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The Indian Card Clothing Company Ltd.
51st Annual Report 2004-05

SUMMARY OF FIVE YEAR DATA

(Rs. in Lac)

Sr. No.	Particulars	Year Ended				
		31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
PROFIT AND LOSS ACCOUNT						
1. Sales						
	Metallic card clothing	2664.66	2214.83	2230.61	2161.89	2308.14
	Woollen	1232.23	913.20	541.81	671.61	693.40
	Others	726.74	466.45	508.69	475.37	703.20
	Trading Goods	33.90	37.94	25.26	28.04	34.07
	Servicing Income	54.99	49.91	53.87	54.34	56.80
	Total	4712.52	3682.33	3360.24	3391.25	3795.61
	Includes Exports	777.47	558.68	675.70	683.24	736.01
2. Other Income						
	Dividend and Interest	58.80	199.88	116.94	125.13	198.69
	Profit on sale of Investments	525.96	359.73	205.32	169.39	8.40
	Rent received	121.36	80.24	76.57	79.19	64.99
	Others	72.85	123.96	152.85	115.81	41.54
	Total	778.97	763.81	551.68	489.52	313.62
3.	Material Cost including stock change	1643.85	1310.48	1174.21	1093.41	1247.76
4.	Staff Cost	1038.91	872.67	1078.60	893.36	857.17
5.	Other Expenses	1244.51	950.52	1073.59	1144.47	1217.48
6.	Depreciation	147.07	146.90	173.16	205.31	203.09
7.	Interest	1.32	0.63	0.27	1.08	1.50
8.	Profit before tax	1415.83	1164.94	412.09	543.14	582.23
9.	Current and deferred tax	342.51	183.08	88.13	104.02	211.00
10.	Profit after tax	1073.32	981.86	323.96	439.12	371.23
11.	Earning per share Rs.	23.58	21.57	7.12	9.65	8.16
12.	Dividend per share Rs.	12.00	10.00	3.00	3.50	3.50
BALANCE SHEET						
13. Fixed Assets						
	Gross Block	3803.97	3174.02	3308.37	3312.87	3357.72
	Depreciation	(2310.40)	(2225.52)	(2152.55)	(2066.34)	(1951.27)
	Net Block	1493.57	948.50	1155.82	1246.53	1406.45
14.	Investments	3274.21	3786.48	2909.06	2430.15	1567.62
15.	Bank Deposits	125.52	125.24	109.26	728.49	901.26
16.	Other Current Assets	2532.46	1808.79	1952.76	1729.84	1932.80
17.	Security Deposits	(269.60)	(163.47)	(411.42)	(523.57)	(528.72)
18.	Other Current Liabilities and Provisions	(1109.34)	(965.98)	(630.48)	(870.22)	(872.47)
19.	Miscellaneous Expenditure	—	—	—	105.45	153.91
20.	Deferred Tax	16.61	27.74	23.82	28.41	—
21.	APPLICATION OF FUNDS	6063.43	5567.30	5108.82	4875.08	4560.85
22.	Share Capital	455.11	455.11	455.11	455.11	455.11
23.	Reserves and Surplus	5484.21	5029.26	4560.83	4419.97	4105.74
24.	Loan Funds	124.11	82.93	92.88	—	—
25.	SOURCES OF FUNDS	6063.43	5567.30	5108.82	4875.08	4560.85

DIRECTORS

K. K. Trivedi, *Chairman*
Prashant K. Trivedi, *Deputy Chairman*
M. K. Trivedi, *Managing Director*
H. C. Asher
M. M. Shah
J. M. Kothary
C. M. Maniar
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)*
V. V. Mulay, *General Manager (Production)*

REGISTERED OFFICE

Mumbai-Pune Road,
Pimpri, Pune 411 018.
Tel.: (020) 39858200, 27425390
Website: www.cardindia.com
e-mail: accounts@cardindia.com

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

REGISTRAR AND SHARE TRANSFER AGENTS

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

ANNUAL GENERAL MEETING

11.00 a.m., Thursday

22nd September, 2005 at the Registered Office

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Notice

NOTICE is hereby given that the FIFTY FIRST ANNUAL GENERAL MEETING of the Members of THE INDIAN CARD CLOTHING COMPANY LIMITED will be held at the Company's Registered Office at Mumbai-Pune Road, Pimpri, Pune 411 018, on Thursday, 22nd September, 2005, at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March, 2005, and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare final dividend for the year ended on 31st March, 2005.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED pursuant to the provisions of Section 198, 269, 309, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, that the Company hereby approves the re-appointment of Mr. M.K. Trivedi as the Managing Director of the Company, on such remuneration and other terms and conditions as contained in the Agreement dated 12th August, 2005 entered between the Company and Mr. M.K. Trivedi, with effect from 1st October, 2005 to 30th September, 2008.

