

RAGHUVIR SYNTHETICS LIMITED

NR. GUJARAT BOTTLING, RAKHIL ROAD, RAKHIAL,
AHMEDABAD – 380 023. (INDIA)
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22ND ANNUAL REPORT

2003-2004

FOR, RAGHUVIR SYNTHETICS LIMITED


DIRECTOR/AUTHORISED SIGNATORY

NOTICE

Notice is hereby given that the Twenty second Annual General Meeting of the Company will be held on Thursday, 30th September, 2004 at 4.00 P.M. at Kashiram Agarwal Bhavan, University Road, Ahmedabad to transit the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as 31st March, 2004 and the Profit and Loss account for the year ended on the date alongwith the Auditor's Report and Director's Report thereon,
2. To appoint a Director in place of Shri Mangesh H. Agarwal who retire by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri Sushil H. Agarwal who retire by rotation and being eligible, offer himself for re-appointment.
4. To appoint auditors and fix their remuneration.

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 THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Register shall remain closed from Thursday, 16th September 2004 to 30th September, 2004 (both days inclusive).
3. Members are requested to notify immediately and change in address to the Company quoting their folio number.

Regd. Office :
Rakhial Road, Rakhial
Ahmedabad - 380 023.

BY ORDER OF THE BOARD OF DIRECTORS



Raghuvirprasad R. Agarwal
CHAIRMAN

Place : Ahmedabad
Date : - 2 SEP 2004

RAGHUVIR SYNTHETICS LIMITED

Rakhial Road, Ahmedabad - 380 023.

DIRECTORS' REPORT

To
The Members
RAGHUVIR SYNTHETICS LIMITED
Ahmedabad.

Your Directors take pleasure in presenting the Twenty-second Annual Report and Statement of Account of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

| | (Rs. In Lacs) | |
|--|------------------|------------------|
| | 2003-2004 | 2002-2003 |
| Profit before Interest, Depreciation and Tax | 198.15 | 214.41 |
| Interest | 21.26 | 65.20 |
| Depreciation | 118.02 | 113.62 |
| Income-tax : | | |
| - Current | 4.75 | 2.50 |
| - Deferred | 19.86 | (11.84) |
| Profit/(Loss) after tax | 34.26 | 44.93 |
| Prior period adjustment (Net) | -- | 7.37 |
| Balance brought forward from last year | 122.11 | 84.55 |
| Balance Carried forward | 156.37 | 122.11 |

DIVIDEND

With a view to conserve the resources, your directors do not recommend any dividend.

OPERATIONS

During the year under review, your company has earned profit of Rs 34.26Lacs as compared to profit of Rs. 44.93 Lacs during the previous year. We hope to perform better in the current year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of Annual Accounts, the applicable accounting standard had been followed along with proper explanation relating to material departure.
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are responsible and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and the profit of the company for the year.
- the Directors had taken proper and sufficient care 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.
- the Directors have prepared the annual accounts on a going concern basis.

ISO 9001

The company has maintained ISO 9001 : 2000 Certification confirming company's commitment for quality of its products and strengthening its internal control system.

SUBSIDIARY

The audited statements of accounts along with the report of the Board of Directors of Raghuvir Exim Limited, and the Auditors' Report thereon for the year ended 31st March, 2004, is annexed to this report as required under section 212 of the Companies Act, 1956. Further, as required under clause 32 of the Listing Agreement, the consolidated financial statements have been prepared in accordance with the Accounting Standard 21 and are presented in the Annual Report.

FIXED DEPOSITS

The company has not accepted any deposits from public.

INSURANCE

The company's properties, including buildings, plant and machinery, stocks, stores, etc. are adequately insured against all risks.

BOARD

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Mangesh H. Agarwal and Shri Sushil H. Agrawal due to retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their appointment.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the stock Exchange, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Reports.

MANAGEMENT DISCUSSION AND ANALYSIS :

(a) Industry structure and Development:

The textile industry in India is on a comeback track aided by favourable Government policies and the boost to exports expected to accompany with the dismantling of the quota regime in 2005. This has spurred fresh investment for modernization and expansion of existing facilities. The domestic market has been picking up with the emergence of a growing segment of consumers looking for high quality products. The market till now was dominated by low price, low quality products from the unorganized sector.

(b) Review of Operation:

During the year 2003-04, the company registered sales of Rs. 4260.59 lacs compared to Rs. 3316.78 lacs during the previous year.

(c) Opportunities and Threats:

The opening up of the world markets consequent to the WTO agreement falling into place will bring many opportunities. Yet it increase the need to be globally competitive. The Company will continually upgrade its manufacturing processes with the latest technologies so as to retain competitiveness. Your Company plans to exploit this opportunity through a disciplined policy of long term investment growth, thereby achieving higher returns and enhancing shareholder value. With the opening of global markets, the threat of cheaper imports and its consequent pressure on the domestic prices is perceived as a business risk. To mitigate this, the Company is increasing economies of scale, modernization and through various cost-reduction measures, maintaining a competitive cost structure. The Company has a competitive edge with abundant raw material availability, low cost skilled labour and a large growing domestic industry.

