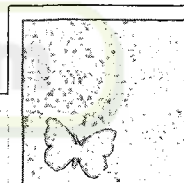
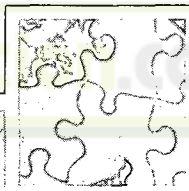
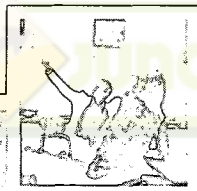




Gratex Industries Limited

**GRATEX**



ANNUAL REPORT  
2006-07

Gratex – Hallmark of Innovation

Annual Report 2006-07

GRATEX

## GRATEX INDUSTRIES LIMITED

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

## PROXY FORM

REGD. FOLIO NO. 

I/We .....  
 ..... being a Member/Members of the above named Company hereby appoint  
 ..... of  
 ..... in the District of ..... as my/our/proxy to vote  
 for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Saturday  
 29th September 2007 at 12 noon at Giants International, 2nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface,  
 Mumbai - 400 007.

Signed this ..... day of ..... 2007

Signature of Member

Affix a  
 Re. 1/-  
 Revenue  
 Stamp

Note:

- 1) A member entitled to vote at the meeting is entitled to appoint a proxy and vote instead of himself.
- 2) A proxy need not be a member.
- 3) The form duly completed should be deposited at the Registered Office of the Company not less than 48 Hours before the time holding the meeting.

## GRATEX INDUSTRIES LIMITED

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

## ATTENDANCE SLIP

REGD. FOLIO NO. NO. OF SHARES HELD 

I, hereby record my presence at the 23rd Annual General Meeting of the Company to be held on Saturday, 29th September 2007 at 12.00 noon at Giants International, 2nd Floor, Orient Club Bldg. No. 9, Chowpati Seaface, Mumbai - 400 007.

Name of the Shareholders (S) : .....

Name of Proxy : .....

Signature of Member / Proxy : .....

Note:

- 1) To be signed and handed over at the Meeting.
- 2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.

**Board of Directors :**

Baldev Sharma (Chairman and Managing Director)  
 Promila Sharma  
 K. P. Bharadwaj  
 Mona Menon  
 Karan Sharma  
 Pratap Menon  
 Pradeep Nagori  
 Gurvinder Singh Saggu

**Registered Office :**

109, Kakad Udyog Bhavan,  
 L.J.Road, Mahim,  
 Mumbai – 400 016.  
 Tel : 022 2437 6001  
 Fax : 022 2437 7013  
 Email : gratex@bom3.vsnl.net.in

**Registrars & Transfer Agents**

Adroit Corporate Services Pvt. Ltd  
 19, Jaferbhoy Industrial Estate,  
 Makwana Road, Marol Naka,  
 Andheri (East), Mumbai – 400 059  
 Tel : 022 2859 4060

**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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**NOTICE**

NOTICE is hereby given that the Twenty Third Annual General Meeting of Gratex Industries Limited will be held on Saturday, the 29<sup>th</sup> September, 2007 at 12 noon at Giants International, 2<sup>nd</sup> Floor, Orient Club Bldg No. 9., Chowpatty Seaface, Mumbai – 400 007., to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a 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. Pradeep Nagori, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Mr. Gurvinder Singh Saggu, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s B.H.Patel & Company, Chartered Accountants to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, and to authorize the Board of Directors to fix their remuneration.

**SPECIAL BUSINESS :****6. Appointment of Mr.Karan Sharma as Managing Director**

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

**"RESOLVED** that pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the Company hereby approves of the appointment and terms of remuneration of Mr.Karan Sharma as the Managing Director of the Company for a period of 5 years w.e.f April 1, 2008, upon the terms and conditions, including the remuneration to be paid in the event of inadequacy of profits in any financial year, as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Director to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr.Karan Sharma.

**RESOLVED FURTHER** that the Board of Directors or a Committee thereof of the Company, be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

**7. Preferential Allotment of 9,65,200 Equity Shares at par to Shri Baldev Sharma, Promoter of the Company**

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 81(1A) and all other applicable provisions, if any, of the Companies Act 1956 (including statutory modification(s), amendments or re-enactment thereof for the time being in force) and in accordance with the enabling provisions in the Memorandum and Articles of Association of the company and the Listing Agreement entered into between the Company with the Stock Exchanges, the subsisting guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI)/Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of directors of the company, consent of the company be and is hereby accorded to the board of directors of the company and / or a duly authorized committee thereof for the time being exercising the powers conferred by the board of directors (hereinafter referred to as "the board") in its absolute discretion, to offer /issue and allot 9,65,200 Equity Shares, at par, in accordance with the SEBI Guidelines, to the Promoter of the company as per the list mentioned in the explanatory statement attached to the notice convening this meeting, on a preferential basis, as the Board may in its absolute discretion decide, as the board considers fit, subject to the following :

1. The Equity Shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the company in all respects.
2. The relevant date for calculating the price for issue and allotment of the above equity shares is 31<sup>st</sup> August, 2007.
3. The Equity shares to be allotted shall rank pari passu with the existing equity shares of the company in all respects.
4. The allotment of Equity Shares do be done within 30 days from the date of approval of allotment.
5. An amount equal to the price fixed in relation to each of the Equity Shares shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the Equity Shares.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board / committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds.

