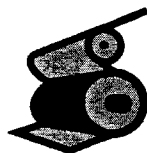


**18<sup>th</sup>**  
**ANNUAL**  
**REPORT**  
**2003-2004**

Report  Junction.com



***Supertex Industries Limited***

**BOARD OF DIRECTORS**

S. S. MISHRA	.. <i>Chairman &amp; Whole Time Director</i>
N. N. PURI	.. <i>Director</i>
B. D. CHHAPARWAL	.. <i>Director (Upto 7/5/2004)</i>
K. P. MARWAHA	.. <i>Director</i>
N. L. MISHRA	.. <i>Managing Director</i>
R. K. MISHRA	.. <i>Dy. Managing Director &amp; Company Secretary</i>
V. K. MISHRA	.. <i>Director (From 19/06/2004)</i>

**AUDITORS**

M. B. AGRAWAL & CO.,  
Chartered Accountants, Mumbai

N. G. THAKRAR & CO.,  
Chartered Accountants, Mumbai

**SOLICITORS**

CRAWFORD BAYLEY & COMPANY,  
Mumbai

**BANKERS**

STATE BANK OF INDIA, Commercial Branch, Mumbai

**REGISTERED OFFICE**

Plot No 45/46, Phase II  
Piperia Industrial Estate  
Silvassa, Dadra & Nagar Haveli

**HEAD OFFICE**

Balkrishna Krupa, 2nd Floor  
45/49 Babu Genu Road  
Princess Street  
Mumbai 400 002

**WORKS**

- Unit I & II : Plot No 45 & 46, Phase II  
Piperia Industrial Estate  
Silvassa, Dadra & Nagar Haveli
- Unit III : 213, Kharvel  
Behind Kharvel Sub-station  
Taluka Dharampur  
Dist. Valsad, Gujarat

**REGISTRARS AND  
SHARE TRANSFER AGENTS**

SHAREX (INDIA) PVT. LTD.  
17/B, Dena Bank Building, 2nd Floor  
Horniman Circle, Fort  
Mumbai 400 001



## Supertex Industries Limited

### NOTICE

The Eighteenth Annual General Meeting of the members of SUPERTEX INDUSTRIES LTD. will be held on Saturday, the 14th August, 2004 at 10.30 a.m. at the Registered Office of the Company at Plot No. 45-46 Phase II, Piperia Industrial Estate, Silvassa (Dadra & Nagar Haveli) to transact the following business :

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2004 and the Audited Profit & Loss Account for the year ended as on that date along with the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Shri N.N. Puri, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors and fix their remuneration.

#### SPECIAL BUSINESS :

4. To consider and pass the following resolution with or without modification (s) as an Ordinary resolution :  
"RESOLVED THAT Shri. Kapil P Marwaha, who was appointed as an additional director of the Company and who holds office under Section 260 of the Companies Act, 1956 upto the date of this meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation".
5. To consider and pass the following resolution with or without modification(s) as an Ordinary resolution :  
"RESOLVED THAT Shri Vijay Kumar Mishra, who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri B.D. Chhaparwal and who holds office upto the date of this Annual General Meeting, and in respect of whom the Company has received a Notice in writing under section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of a director, be and is hereby appointed as a director of the Company, liable to retire by rotation."

By order of the Board,  
**R. K. Mishra**  
Deputy Managing Director & Secretary

Mumbai, 19<sup>th</sup> June, 2004

**Registered Office :**  
Plot No. 45-46 Phase II  
Piperia Industrial Estate  
Silvassa, Dadra & Nagar Haveli.

#### Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 4th August, 2004 to Saturday, the 14th August, 2004 (both days inclusive).
3. M/s. Sharex (India) Pvt. Ltd., 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001 are the Share Transfer Agents of the Company for transfer of shares. You are requested to forward all your share transfer applications or any correspondence relating to the shares of the Company to them directly at the aforesaid address.
4. Members are requested to notify any change in their address to the share transfer agents.
5. Vide SEBI Circular No. SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000, it has been made mandatory for all investors in your Company to settle the trade in demat form with effect from 25th September, 2000.
6. The Explanatory statement in respect of Special business is annexed hereto.

### ANNEXURE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 :

##### Item No. 4

Shri Kapil P Marwaha, an independent and non executive director was appointed by the Board of Directors on 11th March, 2004 and he holds office till the date of this Annual General Meeting. The Company has received a notice in writing u/s 257 of the Companies Act from a shareholder proposing his candidature to be appointed as a director of the Company.

