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CRAVATEX LTD.
ANNUAL REPORT 2002-03

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96 (9 months)	1994-95 (15 months)	1993-94
Paid-up Capital	129.21	129.21	129.21	129.21	67.20	67.20	67.20	67.20	67.20	67.20
Reserves and Surplus	944.86	1260.23	1199.19	1156.08	1120.47	1125.18	1129.70	1132.30	1131.42	110.85
Net Worth	1074.07	1010.36	1328.40	1285.29	1187.67	1192.38	1196.90	1199.50	1198.62	178.05
Original Cost of Fixed Assets	1783.92	1799.09	1971.47	1557.85	1426.44	1410.47	1362.59	1326.27	1031.22	191.30
Depreciation provided upto date	490.94	382.16	324.88	304.34	215.68	170.45	136.46	99.52	76.84	69.78
Net Block	1292.99	1416.93	1646.59	1253.51	1210.75	1240.02	1226.13	1226.75	954.38	121.52
Secured Loans including deferred payment liability	719.19	792.32	981.67	362.45	253.17	13.87	16.86	48.19	53.44	52.27
Turnover (including export sales)	3300.24	3222.68	1570.12	626.35	418.22	492.72	939.87	729.29	1112.85	553.49
Earning before taxes	89.73	96.77	80.07	61.52	32.26	25.46	38.38	25.17	1037.36	30.10
Dividend	28.43 (22%)	17.54 (20%)	34.89 (27%)	16.80 (25%)	16.80 (25%)	16.80 (25%)	16.80 (25%)	14.78 (22%)	16.80 (25%)	10.08 (15%)

BOARD OF DIRECTORS AND GENERAL INFORMATION

Board of Directors

Shri Rajesh Batra : *Chairman*

Shri N. R. Mahalingam

Shri Arjun Bulchandani

Shri Rajiv Batra

Shri H. K. Vakharia

Bankers

UTI Bank Limited

Company Secretary

Kuldeep R. Sharma

Auditors

Messrs S. P. Chopra & Co.
Chartered Accountants
15/A, Horniman Circle,
Mumbai - 400 001

Registered Office

6, Sahas, 4th Floor,
414/2, Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025

Registrars & Share Transfer Agents

IIT Corporate Services Limited
Proto Prima Chambers, 2nd Floor,
Suren Road, Andheri (East),
Mumbai - 400 093

1. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.
2. Shareholders are requested to bring their copy of the Annual Report to the Meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued.
3. Please address all correspondence regarding share transfer work to the Registrars and Share Transfer Agents and not to the Company's Registered Office.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE

NOTICE is hereby given that the Fifty-first Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Thursday, August 14, 2003 at 11.00 a.m. at Rachana Sansad, 278, Shankar Ghanekar Marg, Prabhadevi, Mumbai – 400 025, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 and Profit and Loss Account for the year ended on that date together with reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri Rajesh Batra who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri H. K. Vakharia who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the retiring Auditors M/s. S. P. Chopra & Co., Chartered Accountants, being eligible for re-appointment, be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors.”

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

“RESOLVED THAT pursuant to provisions of Section 228 of the Companies Act, 1956, the accounts of the Company for the year ending March 31, 2004 in respect of the branch of the Company at Bangalore, be audited by M/s. Jayaprakash M. R. & Girish K. Associates, Chartered Accountants, on such terms and conditions as may be decided by the Board of Directors.”

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr. N. R. Mahalingam, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, subject to retirement by rotation.”

By Order of the Board of Directors

Kuldeep R. Sharma
Company Secretary

Place : Mumbai
Dated : June 13, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTES :

1. 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. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, August 7, 2003 to Thursday, August 14, 2003, both days inclusive.
3. Members are requested to notify immediately any change in their Registered Address to the Registrars and Share Transfer Agents of the Company quoting their Folio Numbers/Client IDs.
4. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.
5. All unclaimed dividends upto financial year ended March 31, 1994 have been transferred to the General Revenue Account and unclaimed dividends for the financial year ended June 30, 1995 have been transferred to Investor Education and Protection Fund of the Central Government in terms of Section 205A of the Companies Act, 1956.
Unclaimed dividends for the financial year ended March 31, 1996 shall be transferred to the Investor Education and Protection Fund by October 30, 2003 in accordance with the provisions applicable therefor.
6. Those members who have so far not encashed the dividend(s) from the year ended March 31, 1996, till the year ended March 31, 2002 are requested to approach the Registrars and Share Transfer Agents of the Company for payment.
7. Members desiring any specific information as regards the Accounts at the Annual General Meeting are requested to write to the Company sufficiently in advance enabling the management to keep the information ready.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.7

During the year under review, Shri N. R. Mahalingam, on his attaining the age of superannuation, ceased to be Executive Director of the Company with effect from January 1, 2003.

