

15th ANNUAL REPORT 2002-2004

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GANESH POLYTEX LIMITED



GANESH POLYTEX LTD.

BOARD OF DIRECTORS

Shri SHYAM S. SHARMA, *Chairman and Managing Director*
 Shri SHARAD SHARMA, *Joint Managing Director*
 Shri V. D. KHANDELWAL
 Shri R. K. SAXENA
 Shri S. K. KABRA
 Shri ANOOP GUPTA

COMPANY SECRETARY

MISS LEENA JAIN

AUDITORS

M/s. MEHROTRA RAKESH KUMAR & CO.
Chartered Accountants
 KANPUR

BANKERS

STATE BANK OF INDIA
 STATE BANK OF BIKANER & JAIPUR

REGISTERED OFFICE AND WORKS

RAIPUR (RANIA),
 KALPI ROAD,
 DISTT. KANPUR DEHAT.

ADMINISTRATIVE OFFICE

113/216 - B, SWAROOP NAGAR,
 KANPUR - 208 002

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FIFTEENTH ANNUAL REPORT

NOTICE

NOTICE is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the Members of GANESH POLYTEX LIMITED will be held on Friday the 24th September, 2004 at 10.00 A.M. at the Registered Office of the Company at Raipur (Rania), Kalpi Road, Distt. Kanpur Dehat to transact the following business :

- 1) To receive, consider and adopt the Profit & Loss Account for the Period ended 31st March, 2004, Balance Sheet as at that date together with the reports of Directors and Auditors thereon.
- 2) To appoint a Director in place of Shri R.K. Saxena, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri S. K. Kabra, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration. The retiring Auditors, M/s Mehrotra Rakesh Kumar & Co., Chartered Accountants, are eligible for re-appointment.

SPECIAL BUSINESS

- 5) 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 Sections 269, 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to the approval of Central Government and such other authorities as may be required, consent of the Company be and is hereby accorded to the appointment of Shri Sharad Sharma, as Joint Managing Director of the Company for a period of Five years with effect from 1st February, 2004 on the terms and conditions as approved by the Remuneration Committee as detailed hereunder :

- A) BASIC SALARY :
Rs. 48,000/- (Rupees Forty Eight Thousand only) per month.
- B) PERQUISITES :
The Joint Managing Director shall be entitled to the following perquisites :
 - i) Children Education Allowance - Rs. 2000/- per month
 - ii) Leave Travel Allowance and reimbursement of medical expenses for self and family equivalent to 3 months' Basic salary in a year or at actuals, whichever is less.

EXPLANATION

"Family" here means the spouse, dependent children and dependent parents of the Joint Managing Director.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Use of Company's Car for official purpose, Mobile and Basic Telephone at residence (including payment for local calls and long distance official call/s), shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income-Tax Act, 1961.

The Joint Managing Director shall be entitled to reimbursement of entertainment and other expenses incurred by him in connection with the business of the Company.

"RESOLVED FURTHER THAT where in any Financial Year during the currency of tenure of Joint Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to Shri Sharad Sharma, Joint Managing Director remuneration by way of salary and perquisites as specified supra, as minimum remuneration, subject to approvals, if any, as may be required."

"RESOLVED FURTHER THAT the Board of Directors may alter, vary, modify the terms and conditions of appointment of Shri Sharad Sharma from time to time during the tenure of his appointment as Joint Managing Director including the salary and perquisites payable to him, provided however that the total remuneration payable to him shall not at any time exceed the limit prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to complete all the necessary formalities including filing of necessary application before the Central Government and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this Resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 314 read with Director's Relatives (Office or Place of Profit) Rules, 2003 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such approvals or sanctions as may be necessary, consent of the Company be and is hereby accorded to the revision of the remuneration of Shri Rajesh Sharma, relative of Directors of the Company and holding the office as Executive Director of the Company, effective from 1st February, 2004 for the remainder term of his office up to 30th September, 2005, as under :

- A) Basic Salary : Rs. 40,000/- per month
- B) Other Perquisites :
 - i) Children Education Allowance Rs. 2,000/- per month
 - ii) Leave Travel Allowance and reimbursement of medical expenses for self and family equivalent to 2 months' Basic salary in a year or at actuals, whichever is less.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to complete all the necessary formalities and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this Resolution."

