

**20th ANNUAL REPORT
2004-2005**

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GUJARAT RAFFIA INDUSTRIES LIMITED

GRIL GUJARAT RAFFIA INDUSTRIES LIMITED**20th ANNUAL REPORT 2004-2005**

BOARD OF DIRECTORS	: Shri Ashok Chhajer Shri Pradeep Bhutoria Shri Chandraprakash Jain Shri Alpesh R. Tripathi	Chairman Managing Director Director 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.	
REGISTRAR AND SHARE TRANSFER AGENT	: M/s. Pinnacle Share Registry Pvt. Ltd., Near Asoka Mills Premises, Naroda Road, Ahmedabad - 380 025.	

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NOTICE

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

Date : 29th September, 2005
Day : Thursday
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, 2005 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Alpesh Tripathi, 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 pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Chandraprakash Jain be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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 30th June, 2005 and should be taken as forming part of the notice.

In respect of Item No. 4:

The Board of Directors of the Company in their meeting held on 1st October, 2004 appointed Shri Chandraprakash Jain as an Additional Director of the Company.

As per Article 134 of the Articles of Association of the Company and section 260 of the Companies Act, 1956, he will hold the office upto the date of this General Meeting.

As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the members signifying their intention to propose him as candidate for office of the Director.

Shri Chandraprakash Jain is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

Registered Office:

Plot No. 455, Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382 721.
Dist:Gandhinagar.
Date :30th June, 2005.

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 Tuesday, the 6th September, 2005 to Thursday, the 29th September, 2005 (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.

Registered Office:

Plot No. 455, Santej-Vadsar Road,
Village:Santej, Taluka:Kalol-382 721.
Dist:Gandhinagar.
Date :30th June, 2005.

By Order of the Board,

Pradeep Bhutoria
Managing Director

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your Directors present the **Twentieth Annual Report** together with the Audited statement of accounts for the Financial Year 2004-05 ended on 31st March, 2005.

1. FINANCIAL RESULTS:

	(Rs. in lacs)	(Rs. in lacs)
	<u>2004-05</u>	<u>2003-04</u>
Operating Loss (before Interest and Depreciation)	177.26	501.83
Add : Interest	37.21	86.78
Loss before Depreciation	214.47	588.61
Add : Depreciation	63.93	74.98
Loss for the year	278.40	663.59
Add : Balance Brought forward from previous year	(1149.01)	(485.42)
(Debit) Balance Carried to Balance Sheet	(1427.41)	(1149.01)

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 3108 M. T. against 4737 M. T. during previous year. The turnover of Fabric/Sacks/Tarpaulin etc. during the year under review was Rs. 2087 lacs as compared to Rs. 2434 lacs during 2003-04.

The Company suffered Operating Loss of Rs. 177.26 lacs during the year under review compared to Operating Loss of Rs. 501.83 lacs during 2003-04. The Company suffered Net Loss of Rs. 278.40 lacs during the year under review compared to Net Loss of Rs. 663.59 lacs during 2003-04.

The working results of the Company though comparatively better than last year, 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 2002-03 and 2001-02 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 The Board of Directors in their meeting held on 1st October, 2004 have appointed Shri Chandraprakash Jain as Additional Director of the Company. The Board is of the opinion that his rich professional experience will benefit the Company.

5.2 One of your Directors viz. Shri Alpesh R. Tripathi 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, 2005 being end of the Financial Year 2004-05 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 2005-06.

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 18 to the Accounts which is self-explanatory.

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. 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.

13. 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 better performance.

For and on behalf of the Board,

Place : Ahmedabad.
Date : 30th June, 2005

Ashok Chhajer
Chairman

ANNEXURE - I

A. CONSERVATION OF ENERGY :

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

The Company has installed 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

	Current Year 2004-2005	Previous Year 2003-2004
1. Electricity		
a) Purchased		
Unit	27,83,495	31,99,767
Total amount (Rs. in Lacs)	135.63	148.65
Rate/Unit Rs.	4.87	4.65
b) Own generation		
Through Diesel Generator		
Unit	2,10,366	4,38,245
Total Amount (Rs. in Lacs)	14.18	25.45
Rate/Unit Rs.	6.74	5.80
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.)	1.038	0.768

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. 744 lacs which is likely to increase in the year 2005-06. 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. 550.97 lacs by exporting its products and has spent Rs. 84.03 lacs for importing raw materials, Rs. 35.31 lacs for commission and Rs. 1.73 lacs for travelling expenses in the current year.

