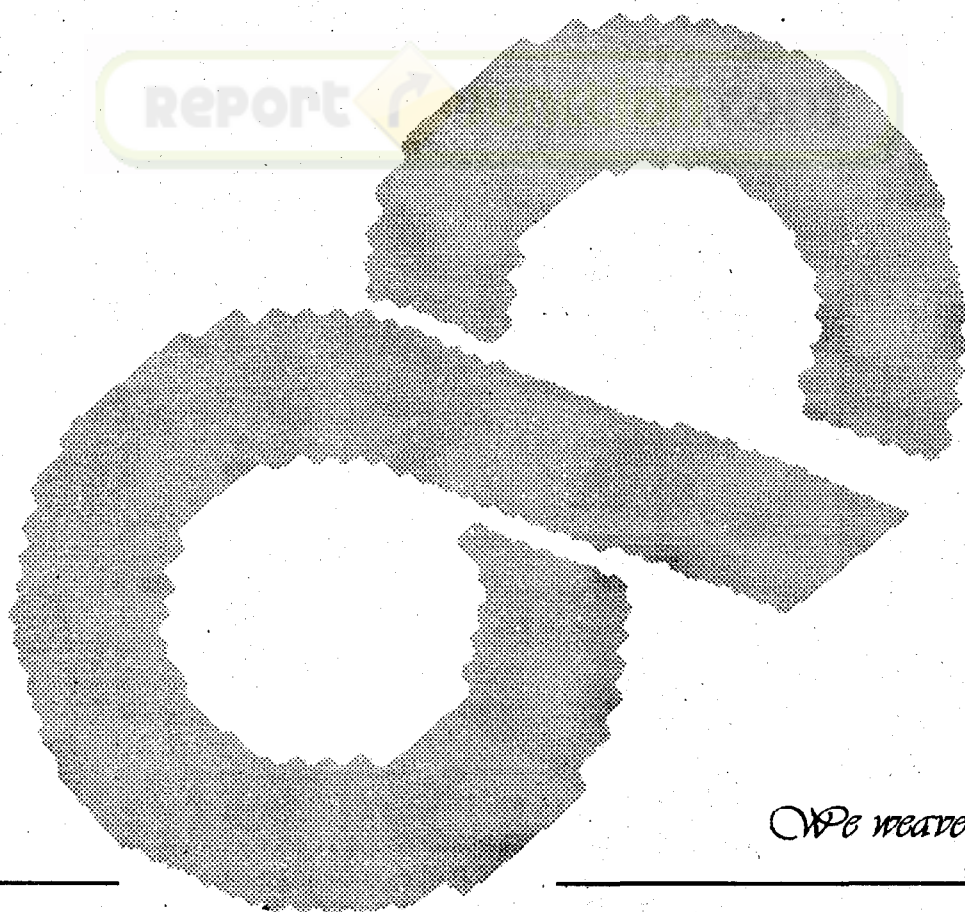




# **Arex Industries Limted**

**14<sup>th</sup> ANNUAL REPORT 2002-2003**



*We weave brands*

# Arex Industries Limited

## Board of Directors :

Shri Dinesh A. Bilgi  
Shri Pragnesh K. Shah  
Shri Laxman C. Tilani  
Shri Vasant R. Shah  
Shri Balkrishna I Makwana

*Chairman & Managing Director*  
*Director*  
*Director*  
*Director*  
*Director*

## Bankers :

State Bank of India

## Auditors :

M/s. Paresh Vakil & Co.  
Chartered Accountants  
Ahmedabad.

## City Office :

S/10, Vikram Chambers,  
Ashram Road,  
Ahmedabad – 380 009.

## Register Office & Plant :

612, GIDC,  
Chhatral.  
Dist. : Gandhinagar – 382 729

### 14TH ANNUAL GENERAL MEETING

Date	:	10 <sup>th</sup> September, 2003
Day	:	Wednesday
Time	:	10.30 A.M.
Place	:	Hotel Satkar, H/1, 2A, G.I.D.C. Chhatral – 382 729.

