

24th
Annual Report
2003-2004

For GINI SILK MILLS LTD.

Deepal Karalle
Director



Gini Silk Mills Limited

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TWENTYFOURTH ANNUAL GENERAL MEETING

On Tuesday, the 26th day of October, 2004
at 4.30 p.m. at GREEN ROOM,
Garware Club House, Wankhede Stadium,
'D' Road, Churchgate,
Mumbai – 400 020.

As a measure of economy, copies of
the Annual Report will not be
distributed at the Annual General
Meeting. Share holders are
requested to kindly
bring their copies to
the meeting.

CORPORATE INFORMATION**BOARD OF DIRECTORS****Vishwanath Harlalka***(Chairman)***Deepak Harlalka***(Managing Director)***Ramprasad Poddar***(Director)***Rajendra Kumar Rajgarhia***(Director)***Dinesh Poddar***(Director)***REGISTERED OFFICE**

Chamber Bhavan (3rd Flr.)

232/34 Kalbadevi Road

Mumbai – 400 002

CORPORATE OFFICE

9, Rasik Niwas (2nd Flr.)

75 'F' Road, Marine Drive

Mumbai 400 020

WORKS

E-15, MIDC, Tarapur, (Boisar)

Dist. Thane, Maharashtra

31 B, Govt. Industrial Estate

Phase II, Piparia, Silvassa (D & NH) 396230

AUDITORS**M/s. Vatsaraj & Co.**

Chartered Accountants

BANKERS

State Bank of India

Bank of Maharashtra

REGISTRARS & TRANSFER AGENTS**Bigshare Services Pvt. Ltd.**

E/2 Ansa Industrial Estate

Sakivihar Road, Sakinaka

Andheri (E), Mumbai 400 072



ANNUAL REPORT 2003-2004

NOTICE

NOTICE TO MEMBERS

NOTICE is hereby given to the Shareholders of **GINI SILK MILLS LIMITED** that **TWENTY FOURTH Annual General Meeting** of the Company will be held on **Tuesday, the, 26th October, 2004 at 4.30 P.M. at Green Room, Garware Club House, Wankhede Stadium, 'D' Road, Churchgate, Mumbai - 400 020** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance sheet as on 31st March, 2004 and Profit and Loss Account for the year ended on that date along with the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Shri. Vishwanath Harlalaka, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri. Dinesh Kumar Poddar, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board

Vishwanath Harlalaka
Chairman

Regd. Office:

Chamber Bhavan, 3rd Floor
232/34 Kalbadevi Road
Mumbai - 400 002

Place : Mumbai

Date : 17th September, 2004

Notes:

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. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The Register of Members and Share transfer Books will remain closed from 15th October, 2004 to 26th October, 2004 (both days inclusive).
3. The Company has entered into agreement with both the depositories viz. National Securities Depository Ltd. (NSDL) and Central depository Services (India) Ltd. (CDSL) for custody and dematerialisation of securities. Members having Physical holdings can avail the depository facilities by approaching any of the depository participants of NSDL or CDSL. For further information, the shareholders may contact directly to the Company's Registrars and Share Transfer Agents, M/s. BIGSHARE SERVICES PRIVATE LIMITED, Mumbai. (Tele. Nos. 28470652, 28470653 & 28475207).
4. Besides at Mumbai, the Company's shares were listed also at Ahmedabad Stock Exchange. During the current year, the shares are now delisted at the stock exchange, Ahmedabad. At present therefore the Company's shares are being traded only at the Stock Exchange, Mumbai.
5. Due to the floods on 2nd and 3rd August' 2004 at Silvassa Factory the following assets have been affected for which the Company has lodged insurance claim.

ASSETS

- i) Plant & Machinery and factory premises
- ii) Inventories
- iii) Stores & Spares

CLAIM AMOUNT

Rs. 234.37 Lacs
Rs. 99.21 Lacs
Rs. 3.96 Lacs

6. The Company has paid the Annual Listing fees for the Financial year 2004 -05.
7. Members are requested to bring their copy of the Annual Report and Accounts to the Meeting.

