


Sintex

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SINTEX INDUSTRIES LIMITED
Annual Report 2003-04

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Corporate Information

SINTEX INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri Dinesh B. Patel	<i>Chairman & Managing Director</i>
Shri Ramnikbhai Ambani	
Shri Ashwin Lalbhai Shah	
Shri Rooshikumar Pandya	
Smt. Indira J. Parikh	
Dr. Rajesh B. Parikh	<i>(w.e.f. 01-05-2004)</i>
Dr. Lavkumar Kantilal	<i>(w.e.f. 01-05-2004)</i>
Shri P.S. Chhabra	<i>(upto 27-01-2004)</i>
Shri Gaurav Mathur	<i>(upto 01-05-2004)</i>
Shri Arun P. Patel	<i>Managing Director</i>
Shri Rahul A. Patel	<i>Wholetime Director</i>
Shri Amit D. Patel	<i>Wholetime Director</i>
Shri S.B. Dangayach	<i>Wholetime Director</i>

MANAGEMENT TEAM

Shri Rahul A. Patel	<i>Wholetime Director</i>
Shri Amit D. Patel	<i>Wholetime Director</i>
Shri S.B. Dangayach	<i>Wholetime Director</i>
Shri L.M. Rathod	<i>Executive President – Finance & Com. Sec.</i>
Shri S. Venkatachalam	<i>President – Operations (Plastic Division)</i>
Shri B.R. Jayswal	<i>President – Finance & Accounts (Plastic Div.)</i>
Shri Sanjib Roy	<i>President – Marketing (Plastic Div.)</i>
Shri Rajan Gulabani	<i>Vice President – Marketing (Plastic Div.)</i>
Shri S.M.Anerao	<i>Vice President – Marketing (Plastic Div.)</i>
Shri Kirit C. Shah	<i>Executive President (Textile Div.)</i>
Shri Ashoke Maitra	<i>Executive President – Opr. (Textile Div.)</i>
Shri R.A. Sharma	<i>Executive President – Proc. (Textile Div.)</i>
Shri Shashidhar B.C	<i>Executive President – Marketing. (Textile Div.)</i>

COMPANY SECRETARY

Shri L.M. Rathod

AUDITORS

C.C. Chokshi & Co.
Chartered Accountants
Ahmedabad

REGISTERED OFFICE

Near Seven Garnala
Kalol (N.G.) 382721
Tel (91-2764) 223731 (6 Lines), 220246 & 220793
Fax : (91-2764) 220436, 222868
E-mail : bvm@sintex.co.in

REGISTRAR & SHARE TRANSFER AGENT

Pinnacle Shares Registry Pvt. Ltd.
Near Ashoka Mills, Naroda Road
Ahmedabad – 380 025.

BANKERS

State Bank of India
Bank of Baroda
IDBI Bank Ltd.

MANUFACTURING FACILITIES

• Kalol

Near Seven Garnala
Dist. Gandhinagar
Kalol – 382 721 (N.G.)
Gujarat State, India.

• Bangalore

61-C, Bommasandra Indl. Estate
Hosur Road,
Bommasandra – 562 158
Karnataka State, India.

• Kolkata

Plot No. 40 & 41,
Uluberia Growth Center,
Near Birshibpur Railway Station
Dist. Howrah
West Bengal State, India.

• Daman

Plot No. 34,39 & 40, Survey No. 168
Dabhel Indl.Co. Op. Society Ltd.
Dabhel, Daman (Union Territory), India.

• Baddi

Pillanvali Road,
Near Raja Forging Gears Ltd.
Dist : Solan
Himachal Pradesh State, India.

• Nagpur

Plot No : B/124 Batti-Bori
MIDC, Batti-Bori
Dist Nagpur
Maharashtra State, India.

