

GRATEX INDUSTRIES LIMITED

...progressing towards sustainable growth

28th

ANNUAL REPORT

2011 - 2012

28th Annual Report 2011 - 2012

Board Of Directors :

Baldevkrishan Sharma - Chairman
Karan Sharma - Managing Director
Promila Sharma
Mona Menon
Pratap Menon
K.P. Bharadwaj
Pradeep Nagori
Gurvinder Singh Saggu

Registered Office :

109, Kakad Udyog Bhavan,
L.J.Road, Mahim,
Mumbai - 400 016.
Tel : 022 - 40702120/21
Fax : 022 - 40702161
Website : www.gratex.in

Auditors :

M/s Lakhani & Lakhani
Chartered Accountants
F/ 1, Shanti Bhunvan
Co-Operative Hsg. Soc., S.N. Road,
Mulund (West), Mumbai - 400 080

Registrar And Transfer Agents :

Adroit Corporate Services Pvt. Ltd.,
19, Jaferbhoy Industrial Estate,
Makwana Road, Marol Naka,
Andheri (East), Mumbai. - 400 059.
Email : info@adroitcorporate.com

Bankers :

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

IMPORTANT COMMUNICATION TO MEMBERS :

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in Physical form are requested to send the above information i.e. e-mail address to the Company at investor@gratex.in OR to the Registrars And Transfer Agents of the Company at gratexgogreen@adroitcorporate.com for registration of their e-mail address.

A REQUEST :

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

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NOTICE

Notice is hereby given that the 28th Annual General Meeting of the members of Gratex Industries Limited will be held on Tuesday, 25th September, 2012, at 11.30 a.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 Balance Sheet as at March 31, 2012 the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Pradeep Nagori who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gurvinder Singh Saggu who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Lakhani & Lakhani, Chartered Accountants, (ICAI Registration No. 115728W) in place of M/s Doshi Doshi & Associates, Chartered Accountants, as Statutory Auditors of the Company, for the period commencing from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

5. Voluntary Delisting of Shares from Ahmedabad Stock Exchange Limited.

To consider &, if thought fit, to pass, with or without modification, following resolution as a Special Resolution :

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed thereunder, listing agreements, SEBI (Delisting of Securities) Guidelines, 2003, and such other applicable laws, rules, regulation and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting of its securities from Ahmedabad Stock Exchange Limited.

RESOLVED FURTHER THAT the securities of the Company shall continue to be listed on the Bombay Stock Exchange Limited and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the Shareholders of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution."

By Order of the Board

For Gratex Industries Limited

Place : Mumbai

Karan Sharma

Date : 11.08.2012

Managing Director

Registered Office

109, Kakad Udyog Bhavan,

L. J. Road, Mahim,

Mumbai - 400 016

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The instrument appointing a proxy in order to be valid must be duly filled in all respects and should be deposited at the registered office of the Company not later than 48 hours before the commencement of the meeting.
2. Corporate members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing such representative(s) to attend and vote on their behalf at the Meeting.
3. Members / Proxy holders are requested to bring their Attendance slip duly signed along with their copy of Annual Report to the meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday the 21st September, 2012 to Tuesday the 25th September, 2012 (both days inclusive).
5. The equity shares of the Company are compulsorily tradable in electronic form and your Company has established connectivity with both the depositories i.e. NSDL and CDSL. Members are requested to avail the facility of dematerialization of the Company's shares on either of the depositories, as aforesaid.
6. The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Director's Report, Auditor's Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (name, folio no., e-mail id) on the space provided on the last page of this Annual Report. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 5 :

The Securities & Exchange Board of India (SEBI) notified guidelines for Voluntary delisting of Securities from the Stock Exchanges. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 and exit opportunity to the Shareholders need not be given where securities of the Company remain listed on the Stock Exchange having nation wide trading terminal, i.e. Bombay Stock Exchange Limited.

At present the equity shares of the Company are listed at Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited. Considering the negligible volume of trading on Ahmedabad Stock Exchange Limited and as a part of its cost reduction measure, the consent of members is sought for getting its securities delisted from Ahmedabad Stock Exchange Limited as proposed in the Special Resolution. The securities of the Company shall continue to be listed on the Bombay Stock Exchange Limited.

