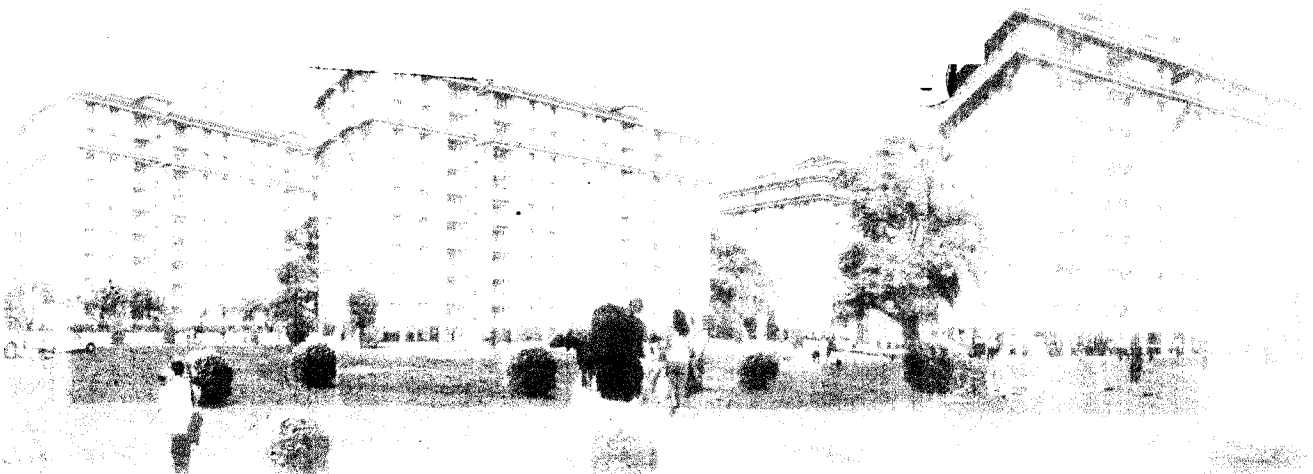


Annual Report 2004 - 2005

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PRIME





Multi-storied residential complex project is in progress



PRIME TEXTILES LIMITED**Annual Report 2004-05****BOARD OF DIRECTORS****SHRI MADANLAL PATODIA**

Chairman

SHRI PURUSHOTTAM PATODIA

Vice Chairman & Managing Director

SHRI MANOJJKUMAR PATODIA

Managing Director

SHRI ANUJ K. PATODIA

Executive Director

SHRI B. RAJAGOPAL

(Nominee of IDBI till 09.03.2005)

SMT. MINNU THOMAS

(Nominee of IDBI from 09.03.2005)

SHRI N.K. BAFNA**SHRI BANWARILAL SINGHAL****SHRI CHANDULAL D. THAKKER****SHRI S. RENGASAMY****MESSRS. M.S. JAGANNATHAN & VISVANATHAN**

Chartered Accountants, Coimbatore

MESSRS. RAMANI & SHANKAR

Advocates, Coimbatore

CENTRAL BANK OF INDIA**BANK OF INDIA****CANARA BANK****EXPORT - IMPORT BANK OF INDIA****COMPANY SECRETARY****AUDITORS****LEGAL ADVISORS****BANKERS****REGISTERED OFFICE**

110, Avinashi Road

Gandhinagar Post

Tirupur-641 603 (India)

PRIME TEXTILES LIMITED

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The Quality Advantage

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Sixty Eighth Annual Report and the Audited Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS AT A GLANCE

	Year ended March 31, 2005 Rs.lacs	Year ended March 31, 2004 Rs.lacs
Turnover and other Income	12,074	12,478
Profit before Interest, Depreciation & Tax	1,159	1,344
Interest	583	720
Depreciation	429	409
Profit before Tax	147	215
Provision for Current Tax	(8)	0
Provision for Deferred Tax	118	(62)
Profit After Tax	257	153
Transfer from Debenture Redemption Reserve	0	250
Transfer from Capital Reserve	0	396
Surplus brought forward from previous year	137	40
Amount Available for appropriation	394	839

APPROPRIATIONS

Proposed Dividends:

On Equity Shares	34	34
On Preference Shares	12	12
Tax on Distributed Profits	6	6
Transfer to General Reserve	200	650
Surplus carried over to Balance Sheet	142	137
Total of appropriations	394	839

DIVIDEND

Your Directors are pleased to recommend a Dividend of 7.50% on 45,48,720 Equity Shares of Rs.10 each absorbing Rs. 34.12 lacs and a Dividend @8% on 1,50,000 8% Preference Shares of Rs.100 each absorbing Rs. 12.00 lacs for the year ended 31 March 2005. The above Dividends, if declared, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. You may please note the fact that the Dividend recommended above is free of tax in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs.6.47lacs.

