



**SUDITI
INDUSTRIES
LTD.**

**THIRTEENTH ANNUAL REPORT
2003-2004**

BOARD OF DIRECTORS

Anand Agarwal
(Chairman & Managing Director)

Pawan Agarwal

A. Indu Sekhar Rao

Sushil Kumar S. Kasliwal

Vivek Gangwal

H. Gopalkrishnan
V.P. Finance & Company Secretary

Registered Office

A-2, Shah & Nahar Estate, Unit No. 23/26,
Lower Parel, Mumbai 400 013.

Factory & Admn. Office

C-253/254, MIDC, TTC Industrial Area, Turbhe,
Pawane Village, Navi Mumbai 400 705.

Works Unit No. 1

C-253/254, M.I.D.C., T.T.C. Indl. Area,
Pawne Village, Navi Mumbai 400 705

Unit No. 2

C-3/B, M.I.D.C.,
T.T.C. Indl. Area
Navi Mumbai 400 705.

Auditors

Chaturvedi & Co.

81, Mittal Chambers, 228 Nariman Point,
Mumbai 400 021.

Legal Advisor

A. Ramkrishna

75, Laxmi Insurance Bldg.,
4th Floor, Sir P. M. Road,
Fort, Mumbai 400 001.

Bankers

ING Vysya Bank Ltd.

Union Bank of India

SBI Commercial & International Bank Ltd.

Registrar & Share Transfer Agents

Karvy Consultants Ltd.

7, Andheri Indl Estate, Off Veera Desai Road,
Andheri (W), Mumbai 400 058.

or

"Karvy House", 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad 500 034

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THIRTEENTH ANNUAL GENERAL MEETING

On Friday, the 24th day of September, 2004
at 4.00 p.m. at Conference Hall, Society
Terrace, A-2, Shah & Nahar Industrial Estate,
Lower Parel, Mumbai-400 013.

As a measure of economy, copies of the
Annual Report will not be distributed at the
Annual General Meeting. Shareholders are
requested to kindly bring their copies
to the meeting



SUDITI INDUSTRIES LTD.

NOTICE FOR THE THIRTEENTH ANNUAL GENERAL MEETING:

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Friday the 24th September, 2004, at 4.00 p.m. at Conference Hall, Society Terrace, A-2, Shah & Nahar Indl. Estate, Lower Parel, Mumbai - 400 013, to transact the following business.

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account of the Company for the year ended 31st March, 2004 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri Pawan Agarwal who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Vivek Gangwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company. A member unable to attend may appoint another person (Whether a member or not) as his proxy in the enclosed form. The instrument appointing the proxy and the Power of Attorney or other authority, if any, under which it is signed or a copy of that power or authority duly certified by a Notary Public or other proper

authority shall be deposited at the Registered Office of the Company not less than forth eight hours before the commencement of the Meeting, in default, the instrument of proxy shall not be treated as valid.

2. The relevant details in respect of Item No. 2 & 3 pursuant to clause 49 of the Listing agreements with the Stock Exchanges are annexed hereto.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Wednesday the 8th September, 2004 to Friday the 24th September, 2004 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are also requested to notify immediately of any change in their address to the Company/Share Transfer Agents.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Holidays between 10.30 a.m. to 5.00 p.m. upto the date of the Annual General Meeting.

By order of the Board
For SUDITI INDUSTRIES LTD.

H. GOPALKRISHNAN
CO. SECRETARY &
V.P.FINANCE

Place: Mumbai
Date : 30.06.2004

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49(VI)(A) of the Listing Agreement)

Name of Director	Shri Pawan Agarwal	Shri Vivek Gangwal
Date of Birth	10.02.1965	17.12.1970
Date of Appointment	12.09.1991	16.06.2003
Expertise in specific Functional areas	Shri Pawan Agarwal has more than two decades of experience in the finance, marketing & other related matters particularly with reference to manufacture and export of garments	Shri Vivek Gangwal has vast experience and knowledge in the various aspects of primary and secondary market operations, port folio management, equity research. His experience span over a period of more than 10 years and also traveled for enhancing and sharing his wide business experience.
Qualifications	A graduate in commerce.	A graduate in commerce.
Directorships held in other companies (excluding foreign companies)	R.Piyarellal P.Ltd:	S.S.J.Finance & Securiteis Ltd. S.S.J.Holding Ltd., Soba Infosec P.Ltd.
Committee position held in other companies	NIL	NIL

Thirteenth Annual Report 2003-2004

DIRECTORS' REPORT:

Dear Shareholders,

The Directors present the Thirteenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date.

