

# Annual Report 2002-2003



**Banswara SYNTEX LIMITED**

**FINANCIAL HIGHLIGHTS**

(Rs. in lac)

	2002-2003	2001-2002	2000-01	1999-00	1998-99
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**TURNOVER AND PROFITS**

Turnover (including export)	24,661	21,469	21,455	19,527	18,485
Exports (with benefits)	15,668	11,250	12,819	9,403	7,865
Profit Before Interest, Depreciation & Tax	2,953	2,313	2,211	1,944	1,648
Interest	1,421	1,352	1,385	1,333	1,280
Profit before Depreciation & Taxation	1,532	961	826	611	368
Profit after Depreciation	821	317	369	213	29
Tax- Current	66	26	23	25	18
Deferred	295	9	-	-	-
Profit after Taxation	460	282	346	188	11
Dividend %	8	-	-	-	-

**ASSETS AND LIABILITIES**

Gross Fixed Assets (Net of Revaluation)	12,883	11,496	10,498	7,962	7,169
Net Fixed Assets	7,981	7,233	6,802	4,663	4,272
Net Current and Other Assets	6,946	6,253	5,832	5,279	4,749
Equity Share Capital	678	678	678	678	678
Reserves & Surplus (Excl. Rev. Res.)	2,930	2,531	2,750	2,404	2,216
Net Worth	3,586	3,176	3,384	3,025	2,820
Deferred Tax Liability	805	510	-	-	-
Secured Loans	9,495	8,803	8,408	6,131	5,334
Other Long Term Liabilities	1,042	997	842	787	867

**RATIOS**

Book value per Share (Rs.)	52.14	46.17	49.19	43.97	40.99
Earning per Share (Rs.)	6.79	4.16	5.10	2.73	0.15

**Board of Directors**

Shri R. L. Toshniwal, Chairman & Managing Director  
 Shri L. N. Jhunjhunwala  
 Shri D. S. Alva  
 Shri P. Kumar  
 Shri Kamal Kishore Kacholia  
 Shri A. N. Jariwala  
 Shri Vijay Mehta  
 Shri Rakesh Mehra, Whole Time Director  
 Shri Ravi Toshniwal, Executive Director

**Executives**

Shri S. S. Sajal	President
Shri J.K. Rathi	President (Commercial)
Shri S. N. Gupta	Senior Vice President (Technical)
Shri J. K. Jain	Vice President (Finance & Accounts ) & Company Secretary
Shri S. S. Kella	Vice President (Audit & Taxation)
Shri S. R. Jain	Vice President (Engineering)

**Auditors**

M/s Kalani & Co.  
 Mangal Marg,  
 Bapu Nagar,  
 JAIPUR-302 004

**Regd. Office & Mills**

Industrial Area,  
 Dohad Road,  
 BANSWARA-327 001

**Bankers**

Punjab National Bank  
 Union Bank of India  
 Bank of Baroda  
 Bank of India

**Jaipur Office**

"Ankur Apartment"  
 S-6, Jyoti Nagar Extension  
 JAIPUR-302 005

**Mumbai Office**

Gopal Bhawan, 5th Floor,  
 199, Princess Street,  
 MUMBAI-400 002

**Delhi Office**

Flat No. 204, E-2, A.R.A. Centre  
 Jhandewalan Extn.  
 NEW DELHI - 110 055

**QUALITY POLICY**

WE, WISH TO BE WORLD CLASS IN THE MANUFACTURE OF YARN & FABRIC

OUR ENDEAVOR IS TO ANTICIPATE & EXCEED CUSTOMER SATISFACTION BY UNDERSTANDING CUSTOMER'S NEED AND EXPECTATION AND THUS, ENSURING QUALITY AND TIMELY DELIVERY BY:-

- \* BEING IN CLOSE CONTACT WITH CUSTOMERS AND GETTING THEIR FEED BACK.
- \* CONTINUOUS INNOVATION IN PRODUCT DEVELOPMENT.
- \* CONTINUAL IMPROVEMENT IN QMS & QUALITY THROUGH H.R.D., UP-GRADATION OF PLANT & MACHINERY AND IMPROVEMENT IN METHOD OF WORK.
- \* PARTICIPATION OF MANAGEMENT AND ALL EMPLOYEES AS ONE TEAM.

