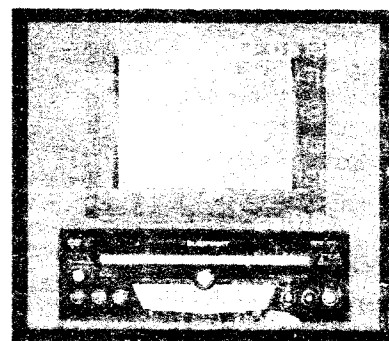
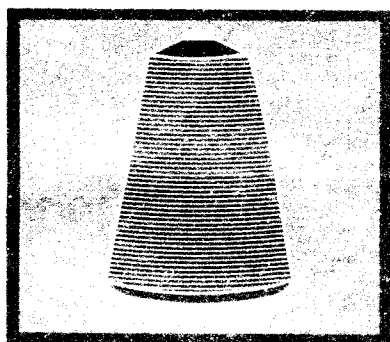


INDO COUNT INDUSTRIES LIMITED



2004-2005
16TH ANNUAL REPORT



Indo Count Industries Limited

Board of Directors

Mr Deepak M Pradhan
 Mr Dhananjay N Mungale (IDBI Nominee)
 Mr Dilip J Thakkar
 Mr Jagdish Prasad Mohta
 Mr Mohit Kumar Jain
 Mr Nandkishor Kagliwal
 Mr P N Shah
 Mr R Anand
 Mr Sushil Kumar Jiwarajka

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, 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	7
Report on Corporate Governance	10
Auditors' Report	14
Balance Sheet	16
Profit and Loss Account	17
Schedules	18
Notes on Accounts	23
Balance Sheet Abstract and Company's General Profile	27
Cash Flow Statement	28



Indo Count Industries Limited

NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of **INDO COUNT INDUSTRIES LIMITED** will be held on Saturday, the 3rd September 2005 at 12.30 p.m. at Hotel Shalini Palace, Rankala, Kolhapur 416 010, Maharashtra to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts for the financial year ended 31st March 2005 and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr Deepak M Pradhan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr Sushil Kumar Jiwarajka, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr Mohit Kumar Jain, 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 the following resolution, with or without modifications, as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, permissions, consents and sanctions as may be necessary from the Government of India (GOI), the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and/or any other competent authorities and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, where the equity shares of the Company are listed and in accordance with the guidelines issued by the GOI, RBI, SEBI and/or any other competent authorities and clarifications thereof, issued from time to time, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any committee constituted to be constituted by the Board for exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot, in one or more tranches, 4,000,000 Equity Shares of Rs. 10/- each on preferential basis, to Foreign Institutional Investors (FIIs), at a price of Rs. 33/- (Rupees Thirty Three only) per share, which is calculated in accordance with the SEBI Guidelines for Preferential Issue, to the extent and in the manner as may be decided by the Board in this behalf".

RESOLVED FURTHER THAT:

- i. The equity shares to be so offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company.
- ii. The equity shares so issued and allotted shall rank pari-passu with the existing equity shares of the company.

iii. The Relevant Date as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 on Preferential Issue, as amended upto date, for the determination of minimum price for the issue of equity shares is 4th August 2005.

iv. The equity shares so issued and allotted shall be listed and traded on stock exchanges.

v. For the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this regard."

