

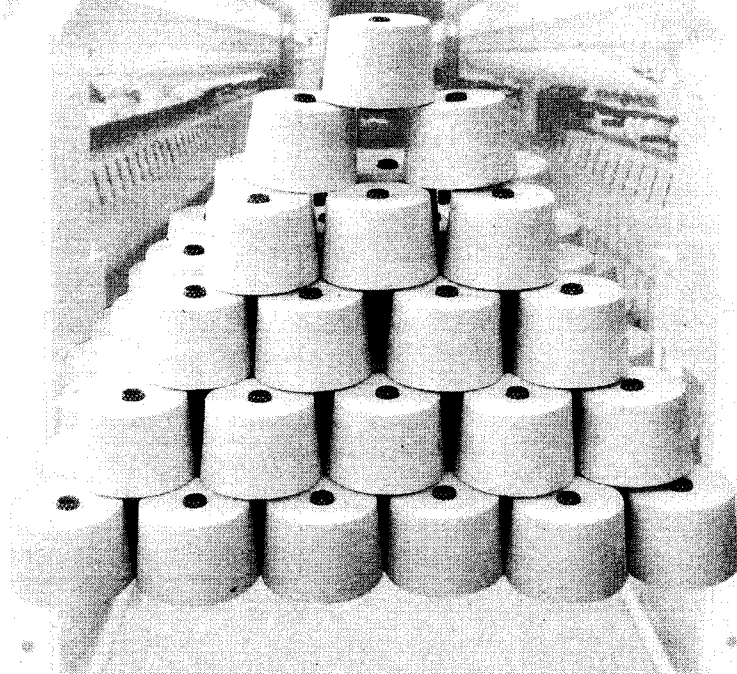
STOCK SERVICES - AMBROSIO & ASSOCIATES - CHARTER SERVICE - www.ambrosio.net

INDO COUNT INDUSTRIES LIMITED

15TH ANNUAL REPORT

2002-2004

Report  junction.com





Indo Count Industries Limited

Board of Directors

Mr Deepak M Pradhan
 Mr Dhananjay N Mungale (IDBI Nominee since 21/04/2003)
 Mr Mohit Kumar Jain
 Mr Nandkishor Kagliwal
 Mr P N Shah
 Mr Pramod Kumar Khaitan (till 24/11/2003)
 Mr R Anand
 Mr Sushil Kumar Jiwarajka
 Mr S G Araokar (Nominee of IDBI till 21/04/2003)

Chairman & Managing Director

Mr Anil Kumar Jain

Jt. Managing Director

Mr R N Gupta

Vice President (Finance) & Company Secretary

Mr K Muralidharan

Auditors

B K Shroff & Co.,
 Chartered Accountants,
 3/7-B, Asaf Ali Road,
 New Delhi - 110 002

Bankers

Canara Bank
 Union Bank of India

Registered Office :

D-1, MIDC Industrial Area,
 Gokul Shirgaon,
 Kolhapur - 416 234
 Maharashtra

Head Office

301 & 1101, Arcadia,
 Nariman Point,
 Mumbai - 400 021

Delhi Office

705, Pragati Tower,
 26, Rajendra Place,
 New Delhi - 110 008

Kolkata Office

1-B, Janki Shah Road,
 Hastings,
 Kolkata - 700 001

| Contents | Page No. |
|--|----------|
| Notice | 1 |
| Directors' Report | 4 |
| Report on Corporate Governance | 7 |
| Auditors' Report | 11 |
| Balance Sheet | 14 |
| Profit and Loss Account | 15 |
| Schedules | 16 |
| Notes on Accounts | 21 |
| Balance Sheet Abstract and Company's General Profile | 27 |
| Cash Flow Statement | 28 |



Indo Count Industries Limited

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of **INDO COUNT INDUSTRIES LIMITED** will be held on **Saturday, the 29th May 2004** at 11.30 a.m., at Hotel Shalini Palace, Rankala, Kolhapur 416 010, Maharashtra to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet and the Profit and Loss account for the 18 months' period ended on 31st March 2004 and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr R Anand, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr R N Gupta, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr P N Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as ordinary resolution: **"RESOLVED THAT** pursuant to the provisions of section 260 and other applicable provisions of the Companies Act, 1956, Mr Dilip Thakkar, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retire by rotation"
7. To consider and if thought fit, to pass with or without modifications, the following resolution as ordinary resolution: **"RESOLVED THAT** pursuant to the provisions of section 260 and other applicable provisions of the Companies Act, 1956, Mr Jagdish Prasad Mohta, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retire by rotation"
8. To consider and if thought fit, to pass with or without modifications, the following resolution as special resolution: **"RESOLVED THAT** in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of securities) Guidelines, 2003 or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ("the Board") or any Committee/person(s) authorized by the Board, consent be and is hereby accorded to delist the company's securities voluntarily from the stock exchanges at Delhi, Ahmedabad and Kolkata.

RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any Committee/Person(s) authorized

by the Board, to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as special resolution **"RESOLVED THAT** the consent of the company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging (by way of first/second pari passu charge as has been agreed to between the company and the lenders) by the Board of Directors of the company, of all the immovable and movable properties of the company wheresoever situate, present and future, and the whole of the undertaking of the company and/or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of SICOM Ltd in connection with Rupee Term Loan of Rs 750 lacs availed by the company."
10. To consider and if thought fit, to pass with or without modifications, the following resolution as ordinary resolution: **"RESOLVED THAT** in accordance with the provisions of sections 198, 269, 309, 310, 311 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded for the re-appointment of Mr Deepak M Pradhan as Director (Marketing) of the Company for a period of 5 years effective from 1st July 2004 upon such terms and conditions including remuneration as set out in the explanatory statement herein, with authority to the Remuneration Committee/Board of Directors (herein after referred as "The Board", which term shall deem to include any committee which the Board may constitute to exercise its powers conferred by this resolution) to alter and to vary the terms and conditions of the said appointment and/or remuneration within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr Deepak M Pradhan.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Place : Mumbai
Date : 30th April 2004

K. Muralidharan
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Mr Dilip Thakkar was appointed as an additional director of the Company on 28-01-2003. Pursuant to the provisions of section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company, the term of office of Mr Thakkar will be up to the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member, under section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr Thakkar as Director of the Company.

The Board commends the resolution for the approval of shareholders. Except Mr Thakkar, none of the Directors is in any way concerned or interested in this resolution.

ITEM NO. 7

Mr Jagdish Prasad Mohta was appointed as an additional director of the Company on 28-01-2003. Pursuant to the provisions of section 260 of the Companies Act, 1956 and article 117 of the Articles of Association of the Company, the term of office of Mr Mohta will be up to the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member, under section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr Mohta as Director of the Company.

The Board commends the resolution for the approval of shareholders. Except Mr Mohta, none of the Directors is in any way concerned or interested in this resolution.

**ITEM NO. 8**

For the purpose of administrative convenience and to reduce costs, the company had, at the Annual General Meeting held on 29-09-1998, got the approval of members on a resolution to delist company's securities from the non regional stock exchanges at Ahmedabad, Delhi and Calcutta considering their infrequent trading on these exchanges. However, because of some special conditions stipulated by these exchanges, the resolution could not be acted upon.

SEBI has now issued separate guidelines for voluntary delisting of securities by companies which can be implemented and therefore, the Board of Directors, at its meeting held on 30th April 2004, has reconsidered the issue and recommended the same for the approval of the members afresh. Accordingly, a resolution at item no. 8 of Notice of this Annual General Meeting is placed for your approval.

As per Regulation 5 of SEBI (Delisting of Securities) Guidelines 2003, a company may de-list its securities from a stock exchange where they are listed, provided they have been listed for a minimum period of 3 years on any stock exchange. The Regulation further stipulates that the delisting can be without giving an exit opportunity to the investors if the securities continue to be listed on a stock exchange having nationwide trading terminals. An explanation to Regulation 5 of the said guidelines includes The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE) as stock exchanges having nationwide trading terminals.

The securities of the Company have been, inter alia, listed on the BSE since 1992 and will continue to be listed on BSE, where frequent trading in the company's securities takes place providing adequate liquidity to the investors.

The Board, therefore, commends this resolution for the approval of the members.

None of the directors is, in any way, interested or concerned in this resolution.

ITEM NO. 9

The Company has availed a Rupee Term Loan of Rs 750 lacs from SICOM Ltd to part finance the expansion in spindleage and for modernization.

In terms of the sanction of the abovesaid Rupee Loan, the company is required to create first charge/mortgage on the fixed assets of the company, on pari passu basis, with the existing chargeholders.

Section 293 (1) (a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors shall not, without consent of the shareholders in general meeting, sell, lease or otherwise dispose of the whole or part of the undertaking of the company.