## NOTICE

### TO THE SHAREHOLDERS

NOTICE is hereby given that Twenty-seventh Annual General Meeting of the share holders of Banswara Syntex Limited, will be held at its Registered Office, Industrial Area, Dohad Road, Banswara on Thursday, the 24th day of July, 2003 at 4.00 P.M. to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2003 and Profit and Loss account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Parduman Kumar who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri Vijay Mehta who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint Auditors and to authorise the Audit Committee to fix their remuneration.

#### SPECIAL BUSINESS

##### 6. Creation of charge to secure financial assistance

To consider, and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution:-

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 and such other approvals, as may be necessary, consent of the company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board") mortgaging and/or charging on such terms and conditions, with such ranking for priority as may be agreed upon with the concerned parties, at such time or times and in such form and manner, as it may think fit, the whole or substantially the whole of the company's any one or more of the undertakings or all the undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking, as the case may be, in favour of the Trustees (appointed/to be appointed by the Board) of debenture holders, banks and financial institutions and/or such other parties, as may be required, to secure borrowings up to an additional value not exceeding Rs.75.00 Crores (Rupees Seventyfive crores) together with interest at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies covered by the aforesaid financial assistance under the respective documents entered into/ to be entered into by the company in respect of the said loan and/or issue of debentures/bonds/other instruments in terms of their issue."

"RESOLVED FURTHER that the Board of Directors or the Committee thereof or persons authorised by the Board in this behalf be and is hereby authorised to finalise and execute with the Trustees and/or the concerned parties, agreements and other documents and deeds for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt which may arise in relation thereto, or otherwise considered by the Board to be in the best interests of the company."

##### 7. Re-appointment of Shri R.L. Toshniwal as Managing Director.

To consider, and, if thought fit, to pass with or without modification the following resolution as Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and subject to such approvals as may be necessary, consent and approval be and is hereby given to the Company for re-appointment of Shri R.L. Toshniwal, as Managing Director of the Company from 1st Aug., 2004 to 31st July, 2009 on the terms and conditions including remuneration as set out below:

1. **Salary :** Rs.1,05,000/- per month basic salary which shall be increased every year by Rs.5000/-, in the scale of Rs.1,05,000 - 5,000 - 1,25,000/-.
2. **Commission:** 1% commission on net profit of the Company computed in the manner laid down as per schedule XIII of the Companies Act, 1956.
3. **Perquisites :** The perquisites shall be as follows:

#### PART A

1. **Housing :** Free furnished residential accommodation with gas, electricity, water, furnishing and maintenance charges. If the Company does not provide residential accommodation, he will be paid such house allowance as the Board may decide from time to time and expenses on gas, electricity, water, furnishing and maintenance charges will be borne by the Company.
2. **Medical Reimbursement :** Reimbursement of expenses actually incurred, the total cost to the Company shall not exceed one month's salary per year or three months' salary in a period of 3 years.
3. **Leave Travel Concession:** For self and family once in a year incurred in accordance with the rules of the Company.
4. **Club Fees :** Fees of clubs subject to a maximum of two clubs, except admission and life membership fees.
5. **Personal Accident Insurance :** Premium not to exceed Rs.4000/- per annum.
6. **Servant allowance :** Not exceeding Rs.24,000 per annum.

#### PART B

In addition to the perquisites, Shri R.L. Toshniwal shall also be entitled to the following benefits which shall not be included in the computation of ceiling on remuneration specified above.

1. **Provident Fund :** The Company's contribution towards Provident Fund as per rules of the Company.
2. **Gratuity :** Gratuity payable shall not exceed half month's basic salary for each completed year of service.
3. **Leave :** Leave and leave encashment as per Rules of the Company.

#### PART C

1. **Conveyance :** Free use of the Company's car with driver. Personal use of car shall be billed by the Company.
  2. **Telephone :** Free telephone facility at residence. Personal long distance calls shall be billed by the Company.
- Reimbursement of Expenses :** Apart from the remuneration





as aforesaid, Shri R.L. Toshniwal shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in efficient discharge of his duties in connection with the business of the Company.

