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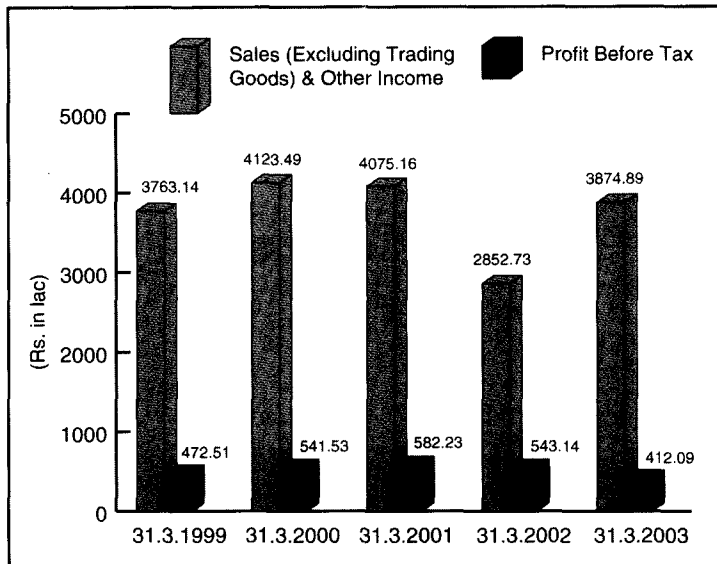
THE INDIAN CARD CLOTHING COMPANY LIMITED

49TH ANNUAL REPORT 2002-2003

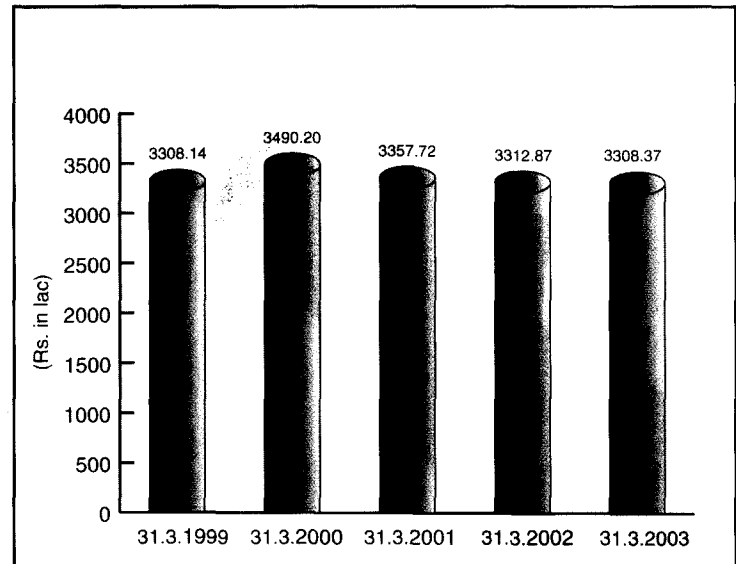
The Indian Card Clothing Company Ltd. is the pioneer in the manufacture of card clothing in India and has sustained its position as a market leader for over 47 years. In the last few years, the Company's card clothing has made its mark in the world market as a quality product and exports are rising year after year.

With the sound technological base developed over years, the Company manufactures both Flexible and Metallic Card Clothing for processing all sorts of fibre used by the textile industry. The technology is constantly upgraded to meet the changing international requirements.

