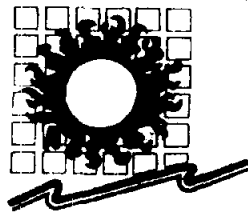


ARUN PROCESSORS LIMITED



**SINGAMPETTAI POST,
BHAVANI TALUK, ERODE DISTRICT.**

TAMIL NADU, INDIA - 638 311.

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**TENTH ANNUAL REPORT
2000 - 2001**

BOARD OF DIRECTORS

Sri. K. N. ARTHANAREESWARAN
Sri. B. R. SHAH
Sri. SIVA. C. PARAMASIVAM
Sri. ABDUL WAHAB PEEVEE
Sri. KRISHNA KOMAN NAYAR
Smt. M. UMADEVI
Sri. A. MOHAN
Managing Director.

AUDITORS

M/s. N. C. RAJAGOPAL & CO.,
CHARTERED ACCOUNTANTS,
171, AGRAHARAM STREET,
ERODE - 638 001.

BANKERS

STATE BANK OF INDIA
OVERSEAS BRANCH
39, RAJAJI SALAI,
MADRAS - 600 001.

STATE BANK OF MYSORE,
75-76, OPPANAKARA STREET,
COIMBATORE - 641 001.

STATE BANK OF TRAVANCORE
MOUNT ROAD BRANCH,
162, MOUNT ROAD,
MADRAS - 600 002.

REGISTERED OFFICE

SINGAMPETTAI POST
BHAVANI TALUK
ERODE DISTRICT.

NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the Shareholders of the Company will be held on 30th June 2001 at 10.30 A.M. at the registered Office of the Company at Singampettai, Bhavani Taluk, Erode District to transact the following business:

1. To receive, consider, approve and adopt the Audited Balance Sheet with schedules as at 31-03-2001, the Profit and Loss Account with schedules, for the period ending on that date the Directors' Report and the Auditors' Report thereon.

2. To elect a Director in place of Mr. Siva C. Paramasivan retiring by rotation and being eligible offers himself for re-election.

3. To elect a Director in place of Mr. B.R. Shah retiring by rotation and being eligible offers herself for re-election.

4. To appoint Auditors and fix their remuneration from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution.

RESOLVED that Sri Krishna Koman Nayar be and is hereby appointed as Director of the Company whose office shall be determinable as liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification the following resolution as special resolution.

RESOLVED that pursuant to the provisions of section 81 (1A) and all other applicable provisions if any of the Companies Act 1956 and further subject to such approvals, permissions SEBI, BIFR, Stock Exchanges, etc., if any, the consent share holders be and hereby accorded to the Board of Directors for their issuing further equity shares of the company whether such shares are issued to the existing members or not to an extent of Rs.7,00,00,000/- divided into 50 lakhs equity shares of Rs.10/- each at per.

-By order of the Board
for Arun Processors Limited

Place: Singampettai

A. Mohan

Date: 31-05-2001

Managing Director.

Note :

1. A member entitled to attend and vote at the meeting is also entitled to appoint instead of himself to attend and vote one or more proxy(ies) and such proxy(ies) need not be a member. A PROXY FORM IS ENCLOSED.

2. A Proxy to be valid should be duly filled in and affixed with requisite stamp and lodged with the Company's Registered Office atleast 48 hours before the commencement of the meeting.

3. The register of members and the share transfer registers of the Company will remain closed from 28th June 2001 to 30th June 2001.

4. Members are requested to notify change of Address, if any, promptly in order to serve them better.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 WHICH FORMS PART OF THE NOTICE CONVENING THE ANNUAL GENERAL MEETING ON 30-06-2001.

Item No.5 : The Indus Venture Management Ltd. had withdrawn the nomination of Mrs. Gita Kao and in her place nominated Mr. Krishna Koman Nayar as Director. Special Notice pursuant to section 257 of the companies Act 1956 has been received from a member proposing the appointment of Mr. Krishna Koman Nayar. Hence this resolution.

None of the Director is interested in the resolution

Item No.6. : The Company has made reference to BIFR as it has become a Sick Industrial Company under the provision Sick Industrial Companies (Special Provisions) Act 1985. Hearing by BIFR may commence soon. The BIFR may ask promoters to bring additional capital while sanctioning revival schemes, in order to enable your Board to mobilise resources they need the permission of the shareholders to allot shares to those people whether they are existing share holders or not under section 81 (1A) of the Companies Act, is to be taken by way of special resolution hence this resolution is proposed as Special Resolution.

None of the Directors is interested in the resolution except those who may apply for and get allotted shares in the company when the issue is made.

By order of the Board
for Arun Processors Limited

Place: Singampettai

A. Mohan

Date: 31-05-2001.

Managing Director.

DIRECTORS REPORT

Your Directors hereby Present the 10th Annual Report together with the Audited Accounts for the period ended 31st March 2001.

Financial Performance	2000-2001 (for 15 Months)	1998-99 (for 15 months)
	Rs. Lakhs	
Sales	990.80	299.20
Profit before Interest and Depreciation }	96.38	(118.89)
Finance Charges	2.26	(936.94)
Depreciation	383.19	(156.37)
Preliminary Exps written off	-	(14.01)
Loss (Net)	(286.81)	(1226.21)

About the Industry :

The Indian Textile Industry continues to suffer due to the recession without breathing any fresh air. The situation has become worse due to the stability of the Government being threatened due to one reason or other. The recessionary trend has become a world phenomena.