Copy of the letter received from SICOM Ltd is available for inspection at the Registered Office of the Company between 11.00 a.m. to 2.00 p.m. on any working day before the meeting.

Board recommends the resolution set out in item No. 9 of the notice, for your approval.

None of the directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 10

On the recommendation of the Remuneration Committee, the Board of Directors have, at its meeting held on 30th April 2004, re-appointed Mr Deepak M Pradhan as Director (Marketing) for a period of five years with effect from 1st July, 2004.

The details of appointment and remuneration payable to Mr Pradhan as approved by a resolution passed by the Board in its meeting held on 30th April, 2004 are as under:

| | |
|-----------------|--|
| Name | : Mr Deepak M Pradhan |
| Designation | : Director (Marketing) |
| Period | : 5 years with effect from 01 st July, 2004 |
| Basic Salary | : Rs 33,250/- per month (in the scale of Rs. 33,250 - Rs. 2000 - Rs. 43,250) |
| Bonus/ex-gratia | : As applicable to senior executives of the Company from time to time. |

Perquisites :**Category - A**

Housing - I : The expenditure by the Company on hiring furnished accommodation, will be subject to 60% of the salary, over and above 10% payable by the employee.

Housing - II : In case the accommodation is provided by the Company, 10% of salary shall be deducted by the Company.

Housing - III : In case no accommodation is provided by the Company, the house rent allowance as per rules of the Company, applicable to senior executives of the Company, subject to the ceiling laid down in Housing - I above.

Medical Expenses : Reimbursement of medical expenses actually incurred for self and family including spouse, wholly dependent parents/children in accordance with rules of the Company.

Leave Travel Concession : For self and family once in a year in accordance with rules of the Company.

Personal Accident Insurance : Premium not exceeding Rs 5,000/- per annum.

Category - B

The following perquisites shall not be included in computation of the ceiling on the remuneration as mentioned above :

- Contribution to provident fund @ 12% of basic salary.
- Gratuity payable at a rate not exceeding half a months' salary for each completed year of service.
- Encashment of leave as per rules of the Company.

Category - C

The provision of chauffeur driven car for use for company's business and telephone at residence are not to be considered as perquisites. However, personal long distance calls shall be billed by the Company.

MINIMUM REMUNERATION :

Notwithstanding anything hereinabove stated, where in any financial year, the company has no profits or its profits are inadequate, the remuneration payable to Mr Pradhan by way of salary, perquisites and any other allowance shall not exceed the ceiling limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendments thereto.

In accordance with the provisions of part I of the Schedule XIII to the Companies Act, 1956, Mr Pradhan's re-appointment shall have to be approved by members by passing ordinary resolution.

The above may also be treated as an abstract of the memorandum of interest of Mr Deepak M Pradhan, Director (Marketing) pursuant to the provisions of Section 302 of the Companies Act, 1956.

Except Mr Pradhan, none of the Directors of the Company is, in any way, concerned or interested in the resolution.

ADDITIONAL INFORMATION AS REQUIRED IN TERMS OF PARA VI (A) OF CLAUSE 49 OF THE LISTING AGREEMENT

Brief profile of Mr Dilip Thakkar who was appointed as an additional director at the Board meeting held on 28-01-2003

Mr Dilip J Thakkar is a Chartered Accountant by profession, and has rich experience of over 40 years in the areas of auditing, taxation, FERA/FEMA, NRI investments, joint ventures, etc.

Outside Directorship : Omega Management Services Ltd., Rajasvi Properties Holdings Pvt. Ltd., Monotona Exports Pvt. Ltd., Starrock Investments & Trading Pvt. Ltd., Matsushita Lakhnapal Battery India Ltd., Deccan Florabase Ltd., Essar Oil Ltd., India Consultancy Group Pvt. Ltd., Thirumalai Chemicals Ltd., The Ruby Mills Ltd., PAE Ltd., Himatsingka Seide Ltd., Chrysanthemum Investments Pvt. Ltd., Blueberry Trading Company Pvt. Ltd., Township Real Estate Developers Pvt. Ltd., Hamlet Construction (India) Pvt. Ltd., Walchand Nagar Industries Ltd., Windmere Hospitality (India) Pvt. Ltd.

