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RAJ RAYON LIMITED

**11TH
ANNUAL REPORT
2003-2004**

RAJ RAYON LIMITED

BOARD OF DIRECTORS	:	SHRI GOURISHANKAR PODDAR	<i>Chairman & Managing Director</i>
		SMT. RAJKUMARI KANODIA	<i>Director</i>
		SHRI JAGDISH CHANDRA SOMANI	<i>Director</i>
		SHRI PANKAJ AGRAWAL	<i>Director</i>
PRESIDENT FINANCE & COMPANY SECRETARY	:	MR. PRADEEP KUMAR AGRAWAL	
AUDITORS	:	M/S. R. S. AGRAWAL & ASSOCIATES	
		CHARTERED ACCOUNTANTS	
BANKERS	:	STATE BANK OF INDIA	
REGISTERED OFFICE	:	3A/205, Mittal Industrial Estate	
		Saki Naka, Andheri (E),	
		Mumbai 400 059.	
WORKS / FACTORY TEXTURISING UNITS	:	1. SURVEY NO. 272/1/1	
		Village : Dadra	
		Dist. : Silvassa	
		Dadra & Nagar Haveli (U.T.)	
		2. SURVEY NO. 185/1/1	
		Plot No. 17	
		Village : Amli	
		Dist. : Silvassa	
		Dadra & Nagar Haveli (U.T.)	
		3. SURVEY NO. 259/12	
		Village : Dadra	
		Dist. : Silvassa	
		Dadra & Nagar Haveli (U.T.)	
POY PLANT (Proposed)	:	4. SURVEY NO. 177/1/3 & 4,	
		Village : Surangi,	
		Dist. : Silvassa	
		Dadra & Nagar Haveli (U.T.)	

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NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of RAJ RAYON LIMITED will be held on Thursday the 30th September, 2004 at 1.00 P.M. at Sudarshan Hotel, A. K. Road, Saki Naka, Andheri (East), Mumbai-400 072 to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March 2004, Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a director in place of Smt. Rajkumari Kanodia, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Messers R. S. Agrawal & Associates, Chartered Accountants, the retiring Auditors of the Company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT Pursuant to the provisions of section 94(1)(a) of the Companies Act 1956 and other applicable provisions if any, the Authorised share capital of the Company be and is hereby increased from Rs.9,00,00,000 (Rupees Nine Crore Only) divided into 90,00,000 Equity shares of Rs.10/- each to Rs.18,00,00,000/- (Rupees Eighteen Crore Only) divided into 1,80,00,000 Equity shares of Rs.10/- each."

"RESOLVED FURTHER THAT in clause V of the Memorandum of Association of the Company in place of first paragraph following paragraph be substituted:-

The Authorised Share Capital of the Company is Rs.18,00,00,000/- (Rupees Eighteen Crore Only) divided into 1,80,00,000 (One Crore Eighty Lacs) Equity shares of Rs.10/- (Rupees Ten) each."

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as an special resolution:

"RESOLVED THAT pursuant to the provisions of section 31 (1) of the Companies Act 1956, the existing Article No.3 of the Articles of Association of the Company be and is hereby substituted by the following New Article:-

The Authorised Share Capital of the Company is Rs.18,00,00,000/- (Rupees Eighteen Crore Only) divided into 1,80,00,000 (One Crore Eighty Lacs) Equity shares of Rs.10/- (Rupees Ten) each.

The Company shall have power to increase, consolidate, subdivide, reduce or otherwise outsets share capital subject to the provisions of the Companies Act,1956."

By order of the Board of Directors.

Place : Mumbai
Date : 31st July, 2004

PRADEEP AGRAWAL
President Finance &
Company Secretary

RAJ RAYON LIMITED

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 of the Company. The instrument appointing Proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Annual General Meeting.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should bring the Attendance slip send herewith duly filled in for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except holidays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
8. (a) The Company has already notified closure of Register of Members and Transfer Books thereof from 24th September 2004 to 30th September, 2004 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares. In respect of shares held in Electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
- (b) The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 30th September, 2004.
- (c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrants for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centres/branches. The members are, therefore, advised to en-cash Dividend Warrants within the initial validity period.
9. (a) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole/First joint holder, the following information to be incorporated on the Dividend Warrants:
 - (i) Name of the Sole/First joint holder and the Folio Number.
 - (ii) Particulars of Bank Account, viz.:
 - (a) Name of the Bank
 - (b) Name of Branch
 - (c) Complete address of the Bank with Pin Code Number
 - (d) Account type, whether Savings (SB) or Current Account (CA)
 - (e) Bank Account number allotted by the Bank
 - (b) Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.**
10. There was no unclaimed dividends declared upto the financial year ended 31st March, 1995 as such Company has not transferred any fund to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978.

