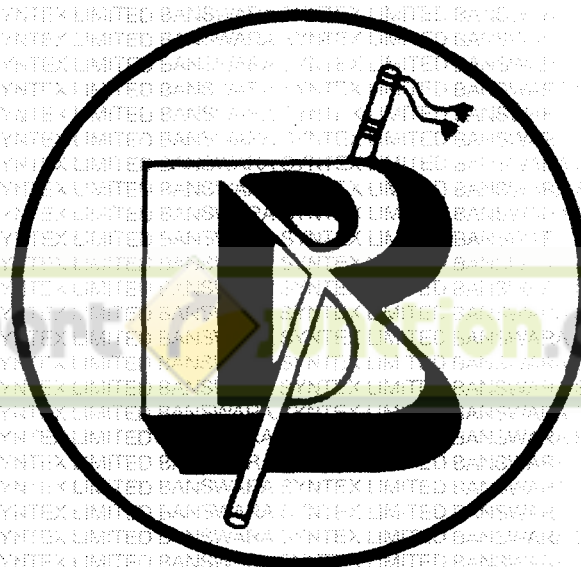


# Annual Report 2004 - 2005



**Banswara SYNTEX LIMITED**

## FINANCIAL HIGHLIGHTS

Rs.in Lacs

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
<b>TURNOVER AND PROFITS</b>					
Turnover (including export)	30,542	29,455	24,661	21,469	21,455
Exports (including benefits)	16,000	20,431	15,668	11,250	12,819
Profit Before Interest, Depreciation & Tax	2,921	3,330	2,953	2,313	2,211
Interest	1,169	1,203	1,421	1,352	1,385
Profit Before Depreciation & Taxation	1,752	2,127	1,532	961	826
Profit after Depreciation	678	1,304	821	317	369
Tax- Current	49	108	66	26	23
Deferred	251	336	295	9	-
Profit after Taxation	378	860	460	282	346
Dividend %	12	12	8	-	-

## ASSETS & LIABILITIES

Gross Fixed Assets (Net of Revaluation)	19,637	16,639	12,883	11,496	10,498
Net Fixed Assets	13,043	10,944	7,981	7,233	6,802
Net Current and Other Assets	8,261	6,244	6,946	6,253	5,832
Equity Share Capital	681	678	678	678	678
Reserves & Surplus (Excl.Rev.Res.)	3,982	3,687	2,930	2,531	2,750
Net Worth	4,663	4,365	3,586	3,176	3,384
Deferred Tax Liability	1,391	1,140	805	510	-
Secured Loans	13,521	10,516	9,495	8,803	8,408
Other Long Term Liabilities	1,744	1,181	1,042	997	842

## RATIOS

Book value per Share (Rs.)	67.78	63.46	52.14	46.17	49.19
Earning per Share (Rs.)	5.54	12.68	6.79	4.16	5.10



## NOTICE

NOTICE is hereby given that Twenty-ninth Annual General Meeting of the Shareholders of Banswara Syntex Limited, will be held at its Registered Office, Industrial Area, Dohad Road, Banswara on Monday, the 26<sup>th</sup> day of September, 2005 at 4.00 P.M. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt audited Balance Sheet as at 31<sup>st</sup> March, 2005, Profit and Loss account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Kamal K. Kacholia 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 a Director in place of Shri Parduman Kumar who retires by rotation and, being eligible, offers himself for re-election.
6. To appoint Auditors and to authorise the Audit Committee to fix their remuneration.

### SPECIAL BUSINESS

7. **Increase in Authorized Share Capital of the Company and amendment in Memorandum & Articles of Association**

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

"RESOLVED that pursuant to the provisions of Sections 16, 31, 94 and all other applicable provisions, if any, of the Companies Act, 1956, authorized share capital of the Company be and is hereby increased from Rs.8,00,00,000/- (Rupees Eight Crores) divided into 78,00,000 (Seventy-Eight Lakh) Equity Shares of Rs.10/- (Rupees Ten) each and 20,000 (Twenty Thousand) 11% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees Hundred) each to Rs.25,00,00,000/- (Rupees Twenty-Five Crores) divided into 2,00,00,000 (Two Crore) Equity shares of Rs.10/- (Rupees Ten) each and 5,00,000 (Five Lakh) Redeemable Cumulative Preference Shares of Rs.100/- (Rupees Hundred) each, for the purpose of issue of shares upon such terms and conditions and such rights and privileges attached thereto as the Board may determine".

