

Arvind Products Limited



Annual Report 2003-04

Mr. Arvind N. Lalbhai Chairman & Managing Director

Mr. Anang A. Lalbhai Managing Director

Mr. Samveg A. Lalbhai

Mr. Naishadh I. Parikh

Mr. Darshan R. Mehta

Dr. V. L. Mote

Mr. Shreyas C. Sheth

Mr. Prakash B. Makwana

Bank of Baroda
State Bank of India

Sorab S. Engineer & Co.
Chartered Accountants
381, Dr. D. Naoroji Road,
Fort, Mumbai-400 023.

Pinnacle Shares Registry Pvt. Ltd.
(Security Registry Division)
Near Asoka Mills,
Naroda Road,
Ahmedabad-380 025.

Arvind Mills Premises,
Naroda Road,
Ahmedabad-380 025.

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NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Saturday, the 7th August, 2004 at 10.00 a.m. at Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad-380 006 to transact the following Business :

ORDINARY BUSINESS

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended on 31st March, 2004 and Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
- (2) To appoint a Director in place of Mr. Darshan R. Mehta who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Dr. V. L. Mote, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

- (5) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED that Mr. Shreyas C. Sheth, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company and who holds the office upto the date of this Annual General Meeting and in respect whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation.

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

By Order of the Board

Registered Office :
Arvind Mills Premises,
Naroda Road,
Ahmedabad-380 025
27th April, 2004

Arvind N. Lalbhai
Chairman & Managing Director

NOTES :

- (1) Members are requested to notify promptly any change in their addresses to our Registrars viz. Pinnacle Shares Registry Pvt. Limited, Nr. Asoka Mills, Naroda Road, Ahmedabad-380 025. Any other correspondence relating to Shares may also please be addressed to the said Registrars.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from 5th July, 2004 to 7th July, 2004 (Both days inclusive).
- (3) Members are requested to bring their copies of the Annual Report to the Meeting.

- (4) The members/proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
- (5) Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
- (6) Members are requested to note that as per Section 205C of the Companies Act, 1956, dividends not encashed or claimed within 7 years from the date of transfer to the Company's unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund of the Central Government. On 22nd October, 2004, unclaimed dividends for the financial year 1996-97 will be due to be transferred to this fund.
Those members who have so far not encashed their dividend warrant(s) for the financial year 1996-97 are requested to approach the Company for payment thereof. Kindly note that once unclaimed/unpaid dividend is transferred to the Investor Education and Protection Fund, members will not be entitled to claim such dividend.
- (7) Requisition of information on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the information may be readily available at the meeting.
- (8) Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed to this Notice and forms part of the same.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 5

The Board of Directors at their meeting held on 27th April, 2004 appointed Mr. Shreyas C. Sheth as additional Director of the Company. The said appointment was in pursuance of the provisions of Section 260 of the Companies Act, 1956 and Article 134 of the Articles of the Association of the Company and accordingly the said Director holds office only upto the date of this Annual General Meeting. The Company has received notice in writing alongwith the necessary amounts as a deposit from a member proposing candidature of Director in accordance with the requirements of Section 257 of the Companies Act, 1956.

The Board commends the resolution at item No. 5 for approval of members. Mr. Shreyas C. Sheth may be deemed to be concerned or interested in the said resolution relating to his appointment. No other Directors are in any manner concerned or interested in the said resolution.

By Order of the Board

Registered Office :
Arvind Mills Premises,
Naroda Road,
Ahmedabad-380 025
27th April, 2004

Arvind N. Lalbhai
Chairman & Managing Director

**To the Members,**

Your Directors are pleased to present the Annual Report alongwith the Audited Financial Statements for the period from April 1, 2003 to March 31, 2004.

FINANCIAL RESULTS :

The highlights of the financial results are :

| | (Rs. in Lac) | |
|---|--------------|-----------|
| | 2003-2004 | 2002-2003 |
| Turnover and other income | 35382.33 | 38660.76 |
| Profit/(Loss) before depreciation, interest, taxation and Extraordinary items | 5897.80 | 6436.76 |
| Less : Interest & Finance Cost (Net) | 2843.32 | 3141.99 |
| Less : Depreciation | 3261.26 | 3249.96 |
| Profit/(Loss) before tax | (206.78) | 44.81 |
| Profit/(Loss) for the year | (206.78) | 44.81 |
| Transferred from Investment Allowance (Utilised) Reserve | — | 91.00 |
| Balance as per last year Balance Sheet | (3477.22) | (3613.03) |
| Balance carried to Balance Sheet | (3684.00) | (3477.22) |

DIVIDENDS :

Considering the losses incurred during the year, the Directors have not recommended any dividend on Preference Shares or Equity Shares for the year.

