

Gratex Industries Ltd.

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25th

ANNUAL REPORT
2008-2009

25th Annual Report 2008 - 2009**Board of Directors :**

Baldevkrishan 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,

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 Fifth Annual General Meeting of Gratex Industries Limited will be held on Tuesday, 8th September, 2009 at 12.30 p.m. 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, 2009 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 appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT subject to the confirmation of the Registrar of Companies, the Objects Clause of the Memorandum of Association of the Company be amended by altering : Main Objects Clause III A (1) and inserting new Clause (2) under the heading III A and new Clause (3) under the heading III B : The Objects Incidental or Ancillary to the Attainment of the Main Object and renumbering the existing clauses suitably."

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 will remain closed from Friday, 4th September, 2009 to Tuesday, 8th September, 2009 (both days inclusive).
- 3) Members are requested to bring their Attendance slip along with their copy of Annual Report to 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.

Place : Mumbai.

Date : 01.08.2009

Registered Office

109, Kakad Udyog Bhavan,

L.J.Road, Mahim, Mumbai – 400 016.

By Order of the Board
For **Gratex Industries Limited**

Karan Sharma
Managing Director

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

Item No. : 6

Your Company intends to expand the scope of the activities carried on and is of the opinion that the present market is conducive for activities like import, assemble, manufacture, trade interior products such as decorative lighting and fittings of all sorts which include CFL, LEDS and others, Ceramic, Vitrified floors or others, wooden flooring, laminate flooring, vinyl flooring and other fabrics, decorative materials, furnishing and others, mattresses,

cushions, pillow, pillow covers, bed sheets, bed covers of all sorts and others, artifacts, handicraft products, novelty products and others.

Your Company is also of the opinion that the activities pertaining to development of IT products, customized solutions etc can also contribute to enhance the turnover of the Company.

The stated business will under the existing circumstances be carried on conveniently and advantageously. Therefore, it is proposed to amend the Objects Clause of the Memorandum of Association of the Company be amended by altering: Main Objects Clause III A and III B Objects Incidental or Ancillary to the Attainment of the Main Object.

The Directors recommend that the proposed Special Resolution be passed and require the approval of the shareholders. The Directors recommend that the adoption of the resolution is in the interest of the Company. None of the Directors of the Company have an interest in the proposed resolutions except as Shareholders of the Company.

By Order of the Board
For Gratex Industries Limited

Place : Mumbai.
Date : 01.08.2009

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

Karan Sharma
Managing Director

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. Fromila Sharma | Mr. Pradeep Nagori | Mr. Gurvinder Singh Saggi |
|---|---|---------------------------------|--|
| Date of Birth | 02/03/1949 | 14/07/1956 | 23/07/1957 |
| Date of Appointment | 09/09/1992 | 09/03/2006 | 09/03/2006 |
| Qualifications | B.A. | B.Com, LLB, FCA, DISA(ICAI) | B.Sc. & MBA. |
| Expertise in specific functional areas | She is actively associated with the Company for last 3 decades. | Practicing Chartered Accountant | He has a career spanning 24 years in the field of Industrial Marketing and SBU Management. |
| Directorships held in other Public Companies (excluding foreign companies) | Marshall's Enterprise India Private Limited | 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 | 290100 | NIL | NIL |

DIRECTORS' REPORT

TO

THE MEMBERS

Your Directors have pleasure in presenting the 25th Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2009.

FINANCIAL RESULTS

| | (Amount in Lacs) | |
|---------------------------------------|---------------------|----------------------|
| | CURRENT YEAR | PREVIOUS YEAR |
| | 31.03.2009 | 31.03.2008 |
| Income from Operations | 392.26 | 378.99 |
| Total Expenditure | 404.45 | 349.85 |
| Profit before Interest & Depreciation | (11.90) | 29.14 |
| Interest | 3.35 | 3.51 |
| Depreciation | 3.17 | 5.88 |
| Profit After Tax | (18.44) | 19.67 |

DIVIDENDS

Owing to the loss incurred by the Company, your Directors do not recommend any Dividend for the financial year ended March 31, 2009.

