

**Schlafhorst | Saurer Group**



# **SCHLAFHORST ENGINEERING (INDIA) LIMITED**

**24th ANNUAL REPORT & ACCOUNTS-1ST JANUARY 2005 TO 31ST DECEMBER 2005**

## **SCHLAFHORST ENGINEERING (INDIA) LIMITED**

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### **BOARD OF DIRECTORS**

Mr. Josef Steiger	- Chairman
Mr. A.K. Bhagwati	- Director
Mr. Sanjay Asher	- Director
Mr. C.U. Mai	- Director
Mr. K.M. Thanawalla	- Director
Mr. P.K. Banerji	- Special Director appointed by BIFR (From 30.09.2005)
Mr. CBK Pillai	- Managing Director

### **COMPANY SECRETARY**

Mr. CBK Pillai

### **AUDITORS**

Shah & Shah Associates

### **REGISTERED OFFICE & WORKS**

Chandrapura Village, Tal. Halol - 389 350  
Dist. Panchmahal, Gujarat State  
Telephone No. (02676) 221870  
Fax No. (02676) 220887  
E-mail : seil@satyam.net.in, seilhalol@satyam.net.in

### **IMPORTANT NOTICE**

1. Members / Shareholders are requested to lodge their Equity Share certificates for transfer with the Company at its Registered Office.
2. With effect from 9th October 2000, the Company got admitted its Equity Shares to be dealt in dematerialized format and a tripartite agreement was signed between the Company, The Central Depository Services (India) Ltd., & Sharepro Services for providing electronic connectivity.

**NOTICE**

Notice is hereby given that the TWENTY FOURTH ANNUAL GENERAL MEETING of the members of SCHLAFHORST ENGINEERING (INDIA) LIMITED will be held at the Registered Office of the Company, Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat). on Friday, the 16th June, 2006 at 2.30 p.m. to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the audited Profit & Loss Account of the Company for the year ended 31st December 2005 and the Balance Sheet as at that date together with the reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. Atul Bhagwati, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjay Asher, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board of Directors  
SCHLAFHORST ENGINEERING (INDIA) LTD.

CBK PILLAI  
MANAGING DIRECTOR

Registered Office:  
Chandrapura Village,  
Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat.

Place: Mumbai  
Date : 26th April, 2006

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An instrument appointing a proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. Members are requested to intimate the change of address, if any, immediately to Share Dept., Schlafhorst Engineering (India) Ltd., Chandrapura

Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat, quoting their Folio Number(s).

4. Shareholders seeking information on accounts published herein are kindly requested to furnish their queries to the Company at least TEN days before the date of the meeting addressed to the Secretary, Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat.
5. In view of the high cost of paper and printing, the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued. Shareholders are therefore requested to bring their copies of the Report to the Meeting.
6. The Share Transfer Deeds should be sent to the Company at its Registered Office. In case the Share Certificates duly transferred are not received by the Members within one month from the date of lodgement and for resolving any Investors' Grievances, please write to the Secretariate (Investors' Grievances) at the Registered Office of the Company.
7. The unclaimed dividends for the Financial Year 1991-92 and 1992-93 declared by the Company on 20th August, 1992 and 21st September, 1993 were transferred to the General Revenue Account of the Central Government on 13th November, 1995 and 23rd October, 1996 respectively and any claim by any Shareholder to the money so transferred shall be preferred to the Central Government. Application for this purpose can be made to the Registrar of Companies, Gujarat, Ankur Char Rasta, Near Ankur Bus Stop, Opp. Rupal Park, Naranpura, Ahmedabad - 380 061.
8. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 13th June 2006 to Thursday, the 15th June, 2006 (both days inclusive).

By order of the Board of Directors  
SCHLAFHORST ENGINEERING (INDIA) LTD.

CBK PILLAI  
MANAGING DIRECTOR

Registered Office:  
Chandrapura Village,  
Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat.

Place: Mumbai  
Date : 26th April, 2006

**DIRECTORS' REPORT**

To,  
The Shareholders,  
SCHLAFHORST ENGINEERING (INDIA) LIMITED

Your Directors submit their Twenty Fourth Annual Report & Audited Statement of Accounts for the year ended on 31st December, 2005.

