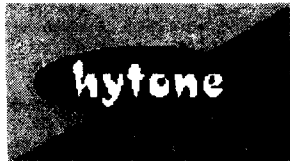


**16th
Annual Report
2003 - 2004**

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H I - F A S H I O N



S U I T I N G S

HYTONE TEXTYLES LIMITED

ANNUAL REPORT 2003- 2004

HYTONE TEXTYLES LIMITED**ANNUAL GENERAL MEETING**

Date : 30th March, 2005
 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*
 KIRIT V. GALA *Director*
 SHAILESH R. SHAH *Director*
 SANJAY K. GALA *Director*
 DEEPAK C. SHAH *Director*
 DILIP M. KHONA *Director*

SOLICITORS

M/s. PURNANAND & CO.

AUDITORS

Mr. Mulraj D. Gala
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.

CONTENTS**Page No.**

Notice	2
Directors' Report	3
Annexure to Directors' Report	5
Report on Corporate Governance	7
Auditors' Report	14
Balance Sheet	18
Profit & Loss Account	19
Schedules annexed to Balance Sheet and Profit & Loss Account	20
Notes on Account	26
Balance Sheet Abstract	31
Cash Flow Statement	32

HYTONE TEXTYLES LIMITED**NOTICE**

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Monday, the 30th March, 2005 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, 2004 and Profit and Loss Account year ended 30th September, 2004 (for Twelve 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 a Director in place of Shri Dilip M Khona, who retires by rotation and 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 to fix their remuneration.
3. 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.
4. 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.
5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. The Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
7. The common agency for the purpose of transfer of shares in both forms is M/s Intime Specturm Registry Ltd. C- 13 Pannalal Industrial Estate, Bhandup (W) Mumbai - 400 078.
8. 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.
9. The Register of members and the Share Transfer Books of the Company were closed from 23/03/2005 to 30/03/2005 (both days inclusive).
10. 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.

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

Amrut T. Shah
Chairman & Managing Director

Place: Navi Mumbai
Date : 17th November, 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

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

Amrut T. Shah
Chairman & Managing Director

Place : Navi Mumbai
Date : 17th November, 2004.

Registered Office :

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

ANNUAL REPORT 2003- 2004

DIRECTORS' REPORT TO THE MEMBERS

Your Directors submit their Sixteenth Annual Report on the operation of the Company along with the audited Statement of Accounts for the year ended 30th September, 2004.

FINANCIAL HIGHLIGHTS	12 months Period ended 30.09.2004 (Rs. in Lacs)	18 months period ended 30.09.2003 (Rs. in lacs)
Total Revenue	3145.02	5665.84
Profit before Interest & Depreciation	(232.51)	324.49
Less : a. Financial Charges	(420.82)	((666.73)
b. Depreciation	(138.56)	(240.36)
Profit / (Loss) before prior period & Extraordinary Items	(791.89)	(582.59)
Prior year items	0.68	(0.09)
Profit / (Loss) before Extraordinary Items	(791.21)	(582.51)
Profit/(Loss) Before Tax	(791.21)	(582.51)
Deferred Income Tax	--	143.58
Provision for Income tax	--	--
Profit/(Loss) for the year after Taxation	(791.21)	(438.93)
Balance brought forward from previous year	(1207.98)	7.15
Transferred from General Reserve	--	15.00
BALANCE CARRIED TO B/S	(1207.98)	(416.77)

DIVIDEND

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

Operations:

The Continuing recession in the textile industry caused further deterioration in the company's performance. The main causes are the import competition and high cost contracted debt. The Company has initiated a process of restructuring of business and product mix leading to further disruption. However the company is making all efforts for business and product revival through cost reduction, restructuring of the debt. etc.

Current year result are for twelve month hence are not comparable with correspondence previous year.

Reference under SICA:

As the network of the company has been completely eroded, the company has become Sick Industrial Company as per provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). Your Company is therefore required to make reference under section 15 of the SICA to the Board of Industrial and Financial Restructuring. The Company has initiated steps to submit the application in this regard.

Auditor Report:

The Observation made in Para 4 (vi) (i) of the Auditor's report is self- explanatory. Necessary remedial measures have been initiated for the recovery in respect of the item number stated in para 4 (vi) (ii) of the auditors report. If required provision would be made subsequently after proper assessment.