REVIEW OF OPERATIONS**General**

The end of the global system of quota restrictions on international trade in textiles during the year has prompted the Indian textile manufacturers to consolidate and effect a total re-orientation of the future business. For the country to retain specialization and competitiveness in the upstream textile sector the industry has to move from human-skills intensive sectors to technology and market-driven segments. Pressure is felt in recent months on delivery faster than before of products with enhanced qualities at lower costs. There is a need to run faster to stay in the same place!

Your company has had to strive hard to meet the adjustments resulting from international shifts in markets. The Spinning Division having absorbed latest technological advancements, had to face stiff pressure on its margins. The Garments Division did not register the anticipated growth pattern owing to inflexibility to changing business and market needs.

Your company is now taking a re-look at all dimensions of both the products and the business environment. This strategy evolved will ensure a long-term profitable future for the company.

Property Development

As already reported, your company has stepped into development of its landed properties. With all requisite permissions from the authorities in place, its first project of construction of Residential Flats in Tirupur is in full swing and has evinced keen interest from prospective buyers and business community. In order to render design and construction matching national standards, your company has entered into partnership for design and construction of the Residential Flats with two reputed corporate bodies having skill and technical expertise in the field. The designs in respect of the proposed Commercial Complex are being finalized. Recognising the large retail format driving the realty markets, the Commercial Complex is planned with amusement parks, convention centers, service apartments and hotels.

PRIME TEXTILES LIMITED**CONSOLIDATED FINANCIAL STATEMENTS**

Audited Consolidated Financial Statements for the year ended March 31, 2005 form part of the Annual Report.

SUBSIDIARY COMPANIES

The Reports and Audited Accounts of the subsidiary companies along with the statement pursuant to Section 212 of the Companies Act, 1956, form part of the Annual Report.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company has adopted appropriate standards for good Corporate Governance. All the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with. A Report on Corporate Governance with Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges forming part of the Annual Report is given in Annexure B.

ENVIRONMENT AND POLLUTION CONTROL

Your Company has been complying with the State Environment and Pollution Control statutes and has instituted adequate measures towards environmental protection.

FIXED DEPOSITS

There are no unpaid deposits except the ones matured but remaining unclaimed as on 31.03.2005, since claimed and renewed amounting to Rs. 2.06 lacs (Rs. 1.07 lacs) by three depositors.

LISTING AT STOCK EXCHANGES

The Equity Shares of the Company are listed on the Stock Exchanges at Coimbatore, Kolkata, and Mumbai. The annual listing fees for the year 2004-2005 have been paid to all these Stock Exchanges. The approval for de-listing from the Calcutta Stock Exchange Association is still pending.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data is given in Annexure C. A Cash Flow Statement, as required by Clause 32 of the Listing Agreement with the stock exchanges is forming part of the Notes on accounts.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr Banwarilal Singhal and Mr.N.K. Bafna retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm that

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii. The Accounting Policies adopted are consistently followed and the judgments and estimates made 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 and of the profit of the Company for the year.
- iii. The Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of this Act in safeguarding the assets of the Company and for preventing/detecting any incidence of frauds and other irregularities.
- iv. The Annual Accounts have been prepared on a going concern basis.

COST AUDIT

The reports of M/s.Mahadevan & Co., Cost Accountants, in respect of audit of cost accounts of the Company for the year ended March 31, 2005 will be submitted to the Central Government within the stipulated time limit.

AUDITORS

The statutory auditors of the Company, Messrs M.S.Jagannathan & Visvanathan, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of Employees referred to in sub section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure A, forming part of this report.

ACKNOWLEDGEMENTS

Your Directors record with a deep sense of gratitude the excellent support and cooperation rendered by all stakeholders including financial institutions, bankers and business associates. The Directors thank the State and the Central government offices for various assistances rendered to the Company. The Directors take this opportunity to record their appreciation the commitment and dedication of the employees at all levels.

For and on behalf of the Board of Directors

Place : Kolkata
Date : 18.06.2005

Madanlal Patodia
Chairman

ANNEXURE A

Particulars of employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder forming part of the Directors' Report.