**1. FINANCIAL RESULTS :**

	<b>Current Year</b>	<b>Previous Year</b>
	<b>Rupees</b>	<b>Rupees</b>
	<b>('000)</b>	<b>('000)</b>
Income from sale of product and Parts	<b>53,791</b>	49,473
Job work	<b>26,172</b>	21,211
Other income	<b>14,376</b>	8,265
	<b>94,339</b>	78,949
Profit/(Loss) before Depreciation, Interest and Taxation	<b>22,259</b>	19,538
Depreciation	<b>6,426</b>	6,277
Interest	<b>9,386</b>	10,166
Profit/(Loss) before Tax	<b>6,447</b>	3,095
Provision for Wealth tax	<b>37</b>	37
Profit/(Loss) after tax	<b>6,410</b>	3,058
Brought forward balance of previous year losses	<b>347,399</b>	350,457
Cumulative losses	<b>340,989</b>	347,399

**2. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE :**

The operating income from sale of Draw Frames, spare parts, scraps, surplus capacity (Job Work) and other sundry receipts rose to Rs.94.34 Mio from Rs.78.95 Mio in the previous year - an increase of around 19.5%. This improvement in the operating performance is on account of the increase in the sale of surplus capacity (job work) to Rs.26.17 Mio from Rs.21.21 Mio and Draw Frames to 45 Nos. from 37 Nos. in the previous year. The sale of spares was down by 23% to Rs.21.04 mio from Rs. 27.25 mio. in the previous year mainly on account of phasing out of Autoconer model AC138 by the mills. The income from sale of spares is likely to take downward trend in future years on account of the phasing out of autoconer AC138 and also AC 238 model by the Mills in future. There was an increase of around 74% in the 'other income' over the

previous year mainly on account of lease rent received from sub-letting of two of the company's Factory Sheds lying idle at Halol Works and foreign exchange gain on account of repayment of foreign currency loan when the exchange rate was favourable by availing a domestic loan. This overall improvement in the income compared to that of previous year has resulted into a gross operating profit (before depreciation, interest & taxation) of Rs.22.26 Mio as against the profit of Rs.19.54 Mio in the previous year. After providing for depreciation, interest & taxation, the company has achieved a net profit of Rs.6.41 Mio as compared to that of the previous year of Rs.3.06 Mio. The accumulated losses as at 31st December 2005 is Rs.341 Mio as against the share capital and reserves of Rs.380 Mio making the net worth of the Company positive by Rs.39 Mio.

**3. PERFORMANCE OF THE CURRENT YEAR :**

Total income from sale of draw frames, job work and other receipts for the first quarter ended on 31st March, 2006 was Rs.17.62 mio. Efforts to improve the overall performance and to exceed the financials projected in the BIFR approved revival scheme will continue. The total orders booked and pending execution as on 31st March 2006 stood at Rs.29 Mio.

**4. REVIVAL SCHEME :**

The Company had submitted a Revival Scheme to the Board for Industrial & Financial Reconstruction (BIFR) in September 2004. The BIFR approved the Scheme in August 2005 and constituted an Asset Sale Committee consisting of Mr. P.K. Banerji (IAS (Retd.)) as Special Director, ICICI as Monitoring Agency and the Chief Executive of the Company for the sale of surplus properties consisting of the company's Vadodara land, buildings, factory shed and some surplus machineries as envisaged in the approved scheme. The Asset Sale Committee after having considered various bids received against the advertisements in various Newspapers, circulars to various companies and land dealers, recommended the sale of the said properties to the BIFR. The BIFR, on the application of the company, gave its approval for the sale of the said properties as recommended by the Asset Sale Committee and approved by the Directors of the Company. The properties were sold for an aggregate sum of Rs.165.2 Mio. and the full payment was received by the company in April, 06. A major part of the sale consideration was used for payment of (1) the outstanding dues of Rs.48.20 Mio to the workmen retired under the Voluntary

Retirement Scheme, (2) the short term loan of Rs. 57.40 mio. availed by the company from domestic source in Dec. 2005 to retire foreign currency loans and (3) sales tax dues of Rs.13 Mio. Around Rs. 20 mio will be used for (1) the payment of expenses for the shifting of machineries from the company's Vadodara Factory to its Halol Factory, (2) the renovation of these machineries, (3) certain capital expenditure and (4) the payment certain statutory liabilities. The balance may be used for the redemption of the Preference Shares.