**Sitting Fee etc. :** No sitting fee shall be paid to Shri R.L. Toshniwal for attending the Meetings of Board of Directors or any committee thereof. He shall not be liable to retire by rotation.

"RESOLVED FURTHER THAT the remuneration of Shri R. L. Toshniwal, Chairman & Managing Director of the Company, be increased from Rs. 90,000/- per month to Rs. 1,05,000/- per month with effect from 1st October, 2003 to 31st July, 2004. All other terms & conditions of his appointment as approved by the shareholders vide their resolution dated 1st September, 2000 shall remain unchanged. With effect from 1st August, 2004 remuneration shall be paid as per above resolution.

"RESOLVED FURTHER THAT Shri J.K. Jain, Vice President (F&A) and Company Secretary of the Company be and is hereby authorized to take all such steps as may be necessary for giving effect to the above resolution."

#### 8. Re-appointment of Shri Rakesh Mehra as Whole-time Director.

To consider, and, if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and subject to such approvals as may be necessary, consent and approval be and is hereby given to the Company for re-appointment of Shri Rakesh Mehra as Whole-time Director of the Company from 1st October, 2003 to 30th September, 2008 on the terms and conditions including remuneration as set out below:

1. **Salary :** Rs.80,000/- per month basic salary which shall be increased every year by Rs.5000/-, in the scale of Rs.80,000 - 5,000 - 1,00,000/-.
2. **Perquisites :** The perquisites shall be as follows:

#### PART A

1. **Housing :** Free furnished residential accommodation with gas, electricity, water, furnishing and maintenance charges. If the Company does not provide residential accommodation, he will be paid such house allowance as the Board may decide from time to time and expenses on gas, electricity, water, furnishing and maintenance charges will be borne by the Company.
2. **Medical Reimbursement :** Reimbursement of expenses actually incurred, the total cost to the Company shall not exceed one month's salary per year or three months' salary in a period of 3 years.
3. **Leave Travel Concession :** For self and family once in a year incurred in accordance with the rules of the Company.
4. **Club Fees :** Fees of clubs subject to a maximum of two clubs except admission and life membership fees.
5. **Personal Accident Insurance :** Premium not to exceed Rs.4000/- per annum.
6. **Servant allowance :** Not exceeding Rs.24,000 per annum.

#### PART B

In addition to the perquisites, Shri Rakesh Mehra shall also be entitled to the following benefits which shall not be included in the computation of ceiling on remuneration specified above.

1. **Provident Fund :** The Company's contribution towards Provident Fund as per rules of the Company.
2. **Gratuity :** Gratuity payable shall not exceed half month's basic salary for each completed year of service.
3. **Leave :** Leave and leave encashment as per Rules of the Company.

#### PART C

1. **Conveyance :** Free use of the Company's car with driver. Personal use of car shall be billed by the Company.
2. **Telephone :** Free telephone facility at residence. Personal long distance calls shall be billed by the Company.

**Reimbursement of Expenses :** Apart from the remuneration as aforesaid, Shri Rakesh Mehra shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in efficient discharge of his duties in connection with the business of the Company.

#### Sitting Fee etc. :

No sitting fee shall be paid to Shri Rakesh Mehra for attending the Meetings of Board of Directors or any committee thereof. He shall not be liable to retire by rotation.

"RESOLVED FURTHER THAT Shri J.K. Jain, Vice President (F&A) and Company Secretary of the Company be and is hereby authorized to take all such steps as may be necessary and desirable for giving effect to the above resolution."

#### 9) Increase in remuneration payable to Shri Ravi Toshniwal, Executive Director.

To consider, and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof and subject to such approvals as may be necessary, the salary payable to Shri Ravi Toshniwal as Executive Director of the Company is hereby revised with effect from 1st October, 2003 to 23rd August, 2007 on the terms and conditions including remuneration as set out below:

1. **Salary :** Rs.80,000/- per month basic salary which shall be increased every year by Rs.5000/-, in the scale of Rs.80,000 - 5,000 - 1,00,000/-.
2. **Commission :** 1% commission on net profit of the Company computed in the manner laid down as per schedule XIII of the Companies Act, 1956.  
The commission will be paid subject to overall limit prescribed under schedule XIII of the Companies Act, 1956 and after paying 1% commission to Shri R. L. Toshniwal, Chairman & Managing Director of the Company.
3. **Perquisites :** The perquisites shall be as follows:

#### PART A

1. **Housing :** Free furnished residential accommodation with gas, electricity, water, furnishing and maintenance charges. If the Company does not provide residential accommodation, he will be paid such house allowance as the Board may decide from time to time and expenses on gas, electricity, water, furnishing and maintenance charges will be borne by the Company.
2. **Medical Reimbursement :** Reimbursement of expenses actually incurred, the total cost to the Company shall not exceed one month's salary per year or three months' salary in a period of 3 years.

