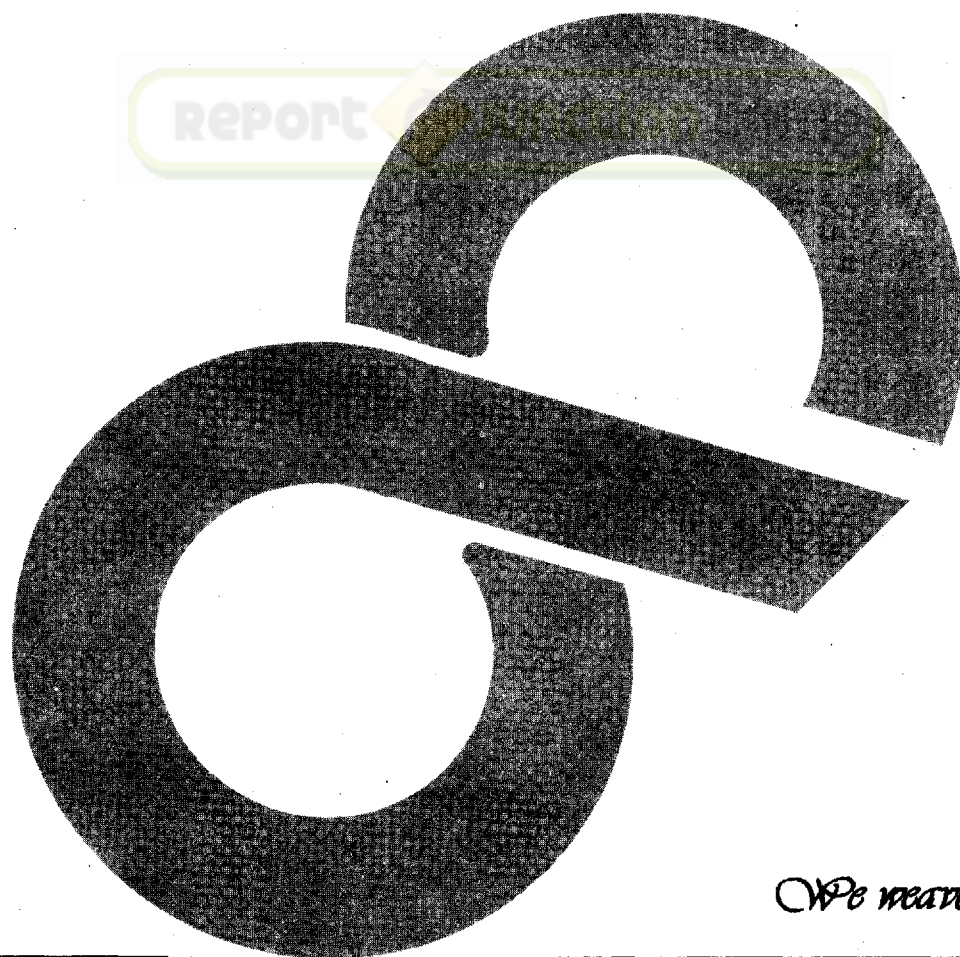




Arex Industries Limited

15th ANNUAL REPORT 2003-2004



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. C. R. SHAREDALAL & Co.
Chartered Accountants
Ahmedabad.

City Office :

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

Registered Office & Plant :

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

15TH ANNUAL GENERAL MEETING

Date	:	6 th September, 2004
Day	:	Monday
Time	:	10.30 A.M.
Place	:	Hotel Satkar, H/1, 2A, G.I.D.C. Highway No.8, Chhatral - 382 729

Notice of the 15th Annual General Meeting of the Company to be held on Monday, 6th September 2004 at 10.30 a.m. at Hotel Satkar, H/1, 2A, G.I.D.C. Highway No. 8, 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.

**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of the Company, be held on Monday, 6th day of September, 2004 at 10.30 a.m. at Hotel Satkar, H/1, 2A GIDC, Chhatral 382 729 (N.G) to transact the following business:

1. To receive, consider and adopt audited accounts for the year ended on 31st March, 2004 and the reports of the Directors and Auditors thereon.
2. To declare final dividend for the financial year ended on 31st March, 2004.
3. To appoint a Director in place of Shri Laxman C Tilani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Pragnesh K Shah, who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint Auditors and to fix their remuneration.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby given for the re-appointment of Shri Dinesh A Bilgi, as Chairman and Managing Director of the Company for a further period of five years with effect from 1st May, 2004 upon terms and conditions including salary of Rs.50000/- per month plus perquisites as per the draft of the agreement within the ceilings laid down in Schedule XIII to the Companies Act, 1956.”

“RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorized to alter and/or revise the terms and conditions including remuneration payable to Shri Dinesh A Bilgi, as Chairman and Managing Director of the Company so however that the same shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956 and to do all such acts, deeds, matters and things as may be necessary for the purpose.”

For AREX INDUSTRIES LTD

Place: Chhatral
Date : June 23, 2004

Dinesh A Bilgi
Chairman & Managing Director

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 is annexed hereto.
3. The Share Transfer Books and the Register of Members of the Company shall remain closed from Monday, 16th August, 2004 to Wednesday, 18th August, 2004 (Both days inclusive)
4. The Company has paid interim dividend at 7.5% i.e. Rs.0.75 per equity share on 23rd March, 2004.
5. Final Dividend, if declared at the meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company as on 18th August, 2004. The Dividend shall be payable on or before 4th October, 2004.
6. 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.
7. Members desirous of any information & clarification on accounts are requested to write to the Company at least 10 days in advance of the meeting.
8. Members are requested to notify, change in address, if any, in immediately to the Registered office of the Company.



Annual Report 2003-2004

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

Item No. 3

Shri Laxman C Tilani aged about 49 years is a non-matriculate. He has a vast experience in the marketing and other areas in woven label industry. He was appointed as a Director since 14th December, 1990. He has provided valuable services to the Company.

None of the Directors, except Shri Laxman C Tilani, is interested or concerned in the resolution.

Item No. 4

Shri Pragnesh K Shah aged about 49 years is an Engineer in Metallurgy from M S University, Baroda and also Diploma in Marketing Management from K C College of Management, Mumbai. He has a vast experience in the marketing and other areas in woven label industry. He was appointed as a Director since 14th December, 1990. He has provided valuable services to the Company.

None of the Directors except Shri P K Shah is interested or concerned in the resolution.

Item No. 6

Shri Dinesh A Bilgi was re-appointed as Chairman and Managing Director of the Company for a period of five years with effect from 1st May, 1999, by the members of the Company in their Annual General Meeting held on 15.09.1999 and his tenure expired on 30th April, 2004. The Board of Directors considered his valuable services and contribution given for the growth of the Company. The Board of Directors in their meeting held on 30.04.2004 felt it necessary for his continued services for the Company and re-appointed him for a further period of five years with effect from 1st May, 2004. You are requested to consider his re-appointment. The major terms and conditions of the draft agreement are as under:

1. Name of Appointee : Shri Dinesh A Bilgi
2. Designation : Chairman and Managing Director
3. Tenure : Five Years w.e.f. 1st May, 2004
4. Remuneration
 - I Salary : Rs.50,000/- per month
 - II Perquisites :
 - i. **Leave Travel Concession**
For self and family once in a year subject to a ceiling of Rs.3,00,000/-
 - ii. **Children Education Allowance**
Subject to ceiling of Rs.3,00,000/- for the Education of the Children.
 - iii. **Telephone**
Provision of telephones at residence of the appointee.
 - iv. **Other perquisites**
Leave, Provident Fund, Gratuity etc. as per Rules of the Company for the time being in force.
5. Where in any financial year, the Company has no profits or its profits are inadequate, Shri Bilgi shall be entitled to the above remuneration as minimum remuneration.
6. The agreement shall be terminated by giving 30days notice or salary in lieu thereof either side.
7. Shri Bilgi shall not be paid any sitting fees for attending any meeting of the Board of Directors for any Committee thereof and he shall not be liable to retire by rotation during the tenure of his appointment.

A copy of the draft agreement is available for inspection between 11.00 am to 1.00 pm at the registered office of the Company during working days. This may be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors of the Company, except Shri Dinesh Bilgi, is in any way concerned or interested in the said resolution.

For AREX INDUSTRIES LTD

Place: Chhatral
Date : June 23, 2004

Dinesh A Bilgi
Chairman & Managing Director



Arex Industries Ltd.

DIRECTORS' REPORT

To,
The Members,

The Directors have pleasure in presenting this Fifteenth Annual Report together with the audited statement of Accounts for the year ended on 31st March, 2004.