A brief summary of the financials projected in the approved BIFR Scheme for the period 2004 to 2011 and the actual is as under:

Rs.in Lakhs

Details	Projected in the scheme								Actuals	
	2004	2005	2006	2007	2008	2009	2010	2011	2004	2005
Net Sales	580	580	610	610	610	610	610	610	707	800
Non operational income Including										
sale of property	1110	42	42	42	42	42	42	42	82	144
Profit after tax	875	56	86	100	95	96	92	88	31	64
Equity Capital	1940	1940	1940	1940	1940	1940	1940	1940	1940	1940
4% Cumulative Redeemable Preference Shares	1241	1241	1241	1241	1241	1241	1241	1241	1240	1240
Reserve & Surplus	623	623	623	623	623	623	623	623	623	623
Total Shareholders fund	3804	3804	3804	3804	3804	3804	3804	3804	3804	3804
Accumulated losses	2687	2601	2494	2390	2292	2196	2104	2016	3521	3431
Net worth	1117	1203	1310	1414	1512	1608	1700	1788	282	372
Total liabilities	1497	1484	1518	1620	1717	1812	1904	1990	1822	1933
Net Block	380	328	277	226	175	126	79	32	503	489
Other Assets	1117	1156	1241	1394	1542	1686	1825	1958	1319	1444
Total Assets	1497	1484	1518	1620	1717	1812	1904	1990	1822	1933

The sale of surplus properties was assumed to take place in 2004, but actually took place in April, 2006. However, the actual performance in 2005 was better than what was projected in the approved scheme and it is expected that the net worth too of the company will be better in 2006 than what was projected.

## 5. DIVIDEND :

In view of the net loss during the year under review, your Directors do not recommend any Dividend.

## 6. SUBSIDIARY COMPANY :

In compliance with the provisions of Section 212 of the Companies Act 1956, the audited statement of accounts for the year ended 31st December, 2005 and the directors' report of the subsidiary - Gujarat Textronics Ltd, are annexed hereto.

## 7. CONSOLIDATED BALANCE SHEET :

In compliance with the directions of the Stock Exchange, a consolidated account of the company and its subsidiary - Gujarat Textronics Ltd., has prepared which is also attached hereto.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

### (a) Industry structure and development

The company is currently engaged in the manufacture of Draw Frame Textile Machinery, which is used as a spinning preparatory machine by the textile mills. The mills increasingly prefer autoleveller draw frame and non-autoleveller draw frame is used as breaker.

### (b) Opportunities and Threats

The government of India has constituted a Technology Upgradation Fund (TUF) for the purpose of modernization of the mills and this gives enormous opportunity to the textile machinery industry to grow with the right technology. Your company however, does not have complete range of products which the customers prefer to choose from a single source and even its single product of Non Autoleveller Draw Frame is not entitled to the concessional finance under the TUF. The sale of Draw Frame was taking a downward trend from 19 nos in 2000 to 16 nos. in 2003. However, it has increased to 45 nos. in 2005 as against that of 37 nos. in 2004. At present, the company does not have any plan to introduce any new product. Its overriding priority is to liquidate all its interest bearing liabilities and place it on a sound financial base.

### (c) Segment wise performance.

The operations of the company are in a single segment of Textile Machinery - High Speed Draw Frame. The job work and the sale of spare parts are not considered as separate product segments.

### (d) Material development in Human Resources:

There has not been any material development in the year under review.

### (e) Outlook, risk and concerns:

i) Since 1998 your company has been operating with a single product - the Draw Frame which has demand mainly from the replacement market and with the income

from the sale of textile machinery parts, most of which are imported. Under the Technology Upgradation Scheme, only Draw Frame with Autoleveller is permitted for concessional financing. Due to paucity of funds and lack of R&D facilities, the company has not been able to make any material design improvement in the existing Draw Frame, which is an old design and facing increasing competition from latest design and Autoleveller Draw Frames.

- ii) A serious concern which the company still continues to face is non availability of a viable long term sustainable product. With the transfer of all important machineries from the Vadodara Factory to its Halol Factory, the Company has a good set up of Fabrication & Machining under a single roof. Your Directors are trying to use these facilities in the best interest of the Shareholders. There has not been any commitment from the company's collaborators for introduction of any new product.

(f) Internal control systems and their adequacy:

The company has adequate internal control systems commensurate with its size. A firm of Chartered Accountants has been appointed as Internal Auditors of the Company, who submits its quarterly reports to the Audit Committee /the Board of Directors. Every month, a detailed Management report containing statistics on sales, income and expenses of the company is being submitted to the Audit Committee and the Board for their review.

