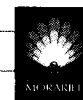


**MORARJEE TEXTILES LTD.**

**14<sup>th</sup>  
Annual Report  
2008-2009**

**BOARD OF DIRECTORS**

**Ms. Urvi A. Piramal** *Chairperson*  
**Mr. Harshvardhan A. Piramal** *Executive Vice Chairman*  
**Mr. Mahesh S. Gupta**  
**Mr. Aditya Mangaldas**  
**Mr. Pradipta Mohapatra**  
**Mr. Ranjan Sanghi**  
**Mr. Shobhan Thakore**  
**Mr. Takao Yajima**  
**Mr. Shailesh Haribhakti** *Alternate Director  
to Mr. Takao Yajima*

**MANAGING DIRECTOR**

Mr. P. K. Gothi

**HEAD - FINANCE & ACCOUNTS  
& COMPANY SECRETARY**

Mr. S. C. Kashimpuria

**AUDITORS**

**M/s. Shah & Co.**  
*Chartered Accountants*

**BANKERS**

Allahabad Bank  
Export - Import Bank of India  
AXIS Bank

**REGISTERED OFFICE**

Peninsula Spenta  
Mathuradas Mills Compound  
Senapati Bapat Marg  
Lower Parel, Mumbai - 400 013

**SHARE TRANSFER AGENT**

**Freedom Registry Limited**  
**Administrative Unit**  
005, Ground Floor  
Peninsula Centre  
Dr. S. S. Rao Road  
Parel, Mumbai 400 012

**Processing Unit**

Plot No. 101/102, 19<sup>th</sup> Street, MIDC Area  
Satpur, Nashik - 422 007  
Email : amtrac\_nsk@sancharnet.in

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**Annual General Meeting** of the Company will be held on **Wednesday, 16<sup>th</sup> September, 2009 at 3.00 p.m.** at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai 400 020

## NOTICE

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the members of Morarjee Textiles Limited will be held on Wednesday, the 16<sup>th</sup> day of September, 2009 at 3.00 p.m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Churchgate, Mumbai 400 020 to transact the following business :

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009 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. Shobhan Thakore, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Pradipta Mohapatra, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
4. 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 Agent of the Company at their Nashik address.
5. Members holding shares in physical form are requested to immediately intimate to the Company / Share Transfer Agent, changes, if any, in their registered address alongwith the pin code number. Members holding shares in dematerialized mode are requested to forward intimation for change of address, if any, to their respective Depository Participants.
6. Trading in the Company's securities through Stock Exchanges is permitted only in dematerialized / electronic form. The equity shares of the Company have been inducted in both National Securities Depository Limited and Central Depository Services (India) Limited to enable shareholders to hold and trade the securities in dematerialized / electronic form. In view of the numerous advantages offered by the Depository System, members holding securities of the Company in physical form are requested to avail of the facility of dematerialization.

### 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 Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 15<sup>th</sup> September, 2009 to Wednesday, 16<sup>th</sup> September, 2009 (both days inclusive).
3. Section 109A of the Companies Act, 1956 permits nomination by shareholders of the Company in prescribed Form No. 2B. Shareholders are requested to avail this facility. The duly filled in and signed Form No. 2B should be sent to the Share Transfer Agent of the Company at their Nashik address.
7. Brief resume of the Directors seeking re-appointment and other details as stipulated under Clause 49 of the Listing Agreement, are provided in the Annexure to the Notice.

By Order of the Board

**S. C. Kashimpuria**  
Head-Finance & Accounts  
& Company Secretary

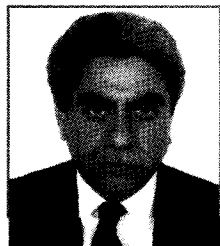
### Registered Office :

Peninsula Spenta  
Mathuradas Mills Compound  
Senapati Bapat Marg  
Lower Parel  
Mumbai 400 013

Mumbai : 1<sup>st</sup> June, 2009



### Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)



**Mr. Shobhan Thakore**

**Date of Birth**

3<sup>rd</sup> July, 1947

**Date of Appointment**

19<sup>th</sup> January, 2006

**Professional and Educational Qualification**

Bachelor of Arts (Politics)

Bachelor of Law from the Bombay University and

Enrolled as an Advocate with Bar Council of Maharashtra and Goa

Enrolled as Solicitor of the High Court and admitted as member of the Bombay Incorporated Law Society

Admitted as a member of the Law Society of England and Wales

**Profile and Expertise**

Mr. Shobhan Thakore, Independent Director of the Company is 61 years of age.