In the meeting of the Board of Directors held on October 28, 2002, he was appointed as an Additional Director of the Company with effect from January 1, 2003. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing Shri N. R. Mahalingam's candidature for the office of the Director. The Board considers it desirable that the Company continues to avail the services of Shri N. R. Mahalingam as a Director and commends the resolution for acceptance by the members.

Shri N. R. Mahalingam may be deemed to be concerned or interested in the Resolution for his appointment.

By Order of the Board of Directors

Kuldeep R. Sharma
Company Secretary

Place : Mumbai
Dated : June 13, 2003

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' REPORT

To the Members of Cravatex Limited

Your Directors present the audited Balance Sheet and Profit and Loss Account of the Company together with their Report for the year ended March 31, 2003.

	Current Year Rupees	Previous Year Rupees
FINANCIAL RESULTS		
Earnings before Interest, Depreciation and Taxation	3,35,29,153	3,81,92,508
Less: Interest	1,26,63,949	1,45,77,122
Less: Depreciation	1,15,72,659	1,39,38,632
Leaving a Profit before taxation	89,72,545	96,76,754
Less: Provision for taxation	25,000	32,00,000
Net Profit	89,47,545	64,76,754
Adding thereto:		
Brought forward from previous year	41,15,825	45,11,958
Excess/(Short) Provision for earlier years	(30,566)	1,20,274
Deferred Tax Credit	6,72,052	12,60,772
Available for appropriation	1,36,95,856	1,23,69,758
Less: Appropriations:		
General Reserve	65,00,000	65,00,000
Proposed Dividend	28,42,576	17,53,933
Provision for tax on proposed dividend	3,64,205	—
Balance to be carried forward	39,89,075	41,15,825

OPERATIONS

The turnover of the Company for the year under review has increased from Rs.3,223 lacs to Rs.3,300 lacs while the earnings before interest, depreciation and taxation stood at Rs.335 lacs as against Rs.382 lacs in last year. The Net Profit for the year also increased from Rs.65 lacs to Rs.89 lacs. The balance carried forward to Balance Sheet is Rs.40 lacs as compared to Rs.41 lacs in the previous year.

DIVIDEND

The Directors are pleased to recommend increased dividend of 22% (previous year 20%) for the year under review which would be tax-free in the hands of shareholders pursuant to the changes incorporated in the Income Tax Act. The Dividend, if approved by the shareholders at the Annual General Meeting, will absorb Rs.28,42,576/-.

DEPOSITS

The total Unsecured Loans and Deposits stood at Rs.2,11,38,500/- as on March 31, 2003 and there were no unclaimed deposits as on that date.

REPORT OF THE BOARD OF DIRECTORS

ASSETS

The fixed assets of the Company have been adequately insured.

DIRECTORS

- The Board informs with a deep sense of grief the passing away of Shri Bhasker L. Paranjape, Director, on March 19, 2003 and places on record its appreciation for the contribution made by him during his tenure with the Company.
- Shri N. R. Mahalingam was appointed as an Additional Director of the Company with effect from January 1, 2003 pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing Shri N. R. Mahalingam's candidature for the office of the Director. The Board considers it desirable that the Company continues to avail of the services of Shri N. R. Mahalingam as a Director and commends the resolution for acceptance by the members.

- Shri Rajesh Batra and Shri H. K. Vakharia are retiring by rotation and, being eligible, offer themselves for re-appointment.

DEMATERIALISATION OF COMPANY'S SHARES

Of the Company's total shareholding, 89,717 shares were held in dematerialised mode by the shareholders of the Company of which 83,347 shares were under National Securities Depository Limited (NSDL) and balance 6,370 shares under Central Depository Services (I) Limited (CDSL) as on June 6, 2003.

SECRETARIAL COMPLIANCE

As required under Section 383A of the Companies Act, 1956, the Company's records have been examined by a Secretary in Whole-time practice. Certificate confirming compliance by the Company of all the provisions of the Companies Act, is given in the Annexure I to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they 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 at the end of the financial year and of the profit or loss of the Company for the period;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the Annual Accounts on a going concern basis.

REPORT OF THE BOARD OF DIRECTORS

INFORMATION UNDER SECTION 292A(1) OF THE COMPANIES ACT, 1956 AND CLAUSE 49 OF THE LISTING AGREEMENT

Since the paid-up share capital of the Company is Rs. 1.29 Crore, the provisions of Section 292A(1) of the Companies Act, 1956 and Clause 49 of the Listing Agreement relating to constitution of Audit Committee and Corporate Governance respectively, are not applicable to the Company. However, the directors furnish the following relevant information for the benefit of the shareholders:

A) Management Discussion and Analysis Report

Economy & Business Environment

The year under review has witnessed stagnant domestic demand and a difficult international market. The domestic demand was affected by a poor monsoon and drought in several parts of the country. The end of the financial year saw a large degree of uncertainty over the implementation of VAT. Despite sluggish conditions, the overall performance of the Company has been satisfactory.

