

Bombay Rayon Fashions Ltd.

Annual Report

2005-06

Growing in

Style





Forward-Looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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It's evidently simple to make a shirt.

Take two metres of fabric, cut it to size and stitch the parts together. Voila. Right?

Wrong.

At Bombay Rayon Fashions, shirt making is a sacred exercise, equated with nothing less than fine art. From collective brainstorming on path breaking designs to creating just the right fabric, we pay meticulous planning and attention to every detail sometimes not even visible to the naked eye. From the selection of the perfect buttons to the selection of the right thread with just the right count. Across each of the 40,000 shirts we make every day.

No wonder then, that we are one of the largest shirt makers in India, crafting high-end fashion fabrics and shirts for some of the most prized global brands. We are taking this core philosophy of dressing the connoisseurs of high-fashion in the most desirable of shirts a step ahead, by trebling our capacities and build never-before integrated garmenting plants in India.

And in the process, growing in style.



Bombay Rayon-

Style uncovered

Bombay Rayon is engaged in the manufacture of designer shirts for some of the most celebrated brands in the world. We also supply designer fabrics to garment manufacturers and to domestic retail markets and have recently forayed into home furnishings. Employing over 7000 people, we have delivered consistent performance and have progressed in a fashionable manner over the past 20 years.



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We are a multi-product, multi-fibre and multi-market player. Our unique focus on fabrics and garments makes us one of the very few integrated textile companies in the country. Most of the fabrics manufactured at BRFL are consumed for the manufacture of garments exported to some of the most developed markets in the world.

O u r C a p a c i t i e s

Bombay Rayon has a manufacturing capacity of almost 11.20 million meters of fabric annually and 40,000 pieces of garments per day. The aggressive expansion in garment manufacturing facilities with the state-of-the-art integrated textile plant at Doddaballapur is estimated to increase the garment manufacturing facilities to around 60,000 pieces per day by Sept. 2006 and plans are being drawn to increase it to 1,00,000 pieces per day by March 2007. The fabric manufacturing capacity shall stand at 46.2 million meters per annum.



P e r f o r m a n c e

Bombay Rayon has constantly evolved to meet the challenges. Realizing the opportunity that lies in the readymade garments segment, the Company has moved swiftly and placed itself attractively, making it a preferred partner for many of the world-famous brands. This has been achieved through continuous expansion of facilities and diversification.



1986

1990

1992

1998

2003

2004

2005

2006

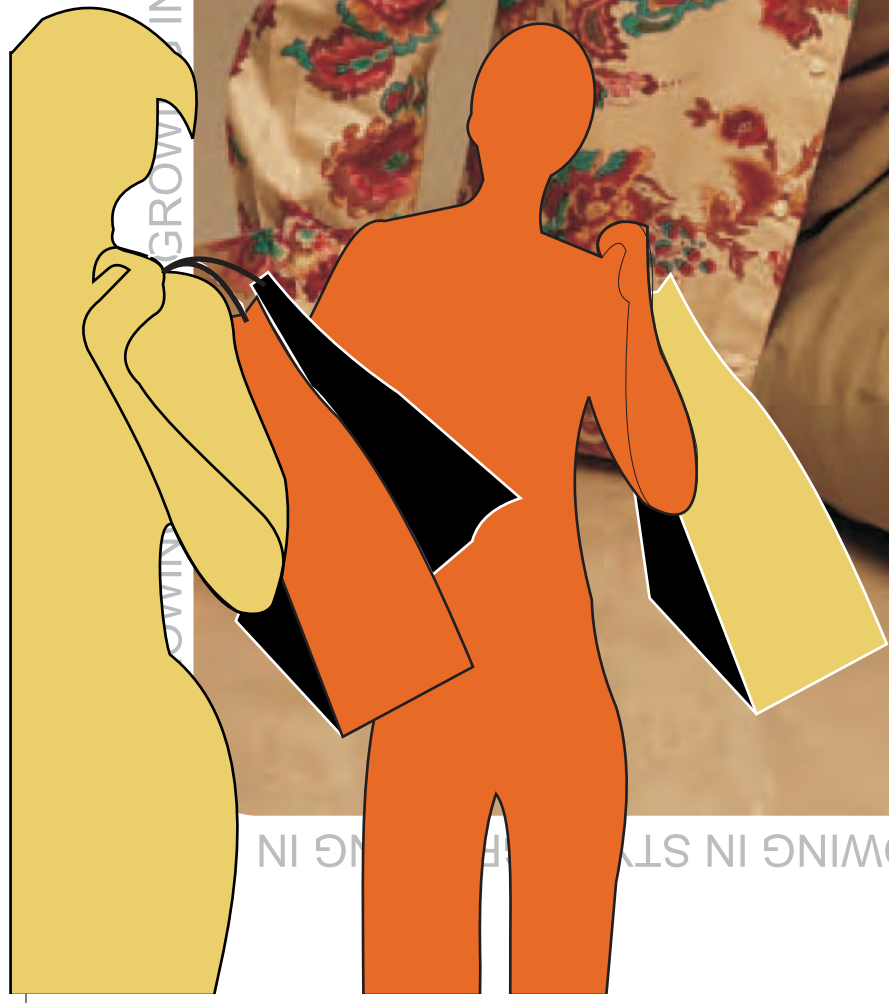
A STORY OF STYLE - MILESTONES

- 1986** Commencement of operations.
- 1990** Establishment of first manufacturing unit at Navi Mumbai.
- 1992** Formation of Bombay Rayon Fashions Limited.
- 1998** Foray into export of fabrics.
- 2003**
- ✓ Turnover crosses Rs 1000 mn.
 - ✓ Silvassa unit becomes operational.
 - ✓ Garment division comes into existence.
- 2004** In-principle approval received for setting up of integrated project at Apparel Park at Bangalore.
- 2005**
- ✓ Turnover exceeds Rs 1400 mn.
 - ✓ Foray into home furnishing and made ups.
 - ✓ Incorporation of wholly-owned subsidiary at Almere at the Netherlands.
 - ✓ EXIM bank invested in equity of the company.
 - ✓ Successful IPO of 13.475 million shares at Rs. 70 a share through which the company raised Rs. 943.58 mn. IPO over subscribed 17.26 times.
 - ✓ Shares got listed at The National Stock Exchange of India Limited (NSE) & The Bombay Stock Exchange Limited (BSE).
- 2006**
- ✓ Extended expansion plans with new 26000 piece garment production facility and doubling of weaving and yarn dyeing capacities and captive power plant.
 - ✓ Raised Rs. 1527.20 mn Term Loans under Technology Upgradation Fund Scheme (TUFS), interest subsidy 5%.
 - ✓ Declared Maiden Dividend of 10% (Re 1/- per share).
 - ✓ Turnover crosses Rs. 2000 mn.

GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE

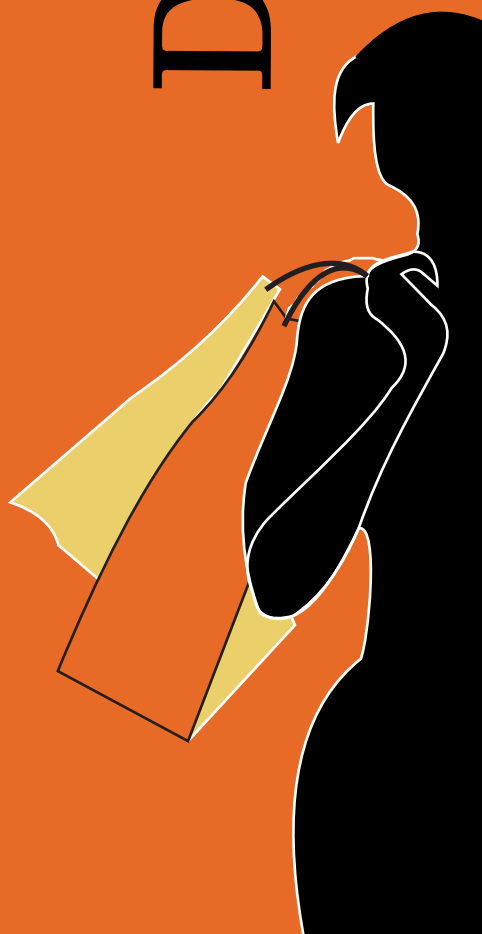


GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE



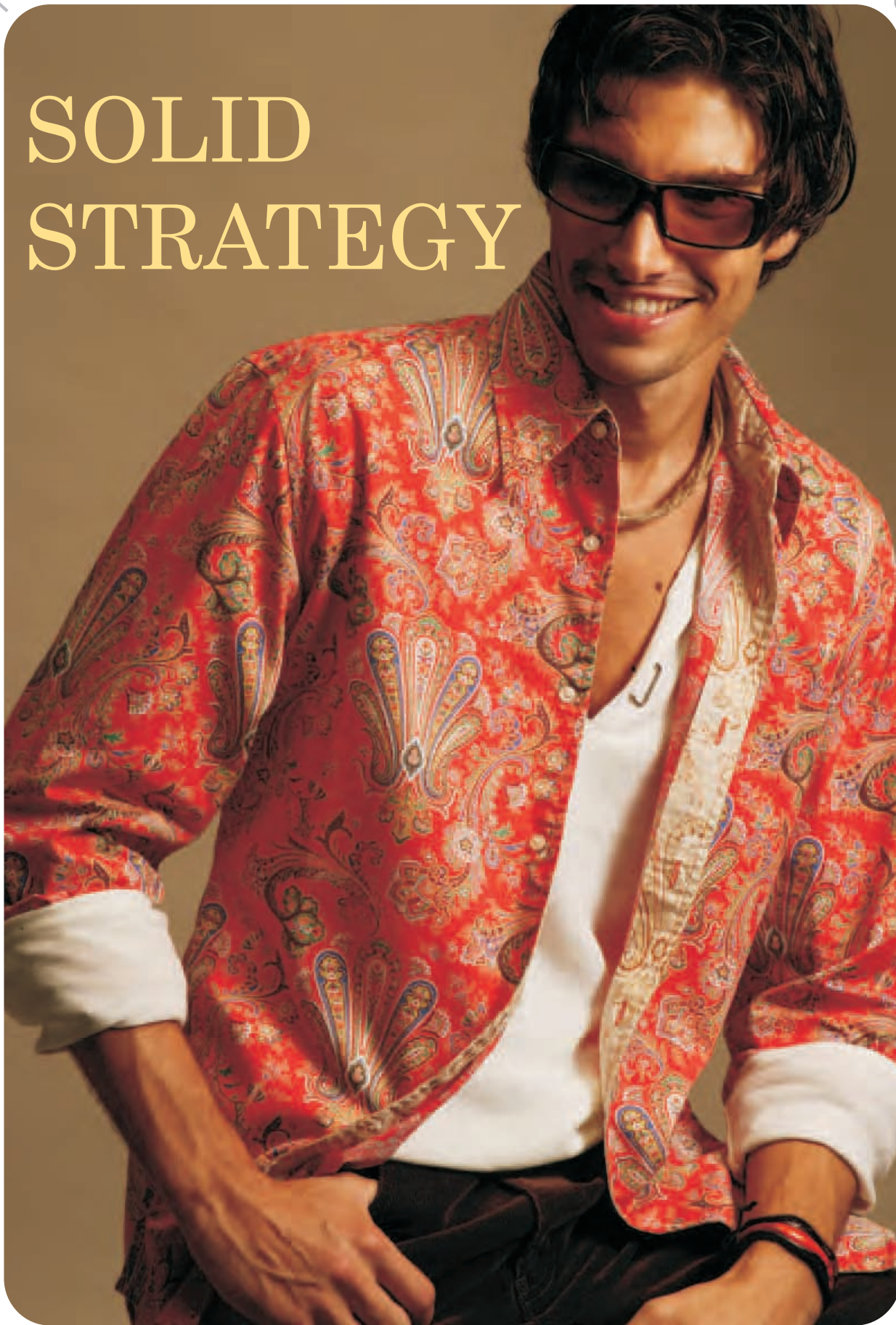
GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE GROWING IN STYLE

DELIGHTING CUSTOMERS EACH DAY



At Bombay Rayon, we have been dressing up people across countries. We have increased our presence across markets and across segments, allowing us to serve a large number of international brands from Milan to Manhattan, from Boston to Berlin. What enables us to be the leading shirt manufacturing company from India is our unwavering commitments to design, quality and delivery, resulting in value addition, higher realisations and of course, stronger cashflows.

Our customers expect us to be ready with products for the next season. Quite reasonably so, because a delay might mean the loss of opportunity and considerable mark-down on price tags. At Bombay Rayon, one of the core areas of focus for us is to continuously reduce the lead time between concept and delivery. We have one of the shortest lead times from order date in the industry. We plan to reduce this further, to about 30 days next year, as against the industry average of 75-100 days making us preferred partners of our global customers.



As India gears up to occupy a place of pride among the global textile industry in the post quota-regime, we at BRFL can claim to have a comfortable headstart.

