



**SUDITI
INDUSTRIES
LTD.**

Report Junction.com

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

Sharex Dynamic (India) Pvt. Ltd.

17/B, Dena Bank Bldg., 2nd Floor,
Horniman Circle, Fort, Mumbai-400 001.

or

Unit-1, Luthra Indl. Premises, Safed Pool,
Andheri Kurla Rd., Andheri (E), Mumbai-400 072.

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FOURTEENTH ANNUAL GENERAL MEETING

On Friday, the 23rd day of September, 2005
at 4.00 p.m. at Kilachand Conference Room,
2nd Floor, Lalji Naranji Memorial IMC Bldg.
Trust, Churchgate, Mumbai-400 020.

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 FOURTEENTH ANNUAL GENERAL MEETING:

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Friday the 23rd September, 2005, at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial IMC Bldg. Trust, Churchgate, Mumbai - 400 020, to transact the following business.

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account of the Company for the year ended 31st March, 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri Indu Shekar Rao who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Sushilkumar Kasliwal 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 7th September, 2005 to Friday the 23rd September, 2005 (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.**

Place: Mumbai
Date : 30.07.2005

H.GOPALKRISHNAN
COMPANY SECRETARY &
V.P.FINANCE

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 Indu Shekar Rao	Shri Sushilkumar S.Kasliwal
Date of Birth	05.10.1931	24.08.1950
Date of Appointment	26.04.1996	16.06.2003
Expertise in specific Functional areas	Shri I.S.Rao has a wide area of experience in Textile industry and occupied various positions in different organization. He has served Govt. of India as Joint Textile Commissioner. Further he had also served as Director (P&D) in the Textile Commissioner's Office. Apart from, he had also worked as head of the textile technology division of SASMIRA. During the tenure of professional life he had also served Finlay Group of Mills in various positions.	Shri S.S.Kasliwal has a wide range of experience in the textile industry span over a period of more than 2 decades particularly in the field of processing, dyeing and finishing of man made fabrics.
Qualifications	a) Bachelor of Textiles (B.Text) from Bombay University. b) Master of Textiles (M.Text) from Bombay University. c) Graduate in Industrial Management (M.I.M.) from B.I.M. London. d) S.Q.C. & N.P.C. short term courses. e) Fellow of institution of Engineers India (F.I.E.)	Technically qualified with a diploma in man made textile chemistry (DMTC)
Directorships held in other companies (excluding foreign companies)	International Homotech Ltd. (Formerly: Trimbak Industries Ltd.)	NIL
Committee position held in other companies	International Homotech Ltd. (Member - Remuneration Committee) (Member - Audit Committee) (Chairman-share- holders Grievance Committee	NIL

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DIRECTORS' REPORT:

Dear Shareholders,

The Directors present the Fourteenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date.

Financial Results:

	(Rs.In Lacs)	
	Current Year Ended 31.03.2005	Previous Year Ended 31.03.2004
Export Sales	21.78	151.92
Local Sales	2019.14	1675.21
Other Income	32.59	42.60
Profit/(Loss) before Interest and Depreciation	36.63	17.22
Interest	5.45	12.71
Profit/(Loss) after Interest	31.18	4.51
Depreciation	295.77	300.17
Profit/(Loss) before Tax	(264.59)	(295.66)
Provision for Tax	-	-
Profit/(Loss) after Tax	(264.59)	(295.66)
Income Tax – Income/(Expns)	-	-
Add: Brought forward from the previous year	(2215.66)	(1920.00)
Transfer from General Reserve	-	-
Amount available for appropriation (Loss)	(264.59)	(295.66)
Balance carried to Balance Sheet (Loss)	(2480.25)	(2215.66)

Operations:

The various measures adopted by the company to streamline the operations has brought some relief in the form of reduction in the loss figures and also overall improvement in the productivity of the unit. Even though the improvement is not upto the expected level, but the trend continues to move in a positive direction. The Company would continue to maintain its operations on job work basis till the financial situation improves considerably, whereby company is able to avail and service the working capital funds.