RESOLVED FURTHER that the remuneration proposed to be paid to Mr. M.K. Trivedi in terms of the aforesaid agreement shall be paid as a minimum remuneration even in the absence or inadequacy of profits for any year during the tenure of his holding the office as the Managing Director of the Company".

By Order of the
Board of Directors

Registered Office :
Mumbai-Pune Road
Pimpri, Pune 411 018
Pune, 12th August, 2005

A.D. Dahotre
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 15th September, 2005 to 22nd September, 2005 both days inclusive.
3. The final dividend on Equity Shares, as recommended by the Directors for the year ended 31st March, 2005, if declared at the meeting, will be paid within 30 days of the date of the Annual General Meeting to those members whose names appear on the Register of Members of the Company as on the date of the Annual General Meeting.
4. In terms of provisions of Section 205A of the Companies Act, 1956, the amount of Rs.1,75,892/- of interim and final dividend for the year ended 31st March, 1997 remaining unpaid or unclaimed for a period of seven years from the date of payment, was transferred to the Investor Education and Protection Fund of the Central Government. Members are

requested to claim from the Company any unpaid dividend for subsequent period. As per Section 205C, no claim shall lie against the Company or the said fund in respect of amounts remaining unclaimed or unpaid for a period of seven years and transferred to the said fund.

5. Members are requested to bring the copy of their Annual Report and the Attendance Slip at the Annual General Meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company Secretary, so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting. The members using electronic mail may send questions to e-mail address: **adahotre@cardindia.com**.
7. Members holding shares in physical form may advise number and type of account, name of bank and branch to the Company Secretary so that the same can be printed on the dividend warrant in addition to the name to avoid possibility of misuse. Members holding shares in electronic form are requested to verify correctness of their bank particulars with their Depository Participant.

EXPLANATORY STATEMENT

Pursuant to Section 173 of the Companies Act, 1956.

ITEM 4

The Company is engaged in manufacture and sale of card clothing, a component of textile machinery, from 1955. Profit before tax as percentage of sales and other income was 26% and earning per share of Rs.10 was Rs. 23.58/- during the year ended 31st March, 2005. The Company has been consistently paying dividend and has been net foreign exchange earner. Total foreign exchange earnings was Rs. 792.78 lac and out-go was Rs. 416.96 lac, excluding dividend remittance, during the year ended 31st March, 2005. 57.35% shares of the Company are held by Multi Act Industrial Enterprises Ltd., a foreign company. The Company has a subsidiary company in UK engaged in manufacture of metallic card clothing products for processing long staple fibres.

Mr. M.K. Trivedi ("Mr. Trivedi"), a U.K. National, graduated LLB (Hons.) from The London School of Economics is a qualified but a nonpractising Solicitor of the Supreme Court of England and Wales (U.K). Mr. Trivedi practised as a Solicitor in U.K., specialising in Corporate Law (mergers, acquisitions and joint ventures). Mr. Trivedi was inducted in the Company as General Manager with effect from 1st September, 1989 to oversee operations, especially marketing (in India and abroad), production/manufacturing and areas allied thereto.

Mr. Trivedi was appointed as an Executive Director of the Company, for a period of five years with effect from 1st October, 1992 to exercise such management powers and fulfil such duties and functions as may be entrusted to him by the Board of Directors ("the Board").

Mr. Trivedi was re-appointed as Executive Director at the Annual General Meeting held on 17th September, 1998 for a period of five years from 1st October, 1997. Mr. Trivedi was appointed as Managing Director of the Company at the Annual General Meeting held on 6th September, 2001 for a period from 1st January, 2001 to 30th September, 2002. Mr. Trivedi was re-appointed as the Managing Director of the Company at the Annual General Meeting held on 29th August, 2003 for a period from 1st October, 2002 to 30th September, 2005. With the efficient management of affairs by Mr. Trivedi, the Company has substantially improved its profitability. Exports of card clothing increased from Rs. 418 lac in the year 1999-2000 to Rs. 777 lac in the year 2004-05. New products have contributed substantially to the turnover as well as profitability of the Company in the past five years.