REVIEW OF OPERATIONS

During the year under review, your Company has suffered loss on account of slowdown in economic conditions. During the year with the increase of the imports in the market of cheap Chinese wallpaper directly by traders, marketing our wallpaper was a challenge. The Company was forced to put a halt on the Manufacturing Business due to heavy losses suffered by the Company owing to spiraling costs. The members were further informed that even after concrete and sincere efforts by the Company, like reduction in brands from 12 to 5 and reducing inventory through discounts, the costs went beyond reach. The very idea and vision of the Management that running an Industry is a Service to the Community, it was not able to sustain and thus the Core Management had taken a consensus decision to stop the production and manufacturing for the time being. However on the other hand, the Import Sales of the Company increased tremendously which is very encouraging for the Company and also driving the profits. In this direction the Company has imported many shipments and new brands and at the same time given repeat orders of existing product range. The company is getting good response from the market.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during this year.

DIRECTORS

At the ensuing Annual General Meeting, Mrs. Promila Sharma, Mr. Pradeep Nagori and Mr. Gurminder Singh Saggi, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment. You are requested to re-appoint them.

None of the Directors are disqualified from being appointed as Directors as specified in section 274(1)(g) of the relating to material departures if any;

As required under the Listing Agreement particulars of the Directors seeking re-appointment at the ensuing Annual General Meeting have been given.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:-

- followed in the preparation of the Annual Accounts, the applicable the applicable accounting standards

with proper explanation relating to material departures if any;

- selected such accounting policies and applied them consistently and made judgments 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 or loss of the Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- prepared the annual accounts on a going concern basis

AUDITORS

M/s B.H. Patel & Co., Chartered Accountants, the Auditors to the Company, retires at the ensuing Annual General Meeting of the shareholders of the Company, and is however, eligible for re-appointment.

The Board of Directors have obtained a confirmation from him that, if re-appointed, their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Yours Directors recommend his re-appointment as Auditor at the ensuing Annual General Meeting.

PERSONNEL

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employee) Rules, 1975 as amended to-date is not attached as no Employee is in receipt of remuneration in excess of limits prescribed there under.

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

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of Energy and Technology absorption respectively, are not applicable.

Foreign Exchange earning of the Company during the year 2008-09 was NIL while the outgo was EURO 2,40,759 ; USD 31,441; GBP 7,196 .

CORPORATE GOVERNANCE

Your Company continues to be a pioneer in benchmarking your corporate governance policies. Our efforts are widely recognized by our investors. Your company believes it to be essential towards fostering and maintaining various stakeholder's confidence. Good corporate governance is the integral part of the Company part of the Company's value system.

A certificate from the Auditor's of the Company regarding compliance with the provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement and Corporate Governance Report are annexed hereto.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A statement of Management Discussion and Analysis is attached to this Report.

ACKNOWLEDGEMENTS

The Board takes this opportunity to thank all the Employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from shareholders, bankers, customers and all other business associates.

We look forward to continued support of all these partners in progress.

Place : Mumbai.

Date : 01.08.2009

By Order of the Board
For **Gratex Industries Limited**

Registered Office

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

Karan Sharma
Managing Director

REPORT ON CORPORATE GOVERNANCE**1. Company's Philosophy on Corporate on Corporate Governance:**

Your Company believes in adopting and adhering to the best recognized corporate governance practices and continuously benchmarking itself against each such practice. Company understands and respects its fiduciary role and responsibility to shareholders and strives hard to meet their expectations. Company believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

Company has infused the philosophy of corporate governance into all its activities. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit.

2. Board of Directors and Meetings:

The present strength of the Board of Directors of the Company is eight Directors. Five Board Meeting were held in 2008-09. The composition of Board of Directors on the date of the report is as follows:-

| Names of the Directors | Category of Directorship | No. of meeting attended | Attendance at the last AGM | No. of other Directorship |
|---------------------------|-------------------------------------|-------------------------|----------------------------|---------------------------|
| Mr. Baldevkrishan Sharma | Chairman, Executive | 5 | Yes | 1 |
| Mrs. Promila Sharma | Non-Executive, Promoter | 5 | Yes | 1 |
| Mr. K.P.Bharadwaj | Non-Executive, Independent Director | 4 | Yes | NIL |
| Mrs.Mona Menon | Non-Executive Promoter | 5 | Yes | 1 |
| Mr. Karan Sharma | Managing Director, Executive | 5 | Yes | 1 |
| Mr. Pratap Menon | Non-Executive Independent Director | 5 | Yes | NIL |
| Mr. Pradeep Nagori | Non-Executive Independent Director | 5 | Yes | NIL |
| Mr. Gurvinder Singh Saggu | Non-Executive Independent Director | 4 | Yes | NIL |

3. Audit Committee :

The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement read with the Section 292 A of the Companies Act, 1956. The members of the Audit Committee are:

| Name | Number of Audit Committee meetings attended |
|---------------------------|---|
| Mr. Pradeep Nagori | 4 |
| Mr. Gurvinder Singh Saggu | 4 |
| Mr. Pratap Menon | 4 |

The Audit Committee met Four times during the year 2008-2009.

