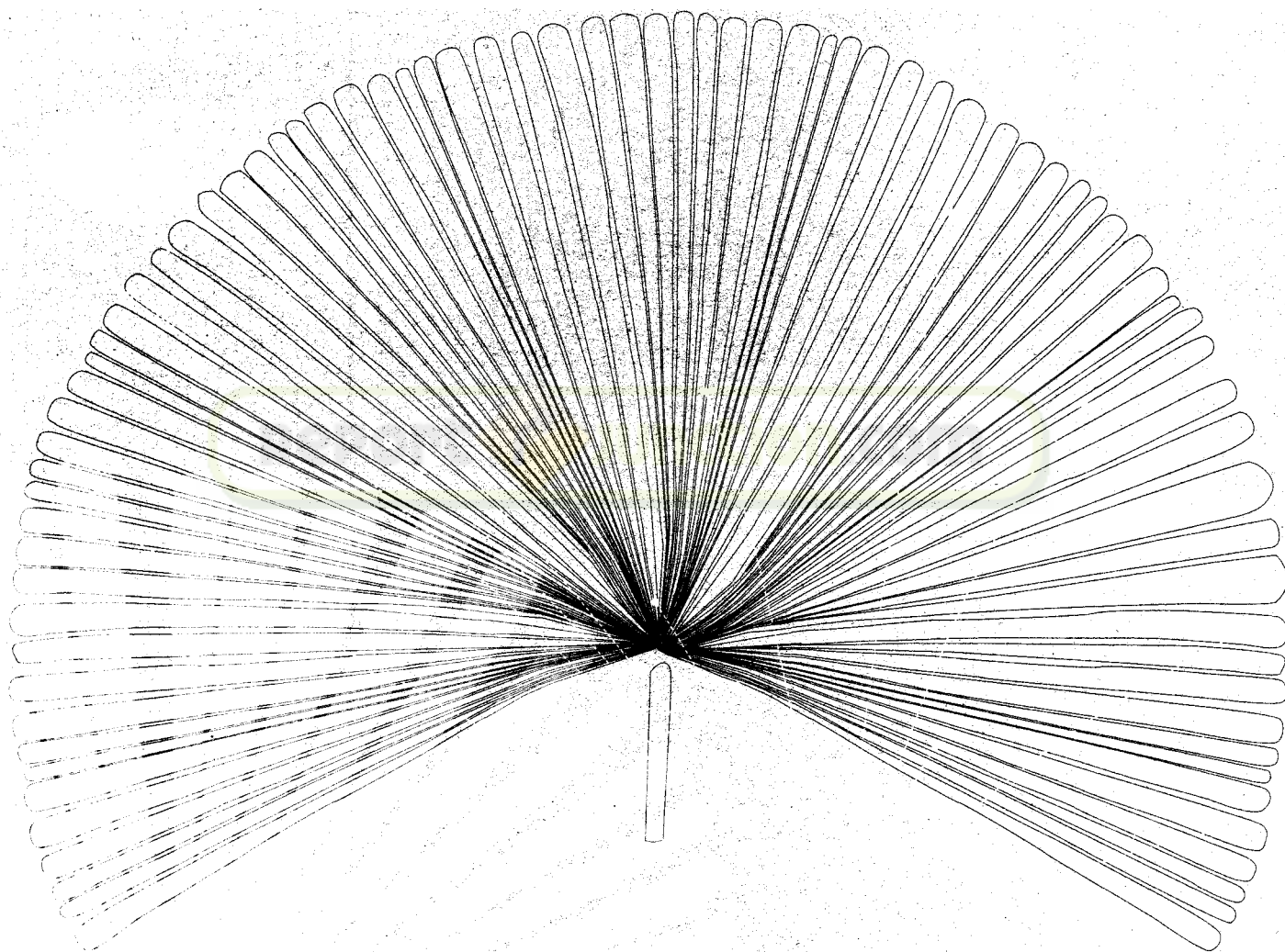


Himatsingka Seide

ANNUAL REPORT

2004-05



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Review:

Chairman



The Indian economy continues to forge ahead and our corporate sector has of late demonstrated a sense of dynamism and initiative, not seen in several decades. Despite the Government's cautious optimism with regard to the economy, ground realities indicate that India will comfortably achieve a high rate of growth, despite concerns on the monsoon front.

Most observers of the global scene also acknowledge that in the coming decades, economic power will shift towards the East, with China and India emerging as major centers

of growth. Realizing this factor, the corporate sector in the developed world is focusing on establishing its footprint in these key markets. India, in turn, can leverage its strength to step up its growth rate and overcome the twin problems of poverty and unemployment.

The strong rupee and continuing weaknesses in demand in Europe and the United States have impacted your Company's bottomline during the last year. However, the management has put in place a series of initiatives, which will give positive direction to business growth. You would see the results of these endeavours in the years to come. The launch of the Company's domestic brand was successful and planned expansion into allied activities, such as manufacture of bed-linen, will give the Company a foothold in the domestic market and also achieve the much needed product diversification.

I compliment the Company's management on its initiatives and the cautious and careful manner in which they are being executed. The Company's value system is strong and this strength is apparent in the execution capabilities displayed by it. The Company is also keen that value creation for the shareholders is achieved in a risk-free manner. Given the strength of the Indian economy, and the gradual recovery of global markets, I am confident that your Company's results will significantly improve in future.

