



Priya Limited

15th Annual Report 2001-2002

Report

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BOARD OF DIRECTORS

SHRI A. K. BHUWANIA	<i>Chairman</i>
SHRI D. J. KAKALIA	<i>Director</i>
SHRI R. LAXMINARAYAN	<i>Director</i>
SHRI M. H. DALAL	<i>Director</i>
SHRI ASHISH BHUWANIA	<i>Executive Director</i>
SHRI ADITYA BHUWANIA	<i>Executive Director</i>
 SHRI M. L. GUPTA	 <i>Dy. General Manager(Accounts) & Company Secretary</i>

BANKERS

Indian Bank
Bank of India
ICICI Banking Corporation Ltd.
Union Bank of India

AUDITORS

M/s. M. L. Bhufania & Co.,
Chartered Accountants
Mumbai.

REGISTERED OFFICE & SHARE TRANSFER CUM SECRETARIAL OFFICE

Podar Chambers, 4th Floor,
109, S.A. Brelvi Road,
Fort, Mumbai - 400 001.

15TH ANNUAL GENERAL MEETING

Date : 25th September, 2002

Day : Wednesday

Time : 3.00 P.M.

Place : Bombay YMCA Seminar Room,
Central Branch,
12, N. Parekh Marg,
Colaba, Mumbai - 400 039.

EQUITY SHARES ARE LISTED AT :

Mumbai, Ahmedabad, Calcutta & New Delhi Stock Exchanges

WEBSITE

www.priyagroup.com

NOTICE

NOTICE is hereby given that the **Fifteenth Annual General Meeting** of the members of **PRIYA LIMITED** will be held at Bombay YMCA Seminar Room, Central Branch, 12, N. Parekh Marg, Colaba, Mumbai-400 039 on Wednesday, the 25th day of September, 2002 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
- 2) To appoint a Director in place of Mr. R. Laxminarayan who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. D. J. Kakalia who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:5) **APPOINTMENT OF EXECUTIVE DIRECTOR**

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

"RESOLVED THAT pursuant to Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956, read with and in accordance with the conditions specified in Schedule XIII to the said Act and subject to approval of the Central Government, consent of the Company be and is hereby accorded to the appointment of Mr. Ashish Bhuwania as the whole-time director of the Company under the designation 'Executive Director' for a period of 5 years with effect from 13th May, 2002 on a remuneration of Pound Sterling 1700 per month (all inclusive) payable to him as a Whole-time Director."

"RESOLVED FURTHER THAT in the event of loss of his office as Executive Director, Mr. Ashish Bhuwania shall be paid compensation in the manner and to the extent permissible under the provision of Section 318 of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to take such steps expedient or desirable to give effect to this resolution."

6) **ALTERATION OF ARTICLES OF ASSOCIATION TO PROVIDE FOR POSTAL BALLOT**

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

"RESOLVED THAT pursuant to Sections 31, 192A and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the company be altered by adding a new Article No. 70A as under:

"Article 70A: Passing of Resolution by Postal Ballot

Notwithstanding anything contained in the Articles of Association of the company, the company do adopt the mode of passing a resolution by the members of the company by means of a postal ballot and/or other ways as may be prescribed by the Central Government in this behalf in respect of such business as the Central Government may by notification, declare to be conducted only by postal ballot, instead of transacting such business in the General Meeting of the company.

The company shall comply with the procedure for such postal ballot and/or other ways prescribed by the Central Government in this regard."

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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The proxy form, in order to be effective, must be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
- 3) The Explanatory Statement made pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Item No. 5 & 6 of the Notice is annexed herewith.
- 4) The Register of Members and the Share Transfer Books of the Company will remain closed from 20th September, 2002 to 25th September, 2002 (both days inclusive).
- 5) Members are requested to bring their copies of the Annual Report to the Meeting.
- 6) Members/proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
- 7) (a) Members holding shares in physical form are requested to advise immediately change in their address if any, quoting their Folio number(s) to the company.
 (b) Members holding shares in the electronic form are requested to advise immediately change in address, if any, quoting their Client ID no., to their respective Depository Participants.



