

10TH ANNUAL REPORT 2004-2005

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MORARJEE TEXTILES LTD

Annual Report 2004 - 2005

BOARD OF DIRECTORS**Shri Ajay G. Piramal***Chairman***Smt. Urvi A. Piramal***Vice Chairperson***Shri Harshvardhan A. Piramal***Executive Vice Chairman***Shri P. K. Gothi***Managing Director***Shri Aditya Mangaldas****Dr. Giuseppe Callegari****Shri Ranjan Sanghi****Shri Shailesh Haribhakti****Shri Takao Yagima****COMPANY SECRETARY****Shri S. C. Kashimpuria****AUDITORS****Shah & Co.***Chartered Accountants***BANKERS**

Allahabad Bank

Export - Import Bank of India

UTI Bank

REGISTERED OFFICE106, Peninsula Centre,
Dr. S. S. Rao Road,
Parel, Mumbai - 400 012.**SHARE TRANSFER AGENT****Amtrac Management Services Limited****Administrative Unit**106, Peninsula Centre, Dr. S. S. Rao Road,
Parel, Mumbai - 400 012.**Processing Unit**Plot No. 101/102, MIDC 19th Street,
Satpur, Nasik - 422 007
email : amtrac@bom3.vsnl.net.in**CONTENTS**

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Annual General Meeting of the Company will be held on **Monday, the 5th September, 2005 at 2.30 p.m.** at M C Ghia Hall, Bhogilal Hargovindas Building, 18/20 Kaikhushru Dubhash Marg, Mumbai 400 001.



MORARJEE TEXTILES LTD

(Formerly known as Morarjee Brembana Limited)

NOTICE

Notice is hereby given that the 10th Annual General Meeting of the members of Morarjee Textiles Limited will be held on Monday, the 5th day of September 2005 at 2.30 p.m. at M C Ghia Hall, Bhogilal Hargovindas Building, 18/20 Kaikhushru Dubhash Marg, Mumbai 400 001 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Ajay G Piramal, who retires by rotation and is eligible for re-appointment.
3. To declare dividend on preference and equity shares.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

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

"RESERVED THAT Dr Giuseppe Callegari, who was appointed as an Additional Director of the Company on 1st January 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

"RESERVED THAT Mr Takao Yagima, who was appointed as an Additional Director of the Company on 18th January 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

"RESERVED THAT Mrs Urvi A Piramal, who was appointed as an Additional Director of the Company on 1st February 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

"RESERVED THAT Mr Ranjan Sanghi, who was appointed as an Additional Director of the Company on 1st February 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

"RESERVED THAT Mr Shailesh Haribhakti, who was appointed as an Additional Director of the Company on 18th February 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

"RESERVED THAT Mr Aditya Mangaldas, who was appointed as an Additional Director of the Company on 18th February 2005 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto
3. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd August 2005 to Monday, 5th September 2005 (both days inclusive).
4. Dividend on preference shares and equity shares as recommended by the Directors for the financial year ended 31st March, 2005 when declared at the meeting will be paid within 30 days from the date of the meeting.
5. Section 109A of the Companies Act, 1956 permits Nomination by the shareholders of the Company in the prescribed Form No. 2B. Shareholders are requested to avail of this facility. The duly filled in and signed Form No. 2B should be sent to the Share Transfer Agents of the Company at their Nasik address.

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6. In order to render better and efficient services we request you to consolidate the multiple folios which are in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore no stamp duty or other expenses are payable by you. In case you decide to consolidate your folios you are requested to forward your share certificates to the Share Transfer Agents of the Company at their Nasik address.
7. To ensure against misappropriation of dividend warrants to be mailed to you, members holding shares in physical form who have not sent in their bank details are requested to provide their bank account numbers, names and addresses of the bank branches to the Company Share Transfer Agents for incorporating the same on the dividend warrants.
8. Members holding shares in physical form are requested to immediately intimate to the Company/ Share Transfer Agents, changes, if any, in their registered addresses alongwith the pin code number. Members holding shares in dematerialised mode are requested to forward intimation for change of address, if any, to their respective depository participants.
9. Trading in the Company's shares through stock exchanges is permitted only in dematerialised/ electronic form. The equity shares of the Company have been inducted in both National Securities

Depository Limited as well as Central Depositories Services (India) Ltd to enable shareholders to hold and trade the securities in dematerialised/electronic form. In view of the numerous advantages offered by the Depository System, members holding shares in the Company in physical form are requested to avail of the facility of dematerialisation.