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 end of quota regime by December, 2004 the world market will be opened-up for free trade. The impact of the phasing out of quotas is that China and India are expected to enjoy substantial market share gains in the European Countries, USA and Canada. The studies also mention that proximity to these major markets, particularly in the fashion clothing sector being important. Mexico, the Caribbean, Eastern Europe and North Africa are likely to remain important exporters to these countries. The other important factors likely to affect the trade are applicable tariff rates and preferences of the importing countries.

HYTONE TEXTYLES LIMITED

While China is expected to be the "Supplier of Choice" in the quota free era, many importers are also looking at alternate sources in order to minimize the risk of sourcing only from one country. India figures highly in this list of alternate source after China. India has very large vertically integrated bases for a wide range of textiles and clothing at competitive prices. It has relatively low-cost labour, that is even lower than China's, strong design skills and abundant raw material supplies.

There are, however, quite a few challenges posed like, inadequate capacities, rigid labour laws, lack of infrastructure etc. The industry therefore, needs to infuse capital in new and large plants, overall infrastructure needs to be drastically improved and labour policies need to become industry-friendly if this potential is to be realised.

E) Risks and threats

With the opening of the textile market under the WTO arrangement, competition is expected to be intensified, both in the domestic and in the export market. In domestic market, your Company faces competition from both the organized and unorganized sectors.

F) Internal Control System and its adequacy

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

h) Human Resources Management

The Company has excellent Human Resources with variety of skill sets appropriate to its business requirement. Industrial relations 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 statutory Auditors regarding compliance of conditions of corporate governance as stipulated under clause 49 of the listing agreement is attached to this report.

Audit Committee:

Audit committee is covering all the areas as provided for in the Companies Act, 1956 as amended and any matter referred to it by the Board. Shri Sanjay K. Gala is the Chairman of the committee and Shri Deepak C. Shah and Shri Dilip M. Khona are other members of the committee.

Directors:

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Praful K. Dedhia and Shri Dilip M. Khona will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

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. There are no material departures from the applicable accounting standards.
- 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 Twelve Months starting from 1st October, 2003 to 30th September 2004.
- 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; and
- iv. The annual accounts have been prepared on a "going concern" basis.

Auditors:

M/s. C K Dedhia & Associates, Chartered Accountants resigned as auditors, due to their other pre occupations. Your Company has appointed Mr. Mulraj D. Gala, Chartered Accountants in their place as Statutory Auditors of the Company for the period from 1st October, 2003 to 30th September, 2004 in its Extra-Ordinary General Meeting held on 7th October, 2004, to hold office up to the ensuing Annual General Meeting.

The Company received an intimation from the Auditors to the effect that their re-appointment, if made, will be within the limits laid down under Section 224(1-B) of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of subsection (3) of section 226 of the Companies Act, 1956.

Accordingly, Statutory Auditors of the Company Mr. Mulraj D. Gala, Chartered Accountants will hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

ANNUAL REPORT 2003- 2004

Public Deposits:

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

Statutory Disclosure:

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.

Cautionary 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:

Your Directors place on record their deep sense of appreciation of the dedication of the Company's employees at all levels and are confident they will maintain their commitment to excellence in the coming years.

Your Directors also express their deep appreciation of the support received from the Government and other Regulatory authorities.

Your Directors also thank you, our valued shareholders, the Financial Institution, Banks and customers for their continued trust in the Company and its management.

For and on behalf of the Board

Place : Navi Mumbai
Date : 17th November, 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 :
Your Company has been proactively seeking measures to conserve energy through innovation in order to reduce wastage and optimise consumption.
- B. Additional investment & proposals : Nil
- C. Impact of the above measures: Improvement in quality and efficiency in production.

FORM A

Disclosure of particulars with respect to energy consumption:

(a) Power & Fuel consumption :

	12 months period ended 30.09.2004 (Rs. in Lacs)	18 months period ended 30.09.2003 (Rs. in lacs)
1. ELECTRICITY:		
a) Purchased:		
Unit (KWH in lacs)	6.15	10.24
Total amount (Rs.in lacs)	22.08	38.73
Rate/KWH (in Rs.)	3.59	3.78
b) Own generation:	NIL	NIL
2. COAL :	NIL	NIL
3. FURNACE OIL :	NIL	NIL
4. OTHERS :	NIL	NIL

(b) Consumption per Unit Production:

Products (with detailed unit)		
Electricity	Rs. 1.60 Per Mtr.	Rs. 1.50 Per Mtr.