Ten years at a glance

(Rs. in lakhs)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Fixed Assets (Net)	4505.52	5023.26	5917.19	9431.32	8931.27	14973.62	38170.72	37882.29	36486.64	48025.14
New Project Expenses	59.19	116.73	73.51	44.76	7164.03	5124.80	5644.42	5522.87	12148.88	1833.20
Investments	375.95	466.69	398.65	836.40	1081.40	1368.83	1129.09	3106.85	1152.69	5686.22
Net Current Assets	4184.91	4852.40	5384.07	8252.87	8887.44	8507.09	13134.86	10079.45	12278.81	13604.50
Misc. Exp. (Not Written off)	91.51	61.20	30.89	203.84	257.25	262.45	191.19	406.87	351.47	319.89
Total Assets (Net)	9217.08	10520.28	11804.31	18769.19	26321.39	30236.79	58270.28	56998.33	62418.49	69468.95
Borrowings	5157.23	6149.72	7056.04	6685.16	12478.47	14976.66	24567.00	21715.43	25032.93	29857.72
Preference Share Capital	-	-	-	-	1000.00	1500.00	1500.00	1500.00	1500.00	-
Equity Share Capital	497.62	446.04	446.04	1456.17	1456.17	1456.17	1456.17	1456.17	1456.17	1456.17
Reserves & Surplus	3562.23	3924.52	4302.23	10627.86	11386.75	12303.96	30747.11	31691.18	33523.12	33742.01
Deferred Tax Liability	-	-	-	-	-	-	-	635.55	906.27	4413.05
Total Capital Employed	9217.08	10520.28	11804.31	18769.19	26321.39	30236.79	58270.28	56998.33	62418.49	69468.95
Debt/Equity Ratio	1.30:1	1.40:1	1.50:1	0.50:1	1:1	1.10:1	1.60:1	1.30:1	1.35:1	1.59:1
Sales & Other Income	12545.15	14739.56	14805.84	15832.85	18363.72	20965.76	29628.33	37655.91	44700.68	54727.09
Raw Materials	5351.70	6665.88	5945.89	5372.23	6955.76	8210.75	10621.75	14513.42	19651.22	25437.04
Salaries & Wages	1022.06	1100.69	1197.12	1429.94	1632.29	1788.48	2107.85	2158.52	2325.46	2646.22
Operations & Other Expenses	4432.48	4824.52	5243.34	6070.38	6735.01	7211.53	10940.28	14392.95	14224.66	16834.96
Interest	664.81	947.49	1018.62	851.20	675.64	979.20	1929.43	2157.07	2849.44	2623.68
Gross Profit/(Loss)	1074.10	1200.98	1400.87	2109.10	2365.02	2775.80	4029.02	4433.95	5649.90	7185.19
Depreciation	467.62	586.60	680.56	858.83	1077.03	1291.57	1808.03	2268.29	2206.57	2263.45
Profit/(Loss) before Taxes	606.48	614.38	720.31	1250.27	1287.99	1484.23	2220.99	2165.66	3443.33	4921.74
Taxes	110.00	19.00	90.00	120.00	121.00	155.00	181.00	243.26	1048.72	1540.10
Profit/(Loss) after Taxes	496.48	595.38	630.31	1130.27	1166.99	1329.23	2039.99	1922.40	2394.61	3381.64
Extra ordinary items	-	-	-	(90.35)	(112.93)	(12.57)	373.74	-	-	-
Net Profit/(Loss)	496.48	595.38	630.31	1039.92	1054.06	1316.66	2413.73	1922.40	2394.61	3381.64
Dividend	148.74	172.26	156.12	179.74	235.20	359.86	405.92	405.92	478.73	563.39
Tax on Dividend	-	-	15.61	17.97	25.71	39.59	64.66	19.12	57.00	72.17
Retained Earnings	815.36	1009.72	1139.14	1701.04	1870.18	2208.78	3751.18	3765.65	4065.45	5009.53
Earning per Equity Share (Rs.)	9.98	13.35	14.13	7.14	7.24	9.04	16.58	11.78	14.84	22.14
Book Value per Equity Share (Rs.)	82	98	106	83	88	94	221	232	246	272
Dividends per Equity Share (%)	32	35	35	15	15	15	15	15	20	30

Directors' Report

Dear Shareholders |

Your Directors have pleasure in submitting the 73rd Annual Report and Audited Accounts for the financial year 2003-2004 ended on 31st March, 2004.

