

**14th
Annual Report
2001-2002**

Certified True Copy
For Hytone Textstyles Limited

[Signature]

Executive Director:

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SUITINGS

HYTONE TEXTSTYLES LIMITED

ANNUAL REPORT 2001-2002

HYTONE TEXTYLES LIMITED

ANNUAL GENERAL MEETING

Date : 30th September, 2002
 Time : 10.00 a.m.
 Venue : Plot No. 70, TTC (MIDC) Industrial Area,
 Textile Processing Zone,
 Mahape Village,
 Navi Mumbai-400 709.

BOARD OF DIRECTORS

AMRUT T. SHAH	<i>Chairman & Managing Director</i>
PRAFUL K. DEDHIA	<i>Executive Director</i>
SATISH K. GALA	<i>Executive Director</i>
MANISH S. PAREKH	<i>Director</i>
KIRIT V. GALA	<i>Director</i>
SURESH G. VAIDYA	<i>Director (upto 30/1/2002)</i>
SHAILESH R. SHAH	<i>Director (w.e.f. 30/1/2002)</i>

SOLICITORS

M/s. PURNANAND & CO.

AUDITORS

M/s. C. K. Dedhia & Associates
Chartered Accountants

BANKERS

Syndicate Bank
The South Indian Bank Limited
Canara Bank

REGISTERED OFFICE

Plot No. 70,
TTC (MIDC) Industrial Area,
Textile Processing Zone,
Mahape Village,
Navi Mumbai - 400 709

Members are requested to bring their copy of Annual Report with them at the Annual General Meeting, as copies of the Report will not be distributed at the meeting.

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WORKS

Plot No. A-77, TTC (MIDC) Industrial Area,
Thane Belapur Road,
Khairane Village,
Navi Mumbai - 400 701

CITY OFFICE

25-C, Gyan Bldg
Ramwadi,
Kalbadevi,
Mumbai -400002

ANNUAL REPORT 2001-2002**NOTICE**

Notice is hereby given that the 14th Annual General Meeting of the members of **HYTONE TEXTYLES LIMITED** will be held on Monday, the 30th September, 2002 at 10.00 a.m. at the Registered office of the Company at Plot No. 70, TTC (MIDC) Industrial Area , Textile Processing Zone , Mahape Village , Navi Mumbai - 400 709 to transact the following business.

ORDINARY BUSINESS :

1. To receive , consider and adopt the Audited Balance Sheet as at 31st March, 2002, Profit and Loss Account for the year ended on that date and report of the Board of Directors and Auditors, thereon.
2. To appoint a Director in place of Shri Satish K. Gala , who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Manish S. Parekh who retires by rotation being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until conclusion of next Annual General Meeting and authorise the Board to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Mr. Shailesh R. Shah who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation"

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED that pursuant to Section 269, 198, 309 and all other applicable provisions, if any , of the Companies Act , 1956 , (the Act) (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of Central Government, as may be required and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or

imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the appointment of Shri. Amrut T. Shah as a Chairman and Managing Director of the Company for a period of five years w.e.f. 15th May , 2002 and to the payment of remuneration with basic salary of Rs.28,000/- per month in the scale of Rs.28,000/ - 'to Rs.48,000/- more particularly as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and vary such terms and conditions including remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to by the Board of Directors and Shri. Amrut T. Shah during the aforesaid period."

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Chairman & Managing Director within the limits and including the Central Government approvals wherever required as specified in the Schedule XIII to the Companies Act, 1956 and as may be modified from time to time.

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED that pursuant to Section 269, 198, 309 and all other applicable provisions, if any , of the Companies Act , 1956 , (the Act) (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of Central Government, as may be required and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the appointment of Shri. Praful K. Dedhia as an Executive Director of the Company for a period of five years w.e.f. 15th May , 2002 and to the payment of remuneration with basic salary of Rs.28,000/- per month in the scale of Rs.28,000/- to Rs.48,000/- more particularly as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and vary such terms and conditions including remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to by the Board of Directors and Shri. Praful K. Dedhia during the aforesaid period."

HYTONE TEXTYLES LIMITED

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Executive Director within the limits and including the Central Government approvals wherever required as specified in the Schedule XIII to the Companies Act, 1956 and as may be modified from time to time.

