

9TH ANNUAL REPORT 2002-2003

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NINETH ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS

Jayesh K. Shah	<i>Director</i>
Bhupendra M. Shah	<i>Director</i>
Vinod Modha	<i>Director</i>
Kamal R. Sheth	<i>Director</i>
I.S. Shah	<i>Director</i>

AUDITORS

M.M. Nissim & Co.
Chartered Accountants,
Mumbai

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INTERNAL AUDITORS

P.P. Bhandari & Co.
Chartered Accountants,
Mumbai.

BANKERS

UCO Bank
D.N. Road, Mumbai

REGISTERED OFFICE

20, Sai Chambers, 3rd Floor, Sector 11,
CBD, Belapur, Navi Mumbai 400 614.



NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the shareholders of the Company will be held on Monday, 29th September, 2003 at 11.00 a.m. at the registered office of the Company, at 20, Sai Chambers, 3rd Floor, Sector-11, CBD Belapur, Navi Mumbai 400 614 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statements of Accounts for the financial year ended on 31st March, 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vinod Modha who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Kamal R. Sheth whose term of office as an Additional Director of the Company expires at this annual general meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Kamal R. Sheth for the office of Director be and is hereby appointed a Director of the Company whose period of office will be liable to determination by retirement of Director by rotation."

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

"RESOLVED THAT Mr. I. S. Shah whose term of office as an Additional Director of the Company expires at this annual general meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. I. S. Shah for the office of Director be and is hereby appointed a Director of the Company whose period of office will be liable to determination by retirement of Director by rotation."

6. To consider, and if thought fit, to pass the following Resolution, as a Special Resolution through Postal Ballot process. Results of this poll will be declared at this Annual General Meeting:

"RESOLVED THAT pursuant to the provisions of section 17A read with section 146 of the Companies Act, 1956 and subject to the confirmation by the Regional Director concerned in the Department of Company Affairs, the place of Registered Office of the Company presently situated at 20, Sai Chambers 3rd floor, Sector 11, CBD Belapur, Navi Mumbai 400614, be and is hereby changed so as to situate at "10, Laxmi Towers, 1st floor, G Block' C-25, Bandra Kurla Complex, Bandra (East), MUMBAI - 400 051." and accordingly, Clause II of the Memorandum of Association of the Company be and is here by altered, to reflect the change."

Registered Office:
20, Sai Chambers 3rd floor,
Sector 11, CBD Belapur,
Navi Mumbai - 400 614
31st July, 2003

By Order of
the Board
B.M. Shah
Director

NOTES :

1. The resolution at item no. 6 above relating to the change of the situation of Registered Office, requires consent of the shareholders through Postal Ballot, for which a Notice and Postal Ballot Form are being dispatched separately. Accordingly, the business of formally passing the resolution will not be transacted at the meeting but the result of passing the resolution through postal ballot process will be announced at the meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 19/8/2003 to 20/8/2003 (both days inclusive)
5. Explanatory statement pursuant to the provisions of section 173 of the Companies, Act, 1956 is annexed hereto.
6. MEMBERS ARE REQUESTED TO NOTE THAT, PENDING APPROVAL OF THE SPECIAL RESOLUTION FOR CHANGE IN THE LOCATION OF THE REGISTERED OFFICE OF THE COMPANY, AND IN VIEW OF SALE OF THE PROPERTY SITUATED AT A-74/2, MIDC, THANE BELAPUR ROAD, VILAGE KHIRANE, NAVI MUMBAI 400 705, THE REGISTERED OFFICE OF THE COMPANY HAS BEEN TEMPORARILY SHIFTED TO 20 SAI CHAMBERS, 3rd FLOOR, SECTOR- 11, CBD BELAPUR, NAVI MUMBAI - 400 614.

AND IN TERMS OF CIRCULAR DATED 27th DECEMBER, 2002 OF SECURITIES & EXCHANGE BOARD OF INDIA TO APPOINT COMMON AGENCY FOR ALL WORK RELATED TO SHARE REGISTRY IN TERMS OF BOTH PHYSICAL AND ELECTRONIC MODES TO BE MAINTAINED AT SINGLE POINT, M/s. PINNACLE SHARE REGISTRY PVT. LTD., NEAR ASOKA MILLS, NARODA ROAD, AHMEDABAD - 380 025 SHALL NOW WORK AS REGISTRARS AND TRANSFER AGENT FOR THE COMPANY. MEMBERS MAY SEND ALL CORRESPONDENCE TO THE SAID REGISTRARS OR TO THE COMPANY.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173
OF THE COMPANIES ACT, 1956 TO THE NOTICE DATED 31st JULY, 2003.**

1. For item No. 4 & 5:

Mr. Kamal R. Sheth and Mr. I. S. Shah were appointed as Additional Directors by the Board on 28th March, 2003 and pursuant to Section 260 of Companies Act, 1956 they hold office only up to the date of this Annual General Meeting. Notices from members with requisite deposits have been received by the Company to appoint each of them as Directors.