(d) Risk and Concerns:

Risks remain an integral part of the business. The Company firmly believes in recognizing the risks associated with normal business so as to mitigate their impact on the business outcome. The Company encourages its employees to undertake calculated risk ventures to maximize shareholders' wealth.

The input of the Company have cyclical and seasonal fluctuation associated with them. The products are available at economical rates during the peak season and the Company is forced to carry the same based upon the anticipated cost-benefit analysis.

(e) Outlook:

The growth potential is huge in this sector with the global textile industry is likely to grow from US\$ 309 billion to US\$856 billion by 2014. If the Indian industry is to take advantage of this growth, certain measures need to be taken including the creation of sustainable competitiveness in the EU textile and clothing sectors, developing global competitiveness within the country and improving market access in the Third world countries. The Indian textile industry, with a large and diverse base, accounts for nearly 14% of the country's total industrial production and about 25% of its export earnings. Whereas textiles form a significant part of India's exports, it remains a negligible player in total international trade. The average Rupee realization is much lower in the case of Indian exports due to lower value addition.

(f) Industrial Control System:

The company has adequate internal control system commensurate with its size and nature of business and suitable internal control procedures, optimum resource monitoring thereof and compliance with applicable laws.

(g) Human Resources:

The company's strength lies in the human resources. The company recognises the fact that the human resources represent the most valuable capital of the company. The company constantly reviews its organisation structure and carries out changes to make it lean and flexible. Industrial relations climate continue to be cordial and the company believes in resolving any outstanding issues through discussions.

AUDITORS

M/s. G.K. Choksi & Co., Chartered Accountants, Ahmedabad, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their reappointment.

PARTICULARS PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956.

A Statement giving information as required by Section 217 (1) (e) read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules 1988, is annexed to this Report.)

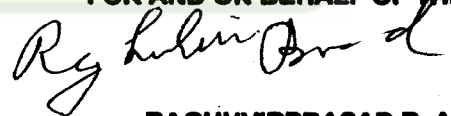
PARTICULARS OF EMPLOYEES

There were no employees drawing remuneration of Rs. 24,00,000 or more, employed throughout the year or Rs. 2,00,000 or more per month employed for a part of the year and hence particulars pursuant to Section 217(2A) of the Companies Act, 1956 is not given.

ACKNOWLEDGEMENT

The Directors sincerely express their deep appreciation to Employees at all levels, Bankers, Customers and Shareholders for their sustained support and co-operation and hope that the same will continue in future.

FOR AND ON BEHALF OF THE BOARD



RAGHUVIRPRASAD R. AGARWAL
Chairman

Place: Ahmedabad.

Date: -12 SEP 2004

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004.

A. CONSERVATION OF ENERGY

The Company endeavors to conserve energy wherever possible.

Power and Fuel Consumption:

| | 2003-2004 | 2002-2003 |
|---|-----------|-----------|
| 1. Electricity : | | |
| Purchased Units (KWH '000) | 3274 | 2995 |
| Total Cost (Rs. In Lacs) | 137.74 | 122.77 |
| Rate per Unit (Rupees) | 4.20 | 4.10 |
| Consumption [in Units (per unit of production)] | 0.124 | 0.142 |
| 2. Coal and Wooden Dust : | | |
| Quantity Consumed (M.T.) | 13632 | 11997 |
| Total Cost (Rs. In Lacs) | 183.10 | 152.78 |
| Rate per M.T. (Rupees) | 1343.16 | 1273.51 |
| Consumption [in Kgs. (per unit of production)] | 0.518 | 0.569 |

B. TECHNOLOGY ABSORPTION:

The Company does not use any imported technology in its manufacturing operations.

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C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

| | | | |
|------|--|---------|---------|
| (i) | Total Foreign Exchange Used (Rupees) | 1158469 | 1856966 |
| (ii) | Total Foreign Exchange Earned (on F.O.B. Basis) (Rupees) | -- | -- |

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

(Annexure to Directors' Report)

Pursuant to clause 49 of the Listing Agreement, your Directors present below a detailed Report on corporate Governance:

1. Company's Philosophy

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the company in the efficient conduct of its business and in meeting obligation to stake holders and is guided by a strong emphasis on transparency, accountability and integrity. The Company has adopted a codified Corporate Governance Charter, in which the best practice, as well as meets all the relevant legal and regulatory requirements.