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED that pursuant to Section 269, 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956, (the Act) (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of Central Government, as may be required and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the appointment of Shri. Satish K. Gala as an Executive Director of the Company for a period of five years w.e.f. 15th May, 2002 and to the payment of remuneration with basic salary of Rs.28,000/- per month in the scale of Rs.28,000/- to Rs.48,000/- more particularly as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting, with liberty to the Board of Directors to alter and vary such terms and conditions including remuneration so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to by the Board of Directors and Shri. Satish K. Gala during the aforesaid period."

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Executive Director within the limits and including the Central Government approvals wherever required as specified in the Schedule XIII to the Companies Act, 1956 and as may be modified from time to time.

**By Order of the Board of Directors
For HYTONE TEXTYLES LIMITED**

Amrut T. Shah

Date : 27th August 2002. Chairman & Managing Director
Registered Office:
Plot No. 70, TTC (MIDC) Industrial Area,
Textile Processing Zone, Mahape Village,
Navi Mumbai - 400 709.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Members who hold shares in dematerialised form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
3. Explanatory statements, pursuant to section 173 of the Companies Act, 1956 in respect of special business is annexed.
4. The Register of Members and Share Transfer Book will remain closed from Tuesday 24th September, 2002 to Monday, 30th September, 2002 (both days inclusive)
5. Members desirous of getting any information about the accounts of the Company are requested to send their queries so as to reach atleast ten days before the meeting at the company's Registered office at Plot No.70, TTC (MIDC) Industrial Area, Textile Processing Zone, Mahape Village, Navi Mumbai - 400 709.
6. Members are requested to notify immediately any change in their address (with Pincode), if any, quoting their Folio No.(s) to the Company. In case your mailing address mentioned on this Annual Report is without Pincode, then you are requested to kindly inform your Pincode immediately.
7. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
8. The Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
9. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March 1994 have been transferred to the General Revenue Account of the Central Government. The shareholders who have so far not claimed or collected their dividend for the said period may claim their dividend directly from the Registrar of Companies, Maharashtra, by submitting an application in the prescribed form.
10. Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remain

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unclaimed or unpaid for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

11. The following is the detail of dividend paid by the Company and their respective due date of transfer to such fund of the Central Government, which remain unencashed.

Date of declaration of dividend	Dividend for the year	Due date of transfer to the Government
23rd September, 95	1994-95	3rd November, 2002

12. Listing on Stock Exchange :
Equity Shares of the Company are traded on the Stock Exchange, Mumbai. Annual Listing Fees as prescribed has been paid for the year 2002-2003.

13. The Company, consequent to introduction of the Depository System, entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), members therefore, now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT 1956:

ITEM NO. 5 :-

Shri Shailesh R. Shah was appointed as an Additional Director of the Company w.e.f. 30th January, 2002 pursuant to Section 260 of the Companies Act, 1956. Shri Shailesh R. Shah will hold office of the Director upto the date of the ensuing Annual General Meeting. The Company has received a Notice in writing from a member (alongwith Rs. 1000/-) proposing the candidature of Shri Shailesh R. Shah for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Shri Shailesh R. Shah is first class commerce graduate having considerable experience in accountancy and marketing , In view of his considerable experience, it will be in the interest of the Company to continue to avail his services.

Your Directors, commend the resolution for your approval.

None of the Directors of the Company, except Shri Shailesh R. Shah is, in any way interested in the resolution.

ITEM NO. 6 , 7 & 8

The Board of Directors had at their meeting held on 6th May, 2002 had, subject to approval of Central Government and Shareholders, re-appointed Shri Amrut T. Shah - Chairman & Managing Director, Shri Praful K. Dedhia - Executive Director and Shri Satish K. Gala - Executive Director for a further period of five years w.e.f. 15th May, 2002 to 14th May, 2007 on the following terms and conditions including remuneration thereof. The draft Agreement between the Company and Shri Amrut T. Shah - Chairman & Managing Director, Shri Praful K. Dedhia - Executive Director and Shri Satish K. Gala - Executive Director in respect of their re-appointment contains the following terms and conditions.