Further the company has added some balancing equipments to strengthen its production lines and because of these measures, the overall productivity has increased to a considerable extent. However, the unit sales value realization has not registered any improvement, whereas the cost of various inputs & services has steadily increased. This is one of the major reason that the company inspite of increase in the production levels have not shown any significant improvement in the profitability levels. Even in case of the export activities the main reason for the poor performance is also due to this uneconomic price structure.

Overall there is optimism in the textile sector as many units are now anticipating a significant change in the market

conditions because of implementation of GATT. The market is now becoming more active and demand from local exporters are now on the upsurge. Since it is just the beginning of quota free trade, it is difficult to arrive at any definite conclusion at this stage.

The Company's Garment unit is now in full operation. However, as a safety measure at present company is undertaking only job work business. Once adequate set up is made to accept the orders from overseas buyer, the company would be executing the export orders directly.

During the year the Company's term lending institution M/s. Industrial Development Bank of India (IDBI), has transferred the case to M/s.Stressed Asset Stabilization Fund (SASF). As per the direction of SASF the Company has completed the programme of valuation of fixed assets. In the meantime the company has submitted its proposal for settlement of the case to M/s.SASF to be decided in a mutually acceptable manner. The matter is under perusal with SASF and it is anticipated that SASF would be able to settle the case very soon. Since the case has been transferred to SASF, M/s.IDBI has not initiated any action under securitisation Act (SRES Act 2002) against the company or its Promoters.

Regarding the working capital loan extended by the three commercial banks, the company has already brought down the exposure substantially particularly with Union Bank of India and ING Vysya Bank Ltd. The Company is in the process of finalizing the settlement deal with the remaining other bank M/s.SBI Commercial and International Bank Ltd.

During the year under review, the DGFT Dept. has issued order directing the Company to pay penalty which included duty, interest etc. towards the non-fulfillment of export obligations cast upon the company against the EPCG Licenses issued for import of capital goods. The Company has already filed its appeal with Addl. DGFT, New Delhi, for setting aside the order and rework the obligations as per the actual facts and figures. The appeal has already been admitted, but in the meantime the Jt.DGFT has initiated recovery steps. In view of the appeal remaining for clearing & disposal with Addl.DGFT, New Delhi, no further action is likely to be initiated under the prevailing circumstances till the disposal of the appeal. Based on the facts company is hopeful of obtaining necessary order setting aside the order for recovery.

During the year under review the company continues to implement the programme of modernizing its manufacturing facilities through replacement / upgradation of its old plant & machinery within the available means of finance. Many of the machineries and other facilities at the existing plant are now becoming obsolete and uneconomical. Therefore, through a planned and in a phased manner, the company is gradually upgrading its facilities. This is necessary and vital for the survival of the company particularly with reference to the changing market scenario after implementation of GATT.

Export Sales:

Even though major part of the year under review was under the strict quota conditions, the overall sentiment was good in view of the anticipation of the good prospects for the



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industry after the implementation of GATT. The domestic exporters were very activate because of which there was good order position through out the year for the company. However, the company's own export performance is not upto the expectation level as the company would be requiring some sizable working capital support to undertake the export business. Apart from the method of undertaking the export orders directly, the company is also exploring other avenues such as joint venture, export against advance payment or in part to tie up the need for working capital. Finally, the Company would be in a position to undertake export of garments on a mass scale only after fulfilling its institutional commitments. Since it may take another year or two, in the meantime, the company is in the process of exploring other possible ways of executing export orders. The company does not find any difficulty in getting and executing export orders on a large scale in view of its technical competency and product ranges. However, the uncertainty is still persists in the market as the GATT has just come into force. Therefore, unless the market stabilizes and long term prospects are foreseen it is difficult to forecast the outcome of GATT in the market in definite and clear terms.