2. Board of Directors:

Composition of the Board of Directors:

The Present strength of board of Directors is 6 of which 4 Directors are Non executive Directors Including chairman. The Non executive Directors bring statutory and wider perspective in the Board's Deliberation and decisions. Two Directors are Independent Directors.

| Name of the Director. | Category of Directorships | No. of directorships in other Companies | No. of board committee of which Member/ Chairman |
|---------------------------|-------------------------------|---|--|
| Raghuvirprasad R. Agarwal | Executive Non-Independent | 3 | Nil |
| Kamlesh R. Agarwal | Non-Executive Non-Independent | 3 | 2 |
| Sunil R. Agarwal | Executive Non-Independent | 3 | Nil |
| Girish R. Agarwal | Non-Executive Non-Independent | 3 | Nil |
| Mangesh H. Agarwal | Non-Executive Independent | Nil | 2 |
| Sushil H. Agarwal | Non-Executive Independent | Nil | 2 |

Attendance of each Director at Board Meeting and the last annual general meeting:

Nine Board Meetings were held during the financial year 2003-2004. The composition of Directors and the attendance at the Board Meeting during the year 2003-2004 and last Annual General Meeting :

| Name of Director | Category of Directorship | No. of Board Meeting held | No. of Board Meetings attended | Attendance at Last AGM |
|---------------------------|--------------------------|---------------------------|--------------------------------|------------------------|
| Raghuvirprasad R. Agarwal | Chairman | 14 | 14 | Y |
| Kamlesh R. Agarwal | Director | 14 | 14 | Y |
| Sunil R. Agarwal | Managing Director | 14 | 14 | Y |
| Girish R. Agarwal | Director | 14 | 14 | Y |
| Sushil H. Agarwal | Director | 14 | 14 | Y |
| Mangesh H. Agarwal | Director | 14 | 14 | Y |

Number of Board Meetings held during the financial year and the dates of the Board Meetings:

| Board Meeting | Date | Board Meeting | Date |
|---------------|------------|---------------|------------|
| 1 | 30/04/2003 | 8 | 30/10/2003 |
| 2 | 14/06/2003 | 9 | 02/12/2003 |
| 3 | 30/06/2003 | 10 | 27/12/2003 |
| 4 | 30/07/2003 | 11 | 30/01/2004 |
| 5 | 16/08/2003 | 12 | 28/02/2004 |
| 6 | 01/09/2003 | 13 | 17/03/2004 |
| 7 | 29/09/2003 | 14 | 27/03/2004 |

3. Audit Committee:

The terms of reference of Audit Committee are as per SEBI guidelines, Financial Institutions Guidelines and Companies Act, 1956. The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

Responsibilities of the Audit Committee

- To provide an open avenue of communication between the independent auditors, internal auditors, and the Board of Directors (BOD).
- To oversee the work of the independent auditors for the purpose of preparing or issuing an audit report or related work.
- To consider and review the adequacy of internal control including computerized information system controls and security; and related findings and recommendations of the independent auditor and internal auditor together with the management's responses.
- To review and discuss with the management and the independent auditors, the annual audited financial statements and quarterly audited / un audited financial statements, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and of Results of Operations"
- To conduct a post – audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors.
- Review, in conjunction with counsel, any legal matters that could have a significant impact on the company's financial statements.
- Report periodically to the Board of Directors on significant activities.

The committee oversees the work carried out in the financial reporting process by the management, including the internal auditors and the statutory auditors and notes the processes and safeguards employed by each.

The committee has recommended to the Board the re-appointment of Chartered Accountants, as the statutory and independent auditors of the company for the fiscal year ending March 31, 2005, and that necessary resolution for appointing them as Auditors be placed before the shareholders.

The Constitution of the committee and the attendance of each member of the committee is given below:

| Name | Designation | Non Executive/ Independent | Committee Meetings Attended |
|--------------------|-------------|-------------------------------|--------------------------------|
| Mangesh H. Agarwal | Chairman | Independent | 4 |
| Sushil H. Agawal | Member | Independent | 4 |
| Kamlesh R Agarwal | Member | Non Executive | 4 |

Four Meeting were held during the financial year 2003-2004 on following days:

| Meeting | Date | Meeting | Date |
|---------|------------|---------|------------|
| 1 | 28/06/2003 | 3 | 20/10/2003 |
| 2 | 23/07/2003 | 4 | 25/01/2004 |

By invitation Shri Nimesh Shah,
Senior Audit Manager.
G. K. Choksi & Co. (Statutory Auditors)

4. Remuneration Committee

Being a Non Mandatory requirement the remuneration committee has not been constituted for the time being. All decisions on remuneration to executive directors are taken by the Board of Directors and approved by the shareholders at the general meeting.

The details of remuneration paid / payable to the directors for the year 2003-04 are as under:

| Name of the Director | Salary & Perquisites Amount (Rs.) | Commission Amount (Rs.) | Total Amount (Rs.) |
|---------------------------|---|----------------------------|-----------------------|
| Raghuvirprasad R. Agarwal | 84240 | Nil | 84240 |
| Sunil R. Agarwal | 372600 | Nil | 372600 |

5. Shareholder Cum-Investor Grievance Committee:

The Share Transfer Cum Investor Grievance Committee has been constituted to administer the following activities:

- Transfer of shares
- Transmission shares
- Issue of Duplicate Share Certificates
- Change of Status
- Change of Name
- Transposition of Shares
- Sub-Division of Share Certificates
- Consolidation of folios
- Shareholders' requests for Dematerialisation of shares
- Shareholders' requests for rematerialisation of shares