Salary : Rs. 28,000 - 5000 - 48000 Per Month
(in the scale of Rs. 28,000/- per month to Rs. 48,000/- per month)

Commission : 1% of net profit of the Company, in the manner laid down under Section 309 (5) of the Companies Act, 1956, subject to ceiling of 50% of the salary per annum whichever is less.

Perquisites

1) Housing :

- i) The expenditure by the Company on hiring furnished accommodation for each of the Directors will be subject to following ceiling:
Sixty Per cent of the Salary , over and above ten per cent payable by the Director.
- ii) In case the accommodation is owned by the Company , ten per cent of the salary of the Director shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company , the Director shall be entitled to house rent allowance subject to the ceiling laid down in paragraph (i) above.

Explanation : the Expenditure incurred by the Company on gas , electricity , water & furnishings shall be valued as per Income Tax Rules , 1962. This shall however be subject to ceiling of ten per cent of salary payable to the Managing / Executive Directors.

2) Contribution to Provident Fund :

Contribution to Provident Fund / Superannuation Fund or Annuity Fund to the extent permissible.

3) Medical Reimbursement :

Reimbursement of expenditure incurred for self and family subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.

4) Leave Travel Concession :

For self and family once in a year incurred in accordance with the rules specified by the Company.

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- 5) **Club Fees :**
Fees of clubs maximum of two clubs. This will not include admission and life membership fees.
- 6) **Personal Accident Insurance :**
Premium not to exceed Rs. 4000/- p.a.
Explanation - Family means the spouse , the dependent childrens and dependent parents of Managing Director / Executive Directors.
- 7) **Gratuity :**
As per the rules of the Company , but shall not exceed one half month's salary for each completed year of service.
- 8) **Earned Leave :**
On full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months service and leave accumulated shall be encashed at the end of the tenure. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
- 9) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls shall be billed by the Company.
- (a) Contribution to providend fund, superannuation fund , superannuation fund or annuity fund to the extent these either singly or put together are not taxable under Income Tax Act , 1961 ;
- (b) Gratuity payable at a rate not exceeding half a months salary for each completed year of service ;
- (c) Encashment of leave at the end of the tenure ;
- 10) The Company shall pay or reimburse the Chairman & Managing Director and other Executive Directors all costs, charges, expenses, that may be incurred by them for the purpose of the business of the Company.

In any financial year during the currency of the tenure of the Chairman and Managing Director and Executive Directors , if the Company has no profits or its profits are inadequate , the remuneration shall be paid as per monetary ceiling prescribed in schedule XIII to the Companies Act , 1956 or any re-enactment thereof including the Central Government approval wherever required under the applicable Laws.

As you are aware, the role and responsibilities of the above Directors have considerably increased alongwith the increased volume of business, various compliances under the Companies and other allied Acts, etc. Due to this they have to shoulder additional responsibilities in addition to formulating policies / plans for the future growth of the Company for which it has become necessary to revise their remuneration within the limit permitted under Schedule XIII of the Companies Act, 1956. Hence the proposed resolutions.

Above may also be treated as an abstract of the contract and memorandum of interest in relation to appointment of Shri Amrut T. Shah - Chairman & Managing Director , Shri Praful K. Dedhia - Executive Director and Shri Satish K. Gala - Executive Director pursuant to Section 302 of the Companies Act, 1956.

The draft agreements between the Company and Shri Amrut T. Shah - Chairman & Managing Director, Shri Praful K. Dedhia - Executive Director and Shri Satish K. Gala - Executive Director is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on any working day including the day of Annual General Meeting.

None of the Directors except Shri Amrut T. Shah , Shri Praful K. Dedhia and Shri Satish K. Gala is deemed to be interested / concerned in. the resolution.

The Resolution regarding the appointment of shri Amrut T. Shah as a Chairman & Managing Director , Shri Praful K. Dedhia as an Executive Director and Satish K. Gala as an Executive Director of the Company is commended for acceptance by the members.

**By Order of the Board of Directors
For HYTONE TEXTYLES LIMITED**

Amrut T. Shah
Chairman & Managing Director

Date : 27th August 2002.

Registered Office:
Plot No. 70, TTC (MIDC) Industrial Area,
Textile Processing Zone, Mahape Village,
Navi Mumbai - 400 709.