The Board recommends the resolution for approval of members.

None of the Directors is, in any way, concerned or interested in the said resolution.

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

Place : Mumbai
Date : 11.08.2012

Karan Sharma
Managing Director

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

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

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

Particulars	Mr. Pradeep Nagori	Mr. Gurvinder Singh Saggu
Date of Birth	14/07/1956	23/07/1957
Date of Appointment	09/03/2006	09/03/2006
Qualifications	B.Com, LLB, FCA, DISA(ICAI)	B.Sc. & MBA.
Expertise in specific functional areas	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)	NIL	NIL
Memberships/ Chairmanships of committees of other public companies (Includes only Audit and Shareholders / Investors Grievance Committee)	NIL	NIL
Number of Shares held in the Company	NIL	NIL

DIRECTORS' REPORT

Your Directors are pleased to present the 28th Annual Report along with the Audited Accounts of the Company for the financial year ended 31st March, 2012.

1. FINANCIAL HIGHLIGHTS :

The financial performance of the Company, for the year ended 31st March, 2012 is summarized below:

(Amount in Lacs)

	31st March 2012	31st March 2011
Income from Operations	528.02	412.23
Total Expenditure including Depreciation	498.09	408.01
Profit before Tax	29.92	4.21
Profit After Tax	5.72	4.21

2. PERFORMANCE REVIEW :

During the year under review, Income from Operations was ₹ 52,801,951/- against ₹ 41,223,220/- in the previous financial year showing an increase of ₹ 11,578,731/-. However the NPAT for the year is ₹ 572,982/- compared to ₹ 421,669/- in the previous year.

Even though the sales showed healthy trend, we were able to generate a nominal profit due to loss incurred in the sale of old plant & machinery & other assets which were scrapped. We are hopeful that we shall be able to meet the challenges and give our shareholders their dues.

3. DIVIDEND :

Due to carry forward losses, which now stand at ₹ 5,118,695/- your Directors do not recommend any Dividend for the financial year ended 31st March, 2012.

4. OUTLOOK FOR 2012 - 2013 :

The beginning of this year has been very auspicious with the grand opening of our Franchisee Marshalls showroom inside our property covering 8000 sq.ft.

This year for our trading wallpaper sales we are introducing an unprecedented 25 new catalogues with complete stocks. The market is growing well and we need to add more variety across all price ranges to maintain our superiority in the market. This year we have set a target of increasing our rates by 35% and are working towards achieving the same and making Gratex a highly profitable and dividend paying company in the near future. Through our Franchisee business we estimate to earn a gross income of ₹ 36 lakhs in the first year.

5. FIXED DEPOSITS :

During the period under review, the Company has not accepted/ renewed and deposit within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal / interest was outstanding as on the balance sheet date.

6. DIRECTORS :

- Composition**

The Board comprises of eight Directors, four of whom are Non-Executive & Independent Directors, one non-executive Director, two Executive Directors & one Managing Director.

● **Retirement by Rotation**

In accordance with Article 127 of the Articles of Association of the Company Mr. Pradeep Nagori and Mr. Gurvinder Singh Saggu, Independent Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board recommends re-appointment of the Directors retiring by rotation at the ensuing Annual General Meeting.

The brief resume and other details relating to the Directors, who are to be re-appointed as stipulated under clause 49 (IV) (G) of the Listing Agreement, is furnished in the Notice forming part of the Annual Report.

7. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act"), 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 2011-12, the applicable Accounting Standards have been following and there are no material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a fair & true view of the state of affairs of the Company 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. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) they have prepared the Annual Accounts on a going concern basis.

8. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

As per Clause 49 of Listing Agreement with the Stock Exchanges, a report on Corporate Governance is attached to this Report along with the Management Discussion and Analysis statement.

9. STATEMENT PURSUANT TO LISTING AGREEMENT :

The Company's Securities are listed at the Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The Company has paid the Annual Listing fee to both the Stock Exchanges.

10. AUDITORS AND AUDITORS' REPORT :

M/s. Doshi Doshi & Associates, Chartered Accountants, Mumbai, have tendered their resignation and expressed their un-willingness to be reappointed. Hence the Audit Committee and Board of Directors recommend the appointment of M/s Lakhani & Lakhani, Chartered Accountants as the Statutory Auditors of the Company for the year 2012-13 and they have confirmed their eligibility as Auditors of a Listed Company.

