives 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 2006;
- (ii) in the case of the Profit and Loss Account, of the profit of the company for the period ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

for **S.DAGA & CO.,**
Chartered Accountants

(Purohit Sridhar)
Partner

Membership No : 209350

Place: Hyderabad
Date : 31.08.2006

ANNEXURE TO AUDITORS' REPORT

Referred to in Paragraph 3 of our Report of even date

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

b) As explained to us, the management has physically verified most of the fixed assets during the period and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.

c) The plant and machinery disposed off during the period by the Company is not substantial and hence, it has not affected the going concern status of the Company.
2. a) As explained to us, inventories have been physically verified by management at reasonable intervals during the period. In our opinion, the frequency of such verification is reasonable.

b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the company and nature of its business.

c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. a) The Company had not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.



Rajvir Industries Limited

- b) In view of our comment in paragraph 3(a) above, (b), (c) & (d) of the aforesaid order are not applicable to the Company.
- c) During the period, the Company had taken unsecured loans from 5 parties covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the period was Rs Rs 265 Lacs (Previous year 65.55 lacs) and the year end balance is Rs. 265 Lacs (Previous year Rs 65.55 Lacs)
- d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. a) According to the information and explanation given to us, we are of the opinion that the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 in respect of any party during the period, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. Although the company has not invited deposits from the public, certain amounts were deposited with the company voluntarily. The company has to comply with the provisions of Section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the Rules made there under.
7. The company does not have internal audit system commensurate with the size and nature of its business. As explained to us the company is in the process of establishing Internal audit department.
8. In our opinion and according to the information and explanations given to us, prima facie, the company has made and maintained accounts and records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956.
9. a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31st March 2006 for a period of more than six months from the date they became payable.



Rajvir Industries Limited

10. The company does not have any accumulated losses and has not incurred cash losses in the current financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. As per the information and explanation given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us, the term loans were applied for the purpose for which the loans were raised.
17. Based on information and explanations given to us and on an overall examination of Balance Sheet of the Company, in our opinion, funds raised on a short-term basis have not been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. As per the Scheme of arrangement, Non Convertible Debentures amounting to Rs. 10 Crores were allocated to company. A Tripartite agreement involving the Company, I D B I and I D B I Trusteeship Services limited has since been executed on the 18th August 2006. The Charge creation process is in progress.
20. According to the information and explanations given to us, the Company has not raised money by public issues during the period.
21. According to the information and explanations given to us, no fraud on or by the company had been noticed or reported during the course of our audit.

for **S.DAGA & CO.**,
Chartered Accountants

(Purohit Sridhar)
Partner

Membership No : 209350

Place: Hyderabad
Date : 31.08.2006



Rajvir Industries Limited

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at 31.03.2006 Rupees	Rupees	As at 31.03.2005 Rupees	Rupees
SOURCES OF FUNDS:					
Shareholders' Funds					
Share Capital	1	30349970		30349970	
Reserves and Surplus	2	256373127		191860358	
			286723097		222210328
Loan Funds					
Secured Loans	3	705245422		380804216	
Unsecured Loans	4	109903392		80374779	
			815148814		461178995
Deferred Tax Liability (Net)	5		46431673		33737992
TOTAL			1148303584		717127315
APPLICATION OF FUNDS:					
Fixed Assets	6				
Gross Block		894494174		721200736	
Less : Depreciation		303928867		266965381	
Net Block		590565307		454235355	
Add : Capital Work in Progress		262567740		11283708	
			853133047		465519063
Current Assets, Loans and Advances					
Inventories	7	190715944		146902737	
Sundry Debtors	8	148838592		173906106	
Cash and Bank Balances	9	80211303		5264144	
Loans and Advances	10	78571965		57853099	
			498337804		383926086
Less : Current Liabilities and Provisions	11	205743335		136660446	
Net Current Assets			292594469		247265640
Miscellaneous Expenditure (To the extent not written off or adjusted)	12		2576068		4342612
TOTAL			1148303584		717127315
Significant Accounting Policies	22				
Notes on Accounts	23				