Expansion:

Even though the company had earlier abandoned its expansion programme subsequently, in view of the review made by the company based on the prospects after the implementation of GATT, it was found necessary to set up the garment unit. Since the unit is just set up and in the initial stages, it is kept for job work orders. After the stabilization of the unit, the direct execution of orders would be possible under the present setup. Further there is good response and encouragement to the garment unit from the buyers.

Apart from this company continue its initiative action towards modernization & upgradation of its facilities. The Company would be able to utilize its surplus land/building for sale/lease purposes after settlement of the overdues with (IDBI)SASF. Thereafter, it would be possible to provide additional funds for further upgradation and modernization of the facilities. The Company has not yet commenced 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.

During the year M/s. Shah Jindal Associates has conducted the physical examination and valuation of its fixed assets at the insistence of SASF.

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 immediately.

Change of R&T Agents

During the year under review the company has shifted its R&T activities from Karvy Computer Shares P.Ltd. to M/s. Sharex Dynamic (I) Pvt.Ltd. This new Company is based at Mumbai and is engaged by various reputed organizations. Apart from cost factor, there are various other benefits to the company since the present requirements of the company can be easily met by the small and medium size organization such as Sharex Dynamic (I) P.Ltd. Considering the various economic & other factors, the company has appointed M/s. Sharex Dynamic (I) P.Ltd. as its R&T Agents.

De-listing :

The Company 's shares are already delisted from Ahmedabad Stock Exchange and Company's application for delisting is still under process with Delhi Stock Exchange & Calcutta Stock Exchange. In view of revised guidelines issued by SEBI, the company's shares continue to remain listed with stock exchange, Mumbai.

Industrial Relations:

Industrial relations with the labourers at the Company's plant at MIDC, TTC Industrial Area, Pawne Village, New Bombay, 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:

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company Shri Indushekar Rao and Shri Sushilkumar S.Kasliwal, 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;

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- 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.

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 2004-05. 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 2004-05.

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 continued to record significant improvement in the performance and also in view of Promoters continuous support for liquidating the long term liabilities, future prospects are expected to be very positive. Accordingly the company has decided to maintain the account on going concern basis.
- b) In view of IDBI taking action under SRES Act 2002, the company had taken decision in earlier years to discontinue the system of providing interest on the loans availed from IDBI and SBICl and since there is no change in the situation the decision is maintained for the current year under review also.
- c) There is no practice of leave encashment in the company except under very special circumstances and

the same is accounted on cash basis. However, the overall impact of the same is not significant.

- d) M/s. Harsh EOU Estates Pvt. Ltd. has issued a corporate guarantee, in favour of IDBI against the loans advanced by IDBI to the Company. In view of IDBI invoking the guarantee the company had earlier taken decision to discontinue the charging of interest on the advances pending final clearance of the matter. Since there is no change in the situation, the company continues to maintain the practice adopted in the earlier year.

Going Concern Concept:

The company had taken substantial measures in the past as well as during the year under review to strengthen the operations of the unit thereby preventing the company from incurring further cash losses. Since these measures have shown remarkable improvement in the performance, the Company continues to follow its decision taken in the previous years to maintain the accounts on the concept of going concern basis. The company is anticipating further improvements in the coming years in the operations particularly from the point of view of profitability and production levels. Further company would also be continuing its programme to modernize and enhance its operational efficiency of the production facilities.

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

The proceeding at BIFR in respect of the Company's reference submitted for rehabilitation is still continued and the final decision from the Board is still awaited.

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 : 30.07.2005

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, 2005.