Notice of the 14th Annual General Meeting of the Company to be held on Wednesday, 10<sup>th</sup> September 2003 at 10.30 a.m. at Hotel Satkar, H/1, 2A, G.I.D.C. Chhatral-382 729. to transact the business mentioned therein is enclosed herewith.

Shareholders are requested to bring their copy of the Annual Report while attending the Meeting.



# Arex Industries Ltd.

## NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of the Company will be held on Wednesday, 10th day of September, 2003 at 10.30 a.m. at Hotel Satkar, H/1, 2A, GIDC, Chhatral 382 729 (NG), to transact the following business:

1. To receive, consider and adopt the audited accounts for the year ended on 31st March, 2003 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Vasant R Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To pass the following resolution as an Ordinary Resolution to appoint Auditors and to fix their remuneration.

“RESOLVED THAT M/s C R Share Dalal & Co., Chartered Accountants of Ahmedabad, be and are hereby appointed as Statutory Auditors of the Company, in place of M/s Paresh Vakil & Co., retiring Auditors, to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Board of Directors of the Company.”

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 260 and other applicable provisions, if any, of the Companies Act, 1956, Shri Balkrishna I Makwana, who was appointed as an Additional Director of the Company and who holds Office as such only upto the date of this Annual General Meeting, and in respect of whom a notice in writing having been received from a member of the Company in pursuance of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 (including any statutory amendments) and the Rules framed thereunder, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Listing Agreements and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”) which term shall include any committee thereof for the time being exercising the powers conferred by the Board, consent of the Company, be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the following Stock Exchanges:

1. The Stock Exchange, Ahmedabad, and/or
2. The Vadodara Stock Exchange Ltd, Vadodara, and/or
3. The Delhi Stock Exchange Association Ltd, Delhi, and/or
4. The Stock Exchange, Mumbai

“RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorised to seek voluntary delisting and to take all necessary actions in this regard, (including exit offer or otherwise, wherever necessary) and to do all such acts, deeds, incidental matters and things, as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, doubt that may arise in this regard and to execute all such deeds, documents as may be necessary and for this purpose to delegate the authority duly vested therein to any of the Directors or any other person whom the Board may deem fit to do various acts, deeds, and things as required to be done for delisting of shares.”

For AREX INDUSTRIES LTD

Place: Chhatral  
Date : June 12, 2003

Dinesh A Bilgi  
Chairman & Managing Director



## Annual Report 2002-2003

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote at the meeting instead of himself and that a Proxy need not be a member of the Company.
2. A relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and Clause 49 of the Listing Agreement, in respect of Item No.2 to 5 are annexed hereto.
3. All the relevant documents, letters and other papers referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 11.00 am to 1.00 pm during business hours.
4. The Share Transfer Books and the Register of Members of the Company shall remain closed from Monday, 8th September, 2003 to Wednesday, 10th September, 2003. (Both days inclusive)
5. Members desirous of any information or clarification on accounts, are requested to write to the Company at least 10 days in advance of the meeting.
6. Members are requested to notify, change in address, if any, immediately to the Registered Office of the Company.

### EXPLANATORY STATEMENT pursuant to Section 173 of the Companies Act, 1956 AND pursuant to Clause 49 of the Listing Agreement:

#### Item No.2

Shri Vasant R Shah aged about 58 years is a Non Metriculate. He has a experience in the marketing of Woven Label Industry. He was Director since 1994 in the Company.

None of the Directors, except Shri V R Shah, is interested or concerned in the resolution.

#### Item No.3:

M/s Paresb Vakil & Co., Chartered Accountants, retiring Auditors of the Company have, vide their letter dated 12.6.2003, expressed their unwillingness to seek re-appointment at the ensuing Annual General Meeting and M/s C R Share Dalal & Co., have expressed their willingness to be appointed as Statutory Auditors of the Company and also confirmed that their appointment, if made, will be within the limits specified u/s 224 (1B) of the Companies Act, 1956. The Company has also received a Special Notice pursuant to Section 225 of the Companies Act, 1956 from a member proposing an Ordinary Resolution for appointment of M/s C R Share Dalal & Co., Chartered Accountants as Statutory Auditors of the Company at the ensuing Annual General Meeting. The Board recommend the resolution.