The Company has received a confirmation from them to be effect about their eligibility under section 224(1B) of the Companies Act, 1956.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

11. PARTICULARS OF EMPLOYEES :

Information in accordance with the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules 1975, as amended, regarding employees to the Directors Report is as follows.

None of the Employees of the Company are in receipt of remuneration aggregating to ₹ 6,000,000/- or more p.a. if employed for the entire year or ₹ 500,000/- or more per month, if employed for the part of the year.

12. 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 2011-12 was NIL while the outgo was Euro 445728, USD 98477, & GBP 11713.

13. ACKNOWLEDGEMENTS :

Your Directors record their grateful appreciation for the encouragement, assistance, co-operation and consistent support received from Members, Dealers, Government Authorities, Dealers, Banks, Financial institutions, Business Partners and Customers. The Board wishes to place on record its appreciation to the contribution made by employees of the Company during the year under review. Your Directors are thankful to all the Stakeholders for their continued patronage.

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

Karan Sharma
Managing Director

Place : Mumbai
Date : 11.08.2012

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

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, given below is a report on the Corporate Governance in the Company:

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE :

The Company believes that ethics are very important in any business as they are directly related to the goodwill of the Company.

The Corporate Governance Policy of the Company is based on principles of equity and ensures the following:

- Proper composition of the Board of Directors;
- Timely dissemination of material information to the Stakeholders concerning their interests;
- Adequate Internal Checks and Balances;
- Transparency and Accountability; and
- Compliance with the applicable laws and regulations.

2. BOARD OF DIRECTORS AND MEETINGS :

The Board of Directors of the Company has an optimum combination of executive, non-executive and independent directors. The present strength of the Board of Directors of the Company is 8 (Eight) Directors. Five Board Meetings were held in 2011-12. The following table shows the detailed composition of Board of Directors as well as their attendance details at the Board Meetings:-

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at last AGM	No. of other Directorship
Mr. Baldevkrishan Sharma	Chairman, Executive	5	Yes	1
Ms. Promila Sharma	Executive, Promoter	5	Yes	1
Mr. K.P. Bharadwaj	Non-Executive, Independent Director	5	Yes	NIL
Ms. 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	No	NIL

Code of Conduct :

The Board has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

The Code of Conduct seeks to ensure that the Directors and the Senior Management Personnel observe a total commitment to their duties and responsibilities while ensuring a complete adherence with the applicable statutes on one hand and values and ethics on the other.

3. AUDIT COMMITTEE :

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's responsibilities, an Audit Committee has been constituted. The functions of the Audit Committee include :

- Reviewing the adequacy of internal control systems and the internal audit reports and their compliance thereof.
- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment of external auditors, fixation of their audit fee, and also approval for payment for any other services.
- Reviewing with Management the quarterly and annual financial statements for submission to the Board.

During the year, four meetings were held. The said meetings were held on 11th May, 2011, 9th August, 2011, 12th November, 2011 and 9th February, 2012. The constitution of the Committee and the attendance of each member of the Committee as on 31st March, 2012 are given below :

Name	Status	Number of Audit Committee meetings	
		Held	Attended
Mr. Pradeep Nagori	Chairman	4	4
Mr. Gurvinder Singh Saggu	Member	4	4
Mr. Karan Sharma	Member	4	4

4. SHAREHOLDERS GRIEVANCE COMMITTEE :

The Shareholders Grievances Committee was constituted to redress the shareholders' grievances/ complaints relating to transfer & transmission of shares, non-receipt of annual report, dividend, share certificate etc. and to provide the responses to the queries, if any, raised by the investors. The Committee also considers the matters which can aid better investor services and relations.

During the year, the Shareholders Grievances Committee met four times. The constitution of the Committee and the details of attendance of each member of the Committee are given below :

Name	Status	Number of Shareholders Grievances Committee meetings	
		Held	Attended
Mr. Gurvinder Singh Saggu	Chairman	4	4
Mr. Pradeep Nagori	Member	4	4
Mr. Karan Sharma	Member	4	4

The Company had received no complaints during the year from the shareholders.