Financial Results:

	(Rs.in Lacs)	
	Current Year Ended 31.03.2004	Previous Year Ended 31.03.2003
Export Sales	151.92	184.93
Local Sales	1675.21	1423.34
Other Income	42.60	109.86
Profit/(Loss) before Interest and Depreciation	17.22	(473.45)
Interest	12.71	35.66
Profit/(Loss) after Interest	4.51	(509.11)
Depreciation	300.17	312.34
Profit/(Loss) before Tax	(295.66)	(821.45)
Provision for Tax	-	-
Profit/(Loss) after Tax	(295.66)	(821.45)
Income Tax - Income/(Expns)	-	-
Add: Brought forward from the previous year	(1920.00)	(1098.55)
Transfer from General Reserve	-	-
Amount available for appropriation (Loss)	(295.66)	(821.45)
Balance carried to Balance Sheet (Loss)	(2215.66)	(1920.00)

Operations:

After a prolonged spell of uncertainty and repulsion in the working on account of mounting losses from the operations, the company was able to come out of the burgeoning cash loss position during the year under review. This can be attributed to the various measures adopted by the company in the last few years to make the unit an economically viable unit from all aspects. The productivity of the unit has improved and inspite of continued adverse conditions in the market your unit was able to withstand the pressures of the depressed market conditions.

The marketing strategy adopted by the Company has given significant boost to the working of the company. Therefore, inspite of lower unit value realisation, the product mix adopted by the Company has given satisfactory yield in terms of increased production.

The market conditions still continues to remain unpredictable and volatile particularly the overseas market. Because of this, export sales are yet to register significant growth. The Company has adopted very cautious approach and the result of these steps taken by the company are expected to follow only in the coming years. Further to this, the various cost saving measures, addition of necessary balancing machineries and equipments are also supplementing to the improved productivity with less wastage. As stated in the

previous year's report the Company's Knitting facility is fully operational at the new site constructed under the Expansion programme. This is eventually benefiting the Company to save the transportation cost and other related expenses as both units are now very close to each other.

During the year under review the term lending institution M/s.Industrial Development Bank of India(IDBI), informed the company vide their letter Ref.No.MBO/CFD/1160 dt.July 9th, 2003, about taking the symbolic possession of the unit located at C-253/254, MIDC, TTC Indl.Area, Navi Mumbai, under SRES Act 2002. But the unit is still with the Promoters and also in operation under the control and supervision of the present management. Therefore the Promoters are still pursuing with IDBI to arrive at some mutually acceptable settlement to sort out the matter.

The IDBI has also served notice under SRES Act 2002 to the Guarantors, however, till date there is no intimation of any such action or proposal for any future action in this regard. The Company continues to maintain its policy decision, taken during the last year for non-provisions of interest on the borrowings availed from IDBI, ING Vysya Bank Ltd. and SBICI. Regarding the settlement with ING Vysya Bank Ltd., the company has entered into revised settlement with the bank and liability of the bank has come down significantly. Similarly the company has also brought down the borrowings with Union Bank of India substantially on its own as part of its programme to reduce borrowing which bears high interest cost. As far as the outstanding with SBICI, the matter is still lying with DRT for further proceedings.

The Company is in the process of setting up a Garment manufacturing facility in its premises constructed under Expansion Programme. The main object behind setting up the garment facility is to ensure that the unit is ready to undertake manufacturing and export of garments on a large scale as part of value addition to the existing activities. The company is anticipating huge volume of business after the implementation of GATT by 2005. This will eventually boost the margin levels of the Company. Even otherwise, one of the major objective to keep our unit in a good condition, inspite of huge losses and other various difficulties, is to take advantage of the benefits available for your company after the implementation of GATT by 2005. Since the unit is technically competitive and with the capacity to produce wide range of products, it would be easier for your company to establish itself as one of the major source of supply for the overseas buyers.