- 7) To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, and/or subject to the approvals, if applicable or required under any Statutes/ Rules/Regulations or any other law for the time being in force, and subject to the approval of Financial Institution(s)/Bankers and any other concerned authorities and subject to such terms and conditions as may be imposed by them, while granting any such permission or approval which the Board of Directors of the Company is hereby authorised to accept, consent of the Company be and is hereby accorded to the Board



GANESH POLYTEX LTD.

of Directors to sell, transfer or otherwise dispose off the whole and/or substantially the whole of undertaking of Unit II & III relating to Texturising operations of the Company, together with all its assets, licenses, permits, consents and approvals whatsoever, all the rights and benefits attached thereto, to one or more persons, companies or entities, at such price and on such terms and conditions, at such time and in such manner as may be decided by the Board of Directors or a Committee of Directors as may be appointed by the Board for the purpose, including the receipt of the consideration therefor in cash and partly by shares and/or debentures or any other securities or any other manner, with power to the Board of Directors or to the said Committee, in its absolute discretion, to finalize the terms and conditions, the means, methods or modes in respect thereof and to finalize and execute all required documents, including schemes of arrangements, deeds of assignment/conveyance and other documents and to do all such other acts, deeds, matters and things as may be deemed necessary and expedient in their discretion and in the best interest of the Company including the power to delegate to give effect to this Resolution."

Registered Office :
Raipur (Rania), Kalpi Road,
Distt. Kanpur Denat.
Dated : 12.06.2004

By order of the Board
LEENA JAIN
Company Secretary

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 /HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy in order to be effective must be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.
- 2) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Businesses under Item No. 5 to 7 as set out above is annexed hereto.
- 3) With respect to the Resolution at Item No. 7 of the Notice, members are required to vote only by Postal Ballot in terms of Section 192A of the Companies Act, 1956. Notice of Postal Ballot, Postal Ballot form alongwith prepaid postage envelope is enclosed. Votes cast otherwise than in the enclosed Postal Ballot form will be rejected. Please read the instructions in the Postal Ballot form carefully.
Depending upon the result of the Postal Ballot, the said Resolution will be confirmed/declared as having been passed on the date of the Annual General Meeting.
- 4) The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 21st September, 2004 to Friday, 24th September, 2004 (both days inclusive).
- 5) Pursuant to Section 205A of the Companies Act, 1956 dividends for the financial years 1990-92 and 1992-93 remaining unclaimed for three years have been transferred to the General Revenue Account of the Central Government.
- 6) Pursuant to Section 205C of the Companies Act, 1956, Share Application money refundable and remaining unclaimed for more than seven years has been transferred to the Investor Education and Protection Fund.
- 7) Members holding Shares in identical order of names in more than one folio are requested to write to the Company, enclosing the Share Certificates for consolidation of their holdings into one folio.
- 8) Members holding Shares in physical form may write to the Company's Registrar & Transfer Agents M/s Skyline Financial Services Pvt. Ltd. for any change in their address, if any, under their signatures clearly quoting their folio numbers, old address along with the changed address with Pin Code, and Members holding shares in electronic form may inform any change in address to their Depository Participants.

- 9) Members holding shares in electronic form are requested to provide their Client-ID and DP-ID numbers at the meeting for easy identification.
- 10) Members desirous of obtaining any information/clarification concerning the Accounts and Operations of the Company are requested to address their queries in writing to the Company Secretary atleast seven days before the Annual General Meeting, so that the desired information may be made available at the Annual General Meeting, if the Chairman permits to do so.
- 11) The shares of the Company are compulsorily tradable in demat form. The Equity Shares of the Company have been assigned ISIN **INE845D01014**. Members are requested to get their shares dematerialized at the earliest to make them tradable.
- 12) The relevant details in respect of Item no. 2, 3 and 5 pursuant to Clause 49 of the Listing Agreement are as below :

BRIEF PROFILE OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Particulars	Mr. Sharad Sharma	Mr. S.K. Kabra	Mr. R.K. Saxena
Date of Birth	10 th Oct., 1966	4 th April, 1944	11 th Dec., 1942
Date of Appointment	8 th April, 1992	19 th April, 1994	16 th May, 1988
Qualification	B. Com	B. Com, LL. B, FCA	M.A.
Expertise in specific functional area	Marketing. Engaged with the Company since 1992.	36 years experience in textile industry. Had been Managing Director for 11 yrs. in Shree Manufacturing Company Ltd.	42 years experience in State Government Departments, Worked in various capacities in Birla Group.
Chairman / Director of other Companies (excluding foreign Companies)	Nil	* Astha Textile Company Pvt. Ltd. * Jyotisheel Textile Company Pvt. Ltd. * Rockwell Industries Limited	Nil
Chairman / Member of Committee of the Board of Companies of which he is a Director	Nil	Nil	Nil

