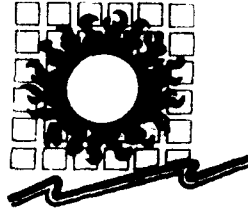


ARUN PROCESSORS LIMITED



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

TAMIL NADU, INDIA - 638 311.

*CERTIFIED TRUE COPY
For Arun Processors Ltd.*

[Signature]
Managing Director,

**13TH ANNUAL REPORT
2003 - 2004**

BOARD OF DIRECTORS

Sri. K. N. ARTHANAREESWARAN

Sri. SIVA. C. PARAMASIVAM

Smt. M. UMAADEVEE

Sri. A. MOHAN

Managing Director.

AUDITORS

M/s. N. C. RAJAGOPAL & CO.,

Chartered Accountants,

171, AGRAHARAM STREET,

ERODE-638 001.

BANKERS

ICICI-BANK

CHEREN PLAZA I FLOOR,

1619, TRICHY ROAD,

COIMBATORE-641018.

STATE BANK OF INDIA.

OVERSEAS BRANCH,

39, RAJAJI SALAI,

CHENNAI-600 001.

STATE BANK OF MYSORE,

75-76, OPPANAKARA STREET,

COIMBATORE-641 001.

STATE BANK OF TRAVANCORE

MOUNT ROAD BRANCH,

162, MOUNT ROAD,

CHENNAI-600 002.

REGISTERED OFFICE

SINGAMPETTAI POST

BHAVANI TALUK

ERODE DISTRICT-638 311.

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 30th September 2004 at 4.00 pm. 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 31-03-2004, 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. K.N. Arthanareeswaran, retiring by rotation and being eligible offers himself for re-election.

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

SPECIAL BUSINESS :

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

(a) Reappointment of Managing Director with effect from 1st July 2004 and Enhancement, if any of his remuneration.

RESOLVED that, subject to the provisions of Sections 198, 269, 309 read with Schedule XIII, and other applicable provisions, if any of Companies Act, 1956 and further subject to the approval of the Central Government, consent of the Company be and is here by accorded for the re-appointment of Sri. A. Mohan as the Managing Director of the Company to hold office as such for a period of 5 years from the 1st day of July 2004 on the following terms and conditions.

1. Salary : Rs. 60,000/- per month

2. Commission : 1% of the net profit of the company computed in accordance with the companies Act, 1956.

3. Perquisites :

a) The Managing Director shall be eligible for the following perquisites which are not to be included in the computation of ceiling on remuneration specified in paragraph 1 of Section I of Schedule XIII of the Companies Act, 1956.

i) Contribution to Provident Fund, Superannuation fund or Annuity fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961.

ii) Gratuity payable at the rate not exceeding half months's salary for each completed year of service ; and

iii) Encashment of leave at the end of tenure.

b) Housing: Expenditure by the Company on hiring furnished accommodation will be subject to the ceiling of 60% of the salary.

EXPLANATION :

(i) The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962.

(ii) Medical reimbursement Expenses incurred for the appointee and his spouse, dependent children and dependent parents subject to ceiling of one month's salary in a year or three months salary over a period of three years.

(iii) Leave : For every eleven months' services, one month leave with liberty to accumulate such leave and encashment of such leave at the end of the tenure.

(iv) Leave Travel concession : For the appointee and his spouse dependent children and dependent parents once in a year incurred in accordance with the Rules of the Company.

(v) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

(vi) Personal Accident Insurance: Premium not exceeding Rs. 10,000/- per annum.

Other Terms and Conditions:

i) Remuneration, commission and perquisites shall be subject to the overall ceiling under Section 198 and 309 of the Companies Act, 1956.

ii) in the event of absence or inadequacy of profits in any financial year during the tenure of the Managing Director, the salary and perquisites, specified above would be admissible as maximum remuneration subject to the ceiling of Section II of part II of Schedule XIII to the companies Act, 1956.

(iii) The Managing Director shall be entitled to reimbursement of actual expenses incurred by him in connection with Company's business as may be approved by the Board from time to time.

-By order of the Board
for Arun Processors Limited

Place : Singampettai.

A. MOHAN

Date : 30-07-2004

Managing Director.

Note

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXY (IES) 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. Proxy to be valid should be duly filled in and affixed with requisite stamp and lodged at the Company's Registered Office at least 48 hours before the commencement of the meeting.

3. The Register of members and the share transfer register of the Company will remain closed from 28th September 2004 to 30th September 2004 (both days inclusive).