During the year under review the company has taken up the issue in the respective forum regarding certain policies related to the license under Export Promotion Capital Goods Scheme. Since the company is experiencing practical difficulties in complying with the conditions related to EPCG Scheme, the company has submitted its representations to the Head Office Directorate General of Foreign Trade (DGFT). In the era of liberalized policies and guidelines prevailing at all levels, it would not be difficult for the company to resolve the issue.

Export Sales:

In view of uncertainty prevailing in the Textile Market all over the world, the company continues to maintain very cautious approach towards the Export Sales. Because of this the



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export sales has not registered any significant growth. Apart from Nepal, Company has identified another very prospective buyer at UAE and has undertaken the export business activities. The company is actively pursuing through various agents/representatives to promote its products on a large scale in the various International markets. Further, considering the response received from various overseas buyers and also taking into account, the proposal for garment manufacturing activities, the Company is hopeful of registering significant growth in the export sales in the following years. Since the overseas markets are highly sensitive to Global Developments, the projected higher growth can be achieved only after the market stabilizes as anticipated after the implementation of GATT by 2005. After the implementation of GATT the company would be able to sell its products directly in the US & European markets, and accordingly the company has already strengthened its facilities to produce the fabrics/garments as per International Standards.

Expansion:

In the light of the review made by the company in respect of the Expansion Programme the Company proposes to proceed with the implementation of Garment manufacturing project. The company has acquired some garment manufacturing equipments such as stitching and cutting machines etc. and installed in the new premises constructed under Expansion Programme. In the initial stage the company proposes to undertake garment activities on job work basis which would be gradually developed as a complete garment manufacturing and export unit. In addition to this company continues to add additional balancing equipments to stabilize production in the existing process house. In view of IDBI taking action under SRES Act 2002, the company has abandoned the programme of sale/lease proposals of the unused land/building. The Company has not yet commenced its new business activities in the field of Infrastructure Development.

Fixed Assets:

The Company's fixed assets are maintained in good condition and are adequately insured.

Investments:

The Company continues to hold investment of 2880 Nos. of equity shares of IDBI in the demat form.

Depository System:

The Equity shares of the Company are dematerialised by National Securities Depository Ltd., and the ISIN Number is INE691D01012. Still considerable portion of the issued capital is not dematerialized and the members are advised to dematerialize their holding for their own personal benefit.

De-listing :

The company has applied to Delhi, Ahmedabad & Calcutta Stock Exchanges for delisting its shares as indicated in the last years Annual Report. The Company has also submitted all the relevant papers and documents to these Exchanges to enable them to delist the company's shares. The company is expecting the necessary intimation about delisting from these Stock Exchanges very soon.

Industrial Relations:

Industrial relations with the labours at the Company's plant

at MIDC, TTC Industrial Area, Pawne Village, Navi Mumbai, continue to be healthy and cordial.

Personnel:

The statement showing the requisite information in compliance with the provisions of Section 217 (2A) of the Companies Act, 1956 is not furnished herewith, as there are no employees covered by that section.

Deposits:

The Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956 and the rules made thereunder.

Energy, Technology and Foreign Exchange:

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 is given in the Annexure forming part of this report.

Directors:

During the year, as indicated in last Annual General Meeting held on 26.9.2003, Chairman Shri Kishorilal Agarwal had resigned from the Board with effect from 30th October, 2003. It is noteworthy to indicate that Chairman has rendered dedicated services to the Company by leading us to a greater and remarkable levels of achievement. The Directors wish to place on record their appreciation for the valuable services rendered by Shri Kishorilal Agarwal during his tenure as Chairman of the Company.

Further, during the year under review, Director Shri A.T.Shahani had resigned from the Board with effect from 30th October, 2003. The Directors wish to place on record their appreciation for the valuable services rendered by Shri A.T.Shahani during his tenure as Director.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Pawan Agarwal and Shri Vivek Gangwal, Directors, would retire by rotation, and being eligible, offers themselves for re-appointment.

Directors' Responsibility Statement:

The Directors hereby confirm:-

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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;
- iii) that the Directors have 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; and
- iv) that the Directors have prepared the annual accounts on a 'going concern' basis.

