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**11<sup>th</sup>**  
**ANNUAL REPORT**  
**2003**

**EURO LEDER FASHION LIMITED**

### **FOR THE ATTENTION OF THE MEMBERS**

1. Register of Members and Share Transfer books of the Company will remain closed from 8th September to 11th September 2003 (both days inclusive)
2. Members are requested to notify immediately any change in their address to the Company specifying the full address in block capitals with Pincode number of the Post Office etc.
3. Members are requested to quote their Folio number in all correspondence.
4. Members are requested to quote their queries relating to the accounts at least 10 days before the date of the Meeting, so that the information can be made available at the meeting.
5. Members are requested to bring a copy of the Annual Report along with them to the Annual General Meeting, since extra copies will not be supplied.
6. Members are requested to hand over the attendance slip duly signed at the entrance of the Meeting hall.
7. Registration starts at 9.00 A.M at Sivanthi Adithanar Thirumana Mandapam Ponniamman Koil Street, Pallavaram, Chennai - 600 043 on 11th September, 2003.

**EURO LEDER FASHION LTD**

<b>Board of Directors</b>	1. Shri. AR. RAMANATHAN	- Managing Director
	2. Shri. AR. ARUNACHALAM	- Director
	3. Shri. RM. LAKSHMANAN	- Wholetime Director
	4. Shri. P. T. GOPALA RAAJA	- Director
	5. Shri. P. S. NATHAN	- Director
	6. Shri. S. NARAYAN	- Director
	7. Shri. S. JAMBUNATH	- Director

**Auditors** - M/s VENKATESAN ASSOCIATES,  
Chartered Accountants,  
20 (old NO.8), Dr. Natesan Salai,  
Ashok Nagar, Chennai,  
Tel : 24896897

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**Internal Auditors** - Shri.P. Gurunathan,  
Chartered Accountant,  
14, Padmanabha Nagar,  
First Street, Adyar,  
Chennai - 600 020.  
Tel : 24461396

**Registered Office & Factory** - No.99.G.S.T. Road,  
Pallavaram, Chennai- 600 043  
Tel : 22401363 and 22418437  
Fax : 22382043

**Bankers** - 1) Canara Bank, Overseas Branch  
2) ICICI Bank Ltd., Nungambakkam

## Notice of 11th Annual General Meeting

Notice is hereby given that the 11th Annual General Meeting of the Company will be held on Thursday, the 11th September, 2003 at 10.15 A.M. at Sivanthi Adithanar Thirumana Mandapam, Ponnamman koil street, K.Pallavaram, Chennai- 600 043. to transact the following business.

### Ordinary Business

1. To receive, consider and adopt the audited Balance sheet of the company as at 31st March 2003 and the Profit and Loss Account for the year ended on that date, together with the notes thereon and the schedules there to and the reports of the Auditors and the Directors.
2. To appoint a Director in the place of Shri AR. Arunachalam who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri. P.T. Gopala Raaja, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration M/s. N. Venkatesan Associates, Chartered Accountants. Chennai the retiring auditors, and eligible for reappointment.

### Special Business.

5. To consider and if thought fit, to pass, with or without modifications, the following resolutions as an Ordinary resolution.

"RESOLVED THAT pursuant to Sec. 293 (1) (a) and other applicable provisions, if any of the Companies Act, 1956, consent be and is hereby accorded to the Company to encumber or charge the assets of the Company including by way of equitable mortgage on its land and buildings, if any, in favour of its bankers and other lenders for such sums which shall not at any time exceed Rupees Ten Crores".

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to Sec. 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, and in modifications of the authority granted at the 10<sup>th</sup> Annual General Meeting of the company held on 6<sup>th</sup> September, 2003 consent, be and is hereby accorded to the company to borrow from time to time monies which together with the monies, already borrowed by the company (apart from temporary loans obtained from its bankers in the ordinary course of business) shall exceed the aggregate of the paid up capital of the company and its free reserves not set apart for any specific purpose, provided that the monies so borrowed shall not at any time exceed Rupees Ten Cores.

By order of the Board

Place : Chennai.  
Date : 25.8.2003

**AR. RAMANATHAN**  
Managing Director

### NOTE:

1. A MEMBER ENTITLED TO ATTEND AND VOTE 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 FORMS DULY COMPLETED SHALL BE DEPOSITED WITH

THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.

Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956;

2. The Company has at its 10<sup>th</sup> Annual General Meeting held on 6<sup>th</sup> September, 2003 granted authority to the company to borrow in excess of the aggregate of its paid up capital and fix reserves upto a limit of Rupees Six Crores. In the view of the turnover of the company progressively rising and the section of increased working capital limits by banks, it has become necessary to the company to borrow monies from time to time which may at any time exceed the existing limit of Rupees Six Crores. This resolution is being proposed to enable the company, to borrow monies from time to time subject to a limit of Rupees 10 Crores outstanding at any time.

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

3. In items of clause 49 of the listing agreement with stock Exchange, a brief resume of directors who are proposed to the re-appointed at this meeting is given below:
- (i) Shri. AR. Arunachalam, Director of the company is very well experienced. He is also a Director in Suryabarath Industries Pvt Ltd., and gudang aatem Tabak industries Pvt. Ltd., and his association with the company has proved advantageous to the company.
  - (ii) Shri. P.T. Gopala Raaja, Director of the company is a partner of Alvitone Laboratories and a leading businessman.

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## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in submitting their Eleventh Annual Report and that of the Auditors' together with the audited Balance Sheet as at 31st March 2003 and the profit and Loss Account for the Year ended on that date.

### Financial Performance

(Rs. in lakhs)

Particulars	2003	2002
Income from Operations	1,842.67	896.33
Profit before Depreciation and Tax	36.80	30.49
Less :		
Depreciation	2.12	1.97
Profit before and after Tax	34.68	28.52
Profit/(Loss) Brought Forward	17.83	(10.69)
Profit/(Loss) carried to the Balance Sheet	52.51	17.83

Your Directors do not recommend any dividend for the year 2002-2003 as they wish to build the reserves.

### PERFORMANCE

The company has achieved a record turnover of Rs. 1,677.71 lacs in 2002-2003 and earned a profit of Rs. 34.68 lacs during the year. This performance has been largely due to the measures for cost reduction initiated by the company last year.

### PROSPECTS

The Order position is healthy and barring unforeseen circumstances the company should register a further improvement in its performance in the current year.

### DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217 (2AA) of the Companies Act, 1956, your Directors Subscribe to the 'Directors' Responsibility Statement' and confirm that:

1. The Directors have followed, in the preparation of the annual accounts, the applicable accounting standards along with proper explanations relating to material departures, if any;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
3. The Directors 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 or detecting fraud or other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis.

### DIRECTORS

Shri AR. Arunachalam and Shri. P.T. Gopala Raaja retire by rotation at the forthcoming Annual General Meeting and eligible offers themselves for reappointment.

### BORROWING POWERS :

Resolutions for enhancing the monetary limits borrowing by the company and creating Charge(s) / encumbrance(s) on the properties of the company are being proposed.

### AUDITORS

M/s. N. Venkatesan Associates Chartered Accountants, Chennai the retiring auditors are eligible for reappointment and have given their consent for re-appointment.

**PERSONNEL**

None of the employees of the company was in receipt of remuneration which comes under the provisions of the Section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules 1975, as amended.

**INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.**

Information as per clause (e) of Section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March 2003 is given below.

**CONSERVATION OF ENERGY**

	2003	2002
Electricity consumed - Units	77,638	37,112
Total Cost	Rs. 3,52,505/-	Rs. 1,72,011/-
Generator Fuel	Rs. 49,791/-	Rs. 22,883/-
Average Cost per Unit	Rs. 4.54	Rs. 4.63
Average Consumption per Unit of production	N.A.	N.A.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Manufacturing activity is confined to simple cutting and stitching of leather garments and hence absorption, adaptation and innovation of technology do not arise.

**RESEARCH AND DEVELOPMENT**

Though the company does not have separate R & D establishment, activities are carried out by the design and quality control departments.

Expenditure of R & D : Nil

**FOREIGN EXCHANGE EARNINGS AND OUTGO****Earnings:**

F O B Value of Exports : Rs.1,636.83 lakhs

**Outgo:**

Commission to foreign agents : Rs.77.98 lakhs

Foreign Travels : Rs.0.85 lakhs

**CORPORATE GOVERNANCE**

Corporate Governance and Management Discussion and Analysis Reports as well as Corporate Governance Compliance certificate are provided in separate Annexure to this report.

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to express their thanks to the Government of India, banks, customers and suppliers for their valuable assistance and support.

Your Directors wish to place on record their appreciation of the sincere efforts put in by the employees of the company at all levels.