## 9. Particulars of Employees :

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are as under:

Name & Date of commencement of Employment	Designation & nature of duties	Qualification & Experience (including experience in previous concerns, if any)	Remuneration received during the year (Rupees)	Age	Last employment held Name of Employer, Post held & period
Mr. CBK Pillai 09-02-1995	Managing Director Overall Management	B.A., LLB A.C.S. 35 years	Rs.16,06,320	55	Elmco Elecon (India) Ltd. Company Secretary 4 years

### Notes:

1. Remuneration as above includes Salary, Company's contribution to Provident Fund and Superannuation

Scheme, Leave Encashment, Leave Travel Assistance, Medical Expense Reimbursement, other Allowance, Bonus/Exgratia, Personal Accident Insurance Premium, Company's Furniture, Equipments, Gas, Electricity and Gratuity - where applicable and Retirement benefit.

2. None of the employees is relative of any Director of the Company.

## 10. DIRECTORS :

1. Mr. Atul K. Bhagwati retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends that he be reappointed as Director.

Born in 1932, Mr. Bhagwati is BE (Mech. & Elect.) from Pune University (1953) and has wide experience in promoting and managing several business enterprises and is currently the head of ATE Group of enterprises. He is also the Chairman and the Director of several other companies.

2. Mr. Sanjay K. Asher retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends that he be reappointed as Director.

Born on 26th November 1964, Mr. Asher is a Solicitor, Bachelor of Laws (LLB), Bachelor of Commerce and is Chartered Accountant. He is a legal practitioner with wide experience and is Director of several other companies.

3. Mr. P.K. Banerji, IAS (Retd.) was appointed as a Special Director by the BIFR on 30th September 2005. Mr. Banerji was born on the 4th July, 1942. After his post-graduation in Economics from Lucknow University, he joined the IAS in 1966. The posts held by him included (1) Joint Secretary (Finance), Govt. of West Bengal, (2) Director, Ministry of Commerce, Govt. of India, (3) Joint Secretary, Ministry of Civil Aviation, Govt. of India, (4) Additional Secretary, Ministry of Coal, Govt. of India, (5) Chief Commissioner of NRI Investments, Dept. of Economic Affairs, Govt. of India & (6) Special Secretary (External Finance) & Secretary, Insurance, Dept. of Economic Affairs, Govt. of India. Mr. Banerji is an awardee of Padmashri and Fellow of Economic Development Institute of the World Bank. He was awarded Medal of Honour by USSR Chamber of Commerce and Industry. He was Co-Chairman of the Committee of Ministry of Finance, Govt. of India, and US Department of Treasury. He retired in August 2002 and is

presently serving on the Board of Directors of five companies, including Bombay Stock Exchange and Ballard Industries Ltd.

#### 11. DISCLOSURE OF INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION :

##### A) Conservation of Energy

The Company continues to take all possible steps to conserve energy.

##### B) Technology absorption

#### RESEARCH & DEVELOPMENT

1. Specify areas in which R&D : Nil  
carried out by the Company
2. Benefits derived as a result : Nil
3. Future Plan of action : Nil
4. Expenditure on R&D : Nil
  - (a) Capital : Nil
  - (b) Revenue : Nil
  - (c) Total : Nil
  - (d) Total R&D expenditure : N. A.  
as a percentage of total  
turn over

#### TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

1. Efforts in brief, made towards : Nil  
technology absorption,  
adoption & innovation
2. Benefits derived as a result : Nil  
of the above efforts,  
e.g. product improvement,  
cost reduction, product  
development,
3. In case of imported technology : N.A.  
(imported during the last 5 years  
reckoned from the beginning of  
the financial year) following  
information may be furnished.

##### C. Foreign Exchange earnings and outgo :

The total foreign exchange earned by the Company during the year under review from exports and other activities amounted to Rs.117 thousands. The total foreign exchange used for imports and on account of various remittances amounted to Rs.7995 thousands.

#### 12. AUDITORS :

The tenure of Shah & Shah Associates as Auditors of the Company expires at the conclusion of the 24th

Annual General Meeting. You are requested to appoint Auditors and fix their remuneration.