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Corporate Governance:

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

Cost Audit:

Pursuant to a directive from the Central Govt., the company is required to conduct a cost audit in respect of its operations for the year 2003-04. Accordingly the Company has appointed M/s.Vijay Talati & Associates as the Cost Auditors for conducting the audit of cost accounts maintained by the Company for the year 2003-04.

Auditors/Auditors Remark:

Messrs.Chaturvedi & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors have noted the observations of the auditors and wish to comment/clarify on the important observations as follows:

a) The company continues to record losses during the year under review. However, there is considerable improvement in the operational results both in quantity and value. Based on the actuals and also as per the positive trends available, the company has decided to maintain the accounts on going concern basis.

b) During the year under review IDBI after serving notice under section 13(2) of SRES Act, 2002, had taken symbolic possession of the company's assets. In view of this the company had decided to maintain the policy taken during the previous year of not providing interest on the loans availed from IDBI, SBICI and ING Vysya Bank Ltd.

c) As per the prevailing practice, there is no system of leave encashment except under special circumstances. Therefore, the same is accounted on cash basis and the overall impact of the same is not significant.

d) At the request of SIL, M/s.Harsh EOU Estates Pvt.Ltd., had issued a corporate guarantee to IDBI, against the loans advanced by IDBI to SIL. Since then IDBI has issued a statutory notice under section 13(4) of the SRES Act 2002

to M/s.Harsh EOU Estates Pvt. Ltd. Under these circumstances SIL is not charging any interest on the advances, till the matter is settled with IDBI and the statutory notice is withdrawn.

Going Concern Concept:

Based on projected outcome of various measures taken by the company, as indicated in the previous year's report the Board had taken a view to maintain the accounts on the concept of Going Concern basis. Accordingly after implementing these measures there are some positive developments on the anticipated lines. The productions and profitability figures are showing substantial improvement and the indications are that the company would be able to prevent slippage's to the cash loss position completely thereby recording significant improvement in its workings and margin levels. The Board would like to pursue its measures to further strengthen its workings in the ensuing year which would enable the company to start recording some surplus to set off its accumulated losses subject to IDBI's & Banks action under SRES Act 2002. Based on this assumptions, accounts are maintained on the concept of going concern basis.

The Company's Reference with Board for Industrial & Financial Reconstruction (BIFR):

The BIFR had started its proceedings based on the reference earlier submitted by the Company. In view of uncertainty about the continuance of BIFR, the matter is yet to be heard and finalised by BIFR.

Appreciation:

Your Company and its Directors wish to place on record their appreciation for the support received from different Central and State Government Departments and Agencies, Industrial Development Bank of India, M/s. National Insurance Company Ltd., and Company's bankers, Customers and Vendors. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 30.06.2004

ANAND AGARWAL
Chairman & Managing Director

Annexure-I

Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming Part of the Directors Report for the year ended 31st March, 2004.

A) Conservation of Energy:

a) Energy Conservation measures taken:-

The Company provides utmost importance to energy conservation schemes to conserve this precious natural resources and to remain competitive in the market. Energy utilisation checks and survey are conducted at regular intervals both through in-house qualified technical team and also through outside qualified & specialised consultants. The company is continuously pursuing its effort to ensure the better utilization of all energy sources thereby saving energy and cost involved in the utilization of energy. Some of the major energy conservation measures carried out during the

year under review by the company are listed below:

1. Energy survey conducted through outside agency (M/s.Synergy consultants) recommended, some suggestions and measures for improvement in the utilization of different energy sources, thereby reducing the cost of operations. These suggestions are being implemented item by item during the year under review.
2. Installation of Flash heat recovery unit to achieve the recovery condensation to the level of 90-95% thereby reducing the fresh water for boiler feed.
3. Power factor throughout the year is maintained at 0.999 thereby ensuring better utilization of power and reducing the power loss, which resulted in additional saving of 6-7% in the power bill.
4. Heat recovery unit has been installed to use flue gas heat. This provide good quantity of hot water at no extra cost. This hot water will be utilised for dyeing machine



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reducing steam load on boilers and reducing the coal consumption.