"RESOLVED FURTHER THAT the existing clause V of Memorandum of Association of the Company relating to the share capital be and is hereby altered by deleting the same and by substituting the following new clause V:-

Clause V: The authorized share capital of the company is Rs. 25,00,00,000/- (Rupees Twenty-Five Crores) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 5,00,000 (Five Lakh) Redeemable Cumulative Preference shares of Rs. 100/- (Rupees Hundred) each with power to Board of Directors to increase the capital from time to time and divide the shares of the original or any increased capital into several classes and to attach thereto respectively, such preferential, qualified or special rights, privileges or conditions as regards capital, dividend, voting or otherwise as the regulations of the company as originally framed or altered by special resolution shall, for the time being prescribe and determine".

"FURTHER RESOLVED THAT Clause 4 of the Articles of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting the following new clause 4: -

Clause 4: The authorized share capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty-Five Crores) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 5,00,000 (Five Lakh) Redeemable Cumulative Preference shares of Rs. 100/- (Rupees Hundred) each with

power to Board of Directors to increase the capital from time to time and divide the shares of the original or any increased capital into several classes and to attach thereto respectively, such preferential, qualified or special rights, privileges or conditions as regards capital, dividend, voting or otherwise as the regulations of the Company as originally framed or altered by special resolution shall, for the time being prescribe and determine".

"RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorized to do and perform all such other acts, deeds and things, as may be necessary or desirable to give effect to this resolution".

"RESOLVED FURTHER THAT the following clause is to be included as clause 4A after clause 4 in the Articles of Association of the Company in relation to the issue of Share Warrants:-

#### 4A. Power to Issue Share Warrants

Subject to the provisions of Section 114, 115 and other applicable provisions of the Act, Regulations 40 to 43 of Table "A" in Schedule I to the Act and the rules framed thereunder, as applicable, if any, and subject to any direction which may be given by the Company in general meeting, the Board may issue share warrants in such manner and on such terms and conditions, as the Board may deem fit."

8. **Issue of Warrants on Preferential basis**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution(s) as Special Resolution(s):

"RESOLVED THAT pursuant to the provisions of section 81, 81(I-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s), or reenactment(s) thereof for the time being in force) and in accordance with the Guidelines, rules and regulations of the Securities and Exchange Board of India (SEBI) (including the SEBI [Substantial Acquisition of Shares and Takeovers] Regulations, 1997), the Reserve Bank of India and the Government of India (including any statutory amendment(s), or re-enactment(s) thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and also subject to such terms and conditions and modifications as may be considered appropriate and approved by the Board of Directors of the Company or any Committee thereof and also further subject to such approvals, consents, permissions, or sanctions (including any conditions thereof or modifications to the terms contained therein), if any, required of appropriate authorities including those of Ministry of Commerce, Ministry of Finance, Ministry of Industry, Secretariat for Industrial Assistance and/or Foreign Investment Promotion Board, as may be required and such terms & conditions, if any, as may be prescribed by granting such consents, approvals, permissions and sanctions which may be agreed to by the Board, the Board be and is hereby authorized to offer, issue and allot following Warrants for cash on a preferential basis in one or more tranches and on such terms & conditions as may be deemed appropriate by the Board.

- (a) Up to 11,50,000 (Eleven lakh Fifty thousand) Warrants to the Promoters (as defined under SEBI Guidelines, Rules & Regulations), exercisable in one or more tranches and having a currency period of 18 months, and each warrant providing the holder the option to subscribe to 1 (One) fully paid-up Equity Share for every Warrant (aggregating up to 11,50,000 Equity Shares) at an exercisable price of Rs. 75.83 (Rupees Seventy-Five and Eighty-Three paise only) per Equity Share or at the price calculated as per the prescribed Guidelines issued by SEBI in this respect, whichever is higher on the relevant date. Of this, 10% amount would be payable at the time of allotment of the Warrants and balance 90% would be payable at the time of exercise of the Warrants by the Promoters of



## BANSWARA SYNTEX LIMITED

the Company, as per Guidelines issued by SEBI from time to time.

