

GRATEX INDUSTRIES LTD.

17th Annual Report

2000 - 2001

OPPORTUNITIES OPENING OUT NOW.

...Success a Matter of Time

Our Mission

To be leaders in the business of Wallcoverings, Nationally and Globally, through excellence in Quality and Service, providing the best of product - mix to the market. To build up market infrastructure through Direct-marketing, Franchising, I.E.N. [Independent Entrepreneur Network] & I.K.N. [Independent Karigar Network], so as to provide a single window "Total Interior Surface Solution" [TISS] to the Customer.*

** [The I.K.N. will be drawn from socially & educationally disadvantaged youth, equipping them with technical skills and helping them earn with dignity]*

17TH ANNUAL REPORT 2000-2001

GRATEX INDUSTRIES LIMITED

Board of Directors :

Nana Chudasama	(Chairman)
Baldev Sharma	(Managing Director)
Promila Sharma	(Director)
K.P.Bhardwaj	(Director)
Mona Menon	(Director)
Karan Sharma	(Director)

Registered Office :

108, Kakad Udyog Bhavan,
L.J.Road, Mahim,
Mumbai - 400 016.

Factory :

Gratex House,
TTI Industrial Area, Khairne,
Thane - Belapur Road,
New Bombay - 400 703.

Auditors :

B.H.Patel & Co.
22, Popat Wadi, Kalbadevi Road,
Mumbai - 400 002.

Bankers :

Bank of Maharashtra,
Gadkari Chowk Branch,
Dadar, Mumbai - 400 028.

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GRATEX INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of Gratex Industries Limited will be held on Friday, 21st September, 2001 at Gaints International, 2nd Floor, Orient Club Building No. 9, Chowpatty Seaface, Mumbai - 400 007, at 11.30 a.m to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as on 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint Director in place of Mrs. Promila Sharma, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Director in place of Mr. Karan Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s B.H.Patel & Company, Chartered Accountants to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

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 the proxy need not be a member. Proxies, in order to be effective, should be duly completed, stamped, signed and 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 of the Company shall remain closed for 4 days from Tuesday the 18th September, 2001 to Friday the 21st September, 2001, both days inclusive, for the purpose of AGM.
3. Members are requested to bring their copies of the Annual Report at the meeting.
4. Members are requested to intimate to the Registered Office of the Company changes, if any in their postal address immediately.

By Order of the Board
For Gratex Industries Limited

Baldev Sharma
Managing Director

Place : Mumbai

Date : 6th August, 2001

Registered Office :

109, Kakad Udyog Bhavan,
L.J.Road, Mahim, Mumbai - 400 016.

The Following Information is being furnished in terms of Clause 49 of the Listing Agreement in respect of Directors retiring by rotation and proposed to be reappointed.

Particulars	Mrs. Promila Sharma	Mr. Karan Sharma
Date of Birth & Age	March 2, 1949 - 52 years	July 4, 1979 - 22 years
Appointed on	4 th August, 2000	27 th September, 2000
Qualifications	B.A	B.Com
Expertise in specific Functional areas	Mrs. Promila Sharma is the Chief Executive Officer of M/s Marshalls Group, an apex Body of the Group since 1975. She has 26 years of experience in Wallcovering business, and is actively involved with the Company.	Mr. Karan Sharma joined as Chief Executive Officer heading the Production & Marketing division of the Factory. He has 7 years of wide experience in Business and Industry.
Directorships held in Other companies (excluding Foreign companies)	—	—
Memberships / Chairmanships of Committees across public companies	—	—

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DIRECTORS' REPORT**TO THE MEMBERS OF GRATEX INDUSTRIES LIMITED**

Your Directors present the Seventeenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2001.

1. FINANCIAL RESULTS :*(Rs. in lacs)*

	2000-01	1999-00
i. Income from Operations	215.75	181.60
ii. Total Expenditure	252.26	169.32
iii. (Loss)/Profit before Interest & Depreciation	(36.51)	12.28
iv. Interest	9.29	13.46
v. Depreciation	6.04	6.31
vi. (Loss)/Profit After Tax	(51.85)	(7.49)

2. DIVIDEND :

No dividend recommendation was possible during the year under the Companies Act, in view of the extent of loss posted for the year.