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11. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

The Company has not declared any dividend for the year ended 31st March, 1996 as such there was no unclaimed dividend for the year ended 31st March, 1996 for transfer to the IEPF.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below.

Financial Year ended	Date of declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31-03-2003	29-8-2003	28-8-2010	28-9-2010

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s)/Demand Draft by writing to the Company or Registrar & Transfer Agent immediately.

12. Non-Resident Indian Shareholders are requested to inform M/s. Intime Spectrum Registry Limited immediately:
- The change in the Residential status on return to India for permanent settlement.
 - The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
13. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board resolution authorising their representatives to attend and vote at the Annual General Meeting.
14. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form, Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s. Intime Spectrum Registry Limited.
15. **Re-appointment of Directors:**
At the ensuing Annual General Meeting, Smt Raj Kumari Kanodia retire by rotation and being eligible offer herself for reappointment. The information or details pertaining to said Director to be provided in terms of Clauses 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The Explanatory Statement for item Nos.5 to 6 of the accompanying Notice set out hereinabove is as under:

Item No.5 & 6

The company's authorised share capital at present is Rs.9,00,00,000/- (Rupees Nine Crore Only) divided into 90,00,000 Equity shares of Rs.10/- each. To part finance its backward integration project to manufacture POY to be located at new site at Survey No.177/1/3 & 4, Village Surangi, Dadra & Nagar Haveli (U.T.), Silvassa-396230 company has decided to issue right shares to existing share holders.

Therefore to enable the Company to issue equity shares it is proposed to increase Authorised share capital of the Company from Rs.9,00,00,000/- (Rupees Nine Crore Only) divided into 90,00,000 Equity shares of Rs.10/- each to Rs.18,00,00,000/- (Rupees Eighteen Crore only) divided into 1,80,00,000 Equity shares of Rs.10/- (Rupees Ten) each, and consequently alteration in Memorandum of Association & Articles of Association of the Company are proposed.

The members are requested to consider and approve the resolutions.

None of the Directors are concerned with or interested in the Resolutions.

By order of the Board of Directors,

Place : Mumbai
Date : 31st July, 2004

PRADEEP AGRAWAL
President Finance &
Company Secretary

RAJ RAYON LIMITED

Corporate Governance Report

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

1. Company's Philosophy on Code of Governance

Raj Rayon Limited believes that good Corporate Governance is essential to achieve long-term corporate goals and to enhance stakeholders' value. In this pursuit, your Company's philosophy on Corporate Governance is guided by a strong emphasis on transparency, accountability and integrity and has been practicing the principles of Corporate Governance over the years.

2. Board of Directors

The Board of Directors has a mix of Executive and Non-executive Directors. The Board comprises of one Whole-time Director – the Chairman & Managing Director and three Non-executive Directors. Two out of the three Non-executive Directors are independent Directors.

All the Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

During the financial year 2003–2004, fourteen Board Meetings were held on 16-4-2003, 30-4-2003, 31-5-2003, 30-6-2003, 31-7-2003, 16-8-2003, 30-8-2003, 15-9-2003, 31-10-2003, 06-11-2003, 25-11-2003, 27-12-2003, 31-1-2004 and 04-3-2004.

The last Annual General Meeting of the Company was held on 29th August 2003 and an Extra-Ordinary General Meeting (EGM) was also held on 6th December 2003.

The composition of the Board as on 31st March 2004 and other relevant details relating to Directors are given below:

Name of Director	Category	No. of other Directorships	No. of outside memberships of other Board Committee	No. of outside Board Committee of which the Director is a Chairperson	No. of Board Meetings attended	Attendance at last AGM	Attendance at last AGM
Mr. Gounishankar Poddar	Executive	1	-	-	14	Present	Present
Mrs. Rajkumari Kanodia	Non-executive	-	-	-	14	Absent	Absent
Mr. Parkaj Agrawal	Non-executive	-	-	-	14	Absent	Absent
Mr. Jagdish Chandra Somani	Non-executive	-	-	-	14	Present	Absent

Brief resume of the director being re- appointed at the ensuing Annual General Meeting, nature of her expertise in specific functional area and names of the company in which she hold directorship and the membership of the committees of the Board are furnished hereunder:

Smt. Raj Kumari Kanodia is 45 years of age and is an Executive of Yashvi Yarns Limited. Her experience in textile line is helpful to the company. She is also a member of the Audit Committee & Shareholders'/Investors' Grievance and share transfer Committee of the Board. Smt. Kanodia is neither director nor member of the committees of the Board of any other company.