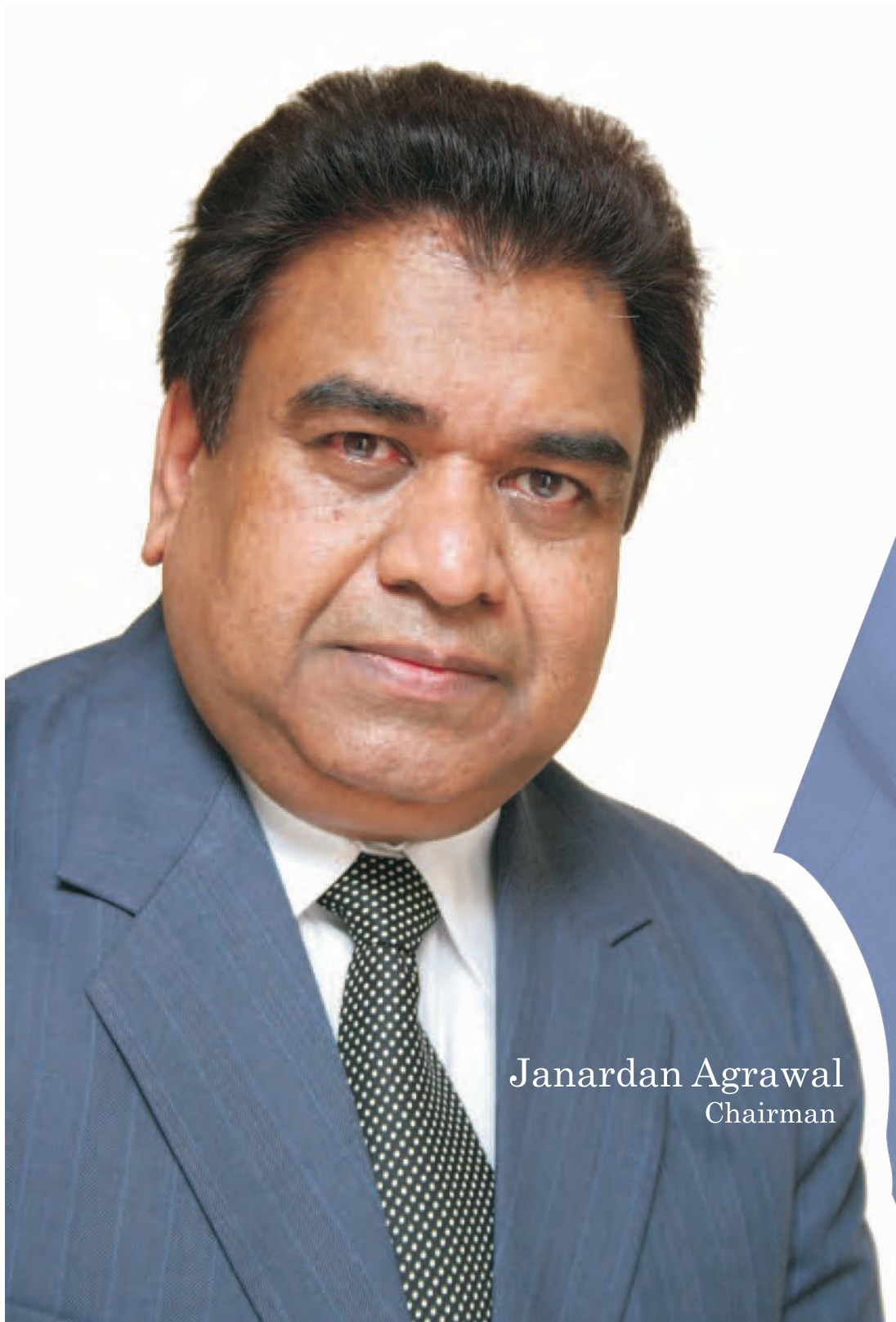
We have foreseen this and consciously invested our business with capabilities to make ourselves relevant to demanding fashion brands across the world.

From a pure play fabric company, we chose to become an integrated textile company. Thus, our competitive advantage would be drawn from our strengths in design and execution, a unique proposition anywhere in the world resulting in Bombay Rayon being one of the few integrated fabric and garment manufacturers in the country today.

We don't stop there though. Our strategy to achieve an aggressive growth is well chalked out. We are strengthening our design capabilities even further. We are building an international footprint to be closer to our customers. At the same time, we are integrating our operations from yarn to fabric to garments at a single location to optimise our turnaround time even further and enable our customers to quicken their time-to-market. At the same time we are focusing on adding newer products to our bouquet and continuously expanding our manufacturing capacities to meet this additional demand.



“We achieved our best ever results, reported higher profits, became one of the largest manufacturers of shirts in India and successfully completed our maiden public issue.”



Janardan Agrawal
Chairman





Dear Shareholders,

It is with a great sense of achievement and joy that I address this letter to our new members. I welcome you aboard on this eventful journey that we shall undertake together.

Fiscal 2006 has been one of significant achievements. We achieved our best ever results, reported higher profits, became one of the largest manufacturers of shirts in India and successfully completed our maiden public issue.

We have reached here from modest beginnings as a fabric manufacturer. We consciously adopted a diversification and integration strategy, to carve a unique niche in a largely commoditised industry space. Our integration, spanning from fabrics to garments has allowed us to improve our performance, helping us realize higher margins. This is reflected in the numbers that we delivered. Our revenues increased by over 88 per cent to reach Rs 2020.46 mn. The bottomline saw a quantum jump, increasing by 150 per cent over the previous year to Rs 181.80 mn in 2005-06.

We believe that we have entered a new stage of global growth. During the year, we have received several orders of significant volume. We have also added more international fashion labels to our impressive list of customers. This has been made possible by our versatility, quicker turnaround times and of course our superior designing capabilities.

To capitalize on the opportunities post the dismantling of the multi-fibre agreement, we expanded our capabilities and areas of operations. We set up a wholly owned subsidiary in Netherlands, strengthening our presence in the lucrative European Market. Extending our offerings further, we have forayed into the home furnishing segment, making us a complete player.

We went public and raised over Rs 940 mn. What this figure does not disclose is that our issue was oversubscribed by 17.26 times, implying that we received an overwhelming response from the investing community. I would like to take this opportunity to thank all the investors who participated in the public issue and helped make it a grand success.

Going forward, we will look at every opportunity to grow. As the opportunities appear, we will be ready with the appropriate response. We shall try and stay one step ahead of the competition, like we are in fashion.

In the process, we will grow in style. I invite you all to be a part of this growth

Sincerely,

Janardan Agrawal

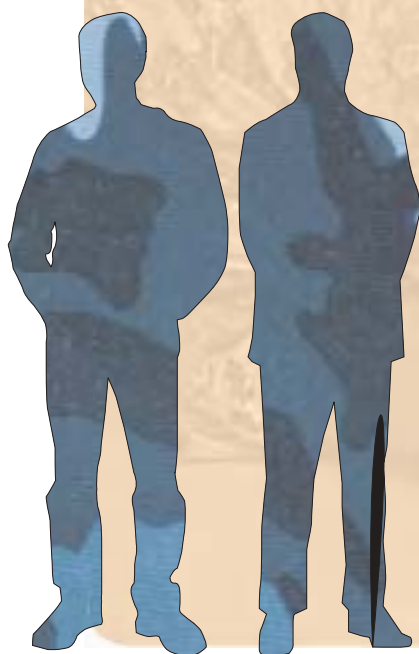
Directors' Report

Dear Shareholders,

Your Directors are pleased to present their Report and the Statement of Audited Accounts for the year ended 31st March 2006.

Financial Results:

	Rs. in Lacs	
Particulars	31-03-2006	31-03-2005
Gross Sales	20204.65	10729.05
Profit before Interest, Depreciation and Tax	3485.79	1372.54
Less: Interest	644.80	264.43
Profit before Depreciation and Tax	2840.99	1108.11
Less: Depreciation	294.79	188.39
Profit before Tax	2546.20	919.72
Less: Provision for Taxes (including Deferred)	728.18	193.51
Profit after Tax	1818.02	726.21
Add: Balance brought forward	760.25	233.84
Less: Capitalised for Issue of Bonus Shares	-	(199.80)
Profit available for appropriations	2578.27	760.25



OPERATIONS

The turnover (gross) of the Company increased by 88% to Rs. 20204.65 lacs during the year under review out of which the Export Sales has increased to Rs. 6347.29 lacs from 399.45 lacs (16 times) . The Company has posted an excellent performance as Profit before Tax has increased remarkably by to Rs. 2546.20 lacs in comparison with Rs.919.72 lacs in the previous year. After providing for taxation, the Company has been able to register profit after tax to the tune of Rs. 1818.02 lacs as against Rs. 726.21 lacs for previous year, registering a substantial rise of 150%.

With the installed capacity of Garment manufacturing increasing from 1.8 million pieces p.a to 12 million pieces p.a., your Company has become one of the largest Garment Manufacturer of designer shirts for exports. The Company has already added in its customer list many well known brands/ labels from The United States of America (USA) and European Countries.

The focus of growth is to convert the Company into 'Complete Apparel Company' with state of the art designing and sampling set ups and entire value chain from yarn dyeing, weaving, processing and manufacturing of fabrics and garments. With the expansion capacities going on stream soon, the profile of The Company will change from a fabric company to an integrated garment manufacturing company for exports. With the completion of new project, the total Garment Manufacturing capacity will increase to 18 million pieces p.a. The plans are being drawn to increase it to 30 million pieces p.a. (1,00,000 pieces per day) within the next financial year.

DIVIDEND:

Considering the surplus available, your Board of Directors is pleased to recommend a Dividend of Re.1 per Equity Share (10%) for your approval.

INITIAL PUBLIC ISSUE:

Your Company has successfully completed its maiden public issue of 1,34,75,000 Equity Shares of Rs.10/- each fully paid - up for cash at a premium of Rs.60/- per equity share. The aforesaid public issue received an overwhelming response and was oversubscribed by 17.26 times. Post completion of the Public Issue, the total paid - up equity share capital of the Company is 4,89,79,686 Equity Shares of Rs.10/- each fully paid-up aggregating to Rs. 4897.97 lacs. The equity shares of the Company have been listed with effect from 5th December 2005 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Before IPO, Export Import Bank of India subscribed for 10,00,000 equity shares of Rs. 10/- each at a premium of Rs. 40/- . The Board of Directors take this opportunity to thank all the investors for the confidence shown in the Company and its management.

SUBSIDIARY COMPANY:

During the year under review, a wholly - owned Subsidiary of the Company was incorporated on 5th September 2005 in Almere, Netherlands, under the name BRFL Europe B.V. The said wholly - owned subsidiary has been incorporated with a paid - up share capital of 18000 Ordinary Shares of Euro 1 each aggregating Euro 18000. A Marketing office including showroom has been set up by our subsidiary, to provide the services on the customer's door step which would give the overseas buyers a comfort of dealing with a company having reach in their respective territory.

As required under Section 212 of the Companies Act, 1956, the Statement of holding in subsidiary and Consolidated Accounts pursuant to Accounting Standard (AS 21) issued by The Institute of Chartered Accountant of India, including the financial accounts of the subsidiary company are forming part of the Annual Report.

Bombay Rayon Fashions Limited

NEW INTEGRATED TEXTILE PROJECT

Your Company has been allotted 20.16 acres of land in the Apparel Park at Doddaballapur for setting up an integrated textile project of yarn dyeing, weaving, process house and garment manufacturing.

Based on the Techno-Economic Feasibility Report prepared by Gherzi Eastern Limited, Mumbai, the total cost of the Integrated Textile Project at Doddaballapur, Bangalore at the time of Initial Public Issue was estimated at Rs.161.72 Crores.

Your Company has expanded the scope of the aforesaid project in view of setting up a new greenfield Garment facility for 7.8 million pieces p. a at Bangalore. The total cost after the new plans has increased to Rs. 246.72 Crores. A brief summary of the total project cost is as under:

(Rs. in Crores)

Particulars	Initial	Additional	Total Cost
Project cost	161.72	85.00	246.72
Means of Finance			
Equity	60.00	29.00	89.00
Debt	101.72	51.00	152.72
Capital Subsidy	—	5.00	5.00

The total debt of Rs. 152.72 crores have already been raised from the Banks under Technology Upgradation Fund Scheme (TUFS) for which Company will get interest subsidy of 5%. Also under TUFS for total investment in Processing machineries, the Company will be entitled for a 10% capital subsidy, approx Rs. 5.00 Crores.

The new Garment Unit at Bangalore with an installed capacity for manufacturing 7.8 million pieces of Garments per annum became operational with commencement of commercial production from 6th March, 2006.

The project execution work is at an advanced stage and is scheduled to be fully commercially operational in the second quarter of the current year. Till 31st March 2006 the total expenditure of Rs. 83.15 crores have been incurred on the new project.

DIRECTORS:

Mr. A.R. Mundra and Mr. Uday Mogre, Directors of the Company shall retire by rotation at the forthcoming

Annual General Meeting and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

In view of the securities of the Company being listed with effect from 5th December 2005 on National Stock Exchange of India Limited and Bombay Stock Exchange Limited, the Code of Corporate Governance became applicable from the aforesaid date. However, your Company had been in the process of institution and adherence to the code of Corporate Governance prior to listing itself. The Company has fully complied with the requirements and disclosures that have to be made in this regard. As required by the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges, a Report on the Corporate Governance along with a certificate from the Statutory Auditors confirming compliance is set out in the annexure forming part of this Report.

Separate annexure is attached giving the details of the Management's Discussion and Analysis.

AUDITORS:

M/s V.K. Beswal & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT:

There are no specific observation in the Auditors' Report requiring further comments under Section 217 (3) of the Companies Act, 1956.

FIXED DEPOSITS:

The Company has not accepted or renewed any deposit from public during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

1. In the preparation of the annual accounts, the applicable standards have been followed.
2. Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that year.

3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the attached Statement of Accounts for the year ended March 31, 2006 on a going concern basis.