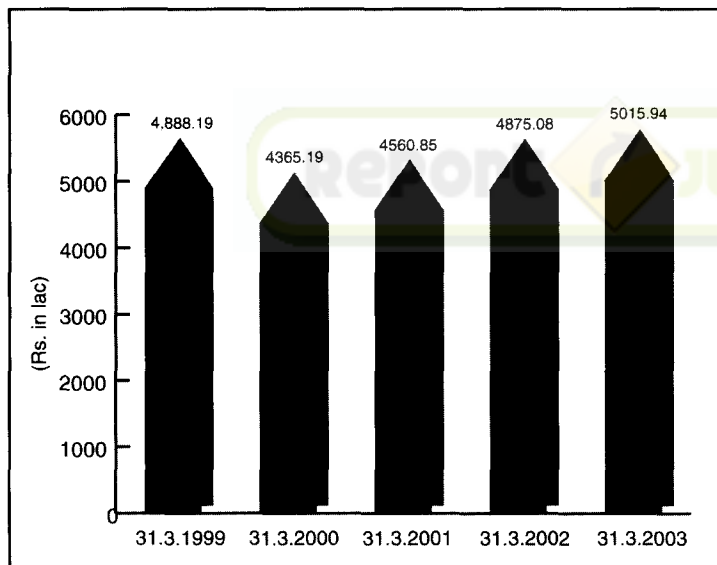
SALES & PROFIT



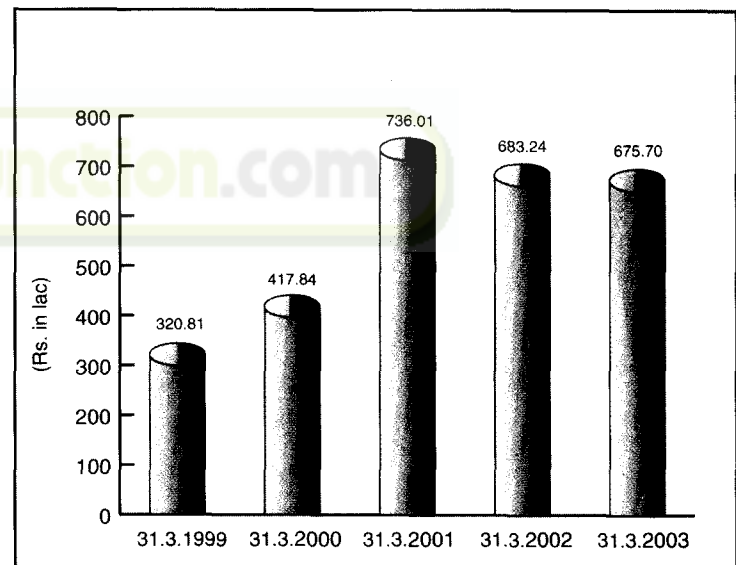
GROSS FIXED ASSETS



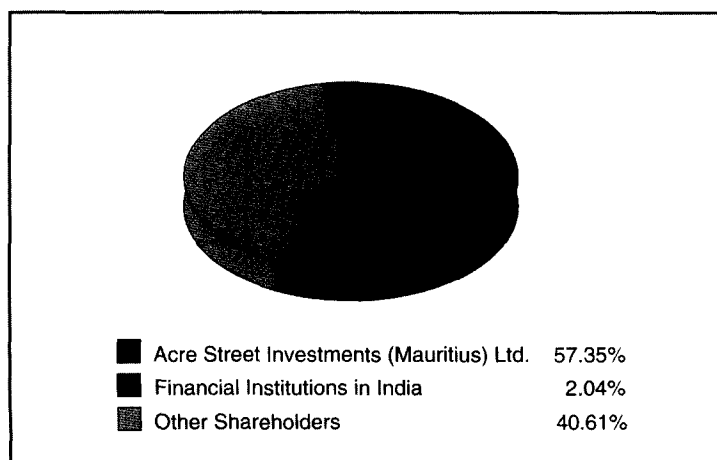
NET WORTH



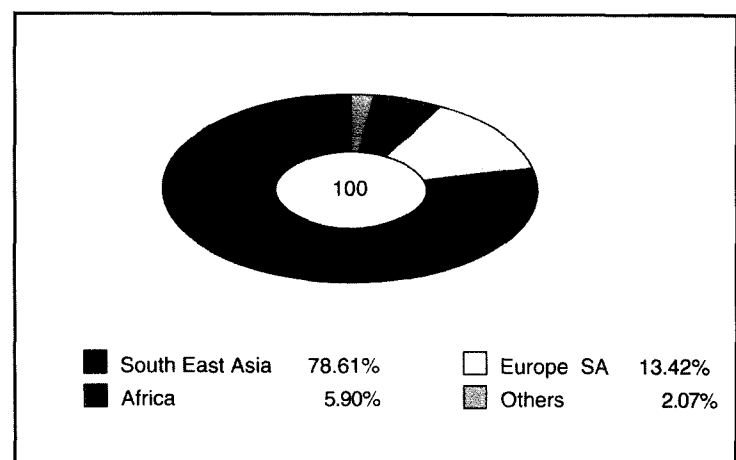
EXPORT : CARD CLOTHING



PATTERN OF SHAREHOLDING



PATTERN OF EXPORTS : CARD CLOTHING



THE INDIAN CARD CLOTHING COMPANY LIMITED

DIRECTORS

K. K. Trivedi, *Chairman*
M. K. Trivedi, *Managing Director*
H. C. Asher
M. M. Shah
J. M. Kothary
C. M. Maniar
Prashant K. Trivedi
Sudhir Merchant

MANAGEMENT TEAM

M. K. Trivedi, *Managing Director*
A. D. Dahotre, *Vice President*
(Finance) and Company Secretary
U. V. Bhawe, *Vice President*
(Human Resources)
N. Jain, *General Manager*
(Sales & Marketing)
U. S. Borkar, *General Manager*
(Materials)

REGISTERED OFFICE

Mumbai-Pune Road,
Pimpri, Pune 411 018.
Tel.: (020) 4111455, 7425390
Website : www.cardindia.com
Email : accounts@cardindia.com

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Sharepro Services
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road, Chakala
Andheri (E), Mumbai 400 099
Tel.: (022) 28215168, 28348218

AUDITORS

M/s. B. K. Khare & Co.
706/708, Sharda Chambers,
New Marine Lines,
Mumbai 400 020.

SOLICITORS

M/s. Crawford Bayley & Co.
State Bank Building,
N. G. Vaidya Marg,
Mumbai 400 023.

BANKERS

Corporation Bank
HDFC Bank
ICICI Bank

ANNUAL GENERAL MEETING
12 Noon, Friday
29th August, 2003
At the Registered Office

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49TH ANNUAL REPORT 2002-2003**Directors' Report**

Your Directors have pleasure in presenting the Company's Balance Sheet as at 31st March, 2003, together with the Profit and Loss Account for the year ended on that date.

FINANCIAL RESULTS

	(Rupees in lac)	
	Year ended 31-03-2003	Year ended 31-03-2002