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ANNEXURE TO THE NOTICE :

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

Item No. 5

In view of the substantial increase in Company's operations and activities, the Board of Directors of the Company at its meeting held on 29th January, 2004 appointed Mr. Sharad Sharma as Joint Managing Director of the Company for a period of 5 years with effect from 1st February, 2004. Mr. Sharad Sharma has been associated with the Company since 1992 as Non Executive Director and is well acquainted with the Company's activities in all functional areas. Mr. Sharad Sharma, 38, is a commerce graduate and has experience of over 12 years in the field of commercial and marketing and the Board considered it appropriate to avail his experience and expertise by elevating him as Joint Managing Director of the Company. The terms and conditions of his appointment are in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and have been approved by the Remuneration Committee. Since there have been some defaults in meeting financial commitments with Financial Institutions, the appointment is subject to final approval of Central Government. The Board recommends the resolution for approval.

None of the Directors, except Mr. Sharad Sharma himself and Mr. Shyam S Sharma, Chairman - cum-Managing Director, being related to him may be considered as concerned or interested in the resolution.

The resolution along with accompanying Explanatory Statement may be treated as abstract of terms of appointment and Memorandum of Interest within the meaning of Section 302 of the Companies Act, 1956.

Item No. 6

The members of the Company had, at the 12th Annual General Meeting held on 22nd February, 2001, appointed Mr. Rajesh Sharma, a relative of Shri Shyam S. Sharma, Chairman - cum - Managing Director and Shri Sharad Sharma, Joint Managing Director, as Executive Director of the Company. Considering his experience and contribution made to the Company, it is proposed to revise his

remuneration to Rs. 42,000 per mensem. The Board feels that the increase in remuneration is reasonable and in accordance with the prevailing industry trends. As required under Section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003, the proposal is placed for the approval of shareholders.

None of the Directors, except Mr. Shyam S Sharma, Chairman - cum-Managing Director and Mr. Sharad Sharma, Joint Managing Director, being related to him may be considered as concerned or interested in the resolution.

Item No. 7

The Board of Directors of the Company after due consideration of relevant factors and long term viability of business has decided to restructure the Company's operations. Accordingly, it is proposed to exit out of Texturising activities by disposing off the Texturising Undertaking of the Company comprising of Unit No. II & III in best possible manner. Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of the members of the Company in General Meeting sell, transfer, lease or otherwise dispose off the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Accordingly, in terms of the provisions of Section 293(1)(a) read with Section 192A of the Companies Act, 1956 approval of the members is being sought by way of intended resolution through Postal Ballot process for disposal of the said undertaking. The Board of Directors of the Company accordingly, commends the Ordinary Resolution for approval by the members by exercising their voting rights through Postal Ballot. A Postal Ballot Form is being sent alongwith the Notice.

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

Registered Office :
Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat.
Dated : 12.06.2004

By order of the Board
LEENA JAIN
Company Secretary



GANESH POLYTEX LTD.

DIRECTORS' REPORT

TO THE MEMBERS OF GANESH POLYTEX LIMITED

Your Directors take pleasure in presenting the Fifteenth Annual Report together with the Audited Statement of Accounts of the Company for the period ended 31st March, 2004.

FINANCIAL RESULTS

The summarized Financial Results of the Company for the period ended 31st March, 2004 as compared to the preceding year are as under :-

	2002-2004 (18 months)	(Rs. in Lacs) 2001-2002 (12 months)
Sales and Other Income	7743.59	4594.68
Profit before Interest and Depreciation	734.50	331.04
Less : Interest and Finance Expenses	402.03	221.10
Less : Depreciation	230.61	151.33
Profit / (Loss) before Tax	101.86	(41.39)
Provision for Tax - Current	-	-
- Deferred Tax Benefit (Net)	22.43	18.22
Profit / (Loss) after Tax	124.29	(23.17)
Deferred Tax Liability (Net) for earlier years	-	(49.46)
Surplus/(Deficit) brought forward from previous year	(49.19)	23.44
Transferred to Debenture Redemption Reserve	(19.20)	-
Surplus/(Deficit) carried to Balance Sheet	55.90	(49.19)

DIVIDEND

With a view to conserve resources for Working Capital requirements and Normal Capital Expenditure, your Directors considered it prudent not to recommend any dividend for the period under review.