- (b) Up to 350,000 (Three Lakh Fifty Thousand) Warrants to persons other than Promoters, exercisable in one or more tranches and having a currency period of 18 months, and each Warrant providing the holder the option to subscribe to 1 (One) fully paid-up Equity Share for every Warrant (aggregating up to 350,000 Equity Shares) at an exercisable price of Rs. 75.83 (Rupees Seventy-five and Eighty-three paise only) per Equity Share or at the price calculated as per the prescribed Guidelines issued by SEBI in this respect, whichever is higher on the relevant date. Of this, 10% amount would be payable at the time of allotment of the Warrants and balance 90% would be payable at the time of exercise of the Warrants by the persons other than Promoters of the Company."

"AND RESOLVED FURTHER THAT all the Equity Shares resulting from the exercise of the Warrants, proposed to be issued and allotted as above, shall rank pari passu in all respects with the existing Equity Shares of the Company, (including as to dividends)."

"AND RESOLVED FURTHER THAT the Relevant Date for the purpose of calculating the issue price of the above mentioned Warrants (including the Equity Shares to be issued on exercise of the Warrants) under the SEBI (Disclosure & Investor Protection) Guidelines, 2000 relating to preferential issue shall be 27<sup>th</sup> August, 2005, being the date 30 days prior to the date of this Annual General Meeting."

"AND RESOLVED FURTHER THAT the Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of the above mentioned Warrants and to vary, modify or alter any of the terms and conditions, including the size of the issue, as it may deem expedient."

"AND RESOLVED FURTHER THAT the offer, issue and allotment of the aforesaid warrants shall be made at such time or times as the Board may in its absolute discretion decide."

"AND RESOLVED FURTHER THAT the Warrants issued to the promoters would bear a lock-in period of 36 months from the date of allotment of the Warrants and Warrants issued to the persons other than the Promoters would bear a lock-in period of 12 months from the date of allotment of the Warrants."

"AND RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the issue of the above mentioned Warrants and further to do all such acts, deeds, matters and things to finalize and execute all documents and writings as it may deem fit."

"AND RESOLVED FURTHER THAT the Board be and is hereby authorized to accept such terms and conditions as the Government of India, SEBI, The Reserve Bank of India, Financial Institutions and/or Stock Exchanges may stipulate in that behalf."

"AND RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred on it by or under the Resolution to any Committee of Directors of the Company or to any Director or Directors or any other officer(s) or employee(s) of the Company as it may consider appropriate in order to give effect to this Resolution."

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

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

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to applicable statutory or any statutory modification(s) or re-enactment thereof, consent of the company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board") for 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 value not exceeding Rs.300.00 crores (Rupees Three Hundred 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 are 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."

### 10. Appointment of Director

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

"RESOLVED THAT Shri S.B. Agarwal, who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

### 11. Appointment of Director

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

"RESOLVED THAT Shri Vijay Agarwal, who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

### Registered Office:

Industrial Area, Dohad Road  
BANSWARA-327 001 (Raj.)  
Place: Mumbai  
Dated : 24th Aug., 2005

### By Order of the Board

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



**NOTES:**

1. The Register of Members and Share Transfer Book of the Company shall remain closed from 20<sup>th</sup> September, 2005 to 26<sup>th</sup> September 2005. (Both days inclusive)
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 NEEDS NOT BE A MEMBER OF THE COMPANY. Proxy, in order to be effective, should be duly stamped, filled and signed, 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 addresses.
4. The shareholders, who have not converted their shares in demat form, are requested to do it.
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 shares, 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 requests to the registrar at the following address.  
  
Mr. Polaad/Mrs. Anita  
Computech Sharecap Ltd.  
(Unit Banswara Syntex Ltd.)  
147, Mahatma Gandhi Road  
Opp. Jehangir Art Gallery  
Fort, Mumbai-400 023  
E-mail: [dadyburjor@computechsharecap.com](mailto:dadyburjor@computechsharecap.com)  
Tel : 22671824/ 25/ 26  
Fax : 022-22670380
6. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting.

**Item No. 7**

The textile trade is free from quota barriers w.e.f. 1<sup>st</sup> January, 2005. The Company is doing exports for more than 15 years. It has a well established customer base throughout the world. The Company is continuously undertaking expansion and modernization of its plant to meet the customers' requirements in the fast changing scenario. Considering the fact that the Company may decide to go public to part finance its future expansion/diversification and modernization plans with funds raised through capital market, further in order to issue the proposed Warrants for allotment of Equity Shares as proposed in Item No. 8 of this Notice, the Board of Directors has proposed an increase in authorized share capital of the Company from Rs. 8,00,00,000/- (Rupees Eight Crores) divided into 78,00,000 (Seventy-Eight Lakh) Equity Shares of Rs.10/- (Rupees Ten) each and 20,000 (Twenty Thousand) 11% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees hundred) each to Rs.25,00,00,000/- (Rupees Twenty-Five Crores) divided into 2,00,00,000 (Two Crore) Equity shares of Rs.10/- (Rupees Ten) each and 5,00,000 (Five lakh) Redeemable Cumulative Preference Shares of Rs.100/- (Rupees Hundred) each. The Memorandum and Articles of Association of the Company also require amendment to give effect to the increase in share capital.