PARTICULARS OF EMPLOYEES:

During the year under review, none of the employees of the Company was in receipt of remuneration aggregating Rs. 24,00,000/- or more per annum, if employed throughout the year, or Rs. 2,00,000/- or more per month, in case employed for part of the year. Hence, there are no particulars to be annexed to this report as required under Section 217 (2A) of the Companies Act, 1956 and the rules made thereunder,.

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

The particulars as prescribed under section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in annexure to this report.

ACKNOWLEDGEMENTS:

The Directors wish to express their gratitude to the bankers, customers and business associates for their continuous support to the Company and to the Shareholders for the confidence reposed in the Company's management. The Directors also convey their appreciation to the employees at all levels for their enormous personal efforts as well as collective contribution.

For and on behalf of the Board

Place : Mumbai
Date : 15th June 2006

JANARDAN AGRAWAL
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM 'A'

1) Conservation of Energy:

- (a) Energy conservation measures taken by the Company
- (i) Electrical Energy :
- (a) Reducing the maximum demand by evenly distributing the loads throughout the day and increasing efficiency of plant and equipments.
- (b) Improving power factor by optimum choice of power factor improvement capacitors.
- (c) Monitoring the overall energy consumption.
- (b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

The Company is reviewing various proposals for reduction in consumption of energy, mainly by way of replacement of existing equipments by modern & energy efficient equipments.

- (c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods as per Form 'A'.
- (d) Total energy consumption per unit of production as per Form "A".

Year Ended
31/03/2006

Fabrics Garments

A. Power and Fuel Consumption

1. Electricity

(a) Purchase Unit (Lacs)	14.21	7.24
Total Amount (Rs. Lacs)	36.23	36.24
Rate/ Unit (Rs.)	2.55	5.01
(b) Own generation (Through D.G. Set) Diesel Oil Consumed (Lac Ltrs)	1.69	1.67
Total Amount (Rs. Lacs)	58.69	61.80
Avg. Per Ltr. (Rs.)	34.73	37.01

B. Consumption Per unit of Production

Production	20.74	1.72
	Million mtrs	Million pcs
Electricity (Rs.)	0.46/ Mtr	5.70/ piece

2. Technology Absorption:

The Disclosure of particulars with respect to Technology absorption as per Form "B"

FORM B

Disclosure of particulars with respect to absorption

Research and development (R & D)

1. Specific areas in which R & D carried out by the company:

Product and quality improvement, development of new designs, products, cost control and energy conservation.

2. Benefits derived as a result of the above R & D:

Product Quality has improved and new products have been introduced.

3. Future plan of action:

The Company continues to focus its efforts on innovations in textile development processes.

4. Expenditure on R & D: NIL***Technology absorption, adaptation and innovation*****1. Efforts, in brief, made towards technology absorption, adaptation and innovation:**

The Company has been developing in-house modifications/improvements in process technology in its various manufacturing sections which, when found suitable, are integrated into the regular manufacturing operation.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.:

High Product quality and increased business potential

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> a) Technology imported: b) Year of import: c) Has technology been fully absorbed? d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | } | <p>Not Applicable as no imported technology is put to use.</p> |
|--|---|--|

4. Foreign Exchange Earnings and Outgo:

- i) **Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans.**

The Company exports its textile products. All efforts of the Company are geared to increase the business of textile exports in different products and markets.

- ii) **Total Foreign Exchange Earnings used and earned:**

	Current Year (Rs.)	Previous year (Rs.)
Total Foreign Exchange used	137.60	34.39
Total Foreign Exchange earned	5952.38	399.45

Report on Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The Company has implemented the mandatory requirements of the 'Code of Corporate Governance' as mentioned in the clause 49 of the Listing Agreement. The Company came out with the initial public offer in November 2005. The shares of the Company have been listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited with effect from 5th December, 2005. Though the code of corporate governance has become applicable only with effect from 5th December 2005, the Company has been following the principles of corporate governance to a large extent much before the said date.

2. Board of Directors

a) Composition of the Board

The Board comprises of Four Executive Directors and Five Non-Executive Directors. The Chairman of the Board is a Non-executive Director and one third of the Board comprises of independent Directors.

Except the Managing Director and Vice-Chairman, all other Directors are liable to retire by rotation.



The composition of the Board and other relevant details relating to Directors are given below:

Name of the Director	Designation	Category of Directorship	No. of other Directorships*	No. of Other Committee Memberships #	
				Chairman	Member
Mr. Janardan Agrawal	Chairman	Promoter, Non-Executive; Non Independent	1	-	-
Mr. Aman Agrawal	Vice Chairman	Promoter; Executive; Non-Independent	1	-	-
Mr. Naseer Ahmed\$	Joint Vice Chairman	Non-Executive; Non-Independent	-	-	-
Mr. Prashant Agarwal	Managing Director	Promoter, Executive; Non Independent	3	-	-
Mr. A.R. Mundra**	Director	Executive; Non Independent	-	-	-
Mr. Uday Mogre**	Director	Executive; Non Independent	-	-	-
Mr. B.S Bhesania\$	Director	Non-Executive; Independent	4	-	4
Mr. S. B. Agarwal\$	Director	Non-Executive; Independent	7	-	-
Dr. P. P. Shah\$	Director	Non-Executive; Independent	7	-	4

* Directorships in Private and Foreign Companies are excluded.

Memberships of only Audit Committee, Shareholders' Grievance Committee and Remuneration Committee have been considered.

** Appointed with effect from 16th May, 2005

\$ Appointed with effect from 25th July, 2005

b) Reappointment of Directors:

The Directors whose re-appointment is proposed at the forthcoming Annual General meeting are:

i) Mr. A.R. Mundra

A.R. Mundra, aged 49 years, has experience of over twenty-four years in finance, commercial and managerial related matters. He holds a bachelor degree in commerce and law (gold medallist). He is an associate member of the Institute of Chartered Accountants of India and also of the Institute of Company Secretaries of India. He is also a member of the International Institute of Business Management, London.

Mr. Mundra's core strength lies in fund procurement, internal controls, organizational systems and strategic planning. He has worked with organisations like Bhansali Engineering Polymers Limited as President, Welspun group of companies as Senior Vice-President (Finance) & Company Secretary and Chief Executive (Commercial). In the initial stage of his career he has also worked with Indian Rayon and

Bombay Rayon Fashions Limited

Industries Limited, other Birla group of companies and Gujarat Ambuja Cement Limited in various capacities.

He was awarded 'Samaj Shri' for excellence in management by Indian Institute of Management Executives, Mumbai in 1994.

Besides the Company, Mr. Mundra does not hold directorship in any other Company.

ii) Mr. Uday C. Mogre

Uday C. Mogre, aged 53 years, holds a bachelor degree in technology (Chemical Engineering) from Laxminarayan Institute of Technology, Nagpur and has completed Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad.

Mr. Mogre has over twenty-five years of experience and has initially worked with organizations like Advani Oerlikon Limited for eight years and then with Universal Luggage as General Manager (Finance). Later on he also worked with Reliance Industries Limited for fourteen years and his last assignment was with Texmaco group of companies (Jakarta, Indonesia) as Senior Vice President and Chief Financial Officer. During his long tenure with Reliance Industries Limited he worked as Executive Assistant to the Vice-Chairman for first four years and later on he handled senior level positions in the textured yarn and fibre intermediate marketing and was finally as Vice President (Finance). He was involved in project financing and implementation of SAP. In the initial stage of his career he worked as Scientific Officer with Heavy Water Project-Tuticorian, Department of Atomic Energy, Gol.

Besides the Company, Mr. Mogre does not hold directorship in any other Company.

c) Board Meetings and Annual General Meeting:

During the financial year 2005-06, 17 Board Meetings were held on – 11th April 2005, 27th April 2005, 16th May 2005, 1st June 2005, 11th June 2005, 4th July 2005, 6th July 2005, 9th July 2005, 25th July 2005, 12th August 2005, 7th October 2005, 14th October 2005, 11th November 2005, 21st November 2005, 29th November 2005, 31st January 2006 and 6th March 2006. The last Annual General Meeting of the Company was held on 29th September 2005. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows.

Name of the Director	No. of Board Meetings Attended	Attendance at Last Annual General Meeting
Mr. Janardan Agrawal	15	Yes
Mr. Aman Agrawal	17	Yes
Mr. Naseer Ahmed\$	4	No
Mr. Prashant Agarwal	17	Yes
Mr. A. R. Mundra*	14	Yes
Mr. Uday Mogre*	14	Yes
Mr. B. S Bhesania\$	5	No
Mr. S. B. Agarwal\$	4	No
Dr. P. P. Shah\$	2	No
Ms Priyanka Agarwal #	2	-

Resigned with effect from 1st May 2005

* Appointed with effect from 16th May 2005

\$ Appointed with effect from 25th July 2005



d) Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the Company. The same is posted on the website of the company at the following link:-

http://www.bombayrayon.com/investors/code_of_conduct_directors.PDF

The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel for the period 5th December 2005 to 31st March 2006.

3. Audit Committee

a) Constitution of Audit Committee:

The Audit Committee was constituted with effect from 25th July 2005. The Committee comprises three Non-executive Directors. All of these are independent directors. Two members of the Committee are members of Institute of Chartered Accountants of India.

b) Composition of Audit Committee and Number of Meetings Attended:

One Audit Committee Meeting was held on 31st January 2006. The composition of the Audit Committee and the number of meeting attended were as under:

Committee Members Attending the Meeting	Designation	No. of Meetings Attended
Dr. Pravin P. Shah	Chairman	-
Mr. S. B. Agarwal	Member	1
Mr. B. S. Bhesania	Member	1

c) Attendees:

The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Executive Director - Finance attend such meetings. The Statutory Auditors are also invited to these meetings. The Deputy Company Secretary acts as the Secretary of the Committee.

d) The Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee as defined by the Board are as under:

- i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgement by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.

Bombay Rayon Fashions Limited

- e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
 - vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
 - vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 - viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - ix) Discussion with internal auditors on any significant findings and follow up there on.
 - x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - xi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - xii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 - xiii) Review of information as prescribed under Clause 49 (II)(E) of the listing agreement.
- e) Powers of the Audit Committee:
- The Board has delegated the following powers to the Audit Committee:
- i) Investigating any activity within its terms of reference as above, or in relation to the items specified in Section 292A of the Companies Act, 1956, or as may be referred to it by the Board, from time to time and for this purpose, it shall have full access to information contained in the records of the Company and external professional advice, if necessary
 - ii) Seek information from any employee.
 - iii) Obtain outside legal or other professional advice, if necessary.
 - iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

4. Remuneration Committee

a) Constitution of Remuneration Committee:

The Remuneration Committee was constituted on 29th April, 2005 and subsequently the same was reconstituted on 25th July 2005. Presently, the committee comprises of three members. All the members are Non-Executive Directors.

b) Composition of Remuneration Committee and the number of meetings attended:

One Remuneration Committee Meeting was held during the financial year, on 29th April 2005. The composition of Remuneration Committee is revised w.e.f 25th July, 2005 as under:

Name of Director	Designation
Mr. B.S Bhesania	Chairman
Dr. Pravin P. Shah	Member
Mr. S.B. Agarwal	Member



c) Terms of reference:

The committee has the mandate to review and recommend compensation payable to the Executive Directors and senior management of the company. It shall also administer the company's stock option plans, if any, including the review and grant of the stock options to eligible employees under plans. The committee may review the performance of the Executive Directors and for the said purpose may lay down requisite parameters for each of the Executive Directors at the beginning of the year.

d) Remuneration Policy:

i) Management Staff:

Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance, etc.

ii) Non-Executive Directors :

The Company pays sitting fees to all the Non-executive Directors except Chairman of the Company. The sitting fees paid is within the limits prescribed under the Companies Act, 1956.

The Board of Directors at their Meeting held on 6th July 2005 had approved payment of sitting fees of Rs.2500/- for each meeting of Board of Directors, meeting of the Audit Committee & Remuneration Committee. Details of the Sitting fees paid during the year 2005-06 is as under:

Name of the Director	Sitting fees paid (Rs.)		
	Board Meeting	Audit Committee	Remuneration Committee
Dr. Pravin P. Shah	5000	-	-
Mr. B. S. Bhesania	12500	2500	-
Mr. S. B. Agarwal	10000	2500	-
Mr. Naseer Ahmed	2500	-	-
Total	30000	5000	-

The Chairman of the Company is entitled to Commission based on the Net profits of the Company in accordance with the limits of Section 309 of the Companies Act, 1956. The total Commission payable for the year ended March 31, 2006, to the Chairman amounted to Rs. 26.17 lacs.

iii) Executive Directors:

The Vice Chairman, Managing Director, Executive Director – Finance and Executive Director-Corporate are the only Executive Directors in the Company. The tenure of all the aforesaid Executive Director is for a period of 3 years with effect from 1st June 2005. The remuneration of the Executive Directors for the period commencing from 1st June 2005 to March 31, 2006, has been approved by the Remuneration Committee of the Board of Directors, the Board of Directors and the Shareholders in the General Meeting.