Financial Results

(Rs. in lakhs)

	Current Year	Previous Year
GROSS PROFIT	7185.19	5649.90
DEDUCTIONS		
Depreciation	2263.45	2206.57
Profit Before Tax	4921.74	3443.33
Less : Provision for Taxation	545.00	778.00
Deferred Tax	995.10	270.72
Profit/(Loss) After Tax	3381.64	2394.61
Less : Short Provisions for Taxation of earlier Years	15.51	26.94
Add : Balance of Profit of Previous year	7302.53	5970.59
Profit Available for Appropriation	10668.66	8338.26
Appropriations		
General Reserve	1000.00	500.00
Proposed Dividend on Equity Shares	436.85	291.23
Interim Dividend paid on Preference Shares	126.54	187.50
Tax on Dividend	72.17	57.00
Capital Redemption Reserve	1500.00	—
Balance carried to Balance Sheet	7533.10	7302.53
Total	10668.66	8338.26

Review of Operations

The year 2003-04 started on a positive note for the Indian economy with the buoyancy continuing well into the fourth quarter. The Company recorded a creditable performance during the year, facilitated by its continuing practice of managing its businesses innovatively. Total income increased by 22 per cent, while operational profit rose by a significant 25 per cent.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 3/- per equity share of Rs. 10 each (previous year Rs. 2/-) on 1,45,61,664 equity shares for the year ended March 31, 2004, for your approval and subject to the approval of the financial institutions and banks. The Directors have also declared an interim dividend @ 12.5 per cent on 15,00,000 Redeemable Cumulative Non-convertible Preference Shares of Rs. 100 each, which has been paid during the year, and shall be fully adjusted as final dividend for the financial year ended March 31, 2004.

Preference Share Capital

The entire Preference Share Capital of Rs. 15 crore was redeemed during the year under review.

22.0000

Operational Highlights

Plastics Division

The Plastics Division has had a successful year. All the three brands of water storage tanks have recorded satisfactory sales. The value-for-money brand, 'Reno' has established itself firmly in the market and accounts for a considerable portion of the business of the Company. The newly launched 'Jeno', brand has also been well received in the two States where it was introduced. In view of this success, the Company intends to introduce Jeno in other States as well, with the intention of tapping the sizeable low-end of the market. The Company is confident that its diversified locations and strategically segmented brands, aimed at target customers across different segments of society, will help sustain its leadership position in the foreseeable future.

The Company has initiated a number of steps to broaden the market for water tanks. These include incorporating customer-friendly features and evolving products like optimally designed underground tanks as a solution to the problems faced from concrete sump tanks. As the awareness of the need for the hygienic storage of water rises so will the demand for our products. The

Company has also tested transportation tanks with storage capacities of up to 10,000 litres. These are expected to find ready acceptance in many a drought-affected area. Moreover, insulated water tanks of the Company have been very well received in Jammu and Kashmir and promise to bring in sizeable business in the foreseeable future.

Power reforms have been slow in implementation and scattered across geographies. As a result, we have not been able to realise the full potential of our SMC business. Certain states like Karnataka and Andhra Pradesh have been able to initiate reforms but others have not been able to put their act together. However, the Company is gearing itself to face the challenges of the future. In this regard, the APDRP initiatives have given it a tremendous fillip. We expect the business from the segment to improve in the years to come. Even so, business will continue to depend predominantly on the electrical sector as some applications from SMC have been slow in gaining acceptance.

Pre-fabricated structures constitute a grand success story for Sintex. Pre-fabricated structures have been successfully installed in a wide variety of applications such as schools,

clinics, toilets, health centres, kiosks, shops, army bunkers, other storage areas and housing. Prefabs, as they are called, now comprise a major portion of the Company's business. The Company has created several new applications of which 'BT Shelters' is the most promising. Heavy investment in the telecom sector is also expected to generate substantial business in the years to come. The Company has also pioneered initiatives in the areas of sanitation, where the pre-fabricated sanitation programme is emerging as a source of sizeable business. Pre-fabricated schoolrooms are now gaining acceptance in other States and with the Sarva Shiksha Abhiyan (SSA) of the Central Government gaining ground, the demand for pre-fabricated schoolrooms is likely to climb northwards.