3. **Leave Travel Concession:** For self and family once in a year incurred in accordance with the rules specified by the Company.
4. **Club Fees:** Fees of clubs subject to a maximum of two clubs except admission and life membership fee.
5. **Personal Accident Insurance:** Premium not to exceed Rs.4000/- per annum.
6. **Servant allowance:** Not exceeding Rs.24,000 per annum.

#### PART B

In addition to the perquisites, Shri Ravi Toshniwal shall also be entitled to the following benefits which shall not be included in the computation of ceiling on remuneration specified above.

1. **Provident Fund:** The Company's contribution towards Provident Fund as per rules of the Company.
2. **Gratuity:** Gratuity payable shall not exceed half month's basic salary for each completed year of service.
3. **Leave:** Leave and leave encashment as per Rules of the Company.

#### PART C

1. **Conveyance:** Free use of the Company's car with driver. Personal use of car shall be billed by the Company.
2. **Telephone:** Free telephone facility at residence. Personal

long distance calls shall be billed by the Company.

**Reimbursement of Expenses:** Apart from the remuneration as aforesaid, Shri Ravi Toshniwal shall also be entitled to reimbursement of such expenses as are genuinely and actually incurred in discharge of his duties efficiently in connection with the business of the Company.

#### Sitting Fee etc.:

No sitting fee shall be paid to Shri Ravi Toshniwal for attending the Meeting of Board of Directors or any committee thereof the Company. He shall not be liable to retire by rotation.

"RESOLVED FURTHER THAT Shri J.K. Jain, Vice President (F&A) and Company Secretary of the Company be and is hereby authorized to take all such steps as may be necessary and desirable for giving effect to the above resolution."

Registered Office:  
Industrial Area, Dohad Road,  
BANSWARA-327 001 (RAJ.)  
Place : Mumbai  
Dated : 20th May, 2003

By Order of the Board

**J. K. Jain**  
Vice President (F&A)  
& Company Secretary

## NOTES

1. The Register of Members and Shares Transfer Book of the Company shall remain closed from 15th July, 2003 to 24th July, 2003.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy in order to be effective should be duly stamped, filled and signed it must be deposited at the registered office of the Company not less than 48 hours before the meeting.
3. Shareholders are requested to immediately notify to the Company any change in their address.
4. The company has transferred the amount lying in unclaimed dividend account declared for the year 1994-95 to Investors' Protection & Education Fund on 13th February, 2003.
5. In compliance with SEBI's Circular in respect of appointment of common agency for share registry work, in respect of both physical and electronic, the company has appointed M/s Computech Sharecap Ltd. as a Common Registrar effective from 01.04.2003. The Shareholders of the company are requested to send their shares for transfer and demat, request to the registrar at the following address.  
Mr. Polaad/Mrs. Anita  
Computech Sharecap Ltd.  
(Unit Banswara Syntex Ltd.)  
147, Mahatma Gandhi Road  
Opp. Jahangir Art Gallery  
Fort Mumbai-400 023  
E-mail : dadyburjor@computechsharecap.com  
Tel : 22671824/ 25/ 26  
Fax : 022-22670380
6. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956.

#### Item No. 6

Section 293(1)(a) of the Companies Act, 1956 provides that, inter-alia, the Board of Directors of the Public company, can sale, lease or otherwise disposes off the whole, or substantially the whole, of the undertaking of the company or where the company have one or more than one undertaking, of the whole, or substantially the whole, of such undertaking after obtaining the consent of shareholders in the general meeting as security for loans raised from financial institutions/banks. In case of the Company all movable and immovable property shall be liable to first mortgage. Hence, it is necessary to pass the resolution under Section 293(1)(a) of the Companies Act, 1956 for additional limit of Rs.75 crores, up to which Board of Directors are empowered to create mortgages/charges from time to time. This Rs. 75 crores power to the Board is in addition to the mortgage/charges already approved by the shareholders.

