

26TH ANNUAL REPORT
2002-2003

Aafloat Textiles (India) Ltd



AAFLOAT TEXTILES (INDIA) LIMITED

BOARD OF DIRECTORS

| | |
|-------------------|----------|
| SHRI. D.R. KEDIA | DIRECTOR |
| SHRI. R.G. PARAKH | DIRECTOR |
| SHRI. P.CHOUDHARY | DIRECTOR |

AUDITORS
VINOD BAPANA & CO

REGISTERED OFFICE
OSTWAL ORANATE SHOP NO.127 "A" WING BUILDING NO. 1,
JESAI PARK ,BHAYANDER (EAST) DIST.THANE (MAHARASHTRA)

FACTORY ADDRESS
PLOT NO 1-1-2 VILLAGE CHINCHPADA
NEAR PATI VASONA CROSS ROAD
SILVASSA 396230

ANNUAL REPORT 2002-2003

NOTICE

Notice is hereby given that the Twenty Fourth annual General Meeting of the Members of Aafloat Textiles (India) Ltd will be held on 30th September 2003, Tuesday at 10.00 AM at Ostwal Ornate Shop No.127 "A" wing Building No. 1, Jesai Park, Bhayander (east) dist. Thane (Maharashtra)

To transact the following business

As ORDINARY BUSINESS:

- 1) To receive consider and adopt the Audited Balance Sheet of 31st March 2003 and Profit and loss account for the year ended on that date together with the Directors report and the Auditors Report thereon
- 2) To appoint a Director in place of Shri. D.R. Kedia who retires by rotation and being eligible offers himself for re-appointment
- 3) To appoint statutory Auditors and to fix their remuneration. The retiring Auditors Shri Vinod Bapna & co Chartered Accountants are eligible for reappointment.

BY ORDER OF THE BOARD
For AAFLOAT TEXTILES (INDIA) LTD

Place: Mumbai
Dated: 05th September , 2003

Sd/-
D.R. KEDIA
(DIRECTOR)

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOT AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- 2) A proxy in order to be effective must be received by the company not later than forty-eight hours before the commencement of the meeting.
- 3) The explanatory statement pursuant to section 173 of the company's Act 1956 for special business mentioned in the above notice is annexed hereto
- 4) The register of members and the share transfer books of the company will remain closed from 25th September 2003 To 30th September 2003 (both days inclusive) for the purpose of Annual General Meeting.
- 5) Member holding shares on more than one folio are requested to apply for the consolidation of such folios.
- 6) Members are requested to notify any change in their address immediately to the company.
- 7) Members are requested to bring their copies of annual report to the meeting.

BY ORDER OF THE BOARD
For AAFLOAT TEXTILES (INDIA) LTD

Place: Mumbai
Dated: 05th September 2003

Sd/-
D.R. KEDIA
(DIRECTOR)

**ANNUAL REPORT
AAFLOAT TEXTILES (INDIA) LIMITED
(Formerly known as Akai Impex Limited)**

DIRECTORS REPORT

To
The Members of AAFLOAT TEXTILES (INDIA) Limited

Dear Shareholders

We have pleasure in presenting the Twenty Six Annual Report together with the Audited Statement of Account of your company for the year ended 31st March 2003. The prices of raw material continued to increase at regular intervals throughout the year and substantially in the fourth quarter of the year. A part of this increase could not be passed on sales prices due to prevailing market conditions, thus affecting margins adversely. With this background, the performance of your Company could be considered as satisfactory.

1. FINANCIAL RESULTS

| PARTICULARS | 2002-2003 | 2001-2002 |
|--------------------------------------|-----------|-----------|
| 1. Income from Operations | 8846.62 | 4835.1 |
| 2. Profit (Loss) for the year before | | |
| Depreciation & Tax | (194.04) | (212.22) |
| 3. Depreciation | 926.44 | 913.73 |
| 4. Profit/Loss before Tax | (1120.48) | (1125.95) |
| 5. Balance brought forward | (6466.28) | (5689.04) |
| 6. Balance Carried Forward | (6573.17) | (6466.28) |

The turnover was higher by 82.97% on account of improvement in sale prices consequent to increase in raw material prices.

2. DIVIDEND

In view of the losses, during the year under review, the company is not in a position to recommend dividend for the year 2002-2003.

3. OPERATIONS

The company's turnover and income during the current year (12 months) was Rs.8846.62 Lakh as against Rs. 4835.1 lakh in the previous year. The loss for the year was 1120.48 lacs against Rs.1125.95 lakh in the previous year.