#### 13. BOARD'S EXPLANATION ON THE AUDITORS' REMARKS :

The explanation of the Board on the Auditors' remarks appearing in the Auditors' Report are as under:

1. On going concern - (vi) (i) Note 3 of Schedule 19.

The Board's views in this regard have been adequately expressed in para 4 of this report. The accumulated losses of the company of Rs. 464.80 mio which was at its peak in 2002 was brought down to Rs.350.45 mio. in 2003, to Rs. 347.40 in 2004 and further to Rs. 341 mio in 2005. The net worth of the company has become positive in 2004, which will become further positive in 2006 when the capital gains arising out of the sale of its surplus properties as envisaged in the BIFR approved revival scheme will be set off against the losses.

2. Investment and advances to Gujarat Textronics - (vi) (ii & iv), Notes 4 & 9 of Schedule 19.

The investment in the subsidiary (Gujarat Textronics Limited) was a trade investment to make it a captive unit for supplying electronic goods to your Company. No provisions for diminution in the value of investment in, and advances given to, it was made as your Company was not making adequate profit. Efforts to revive its operation have not been successful though attempts are still continuing. A final view of its collaborators will be sought with regard to its future operations. The operations of GTL and the Company's exposure to it by way of advances and investment would be totally reviewed in the current year itself and suitable steps will be taken to safeguard the interest of your Company. As the accumulated losses of GTL is more than its share capital and reserves, a reference has already been made to BIFR under Sick Industrial Companies (Special Provisions) Act, 1985.

3. Non-moving stocks - (vi) (iii) Note 7 of Schedule 19

The Company is making efforts to dispose off the non-moving inventories even at discount. The stock list is being circulated to all concerned and if positive response is not going to be received, these stocks will be disposed off as scrap in the current year.



4. Doubtful debts - (vi) (v & vi) Note 21 of Schedule 19

Constant follow up was and is being made for the recovery of outstanding debts. The Company has also been reminding the parties for confirmation of the balances. This matter will be reviewed in the current year and efforts to recover these prove to be unsuccessful, the debts will be written off in the current year.

In case of any other remarks in the Auditors' Report, wherever they appear, adequate clarifications are provided in the notes on Schedule 19 to the accounts.

#### 14. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors confirm that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures. The Directors have selected appropriate 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 and of the profit of the Company for the financial year 1st January 2005 to 31st December 2005. Proper and sufficient care has been taken for the 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. The annual accounts have been prepared on a going concern basis.

#### 15. CORPORATE GOVERNANCE REPORT :

Transparency, accountability, full disclosure and compliance with the law are the governing factors at SEIL, which is committed to enhance the shareholders' value in the long term as its ultimate objective, while contributing to the welfare of the employees, state revenue and public interest.

##### a) BOARD MEETINGS :

Four meetings of the Board of Directors were held during 2005 - on 25th January 2005, on 21st April 2005, on 26th July 2005 and on 28th October 2005. Sufficient notice was given to all the directors before the board meeting and an agenda setting out all the details of the subject matter was circulated to all the directors with the notice convening the meeting.

#### b) COMPOSITION OF BOARD :

Name of the Director	Category	Attendance of Board Meetings during 2005	Attendance of last AGM	Remuneration (Rs.in lacs)	In other Director ship	Companies Committee Member	Chairman ship of a Committee
Mr. Josef Steiger	Chairman, Non-Rotational, Promoter's Nominee	4	Yes	NIL	2	NIL	NIL
Mr. CBK Pillai	Managing Director, Rotational, Executive	4	Yes	16.06	-	NIL	NIL
*Mr. AK Bhagwati	Independent, Rotational	4	Yes	NIL	12	NIL	NIL
*Mr. Sanjay Asher	Independent, Rotational	3	NIL	NIL	29	NIL	NIL
Mr. CU Mai	Promoter's, nominee Rotational	2	NIL	NIL	4	NIL	NIL
Mr. KM Thanawalla	Promoter's nominee Rotational	3	NIL	NIL	7	NIL	NIL
*Mr. PK Banerji	Appointed by BIFR	NIL	NIL	Rs. 10,000/- per sitting	4	NIL	NIL

All the persons except the Managing Director are Non-executive Directors. Mr. Josef Steiger, Mr. CU Mai and Mr. KM Thanawalla are the nominees of the Promoters - Reiners Verwaltungen GmbH, Germany and are employees of its group companies. Except as above, they do not have any other material pecuniary relationship or transaction with the company. The Chairman is a Non-rotational Director. He is also the Chairman of the Shareholders' Grievance Committee and a Member of Audit Committee of the Company.