The schedules referred to above form an integral part of Balance Sheet

As per our report of even date

for S.Daga & Co.,
Chartered Accountants

(Purohit Sridhar)
Partner
M.No:209350

Place: Secunderabad
Date: August 31, 2006

for and on behalf of the Board

(U.K.Agarwal)
Managing Director

(Raman Subbaiah)
General Manager(Finance) &
Company Secretary

(Ritesh K Agarwal)
Executive Director



Rajvir Industries Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended 31.03.2006 Rs.	Period ended 31.03.2005 Rs.
INCOME			
Gross Sales/Income from operations	13	1313164074	781715577
Less: Excise Duty		30394217	20554142
Net Sales		1282769857	761161435
Increase /(Decrease) in stocks	21	(7843698)	(42596314)
Other Income	14	11837704	8274567
TOTAL		1286763863	726839688
EXPENDITURE			
Raw Materials Consumed	15	692036205	471940071
Purchase of Yarn		5614069	79864
Purchase of Cotton - Trading		78982465	-
Other Manufacturing Expenses		9616197	5502821
Stores & Spares Consumption	16	46534838	32766849
Power and Fuel	17	115993636	64166153
Payments to & provisions for Employees	18	60911007	32093374
Other Expenses	19	93585371	50235703
Interest & Finance Charges	20	38266102	17660751
Managerial Remuneration		5994859	660000
Depreciation	6	34147269	17454924
Miscellaneous Expenditure Written off	12	1766544	1030484
Preliminary Expenses		-	170000
TOTAL		1183448561	693760994
Profit before tax		103315302	33078694
Provision for taxation			
Corporate Tax		8900000	2600000
Fringe Benefit Tax		550000	-
Deferred Tax		12693681	11161700
Profit after tax		81171621	19316994
Add: Profit brought forward from last year		89441686	79346012
		170613307	98663006
APPROPRIATIONS			
Proposed Dividend		12140000	6070000
Tax on Dividend		1702635	851320
Debenture Redemption Reserve		15000000	-
Transfer to General Reserve		8200000	2300000
Balance carried to Balance Sheet		133570672	89441686
TOTAL		170613307	98663006
Earnings per share (Face value Rs.10) (Basic and diluted)		26.75	10.91 (Annualised)
Significant Accounting Policies	22		
Notes on Accounts	23		

The schedules referred to above form an integral part of Profit and Loss Account

As per our report of even date
for S.Daga & Co.,
Chartered Accountants

(Purohit Sridhar)
Partner
M.No:209350

Place: Secunderabad
Date: August 31, 2006

for and on behalf of the Board

(U.K.Agarwal)
Managing Director

(Raman Subbaiah)
General Manager(Finance) &
Company Secretary

(Ritesh K Agarwal)
Executive Director



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
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SCHEDULE - 1 SHARE CAPITAL

Authorised:

35,00,000 Equity Shares of Rs.10/- each (Previous year 35,00,000 Equity Shares of Rs.10/- each)	35000000	35000000
	<u>35000000</u>	<u>35000000</u>

Issued,Subscribed and Paid up:

30,34,997(Previous year 30,34,997) Equity Shares of Rs.10/- each fully paid (51500 (Previous year 51500) Equity share of Rs.10/- each issued for cash and 2983497(Previous year 2983497) Equity shares of Rs.10/- each issued for consideration other than cash)	30349970	30349970
	<u>30349970</u>	<u>30349970</u>

SCHEDULE - 2 RESERVES & SURPLUS

	As at 01.04.2005 Rupees	Additions Rupees	Deductions/ Adjustments Rupees	As at 31.03.2006 Rupees
Capital Redemption Reserve	104390		104390	-
Investment Allowance Utilisation Reserve	5470600		5470600	-
Export Allowance Reserve	133330		133330	-
Debenture Redemption Reserve	25000000	15000000		40000000
Revaluation Reserve	19534966		2816217	16718749
General Reserve	52175386	13908320		66083706
Balance as per Profit & Loss Account	89441686	133570672	89441686	133570672
	<u>191860358</u>	<u>162478992</u>	<u>97966223</u>	<u>256373127</u>



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31.03.2006 Rs	As at 31.03.2005 Rs
SCHEDULE - 3		
SECURED LOANS		
Debentures		
9.00%, 900000 Secured Redeemable Non-Convertible Debentures of Rs.100/- each	75000000	90000000
Rupee Term Loans (Under TUF Scheme)		
a) Industrial Development Bank of India	31580000	41292000
b) Industrial Development Bank of India	36000000	42000000
c) State Bank of Hyderabad	128845561	-
d) State Bank of Bikaner & Jaipur	109248809	-
e) State Bank of India	<u>93684876</u>	<u>3440000</u>
	399359246	86732000
From Scheduled Banks - Cash Credit		
a) State Bank of India	156813820	122100000
b) State Bank of Hyderabad	25335121	40700000
c) State Bank of Mysore	<u>47709568</u>	<u>40700000</u>
	229858509	203500000
	<u>704217755</u>	<u>380232000</u>
Hire Purchase Loans	1027667	572216
	<u>705245422</u>	<u>380804216</u>

Notes:

1. I D B I & S B I Term Loans are secured by mortgage of present and future movable & immovable assets of the company situated at Mahabubnagar unit on pari passu basis and guaranteed by one Director of the Company.
2. S B H & S B B J Term Loans are secured by Mortgage of present and Future movable & immovable assets of the company situated at Tandur unit on pari passu basis and guaranteed by two Directors of the Company.
3. The 9 % Redeemable, Non convertible Debentures are secured by mortgage of present and future movable and immovable properties of the company situated at Mahabubnagar unit on pari-passu basis and guaranteed by one Director of the Company. The Debentures are redeemable in Six annual instalments starting from 1st April, 2005 onwards with a premium of 5% on redemption.
4. All Working Capital loans are secured by hypothecation of stocks of raw materials, yarn, stock-in-process, stores and spares and book debts and by a Second Charge on the present and future immovable properties of the Company on pari-passu basis and further guaranteed by two Directors of the company.
5. Hire purchase loans referred above are secured by hypothecation of the respective assets and guaranteed by one director of the Company



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31.03.2006 Rs	As at 31.03.2005 Rs
SCHEDULE - 4		
UNSECURED LOANS		
OTHER LOANS AND ADVANCES		
a) From Directors	21500000	4655000
b) From Others	88233005	75290582
c) Interest accrued and due	170387	429197
	<u>109903392</u>	<u>80374779</u>
SCHEDULE - 5		
DEFERRED TAX		
Deferred Tax Liabilities		
Depreciation	45807953	36066886
On Others	867104	436740
	<u>46675057</u>	<u>36503626</u>
Deferred tax Assets		
Unabsorbed Depreciation	-	2636339
On Others	243384	129295
	<u>243384</u>	<u>2765634</u>
Deferred Tax Liabilities (Net)	<u>46431673</u>	<u>33737992</u>