3. Audit Committee

The Audit Committee consists of three Non-executive Directors out of which two are independent Directors. The Members of the Committee are well versed in finance matters, accounts, company law and general business practices.

The terms of reference of the Audit Committee include:

- To review financial statements and pre-publication announcements before submission to the Board.
- To discuss and review of the internal audit report / observations and the report of the external auditors and ensure the compliance of the internal control system.
- To apprise the Board on the impact of accounting policies, accounting standards and applicable laws and regulations.
- To hold discussions with statutory auditors on the scope and content of the audit.
- To review the Company's financial and risk management policies.

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During the financial year 2003–2004, five Audit Committee Meetings were held on 30-6-2003, 30-6-2003, 31-7-2003, 31-10-2003 and 31-1-2004.

The composition of the Audit Committee as on 31-03-2004 and their attendance to the meeting of the committee is as under:

Sr. No.	Name of the directors	Category	Designation of the committee	No. of Committee Meetings attended
1	Shri Jagdish Chandra Somani	Non-Executive	Chairman	5
2	Shri Pankaj Agrawal	Non-Executive	Member	5
3	Smt Rajkumari Kanodia	Non-Executive	Member	5

Mr. Pradeep Agrawal, the Company Secretary, acts as the Secretary of the Committee.

4. Remuneration of Directors

The Company has no pecuniary relationship or transaction with its non-executive Directors other than payment of sitting fees to them, if any, for attending Board and Committee Meetings.

The Company does not have an incentive plan, which is linked to performance and achievement of the Company's objectives. The Company has no stock option and pension scheme. The Company has not constituted a remuneration committee.

The company has not paid any sitting fees to non -executive directors. The details of remuneration paid to an executive director, Shri Gourishankar Poddar, of the Company during the year ended March 31, 2004 are given as under:

a)	Salary	Rupees in lacs	9.00
b)	Fixed Component – Contribution to Provident Fund	Rupees in lacs	1.08
c)	Bonus, Benefits & Other Allowances	Rupees in lacs	Nil
d)	Service contract	Years	5
e)	Notice Period	Months	3
f)	Severance Fees	Rupees in lacs	Nil

5. Shareholders'/Investors' Grievances and Share Transfer Committee

The Board of the Company has constituted a Shareholder's/Investors' Grievance and Share Transfer Committee comprising of Mr. Jagdish Chandra Somani, (Chairman), Shri Pankaj Agrawal and Smt. Rajkumari Kanodia. The Committee meets at frequent intervals to consider, inter alia, share transfer, issue of duplicate certificates, redressal of shareholders' complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividend etc. The Committee oversees the performance of the Registrar & Transfer Agents, and recommended measures for overall improvement in the quality of investor services. The committee also monitors the prevention of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Mr. Pradeep Agrawal, Company Secretary, is the Compliance Officer.

During the year 2003–2004, twenty -two complaints were received and replied to the satisfaction of shareholders/investors. Outstanding complaints as on 31st March 2004 were Nil. The Company has acted upon all valid share transfers received during the year 2003-2004. No request for transfer and dematerialisation were pending as on 31st March 2004.

6. General Body Meetings

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Date	Location	Time
2000-2001	29-9-2001	Sudarshan Hotel, A. K. Road, Saki Naka, Andheri (East), Mumbai-400 072	1.00 p.m.
2001-2002	30-9-2002	———— Same as above ————	1.00 p.m.
2002-2003	29-8-2003	———— Same as above ————	1.00 p.m.

Location and time where Extra- Ordinary General Meeting (EGM) was held is given below.

Financial year in which the EGM was held	Date	Location	Time
2003-2004	06-12-2003	Sudarshan Hotel, A. K. Road, Saki Naka, Andheri (East), Mumbai-400 072	1.00 p.m.

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Shareholders, by way of postal ballot, approved no resolution.

No Special Resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting.

7. Disclosures

- (a) There are no materially significant related party transactions, which may have potential conflict with the interests of the Company at large. However, attention is drawn to Point No. 5(d) of Schedule 22 to the Accounts.
- (b) The Company has complied with the requirements of regulatory authorities on capital markets and no penalty/stricture was imposed on the Company during the last three years.

