



# PRANAVADITYA

## Spinning Mills Limited



14th  
Annual Report  
2003-04





## PRANAVADITYA SPINNING MILLS LIMITED

**BOARD OF DIRECTORS** :

|                          |                       |
|--------------------------|-----------------------|
| SHRI HARKISHON N.UDANI   | Chairman              |
| SHRI YESHWANT R.SHAH     | Director              |
| SHRI HASMUKHLAL S.PARIKH | Director              |
| SHRI SUMAN B.SHAH        | Director              |
| SHRI PARAG H.UDANI       | Director              |
| SHRI MAHENDRA S.SHAH     | Director              |
| SHRI MANOJ C. DESAI      | Director - Finance    |
| SHRI B.R.NAYAK           | Director - Commercial |

**BANKERS** :

BANK OF BARODA  
UNION BANK OF INDIA

**AUDITORS** :

M/s. VINOD VASA & ASSOCIATES  
Chartered Accountants,  
Jumna Building,  
292, Tilak Marg, Dhobi Talao,  
Mumbai - 400 002.

**CORPORATE OFFICE** :

92, Mittal Chambers,  
Nariman Point,  
Mumbai - 400 021.

**REGISTERED OFFICE & MILL** :

|             |                |
|-------------|----------------|
| Village     | : Alte         |
| Taluka      | : Hatkanangale |
| District    | : Kolhapur     |
| Maharashtra | : 416 109.     |

**SHARE TRANSFER AGENTS** :

Bigshare Services Pvt. Ltd.  
E-2 & 3, Ansa Industrial Estate,  
Saki Vihar Road,  
Saki Naka,  
Andheri (E),  
Mumbai - 400 072.  
Tel. 28470652  
28470653

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## NOTICE

**Notice** is hereby given that the **Fourteenth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on **24<sup>th</sup> September, 2004**, at 4.00 p.m. at the Registered Office of the Company at Village Alte, Hatkanangale Taluka, Kolhapur District, Maharashtra - 416 109 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2004 and the Audited Profit & Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Harkishon N. Udani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mahendra S. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. R. Nayak, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. The Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. All documents referred to in Notice and the accompanying Explanatory Statement including Memorandum & Articles of Association of the Company are open for inspection at the Registered Office of the Company on all working days except Saturdays, between 11.00 a.m. to 1.00 p.m. upto the date of an Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **17<sup>th</sup> September, 2004 to 24<sup>th</sup> September, 2004**. (Both days inclusive)
5. The Company's Equity Shares are listed at The Stock Exchange, Mumbai (Regional Stock Exchange), Phiroze

Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Annual Listing Fees as prescribed has been paid to this Stock Exchange.

6. Members are requested to:
  - (a) Notify any change in their registered address along with pin code numbers to Company's Share Transfer Agent, M/s. Bigshare Services Private Limited, at E - 2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.
  - (b) Quote their respective ledger folio numbers on every communication with the Company and / or Share Transfer Agent.
  - (c) Bring their copies of Annual Report to the meeting. No copies of the Annual Report will be available for distribution to the members at the meeting.
  - (d) Deposit duly filled-in attendance slip annexed to the Proxy Form at the entrance to the place of meeting and not to bring with them any other person who is not a member / proxy.
  - (e) Write to the Company at least 10 days before the date of the meeting regarding any information on accounts so as to enable the Company to keep the information ready.
  - (f) Consider dematerializing the equity shares held by them.
  - (g) Pursuant to clause 49 (VI) (A) of the listing agreement with the Stock Exchanges, following information is furnished about the Directors proposed to be appointed / re-appointed :

**As per Attached Annexure - I**

By the Order of Board of Directors

Place: Mumbai  
Dated: 28<sup>th</sup> June, 2004

**Harkishon N. Udani**  
Chairman

**Registered Office:**  
Village Alte,  
Hatkanangale Taluka,  
Kolhapur,  
Maharashtra - 416 109.

**ANNEXURE - I**

**Details of the Directors seeking appointments / re-appointment at the forthcoming  
Annual General Meeting  
(In Pursuance of Clause 49 (VI) (A) of the Listing Agreement)**

