

15th Annual Report

For 18 Months period ended on 30th September, 2003

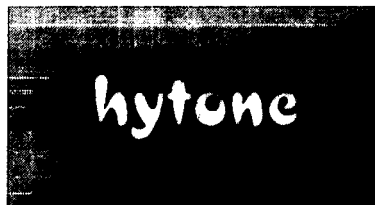
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For Hytone Textstyles Limited



(Executive Director)

H I - F A S H I O N



S U I T I N G S

HYTONE TEXTSTYLES LIMITED

ANNUAL REPORT

For 18 Months period ended on 30th September, 2003

HYTONE TEXTYLES LIMITED**ANNUAL GENERAL MEETING**

Date : 29th March, 2004
 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 : *Chairman & Managing Director*
 PRAFUL K. DEDHIA : *Executive Director*
 SATISH K. GALA : *Executive Director (upto 07.02.2003)*
 MANISH S. PAREKH : *Director (upto 22.02.2003)*
 KIRIT V. GALA : *Director*
 SHAILESH R. SHAH : *Director*
 SANJAY K. GALA : *Director (w.e.f. 30.10.2002)*
 DEEPAK C. SHAH : *Director (w.e.f. 30.10.2002)*
 DILIP M. KHONA : *Director (w.e.f. 30.10.2002)*

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

WORKS

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

CITY OFFICE

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

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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HYTONE TEXTYLES LIMITED

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Company will be held on Monday, the 29th March, 2004 at 10.00 a.m. at the Registered office of the Company at Plot No. 70, TTC (MIDC) Industrial Area , Textile Processing Zone, Maphe Village , Navi Mumbai - 400 709 to transact the following business.

ORDINARY BUSINESS :

1. To receive , consider and adopt the Audited Balance Sheet as at 30th September, 2003 and Profit and Loss Account for the period 1st April 2002 to 30th September, 2003 (for Eighteen Months) and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Praful K. Dedhia , who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until 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(s) following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Sanjay Khimji Gala 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"

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

"RESOLVED THAT Mr. Deepak Champaklal 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) following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Dilip Manilal Khona 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"

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

Amrut T. Shah
Chairman & Managing Director

Place: Navi Mumbai
Date : 2nd March, 2004.

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. 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.
5. Members are requested to notify immediately any change in their address (with Pincode) , if any , quoting their Folio

ANNUAL REPORT**For 18 Months period ended on 30th September, 2003**

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.

6. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
7. The Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
8. The common agency for the purpose of transfer of shares in both forms is M/S Intime Spectrum Registry Ltd. C- 13 Pannalal Industrial Estate, Bhandup (W) Mumbai - 400 078.
9. The Company's share capital had been dematerialised under ISIN "INE 926D01012" with NSDL and CDSL. Shareholder who have not dematerialised their shares may opt the same accordingly.
10. The Register of members and the Share Transfer Books of the Company were closed from 07/10/2003 to 09/10/2003 during the period under purview
11. Pursuant to Section 205 C of the Companies Act, 1956 the unclaimed dividend for the year 1994-95 had been transferred to the Investor Education and Protection Fund of the Government of India.

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

ITEM NO. 4

Shri Sanjay K. Gala. was appointed as an additional director of the Company w.e.f. 30th October, 2002 pursuant to Section 260 of the Companies Act, 1956. Shri Sanjay K. Gala will hold office of the director upto the date of the ensuing Annual General Meeting. The Company has received a Notice alongwith requisite deposit from a member proposing the candidature of Shri Sanjay K. Gala for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Shri. Sanjay K. Gala has rich business experience in Textile Industry, 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 Sanjay K. Gala is, in any way interested.

ITEM NO. 5

Shri Deepak C. Shah. was appointed as an additional director of the Company w.e.f. 30th October, 2002 pursuant to Section 260 of the Companies Act, 1956. Shri Deepak C. Shah will hold office of the director upto the date of the ensuing Annual General Meeting. The Company has received a Notice alongwith requisite deposit from a member proposing the candidature of Shri Deepak C. Shah for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Shri. Deepak C. Shah has rich business experience in Textile Industry, 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 Deepak C. Shah is, in any way interested.

ITEM NO. 6

Shri Dilip M. Khona. was appointed as an additional director of the Company w.e.f. 30th October, 2002 pursuant to Section 260 of the Companies Act, 1956. Shri Dilip M. Khona will hold office of the director upto the date of the ensuing Annual General Meeting. The Company has received a Notice alongwith requisite deposit from a member proposing the candidature of Shri Dilip M. Khona for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Shri. Dilip M. Khona has rich business experience in Textile Industry, 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 Dilip M. Khona is, in any way interested.