5. Water consumption is monitored by installation of water meter at each point. This has resulted in reducing the water consumption. We have been able to compensate for the increased water charges during the year, by monitoring water consumption at each point.
6. Effective maintenance and upgradation is carried out to avoid break down of the machines and equipments to reduce wastage of energy by improving the efficiency of all plant machinery & equipments.
- b) Additional Investment and proposals being implemented for reduction of consumption of energy:-
 - 1) Conversion of Boiler to Inverter drive to reduce the electrical power consumption by about 20% and saving in fuel consumption also. Proposal is under finalisation for installation of Inverter Drive on second boiler and also in Stenter machines to save the power and fuel.
 - 2) Fully automatic energy efficient Dyeing machine is under consideration. Smaller capacity sample dyeing machines will be installed in the beginning and gradually shifting to high capacity machines to improve the efficiency and saving in utility cost considerably.
 - 3) Effective measures are being taken to Implement Water harvesting scheme to save cost of water.
 - c) Impact of measures taken at a) & b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
 - 1) As a result of these measures energy utilization has been very economical with minimum wastage thereby saving of 7-8% in the cost.
 - 2) The additional investment/proposal being implemented with potential to reduce the cost of energy consumption by eliminating the wastage to the maximum extent possible.

B) Technology Absorption:

a) Research & Development:

1. Specific area in which R&D carried out by the Company:
 - a) Company is in the process of developing teflon coating products and with the installation of Fully Automatic Sample Dyeing machines, the company would be able to achieve, International Parameter in utility consumption of water, power, steam. It is also proposed to install the bigger capacity machine in the coming year.
 - b) Work for getting OKEO-TEX STD-100 Certification is under process, which will enable the company to cater different garments sector like sports wear, children wear etc. by developing improved methodology in line with International Standards.
2. Benefits derived as a result of the above R&D
 - a) These measures enabled the company to derive benefits by saving in the cost as well as improving the quality of the products.
3. Future Plan of Action:-
 - a) Company also propose to go in for ISO-9000 Certification to take advantage of global textile

market when quota free regime comes into effect next year.

- b) The Company also proposes to do R&D activities in the generation and utilisation of steam in the various process & products.
- c) The Company continues its facilities to test the effluents etc.

4. Expenditure on R&D (in Rs.lakhs)

Overall expenditure on R&D both in the nature of capital and recurring is not significant. However, the Company will continue its efforts to improve the products quality and its usage parameter.

b) Technology absorption, adoption & Innovation

The company is always in the process of implementing latest technological developments to upgrade the existing machines as well as replacing the existing machines and equipments with latest high tech machines and equipments. Apart from this company is also in the process of undertaking and testing some of the latest technological developments in the laboratory for adoption of the same in the company. The objective is to improve and maintain the quality while restricting the cost factor to the minimum level, so that the unit can remain competitive in the local & export market. The company continues to benefit from these efforts in its regular operations as stated above.

Regarding the imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the same is not applicable.

C) Foreign Exchange Earnings and Outgo:-

The figure of earnings and expenditure in foreign currency during the period under report are as under:

	(Rs.in Lacs)	
	Current Year (2003-04)	Previous Year (2002-03)
Total Foreign Exchange used	11.36	15.41
Total Foreign Exchange earned (FOB Value)	137.21	172.76

Form - A (See Rule-2)

The disclosure of particulars with respect to conservation of Energy.

A) Power and Fuel Consumption:-

	Current Year (2003-04)	Previous Year (2002-03)
1. Electricity		
Units	3310444	3386820
Total Amount (Rs.)	12316787	13626774
Average Rate	3.72	4.02
2. Furnace Oil		
Quantity (Lt.)	12000	1181553
Total Amount (Rs.)	165150	15732995
Average Rate (Rs./Lt.)	13.76	13.32

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	Current Year (2003-04)	Previous Year (2002-03)
3. Steam Coal		
Quantity (MT)	4712769	1889209
Total Amount (Rs.)	14308849	5429243
Average Rate	3.04	2.87
B) Consumption per unit production:		
Electricity (Unit/Kg.)	1.45	1.81
Furnace Oil (Lt./Kg.)	0.005	*1.23
Steam Coal (MT/Kg.)		
*(calculated on the basis of production made during the period of usage)	2.07	2.08

