

Gratex Industries Limited

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GRATEX

Annual Report 2007-08

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]*

Values

Leading change. Integrity. Respect for the Individual.

Excellence, Learning and Sharing.

24th Annual Report 2007-2008**Board of Directors :**

Baldev Sharma (Chairman)
 Karan Sharma (Managing Director)
 K.P.Bharadwaj
 Mona Menon
 Promila 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

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.

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

Bankers :

Bank of Maharashtra,
 Gadkari Chowk Branch,
 Dadar, Mumbai – 400 028

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NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of Gratex Industries Limited will be held on Tuesday, September 23, 2008 at 12 noon at Giants International, 2nd 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, 2008 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 Mr. K.P.Bharadwaj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pratap Menon, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Mona Menon, who retires by rotation and being eligible, offers herself 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. •

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 6 days from Thursday, the 18th September, 2008 to Tuesday, the 23rd September, 2008 both days inclusive, for the purpose of AGM.
3. Members are requested to bring their copies of the Annual Report at the meeting.
4. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, M/s Adroit Corporate Services Pvt. Ltd. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
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.

Place : Mumbai.
Date : July 28, 2008

By Order of the Board
 For Gratex Industries Limited

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

Baldev Sharma
 Chairman

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	Mr. K. P. Bharadwaj	Mrs. Mona Menon	Mr. Pratap Menon
Date of Birth	July 10, 1933	April 26, 1975	June 12, 1973
Date of Appointment	October 1, 1994	October 1, 1995	August 10, 2004
Qualifications	Bachelor of Science degree in D.C.E and Engineering Diploma from City and Guild Institute of London	B.Com + Interior Designer	B.Com + D.M.M.
Expertise in specific functional areas	Expertise in Technology & Operations Management and General Management	Wide experience in Marketing & Corporate Management.	He has 10 years of experience in Marketing and General Management. He is heading the Dealer Market with Network spread all over India.
Directorships held in other Public Companies (excluding foreign companies)	Nil	Nil	Nil
Memberships/ Chairmanships of committees of other public companies (Includes only Audit and Shareholders / Investors Grievance Committee)	Nil	Nil	Nil
Number of Shares held in the Company	5300	138200	1000

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, 2008.

1. Financial Results:

	2007-08 (Rs. in Lacs)	2006-07 (Rs. in Lacs)
i. Income from Operations	378.99	303.40
ii. Total Expenditure	349.85	275.60
iii. Profit before Interest & Depreciation	29.14	27.80
iv. Interest	3.51	3.04
v. Depreciation	5.88	5.53
vi. Profit After Tax	19.67	19.23

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. 19.67 lacs, as compared to the loss suffered of Rs. 19.23 in the year 2006-07.

During the year with the increase of imports by the market sources directly, marketing our Wallpapers is a great challenge. It further adds to the woes because of in-ordinate increase in cost of raw materials, which incidentally are oil based like PVC, DOP and others and the inflation screamingly touching 12% on one hand and on the other hand the inability to enhance the product prices because of import dumping at lower prices. To counter this a very new and innovative premium product has been developed and introduced in the market under the name "PEARLS" and its success is inevitable as seen from the initial reaction of the market. In the present scenario we are cutting costs at every level and negotiating with the market for catalyzing the sale. In the meantime we are also concentrating on imports of finished product in collaboration with Marshalls who are financing us in the importation.

Our net result is showing profit though the operational area is in the red. We are very hopeful that we shall be able to overcome the challenges and give our shareholders their dues.

4. Directors

All the Directors of the Company are continuing.

Mr. K.P.Bharadwaj, retires by rotation and being eligible has offered himself for re-appointment.

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

Mrs. Mona Menon, retires by rotation and being eligible has offered herself 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 2007-08, 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 2007-08 was USD 8400 while the outgo was EURO 137402.37 USD 15713.00 GBP 3453.40 and CHF 1087.50.

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

Baldev Sharma
Chairman

Mumbai
July 28, 2008

MANAGEMENT DISCUSSION & ANALYSIS**Industry Structure, Developments and Outlook**

Gratex Industries Limited, is the No.1 Wallpaper manufacturing Company in India and commands a market share of 60% in its segment. In addition to being well known in the Industry as a pioneer, its product commands a strong brand image. GIL has been in the forefront in launch of new designs which makes a life-style statement. Our focus is also on the Industrial Consumer and this will significantly expand the market base.

During the year, the Company has consolidated on the area of setting up the infrastructure for efficient Warehousing of Imported Stocks and Network Marketing on all India basis.

GIL is also focused on making its infrastructure strong by extending Karigar Training Classes and Contractor / Sale Staff Training Programme by establishing a formal Gratex Academy. The Company intends to train at least 50 Karigars per annum, who would enter the Wallpaper Field every year.

Significant upgradation is also made by the Company by up-grading the Adhesives used and providing technical back up support for post sales problems.

Opportunities and Threats

With sharp increase in the cost of PVC, DOP, Gas fuel prices and other fixed overheads, the Company is finding it difficult to survive in the Wallpaper Industry. The Company finds Importing as a better and economical option. GIL believes that Imports would help the Company to survive in this line of activity.

The Company has achieved an increase of around 75% in the Trading Sales through Imports.

Risks and Concerns

During the year, the prices of fuel gas rose by 25%, thereby creating a significant impact on the cost of Wallpapers. The Company is unable to absorb this increased input costs at present.

In spite of taking up measures like raising the minimum run production quantity, running 3 shifts with full load for continuous production, the manufacturing unit is being uneconomical and taking away the profit generated by the Trading Unit of the Company.

Internal Controls

Your Company has a system of Internal Controls to ensure that all its assets are properly safeguarded and not exposed to risks arising out of unauthorized use. The Internal Control system is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted to adhere to laid down policies and procedures.

The Company has an Audit Committee of the Board of Directors which meets regularly to review, inter alia, risk management policies, adequacies of internal controls and the audit findings on the various segments of the business.

Financial Performance

Discussion on financial performance with reference to operation performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis.

Human Resources

Your Company has arrived at an amicable settlement with the Union with all arrears concerning wage revision being paid. Peace and harmony between Employer and Employee prevailed during the year.

In order to optimize the contribution of the employees to the Company's business, several incentive and development programmes for all levels of employees have been conducted. Occupational Health and Safety

are given utmost importance. Emphasis was placed on in-house technical training of the employee to upgrade their operating skills.

Resources and Liquidity

The Company finances its working capital requirements by internal sourcing. The Company avails of Cash Credit facility for Bank of Maharashtra, in the range of Rs.10 to Rs.15 lacs. Even thro' the Company's turnover is marginal the Debt Equity Ratio continues to be high and very favourable, since there are hardly any debts.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments with India and the countries in which the Company conducts business and other incidental factors.

Mumbai, July 28, 2008

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