The Company has plans to leverage its multi-locational presence and plans to manufacture barrels and packaging products in two more locations very soon. Moreover, the Company plans to install a rotational moulding facility in Tamilnadu to cater to the increased demand in southern India.

The Company has also entered into a technical collaboration with the leading manufacturer of underground

FRP tanks for fuel, water and wastewater. The project is estimated to kick off in the third quarter of the year and is expected to position the Company as a leading player in the storage applications of liquids including petroleum products.

Textile Division

The Textile Division of the Company is looking up in view of the initiatives taken by the Company. Despite an overall slowdown in the industry, your Company has been able to generate better results. During the year under review, the Company has taken steps to establish itself in the export market, focusing particularly on neighbouring countries and the European market.

As pointed out in our last year's report, the Company has entered into a marketing and technical tie-up with an Italian company, Canclini Tessile S.p.A., which is a renowned name in the superfine category in European textile markets. It has been in business since 1925 and specialises in the two-ply product range in different weaves and designs. The tie-up is expected to impact our business positively in the coming years. As a result of this tie-up, the Company can leverage the opportunity to handle the double yarn business and understand its

intricacies. As a result, the Company is now confident of being able to produce different types of weaves like herringbone, moleskin, honeycomb, diamond, huck-a-back, mock-leno and pique, among others.

In order to tap the overseas market, the Company has developed a database of thousands of designs. We are now developing and producing more than 8000 designs per year and we expect to be recognised as suppliers of international standard. Presently, the Company is catering to Indian garment exporters in a big way and is also doing business with some leading global brands through their vendors based in Sri Lanka, Bangladesh and the Middle-East. As a result, the Company hopes to leverage the opportunity to improve its presence and increase its customer base by projecting itself as a high quality shirting manufacturer. In the current year, the Company has a clear objective of selling 50 per cent of its total dyed yarn production through this channel.

Captive Power

All the three captive power plants, which have an aggregate capacity of 14,250 KVA, are running successfully without any interruption and generate

quality power at a very low cost. As of now the Company enjoys 100 per cent self-sufficiency in quality power.

Investment in Company

During the year under review, the Company has invested an amount of Rs. 502.46 lakh by way of subscription money in Sintex Overseas (Mauritius) Limited, Mauritius. There were no transactions during the year under review.

Directors

Shri P. S. Chhabra has resigned from the Board of Directors of the Company w.e.f. 27th January 2004. Shri Gaurav Mathur has also resigned from the Board of Directors of the Company w.e.f. 1st May 2004. Your Directors also place on record their appreciation for the valuable guidance given by Shri P. S. Chhabra and Shri Gaurav Mathur.

Dr. Rajesh B. Parikh was appointed as a Director of the Company w.e.f. 1st May 2004 in the casual vacancy caused by the resignation of Shri Gaurav Mathur, pursuant to Section 262 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company.

Pursuant to Article 134 of the Articles of Association of the Company read with provisions of Section 256 of the

Companies Act, 1956, Directors Shri Ashwin Lalbhai Shah, Shri S.B. Dangayach and Shri Rooshikumar Pandya retire by rotation at the ensuing Annual General Meeting of the Company, but being eligible offer themselves for re-appointment.

Dr. Lavkumar Kantilal was appointed as Additional Director of the Company. He holds office up to the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his appointment as a Director, subject to retirement by rotation.

For the kind perusal of the shareholders, a brief resume of each of them, the nature of their expertise and the name of the companies in which they hold directorship and the details of their membership of the committees of the Board, is enclosed. Your Directors recommend their appointment.

Fixed Deposits

Presently, your Company does not have any kind of a deposit scheme.

Listing of Shares

The names and addresses of the stock exchanges where the Company's shares are listed are

given below:

- ♦ The Stock Exchange Ahmedabad, Kamdhenu Complex, Panjrapole, Ahmedabad - 380 015.
- ♦ The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
- ♦ National Stock Exchange of India Ltd, Exchange Marg, Plot No. C-1, G Block, IFB Centre, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.

The Company has paid listing fees to all the above stock exchanges for the financial year 2003-2004.

Corporate Governance

As per the amended Listing Agreement with the Stock Exchanges, the Company has complied with the requirements of Corporate Governance. A report on Corporate Governance is attached.