SCHEDULE - 6
FIXED ASSETS

Description of the Asset	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As at 01.03.2005 Rs.	Additions Rs.	Deductions Rs.	As at 31.03.2006 Rs.	Upto 31.03.2005 Rs.	for the year Rs.	Deductions Rs.	Upto 31.03.2006 Rs.	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
LAND	414472			414472					414472	414472
FACTORY BUILDINGS	49874287	43687716		93562003	13031287	1730973		14762260	78799743	36843000
NON-FACTORY BUILDINGS	17281076			17281076	2238702	281682		2520384	14760692	15042374
TOWN SHIP	8963220			8963220	1716066	146100		1862166	7101054	7247154
WORK SHOP EQUIPMENT	122089			122089	114866	532		115398	6691	7223
PLANT AND MACHINERY	552993439	116454018		669447457	200587251	29454738		230041989	439405468	352406188
TESTING EQUIPMENT	385350			385350	119236	17939		137175	248175	266114
ELECTRICAL INSTALATIONS	24105162	5920386		30025548	10196581	1078565		11275146	18750402	13908581
WEIGHING MACHINES	765766	96469		862235	298562	40858		339420	522815	467204
WATER WORKS	1670618			1670618	226727	27231		253958	1416660	1443891
FURNITURE & FIXTURES	2741409	3497133		6238542	1432797	418981		1851778	4386764	1308612
VEHICLES	6943304	2963057		9906361	2207908	736519		2944427	6961934	4735396
DATA PROCESSING EQPT	1603103	674658		2277761	992922	213151		1206073	1071688	610181
Add: Revaluated Plant & Machinery	667863295	173293437		841156732	233162905	34147269		267310174	573846558	434700390
Capital Work in Progress	11283708	424577469		53337442	33802476	2816217		36618693	16718749	19534966
				262567740					262567740	11283708
Previous year	732484445	597870906	173293437	1157061914	266965381	36963486		303928867	853133048	465519064
	673426949	115402152	56344655	732484445	247886467	19097717	18803	266965381	465519063	425540482



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31.03.2006 Rs	As at 31.03.2005 Rs
SCHEDULE - 7		
INVENTORIES		
Rawmaterials	118929589	73509166
Stores and Spares	29388438	23064361
Finished Goods	20518242	33532606
Stock-in-process	21677231	16374996
Cotton Waste	202444	421608
	<u>190715944</u>	<u>146902737</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured, considred good)		
Exceeding six months	7276836	4685379
Others	141561756	169220727
	<u>148838592</u>	<u>173906106</u>
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash On hand	2813650	209577
Cheques on hand	4853227	1410740
Balances with Scheduled banks		
In Current Accounts	2703226	316827
In Deposits	69841200	3327000
	<u>80211303</u>	<u>5264144</u>
SCHEDULE - 10		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advances receivable in cash or in kind or for value to be received	28692536	13735065
Advances for Purchases	19135209	23886098
Deposits - With Government	17556408	16228719
- With others	306800	102500
Advance tax	12881012	3900717
	<u>78571965</u>	<u>57853099</u>



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
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SCHEDULE - 11

CURRENT LIABILITIES AND PROVISIONS

A. CURRENT LIABILITIES

Sundry Creditors		
Due to small scale Industrial undertakings	1429939	428781
Others	84435412	46579936
Creditors for expenses	44184557	32415354
Creditors for other finances	45072482	43676789
Advances received against sales	3114790	2494245
	<u>178237180</u>	<u>125595105</u>

B. PROVISIONS

Provision for Corporate Tax	11500000	2600000
Provision for Fringe Benefit Tax	550000	-
Provision for Corporate Dividend Tax	1702635	851320
Provision for Gratuity	1200220	1126680
Provision for Leave Encashment	413300	417341
Proposed Dividend	12140000	6070000
	<u>27506155</u>	<u>11065341</u>
Total : A + B	<u>205743335</u>	<u>136660446</u>

SCHEDULE - 12

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Deferred Revenue Expenses			
Opening Balance	4342612	5373096	
Less : written off during the year	<u>1766544</u>	<u>2576068</u>	<u>4342612</u>
	<u>2576068</u>	<u>4342612</u>	