Sales and Servicing Income	3360.24	3391.25
Gross Profit	294.12	258.93
Extra-ordinary Items	(198.26)	—
Other Income	489.39	489.52
Depreciation	(173.16)	(205.31)
Profit Before Tax	412.09	543.14
Provision for Tax	(88.13)	(104.02)
Profit(loss) after Tax	323.96	439.12
Profit brought forward	2660.44	2425.64
Profit available for appropriation	2984.40	2864.76
Appropriated as under		
General Reserve	35.00	45.00
Dividend	136.56	159.32
Tax on Dividend	17.07	—
Retained in Profit and Loss A/c	2795.77	2660.44

OPERATIONS - HIGHLIGHTS

Your Company's Sales and Servicing Income for the year at Rs.3360.24 lac was marginally lower than Rs.3391.25 lac in 2001-2002.

Domestic sales remained soft, in part due to severe contraction in demand for your Company's products within the textile sector and in part due to continuing competition from overseas manufacturers. Sales of woollen card clothing declined by 19.3% from Rs.671.61 lac to Rs.541.81 lac. Exports declined by 1.1% to Rs.675.70 lac from Rs.683.24 lac while gross profit increased by 13.6% to Rs.294.12 lac from Rs.258.93 lac.

DIVIDEND

Your Directors recommend a dividend of 30% for the year ended 31-3-2003 (35 % for the year ended 31.03.2002).

SUBSIDIARY COMPANIES

ICC International Agencies Ltd. recorded increase of 32% in income from Rs.170.33 lac in the previous year to Rs.224.65 lac in the current year. The subsidiary company recorded profit after tax of Rs.34.29 lac in the current year against previous year's profit after tax of Rs.8.30 lac mainly on account of higher commission income and also paid dividend of 15%.

Garnett Wire Ltd., a U.K. Company, in which your Company has 60% of the issued share capital, reported lower profit after tax of PDS 8463/- against PDS 53357/- in the previous year and did not declare dividend.