As per the provisions of Section 114 and 115 and other applicable provisions of the Companies Act, 1956, the Company can issue Share Warrants. To make the Articles of Association of the Company more comprehensive and in line with the provisions of the Companies Act, 1956, a new clause 4A is proposed to be inserted in the Articles of Association of the Company.

Therefore, the Resolution(s) have been placed before the shareholders for their approval by way of Special Resolution(s).

None of the Directors of the Company is interested in the resolution.

**Item No. 8**

The Company is considering the issue and allotment of 15,00,000 Warrants to the Promoters and others as mentioned in the Notice. The Warrants are proposed to be issued and allotted at a price of Rs. 75.83 per share or at the price calculated as per the prescribed SEBI Guidelines, whichever is higher.

Each warrant would provide the holder, the option to subscribe to one Equity Share for every warrant (aggregating up to 15,00,000 Equity Shares) at a price of Rs. 75.83 per Equity Share or at the price calculated as per the prescribed SEBI Guidelines whichever is higher on the relevant date. Of this, 10% of the warrant price would be payable at the time of allotment of the warrants and balance 90% of the warrant price would be payable at the time of exercise of the warrants. 10% of the warrant price paid on allotment would be adjusted against the price payable subsequently for acquiring the Equity Shares on exercise of the warrants. The warrants will have a currency of 18 months from the date of allotment of warrants.

The information as required under Chapter 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 for preferential issues are as under:-

- Objects of the issue through preferential offer :**  
To augment the long-term resources of the Company, raise funds for corporate actions like capital expenditure, acquisitions, working capital requirements and general corporate purposes and also to consolidate the stake of promoters of the Company.
- Intention of promoters to subscribe to the issue :**  
The Promoters as named in para (v) below intend to subscribe to the number of Warrants mentioned there-against.
- The shareholding pattern before and after the offer :**

(No. of Shares in Lacs)

	Existing Shareholding		Post Conversion of Warrants	
	No. of Shares	%	No. of Shares	%
Promoters	33.89	49.26	45.39	54.17
Others like Corporate Bodies, Public, NRIs, etc.	34.90	50.74	38.40	45.83
<b>TOTAL</b>	<b>68.79</b>	<b>100.00</b>	<b>83.79</b>	<b>100.00</b>

The company has filed a petition for amalgamation of Banswara Textile Mills Ltd. with the company. The decision of the Hon'ble Rajasthan High Court is awaited. As per the Scheme, the company will issue 3.80 lakh equity shares to the shareholders of the amalgamating company. Out of these 3.80 lakh shares, the promoters of Banswara Syntex Limited will get 1.39 lakh equity shares.

- Proposed time within which the allotment will be completed**  
The allotment of Warrants is expected to be completed within 15 days of the date of passing of the above resolution provided that where the allotment is pending on account of pendency of any approval for such allotment by any regulatory authority of the Central Government, the allotment is expected to be completed within 15 days from the date of such approval.
- The identities of the proposed allottees and the percentages of the post preferential issue capital that may be held by them**  
The details of the proposed allottees and the percentages of the post preferential issue capital are as under :



Identity of the proposed allottees	Present holding (No. of Shares)	Proposed allotment of Warrants	Post conversion of Warrants (No. of Shares)	% of Post conversion capital
<b>a) Promoters</b>				
Shri R.L.Toshniwal	476453	250000	726453	8.67
Smt. Radhika Toshniwal	442710	300000	742710	8.86
Shri Shaleen Toshniwal	459925	400000	859925	10.26
Smt. Kavita Soni	250050	100000	350050	4.18
Smt Navneeta Mehra	244175	100000	344175	4.11
<b>TOTAL</b>		<b>1150000</b>		
<b>b) Other than Promoters</b>				
Speedshore Trading Co. Pvt. Ltd.	61557	55000	116557	1.39
V.P.Exim Global (Pvt.) Ltd.	-	100000	100000	1.19
Shekhawati Marketing Pvt. Ltd.	-	50000	50000	0.60
Shekhawati Syntex Pvt. Ltd.	-	50000	50000	0.60
Shri Karan Mehta	-	50000	50000	0.60
Shri Manoj Jain	-	10000	10000	0.12
Smt.Arti Hawaldare	-	10000	10000	0.12
J.K.Jain (HUF)	-	10000	10000	0.12
Sanjay Maheshwari (HUF)	-	10000	10000	0.12
Shri Satnarain Gupta	-	5000	5000	0.06
<b>TOTAL</b>		<b>350000</b>		