Bombay Rayon Fashions Limited

Details of remuneration paid to Executive Directors during year ended March 31, 2006 are given below:

Name of the Executive Director	Designation	Salary & Allowances (Rs. Lacs)	Contribution to PF (Rs. Lacs)	Total (Rs. Lacs)
Mr. Aman Agrawal	Vice-Chairman	15.79	1.20	16.99
Mr. Prashant Agarwal	Managing Director	15.79	1.20	16.99
Mr. A. R. Mundra	Executive Director – Finance	9.53	0.72	10.25
Mr. Uday Mogre	Executive Director – Corporate	9.53	0.72	10.25

5. Shareholders'/ Investors' Grievance Committee

a) Constitution and Composition of Shareholders' Grievance Committee:

The current Shareholders' / Investors' Grievance Committee was constituted on 25th July 2005, to look into investor's complaints like transfer of shares, non-receipt of declared dividends, etc. and take necessary steps for redressal thereof. The Committee is a Board level committee under the Chairmanship of a Non-Executive Director. One Shareholders'/Investors' Grievance Committee Meeting was held during the financial year 2005-06, on 31st January 2006. The composition of the Shareholders'/Investors' Grievance Committee and the number of meeting attended were as under:

Name of Director	Designation	No. of Meeting Attended
Mr. Janardan Agrawal	Chairman	-
Mr. Prashant Agarwal	Member	1
Mr. A. R. Mundra	Member	1

b) Ms. Prachi Deshpande, Deputy Company Secretary is also the Compliance Officer for the committee.

c) 695 complaints received during the year from shareholders / investors were resolved. There were no complaints pending as at end of the year.

d) Share Transfers In Physical Mode

Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The Shareholders' Committee of the Company meets as often as required.

e) General Body Meetings

a. Annual General Meeting:

i) Location, time and date of holding of the last three Annual General Meetings (AGM) are given below:

Financial Year	Date	Time	Location of the Meeting
2002-03	27/09/03	12:00 Noon	4-1148, Oberoi Garden Estates, Chandivali Farms Road, Andheri (East), Mumbai-400 072
2003-04	30/09/04	10:00 A.M	D-1148, Oberoi Garden Estates, Chandivali Farms Road, Andheri (East), Mumbai-400 072
2004-05	29/09/05	11:00 A.M.	D- 1st floor, Oberoi Garden Estates, Chandivali Farms Road, Andheri (East), Mumbai-400 072



- ii) Special Resolution:
No special resolutions were passed at the last Annual General Meeting.
- iii) During the year 2005-06, no special Resolution has been passed by Postal Ballot.
- iv) No special resolution is proposed to be conducted through Postal Ballot.

f) Means of Communication

- a) The quarterly results of the Company for the quarter ended 31st December 2005 were published in Economic Times, Free Press Journal, Navbharat Times and Navshakti. The Company proposes that all quarterly, half-yearly and full year audited results be published at least in 2 newspapers. The quarterly results shall further be submitted to the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited shortly after the conclusion of the respective meetings.
- b) The financial results and other corporate information are displayed on the Company's website - www.bombayrayon.com. The website also displays official news releases.
- c) The presentation made to institutional investors, or to the analysts is also put on the website of the Company.

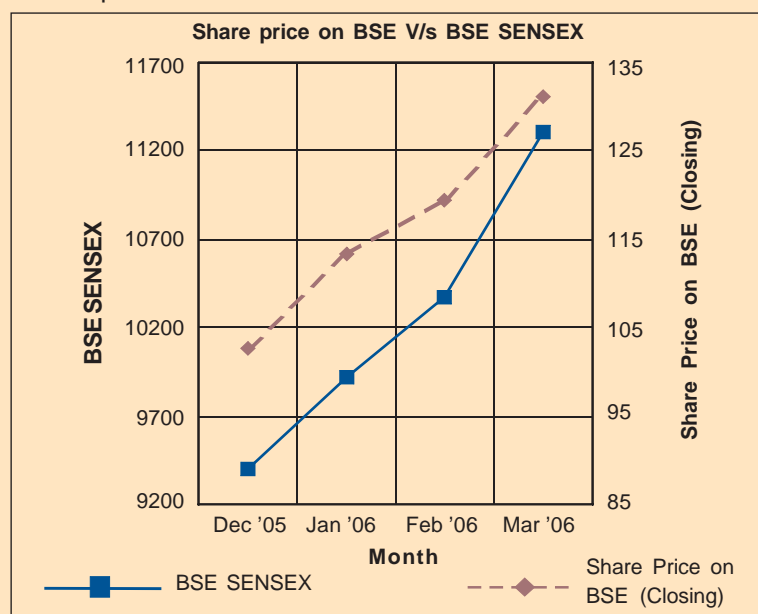
g) General Shareholder Information

- a. Annual General Meeting:
Day, Date and Time : Tuesday, 29th August 2006 at 4:30 p.m.
Venue : Walchand Hirachand Hall,
Indian Merchants' Chamber,
IMC Marg,
Churchgate, Mumbai - 400 020
- b. Financial Year:
The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter.
- c. Date of Book Closure: 19th August, 2006 to 29th August, 2006 (both days inclusive)
- d. Listing on Stock Exchanges:
The Company's shares are listed on The National Stock Exchange of India Ltd ("NSE") and The Bombay Stock Exchange Limited ("BSE"). The Company has paid the listing fees to the Stock Exchanges within the prescribed time.
- e. Stock Code/Symbol
NSE - BRFL
BSE - 532678
- f. Market Price Data:
The monthly high and low quotations of shares traded on The Bombay Stock Exchange Limited and The National Stock Exchange of India Ltd. during each month post listing is as follows:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December 2005	110.95	79.75	110.90	80.00
January 2006	121.85	97.40	122.20	97.30
February 2006	140.50	110.10	140.75	110.80
March 2006	142.50	119.00	142.70	119.00

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Performance in comparison to broad-based indices of BSE SENSEX is as under:



g. Share Transfer System:

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. They attend to share transfer formalities at least once in 15 days.

Shares held in the dematerialized form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records for sending all corporate communications, dividend warrants, etc.

Physical shares received for dematerialisation are processed and completed within a period of 21 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

h. Category wise Shareholding as at March 31, 2006:

Sr. No.	Category	No. of Shares held	%
1.	Promoter Group	27359160	55.86
2.	Mutual Funds & UTI	3645950	7.44
3.	Banks / Financial Institutions/ Insurance Companies	1239700	2.53
4.	Foreign Institutional Investors	4417458	9.02
5.	Non-Resident Indians	427366	0.87
6.	Private Bodies Corporate	6045708	12.35
7.	Indian Public	5677381	11.59
8.	Clearing Member	166963	0.34
	Total	48979686	100.00



i. Distribution of Shareholding as at March 31, 2006:

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	Share Capital Amount (Rs.)	% of Total
1 - 5,000	13775	94.11	15561450	3.18
5,001 - 10,000	351	2.40	2929200	0.60
10,001 - 20,000	141	0.96	2122920	0.43
20,001 - 30,000	73	0.50	1879960	0.38
30,001 - 40,000	28	0.19	997010	0.21
40,001 - 50,000	50	0.34	2412680	0.49
50,001 - 100,000	67	0.46	5339990	1.09
100,001 and above	152	1.04	458553650	93.62
TOTAL	14637	100.00	489796860	100.00

j. Dematerialisation of Shares and Liquidity:

About 65.54% of the shares have been dematerialized as on March 31, 2006. The equity shares of the Company are traded at The Bombay Stock Exchange Ltd. (BSE) and The National Stock Exchange of India Ltd. (NSE).

k. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments conversion date and likely impact on equity:

The Company has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on March 31, 2006.

l. Registrar and Share Transfer Agents:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400 078.

m. Plant Locations:

Factory Location	Activity
(i) Raj Rajeshwari Compound, Sonale Village, Bhiwandi.	Weaving of Fabrics
(ii) TTC Industrial Area, Navi Mumbai.	Weaving of Fabrics
(iii) 57/A, 3rd Phase, Peenya Industrial Area, Bangalore-560 058.	Garment Manufacturing
(iv) 288, 4th Phase, Peenya Industrial Area, Bangalore-560 058.	Garment Manufacturing
(v) 227/3 Khanvel Main Road, Kherdi, Silvassa	Weaving of Fabrics
(vi) 19th KM 53/10 Madanayakanna Hialli, Madavara Post Dasunp, Bangalore 562 123	Garment Manufacturing
(vii) 151, Babaasabara Palya, Mysore Road, Kengeri Bangalore 560 058	Garment Manufacturing
(viii) Plot No./Survey No. 21 to 32 (P), KIADB Apparel Park, Near Railway Station, Doddaballapur-561203 (under set up)	Yarn Dyeing, Processing & Garment Manufacturing

Bombay Rayon Fashions Limited

n. Address for Correspondence:

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400 078.
Tele: 022 – 25963838
Fax: 022 – 25946969 / 25960329

For general correspondence:
Bombay Rayon Fashions Limited
Secretarial Department
D-1st Floor, Oberoi Garden Estates,
Chandivali Farms Road, Andheri (East),
Mumbai - 400 072 .
Tel: 022 –66955566
Fax: 022 – 28476992

h) Other Disclosures

- a. The Company did not have any related party transactions, i.e. transactions of the Company of material nature, with its promoters, Directors or the Management, their subsidiaries or relatives, etc., which may have potential conflict with the interests of the Company at large. Related Party transactions have been disclosed in the Notes to Accounts in the financial statements as at March 31, 2006.
- b. The Company has complied with the requirements of regulatory authorities on capital markets and no penalty / stricture was imposed on the Company during the last three years.
- c. The Company has complied with the non-mandatory requirements relating to Remuneration Committee. The financial statements of the Company are unqualified.
- d. The Company has not implemented the Whistle Blower Policy which is a non-mandatory requirement under the code of the Corporate Governance.



Auditors' Certificate on Corporate Governance

To the Members of
Bombay Rayon Fashions Ltd

We have examined the compliance of conditions of Corporate Governance by Bombay Rayon Fashions Ltd ("the Company") for the period starting from the date of listing of equity shares with Bombay Stock Exchange Limited and National Stock Exchange of India Limited i.e 5th December 2006 to March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the Company with these Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit, nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that there were no investor grievances remaining unattended for a period exceeding one month against the Company as per the records maintained by the Company & its Registrars.

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 **V. K. Beswal & Associates**
Chartered Accountants

R. P. LADDHA
Partner
Membership No. 48195

Place: Mumbai
Date: 15/06/2006



Management Discussion & Analysis

Industry structure and development

The textile industry is one of the oldest and largest industry in India and is highly fragmented. It is divided in four segments spinning, weaving, processing and garmenting. Indian textile industry comprises of two sectors, the organised sector consisting of modern and highly mechanised mills and the unorganized sector consisting of the small scale powerloom sector and the highly fragmented handloom (hand spinning and hand weaving) sector. India has potential to become the second largest producer in the world, after China, capable of producing a large variety of textiles.

Due to the Quota restrictions getting lifted, the Garment Industry is seeing a lot of action. The Government of India ("GoI") has taken several steps to give a much needed booster to the sector. Launch of Apparel park for Export Scheme is the important step to give fillip to Exports. A comprehensive Textile policy was formulated in 2000 for developing a globally competitive textile industry in India. In 2003, the Indian textile Vision 2010 of GoI sets a target of achieving export turnover of USD 50 billion by 2010 from around USD 13 billion in 2003. Another scheme, Textile Centres Infrastructure Development Scheme (TCIDS) has been announced for upgrading infrastructure facilities at major textile centres. Technological and Upgradation Funds Scheme (TUFS) for Textile & Jute Industry which was launched initially for a period of 5 years w.e.f 1st April 1999 has been extended upto 31st March, 2007. The objective of this scheme is to make available capital from banks and financial institutions for modernization at internationally comparable rate of interest. The scheme provides 5% interest reimbursement on the specified machinery purchased and also capital subsidy of 10% for investment in Processing Machinery.

Your Company has expanded the capacities by setting up an integrated Textile project at Doddaballpur, Bangalore. This would help the Company to achieve total quality control at each stage and also enable the Company to compress the lead time in executing the Export orders for Garments. The total Garment manufacturing capacity has reached to 40,000 pieces per day as on 31st March, 2006, which is planned to be increased upto 1,00,000 pieces per day by end of financial year 2006 -07.

Opportunities and threat, Risks & Concerns

In the post Multi Fibre Agreement era, after 1st January, 2005 trade in textile and clothing will be carried out on the basis of market forces without quantitative restrictions and therefore Company can export unlimited quantities depending on its capacity. As the skilled labour is available in abundance, their services can be availed for the continuous research on the latest trend in the world. This shall enable innovative designs on regular basis which make fabrics and garments more of a fashion product than a commodity product. The new integrated unit set up by the Company at Bangalore has the capacity of producing & supplying garment in a shortest time of 30 days as compared to the current industry norm of 90 days. This will help the Company to cater more clients.

Your Company is operating in highly creative business of fashion. Any inability to understand the prevailing world-wide trend or to forecast changes well in time may affect the growth prospects. Fashion, being perishable especially in case of overseas markets, deliveries are met on time.

As the Company exports 100% of its garment production to US and EU Markets, the realization is vulnerable to currency fluctuations in terms of US\$ and the Euro.

Due to removal of quota the minimum assured quantities are no longer available and intense competition is foreseen from other Asian countries mainly China, Bangladesh, Sri Lanka etc.

Outlook

The outlook of the Company is to become a complete apparel Company. Post January 2005, huge textile demand has been released in favour of India. The demand from major US and European retail giants/ manufacturers has increased.

Innovation is going to be the name of the Game. Your Company has a fully equipped design studio and all other facilities to come out with innovative designs and thus placing itself at better place in terms of price realization.

