

21st ANNUAL REPORT
2005-06

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GUJARAT RAFFIA INDUSTRIES LIMITED

GUJARAT RAFFIA INDUSTRIES LIMITED**21ST ANNUAL REPORT 2005-06**

BOARD OF DIRECTORS	Shri Pradeep Bhutoria Shri Chandraprakash Jain Shri Prakash D. Ramnani Shri Alpesh R. Tripathi	Chairman & Managing Director 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	
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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GUJARAT RAFFIA INDUSTRIES LTD.**NOTICE**

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

Date	29th September 2006
Day	Friday
Time	2 00 p m
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 2006 and the Balance Sheet as on that date along with the Directors' Report and Auditors' Report thereon
- 2 To appoint Director in place of Shri Chandraprakash Jain, 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 Prakash D Ramnani be and is hereby appointed as a Director of the Company liable to retire by rotation "

Registered Office:

Plot No 455, Santej-Vadsar Road,
Village Santej, Taluka Kalol-382 721
Dist Gandhinagar
Date 30th June, 2006

By Order of the Board,

Pradeep Bhutoria
Chairman & Managing Director

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 5th September 2006 to Friday the 29th September 2006 (both days inclusive)
- 4 Members intending to require information 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
- 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
 - 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 30th June, 2006 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 April 2006 appointed Shri Prakash D Ramnani 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 Prakash D Ramnani 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:

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Village Santej, Taluka Kalol-382 721
Dist Gandhinagar
Date 30th June, 2006

By Order of the Board,

Pradeep Bhutoria
Chairman & Managing Director

GUJARAT RAFFIA INDUSTRIES LTD.**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the **Twentyfirst Annual Report** together with the Audited statement of accounts for the Financial Year 2005 06 ended on 31st March 2006

1. FINANCIAL RESULTS:

	(Rs in lacs)	(Rs in lacs)
	2005-06	2004-05
Operating Loss (before Interest and Depreciation)	120.07	177 26
Add Interest	40 49	37 21
Loss before Depreciation	160 56	214 47
Add Depreciation	66 35	63 93
Loss for the year	226.91	278 40
Less Extra Ordinary Income (Net)	242.14	—
Less Prior Period Income	11.59	—
Loss/ (Profit) before Tax	(26.82)	278 40
Fringe Benefit Tax	1 17	
Provision for Taxation	—	
Loss/(Profit) after Tax	(25.65)	278 40
Loss brought forward from previous year	1427.41	1149 01
Loss carried to Balance Sheet	1401.76	1427 41

2. DIVIDEND:

In view of 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 PP/PE Fabric/Sacks/Tarpaulin/Ropes during the year under review was 3553 M T against 3108 M T during previous year. The turnover of Fabric/Sacks/Tarpaulin etc during the year under review was Rs 2079 lacs as compared to Rs 2087 lacs during 2004-05

The Company suffered Operating Loss of Rs 120 07 lacs during the year under review compared to Operating Loss of Rs 177 26 lacs during 2004-05. The Company has credited the amount of waiver of liabilities of Rs 242 29 lacs in view of payment of Settlement amount under SASF (Stressed Assets Stabilisation Fund) and also taking in to account prior period income. The Company earned profit before tax of Rs 26 82 lacs compared to Net Loss of Rs 278 40 lacs during 2004-05. The Company earned profit after tax of Rs 25 65 lacs during the year under review

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

4. FINANCE:

- 4 1 The Company's Income tax Assessment and Sales tax Assessments have been completed upto Financial Year 2004-05
- 4 2 The Company is enjoying fund based and non fund based Working Capital Facilities of Rs 300 lacs from Bank of Baroda, Kadi Branch Kadi (North Gujarat)

5. DIRECTORS:

- 5 1 The Board of Directors in their meeting held on 1st April, 2006 have appointed Shri Prakash D Ramnani 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 Ashok Chhajer resigned as Directors of the Company w e f 1st April, 2006 The Board of Directors placed on record its sincere sense of appreciation for the guidance, advise and services rendered by him during his tenure as Director of the Company since incorporation of the Company
- 5 3 The Board of Directors have appointed Shri Pradeep Bhutoria, Managing Director as Chairman of the Company w e f 1st April, 2006
- 5 4 One of your Directors viz Shri Chandraprakash Jain 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 along with 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, 2006 being end of the Financial Year 2005-06 and of the Profit 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. SETTLEMENT WITH STRESSED ASSETS STABILISATION FUND (SASF):