By Order of the Board

Vishwanath Harlalaka
Chairman

Regd. Office:

Chamber Bhavan, 3rd Floor
232/34 Kalbadevi Road
Mumbai - 400 002

Place : Mumbai

Date : 17th September, 2004



DIRECTORS' - REPORT

DIRECTOR'S REPORT

To
The Members,

Your Directors have pleasure in presenting the **TWENTY FOURTH** Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2004.

(Rs. in Lacs)

FINANCIAL RESULTS

	2003-2004 (Rs.)	2002-2003 (Rs.)
Net Sales/ Income from operations	2064.59	3807.11
Other Income	39.07	29.04
	<u>2103.66</u>	<u>3836.15</u>
Profit (before interest, depreciation and taxation)	108.13	354.75
Interest	1.92	31.14
Depreciation	122.18	126.50
Provision for Current Taxation	0	73.00
Deferred Tax	(13.98)	(9.70)
Net Profit after Tax	(1.99)	133.81
Add : Balance brought forward From Previous year	481.50	346.41
Income Tax paid for earlier year	0	1.28
Profit Available for appropriation	<u>479.50</u>	<u>481.50</u>

APPROPRIATIONS

Balance carried to Balance Sheet	479.50	481.50
Total	<u>479.50</u>	<u>481.50</u>

DIVIDEND

Your Directors regret for not having recommended any dividend for the year under report as the Company has incurred loss during the year.

DIRECTORS:

Shri. Vishwanath Harlalaka and Shri. Dinesh Kumar Poddar, Directors of the Company are liable to retire by rotation and being eligible, offers themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

The Directors state that-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) the directors have selected such accounting policies and applied them consistently and made judgment 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 covered under this Report and of the profit of the Company for the year;
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your company and its Board of Directors has complied with requirements of the Report on Corporate Governance to the extent set out in the enclosed report pursuant to Clause 49 of the Listing Agreement. Management Discussion and Analysis forms part of this report. Auditors Certificate for compliance of the conditions of Corporate Governance is also attached to the report.

AUDITORS

M/s. Vatsaraj & CO., Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to re-appoint them as Auditors of the Company till the conclusion of the next Annual General Meeting.

FIXED DEPOSITS

The Company has not accepted or renewed any deposits from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

PARTICULARS OF EMPLOYEES:

There are no employee drawing remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 (as amended) and hence no details as required to be annexed to this report are given.

ENVIRONMENT AND SAFETY MEASURES

i) EFFLUENT CONTROL

Effluent at Process House unit at Tarapur is carefully monitored and treated conforming to the requirements of the State Pollution Control Board and at Silvassa the unit is of non-polluting in nature.

ii) SAFETY

The Process equipments have built-in safety system and all the employees are well trained for safe working of plant operations. Adequate fire protection system is installed for the safety of men, material and machinery at all the units of the Company.



iii) INSURANCE

Your Company continued to cover all assets at Tarapur & Silvassa unit mainly; plant & machinery, building, materials, stocks, furniture & fixtures against possible risks like fire, flood, terrorism and earthquake.

INDUSTRIAL RELATIONS

The industrial relations at both the plants of the Company during the year under review continued to be cordial throughout the year.

PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.

Information in accordance with the provisions of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 regarding conservation of energy technology absorption and foreign exchange earnings and outgo is given in the statement annexed hereto forming part of the Report.

LISTING OF SHARES & SECURITIES

The Company's Shares are being listed on the following Stock Exchanges:

1. THE STOCK EXCHANGE, MUMBAI
P. J. Towers, Dalal Street, Fort, Mumbai - 400 001 (Regional)
2. THE STOCK EXCHANGE, AHMEDABAD
Kamdhenu Complex, Panjarapole, Ahmedabad - 380 015
(Listing of Shares has since been delisted voluntarily at this Stock Exchange w.e.f. 18/08/2004.)