Garment Exports Business

The industry is experiencing a constant pressure on operating margins due to competition from various low-cost producing regions. The Rupee has maintained its parity against the US Dollar making our exports less competitive. A hike in cotton prices due to higher input costs of energy has added to the pressure on margins.

The industry has also been brought under the excise net leading to a disruption in operations till clarity was obtained during the end of the financial year.

The Company has maintained its quality exports which has resulted in better contribution despite a drop in turnover.

Health Equipment and Footwear Business

The Company has continued to consolidate its position in this business, which is in its formative stage.

The focus has been on expanding distribution, which has been substantially achieved during the current year. Custom Duties are still very high and as they reduce over the years, will lead to an increase in demand.

The Company has opened several exclusive outlets for fitness equipment and has also signed up representation for a few more brands.

The footwear distribution has also been expanded and the Company's products are now available all over the country in leading footwear and departmental stores.

The benefits of the initiatives will be felt in the following years.

REPORT OF THE BOARD OF DIRECTORS

B) Report on Corporate Governance

1. Board of Directors

a) Composition / Category of Directors:

Directors	Category	Board Meetings		Last AGM Attended	No. of other Directorships	Member of Committees
		Held	Attended			
Mr. Rajesh Batra	Promoter	5	5	Yes	12	None
Mr. Arjun Bulchandani	Independent Non-executive	5	5	Yes	None	None
Mr. Rajiv Batra	Promoter	5	1	Yes	2	None
Mr. H. K. Vakharia	Independent Non-executive	5	5	Yes	1	None
Mr. B. L. Paranjape	Independent Non-executive	5	5	Yes	11	7
Mr. N. R. Mahalingam	- Executive - Independent non-executive	5	4 1	Yes	1	None

b) Number of Board Meetings held during the year 2002-2003:

The Company held five Board Meetings during the year ended March 31, 2003. These were on June 17, 2002, July 30, 2002, August 29, 2002, October 28, 2002 and January 31, 2003.

2. Details In respect of Last Four General Body Meetings

	I (AGM)	II (AGM)	III (AGM)	IV (EGM)
Date	29/08/2002	31/08/2001	29/09/2000	29/01/2000
Venue	Cultural Centre of Russia 31-A, G.D. Marg, Mumbai – 26	Sunville, Dr. Annie Besant Road, Worli, Mumbai – 18	Sunville, Dr. Annie Besant Road, Worli, Mumbai – 18	Sunville, Dr. Annie Besant Road, Worli, Mumbai – 18
Time	11.00 a.m.	11.00 a.m.	11.00 a.m.	11.00 a.m.

3. Means of Communication

Company's Financial Results:

Company's Financial results are normally published in Business Standard (in English) and in Sakal (in Marathi)

Report on Management Discussion & Analysis:

Relevant information by means of Management Discussion and Analysis forms part of the Annual Report.

REPORT OF THE BOARD OF DIRECTORS

4. General Shareholder Information

- a) Annual General Meeting will be held on Thursday, August 14, 2003 at 11.00 a.m. at Rachana Sansad, 278, Shankar Ghanekar Marg, Prabhadevi, Mumbai – 400 025.
- b) Financial Year :
 Results for quarter ending June 30, 2003 Last week of July, 2003
 Annual General Meeting Thursday, August 14, 2003
 Results for quarter ending September 30, 2003 Last week of October, 2003
 Results for quarter ending December 31, 2003 Last week of January, 2004
 Results for the year ending March 31, 2004 Before June 30, 2004
- c) Date of Book Closure : Thursday, August 7, 2003 to Thursday, August 14, 2003
 (both days inclusive)
- d) Dividend Payment Date : Before September 12, 2003
- e) Listing on Stock Exchange: Company's shares are listed on Bombay Stock Exchange
- f) Stock Code : 509472
 SYMBOL : Cravatex
 Demat ISIN : INE145E01017
- g) Market Price Data : High : Rs.47.10 (20/01/2003)
 (during Last Financial Year) Low : Rs.19.00 (17/05/2002)
- h) Registrars & Share Transfer Agents :
 IIT Corporate Services Limited, Proto Prima Chambers, 2nd floor, Suren Road, Near L & T Health Centre, Andheri (East), Mumbai – 400 093. E-mail: iitcsl@bom3.vsnl.net.in Tel.No.:26838240/41, Fax No.:26838241
- i) Share Transfer System:
 Presently, the share transfers received in physical form are processed and share certificates are returned within a period of 20-25 days from the date of receipt, subject to the transfer instruments being valid and complete in all respects. The Company has also offered the facility of transfer cum demat as per SEBI guidelines.
- j) Distribution of Shareholding :

Category	No. of Shares	%
Promoters	9,71,915	75.22
Bank	200	0.02
Body Corporate (Other)	12,675	0.98
NRI*	(39,120)	(3.03)
Public	3,07,290	23.78
Total	12,92,080	100.00

* NRI Holding of 39,120 shares represents shares held by NRI Director, Shri Rajiv Batra and his relative, which are included in Promoters.