The Company has entered in to a scheme of Settlement with SASF As per the Scheme of Settlement, the Company has to pay Principal amount of Rs 200 lacs till 31st March 2007 as full and final settlement along with interest @ 10 25% p a The Company has paid around 60% of the Settlement amount upto 30th June, 2006

8. 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

9. PERSONNEL:

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

10. 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 2004-05

GUJARAT RAFFIA INDUSTRIES LTD.

11. 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

12. GENERAL:

12.1 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

12.2 AUDITORS:

The present Auditors of the Company M/s Talati & Talati, Chartered Accountants, Ahmedabad will retire 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 are self explanatory

12.3 PARTICULARS OF EMPLOYEES:

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

12.4 DEPOSITS:

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

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

For and on behalf of the Board,

Place Ahmedabad
Date 30th June, 2006

Pradeep Bhutoria
Chairman & Managing Director

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 2005-2006	Previous Year 2004-2005
1 Electricity		
a) Purchased		
Unit	26,63,943	27 83 495
Total amount (Rs in Lacs)	128.02	135 63
Rate/Unit Rs	4.80	4 87
b) Own generation		
Through Diesel Generator		
Unit	1,15,566	2 10 366
Total Amount (Rs in Lacs)	8.84	14 18
Rate/Unit Rs	7.65	6 74
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/Sheets (Kg)	1.276	1 038

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 531 90 lacs, which is likely to increase in the year 2006 07
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 93 30 lacs by exporting its products and has spent Rs 130 49 lacs for importing raw materials and Rs 1 02 lacs for travelling expenses in the current year

For and on behalf of the Board,

Place Ahmedabad
Date 30th June, 2006

Pradeep Bhutoria
Chairman & Managing Director

GUJARAT RAFFIA INDUSTRIES LTD.**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 29-09-2005 (Y) / (N)
Pradeep Bhutoria Chairman & Managing Director	Executive	2	—	4	Y
Chandraprakash Jain, Director	Independent Non- Executive	—	—	4	Y
Alpesh R Tripathi Director	Independent Non- executive	1	1	4	Y
Prakash D # Ramnani, Director	Independent Non-executive	—	—		N

* Private companies excluded

Appointed as Director w e f 1st April 2006

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

Name of Director	Chandraprakash Jain	Prakash D Ramnani
Date of Birth	27-01-1962	22-06-1961
Date of Appointment	01-10-2004	01-04-2006
Expertise in specific functional areas	Finance and Taxation	Finance 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, and investment opportunities, Statutory Compliance etc. The meeting of the Board of Directors were held on 30-06-2005, 28-07-2005, 27-10-2005 and 21-01-2006

3. AUDIT COMMITTEE:

The Audit Committee consists of the following Directors

Name of the Directors	Expertise	Functions of the Committee	Attendance
Chandraprakash Jain	All members are Non-executive Chairman is independent Director and majority are independent Two members have 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 30-06-2006 28-07-2005 27-10-2005 and 27-01-2006
Prakash D. Ramnani			
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. Prakash D. Ramnani, Member - Non-executive
3. Alpesh R. Tripathi, Member - Non-executive Independent

All the members attended the meetings held on 30-06-2005, 28-07-2005, 27-10-2005 and 21-01-2006

Details of remuneration paid

1. The Company paid Managerial Remuneration of Rs. 2,73,600/- to Shri Pradeep Bhutoria, Managing Director during the year 2005-06
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 constituted 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 Chandraprakash Jain, Director and Shri Pradeep Bhutoria, Managing Director are the Members of the Committee.

The Company received 102 complaints during the year and out of that 93 were resolved to the satisfaction of the shareholders. There were 9 valid requests for transfer of shares/ dematerialisation/annual report/ status of the Company pending on 31st March 2006, which were resolved in May/June, 2006.

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