| Name of Director  | Mr. Harkishon N.Udani  | Mr. Mahendra S.Shah  | Mr. B.R.Nayak  |
|---|--|--|--|
| Date of Birth   | 27th February, 1934  | 13th February, 1941  | 5th January, 1959  |
| Date of Appointment   | 23.01.1981   | 21.06.2000   | 17.10.2001   |
| Expertise in specific functional areas                              | Mr. Harkishon N. Udani has more than 38 years of experience in Textile Industry, Exports and Trade. He is also actively associated with various trade bodies.  | Mr. Mahendra S.Shah has more than 40 years of experience in Taxation & Finance. Prior to joining this Company, he was General Manager (Taxation) at Keshavlal Talakchand Group of Companies. | Mr. B.R.Nayak has more than 20 years of experience in Accounts, Finance and Business Administration. Prior to joining this Company, he was Administrative Officer at Hindustan Lever Group of companies. |
| Qualification   | Mr. Harkishon N.Udani is a Bsc (Hons.), LL.B,  | Mr. Mahendra S.Shah is a B.Com   | Mr. B.R.Nayak is a B.Com, MBA (Finance)  |
| Directorships held in other companies (excluding foreign companies) | Asoka Textiles Ltd<br>Priyanka Securities & Commercial Pvt. Ltd.<br>Aditya Intermediate Pvt. Ltd<br>Pranav Intermediate Pvt. Ltd<br>Jyotprakash Investment Pvt. Ltd<br>Ajit Garments Pvt. Ltd<br>Basic Chemical & Allied Industries Pvt. Ltd<br>Machhu Trading & Inv. Pvt. Ltd | Arunoday Mills Limited<br>Kaytee Cotsynth Industries Ltd<br>Machhu Trading & Inv. Pvt. Ltd   | Nil  |
| Committee position held in other companies                          | Nil  | Nil  | Nil  |

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Fourteenth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2004.

**FINANCIAL RESULTS:**

|   | <b>For the year<br/>ended<br/>31<sup>st</sup> March,<br/>2004<br/>(Rs. In lacs)</b> | <b>For the year<br/>ended<br/>31<sup>st</sup> March,<br/>2003<br/>(Rs. In lacs)</b> |
|---|---|---|
| Gross Sales   | <b>4446.23</b>  | 3244.40   |
| Profit /(Loss) before<br>Depreciation, Interest and Tax | <b>312.86</b>   | 198.48  |
| <b>Less : Interest</b>                                  | <b>235.45</b>   | 231.81  |
| Depreciation  | <b>204.00</b>   | 203.60  |
| Loss before extra ordinary/<br>prior year items         | <b>(126.59)</b>   | (236.93)  |
| <b>Less : a) Term Loan interest<br/>written back</b>    | <b>Nil</b>  | 64.72   |
| b) Prior year Expenditure/<br>Income (Net)              | <b>(7.81)</b>   | (13.95)   |
| Net loss for the year before<br>Taxation                | <b>(134.40)</b>   | (186.16)  |
| <b>Less : Provision for Taxation</b>                    | <b>Nil</b>  | Nil   |
| <b>Net Loss after Tax</b>                               | <b>(134.40)</b>   | (183.16)  |
| <b>Add : Balance in Profit &amp; Loss<br/>Account</b>   | <b>(609.98)</b>   | (423.82)  |
|   | <b>(744.38)</b>   | (609.98)  |
| <b>Less : Write back of Term Loan<br/>adjusted</b>      | <b>99.01</b>  | Nil   |
| Balance carried to<br>Balance Sheet                     | <b>(645.37)</b>   | (609.98)  |

During the year under review, Cotton prices ruled at higher levels and total cotton cost compared to total sales went upto 72% compared to 67% in the current year. The yarn prices remained steady. The quality of yarn was well established both in Exports and Domestic Markets.

During the year under review, the Company has made good improvement in the working and performance compared to the previous year. Sales have gone up from Rs. 3244 lacs to Rs. 4446 lacs showing a rise of 37.5% over previous year. The Company has made cash profit of Rs. 134 lacs as compared to Rs. 23 lacs over preceding year. The net loss after depreciation and other write offs for the year has come down to Rs. 127 lacs as compared to Rs. 237 lacs in the previous year.

Production has gone up from 3530 MT to 3961 MT showing a rise of 12% whereas Sales have gone up from 3564 MT to 3965 MT showing similar rise of 12% over last year. The Company has undertaken several steps to reduce costs, change of product mix as per market requirements and increase efficiency and work loads.