The Prices of major raw materials increased gradually during the year primarily due to rising crude oil prices in the international market. The increase was substantial in the fourth quarter of the financial year. The sales realization was not commensurate with the increase in raw material prices due to market conditions. Domestic oversupply position in Polyester Chips affected sales volume. In spite of these adverse factors, the performance of the company during the year 2002-03 was satisfactory. Over all performance of the Company has been affected due to shortage of working capital. The company could not generate sufficient supply to meet the orders. The severe recession and crisis in the polyester Industry worsened and there was minor sign of revival during the year under report. Since the raw material cost is a major component of overall cost of manufacture, the outlook of the industry mainly depends upon the stability in raw material

prices in domestic as well as international market .The demand for synthetic textile yarn during the last decade has shown a compounded annual growth of 14% In the year 2002-03, the growth was 9% as compared to 3% in the previous year. The capacity utilization in the industry is quit satisfactory and the demand and supply position matches , barring temporary fluctuations . The Industry is expected to continue to grow in the foreseeable future mainly due to the followings:

- a. Globalisation of Indian Textile Industry and positive reform packages announced by the Government from time to time . in the recent Union Budget, Government has reduced the excise duty on Polyester Filament yarn from effective rate of 36.8% to 28.6% and customs duty on specified Polyester Filament Yarn machinery and equipment from 25% to 5%. Excise duty is expected to come down further in coming years.
- b. The extension of CENVAT (Excise duty) upto ready made garments stage and proposed introduction of VAT (Value Added Tax) by State Governments will have favorable impact in the long run.
- c. Replacement of cotton by synthetic yarns. Today the share of Polyester in the overall fibre consumption is about 35% which is expected to reach 50% by 2008.

The Company is still in negotiations with its Bankers and Financial Institutions to extend need based Working Capital to the Company to meet several export orders as well as local demands. It hopes to improve the working as well as profitability in the near future after release of adequate working capital to meet the production needs. The Company has also taken up the matter of restructuring operation with the banks and Financial Institutions. For the time being It was decided to run the factory on job work. It hopes to improve the working as well as profitability in the near future after release of adequate working capital to meet the production needs.

4. PRODUCTION

The Capacity Utilization and production came down substantially during the year under review for reasons such as recession in the Polyester Industry and lack of adequate working capital finance. The company is making all efforts to improve the situation.

5. FUTURE OUTLOOK

The Indian economy is a growing economy and there is enough scope for growth in Textile Industry. Although the 10th five year plan (2002-07) has envisaged a growth rate of 8% the economy can certainly grow at least in the range of 5-6% per annum for the next few years. Moreover, the per capita consumption of textiles remains amongst the lowest in the world. The population growth in India is still continuing at a rate higher than world average. These factors are expected to provide enough growth opportunities for the industries. The Indian and Foreign Markets have now stabilized. The Company is dealing in commodity product like 80 text yarn and 126/130 denier POY However company is planning in specialty products in coming years by doing the triplicating By Triplicating the production lines the Company would derive the following advantages :-

- Increased the installed capacity would go up by 33% from present installed capacity of 10320 MTPA to 15120 MTPA.
- Increase in profitability without corresponding increase in the overheads.
- The accessories proposed to be added would enable the Company to produce specialty lower denier, which gives better profitability per unit.

- The specialty Lower Denier Yarn has demand and sales realization is higher.
- This addition of capacity will help Company to match the capacity with most of the competitors.

The company has been receiving several inland as well as Export Orders and can in fact get geared to large volume of production and profitability of Polyester Products. It is hoped that problem of the working capital should be solved in the foreseeable future and the company shall be able to take advantage of good demand for its products in Inland as well as Overseas markets.

6. DIRECTORS RESPONSIBILITY STATEMENT.

Pursuant to the requirements of Section 217 (2AA) of the companies Act, 1956 and on the basis of explanation and compliance certificate given by the executives of the company and subject to disclosures in the Annual Accounts and also on the basis of discussions with the Statutory Auditors of the Company from time to time, we state as under :

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

7. DEPOSITS

The company has not accepted any fixed deposit from the public within the meaning of Section 58A of Companies Act, 1956 and the rules made there under:

8. DIRECTORS

In accordance with the Articles of Association of the Company, Mr. D.R. Kedia will retire by rotation but being eligible offer themselves for reappointments.

9. AUDIT COMMITTEE

The Audit Committee has been constituted with 2 Directors viz Mr. Dayaram Kedia (Chairman) and Mr. Ramesh G. Pareekh.

10. AUDITORS

M/s. Vinod Bapna & Co., Chartered Accountants, the Auditors of the company retires and being eligible offers themselves for reappointment.