The Warrants shall be exercisable in one or more tranches within 18 months from the date of issue of the said Warrants, as per guidelines issued by SEBI from time to time.

If any of the Warrant holder does not exercise the option to subscribe to Equity Shares by payment of balance amount within the stipulated time as mentioned in the Resolution, the amount paid by them on allotment of warrants will get automatically forfeited.

The "relevant date" for the purpose of calculating the price of the equity share to be issued on the conversion of the warrants is 27<sup>th</sup> August, 2005, being the date 30 days prior to the date of this Annual General Meeting.

The warrants issued to the promoters would bear a lock-in period of 36 months from the date of allotment of the warrants. The Warrants proposed to be issued to the persons other than promoters would bear a lock-in period of 12 months from the date of allotment of equity shares (which lock-in period will, in respect of the Equity Shares allotted on exercise of the warrants, be reduced to the extent the warrants have already been locked-in).

A copy of the certificate of Statutory Auditors of the Company certifying that issue of Warrants is being made in accordance with the requirements of SEBI Guidelines for preferential issues as contained in the SEBI (DIP) Guidelines shall be placed before the shareholders at these Annual General Meeting.

Issuance of shares on preferential basis is governed, inter alia, by the provisions of section 81(1-A) of the Companies Act, 1956 and the relevant provisions of the SEBI (DIP) Guidelines.

As per Section 81(1-A) of the Companies Act, 1956 and the SEBI Guidelines, approval of members of the Company by way of Special Resolution is required to be obtained for issuance of Warrants (providing the holder the option to subscribe to fully paid Equity Shares for every Warrant) on preferential allotment basis.

The proposed preferential allotment shall not result in any change in the Management/control. It is proposed that the existing promoters will remain in management and control and others will

only be financial investors.

None of the Directors of the Company, except Shri R.L.Toshniwal, Shri Ravi Toshniwal, Shri Rakesh Mehra, Shri Shaleen Toshniwal and Shri Vijay Mehta, is concerned or interested in these resolutions except to the extent of their shareholding. Board of Directors believes that the proposed offer will be in the best interest of the Company and its members. The Board of Directors recommends the resolutions for approval.

#### Item No. 9

Section 293(1)(a) of the Companies Act, 1956 provides that, inter alia, the Board of Directors of the Public company, can sell, 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 value up to Rs. 300 crores, up to which Board of Directors are empowered to create mortgages/charges from time to time.

The company is separately following the process of postal ballot for this matter.

None of the directors is interested in the said resolution.

Your Director recommends the Resolution for your approval.

#### Item No.10

Shri S.B. Agarwal was appointed as an Additional Director of the Company on 27<sup>th</sup> October, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only up to ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose the appointment of Shri S.B. Agarwal as a Director along with a deposit of Rupees five hundred. The Board considers it desirable that Company should continue to avail of his services.

None of the Directors of the Company except Shri S.B. Agarwal, is interested in this resolution.

Your Directors recommends the Resolution for your approval.

#### Item No.11

Shri Vijay Agarwal was appointed as an Additional Director of the Company on 27<sup>th</sup> October, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only up to ensuing Annual General Meeting. As required by section 257 of the Act, a notice has been received from a member signifying his intention to propose the appointment of Shri Vijay Agarwal as a Director along with a deposit of Rupees five hundred. The Board considers it desirable that Company should continue to avail of his services.

None of the Directors of the Company, except Shri Vijay Agarwal, is interested in this resolution.

Your Directors recommends the Resolution for your approval.