He is presently the Senior Partner of M/s. Talwar Thakore & Associates, a leading solicitor firm. Mr. Shobhan Thakore is an advisor to several leading Indian Companies on corporate law matters and securities related legislations. He has also acted on behalf of leading investment banks and issuers for Indian IPO offerings and several international equity and equity linked debt issuances by Indian corporates. He has advised in the establishment and operations of various India dedicated equity funds and domestic mutual funds. Being a solicitor for over 30 years, he has instructed leading Indian Counsel before various courts

and forums including High Courts around India as well as Supreme Court of India in various matters involving indirect tax, commercial and corporate law.

**Shareholding in the Company**

Mr. Shobhan Thakore does not hold any equity shares of the Company.

**Directorship and committee memberships (excluding Morarjee Textiles Limited)**

- Alkyl Amines Chemicals Limited
- Bharat Forge Limited
- Carborundum Universal Limited
- Carraro India Limited (Alternate Director)
- Carraro PNH Components (India) Private Limited
- DSP Merrill Lynch Fund Managers (Member Advisory Board)
- Uni Deritend Limited
- Uni Klinger Limited

**Chairman of Board Committees**

- Alkyl Amines Chemicals Limited - Share Transfer and Investor Grievance Committee

**Member of Board Committees**

- Alkyl Amines Chemicals Limited - Audit Committee
- Bharat Forge Limited - Audit Committee



**Mr. Pradipta Mohapatra**

**Date of Birth**

1<sup>st</sup> February, 1950

**Date of Appointment**

8<sup>th</sup> June, 2006

**Professional and Educational Qualification**

Engineer from NIT, Rourkela  
 Management Graduate from Jamnalal Bajaj and Harvard Business School  
 Graduate of Behavioral Coaching Institute, U. K.  
 Invited to be Fellow of Chartered Management Institute, U. K.

**Profile and Expertise**

Mr. Pradipta Mohapatra, Independent Director of the Company is 59 years of age.

Mr. Mohapatra supervises management of Companies in the Technology Sector of RPG Group. During his career, he has significant experience in incubation of new businesses as well as nursing sick businesses back to health. He has had 35 years of experience in general management.

Mr. Mohapatra's work has been documented in several case studies by IMD, Lausanne, INSEAD, Paris and IIM, Ahmedabad. He is the Past Chairman of Confederation of Indian Industries - Southern Region, Past President, Madras Management Association and Member, Executive Council of AIMA. As a co-founder

of Executive Business Coaching Foundation, India. Mr. Mohapatra is involved with the promotion of Executive Coaching as a new profession in India.

**Shareholding in the Company**

Mr. Pradipta Mohapatra does not hold any equity shares of the Company.

**Directorship and committee memberships (excluding Morarjee Textiles Limited)**

- Chennai Business School Limited
- Executive & Business Coaching Foundation India Limited
- RPG Life Sciences Limited
- Saregama India Limited
- Spencer International Hotels Limited
- Totus Consulting Services Private Limited
- Zensar OBT Technologies Limited
- Zensar Technologies Limited

**Chairman of Board Committees**

None

**Member of Board Committees**

- Saregama India Limited - Shareholders' Grievance Committee
- Zensar Technologies Limited - Audit Committee



## Directors' Report

Dear Shareholders

The Directors present their 14<sup>th</sup> Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2009.

### Financial Results

Particulars	Rs. in lacs	
	Year ended 31 <sup>st</sup> March, 2009	Year ended 31 <sup>st</sup> March, 2008
Total Income	19938.44	17765.96
PBIDTA	(95.69)	246.82
Interest	2045.18	1490.34
Depreciation	1050.96	1009.69
Profit/(Loss) before Tax & Exceptional Items	(3191.83)	(2253.21)
Exceptional Items (Provision for diminution in Investment - Refer Note 13 of Schedule 15)	587.25	--
Profit/(Loss) after Exceptional Items but before Tax	(3779.08)	(2253.21)
Provision for Tax (FBT)	28.10	20.90
Profit/(Loss) after Tax	(3807.18)	(2274.12)
Profit / (Loss) brought forward from previous year	(901.49)	1372.63
Profit/(Loss) carried to the Balance Sheet	(4708.67)	(901.49)

### Dividend

In view of the losses incurred by the Company, your Directors do not recommend any dividend on the Shares of the Company.

### Operations Highlights - Standalone

During the year, the total income increased by Rs.2172.48 lacs to Rs.19938.44 lacs from Rs.17765.96 lacs in the previous year. The year ended at a loss of Rs.3807.18 lacs

as against the loss of Rs.2274.12 lacs in the previous year. This was mainly due to the following reasons :

- Foreign Exchange loss of Rs.1786.83 lacs.
- Increase in the power costs from Rs.3.85 per unit in the previous year to Rs.4.05 per unit during the current year.
- Increase in the cost of procurement of coal thereby leading to increased cost of coal consumption.
- Increase in the interest rates compounded with the increase in the borrowings by the Company for funding the losses.