- 8) Members are hereby informed that Dividends which remain unclaimed/unpaid over a period of 7 years from the date of transfer to the Unpaid Dividend Account shall be transferred by the Company, pursuant to sub-section (5) of Section 205A of the Companies Act, 1956, to a fund called the Investor Education & Protection Fund established by the Central Government under sub-section (1) of Section 205C of the Companies Act, 1956. Accordingly, the unpaid/unclaimed dividend for the year 1994-95 will become transferable at the end of seventh year to the said Investor Education & Protection Fund. Please note that no claim shall lie against the Fund or the Company in respect of the dividend amount so transferred to the Investor Education & Protection Fund. The shareholders are, therefore, advised to send their request for issue of Duplicate Dividend Warrants/revalidation of unencashed Dividend Warrants to the company before the amount becomes due for transfer to the above Fund.
- 9) Members desirous of getting any information in respect of accounts of the company and proposed resolutions, are requested to send their queries in writing to the company at its registered office atleast 7 days before the date of the meeting, so that the required information can be made available at the meeting.
- 10) Members may avail of the facility of dematerialisation by opening Demat Accounts with the Depository Participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised. The ISIN No. of the company is **INE686C01014**.

Registered Office:

Podar Chambers, 4th Floor,
109, S. A. Brelvi Road, Fort,
Mumbai - 400 001.

By Order of the Board

Place : Mumbai

Dated : 13th May 2002.

M. L. GUPTA
Dy.General Manager (Accounts) &
Company Secretary

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 5**

The resolution at item no. 5 of the notice seeks to obtain the member's approval for the appointment of Mr. Ashish Bhuwania as Executive Director of the Company.

At the Meeting of the members of the Company held on 28th September, 1999, Mr. Ashish Bhuwania was appointed as whole-time director designated as Executive Director of the company for a period of five years with effect from 01-07-99 on a remuneration of Pound Sterling 2000 per month. At that time, the Central Government has approved the appointment of Mr. Ashish Bhuwania for the period of 2 years only, which expired on 30th June, 2001.

Mr. Ashish Bhuwania, a graduate in Management Science from London School of Economics, has rich experience of more than 8 years. He is based in London and has developed many contacts with reputed international firms and organizations. He is shouldering major responsibilities of Chemical Division. These contacts have become useful for understanding the trend and potentiality of the Company's products in the international market and mainly, marketing the company's products.

The Board of Directors of the company at their Adjourned Meeting held on 13th May, 2002 appointed Mr. Ashish Bhuwania as Executive Director for a period of five years, subject to the approval of members and Central Government, on a remuneration of Pound Sterling 1700 per month (all inclusive) payable to him as a Whole-time Director.

An application in the prescribed form shall be made to the Central Government for seeking its approval to the said appointment.

The Directors therefore recommend the resolution for your approval.

Mr. Ashish Bhuwania may be deemed to be interested in his own appointment and Mr. A. K. Bhuwania & Mr. Aditya Bhuwania, being relatives of Mr. Ashish Bhuwania, may be deemed to be interested in this resolution. No other Director has any interest in the above resolution.

ITEM NO. 6

By virtue of Section 192A as inserted by the Companies (Amendment) Act, 2000 and the rules made thereunder, it has been felt necessary to amend the provisions of the Articles of Association of the Company, to incorporate therein, the provisions of the said section.

Your directors recommend the passing of this resolution.

None of the Directors has any interest in the above resolution.

Registered Office :

Podar Chambers, 4th Floor,
109, S. A. Brelvi Road, Fort,
Mumbai - 400 001.

By Order of the Board

Place : Mumbai

Dated : 13th May 2002.