None of the directors is interested in the said resolution.

#### Item No.7

The term of appointment of Shri R.L.Toshniwal, Chairman & Managing Director of the Company is expiring on 31st July, 2004. Shri R.L.Toshniwal has a vast experience in the textile industry. Under his leadership the company has turned to be a flagship company doing substantial export, holding export trading house status. The company has registered the highest ever cash profit margin of over Rs.15 crores during the year 2002-03. Company is doing continuous expansion and modernization. To avail his services and to get the benefit of his rich experience for the benefit of the company, the Board of Directors of the company (since there is no remuneration committee) at its meeting held on 20th May, 2003 has reappointed him as the Chairman & Managing Director of the Company for a further period of five years. The Board has also decided to increase his remuneration with effect from 1st



October, 2003 as set out in the resolution herein above.

Since the re-appointment and remuneration payable to Managing Director require approval of the members of the Company in the General meeting, pursuant to Sections 198 and 309 read with Schedule-XIII to The Companies Act, 1956, resolution as set out in this item is recommended for approval by the members.

The company has not made any default in repayment of its debts (including public deposits) or interest payable there on. The company has not issued any debentures.

None of the Directors, except Shri R.L. Toshniwal, himself, Shri Ravi Toshniwal and Shri Rakesh Mehra, being son and son-in-law of Shri R.L. Toshniwal, is in any way concerned or interested in the above resolutions.

#### Item No.8

Shri Rakesh Mehra was appointed as Whole-time Director of the Company w.e.f. 1st Aug.1998 to hold the office as such for 5 years. His term of office as Whole-time Director is expiring on 30th September, 2003.

Considering his significant contribution towards progress of the Company, particularly in export of yarn, the Board of Directors of the Company has at its meeting held on 20th May, 2003 re-appointed him as Whole-time Director for a further period of five years w.e.f. 1st October, 2003 subject to necessary approvals.

The remuneration payable to Shri Rakesh Mehra as Whole-time Director has also been increased by the Board (since there is no remuneration committee) after considering his experience and contribution towards the Company's over all performance.

Since re-appointment and remuneration payable to Whole-time Director require approval of the members of the Company in the General meeting, pursuant to Sections 198 and 309 read with Schedule-XIII to The Companies Act, 1956, the resolution as set out in this item is recommended for approval by the members.

The Company has not made any default in repayment of

its debts (including public deposits) or interest payable there on. The company has not issued any debentures.

None of the Directors, except Shri Rakesh Mehra, himself, Shri R.L. Toshniwal and Shri Ravi Toshniwal, being father-in-law and brother-in-law of Shri Rakesh Mehra, is in any way concerned or interested in the above resolutions.

#### Item No.9

Shri Ravi Toshniwal, Executive Director of the Company, is looking after fabric export of the company. The Company has not only established its name all over the globe but have prestigious international buyers with continuous business relations with them in the recent years. Looking to the experience and the performance of Shri Ravi Toshniwal, Executive Director, the Board of Directors of the Company (since there is no remuneration committee), at its meeting held on 20th May, 2003, has increased the remuneration as set out in the resolution hereinabove mentioned.

Since the remuneration payable to Executive Director requires approval of the members of the Company in the General meeting, pursuant to Sections 198 and 309 read with Schedule-XIII to The Companies Act, 1956, the resolution as set out in this item is recommended for approval by the members.

The company has not made any default in repayment of its debts (including public deposits) or interest payable there on. The company has not issued any debentures.

None of the Directors, except Shri Ravi Toshniwal, himself, Shri R.L. Toshniwal and Shri Rakesh Mehra being father and brother-in-law of Shri Ravi Toshniwal, is in any way concerned or interested in the above resolutions.