OPERATIONS

Your Directors are pleased to report that the operations of the Company during the period under review have improved significantly in tandem with the upturn in the Textile Industry which had been reeling under recessionary phase for long. Turnover during the period recorded an increase of around 12% on annualized basis and stood at Rs. 7743.59 Lacs as against Rs. 4594.68 Lacs in the previous year. The Company achieve Net Profit of Rs. 124.29 Lacs as against loss of Rs. 23.17 Lacs in the preceding year. The exports during the period were significantly improved at Rs. 811.25 Lacs as against Rs. 256.41 Lacs in the preceding year and the production during the year also recorded a growth of around 18.5% over previous year on an annualized basis.

The improvement in the performance of the Company has been possible mainly on account of improved capacity utilization, better realization both at domestic and export front, cost reduction and operational efficiency improvement measures under taken by the Company.

The performance of the Company during the Current Year continues to be encouraging and barring unforeseen circumstances, your Directors expect your Company to turnout even improved results during the Current Year as well.

FINANCE

During the period under review, the Company has repaid in full the Term Loan of IFCL. Although, the Company has been regular in payment of Term Loan of State Bank of India and, State Bank of Bikaner & Jaipur there have been some delays in repayment of Term Loan of IDBI which is being re-phased.

DIRECTORS

Pursuant to thy provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri R. K. Saxena and Shri S. K. Kabra Directors of the Company retire from the Board by rotation and being eligible they have offered themselves for re-appointment.

In view of increased operations of the Company the Board has appointed Shri Sharad Sharma as Joint Managing Director of the Company with effect from 1st February, 2004. The matter of appointment is placed for your

approval at the ensuing Annual General Meeting which is subject to final approval of the Central Government.

AUDITORS

The term of office of the present auditors of the Company, M/s. Mehrotra Rakesh Kumar & Co., Chartered Accountants, Kanpur expires at the conclusion of ensuing Annual General Meeting and being eligible they have confirmed their willingness to accept office, if re-appointed. The Audit Committee and your Board recommend their re-appointment.

Regarding Auditor's observations at Para 9 (i) of their Report on delay in deposit of statutory dues in respect of Provident Fund and Income Tax deducted at source, the delays have been mainly on account of strained cash flow position and have been regularized subsequently.

Regarding Auditor's observations at Para 11 of their Report, the default in adherence to the repayment schedule of IDBI have been occurred due to strained cash flow position. However, the Company has submitted a fresh proposal for rescheduling of their dues which is pending for approval.

Other observations of Auditors in their Report read with Accounts are self explanatory and do not call for any further information/clarifications.

PARTICULARS OF EMPLOYEES

As none of the employees of the Company was in receipt of remuneration in excess of limits prescribed, information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not required to be given.

DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company state in respect of the period ended 31st March, 2004 that :

- in preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- 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 of the Company for that year;
- they 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 fraud and other irregularities;
- they have prepared Annual Accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As per requirements of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are annexed hereto, forming part of this report.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, from part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis on matters relating to the business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their appreciation for the co-operation and support extended by various departments of Central and State Government(s), Financial Institutions, Bankers and Business associates.

Your Directors also wish to place on record their appreciation to all the employees for their sincere and dedicated services rendered to the Company and are also grateful to all the members of the Company for reposing continued trust and confidence in the management of the Company.

For and on behalf of the Board

Place : Kanpur
Dated : 12.06.2004

Shyam S. Sharma
(Chairman & Managing Director)

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ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE PERIOD ENDED 31ST MARCH, 2004.