FURTHER RESOLVED THAT the Board is hereby authorized to accept such terms and conditions as the Government of India, SEBI, The Reserve Bank of India Financial Institutions and / or Stock Exchanges may stipulate in that behalf.

FURTHER RESOLVED THAT the Board is hereby authorized to delegate all or any of the powers conferred on it by or under this resolution to any Committee of Directors of the Company or to any Director or Directors or any other officer(s) or employee(s) of the Company as it may consider appropriate in order to give effect to this resolution."

#### NOTES :

1. The relative Explanatory Statements pursuant to section 173 of the Companies Act, 1956, in respect of the business under Item No. 6 & 7 set out above and details under clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting, are annexed hereto.
2. 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. The Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than Forty-Eight hours before the time for holding the Meeting. Proxies submitted 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.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, September 26, 2007 to Saturday, September 29, 2007 both days inclusive, for the purpose of AGM.
4. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address/name etc., to their Depository Participant only and not to the Company's Registrar and Transfer Agents. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrars of Transfer Agents to provide efficient and better service to the Members.
5. Shareholders are kindly requested to avail of the Demat facility extended by the Company on both the Depository Participants i.e. NSDL and CDSL. This request is specifically made as majority of the Shareholders are still holding shares in physical form.

#### EXPLANATORY STATEMENT

Pursuant to section 173(2) of the Companies Act, 1956.

#### Item Nos. 6 :

The Board propose to appoint Mr. Karan Sharma as the Managing Director of the Company for a period of 5 years w.e.f April 1, 2008, subject to the approval of the Members.

Mr. Karan Sharma is a B.Com (Hons) Graduate from Mumbai University. Mr. Karan Sharma joined the Company in September, 2000 and has been responsible, in various executive position, for manufacturing, sales and marketing functions in the Company. The proposed remuneration and terms and conditions of appointment of Mr. Karan Sharma as Managing Director are given below :

- i. Tenure : For a period of 5 years commencing from April 1, 2008.
- ii. Nature of Duties : Mr. Karan Sharma ("the Appointee") shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with the Company.
- iii. Remuneration : Salary @ Rs.37,500/- per month inclusive of all perks.
- iv. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Appointee, the Company has no profits, or its profits are inadequate, the Company will pay remuneration by way of salary, as specified above.  
The aggregate of the remuneration as aforesaid shall be within the maximum limits as stipulated under sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act, as amended from time to time.
- v. The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion deem fit, within the maximum amounts payable to the Appointee, in accordance with the provision of the Act or any amendments made hereafter in this regard and subject to such approvals as may be required.



In compliance with the provisions of section 269, 309 and other applicable provisions of the Act read with Schedule XIII of the Act, the terms of appointment and remuneration specified above are now being placed before the members for their approval.

The Directors commend the resolution at Item No. 6 of the accompanying notice for approval of the members of the Company.

Mr. Karan Sharma is concerned or interested in Item No. 6 of the Notice.

#### Item Nos. 7 :

It is proposed to offer, issue and allot not more than 9,65,200 Equity Shares at par i.e. @ Rs.10 each to the Promoter Shri Baldev Sharma, on a preferential basis, vide Resolution No. 7 of this Notice.

#### b. Shareholding pattern before and after the issue :

The information on shareholding pattern before and after the preferential issue is given hereunder.

CATEGORY	Pre-Issue		Post-Issue	
	No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
<b>1. Promoters Holding</b>				
A. Indian Promoters	1302000	42.90	2267200	56.68
B. Foreign Promoters	Nil	--	Nil	--
<b>SUB TOTAL</b>				
<b>2. Non Promoters Holding</b>				
<b>A. Institutional Investors</b>				
a. Mutual Funds	Nil	--	Nil	--
b. Indian Financial Institutions / Banks				
c. FIIs	Nil	--	Nil	--
d. Indian Bodies Corporate	147800	4.87	147800	3.69
<b>B. Others</b>				
a. NRIs / OCB's	120600	3.97	120600	3.02
b. Indian Public	1464100	48.24	1464100	36.60
c. any other - Employees	300	0.02	300	0.01
<b>SUB TOTAL (A+B)</b>				
<b>GRAND TOTAL</b>	<b>3034800</b>	<b>100.00</b>	<b>4000000</b>	<b>100.00</b>

**Note :** The above post issue pattern is based on the assumption of allotment of Equity Shares.

#### c. Proposed time within which the allotment shall be completed:

The allotment shall be completed within 15 days from the date of passing of the resolutions in the EGM

#### d. Issue Price: The shares are to be issued at par i.e. @ Rs.10/-.

#### e. Identity of the proposed allottees and percentage of pre and post preferential issue is as under:

Name of the Promoter, Allottee	Pre Issue		Further Allotment	Post Issue	
	No Of Shares	%		No Of Shares	%
BALDEV SHARMA	843800	27.804	965200	1809000	45.225

**Note:** The above post issue pattern is based on the assumption of full allotment of Equity Shares.

## f. Change in the control or composition of the Board.

There will be no change in the control or composition of the Board after the preferential allotment

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, for preferential allotment. The Special Resolution as set out at the item 7 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the persons on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this Resolution.