Your Company has been registered with the BIFR on 19-09-2000 and awaiting further hearings. BIFR has made certain queries based on the queries submitted by the Financial Institutions and Banks. The Company has submitted its reply to BIFR.

Review of Operations :

Due to shortage of working capital funds company could not under take any export order during the period. In the absence of bankers non co-operation your management has taken several steps to under take the job work from various garment exporters to keep the industry

alive and to service. Your management is also trying debond the unit from its EOU Status to exploit the local market potential to a greater extent.

Your management hopes, that barring unforeseen circumstances, the Company will overcome its present difficulties and better days are ahead for it and its shareholders.

The financial year has been extended by three months to end on 31st March, 2001.

Directors :

Mr. Siva C. Paramasivam and Mr. B.R. Shah retire at the ensuing Annual General Meeting and being eligible, are seeking re-appointment as Directors. The nomination of Mrs. Gita Kao by Indus Venture Management Ltd., was withdrawn and in her place Mr. Krishna Kohman Nayar has been nominated. Your board wishes to record its sincere appreciation of the valuable services rendered by Mrs. Gita Kao

No Director of the company is disqualified under section 274(1) (g) of the Companies Act, 1956, from being appointed as director of this company.

Auditors :

M/s. N. C. Rajagopal & Co., Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Auditors' Remarks :

Since the company made a reference to the BIFR under sick Industrial Companies Act and also on account of classification of loans as Non Performing Assets by financial institutions, your directors are of the opinion that no interest be provided in respect of secured and unsecured loans.

Deposits :

The Company has not accepted any deposits within the meaning of section 58A of the Companies Act, 1956 read with Reserve Bank of India's Directions for acceptance of Deposits by Non-Banking Non-Financial Companies.

Statutory Information :

None of the employees of the company are drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956, during the year under report.

Directors Responsibility Statement :

Your Directors in terms of Section 217(2AA) of the Companies Act, 1956 confirm that:

(i) All applicable accounting standards have been followed in the preparation of the annual accounts.

(ii) Your directors have 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 of 31st March 2001 and of the loss of the company for the 15 months period ended on that date.

(iii) Proper and sufficient care has been taken 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.

(iv) The annual accounts have been prepared on going concern basis as stated in note 21 of notes on accounts.

Conversion of Energy Research & Development

The information required under Section 217(2)(e) is annexed to this report and forms part of this report.

Information Required as per listing Agreement with Stock Exchanges :

The Company has become Y2K compliant. Cash Flow Statement is enclosed.

Acknowledgement :

The Directors wish to thank all the employees for their support and co-operation.

By order of the Board
for Arun Processors Limited

Place : Singampettai.
Date : 31-05-2001.

(sd) Krishna Koman Nayar
Chairman of the Meeting

ANNEXURE**FORM - A**

(SEE RULE - 2)

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY**

	CURRENT YEAR	PREVIOUS YEAR
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchased Units	48032	849064
Total Amount (Rs)	235938	3565134
Rate/Unit (Rs)	4.91	4.20
(b) Own Generation		
(I) Through diesel generator Units	1490446	463195
Units per ltr or diesel Oil	2.92	2.81
Rate/Unit (Rs)	5.57	6.04
(II) Through steam turbine generator	N/A	N/A
2. Coal	N/A	N/A
3. Furnace oil (Ltr)	1103410	321492
4. Diesel (Ltr)	509782	164838
5. Diesel (Rs)	8301341	2796308
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (Units)	1.78	3.70
Furnace Oil (Ltr)	11.73	10.38

FORM - B

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**RESEARCH & DEVELOPMENT (R & D)**

1. Specific areas in which R & D carried out by the Company.
 - Colour Matching using Computer
2. Benefits derived as a result of the above R & D
 - Development of new products and offering greater range to customer
 - Production of Right first time shades.
3. Future plan of action
 - To develop new products / processes.
 - To identify energy saving methods

4. Expenditure on R & D

a. Capital	-Nil-
b. Recurring	-Nil-
c. Total	-Nil-
d. Total R & D Expenditure as a percentage of total turnover	0.5 %

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

Consultants on knitting, processing and finishing from the machinery manufacturers, dye manufacturers and leading professionals were utilised to absorb and adapt technology in addition to our technical collaborators. Towards innovation we have standardised process routes to meet the customer requirements. Besides securing of high quality raw materials with less variations and committed delivery schedule is being done on a continuous basis.

2. Benefits derived as a result of above efforts.

We are able to despatch quality processed fabric to leading garment manufacturers in United Kingdom and Switzerland. We are also being guided to elevate us to further high quality markets.

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

a) Technology Imported

- Process technology input output norms, wastage parameters, utility norms and recipe for singeing, mercerising, bleaching dyeing and finishing.

b) Year of import - 1993.

c) Has technology been fully absorbed is in Progress - yes

d) If not fully, Areas where this has not taken place, reasons therefore and future plans of action. - N/A