A) Conservation of Energy:

a) Energy Conservation measures taken:-

There is continuous and dedicated efforts towards conservation of energy through various measures in the company. There is a regular system of evaluation of the measures taken and its efficiency in the conservation of energy and its utilization. Some of the major energy conservation measures carried out during the year under review by the company are listed below:

1. Heat recovery Unit is being utilised & Hot Water available from Flue Gas heat is being used for Dyeing M/Cs which reduces steam load and coal consumption.
2. Fully automatic & energy efficient Dyeing M/C of 1000 Kg. capacity has been installed & it gives much better results, as far as Power, Steam & water cost is concerned.
3. To take care of additional drying load due to 1000 Kg Dyeing M/C. Tubular Dryer is being converted to oil heating from steam heating. With suitable modification to re-circulate the hot air. This will be energy saving & Drying Production will also increase.
4. Company is able to reduce further Coal Consumption on Boilers with slight modification and converting one

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boiler as steam storage.

5. Measures has been taken to implement water Harvesting scheme to use the water for Processing purposes.
6. Power factor is maintained throughout the year at the highest efficiency levels, resulting better utilization of power and reducing the power loss.

b) Additional Investment and proposals being implemented for reduction in the consumption of energy:-

- 1) Fully automatic energy saver dying machine with higher capacity range of 500 – 750 kg.is considered during the current financial year which will have direct impact on utility utilization.
- 2) Proposal for installation of Inverter Drive on Boiler, Stentor, and machines with DC motor is under execution.
- 3) Rain harvesting scheme is implemented to save water cost as also resultant saving in power etc.
- 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) Utilization of steam & energy has been improved significantly thereby saving in cost by approximately 8 - 9%.
- 2) Various measures taken including proposals being implemented have direct impact in the reduction of wastage. But at the same time having greater impact in the improvement of quality & product ranges.

B) Technology Absorption:**a) Research & Development:**

1. Specific area in which R&D is carried out by the Company:
 - a) Company propose to get the Laboratory Dispensing System & Infra Red Dyeing machine for sample Dyeing purpose.
 - b) Company has decided to go for ISO 9001-2000 Certification from AQSR Certifying agencies. Awareness training & documentation work is almost complete. Whole exercise till achieving Certification ISO-9001-2000 will be completed in this calendar year.
 - c) Company have achieved OKO TEX Standard 100 Certification through Testex Lab Zurich, effective 4th Jan'2005.
2. Benefits derived as a result of the above R&D
 - a) These measures enable the company to remain competitive in terms of quality and product range in the International market.
3. Future Plan of Action:-
 - a) Company proposes to do R&D activities in the economical and cost effective method of utilization of dyes & chemicals and also other input items through carrying out micro level studies of the existing systems.
 - b) The Company continue its R&D activities in reducing

the effluent levels to the insignificant levels and maintaining the unit as eco-friendly unit.

- c) The Company plan to install wet scrubber at the outlet of the cases to minimize and maintain suspended coal particle to the desired level. This will definitely help in maintaining the environment clean.

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

The aggregate expenditure in R&D both in the nature of capital and revenue is not very significant. The Company is committed to maintain its efforts to improve the products quality as per the changing standards in the International market.

b) Technology absorption, adoption & innovation

The company regularly observing the latest technological developments in the International level to upgrade its machines and equipments, as also to replace the existing machineries and equipments wherever possible. Further, company continues to test the various new techniques in the process of manufacturing in collaboration with the vendors & suppliers in the laboratory for adoption of the same in the company. It is an on going process to improve and maintain the quality as per international standards But at the same to restrict the cost of manufacturing to the optimum level to keep the unit competitive in the market. Because of all these, company is benefited significantly in the 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 (2004-05)	Previous Year (2003-04)
Total Foreign Exchange used	47.32	11.36
Total Foreign Exchange earned (FOB Value)	18.83	137.21

Form - A
(See Rule-2)

The disclosure of particulars with respect to conservation of Energy.