ACKNOWLEDGEMENT:

Your Directors would like to place on record their appreciation for the co-operation and assistance received from the financial institutions and banks, for the utmost confidence reposed in the management by the shareholders and customers during the year under review. Your Directors wish to thank for the services of the executive, staff and workers of the Company at all levels for their dedication, devotion, determination and discipline.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 17th September, 2004

VISHWANATH HARLALKA
Chairman





ANNEXURE TO DIRECTORS' REPORT (FORM - A) (See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

PART 'A'

POWER & FUEL CONSUMPTION

	2003-2004	2002-2003
(1) ELECTRICITY		
A Purchased		
Unit (KWH)	4082075	4161093
Total Amount (Rs.Lacs)	123.78	129.46
Rate per unit (Rs.)	*3.03	3.11
B OWN GENERATION		
Through Diesel Generator :		
Units (KWH)	191020	123913
Units Per Ltr.of Diesel oil	3.58	3.35
Cost per unit (Rs.)	4.68	5.17
(2) COAL		
Quantity (Kgs.)	4827050	5166575
Total Cost (Rs. In lacs)	**118.15	**121.70
Average rate per Kg. (Rs.)	2.44	2.36
(3) GAS		
Quantity (Kgs.)	10115	8517
Total Cost (Rs. In lacs)	2.93	2.37
Average rate per Kg. (Rs.)	28.95	27.85
(4) DIESEL OIL		
Quantity (K.Ltrs)	50398	37.28
Total cost (Rs.Lacs)	8.94	6.40
Average Rate Per Ltr. (Rs.)	17.74	17.17
(5) FURNACE OIL		
Quantity (K.Ltrs)	10.00	20.00
Total cost (Rs.Lacs)	1.15	2.36
Average Rate Per Ltr. (Rs.)	11.53	11.79

NOTE : * in cluding demand charges ** including Transport charges

PART 'B'

CONSUMPTION PER UNIT OF PRODUCTION ENERGY

ENERGY

FABRICS PROCESSING (PER METER)

	Current Year	Previous Year
Electricity (Kwh.)	0.14	0.12
Coal (Kgs.)	0.40	0.34

ENERGY

TEXTURISING YARN (PER KG)

	Current Year	Previous Year
Electricity (Kwh.)	1.42	1.74

A. CONSERVATION OF ENERGY

The Company's operation involves low energy Consumption Nevertheless energy Conservation measures have already been taken wherever possible. Efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

B. TECHNOLOGY AND TECHNICAL ABSORPTION AND ADOPTION

1. TECHNOLOGY ABSORPTION

The Company's present manufacturing activities are such that the same do not require any specialised Technology, since in India, technical know-how for Textile Industries has been standardised and is being used in the Industry. Besides, the Promoters of the Company are engaged in Textile business since last 3 decades and the business is inherited. In view of the above, the question of technical absorption and adaptation does not arise.

2. RESEARCH & DEVELOPMENT

At present the company does not have separate division for carrying out Research and Development work. No expenditure has therefore been earmarked for this activity.

for and on behalf of the Board

PLACE : MUMBAI
DATED : 17th September, 2004

VISHWANATH HARLALAKA
CHAIRMAN.



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development:

Greater changes are taking place in the global economy and nations are trying hard to adjust themselves to cope with them. The Textile Industry, a major sector of the Indian economy, is rapidly reorienting and restructuring itself to keep pace with the fast changing times.

Industrial scenario in the Textile sector remained unchanged during the year under review with stagnant domestic, market and fierce competition in the market. However, we are confident of sustained growth through a series of initiatives in the area of product development technological upgradation.

2. Opportunities and Threats:

At a time when the whole textile world is looking forward to abolition of bilateral quotas by the end of this year and removal and/ or closure of capacities in the developed countries, there are significant opportunities of exporting fabrics in the form of converted garments. This will help the industry to export higher volume and also export products where value addition is higher. To take benefit of these opportunities, the company has already made the capacity to produce and process the fabrics to cater the need of Ready made garment manufacturers/ Exporters.

Lowering the Import duties on textile machineries and their parts and exemption of excise(optional) is a welcome step and will go a long way in reducing overall burden on textile sector. However inflow of smuggled fabrics and spurious fabric material with counter felt, fake and misleading selvedge & wrong description & stamping, if not stopped immediately, can become a big threat to the domestic market.