Committee Membership/Chairmanship

Member of Audit Committee of Matsushita Lakhnapal Battery



Indo Count Industries Limited

India Ltd and Chairman of Audit Committee of Essar Oil Ltd, Thirumalai Chemicals Ltd, PAE Ltd and Himatsingka Seide Ltd Chairman of Investors Grievances Committee of Matsushita Lakhnapal Battery India Ltd and Member of Investors Relation Committee of Essar Oil Ltd

Member of Remuneration Committee of Matsushita Lakhnapal Battery India Ltd and Walchandnagar Industries Ltd

Member of Share Transfer Committee of Thirumalai Chemicals Ltd.

Brief profile of Mr Jagdish Prasad Mohta who appointed as an additional director at the Board meeting held on 28-01-2003

Mr Mohta is a Chartered Accountant by profession, associated with "JINDAL" group and possesses vast experience of about 20 years in general business administration and finance.

Outside Directorship : Jindal (India) Ltd, Jupax Barter Pvt Ltd, Jindal Hydro Electric Co Ltd

Committee Membership : Mr Mohta is member of Audit Committee of Jindal (India) Ltd

Brief profile of Mr R Anand who retires by rotation and is eligible for re-appointment

Mr R Anand is a science graduate and is associated with textile industry for about 35 years. Mr Anand has been on the Board of the Company since 27th September 1996.

Outside Directorship : Eastern Engineering Co (Bombay) Pvt. Ltd, Luwa India Pvt Ltd, Sanmarco Texmac Pvt Ltd, Nova Silk Ltd, Maxwell Apparel Industries Ltd and NCL Industries Ltd

Committee Membership/Chairmanship : Member of Audit Committee and Chairman of Remuneration Committee of Indo Count Industries Ltd

Brief profile of Mr R N Gupta, who retires by rotation and is eligible for re-appointment

Mr R N Gupta is a B. Text and has rich experience in the textile industry for more than 40 years. Mr Gupta has been associated with the Company since inception and has been on the Board of the Company since 27th November 1995.

Outside Directorship : Nil

Committee Membership : Member of Audit Committee, Share Transfer Committee, and Shareholders'/Investors' Grievance Committee of Indo Count Industries Ltd

Brief profile of Mr P N Shah, who retires by rotation and is eligible for re-appointment

Mr P N Shah is a Chartered Accountant by profession and specialized in the fields of Audit, Taxation, Finance for more than 50 years. Mr Shah is the past President of Institute of Chartered Accountants of India.

Outside Directorship : P. I. Industries Ltd, Secure Meters Ltd, Taparia Tools Ltd, Lipi Data Systems Ltd, Standard Tea Processing Co Ltd, Wolkem India Ltd, LIC Mutual Fund Trustee Company Pvt. Ltd, Reliance Capital Trustee Co Ltd

Committee Membership/Chairmanship : Member of Audit Committee in P I Industries Ltd, Taparia Tools Ltd, Reliance Capital Trustee Co Ltd and Chairman of Audit Committee in Secure Meters Ltd., Indo Count Industries Ltd, LIC Mutual Fund Trustee Co Ltd and Lipi Data Systems Ltd

Member of Remuneration Committee in P I Industries Ltd, Secure Meters Ltd and Indo Count Industries Ltd and Chairman of Remuneration Committee of Lipi Data Systems Ltd

Member of Shareholders' and Investors' Grievance Committee of P I Industries Ltd

By Order of the Board

Place : Mumbai
Date : 30th April 2004

K. Muralidharan
Company Secretary

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.

The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid meeting.

2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business to be transacted at the aforesaid meeting is annexed hereto.
3. Register of Members and the Share Transfer Books of the Company will remain closed from 22-05-2004 to 29-05-2004, (both days inclusive).
4. Members are requested to:

- (i) intimate, changes, if any, in their registered address;
- (ii) intimate for duplicate dividend warrants if they have not encashed their warrants for the previous years;
- (iii) Unpaid dividend that are due for transfer to the Investor Education and Protection Fund (IEPF).

| Financial Year | Due for Transfer on |
|----------------|---------------------|
| 31-03-1997 | 06-11-2004 |
| 31-03-1998 | 08-11-2005 |
| 31-03-1999 | 10-11-2006 |

Pursuant to the provisions of newly inserted section 205C of the Companies Act, 1956, once the unpaid amount is transferred to the IEPF, no claims shall lie against the IEPF or the company in respect of individual amounts which were unclaimed or unpaid. Hence it is in the interest of the members to claim above dividend before the same is transferred to IEPF.

- (vi) quote ledger Folio No./DP ID No. and Client ID No. in all their correspondence to the Company's Registrar & Transfer Agent :-

M/s Intime Spectrum Registry Ltd.