\* Mr. A.K. Bhagwati & Mr. Sanjay Asher are Independent Directors and Chairman & Member respectively of the Audit Committee from 11th March 2004. Mr. P.K. Banerji is a Special Director appointed by BIFR on 30th September 2005 and a Member of the Audit Committee.

None of the Directors is related to any other Director. Remuneration to Managing Director includes Basic Salary, Housing & other allowances, Company's contribution to Provident Fund, Superannuation & Gratuity Fund and medical expenses. The remuneration is fixed and a part of it is linked to the financial performance of the company. No other incentive is payable. The remuneration indicated above is inclusive of all. Except the Managing Director & Special Director appointed by BIFR, no other Directors receive any pecuniary benefit from the Company. The Managing Director is under a service contract for a period of two years commencing 1st January 2005 to 31st December



2006. His service is terminable by giving 6 months notice. There are no severance fees except as provided in Section 318 of the Companies Act, 1956. The Company has not introduced any stock option.

Mr Steiger (who is a non executive director and Chairman of the Board and the Company) is not paid either any remuneration or any other expenses of whatsoever nature including traveling expenses to attend board meetings or general meetings. The Company has not maintained any Office for him in India at the expenses of the company. He is a member of Audit committee and is also chairman of Shareholders' committee.

#### c) AUDIT COMMITTEE :

The Company has constituted an Audit Committee on 30th January 2001. The existing members of the committee are (i) Mr. A.K. Bhagwati (Chairman & Independent Director), (ii) Mr. Sanjay Asher (Independent Director), (iii) Mr. Josef Steiger (Non-Executive Director) & Mr. P.K. Banerji (Special Director appointed by BIFR) with Mr. CBK Pillai as its Secretary.

The Audit Committee is vested with the power to examine all the aspects of the Company's business, approve capital expenditure and utilization of credit facilities, suggesting remedial measures on issues that can be raised in the Internal Auditors' Report, Statutory Auditors Report and other Management reports being generated from time to time, review of quarterly performance, cost reduction measures, compliance with statutory regulations, interaction with the Statutory Auditors and officers of the Company and other matters specified in Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee had its meetings on 25th January 2005, 21st April 2005, 26th July 2005 & 28th October 2005. These meetings were attended by Mr. A.K. Bhagwati (all Meetings), Mr. Sanjay Asher (3 Meetings), Mr. Josef Steiger (all Meetings) & Mr. CBK Pillai (all meetings).

#### d) SHAREHOLDERS'/INVESTORS' COMMITTEE :

Way back in 1995, the Company had delegated the power to the Company Secretary to ensure quick transfer of shares and attending to investors' grievances. Mr. CBK Pillai has been appointed as the Compliance Officer overseeing the investors' grievances. All transfers, where the transfer deeds are received duly executed

are effected on a weekly basis. This work is being satisfactorily done and there has not been any pending complaint or transfers to be effected as on date from the Company's side. On 29th January, 2002 a Shareholders'/Investors' Grievance Committee headed by the Chairman of the company was formed to review the status of investors' grievances and redressal mechanism and to suggest measures to improve the level of investor services.

#### e) COMPENSATION AND REMUNERATION COMMITTEE :

As the Company has no intention to pay any remuneration to any of the Directors other than Managing Director, no need was felt to constitute a Compensation and Remuneration Committee of Directors. The remuneration to the Managing Director is with the approval of the Board of Directors and is further with the approval of Shareholders of the Company in the General meeting. The package of remuneration was set out in the explanatory statement to the notice sent to the shareholders convening general meeting. To the Non-Executive & Independent Directors, no remuneration is currently paid except to the Special Director appointed by the BIFR who is paid at the rate of Rs. 10,000/- per Board and per Committee meeting plus, Hotel, conveyance and out of pocket expenses.

#### f) GENERAL BODY MEETING :

The previous 3 General Body Meetings were held as under :

Annual General Meeting	Day, Date & Time	Venue
21 <sup>st</sup> Annual General Meeting	Friday, 27.06.2003 at 2.00 p.m.	Registered Office
22 <sup>nd</sup> Annual General Meeting	Thursday, 06.05.2004 at 2.30 p.m.	Registered Office
23 <sup>rd</sup> Annual General Meeting	Thursday, 21.04.2005 at 2.30 p.m.	Registered Office

#### g) DISCLOSURES :

- 1) The Company or its subsidiary - Gujarat Textronics Ltd - has not entered into any contract or transaction of material nature that may have a potential conflict with the interest of the company or its subsidiary with any of the directors or their relatives or promoters during the year. There were no penalties or strictures imposed on the company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to Capital Markets during the last 3 years.