Letters received from M/s Paresb Vakil & Co., M/s C R Share Dalal & Co., and a Special Notice received from a member of the Company, are available for inspection at the Registered Office of the Company, between 11.00 am to 1.00 pm during business hours.

This may be treated as an intimation to the members u/s 190 of the Companies Act, 1956.

None of the Directors is interested or concerned in the resolution.

#### Item No.4:

Shri Balkrishna I Makwana aged about 56 years is a B.Sc (Agri). He worked with the Central Bank of India since 1969 and was a Branch Manager since 1978. He opted for voluntary retirement in the year 2001. He has a very rich and wide experience in Finance and Accounts. The Company will be guided with his expertise in the Finance and Accounts Departments. The Board of Directors of the Company have appointed him as an additional Director with effect from 1st February, 2003 pursuant to Article 134 of the Articles of Association of the Company. He is an independent Director in compliance with Clause 49 of the Listing Agreement. He is holding Office only upto the date of this Annual General Meeting and therefore your Directors recommend the resolution.

None of the Directors, except Shri Balkrishna Makwana, is interested or concerned in the resolution.

#### Item No.5:

The members had passed special resolution in their Annual General Meeting held on 15th September, 1999, pursuant to the SEBI Circular No.SMDRP/CIR-14/98 dtd.29/4/98 for voluntary delisting of equity shares from the (1) Delhi Stock Exchange Association Ltd, New Delhi, (2) Bangalore Stock Exchange Ltd, Bangalore, and (3) Vadodara Stock Exchange Ltd, Vadodara, due to genuine reasons. Accordingly, the Company has made exit offers to the shareholders in year 2000 and the Bangalore Stock Exchange Ltd has agreed to the same. The Company has also made second exit offer in the year 2001 to seek formal letters from the Stock Exchanges at Vadodara and Delhi, but the same are still waited. Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 permit delisting of shares without giving an exit option to the shareholders, provided the shares of the Company continue to be listed at a Stock Exchange having nationwide trading terminals. The Company now proposes voluntary delistings as may be permitted under the Guidelines or Rules framed/to be framed by SEBI from time to time. The Board recommend the special resolution.

None of the Directors of the Company are in any way concerned or interested in the said special resolution.

For AREX INDUSTRIES LTD

Place: Chhatral

Date : June 12, 2003

Dinesh A Bilgi

Chairman & Managing Director



# Arex Industries Ltd.

## DIRECTORS' REPORT

To,  
The Members,

The Directors have pleasure in presenting this Fourteenth Annual Report together with the audited statement of Accounts for the year ended on 31st March, 2003.

### FINANCIAL RESULTS

	(Rs. in lacs)	
	31/03/2003	31/03/2002
Sales (Net)	816.42	632.57
P fit before depreciation	199.22	178.50
Less: Depreciation	162.44	160.61
Provision for Taxation	15.44	1.37
<b>Profit after tax</b>	<b>21.34</b>	<b>16.52</b>

### DIVIDEND

Your Directors do not recommend dividend for the year as Cash Accruals are required to finance proposed expansion as a margin money for Capital Expenditure.

### OPERATIONS

The Company has secured sales of Rs. 8,16,42,105/- i.e increase of 29% over the previous year's sales of Rs. 6,32,56,623/-. The Company has earned a profit of Rs.199 lacs as against profit of Rs.179 lacs earned during the previous year, before depreciation and taxes.

Your Directors hope, barring unforeseen circumstances, to achieve better results during the current financial year, by utilising current and future production capacity of the Company.

The demand of Woven Label is increasing with Seasonal Scenario. The Company has strategic planning for further expansion to enhance its production capacity with a total outlay of Rs.800.00 lacs which is proposed to be financed partly out of the borrowings.