Registered Office:  
Industrial Area, Dohad Road,  
BANSWARA-327 001 (RAJ.)  
Place : Mumbai  
Dated : 20th May, 2003

By Order of the Board

J. K. Jain

Vice President (F & A)  
& Company Secretary

#### INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2003.

S.No.	Name of the Employees	Designation & nature of duties	Remuneration received (Rs.)	Qualification & experience (No. of years)	Age (years)	Date of Commencement of employment	Previous employer, designation, period of service (No. of years)
<b>A. Employed through-out the year and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000 per annum.</b>							
1.	Shri R. L. TOSHWIHAL	Chairman & Managing Director	25,19,035	M.Sc. (Tex.) Leeds University of England. (40)	69	01.08.77	Oriental Carpets Mfg. (India) Ltd. Chief Executive (6)

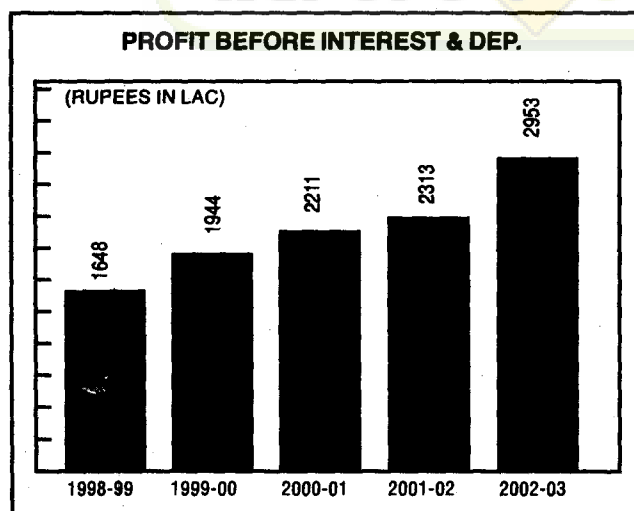
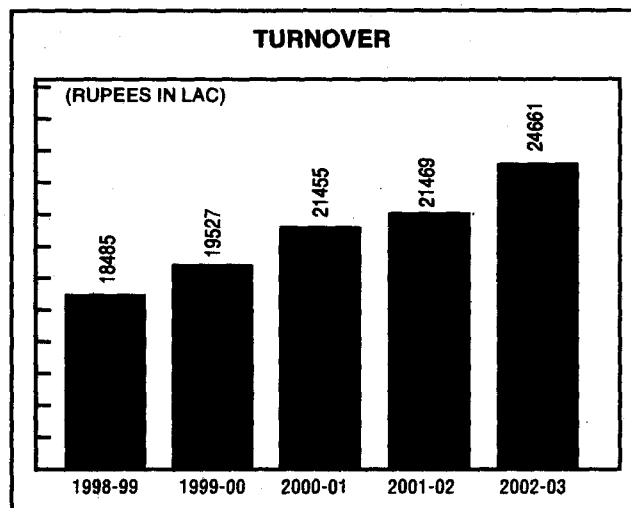
**B. Employed for a part of the year and were in receipt of remuneration of not less than Rs. 2,00,000 per month.**

NIL

#### Notes :-

- Total number of employees included in the above statement-1.
- The above figures is for the period 1.4.2002 to 31.3.2003 for twelve months.
- Remuneration comprises salary, allowances, monetary value of perquisites, commission and Company's contribution to provident fund.
- In addition to the above remuneration, Shri R. L. Toshniwal is also entitled to gratuity.

## DIRECTORS' REPORT



### Dear Shareholders,

The Directors have pleasure in presenting the 27th Annual Report together with Audited Statements of Accounts for the year ended 31st March, 2003.

### FINANCIAL RESULTS

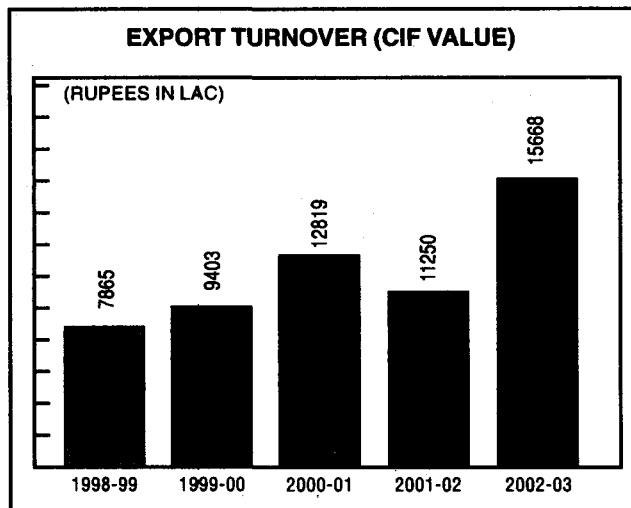
(Rs. in lac)