I. CONSERVATION OF ENERGY

- (a) *Energy conservation measures taken :*
Use of LDO in place of HSD as fuel for generators.
- (b) *Additional Investment and proposals, if any, being implemented for reduction of consumption of energy :*
The Company is constantly on the watch for various modes and areas of conservation of energy. Investments, therefore, will be considered after identification of such areas.
- (c) *Impact of the measures taken above :*
The adoption of energy conservation measures as mentioned above have resulted in substantial saving of energy and has consequently caused a reduction in the cost of goods produced.
- (d) *Total energy consumption and energy consumption per unit of production :*

FORM A

A. Power and Fuel Consumption	Current Period (2002-2004)	Previous Year (2001-2002)
1. Electricity		
(a) Purchased :		
Unit (KWH in lakhs)	(-)	(-)
Total amount (Rs. in lakhs)	(-)	(-)
Rate /KWH (in Rs.)	(-)	(-)
(b) Own Generation :		
(Through Diesel Generators)		
Unit (KWH in lakhs)	137.24	84.90
Unit per Litre of Diesel Oil	3.56	3.52
Cost / Unit (in Rs.)	4.77	3.96
2. Coal		
Quantity (Kgs. in lakhs)	15.87	10.37
Total Cost (Rs. in lakhs)	31.15	25.29
Average rate	1.96	2.44
B. Consumption per unit of production		
Fibre, Yarn and other goods (Kgs. in lakhs)	151.61	85.24
Electricity (in KWH)	0.91	1.00
Coal (in Kgs.)	0.10	0.12

FORM B

II. TECHNOLOGY ABSORPTION :

RESEARCH AND DEVELOPMENT

Specific areas in which R & D carried out by the Company

The Company is having an ongoing process of Research and Development where regular studies and exploration is carried out for introduction of new products and minimization of by Production of waste during various processes.

Expenditure on R & D

As the Company has inducted latest technology and installed modern plant & machinery, the expenses involved in research & development are not significant, therefore, the same have not been accounted for separately.

Technology absorption, adaptation and innovation

1. *Efforts in brief, made towards technology absorption, adaptation and innovation :*
The Company has inducted the latest technology in the plant, which has been fully absorbed.
2. *Benefit derived as a result of the above efforts :*
Product improvement, product development, energy saving, cost reduction etc.
3. *Technology Imported - NIL*

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Period (2002-2004)	(Rs. in Lacs) Previous Year (2001-2002)
A) Foreign Exchange earnings	811.25	256.41
B) Foreign Exchange outgo		
1. Import of Raw Materials	625.64	90.96
2. Expenditure on - Travelling	2.71	1.52
- Others	0.03	0.37

For and on behalf of the Board

Shyam S. Sharma
(Chairman & Managing Director)

Place : Kanpur
Date : 12.06.2004



GANESH POLYTEX LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT:

The Textile Industry is heritage industry of India dating back several centuries. This has undergone changes in sync with global trends. Traditionally, India is well known for its fine cotton and silk fabrics. Man Made Fibres (MMF) entered India in 20th Century as "Art Silk" and since then the share of cotton in India has gradually reduced from 90% of all fibres in 1972 to about 58% by year 2002.

The growth of MMF in India has been led by Polyester. Unlike the past, polyester is no longer a rich man's fibre in our country. Thanks to deregulation and fiscal reforms in the last few years, which reduced import duties and rationalised excise taxation on the polyester chain, polyester has at last become the cheapest raw material for the textile industry.

There is tremendous potential for further growth. From apparel to home textiles and further beyond to technical textiles, there is long way for Indian companies to travel before the polyester consumption by an average Indian reaches near to an American or a Chinese as the per capita consumption of polyesters in India is still very low at around one kilogram as against China's 4.3 kg and 16 kg of United States.

OPPORTUNITIES & THREATS:

India is one of the largest and one of the fastest growing economies in the world. It has averaged an annual GDP growth rate of 6% over the last several years, which has improved the overall prosperity of the population. The consumer market is therefore improving further with favourable factors such as rationalization of taxes, reduced import tariffs and a young growing segment that is willing to spend more.

The Government's initiatives to recognize the Textile Industry as a key thrust area and ongoing measures like rationalization of yarn duties, along with measures to enhance the industry's global competitiveness, will ensure rapid and permanent growth.

Moreover, with the countdown to the year 2005 started, the Textile Industry in India and world over are finalizing their strategies to face a quota free Textile World. Technically, from January 1, 2005 any country can export Textile Products to any other country without any restriction. It will result in tremendous competition among various yarn and fabric manufacturers to hold and increase their market share in world Textiles & Clothing. The strength India enjoys in term of cheap and skilled manpower, excellent product quality and low cost of production will provide an excellent opportunity to the Indian Polyester Industry. This will increase export volumes significantly, which will result in increased consumption a both PSF and PFY.

SEGMENTWISE PERFORMANCES:

Overall the domestic sales during the Financial Period 2002-04 increased by 6.39% on annualized basis as compared to the previous Accounting Period while the export sales during the period under review recorded a jump of 112.31% (on annualized basis) over the previous accounting period.