2) A.T.E. Marketing Pvt. Ltd. (ATEMPL) is the Selling Agent of the Company. The commission payable is 4% on net sales, which was also being paid to other selling agents in the past. Mr. A.K. Bnagwati, a Director of the Company is also a Director in ATEMPL.

3) The Company proposes to carry out fabrication job work of certain components for Zinser Textile Systems Pvt. Ltd. (ZTS) and A.T.E. Industries Pvt. Ltd. (ATEIPL). These job works are sought by the Company to utilize its surplus capacity. Some of the Directors of the Company are also Directors in ZTS & ATEIPL. Approvals from the Central Government u/s 297 of the Companies Act have already been received for the purpose.

#### h) QUARTERLY RESULTS OF 2005 :

The Quarterly results of 2005 are published as under :

	Date of Publication
First Quarter	22.04.2005
Second Quarter	27.07.2005
Third Quarter	29.10.2005
Fourth Quarter	01.02.2006

#### i) MEANS OF COMMUNICATION :

The quarterly results and half yearly results of the Company are sent to the Stock Exchange immediately after the Board's approval. The Stock Exchange should be in a position to put it on its website. The quarterly results are also published in Loksatta/Jansatta in vernacular language and in Business Standard in English language within 48 hours of the approval by the Board.

#### GENERAL SHAREHOLDERS INFORMATION

The 24th Annual General Meeting will be held on Friday, the 16th June, 2006 at 2.30 p.m. at its Registered Office at Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat. All communications should be addressed to the Registered Office. The Company follows calendar year (January-December) as its financial year. The Register of members and the share transfer books of the company will remain closed from Tuesday, the 13th June 2006 to Thursday, the 15th June 2006 (both days inclusive). In view of the accumulated losses, no dividend has been recommended. The Company's Equity Shares are listed on The Stock Exchange, Mumbai. The Company has been paying Listing Fee regularly to The Stock Exchange, Mumbai. The stock code allotted is 505358. The Company has not issued any GDRs/ ADRs/Warrants. The Company's manufacturing

plant is located at its Registered Office. Its Vadodara plant has been sold in April, 06 with the approval of the BIFR.

#### Market Price Data :

The High & Low market prices of the shares at The Stock Exchange, Mumbai are as under:

Month	Highest	Lowest	Sensx	
			Highest	Lowest
January 2005	15.85	11.05	6679.20	6102.74
February 2005	15.00	11.00	6713.36	6530.06
March 2005	15.00	09.80	6950.09	6367.86
April 2005	14.14	10.25	6606.41	6134.86
May 2005	14.80	13.00	6715.11	6216.77
June 2005	18.00	12.10	7148.52	6729.90
July 2005	19.30	12.50	7635.42	7145.13
August 2005	27.00	10.00	7859.53	7606.17
September 2005	23.00	17.10	8650.17	7876.15
October 2005	16.45	11.05	8799.96	7685.64
November 2005	13.50	11.82	8994.94	7944.10
December 2005	12.92	09.53	9394.27	8815.53

#### j) SHARE TRANSFER AGENTS :

The Company is doing all the share transfer work since 15th April 1999. All the share transfer deeds are processed quickly and share certificates are posted within 7 to 10 days from the date of receipt on an average. Incomplete share transfer deeds are returned to the transferees with a request to return after rectifying the deficiencies pointed out.

With effect from 9th October 2000, the Company's Equity Shares are admitted in Dematerialized Form through the Central Depository Services (India) Ltd. (CDSL). The Sharepro Services has provided the Company necessary connectivity for the purpose.

#### k) DISTRIBUTION OF SHAREHOLDING :

Equity Shares:

Sr. No.	No. of Equity Share held	No. of Share holders	No. of Shares	Percentage of Share holding
i)	Up to 5000	21987	2473457	12.75
ii)	5001 - 10000	961	788418	4.07
iii)	10001 - 20000	398	616626	3.18
iv)	20001 - 30000	148	381097	1.96
v)	30001 - 40000	63	220858	1.14
vi)	40001 - 50000	74	352322	1.82
vii)	50001 - 100000	84	604152	3.11
viii)	100001 & above	83	13958266	71.97
		23798	19395196	100.00