	This Year 2002-2003	Previous Year 2001-2002
Income	24,422	21,633
Profit before interest & depreciation	2,953	2,313
Less : Interest	1,421	1,352
Profit before depreciation	1,532	961
Less : Depreciation	711	644
Profit before Tax	821	317
Less : Current Tax	66	26
Profit after Current Tax	755	291
Less : Deferred Tax	295	9
Profit after Tax	460	282
Balance Brought Forward	54	222
Profit available for appropriation	514	504
Appropriation :		
Deferred Tax Liability up to 31.03.2001	-	501
Less : Transferred from General Reserve	-	501
Proposed Dividend	54	-
Tax on Dividend	7	-
Transfer to General Reserve	400	450
Balance Carried to Balance Sheet	53	54

### OPERATIONS

Physical performance of the Company during the year 2002-03 continued to remain satisfactory. The Company achieved new heights in all the areas of its operation, viz. production, sales, exports, cash accruals and net profit. The production of yarn (including job work from others) increased from 114.92 lac kgs. in 2001-02 to 121.69 lac kgs., while the production of cloth increased from 96.47 lac mtrs. to 108.09 lac mtrs. over the period. Turnover of the Company improved from Rs.216 crores in 2001-02 to Rs.244 crores registering 13% increase. The export sales increased from Rs.112 crores to Rs.156 crores, increased by 39%. Profit before depreciation and tax increased from Rs.9.61 crores to Rs.15.32 crores showing an increase of 59% over the previous year. These achievements have been possible in the wake of continuous upgradation of plant, new product development throughout the year and consistent improvement in quality of products coupled with sustained efforts for compliance with the customers' requirements.



**EXPORT TURNOVER (CIF VALUE)**

During the year under review, the Company has made provision of Rs.295 lacs for deferred tax liability and has contributed Rs.66 lacs to the Government by way of Income Tax.

**EXPORTS**

Your Directors have pleasure to inform that inspite of disturbed international scenario, the Company's overall exports on CIF basis has increased by 36.50% over the previous year. The realisation from yarn export has increased from Rs. 55.53 crores to Rs. 75.16 crores, i.e. by 35.35% and those for fabric export from Rs. 41.98 crores to Rs. 57.96 crores, i.e. by 38%. The export sales realisation account for 54.5% in total net sales. The Company has substantial export orders in hand and expects to sustain and further strengthen the growth rate in exports.

Your Directors are pleased to report that, during the year, the Company received four export awards from SRTEPC for its best export performance.

**DIVIDEND**

Your Directors have pleasure to recommend 8% dividend on the equity shares of the Company. The dividend, if approved by the shareholders, will absorb Rs.54.23 lacs, besides Rs.6.95 lacs payable to Govt. by way of dividend tax.

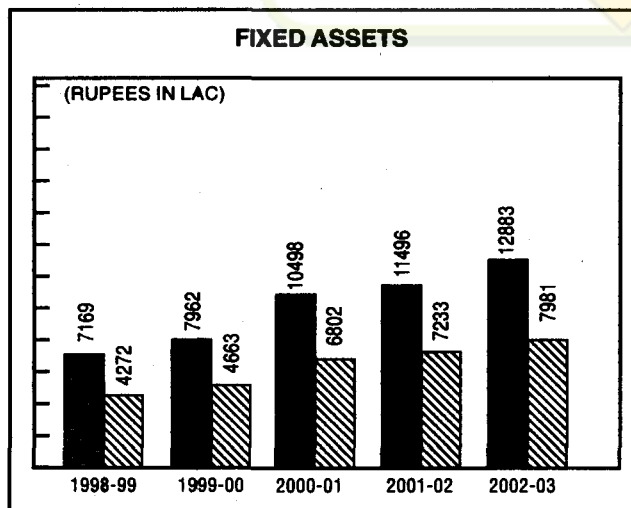
**MODERNISATION**

The Company continued to undertake modernisation and technology up-gradation programme. During the year, it invested Rs. 14.71 crores in fixed assets to increase production capacity from 55096 to 69056 spindles and 89 looms to 92 looms. In addition to this, it has also added Autoconers, TFOs, Assembly Winders, Cards, Compressors, etc. for upgrading the quality of the products.