Directors' Responsibility Statement

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

1. That in the preparation of the annual accounts for the year ended

31 March 2004, the applicable accounting standards have been followed.

2. That the Directors have selected such accounting policies and applied them consistently and 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 the financial year and of the profit or loss of the Company for that period.

3. 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 frauds and other irregularities.

4. That the annual accounts for the year ended 31 March 2004, have been prepared on a going concern basis.

Information Regarding Conservation of Energy

The information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with respect to the Conservation of Energy, Technology

Absorption, and Foreign Exchange Earning/Outgo is annexed hereto as Annexure A and forms part of this Report.

Industrial relations remained cordial during the year. Your Directors place on record their appreciation for the hard work put in by all the employees of the Company. The statement showing particulars of the employees, under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed hereto as Annexure B and forms part of this Report.

Insurance

All the insurable interests of the Company, including Plant and Machinery, Stocks, Loss of Profits, Standing Charges and the Insurable Interest, are adequately insured.

Auditor's Report

The retiring auditors, M/s C.C. Chokshi and Co, Chartered Accountants, are eligible for re-appointment and have indicated their willingness to be re-appointed.

The observations made in the Auditor's Report are self-explanatory and do not call for any further comments under Section 217 of the

Companies Act, 1956.

Cost Accounting Records

As required under the order made by the central government, the Company is maintaining the necessary cost accounting records in respect of cotton textiles.

Acknowledgments

Your Directors place on record their deep appreciation of the assistance and guidance provided by the Managing Directors and Wholtime Directors. Your Directors also wish to place on record their appreciation of the support extended by the various bankers and financial institutions.

Your Company's employees are instrumental in your Company scaling new heights, year after year. Your Directors place on record their deep appreciation of the commitment and contribution of the employees. Your involvement as shareholder is greatly valued. Your Directors look forward to your continuing support.

On behalf of the Board

(Dinesh B. Patel)
Chairman

Place: Ahmedabad.

Dated: 1st May 2004

Annexure "A" to Directors' Report

Information Required Under Section 217(1)(e) of the Companies Act, 1956

(1) Conservation of energy

(a) Energy conservation measures taken:

- 1) Installed three captive power plants of 3.8 MW each, which are working satisfactory. Each unit generated is cheaper compare to GEB cost per unit.
- 2) In Textile Division installed new looms having Inventor Drive to save power.
- 3) In Textile Division installed new 800 kg Fongs machine with Inventor Drive to save energy and better result.
- 4) In Plastics Division, several modifications were made in the Moulding Machines to increase the production with the same input of energy. This is expected to bring down the energy consumption. Several measures were also taken for re-designing the energy consumption in the other Manufacturing Departments.

(b) Additional investments and proposals, if any, being Implemented for reduction of consumption of energy:

- 1) In Textile Division water supply proposed through overhead tanks in yarn dying department to reduce electrical cost and supply at constant pressure.
- 2) In Plastics Division we are considering to use energy efficient burners and energy efficient light fittings in the whole plant.

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

- 1) Due to the above, in Textile Division higher and good quality of production achieved

- 2) The above mentioned measures have resulted in energy saving and subsequent reduction in energy cost and hence in cost of production.
- 3) In Plastics Division the impact of energy saving devices will be peripheral in the beginning. It can however be substantial if the whole programme is implemented.

(d) Total energy consumption and energy consumption per unit of production in respect of the Company's products:

Details are provided in Form A annexed hereto.

(2) Technology Absorption

(e) Efforts made in technology absorption:

Details are provided in Form B annexed hereto.

(3) Foreign exchange earnings and outgo

(f) Activities relating to exports, initiatives taken to increase exports, development of new markets for products and services and export plans:

The Company is concentrating on the improvement of the quality of products manufactured to promote export in established and new markets. To develop export markets the Company has entered into a technical and marketing tie-up with an Italy-based Company known as "Canclini Tessile S.p.A.".

(g) Total foreign exchange used and earned:

	2003-04 (Rs. in lakhs)	2002-03 (Rs. in lakhs)
i) Foreign exchange earned including direct exports.	4867.44	983.54
ii) Foreign exchange used	2889.37	1608.31