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	Year ended March 31, 2006 Rs.	Period ended March 31, 2005 Rs.
SCHEDULE - 13		
Sales/Income from operations		
Yarn	1192127464	759997105
Waste	32188047	21718472
Traded Goods	88848563	-
	<u>1313164074</u>	<u>781715577</u>
SCHEDULE - 14		
Other Income		
Interest (TDS Rs.440061.Previous year Rs.185963)	2303804	766998
Insurance Claims	34200	528663
Foreign Exchange (Net)	1921117	-
Export Benefit	4778359	-
Miscellaneous Receipts	2800224	6978906
	<u>11837704</u>	<u>8274567</u>
SCHEDULE - 15		
Consumption of Raw Materials		
Opening Stocks	73509166	48869508
Less:VAT on Op.stocks	1682798	-
	<u>71826368</u>	<u>48869508</u>
Add : Purchases	739139426	496579729
	<u>810965794</u>	<u>545449237</u>
Less : Closing Stocks	118929589	73509166
	<u>692036205</u>	<u>471940071</u>
SCHEDULE - 16		
Stores & Spares consumption		
Stores & spares	10435933	6321637
Dyes and Chemicals	19954973	9944354
Packing Material	16143932	16500858
	<u>46534838</u>	<u>32766849</u>
SCHEDULE - 17		
Power & Fuel		
Electricity Charges	111282987	61714308
Fuel	4710649	2451845
	<u>115993636</u>	<u>64166153</u>
SCHEDULE - 18		
Payments to & Provisions for Employees		
Salaries, Wages and Bonus	51501357	24767534
Contribution to Provident Fund & other funds	3712644	1819934
Gratuity and Leave encashment	314376	2141645
Staff & Workmen welfare	5382630	3364261
	<u>60911007</u>	<u>32093374</u>



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	Year ended March 31, 2006 Rs.	Period ended March 31, 2005 Rs.
SCHEDULE - 19		
Other Expenses		
Rent	1670185	824580
Security Charges	1728525	1060348
Rates & Taxes	2769770	2220240
Printing & Stationery	1016044	324583
Postage, Telegrams & Telephones	1815640	353638
Travelling & Conveyance	4666997	994141
Directors' Sitting fees	42000	8000
Advertisements	514546	12597
Commission / Expenses on Sales	50797133	21102237
Insurance	4103511	2171713
Auditors' Remuneration	182500	95000
Legal & Professional Charges	516266	236613
Repairs to : Buildings	690819	2962048
: Machinery	13298335	13558240
: Other Assets	2068800	241233
Vehicle Maintenance	1502084	429027
Miscellaneous Expenses	5553577	2950785
Donations	643251	51733
Loss on sale of assets	-	12568
Debit balances written off	5388	626379
	<u>93585371</u>	<u>50235703</u>
SCHEDULE - 20		
Interest & Finance Charges		
Debentures	8100614	5111498
Term Loans	15440285	7268871
Less: Interest subsidy under TUF	5722991	2539959
Less: Interest Transferred to Capital work in Progress	<u>1474276</u>	<u>-</u>
Banks & others	21857920	7787767
Hire Purchase Finance Charges	64550	32574
	<u>38266102</u>	<u>17660751</u>
SCHEDULE - 21		
Increase/(Decrease) in Stocks		
Opening Stocks		
Yarn	33532606	70626237
Less: VAT on Op.Stocks	<u>87595</u>	<u>-</u>
	33445011	70626237
Work-in-process	16374996	21770136
Cotton Waste	<u>421608</u>	<u>529151</u>
	50241615	92925524
Closing Stocks		
Yarn	20518242	33532606
Work-in-process	21677231	16374996
Cotton Waste	<u>202444</u>	<u>421608</u>
	42397917	50329210
Increase/(Decrease) in stocks	<u>(7843698)</u>	<u>(42596314)</u>



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE -22

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The financial statements are prepared under historical cost convention on accrual basis, on the basis of a going concern in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

2. Fixed Assets :

Fixed assets are stated at cost net of depreciation provided in the statements. Depreciation is provided on straight line method/continuous process as per provisions of Section 205 read with Schedule XIV of the Companies Act 1956.

3. Inventories :

Inventories are valued at lower of Cost and Net realisable value

The cost in respect of the following items are computed as under

Raw Materials	:	At cost on weighted average basis
Stores & Spares	:	At cost on weighted average basis
Finished Goods	:	At Raw material cost plus conversion cost and other overheads to bring the inventory to their present condition and location
Stock in process	:	At Raw material cost plus conversion cost depending on stage of completion. Cost formulae used is on FIFO basis.

4. Contingent Liabilities

No liability is provided for in respect of contingent liabilities, but only mentioned by way of a note to accounts.

5. Retirement Benefits :

Liability in respect of Gratuity and Leave encashment is provided based on actuarial valuation. In case of other retirement benefits the liability is provided on estimated basis.

6. Foreign Exchange Transactions :

The current assets and current liabilities in foreign currencies are translated at the rates of exchange ruling at the year end or at the rates of exchange fixed under contractual arrangements. Exchange difference relating to fixed assets are adjusted in the cost of the asset. Other exchange differences are dealt with the Profit and Loss Account. In the case of Foreign currency loan availed in rupee terms



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE -22

SIGNIFICANT ACCOUNTING POLICIES (continued)

for purchase of indigenous machinery the exchange difference has been dealt with the Profit and Loss Account.

7. Sales :

Sales represent the amount receivable for goods sold including excise duty and sales tax thereon.

8. Borrowing costs:

Borrowing costs are recognised as expenses in the period in which they are incurred except for borrowings for acquisition of qualifying assets which are capitalised upto the date, the asset is ready for its intended use.

9. Provision for taxation :

The Provision for taxation for the year, comprising of current tax and deferred tax based on tax liability computed in accordance with relevant tax rates and tax laws as at the balance sheet date. Provision for deferred tax is made on timing differences between taxable income and accounting income for the year and quantified using the tax rates and loss enacted or substantively enacted as on the balance sheet date. Deferred tax assets are recognised only if there is a reasonable certainty that they will be realised and are reviewed for the appropriateness of their carrying values at each Balance Sheet date. The final tax liability of the company is determined on the basis of the total income of the company as at the end of the immediately following assessment year.