S.I. No.	Name	Age	Designation	Nature of Duties	Remuneration Rs. in lacs	Qualification & Experience	Date of Commencement	Last employment held
A. Employees who worked throughout the accounting year and whose remuneration aggregating Rs. 24,00,000 or more per year								
	Shri. Purushottam Patodia	65	Vice Chairman & Managing Director	Management of the affairs of the Company	32.38	B.Com (43 Years)	20.10.1989	GTN Textiles Ltd

B. Employees who worked during part of the accounting year and whose remuneration aggregating Rs. 2,00,000 or more per month;
None

Notes :

1. Nature employment; Contractual
2. The remuneration includes Salary, Companys' contribution to Provident, Medical Expenses and other perquisites evaluated as per Income Tax Rules, wherever necessary.
3. Shri. Purushottam Patodia is related to Shri. Madanlal Patodia, Chairman and Shri. Manoj Kumar Patodia, Managing Director, Shri. Anuj K. Patodia, Executive Director and Smt. Indiradevi Patodia, Sales Executive of the Company.

For and on behalf of the Board

Place : Tirupur
Date : 18.06.2005

Madanlal Patodia
Chairman

PRIME TEXTILES LIMITED**ANNEXURE B****Management's Discussion and Analysis****OVERVIEW**

Prime Textiles Limited is a Government Recognised Export House, accredited to the ISO-9001 : 2000 Quality Standards and the Oeko Tex Standard-100. The Company has an eco-friendly Spinning Unit, and a Knitted Garments Unit situated at Tirupur. It has a Post-spinning Unit near Satyamangalam for carrying out value-addition processes of TFO twisting and singeing.

The year under report has been a period of consolidation of its strengths, enabling it to re-orient for overall performance improvement. The hall marks of the year have been assertive marketing efforts, addition of value-added processes as part of technological advancement in spinning, focus on increasing efficiency levels and implementation of effective cost control measures. The turnover registered a drop by 3.24% at Rs1,203 million. The net profit after tax was at Rs. 25.69 million (previous year Rs. 15.26 million) after adding the impact of Deferred Tax at Rs. 11.76 million provided as mandated by the Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

Towards enhancement of stakeholder value**Measures During The Year**

The company has implemented Four phases of modernization cum expansion in Spinning and Garment Unit and setting up a new manufacturing unit at Netaji Apparel Park, near Tirupur. These phase of modernisation cum expansion will result in-

- * Spinning facilities to produce world class yarns
- * increase in spindleage capacity for optimizing output at all levels
- * Additional preparatory facilities
- * Additional value-addition processes to match customer requirements
- * Increase in captive generation capacity and increasing machinery efficiencies
- * Vertical expansion into both knitted and woven garments

As a consequent to the increased automation on machine floor, the Company has offered Second Scheme of VRS for downsizing its labour requirement. The Scheme is implemented in staggered manner so as not to adversely affect the plant working.

Technology absorption**First Phase under TUFS completed**

The company has implemented a modernisation programme allowing it for absorption of latest technology in its production lines, increased capacity for value-added processes and for expansion of knitted garment capacities, replacement of worn out spinning machineries with the latest machines and reinforced the pre-spinning and post-spinning capacities. The Industrial Development Bank of India with a term loan of Rs.100 million funded the project under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.141.50 million.

Second Phase under TUFS completed

With the thrust towards equipping the Company to confidently meet the post-MFA era by enhancing the existing levels of process know-how, technology absorption and operational skills, the Company has implemented the second modernisation programme. The Industrial Development Bank of India with a term loan of Rs.55.00 million funded the project under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.97.50 million.

Third Phase under the TUFS completed

As a logical extension of the earlier two phases, this phase allowed the Company in absorbing latest technological advancement in post-spinning value-addition process to meet the requirements in export markets. Central Bank of India has funded with a term loan of Rs.24.50 million under the Technology Upgradation Fund Scheme to meet a project outlay of Rs.31.57 million.

Fourth Phase under TUFS under implementation

The Phase 4 of modernization cum expansion under TUFS Norms is under implementation. This Phase contemplates establishment of a Garment manufacturing unit at Netaji Apparel Park, and marginal expansion of the Spindle Capacity in the Spinning Unit, apart from additional value-addition processes. The Phase expects to bring the right kind of integration to meet overseas demands with increased production of value-added products, create niche markets for new products and for benchmarking with competitors in the international arena.

Due to changes witnessed in the post-quota regime, the Company is planning to re-orient its approach towards expanding the Garments Manufacturing Capacity, although it has paid for the ownership of the Factory Building at Netaji Apparel Park. State Bank of Patiala and State Bank of Hyderabad have jointly funded the Project with a term loan assistance of Rs.20 crores to meet the project outlay of Rs. 25.21 crores.