A) Power and Fuel Consumption:-

	Current Year (2004-05)	Previous Year (2003-04)
1. Electricity		
Units (KWH)	3908986	3310444
Total Amount (Rs.)	13683738	12316787
Average Rate	3.50	3.72
2. Furnace Oil		
Quantity (Lt.)	25046	12000
Total Amount (Rs.)	389134	165150
Average Rate (Rs./Lt.)	15.54	13.76

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	Current Year (2004-05)	Previous Year (2003-04)
3. Steam Coal & Others		
Quantity (Kgs)	5218512	4712769
Total Amount (Rs.)	19233256	14308849
Average Rate	3.68 *	3.04
B) Consumption per unit production:		
Electricity (Unit/Kg.)	1.45	1.45
Furnace Oil (Lt./Kg.)	0.009	0.005
Steam Coal	1.93	2.07

*Average rate is arrived by taking value of coal & others.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 30.07.2005

ANAND AGARWAL
Chairman & Managing Director

Corporate Governance:

Report of the Directors on Corporate Governance

The Board recognizes the ideals and importance of Corporate Governance and acknowledges its responsibilities towards all stake holders including customers, employees, regulatory authorities and shareholders. It is the philosophy of the company to bestow high standard of transparency fairness and accountability for performance at all levels and corporate governance is an integral element of Company's value system, management ethics and business practices.

Board of Directors:

Presently the Board comprises of 5 members including wholtime Director viz Chairman & Managing Director. The Board has been constituted by inducting the persons from various fields such as finance, technical, marketing etc. so as to facilitate enrichment of the board with all aspects of business to derive maximum benefit for the company. The Board carry out the function of managing the company and the same 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	1
Vivek Gangwal	Non-Executive	Yes	4	—	—
Sushilkumar S.Kasiwal	Non-Executive	Yes	1	—	—

Responsibilities:

The Board's responsibility includes formal list of matters including those specifically entrusted to the Board by various legislations. Apart from providing strategic direction to the Company, the formal schedule reserved for its consideration and decision includes formation of policies, new initiatives, Corporate Governance, performance review, ensuring adequate availability of financial and other resources and reporting to shareholders. During the year under review Board met 5 times. Board members ensure that, their other responsibilities do not have material impact on their responsibilities as a director of the Company.

Role of Independent Directors:

Independent Directors assumes great significance in the functioning of any good corporate governance in any organization. They contribute substantially towards the progress of the organization as these Directors are highly experienced and have in depth knowledge in different specialized areas such as finance, marketing, technical etc. They take active part in the deliberations particularly in Audit Committee and Remuneration Committee meetings as these committees are constituted mainly with independent Directors.

Board Meetings:

Board Meetings are called in compliance with the provisions of Companies Act 1956 and the listing guidelines which is generally held at the Registered Office atleast once in a quarter. The proceedings held as per the agenda and circulated well in advance to the members. The members of the Board have access to all information of the company and are free to call for any information or discussion on any matter relating to the affairs of the company during the meeting. Chairman and Managing Director replies to all queries or points or clarification raised/or sought during the meeting and also entitled to avail the support of Senior Manager, in clarifying any matter during the meeting.

Five Board Meetings were held during the year from 1st April 2004 to 31.03.2005, i.e on 12th April 2004, 30th June, 04, 31st July'04, 30th Oct'2004, & 31st January'2005. 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
Shri Anand Agarwal	5	Yes
Shri Pawan Agarwal	5	Yes
Shri A.Indu Sekhar Rao	5	Yes
Shri Vivek Gangwal	5	Yes
Shri Sushilkumar Singh Kasiwal	2	Yes

Details of Directors being appointed/re-appointed:

During the year under review no new Director has been inducted to the Board, and also no Director has resigned from the Board.



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Shri Indusekhar Rao and Shri Sushilkumar Kasliwal, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Board Committees:

In order to have a specialized and focused management of the affairs of the Company and also in compliance with various requirements, the board delegates certain important and critical matters to the committee of the board set up for this purpose. These committees analyse examine & discuss in depth of the matters assigned to them and accordingly submit its report, findings or suggestions to the Board to take appropriate decision.