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

"RESOLVED THAT in accordance with the provisions of section 81 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force, and the enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval of the Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) and other concerned authorities, if any, and to the extent necessary and such other approvals, permission and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (herein after referred to as the "Board") and/or duly authorised committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board/Committee to create, issue/offer such number of equity/ preference shares and/or fully/partially convertible bonds/debentures and/or any other instrument/securities in the nature of shares/debentures/bonds and/or warrants, naked or otherwise convertible into shares or otherwise either in registered or bearer forms and/or any such securities convertible into equity shares of Rs 10/- each or otherwise or any combination of the securities (hereinafter for the sake of brevity referred to as "Securities"), with or without premium, for an amount not exceeding Rs 35.00 crore, as the Board, at its sole discretion, may at any time or times hereafter decide, to such persons whether or not such persons are members of the Company including Non Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other entities/authorities and to such other persons, whether through public issue and/or rights issue, as the Board may deem fit, in one or more tranches, with or without voting rights in General Meetings/ Class Meetings of the Company as may be permitted under then prevailing laws, at such price or prices, or in such manner as the Board or Committee thereof may in its absolute discretion think fit, in consultation with the lead managers, underwriters, advisors and such other persons, and on such terms and conditions including the number of securities to be issued, price, rate of interest, number of equity shares to be allotted on conversion of debt instruments; exercise of rights attached with warrants, the ratio of exchange of shares and /or any other financial instrument, period of conversion, fixing of record date or book closure and related or incidental matters.



Indo Count Industries Limited

RESOLVED FURTHER THAT such of the securities to be issued, as are not subscribed may be disposed of by the Board/Committee, thereof, to such persons and in such manner and on such terms as the Board/Committee may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institution/Mutual Funds/Foreign Institutional Investors or such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide.

RESOLVED FURTHER THAT the consent of the Company be and is hereby also granted in terms of provisions of section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to mortgage and/or charge, in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, all or any of the moveable and/or immoveable properties of the Company, both present and future and/or whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company, in certain events of default in favour of the Agents and Trustees/Lenders for securing the Securities (if they comprise fully/partly Secured Convertible Debenture and/or Secured Non Convertible Debentures with or without detachable or non detachable warrants or bonds or other secured instruments) together with interest, further interest thereon, compound interest in case of default, accumulated interest remuneration of the Trustees, premium, if any, on redemption, all other costs, charges and expenses payable by the Company in terms of the Trust Deed/Other documents to be finalized and executed between the Company and the Agents and Trustees/Lenders and containing such specific terms and conditions and covenants in respect of enforcement of security as may stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Agent and Trustees/Lenders.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorized to do all such acts, deeds, matters and things, as may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds of the issue of the Securities, and further to do all such acts, deeds, matters and things and to finalise and execute all such deeds, documents and writings as may be necessary, desirable or expedient as it may deem fit."

8. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of section 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications thereto or re-enactments thereof for the time being in force), the authorised share capital of the Company be and is hereby increased from Rs 500,000,000/- (Rupees Fifty Crore Only) to Rs 600,000,000/- (Rupees Sixty Crore Only) divided into 55,000,000 (Five Crore Fifty Lac) equity shares of Rs 10/- each and 5,000,000 (Fifty Lac) preference shares of Rs 10/- each."

9. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provision of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, existing Clause V of the Memorandum of Association of the Company be and is hereby amended by substituting the said clause by the following new Clause V, namely:

V. The authorised share capital of the Company is Rs. 600,000,000/- (Rupees Sixty Crore Only) divided into 55,000,000 (Five Crore Fifty Lac) equity shares of Rs. 10/- each and 5,000,000 (Fifty Lac) preference shares of Rs. 10/- each."

10. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution

"RESOLVED THAT subject to the applicable rules made by the Central Government, Reserve Bank of India and/or other regulatory bodies from time to time and subject to such other consents, sanctions and permissions as may be required, the consent of the company be is hereby accorded to the Board for fixing investment limit by Foreign Institutional Investors in the equity share capital of the Company either by purchase or otherwise by acquiring from the primary and secondary market under Portfolio Investment Scheme, subject to the condition that such investment together with their existing holdings shall not exceed in the aggregate 49% of the paid up equity share capital of the company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper and expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

11. To consider and if thought fit, to pass with or without modifications, the following resolution as a 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 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 Loans aggregating Rs 495.00 lacs availed by the Company "

12. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in supersession of the earlier resolution passed at the Annual General Meeting held on 28th September 2001 and pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors for borrowing any sum or sums of money from time to time from any one or more of the Company's Bankers and/or some or any one or more persons, firms, bodies corporate, or Financial Institutions whether by way of cash credit, advance or deposits, loans or bills discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-



progress or all or any of the undertaking of the Company notwithstanding that the moneys to be borrowed together with the money's already borrowed by the Company's (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however that the total amount up to which the monies may be borrowed shall not exceed the sum of Rs 700 Crore (Rupees Seven Hundred Crore) exclusive of interest and that the Board of Directors be and is hereby further authorised to execute such deeds of debentures and debentures trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit, receipts, and other deeds and instruments or writings as they may consider proper and containing such conditions and covenants as the Board of Directors may think fit."

13. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT in partial modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 30th November 2002, approval be and is hereby given in terms of provisions of sections 198, 269, 309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the revision in the remuneration payable to Mr Anil Kumar Jain, Chairman & Managing Director to Rs 1,75,000/- (Rupees One Lac Seventy Five Thousand Only) per month with effect from 1st July 2005 for the remaining tenure of his appointment as Managing Director.

RESOLVED FURTHER THAT the above remuneration payable to him shall include basic salary, house rent allowance and other perquisites and allowance such as insurance, security charges, maintenance and repairs of house, the furniture and the fixtures therein, expenditure incurred on gas, electricity, water and furnishings, medical benefits (for self and family),

leave travel concession, club fees, personal accident insurance, free use of Company's car alongwith driver for Company's work, insurance, petrol, cost of repairs, overhauling, maintenance and garage rent.

RESOLVED FURTHER THAT the Company shall bear all expenses of the communication facilities installed at residence such as telephones (land lines/mobile), fax machines, computer/laptops, internet connection used for office purposes.

RESOLVED FURTHER THAT Mr. Jain shall be entitled to leave benefits as per rules of the Company applicable to senior executives of the Company.

RESOLVED FURTHER THAT the Company's contribution to recognized provident fund, superannuation fund (or other benefits permissible in lieu thereof) or annuity fund to the extent these, either singly or put together are not taxable under the Income Tax Act, 1961, gratuity payable at the rate not exceeding half month's salary for each completed years of service and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites or allowance aforesaid.

RESOLVED FURTHER THAT where in any financial year, during the currency of the tenure of office of Mr Jain, the Company has no profits or its profits are inadequate, the remuneration payable to Mr Anil Kumar Jain by way of salary, perquisites and any other allowance specified herein above shall not exceed the ceiling limits of Rs 1,75,000/- (Rupees One Lac Seventy Five Thousand Only) per month.

RESOLVED FURTHER THAT the Board of Directors may, on the recommendation of Remuneration Committee, fix the actual remuneration payable to Mr Jain, within the above ceiling limit, from time to time."

By Order of the Board

K. Muralidharan
Company Secretary

Place : Mumbai
Date : 30th July 2005



Indo Count Industries Limited

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

Item No. 6

The company has already undertaken implementation of a forward integration project for home textiles at a cost of about Rs. 140 crore. To part finance the project cost, the Board of Directors, at its meeting held on 30th July, 2005, have decided to offer, issue and allot 4,000,000 equity shares of Rs. 10/- each to FII on preferential basis.

Disclosures, which are required to be given in terms of clause 13.1A of the SEBI (Disclosure & Investor Protection) Guidelines 2000, on Preferential Issues:

a) The object of the issue through preferential offer:

The object of the issue is to part-finance the cost of the home textiles project, through subscription in equity to

- i) Matterhorn Ventures
- ii) Lotus Global Investments Ltd.

b) Intentions of promoters / directors / key management persons to subscribe to the offer:

Promoters, directors and key management persons are not being offered any shares and as such, they do not propose to subscribe to the offer.

c) Share holding pattern before and after the offer:

Sr. No	Category of shareholders	Pre-issue Holding 30-06-2005	% to pre-issue capital	Post issue Holding	% to post issue capital
1.	Promoters and Persons Acting in Concert				
	- Indian Promoters	1,422,202	6.04%	1,422,202	5.16%
	- Persons Acting in Concert	9,871,866	41.94%	9,871,866	35.85%
	Sub Total (Promoters' Group)	11,294,068	47.98%	11,294,068	41.01%
2.	Institutional Investors	972,950	4.14%	972,950	3.53%
3.	Private Corporate Bodies	3,629,834	15.42%	3,629,834	13.18%
4.	Indian Public	7,472,174	31.75%	7,472,174	27.14%
5.	NRIs	167,316	0.71%	167,316	0.61%
6.	Others (Proposed Allottees)	-	-	4,000,000	14.53%
	Sub Total (Non Promoters)	12,242,274	52.02%	16,242,274	58.99%
	Grand Total	23,536,342	100.00%	27,536,342	100.00%

d) Proposed time within which the allotment shall be completed:

The Board proposes to allot the equity shares within a period of 15 days from the date of passing of this resolution in the Annual General Meeting, in accordance with SEBI (Disclosure & Investor Protection) Guidelines, 2000.

e) The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:

1. Matterhorn Ventures, Mauritius – a SEBI registered sub account of a SEBI registered FII, either by itself or through its sub accounts
2. Lotus Global Investments Ltd., Mauritius – a SEBI registered sub account of a SEBI registered FII, either by itself or through its sub accounts

Issue Price and relevant date:

The issue price of Rs.33/- (Rupees thirty two) per share is in accordance with the SEBI (Disclosure & Investor Protection) Guidelines 2000 and for the purpose of the above guidelines the relevant date is 04-08-2005. The issue price of Rs.33/- per share is higher than the price determined under the SEBI DIP Guidelines.

Auditors' Certificate:

A copy of the Certificate of the Company's Statutory Auditors as per SEBI guidelines shall be kept open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and Bank holidays, between 11.00 a.m. and 2.00 p.m. upto the date of the Annual General Meeting.

In terms of section 81 (1A) of the Companies Act, 1956, the listing agreement with the stock exchanges and the SEBI DIP Guidelines, consent of members is required for allotment of further equity shares to any person other than the existing share holders.

Consent of the members is therefore sought, by passing the Special Resolution to authorise the Board of Directors to offer, issue and allot equity shares in the manner set-out in the item No.6 of the Notice.

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

ITEM NO. 7

The Company needs to raise funds, in one or more tranches, to contribute towards the equity infusion required for ongoing project and other expansions and for general corporate purposes, working capital requirements, strategic investments, acquisitions etc.

The Board of Directors are of the opinion that it would be necessary to raise the required financial resources by public offer and/or rights issue, at appropriate time(s) by offering and issuing equity shares and/or other equity related instruments to members, promoters, employees, strategic investors, financial institutions, bank, mutual funds, non resident Indians, overseas corporate bodies, foreign institutional investors, multilateral agencies, venture capital funds, companies, private or public corporate bodies and other entities or any other person or one or more combinations thereof, in one or more tranches, with or without premium, any financial instrument or any combination of the financial instruments for an amount not exceeding Rs 35.00 crore.

The detailed terms and conditions for the offer will be determined in consultation with the Lead Managers, Consultants, Advisors, Underwriters and/or such other intermediary agencies as may be appointed for the issue. Wherever necessary and applicable the pricing of the issue will be finalized in accordance with the applicable guidelines, in force, of Government of India, Reserve Bank of India, Securities & Exchange Board of India and other relevant authorities.

In terms of provisions of the Companies Act, 1956, consent of members is required for allotment of further equity shares/financial instruments to any person other than the existing shareholders.

Consent of the members is therefore sought to authorize the Board of Directors to create, offer, issue and allot equity shares and/or any financial instruments.

The Board recommends the resolution set out in item No. 7 of the notice for your approval.



Indo Count Industries Limited

All the directors of the company may be deemed to be concerned or interested, to the extent that they may be entitled to the Securities that may be offered to them, on rights basis or otherwise, applied for and allotted to them.