OPERATIONS :

Sales and Operating Income for the year ended 31st March, 2004 were Rs. 35167.11 Lac (Previous year Rs.38158.79 Lac). Operating Profit (EBIDTA) for year ended 31st March, 2004 is Rs. 5897.80 Lac (Previous year Rs. 6436.76 Lac).

The Company's net loss is Rs. 206.78 Lac for the year ended 31st March, 2004 (Previous year Net Profit Rs.44.81 Lac). Interest & Finance Charges were Rs. 2843.32 Lac (Previous year Rs.3141.99 Lac) and Depreciation was Rs. 3261.26 Lac (Previous year Rs.3249.96 Lac) for the period ended 31st March, 2004. The Company has made a Cash Profit of Rs. 3054.48 Lac during this year (Previous year Rs.3294.77 Lac).

The Bottomweights Product is the highest revenue earner for the Company which contributes 45% to the total revenue aggregating to Rs. 16128.55 Lac. Demand for Bottomweights has shown slight improvement during the year under review. Company has continued its efforts to increase the exports with differentiated product-mix. The Company is adding to its list of customers internationally established brands and improving the customer-mix.

Intex and Cotspin Plants manufacture yarn, which is largely supplied to The Arvind Mills. The revenue for the year of Intex is Rs. 3869.93 Lac, contributing 11% to the total revenue of our Company and that of Cotspin is Rs. 4500.15 Lac at 13% of Company's revenue.

Voiles have a share of 29% at Rs.10271.09 Lac in the total revenue of the Company. This Products performance has been consistently good and continuing improvements are expected.

As a strategy for future growth, Company is focussing on vertical integration i.e. Garmenting. This Division in its initial year has earned revenue of Rs. 606.01 Lac forming 2% to total revenue of the Company.

DIRECTORS :

Ms. Smita S. Gune has resigned as a Nominee Director of ICICI Bank Limited from the Board of the Company w.e.f. 11th March, 2004.

Mr. Darshan R. Mehta and Dr. V. L. Mote, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

Mr. Shreyas C. Sheth who has been appointed by the Board as an Additional Director at the meeting of the Board of Directors held on 27th April, 2004, holds the office upto the date of this ensuing Annual General Meeting. The Company has received notice in writing Under Section 257 from a member proposing his candidature as Director.

RESPONSIBILITY STATEMENT :

The Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and loss of the Company for the year.
3. Proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The attached statements of accounts for the period ended on March 31, 2004 have been prepared on a going concern basis.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES :

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and under Section 217(2A) of the Companies Act, 1956 read with Companies [Particulars of Employees] Rules, 1975, as amended from time to time, form part of this report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo, and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

AUDITORS :

The Auditors, Sorab S. Engineer & Co., retire and offer themselves for re-appointment. It is proposed that Sorab S. Engineer & Co., be re-appointed as Auditors of the Company. You are requested to appoint the Auditors and fix their remuneration.

ACKNOWLEDGEMENT :

Your Directors are sincerely thankful to the Company's lenders, Indian financial institutions, commercial banks, overseas banks and financial institutions for their continued support. Your Directors also place on record their appreciation for the services rendered by the employees of the Company.

By Order of the Board

ARVIND N. LALBHAI

Chairman & Managing Director

Place : Ahmedabad

Date : 27.04.2004

DISCLAIMER

Readers are cautioned that this discussion and analysis contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate," "believe," "estimate," "intend," "will," and "expected" and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements and risks and opportunities could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their date. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

OVERVIEW

The Company is a subsidiary Company of The Arvind Mills Limited, which is the largest cotton textiles manufacturer and exporter in India and a leading player in the branded garments in the domestic markets through its subsidiaries. The Company's principal businesses consist of manufacturing and marketing of voiles fabric, bottomweights fabric and yarn. The yarn manufactured is mainly consumed by the parent Company, The Arvind Mills Limited.

During the current financial year ended 31st March, 2004 the Company has reported Net Loss of Rs. 207 lacs as compared to Net Profit of Rs. 45 lacs in the previous financial year ended 31st March, 2003.