3. PERFORMANCE REVIEW :

The year 2000-01 has, without doubt, been the most difficult year in the Company's history. The Wallpaper sector which has a direct correlation to the level of industrial activity, has felt the greatest impact from the slowdown in the economy. In spite of all the down trend in the national economy during the year, your Company has achieved an increase in the turnover from the corresponding previous year. The increase in Sales is by 19.57% and in manufacturing the turnover has increased by 27.54%. However the overall performance of the Company is showing a Net - Loss, although there is no Cash - Loss. This is mainly due to the adjustments made by the Company in withdrawing non-moving inventory in the current year. The Net Loss is more of a technical nature.

The greatest achievements of the Company is a break - through in major Hotel - chains like The Merriott, The Regent, Sea Princess, Lake Chelot. Your company has also bagged exclusive Rate Contract with M/s Barista Company for Supply & Decoration of their Franchisees on All-India basis.

4. DIRECTORS :

Mrs. Promila Sharma, Director and Mr. Karan Sharma, Director retire by rotation and being eligible, offer themselves for re-appointment.

5. PERSONNEL :

Your Directors wish to place on record their appreciation for the contribution made by the employees at all levels for the continued growth and prosperity of the Company.

6. AUDITORS :

M/s B.H.Patel & Co., Chartered Accountants of the Company, would be retiring at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

7. FIXED DEPOSIT :

During the financial year the Company had not accepted nor renewed any deposits from the public within the meaning of Section 58-A of the Companies Act, 1956.

8. PARTICULARS OF EMPLOYEES :

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forms part of this report.

No Employees are drawing salary in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

GRATEX INDUSTRIES LIMITED

9. DIRECTORS' RESPONSIBILITY STATEMENT :

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the period under review. Pursuant to Section 217 (2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii. Appropriate accounting policies have been selected and applied consistently and judgement and estimates that are reasonable and prudent have been made 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 loss of the Company for that period.
- iii. Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities have been taken to the best of their knowledge and ability.
- iv. The Annual Accounts have been prepared on a "going concern basis".

10. CORPORATE GOVERNANCE :

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated in the clause 49 of the listing agreement with the Stock Exchanges is annexed thereto.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO :**A. CONSERVATION OF ENERGY :**

The Company's operation do not involve substantial consumption of power, in comparison to the cost of production. However there are regulatory measures to ensure that the consumption of power is within the norms.

B. TECHNOLOGY ABSORPTION :

The Company has developed in-house technical know how.

C. FOREIGN EXCHANGE EARNING AND OUTGO :

Foreign Exchange earning of the Company during the year 2000-01 was Rs. NIL, while the outgo was Rs. 6,91,921.00.

12. ACKNOWLEDGEMENTS :

The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution during this extremely difficult year. The Directors would also like to thank the Employee Unions, Shareholders, Customers, Dealers, Suppliers, Bankers and all the other Business Associates for the continuous support given by them to the Company and their confidence in its management.

On behalf of the Board of Directors

NANA CHUDASAMA
Chairman

Place : Mumbai
Date : 6th August, 2001

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Gratex Industries Limited (GIL) believe that good corporate governance is essential to achieve long term corporate goals and to enhance stakeholder value. There is no one universal model of a Corporate Governance Code. Different environments need specific solutions to meet the demands of legal compliances and regulations. In this pursuit, for Gratex Industries Ltd, good Corporate Governance implies :

- a. Commitment to values.
- b. A high degree of transparency.
- c. Ethical business conduct.
- d. Uncompromising emphasis on integrity and regulatory compliances.
- e. Unlocking the intellectual capabilities and moral authority of the Board to help in enhancing shareholder value while being sensitive to the legitimate needs of other stakeholders.

2. BOARD OF DIRECTORS :

The Management of your Company is entrusted to the Managing Director and two Whole-time Directors of the Company. Your Board of Directors monitors Company performance, closely watches the performance of the Management, approves review strategy and evaluates Management performance.