### PARTICULARS OF EMPLOYEES

There was no employee covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### INSURANCE

All the assets of the Company including buildings, plant and machinery and stocks are adequately insured.

### DIRECTORATE

Shri Vasant R Shah is due to retire at the ensuing Annual General Meeting and being eligible for re-appointment, offered for the same.

Shri Balkrishna I Makwana was appointed as an additional Director of the Company with effect from 1st February, 2003 and who holds Office upto the date of the ensuing Annual General Meeting. You are requested to consider his appointment.

### AUDITORS

M/s Pareesh Vakil & Co., retiring Auditors of the Company have shown unwillingness to seek re-appointment at the ensuing Annual General Meeting and therefore the said firm shall not be re-appointed. M/s C R Share Dalal & Co. Chartered Accountants of Ahmedabad have expressed willingness to be appointed as Statutory Auditors of the Company, and have also confirmed that the appointment will be within the ceiling limits specified under Section 224 (1B) of the Companies Act, 1956. A Special Notice pursuant to Section 225 of the Companies Act, 1956 was also received proposing his appointment. Your Directors recommend the resolution.

### DELISTINGS

Your Company proposes to delist the Company's shares from the Stock Exchanges as may be permitted under the Delisting Guidelines, 2003 issued by SEBI. Your Directors therefore recommend special resolution.

### DIRECTORS' RESPONSIBILITY STATEMENT

- That in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- That the Directors had selected such Accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the profits of the Company for that period;
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors had prepared the annual accounts on a going concern basis.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

In house study was made for identifying areas for optimum utilisation of power and fuel. However, information as required under Section 217 (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given by way of an Annexure forming part of this Report.

### CORPORATE GOVERNANCE

As required under the amended provisions of Clause 49 of the Listing Agreements, the Company is required to implement the code of corporate governance on or before 31st March, 2003. A separate report on corporate governance as well as Management Discussion and Analysis Report of the Company form part of this Annual Report.



## Annual Report 2002-2003

### ACKNOWLEDGMENT

Your Directors are pleased to place on record their sincere appreciation and gratitude to the State Bank of India and business constitutions for the continued and valuable co-operation and support to the Company.

Your Directors wish to convey their sincere thanks to the executives and other employees at all levels for their services rendered to the Company.

#### Regd. Office :

612, GIDC, Chhatral, Tal. Kalol,  
Dist. Gandhinagar - 382 721

Date : June 12, 2003

For and on Behalf of the Board

Dinesh A Bilgi

Chairman & Managing Director

**INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH, 2003.**

#### A. Conservation of Energy :

- Energy conservation measures taken
- Additional investments & proposals, if any, being implemented for reduction of consumption of energy
- Impact of the measures at (a) & (b) for reduction of energy consumption & consequent impact on the cost of production of goods.
- Total energy consumption and energy consumption per unit of production.

The company is conscious about the conservation of energy and reduction of consumption of energy.

Two DG sets each of 125 KVA have been installed as standby and continuous power supply.

As per Form A

#### Form A

#### Form for disclosure of particulars with respect to conservation of energy.

Power and Fuel consumption:		2002-2003	2001-2002
Electricity	Purchased		
	Unit	738975	481440
	Total Amount (Rs)	3472217	2453016
	Rate/Unit	4.70	5.10
Avg consumption per 1000 woven label (Rs)		23.10	20.10

#### B. Technology Absorption: As per Form B

#### Form B

#### Form for disclosure of particulars with respect to absorption

##### Research and development (R&D)

- Specific areas in which R&D carried out by the Company.
- Benefits derived as a result of the above R & D.
- Future plan of action
- Expenditure on R & D.

The Company does not have separate R & D activities and hence, separate expenses are not worked out.

##### Technology absorption, adaptation and innovation

- Efforts, in brief, made towards technology absorption, adaptation and innovation.
- Benefits derived as a result of the above efforts.
- In case of imported technology, (Imported during the last 5 years)
  - Technology imported
  - Year of Import
  - Has technology been absorbed
  - If not fully absorbed, areas where this has not taken place, reasons & future plans of action.