**By Order of the Board
For HYTONE TEXTILES LIMITED**

Amrut T. Shah
Chairman & Managing Director

Place : Navi Mumbai
Date : 2nd March, 2004

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

HYTONE TEXTYLES LIMITED**DIRECTORS' REPORT
TO THE MEMBERS**

Your Directors presents their Fifteenth Annual Report on the operation of the Company together with the audited accounts for the Eighteen Months ended on 30th September, 2003.

| | | |
|-----------------------------|--|--|
| FINANCIAL HIGHLIGHTS | 18 months period ended 30.09.03 (Rs. in Lacs) | 2001-2002 Year ended 31.03.02 (Rs. in lacs) |
|-----------------------------|--|--|

| | | |
|---|-----------------|-------------|
| Total Revenue | 5665.84 | 4383.42 |
| Profit before Interest & Depreciation | 324.49 | 505.23 |
| Less : a. Financial Charges | (666.73) | (397.56) |
| b. Depreciation | (240.36) | (159.88) |
| Profit / (Loss) before prior period & Extraordinary Items | (582.60) | (52.21) |
| Less : Prior year items | (0.09) | (8.71) |
| Profit/(Loss) before Extraordinary Items | (582.51) | (60.92) |
| Add : Extra Ordinary Items (Net) | — | (5.70) |
| Profit/(Loss) Before Tax | (582.51) | (55.22) |
| Add : Deferred Income Tax | 143.58 | 17.25 |
| Less : Provision for Income tax | — | — |
| Profit/(Loss) for the year after Taxation | (438.93) | (37.97) |
| Balance brought forward from previous year | 7.16 | 205.96 |
| Transferred from General Reserve | 15.0 | — |
| Adjusted on A/c of Deferred Tax of Previous Year | — | (160.83) |
| BALANCE CARRIED TO B/S | (416.77) | 7.16 |

DIVIDEND

In view of losses , the Directors are unable to recommend any dividend.

OPERATIONS

Continuing recession in textile industry has adversely affected the business of the Company. The main cause for deterioration in the performance is the high interest contracted debt of the Company, certain other factors like sharp increase in fuel prices leading to higher freight rates, the transport strike, transition in trade practices due to change in duty structure for textile industry brought by government budget 2003 affected overall performance of the Company.

The management of your Company is focused on diversifying the overseas market and in also developing new value added products.

MANAGEMENT DISCUSSION & ANALYSIS :**a) Industrial Structure and Developments**

During the period under review Textile Markets-domestic and international were sluggish, input cost continued to rise while per meter realisation continued to decline. Steep competition from domestic players as well as the imports of cheaper fabrics has further affected domestic market.

b) Opportunities and Threats

The Opportunities for the Company are that the Company can explore market in Northern part of the Country and International Market. However in domestic market threat is from un-branded suiting fabrics.

c) Segment wise or Product wise Performance

The Company has one reportable segment i.e. Textile (Manufacture of Manmade Fabrics)

d) Out Look

The future of Textile Industries as whole sector looks bright. To revive the units in textile industry, Government of India has announced the mechanism of restructuring of debts resulting in substantial reduction of debt service cost. The aim of policy is also to enable textile units to compete in the international market. Due to World Trade Organisation (WTO) the Multi Fibre Agreement will be phased out by April, 2005, thereby ending the quota restriction and opening the global market for textile industries. The Company has started implementing its plan to focus more on the export markets. The Company is emphasizing on development of new value added products to improve sales and profitability.

e) Risks and threats

With the phasing out of Multi Fibre Agreement and in the era of WTO the competition will increase, import of duty free textiles can effect the market of the domestic units.

f) Internal Control System and its adequacy

The Company has adequate control procedures commensurates with the size of the Company.

ANNUAL REPORT

For 18 Months period ended on 30th September, 2003

h) Human Resources Management

The Company has excellent human resources with variety of skill sets appropriate to its business requirement. Industrial relation have been cordial.

CORPORATE GOVERNANCE

The Company has taken the requisite steps to comply with the recommendations concerning the Corporate Governance. The Management Discussion and Analysis Report forms part of this report.

A separate report on Corporate Governance is furnished alongwith this report and a certificate from Practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.

AUDIT COMMITTEE

The Board of the Company re-constituted an Audit Committee, which now comprising of Shri Sanjay K. Gala, Shri Deepak C. Shah and Shri Dilip M. Khona. All of whom are non-executive Independent Directors. Shri Sanjay K. Gala is designated as a Chairman of the Committee.

The terms of reference stipulated by the Board to the Audit Committee are as contained in clause 49 of the listing agreement and as per responsibility stated in Section 292A of the Companies Act, 1956.