ICC Investments and Finance Consultants Limited recorded higher income of Rs.17.39 lac (Rs.4.71 lac in the previous year). Profit after tax was Rs.14.47 lac (loss of Rs.9.50 lac in the previous year). Consistent with previous years' policy, no dividend was declared.

DIRECTORS

The present Directors who were appointed for a period of three years under Article 115 at the 47th Annual General Meeting held in September, 2001 will continue to hold office.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that to the best of their knowledge and belief and according to the information and explanations made available to them :

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policies have been selected and applied consistently and judgments

THE INDIAN CARD CLOTHING COMPANY LIMITED

and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of the profit of the Company for the year April 1, 2002 to March 31, 2003;

3. 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;
4. the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your Company has complied with the guidelines on Corporate Governance under the Listing Agreement and a certificate from the auditors of the Company as well as detailed report on Corporate Governance, approved by the Board of Directors of the Company is set out in annexure to this report. A Management Discussion and Analysis Report also accompanies this Report.

TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Your Company continues to satisfy the requirements of ISO 9001 as certified by Bureau Veritas Quality International (BVQI) for Metallic and Flexible Card Clothing as also Accura Fixed Flats. The certificate was renewed in November, 2002 for a further period of three years. Inhouse Research and Development Centre during its fifth year of operation continued to make a contribution to the development of newer and improved products and processes.

Information regarding technology absorption is given in Annexure I and forms part of the report.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

In spite of continued efforts, exports of card clothing decreased to Rs.675.70 lac from Rs.683.24 lac in the previous year.

Total foreign exchange earnings	.. Rs.714.81 lac
Total foreign exchange out-go	.. Rs.284.28 lac

INDUSTRIAL RELATIONS

Industrial relations in the Company continued to be cordial during the year under review. Your Directors look forward to continuing participation of employees in the Company's efforts to increase productivity and maintain the high quality of its products.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is nil.

CONSERVATION OF ENERGY

During the year, additional capacitors were installed to improve power factor from 0.99 to unity. Reduction in cost of energy for heat treatment of the product is planned by replacing LPG burners with induction heating.

AUDITORS

M/s B.K. Khare & Co., the present auditors of the Company, have signified their consent to continue in office.

For and On Behalf of the
Board of Directors

K K TRIVEDI
Chairman

Mumbai, 20th June, 2003

49TH ANNUAL REPORT 2002-2003**ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003****PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****Research and Development (R&D)**

- | | |
|--|---|
| 1. Specific areas in which R&D carried out by the Company | New products for blow-room and carding applications, maintenance of card clothing in spinning mills and process improvements. |
| 2. Benefits derived as a result of the above R&D | Introduction of new product range, technology upgradation and reduction in cost of production. |
| 3. Future plan of action | Further development of new products in carding and spinning application, maintenance of card clothing in spinning mills and improvement in processes. |
| 4. Expenditure on R&D : | |
| (a) Capital | Nil |
| (b) Recurring | Rs. 60.38 lac |
| (c) Total | Rs. 60.38 lac |
| (d) Total R&D expenditure as a percentage of total turnover. | 1.8% |

Technology absorption, adaptation and innovation

- | | |
|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | Development of card clothing for new range of cards, new products for blow room and card clothing maintenance in spinning mills. |
| 2. Benefits derived as a result of above efforts | New Product development, cost reduction, process improvement |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished: | |

Technology Imported	Year of Import	Has technology been fully absorbed?	If not fully absorbed, area where this has not taken place, reasons therefore and future plans of action
Accessories for improving card performance	1997-98	Yes	—

THE INDIAN CARD CLOTHING COMPANY LIMITED

Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENTS

Cotton yarn production which was 2208.07 million kgs. during 2001-2002 declined to 2174.79 million kgs. in 2002-2003. Production of blended yarn similarly declined from 613.31 million kgs. during 2001-2002 to 585.75 million kgs. during 2002-2003 (Source : Indian Cotton Mills Federation).