M. L. GUPTA
Dy.General Manager (Accounts) &
Company Secretary

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the 15th Annual Report along with audited accounts for the financial year ended 31st March 2002.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	Year Ended 31-03-2002	Year Ended 31-03-2001
Sales		
Export	2106.18	2453.77
Local	19502.15	22644.33
	21608.33	25098.10
Other Income	45.98	28.05
	21654.31	25126.15
Profit/(Loss) before Tax	(374.04)	120.43
Provision for taxation-Current Tax	1.70	7.25
Provision for taxation-Deferred Tax	(104.99)	0.00
Profit/(Loss) after tax	(270.75)	113.18
I.T. Adjustments of earlier years	0.13	0.00
Balance brought forward	280.06	263.06
Profit available for appropriation	9.45	376.24
APPROPRIATIONS		
Proposed Dividend	0.00	60.05
Corporate Dividend Tax	0.00	6.13
General Reserve	0.00	30.00
Balance carried to Balance Sheet	9.45	280.06
	9.45	376.24

DIVIDEND

In view of the loss incurred by the company during the year, your directors do not recommend any dividend for the financial year 2001-02.

OPERATIONS

The aggregate turnover of your Company was Rs. 21608.33 Lacs in the year 2001-02 as compared to Rs. 25098.10 Lacs in the year 2000-01, resulting in a decrease of about 13.90%. The company has incurred a loss before tax of Rs. 374.04 Lacs in 2001-02 as compared to a profit before tax of Rs. 120.43 Lacs in 2000-01. The profit has gone down mainly on account of lower margin and reduction in turnover.

Your Company's export business of dyestuffs, bulk pharmaceuticals and intermediates have shown reduction as compared to last year. The reduction is mainly on account of competition with similar products

manufactured by China and available cheaper in International market. We are exploring the possibility to control and maintain the price at competitive level.

Your Company's local business of Electronic Division has also shown reduction as compared to the last year due to lower demand of PCs. The business came down by 13.88% compared to last year. This has been due to the severe problems faced globally by the IT industry after continued growth for the past few years. Apart from that, the reduction is also on account of disassociation of business with LG Electronics India Ltd. We were initially associated with them as one of the authorised distributors. However, due to change in the management policy, business of LG Electronics India Ltd. was discontinued during the year and consequently, it adversely affected turnover of the company.

In order to increase the business activities, your company has planned to capture greater market share in the key areas of Computer peripherals such as storage devices, viz. HDD, CD-ROM drives and FDDs. In this direction, brand building exercise has been undertaken by the company.

To strengthen the network of the company, one more Branch Office has been established during the year at Dehradun. Thereafter, in May, 2002, we have set up another branch office at Panchkula in the State of Haryana. All the branches are adequately equipped to provide complete support to the customers.

Your Directors are hopeful of better results for the Company in the current year.

DIRECTORS

As per the provisions of Section 256 of the Companies Act, 1956, Shri R. Laxminarayan and Shri D. J. Kakalia, Directors will retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

AUDITORS

M/s. M. L. Bhuwania & Co., Chartered Accountants who are to retire at the conclusion of the forthcoming Annual General meeting, have offered themselves for re-appointment as Auditors of the Company. A written certificate to the effect that their appointment, if made, would be within the prescribed limits under Section-224(1B) of the Companies Act, 1956, has been obtained by the Company from them. The members are requested to consider their reappointment and fix their remuneration.

HUMAN RESOURCE

Your company enjoys cordial relations with its employees. The key focus of your company is to attract, retain and develop talent. The Board wishes to place on record its appreciation of the contribution made by all employees during the year.



REPORT ON CORPORATE GOVERNANCE

The company has, pursuant to Clause 49 of the Stock Exchange Listing Agreement, complied with the requirements of Corporate Governance.

A Management Discussion and Analysis Report, a detailed report on Corporate Governance and a Certificate from the Auditors' regarding the compliance of Corporate Governance conditions are made part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, the directors confirm that :

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2001-02 and of the Profit or Loss of the company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities ;
- iv) that the directors had prepared the annual accounts on a going concern basis.

DEMATERIALIZATION

As per the Securities and Exchange Board of India (SEBI) directive, the shares of the company are subject to compulsory dematerialization. Your company has tied up with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to enable the shareholders to trade and hold shares in an electronic form. The shareholders' are advised to take benefit of dematerialization.

