

19th ANNUAL REPORT

2003-2004

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GUJARAT RAFFIA INDUSTRIES LIMITED



GUJARAT RAFFIA INDUSTRIES LIMITED

NINETEENTH ANNUAL REPORT 2003-04

BOARD OF DIRECTORS :

Shri Ashok Chhajer	Chairman
Shri Pradeep Bhutoria	Managing Director
Shri Alpesh R. Tripathi	Director
Shri Sanjay Jain	Director

AUDITORS :

M/s. Talati & Talati,
Chartered Accountants,
Ahmedabad.

COMPANY LAW CONSULTANT:

Shri Kashyap R. Mehta,
Company Secretary,
Ahmedabad.

BANKERS :

Bank of Baroda

REGISTERED OFFICE & WORKS :

Plot No. 455,
Santej Vadsar Road,
Village: Santej,
Taluka: Kalol-382 721.
Dist: Gandhinagar.

OFFICE :

35, Omkar House, C. G. Road,
Near Swastik Cross Roads, Navrangpura,
Ahmedabad - 380 009.

WORKS :

1. Village : Budasan
Taluka : Kadi
District : Mehsana (N. Guj.).
2. Village : Santej
Taluka : Kalol
District : Gandhinagar.

REGISTRAR AND SHARE TRANSFER AGENTS :

M/s. Pinnacle Share Registry Pvt. Ltd.,
Near Asoka Mills Premises,
Naroda Road,
Ahmedabad - 380 025.

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NINETEENTH ANNUAL REPORT 2003-04**NOTICE**

NOTICE is hereby given that the **NINETEENTH ANNUAL GENERAL MEETING** of the Members of GUJARAT RAFFIA INDUSTRIES LIMITED will be held as scheduled below:

Date	: 29th September, 2004
Day	: Wednesday
Time	: 12.00 Noon
Place	: At the Registered Office of the Company at: Plot No.455, Santej-Vadsar Road, Village : Santej, Taluka : Kalol-382 721 Dist : Gandhinagar

to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Ashok Chhajer, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit to, to pass with or without modification(s) the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 80 and 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any, statutory modification or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to the approval of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), and all any other concerned authorities, Institutions and/or bodies, if required 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 (hereinafter referred to as 'the Board') and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board, to issue Equity Shares, ranking paripassu with the existing Equity Shares of the Company, upto maximum amount of Rs.35.88 lacs (Rupees thirtyfive lacs eightyeight thousand), i.e.3,58,800 Equity Shares of Rs. 10/- each at par, be issued as the Board may at any time or times hereafter decide, to Industrial Development Bank of India (IDBI) by way of Preferential Allotment for Debt Restructuring relating to funding of interest agreed by IDBI as per their sanction letter dated 30th June, 2004, as may be permitted under the then prevailing laws, and on such other terms and conditions including payment of dividend, fixing of record date or book closure and related or incidental matters."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to accept any modification in the terms of issue of the securities as may be prescribed or imposed by the concerned authorities in India while granting their approvals, consents, permissions or sanctions and to do all acts, deeds, matters and things as it may deem desirable or proper for the purpose of giving effect to this Resolution and to settle any question, difficulty or doubt that may arise in regard to the issue and allotment of the Equity Shares/ Preference Shares as the Board may, in its absolute discretion, deem proper."

Registered Office:
Plot No. 455,
Santej-Vadsar Road,
Village:Santej,
Taluka:Kalol-382 721.
Dist:Gandhinagar.
Date : 23rd August, 2004.

By Order of the Board,

Pradeep Bhutoria
Managing Director

GUJARAT RAFFIA INDUSTRIES LTD.**NOTES:**

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Item No. 4 set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE INSTRUMENTS APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTER OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Pursuant to the Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Book of the Company will remain closed from Wednesday, the 22nd September, 2004 to Wednesday, the 29th September, 2004 (both days inclusive).
4. Members intending to require informations about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
5. Members are requested to:
 - a) Intimate, if shares are held in the same name or in the same order and names, but in more than one account to enable the company to club the said accounts into one account.
 - b) Notify immediately the change in their registered address, if any, to the Company.
6. The Equity Shares of the Company are now available for dematerialisation, as the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Those shareholders who wish to hold shares in electronic form may approach their Depository Participant. The ISIN No. of the Equity Shares is INE610B01016.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Item No. 4 of the accompanying Notice dated 23rd August, 2004 and should be taken as forming part of the notice.