ANNUAL REPORT 2001-2002**DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors present their Fourteenth Annual Report on the operation of the Company together with the Audited Accounts for the year ended 31st March 2002. The summarised financial results are given below.

FINANCIAL HIGHLIGHTS	2001-2002 (Rupees)	2000-2001 (Rupees)
Total Revenue	43,83,41,663	47,38,29,524
Gross Profit	5,05,22,536	5,24,51,985
Less : a. Financial Charges	(3,97,55,936)	(3,28,27,496)
b. Depreciation	(1,59,88,440)	(1,23,90,266)
Profit/(Loss) before prior period & Extraordinary Items	(52,21,840)	72,34,222
Less : Prior year items	8,71,413	2,27,029
Add : Extra Ordinary Items (Net)	5,70,301	--
Profit/Loss) Before Tax	(55,22,952)	70,07,193
Add : Deferred Income Tax	17,24,944	--
Less : Provision for Income tax	--	1,00,000
Profit/Loss) Before Tax	(37,98,008)	69,07,193

DIVIDEND:

The Company has incurred a loss in the Financial Year 2001-2002 and hence the Directors are unable to recommend any dividend.

OPERATIONS:

In view of the general economic slowdown and recession especially for the textile sector and number of unfortunate events which had a dampening effect on the business sentiments of the Industry, starting from 11th September, 2001 followed by an attack on Indian Parliament on 13th December, 2001 and the recent disturbances in the state of Gujarat, which has adversely affected the business of the Company.

CURRENT OPERATIONS:

During the current year the Company strengthened its Dealers network and introduced new value added products by introducing better product-mix and

concentrating on cost reduction to enable Company to produce better results. On the marketing front, the Company is intensifying its drive with new products and developing new markets.

EXPORTS:

Exports continued to be an area of thrust and total exports of the Company during the year under review amounted to Rs.410.80 Lacs compared to that of previous year Rs.337.67 Lacs.

Due to emphasis on cost control measures and better quality the Company has improved its competitive edge in the International Market and penetrates into export market, particularly Europe, Middle East and South East Asian countries and book good amount of orders for the Company.

DEPOSITS:

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, and the rules made thereunder.

DIRECTORS:

Shri Shailesh R. Shah was appointed as Additional Director during the year from 30th January, 2002. He hold office upto the date of ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, subject to retire by rotation.

In accordance with the provisions of Companies Act, 1956 and Articles of Association of the Company, Shri Satish K. Gala and Shri Manish S. Parekh, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year Shri Suresh G. Vaidya, Director has resigned from the Board due to pre-occupation on 30th January, 2002.

Your Directors places on record their deep sense of appreciation for valuable services rendered by Shri Suresh G. Vaidya during his tenure.

HYTONE TEXTYLES LIMITED**AUDIT COMMITTEE:**

The Board of the Company has constituted an Audit Committee, comprising of two independent Director and one Whole-time Director viz. Shri Kirit V. Gala , Shri. Shailesh R. Shah and Shri Amrut T. Shah. The constitution of Audit Committee was in accordance with Section 292A of the Companies Act, 1956.

REMUNERATION COMMITTEE:

The Board of the Company has constituted a Remuneration Committee on 30th April 2002, comprising of three independent Directors viz.: Shri Manish S Parekh, Shri Kirit V. Gala and Shri. Shailesh R. Shah.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Wholetime Directors, based on defined criteria.

During the year the committee has meet once and all the members of the committee were present at the meeting.

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Director of the Company confirms that :

- i. in preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are resonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March, 2002.
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. the annual accounts have been prepared on a going concern basis.

AUDITORS:

The Auditors M/S C.K.Dedhia & Associates - Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

PARTICULARS OF THE EMPLOYEES :

There were no employees drawing salary in excess of limits specified under section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975.

CONSERVATION OF ENERGY , TECHONOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars in accordance with the provision of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, techonology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

ACKNOWLEDGEMENT:

The Company places on record its deep appreciation for the devoted services of the workers, staff and the executives of the Company. Your Directors would like to express their grateful appreciation for the assiatance and co-operation received from the Financial Institutions, Banks, Government Authorities and shareholders during the year under review.

For and on behalf of the Board

Navi Mumbai
27th August, 2002.

Amrut T. Shah
Chairman & Managing Director