YARN:

During the Financial period under review volumes have increased by 10.70% (on annualized basis) as compared to the previous accounting period. However, the margins, Dyed/Texturised Polyester yarn being the processing industry, are under severe pressure with the intensification of competition. The Company is trying to tap the Export Markets and also developing value added products to address the lower margins.

RE-GENERATED PSF:

During the Financial Period under review Total Sales increased by 67.66% (on annualized basis) as compared to the previous Accounting Period. Exports under the segment during the period under review have improved significantly as compared to previous year.

OUTLOOK:

Globally 59% of the total consumption of Polyester is in Non-Apparel segments such as Home Textiles, Automotives and Industrial. In India, however, such usage is negligible at present. It is estimated that 92% of Polyester fibre consumed in India is used in Apparels, 6% in Home Textiles and 2% in the Rest (Industrial and Automotive). With the enhanced thrust on Technical Textiles, growth of the Non-Apparel segment is on the anvil.

Regenerated PSF, with market share of 25%, mainly used in Non-Apparel/ Non-Woven segment, will continue to remain the growth driver with the sustainable growth of user Industry as well as finding of further application in new usages. The main thrust of the Company, in times to come, shall remain in exploring the further export markets and capture the same to the optimum level.

RISK AND CONCERNS:

Textiles is a truly global Industry that is subject to various uncertainties and adversities including amendment in Government policies and regulations. The current duty structure for finished goods and a relatively traditional processing sector could effect the overall growth of the market.

Opening of world market post 2004 will pose the Industry towards immense opportunities to become a larger sourcing destination for International markets. However, the country may not be able to tap this opportunity as the quality of finished fabrics primarily depends on the quality of weaving and processing.

There are financial risks to the Company of being posed towards financial constraints on interests and other counts from Bankers and financial institutions from which the Company has borrowed funds.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Well qualified and experienced professionals at the plant play a crucial role in planning and implementation. Adherence to systems and operating procedures is ensured by the accountability brought to internal audits. The Company has adopted internal control system commensurate with its size. Through the Audit Committee, the Company ensures its implementation and compliance so that asset and business interests of the Company are adequately safeguarded. The Company has made in-house arrangements for the internal audits and the reports by the Internal Auditors are discussed at the Audit Committee Meetings.

FINANCIAL AND OPERATIONAL PERFORMANCE:

Please refer the Director's Report.

HUMAN RESOURCES:

For the Company, the quality of people is more important than any of the other assets. The relations between the employees and the Company remained cordial throughout the year. The Company had 90 Office Staff and 373 Workers Staff as on 31st March, 2004.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the Textile Industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.

FIFTEENTH ANNUAL REPORT

CORPORATE GOVERNANCE REPORT 2002-2004

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Company. The Company believes that good corporate governance contemplates that corporate actions balance the interest of all stakeholders and satisfy the tests of accountability, transparency and fair play. The Company believes that all its operations and actions must be directed towards enhancing overall shareholder value.

2. BOARD OF DIRECTORS

The Board of Directors consists of six Directors. The Composition of the Board of Directors and other relevant details are given below :

Name of the Director	Category	No. of Board Meetings attended	Whether present at the last Annual General Meeting	No. of other Directorships (Including directorship of private companies)	No. of membership of other Board Committees	No. of other Committees of which the Director is a Chairperson
Mr. Shyam S Sharma	Promoter Executive Director	9	Yes	1	Nil	Nil
Mr. Sharad Sharma	Promoter Executive Director	8	Yes	Nil	Nil	Nil
Mr. Vishnudutt Khandelwal	Promoter Non-Executive Director	9	No	1	Nil	Nil
Mr. R. K. Saxena	Non-Executive/ Independent Director	2	No	Nil	Nil	Nil
Mr. S. K. Kabra	Non-Executive/ Independent Director	3	No	3	Nil	Nil
Mr. Anoop Gupta	Non-Executive/ Independent Director	4	No	3	Nil	Nil

During the financial period 2002-2004 9 Board meetings were held. These Board meetings were held on 30th December, 2002, 27th January, 2003, 25th March, 2003, 26th April, 2003, 30th July, 2003, 29th October, 2003, 11th December, 2003, 29th January, 2004 and 22nd March, 2004.

Last Annual General Meeting of the Company was held on 29th March, 2003.