The Company utilises indigenously developed production technology. The technology has been already been fully absorbed.

#### C. Foreign Exchange Earnings and Outgo

##### (i) Foreign Exchange Used

(a) Import of Capital Goods	:	Rs. 917651.00
(b) Import of Stores & Spares	:	Rs. 449468.00
(c) Travelling	:	Rs. 1565375.00

(ii) Foreign Exchange Earned on account of exports	:	Rs. 4239553.00
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#### Regd. Office :

612, GIDC Industrial Estate  
Chhatral, Taluka Kalol  
Dist. Gandhinagar- 382 721  
Gujarat

Date : June 12, 2003

For and on behalf of the Board

Dinesh A Bilgi

Chairman & Managing Director





# Arex Industries Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Overview:

Arex Industries Limited was promoted by Shri Dinesh A Bilgi, a technocrat having very rich experience in the woven label industry. The Company is engaged in manufacturing and marketing of woven labels.

### Industry Structure:

During the year under review, the garment and other textile auxiliary industry witnessed substantial growth both in domestic and international markets. The industry shown improvement from the middle of the year due to the fiscal policy initiatives taken by the Government.

### Prospects:

Woven label manufacturers are moving towards value added products to meet with the requirement of garment manufacturers and other customers both in terms of quality and differentiated products. The prospects of the Indian woven label industry is promising, if the quality of the product is maintained. The Company is quality conscious about the quality of the product.

### Opportunities, Threats, Risks and concerns:

The Company has a good name in the Indian woven label industry and has strategic plans for expansion keeping in view the industry demand in domestic and international market.

Woven Labels are basic raw materials under the category of accessories for the garment and made-ups and normally their demand proportionate to the branded garments.

*The life cycle of the products, specially garments is shrinking and in General Management Practices to attend zero inventory level which in turn is building tremendous pressures on the supply chains. Label Manufacturers, being at the bottom of the supply chain for the Garment Industries have to bear lot of pressure from the upper chain both on ground of reducing prices and shrinking delivery periods.*

The garment requirement is on the increase due to various reasons like, population growth, increase in buying potential of a common man, a positive shift in favour of branded garment, export garment being the prime sector and focus center for achieving the export targets as set by Government of India. With the removal of the import restrictions in the year 2004, international market will be open for textile and garment products, which will further boost up the woven label industry.

The Company's product has been qualitative and competitive. The Company has strengthened its marketing strategy with the establishment of Customer Service Centres at various places throughout the Country. Further, the Company believes satisfaction of the customers and maintaining long term relationship with them, which will ultimately provide better opportunity to grow.

### Internal Control Systems:

The Company has adequate internal control systems in respect of efficiency of operation, financial reporting, compliance with laws etc. Exercises for safeguarding assets and protection against unauthorised use are undertaken. The Management reviews internal control system from time to time.

### Review of Financial Performance:

The financial performance during the year ended 31st March, 2003, has been satisfactory looking into the present industry trend and scenario. The Company expects better performance in the years to come, in view of the increasing demand of the Company's products and action taken to expedite expansion on hand.

### Human Resources:

As on 31st March, 2003, 120 personnel were working at its Plant and Customer Service Centers at various places. The relations between the employees and the Management have remained cordial as one family.

### Cautionary Statement:

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

## REPORT ON CORPORATE GOVERNANCE

### 1. A brief statement on Company's philosophy on code of conduct:

The Company always believe in fair ethical business and corporate practices while dealing with the shareholders, employees, bankers customers, creditors, and others. The Company is prompt in discharging its statutory obligations and duties. The philosophy encompasses the serving of long term interest of all its state holders.

### 2. Board of Directors:

#### a) Composition:

The Board of Directors presently comprises of five Directors, four of whom are independent and non executive Directors. The Board is headed by Shri Dinesh A Bilgi, Chairman and Managing Director and is composed of persons with wide experience in various fields.