10. Re-appointment of Directors

Mr. Ajay G. Piramal who is retiring by rotation at the ensuing Annual General Meeting, is eligible for re-appointment. Approval of the shareholders is also being sought for the appointment of Dr. Giuseppe Callegari, Mr. Takao Yagima, Mrs. Urvi A Piramal, Mr. Ranjan Sanghi, Mr. Shailesh Haribhakti and Mr. Aditya Mangaldas as Directors of the Company. The information/data to be provided in this regard under the Corporate Governance Code of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report.

By Order of the Board

S C Kashimpuria
Company Secretary

Registered Office:
106, Peninsula Centre
Dr. S.S. Rao Road
Parel, Mumbai 400 012
Mumbai : 27th June 2005

Explanatory Statement

Explanatory statement under section 173(2) of the Companies Act, 1956 ("the Act")

Item Nos 5 to 10

The following Directors were appointed as Additional Directors of the Company under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and they hold office up to the date of this Annual General Meeting.

Name Of the Director	Date of Appointment
(i) Dr Giuseppe Callegari	01.01.2005
(ii) Mr Takao Yagima	18.01.2005
(iii) Mrs Urvi A Piramal	01.02.2005
(iv) Mr Ranjan Sanghi	01.02.2005
(v) Mr Shailesh Haribhakti	18.02.2005
(vi) Mr Aditya Mangaldas	18.02.2005

The Company has received a joint notice alongwith deposit under section 257 of the Companies Act, 1956 from some members proposing the candidature of the above mentioned persons as Directors of the Company.

Brief Resume of the above mentioned persons, their experience and other Directorships held by them are given in the section concerning Corporate Governance in the Annual Report.

The Directors, therefore, recommend the resolutions appearing under the item nos. 5 to 10 of the accompanying Notice for your approval.

The Directors interested in the above resolutions are Dr. Giuseppe Callegari, Mr. Takao Yagima, Mrs. Urvi A Piramal, Mr. Ranjan Sanghi, Mr. Shailesh Haribhakti, Mr. Aditya Mangaldas and Mr. Ajay G. Piramal and Mr. Harshvardhan A. Piramal, relatives of Mrs. Urvi A. Piramal.

By Order of the Board

S C Kashimpuria
Company Secretary

Registered Office:
106, Peninsula Centre
Dr. S.S. Rao Road
Parel, Mumbai 400 012
Mumbai : 27th June 2005



MORARJEE TEXTILES LTD

(Formerly known as Morarjee Brebana Limited)

DIRECTORS' REPORT

Dear Shareholders

The Directors present their 10th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2005.

Financial Results

Particulars	Rs. In lacs	
	Year ended 31 st March 2005	Year ended 31 st March 2004
Income from Operations	15067.00	10698.44
Cash Profit for the year	1380.53	447.05
Depreciation	716.30	561.04
Miscellaneous Expenses written off	—	110.56
Profit / (Loss) before tax	664.23	(224.55)
Prior period adjustments		(0.92)
Profit / (Loss) brought forward from previous year	(3813.53)	(3588.06)
Amount Transferred from Capital Restructuring Account	3766.85	—
Profit / (Loss) carried to balance sheet	617.55	(3813.53)

Dividend

Preference Shares

The Board of Directors has recommended dividend @5% (five percent) per Preference Shares of Rs.100/- each for the period 01.07.2004 to 31.03.2005.

Equity Shares

The Board of Directors has recommended dividend @ 15% (Fifteen percent) per Equity Shares of Rs.10/- each for the year ended 31.03.2005.

The dividend will be free of tax in the hands of the Shareholders. Total cash outflow on account of these dividend payments together with distribution tax will be Rs.220.34 lacs.