The textile industry, on which the Company is highly dependent, has been experiencing a demand slowdown for over four years. The Company's record shows that 430 textile mills, both in the private sector and within the National Textile Corporation Limited have closed in the last four years, as a result, there is lower production of yarn and fabric. It is estimated that this resulted in a loss of production of 160 million kgs of yarn and 180 million kgs of fabric.

The lack of good quality domestic cotton has resulted in many mills importing cotton as the price differential is not significant, but results in higher working capital requirements.

OPPORTUNITIES

Brand: The "ICC" brand enjoys a positive image in India due to its long association and partnership with the Indian textile industry for over 46 years. Through selective advertisements in textile magazines and through newsletters, the Company also promotes the brand. Since 2002, the Company has made a conscious decision to introduce new products exhibiting innovation which delivers enhanced value to the customers.

Sales and Service Network: The Company has sales offices located at all the major textile centres in India and two service stations located in Coimbatore and Madurai. A team of experienced well-trained sales staff man the sales offices rendering sales and service support. The major branches are now connected to the sales department at head office through a web based customer relationship management software which enables quicker response to customers' needs. A network of agents worldwide also supports the Company's export drive in critical international markets.

Product portfolio: The Company has a wide range of card clothing products suitable for the full range of carding machines. Through its subsidiary, Garnett Wire Limited, the Company offers metallic card clothing products for processing long staple fibres. The Company's Research and Development effort has begun to yield results in the form of new products intended to assist customers to reduce their per unit cost of producing yarn and reduce the Company's dependence on card clothing products by introducing accessories for carding.

THREATS

There is increasing competition from foreign

manufacturers, willing to offer discounts thereby pricing their products at rates lower than those of the Company. The Company is countering this threat by offering better quality products.

Each "down" cycle in the textile industry has resulted in incrementally larger number of mills closing down, incapable of competing against those mills, which have invested in technology. The Company has responded by widening the number of countries, which it services.

OPERATIONS

The Company's main business is manufacture and marketing of card clothing. Under the current difficult market scenario, sales of card clothing recorded decrease of 0.9% and gross profit from operations increased by 13.6%.

The challenges posed by the last financial year continued into the current year due to the steep drop in demand for card clothing products. In order to counter the effects of this development on profitability, the Company has continued to pursue its policies of reducing planned investments, focussed efforts on cost reduction, and inventory optimisation. The Company has also introduced new products developed by the Research and Development department.

OUTLOOK

The profitability of card clothing business is highly dependent on the performance of the textile industry and the price of yarn which being global in nature, depends on the overall global economic outlook.

The Company hopes to improve operations by concentrating on making further improvement in the quality of the products and the introduction of new products which will increase product base of the Company and will meet requirements of the Company's existing customers. Thrust on cost reduction will also continue. The Company implemented a voluntary retirement scheme through which 49 employees separated.

INTERNAL CONTROL SYSTEMS

The Company has a proper and well-established accounting and auditing system covering all areas of operations

The Company has a costing system to help control costs and to take decisions on pricing.

A firm of auditors manned by technically and commercially qualified personnel carries out internal audit, which is followed up by discussions with each department.

The manufacturing plant of the Company has ISO 9001 certification and this is renewed from time to time.

49TH ANNUAL REPORT 2002-2003**FINANCIAL PERFORMANCE**

Some of the key performance indicators are given below:

Particulars	2001-2002 Rs.lac	2002-2003 Rs.lac	Change Percent
Sales			
- Metallic card clothing	2161.89	2230.61	+ 3.2
- Woollen	671.61	541.81	- 19.3
- Accura Fixed Flats	434.61	399.53	- 8.1
- Others	40.76	109.16	+167.8
Trading Goods	28.04	25.26	- 9.9
Servicing Income	54.34	53.87	- 0.9
TOTAL	3391.25	3360.24	- 0.9
Exports	683.24	675.70	- 1.1

The sale of metallic card clothing increased during the year because of higher sales of cylinder wire for high speed carding machines. Other sales increased due to higher sales of Sharprite (re-sharpening device for cylinder and doffer wires) and Accura Beater Segments for blow room. The sale of woollen card clothing decreased due to poor market conditions, particularly in the carpet segment. There was also no addition of new cards in the woollen market. The sale of Accura fixed flats declined due to lower sale of Accura assemblies. These assemblies are retrofitted on old carding machines. Most mills over the past six years have already installed these assemblies and future business with these mills will consist of replacement of carriers on these assemblies.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report contains forward looking statement based on data and information available with the Company and on its assumptions on the Company's economic situation and

the global economic environment. Actual results might differ materially from those either expressed or implied.

