

GRAVITY (INDIA) LIMITED



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19th Annual Report 2005-2006

Regd. Office : Gala No.131, Sanjay Bldg. No. 5-B, Mittal Industrial Estate, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059. India
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GRAVITY (INDIA) LIMITED

NINETEENTH ANNUAL REPORT 2005-2006

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ANNUAL GENERAL MEETING

On Saturday, 30th September, 2006 at Gala No.131,
Sanjay Bldg. No.5-B, Mittal Ind. Estate,
Andheri Kurla Road, Andheri (East),
Mumbai - 400 059 at 4.00 p.m.

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

COMPANY'S REGISTRARS AND TRANSFER AGENTS
MONDKAR COMPUTERS PVT. LTD.
(Unit : Gravity (India) Ltd.)
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.

BOARD OF DIRECTORS

Shri Rasiklal D. Thakkar
(Chairman/Managing Director)
Smt. Dakshaben R. Thakkar
Shri Bharat D. Thakkar (Resigned on 03/12/2005)
Ms. Maheen J. Lampwala
Mrs. Prabhavati Shetty

COMPANY SECRETARY

Shri D. K. Doshi
Company Secretary

AUDITORS

J. C. Kabra & Co.
Chartered Accountants
Mumbai

BANKERS

Bank of Baroda

REGISTERED OFFICE

Gala No.131, Sanjay Bldg. No. 5-B,
Mittal Industrial Estate, Andheri-Kurla Road,
Andheri (East), Mumbai - 400 059. India.

MANUFACTURING FACILITIES

- i) Survey No.10/1,Village Khutali,
Khanvel, Dudhani Road, Silvassa,
Union Territory of Dadra and Nagar Haveli.
- ii) Plot No: 42, Govt. Industrial Estate,
Masat, Silvassa,
Union Territory of Dadra and Nagar Haveli.

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of GRAVITY (INDIA) LIMITED will be held at the Registered Office of the Company Gala No: 131, 1st Floor, Sanjay Building No.5-B, Mittal Industrial Estate, Andheri-Kurla Road, Andheri (East), Mumbai 400 059, India, on Saturday, 30th September, 2006 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, and the Profit and Loss Account of the company for the year ended on that date along with the reports of the directors and auditors thereon.
2. To appoint a Director in place of Ms. Maheen Lampwala, who retires by rotation, and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mrs. Prabhavati Shetty who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of the Nineteenth Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and authorized the Board of Directors to fix their remuneration.

By Order of the Board of Directors
For GRAVITY (INDIA) LIMITED

Place: Mumbai
Date: 30 June, 2006

Mr. D. K. Doshi
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Transfer Books of the Company will be closed from Saturday, 23rd September, 2006 to Saturday, 30th September, 2006 (both days inclusive) for the Purpose of Annual General Meeting.
3. Members are requested to send their queries, if any, at least seven days in advance of the Meeting so that information can be made available at the Meeting.
4. The Memorandum of Association & the Articles of Association of the Company will be available for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.30 p.m. up to the date of this Annual General Meeting.
5. Members/Proxies are requested to bring their copies of Annual Report to the Meeting and handover the attendance slip duly signed at the entrance hall of the Meeting. Members who hold shares in dematerialized form are requested to bring their client ID No. And DP ID No. for easy identification of attendance at the Meeting.
6. Members holding shares in single name are requested to fill in the nomination form and send it to the Register of the Company.
7. Members are requested to immediately notify any change in their address to the Company's Registrar & Share Transfer Agents:

MONDKAR COMPUTERS PVT. LTD.
(Unit: GRAVITY (INDIA) LIMITED)
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai 400 093.

GARVITY (INDIA) LIMITED**DETAILS OF DIRECTORS, PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT, SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING, IS AS FOLLOWS :**

| | | |
|---|--|--|
| Name of the Director | M/S Maheen J. Lampwala | Mrs. Prabhavati Shetty |
| Date of Birth | 19.07.1974 | 24.3.1975 |
| Qualifications | Chartered Accountant | B. Com |
| List of the other companies in which directorship held as on 31.03.2006. | - | - |
| Chairman/Member of the Committee of the Board of other companies in which he is a Director as on 31.03.06 | Member of Audit Committee | Member of Audit Committee Remuneration Committee |
| Nature of expertise in specific functional areas. | 10 Years experience in the field of accounts & administration. | 8 Years experience in the fields of accounts and administration. |

By order of the Board of Directors
For Gravity (India) Limited

Place: Mumbai
Date : 30th June, 2006

Mr. D. K. Doshi
Company Secretary

DIRECTORS' REPORT

To the Members of

Gravity (India) Limited

Your Directors have pleasure in presenting this Nineteenth Annual Report and Audited Accounts of the year ended 31st March, 2006.