10. Deferred Revenue Expenditure:

Deferred revenue expenditure, the benefit of which is accrued to the company over a period of time, is written off in 10 years

11. Export Benefits:

The export benefits are accounted for on accrual basis on the exports made during the year

12. Revenue Recognition.

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership are transferred to the customer.

13. Impairment of Assets:

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



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31.03.2006	31.03.2005
SCHEDULE -23 :- NOTES ON ACCOUNTS	Rs.	Rs.
1) The accounts for the period under review are presented for a 12 months period as compared to previous accounting period wherein the accounts were presented for a period of 7 months. Hence previous figures are not comparable.	-	-
2) Contingent Liabilities in respect of:	Rs in Lacs	Rs in Lacs
a) Claims against the company not acknowledged as debts: M/S. Surya Lakshmi Cotton Mills Ltd has filed a case No. 72/2006 to recover money along with interest. The Company has taken steps to defend its position by showing various amounts receivable from the above company and accounts are not being reconciled.	444.00	-
b) Estimated amount of Contracts remaining to be executed on capital accounts.	232.56	4.42
c) Letters of Credit	291.00	332.70
d) Bank Guarantees	3.97	-
3) The excess of Assets over the Liability has been classified by the Company as Current Liability payable to M/S. Surya Lakshmi Cotton Mills Ltd resulting on account of demerger and consequential transactions. The Company has initiated legal proceedings against the said company for recovery of Export benefits, Terminal Excise refund and other dues.	41736216	41736216
4) As per the scheme of arrangement approved by the honourable High Court of Andhra Pradesh on 22-03-2005, transactions during the period from 01-09-2004 to 31-03-2005 relating to Mahabubnagar unit are reflected in the financial statements of the company. The earnings in foreign exchange represents the export sales of Mahabubnagar unit during the period.	-	-
5) The revaluation of Plant & Machinery and other equipment carried out by an approved valuer in March 1993 resulted in increase in the gross value of assets by Rs.53337442. The same was adopted on 31.03.1993, by showing under fixed assets schedule as separate item and by creating revaluation reserve to that extent. The depreciation on the balance of revalued assets for the period adjusted against the revaluation reserve and the asset respectively.	2816217	1642793
6) Auditors Remuneration		
Statutory Audit	120000	60000
Tax Audit	25000	25000
Certification & others	37500	10000
	<u>182500</u>	<u>95000</u>



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS (continued)

	31.03.2006	31.03.2005
SCHEDULE -23 :- NOTES ON ACCOUNTS	Rs.	Rs.
7) Instalments of Term Loans due within the next 12 month period payable to:	Rs in Lacs	Rs in Lacs
a) Industrial Development Bank of India	307.00	307.00
b) State Bank of India	97.00	34.40
c) State Bank of Hyderabad	60.00	-
d) State Bank of Bikaner and Jaipur	60.00	-
8) Other Loans and Advances includes:		
(i) Interest free Sales Tax Loan received from the State Government, which is repayable in four annual instalments commencing from the year 2012.	2000000	2000000
(ii) Sales Tax Deferment Liability which is due for repayment from the year 2014.		
For the year	9942423	13967741
Aggregate for the year	81233005	71290582
9) The names of small scale industrial undertakings to whom the company owes for more than 30 days as at the Balance Sheet date are :		
Name of the Supplier		
S P P Polypacks Pvt Ltd		
Suneetha Paper Cones & Pulp Board		
Dhanalakshmi packing		
10) Preliminary expenses incurred for incorporation of the Company is charged off to Profit&Loss Account.	--	170000
11) Current Assets , Loans and Advances: In the opinion of the Board of Directors, the current assets loans and advances are approximately of the value stated if realised in the ordinary course of business. The provision for depreciation and for all know liabilities are adequate and not in excess of the amounts considered reasonably necessary.	--	--
12) Travelling & Conveyance includes Directors travelling	2352741	66673
13) EXPORT BENEFITS:		
The details of export benefits accounted for on accrual basis on exports made during the year as incentive under Duty Entitlement Pass Book is as under :		
a) For the year	3898684	-
b) Aggregate at end of the year	3898684	-



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS (continued)

	31.03.2006	31.03.2005
	Rs.	Rs.
SCHEDULE -23 :- NOTES ON ACCOUNTS		
14) The operations of the company predominantly comprises of "Manufacturing of yarn". These activities constitute the Primary segment and is the only reportable Segment.		
Secondary segmental reporting is made on the basis of geographical location of the customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.		
The geographical revenues are segregated based on the locations of the customers. The company's major exports are made in four principal geographical areas in the World. In India, its home country, the company carries out manufacturing of Yarn and Trading of raw cotton. The following tables shows the distribution of the company's turnover by geographical locations.		
SECONDARY (GEOGRAPHICAL) SEGMENTS		
Revenue attributable to location of customers:		
India	106064257	717041139
Rest of the world	222127600	44120296
15) Earning per share		
No of Equity Shares	3034997	3034997
Profit available to Equity Share Holders(Rs)	81171621	19316994
Nominal per Equity share (Rs)	10	10
Basic & Diluted Earning per share (Rs.)	26.75	10.91
		(Annualised)
16) Managerial Remuneration		
Salary	4290000	560000
Commission	1650000	-
Perquisites	54859	100000
Contribution to provident and other Funds	18720	5460
Computation of net profit in accordance with section 349 of the companies Act, 1956 for calculation of commission payable to directors:		
Profit for the year before Taxation	103315302	-
Add: Managerial Remuneration	6013579	-
Net profit for the year in accordance with section 349 of the companies act, 1956	<u>109328881</u>	-
Commission payable to :-		
Managing Director - 1% of the above net profit	1093300	
Executive Director - 1% of the above net profit	1093300	
Managing Director - restricted to 50% of Annual salary	900000	-
Executive Director - restricted to 50% of Annual salary	750000	-



Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS (continued)

	31.03.2006	31.03.2005
SCHEDULE -23 :- NOTES ON ACCOUNTS	Rs.	Rs.

17) Related party disclosure

NAMES OF KEY MANAGEMENT PERSONNEL

Sri U.K.Agarwal, Sri. Ritesh. K. Agarwal

RELATIVES OF KEY MANAGEMENT PERSONNEL.

Mrs. Usha Bai Agarwal wife of Sri. U.K..Agarwal

NAMES OF OTHER ASSOCIATES

M/s Balaji Enterprises, M/s Sri Laxmi Enterprises

U.K.Agarwal (Family Trust), U.K.Agarwal (HUF)

			Amount in Rs
Name of the Transaction	Other Associates	Key Management Personnel	Total
Payment of rent	1140000 (665000)	-	1140000 (665000)
Remuneration	-	6013579 (665460)	- (665460)
Cotton Purchases	134672595 (30986533)	-	134672595 (30986533)
Advance against purchases	- (3048448)	-	- (3048448)
Loan : Receipt	3500000	21500000	25000000
	-	-	-
Payment	2000000	4655000	6655000
	-	-	-

Note : (I) Related party relationship is as identified by the company and relied upon by the Auditors

ii) Previous year figures are given in brackets.

18) Stock of finished goods includes stocks lying with consignment agents	4155987	8968664
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Rajvir Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS (continued)

SCHEDULE -23 :- NOTES ON ACCOUNTS

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3,4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT 1956

	2005 - 06		2004 - 05	
19) Licensed Capacity : Not applicable since the Industry is delicensed				
Installed Capacity : No of Spindles		57568		50176
(The figures have been certified by management and not verified by the Auditors being a technical matter.)				
	Quantity in Kgs.	Amount in Rs.	Quantity in Kgs.	Amount in Rs.
20) Production & Sales				
a) Production				
Yarn	9762118	----	6210470	----
b) Purchase of Traded goods				
Yarn	54021	5614069	621	79864
Cotton	1724593	78982465	----	----
b) Sales:(Includes Traded goods)				
Yarn	9949153	1161733247	6526610	759997105
Cotton	1724593	88848563	----	----
Waste	2106380	32188047	1290172	21718472
		<u>1282769857</u>		<u>781715577</u>
21) Opening and Closing Stocks:				
a) Opening Stocks:				
Yarn	342294	*33445011	669979	70626237
In Process	221515	16374996	259191	21770136
Waste	34980	421608	42875	529151
		<u>50241615</u>		<u>92925524</u>
* Excludes VAT receivable Rs 87595				
b) Closing Stocks:				
Yarn	186981	20518242	342294	33532606
In Process	282716	21677231	221515	16374996
Waste	17595	202444	34980	421608
		<u>42397917</u>		<u>50329210</u>
Note: Process loss in the course of dyeing of yarn is 22299 Kgs (Previous year 12165 kgs) and sale of yarn includes samples - Nil (Previous year 297 kgs) sent to customers.				
22) Stock of Rawmaterials:				
a) Opening Stocks:				
Cotton	1240371	57948764	366012	23644004
Polyster Staple Fibre	113575	8838413	270229	18888770
Viscose Staple Fibre	49792	5039191	65729	6336734
	<u>1403738</u>	<u>71826368</u>	<u>701970</u>	<u>48869508</u>
* Excludes VAT receivable Rs 1682798				
b) Closing Stocks:				
Cotton	2039329	102621178	1240371	59629620
Polyster Staple Fibre	159782	10941636	113575	8840355
Viscose Staple Fibre	69682	5366776	49792	5039191
	<u>2268793</u>	<u>118929590</u>	<u>1403738</u>	<u>73509166</u>



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS (continued)