REPORT ON CORPORATE GOVERNANCE

In terms of the Listing Agreement with Stock Exchanges, the Board of Directors presents a report on the compliance of the said requirements in the following paragraphs.

1. THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Corporate Governance policy aims at ensuring transparency, accountability and integrity in all its operations and in its relations with all stakeholders (Investors, Customers, Employees, Suppliers and Government) with a view to increasing value for all of them.

2. BOARD OF DIRECTORS

2.1 The Directors of the Company are persons of eminence having vast and varied experience in manufacturing, marketing, finance and corporate administration. The Board of Directors consists of seven non-executive Directors and one Managing Director. Mr. H.C. Asher, Mr. M.M. Shah, Mr. J.M. Kothary, Mr. C.M. Maniar and Mr. Sudhir Merchant are independent Directors who constitute more than one-third of the total strength of the Board.

2.2 The Board of Directors meets as often as required at interval of not more than four months and once in a calendar quarter. During the year, seven meetings of the Board of Directors were held on 10th June, 30th July, 25th September, 8th October and 20th November in the year 2002 and on 22nd January and 13th March in the year 2003.

2.3 Particulars of Directorship of Board, membership and office of Chairman of Board Committees across all companies and attendance at the Board meetings of the Company are given below :

Name of the Director	Directorships held	Membership of Board Committees	Chairman of Board Committees	Board Meetings Attended	AGM attended
Mr. K.K. Trivedi Chairman	9	Nil	Nil	6	Yes
Mr. M.K. Trivedi Managing Director	10	1	Nil	7	Yes
Mr. H.C. Asher	23	4	3	7	Yes
Mr. M.M. Shah	6	2	Nil	5	No
Mr. J.M. Kothary	7	1	1	7	Yes
Mr. C.M. Maniar	22	8	1	5	Yes
Mr. Prashant K. Trivedi	8	Nil	Nil	4	Yes
Mr. Sudhir Merchant	20	1	Nil	5	Yes

THE INDIAN CARD CLOTHING COMPANY LIMITED

Report on Corporate Governance

2.4 Particulars of Remuneration of Directors for the year ended 31st March, 2003 :

Name of the Director	Commission	Salary	Perquisites	Rs.Lac
				Contributions to PF, etc.
Mr. K. K. Trivedi Chairman	0.30	—	—	—
Mr. M. K. Trivedi Managing Director	2.10	7.50	8.86	2.38
Mr. H. C. Asher Director	0.75	—	—	—
Mr. M. M. Shah Director	0.45	—	—	—
Mr. J. M. Kothary Director	0.75	—	—	—
Mr. C.M. Maniar Director	0.25	—	—	—
Mr. Prashant K. Trivedi Director	1.20	—	—	—
Mr. Sudhir Merchant Director	0.55	—	—	—

3. AUDIT COMMITTEE

Audit Committee met on 10th June, 22nd July and 20th November in the year 2002 to review annual and half yearly audited results and to finalize selection of statutory auditors. The composition and particulars of meetings attended by members of the Committee are given below :

Name of the Director	No. of Meetings attended
Mr. J.M. Kothary Chairman Independent Director	3
Mr. H.C. Asher Independent Director	3
Mr. Sudhir Merchant Independent Director	2

The terms of reference of the Audit Committee are as set out in the Listing Agreement with the Stock Exchanges. The Managing Director was invited to attend meetings of the Committee. The Statutory Auditors were also present at the time of review of audited results.