For and on behalf of the Board of Directors

Place: Mumbai

Date : 30.06.2004

ANAND AGARWAL

Chairman & Managing Director

Corporate Governance:**Report of the Directors on Corporate Governance**

The Board of Directors attaches utmost importance to the principles and practice of Corporate Governance. In its endeavor to attain highest levels of transparency, accountability and equity in all facets of operations, the Board acknowledges the importance of the Corporate Governance. It is the philosophy of the Company to strictly implement and follow the various aspects of corporate governance and is our integral element of company's value system, management ethics and business practices.

Board of Directors:

The Board of Directors comprises of 5 members as on 31st March, 2004. The Board has been constituted by inducting the persons from various fields such as finance, technical, marketing etc. The object of this exercise is to enrich the Board with all aspects of business to derive maximum benefit for the company. The Board is entrusted with the task of managing the company and the task is accomplished through delegation of authority either partly or completely as may be found appropriate and reasonable to the Board within the overall legal frame work of the Company.

Composition of Board of Directors:

The existing Board has a mix of executive and non-executive as well as independent directors.

Name of Directors	Executives or Non-Executives	Independent	Total No. of Directorships (Including SIL)	No. of Other Outside Committee Membership	No. of Other Outside Committee Chairperson
Anand Agarwal	Executive	No	3	-	-
Pawan Agarwal	Non-Executive	No	2	-	-
A. Indu Sekhar Rao	Non-Executive	Yes	2	2	-
Vivek Gangwal	Non-Executive	Yes	4	-	-
Sushilkumar S. Kasliwal	Non-Executive	Yes	1	-	-

Responsibilities:

Apart from overseeing the company's strategic direction the Board's responsibility includes formal list of matters including those specifically entrusted to the Board by various legislatures. The formal schedule of matter reserved for its consideration and decision includes review of Corporate Governance ensuing adequate availability of financial resources and reporting to shareholders. During the year under review Board met 6 times. Board members ensure that their responsibilities do not have material impact on their responsibilities as a director of the Company.

Role of Independent Directors:

One of the principle characteristics of efficient corporate governance is the ability of independent directors to approve the overall strategy, oversee the performance of management and participate and take an independent stance on major decisions. Independent Directors form the cornerstone of good corporate governance. Their key role is to provide an unbiased, independent, varied and experienced perspective to the board. The independent Directors assume a significant role in the deliberations at the Board Meeting and contribute substantially through the vast and rich experience in their respective areas such as technical, finance, marketing, accountancy, law, public policy and engineering. The Audit Committee and the Remuneration Committee are constituted mainly with independent Directors.

Board Meetings:

Board Meetings are called by taking into consideration of the listing guidelines and the requirement of the provisions of the Company's Act. The Meetings are generally held at the registered office of the Company at Mumbai and scheduled well in advance. The Board meets at least once in a quarter to review the quarterly performance and other matters. The agenda for the meetings is prepared by the Company Secretary according to the instructions given by the Managing Director. The Board papers are circulated to the Directors in advance. The members of the board have access to all information on the company and are free to recommend inclusion of any matter in the agenda for discussion. Managing Director is authorized to provide all explanations and clarifications as and when required either himself or through the Senior Managers.

Six Board Meetings were held during the year from 1.4.2003 to 31.3.2004, i.e on 10. 4.2003, 16.6.2003, 30.6.2003, 31.7.2003, 30.10.2003 & 30.1.2004. Leave of absence was granted by the Board to the Directors who were absent at the respective board meeting.

Directors	No. of Board Meetings attended	Attendance at the Last AGM
Kishorilal Agarwal (Resigned w.e.f. 30.10.2003)	4	No
Anand Agarwal	6	Yes
Pawan Agarwal	5	Yes
A.T.Shahani (Resigned w.e.f. 30.10.2003)	2	Yes
A.Indu Sekhar Rao	6	Yes
Vivek Gangwal	5	No
Sushilkumar Singh Kasliwal	-	No

Details of Directors being appointed/re-appointed:

During the year under review no new Director has been inducted to the Board, other than Shri Vivek Gangwal & Shri Kasliwal who were elected by the members in the last general meeting. However Managing Director Shri Anand Agarwal has been nominated and elected as Chairman of the Board in place of Shri Kishorilal Agarwal, who had resigned due to personal problems.