FINANCIAL RESULT

(Rs. in lakhs)

| FINANCIAL RESULTS | 2005-2006 | 2004-2005 |
|---|-----------|-----------|
| Income from operations/Other Income | 1938.30 | 2145.92 |
| Gross Profit before Interest & Depreciation | 102.82 | 127.48 |
| Less: Interest paid | 3.55 | 12.16 |
| Depreciation | 50.96 | 50.04 |
| Profit after Interest & Depreciation | 48.30 | 65.28 |
| Less: Prior Period Expenses | 2.04 | 12.61 |
| Provision for taxation | 7.06 | 5.50 |
| Profit after tax | 39.20 | 47.17 |
| Add: Balance brought forward | 0.71 | 1.45 |
| Balance available for appropriation | 39.90 | 48.62 |
| Appropriations: | | |
| Dividend | - | 9.00 |
| General Reserve | 25.00 | 35.00 |
| Income Tax for Prior Period | - | 2.73 |
| Tax on dividend | - | 1.18 |
| Balance carried forward | 14.90 | 0.71 |
| Total Appropriation | 39.90 | 48.62 |

SHARE CAPITAL

The authorised capital of the company is divided into 150 Lacs Equity Shares of Rs. 10/- each, aggregating to Rs 15 Crore. The issued, subscribed and paid up capital is Rs. 9,00,19,500/- as 31st March 2006.

RESERVES

Reserves & Surplus were Rs 13.67 Lacs at the end of the financial year. During the year, the company has transferred Rs25.00 Lacs (Previous year Rs35.00 Lacs) out of profits to the General Reserve.

OPERATIONS

The sales turnover of the Company has decreased to Rs.1930.85 Lacs from Rs. 2145.92 Lacs. The net profit before tax has decreased to Rs. 46.26 Lacs from Rs.52.67 Lacs of the previous year. The Company had provided Rs.4.50 Lacs towards the taxation.

DIVIDEND

The Company has not declared any dividend for this year.

DIRECTORS

The following Directors of the Company retires by rotation and being eligible, offers themselves for re-appointment:

1. Ms. Maheen J. Lampwala
2. Mrs. Prabhavati Shetty

During the year Mr. Bharat D. Thakkar resigned with effect from 3rd December 2005. The Board appreciated the contribution made on him.

LISTING OF SHARES

Your Company's equity shares (including bonus shares issued) continue to be listed on The Stock Exchange, Mumbai in the Indo Next (S) Group. The annual listing fee for the year 2006-2007 has been paid to The Stock Exchange Mumbai.

Company's equity shares on The Stock Exchange - Ahmedabad were voluntarily delisted with effect from 29/04/2005

FIXED DEPOSITS:

The Company has not accepted or renewed any deposits from public during the year under review.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance. The Code is implemented in the year under review. A report is enclosed as Annexure I and forms a part of Corporate Governance Report.

The certificate from the Company's Auditors confirming the compliance of conditions of Corporate Governance as stipulated in the clause 49 of the Listing agreement with the Stock Exchanges is annexed hereto.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to sub section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- In the preparation of Annual Accounts, the applicable accounting standards had been followed, along with a proper explanation relating to material departures.
- The Directors had selected such accounting policies 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 at the end of the financial year under review and for the profit or loss of the Company for the period.
- The Directors had taken proper and sufficient care for the 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 fraud and other irregularities.
- The Directors had prepared the annual accounts on going concern basis.

GARVITY (INDIA) LIMITED**MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

Management's Discussion And Analysis Report as required under the listing agreement with the Stock Exchange is annexed as Annexure II forming part of this report.

AUDITORS

M/S J.C. Kabra & Co. Chartered Accountants, Mumbai who are the Auditor of the Company and hold office until the conclusion of the forth-coming Annual General Meeting, are recommended for re-appointment.