In view of above, your Directors feel that the performance of the Company is satisfactory. Financial Restructuring with Bankers namely Bank of Baroda and Union Bank of India has been completed and necessary documents has been executed.

**REVIEW OF OPERATIONS:**

Textile Industry continues to be a key segment in the Indian Industrial scenario and is poised to post a major growth in the coming era of expected dismantling of quota regime from 2005 under WTO agreement.

The Industry has weathered the legacies of the past and has responded with a robust performance. The Industry is also in the process of structural changes, as India is emerging as key sourcing destination for leading garment store chains. To this end, it presents a major profitable business opportunity for yarn manufacturers who are able to tune their manufacturing systems to deliver world class products.

The main twin risks in this industry, especially in the Cotton yarn spinning sector, are the procurement prices for cotton and the yarn realization viz a viz the cotton cost. Raw material prices, as is common with every industry, are conditioned by their supply position in the market. This problem invariably gets compounded by the Government's Import Policy which sometimes renders the prices uneconomical.

In the case of marketing of yarn, the price realization depends on the demand from garment manufacturers and power loom sector. In recent times the competition from the emerging economies in the neighbouring countries such as Sri Lanka, China and Pakistan with their comfortable status engendered by the preferential treatment in USA and EU markets pose real challenge to the textile yarn spinning units in their efforts to improve their exports.

**Future Outlook :**

While the market prices of yarn at present are slack and cotton prices in next few months will either remain steady or at higher levels, the Company expects to maintain about same profitability as in the previous year. For the future, the company is optimistic about more positive developments in the longer run for the following reasons:

- Quotas are being abolished for exports of Yarns and Fabrics next year. 25 Countries in the European Union and USA, which together are the largest Markets till now, had restricted Exports due to very small quotas. As you might be aware, India has share of 25% of world requirements of Cotton Yarn and this share is expected to increase significantly from next year.



- b) Similarly the production of export quality fabrics in the Domestic Market would go up both for Domestic and Garments Exports due to higher demand. Yarn is the basic raw material for the Users.
- c) High yielding varieties of Cotton are increasingly being produced in India, which is expected to increase Cotton production from present 165 lacs bales to 200 lacs bales within next two years thereby making cotton prices more favorable and competitive.

**DIVIDEND:**

Your Directors regret their inability to propose any dividend in view of the continued losses of the Company.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In compliance of section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

- (a) that in preparation of the Annual Accounts, the applicable standards have been materially followed subject to Note No.1 (X) and 5 of Schedule 20 to the Accounts.
- (b) that the selected accounting policies were applied consistently and the Directors 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 at the end of financial year and of the loss of the Company for the aforesaid period.
- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) that the Annual Accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE:**

The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai are complied with. A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, form part of the Annual Report.

**DIRECTORS:**

Mr. Harkishon N. Udani, Mr. Mahendra S. Shah and Mr. B. R. Nayak retire by rotation at the 14<sup>th</sup> Annual General Meeting of the company and being eligible, offer themselves for re-appointment.

**AUDITORS AND AUDITORS' REPORT:**

The statutory auditors M/s. Vinod Vasa & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Vinod Vasa & Associates to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1B) of the Companies Act, 1956. The notes to the accounts referred to in the Auditors Report are self-explanatory and therefore, do not call for any further comments.

**FIXED DEPOSITS:**

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is as per Attached **Annexure – II** and forms part of this report.

**PERSONNEL:**

There is no employee coming within the purview of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**INSURANCE:**

All the properties of the Company have been adequately insured against fire, marine and other risks.

**ENVIRONMENT, SAFETY AND POLLUTION CONTROL:**

Your Company has been taking proper care in complying with all statutory requirements relating to safety, environment and pollution control.

**APPRECIATION:**

Your directors wish to place on record their appreciation of the support and co-operation received from their Banks namely Bank of Baroda and Union Bank of India and the Government Authorities. Your Directors also commend the unstinting efforts put in by employees at all levels.

For and on behalf of the Board of Directors

Place : Mumbai  
Dated : 28<sup>th</sup> June, 2004.

**HARKISHON N.UDANI**  
Chairman

**Registered Office:**

Village Alte,  
Taluka Hatkanangale, P.B. No.2,  
Dist. Kolhapur - 416 109,  
Maharashtra.