Internal control systems and their adequacy

BRFL's internal control systems as well as procedures are commensurate with the magnitude of its current business. The operating and business control procedures have been framed in order to ensure efficient use of resources and comply with the procedures and regulatory requirements. The internal control systems are being further strengthened by laying out well-documented guidelines, approval and authorization procedures.

Discussion of financial performance with respect to operational performance

Discussion of financial performance with respect to operational performance has been presented elsewhere in the Annual Report.

Material Development in Human Resources

During the year under review, the Company has enjoyed cordial professional relationship with the employees at all levels.

Manpower figure of the Company as on 31st March, 2006 was 5124.

Auditors' Report

We have audited the attached Balance Sheet of **BOMBAY RAYON FASHIONS LIMITED**, as at 31st March 2006 and also the Profit and Loss Account & Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956. We enclosed the annexure statement on the matters specified in paragraphs 4 and 5 of the Order.
 2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss & Cash Flow Statement Account are prepared in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1961.
 - e) On the basis of written representations received from directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956, required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In so far as it relates to the **Balance Sheet** of the state of affairs of the Company as at **31st March, 2006**,
 - ii. In so far as it relates to the **Profit & Loss Account** of the **PROFIT** of the company for the year ended on that date,
- and
- iii. In so far as it related to the **Cash Flow Statement**, of the Cash Flows for the year ended on that date.

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner

Membership Number: 48195

Place : Mumbai
Dated : 15th June, 2006



ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE

(Referred to in paragraph 2 thereof)

- 1) a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) The fixed assets have been physically verified by the management at reasonable intervals during the year. We are informed that no material discrepancies were noticed by the management on such verification.
c) Based on our scrutiny of the records of the company and the information & explanation received by us, we report that there were sale of fixed assets during the year but the fixed assets disposed off did not constitute a substantial part of the fixed assets of the company. Hence, the question of reporting whether the sale of any substantial part of fixed assets has affected the going concern of the company does not arise.
- 2) a) As explained to us physical verification of inventories has been conducted during the year by the management at reasonable intervals.
b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of its inventories and no material discrepancies were noticed on physical verification.
- 3) The company has not granted or taken any loans to/from companies, firms or other party covered in the register maintained u/s.301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of services/goods. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct weaknesses in the aforesaid internal control system.
- 5) a) In our opinion and according to the information and explanations given to us the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in to the register required to be maintained under that section.
b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices, which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- 6) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provision of Clause (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 7) In our opinion the Company has an internal audit system commensurate with its size and nature of its business.
- 8) As informed to us, the Central Government has not prescribed the maintenance of Cost records under section 209(1)(d) of the Companies Act, 1956.
- 9) a) According to the records of the company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
b) According to information & explanation given there were no undisputed amounts payable in respect of wealth tax, service tax, sales tax, custom duty, excise duty, cess & other statutory dues which remained outstanding as at 31st March, 2006 for a period more than six months from the date they became payable

except in respect of Income Tax which has not been deposited. The details are given as under:-

Name of Statute	Amount (Rs.)	Period for which it relates	Forum where dispute is pending
Income Tax Act, 1961	34,64,896	2002-2003	ITAT, Mumbai

- 10) The company has no accumulated losses at the end of the financial year. The company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- 11) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to banks. The company has not borrowed any amount from financial institutions.
- 12) According to the information and explanation given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13) In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the company is neither a Chit Fund nor a nidhi /mutual benefit society. Hence, in our opinion, the requirements of para 4 (xiii) of the Order do not apply to the company.
- 14) As per records of the company and information and explanations given to us by the management, company is not dealing or trading in shares, securities, and debentures and other investments.
- 15) The company has given guarantee in connection with loans taken by others from banks. In our opinion, the terms and conditions of the guarantee given are not *prima-facie* prejudicial to the interest of the company.
- 16) According to the records of the Company, the Company has applied the term loans for the purposes of which it was taken during the year.
- 17) According to the information and explanations given to us and, on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.
- 18) According to the records of the company and the information and explanations provided by the management, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s.301 of the Act.
- 19) No debentures have been issued by the Company during the year and hence, the question of creating securities in respect thereof does not arise.
- 20) The end use of moneys raised by public issues as disclosed in the financial statements has been verified by us and found to be in order.
- 21) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
Membership Number: 48195

Place : Mumbai
Dated : 15th June, 2006

Bombay Rayon Fashions Limited

Balance Sheet

as at March 31, 2006

(Rs. In Lacs)

	Schedule		As At 31.03.2006	As At 31.03.2005
SOURCES OF FUNDS				
SHAREHOLDERS FUND				
Share Capital	A	4,897.97		3,296.36
Reserve and Surplus	B	10,438.45	15,336.42	1,293.55
LOAN FUNDS				
Secured	C	8,411.14		2,664.83
Unsecured	D	1,087.51	9,498.65	60.59
DEFERRED TAX LIABILITIES			148.88	32.36
Total			24,983.95	7,347.69
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	E	7,838.88		3,210.72
Less : Depreciation		968.65		687.33
Net Block		6,870.23		2,523.39
Capital work-in-progress		5,151.82	12,022.05	420.20
INVESTMENTS	F		1,001.25	11.51
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	G	8,335.39		3,840.04
Sundry Debtors	H	3,461.59		2,081.41
Cash and Bank balances	I	1,171.42		86.63
Loans and advances	J	2,881.78		844.27
		15,850.18		6,852.35
Less : CURRENT LIABILITIES AND PROVISIONS				
Liabilities	K	3,029.20		2,170.53
Provisions	L	860.33		326.02
		3,889.53		2,496.55
NET CURRENT ASSETS			11,960.65	4,355.80
Miscellaneous Expenditure (To the extent not written off or adjusted)	M		—	36.79
Total			24,983.95	7,347.69
NOTES TO ACCOUNTS				
	T			

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered AccountantsR.P. LADDHA
Partner
M.No. 48195Place : MUMBAI
Dated : June 15, 2006PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL	Vice-Chairman
PRASHANT AGARWAL	Managing Director
A.R. MUNDRA	Executive Director – Finance
UDAY C. MOGRE	Executive Director – Corporate

Profit And Loss Account

for the Year Ended March 31, 2006

(Rs. In Lacs)

Particulars	Schedule	Year ended 31.03.2006	Year ended 31.03.2005
INCOME			
Gross Sales	N	20,204.65	10,729.05
Less : Excise Duty		306.62	341.40
Net Sales		19,898.03	10,387.65
Other Income	O	137.29	236.55
Increase /(decrease) in Stocks	P	2,504.51	1,785.43
Total		22,539.83	12,409.63
EXPENDITURE			
Cost of Materials	Q	13,733.23	8,163.08
Manufacturing and Other Expenses	R	5,320.81	2,874.01
Interest & Financial Charges	S	644.80	264.43
Depreciation		294.79	188.39
Total		19,993.63	11,489.91
PROFIT BEFORE TAXATION		2,546.20	919.72
Provision for Taxations			
Current Tax		575.99	244.52
Deferred Tax		116.49	(50.82)
Fringe Benefit Tax		21.97	0.00
Short /(Excess) Provision for Tax in respect of Earlier Years		13.73	(0.19)
PROFIT AFTER TAXATION		1,818.02	726.21
Balance Brought Forward		760.25	233.84
Capitalised for Issue of Bonus Shares		—	(199.80)
PROFIT AVAILABLE FOR APPROPRIATIONS		2,578.27	760.25
Proposed Dividend		489.80	—
Corporate Dividend Tax		68.69	—
BALANCE CARRIED TO BALANCE SHEET		2,019.78	760.25
BASIC AND DILUTED E.P.S. (Rs.)		4.61	7.57
NOTES TO ACCOUNTS	T		

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Bombay Rayon Fashions Limited

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006	31.03.2005
SCHEDULE A		
SHARE CAPITAL		
Authorised		
5,00,00,000 Equity shares of Rs. 10 each	5,000.00	5,000.00
Issued, Subscribed and Paid-up		
4,89,79,686 (3,29,63,640) Shares of Rs. 10 each	4,897.97	3,296.36
Out of the above		
(1) 1,15,87,600 Equity shares were issued as fully paid up pursuant to Scheme of Amalgamation		
(2) 39,98,000 Equity shares were issued as fully paid up bonus shares by Capitalisation of Profit & Loss Account		
	4,897.97	3,296.36
SCHEDULE B		
RESERVE AND SURPLUS		
Securities Premium Account		
As per Last Balance Sheet	533.30	—
Add : Addition During the Year	8,641.44	533.30
	9,174.74	533.30
Less : Deduction During the Year (Refer note 6(b) of Notes to Accounts)	756.07	—
	8,418.67	533.30
Profit and Loss Account	2,019.78	760.25
	10,438.45	1,293.55
SCHEDULE C		
SECURED LOANS		
Term loans		
From Banks	5,754.06	532.06
Working Capital Loans		
From Banks	2,565.02	2,044.50
Others		
Vehicles loans from Banks	87.18	83.66
from Others	4.88	4.61
	8,411.14	2,664.83
SCHEDULE D		
UNSECURED LOANS		
From Banks	1,025.85	—
From L.I.C.	61.66	60.59
	1,087.51	60.59

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

SCHEDULE E

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1.04.05	Addi- tions	Deduc- tions	As on 31.03.06	Up to 31.03.05	For the year Deduction		Up to 31.03.06	As on 31.03.06	As on 31.03.05
Land	78.27	350.06		428.33	0.00	0.00		0.00	428.33	78.27
Buildings	849.01	299.74		1,148.75	61.59	25.99		87.58	1,061.17	787.42
Plant & Machinery	1,835.67	3,663.84	15.92	5,483.59	523.96	219.89	7.41	736.44	4,747.15	1,311.71
Furniture, Fixtures & Office Equipments	118.41	259.82		378.23	27.91	8.77		36.68	341.55	90.50
Vehicles	244.58	65.34	29.56	280.36	42.58	24.93	6.06	61.45	218.91	202.00
Computers	84.79	34.83		119.62	31.29	15.21		46.50	73.12	53.50
Total	3,210.73	4,673.63	45.48	7,838.88	687.33	294.79	13.47	968.65	6,870.23	2,523.39
Previous Year	713.64	2,534.68	37.59	3,210.73	498.94	188.39		687.33		
Capital Work-in- Progress (including advances)									5,151.82	420.20
									12,022.05	2,943.59

Particulars	31.03.2006	31.03.2005
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SCHEDULE F

INVESTMENTS (AT COST) NON-TRADE

Long Term

Equity Shares – Fully paid (Unquoted)

Jankalyan Sahkari Bank Ltd. (90100 Shares of Rs. 10/- each)

9.01 9.01

Kalyan Janta Sahkari Bank Ltd. (10000 Shares of Rs. 10/- each)

2.50 2.50

Investment in Wholly owned subsidiary

BRFL EUROPE B.V. (18,000 Ordinary Shares of Euro 1 each)

9.74 —

Current

Mutual Funds – (Unquoted)

Reliance Equity Fund (98,00,000 units of Rs. 10/- each)

980.00 —

1,001.25 11.51

SCHEDULE G

CURRENT ASSETS, LOANS AND ADVANCES

Inventories (As certified by the Management)

Raw Materials

3,305.47 1,445.56

Work-in-Progress

2,067.13 1,102.34

Finished Goods

2,814.30 1,274.58

Stores, Spares and Packing Materials

148.49 17.56

8,335.39 3,840.04

Bombay Rayon Fashions Limited

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006	31.03.2005
SCHEDULE H		
SUNDRY DEBTORS (Unsecured)		
Considered good		
Exceeding six months	360.55	131.56
Others	3,101.04	1,949.85
	3,461.59	2,081.41
SCHEDULE I		
CASH AND BANK BALANCES		
Cash in hand	2.03	3.00
Balances with scheduled banks : on current accounts	387.05	36.18
on deposit accounts	549.01	47.45
on margin accounts	233.33	—
	1,171.42	86.63
SCHEDULE J		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advance recoverable in cash or in kind or for value to be received	602.69	365.65
Advance Share Application Money to Wholly owned Subsidiary	30.22	—
Deposits	1,373.26	121.85
Balance with Excise & Customs	875.61	356.77
	2,881.78	844.27
SCHEDULE K		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	2,936.14	1,862.05
Others Liabilities	93.06	307.48
	3,029.20	2,170.53
SCHEDULE L		
PROVISIONS		
Gratuity and Leave Encashment	45.06	5.92
For Taxation (Net of Advance Tax & TDS)	256.78	320.10
Proposed Dividend	489.80	—
Tax on Proposed Dividend	68.69	—
	860.33	326.02
SCHEDULE M		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Share Issue Expenses	0.00	31.95
Amalgamation Expenses	0.00	2.90
Preliminary Expenses	0.00	1.94
	0.00	36.79

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006	31.03.2005
SCHEDULE N		
GROSS SALES		
Domestic	13,851.83	10,223.96
Exports	6,347.29	399.45
Others	5.53	105.64
	20,204.65	10,729.05
SCHEDULE O		
OTHER INCOME		
Dividend	15.34	3.82
Interest (TDS Rs. 15.70 Lacs, Previous Year Rs. 0.58 Lacs)	68.02	2.54
Hire Charges	—	5.13
Profit on Sale of Investments	26.26	4.83
Share of Profit in Firms	—	219.36
Miscellaneous Income	27.67	0.87
	137.29	236.55
SCHEDULE P		
INCREASE/(DECREASE) IN STOCKS		
Opening Stock		
Finished Goods	1,274.58	332.76
Work in Progress	1,102.34	258.73
Less : Closing Stock		
Finished Goods	2,814.30	1,274.58
Work-in-Progress	2,067.13	1,102.34
	2,504.51	1,785.43
SCHEDULE Q		
COST OF MATERIALS		
Opening Stock	1,445.57	367.95
Add : Purchases	15,593.13	9,240.70
	17,038.70	9,608.65
Less : Closing Stock	3,305.47	1,445.57
	13,733.23	8,163.08