Operations of the Company

The Company has registered an encouraging performance during the year ended 31.03.2005. The total income for the year was Rs. 148.77 Crs as against Rs. 109.19 Crs in the previous year. The net profit for the year was Rs. 6.64

Crs as against a loss of Rs. 2.25 Crs in the previous year. The Company has achieved an export of Rs. 78.42 Crs during the year as against Rs. 44.08 Crs in the previous year. This is inspite of the reduction in DEPB rates in two stages from 7% to 2.8%. Cotton prices also continued to rule high during the best part of the year.

The Company's policy of rationalization of product portfolio and focus on value added products have contributed to this improved performance.

FINANCIAL RESTRUCTURING

With a view to rationalize the financial structure of the Company, during the current year, 1,00,00,000 equity shares of Rs. 10/- each have been issued and allotted at a premium of Rs. 5.50 per share, whereby the paid up equity share capital of the Company has increased by Rs. 10.00 Crs and share premium account credited by Rs. 5.50 Crs. The terms of the 10,00,000 redeemable cumulative preference shares of Rs. 100/- each have also been modified by revising the rate of dividend from 11.25% to 5% and extending the redemption period by making it redeemable any time after 15th November, 2014 but before 15th November, 2019.

The Company has formulated a scheme u/s 391 and section 100 read with section 78 of the Companies Act, 1956, and has purchased 3,24,93,450 equity shares from the shareholders at a token consideration of 10p (Ten Paise) per share and the cancellation of the said shares has resulted in reduction of equity share capital. The reduction in the equity share capital together with the balance in the share premium account of the Company have been utilized to set off the Company's accumulated losses. The equity share capital now stands reduced to Rs. 10.38 Crs.

SUBSIDIARY

The Company has formed two subsidiaries during the year. The Company has entered the garment business by setting up a subsidiary company, Integra Apparels and Textiles Pvt. Ltd. This forward integration move focuses on garments for men, women, and kids wear in the international market. It is setting a setup state-of-the-art manufacturing unit in Bangalore.

The Company has also set up 100% subsidiary, Morarjee International s.r.l. in Europe based in Legnano, Italy. The company is supported by a talented team of European designers and marketing personnel. The company also has a state-of-the-art design studio for making collections and new developments.

PMP Components Pvt. Ltd. ceased to be a subsidiary of the Company consequent to the divestment of investments during the year.

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Conservation of energy and technology absorption

A statement showing particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, read with Section 217(1)(e) of the Companies Act, 1956, in the prescribed forms (Form A and Form B) is attached herewith and marked as Annexure A.

Foreign exchange earnings and outgo

During the year foreign exchange earnings were Rs. 7842.13 lacs and foreign exchange outgoings were Rs. 2119.86 lacs. Thus the Company is a net foreign exchange earner with net flow of Rs. 5722.27 lacs.

Particulars of Employees

A statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is given in the enclosed Annexure B which forms part of the Report.

Directors

Mr Jaydev Mody and Mr N Santhanam, ceased to be Directors of the Company with effect from 1st February 2005.

Your Directors place their appreciation for the services rendered by Mr Jaydev Mody and Mr N Santhanam, during their tenure with the Company.

During the year, Dr Giuseppe Callegari, Mr Takao Yagima, Mrs Urvi A Piramal, Mr Ranjan Sanghi, Mr Shailesh Haribhakti and Mr Aditya Mangaldas were appointed as Additional Directors of the Company. They hold office upto the date of this Annual General Meeting. Your approval is sought for their appointment as Directors of the Company.

Mr Ajay G Piramal, Director of the Company retire by rotation at this Annual General Meeting and is eligible for re-appointment which the Board recommends.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 your Directors state that :

1. In the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures, if any.
2. Your 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 for the year ended 31st March 2005 and its profit for the year ended on that date.
3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the Annual Accounts for the year ended 31st March 2005 on a going concern basis.

Auditors

The Auditors, M/s Shah & Co., retire at this Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

Appreciation

The Board wishes to express its thanks to the Company's bankers / institutions and various Government authorities for their support and co-operation, during the year under review. The Board also wishes to express its appreciation to the employees of the Company and their families for their dedication, contribution and support during the year under review.