3. AUDIT COMMITTEE

The Board of Directors of the Company has constituted an Audit Committee, which was re-constituted in the Board meeting held on 25th March, 2003 and 11th December, 2003, now comprising of four non-executive directors majority of whom are independent viz., Shri Anoop Gupta (having accounting and financial knowledge), Shri S. K. Kabra (having accounting and financial knowledge), Shri R. K. Saxena and Shri V. D. Khandelwal.

The constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

The terms of reference of the Committee are as enumerated below :

- a) To have periodical discussions about the internal control system, scope of audit and their observations.
- b) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that financial statements are correct, sufficient and credible.
- c) Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other services.
- d) Reviewing the annual financial statements before submission to the Board, focusing primarily on :-
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement of management.
 - Qualification (s) in draft audit report.
 - Significant adjustments arising out of audit
 - The going concern assumption.
 - Compliance with Accounting Standards.
 - Compliance with stock exchange(s) and legal requirements concerning financial statements.
 - Any related party transactions i.e., transactions of the Company of material nature with promoters of the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.



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- e) Physical verification of fixed assets, inventories and maintenance of proper records.
- f) Reviewing the working of external and internal auditors, the adequacy of internal control system.
- g) Discussion with internal auditors on any significant findings and follow up thereon.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussion with external auditors before the audit commences about nature and scope of audit as well as has post audit discussions to ascertain any area of concern.
- j) Any other matter that may be referred to the Committee by the Board.

During the financial period ended 31st March, 2004 six Audit Committee meetings were held on 30th December, 2002, 27th January, 2003, 26th April, 2003, 30th July 2003, 29th October, 2003 and 29th January, 2004. The head of Finance Function, head of Internal Audit and the Statutory Auditors were invited to be present at the Audit Committee meetings. The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee meetings.

Details of the attendance at the meetings are as follows :

S.No.	Name of Directors	Meetings Attended
1.	Shri Anoop Gupta	3
2.	Shri S. K. Kabra	4
3.	Shri V. D. Khandelwal	3
4.	Shri Shyam S Sharma*	2
5.	Shri Sharad Sharma**	5
6.	Shri R. K. Saxena***	1

* Ceased to be member of the Committee w.e.f. 25th March, 2003.

** Ceased to be member of the Committee w.e.f. 11th December, 2003

*** Joined as member of Committee w.e.f. 11th December, 2003

Ms. Leena Jain, Company Secretary of the Company also acts as Secretary to the Committee.

The Committee, inter-alia, has reviewed the financial statements including Auditors Report for the period ended 31st March, 2004 and has recommended its adoption, records of related party transactions and reports related to compliance of laws.

4. REMUNERATION COMMITTEE

The Board of Directors of the Company has set up a Remuneration Committee at the Board Meeting held on 11th December, 2003 with following Directors viz., Shri S. K. Kabra (Chairman), Shri R. K. Saxena and Shri V. D. Khandelwal.

The Remuneration Committee has been constituted to consider and make recommendations to the Board regarding executive and managerial level compensation, incentive and benefit programs and changes thereto.

The Committee met on 29th January, 2004 to consider and recommend the remuneration package for Shri Sharad Sharma proposed to be appointed as Joint Managing Director of the Company.

Details of Remuneration to Directors for the Financial period 2002 - 04

Name of Director(s)	Status	Salary & Perquisites (Rs.)	Sitting Fee (Rs.)	Professional Fee (Rs.)
Mr. Shyam S Sharma	Chairman & Managing Director	11,70,000/-	-	-
Mr. Sharad Sharma	Joint Managing Director	1,00,000/-	11,000/-*	-
Mr. V. D. Khandelwal	Non-executive Director	-	17,000/-	-
Mr. Anoop Gupta	Independent and Non-executive Director	-	4,000/-	-
Mr. S. K. Kabra	Independent and Non-executive Director	-	7,000/-	-
Mr. R. K. Saxena	Independent and Non-executive Director	-	6,000/-	-

* Paid before being appointed as JMD w.e.f. 1st February, 2004.

5. SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

The Committee consists of three members and is headed by Mr. V. D. Khandelwal a Non-Executive Director. The Committee looks into all the matters relating to transfer of shares, issuance of duplicate share certificates and redressal of investors grievances like non-receipt of annual reports, non-receipt of dividend warrants. The Committee also oversees the working of Registrar and Transfer Agents of the Company.