Bombay Rayon Fashions Limited

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006	31.03.2005
SCHEDULE R		
MANUFACTURING AND OTHER EXPENSES		
Stores Consumed	104.97	44.03
Packing Material Consumed	194.96	142.54
Payment to and Provisions for Employees:		
Salaries, Wages and Bonus	847.27	162.30
Contribution to Provident Fund and other Funds	146.12	28.05
Workmen & Staff Welfare Expenses	25.06	10.86
Power & Fuel	165.56	72.90
Job Charges for:		
Process	1,189.38	740.50
Weaving	814.67	568.72
Design & Development & Others	434.44	414.95
Repairs & Maintenance:		
(a) Buildings	8.46	0.66
(b) Plant & Machinery	17.92	4.83
(c) Vehicles	9.81	19.77
(d) Others	40.95	17.73
Rent, Rates & Taxes	135.35	26.22
Insurance	25.91	13.12
Keyman Insurance	5.72	13.75
Legal & Professional Charges	38.19	34.37
Auditors' Remuneration	5.66	3.20
Travelling & Conveyance	110.16	74.64
Transportation	432.89	157.34
Advertisement, Publicity & Business Promotion	49.81	59.80
Books & Periodicals	3.81	5.26
Directors' Remuneration	80.65	36.00
Directors' Sitting Fees	0.35	—
Office Expenses	13.87	7.25
Commission	152.82	60.02
Foreign Exchange Fluctuations	15.30	1.34
Miscellaneous Expenditure W/off	4.85	1.73
Communications	68.69	49.75
Printing & Stationery	70.66	29.90
Miscellaneous Expenses	67.80	39.94
Prior Period Expenses	6.83	—
Donation	15.63	5.60
Loss on Sale of Assets	16.29	26.94
	5,320.81	2,874.01
SCHEDULE S		
INTEREST & FINANCIAL CHARGES		
Interest on Fixed Loans	57.50	25.28
Interest on Others & Financial Charges	587.30	239.15
	644.80	264.43

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

SCHEDULE T

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

(I) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles.

(II) SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

Domestic sales are accounted on despatch of goods to customers and Export sales are accounted on the basis of dates of Bill of Lading. Gross Sales are accounted for inclusive of excise duty but net of sales returns.

(b) Fixed Assets

Fixed assets are stated at cost of acquisition less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and net of CENVAT credit.

(c) Depreciation

(i) Depreciation on Fixed Assets is provided on 'Straight Line Method' at rates prescribed in Schedule-XIV to the Companies Act, 1956.

(ii) Depreciation on fixed assets added/disposed of during the year is provided on pro-rata basis.

(d) Impairment of Assets

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

(e) Expenditure during Construction Period

The expenditure incurred and attributable interest & financing costs incurred prior to commencement of commercial production in respect of new project & substantial expansion of existing facilities are capitalised.

(f) Investments

Current investments are carried at the lower of cost and quoted/fair value, computed category-wise. Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

(g) Inventories

Inventories are valued at lower of cost or net realisable value. Cost is determined on moving weighted average basis. Cost of Work-in-Process and Manufactured Goods includes material, labour & other appropriate overheads wherever applicable.

(h) Foreign Currency Transactions

Transaction in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss Account. All foreign currency current assets/liabilities are translated in rupees at the rates prevailing on the date of Balance Sheet.

(i) Employee Retirement Benefit

(i) Company's contribution to Provident Fund is charged to Profit & Loss Account.

(ii) The provision for Gratuity payable is made as per Actuarial Valuation.

(iii) Provision for value of unutilised leave due to employees is made as per Actuarial Valuation.

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(j) **Taxation**

- (i) Provision for current tax is made with reference to taxable income computed for the accounting period, for which the financial statements are prepared by applying the tax rates as applicable.
- (ii) Deferred tax is recognised subject to the consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(k) **Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

- (2) (a) Term Loans from Banks are secured by first charge on all Fixed Assets of the Company except specific assets and second charge on current assets.
- (b) Working capital loans from Banks are secured by Hypothecation of all current assets and collateral security of specified immovable assets of the Company &/of the promoters and personal guarantee of promoter Directors.
- (c) The Vehicle Loans from the Banks & Others are secured by Hypothecation of specified Vehicles against which the finance is obtained.

(Rs. in Lacs)

	31st March, 2006	31st March, 2005
(3) Contingent Liabilities not provided for		
Corporate guarantee given by the Company for its associate company for Term Loan/ Working Capital/Loan given by a bank	538.00	538.00
(4) Disputed demand outstanding related to Income Tax (The matter is pending with Income Tax Appellate Tribunal, Mumbai.)	34.65	—
(5) Capital Commitment		
Estimated amount of capital contracts remaining to be executed (net of advances).	2,520.44	199.53
(6) (a) During the year the Company successfully completed its Initial Public Offer comprise of 1,34,75,000 Equity Shares of Rs. 10/- each at a premium of Rs. 60/- per equity share. The equity shares were listed on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE) on 5th December, 2005. In terms of the objects of the issue, the fund raised for the part financing of the new project are being deployed accordingly. The project is at the stage of completion and scheduled to be fully commercially in operation in the second quarter of F.Y. 2006-07. A Garment Unit having capacity of 26,000 pieces per day has already become operational w.e.f 6th March, 2006. The total expenditure incurred on the project as on 31st March, 2006 is Rs. 8315.20 Lacs. The unutilised proceeds are lying with the Banks or temporarily deployed in the current assets and investments.		
(b) Securities Premium Account has been utilised to write off share issue expenses of Rs. 756.07 Lacs in accordance with the provisions of Sec. 78 (2) (b) of the Companies Act, 1956.		

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. in Lacs)

	31.03.2006	31.03.2005
(7) Miscellaneous Expenditure (to the extent not written off or adjusted) being preliminary expenses and amalgamation expenses carried forward from previous year amounting to Rs. 4.85 Lacs have been fully written off during the year instead of earlier policy of writing off 1/5th every year. This change has resulted in understatement of profit by Rs. 3.43 Lacs for the year.		
(8) Some of the fixed assets added under the Scheme of Amalgamation of Bombay Rayon Pvt. Ltd. in to the Company and by the acquisition of the firms i.e. B.R. Exports and Garden City Clothing are in the process of the transfer in the name of the Company.		
(9) Auditors' Remuneration		
Audit Fees	2.80	2.76
Tax Audit Fees	0.45	0.44
Certification Works	0.77	0.00
Other Matters	1.64	0.00
	5.66	3.20
(10) Managerial Remuneration		
A. REMUNERATION TO WHOLE TIME DIRECTORS		
(i) Salaries & Allowances	50.64	36.00
(ii) Contribution to Provident Fund	3.84	—
B. Commission to Non Executive Chairman @ 1%	26.17	—
Total	80.65	36.00
C. Computation of Net Profit in accordance with Sec. 349 of the Companies Act, 1956		
Profit before Taxes as per Profit & Loss Account	2,546.20	
Add: Managerial Remuneration	80.65	
Directors' Sitting Fees	0.35	
Loss on Sale of Fixed Assets	16.29	
	2,643.49	
Less : Profit on Sale of Investments	26.26	
Net Profit	2,617.23	
(11) Amount due to small scale industrial undertaking is disclosed on the basis of information available with the Company regarding the status of suppliers. Such outstanding for more than 30 days is Rs. NIL (Rs. 13.20 Lacs)		

	As per IT	As per Books	Timing Difference
(12) Computation of Deferred Tax			
Depreciation for the year	1,038.73	294.79	(743.94)
Gratuity & Leave Encashment Exp. For the year	0.00	39.13	39.13
Issue related Expenses U/s 35D	0.00	358.72	358.72
Total	1,038.73	692.64	(346.09)
Deferred Tax Assets /(Laibilities) for the year			(116.49)

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. in Lacs)

	31.03.2006	31.03.2005
(13) Earning Per Share		
(a) Net profit after tax available for equity shareholders (Rs. In lacs)	1,818.02	726.21
(b) No. of Shares (Weighted Average)	39,478,553	9,607,257
(c) Basic/Diluted Earning Per Share (Rs.)	4.61	7.57
(14) Related Party Disclosure		
Name of the Related Party		
(A) Subsidiary Company		
BRFL Europe B.V.		
(B) Other related parties where common control exists		
(a) Reynold Shirting Pvt. Ltd.		
(b) Bombay Rayon Clothing Ltd.		
(B) (i) Transactions with Related Parties		
(i) Purchase of finished/unfinished goods	32.36	398.73
(ii) Sales of finished/unfinished goods	—	831.58
(iii) Reimbursement of expenses/cost of material/stores	—	0.07
(iv) Rendering of services (Job charges)	274.50	99.28
(v) Lease charges	18.90	0.07
(vi) Hire charges	—	5.13
(B) (ii) Transactions with Subsidiary		
(a) Investments	9.74	—
(b) Commission Paid	67.81	—
(c) Share Application Money given	30.22	—
(C) Key Managerial Personnel		
Name of Personnel	Designation	
(a) Mr. Janardan Agrawal	Non Executive Chairman	
(b) Mr. Aman Agrawal	Vice Chairman	
(c) Mr. Prashant Agarwal	Managing Director	
(d) Mr. Uday C. Mogre	Executive Director – Corporate	
(e) Mr. A.R. Mundra	Executive Director – Finance	
(D) Transactions with Key Personnel and their Relatives		
(i) Rent Paid	—	1.20
(ii) Directors Remuneration	80.65	36.00
(15) Segmental Reporting		
The Company is mainly engaged in the business of manufacturing of textiles consisting of fabrics and garments. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; textile as reportable segment.		
The Company operates in Local & Export segments geographically. The sales for both is separately given, but due to the nature of business the assets/liabilities and expenses for these activities can not be bifurcated separately.		
(16) C.I.F. Value of Imports		
Capital Goods	2,461.24	86.29
Raw Materials	587.68	88.93
Stores & Spares Parts	122.95	3.92

Schedules Forming Part of the Balance Sheet and Profit & Loss Account

(Rs. in Lacs)

		31.03.2006	31.03.2005
(17) Expenditure in Foreign Currency			
Travelling		22.36	25.03
Business Promotions		23.72	8.11
Commission		91.52	1.25
(18) Earning in Foreign Exchange			
FOB Value of Exports		5,934.31	399.45
Others		18.07	Nil
Particulars in respect of Stock and Sales of Finished Goods, Cost of Material Consumed.			
(19) INSTALLED CAPACITY			
Descriptions	Unit		
Fabrics	Million Metres	11.20	7.06
Garments	Million Pieces	12.00	1.09
(a) ACTUAL PRODUCTION (INCLUDING JOB WORK)			
Fabrics	Million Metres	20.74	9.93
Garments	Million Pieces	1.72	0.14
(b) TURNOVER			
		Qty. Rs. in Lacs	Qty. Rs. in Lacs
Fabrics	Million Metres	18.87 15,400.39	12.86 10,316.36
Garments	Million Pieces	1.79 4798.68	0.14 307.05
Others		5.58	105.64
TOTAL		20,204.65	10,729.05
(c) OPENING STOCK			
Fabrics	Million Metres	0.95 397.74	0.64 332.76
Garments	Million Pieces	0.28 876.84	— —
TOTAL		1,274.58	332.76
(d) CLOSING STOCK			
Fabrics	Million Metres	2.82 2,223.50	0.95 397.74
Garments	Million Pieces	0.21 590.80	0.28 876.84
TOTAL		2,814.30	1,274.58
(e) CONSUMPTION OF MATERIALS			
Yarn	Millions Kgs.	3.46 5,124.66	1.88 2,479.26
Fabrics	Million Metres	13.11 8,329.56	12.93 5,683.82
Others		279.01	—
TOTAL		13,733.23	8,163.08

(20) Previous year figures have been regrouped/reclassified wherever necessary to make them comparable.