By Order of the Board

Ajay G Piramal

Chairman

Mumbai : 27th June, 2005



MORARJEE TEXTILES LTD

(Formerly known as Morarjee Brembana Limited)

ANNEXURE 'A' FORM - 'A'

Form of disclosure of particulars with respect to conservation of energy

		Units	This Year 31.03.2005	Previous Year 31.03.2004
A)	Power & Fuel			
1	Electricity			
a)	Purchased Units	Lacs Kwhs.	374.52	217.94
	Total Cost	Rs. Lakhs	1,131.65	708.36
	Rate/Unit	Rupees	3.02	3.25
b)	Own Generation			
i)	Through Diesel Generator			
	Units	Lacs Kwhs.	0.81	0.27
	Unit per ltr. of Diesel oil	Kwhs.	3.18	3.17
	Cost/Unit (Diesel Oil Only)	Rupees	9.65	7.79
	Total Cost of Diesel	Rs. Lakhs	7.81	2.14
2	Coal (slack coal for Boiler)			
	Quantity	M.T.	13,346.55	4,171.45
	Total Cost	Rs. lacs	296.68	68.42
	Average rate per M.T.	Rupees	2,222.90	1,640.20
3	Furnace Oil			
	Quantity	K.ltrs.	718.75	2,734.11
	Total Amount	Rs. Lakhs	82.72	291.01
	Average rate per K.Ltr.	Rupees	11,508	10,644

B) Consumption per unit of Production

In view of composite nature of its Textile Business, it is not possible to express the consumption of power & fuel per unit of production.

FORM - "B"

RESEARCH AND DEVELOPMENT

The company has installed the Ned Graphic software for prints which has enhanced the printing capabilities and has saved the time for the reproduction of prints and the colour separation.

Expenditure on R&D

a.	Capital expenditure	Rs. 1.02 lacs
b.	Recurring	Rs. 8.35 lacs
c.	Total	Rs. 9.37 lacs
d.	Total R&D expenditure as	
	A percentage of total turnover	0.06%

TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

The addition of Lab Model Jigger have strengthened the company's in house technique of HT volle dyeing.

ANNEXURE - "B"

FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

During the year, Foreign Exchange earnings were Rs.78.42 crores and Foreign Exchange outgoings were Rs.21.20 crores. Thus the company is a net foreign exchange earner with net inflow of Rs. 57.22 crores.

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 referred to in the Director's Report for the year ended 31st March 2005 and forming part thereof showing names & other particulars of the employees who were employed throughout the year and were in receipt of remuneration for the year in the aggregate of not less than Rs. 24,00,000 or not less than Rs. 2,00,000/- per month in respect of those who were employed for the part of the year.

Name	Age	Qualification	Designation	Date of Joining	Experience	Remuneration	Last employment & position held
P.K. Gothi	55	B.E.	Managing Director	26.11.2003	34 years	29.36	Morarjee Goculdas Spg. & Wvg. Co. Ltd (Managing Director)
Part of the Year Harshvardhan Piramal	32	B.Sc. M.B.A.	Executive Vice Chairman	01-06-2004	5 years	28.27	Nicholas Piramal India Ltd (Chief Operating Officer Allied Businesses)
Robert Lobo	45	B.Com D.B.M.	Chief Executive Officer	07-07-1997	26 years	28.52	Arvind Mills Ltd. Shirting Division Dy. Gen. Manager (International -mktg.)

Notes:

- Remuneration includes Salary, Company's contribution to Provident & superannuation Funds, medical expenses, house rent Allowance, Leave travel assistance, Taxable value of perquisites and other allowances as per company's Rules.
- None of the employees expect the following is related to any Director of the Company :
Mr. Harshvardhan Piramal is the Nephew of Shri Ajay G. Piramal and son of Smt. Urvi A. Piramal.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

I. Industry Structure and developments

It is a well known fact that the textile industry is a critical growth engine for the Indian economy in terms of its contribution to GDP, employment, and export earnings. It accounts for 14% of the country's total industrial production, provides direct employment to around 35 million people, and brings in one-third of the country's export earnings.