In respect of Item No. 4:

The Company has reached Debt Restructuring proposal with Industrial Development Bank of India (IDBI) including funding of interest aggregating to Rs. 70.24 lacs. IDBI, vide its Sanction Letter No. IDBI.ABO.No.2176/CFD dated 30th June, 2004 have stipulated the Company to issue Equity Shares of Rs. 10/- each at par for the interest amount of Rs. 35.88 lacs i.e. 3,58,800 Equity Shares of Rs. 10/- at par.

According to the terms of the Debt Restructuring proposal, the Company is required to issue and allot Equity Shares at par of Rs. 35.88 lacs to IDBI.

Section 81(1) of the Companies Act, 1956 provides in Clause (a) that when it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the person who, at the date of offer, are holders of Equity Shares in the Company, in proportion, as circumstances admit, to the Capital paid up on those Shares on that date. Pursuant to Section 81(1A) of the Companies Act, 1956, notwithstanding anything contained in Section 81(1A), the said further Shares may be offered by the Company to any person in any manner whatsoever if a Special Resolution to that effect is passed by the Company in General Meeting.

The Board recommends the Resolution for approval of Shareholders for the proposed issue of Equity Shares.

None of the Directors of the Company is deemed to be concerned or interested in the Resolution.

Registered Office:

Plot No. 455,
Santej-Vadsar Road,
Village: Santej,
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Dist: Gandhinagar.
Date : 23rd August, 2004.

By Order of the Board,

Pradeep Bhutoria
Managing Director

NINETEENTH ANNUAL REPORT 2003-04

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your Directors present the Nineteenth Annual Report together with the Audited statement of accounts for the Financial Year 2003-04 ended on 31st March, 2004.

1. FINANCIAL RESULTS:

	2003-04	(Rs. in lacs) 2002-03
Operating Profit/(Loss) (before Interest & Depreciation)	(501.83)	157.25
Add/Less : Interest	86.78	58.79
Profit/ (Loss) before Depreciation	(588.61)	98.46
Add/Less : Depreciation	74.98	75.08
Profit/(Loss) for the year	(663.59)	23.38
Add/Less : Bal. Brought Forward from Previous year	(485.42)	(508.80)
(Debit) Balance Carried to Balance Sheet	(1149.01)	(485.42)

2. DIVIDEND:

In view of the losses suffered during the year and accumulated losses, the Board of Directors are unable to recommend dividend for the year under review.

3. REVIEW OF OPERATIONS:

PRODUCTION, SALES AND WORKING RESULTS:

The production of PE Fabric/Sacks/Tarpaulin/Ropes during the year under review was 4737 M. T. against 4432 M. T. during previous year. The turnover of Fabric/Sacks/Tarpaulin etc. during the year under review was Rs. 2435 lacs as compared to Rs. 2462 lacs during 2002-03.

The Company suffered Operating Losses of Rs. 501.83 lacs during the year under review compared to Operating Profit of Rs. 157.25 lacs during 2002-03. The Company suffered Net Loss of Rs. 663.59 lacs during the year under review compared to Net Profit of Rs. 23.38 lacs during 2002-03.

The working results of the Company were affected very badly because of pressure on margins of the Company, consequent to very higher cost of raw materials and other inputs. The sales realisation was considerably low because of very tough competition.

4. FINANCE:

4.1 The Company's Income-tax Assessment and Sales-tax Assessments have been completed upto Financial Year 2001-02 and 2000-01 respectively.

4.2 The Company is enjoying fund based and non-fund based Working Capital Facilities of Rs. 400 lacs from Bank of Baroda, Kadi Branch, Kadi (North Gujarat).

5. DIRECTORS:

5.1 Shri Arpit K. Patel, Director of the Company resigned w. e. f. 15th June, 2004. The Board placed on record their sense of appreciation for the guidance, advice and services rendered by him during his tenure as Director of the Company.

GUJARAT RAFFIA INDUSTRIES LTD.

5.2 One of your Directors viz. Shri Ashok Chhajjar retires by rotation in terms of Articles 99 and 100 of the Articles of Association of the Company. He, however, being eligible offers himself for reappointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors have 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 31st March, 2004 being end of the Financial Year 2003-04 and of the Loss of the Company for the year;
- (iii) that the Directors have taken proper and sufficient care for 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

7. DEMATERIALISATION OF EQUITY SHARES:

With a view to facilitate holding of securities in dematerialised/ electronic form, the Shareholders of the Company have an option to dematerialise their shares with either of the depositories. The ISIN No. allotted is INE610B01016.