ITEM NO. 8 and 9

The present Authorised Share Capital of the Company is Rs. 500,000,000/- (Rupees Fifty Crore Only) divided into 30,000,000 (Three Crore) equity shares of Rs. 10/- each and 20,000,000 (Two Crore) preference shares of Rs. 10/- each.

Since the Company may be issuing further equity shares/financial instruments as aforesaid, the issued and paid up capital of the Company will increase beyond Rs. 500,000,000/- and accordingly it is proposed to increase the Authorised Share Capital of the Company to Rs. 600,000,000/- (Rupees Sixty Crore Only) divided into 55,000,000 (Five Crore fifty lacs) equity shares of Rs. 10/- each and 5,000,000 (Fifty Lac) preference shares of Rs. 10/- each.

The amendment to Memorandum of Association and Articles of Association of the Company is consequential to reflect the increase in the Authorised Share Capital of the Company.

The Board recommends the resolutions set out in item No. 8 and 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

Resolution given at item No. 10 relates to investment by Foreign Institutional Investors (FIIs) in the equity share capital of the Company under Portfolio Investment Scheme of Reserve Bank of India (RBI) as may be applicable from time to time.

After the issue of equity shares on preferential basis to the FIIs, as set out in the Resolution at item No. 6, the FII investment in the equity share capital of the company will be about 15%. Considering that the existing approval from members is for FII investment in the equity capital of the Company upto 24%, and taking in to account the possibility of further issue of equity capital for the activities as set out in the Resolution at item No. 7 of the Notice, it is proposed to increase the FII investment limit up to 49% of the paid up equity share capital of the Company.

Since the increased investment by the FIIs is considered to be in the interest of the Company, the Board of Directors, at its meeting held on the 30th July, 2005 has recommended the Resolution for approval of the members.

The Board recommends the resolution set out in item No. 10 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. 11

The Company has availed a fresh Rupee Term Loan of Rs 445 lacs from SICOM Ltd. for refinancing the prepayment of high cost debt.

The Company has also availed a Rupee Term of Rs 50 lacs under TUFs, to part finance acquisition of equipments to balance its capacity.

In terms of the sanction of the abovementioned rupee loans, the company is required to create a first charge/mortgage on the fixed assets of the company, on pari passu basis, with the existing charge holders.

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 annual general meeting.

The Board recommends the resolution set out in item No. 11 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. 12

In order to part finance the on going project, other expansions and for general corporate purposes, working capital requirements, strategic investments, acquisitions etc., it may be necessary for the Company to borrow long term funds from time to time. The present borrowing limit of Rs. 500 crore fixed by the shareholders at their meeting held on 28-09-2001 will be inadequate and therefore, it is proposed to increase the borrowing limit to Rs 700 crore, excluding the temporary loans obtained in the ordinary course of business.

As per the provisions of section 293 (1) (d) of the Indian Companies Act, 1956, the borrowing limit can be increased with the consent of shareholders, by an Ordinary Resolution, and hence the resolution at item No. 12 of the notice.

The Board recommends the resolution for your approval.

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

ITEM NO. 13

Considering the increased responsibilities under taken by Mr Anil Kumar Jain, after setting up of electronics business, and with the ongoing implementation of Home Textile Project, the Remuneration Committee has recommended revision in the remuneration payable to Mr Anil Kumar Jain to be effective from 1st July 2005, for balance period of his office i.e. upto 30-06-2008.

Consequently, the Board of Directors at their meeting held on 30th July 2005 has considered and recommended the proposal for the approval of shareholders.

The details of revised remuneration payable to Mr Jain have been given in the resolution.

The above may also be treated as an abstract of the memorandum of interest of Mr Anil Kumar Jain, the Chairman & Managing Director, pursuant to the provisions of section 302 of the Companies Act, 1956.