## ANNEXURE -II

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

### (I) Conservation of Energy :

#### a) Energy Conservation Measures taken :

Energy Conservation is an ongoing process within the Company. The Company has been making continuous efforts for enhancement in capacity utilisation, cost competitiveness and quality through systematic process monitoring and adherence to technological norms.

#### (b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy : NIL

#### (c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact of the cost of production of goods.

The above measures will help in reducing cost.

#### (d) FORM - A

| (I) Power and Fuel Consumption           | 2003-04 | 2002-03 |
|--|---------|---------|
| 1. Electricity                           |         |         |
| (a) Purchased Units ('000)               | 8805.56 | 7750.49 |
| Total Amount (Rs. In lacs.)              | 305.29  | 280.50  |
| Rate per unit                            | 3.47    | 3.62    |
| (b) Own Generation                       |         |         |
| Through Diesel Generator-Unit ('000)     | 286.98  | 731.23  |
| Unit per litre of Diesel Oil             | 3.26    | 3.50    |
| Cost per unit                            | 4.81    | 4.96    |
| 2. Coal                                  | Nil     | Nil     |
| 3. Furnace Oil                           | Nil     | Nil     |
| 4. Others                                | Nil     | Nil     |
| (II) Consumption per Unit of Production: |         |         |
| Production of yarn (M.T.)                | 3961.31 | 3530.02 |
| Electricity per M.T. of production       | 2295.33 | 2402.74 |

### (II) Technology Absorption :

#### FORM - B

#### i) Research and Development

1. Specific areas in which R & D carried out by the Company.

- R & D carried out for increasing the strength of the yarn. The efforts of the Company also directed towards improvement of manufacturing process, yarn quality and productivity.
- Reduction in cost of output, decrease in wastage and improvement in quality of yarn.
- The above activities shall continue and more efforts in this direction will be made.

2. Benefits derived as a result of above R & D.

3. Future plan of action.

4. Expenditure on R & D :

- (a) Capital

- (b) Recurring

- (c) Total

- (d) Total R & D expenditure

as a percentage of total turnover

No system of separate maintenance of accounts have been developed. The expenditure is merged with various other heads of expenses.

#### ii) Technology absorption, adoption and Innovation :

1. Efforts in brief technology absorption, adoption and innovation.

- The plants are based on indigenous technology.

2. Benefits derived as a result of above efforts e.g. output improvement, cost reduction, product development, import substitutions, etc.

- Nil

3. Details of imported technology

- No technology has been imported during the last 5 years.

### (III) Foreign Exchange Earnings and Outgo :

|                               | 2003-04<br>(Rs. In lacs) | 2002-03<br>(Rs. in lacs) |
|-------------------------------|--------------------------|--------------------------|
| Total Earnings (F.O.B. Value) | 4.56                     | 12.70                    |
| Total Outgo                   | 108.13                   | 173.26                   |



## MANAGEMENT BUSINESS REPORT

### 1) Overall Review

During the year under review, Cotton prices ruled at higher levels and total cotton cost compared to total sales went upto 72% compared to 67% in the current year. The yarn prices remained steady. The quality of yarn was well established both in Exports and Domestic Markets.

Textile Industry continues to be a key segment in the Indian Industrial scenario and is poised to post a major growth in the coming era of expected dismantling of quota regime from 2005 under WTO agreement.

The Industry has weathered the legacies of the past and has responded with a robust performance. The Industry is also in the process of structural changes, as India is emerging as key sourcing destination for leading garments store chains. To this end, it presents a major profitable business opportunity for yarn manufacturers who are able to tune their manufacturing systems to deliver world class products.

The main twin risks in this industry, especially in the Cotton yarn spinning sector, are the procurement prices for cotton and the yarn realization viz a viz the cotton cost. Raw material prices, as is common with every industry, are conditioned by their supply position in the market. This problem invariably gets compounded by the Government's import policy which sometimes renders the prices uneconomical.

In the case of marketing of yarn, the price realization depends on the demand from garment manufacturers and power loom sector.

b) Similarly the production of export quality fabrics in the Domestic market would go up both for Domestic and Garments exports due to higher demand.

c) High yielding varieties of Cotton are increasingly being produced in India, which is expected to increase Cotton production from present 165 lacs bales to 200 lacs bales within next two years, thereby making cotton prices more favourable and competitive.