FINANCIAL PERFORMANCE AND REVIEW

The summarised profit and loss account is given in following table :

| | Rs. Lacs |
|----------------------------------|--------------|
| Sales & Operating Income | 35167 |
| Other Income | 215 |
| TOTAL INCOME | 35382 |
| Raw Material | 15767 |
| Finished Goods | 1331 |
| Employees Emoluments | 2823 |
| Power & Fuel | 5204 |
| Stores Consumed | 2528 |
| Others | 2799 |
| Decrease/(Increase) in stock | (968) |
| TOTAL EXPENSES | 29484 |
| PBIDT | 5898 |
| Interest & Finance Charges (Net) | 2844 |
| PBDT | 3054 |
| Depreciation | 3261 |
| Net Profit/(Loss) | (207) |

Sales and Operating Income for the period ended 31st March, 2004 were Rs. 35167 lacs as compared to Rs. 38159 lacs for previous year ended 31st March, 2003.

Voiles business contributed to 29% of the total revenue. The Company was successful in consolidating its product groups with more value added products and deeper penetration into existing markets. Additionally the voiles business enjoyed lesser competition from organised markets. The Company enjoys the leadership position in voiles business.

Bottomweights product group was passing through a rough patch because of sluggish demand. The Company has put significant efforts on operational efficiency, which resulted into improved performance in later part of the year and is expected to increase during the year. The division contributed to 46% of total revenue. The revenue has grown by 6% with the increase in sales volume by 11% over the last year. During the year the management structure was reorganised so as to create synergies with Denim business of The Arvind Mills Ltd.

Yarn supplies to The Arvind Mills Ltd., contributed 24% of total revenue and suffered in terms of volume due to lower denim productions in The Arvind Mills Ltd.

Interest and finance cost decreased by 9.51% from Rs. 3142 lacs in the previous year ended 31st March, 2003 to Rs. 2843 lacs for the year ended 31st March, 2004. The reduction in interest and finance cost is mainly on account of debt restructuring carried out last year and internal efforts to manage working capital optimally.

The depreciation is Rs. 3261 lacs for the year 2003-04 compared to Rs. 3250 lacs for the year ended on 31st March, 2003.

The Company intends to continue its efforts to improve its contribution in voiles and bottomweights by introducing more value added products in the portfolio. The management reorganization, so as to create synergies with Denim Business of Arvind Mills Ltd. will give further impetus to bottomweights with improved utilisation of its processing capacity. The Company is eyeing its future growth from garmenting operations of bottomweights.

Abolition of quota will be a turning point for the textile industry in India, as being one of the most cost efficient producers of garments in the world. The Company has established itself as a quality supplier of fabrics to the leading brands of the world. It is planning to move up the value chain and supply garments to international customers. To this effect, it has already vertically integrated itself partially. Going forward, it plans to increase its vertical integration over next few years.

INDUSTRY**Product Group - Voiles**

Voiles are specialised fabrics made from mostly High Twist 2 ply yarns, which is used in India for ladies blouse (popularly known as 2x2 rubia) sarees and dress materials. Fine Cotton voiles are also used in the Middle East countries for Guthras (head gears for Men) and Thobes (similar to Indian Saree for women).



The Company focuses itself on various kinds of voiles in Cottons, Polyester Cotton Blended as well as 100% polyester. Out of these product groups, the Company has a unique presence in the 2x2 rubia market which is estimated to be a 30 million meters per annum. The Company enjoys a good 30% market share in the 2x2 rubia product group and is acknowledged as the market leader, both in terms of quality and quantity. The organised sector i.e. the composite mill segment enjoys about 55 to 60% of the market share and the balance 40% is catered to by the unorganised sector.

The Company derives its strength from the product quality, customer service, and strong distribution network spread across the length and breadth of the country. The Company is particularly focusing on strengthening its existing dealer network to increase its market share. It is also looking at increasing its presence in Sri Lanka, Nepal, and Middle East as an extra avenue for business.

Since the blouse material industry overall, including all kinds of products, is fairly large, the Company is also focusing its attention on occupying the lower market segments by introducing second line products, so that it equips itself to fight the ever-increasing competition from the unorganised sector. The Company is also working on product innovation, value addition, to create niche among the existing products. These innovations are in the form of anti-microbial treatments, stretch fabrics, fancy woven borders etc. It is expected that the Company will get a good response since this is a pioneering effort, bringing in such innovations in the given market segment.

The Company has also gone in for capacity expansion in processing by adding a new stenter and fabric-singeing machines. The Company plans to put these new products in the market by the middle of F.Y. 2004-05. Apart from the voiles, the Company deals in various kinds of long cloths, plain shirtings, seasonal products, school uniforms etc.

The Company has always believed in the best of Product Quality and market driven approach which has always helped to achieve consistent growth over the years and expects the same pattern to continue in the coming years.

Product Group - Bottomweights

Bottomweights is a fabric which is having characteristics similar to denim with difference in yarn characteristics and flexible dyeing. The invention of wrinkle-free treatment with other value added finishes gives it semi-formal look, as multicolors are possible.