AUDIT COMMITTEE

The terms of reference of these Audit Committee are in line with the norms specified under the listing agreement with the Stock Exchange. The Audit committee of the Board comprises of 3 Non-Executive Directors as under:

| <u>Name of Members</u> | <u>Status</u> |
|-------------------------------|----------------------|
| Ms. Maheen J. Lampwala | Chairperson |
| Mrs. Prabhavati R. Shetty | Member |
| Smt. Dakshaben R. Thakkar | Member |

AUDITOR'S REPORT

Observations made in the Auditor's Report are self explanatory and therefore, do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars as required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particular in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption, and Foreign Exchange Earnings or Outgo are given in the Schedule 18 to the Account.

PARTICULARS OF EMPLOYEES

None of the employees of the company are in receipt of remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956.

EMPLOYEE RELATIONS:

Relations with the employees remained cordial. The Directors wish to place on record their appreciation for the co-operation received from the employees at all levels.

ACKNOWLEDGEMENTS

The Directors wish to express their gratitude to the shareholders Bankers, Customers and vendor's for the confidence reposed in the company's management. The Directors also convey their appreciation to the employees at all levels for their enormous personal efforts as well as collective contribution.

For and on behalf of the Board of Directors

Place : Mumbai
Date 30.06.2006

(Rasiklal D. Thakkar)
Chairman & Managing Director

ANNEXURE I TO THE DIRECTOR'S REPORT**CORPORATE GOVERNANCE REPORT****1. Company's philosophy on Corporate Governance Code**

Your Company has complied with all the Corporate Governance requirements stipulated under clause 49 of the Listing Agreement. The company's is committed to the consistent adherence to the said corporate governance code to maintain a greater degree of responsibility and accountability.

The mission statement of the Company state 'You rely on us, we rely on our vision and experience'.

Your Company's philosophy on corporate governance envisages the attainment of highest level of transparency in accountability and equity all facets of its operation and in all its interactions with its shareholders/employees, government and lenders.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value over a sustained period of time.

2. Board of Directors

The following Directors were on the board during the year ended March 31, 2006.

Composition and category of Directors:

Composition, Category of Directors and other Directorship details are as follows:

| Name of Director | Category | No. of other directorship and Committee Membership/Chairmanship | | | |
|--------------------------|------------------------------|---|-------------|------------------------|----------------------|
| | | Public Co. | private Co. | Committee Chairmanship | Committee Membership |
| Shri.Rasiklal D. Thakkar | Promoter Executive | 1 | 2 | --- | 1 |
| Smt.Dakshaben R. Thakkar | Promoter Non-Executive | 1 | 2 | 1 | 3 |
| Shri.Vinod F.Jankhariya | Non-Executive Independent | --- | --- | --- | -- |
| Ms. Maheen J.Lampwala | Non-Executive Independent | --- | --- | --- | 3 |
| Mrs.Prabhavati Shetty | Non-Executive Independent | --- | --- | --- | 1 |

During the year, the Board met 6 times on 30.06.2005,30.07.2005,14.10.2005,31.10.2005,31.12.2005 & 31.01.2006. The last Annual General Meeting was held on 30th September 2005.

The attendance of the Directors of the company at the Board Meeting and Annual General Meeting are as follows:

| Name of the Director | No. of meeting | | Attended last AGM |
|----------------------------|----------------|----------|-------------------|
| | Held | Attended | |
| Shri.Rasiklal D. Thakkar | 6 | 6 | Yes |
| Smt.Dakshaben R. Thakkar | 6 | 6 | Yes |
| Shri.Vinodray F.Jankhariya | 6 | --- | No |
| Ms. Maheen J. Lampwala | 6 | 6 | Yes |
| Mrs.Prabhavati Shetty | 6 | 6 | Yes |

GARVITY (INDIA) LIMITED**3. Audit Committee****(A) Terms of Reference**

The terms of reference of this committee is in line with the norms specified under listing agreement with stock exchange.

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, audit fee and also approval for payment for any other services.

(B) Composition of Audit Committee (As on March 31, 2006)

The Audit Committee comprises of the following Directors namely:

- 1) Ms. Maheen J. Lampwala ___ Independent & Non Executive Director Chairman
- 2) Smt. Dakshaben R. Thakkar ___ Promoter & Non Executive Director Member
- 3) Mrs. Prabhavati Shetty ___ Independent & Non Executive Director Member

The Committee Met 4 times, i.e. on 30.06.05, 30.07.05, 31.10.05, 31.01.06 and the attendance of the members of the Committee were as follows:

| Director | <u>No. of Meetings</u> | |
|---------------------------|------------------------|----------|
| | Held | Attended |
| Ms. Maheen J. Lampwala | 4 | 4 |
| Smt. Dakshaben R. Thakkar | 4 | 4 |
| Mrs. Prabhavati Shetty | 4 | 4 |

4. Remuneration Committee**A) Terms of Reference**

The Remuneration Committee determines the company's policy on specific remuneration packages for Whole-time Directors/Managing Directors including pension rights and any other compensation related matters and issues within the framework of the provision and enactments governing the same.