DIRECTORS

In accordance with the provisions of Section 255 & 256 of the Companies Act, 1956, Shri Praful K. Dedhia retire by rotation and being eligible, offer himself for re-appointment.

Shri Satish Khimji Gala, Executive Director, Shri Manish S. Parekh Shri Kirit V. Gala and Shri Shailesh R. Shah directors have resigned from the Board due to pre-occupation on 7th February, 2003, 22nd February, 2003 and 2nd March, 2004 respectively

Your Directors place on record their deep sense of appreciation for valuable services rendered by Shri Satish K. Gala, Shri Manish S. Parekh, Shri Kirit V. Gala and Shri Shailesh R. Shah during their tenure.

During the year under review Shri Sanjay K. Gala, Shri Deepak C. Shah and Shri Dilip M. Khona were appointed as additional Directors u/s 260 of the

Companies Act, 1956 and Company has received notice from member u/s 257 of the Companies Act, 1956, proposing their candidature for the office of Director.

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 reasonable and prudent so as to give true and fair view of the state of affair of the Company for the period of Eighteen Months starting from April 2002 to September 2003.
- 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

M/s. C.K. Dedhia & Associates, Chartered Accountants, Auditors of the Company who retire at the forthcoming Annual General Meeting are eligible for re-appointment and have expressed their willingness to accept office, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed u/s 224(1B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

PUBLIC DEPOSITS

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

STATUTORY DISCLOSURE

There were no employees drawing salary in excess of limits specified u/s 217(2A) of the Companies Act, 1956

HYTONE TEXTYLES LIMITED

read with Companies (particulars of employees) Rules, 1975.

CAUTIONERY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's Objectives, Projections, estimates or predictions may be "forward looking statements". The actual results may differ from those expected or predicted. Prime factors that may make difference to the Company's performance include market conditions, input costs, interest cost, Govt. Regulations and economic developments within/ outside the Company.

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 are given in the Annexure forming part of this report.

ACKNOWLEDGEMENT

The Board of Directors thanks the Financial Institutions, Banks, Government Authorities and all the Shareholders for their continued co-operation and support to your Company.

Your Directors like to place on record their sincere appreciation for the total commitment, dedication and hard work put in by every member of the Hytone family.

And to our shareholders, we are deeply grateful for the confidence and faith that you have always placed in us.

Your Directors express their deepest gratitude to the esteemed customers of the Company for their continuous confidence and faith, which they have in products and services of your Company.

For and on behalf of the Board

Place : Navi Mumbai
Date : 2nd March, 2004.

Amrut T. Shah
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****CONSERVATION OF ENERGY, TECHONOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:****1. CONSERVATION OF ENERGY**

- A. Energy Conservation measures taken :
The Company uses electricity as major source of energy. Regular monitoring of consumption, personal attention on Machinery and labour jobs.
- B. Additional investment & proposals : Nil
- C. Impact of the above measures: Improvement in quality and effeciency in production and productivity.

FORM A

[Forming part of Annexure (1)]

Disclosure of particulars with respect to energy consumption:

(a) Power & Fuel consumption :

| | 18 months period ended 30.09.03 (Rs. in Lacs) | For the F. Y. 1.4.2002 to 31.3.2003 (Rs. in lacs) |
|---------------------------|--|--|
| 1. ELECTRICITY: | | |
| a) Purchased: | | |
| Unit (KWH in lacs) | 10.24 | 5.35 |
| Total amount (Rs.in lacs) | 38.73 | 23.74 |
| Rate/KWH (in Rs.) | 3.78 | 4.43 |
| b) Own generation: | NIL | NIL |
| 2. COAL : | NIL | NIL |
| 3. FURNACE OIL : | NIL | NIL |
| 4. OTHERS : | NIL | NIL |

ANNUAL REPORT**For 18 Months period ended on 30th September, 2003****(b) Consumption per Unit Production:**
Products (with detailed unit)

| | | |
|-------------|-----------------|----------|
| Electricity | Rs. 1.50 | Rs. 1.59 |
| | Per Mtr. | Per Mtr. |

4. Expenditure on R & D :
Capital : Nil

Recurring : Expenses incurred are charged to respective heads and not allocated separately.

Total : Not determinable

Total R & D expenditure as % of total turnover : Not determinable

FORM B

[Forming part of Annexure (1)]

Disclosure of particulars with respect to Technology Absorption:

B) Technology absorption, adaptation and innovation :

Efforts in brief, made :

To meet the requirement of Garment Exporters, the Company has started R & D of new concepts of fabrics with different blend and weaves to increase the value addition at garment stage.