11. REFERENCE TO THE HONOURABLE BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

As the Net Worth of the Company has been completely eroded the company has become a sick Industrial Company as per the provision of Sick Industrial (Special Provisions) Act 1985 (SICA) . Under the Provision of section 15 of the sick Industrial Companies (Special Provision) Act 1985 The Company had made reference to the Board for Industrial & Financial Reconstruction (BIFR) under section 15 of SICA for its year needed on 31.3. 2000 but the reference has been rejected on the ground that the reference was not made within 60 days from the date of meeting of Board of Directors. The Board of Directors has made refer to Fresh application to the Board of Industrial and Financial Reconstruction within 60 days of finalizing of Annual Account for the year ended 31st March 2002. Accordingly to comply with the above referred provisions it has been decided to refer the matter to the Board for Industrial and Financial Reconstruction.(BIFR) has appointed ICICI as OA u/s 16 (2) of the Act to enquire into the matter on 16.09.02 and on the submission of report of OA Bench has declared the Sick on 4.9.03 and instructed to OA to submit the rehabilitation Scheme for the company to the bench.

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

1. CONSERVATION OF ENERGY

- a) Energy conservation measures taken and under implementation
 - i) Installation of electronic Ballasts for Flourscent Tube Lighting in the areas where fittings yet to be completed.
 - ii) An electronic Power and analyzer has been ordered for taking studies on individual machine for evaluating and comparing Power Consumption.
- b) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy. Use of regulated supply for total area of factory.
- c) Impact of measure for reduction of energy consumption and consequent impact on the cost of production of goods, not quantifiable for the year.

2. TECHNOLOGY ABSORPTION

The Technology selected by your Company was the most modern and the state of the Art but presently new inventions / a modern technique has been adopted by the Industry and Company need to adopt them.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of Foreign Exchange earning and out go during the period ended 31st March 2003 are contained in schedule 18 Item No. 13(iii) and 13(i) and 13(ii) in Notes of the Accounts.

13 PARTICULARS OF EMPLOYEES

There being no employees, who were in receipt of remuneration of Rs. One Lacs .per month (if employed for the part of the year) for Rs. 12 Lacs per annum (if employed for whole of the year) information required under section 217(2)(a) of the Companies Act, 1956 read with the Companies (Particulars of the employees) Rules 1975 and forming the part of the Directors' report for the period ended 31st March 2003 had not been given.

14 ACKNOWLEDGMENT

Your company and its Director wish to take this opportunity to offer their sincere thanks to various departments of the Central / State Government, Financial Institutions, Banks and Investors for their valuable support and assistance.

Your Directors also wish to place on record their appreciation for devoted services rendered by the Staff and Executives of the Company.

For and on behalf of the Board

Sd/-
D.R. Kedia
Director

Place: Mumbai

Date : 05th September 2003



Report on Corporate Governance

(Annexure to Directors Report)

1. Corporate Governance

A. Corporate Governance requirements as contained in Clause 49 of the Listing Agreement with the stock Exchange as per directives of the Securities & Exchange Board of India were to be implemented by the Company by 31st March 2003. The information covered under the Corporate Governance are comprehensive and valuable tool for the investors.

B. Company Philosophy on Corporate Governance: The company has, in the past, provided the shareholders all the material information of their interest. The Company has always endeavoured to seek greater and active participation by the shareholders at the General meetings. The management had always considered the general meetings as an opportunity to interact with the shareholders.

2. Board of Directors:

The Composition of the Board of Directors is as under: -

| Name of Director | Category | Date of Appointment |
|------------------------|----------|---------------------|
| Mr. D.R. Kedia (DRK) | Director | 17.02.2000 |
| Mr. P. Choudhary (PC) | Director | 07.10.2002 |
| Mr. R. G. Parakh (RGP) | Director | 25.08.2000 |

Other Directorship

| | |
|------------------|-----|
| Mr. D.R. Kedia | Nil |
| Mr. P. Choudhary | Nil |
| Mr. R. G. Parakh | Nil |

Attendance of each director at the Board meetings and the last AGM upto 08.04.2002

| Nature of Meeting | Date of Meeting | Attendance Record | | |
|------------------------|-----------------|-------------------|-----|------|
| | | DRK | PC | RCIP |
| Board | 17.05.2002 | Yes | No | Yes |
| | 21.07.2002 | Yes | No | Yes |
| | 20.09.2002 | Yes | No | Yes |
| | 10.10.2002 | Yes | Yes | Yes |
| | 05.01.2003 | Yes | Yes | Yes |
| | 20.03.2003 | Yes | Yes | Yes |
| | 08.04.2003 | Yes | Yes | Yes |
| Annual General | 27.09.2002 | Yes | Yes | Yes |
| Extra-Ordinary General | -----NIL----- | | | |

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3 Audit Committee:

Brief description of terms of reference: To review the financial reporting process and financial statements, the accounting policies and practices and to examine accountancy taxation and disclosure aspect of significant transactions.

- Composition, name of members and Chairman

1. Mr. D.R. Kedia, Chairman
2. Mr. R.G. Parakh

- Meetings and attendance during the year

| Date of Meeting | Attendance Record | |
|-----------------|-------------------|-----|
| | DRK | RGP |
| 31.08.2002 | Yes | Yes |