The Indian industry has the potential to grow from its present size of US \$36 billion to US \$85 billion by the year 2010 - an average growth rate of 11% per annum. Textile exports are also capable of growing 18% annually to touch US \$40 billion by the year 2010, thus doubling India's share in the global textile market from 3% to 6%.

The last Union Budget has included several measures such as the continuation of the TUF scheme, as well as the introduction of 10% capital subsidy on specified machines for textile processing to encourage the competitiveness of the Indian industry. This will help strengthen the processing sector and encourage the export of value added products.

It is our belief that technical upgradation, design innovation, and high quality standards will play an important role in the growth of the textile industry in general, and the exports sector in particular. We believe that companies that follow this path will be rewarded by obtaining a sustainable competitive advantage over the long-term.

II. Opportunities & Threats

The almost complete elimination of quota restrictions under MFA has meant that large markets such as the USA, European Union and Canada have further opened up for Indian exports.

Among India's strengths, is the availability of a strong & large multi-fibre base, abundant low-cost and skilled manpower, and a presence across the entire value chain of the textile and apparel industry. These strengths will enable our textile companies to expand their capacities and meet the opportunities that the opening up of the market has provided. A recent bumper cotton crop will only add to the strengths India possesses.

However, the phasing out of MFA could also impact Indian exports in the overseas markets, and threaten domestic producers with large scale imports - especially in the high and premium fabrics and apparel sector. The entry of several new players will mean some pressure on prices.

There is a real threat of China acquiring a lion's share of the world textile market, as it is the biggest producer of cotton and man-made fibre in the world, with the

largest spinning and weaving capacities, the largest garment factories, and a strong supply chain backed by excellent infrastructure.

India will increasingly face steep price competition from its neighbours such as Pakistan, Bangladesh etc., due to their lower labour costs and ready availability of raw material.

III. Performance

Morarjee Textiles Ltd. has registered an encouraging performance during the year ended 31.03.2005. The total income for the year was Rs. 148.77 crs. against Rs. 109.19 crs. in the previous year, a growth of 36%. EBITDA margin for the year increased to 13.1% from 10.9% in the previous year despite increasing marketing and design costs. This is a result of shedding low value commodity products and introduction of higher value products. The company achieved a profit after tax of Rs. 6.64 Crs. for the year, against a loss of Rs. 2.25 Crs. the previous year.

2005-06: A year of investment

Our company's strategy of focusing on the fast growing high-value and premium segments is beginning to yield results. We are taking further steps to grow these segments by investing in activities that will add value to our customers. During the year, the company floated a Wholly-owned Subsidiary in Italy, Morarjee International s.r.l., to enhance access to European markets as well as to provide quicker service to customers. This subsidiary has a state-of-the-art design studio for creating its seasonal collections, new designs and new products. Our current customer profile consists of such leading brands as Banana Republic, Robert Talbot, Ann Taylor, Zodiac, Louis Phillippe and Raymond, to name a few. The company has also invested in a garment manufacturing subsidiary, Integra Apparels & Textiles Pvt. Ltd., which commenced operations in the current financial year. Both the above initiatives are expected to be significant drivers of the company's sales and profits in the coming years.

IV. Outlook

Post the quota regime, the Indian textile industry is on a growth path, and we believe that exports of value-added products will result in a sustainable competitive advantage to companies that manage to achieve the quality, design and service standards required to be in that particular segment of the market. The industry is gearing up to take advantage of increased demand by stepping up its investment in technology and R&D.

We are in the process of making investments required for the future growth of the company. As a result of our strategy and investments, we believe that the company is poised for healthy growth in the coming years.



MORARJEE TEXTILES LTD

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V. Risks & Concerns

- The Cotton Textile Industry is dependent on the vagaries of nature. The availability of the required quality and quantity of cotton is critical for business. Any damage or fall in crop production can adversely impact the price of cotton, which then impacts business performance and profitability.
- China is a dominant player with large scale operations, and competition from its textile industry can put price pressure and impact the company's global business. Cheaper imports of fabric can also impact pricing power and adversely affect business performance in the domestic market. The appreciation of the rupee and reduction in DEPB rates will put further pressure on margins.
- In the post quota regime there could be a threat to Indian companies in terms of non-tariff barriers imposed by the US & Europe – including but not limited to stringent quality adherence standards, labour policy standards and environmental/pollution concerns. Also, preferential treatment may be given to countries in certain trading blocs like NAFTA and the EU.