Shri Marwaha was born on 26th July, 1966, is a qualified Chartered Accountant, and was employed with M/s. Bharat S Raut & Co., Chartered Accountants, a member firm of KPMG an international accounting & consulting firm. He was responsible for conducting Transfer Pricing studies for several corporations. At present Shri Marwaha is a consultant to S.P. Jain Institute of Management and Research on projects relating to corporate business and social strategy. His appointment will be in the interest of the Company and the directors commend the same for your approval.

Except Shri Marwaha, no other director of the Company is interested in the proposal.

##### Item No. 5

Shri Vijay Kumar Mishra was born on 21st October, 1969 and is an Associate member of the Institute of Cost & Works Accountants of India and also an M.B.A. from Newport University (USA). He was employed with the Company as Sales Executive upto December, 2003 when he left to pursue his own business of polyester yarn. His appointment will be in the interest of the Company, and the directors commend the same for your approval.

Shri Vijay Kumar Mishra, is son of Shri N. L. Mishra, Managing Director of the Company, and is a relative of Shri S.S. Mishra, Chairman and Shri R.K. Mishra, Deputy Managing Director and thus all of them may be considered interested in this proposal. None of the other Directors is interested.

By order of the Board,  
**R. K. Mishra**  
Deputy Managing Director & Secretary

Mumbai, 19<sup>th</sup> June, 2004

**18<sup>TH</sup>****ANNUAL REPORT 2003 - 2004****DIRECTORS' REPORT****TO THE MEMBERS**

The Directors present herewith the eighteenth Annual Report together with the audited statement of accounts of your Company for the year ended 31st March, 2004.

**Financial Results**

	<b>Year ended 31.03.2004 Rs.in lacs</b>	<b>Year ended 31.03.2003 Rs.in lacs</b>
Loss Before Interest and Depreciation	<b>(64.94)</b>	(16.53)
Add: Interest	<b>4.24</b>	2.26
Loss before Depreciation	<b>(69.18)</b>	(18.79)
Add: Depreciation	<b>127.07</b>	125.73
Loss for the year	<b>(196.25)</b>	(144.52)
Add: Rebates in respect of earlier years	<b>76.45</b>	24.17
Net Loss for the Year	<b>(272.70)</b>	(168.69)
Add: Loss brought forward	<b>(1658.36)</b>	(1489.67)
Loss carried forward	<b>(1931.06)</b>	(1658.36)

The directors regret their inability to recommend any dividend due to the loss as above.

**Working**

The Company could not undertake satisfactory operations during the year mainly due to severe financial constraints. The management's efforts towards arrangement of soft loan did not meet with any success. The situation was also aggravated due to unencouraging market conditions throughout the year, owing to over-production of Polyester Yarn in the country, and cheap imports. The overall production at both the plants was lower by 46%. The Sizing plant was almost lying idle due to lack of working funds.

The Company's reference to the BIFR was rejected. However, the Company has preferred an appeal before the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) against the said rejection. Simultaneously, the Company has also made fresh references to the BIFR based on its audited financial results for the years 2001-02 & 2002-03.

As members are aware, the Financial Institutions and the Bank had called back the loans given by them to the Company, and not being in a position to repay the same, immediately the Company commenced talks for settlement with them. The management is hopeful of completing the settlement during the year. This in turn will also help in arranging fresh working capital finances so sorely needed for the overall performance of the Company.

The margins during the year remained under pressure due to high prices of raw materials, and increasing unhealthy competition from imported yarn, in the local market.

Both the plants, at Dharampur & Silvassa, are well maintained and are producing very good quality production.

**Directors**

Shri N.N. Puri a director of the Company retires by rotation and being eligible offers himself for re-appointment.

Shri B.D. Chhaparwal a director of the Company resigned with effect from 7th May, 2004. Your directors place on record their appreciation for the valuable guidance and support extended by him during his tenure as director.

Shri Kapil P Marwaha was appointed by the Board as a director of the Company under section 260 of the Companies Act and holds office until the date of the ensuing Annual General Meeting. Notice under section 257 of the Companies Act, 1956 has been received proposing his name for appointment as a director of the Company.

Shri Vijay Kumar Mishra was co-opted as a director of the Company with effect from 19th June, 2004 in place of Shri B.D. Chhaparwal who resigned as stated above. Notice proposing his candidature at the ensuing Annual General Meeting has been received.



## Supertex Industries Limited

### Auditors' Report

As regards the observations made by the Auditors in their Report, your directors have to state that explanations given in the Notes forming part of the Accounts (Schedule – L, Nos. 10 and 13) are self-explanatory and do not require any further comments.

### Auditors

The auditors M/s M. B. Agrawal & Co. and M/s N. G. Thakrar & Co., retire at the conclusion of the ensuing Annual General Meeting. They have furnished certificates of their eligibility for re-appointment.

### Industrial relations

The Company's industrial relations have been satisfactory and cordial.

### Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 :

- i) that in the preparation of the annual accounts for the year ended March 31, 2004 the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any ;
- ii) that such accounting policies as mentioned in Note 1 of the Notes on Accounts have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and of the loss of the Company for the year ended on that date ;
- iii) 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 ;
- iv) the accounts have been prepared on a going concern basis.

### Particulars of Employees (Section 217(2A) of the Companies Act, 1956)

The Company had no employee who was in receipt of remuneration during the year under report, which in the aggregate was equal to or more than such sum as is prescribed under Section 217 (2A) of the Companies Act, 1956.

### Section 217(1)(e) of the Companies Act, 1956

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, the relevant information is given below:

The Company ensures minimal power consumption at its plant by constantly maintaining the power factor within the specified limits. The power factor has been improved by installing necessary capacitors, thereby reducing energy losses.

	31.03.2004	31.03.2003
Purchased Units (Kwh)	29,09,550	47,65,221
Amount (Rs.)	1,09,14,371	1,73,83,630
Rate / Unit (Rs./p.)	3.75	3.64

### Listing with Stock Exchanges

The Company's shares were listed with the Stock Exchanges at Mumbai and Ahmedabad. The Company after taking requisite steps, got the shares delisted at Ahmedabad Stock Exchange with effect from 24th October, 2003 as there were no transactions reported there during past several years. The Company continues to be listed at the Stock Exchange at Mumbai.

Information in Compliance of Clause 49 of the Listing Agreement with the Stock Exchange is annexed to the Report.

### Acknowledgement

The Directors wish to place on record their appreciation of the contribution made by the executives, officers and workmen of the Company during the year. The Board also acknowledges with thanks the support, co-operation and assistance given by the State Bank of India, ICICI & IDBI.

For and on behalf of the Board,

S. S. Mishra  
Chairman

Mumbai, 19<sup>th</sup> June, 2004

## ANNEXURE TO DIRECTORS' REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS

**Overall Review**

The extension of CENVAT to fabric and garments and introduction of VAT in the Budget provisions 2003-04 threw the entire weaving industry out of gear. The weaving industry went on strike for 2 to 3 months and limped back to normalcy only on roll back of VAT provisions. The market remained sluggish throughout the year.

This was also due to increase in Partially Oriented Yarn (POY) manufacturing capacity in the industry in comparison to the market demand.

**Industry outlook**

The Company is a sick unit and reference has been made to BIFR under the SICA. In the meantime, Company's plants have been partly working under severe financial constraints. During the first half of the year, the plants were functioning only partly on job-work and thereafter due to slackness in the industry the plants were partly shut. The production during the year was lower by 46% in comparison to the previous year.

**Opportunities and Exports**

The lower anti dumping duty on the Company's products by the European Union gives the Company an edge in the international market. The Company's plants are capable of producing export quality goods. In this connection, the Company is making efforts with the bank for arrangement of necessary working capital to augment its export production.

**Challenges, Risks and Concerns**

The settlement and repayment of the loans outstanding due to the Bank and FIs is the main challenge before the Company's management. The management is doing its best to negotiate settlement of loans by all the financial institutions and restructure its finances to put the Company's working on profitable lines. Alternatively, efforts are also being made to find out some viable financial partner/collaborator to amicably re-negotiate with the lenders and to revive the Company.

**Internal Control Systems and their Adequacies**

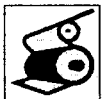
Internal control systems have been built into day-to-day operations in consultation with the Auditors of the Company. They appear to be adequate.

**Human Relations/Industrial Relations, etc.**

Industrial relations throughout the year were cordial. Necessary rationalisation has been done at officers level as also at workers level keeping in view the quantum of production.

**Cautionary Statement**

Certain statements in this report on "Management Discussion and Analysis" may be 'forward-looking statements' within the meaning of applicable Securities laws and regulations. There are several factors, which would be beyond the control of management, and as such, actual results could differ materially from those expressed or implied.



## Supertex Industries Limited

### REPORT ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at the efficient conduct of its business and is guided by accountability and transparency.

#### Board of Directors

The Board of Directors had six members as at the end of the year comprising of 50% independent non-executive Directors. However, one director has since resigned with effect from 7th May, 2004 and the vacancy is to be filled up at the ensuing Annual General Meeting where a fresh proposal for appointment of a non-executive Director is being placed for your consideration for filling up the vacancy.