#### Registered Office:

Industrial Area, Dohad Road  
BANSWARA-327 001 (Raj.)  
Place: Mumbai  
Dated : 24th Aug., 2005

By Order of the Board

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

**Board of Directors**

Shri R.L.Toshniwal, Chairman & Managing Director  
 Shri Ravi Toshniwal, Jt. Managing Director  
 Shri Rakesh Mehra, Wholetime Director  
 Shri D.S.Alva  
 Shri P. Kumar  
 Shri D.P.Garg  
 Shri S.B.Agarwal  
 Shri Vijay Agarwal  
 Shri Kamal K. Kacholia  
 Shri A.N.Jariwala  
 Shri Vijay Mehta  
 Shri Shaleen Toshniwal

**Executives**

Shri S.S. Sajal	President
Shri J.K. Rath	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 & Company  
 Mangal Marg  
 Bapu Nagar  
 JAIPUR-302 004

**Regd.Office & Mills**

Industrial Area  
 Dohad Road,  
 BANSWARA-327 001

**Garment Unit**

Banswara Garments  
 (A Unit of Banswara Syntex Ltd.)  
 98/3, Village Kadaiya,  
 Nani Daman, Daman U.T.-396 210

**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**

5th Floor, Gopal Bhawan,  
 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, BANSWARA SYNTEX LIMITED, 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., UPGRADATION OF PLANT & MACHINERY AND IMPROVEMENT IN METHOD OF WORK.
- ♦ PARTICIPATION OF MANAGEMENT AND ALL EMPLOYEES AS ONE TEAM.

**DIRECTORS' REPORT****Dear Shareholders,**

Your Directors have pleasure in presenting the 29<sup>th</sup> Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2005.

**FINANCIAL RESULTS**

	Rs. in Lacs	
	This year	Previous Year
	2004-05	2003-04
Income	31,310	27,688
Profit before depreciation & tax	1,752	2,127
Less: Depreciation	1,074	823
Profit before tax	678	1,304
Tax Expenses - Current Tax	49	108
- Deferred Tax	251	336
Profit after Tax	378	860
Balance Brought Forward	338	53
Profit available for appropriation	716	913
Appropriations:		
Capital Issue expenses w/off	-	11
Proposed Dividend	82	81
Tax on Dividend	11	11
Transfer to General Reserve-I	300	450
Transfer to General Reserve-II	-	22
Balance Carried to Balance Sheet	323	338

**OPERATIONS**

Your Company's performance of production and sales has improved during the financial year 2004-05. The production of yarn at 153.41 Lac Kgs. recorded an increase by 14.75%, while production of cloth reached to 141.22 Lac Metres, up by 6.02%. The total sales realizations increased from Rs. 294.53 crore in 2003-04 to Rs. 305.42 crore in 2004-05. However, exports declined by 16.65% mainly due to reduction in DEPB rates by Government of India in September, 2004.

The profitability of the Company has been adversely affected mainly due to increase in the prices of raw materials and furnace oil for power generation coupled with reduction in DEPB rates and consequential reduction in exports. During the year under review the Company has provided Rs. 251 lacs towards deferred tax liability and paid Rs. 49.74 lacs to the Government of India by way of income tax.

**EXPORTS**

During the year under review, the Company's exports on CIF basis declined to Rs. 14516 lacs as compared to Rs. 17415 lacs in 2003-04. This was mainly because of increased competition on account of globalization of textile trade. The Government of India has reduced the DEPB benefits during the year, which created price resistance for the Company's products. As per the changing market scenario the Company's yarn exports are likely to go down in the further coming years, but there is good demand for the Company's fabrics and readymade garments. The Company has been consistently developing new products as per the requirements of the

customers. The Company participated in some of the international trade fairs and its marketing team has visited various countries to get the feed back of the changing fashion trends, quality expectations and to explore new markets worldwide.

During the year 2003-04, the Company had achieved 33% growth in FOB value of exports in terms of USD. Therefore, as per the Exim Policy 2002-07, the Company is eligible for saving of duty equivalent to 10% of the incremental exports for its import requirement. But the Government has not yet issued the import licence and benefits have not accrued during the period under review, the Company has not recognized this income.

Your directors are pleased to report that, during the year, the Company has won two gold trophies from Synthetic & Rayon Textile Export Promotion Council (SRTEPC) for its export performance for the year 2003-04.

**DIVIDEND**

In spite of lower profits during the year under review, your Directors are pleased to recommend 12% dividend (same as the previous year) on the equity shares of the Company. The dividend, if approved by the shareholders, will absorb Rs. 81.71 lacs, besides Rs. 11.46 lacs payable to the Government by way of tax on dividend.