FINANCIAL RESULTS

	(Rs. in lacs)	
	31/03/2004	31/03/2003
Sales (Net)	8,35,26,952	8,16,42,105
Profit before depreciation	3,03,23,739	1,99,22,170
Less: Depreciation	1,68,18,428	1,62,44,640
Provision for taxation	13,00,000	15,43,662
Provision for Deferred Tax	35,56,579	---
Profit after Tax	86,48,732	21,33,868
Add: Surplus brought forward from previous year	4,03,68,691	3,82,54,186
Less : Deferred Tax - Opening Balance	1,25,20,708	---
Add/ Less: Tax Adjustment	4,05,431	(19,365)
Profit available for Appropriation	3,69,02,146	4,03,68,691
Interim Dividend	29,69,029	---
Tax on Interim Dividend	3,80,407	---
Proposed Dividend	29,69,029	---
Tax on Final Dividend	3,80,407	---
Transfer to General Reserve	10,00,000	---
Balance carried to Balance Sheet	2,92,03,274	4,03,68,691

DIVIDEND

Your Directors are pleased to report that the Company has paid interim dividend at 7.5% (i.e. Rs.0.75 per equity share) in the month of March, 2004. Your Directors are further pleased to recommend a final dividend at 7.5% (i.e. Rs.0.75 per equity share) subject to approval of the Shareholders in their next Annual General Meeting. The total amount of dividend outgo including interim dividend for the year will be Rs.59,38,058/-. The total amount of tax on dividend would be Rs. 7,60,814/-

OPERATIONS

During the year under review, the Company's performance was continued to be satisfactory. The Company has secured sales of Rs.8,35,29,952/ i.e increase of 2.31 % over the previous year's sales of Rs. 8,16,42,105/-. The Company has earned a profit of Rs.303 lacs as against profit of Rs.199 lacs earned during the previous year, before depreciation and taxes.

The Company has an ongoing strategic plans for expansion to enhance its production capacity and incurred Rs.577 lacs on expansion on hand.

Your Directors have to inform that the demand of Woven Label is increasing with seasonal scenario.

FINANCE

Your Directors are pleased to inform that the Company has repaid existing term loan of Rs.220 lacs and a fresh term loan of Rs.600 lacs was sanctioned by the State Bank of India to part finance expansion project on hand.

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. Hence, particulars are not given.

INSURANCE

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

DIRECTORATE

Shri Laxman C Tilani and Shri Pragnesh K Shah are due to retire at the ensuing Annual General Meeting and being eligible for re-appointment, offered for themselves for the same.

Shri Dinesh A Bilgi was re-appointed as Chairman and Managing Director of the Company for a further period of five years with effect from 1st May, 2004, by the Board of Directors of the Company in their meeting held on 30th April, 2004. You are requested to consider his re-appointment.

DELISTINGS

The Company's application for voluntary delistings was approved by the Stock Exchange at Ahmedabad and Vadodara Stock Exchange Ltd with effect from 16.01.2004 and 22.3.2004 respectively. The Company has completed all the formalities for getting the shares delisted from the Delhi Stock Exchange Association Ltd, New Delhi.



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DIRECTORS' RESPONSIBILITY STATEMENT

- That in the preparation of annual accounts, the applicable accounting standards have been followed along with 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, 2004 and 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 utilization of power and fuel. However, information as required 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, 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 has implemented the code of corporate governance for the year ended on 31st March, 2004. A separate report on Corporate Governance as well as a Management Discussion and Analysis Report of the Company is part of this Annual Report.

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 23, 2004

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, 2004.

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:		2003-2004	2002-2003
Electricity	Purchased		
	Unit	803634	738975
	Total Amount (Rs)	3853560	3472217
	Rate/Unit	4.80	4.70
Avg consumption per 1000 woven label (Rs)		26.00	23.10

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.



Arex Industries Ltd.

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts.
3. In case of imported technology, (Imported during the last 5 years)
 - i. Technology imported
 - ii. Year of Import
 - iii. Has technology been absorbed
 - iv. 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. 47333100.00
(b) Import of Stores & Spares	Rs. 668909.00
(c) Travelling	Rs. 509000.00
(d) Staff Training & Bank Charges	Rs. 439860.00
(ii) Foreign Exchange Earned	Rs. 441455.00
on account of exports	

For and on behalf of the Board

Regd. Office :

612, GIDC Industrial Estate
Chhatral, Taluka Kalol
Dist. Gandhinagar- 382 721
Date : June 23, 2004

Dinesh A Bilgi
Chairman & Managing Director

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

The Indian Garment Industry witnessing moderate growth. There are good prospects with the growth of Garment Industry and the overall increasing demand of consumer's products.

Prospects

The prospect of the Indian Woven Label industry is promising, if the quality of the product is maintained.

Opportunities, Threats, Risks and Concerns

The Company has a fair name in the Indian Woven Label industry and has strategic plans for expansion keeping in view the industry demand in domestic and international market. In spite of stiff competition, the growth is maintained due to goodwill and qualitative products of the Company. The Company believes satisfaction of the customers and maintaining long term relationship with them, which will ultimately provide better opportunity to grow.

Internal Control System

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 unauthorized 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, 2004, was excellent as compared to 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 Resource

As on 31st March, 2004, 120 personnel were working at its Factory, Offices and Customer Service Centers at various places. The relations between the employees and the Management have remained cordial.

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.