3, Community Centre,
Naraina Industrial Area, Phase -1,
Near PVR Cinema, New Delhi 110028,
Telephone Nos 011- 25792012 to 4
Fax No 011 - 25896530

5. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
6. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.

By Order of the Board

Place : Mumbai
Date : 30th April 2004

K. Muralidharan
Company Secretary



Indo Count Industries Limited

DIRECTORS' REPORT

To

The Members

INDO COUNT INDUSTRIES LIMITED

Your directors have pleasure in presenting the **FIFTEENTH ANNUAL REPORT** and the audited statement of accounts of the company for 18 months' period ended on 31st March 2004.

Extension of accounting period

As you may be aware, a major fire occurred in one of the units of the company on 25th September 2003 causing substantial damage to machinery, inventory and books and records. As per the requirements of listing agreement, the company had reported this incident to the stock exchanges. The news was also carried in the press. The mishap had put the unit out of operation for almost 4 months. Operations of the affected unit have since been restored to normalcy.

Considering the extent of damage, the Board of Directors of your company had decided to extend the accounting year, which was to end on 30th September 2003 by six months to close on 31st March 2004. The company has obtained necessary statutory permission for the extension.

Insurance Claim

The company has adequately covered the assets for fire risk and its consequential losses. The claims for losses, submitted to the insurance company have been admitted and part payment has been received. The final claim is under assessment. The Directors hope that the full claims, when received, will be adequate to recover the losses.

Financial Results

(Rs. in lacs)

| Particulars | Current Period 01-10-2002 to 31-03-2004 | Previous Year 01-04-2001 to 30-09-2002 |
|---------------------------------------|---|--|
| Gross Operating Profit | 2761.27 | 2724.58 |
| Less : Interest | 895.65 | 1506.34 |
| Profit before Depreciation | 1865.62 | 1218.24 |
| Less : Depreciation | 1206.64 | 1203.96 |
| Profit Before Tax | 658.98 | 14.28 |
| Provision for Taxation | 50.11 | 0.46 |
| Net Profit After Taxation | 608.87 | 13.82 |
| Balance Brought Forward | 183.61 | 31.98 |
| Amount withdrawn from General Reserve | 0.00 | 200.00 |
| Profit available for appropriation | 792.48 | 245.80 |
| APPROPRIATIONS | | |
| Interim dividend on Preference shares | — | 33.75 |
| Corporate Dividend Tax | — | 3.44 |
| Transfers to :- | | |
| Debenture Redemption Reserve | — | 25.00 |
| General Reserve | 500.00 | — |
| Surplus Carried to Balance Sheet | 292.48 | 183.61 |
| Total | 792.48 | 245.80 |

Performance review

Sales turnover declined from Rs. 176 crore to Rs. 152 crore mainly on account of production losses due to fire. A strong Rupee also affected the sales realization.

The profitability, however, improved with better control on overheads and reduction in finance costs by switching over to cheaper options. The net profit, after taking into account the insurance claims for operational losses, stood at Rs 6.09 crore as compared to Rs. 0.14 crore for the previous period.

The company continues to maintain good quality of its products. With the support of its loyal and steadfast customers, the plant utilization has been kept at higher operating levels and efficiency.

Your company has replaced the fire affected machines by those with upgraded technology. The company has recently enhanced its installed capacity to 59520 spindles.

Of late, the general outlook for textile industry has turned quite upbeat. With the abolition of quota beginning 2005, the trade in textiles is expected to be free from quota, boosting volumes. India, with its strong raw material base, is being looked at as a dependable source for textile supplies by leading international buyers. The re-location of capacities to developing countries and partnership in textile ventures are also expected to increase.

Spinning mills with quality conscious culture may be able to thrive in the new era. Your company is well set to face the changes and challenges thus envisaged.

Dividend

The company is evaluating investment in value addition proposals to take advantage of the opportunities that would be generated in post-quota regime. It is therefore felt necessary to conserve resources as much as possible. Considering this, the Board has decided not to recommend any dividend on the equity shares.

Delisting of securities

The securities of the company are not actively traded in the stock exchanges at Ahmedabad, Delhi and Calcutta. The company had obtained the consent of shareholders for de-listing of securities from these exchanges at the AGM held on 29-09-1998, but could not implement the decision due to some stringent conditions stipulated by these exchanges. SEBI has now come out with separate guidelines for voluntary de-listing, which your company proposes to follow after taking fresh approval from the shareholders. A resolution to this effect is placed at item no. 8 of the Notice of this Annual General Meeting.