SCHEDULE -23 : NOTES ON ACCOUNTS

23)	Purchase of Rawmaterials:				
	Cotton	8841757	435722373	5710977	315298561
	Polyster Staple Fibre	3038861	195601732	2184921	149946174
	Viscose Staple Fibre	1366721	107815321	335295	31334994
		13247339	739139426	8231193	496579729
24)	Rawmaterials Consumed				
	Cotton	8042799	391049959	4836618	279312945
	Polyster Staple Fibre	2992654	193498510	2341576	159994589
	Viscose Staple Fibre	1346831	107487736	351232	32632537
		12382284	692036205	7529425	471940071
25)	Rawmaterials Consumed	%		%	
	Indignous	100.00	692036205	95.76	390988313
	Imported	-	-	4.24	80951758
		100.00	692036205	100.00	471940071
26)	Spare parts & Components Consumed				
	Indignous	86.58	9035849	96.38	6092687
	Imported	13.42	1400084	3.62	228950
		100.00	10435933	100.00	6321637
27).	Expenditure in Foreign Currency during the Year on account of :				
	i) Plant & Machinery - Imported (CIF Value)		210306107		2397000
	ii) Raw Materials (CIF Value)		--		72416742
	iii) Stores and Spares (CIF Value)		--		13094
	iv) Foreign Travel		1894005		44000
	v) Export Commission		1763417		914398
28)	FOB Value of Exports		213582129		42315705
29)	The Company has opted for CENVAT exemption in respect of sales made, out of the production received from I & II units of Mahabubnagar Factory, as per the Notification No. 30/09-07-2004, issued by the Government of India. The company has not availed CENVAT credit on purchase of materials as well as capital goods for the said units.				
30)	Previous year figures have been regrouped / reclassified wherever necessary to confirm to the classification adopted in the current year.				

As per our report of even date

For and on behalf of the Board

for S.Daga & Co.,
Chartered Accountants

(U K Agarwal)
Managing Director

(Purohit Sridhar)
Partner
M.No : 209350

(Raman Subbaiah)
General Manager(Finance)&
Company Secreary

(Ritesh K Agarwal)
Executive Director

Place :Secunderabad
Date : August 31, 2006



Rajvir Industries Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (As required under part IV of the amended Schedule VI of the Companies Act,1956)

I. Registration Details

Registration No: 44053 State Code 01

Balance Sheet Date : 31 03 2006

II. Capital including Share Premium raised during the year

(Amount in Rs. Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds

Total Liabilities	1101871	Total Assets	1101871
Sources of Funds			
Paid up Capital	30350	Reserves & surplus	256373
Secured Loans	705245	Unsecured Loans	109903
Application Of Funds			
Net Fixed Assets	853133	Investments	NIL
Net Current Assets	292594	Misc. Expenses	2576
		Deferred Tax Liability (Net)	-46432

4. Performance of Company

Turnover	1294608	Total Expenditure	1195286
Profit Before tax	103315	Profit after Tax	81172
Earning Per share (Rs.)	26.75	Dividend Rate %	40%
(based on weighted average)			

5. Generic Names of principal Products / Services

of Company (as per Monetary terms)

Product Description Item Code No.(ITC Code)

COTTON YARN 520300

PV YARN 550900

for and on behalf of the Board

(U.K.Agarwal)
Managing Director

(Raman Subbaiah)
General Manager(Finance) &
Company Secretary

(Ritesh K Agarwal)
Executive Director

Place: Secunderabad

Date: August 31, 2006



CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31,2006

PARTICULARS	31.03.2006		31.03.2005	
	Rs	Rs	Rs	Rs
A CASH FLOW ARISING FROM OPERATING ACTIVITIES:				
Net profit before tax & extraordinary items		103315302		33078694
Add: Depreciation	34147269		17454924	
Misc.expenses written off	1766544		1030484	
Interest & Finance charges	38266102		17660751	
Loss on sale of Assets	-	74179915	12568	36158727
		177495217		69237421
Less: Profit on sale of Assets		-		-
Operating profit before working capital changes		177495217		69237421
Adjustments for working capital changes				
Sundry debtors	33240914		(36268069)	
Current liabilities	52711573		8459360	
Inventories	(43813207)		19777066	
Loans & Advances	(20718866)	21420415	20639414	12607771
Cash generated from Operations		198915631		81845192
Less: Interest & Finance charges		38266102		17660751
CASH FLOW BEFORE EXTRAORDINARY ITEMS		160649529		64184441
Less: Extraordinary items:		-		-
CASH FLOW FROM OPERATING ACTIVITIES		160649529		64184441
B CASH FLOW FROM INVESTING ACTIVITIES				
Inflow: Sale of fixed assets				26250
Outflow: Acquisition of fixed assets		424577469		59115116
		-424577469		-59088866



CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31,2006

PARTICULARS	31.03.2006		31.03.2005	
	Rs	Rs	Rs	Rs
C CASH FLOW FROM FINANCING ACTIVITIES				
Inflow: Term Loans received	331779246		-	
Increase in Bank borrowings	26358509		7652457	
Investments	-		10000	
Hire purchase loan	455451		-	
Unsecured Loans	34612810		13967741	
Share Capital	-	393206016	515000	22145198
Outflow: Repayment of Term loans	19152000		8568000	
Repayment of Fixed deposits	-		-	
Repayment of N C Ds	15000000		10000000	
Corporate tax	8173400		3700000	
Dividend Tax	851320		-	
Unsecured Loans	5084197		554782	
Dividends	6070000	54330917	-	22822782
NET CASH FROM FINANCING ACTIVITIES		338875099		-677584
NET INCREASE IN CASH/CASH EQUIVALENTS(A+B+C)		74947159		4417991
ADD: CASH/CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR.		5264144		846153
CASH/CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		80211303		5264144

Note: Previous year's figures have been regrouped/reclassified,wherever necessary to confirm to the current year's classification.