N. Vaghul
Chairman

Review:

Managing Director



Dear Shareholder,

Our performance in 2004-05 was acceptable by any standard but our own.

Though our consolidated revenue grew by 13% to Rs.1500 million and PBT from operations by 12% to Rs. 426.5 million, we had aimed for more.

The markets of Euro zone and USA, where we mainly operate, continued to be slow. Increased cost in raw materials, energy and other inputs, appreciation of the Indian Rupee this year and a sharp reduction in other income (returns from investments), marginally lowered our consolidated PAT to Rs. 454.6 million, from Rs. 470.1 million in the previous year.

In the year under review, your Company entered into the growing domestic retail space for furnishing fabrics with our premium brand ATMOSPHERE. We added 7 new showrooms to the existing 4 across the country. Our unique retail model and approach to brand building, as reflected in our showrooms, has been well-received by a cross-section of designers, architects and end consumers. During its first full year of operations, ATMOSPHERE posted sales of Rs. 136.73 million, earned a cash profit of Rs. 3.45 million and is expected to make profits at net level in the current year. These encouraging numbers give us every reason to believe that we are on the right track. Over the next year, we plan to further consolidate our brand

presence in India, while actively looking at opportunities to take ATMOSPHERE overseas.

I believe we have steadily built a vibrant business model that has put in place the fundamental building blocks for sustained high performance. Our businesses generate considerable cash. We have been disciplined with your money and are committed to generating better returns. It is on this solid foundation, that we aim to build a dynamic growth process that will transform your Company in the coming years.

In my previous letter I had stated that we have identified a major growth opportunity in the domestic and international bed-linen market. Today, with dismantling of the quota regime, the stage is set for exponential growth in global trade of home textiles. We are convinced that bed-linen will be one of the Company's future growth drivers, given its potential for scalability and synergies with our existing export and retail businesses. Our entry into non-silks and bed-linen will broaden our market, while our design-centric, differentiated product offering will enable us to retain a niche positioning and healthy margins.

I am pleased to let you know that we have finalised our plans to setup a new production facility at Hassan SEZ, Karnataka. This world-class plant will enable production and export of bed-linen fabrics and made-ups, to be marketed through global brands, by end 2006.

Planned capacity for this facility is 17 million metre per annum at a project cost of around Rs. 4000 million, which will be funded out of loans and internal accruals. We will obtain the required loans under the Technology Upgradation Fund Scheme (TUFS) of the Government of India. Under this scheme, an interest subsidy of 5% will become available to us. Expected revenue from this project will be approx. Rs. 4000 million.

The Board, the Management Team and I, remain committed to performance with integrity. We believe that you can get great financial performance with the highest standards of governance and compliance. These concepts are compatible and mutually reinforcing. We have stayed on this path and our work has been recognised. 'ASIA MONEY', a prestigious journal published from Hong Kong has conferred upon us "the Best Managed Company" award (Small Cap Category) this year.

I am confident that our Company's future holds great potential. We are well-positioned to face the challenges that lie ahead. I thank you for your continued support and look forward to seeing you in the forthcoming Annual General Meeting.

Dinesh Himatsingka
Managing Director

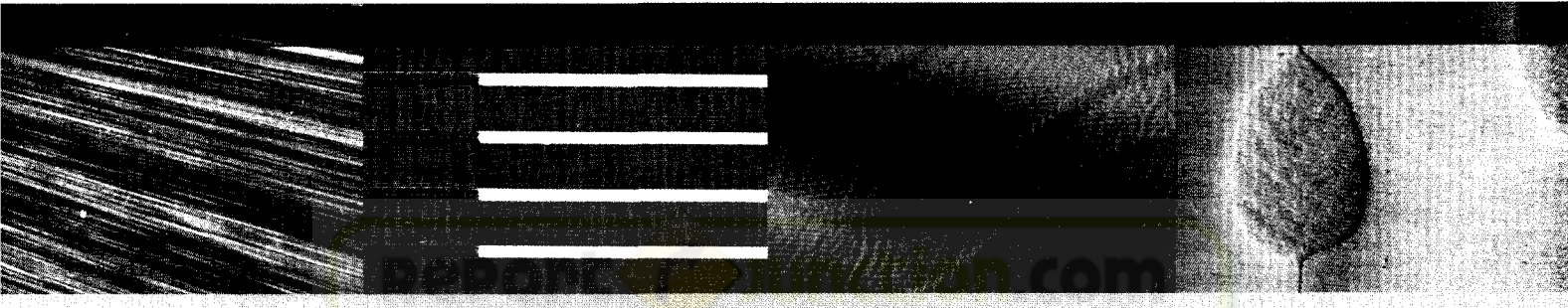
the building blocks

Putting in place the fundamental building blocks for dramatic growth, we have steadily consolidated our internal resources and expertise, vertically extended our business reach and harnessed considerable financial strength.



REPORT





A state-of-the-art design studio, world-class production facilities, a distinct people advantage and an expansive business network has enabled us to diversify our portfolio and maintain industry leadership. We have established a seamlessly integrated IT system that allows us to closely coordinate a library of over 20,000 products in the order process cycle, and a customized recipe index of 60,000 colour selections. That, together with our versatility to meet diverse customer requirements, from small, large to complex orders, has made us a preferred supplier to exclusive brands, the world over.