The information required under Clause 49 VI(A) of the Listing Agreement with respect to them is given in the Corporate Governance Report and the same is not repeated here.

The Board commends the respective resolutions for acceptance by members. Mr. Kamal R. Sheth and Mr. I. S. Shah may be deemed to be concerned or interested in the respective resolutions since they pertain to their respective appointments.

None of the other Directors of the Company is, in any way, concerned or interested in resolutions.

**2. For item No. 6:**

Due to the sale of the Company's premises at the Plot no. A-74/2 in MIDC, Thane Belapur Road, Navi Mumbai, the registered office of the Company was shifted to the present hired premises. Since the said change was within the local limits of Navi Mumbai, it did not require approval of the shareholders.

The Board, however, is of the view that, for further administrative convenience, it would be prudent and economical to locate the registered office in Mumbai in the proposed premises belonging to the holding company, The Arvind Mills Ltd. which is situated outside the present local limits of Navi Mumbai.

Section 17A of the Companies Act, 1956 provides that the change of registered office outside the local limits within the State, require the approval of the shareholders in the general meeting and also confirmation thereto of the Regional Director concerned, in the Department of Company Affairs. As the proposed change is from the local limits of Navi Mumbai to the local limits of Mumbai, the approval of the shareholders is being sought by the Special Resolution at item no. 6 of the Notice, which in terms of Section 192A will have to be passed by the members through Postal Ballot Process.

Pursuant of the provisions of section 192A of the Companies Act, 1956 read with The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the Company seeks your approval or otherwise, through a Postal Ballot as set out in the Notice of Postal Ballot. Shareholders are requested to ensure that the Postal Ballot Form, duly completed, reaches the Scrutinizer latest by the close of working hours on 20th September, 2003. Postal Ballot Forms received after this date will be treated as if the reply from the shareholder has not been received.

The copy of Memorandum and Articles of Association of the Company is available for inspection by any member of the company at the registered office of the Company on any working day during working hours till last date of receipt of the postal ballot of 20th September, 2003.

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

Registered Office:

20, Sai Chambers 3rd floor,
Sector 11, CBD Belapur,
Navi Mumbai - 400 614
31st July, 2003

By Order of the Board

B.M. Shah
Director

DIRECTORS' REPORT

To
The Members,
Lifestyle Fabrics Limited

Your Directors present their Ninth Annual Report along with the audited Financial Statements for the year ended 31st March 2003.

I. FINANCIAL RESULTS

	Rs. in lacs 2002-2003.	Rs. in lacs 2001-2002
Sales & Other Income	21.50	142.34
Profit / (Loss) before Depreciation, Interest, & Amortised expenses and taxation	3.47	(7.46)
Less : Net Interest	1.68	18.81
Gross Profit / (Loss) after Interest but before Depreciation & Taxation	1.79	(26.27)
Less : Depreciation and amortised expenses	8.18	29.23
Profit / (Loss) before Tax	(6.39)	(55.50)
Less : Provision for Taxation	Nil	Nil
Net Profit / (Loss) for the year	(6.39)	(55.50)
Add : Prior period Income	5.89	Nil
Add : Loss on sale of fixed assets	26.65	110.12
Total loss for the year	(27.15)	(165.62)

2. DIVIDEND

In view of the loss for the year, your directors do not recommend any dividend for the year.

3. OPERATIONS

The Operations during the year were relating to the disposal of inventories and other assets only, as the factory remained closed since August, 2001. The expenses were substantially towards establishment charges viz., property tax, electricity, water & security services etc.

In respect of the secured dues to a financial institution and a bank, the company was able to negotiate a "One Time Settlement" of entire dues with some remission of interest during the year. The same were fully paid out of the sales proceeds of fixed assets during the year. As the company is no longer a going concern, deferred tax assets due to unabsorbed

depreciation and business losses could not be recognized in preparation of the accounts under report. However, considering the deemed dereffed tax assets several options, including a merger into a profit making company, are being examined. Your directors look forward to an option, which will be in the best interest of the members.

4. SALE OF FIXED ASSETS

The leasehold land, factory building and other remaining assets were disposed off during the year in terms of the resolution under section 293 (1)(a) of the Companies Act, 1956 passed by the share holders at the Extra Ordinary General Meeting held on 21st September 2001. The proceeds thereof were utilised to pay up the One Time Settlement to the secured creditors as stated above.

5. SUBSIDIARY COMPANIES

The company continued to be subsidiary of the Arvind Mills Limited by virtue of Clause (c) of Section 4 of the Companies Act 1956.