Except Mr Anil Kumar Jain and Mr Mohit Kumar Jain, none of the Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

Place: Mumbai
Date : 30th July 2005

K. Muralidharan
Company Secretary



Additional information: As required in terms of para VI (A) of clause 49 of the listing agreement

a) Brief profile of Mr Deepak M Pradhan, who retires by rotation and is eligible for re-appointment

Mr Deepak M Pradhan, B.A., Diploma in Textile Management and has rich experience in the Marketing for more than 30 years. Mr. Pradhan has been associated with the Company since inception and has been on the Board of the Company since 28th May, 1999.

Outside Directorship : R. H. Finvest Pvt. Ltd.

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

b) Brief profile of Mr Sushil Kumar Jiwaraika, who retires by rotation and is eligible for re-appointment.

Mr Sushil Kumar Jiwaraika, is commerce graduate and has rich experience Business Administration for more than 25 years. Mr Jiwaraika has been on the Board of the Company since 27th January 1999.

Outside Directorship : Encompass Software & Systems P. Ltd., Salora International Ltd., Moza Hosiery India Ltd., Karrox Technologies Ltd., Salora Finance Ltd., Video Electronics Ltd., Essjay Ericsson Pvt. Ltd., Associated Electronics Research Foundation, Jadoonet Ltd., H.P. Financial Services India Pvt. Ltd., Pacer Salora International (P) Ltd., Feature Home Products (P) Ltd., Vaishnav Engineering Pvt. Ltd., Lusaka Properties Pvt. Ltd., Suttlej Securities (P) Ltd.

Committee Membership : Nil

c) Brief profile of Mr Mohit Kumar Jain, who retires by rotation and is eligible for re-appointment

Mr Mohit Kumar Jain is a B.Sc. and specialized in the fields Finance and Business Administration for more than 5 years. Mr Jain has been associated with the Company since 28th July 2000.

Outside Directorship : Jindal Poly Films Ltd., YarnTex Exports Pvt Ltd., Indo Count Textile Ventures Pvt. Ltd.

Committee Membership/Chairmanship : Chairman of Shareholders' & Investors' Grievances Committee and Member of Share Transfer Committee in Indo Count Industries Ltd.

By Order of the Board

Place : Mumbai

Date : 30th July 2005

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.

Indo Count Industries Limited

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 26-08-2005 to 03-09-2005, (both days inclusive).
4. Members are requested to:
 - (i) intimate, changes, if any, in their Registered Addresses immediately;
 - (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
 - (iii) intimate for duplicate dividend warrants if they have not encashed their warrants for the previous years;
 - (iv) Unpaid dividend that are due for transfer to the Investor Education and Protection Fund (IEPF).

Financial Year	Due for Transfer on
31-03-1998	10-11-2005
31-03-1999	10-11-2006
31-03-2000	10-07-2007
31-03-2001	09-11-2008

Pursuant to the provisions of section 205C of the Companies Act, 1956, all unpaid dividend upto financial year 1996-97 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. 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.

- (v) Quote ledger folio No./DPID/Client ID 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- 51410592 - 94
Fax No 011 - 51410591

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.
7. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.



Indo Count Industries Limited

DIRECTORS' REPORT

To

The Members

INDO COUNT INDUSTRIES LIMITED

Your directors have pleasure in presenting the **SIXTEENTH ANNUAL REPORT** and the audited statement of accounts of the year ended 31st March 2005.

Financial Results

(Rs. in lac)

Particulars	Current Year 01-04-2004 to 31-03-2005 (12 Months)	Previous Period 01-10-2002 to 31-03-2004 (18 Months)
Gross Operating Profit	1826.44	2761.27
Less : Interest	531.51	895.65
Profit before Depreciation	1294.93	1865.62
Less : Depreciation	820.95	1206.64
Profit Before Tax	473.98	658.98
Provision for Taxation	37.94	50.11
Net Profit After Taxation	436.04	608.87
Balance Brought Forward	292.47	183.61
Amount transferred from Debenture Redemption Reserve	100.00	—
Profit available for appropriation	828.52	792.48
APPROPRIATIONS		
Transfer to :-		
General Reserve	600.00	500.00
Surplus Carried to Balance Sheet	228.52	292.48
Total	828.52	792.48

PERFORMANCE REVIEW

❖ Textile Division

During the year under review, the textile division of the company earned a gross profit of Rs. 15.48 crore on a net sales turn over of Rs 119.85 crore, a marginal improvement over the annualized earnings for the previous period. This performance is considered satisfactory when viewed in the backdrop of a strong Indian currency.