Your Board ensures legal and ethical conduct and accurate financial reporting. It holds itself accountable not only to the shareholders but also other stakeholders for the long term health of the Company.

The company presently has six Directors. During the financial year 2000-2001, the Board met on six occasions i.e on 30/4/2000, 5/7/2000, 4/8/2000, 27/9/2000, 31/10/2000, 22/1/2001.

Names & categories of directors and details of meetings attended by them are given below :

Name of the Director	Category	No. of Meetings attended
Mr. Nana Chudasama	Chairman	3
Mr. Baldev Sharma	Managing Director	
	Promoter	6
Mrs. Promila Sharma	Non-Executive	3
	Promoter	
Mr. K.P.Bhardwaj	Whole-time Director	5
Mrs. Mona Menon	Director	5
Mr. Karan Sharma	Whole-time Director	5

The last Annual General Meeting of the members of the Board was held on 27/9/2000 which was attended by all the above Directors.

Directors seeking appointment / re-appointment :

Mrs. Promila Sharma, who was appointed as Additional Director on 4/8/2000 holds office upto the date of the ensuing Annual General Meeting. A notice has been duly received from a member proposing the candidature of Mrs. Sharma for the office of Director at the said meeting.

Mr. Karan Sharma, who was appointed as Additional Director on 27/9/2000 holds office upto the date of the ensuing Annual General Meeting. A notice has been duly received from a member proposing the candidature of Mr. Karan for the office of Director at the said meeting.

3. COMMITTEES OF THE BOARD :

a. Executive Committee of the Board :

Members :

Mr. Baldev Sharma, Mrs. Mona Menon, Mr. Karan Sharma

GRATEX INDUSTRIES LIMITED

1. To review various matters relating to the functioning of the Bank at periodical intervals.
2. To sanction expenditure (both capital and revenue) within the budgets approved.
3. To look into matters pertaining to finance, granting power of attorneys, and other day-to-day operations of the Company.

b. Share Transfer Committee :

Members :

Mr. Baldev Sharma, Mrs. Mona Menon, Mr. Karan Sharma

1. To approve transfer of shares received in physical form, issue of duplicate share certificates in lieu of those lost / misplaced and related matters.

c. Research and Development Committee (A voluntary initiative of the Company)

Members :

Mr. Baldev Sharma, Mr. K.P. Bhardwaj, Mr. Karan Sharma, Mrs. Mona Menon

The committee provides direction on key R&D and technology issues, including the R&D mission and strategy. The committee also reviews and makes recommendations on skills and competencies required, the structure and process needed to ensure that the R&D initiatives result in products that are in keeping with the business needs.

d. Nomination Committee.

Members :

Mr. Baldev Sharma, Mr. K.P. Bhardwaj, Mr. Karan Sharma

To look into aspects relating to appointment of Chairman, reconstitution of the Board of Directors, performance evaluation and appointment of top Management personnel and related issues.

d. Corporate Governance Committee

Members :

Mr. Baldev Sharma, Mr. Karan Sharma, Ms. Mona Menon.

To establish a model code of Corporate Governance and Monitor compliance of the same to ensure good corporate governance.

4. GENERAL BODY MEETINGS :

Details of the General Meetings held in the last 3 years.

Year	Type	Date	Venue
1999-2000	AGM	27/9/2000	109, Kakad Udyog Bhavan, L.J. Road, Mahim, Mumbai - 16.
1998-1999	AGM	29/9/1999	Gaings International, 2nd Floor, Orient Club Bldg. No.9 Chowpatty Seaface, Mumbai - 7.
1998-1997	AGM	30/9/1998	109, Kakad Udyog Bhavan, L.J. Road, Mahim, Mumbai - 16.

5. DISCLOSURES :

During the year under review, there were no materially significant related party transactions with its Promoter, Director, Management and Subsidiaries that had a potential conflict with the interest of the Company at large.

The Company has complied with various rules and regulations prescribed by Stock Exchange, Securities & Exchange Board of India or any other Statutory authority relating to the capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.