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Cash Flow Statement as per Accounting Standard-3

for the year ended 31.03.2006

(Rs.in Lacs)

Particulars	For the year ended 31.03.2006	For the year ended 31.03.2005
Cash Flow from Operating Activities (A)		
Net Profit before Tax	2,546.20	919.72
Adjustments for:		
Loss on Sale of Fixed Assets	16.29	26.94
Depreciation	294.79	188.39
(Profit)/Loss on Sale of Investment	(26.26)	
Interest & Dividend Exp./Income	(83.36)	(6.36)
Interest and Financial Charges	644.80	264.43
Operating Profit before Working Capital Changes	3,392.46	1,393.12
Adjustments for:		
(Increase)/Decrease in Inventories	(4,495.35)	(3,404.66)
(Increase)/Decrease in Debtors	(1,380.18)	(481.53)
(Increase)/Decrease in Loans and Advances	(2,007.29)	(638.97)
Increase/(Decrease) in Current Liabilities & Provisions	897.83	691.88
(Increase)/Decrease in Misc. Expenditure not W/Off	4.85	(34.15)
Cash Generated from Operations	(3,587.68)	(2,474.31)
Direct Taxes Paid/Deducted	675.01	49.32
Net Cash Flow from Operating Activities	(4,262.69)	(2,523.63)
Cash Flow from Investing Activities (B)		
(Purchase)/Sale of Fixed Assets (Net)	(9,389.54)	(2,633.92)
(Purchase)/Sale of Investments (Net)	(963.48)	
Interest and Dividend Income Received	83.36	6.36
Advance Share Application Money to Wholly Owned Subsidiary	(30.22)	
Net Cash Flow from Investing Activities	(10,299.88)	(2,627.56)
Cash Flow from Financing Activities (C)		
Proceeds from Issue of Share Capital on Premium	10,243.05	2,597.06
Share Issue Expenses Adjusted Against Securities Premium A/c	(724.12)	533.30
Proceeds from Secured Loans	5,746.31	2,322.77
Proceeds from Unsecured Loans	1,026.92	(1.00)
Interest & Financial Charges	(644.80)	(264.43)
Net Cash Flow from Financing Activities	15,647.36	5,187.70
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	1,084.79	36.51
Cash and Cash Equivalents at the Beginning of the Year	86.63	50.12
Cash and Cash Equivalents at the End of the Year	1,171.42	86.63

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**

Chartered Accountants

R.P. LADDHA

Partner

M.No. 48195

Place : MUMBAI

Dated : June 15, 2006

PRACHI DESHPANDE

Dy. Company Secretary

AMAN AGRAWAL

PRASHANT AGARWAL

A.R. MUNDRA

UDAY C. MOGRE

Vice-Chairman

Managing Director

Executive Director – Finance

Executive Director – Corporate

Bombay Rayon Fashions Limited

Statement under Section 212 of The Companies Act, 1956 (relating to Subsidiary Company)

(A) Subsidiary Company	BRFL Europe B.V.
(B) Shares of the Subsidiary held by Bombay Rayon Fashions Limited	
No. of Shares & face value	18000 Ordinary Shares of Euro1 each
Extent of holding	100%
(C) Financial year of the Subsidiary Company	31st March 2006
(D) Net aggregate amount of subsidiary's loss so far as it concerns the members of Bombay Rayon Fashions Limited.	
(a) Not dealt with in the accounts of Bombay Rayon Fashions Limited.	
• For the Financial year ended 31st March 2006	Rs. 29.16 Lacs
• For the previous financial year since it became the Holding Company's subsidiary	N. A
(b) Dealt with in the accounts of Bombay Rayon Fashions Limited	
• For the financial year ended 31st March 2006	NIL
• For the previous financial years, since it became the Holding Company's Subsidiary	N.A

	AMAN AGRAWAL	<i>Vice-Chairman</i>
	PRASHANT AGARWAL	<i>Managing Director</i>
PRACHI DESHPANDE	A.R. MUNDRA	<i>Executive Director – Finance</i>
<i>Dy. Company Secretary</i>	UDAY C. MOGRE	<i>Executive Director – Corporate</i>

Auditors' Report

Auditors' Report to the Board of Directors of **BOMBAY RAYON FASHIONS LIMITED** on the Consolidated Financial Statements of **BOMBAY RAYON FASHIONS LIMITED** and its subsidiary **BRFL EUROPE B.V.**

1. We have examined the attached Consolidated Balance Sheet of **BOMBAY RAYON FASHIONS LIMITED** and its subsidiary as at 31st March, 2006 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of **BOMBAY RAYON FASHIONS LIMITED**. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted Accounting Standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We have not conducted the audit of the financial statements of the subsidiary, whose financial statement has been compiled by qualified accountants as per relevant provisions of law applicable in Netherlands and on which we have relied for the purpose of our examination of the consolidated financial statements.
4. We report that the consolidated financial statements has been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of compilation report of qualified accountants and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In case of the Consolidated Balance Sheet, of Consolidated Statement of affairs of **BOMBAY RAYON FASHIONS LIMITED** and its subsidiary as at 31st March, 2006
 - (ii) In case of Consolidated Profit and Loss Account of the consolidated results of operations of **BOMBAY RAYON FASHIONS LIMITED**, and its Subsidiary for the year ended on that date; and
 - (iii) In case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of **BOMBAY RAYON FASHIONS LIMITED** and its Subsidiary for the year ended on that date.

For V.K. BESWAL & ASSOCIATES
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : Mumbai
Dated : 15th June, 2006

Bombay Rayon Fashions Limited

Consolidated Balance Sheet

as at March 31, 2006

(Rs. In Lacs)

Particulars	Schedule	As at 31.03.2006
SOURCES OF FUNDS		
SHAREHOLDERS FUND		
Share Capital	A	4,897.97
Reserve and Surplus	B	10,409.29
LOAN FUNDS		
Secured	C	8,411.14
Unsecured	D	1,087.51
DEFERRED TAX LIABILITIES		148.88
Total		24,954.79
APPLICATION OF FUNDS		
FIXED ASSETS	E	
Gross Block		7,864.86
Less: Depreciation		972.56
Net Block		6,892.30
Capital work-in-progress		5,151.82
INVESTMENTS	F	991.51
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	G	8,335.39
Sundry Debtors	H	3,461.59
Cash and Bank Balances	I	1,174.61
Loans and Advances	J	2,870.55
		15,842.14
Less: CURRENT LIABILITIES AND PROVISIONS		
Liabilities	K	3,062.65
Provisions	L	860.33
		3,922.98
NET CURRENT ASSETS		11,919.16
Miscellaneous Expenditure (To the extent not written off or adjusted)	M	—
Total		24,954.79
NOTES TO ACCOUNTS	T	

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered AccountantsR.P. LADDHA
Partner
M.No. 48195Place : MUMBAI
Dated : June 15, 2006PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL	Vice-Chairman
PRASHANT AGARWAL	Managing Director
A.R. MUNDRA	Executive Director – Finance
UDAY C. MOGRE	Executive Director – Corporate

Consolidated Profit and Loss Account

for the Year Ended March 31, 2006

(Rs. In Lacs)

Particulars	Schedule	Year ended 31.03.2006
INCOME		
Gross Sales	N	20,204.65
Less: Excise Duty		306.62
Net Sales		19,898.03
Other Income	O	137.29
Increase/(Decrease) in Stocks	P	2,504.51
Total		22,539.83
EXPENDITURE		
Cost of Materials	Q	13,733.23
Manufacturing and Other Expenses	R	5,346.20
Interest & Financial Charges	S	645.12
Depreciation		298.70
Total		20,023.25
PROFIT BEFORE TAXATION		2,516.58
Provision for Taxations		
Current Tax		575.99
Deferred Tax		116.49
Fringe Benefit Tax		21.97
Short /(Excess) Provision for Tax in-respect of earlier Years		13.73
PROFIT AFTER TAXATION		1,788.40
Opening Adjustment		0.46
Balance Brought Forward		760.25
Capitalised for Issue of Bonus Shares		-
PROFIT AVAILABLE FOR APPROPRIATIONS		2,549.11
Proposed Dividend		489.80
Corporate Dividend Tax		68.69
BALANCE CARRIED TO BALANCE SHEET		1,990.62
BASIC AND DILUTED E.P.S. (Rs.)		4.53
NOTES TO ACCOUNTS	T	

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Bombay Rayon Fashions Limited

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006
SCHEDULE A	
SHARE CAPITAL	
Authorised	
5,00,00,000 Equity shares of Rs. 10 each	5,000.00
Issued, Subscribed and Paid-up	
4,89,79,686 (3,29,63,640) Shares of Rs. 10 each	4,897.97
Out of the above	
(1) 1,15,87,600 Equity shares were issued as fully paid up pursuant to Scheme of Amalgamation	
(2) 39,98,000 Equity shares were issued as fully paid up bonus shares by Capitalisation of Profit & Loss Account	
	4,897.97
SCHEDULE B	
RESERVE AND SURPLUS	
Securities Premium Account	
As per Last Balance Sheet	533.30
Add : Addition During the Year	8,641.44
	9,174.74
Less : Deductions During the Year	756.07
(Refer Note 6(b) of Notes to Accounts)	
	8,418.67
Profit and Loss Account	1,990.62
	10,409.29
SCHEDULE C	
SECURED LOANS	
Term loans	
From Banks	5,754.06
Working Capital Loans	
From Banks	2,565.02
Others	
Vehicles loans from Banks	87.18
from Others	4.88
	8,411.14
SCHEDULE D	
UNSECURED LOANS	
From : Banks	1,025.85
From L.I.C.	61.66
	1,087.51

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

SCHEDULE E

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As on 1.04.05	Addi- tions	Deduc- tions	As on 31.03.06	Up to 31.03.05	For Deduction the year	Up to 31.03.06	As on 31.03.06	As on 31.03.05
Land	78.27	350.06		428.33	—	—	0.00	428.33	78.27
Buildings	849.01	299.74		1,148.75	61.59	25.99	87.58	1,061.17	787.42
Plant & Machinery	1,835.67	3,663.84	15.92	5,483.59	523.96	219.89	7.41	4,747.15	1,311.71
Furniture, Fixtures & Office Equipments	118.41	284.94		403.35	27.91	12.55	40.46	362.89	90.50
Vehicles	244.58	65.34	29.56	280.36	42.58	24.93	6.06	218.91	202.00
Computer	84.79	35.69		120.48	31.29	15.34	46.63	73.85	53.50
Total	3,210.73	4,699.61	45.48	7,864.86	687.33	298.70	13.47	6,892.30	2,523.39
Capital Work-in- Progress (includes advances)								5,151.82	420.20
								12,044.12	2,943.59

Particulars	31.03.2006
SCHEDULE F	
INVESTMENTS (AT COST) Non-Trade	
Long Term	
Equity Shares – Fully paid (Unquoted)	
Jankalyan Sahkari Bank Ltd. (90100 Shares of Rs. 10/- each)	9.01
Kalyan Janta Sahkari Bank Ltd. (10000 Shares of Rs. 10/- each)	2.50
Current	
Mutual Funds – (Unquoted)	
Reliance Equity Fund (98,00,000 units of Rs. 10/- each)	980.00
	991.51
SCHEDULE G	
CURRENT ASSETS, LOANS AND ADVANCES	
Inventories (As certified by the Management)	
Raw Materials	3305.47
Work-in-Progress	2067.13
Finished Goods	2814.30
Stores, Spares and Packing Materials	148.49
	8335.39

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

Particulars	31.03.2006
SCHEDULE H	
SUNDRY DEBTORS (UNSECURED)	
Considered Good	
Exceeding six months	360.55
Others	3,101.04
	3,461.59
SCHEDULE I	
CASH AND BANK BALANCES	
Cash in Hand	2.03
Balances with scheduled banks : on Current Accounts	390.24
on Deposit Accounts	549.01
on Margin Accounts	233.33
	1,174.61
SCHEDULE J	
LOANS AND ADVANCES	
(Unsecured considered good)	
Advance recoverable in cash or in kind or for value to be received	603.82
Advance Share Application Money to Wholly Owned Subsidiary	0.00
Deposits	1,386.12
Balance with Excise & Customs	880.61
	2,870.55
SCHEDULE K	
CURRENT LIABILITIES AND PROVISIONS	
Current Liabilities	
Sundry Creditors	2,956.10
Others Liabilities	106.55
	3,062.65
SCHEDULE L	
PROVISIONS	
Gratuity and Leave Encashment	45.06
For taxation (Net of Advance Tax & TDS)	256.78
Proposed Dividend	489.80
Tax on Proposed Dividend	68.69
	860.33
SCHEDULE M	
MISCELLANEOUS EXPENDITURE	
(To the extent not written off or adjusted)	
Share Issue Expenses	0.00
Amalgamation Expenses	0.00
Preliminary Expenses	0.00
	0.00

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006
SCHEDULE N	
SALES	
Domestic	13,851.83
Exports	6,347.29
Others	5.53
	20,204.65
SCHEDULE O	
OTHER INCOME	
Dividend	15.34
Interest	68.02
Hire Charges	
Profit on Sale of Investments	26.26
Share of Profit in Firms	
Miscellaneous Income	27.67
	137.29
SCHEDULE P	
INCREASE/(DECREASE) IN STOCKS	
Opening Stock	
Finished goods	1,274.58
Work-in-Progress	1,102.34
Less: Closing Stock	
Finished goods	2,814.30
Work-in-Progress	2,067.13
	2,504.51
SCHEDULE Q	
COST OF MATERIALS	
Opening Stock	1,445.57
Add: Purchases	15,593.13
	17,038.70
Less: Closing Stock	3,305.47
	13,733.23

Bombay Rayon Fashions Limited

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

Particulars	31.03.2006
SCHEDULE R	
MANUFACTURING AND OTHER EXPENSES	
Stores Consumed	104.97
Packing Material Consumed	194.96
Payment to and Provision for Employees :	
Salaries & Wages	890.98
Contribution to Provident Fund & Other Funds	146.12
Workmen & Staff Welfare Expenses	25.06
Power & Fuel	165.56
Job Charges for:	
Process	1,189.38
Weaving	814.67
Design & Development & Others	434.44
Repairs & Maintenance :	
(a) Buildings	8.46
(b) Plant & Machinery	17.92
(c) Vehicles	15.72
(d) Others	40.95
Rent, Rates & Taxes	135.35
Insurance	26.28
Keyman Insurance	5.72
Legal & Professional Charges	40.19
Auditors' Remuneration	9.23
Travelling & Conveyance	118.32
Transportation	432.89
Advertisement, Publicity & Business Promotion	66.32
Books & Periodicals	3.81
Directors Remuneration	80.65
Director Sitting Fees	0.35
Office Expenses	15.55
Commission Paid	85.01
Foreign Exchange Fluctuation	14.23
Miscellaneous Expenditure w/off	4.85
Communications	75.38
Printing & Stationery	70.66
Miscellaneous Expenses	73.47
Prior Period Expenses	6.83
Donation	15.63
Loss on Sale of Assets	16.29
	5,346.20
SCHEDULE S	
INTEREST & FINANCIAL CHARGES	
Interest on Fixed Loans	57.50
Interest on Others & Financial Charges	587.62
	645.12

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE T

NOTES ON ACCOUNTS (CONSOLIDATED)

SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT:

1 Principles of consolidation.

The consolidated financial statements relate to Bombay Rayon Fashions Ltd. ('the Company') and its subsidiaries company.