On behalf of the Board

Place : Chennai  
Date : 25.06.2003

AR. Ramanathan  
Managing Director

RM. Lakshmanan  
Whole time Director

## ANNEXURE TO THE DIRECTORS' REPORT

### CORPORATE GOVERNANCE

The Board has adopted the principles of good corporate governance and emphasizes transparency, integrity and accountability. The Board believes that good governance is voluntary and self-discipline with the strongest impetus coming from the Directors and the management. The organization of the company endeavours to be progressive, competent and trustworthy, creating value for customers and shareholders while reflecting the best of Indian values in its conduct.

### BOARD OF DIRECTORS

#### COMPOSITION

The Board presently consists of 7 Directors, 2 of whom are Executive. The management of the affairs of the company is vested in Shri. AR. Ramanathan, Managing Director and Shri. RM. Lakshmanan, Whole-time Director, subject to the general supervision, control and direction of the Board. Shri. AR. Ramanathan heads the management team, holds operational responsibility for the day-to-day activities of the company and has been entrusted with ensuring that all management functions are carried out professionally and is accountable to the Board for actions and results.

Of the 7 Directors, 4 are independent and 3 represent the promoters. The independent Directors play an important role in the deliberations of the Board level and bring to the company their wide experience in the fields of industry, banking and administration and contribute significantly to Board Committees. Their independent role vis-à-vis the company means that they add a broader perspective, help ensure that the interests of the shareholders are kept in acceptable balance and can also provide an objective view in all matters under the consideration of the Board.

#### BOARD MEETINGS AND COMMITTEES

Board meetings are held and are usually scheduled reasonable in advance. The Board generally meets at least once a quarter, inter-alia, to review the quarterly financial results. In order to ensure greater attention of the Directors to the affairs of the company, the Board delegates specified matters to its committees which also prepare the groundwork for decision making and report to the Board.

The Board met 5 times during the year. The attendance of the Directors at the meetings of the Board and the Annual General Meeting are as follows:-

Sl. No.	Name of Director	No. of Board meetings Attended	Membership of other Boards	Whether present at the AGM
1.	Shri. AR. Arunachalam	5	-	No.
2.	Shri. AR. Ramanathan	5	Sournam Plantation (P) Ltd.,	Yes.
3.	Shri RM. Lakshmanan	5	-	Yes.
4.	Shri. PT. Gopala Raja	4	-	Yes.
5.	Shri. P.S. Nathan	-	-	No.
6.	Shri. S. Jambunath	1	-	Yes.
7.	Shri. S. Narayan	-	-	Yes.



## AUDIT COMMITTEE

The terms of reference of the Audit Committee, specified by the Board in writing, include a review of the audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The committee recommends the appointment of external auditors and their fees/payments and takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are reviewed along with managements' comments and action taken reports. The committee has full authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it needs to do so. The Committee has been mandated to meet at least 4 times a year, once to assess the audited accounts before they are put up to the Board, besides reviewing the un audited financial statements for each quarter.

Shri. AR. Arunachalam, Shri. PT. Gopala Raja and Shri. S. Jambunath constitute the Audit Committee. Shri. AR. Arunachalam is the chairman of the Audit Committee which was constituted by the Board on 26<sup>th</sup> July 2002.

The Committee met 2 times during the year on 28.10.02 & 27.1.03. The details of the meetings of the Audit Committee and attendance there at are as follows:-

Shri. AR. Arunachalam

Shri. PT. Gopala Raja

Shri. S. Jambunath

The Board is yet to constitute a Remuneration Committee as the reappointment of the Managing Director and the Whole Time Director will fall due in 2007 only.

## SHARE TRANSFER AND SHARE HOLDERS/INVESTOR GRIEVANCE COMMITTEE:

Shri. AR. Ramanathan and Shri. PT. Gopala Raja constitute this committee which meets as often as necessary to minimize any delay in the share transfer process. Any shareholder's grievance will be referred to this committee for speedy resolutions. Shri. SP. Arunachalam is the Compliance Officer. No grievance / complaint was received during the year.

## SHAREHOLDERS' INFORMATION AND RELATIONS

The main source of information for shareholders is the Annual Report, which includes, inter alia, the reports of the Directors and the auditors, the audited accounts and the Managements' discussion and Analysis Report on operations and outlook. The quarterly results are published in Business Line and Malai Sudar in Tamil.

The present financial year of the company runs from the 1<sup>st</sup> April to 31<sup>st</sup> March.

## CALENDER OF EVENTS

Publication of quarterly results :

1 <sup>st</sup> quarter	:	End July
2 <sup>nd</sup> quarter	:	End October
3 <sup>rd</sup> quarter	:	End January
Audited Accounts	:	End June
Annual General Meeting	:	September