B) Composition of the Committee (As on 31st March 2006)

The remuneration Committee comprises of the following Director namely:

- i) Ms. Maheen J. Lampwala - Independent & Non-Executive Director Chairman
- ii) Mrs. Prabhavati Shetty - Independent & Non-Executive Director Member (w.e.f. 31.07.04)
- iii) Smt. Dakshaben R. Thakkar - Promoter & Non-Executive Director Member

C) Attendance during the year

The Committee met once during the financial year 2005-2006 and the attendance of the members of the Committee were as follows:

| Director | <u>No. of Meetings</u> | |
|---------------------------|------------------------|----------|
| | Held | Attended |
| Ms. Maheen J. Lampwala | 1 | 1 |
| Mrs. Prabhavati Shetty | 1 | 1 |
| Smt. Dakshaben R. Thakkar | 1 | 1 |

D) Remuneration Policy

The Remuneration Committee of the Board Constituted in compliance with the SEBI guidelines has framed the compensation structure for the working Directors and the committee reviews the same from time to time based on certain performance parameters, growth business as well as profitability and in line with the best practices prevailing in the industry.

E) Details of Remuneration paid to all Directors in Financial Year 2005-2006

- i) Managing Director Shri. Rasiklal D. Thakkar Rs. 70000/- consolidated. Appointed as Managing Director with effect from 1st April 2005.

Note: Presently, the company does not have a scheme for grant of stock options either to the Managing Director or employees.

ii) Non-Whole-time Directors.

The details of payment of Salary/Commission to the Non-Whole-time Directors for the financial year 2005-06 are given below.

| Non-Wholetime Director | Salary (Rs.) | Commission (Rs.) |
|---------------------------|--------------|------------------|
| Smt. Dakshaben R. Thakkar | Nil | Nil |
| Mrs. Prabhavati Shetty | Nil | Nil |

5. Shareholders' Grievance Committee.**A) Terms of Reference**

The Company has formed an Investors'/Shareholders' Grievance Committee with the following terms of reference:

- To ensure redressal of the shareholders and investors complaints relating to transfer of shares, non-receipt of balance sheet, etc.
- To ensure redressal of investors complaints in respect of non-receipt of dividends/ interests/payments on redemption of preference shares, debentures, bonds or such other instruments, which are redeemable.
- To monitor transfer/transmission/transposition/issue of duplicate shares and related activities.

B) Composition of the Committee (As on March 31, 2006)

The Committee comprises of the following Directors namely:

| Director | No. of Meetings | |
|---------------------------|-----------------|----------|
| | Held | Attended |
| Shri. Rasiklal D. Thakkar | 4 | 4 |
| Smt. Dakshaben R. Thakkar | 4 | 4 |
| Shri. Bharat D. Thakkar | 4 | 2 |

- C) During the year under review 3 complaints were received from investors, which were replied/resolved to the satisfaction of the investors.

- D) As at 31st March 2006 no case of transfers were pending.

6. General Meetings

Details of Annual General Meetings:

A) The Particulars of last three Annual General Meeting of the company are as under:

| Date & Year | Time |
|--------------------|-----------|
| September 30, 2005 | 4.00 p.m. |
| September 30, 2004 | 4.00 p.m. |
| September 30, 2003 | 4.00 p.m. |

Location for all the above AGMs were: Regd. Office; Unit No. 131, 1st floor, Sanjay Building No. 5-B, Mittal Industrial Estate, Andheri Kurla Road, Andheri (East), Mumbai-400 059.

- B) One special Resolution was passed in the Annual General Meeting held on 30 September, 2005 to increase the Authorised Capital of the company.
- C) Approved my members through Postal Ballot. The company has passed two special Resolutions through Postal pursuant to section 17 and section 149(2) of the companies act 1956. M/s S.S. Rauthan & Associates Company secretaries were appointed as the scrutinizer for conducting the postal Ballot process. The details of the voting pathem are as under