8. PERSONNEL:

Industrial relations continued to remain cordial and peaceful during the year under review.

9. LISTING:

The Equity Shares of the Company are listed on the Ahmedabad, Mumbai, Calcutta and National Stock Exchanges. The Company has paid Listing Fees to the Stock Exchange/s upto 2003-2004.

10. CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchange/s, a Management Discussion & Analysis Statement, a Report on Corporate Governance together with Auditors' Certificate regarding compliance of conditions of Corporate Governance form part of the Annual Report.

11. GENERAL:**11.1 INSURANCE:**

The Company's properties including building, plants, and machineries, stock, stores etc. continued to be adequately insured against risks such as fire, riots, strikes etc.

11.2 AUDITORS:

The present Auditors of the Company M/s. Talati & Talati, Chartered Accountants, Ahmedabad will retire by rotation at the ensuing Annual General Meeting. They have submitted certificate for their eligibility for reappointment under Section 224(1-B) of the Companies Act, 1956.

The Notes of the Auditors to the accounts in connection with diminution in the value of investment has been explained in Note No. 3 of Schedule 19 to the Accounts which is self-explanatory.

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11.3 PARTICULARS OF EMPLOYEES:

There is no employee drawing remuneration requiring disclosure under the Companies (Particulars of Employees) Rules, 1975.

11.4 DEPOSITS:

At the end of the Financial Year under Report, no fixed deposit remained unclaimed by the deposit holder which was due for repayment.

12. DEBT RESTRUCTURING BY IDBI:

Industrial Development Bank of India (IDBI) vide their letter dated 30th June, 2004 restructured the debt of the Company by way of reduction in the rate of interest on outstanding term loan, reschedulement of principal and funding of interest. IDBI has stipulated to convert the funded interest of Rs. 35.88 lacs into Equity Shares of the Company at par for which the approval of the Members have been sought in the notice convening 19th Annual General Meeting.

13. PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988, IS AS PER ANNEXURE - I ANNEXED HEREWITH.

14. ACKNOWLEDGEMENT:

Your Directors express their sincere gratitude for the assistance and co-operation extended by Financial Institutions, Banks, Government Authorities, Shareholders, Suppliers and Customers.

Your Directors also wish to place on record their appreciation of the contribution made by the employees at their levels towards achievements of the Company's goals.

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For and on behalf of the Board,

Place : Ahmedabad.
Date : 23rd August, 2004.

Ashok Chhajer
Chairman

GUJARAT RAFFIA INDUSTRIES LTD.**ANNEXURE - I****A. CONSERVATION OF ENERGY :**

- a) Energy consumption measures taken, Additional Proposals and its impact :

The Company has planned to install Power factor panels so as to reduce overall power consumption.

- b) Total Energy consumption and Energy Consumption per unit of production as per Form A prescribed in the Rules is as under:

Disclosure of particulars with respect to Conservation of Energy:**A. Power and fuel Consumption**

	<u>2003-04</u>	<u>2002-03</u>
1. Electricity		
a) Purchased		
Unit	31,99,767	24,11,463
Total amount (Rs. in Lacs)	148.67	117.00
Rate/Unit Rs.	4.65	4.85
b) Own generation		
Through Diesel Generator		
Unit	4,38,245	13,35,041
Total Amount (Rs. in Lacs)	25.45	52.74
Rate/Unit Rs.	5.80	3.95
2. Coal	N.A.	N.A.
3. Furnace Oil	N.A.	N.A.
4. LSHS	N.A.	N.A.
B. Consumption per Unit of Production of HDPE Fabrics/Sacks (K.G.)	0.768	0.845

B. TECHNOLOGY ABSORPTION :

- a) The Company has not carried any Research & Development Activities during the year under Report.
- b) Activities relating to Exports, initiatives taken.

The Company exported goods worth Rs.819.00lacs which is likely to increase in the year 2004-05. The management is in active discussion with the potential customers in foreign countries.

- c) Total Foreign Exchange earned and used.

The Company has earned Foreign Exchange of Rs. 457.36 lacs by exporting its products and has spent Rs. 159.65 lacs for importing raw materials and spent Rs. 2.64 lacs for travelling expenses in the Current Year.

For and on behalf of the Board,

Place : Ahmedabad.
Date : 23rd August, 2004.

Ashok Chhajer
Chairman