3. Segmentwise Performance:

Presently, company is dealing in two-segment activity namely; Yarn processing & Fabric processing.

PROCESSING OF FABRIC:

The production in the Company's Process House at Tarapur (Maharashtra) i.e. Dyeing & printing of textile fabrics was 1,18,84,411 Mtrs. as against 1,50,41,298.50 Mtrs. in previous year. The Company

has installed all type of value added processing machines to cater all type of market needs.

YARN PROCESSING:

Total Production during the year in texturising yarn was 17,96,842.820 Kgs. and in twisted yarn 65,870.180 Kgs. against last year production of 14,44,364.370 Kgs.

FABRIC SALES:

During the year the Company has stopped the trading activity in Fabric division.

4. Outlook:

Industrial scenario in the Textile Sector remained unchanged during the year under review with stagnant domestic market and fierce competition in the international market. The Division is, however, confident of sustained growth through a series of initiatives in the areas of product development, technological upgradation and strengthening of distribution network.

5. Internal Control Systems and Their Adequacy:

Since inception of the Company, the management is very much concerned about the adequacy of Internal Control System. It is aware that for a multi-faceted growth of any organization, only the strict overall control & efficient supervision can check all the operations, whether minor or major, and such control are backbone of any commercial establishment or manufacturing units.

The management of your Company has left no stone unturned in this direction. It has an its Internal Audit team with well-experienced and hard working personnel as also recently constituted an Audit Committee of the Board, which frequently check and review authenticity of the figures in coordination with the Internal Audit.

This system is therefore found quite adequate with the result that to-day your Company has cemented its footing in the market and has come out successfully in keen competition, be it from organized or unorganized sectors.

6. The Financial and Operational Performance:

As reflected in our last year's Report, the financial statement given in the Report of the Directors for the financial year 2003 -2004 is quite satisfactory. It reflects the genuine steps taken by the management for transparency and best judgment for the estimate made to correctly reflect the true & fair affairs of the Company.

7. Human Resource Development:

The people of any industry serve as propeller for upliftment of the industry and thus indirectly contribute the National Product and to this to the exchequer of India. The management has always remained conscious of these related factors and maintained a

favorable climate during the year to suit the growth and excellence in the Company. The management as always has kept cordial relationship between the staff, workers and management. This attitude created an atmosphere where each and every staff and worker started feeling a sense of " ONENESS".

8. Cautionary statement:

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statements as important factors could influence the company's operations such as Government policies, political and economic development etc.



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CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company firmly believes in good Corporate Governance and envisage the attainment of transparency in all matters of Management of the Company and in reporting to the Share Holders and all other concerned.

2. BOARD OF DIRECTORS

The present strength of Board of Directors is 5 (Five), whose composition and category is given below:

- ◆ One - Promoter, Executive Director
- ◆ One - Promoter, Non Executive Director
- ◆ Three - Independent Directors

(A) THE CONSTITUTION OF THE BOARD AS ON MARCH 31, 2004

The Composition of the Board of Directors and also the number of other Board of Directors or Board Committees of which they are member/ Chairperson are given below:

Directors	Category	No. of other Directorship		No. of other Committee positions	
		Public	Private	Member	Chairman
Vishwanath S. Harlalka	Promoter, Non Executive	1	4	-	-
Deepak V. Harlalka	Promoter Executive	1	6	-	-
Ramprasad Poddar	Independent	6	3	-	-
Dineshkumar Poddar	Independent	5	2	-	-
Rajendrakumar Rajgarhia	Independent	5	1	-	-

None of the Directors is a member in more than ten committees and acts as chairman in more than 5 committees across all the companies in which they are Director.