**EXPANSION AND MODERNISATION**

During the year, the Company continued the expansion and modernization of its machinery and invested Rs. 3246.13 lacs in fixed assets for installation of 3968 ring spindles, 288 air jet spindles and 16 more looms for fabric weaving. The Company's diversification project (for cotton spun yarn) of 12096 spindles has commenced commercial production from April, 2005. The total installed capacity of the Company as on date is 89848 ring spindles, 576 air jet spindles, 120 looms and 75000 pieces of readymade trousers per month.

During the year, the Company has also converted about 8000 ring spindles from synthetic yarn spinning to cotton yarn spinning. The Company has plans to increase the garment production at its Daman unit. It has also taken up a project for further expansion of its Spinning, Weaving and Processing capacities with overall capital outlay of Rs. 2558 lacs financed by IDBI, Exim Bank and Union Bank of India under TUF scheme. The Company has also acquired land from Gujarat Industrial Development Corporation at Apparel Park in the proposed Special Economic Zone at Surat for setting up another readymade garment unit.

**AMALGAMATION OF BANSWARA TEXTILE MILLS LIMITED WITH THE COMPANY**

The Board of Directors of Banswara Syntex Ltd., and Banswara Textile Mills Ltd. have resolved for amalgamation of Banswara Textile Mills Ltd. with the Company. The secured and unsecured creditors and shareholders of both the companies have also approved the proposal. The companies have filed their petitions to the Hon'ble High Court of Rajasthan, Jodhpur, for final order in this matter.



**POWER PLANT**

The Company has 4 Wartsila make furnace oil based power plants with total capacity of 9.70 MW, which meet the entire power requirement of the company. However, the company is also having standby power supply from Ajmer Vidyut Vitran Nigam Ltd. and through own standby Diesel Generating sets.

**FINANCE**

The Company has availed term loans of Rs.3290 lacs during the year from Banks and Financial Institutions to fund various expansion and technology upgradation programmes. The Company has been able to renegotiate the interest rates with the Banks and Financial Institutions and has secured reasonable reduction in the rates. The Company's Bankers have continued to provide need-based funds to meet the long term and short term requirements of the company from time to time.

**CONTRIBUTION TO EXCHEQUER**

Your company has contributed Rs. 1486 lacs to the Government Exchequer by way of Excise Duty, Sales Tax, Income Tax, Dividend Tax, TC Cess and other levies.

**SUBSIDIARY COMPANY**

The company has no subsidiary.

**CORPORATE GOVERNANCE**

The Company has in place an identifiable system of good Corporate Governance. A separate report on Corporate Governance of the Company and Management discussion and analysis is annexed to this report as Annexure-I. 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.

**FIXED DEPOSITS**

The Company does not issue any advertisement for inviting fixed deposits from the public. However, it continues to accept deposits from public. As on 31<sup>st</sup> March, 2005, your Company had such deposits aggregating Rs.736.50 lacs. Deposits, which matured during the year, were either renewed or repaid. All the interest and principal dues are being paid regularly.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that: -

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- II. The 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 on 31<sup>st</sup> March, 2005 and of the profit of the Company for the year ended on that date.
- III. The Directors have taken proper and sufficient care 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 frauds and other irregularities.

IV. The Directors have prepared the annual accounts on a going concern basis.

**DIRECTORS**

Shri Kamal Kishore Kacholia, Shri Vijay Mehta and Shri Parduman Kumar are retiring by rotation and, being eligible, offer themselves for re-election. Shri S.B. Agarwal and Shri Vijay Kumar Agarwal have been co-opted on the Board as Additional Directors with effect from 27<sup>th</sup> October, 2004 and are to be appointed as regular Directors.

**AUDIT COMMITTEE**

As per the requirement of Clause 49 of the Listing Agreements with Stock Exchanges, the Company has constituted Audit Committee comprising three independent Directors, viz. Shri D.S. Alva, Chairman, Shri Parduman Kumar and Shri Kamal Kishore Kacholia.

The composition, role, functions and powers of the 'Audit Committee' are in accordance with the applicable laws and listing agreements of the Company with Stock Exchanges.

**AUDITORS**

M/s. Kalani & Company, Chartered Accountants, Jaipur, hold office as the Auditors of the Company until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have also furnished a Certificate to the effect that the re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

**AUDITORS' REPORT**

As regards Auditors' observations, the relevant notes on account are self-explanatory and, therefore, do not call for any further comments.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'II', which forms part of this report.