The Board meets at least once in a quarter inter-alia to review the quarterly performance and to take on record the financial results. During the year the Board had six meetings. A detailed agenda is sent to each director in advance of the Board meetings. In order to enable the Board to discharge its responsibilities effectively the members of the Board are briefed at every Board meeting. The details of the directors and the Board meetings attended by them are given below :

	Name of Director	Status	Board Meetings attended	Whether attended last AGM
1	Shri S S Mishra	Chairman and Executive	6	Yes
2	Shri N L Mishra	Managing Director	6	Yes
3	Shri R K Mishra	Dy. Managing Director	6	Yes
4	Shri S V Dalal	Non-Executive Independent	1	Resigned wef 01/07/2003
5	Shri N N Puri	Non-Executive Independent	5	Yes
6	Shri B D Chhaparwal	Non-Executive Independent	5	Resigned wef 07/05/2004
7	Shri K P Marwaha	Non-Executive Independent	1	Joined wef 11/03/2004

The Non-Executive Directors of the Company are paid sitting fees for attending the Board and Committee meetings at the rate of Rs. 1,500/- per meeting attended plus their conveyance expenses.

#### Audit Committee

The Audit Committee constituted by the Board has been functioning well and discharging its duties as required by Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange.

The Audit Committee had three meetings during the year and constituted of the following Directors :

	Name of Director	Status	Meetings attended
1	Shri B D Chhaparwal	Chairman (upto 7/5/2004)	3
2	Shri N N Puri	Member	2
3	Shri S V Dalal	Member (upto 1/7/2003)	1
4	Shri K P Marwaha	Member (wef 11/3/2004)	—
5	Shri R K Mishra	Member	3

Except Shri R K Mishra, who is Dy. Managing Director and Company Secretary all the other members of the Audit Committee are non-executive and independent directors. Besides the committee members, the representatives of the statutory auditors and internal auditors have also been attending to answer the queries as and when required.

#### Remuneration Committee

The Remuneration Committee formed on 13th April, 2002 did not hold any meeting during the year since it was not required. The appointment and remuneration of the Whole time Chairman, Managing Director and Dy. Managing Director was done with the approval of the Remuneration Committee and Central Government for periods varying from 3 to 5 years. During the year the Company did not make any fresh appointment on any senior executive post. After resignation of 2 committee members, the Committee would have to be reconstituted by inducting non-executive independent directors, and this will be done in due course. Details of remuneration of directors for 2003-04 are as follows :



(Amount in Rupees)

	Name of Director	Salary	Perquisites	Contribution to PF	Sitting Fees	Total	Service Contract
1	Shri S S Mishra	4,50,484	1,40,086	54,058	—	6,44,628	5 years
2	Shri N L Mishra	4,50,484	1,26,288	54,058	—	6,30,830	3 years
3	Shri R K Mishra	4,50,484	1,30,167	54,058	—	6,34,709	3 years
4	Shri B D Chhaparwal	—	—	—	16,500	16,500	Non Executive
5	Shri N N Puri	—	—	—	10,500	10,500	Non Executive
6	Shri K P Marwaha	—	—	—	1,500	1,500	Non Executive
	Total	13,51,452	3,96,541	1,62,174	28,500	19,38,667	

**Shareholders' Grievance Committee**

The Board has appointed a committee to look into the shareholders' grievance and to approve the share transfers and transmission etc. All applications for transfer/transmission are initially verified and passed by M/s. Sharex (India) Pvt. Ltd., who are the appointed Registrars and Transfer (R&T) Agents for the Company's shares. The R&T Agents also attend to the shareholders' grievance expeditiously and report to the Company in time.

The Share transfer / transmission etc. are all audited periodically by a firm of independent whole-time Company Secretaries and their report is placed before the Board. The committee held three meetings during the year and comprises of the following Directors :

	Name of Director	Status
1	Shri S V Dalal	Chairman (upto 1/7/2003) (Independent and Non Executive)
2	Shri S S Mishra	Member (Executive)
3	Shri R K Mishra	Member (Executive)
4	Shri B D Chhaparwal	Chairman (upto 7/5/2004) (Independent and Non Executive)

Shri R.K. Mishra, Deputy Managing Director and Company Secretary is also appointed as Compliance Officer. The Company received nine complaints during the year, which were all redressed in time.

**General body Meeting**

During the last three years, the Annual General Meetings were held on 31st October, 2001, 16th August, 2002 and 23rd August, 2003 respectively. All the meetings were held at the Registered Office of the Company at Plot No. 45-46, Phase-II, Piperia Industrial Estate, Silvassa – 394 230 (Dadra & Nagar Haveli).

**Disclosures**

There are no materially significant related party transactions with promoters, directors, management and their relatives and associates that may have potential conflict with the interest of the Company at large. There are no strictures or penalties etc. imposed by SEBI or Stock Exchange.

**Means of Communication**

The Board of Directors of the Company consider and take on record the quarterly un-audited financial results of the Company which are published in two daily newspapers viz. Free Press Journal and Lok Satta as per clause 41 of the listing agreement.