(B) BOARD PROCEDURE

Agenda is sent to each Director in advance of Board and Committee meetings to enable the Board discharge its responsibilities effectively, the Executive Director briefs the Board at every meeting on the overall performance of the Company, followed by discussion by the Directors. The Board also reviews:

- Strategy and business plans
- Operations and capital expenditures
- Finance and Banking operations
- Adoption of quarterly/half yearly/ annual results

- Compliance with statutory/ regulatory requirements and review of major legal issues
- Significant labour issues

(C) ATTENDANCE OF EACH DIRECTORS AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

During the year ended March 31, 2004, Six Board Meetings were held on April 30, 2003, July 31, 2003, August 11, 2003, September 16, 2003, October 31, 2003, and January 29, 2004.

Name of the Directors	Category of Directorship	No. of Board Meeting Attended	Attendance at the Last AGM held on 13.09.2003
Shri. Vishwanath S. Harlalka	Chairman	6	Absent
Shri. Deepak V. Harlalka	Managing Director	6	Present
Shri. Ramprasad Poddar	Independent Director Non Executive	6	Present
Shri. Dineshkumar Poddar	Independent Director Non Executive	6	Present
Shri. Rajendrakumar Rajgarhia	Independent Director Non Executive	4	Absent

(D) DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT :

The brief particulars of the Directors of the company, being eligible for re-appointment as Directors, retiring by rotation at the ensuing Annual General Meeting are as follows:

(i) Shri. Vishwanath Harlalaka

Shri Vishwanth Harlalaka, aged about 63 years, is a B.Com, L.L.B. Since last 3 ½ decades, he gained wide experience and knowledge of Textile Industry. He is the main brain behind successfully promoting " GINI " Group of Companies and brought this " GINI " Brand to a level of highly accredited and accepted brands in the present textile market. Besides GINI SILK MILLS LIMITED., he has promoted six other Companies.

His directorship and Committee Membership of the Board of other Limited Companies as on date is as follows:

Name of the Company	Position	Committee Membership
Gini Tex Private Limited	Director	-
Harilaka Silk Mills Pvt.Ltd.	Director	-
Shree Gini Texturising Pvt. Ltd.	Director	-
Gini Syntex Pvt.Ltd..	Director	-
Ashirwad Capital Ltd..	Director	-

(ii) **Shri. Dinesh Kumar Poddar**

Shri Dinesh Kumar Poddar aged about 36 yrs, is a B.Com., MBA, MS(USA communication) and is also actively involved in " VINAYAKA" group of Companies dealing with Textile Industries since inception of his career. Apart from this, he has also contributed, to the best of his ability, to the group Investment and Finance Companies. In the group, he is the key person to introduce an effective technology in the field of investments and finance. Besides this Company, Mr.Dinesh Poddar is also a Director/Executive Director on the Boards of Directors of the Companies under the " VINAYAKA " Group.

His directorship and Committee Membership of the Board of other Limited Companies as on date is as follows:

Name of the Company	Position	Committee Membership
Swasti Vinayaka Synthetics Ltd.	Director	-
Ashirwad Capital Ltd.	Director	-
Swasti Vinayaka Finvest Corporation Ltd.	Director (Executive)	-
Mon Passon (India) Ltd.	Director	-
Swasti Vinayaka Investech Ltd.	Director	-
IVY league Fashions Pvt.Ltd.	Director	-
Elan Relators India Pvt.Ltd.	Director	-

3. COMMITTEES OF THE BOARD:

The Board of Directors has Constituted three committees of the Board - (i) The Audit Committee (ii) Remuneration Committee and (iii) Shareholders/Investors Grievance Committee.

i) AUDIT COMMITTEE**BROAD TERMS OF REFERENCE**

The audit committee has been vested with powers, which include the following:

- to investigate any activity within its terms of reference;
- to seek information from any employee;
- to obtain outside legal or other professional advice;

- to secure attendance of outsiders with relevant expertise if it considers necessary.

The role of the audit committee includes the following:

- Review of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgment by management.
 - c. Qualifications in draft audit report.
 - d. Significant adjustments arising out of audit.
 - e. The going concern assumption.
 - f. Compliance with stock exchange and legal requirements concerning financial statements.
 - g. Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- 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.
- Discussions with external auditors before the audits commences, nature and scope of audit