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

-By order of the Board
for Arun Processors Limited

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 WHICH FORMS PART OF THE NOTICE

Sri. A. Mohan was appointed as Managing Director for a period of 5 years and his term expires on 30th June, 2004. Considering his effective services rendered to the Company, your Board decided to re-appoint him for a further period of 5 years from 1st July 2004 and to enhance his salary commensurate with the arduous responsibility he has undertaken to bring up the company. Hence he has been re-appointed for a further term of 5 years effective from 1st July, 2004 on an enhanced salary of Rs. 60,000/- P.M. The matter is placed before you for approval. The approval of the Central Government will also be obtained for this.

None of the Directors, other than Sri. A. Mohan and Smt. A. Uma Devei are interested in the resolution.

Place : Singampettai.

A. MOHAN

Date : 30-07-2004

Managing Director.

DIRECTORS REPORT

Your Directors hereby Present the 13th Annual Report together with the Audited Accounts for the period ended 31st March 2004.

Financial Performance	2003-2004	2002-2003
	Rs. Lacs	
Sales	876.33	736.20
Other Income	* 1373.71	5.71
Total Expenditure before Interest	719.58	693.87
Profit before Interest and Depreciation	1530.46	40.36
Finance Charges		
Depreciation		
Net Profit / (Net Loss)	1201.28	(269.13)

* (Includes interest waiver of Rs. 1372.84 lakhs under OTS)

ABOUT THE INDUSTRY :

The present budget has given option to adopt cenvat or non incidence of excise duty on cotton fabrics. The Company is working out the advantages as to which option will be beneficial to the company and its customers. The GATT agreement is coming to vogue and the quota system will be over by December, 2004. Since the Company has come out of 100% EOU status by debonding, it is expected that the products of the Company will have demand in the market since the Company has been consistent in its quality.

Your Company's main capacity utilization continues to be through undertaking job work and stood at more than 100%. The profits were restricted due to concentration mainly on job work. Your Company availed OTS scheme putforth by ICICI Bank and paid Rs. 137 Lakhs to the said Bank and Rs. 4 lakhs has been paid to SBT, SBM and SBI during the year under review. This has created a working capital crunch. Your Board feels confident that with the increase in demand the fabrics can be marketed suitably.

REVIEW OF OPERATIONS :

The shortage of working capital Crunch to the company continued in the current year also. However the company could methodically improve its facilities and improve production.

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

FUTURE PROSPECTS :

The Company has entered into one time settlement which is Similar to the one obtained from ICICI Bank. the same concessions are extended by the term lending banks. The Company is making alternative arrangements to meet out the one time settlement and also working capital arrangements. Your Board feels that the light is visible at the end of the tunnel.

THE FOLLOWING IS DONE FOR ENHANCEMENT OF PRODUCTION.

The Company plans to enter into garment manufacturing for which infrastructure facilities are made available. Once the fund position improves, new machinery can be installed and garment manufacturing can be commenced.

DIRECTORS :

Mr. B.R. Shah and Mr. Krishna Koman Nayer, have relinquished their office of directorship during the year. Your Board records its sincere appreciation for the valuable services rendered by Mr. B. R. Shah and Mr. Krishna Koman Nayar during their tenure of office as directors. Mr. K.N. Arthanareeswaran retires at the ensuing Annual General Meeting and being eligible, is seeking re-appointment as Director.

Sri. A. Mohan has been re-appointed as Managing Director for a period of 5 years effective from 01-07-2004 on an enhanced remuneration on expiry of his term of office. Necessary proposal seeking members approval has been placed

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

Regarding the remarks of the Auditors in their report, your Board wishes to clarify as follows:

The BIFR is bound to issue an order commensurate with the one time Settlement offer made by the Lending institution and the Bankers. Hence your Board feels it proper to make necessary adjustments in the Accounts. Because of this, the Board also feels that there is no necessity to provide for interest on these loans.

Regarding Provident fund dues, the Board is seized of the matter and necessary arrangements are being made to clear the dues.

The transfer of amount from Sundry creditors to unsecured Creditors was necessitated because the amount was due to an over run in the project cost and normally it would have been covered under "Secured Loan" had it been within the project cost.

The company is negotiating with the Private Sector Bank for one time settlement and depending on the outcome, making a provision for interest or not will be considered.

The company has written to its Creditors and Bankers and Debtors for confirmation of balance.

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.

Appointment of whole time company secretary

The Company being setup in a backward area and also not in a sound financial position, it could not appoint a secretary inspite of its best efforts.

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 at 31st March 2004 and of the profit of the company for the 12 months period ended 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 safe guarding 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.

Conservation 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 :

Cash Flow Statement is enclosed.

Corporate Governance :

A separate section on corporate Governance is included in the AGM. Report and the certificate from the company's Auditors, confirming the compliance of conditions of corporate Governance stipulated under clause 47 of the listing agreement of the stock exchange is annexed thereto.