Cost of Finance

The company has been able to swap high cost debts with low cost ones matching the coupon rates prevailing at the time. It has pruned the cost of working capital advances. Further efforts are under way in further pruning the cost of finance.

The sum total of these strategic moves is enhancement of the stakeholder value.

BUSINESS ANALYSIS

Segment Analysis

The Company has cotton textiles as a single segment. It has a Spinning Unit manufacturing cotton yarns and a Knitted Garments Unit manufacturing cotton knitted garments.

Cotton yarn continues to be the key business of the company. The Yarn Division of the Company comprises of (1) Manufacturing Division (MFD) deals with its own production of cotton yarns and (2) Outsourced Yarns Division (OYD) taking up processing of outsourced yarns. OYD also caters for exports of yarns in product ranges where the in-house manufacturing capacities are not adequate.

The Garments Division with its own manufacturing facilities, caters to both domestic and export markets.

Review of Operations

The performance during the year under review has mainly been the result of effective cost control measures, improved floor-level workings and sustained marketing efforts creating a niche for the products in overseas markets.

The company continued its focus on the exports. Time-honored marketing strategy of quality assurance as the key word for customer satisfaction, it has been able to create a sustainable demand in quality-conscious countries such as Italy, South Korea, Germany, Japan, U.K. and the U.S.A. The underlying focus of the company is customer-centric in every of its operations.

Market Outlook

As on date of this report, competitive pressures are building up in the importing countries. The principle factor that is affecting trade in yarn and textiles has been the pressure on prices and margins in the immediate aftermath of opening up of markets. The apparel industry also has been divided into two key segments with different characteristics; i) a vibrant and growing upmarket fashion segment and ii) a relatively stagnant, low priced and standardized segment. The garments sector in India has traditionally adopted the relatively stagnant, low priced and standardized segment involving higher marketing and selling efforts apart from considerations of quality and timeliness of delivery. Alert to the emerging patterns in trade, your company is open to re-orient its long term strategy accordingly. Towards delivering enhanced value to shareholders in the years to come, Prime will continue to strengthen its operations so as to meet requirements of customers and for a product range offering better margins.

Financial Review And Analysis

Highlights

Year ended 31 st March	2005 Rs.lacs	2004 Rs.lacs	Percentage of Y-0-Y change
Net Turnover	12,030	12,434	(3.24%)
Other income	44	44	0%
PBITD	1,159	1,344	(13.76%)
Interest	583	720	(19.03%)
Depreciation	429	409	4.88%
Profit before taxes	147	215	(31.63%)
Prior period adjustments	--	--	--
Current tax	8	--	--
Deferred Tax	(118)	62	--
Profit after tax	257	153	67.97%

PRIME TEXTILES LIMITED**Turnover**

Gross revenues have dropped by 3.24% compared to previous year.

Income Tax

Deferred tax relating to the current year stands charged against current revenues of the Company.

Return on Capital Employed

Particulars for year ended 31 st March	2005 Rs.lacs	2004 Rs.lacs
Net Fixed Assets (sans Revaluation)	6,191	5,961
Net Current Assets	5,036	4,751
Capital Employed	11,227	10,712
PBIT (Excluding Profit on Sale of Assets)	731	934
ROCE	6.51%	8.72%

Internal Control

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

An extensive programme of internal audits supplements the Internal Control, review by management and documented policies, guidelines and procedures. The Internal Control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets. The Board of Directors provides governance, guidance, and oversight. Through the Audit Committee, it discusses the internal control structure with management based on input from the internal and independent auditors and provides oversight as necessary.

The internal audit function adequately provides

- objective assurance to the Board as to the effectiveness of the company's risk management and internal control framework;
- assistance to the Board and the management to issues connected with the design, implementation, and operation of systems of internal control; and,
- assistance to the Board through periodic reporting to support their review of effectiveness of internal control.

Delivering Enhanced Value To Stakeholders

The Indian textiles and clothing sector having fully integrated into the WTO/GATT, those companies that adapt first to the challenges of the new market will be better placed to secure their market position. Pure economic performance and well-managed competitive advantages will count more than ever. This is the positioning your company has been working for since last few years !

Cautionary Note : The Statement in this section describing the company's objectives, projections, estimates, expectations or predictions may be construed as "forward-looking statements" within the meaning of the applicable statutes relating to securities. Actual results could differ even materially from those expressed or implied.