Management Discussion and Analysis

Industry structure and developments

The first step in the textile value chain is the spinning. In India, yarn spinning is dominated by the organized sector and ranks second largest in the world. Of the 36 million spindles installed in the country, around one-third is modern, with age less than 10 years, which is far higher than the world average of about 20%. This big effort has been realized after the introduction of conducive policy measures by the Government, including technology up gradation fund.

India is the largest exporter of yarn with a 25% market share in the world export and a major portion of this is contributed by 100% export oriented units.

Fortunes of the textile industry seem to be changing for the better. The increased cost of operations has forced the textile mills in the developed countries to either re-locate the facilities or create strategic tie ups with those in the developing nations.

After the abolition of quota system beginning 2005, the international trade in textiles is expected to be more free, boosting volumes. India, due to its strong raw material base and other cost advantages, is being looked at as a dependable source for textile supplies by leading international buyers.



Indo Count Industries Limited

These developments augur well for the spinning/textile mills in the export sector, who have established themselves in the international markets by supplying quality products and good customer care.

Opportunities and threats

The entry of big international buyers in India for sourcing textiles is likely to stir up the industry. Huge investments are being contemplated by existing organized units. The direction of the investments is towards higher value addition and establishing economic capacities. The technology upgradation scheme has been extended by the government to give more time to the textile mills to plan their investments. Additional financial incentive to the processing sector and the implementation of textile debt restructuring scheme are welcome steps to facilitate the industry to move forward. Interest in corporate farming is also developing, which will aid in improvement in quality at the basic yarn stage itself.

As compared to these initiatives, the international competitors are ahead of us in terms of better infrastructure, facilities for export manufacturing, cheaper cost of power, finance, etc.

Appropriate steps should be taken by the Indian government to provide equal platform so that the local industry can compete better and efficiently in the international markets.

Risks and concerns

Good quality of cotton depends on availability of good seeds and adequate rainfall. While the government is taking steps to tackle the former through Cotton Technology Mission, the latter is dependent on nature. Despite a bumper and good quality crop this season in India, due to the soft policy of the government to allow export of cotton, the prices have remained firm and at par with those ruling internationally. The advantage of having raw material base is denied to Indian spinning due to this policy.

The unchecked appreciation of Rupee against major trading international currencies also hurts the industry. Your company, however, has been taking steps to hedge this risk appropriately from time to time.

Congestion in ports, of late, has affected exports, where adherence to delivery is of essence. The result is cancellation of contracts and damage to country's as well as suppliers' reputation in the international markets. Government should step in to facilitate smooth trade flows.

The differentiation in policy between 100% EOUs and SEZs and the delay in announcement of a comprehensive labour exit policy could hamper the growth in exports.

Outlook

Indian textile mills see a great potential to become quality suppliers of textiles once the quota is phased out. International buying houses have established their presence in India to tap this potential. The outlook for the industry, as a whole, is bright.

Segment

The company is engaged in the manufacture and export of cotton yarn and grey knitted fabrics which are governed by the same set of risks and returns and as such are in a single segment.

Internal control systems and their adequacy

The company has in place an elaborate internal control system to ensure proper authorization and accounting of transactions as also for safeguarding and protecting company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the management and the Audit Committee from time to time. The management feels that the internal controls are adequate considering the size of operations of the company.

Human Resources

During the period under review, labour relations continued to be cordial.

Your company has been imparting training to the employees, to improve their working skills, to understand the customers' needs and to create awareness about safety measures in the plant premises.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

Corporate Governance

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines are made part of this Report as per clause 49 of the listing agreement entered into with the stock exchanges.

Information Technology

Your company has successfully implemented a textile specific ERP system, which is live from 1st October 2002. With this, the quality of management information for decision making and controls has improved.

Directors' Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the accounts for the 18 months' period ended on 31st March 2004, the applicable accounting standards have been followed and there are no material departures.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period under review.
- that the Directors have taken proper and sufficient care 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.
- that the Directors have prepared the accounts for the 18 months' period ended on 31st March 2004 on a 'going concern' basis.

Directors

Mr S G Araokar, IDBI nominee and Mr Pramod Kumar Khaitan ceased to be directors with effect from 21-04-2003 and 24-11-2003 respectively.

IDBI has nominated Mr. Dhananjay Mungale to the Board in place of Mr S G Araokar with effect from 21-04-2003.