HYTONE TEXTYLES LIMITED**FORM B**

[Forming part of Annexure (1)]

Disclosure of particulars with respect to Technology Absorption:

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

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

1. 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.

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

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

3. Future Plan of action :

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

4. Expenditure on R & D :

Capital : Nil

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

B) Tchonology 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.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange used : **Rs. 48.03 Lacs**
(Rs. 74.11 Lacs)

Earned **Rs. 394.13 Lacs**
(Rs. 1077.73 Lacs)

For and on behalf of the Board

Place : Navi Mumbai

Date : 17th November, 2004.

Amrut T. Shah

Chairman & Managing Director

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 five Directors with optimum combination of executive and independent directors. The Board met 6 times during the period ended as on 30th September, 2004 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. Sanjay K. Gala	Independent Non-Executive Director
Mr. Dilip M. Khona	Independent Non-Executive Director
Mr. Deepak C. Shah	Independent Non-Executive Director

Board Meetings:

The Board of Directors met 6 times during the financial year (viz. 1st October, 2003 to 30th September, 2004) on following dates :

30th October, 03	31st January, 2004	2nd March, 2004	30th April, 2004
31st July, 2004	4th September, 2004	--	--

HYTONE TEXTSTYLES LIMITED**II) ATTENANCE OF DIRECTORS**

Name of the Directors	Category	Board Meeting Attended	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Amrut T. Shah	Promoter Executive	6	Yes	-	No	
Mr. Praful K. Dedhia	Promoter Executive	6	Yes	-	No	
Mr. Kirit V. Gala	Independent Non-Executive	2	Yes	-	No	
Mr. Shailesh R. Shah*	Independent Non-Executive	2	Yes	-	No	
Mr. Sanjay K. Gala	Independent Non-Executive	6	Yes	-	3	1
Mr. Deepak C. Shah	Independent Non-Executive	6	Yes	-	3	1
Mr. Dilip M. Khona	Independent Non-Executive	5	No.	-	3	

* Mr. Shailesh R. Shah, Mr. Kirti V. Gala resigned from the Board w.e.f. 2nd March, 2004.

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.

3. AUDIT COMMITTEE

The Board of the Company has constituted an Audit Committee, comprising of three independent, Non-Executive Directors viz. Shri Sanjay K.Gala-Chairman, Shri Deepak C.Shah and Shri Dilip M.Khona. The constitution of the Audit Committee meets with the requirements under Section 292A of the Companies Act, 1956.

The role and terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors.

ANNUAL REPORT 2003- 2004

Dates of Audit Committee Meetings :

The Committee met three times during the period under review on the following dates.

30th October, 2003	27th February, 2004	31st July, 2004
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Attendance in Audit Committee Meetings: .

Name of the Director	No Of Meetings Held	No. Of Meeting Attended
Mr. Sanjay K. Gala	3	3
Mr. Dilip M. Khona	3	3
Mr. Deepak C. Shah	3	3

4. REMUNERATION COMMITTEE:

The remuneration committee consists of three Independent Directors. This committee comprises of the following:

1. Shri Sanjay K. Gala
2. Shri Deepak C. Shah
3. Shri Dilip M. Khona

No meeting of the Remuneration Committee was held during the year under review.

5. REMUNERATION OF THE DIRECTORS

Details of payments made to directors during the period 1st October, 2003 to 30th September, 2004 are given belows :-

Director	Sitting Fees (Rs.)	Salary and Perquisites (Rs.)	Total (Rs.)
Mr. Amrut T. Shah*	Nil	5,83,360	5,83,360
Mr. Praful K. Dedhia*	Nil	5,82,077	5,82,077
Mr. Kirit V. Gala	4,000	Nil	4,000
Mr. Shailesh R. Shah	4,000	Nil	4,000
Mr. Sanjay K. Gala	12,000	Nil	12,000
Mr. Dilip M. Khona	8,000	Nil	8,000
Mr. Deepak C. Shah	12,000	Nil	12,000