VI. Internal Control Systems

The Company has a proper and adequate system of Internal Control to ensure that all the assets are safeguarded from loss, damage, or disposition. Checks and balances are in place to ensure that transactions are adequately authorised and recorded, and that they are reported correctly. The internal control system is further supplemented by a programme of internal audit conducted by an independent firm of chartered accountants.

The Board of Directors considers internal controls as adequate.

VII. Financial Performance

Rs. lacs

	Year ended 31.03.05	Year ended 31.03.04	Growth %
Income	14877	10919	36
EBIDTA	1944	1192	63
% to income	13.1%	10.9%	
Interest	564	745	-24
Depreciation	716	561	28
Deferred Revenue Expenditure		111	
Profit / (loss) Before Tax	664	(225)	
Profit / (loss) After Tax	664	(225)	

Income

The income of the Company has increased by 36% during the year under review as compared to the previous year.

Interest

On account of replacement of high cost loans & better financial management, interest cost has reduced by about 24%.

The Company has achieved a turnaround of its operations during the year, and has made a net profit of Rs. 664 lacs as against a loss of Rs. 225 lacs in the previous year.

VIII. Human Resources

We lay utmost importance on our "human capital". Our philosophy is to effectively utilise the potential of our employees and groom them to compete with the challenges ahead. The Company facilitates consistent improvement in performance, productivity and effectiveness by setting targets through an interactive process. Human resources are being increasingly recognised as critical to the success of an organisation and therefore, the following programmes have been initiated to create value for our employees and to improve their contribution to the company's progress :

- Need based Management Development Programs and Competency Mapping
- Kaizen activities: A systematic Suggestion Scheme has been launched for the employees to enhance their creativity and bring about improvements in their workplace
- Activities for implementation of standards as per ISO 9001:2000

The Company has harmonious employee and industrial relations and there is close interaction between the management and workmen to facilitate smooth functioning of our units.

IX. Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and reasonable expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

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CORPORATE GOVERNANCE

Introduction

Your Company has complied in all material respects with the features of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below :

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

2. Board of Directors

The Board of Directors of your Company presently consists of a majority of non-executive / independent directors. The Board comprises of two (2) executive directors, two (2) non-executive directors and five (5) independent directors. The constitution of the Board is as given below :

Director	Executive / Non-Executive / Independent *	No of other Directorships #	Other Board Committees	
			Chairperson	Member
Ajay G Piramal	Non-executive	12	1	3
Urvi A Piramal	Non-executive	11	2	5
Harshvardhan A Piramal	Jt Managing Director, Executive	5	—	—
P K Gothi	Managing Director, Executive	5	—	—
Aditya Mangaldas **	Independent	3	—	—
Dr G Callegari **	Independent	—	—	—
Jaydev Mody **	Non-executive	6	—	—
N. Santhanam **	Non-executive	4	—	2
Ranjan Sanghi **	Independent	7	—	5
Shailesh Haribhakti **	Independent	14	4	9
Takao Yagima **	Independent	1	—	—

* An Independent Director is a director who apart from receiving directors remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgement of the Board may affect their independence of judgement.

This includes directorships held in Public Limited Companies and subsidiaries of Public Limited Companies and excludes directorships held in Private Limited Companies.

** Part of the year

Attendance of Directors at Board Meetings and Annual General Meeting

The Board of the Company met sixteen times during the last financial year, on the following dates :

15th April 2004, 2nd June 2004, 29th June 2004, 8th July 2004, 19th July 2004, 9th August 2004, 20th September 2004, 30th September 2004, 14th October 2004, 15th November 2004, 3rd December 2004, 1st January 2005, 18th January 2005, 1st February 2005, 18th February 2005 and 23rd February 2005.

The Company placed before the Board the annual operating plans, budgets, performance of various units/divisions and various other information, including those specified under Annexure 1 of the Listing Agreement, from time to time.