Mr. Dilip Thakkar and Mr. J.P. Mohta have been appointed as additional directors in the course of the year. The company proposes to re-appoint them as directors and accordingly, seek your approval as per resolution at item 6 and 7 of the Notice for this Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956, Mr. R Anand, Mr R N Gupta and Mr P N Shah retire by rotation and being eligible, offer themselves for re-appointment.

Auditors

M/s. B K Shroff and Co., chartered accountants, retire at the end of this Annual General Meeting and are eligible for re-appointment as auditors.



Indo Count Industries Limited

The observations of Auditors as referred in Auditors' Report are suitably explained in the Notes on Accounts and therefore do not call for any further comments.

Conservation of Energy, Technology Absorption & Foreign Exchange Earning & Outgo

The statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" forming part of this Report.

Acknowledgements

Your directors are grateful to the customers, suppliers, banks, financial institutions, insurance company, government bodies and employees for their co-operation and assistance during the period under review. Your directors also wish to specially thank all these agencies for their excellent support to help the company to overcome the losses caused by fire and restore its operations.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments outside the country, global demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

On behalf of Board of Directors

Place: Mumbai

Dated: 30th April 2004

ANIL KUMAR JAIN

CHAIRMAN & MANAGING DIRECTOR

ANNEXURE 'A'

Information Under 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 and Forming part of the Directors' Report for the 18 months' period ended on 31st March 2004.

A. CONSERVATION OF ENERGY

Form - A

Form for Disclosure of particulars with respect to conservation of energy

| Particulars | Current period 2002-2004 (18 months) | Previous Period 2001-2002 (18 months) |
|---|--|---|
| a) Power and Fuel | | |
| ELECTRICITY | | |
| a) Purchased (Units) | — | — |
| Total amount | — | — |
| Rate/unit | — | — |
| b) Own generation: | | |
| i) through diesel generator | | |
| Unit | 1527895 | 3348331 |
| Unit/liter of diesel oil | 3.52 | 3.54 |
| Cost per unit | 4.39 | 3.68 |
| ii) Furnace oil | | |
| Quantity (KL) | 13461 | 14046 |
| Amount Rs in Lacs | 1244.98 | 1112.65 |
| Average Rate (Rs) | 9.25 | 7.92 |
| b) Electricity consumption per unit of production of yarn per kg. | 6.22 | 5.61 |

3. Introduced better quality management by implementation of new ISO version ISO9001: 2000

(b) Benefits derived as a result of the above R & D

1. Savings in power consumption
2. Improvement in quality on sustained basis and better raw material management
3. Achieved higher quality standards

(c) Future plan for action

1. Achieve higher standards of productivity
2. Implement stringent norms for quality standards, to minimize quality complaints
3. Use of online system to monitor quality and productivity for winding section
4. Implementation of HRD system.

(d) Expenditure on R & D

- (i) Capital - Rs 0.20 lacs
 - (ii) Recurring - Expenditure has been shown under different heads in Profit & Loss Account amounting to Rs 5.30 lacs.
- Total R & D Expenditure as a percentage of total turnover - 0.03 %

2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

C. FOREIGN EXCHANGE EARNINGS AND OUT-GO

1) Activity related to initiatives taken to increase export markets for products and services and export plans.

Almost the entire production of the units is exported.

2) Total foreign exchange used and earned (Rs. in Lacs)

| Particulars | 2002-2004 (18 months) | 2001-2002 (18 months) |
|------------------------------------|--------------------------|--------------------------|
| Used | 5619.28 | 3832.24 |
| Earned (FOB value of export goods) | 12388.02 | 15741.37 |

On behalf of Board of Directors

Place: Mumbai

Dated: 30th April 2004

ANIL KUMAR JAIN

CHAIRMAN & MANAGING DIRECTOR

B. TECHNOLOGY ABSORPTION

Form - B

Technology Absorption, Adaptation and Innovation

1. Research & Development (R & D)

(a) Specific areas in which R & D carried out by the Company

1. Installation of power saving devices at various stages of production
2. Introduced bale management system to identify the common attributes for mixing, thereby increasing the productivity



Indo Count Industries Limited

REPORT ON CORPORATE GOVERNANCE

Corporate ethics

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Philosophy

Since its inception, the company has been practicing good corporate governance, by constituting Board, Audit and Project Monitoring Committees with independent professional members, disclosing periodically adequate and true information to Board/Committees, discussing company's affairs in open, impartial and transparent manner and ensuring decision making, keeping in mind the interests of stakeholders and other business associates.