The consolidated financial statements have been prepared on the following basis:

- (a) The financial statement of the Company and its subsidiary company are combined on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group transactions resulting in unrealised profits/losses in accordance with Accounting Standard(AS)21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- (b) In case of foreign subsidiary, being non-integral foreign operations, revenue items are consolidated at the average prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reverse.
- (c) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

(I) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles.

(II) SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue Recognition

Domestic sales are accounted on despatch of goods to customers and Export sales are accounted on the basis of dates of Bill of Lading. Gross Sales are accounted for inclusive of excise duty but net of sales returns.

(b) Fixed Assets

Fixed assets are stated at cost of acquisition less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and net of CENVAT credit.

(c) Depreciation

- (i) Depreciation on Fixed Assets is provided on 'Straight Line Method' at rates prescribed in Schedule -XIV to the Companies Act, 1956.
- (ii) Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

(d) Impairment of Assets

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

(e) Expenditure during construction period

The expenditure incurred and attributable interest & financing costs incurred prior to commencement of commercial production in respect of new project & substantial expansion of existing facilities are capitalised.

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(f) Investments

Current investments are carried at the lower of cost and quoted/ fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

(g) Inventories

Inventories are valued at lower of cost or net realisable value. Cost is determined on moving weighted average basis, Cost of Work in Process and Manufactured Goods includes material, labour & other appropriate overheads wherever applicable.

(h) Foreign Currency Transactions

Transaction in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss account.

All foreign currency current assets/liabilities are translated in rupees at the rates prevailing on the date of balance sheet.

(i) Employee Retirement Benefit :

- (i) Company's contribution to Provident Fund is charged to Profit & Loss Account.
- (ii) The provision for Gratuity payable is made as per Actuarial Valuation.
- (iii) Provision for value of unutilised leave due to employees is made as per Actuarial Valuation.

(j) Taxation

- (i) Provision for current tax is made with reference to taxable income computed for the accounting period, for which the financial statements are prepared by applying the tax rates as applicable.
- (ii) Deferred tax is recognised subject to the consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(k) Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

- (2) (a) Term Loans from Banks are secured by first charge on all Fixed Assets of the Company except specific assets and second charge on current assets.
- (b) Working capital loans from Banks are secured by Hypothecation of all current assets and collateral security of specified immovable assets of the Company &/of the promoters and personal guarantee of promoter Directors.
- (c) The Vehicle Loans from the Banks & Others are secured by Hypothecation of specified Vehicles against which the finance is obtained.

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

31.03.2006

(3) Contingent Liabilities not provided for :

Corporate guarantee given by the company for its associate company for Term Loan/ Working capital loan given by a bank	538.00
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(4) Disputed demand outstanding related to Income tax (The matter is pending with Income Tax Appellate Tribunal , Mumbai.)	34.65
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(5) Capital Commitment

Estimated amount of capital contracts remaining to be executed (net of advances).	2,520.44
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(6) (a) During the year the Company successfully completed its Initial Public Offer comprise of 1,34,75,000 Equity Shares of Rs. 10/- each at a premium of Rs. 60/-per equity share. The equity shares was listed on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE) on 5th December, 2005. In terms of the objects of the issue, the fund raised for the part financing of the new project are being deployed accordingly. The project is at the stage of completion and scheduled to be fully commercially in operation in the second quarter of F.Y. 2006-07. A Garment Unit having capacity of 26,000 pieces per day has already become operational w.e.f 6th March, 2006. The total expenditure incurred on the project as on 31st March, 2006 is Rs. 8,315.20 Lacs. The unutilised proceeds are lying with the Banks or temporarily deployed in the current assets and investments.

(b) Securities Premium Account has been utilised to write off share issue expenses of Rs. 756.07 Lacs in accordance with the provisions of Sec. 78 (2) (b) of the Companies act, 1956.

(7) Miscellaneous Expenditure (to the extent not written off or adjusted) being Preliminary Expenses and Amalgamation Expenses carried forward from previous year amounting to Rs. 4.85 lacs have been fully written off during the year instead of earlier policy of writing of 1/5th every year. This change has resulted in understatement of profit by Rs. 3.43 lacs for the year.

(8) Some of the fixed assets added under the scheme of amalgamation of Bombay Rayon Private Limited into the Company & by the acquisition of the firms i.e. B.R.Exports and Garden City Clothing are in the process of the transfer in the name of the Company.

(9) Auditors' Remuneration

Audit Fees	6.37
Tax Audit Fees	0.45
Certification works	0.77
Other Matters	1.64

9.23

(10) Managerial Remuneration

A. REMUNERATION TO WHOLE TIME DIRECTORS

(i) Salaries & allowances	50.64
(ii) Contribution to provident fund	3.84

B. Commission to Non Executive Chairman @ 1%	26.17
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Total	80.65
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Bombay Rayon Fashions Limited

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

31.03.2006			
C. Computation of Net Profit in accordance with Sec. 349 of the Companies Act, 1956			
Profit before Taxes as per Profit & Loss Account			2,546.20
Add: Managerial Remuneration			80.65
Director's Sitting Fees			0.35
Loss on Sale of Fixed Assets			16.29
			2,643.49
Less: Profit on sale of Investments			26.26
Net Profit			2,617.23
(11) Amount due to small scale industrial undertaking is disclosed on the basis of information available with the company regarding the status of suppliers. Such outstanding for more than 30 days is Rs. NIL (Rs. 13.20 Lacs)			
	As per IT	As per Books	Timing Diff.
(12) Computation of Deferred Tax			
Depreciation for the year	1,038.73	294.79	(743.94)
Gratuity & Leave Encashment exp. For the year	0.00	39.13	39.13
Issue related Expenses U/s 35D	0.00	358.72	358.72
Total	1,038.73	692.64	(346.09)
Deferred Tax Assets /(Liabilities) for the year			(116.49)
31.03.2006			
(13) Earning Per Share			
(a) Net profit after tax available for equity shareholders (Rs. In lacs)			1,788.40
(b) No. of Shares (Weighted Average)			39,478,553
(c) Basic/ Diluted Earning per share (Rs.)			4.53
(14) Related Party Disclosure			
(A) Other related parties where common control exists			
(a) Reynold Shirting Pvt. Ltd.			
(b) Bombay Rayon Clothing Ltd.			

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

31.03.2006

(B) (i) Transactions with Related Parties

(i) Purchase of finished/unfinished goods	32.36
(ii) Sales of finished/unfinished goods	—
(iii) Reimbursement of expenses/cost of material/stores	—
(iv) Rendering of services (Job charges)	274.50
(v) Lease charges	18.90
(vi) Hire charges	—

(C) Key Managerial Personnel

Name of Personnel	Designation
(a) Mr. Janardan Agrawal	Non Executive Chairman
(b) Mr. Aman Agrawal	Vice Chairman
(c) Mr. Prashant Agarwal	Managing Director
(d) Mr. Uday C. Mogre	Executive Director – Corporate
(e) Mr. A.R. Mundra	Executive Director – Finance

(D) Transactions with Key Personnel and their Relatives

(i) Rent Paid	—
(ii) Directors remuneration	80.65

(15) Segmental Reporting

The company is mainly engaged in the business of manufacturing of textiles consisting of fabrics and garments. Considering nature of business and financial reporting of the company, the company has only one segment viz; textile as reportable segment.

The Company operates in Local & Export segments Geographically. The Sales for both is seperately given, but due to the nature of business the assets/liabilities and expenses for these activities cannot be bifurcated seperately.

(16) C.I.F. Value of Imports

Capital Goods	2,461.24
Raw Materials	587.68
Stores & Spare Parts	122.95

(17) Expenditure in Foreign Currency

Travelling	30.52
Bussiness Promotions	40.23
Commission	23.71
Others	68.85

(18) Earning in Foreign Exchange

FOB Value of Exports	5,934.31
Others	18.07

Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account

(Rs. In Lacs)

31.03.2006

(19) Particulars in respect of Stock and Sales of Finished Goods, cost of material consumed.

INSTALLED CAPACITY**Descriptions****Unit**

Fabrics	Million Metres	11.20
Garments	Million Pieces	12.00

(a) ACTUAL PRODUCTION (INCLUDING JOB WORK)

Fabrics	Million Metres	20.74
Garments	Million Pieces	1.72

(b) TURNOVER

		Qty.	Rs. in Lacs
Fabrics	Million Metres	18.87	15,400.39
Garments	Million Pieces	1.79	4,798.68
Others			5.58

TOTAL

20,204.65

(c) OPENING STOCK

Fabrics	Million Metres	0.95	397.74
Garments	Million Pieces	0.28	876.84

TOTAL

1274.58

(d) CLOSING STOCK

Fabrics	Million Metres	2.82	2223.50
Garments	Million Pieces	0.21	590.80

TOTAL

2814.30

(e) CONSUMPTION OF MATERIALS

Yarn	Million Kgs.	3.46	5124.66
Fabrics	Million Metres	13.11	8329.56
Others			279.01

TOTAL

13733.23

(20) The subsidiary company B.R.F.L Europe B.V. has been incorporated on 05.09.2005. The year ended 31.03.2006 is the first year of consolidation, hence the figures of the previous year have not been given.

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL Vice-Chairman
PRASHANT AGARWAL Managing Director
A.R. MUNDRA Executive Director – Finance
UDAY C. MOGRE Executive Director – Corporate

Consolidated Cash Flow Statement as per Accounting Standard-3

for the year ended 31.03.2006

(Rs. In Lacs)

Particulars	For the year ended 31.03.2006
Cash Flow from Operating Activities (A)	
Net Profit before Tax	2516.58
Adjustments for:	
Loss on Sale of Fixed Assets	16.29
Depreciation	298.70
(Profit)/Loss on Sale of Investment	(26.26)
Interest & Dividend Exp./(Income)	(83.36)
Interest and financial charges	645.12
Operating Profit before Working Capital Changes	3367.07
Adjustments for:	
(Increase)/Decrease in Inventories	(4495.35)
(Increase)/Decrease in Debtors	(1380.18)
(Increase)/Decrease in Loans and Advances	(2026.28)
Increase/(Decrease) in Current liabilities & provisions	931.74
(Increase)/Decrease in Misc. Expenditure not w/off	4.85
Cash Generated from Operations	(3598.16)
Direct Taxes Paid/Deducted	675.01
Net Cash Flow from Operating Activities	(4273.17)
Cash Flow from investing Activities (B)	
(Purchase)/Sale of Fixed Assets (Net)	(9415.52)
(Purchase)/Sale of Investments (Net)	(953.74)
Interest and Dividend Income Received	83.36
Net Cash Flow from Investing Activities	(10285.90)
Cash Flow from Financing Activities (C)	
Proceeds from Issue of Share Capital on premium	10243.05
Share Issue Expenses adjusted against Securities Premium A/c	(724.12)
Proceeds from Secured Loans	5746.31
Proceeds from Unsecured Loans	1026.92
Interest & Financial charges	(645.12)
Net Cash Flow from Financing Activities	15647.04
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	1087.98
Cash and Cash Equivalents at the Beginning of the Year	86.63
Cash and Cash Equivalents at the end of the Year	1174.61

As per our report of even date

For **V.K. BESWAL & ASSOCIATES**
Chartered Accountants

R.P. LADDHA
Partner
M.No. 48195

Place : MUMBAI
Dated : June 15, 2006

PRACHI DESHPANDE
Dy. Company Secretary

AMAN AGRAWAL	Vice-Chairman
PRASHANT AGARWAL	Managing Director
A.R. MUNDRA	Executive Director – Finance
UDAY C. MOGRE	Executive Director – Corporate

BANKERS/TERM LENDERS

State Bank of India
UTI Bank Ltd.
State Bank of Patiala
State Bank of Hyderabad
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation Ltd.
DBS Bank Ltd.
Citibank N.A.
&
Export-Import Bank of India

AUDITORS

V.K. Beswal & Associates.
Chartered Accountants
408/410, Rewa Chambers,
31 New Marina Lines, Mumbai-400 020

REGISTERED OFFICE

D 1st Floor, Oberoi Garden Estate, Chandivali
Farms Road, Chandivali,
Andheri (East), Mumbai-400 072

FACTORIES

Bangalore
Sonale,
Navi Mumbai,
Silvassa

LISTING OF EQUITY SHARES

(listing fees paid)

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

BOARD OF DIRECTORS

BOARD OF *Directors*



Janardan Agrawal
Chairman



Aman Agrawal
Vice Chairman



Naseer Ahmed
Joint Vice Chairman



Prashant Agarwal
Managing Director



A. R. Mundra
Executive Director - Finance



Uday Mogre
Executive Director-Corporate



B. S. Bhesania



S. B. Agarwal



Dr. Pravin. P Shah