❖ Electronics Division

In October 2004, the Company established its electronic division, where it manufactures/assembles electronic goods such as colour television sets, air conditioners, music systems, etc. for leading multi national brands. This division earned a gross profit of Rs. 2.79 crore on a net sales turnover of Rs 60.23 crore.

BUSINESS OUTLOOK

❖ Textile Division

The abolition of quota for cotton yarn and other textile goods has spurred growth opportunities in new markets. It has also thrown open the international markets to severe competition among cost effective producers. The imposition of trade restrictions by US on China for textile goods and the pressure on the latter to review its strong currency policy are expected help other countries, such as India to improve their share in the export markets. The Government of India's policy measures to boost exports of yarn and other textile goods have also lent support to the efforts of the industry in this direction.

The management sees good potential for the company's products and expects the division to perform better in the current year.

❖ Electronics Division

Growth in the electronic products in the domestic market has been impressive during the last few years, with leadership position taken by large multi national companies, who have penetrated their products into rural areas. With the purchasing power of average Indian consumer going up steadily, the consumer electronics segment is set to see exponential growth. The management hopes to establish its presence firmly in this segment and look for growth with further expansion in its product range.

NEW PROJECT

As mentioned earlier, the abolition of quota system and the removal of trade restrictions in the world markets is expected to create new business opportunities for Indian textile industry. There is a perceived shift in manufacturing capacities for textile goods from US and European countries, which look to India as a quantitative and qualitative source for such goods. Seizing this opportunity, your company has planned to implement a project, in the home textiles segment, for manufacturing and exporting bed linen and made ups. The project involves weaving, processing, printing and furnishing of goods for export markets. The cost of the project is estimated at Rs. 142.00 crore and is proposed to be funded by borrowings from banks and financial institutions to the extent of Rs. 111.00 crore and the balance to be raised by issue of equity shares and/or other convertible instruments, and capital subsidy from government. The project is expected to go on stream by June 2006.

Looking to the encouraging demand for home textiles, your directors are of the opinion that the company's move would enable its upward movement in the value chain, earning substantial benefits to the shareholders in future.

DIVIDEND

Considering that the internal accruals are planned to be invested in the home textiles project, the directors do not recommend to pay any dividend this year. The directors are sure that the shareholders would appreciate the company's move and continue to receive their support in its progress.

DELISTING OF SECURITIES

The Company's securities have been delisted from Ahmedabad and Delhi Stock Exchanges with effect from 15-10-2004 and 13-10-2004 respectively. The company's application for delisting from Calcutta Stock Exchange is pending for approval.

MANAGEMENT DISCUSSION AND ANALYSIS

❖ Textiles Division

Industry structure and developments

About one third of the country's exports of textile goods is made up of cotton yarn and cotton textiles.

India continues to maintain its predominant position in the world cotton yarn trade, with 25% share, a major portion of which is contributed by the 100% EOUs.

The other major competing countries are China, Pakistan, Indonesia, Turkey, Egypt, Mexico and Brazil. About 70% of the international trade in cotton yarn is controlled by Asian countries.

The abolition of quota for textiles from January 2005 should see increased volume in international trade at very competitive prices. Demand from domestic players who export value added goods has also picked up. However, the uneven excise duty structure for EOUs and domestic units prohibit exploitation of local demand.

The government's policy for textile industry has been conducive for upgradation of technology which is utmost necessary to remain competitive in the international markets. The special capital subsidy announced for textile processing will give fillip for establishment of economic capacities in this sector. Further, the government's