The Company has already taken up two expansion-cum-modernisation programmes to further increase the production capacity, captive power generation and modernisation of the plant during the year 2003-04.

**POWER PLANT**

The 6.2 MW furnace oil based Power Plants installed in the year 2000-01 are operating successfully. The Company is planning to increase its own power generation capacity by adding two more DG sets of 1.45 MW and 2.05 MW capacity. These power plants will meet the additional power requirements of the Company.

**FIXED ASSETS**

## FINANCE

To finance various expansion and technology upgradation programmes during the year, the Company has availed term loan of Rs.550 lacs from Union Bank of India, Rs.115 lacs from Bank Of Baroda and Rs.110 lacs from Punjab National Bank under Technology Up-gradation Fund (TUF). Bankers have also extended timely support by providing increased working capital finance to meet the Company's requirement from time to time.

## CORPORATE GOVERNANCE

The Company has in place an identifiable system of good Corporate Governance. A separate report on Corporate Governance of the Company is annexed to this report. A certificate from Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is appended to the Report on Corporate Governance.

## MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is the manufacture and marketing of synthetic blended yarn and fabric. The management discussions and analysis is given in sub-paragraphs (a) to (h) below:

### a) Industry structure and development

Textile industry continued to pass through a difficult phase during the year under review due to general economic slow down and fluctuating raw material prices. Lack of modernisation, high cost of inputs and competition from other countries have forced many textile mills in the country to close down. However, there is general awareness and concern about the need to revive the industry and exploit its export potential. On its part, the Government has taken several steps including reduction and rationalisation of excise duty in the Budget for the year 2003-04 which should have some positive impact on this industry. The Government help in giving 5% interest relief over 10 years period under TUF scheme has encouraged the endeavours for expansion and modernisation.

### b) Opportunities and threats

With effect from 1st January, 2005, import restrictions will be completely removed exposing Indian industry to international market without any restrictions on import and export of textiles and garments. While globalisation offers unlimited opportunities, the same is fraught with threats from competitors, particularly from countries like China, which can adversely affect our exports and local markets. However, with the continuous technology upgradation and well established quality standards in the international market, it is expected that opportunities provided by the free market economy in the long run would be fully exploited to the benefit of your Company and our country in general.

### c) Segment-wise performance

The Company is engaged in manufacture of textile products having integrated facilities. For management purposes, the Company has only one major operating activity, viz. textile products. Accordingly, the Company is of the view that it has only a single business segment. The Company has no activity outside India except export of textile products manufactured in India, therefore, there is no geographical segment.

### d) Outlook

Although the outlook for the textile industry is fraught with uncertainty, the Directors are hopeful that with the thrust on improvement in international scenario, changes in the product mix and development of new varieties, it should be possible to meet the challenges being faced by the Indian textile industry. It is also expected that the export scenario would improve after the abolition of quota system in the coming years.

### e) Risks and concerns

The year under review has been a difficult one for the Indian Industry in general and textile industry in particular. The Company is expanding its market and aims to achieve world class standards in quality and services. The key business processes such as market development, order procurement and supply management have been re-engineered and new practices adopted at all levels.

Technological obsolescence is an inherent business risk in a fast changing world and fast adaptability to change is crucial for survival of business. Continuous modernization process started by the Company, coupled with international bench marking, has enabled the Company to emerge as a modern and efficient textile plant.

### f) Internal control system

The Company maintains adequate internal control systems, which provide adequate safeguards and effective monitoring of the transactions. The Company has a strong and independent Internal Audit Department. The internal auditor reports to the Audit Committee of the Board. Personnel of Internal Audit Department conduct periodic audits to ensure that the Company's control mechanism is properly followed and all statutory requirements are duly complied with.

### g) Discussion on financial performance with respect to operating performance

The operating performance of the Company has been detailed in the first two paragraphs of this report under the head 'Financial Results' and 'Operations'. Briefly stated, there has been steady improvement in performance under both heads.