6. DIRECTORS

Mr. Vinod Modha, a Director of the Company, retires by rotation as required under Section 256 of the Companies Act, 1956 but being eligible offers himself for re-appointment.

Mr. Kamal R. Sheth and Mr. I.S. Shah, appointed as additional directors retire at this general meeting. However, being eligible, offer them for reappointment. The Board recommends their reappointment.

7. PARTICULARS' OF EMPLOYEES AND OTHER DISCLOSURES

As the Company does not have any employee, the Particulars of employees as required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employers Rules 1975 time to time are not being given.

8. DIRECTORS RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, the Directors state, that;



(i) In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable account standards.

(ii) Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 ended on 31st March, 2003 and of the loss of the Company for that period.

(iii) Proper and sufficient care had been taken for the maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) In view of the sale of all the fixed assets and in absence of any business activity the attached annual account could not be termed as prepared on a going concern basis. However, the directors have prepared the Annual accounts after providing for all the potential losses and expenses, and as such no further adjustments were required to be made there in respect thereof.

9. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance form part of the Annual Report of the Company. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

10. AUDITORS

The Auditors, M/s. M.M. Nissim & Co. Chartered Accountants, Mumbai retire and offer themselves for re-appointment. You are requested to appoint the auditors and fix their remuneration.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Since the closure of the factory in August 2001 the Company's power consumption was for Lighting purpose only.

1. The company had therefore modified its' agreement with MSEB, to bring down the minimum charges from Rs. 50,000/- to below Rs. 10,000/- per month w.e.f. November, 2001 by surrendering 200 KWA out of 250 KVA of the Sanctioned Demand of power supply agreed to avail earlier.

The expense shown under the head "Power & Fuel" in profit & loss account therefore represents the minimum charges payable to MSEB for retaining the supply for lighting purposes only as under :-

a. No. of units consumed	: 8,630	(Pr. Year 3,40,399)
b. Cost of the above including minimum charges Rs / lacs	: Rs. 0.88	(Pr. Year Rs. 15.10)
ii Technology absorption	: N.A.	
iii a) Exports FOB Rs./lacs	: Rs. 11.22	(Pr. Year Rs. Nil)
b) Outogo	: Rs. Nil	(Pr. Year Rs. Nil)

12. ACKNOWLEDGMENTS

Your Directors record their appreciation of support and co-operation extended by all shareholders, Bankers, Government authorities, trade and customers of the Company.

For and on behalf of the board
For Lifestyle Fabrics Limited

Jayesh Shah
B.M. Shah
Directors

Place : Navi Mumbai
Date : 28th May 2003



CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

The company's Philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of business and in meeting its obligations to shareholders. The Board supports the broad principles of corporate governance and lays strong emphasis on transparency and accountability.

Composition of the Board of Directors as at 31st March 2003

Sr. No.	Name of Director	Executive / Non-executive/ Independent	No. of Other Directorships in Public Limited Companies	No. of Board Committee of which Member/ Chairman
1.	Mr. Jayesh K. Shah	Non-Executive	6	1 as Member
2.	Mr. Bhupendra M. Shah	Non-Executive	5	Nil
3.	Mr. Vinod Modha	Non-Executive Independent	2	Nil
4.	Mr. Kamal Sheth	Non-Executive Independent	4	Nil
5.	Mr. I.S. Shah	Non-Executive	1	Nil

The Company as on the date of this Report, has 5 Directors all being Non-Executive of which 2 (Two) are independent directors.

Board Meetings

Although the Company has closed its manufacturing operations, the meetings of Board of directors are regularly held for transacting all relevant business. During the financial year the Board of Directors met 7 (Seven) times on 30.04.2002; 31.07.2002; 19.08.2002; 28.10.2002; 20.11.2002; 30.01.2003 and 28.3.2003. The dates of Board Meetings were generally decided well in advance.

The attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under:

Sr. No.	Name of Director	Number of Board Meetings attended	Whether present at the previous AGM
1.	Mr. Jayesh K. Shah	7	No
2.	Mr. Bhupendra M. Shah	7	Yes
3.	Mr. Vinod Modha	7	No
4.	Mr. Kamal R. Sheth *	Nil	No *
5.	Mr. I.S. Shah *	Nil	No *

* were appointed as Directors subsequent to the date of Annual General Meeting.

Audit Committee

The Audit Committee was constituted in financial year 2000-2001 and was reconstituted by the Board of Directors on 28th March 2003. Mr. Kamal R Sheth is Chairman while Mr. Vinod D Modha and Mr. B.M. Shah are its members. During the year, 5 Five Audit Committee meetings were held and same were attended by all respective members. The terms of reference of the Committee are same as are described in Clause 49 of the Listing Agreement..