2. TECHNOLOGY ABSORPTION :**A) Research & Development :**

- Specific areas in which R & D carried out by the Company :

The Research and Development is an ongoing process in the Company to improve quality and reduce costs.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :Total Foreign Exchange used : **Rs. 74.11 Lacs**
(Rs. 72.25 Lacs)

- Benefits derived as a result of the above R&D :

Advantage of better product mix and wider local & export market.

Earned : **Rs. 1077.73 Lacs**
(Rs. 410.80 Lacs)

- Future Plan of action :

To cater better product mix and more value addition and exploration of avenues for continuous cost reduction measures.

For and on behalf of the Board**Amrut T. Shah**
Chairman & Managing Director

Place : Navi Mumbai

Date : 2nd March, 2004.

HYTONE TEXTSTYLES LIMITED**CORPORATE GOVERNANCE REPORT****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The fundamental objective of the Company is "enhancement of the long term shareholders value" while at the same time protecting the interest of the stakeholders and adopting a methodology which enhances effectiveness, better utilisation of resources, transparent and harmonious relations between various interest groups.

2. Board of Directors :

- i) The Board of Directors of the Company comprises of following Directors with optimum combination of executive and independent directors. The Board met 10 times during the period ended as on 30th September, 2003 on various dates and the nature of the directorship of all the Directors are as follows:

| | |
|----------------------|------------------------------------|
| Mr. Amrut T. Shah | Chairman and Managing Director |
| Mr. Praful K. Dedhia | Executive Director |
| Mr. Satish K. Gala * | Executive Director |
| Mr. Manish Parekh * | Independent Non-Executive Director |
| Mr. Kirit V. Gala | Independent Non-Executive Director |
| Mr. Shailesh R. Shah | Independent Non-Executive Director |
| Mr. Sanjay K. Gala | Independent Non-Executive Director |
| Mr. Deepak C. Shah | Independent Non-Executive Director |
| Mr. Dilip M. Khona | Independent Non-Executive Director |

* During the period of Eighteen Months ended as on 30th September, 2003 Mr. Satish K. Gala and Mr. Manish Parekh have resigned from the directorship w.e.f. 7th February, 2003 and 22nd February, 2003 respectively.

ii) Board Meetings:

The Board of Directors met 10 times during the financial year (viz. April, 2002 to September, 2003) on following dates :

| | | | |
|------------------|--------------------|---------------------|-------------------|
| 30th April, 2002 | 6th May, 2002 | 31st July, 2002 | 27th August, 2002 |
| 30th October, 02 | 7th February, 2003 | 22nd February, 2003 | 30th April, 2003 |
| 24th June, 2003 | 31st July, 2003 | -- | -- |

ANNUAL REPORT**For 18 Months period ended on 30th September, 2003****III) ATTENDANCE OF DIRECTORS FOR THE PERIOD STARTING FROM 1.4.2003 TO 30.09.2003**

| Name of the Director | Category | Board Meeting Attended | Last AGM | Other Director-ships | Committee Member-ships | Committee Chairman-ships |
|----------------------|---------------------------|------------------------|----------|----------------------|------------------------|--------------------------|
| Mr. Amrut T. Shah | Promoter Executive | 9 | Yes | - | No | |
| Mr. Praful K. Dedhia | Promoter Executive | 9 | Yes | - | No | |
| Mr. Satish K. Gala | Promoter Executive | 3 | Yes | - | No | |
| Mr. Manish S. Parekh | Independent Non-Executive | 2 | No | - | No | |
| Mr. Kirit V. Gala | Independent Non-Executive | 4 | Yes | - | No | |
| Mr. Shailesh R. Shah | Independent Non-Executive | 8 | Yes | - | No | 1 |
| Mr. Sanjay K. Gala * | Independent Non-Executive | 4 | No | - | 3 | 1 |
| Mr. Deepak C. Shah * | Independent Non-Executive | 3 | No | - | 3 | 1 |
| Mr. Dilip M. Khona * | Independent Non-Executive | 3 | No. | - | 3 | |

* Mr. Sanjay K. Gala, Mr. Deepak C. Shah and Mr. Dilip M. Khona were appointed as additional director w.e.f. 30th October, 2002.

The Board of Directors of the Company has optimum combination of executive and independent directors with more than half of the number of directors being non-executive independent directors.

iv). NOTE ON DIRECTOR'S APPOINTMENT

Mr. Sanjay K. Gala, Mr. Deepak C. Shah and Mr. Dilip M. Khona were appointed as additional directors by the Board on 30th October, 2002. They hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received notice u/s 257 of the Companies Act, 1956, proposing their appointment as a Directors, subject to retirement by rotation.