Acknowledgement :

Your Directors wish to express their full appreciation for the assistance and co-operation extended to us by ICICI Bank, State Bank of India, State Bank of Mysore and State Bank of Travancore.

The Directors also wish to thank all the employees for their support and co-operation. Your Directors also thank all Share holders for their unstinted support extended and confidence reposed in the management of the company.

By order of the Board
for Arun Processors Limited

Place: Singampettai.

Date : 30-07-2004.

Chairman of the Meeting.

FORM - A (SEE RULE - 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH
 RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

Standard	Current year	Previous year
1. Electricity		
(a) Purchased Units	1498952	1173912
Total Amount (Rs)	7226784	5626843
Rate/Unit (Rs)	4.82	4.79
(b) Own Generation		
(i) Through diesel generator Units		
Units per ltr or diesel Oil	2.63	2.58
Rate/Unit (Rs)	10.94	7.89
(ii) Through steam turbine generator		
	N.A	N.A
2. Coal	N.A	N.A
3. Furnace oil (Ltr)	1102132	890271
4. Diesel (Ltr)	29760	59310
5. Diesel (Rs.)	789333	1206743

B. CONSUMPTION PER UNIT OF PRODUCTION

Electricity (Units)	1.20	1.39
Furnace Oil (Ltr)	0.84	1.04
Cost / Kg of Fabric	17.45	14.21

FORM - B (See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS
 WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT (R & D)

- Specific areas in which R & D carried out by the Company.
 - Colour Matching using Computer
- Benefits derived as a result of the above R & D
 - Development of new products and offering greater range to customer.
 - Production of shade right first time.

- Future plan of action
 - To develop new products / processes.
 - To identify energy saving methods
- Expenditure on R & D

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 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 sourcing of high quality raw materials with less variations and committed delivery schedule is being done on a continuous basis

- Benefits derived as a result of above efforts. We are able to despatch quality processed fabric to leading garment manufacturers for United Kingdom and Switzerland. We are also being guided to elevate us to further high quality markets.

- 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 mercerising, bleaching, dyeing and finishing.

b) Year of Import - 1993.

c) Has technology been fully absorbed.

CORPORATE GOVERNANCE REPORT

(As required under Clause 49 of the Listing Agreements entered with the Stock Exchanges.)

1. The statutory requirement of Corporate Governance envisages transparency, full disclosure and independent monitoring of the state of affairs and being fair to the Share Holders. Our Philosophy is.

a. To utilise all production resources optimally so that the profit is well established and the company is producing quality products of international standard.

b. To have a well knit family of employees, the company being its head, to take care of their well being.

c. By setting up the factory in a remote village to give employment opportunity and livelihood to the villages in and around the factory.

d. To take care of the environment so that the people in the factory and in the vicinity lead healthy life.

e. To support small and ancillary industries in and around the area of the factory to generate indirect employment

f. To support suppliers to the factory to produce and supply quality products.

g. To execute orders of the purchasers in time, maintaining highest quality standards.

2. POSITION OF BOARD OF DIRECTORS

Name of the Directors	Position	Other Directorships
K.N. Arthanareeswaran	Chairman	- Independent
A. Mohan	Managing Director	- Promoter
M. Umaadevee	Non-Executive	- Promoter
Siva. C. Paramasivam	Non-Executive	- Promoter
Krishna Koman Nayar	Non-Executive	Nominee Indus Venture
B.R. Shah	Non-Executive	Nominee Indus Venture

3. BOARD MEETINGS AND ATTENDANCE

Five Board meetings were held on 30.05.2003, 12.07.2003, 30.10.2003, 30.01.2004, and 25.03.2004 during the period April 1, 2003 to March 31, 2004.

Details of attendance of each Director at the meeting of the board and General Meeting during the financial year ended March 31, 2004.

Directors	Board Meeting	Last AGM 12-07-2003 attended (Yes / No)
A. Mohan	5	Yes
M. Umaadevee	5	Yes
Siva C. Paramasivam	3	Yes
K.N. Arthanareeswaran	1	Yes
Krishna Koman Nayar	2	Yes
B.R. Shah	-	No

† Mr. B.R. Shah and Krishna Koman Nayar resigned with effect from 25-03-2004.

4. Details of attendance of each Director at the meeting of various committees of the Board held during the financial year ended March 31, 2004.

Directors	Audit Sub Committee	Share Investor Grievances Redressal Committee.
K.N. Arthanareeswaran	1	A. Mohan 5 Yes
B.R. Shah	-	M. Umaadevee 5 Yes
Krishnakoman Nayar	1	

During the year under review, only one Audit Committee meeting was held due to resignation of two independent Directors