LISTING OF SHARES

Your company's shares have been listed with Stock Exchanges at Mumbai, New Delhi, Calcutta and Ahmedabad. The listing fees for the financial year 2001-2002 were paid upto 31-03-2002.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Conservation of Energy:

The scope for conservation of energy is limited in the type of industry in which your company is engaged. However, the company continues to accord high priority to conservation of energy by opting for more power effective replacements of equipment and electrical installations. No specific investment proposals are envisaged.

Form 'A' of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable as our industry is not included in the Schedule to the said Rules.

Technology Absorption:

Your company continues to utilise the R & D facilities available with it. The company has not imported any technology during the last five years.

R & D are done on continuous basis in various departments of the company and no separate record is maintained for the expenditure incurred under this head.

Foreign Exchange Earnings and Outgo:

The relevant information in respect of the foreign exchange earnings and outgo has been given in the Notes forming part of the Accounts for the year ended March 31, 2002.

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the company has no employees who were in receipt of the remuneration of Rs. 24,00,000/- or more per annum during the year ended 31st March, 2002 or Rs. 2,00,000/- or more per month during any part of the said year.

APPRECIATION

Your Directors wish to place on record their grateful thanks to the Banks and various Government Authorities for their valuable assistance and co-operation and for the trust and confidence reposed in the company by the shareholders.

For and on behalf of the Board

Place : Mumbai
Date : 13th May, 2002

A. K. Bhunia
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The company is engaged in the business of import/trade of electronic products and export of dyestuffs, bulk pharmaceuticals and intermediates.

1.1 Industry Structure and developments

Electronics Division: The structure in the electronics is based on five tier system, mainly consists of Manufacturer, Distributor, Prime Dealer, System Integrator/Re-sellers and Actual Users.

As per International Data Corporation (IDC) Report, the IT market has declined by 12% in quantity terms and 18% in value terms in 2001-2002. Consequently, inventories were built up and margin came under pressure. However, the market is expected to grow again in 2002-2003 as global conditions start improving.

Chemical Division: The Argentina business came to a halt due to the economic turmoil in that country. The demand in Europe was down due to recessionary trend witnessed in the chemical business. However, demand is expected to pick up in Europe once again during the course of coming periods.

1.2 Opportunities and Threats

Electronics Division: We have started promoting many products under our own brand - 'Krypton'. There has been widespread use of different media (IT trade Magazines, Local Newspapers) over the last eighteen months to create and increase the awareness of this brand and now 'Krypton' is well accepted and respected in the market as a high quality brand. We would be introducing more products in our brand to leverage our brand equity.

The technology is changing fast and the obsolescence period is also getting shorter, therefore, we need to get the right products at the right time and then move them fast enough to avoid adverse impacts of obsolete inventory.

Chemical Division: The company is now concentrating more on the higher income range of products. For this, we will be continuing to work towards getting products for specialized and high-end applications. This exercise will be speed up during this financial year.

The chemicals and dyes industry is fairly mature and competition is intense both from Indian and other South East Asian companies. We need to aggressively market the products in order to retain and consolidate greater market share.

1.3 Segment-wise or product-wise Performance

Electronics Division: Due to lower demand of PCs, the business came down by 13.88% compared to last year. This has been due to the severe problems faced globally by the IT industry after continued growth for the past few years. Perhaps, the Indian IT industry has fared better in this period (2001-2002) compared to others in Europe and America.

Chemical Division: The turnover has come down by 14.16%, but the margin on the dyes & chemicals' exports has marginally increased in the same period.

1.4 Future Outlook

Electronics Division: The future trend, in the IT industry is looking brighter. As per

Manufacturers' Association for Information Technology(MAIT), a growth of 10-12% is expected in the next fiscal year. We are very buoyant on hearing this, and will strive hard to outperform the growth as indicated by MAIT.

Chemical Division: We will continue to consolidate our position as one of the premier dye exporters. With the diverse range of products, we are confident of improving volumes and incomes during 2002-2003.