8. Means of Communication

The quarterly, half-yearly and full year results were published in Free Press Journal and Navshakti. These were not sent individually to the shareholders. However, the Company furnishes the same on receipt of a request from the shareholders. The Company does not have its website, however financial results and Annual Report are posted at SEBI website www.sebidifair.nic.in. Presentations are made, wherever required, to analysts and institutional investors.

Management Discussion and Analysis Report:

Industry structure, developments, opportunity, threats, segment, outlook, risk & concerns:

The Company is engaged in manufacture of Polyester Texturised Yarn (PTY). The Company is having only one segment "Polyester Texturised Yarn". The per capita consumption of fabric is one of the lowest in the world. Demand for PTY is directly in proportion to the demand for fabric made from PTY. Demand of fabric increases with increase in the disposable income of the population. With increase in GDP and living standard of Indian population, the demand for PTY is expected to grow at an annual growth rate of about 8 to 10%.

PTY is used in the process of weaving of fabric used for suiting, shirting, dress materials, sari, hosiery, knitted fabric, zipper faster, curtain & industrial cloth as also to manufacture fancy yarn for high value dress materials and upholstery.

Important factors, which have been responsible for the rapid growth of the industry during the last two to three decades, are their durability, comparatively cheaper prices. PTY is by far the most popular synthetic fiber in India.

The unorganised sector was largely contributing for PTY for a long time. There is however, a reversal in trend. The organised sector is mainly contributing for the production of PTY due to fast adaptability to new developments in the technology, economy of scale of operation and other reasons like gradual reduction in excise duty, etc.

The outlook for the industry is positive given the size of the opportunity. We are hopeful that through the combination of market development and expansion activity, there will be healthy market growth over the next few years.

Internal control systems and adequacy thereof:

The Company has good internal control systems, to provide adequate assurance of the efficiency of operation and security of its assets. The periodic internal audit and regular meetings of the audit committee of the board of directors who discuss with the auditors and the management regarding issues raised in the audit reports and all the financial matters. With these ongoing initiatives, there is adequate internal control system in the company.

Financial performance:

The discussion on financial performance of the Company is covered in the Directors' Report.

Human resources and industrial relation:

There has been no material development on the Human Resource and company maintained good industrial relations front during the year and number of person employed as on 31st March 2004 were 116.

9. General Shareholder Information

(a) Annual General Meeting

Date and Time	:	30 th September 2004 at 1.00 p.m.
Venue	:	Sudarshan Hotel, A. K. Road, Saki Naka, Andheri (East), Mumbai-400 072

(b) Financial Calendar

The company follows April – March as its financial year. The un-audited results for every quarter beginning from April is declared in the month following quarter except for the last quarter, for which the audited results were declared in June as permitted under the listing agreement.

(c) Date of Book Closure

24th September 2004 to 30th September 2004 (both days inclusive).

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(d) Dividend Payment Date

Dividend will be paid on or after 30th September 2004.

(e) Listing on Stock Exchanges

The Company's shares are listed on The Stock Exchange, Mumbai. & Jaipur

Note: The Company's application to Jaipur Stock exchange for de-listing is pending with the exchange.

(f) Stock Code

The Stock Exchange, Mumbai (physical & demat)

Code: 530699

(g) Market Price Data

(i) The monthly high and low quotations of shares traded on the Stock Exchange, Mumbai is as follows:

Month	Mumbai Stock Exchange (Amount in Rs.)	
	High	Low
April, 2003	3.50	3.05
May, 2003	3.00	3.00
June, 2003	3.60	3.60
July, 2003	12.42	4.32
August, 2003	15.69	10.50
September, 2003	15.50	8.50
October, 2003	8.35	7.68
November, 2003	8.66	7.15
December, 2003	14.87	8.14
January, 2004	23.40	15.61
February, 2004	21.50	15.80
March, 2004	17.85	15.50

(ii) Performance in comparison to BSE Sensex:

Change in BSE Sensex	(+) 83.38%
Change in company's share price	(+) 408.57%
Company's share price in relation to BSE Sensex	(+) 325.19%

(h) Registrars and transfer agents

Intime Spectrum Registry Limited.
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (W), Mumbai-400078.
Phone No. : 2592 3837, 5555 5434

(i) Share Transfer System

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. All valid transfers are processed and affected within 15 days from the date of receipt.

Shares held in the dematerialised form are electronically traded by Depository Participants and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository Participants the beneficiary holdings so as to enable them to update their records and to send all corporate communications, dividend warrants etc.

Physical shares received for dematerialisation are processed and completed within a period of 15 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.