### Awards

The Company was awarded the prestigious Texprocil Silver Trophy for "Top Exporters-Fabrics" in the category of Bleached / Dyed / Yarn Dyed / Printed for the year 2007-2008.

### Subsidiary Companies / Consolidated Accounts

The Central Government has granted exemption under Section 212(8) of the Companies Act, 1956, from attaching to the Balance Sheet of the Company, the Accounts and other documents of its Subsidiary Companies. However, the Consolidated Financial Statements of the Company, which include the results of the said Subsidiary Companies, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's Subsidiary Companies being Integra Apparels and Textiles Limited, Morarjee International s.r.l., Men's Club s.p.a., Pranit Consultants Private Limited and Fabritex Exports Private Limited are also enclosed. Copies of the Audited Annual Accounts and the related detailed information of the Company's Subsidiary Companies can also be sought by any investor of the Company or its subsidiaries on making a written request to the Company Secretary at the Registered Office of the Company in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection by any investor at the Company's and / or the concerned Subsidiaries' Registered Office.

### Details of various Subsidiary Companies are as under:

#### Integra Apparels and Textiles Limited ("Integra")

During the year, Integra has achieved a turnover of Rs.9242.50 lacs as against Rs.7573.32 lacs in the previous

year, i.e increase of 23% over previous year. Profit / (Loss) before Tax is Rs.(695.97) lacs as against Rs.182.46 lacs in the previous year. In spite of higher turnover, margins were under tremendous pressure, mainly on account of foreign exchange loss, economic slowdown and consequent pricing pressure, which has finally resulted in losses.

Integra is a material unlisted subsidiary of the Company and as per the provision of the Listing Agreement, the Company has nominated Mr. Ranjan Sanghi, Independent Director of the Company on the Board of Integra.

#### **Pranit Consultants Private Limited and Fabritex Exports Private Limited**

During the previous year, the Company's subsidiary, Integra Apparels and Textiles Limited (Integra) acquired 100% holding in Pranit Consultants Private Limited, which is the holding company of Fabritex Exports Private Limited. During the year, Fabritex Exports Private Limited has achieved a turnover of Rs.215.43 lacs and Profit / (Loss) before Tax is Rs.(527.10) lacs.

#### **Morarjee International s.r.l.**

The Company's 100% subsidiary, Morarjee International s.r.l., continues to make inroads into the highly demanding European premium fabric market. Our design collections are being appreciated more highly every year as having a world class, international flavour, comparable with the best in the world.

#### **Men's Club s.p.a.**

During the year, Men's Club s.p.a has achieved a turnover of Rs.1317.38 lacs as against Rs.1401.81 lacs in the previous year, i.e. a decrease of 6% over the previous year. Profit/(Loss) before Tax is Rs.(342.87) lacs as against Rs.(32.24) lacs in the previous year. After a careful consideration of the current state of affairs of the Company, the given economic situation in the European markets, and continually increasing losses of this subsidiary, the Company has provided for a diminution in the value of its investment in this subsidiary.

#### **Joint Ventures**

##### **Just Textiles Limited ("Just")**

During the year, Just has achieved a turnover of

Rs.3989.91 lacs as against Rs.4095.69 lacs in the previous year, and Profit / (Loss) before Tax is Rs.6.88 lacs as against Rs.95.75 lacs in the previous year.

#### **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.

#### **Employees**

The Directors acknowledge with thanks the contribution made by the employees towards the growth of the Company and appreciate their hard-work, co-operation and support to the Management.

Any shareholder interested in obtaining a copy of the statement of particulars of employees referred to in Section 217(2A) of the Companies Act, 1956 may write to the Company Secretary at the Registered Office of the Company.

#### **Employee Stock Option Scheme**

During the year under review, the Company has not granted any stock options. Disclosures as required by Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines - 1999 are attached herewith and marked as Annexure B.

#### **Directors**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Shobhan Thakore and Mr. Pradipta Mohapatra, Directors of the Company retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956 ("the Act"), we hereby state that :

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures, if any;



- b. your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2009 and its loss for the year ended on that date;
- c. 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;
- d. your Directors have prepared the Annual Accounts for the year ended 31<sup>st</sup> March, 2009 on a going concern basis.

#### **Foreign Exchange earnings and outgo**

During the year, foreign exchange earnings were Rs.12495.46 lacs and outgoings were Rs.2645.11 lacs making the Company a net foreign exchange earner with a net inflow of Rs.9850.35 lacs.

#### **Fixed Deposits**

During the year under review, the Company neither accepted any fixed deposits nor does it have any unclaimed / unpaid fixed deposits.