1.5 Risk and concerns

Electronics Division: One of the biggest risk factors is the currency movement. Moreover, the policies of different state governments towards IT are also uncertain. Quite a few state governments are increasing taxation on the IT products. This could slow down growth in the segment and encourage 'Unfair Business Practices.'

The Channel trade is poorly organized and the risk of defaults has been high. This has caused us to restrict business to only those organizations with better financial background.

Chemical Division: There is a stiff competition in the international market. Looking to the present industrial Scenario, qualitative chemicals are facing tremendous pressure on profit margin and there is a large surplus of supply over demand. However, your company will keep track with the other companies at the international level.

1.6 Internal control systems and their adequacy

The company has adequate internal control systems/procedures in place covering all facets of business. The internal control systems/procedures are reviewed periodically and updated/modified on need basis. The company has an effective information technology system support in various important operational and financial areas to facilitate control systems.

The internal control systems/procedures are commensurate with the size and nature of the business of the company.

1.7 Discussion on financial performance with respect to operational performance

The company has achieved a sales turnover of Rs. 21608.33 Lacs in the year 2001-02 as compared to Rs. 25098.10 Lacs in 2000-2001, reflecting a decrease of 13.90%. The company has incurred a loss (before tax) of Rs. 374.04 Lacs as compared to a profit (before tax) of Rs. 120.43 Lacs in the previous year.

1.8 Material Developments in Human Resources/ Industrial Relations front, including number of people employed

Human Resources: Human Resources Development activities predominantly comprised of training and development of employees. Modification of certain HR Policies is done for optimum utilisation of human resources to make it more objective and focused.

There is a system in place for the development of Human Resource in the company. The Developmental activities are taken up by the company from time to time, comprising of Training and Development of all of its employees and are commensurate with the size and nature of the business of the company.

Industrial Relations: Industrial Relations through out the year continued to remain very cordial and satisfactory.



CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Corporate Governance is increasingly being stressed in today's competitive business scenario. Your company endeavours to fulfill its various obligations towards the customers, shareholders, employees and society at large in a manner acceptable to various interest groups as well as the corporate philosophy. The company has been sharing with you from time to time various informations through direct communication, newspaper notices and its website and through this report.

In addition, we give below the information on areas covered under Corporate Governance.

2. BOARD OF DIRECTORS

The Board of Directors consists of 6 Directors as on March 31, 2002.

The particulars of Directors, their category, attendance and other directorship, membership/ chairmanship of the Committees are as under:

Name of Director	Category	Attendance		No. of outside directorships and Committee membership /Chairmanship		
		Board *	AGM**	Public Limited Company	Committee membership	Chairman ship
Mr. A. K. Bhuwania	Promoter/Non-Executive Chairman	7	Yes	1	-	-
Mr. R. Laxminarayan	Promoter/Non-Executive Director	7	Yes	-	-	-
Mr. D. J. Kakalia	Independent/Non-Executive Director	2	No	2	1	-
Mr. M. H. Dalal	Independent/Non-Executive Director	4	Yes	-	-	-
Mr. Ashish Bhuwania	Promoter/Executive Director	0***	No	-	-	-
Mr. Aditya Bhuwania	Promoter/Executive Director	5	No	-	-	-

* 7 Board Meetings were held during the financial year 2001-02 at the Registered Office of the company on the following dates: **April 17, 2001, June 27, 2001, July 27, 2001, October 22, 2001, January 02, 2002, January 25, 2002, March 11, 2002.**

** Annual General Meeting (AGM) was held on September 25, 2001.

*** Mr. Ashish Bhuwania is a non-resident director, hence he has not been able to attend any Board Meeting and has obtained leave of absence for all the meetings.

3. AUDIT COMMITTEE

A) Terms of Reference:

The Audit Committee has the powers, which includes the following:

- To investigate any activity within its terms of reference;
- To seek information from any employee;
- To obtain outside legal or other professional advice;
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Role of Audit Committee includes the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.