4. Investors/Shareholders Grievance Committee :

The investors/Shareholders Grievances Committee overseas functions like issuance of physical share certificates on re materialization of shares, issuance of duplicate share certificates, redressing grievances

received from the investors like non receipt of dividends and Annul Report and suggesting measures to improve investor satisfaction.

| Names of the members | Designation |
|---------------------------|-------------|
| Mr. Gurvinder Singh Saggu | Chairman |
| Mr. Karan Sharma | Member |
| Mr. Pradeep Nagori | Member |

Mr. Gurvinder Singh Saggu is the chairman of the investors grievance committee. The other members of the committee are Mr. Pradeep Nagori Independent director of the company and Mr. Karan Sharma, Managing Director of the company. The Company had received no complaints during the year from the shareholders and all of them have been resolved to the satisfaction of the shareholders. The committee met once during the year.

5. Details and Remuneration of Directors

The aggregate value of salary and perquisites paid for the year end 31st March, 2009 to the directors does not exceed the prescribed limit.

6. General Body Meetings

Details of the Last three AGM's are as follows :

The last three AGM of the company were held at :

General Body Meetings :

Location and time, where last 3 years' General Meetings were held :

| Date & Time | Location | Special Resolution Passed |
|-----------------------------|---|---------------------------|
| September 29, 2008; 12 noon | Giants International, 2 nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai – 400 007 | NIL |
| September 29, 2007; 12 noon | Giants International, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai – 400 007 | Yes (*) |
| September 29, 2006; 12 noon | Giants International, 2 nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai – 400 007 | NIL |

* - Appointment of Mr.Karan Sharma as Managing Director.

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

The shareholders have passed all the resolutions set out in the respective notices.

7. Other Disclosures :

(a) Related Party Transactions

Disclosures on materially significant related party transaction i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company at large.

(b) Disclosure of Accounting Treatment

In the preparation of financial statement, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountant of India to the extent applicable.

(c) Code of Conduct

The Board of Directors has adopted the Code of Ethics and Business Principles for the Non-Executive Directors as also for the employees including Managing Director / Whole-Time Directors and other Members of the Management.

- (d) Details of non-compliance by the Company, penalties, strictures, imposed on the Company by Stock Exchange or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years : None**

8. Means of Communication

- Quarterly results Yes
- Shareholders Grievance email Id gratexinvestor@ gmail.com
- Newspapers in which results are normally published in Financial Express in English and Apla Mahanagar in Marathi.
- AGM: Date, Time and Venue Tuesday, 8th September, 2009 at 12.30 a.m. at Giants International, 2nd Floor, Orient Club Bldg.No.9,Chowpatty Seaface, Mumbai – 400 007.
- Financial Calendar 31-3-2009
- Date of Book Closure Friday, 4th September 2009 to Tuesday, 8th September, 2009
- Listing on stock exchange Yes
- Registrar and Transfer Agents The Adroit Corporate Services Pvt. Ltd,12/20 Jaferbhoy Industrial Estate, Makawana Road, Marol Naka, Andheri (East), Mumbai. – 400 059.
- Share Transfer System R & T AGENTS
- Distribution of shareholding and share holding pattern as on 31-3-2009
- Outstanding GDRs /ADRs /Warrants or any convertible instruments conversion date and likely impact on equity NIL
- Address for correspondence. Regd.Office: 109, Kakad Udyog Bhavan, L.J.Road, Mahim, Mumbai – 400 016.

9. The Distribution of Shareholders as on 31.03.2009 is as follows :

| No. of equity shares held | No. of Folios | % | No. of shares | % |
|---------------------------|---------------|--------|---------------|--------|
| 1-500 | 3970 | 91.39 | 639422 | 21.07 |
| 501-1000 | 182 | 4.19 | 154100 | 5.08 |
| 1001-2000 | 105 | 2.42 | 160478 | 5.29 |
| 2001-3000 | 18 | 0.41 | 44500 | 01.47 |
| 3001-4000 | 18 | 0.41 | 64100 | 2.11 |
| 4001-5000 | 14 | 0.32 | 67200 | 2.21 |
| 5001-10000 | 15 | 0.35 | 118900 | 3.92 |
| 10001-ABOVE | 22 | 0.51 | 1786100 | 58.85 |
| Grand Total | 4344 | 100.00 | 3034800 | 100.00 |