At a meeting of the Board held on 12th August, 2005, the Company has re-appointed Mr. Trivedi as the Managing Director of the Company for a period of three years from 1st October, 2005 at a remuneration approved by the Remuneration Committee.

The Company has entered into an Agreement dated 12th August, 2005 with Mr. Trivedi on the remuneration in accordance with Schedule XIII of the Companies Act, 1956 ("the Act") and on the terms and conditions as under:

1. Appointment of Mr. M.K. Trivedi (hereinafter referred to as the Managing Director), shall be for a period of three years from 1st October, 2005. The Managing Director shall have general control of the business of the Company.

2. **Remuneration:**

The terms of remuneration of the Managing Director subject to ceiling limits laid down in Sections 198 and 309 of the Act, shall be as follows :

a. **Salary:**

Salary of Rs. 150,000/- (Rupees One Lac fifty thousand only) per month with annual increments not exceeding Rs. 50,000/- per month as may be approved by the Board from time to time.

b. **Commission:**

Amount as the Board may approve.

c. **Perquisites:**

In addition to salary and commission, perquisites as under

i) **Housing:**

Furnished residential accommodation or in lieu thereof house rent allowance per month of 60% of monthly salary in case accommodation is located at Mumbai and 50% of monthly salary otherwise, with free fuel, gas, electricity, water and furnishings or reimbursement of charges hereof.

ii) **Medical Reimbursement:**

Actual expenses incurred in or outside India for self and family.

iii) **Personal Travel:**

Travel expenses of self and family in or outside India.

iv) **Club Membership Fees:**

Fees (including entrance/admission) subject to a maximum of any two clubs.

v) **Personal Accident and Health Insurance:**

Premium for accident insurance of self and health insurance for self and family.

vi) **Provident Fund/Superannuation Fund/Annuity:**

Contribution towards the Company's Provident Fund and Superannuation Scheme, or annuity fund or scheme of any retirement or pension fund or scheme as existing from time to time.

vii) **Gratuity:**

Benefit under the Company's Gratuity Scheme.

viii) **Car:**

Free use of car with driver on Company's business as well as personal use of car for self and family.

ix) **Telephone:**

Use of telephone at residence.

x) **Leave:**

On full pay and allowance as per Rules of the Company. Encashment of leave will be permitted as per the Rules. Leave accumulated on expiry/termination of the Agreement will be allowed to be carried forward or encashed.

xi) Leave Travel Concession:

Return passage for self and family, once in a year by business class, in case it is proposed that leave be spent in the home country.

xii) Others

Any other expenditure as the Board may approve.

- d. For the purpose of calculating the value of perquisites hereinabove, items at (vi), (vii), (ix), (x) and (xi) shall be excluded. Perquisites shall be evaluated as per Income Tax Rules, wherever applicable or at actual cost.
 - e. In case, the Company has no profits or has inadequate profits, the Managing Director shall be entitled to be paid remuneration (by way of salary, perquisites and allowances) as mentioned herein.
 - f. The Managing Director shall not be entitled to receive any fees for attending meetings of the Board and/or any Committee thereof.
3. The Managing Director shall be entitled to reimbursement of all entertainment and other expenses actually incurred for the business of the Company.
 4. The Managing Director shall not become interested or otherwise be concerned through his wife and/or minor children in any selling agency of the Company.
 5. The employment of the Managing Director shall forthwith be determined if he shall become insolvent or make any composition or arrangement with his creditors or shall cease to be the Director of the Company.
 6. The Company may by a notice in writing to the Managing Director determine the contract if he is guilty of inattention or negligence.
 7. The contract may be determined by giving six calendar months' notice in writing in that behalf by either party.
 8. As required by Schedule XIII of the Act, the appointment and remuneration of the Managing Director shall be placed for approval by a resolution of the shareholders in a General Meeting.

As required under Section 302 of the Act, an abstract of the terms of appointment and remuneration payable to the Managing Director with effect from 1st October, 2005 and memorandum of interest will be circulated to the members within 21 days from date of the agreement.

The Agreement dated 12th August, 2005 between the Company and Mr. Trivedi is open for inspection to members at the registered office of the Company between 11 a.m. to 1 p.m. on all working days.

Memorandum of concern or interest:

Mr. M. K. Trivedi is the son of Mr. K. K. Trivedi, the Chairman of the Company and brother of Mr. Prashant K. Trivedi, Deputy Chairman of the Company. Accordingly, Mr. K. K. Trivedi, Mr. Prashant K. Trivedi and Mr. M. K. Trivedi are concerned or interested in the proposed appointment and payment of remuneration.