A certificate from the Auditors of the Company certifying that the proposed preferential issue conforms to the subsisting guidelines issued by the SEBI will be available for inspection by the members of the Company during business hours i.e. from 10.00 A.M. to 5.00 P.M. on all working days at the Registered Office of the Company and also at the Meeting.

The Directors recommend the passing of the above resolution as a Special Resolution.

None of the Directors are interested or concerned except Mr. Baldev Sharma who would be allotted the shares under this preferential issue.

The information as required in terms of Clause 13.1B of the SEBI Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India (SEBI) on preferential issues are as under.

## a. Reasons &amp; Purpose of the issue:

In view of the funds required for expansion programme of Company's business, your company is exploring various financing options. In the first instance, the Promoter is investing in the business activities of the Company, by subscribing to the Equity Shares by way of Preferential Allotment.

## b. Intention of the Promoters to subscribe to the equity shares:

The intention and primary objective of the Promoter is to subscribe to the Equity Shares through this Preferential Issue and to make available scarce funds readily to finance the growth plans of the company.

There is no change in control of the company subsequent to the issue of Equity Shares by way of preferential issue.

Place : Mumbai.

Date : September 1, 2007

By Order of the Board of Directors  
For Gratex Industries Limited

## Registered Office:

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

Baldev Sharma  
Chairman and Managing Director

Details of the Directors seeking appointment/reappointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

**Mrs. Promila Sharma (58)** : Mrs. Promila Sharma is a B.A and is a Director since 2000. She is the Chief Operating Officer of M/s Marshalls Group an Apex Body of the Group since 1975. She has more than 28 years of experience in Wallcovering Business and is actively involved with the Company.

**Mr. Pardeep Nagori (51)** : Mr. Pradeep Nagori is a Practising Chartered Accountant. He was appointed as a Director of the Company from March 9, 2006.

**Mr. Gurvinder Singh Saggu (50)** : Mr. Gurvinder Singh Saggu is a B.Sc. He did his MBA in 1981. He has a career spanning 24 years in the field of Industrial Marketing and SBU Management. He was appointed as a Director of the Company from March 9, 2006.

## DIRECTORS' REPORT

**To the Members,**

Your Directors present the Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2007.

**1. Financial Results :**

	2006-07 (Rs. in lacs)	2005-06 (Rs. in lacs)
i. Income from Operations	303.40	262.28
ii. Total Expenditure	275.60	237.82
iii. Profit before Interest & Depreciation	24.46	27.80
iv. Interest	3.04	2.65
v. Depreciation	5.53	5.88
vi. Profit After Tax	19.23	15.93

**2. Dividend :**

In view of the nominal Profit made by the Company, your Board is of the view to defer the dividend in order to consolidate the financial position of the Company.

**3. Operations :**

During the year under review, your Company has posted a Net Profit of Rs.19.23 lacs, as compared to Rs.15.93 lacs in the previous year.

Your Company is concentrating on upgrading the P&M by adding new & latest technology Control Panels on GF Plant as well as on our RP Plant. Additions were also made by purchase of slitting machines for efficient edge trimming & border cutting facility.

During the year your Company has put special emphasis on the infrastructure development to build up the Wallpaper Industry, by starting and conducting courses for Wallpaper Installation Training. Your Company has also worked on anti-fungal testing of adhesives both with imported and local ingredients, with this the Directors hope to minimize the fungus problems caused during the monsoons.

Your Directors propose to focus on high value brands like ethnic, special made to order, & Imported Wallpapers

Your Directors are quite awake and are taking necessary steps to beat the competition and prove our competitive competence to usher in Progress and Prosperity to Gratex, its Employees and Shareholders.

**4. Directors**

Mrs.Promila Sharma, retires by rotation and being eligible has offered herself for re-appointment.

Mr.Pradeep Nagori, retires by rotation and being eligible has offered himself for re-appointment.

Mr.Gurvuinder Singh Saggu, retires by rotation and being eligible has offered himself for re-appointment.

**5. 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.

**6. 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.

**7. Particulars of Employees :**

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.



**8. Directors' Responsibility Statement**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the Directors hereby confirm that :

- i. in the preparation of the Annual Accounts for the year 2005-06, the applicable Accounting Standards have been followed and there are no material departures;
- ii. they have, in selection of the accounting policies consulted the statutory auditors 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 as at the end of the financial year and of the profit of the Company for the financial year;
- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the Annual Accounts on a going concern basis.

**9. Corporate Governance Report and Management Discussion and Analysis Statement**

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis statement.

**10. 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 2006-07 was USD 2,596 while the outgo was EURO 82,791.60, USD 13,976.85 and GBP 3,068.20.

**11. 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 the 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

Mumbai, September 1, 2007

Baldev Sharma  
Chairman and Managing Director