For and on behalf of the Board,

Place : Ahmedabad.
Date : 30th June, 2005

Ashok Chhajer
Chairman

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION:

Corporate Governance is important to build confidence and trust which leads to strong and stable partnership with the Investors and all other Stakeholders. The detailed Report on implementation of Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange/s is set out below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and ability. The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement. The Compliance Report of the Company vis-a-vis the Stock Exchange Listing Agreement is presented below.

2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

Name of Directors	Category of Director-ship	No. of other Director ships *	Committee (1) Membership/ (2) Chairmanship in other companies	No. of Board Meetings attended	Attendance at the AGM. held on 29-09-2004 Yes(Y)/No(N)
Ashok Chhajer Chairman	Non-executive	4	-	9	Y
Pradeep Bhutoria Managing Director	Non-executive	3	-	9	Y
Chandraprakash # Jain	Independent Non- Executive	-	-	4	N
Alpesh R. Tripathi	Independent Non- executive	-	-	7	Y
Arpit K. Patel @	Independent Non-executive	5	-	-	N
Sanjay Jain \$	Independent Non- executive	-	-	5	N

* Private companies excluded.

Appointed as Director w.e.f. 1st October, 2004.

@ Ceased to be Director w.e.f. 15th June, 2004.

\$ Ceased to be Director w.e.f. 1st October, 2004.

b) Details of the Directors seeking Appointment/Reappointment in forthcoming Annual General Meeting:

Name of Director	Chandraprakash Jain	Alpesh R. Tripathi
Date of Birth	27-01-1962	03-07-1970
Date of Appointment	01-10-2004	01-04-2001
Expertise in specific functional areas	Finance and Taxation	Marketing and Administration
List of Public Limited Companies in which Directorships held	Nil	Nil
Chairman/Member of the Committees of the Board of Directors of the Company	Audit Committee and Remuneration Committee	Audit Committee and Remuneration Committee
Chairman/Member of the Committees of Directors of other companies.	-	-

b) Board Procedures:

The Board of Directors meets once a quarter to review the performance and Financial Results. A detailed Agenda File is sent to all the Directors well in time of the Board Meetings. The Chairman/ Managing Director briefs the Directors at every Board Meeting, overall performance of the Company. All major decisions/approvals are taken at the Meeting of the Board of Directors such as policy formation, business plans, budgets, investment opportunities, Statutory Compliance etc. The meeting of the Board of Directors were held on 30-04-2004, 15-06-2004, 02-07-2004, 31-07-2004, 23-08-2004, 01-10-2004, 30-10-2004, 31-01-2005 and 21-03-2005.

3. AUDIT COMMITTEE:

The Audit Committee consists of the following Directors:

Name of the Director	Expertise	Functions of the Committee	Attendance
Chandraprakash Jain	All members are Non-executive. Chairman is independent Director and majority are independent. Two members has thorough financial and accounting knowledge.	The functions of the Audit Committee are as per Company Law and Listing Agreement with Stock Exchange(s) which include approving and implementing the audit procedures, review of financial reporting system, internal control procedures and risk management policies.	All the members and Internal Auditors were present at the meeting held on 31-07-2004, 23-08-2004 and 31-01-2005.
Ashok Chhajer			
Alpesh R. Tripathi			

4. REMUNERATION COMMITTEE:

The Board Committee is vested with the responsibilities to function as per SEBI Guidelines and recommends to the Board Compensation Package for the Managing Director. It also reviews from time to time the overall Compensation structure and related policies with a view to attract, motivate and retain employees.

The Committee comprises the following Directors as members:

1. Chandraprakash Jain, Chairman - Non-executive Independent
2. Ashok Chhajer, Member - Non-executive
3. Alpesh R. Tripathi Member - Non-executive Independent

All the members attended the meetings held on 31-07-2004, 23-08-2004 and 31-01-2005.

Details of remuneration paid:

1. The Company paid Managerial Remuneration of Rs. 2,73,600/- to Shri Pradeep Bhutoria, Managing Director during the year 2004-05.
2. The other Directors were paid Sitting Fees. No Commission or Stock Option has been offered to the Directors.

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:

The Board has constitutes a Shareholders/Investors' Grievances Committee for the purpose of effective redressal of the complaints of the shareholders such as Dematerialisation, Share Transfer, Non-receipt of Balance Sheet, Dividend Warrants etc.

Shri Ashok Chhajer, Chairman and Shri Pradeep Bhutoria, Managing Director are the Members of the Committee.

The Company received 203 complaints during the year and out of that 196 were resolved to the satisfaction of the shareholders. There were 7 valid requests (for transfer of shares/ dematerialisation/ annual reports and status of the Company) pending on 31st March, 2005, which were resolved in May/ June/July, 2005.

Shri Dhiren Parikh, Secretarial Executive is the Compliance Officer for the above purpose.