By Order of the Board of Directors

Registered Office :
Mumbai-Pune Road
Pimpri, Pune 411 018
Pune, 12th August, 2005

A.D. Dahotre
Company Secretary

51ST ANNUAL REPORT 2004-2005**Directors' Report**

Your Directors have pleasure in presenting the Company's Balance Sheet as at 31st March, 2005, together with the Profit and Loss Account for the year ended on that date.

FINANCIAL RESULTS

	(Rupees in Lac)	
	Year ended 31-03-2005	Year ended 31-03-2004
Sales and Servicing Income	4712.52	3682.33
Gross Profit	783.93	548.03
Other Income	778.97	763.81
Depreciation	(147.07)	(146.90)
Profit Before Tax	1415.83	1164.94
Provision for Tax	(342.51)	(183.08)
Profit(loss) after Tax	1073.32	981.86
Profit brought forward	3164.20	2795.77
Profit available for appropriation	4237.52	3777.63
Appropriated as under :		
General Reserve	110.00	100.00
Dividend	546.13	455.12
Tax on Dividend	72.24	58.31
Retained in Profit and Loss A/c	3509.15	3164.20

OPERATIONS-HIGHLIGHTS

Your Company's Sales and Servicing Income for the year at Rs. 4712.52 lac was higher by 27.98% as compared to Rs. 3682.33 lac in 2003-2004.

Sale of metallic card clothing registered growth of 20.30% during the year to Rs. 2664.66 lac from Rs. 2214.83 lac in the previous year as a result of higher demand for your Company's products. Sales of woollen card clothing increased by 34.94% during the year to Rs. 1232.23 lac from Rs. 913.20 lac in the previous year due to increased demand from woollen sector. Exports increased by 39.16% to Rs. 777.47 lac during the year from Rs. 558.68 lac in the previous year.

DIVIDEND

Interim dividend of 100% (including special interim dividend of 50%) was paid for the year ended 31st March, 2005 (100% in the previous year including 50% on the occasion of Golden Jubilee of the Company). Your Directors recommend final dividend of 20% for the year ended 31-3-2005 (nil for the year ended 31.03.2004).

SUBSIDIARY COMPANIES

ICC International Agencies Ltd. recorded an increase in income of 48.48% from Rs. 226.24 lac in the previous year to Rs. 335.93 lac in the current year. The subsidiary company recorded profit after tax of Rs.47.63 lac in the current year against previous year's profit after tax of Rs. 19.90 lac. The higher profit after tax was mainly on account of higher commission

Directors' Report (Contd.)

income and increased trading sales. ICC International Agencies Limited paid a dividend of 15% (previous year 10%).

Garnett Wire Ltd. (GWL), a U.K. Company, in which your Company has 60% of the issued share capital, reported higher turnover and consequently improved profit after tax of PDS 12,520/- against PDS 2,637/- in the previous year. GWL, however did not declare dividend to conserve resources. Higher sale of card clothing to US market and increased servicing activity in UK contributed to improved profitability of GWL.

The Company has sold all shares in its wholly owned subsidiary, ICC Investments and Finance Consultants Limited during second quarter of the financial year for Rs. 160.96 lac being fair market price determined by the valuers.

DIRECTORS

The present Directors who were appointed for a period of three years under Article 115 at the 50th Annual General Meeting held in September, 2004 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 judgements 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, 2005 and of the profit of the Company for the year April 1, 2004 to March 31, 2005;
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 annexed 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 and Accura Fixed Flats. The certificate was renewed in November, 2002 for a further period of three years. In-house Research and Development Centre during its seventh year of operation continued to make a contribution to the development of newer and improved products and processes.

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Directors' Report (Contd.)

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

FOREIGN EXCHANGE EARNINGS AND OUT-GO

Total foreign exchange earnings	Rs. 792.78 lac
Total foreign exchange out-go	Rs. 860.66 lac (includes Rs. 443.70 lac of dividend remittance)

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 given in Annexure II.

CONSERVATION OF ENERGY

During the year, energy efficient diesel genset and additional electronic ballasts were installed to reduce consumption of electricity. Maintenance of power factor near unity entitled the Company to rebate in energy bill.

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

Mumbai, 22nd June, 2005

K.K. TRIVEDI
Chairman