The company will continuously strive to improve upon these practices and bring in more accountability with a view to achieve sustained growth in business and value to investors.

2. BOARD OF DIRECTORS

a) Composition of the Board :

Chairman & Managing Director along with Joint Managing Director look after the day to day affairs of the Company. The Board of Directors monitor Company's performance and approve, review policies/strategies and evaluate the management performance. The Board ensure legal and ethical conduct of business and accurate financial reporting.

The Company presently has eleven Directors of which Chairman and Managing Director (CMD), Joint Managing Director (Jt. MD) and Director (Marketing) are Executive Directors.

Chairman is a Promoter Executive Director and Jt. Managing Director and Director (Marketing) are Non-promoter Executive Directors.

Of the remaining eight Directors one is a Promoter Non-executive Director. The others are independent Directors who are professionals/industrialists with expertise in taxation, accounts, finance and general corporate management.

The Board of Directors meet atleast once a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other important business.

b) Number of Board meetings :

During the current accounting period of 18 months from 1st October 2002 to 31st March 2004, 7 Board meetings were held on the following dates viz 25th October 2002, 28th January 2003, 5th May 2003, 31st July 2003, 15th November 2003, 24th November 2003 and 30th January 2004.

The maximum interval between any two Board meeting was less than 4 months as stipulated in clause 49 of the Listing Agreement.

The 14th Annual General Meeting was held on 30th November 2002.

The Attendance of each Directors in these meetings is as under:

c) Directors' attendance record and directorships held:

| Name of the Director | Designation | Category | During the period No. of Board meetings | | Whether attended last AGM | Directorship in other public limited companies | Committee | |
|---------------------------|------------------------------|-----------------|---|----------|---------------------------|--|--------------|------------|
| | | | Held | Attended | | | Chairmanship | Membership |
| EXECUTIVE | | | | | | | | |
| Mr Anil Kumar Jain | Chairman & Managing Director | Promoter | 7 | 7 | No | 3 | 1 | — |
| Mr R N Gupta | Jt. Managing Director | Non Independent | 7 | 7 | Yes | — | — | 3 |
| Mr Deepak M Pradhan | Director (Marketing) | Non Independent | 7 | 3 | No | — | — | 2 |
| NON EXECUTIVE | | | | | | | | |
| Mr Mohit Kumar Jain | Director | Promoter | 7 | 7 | Yes | 1 | 1 | 1 |
| Mr P N Shah | Director | Independent | 7 | 6 | Yes | 7 | 5 | 7 |
| Mr R Anand | Director | Independent | 7 | 5 | Yes | 3 | 1 | 1 |
| Mr Sushil Kumar Jiwaraika | Director | Independent | 7 | 3 | No | 6 | — | — |
| Mr N K Kagiwal | Director | Independent | 7 | 4 | No | 5 | — | — |
| Mr Pramod Kumar Khaitan* | Director | Independent | 7 | 0 | No | — | — | — |
| Mr S G Araokar | Director | Independent | 2 | 2 | No | — | — | — |
| (IDBI Nominee) # | | | | | | | | |
| Mr Dhananjay Mungale @ | Director | Independent | 5 | 2 | NA | 9 | 3 | 2 |
| (IDBI Nominee) | | | | | | | | |
| Mr J P Mohta \$ | Director | Independent | 6 | 2 | NA | 2 | — | 1 |
| Mr Dilip Thakkar \$ | Director | Independent | 6 | 4 | NA | 10 | 5 | 10 |

* Ceased to be director w.e.f. 24-11-2003

@ Nominated by IDBI w.e.f. 21-04-2003

Nomination has been withdrawn w.e.f. 21-04-2003 by IDBI

\$ Appointed w.e.f. 28-01-2003

d) Information supplied to the Board :

A detailed Agenda is sent to each Director sufficiently in advance of Board and Committee meetings. At every Board meeting the Chairman briefs the members on the overall performance of the Company.

Apart from the matters statutorily requiring the Board approval, all major decisions related to investments, capital expenditure, modernization programs, mobilization of resources and planning thereof are considered by Board.

As per SEBI's code for Corporate Governance, the following information is regularly placed before the Board:-

- Annual operating plans, budgets and their updates, if any, alongwith comparison of actuals with budget
- Capital budget and any update
- Cash flow statements
- Quarterly results of the operating division
- Minutes of meetings of Audit Committee and other committees of the Board
- Recruitment and remuneration of senior officials just below the Board including appointment and removal of chief financial officer and company secretary