Shri Pawan Agarwal and Shri Vivek Gangwal, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Directors Resignation:

During the year under review Chairman Shri Kishorilal Agarwal and Director Shri A.T.Shahani had resigned from the Board with effect from 30th October, 2003. As informed by the Chairman in the last General Meeting it was purely on account of old age and health problems that he decided to step down from the post of Chairman of the company. The Directors wish to place on record their appreciation for the dedicated and valuable services rendered by Shri Kishorilal Agarwal & Shri A.T.Shahani during their tenure as Chairman and Director respectively.

Board Committees:

In order to have a dedicated and more focussed attention on the affairs of the Company, the board delegates particular matters to committees of the board set up for this purpose. These specialist committees prepare the groundwork for decision-making and report at the subsequent board meeting.

Audit Committee:

Shri Indu Sekhar Rao, who had taken over as Chairman in the last year had stepped down from the post of Chairman during the year and in his place Shri Vivek Gangwal, Director, has been elected as Chairman of the Audit Committee. Shri Indu Sekhar Rao, still continues to be a member of the Committee.

The terms of reference of the Audit Committee are in accordance with the clauses of the listing agreement and interalia include the following:

- Review the systems of internal control, improve the overall implementation of audit procedures and techniques.
- Review the financial reporting systems and ensure compliance with the regulatory guidelines. The committee also reviews the un-audited quarterly financial statements and makes recommendations to take the same on record.
- Review of the adequacy of the internal audit and compliance function, including objectively reviewing the reports of internal auditors and statutory auditors. Further committee also ensures that proper follow-up action is taken by the management. The performance of companies Auditors both internal and external are reviewed to ensure that an objective, professional and cost effective relationship is being maintained.
- Review of the audit fees paid to the Auditor is undertaken and recommendations for revision is made wherever it is found necessary.
- Systems and reviewing the company's financial and risk management policies.

It is the audit committee's prerogative to invite Senior Executives whom it considers appropriate to be present at the meetings. Senior management is invited to participate in the meetings of the audit committee. Further, Statutory Auditors, Cost Auditors, Executives responsible for finance and accounts functions and Internal Auditor are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Audit Committee

The Audit Committee has met 4 times during the last year. The attendance of the each member of the committee at the Audit Committee meeting held is as under. Apart from this the Audit Committee also met once before the finalisation of Audited Accounts.

Name	No.of Meetings held During the year	Attended all the Meeting
Vivek Gangwal	2	Yes
Indu Sekhar Rao	4	Yes
Pawan Agarwal	4	Yes
A.T.Shahani (Resigned w.e.f. 30.10.03)	2	Yes

The company continues to implement the various recommendations made by the committee from time to time. There are no suggestions or recommendations of the Audit Committee pending for acceptance by the Board. The suggestions of the Audit Committee duly implemented during the last year have started showing positive results in the working since last year and the same is expected to continue in the ensuing years.

Remuneration Committee:

The Remuneration Committee is constituted with the object of reviewing the overall compensation structure and policies of the company particularly the remuneration paid to the Managing Director/Whole time Directors. The Committee, inter-alia, will deal with all elements of remuneration of all wholtime Directors, service contracts, notice period, severance payments, stock options, etc. During the year under review Shri A.T.Shahani, had resigned from the Board thereby vacating his position as member of the Remuneration Committee. In his place the Board nominated Shri Sushilkumar Kasliwal as member of the committee. The committee had met once during the year under review. The Committee during the meeting revised the remuneration payable to Managing Director while considering his reappointment and suggested to maintain the same remuneration scale in view of losses.

Name	No.of Meeting held during the year	Attended all The Meeting	Status
A Indu Sekhar Rao	1	Yes	Chair-person
A.T.Shahani (Resigned w.e.f. 30.10.03)	1	Yes	Member
Vivek Gangwal	1	Yes	Member
Sushilkumar Kasliwal	N.A.	N.A.	Member