World market for Bottomweights is estimated at about 3 billion meters with an estimated growth rate of 4-5%. USA and EU are major consumers with almost 60% of the consumption. Major competition comes from players based at Turkey, Latin America, USA and Far East.

Indian market for Bottomweights consists of organised and unorganised players. Total Indian capacities are estimated at around 75 million meters with market size of approx. 30-35 million meters. Players from organised sector and unorganised sector competes equally.

A N N U A L R E P O R T 2 0 0 3 - 2 0 0 4

The Company is having all required capabilities for manufacturing wide range of fabrics. The Company, has focused on product developments, which has helped it in enhancing its product/customer mix and achieve better realisations. The Company has a dedicated R&D team comprising of textile professionals including international consultants working on ongoing product development. Recent development includes products with count ranges from 16s to 2/100s, fibres containing cotton, polyesters blends, linen, lycra, tencel etc., finishes of water repellent, wrinkle free, peach etc., weaves containing Bedford cord, herringbone, ribstop, ottoman etc. With significant efforts, Company could come out with unique and differentiated products such as PU coated, slubby, sulphur dyed, yarn dyed, blotch printing and combinations weaves.

This has resulted into richer customer mix with key brands such as GAP, Sears, Polo Ralph etc. Company is supplying to all major brands in domestic market.

The Company plans to leverage its performance by reorganisation of management structure so as to create synergies with Denim business which will not only enhance the utilisation of resources but will gradually improve the customer relationships also. The garmenting operations expansions plan, with opportunity available post 2005, is expected to boost the profitability of the Company with improved margins.

INTERNAL CONTROL SYSTEMS

The Company has well defined and institutionalised business processes with effective control systems to ensure that assets and interests of the Company are safeguarded.

The Company has a dedicated task force working on budgetary controls, responsible for preparation of the budget, which is reviewed along with the performance on monthly basis and corrective actions, wherever needed, are taken to ensure compliance. Considering the size and nature of operations of the Company, the overall control systems are adequate to meet the need and the purpose.

The Company also has its own internal audit team comprising of qualified professionals that monitors and check the efficiency of the system and compliance. The Company has retained an external audit firm to monitor business processes and risks associated with them.

DEVELOPMENTS ON HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The year under review has seen a change in the policies and procedures, necessitated by the need to make the organization high performing and successful. The Company has always valued its human resources and believes in unlimited potential of each employee.

Industrial relations were cordial in all the plants of the Company without any disruptions of manufacturing activities.

Company's Philosophy on Code of Governance

The Company has been practising the principles of good corporate governance over the years. Corporate governance does not only mean ensuring the compliance with regulatory requirements, but also means being responsive to aspirations of customers and expectations of the society. The Company believes, a customer has never been defined as a purchaser, but has always included every constituents that interacts with it including its shareholders and other stakeholders. The Company always strives for excellence in quality of goods and services with the twin objectives of enhancing customer satisfaction and shareholder value. The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on transparency, accountability, and integrity. Given below is the report on corporate governance of the Company.

Board of Directors**Composition of the Board**

The Board of the Company consists of 6 Directors comprising of 2 Executive and 4 Non-Executive Directors.

The following is the composition of the Board as at 31st March, 2004 :

| Sr. No. | Name of Director | Executive/Non-executive/Independent | No. of Other Directorships in Public Ltd. Cos. | No. of other Board Committees of which Member/Chairman |
|---------|------------------------|--|--|--|
| 1. | Mr. Arvind N. Lalbhai | Executive - Chairman & Managing Director | 5 | 1 as Member |
| 2. | Mr. Anang A. Lalbhai | Executive - Managing Director | 1 | Nil |
| 3. | Mr. Samveg A. Lalbhai | Non-Executive | 5 | Nil |
| 4. | Mr. Naishadh I. Parikh | Non-Executive. Independent | 8 | Nil |
| 5. | Dr. V. L. Mote | Non-Executive. Independent | 2 | Nil |
| 6. | Mr. Darshan R. Mehta | Non-Executive. Independent | 4 | Nil |

Note : Mr. Shreyas C. Sheth has been appointed as an Additional Director on the Board w.e.f. 27th April, 2004.

Meetings and Attendance

During the year the Board of Directors met 4 times on 28th May, 2003, 30th July, 2003, 21st October, 2003 and 24th January, 2004.

The Attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under :

| Sr. No. | Name of Director | No. of Board Meetings attended during the financial year ended on 31st March, 2004 | Whether present at the last AGM |
|---------|------------------------|--|---------------------------------|
| 1. | Mr. Arvind N. Lalbhai | 2 | Yes |
| 2. | Mr. Anang A. Lalbhai | 4 | Yes |
| 3. | Mr. Samveg A. Lalbhai | 2 | No |
| 4. | Mr. Naishadh I. Parikh | 4 | No |
| 5. | Dr. V. L. Mote | 4 | No |
| 6. | Mr. Darshan R. Mehta | 1 | Yes |
| 7. | Ms. Smita S. Gune * | 2 | No |

* Ms. Smita S. Gune, Nominee Director of ICICI Bank Limited, has ceased to be a Nominee Director w.e.f. 11th March, 2004.

+ Mr. Shreyas C. Sheth has been appointed as an additional Director on the Board w.e.f. 27th April, 2004.

Consequent to the above changes, the Company as on the date of this Report, has 7 Directors, comprising 5 Non-Executive Directors, 2 Executive Directors viz. 1 Chairman & Managing Director and 1 Managing Director.

Committees of the Board

The Board of Directors has constituted 3 Committees of the Board viz.

- Audit Committee
- Remuneration Committee
- Investors' Grievance Committee

The Board determines the terms of reference of these Committees from time to time. Meetings of these Committees are convened by the respective Committee Chairman/Company Secretary. At each Board Meeting, Minutes of these Committees are placed before the Directors for their perusal and noting.

1. Audit Committee

The Audit Committee comprises of 3 members, all of whom are Non-Executive Directors. Mr. Darshan R. Mehta, an Independent Director acts as Chairman of the Committee.

Role

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Recommending the appointment and removal of internal auditors, fixation of audit fees and also approval for payment for any other services.

4. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
5. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit function, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up there on.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
9. Discussion with external/internal auditors before the audit commences on nature and scope of audit as well as to have post-audit discussions to ascertain any area of concern.
10. Reviewing the Company's financial and risk management policies.
11. To look into any other matter which may be referred to it by the Board.
12. Seek external assistance of professionals, lawyers, accountants, etc. whenever necessary.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

Meetings and Attendance

During the year, 3 Audit Committee meetings were held on 28th May, 2003, 21st October, 2003 and 24th January, 2004.

The Attendance of Members at meetings was as under :

| Sr. No. | Name | Position | No. of Meetings held | No. of Meetings Attended |
|---------|------------------------|----------|----------------------|--------------------------|
| 1. | Mr. Darshan R. Mehta | Chairman | 3 | 1 |
| 2. | Mr. Naishadh I. Parikh | Member | 3 | 3 |
| 3. | Ms. Smita S. Gune * | Member | 3 | 2 |

* Ceased to be a Director and Member of Audit Committee w.e.f. 11th March, 2004 and Mr. Shreyas C. Sheth has been appointed as a member of Audit Committee w.e.f. 27th April, 2004.

2. Remuneration Committee

The Board of Directors of the Company at its meeting held on 19th November 2002 has constituted Remuneration Committee that comprises of 3 Non-Executive Independent Directors viz. Naishadh I. Parikh, Chairman; Mr. Darshan R. Mehta and Mr. V.L. Mote as other members.

Role

Its terms of reference are as under :

- To frame Company's policies for compensation and benefits for Executive Directors.
- To review and recommend compensation payable to the Executive Directors.
- To administer and supervise Employee Stock Option Schemes (ESOS) including framing of policies related to ESOS and reviewing grant of ESOS.
- To Review HR Policies and initiatives.

Remuneration of Directors

The remuneration Committee recommends the payment of remuneration of Executive Directors and the Board of Directors and shareholders are approving the same. During the period under review, the Company has not paid any remuneration to its Executive Directors. The Non-Executive Directors are paid Sitting Fees of Rs. 5000 for attending the meeting of Board of Directors or Committee thereof. During the year under review, no meeting of the Remuneration Committee was held. The remuneration paid by way of Sitting Fees, during the period from 1st April 2003 to 31st March 2004 to each of the Directors is as under. The Company has not made any payment towards salaries/perquisites to any of the Directors.

| Name of Director | Sitting Fees (Rs.) | Total Remuneration (Rs.) |
|-----------------------------|--------------------|--------------------------|
| Mr. Arvind N. Lalbhai (CMD) | - | - |
| Mr. Anang A. Lalbhai (MD) | - | - |
| Mr. Samveg A. Lalbhai | 45,000 | 45,000 |
| Mr. Naishadh I. Parikh | 80,000 | 80,000 |
| Dr. V. L. Mote | 40,000 | 40,000 |
| Mr. Darshan R. Mehta | 10,000 | 10,000 |
| Ms. Smita S. Gune | 20,000 | 20,000 |