**DEMATERIALISATION OF SHARES**

In pursuance of SEBI/Stock Exchange directions, your Company offered demat option to its esteemed shareholders so as to enable them to trade the shares in the demat form. In response, 87.83% shares had been converted in demat form as on 31<sup>st</sup> March, 2005. The stock code number in NSDL and CDSL for equity shares of the company is ISIN – INE 629 D01012.

**PERSONNEL**

During the year under report, the relation between the management and staff/workers remained harmonious. The Directors place on record their deep appreciation for the devoted services of the workers, staff and the executives.

As required by the provision of Section 217 (2A) of the Companies Act, 1956, read with the Company's (Particulars

of Employees) Rules, 1975, as amended, the particulars of employees of the company who were in receipt of remuneration of not less than Rs.2,00,000/- per month are annexed and marked Annexure 'III', which forms part of this report.

### ACKNOWLEDGEMENT

Your Directors wish to place on record their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, various Central & State Government

Departments, Customers and Suppliers during the year under review. The Directors express their profound thanks to the shareholders for their continued support and goodwill.

For and on behalf of the Board

Place: Mumbai

Dated 26<sup>th</sup> July, 2005

**R.L.Toshniwal**

Chairman & Managing Director

## ANNEXURE - I TO THE DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT

#### I. COMPANY'S PHILOSOPHY

The Company believes in the principle of good corporate governance in pursuit of overall excellence over the years. Corporate governance does not only mean ensuring compliance with regulatory requirements, but also being responsive to the aspirations of customers and expectations of the society. Here, the customer is not only a buyer, but every constituent who interacts with the Company, including its shareholders. It always strives for excellence in quality of goods and services with the twin objective of enhancing customer satisfaction and shareholders' value.

The Company's Board of Directors supports the broad principle of good corporate governance and lays strong emphasis on transparency, accountability and integrity in functioning of the Company.

In terms of clause 49 of Listing Agreement, requisite particulars of Corporate Governance in the company are as under:-

#### II. BOARD OF DIRECTORS

The present Board of Directors comprises of 12 members. It includes three whole time directors, viz. Chairman & Managing Director, Joint Managing Director and a Whole Time Director and Nine Non-Executive Directors. 2/3<sup>rd</sup> of the Board strength is of independent Directors. The Non-Executive Independent Directors are eminent professionals with experience in business and industry, finance and public enterprises.

The Directors do not have any pecuniary relationship with the Company except to the extent of the following :

- (a) Wholetime Directors - Remuneration as per the terms of appointment and reimbursement of expenses actually incurred.
- (b) Non-Executive Directors - Reimbursement of expenses and payment of sitting fee for the Board/Committee meetings attended by them.

Six Board Meetings were held during the year 2004-2005 i.e. on 27<sup>th</sup> April, 2004, 24<sup>th</sup> May, 2004, 28<sup>th</sup> July, 2004, 27<sup>th</sup> October, 2004, 7<sup>th</sup> December, 2004 and 28<sup>th</sup> January, 2005. The frequency and quorum etc. at these meetings were in conformity with the provisions of the Companies Act, 1956.

#### A. Composition of the Board of Directors as on 31.03.2005 and attendance at the Board Meetings during the year.

Name of the Directors	Attendance at last AGM	No. of Board meetings held	No. of Board meetings Attended	Category of Director	No. of directorship in other Public Limited Companies	No. of other Board Committees of which member/ Chairman
Shri R.L.Toshniwal	Yes	6	6	ED	5	2
Shri Ravi Toshniwal	Yes	6	5	ED	1	-
Shri Rakesh Mehra	No	6	4	ED	1	-
Shri D.S.Alva	Yes	6	5	NED	4	4
Shri P.Kumar	No	6	6	NED	1	1
Shri A.N. Jariwala	No	6	3	NED	1	1
Shri Kamal K. Kacholia	No	6	4	NED	2	-
Shri Vijay Mehta	No	6	5	NED	4	1
Shri D.P. Garg	No	6	6	NED	1	-
Shri S.B. Agarwal *	No	2	2	NED	-	-
Shri Vijay Agarwal *	No	2	2	NED	1	1
Shri Shaleen Toshniwal	No	6	6	NED	1	-

ED- Executive Director, NED- Non Executive Director

\* Appointed as Additional Directors.