As per our report of even date

for S.Daga & Co.,
Chartered Accountants

(Purohit Sridhar)
Partner
M.No:209350

Place: Secunderabad
Date: August 31, 2006

for and on behalf of the Board

(U.K.Agarwal)
Managing Director

(Raman Subbaiah)
General Manager(Finance) &
Company Secretary

(Ritesh K Agarwal)
Executive Director



Rajvir Industries Limited

ELECTRONIC CLEARING SERVICE (ECS) MANDATE FORM FOR PAYMENT OF DIVIDEND

To
The Shareholders,
M/s Rajvir Industries Limited

The Company has introduced Electronic Clearing Service (ECS) for payment of dividend. This would facilitate shareholders to obtain the dividend electronically and the payment would consequently be faster and loss of dividend instrument in postal transit would be eliminated.

Under this method, the Company would issue payment instructions to the Clearing House of Reserve Bank of India through the bankers of the Company. The Clearing House would furnish to the service branches of the destination banks branch wise credit reports indicating the beneficiary details such as names of the branches where the accounts are maintained, the names of the beneficiaries, account type, account numbers and the respective amounts. The service branch would in turn pass on the advices to the concerned branches of their bank, which would credit the beneficiary's accounts on the appointed date. An advise of remittance would be sent by the Company to the shareholders opting for electronic transfer.

Considering the benefits derived in ECS for payment of dividend, shareholders are advised to avail this facility. Securities and Exchange Board of India and the Ministry of company Affairs, Government of India, have made it mandatory on the part of the Companies to offer ECS facility, wherever the said facility is available.

Presently, ECS facility is available at fifteen centers of the Reserve Bank of India viz., Ahmedabad, Bangalore, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Pune and Thiruvananthapuram. This facility is available only for payment upto a maximum amount of Rs. 5 Lakhs.

If shareholder holding shares in physical form wish to participate in this scheme, please fill in the ECS Mandate Form printed overleaf in legible and readable form in English preferably in capital letters, sign and return the same to the Registrar and Transfer Agents of the Company immediately. Please note that the information provided by you should be accurate and complete in all respects and duly certified by your bankers. In lieu of Bank certification, you may attach a blank cancelled cheque or a photocopy of a cheque for verification of the particulars provided by you in the ECS Mandate Form.

In case you require any clarification/ assistance, please feel free to contact the company.

(Raman Subbaiah)
G M Finance & Company Secretary



Rajvir Industries Limited

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM FOR PAYMENT OF DIVIDEND

M/s. Sathguru Management Consultants Private Limited,
(unit: RAJVIR INDUSTRIES LIMITED)
Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad- 500 034.

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism.

Registered Folio No.:	ECS Ref. No.: (for office use only)
Name of the first/sole shareholder	
Name of the Bank	
Branch Address & Telephone No. of Branch	
9 Digit Code number of the Bank and Branch appearing on the MICR cheques issued by the bank. (Please attach a blank cancelled cheque, or a photocopy of a cheque issued to you by your Bank, for verification of the above particulars.)	
Account Type (Please tick the option)	Savings [] Current []
Account Number	
(as appearing on the Cheque Book)	
Bank Account Ledger Folio No. (If any)	
Effective date of this mandate	

I, hereby, declare that the particulars given above are correct and complete. If the payment transaction is delayed or not effected at all for any reasons, including but not limited to incomplete or incorrect information, I will not hold M/s. Rajvir Industries Limited responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

I, further undertake to inform the Company of any subsequent change(s) in the above particulars.

Place : _____

Date : _____

(Signature of Shareholder)

NOTES:

In case of shareholders holding shares In demat form, the ECS form be sent to their respective Depository Participant(s) with whom the account is maintained.

BANKER'S CERTIFICATION

Certified that the particulars furnished above are correct as per our records.

Banker's Seal :

Date :-

Signature of the Authorised

Official of the Bank



ATTENDANCE SLIP

Registered Office: Surya Towers, 1st. Floor, 105, S.P.Road, Secunderabad-50003

2nd Annual General Meeting dated 27 th September, 2006 at 3.00 PM at FAPCCI premises, 11-6-841, Red Hills, Hyderabad 500 004. Please complete this attendance slip and hand it over at the entrance of the meeting hall.

DPID No.*	FOLIO No:
CLIENT ID NO.*	NO. OF SHARES HELD
NO. OF SHARE HELD	

Name :

Address

I hereby record my presence at the 2nd Annual General Meeting dated 27 th September, 2006 at 3.00 PM

Signature of the Member or the Proxy attending the Meeting

* Applicable for investors holding shares in electronic form

If member, please sign here	If proxy, please sign here

PROXY FORM

Registered Office: Surya Towers, 1st. Floor, 105, S.P.Road, Secunderabad-50003

DPID No.*	FOLIO No:
CLIENT ID NO.*	NO. OF SHARES HELD
NO. OF SHARE HELD	

I/We-----Of-----

being a member/members of Rajvir Industries Limited hereby appoint-----

----- Of ----- or failing him-----

----- of ----- as my/our proxy to attend and vote on my/our behalf at the 2nd Annual General Meeting dated 27 th September, 2006 at 3.00 PM or at any adjournment thereof.

Signed on this ----- day of-----2006

Signature

Affix Re.
1/-
Revenue
stamp

Note: 1. The Proxy Form duly completed must be deposited at the Registered Office of the company, not less than 48 hours before the time for holding the meeting.

2. A proxy need not be a member.

* Applicable for investors holding shares in electronic form



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