### 3) Internal Control System & Their Adequacy

The Company has a proper and adequate system of Internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

The internal control system is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures.

### 4) Energy Conservation

The Company has a continuous focus on Energy Conservation. Regular studies are conducted to analysis quantitative energy conservation patterns and variances are rigorously scrutinized. We wish to inform you that MSEB has reduced tariffs w.e.f 1/12/03 from average of Rs. 3.06 per unit to Rs. 2.56 per unit which has helped maintaining same power cost during the year despite higher production.

### 5) Human Resources & Industrial Relation

Your Company recognizes employees satisfaction and morale as a key for sustained growth and recognizes training as an integral part of employee development. Adequate measures for the same have been carried out for the year under review.

Industrial relations have been cordial. During the year, your Company has continued with its Restructuring operations aiming at cost efficacy and viability of operations by having higher workloads, rationalization and obtaining better efficiency in the working.

### 2) Outlook for the current year.

While the market prices of yarn at present are slack and cotton prices in next few months will either remain steady or at higher levels, the Company expects to maintain about same profitability as in the previous year. For the future, the company is optimistic about more positive developments in the longer run for the following reasons:

a) Quotas are being abolished for exports of Yarns and fabrics next year.

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

Pranavadiya Spinning Mills Ltd.,  
Alte.

We have examined the compliance of conditions of Corporate Governance by Pranavadiya Spinning Mills Ltd., for the year ended on 31<sup>st</sup> March, 2004, as stipulated in clause 49 of the Listing Agreement of the Pranavadiya Spinning Mills Ltd with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according

to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investors grievances are pending for a period exceeding one month against the company as per the records maintained by the registrars and share transfer agents of the Company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Vinod Vasa & Associates  
Chartered Accountants

Place : Mumbai  
Dated : 28<sup>th</sup> June, 2004.

Vinod Z.Vasa  
Partner  
Membership No. 7566



**CORPORATE GOVERNANCE REPORT****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Philosophy of Pranavadiya Spinning Mills Limited (PSML) on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity in all facets of its operations and all interactions with its stakeholders, including the shareholders, employees, the government and the lenders. PSML is committed to achieving the highest standards of corporate governance. PSML believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value over a sustained period of time.

**2. BOARD OF DIRECTORS:**

The Board consisted of 8 (Eight) Directors as on March 31, 2004. The Board is headed by the Non-Executive Chairman, Shri Harkishon N. Udani and is composed of persons with considerable professional experience in varied fields and comprises a majority of Non-Executive Directors. Over two thirds of its Board consist of Non-Executive Directors and of these the majority are Independent Directors. The details are given below.

| Directors                 | Whether Promoters or Non-Executive / Independent | No. of outside Directorship held | No. of Board Committees of other Companies in which a member |
|---------------------------|--|----------------------------------|--|
| Shri Harkishon N. Udani   | Chairman, Promoter & Non-Executive               | 8                                | Nil  |
| Shri Hasmukhlal S. Parikh | Non-Executive & Independent                      | 4                                | 10   |
| Shri Yeshwant R. Shah     | Non-Executive & Independent                      | 6                                | 7  |
| Shri Suman B. Shah        | Non-Executive & Independent                      | 4                                | Nil  |
| Shri Parag H. Udani       | Promoter & Non-Executive                         | 8                                | Nil  |
| Shri B.R. Nayak           | Director (Commercial)                            | Nil                              | Nil  |
| Shri Mahendra S. Shah     | Non-Executive & Independent                      | 3                                | Nil  |
| Shri Manoj C. Desai       | Director - Finance                               | Nil                              | Nil  |

**Note:**

- Excludes Alternate Directorship and Directorship in Companies covered under Section 25 of the Companies Act, 1956 and Private Companies, which are neither a subsidiary nor a holding Company of a Public Company.
- Excludes Committees other than Audit Committee, Shareholders' Investors Grievance Committee and Remuneration Committee and companies other than Public Limited Company.