4. REMUNERATION COMMITTEE

The Board of Directors constituted Remuneration Committee to consider remuneration payable to the Managing Director. The Committee consisting of Mr. J. M. Kothary, Chairman of the Committee, Mr. H.C. Asher and Mr. Sudhir Merchant

unanimously approved the terms and remuneration for re-appointment of the Managing Director at the meeting attended by all Committee members on 8th October, 2002.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Committee met on April 4 and 17, May 2 and 20, June 17, 22 and 30, July 16, 27 and 31, August 16 and 31, September 15, October 25, November 2 and 27, December 7, 16 and 23 in the year 2002 and on January 14, February 11 and 24 in the year 2003. The constitution and particulars of meetings attended by members of the Committee are given below :

Name of the Director	No. of Meetings attended
Mr. H. C. Asher Chairman Independent Director	22
Mr. J. M. Kothary Independent Director	22
Mr. M. K. Trivedi Managing Director	18

Company Secretary, Mr. A. D. Dahotre is a Compliance Officer.

Number of complaints received from shareholders in the nature of non-receipts of a) dividend warrants b) share certificates after transfer c) annual report : 103

49TH ANNUAL REPORT 2002-2003**Report on Corporate Governance**

All the complaints were resolved to the satisfaction of shareholders. Share transfers are not pending beyond 30 days.

6. GENERAL BODY MEETINGS

Last three Annual General Meetings of the Company were held as given below :

Date	Time	Venue
25th September, 2002	12 noon	Registered office of the Company
6th September, 2001	12 noon	Registered office of the Company
21st September, 2000	12 noon	Registered office of the Company

No special resolutions were put through postal ballot in the last AGM.

7. DISCLOSURES

There were no materially significant transactions with promoters, directors or the management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large. Other related party transactions have been disclosed at Note No 17 of Schedule No. 11 to the Balance Sheet.

The Company has complied with the necessary requirements and no penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.

8. COMMUNICATION TO SHAREHOLDERS

Quarterly, half yearly and annual results and information relating to convening of general meetings are filed with the Stock Exchanges and are published in Times of India and Maharashtra Times newspapers, one each in English and local language, as required under the Listing Agreement. Financial results, dates of Board and Annual General Meeting are published on website of the Company at www.cardindia.com. Financial results, shareholding pattern and annual report is being uploaded on SEBI's site under EDIFAR requirement from December, 2002. Management discussion & analysis is part of the Annual Report.

9. GENERAL SHAREHOLDER INFORMATION**FINANCIAL CALENDAR :**

AGM date, time and venue : 12 Noon on Friday, 29th August, 2003 at the Registered Office

Board Meeting for consideration of accounts and recommendation of dividend : 20th June, 2003

Posting of Annual Reports : by 3rd, August, 2003

Book closure dates : August 22 to 29, 2003

Last date for receipt of proxy forms : 27th August, 2003

Dividend payment date : by 25th September, 2003

Board Meetings for consideration of unaudited results for first and third quarters : within 25 days from end of quarter.

Board Meeting for approval of audited half yearly accounts : By 25th November, 2003

Listing on Stock Exchanges : Shares of the Company are listed on The Stock Exchange, Mumbai (Stock Code: 509692), National Stock Exchange (Stock Code: INDIANCARD) and Pune Stock Exchange (Stock Code: INDCA 9692, shares not traded).

Monthly high and low quotation and volume of shares traded in the last financial year alongwith the sensex and nifty.

Month	NSE High	NSE Low	Shares Traded	Nifty High	Nifty Low
April 02	37.30	31.00	36021	1153.30	1073.30
May 02	38.95	30.30	5607	1136.55	1020.10
June 02	45.00	32.80	19703	1102.05	1029.25
July 02	60.10	35.00	36287	1087.40	943.60
Aug. 02	46.70	36.35	8180	1012.75	935.55
Sept. 02	44.70	33.50	9056	1024.65	960.20
Oct. 02	38.40	31.55	9052	983.60	920.10
Nov. 02	37.70	32.50	5821	1057.45	946.40
Dec. 02	47.00	36.35	16075	1103.95	1034.10
Jan. 03	47.65	38.15	17537	1105.60	1026.20
Feb. 03	40.35	37.10	5649	1075.50	1034.10
Mar. 03	44.00	36.85	4728	1070.85	974.10

Source : Downloaded from NSE site, www.nseindia.com