#### **Rights Issue**

The Board of Directors at its meeting held on 23<sup>rd</sup> February, 2009 has approved issue of shares on rights basis in the ratio of 1 equity share for every 1 equity share held. A draft Letter of Offer was filed with Securities and Exchange Board of India and the Company is awaiting its final clearance.

However, the Company has received the in-principle approval dated 11<sup>th</sup> May, 2009 from Bombay Stock Exchange Limited and 14<sup>th</sup> May, 2009 from National Stock Exchange of India Limited, pertaining to the Rights Issue.

#### **Management Discussion and Analysis**

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report is appended to this Report.

#### **Corporate Governance**

The Company has complied with the mandatory provisions of the Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance compliance is included as a part of this Annual Report alongwith the requisite certificate from the Statutory Auditors. As a part of good Corporate Governance, we have obtained a Secretarial Compliance Certificate from a Practising Company Secretary, M/s. V. Sundaram & Co., in respect of compliance of all rules, regulations under the various applicable provisions of the Companies Act, 1956, SEBI regulations and the applicable regulations under the Listing Agreement entered with the Stock Exchanges. A copy of the said certificate is appended to this Report.

#### **Auditors**

The Auditors, M/s. Shah & Co., retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment as Auditors to audit the accounts of the Company for the financial year 2009-2010.

#### **Group for Intere Transfer of Shares**

As required under Clause 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting group (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure C attached herewith and said Annexure C forms part of this Annual Report.

#### **Acknowledgements**

We owe all our employees, customers, bankers and vendors our gratitude for their co-operation and continued support.

By Order of the Board

**Urvi A. Piramal**  
Chairperson

Mumbai : 1<sup>st</sup> June, 2009



**ANNEXURE 'A'****FORM - "A"**

Form of disclosure of particulars with respect to conservation of energy

		Units	Current Year 31.03.2009	Previous Year 31.03.2008
<b>A)</b>	<b>Power &amp; Fuel Consumption</b>			
	1 Electricity			
	a) Purchased Units	Lacs Kwhs	397.95	401.64
	Total Cost	Rs. Lacs	1610.17	1546.21
	Rate / Unit	Rupees	4.05	3.85
	b) Own Generation			
	Through Diesel Generator Units	Lacs Kwhs	0.55	1.22
	Unit per litre of Diesel Oil	Kwhs	3.25	3.35
	Cost / Unit (Diesel Oil Only)	Rupees	11.99	10.16
	Total Cost of Diesel	Rs. Lacs	6.58	12.39
	2 Coal (slack coal for Boiler)			
	Quantity	M. T.	18525.43	16121.00
	Total Cost	Rs. Lacs	587.29	386.51
	Average rate per M. T.	Rupees	3170.18	2397.56
	3 Furnace Oil			
	Quantity	K. Ltrs	160.99	115.04
	Total Amount	Rs. Lacs	25.66	20.29
	Average rate per K. Ltr	Rupees	15939	17637
<b>B)</b>	<b>Consumption per unit of Production</b>			
	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 (R&D)**

The addition of CST Engraving System gives us accuracy and sharpness of the design plotted on the screen through the system.

**Expenditure on R&D**

a. Capital expenditure	Rs.14.17 lacs
b. Recurring	Rs.31.05 lacs
c. Total	Rs.45.22 lacs
d. Total R&D expenditure as a percentage of total turnover	0.22 %

**TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION**

With the installation of Spectrophotometer we have adopted the latest technology available to improve the colour matching skill with multiple options available for best result at lowest cost.



## ANNEXURE – “B”

### DISCLOSURES REGARDING STOCK OPTIONS

Pursuant to the applicable requirements of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the SEBI Guidelines”), the following disclosures are made in connection with the “Morarjee Textiles Limited – Employee Stock Option Scheme 2006.”

	2006
Options granted	1,85,000
The pricing formula	The options were granted at a consideration of Rs.75/- per option.
Options vested	54,600
Options exercised and the total number of shares arising as a result of exercise of options	Nil
Options Lapsed	94,000
Variation of terms of options	Nil
Money realized by exercise of options	Nil
Total number of options in force	91,000
Details of options granted to	
(i) Senior managerial personnel;	All options have been granted by the Company as aforesaid, to Senior Management Personnel.
(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	None
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 Earnings Per Share	Rs. (-) 21.28
Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	Had the Company followed fair value method for accounting the stock option, employee compensation expense would have been higher by Rs. 0.84lacs. Consequently, loss after tax would have been higher by Rs 0.84 lacs and the basic & diluted EPS would have been Rs (-) 21.28 per share . The assumptions used to estimate fair value options include the following : Risk free interest rate - 7.1%, expected life - 3 years, Volatility - 7%, Dividend yield - 2.7%, Market price of share at the time of grant of options - Rs. 68.55
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted average exercise price of options is Rs. 75 Weighted average fair value of options is Rs. 4.20