The attendance of the Directors of the Company at the Board Meetings and Annual General Meeting are as follows:-

| Directors                 | No. of Board Meetings attended | Whether attended last A.G.M |
|---------------------------|--------------------------------|-----------------------------|
| Shri Harkishon N. Udani   | 8                              | Yes                         |
| Shri Hasmukhlal S. Parikh | 5                              | No                          |
| Shri Yeshwant R. Shah     | 8                              | No                          |
| Shri Suman B. Shah        | 7                              | No                          |
| Shri Parag H. Udani       | 8                              | Yes                         |
| Shri Mahendra S. Shah     | 8                              | Yes                         |
| Shri Manoj C. Desai       | 8                              | Yes                         |
| Shri B.R. Nayak           | 3                              | Yes                         |

The Board of Directors met 8 (Eight) times during the year on 17.04.2003, 30.04.2003, 07.07.2003, 29.07.2003, 30.10.2003, 31.12.2003, 23.01.2004 & 31.03.2004.

Annual General Meeting was held on 12<sup>th</sup> September 2003.

**3. AUDIT COMMITTEE:****A) Terms of Reference**

- 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, focussing primarily on:
  - Any change in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by Management.
  - Qualification in draft audit report.
  - Significant adjustments arising out of audit.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.



- Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

- 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 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.
- Discussions with external auditors before the audit commences nature and scope of audit, as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

#### B) Composition of Audit Committee

The Audit Committee comprises of the following Non-Executive Directors namely:-

- Shri Mahendra S. Shah - Chairman
- Shri Hasmukhlal S. Parikh
- Shri Yeshwant R. Shah
- Shri Harkishon N. Udani

- C) The Committee met 4 (Four) times on 30.04.2003, 07.07.2003, 30.10.2003 and 23.01.2004 during the financial year 2003-2004 and the attendance of the members of the Committee were as follows:-

| Name of the Members       | No. of Audit Committee meetings attended |
|---------------------------|--|
| Shri Mahendra S. Shah     | 4  |
| Shri Harkishon N. Udani   | 4  |
| Shri Yeshwant R. Shah     | 4  |
| Shri Hasmukhlal S. Parikh | 4  |

Mr. Mahendra Shah, Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 12<sup>th</sup> September 2003.

#### 4. REMUNERATION COMMITTEE (Non-Mandatory):

##### A) Terms of Reference

The Remuneration Committee shall have the powers to determine the Company's Policy on specific remuneration

packages for Wholtime Directors including pension rights and any other compensation related matters and issues within the framework of the provisions and enactment governing the same.

#### B) Composition of the Committee

The remuneration Committee comprises of the following Directors namely:-

- Shri Yeshwant R. Shah - Chairman
- Shri Hasmukhlal S. Parikh
- Shri Mahendra S. Shah

- C) The Remuneration Committee has been constituted w.e.f. 15<sup>th</sup> April 2002. The Committee met 1 (one) time on 23.01.2004 during the financial year 2003-2004 and all the members of the Committee attended the meeting.

#### D) Remuneration Policy

The Company has constituted a Remuneration Committee of the Board in compliance with the SEBI guidelines. The Committee is fully empowered to frame the compensation structure for the working Directors and review the same from time to time based on certain performance parameters, growth in business as well as profitability and also align with the best practices prevailing in the industry.

#### E) Details of Remuneration paid to all Directors.

- I) The details of payment to the Managing / whole time Directors for the financial year 2003-04 are given below:

| Executive Directors | Salary (Rs.) | Commission (Rs.) |
|---------------------|--------------|------------------|
| Shri B. R. Nayak    | 2,16,782/-   | Nil              |
| Shri Manoj C. Desai | 6,06,125/-   | Nil              |

Notes: (a) presently, the Company does not have a scheme for grant of stock options either to the wholtime Directors or employees.

- II) The details of payment to Non-Executive Directors for the financial year 2003-2004 are given below:

| Non-Executive Directors   | Sitting Fees (in Rs.)<br>B. Meeting | C. Meeting | Commission (in Rs.) |
|---------------------------|-------------------------------------|------------|---------------------|
| Shri Harkishon N. Udani   | 14,000/-                            | 6,000/-    | Nil                 |
| Shri Hasmukhlal S. Parikh | 10,000/-                            | 4,500/-    | Nil                 |
| Shri Yeshwant R. Shah     | 16,000/-                            | 6,000/-    | Nil                 |
| Shri Suman B. Shah        | 12,000/-                            | Nil        | Nil                 |
| Shri Mahendra S. Shah     | 12,000/-                            | 4,500/-    | Nil                 |