Audit Committee:

The Audit Committee is headed by Shri Vivek Gangwal. The other members are Shri Indusekhar Rao and Shri Pawan Agarwal

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

- Detailed review of the systems of internal control, the implementation of audit procedures and techniques.
- Review the financial reporting systems and ensure compliance with the regulatory guidelines including unaudited quarterly financial statements with a recommendations to take the same on record.
- Examining the adequacy of the internal audit and compliance function, including objectively reviewing the reports of internal auditors and statutory auditors. The performance of both internal and external Auditors are also subject to review of the Audit Committee in order to facilitate an objective, professional and cost effective relationship is maintained.
- Review of the audit fees paid to the Auditors are undertaken and recommendations for revision if required are suggested at the appropriate time.
- Company's financial and risk management policies and systems are also examined at the regular intervals.

Audit Committee meetings are regularly attended by Statutory Auditors, Cost Auditors and Internal Auditors, apart from Senior Executives from Finance, Operational functions of the Company. The Company Secretary acts as the Secretary of 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 twice before the finalisation of Audited Accounts.

Name	No. of Meetings held During the year	Attended all the Meeting
Shri Vivek Gangwal	4	Yes
Shri Indu Sekhar Rao	4	Yes
Shri Pawan Agarwal	4	Yes

The company systematically and in a phased manner implement the various recommendations made by the Committee from time to time

Remuneration Committee:

The Remuneration Committee review the overall compensation structure and policies of the company particularly the remuneration paid to the Managing Director/ Whole time Directors. The Committee reviews all elements of remuneration of wholetime Directors, service contracts, notice period, severance payments, stock options, etc. The Committee had met once during the year under review. The Committee had suggested to maintain the remuneration levels of whole-time Director without any revision in view of losses.

Name	No. of Meeting held during the year	Attended all The Meeting	Status
A Indu Sekhar Rao	1	Yes	Chairman
Vivek Gangwal	1	Yes	Member
Sushilkumar Kasliwal	1	Yes	Member

Remuneration Policy:

The policy followed by the Committee in respect of remuneration to Senior Executives and others are mainly with a view to retain and motivate employees including periodical review of the compensation levels of the company vis-sa-vis other units in the same Industry. Whole time Directors compensation levels are recommended by the committee in accordance with the various provisions of the Companies Act 1956 and the rules & regulations. The remuneration is fixed based on various factors such as qualification, experience, expertise, prevailing remuneration in the Industry, financial position of the company etc. Non Executive Directors have not drawn any remuneration from the company except sitting fees for the meetings of the Board attended by them.

Details of Remuneration to the Directors during the financial year ended 31st March 2005

Name of the Director	Salary	Perquisites & Other benefits	Sitting Fees	Reimbursement of expenses	Total
1. Anand Agarwal	480000	9360	-	-	489360
2. Pawan Agarwal	-	-	7500	4500	12000
3. A.Indu Sekhar Rao	-	-	7500	4500	12000
4. Vivek Gangwal	-	-	7500	4500	12000
5. Sushilkumar Kasliwal	-	-	3000	1000	4000

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Shareholders/Investors Grievance Committee:

The Shareholder/Investors Grievance Committee approves and monitors transfers, transmission, dematerialisation, splitting and consolidation of shares issued by the Company. The committee also looks into the redressal of Shareholders and Investors grievances. The committee constituted with 2 members, chaired by Shri Pawan Agarwal and Shri Indu Sekhar Rao as other member of the Committee.

The Committee also looks into the performance of R&T Agents periodically and recommend the appointment, removal of the R&T Agents which includes fixing the terms of contract & services such as monthly charges, commission, fees for undertaking the services. During the year the committee after looking into the various aspects suggested the change of R&T Agents from Karvy Computershare Pvt.Ltd. to Sharex Dynamic (I) Pvt.Ltd.

The Committee had met 25 times during the year under review and both the members were present in all the meetings. The Committee also assess the report submitted by the Company's Registrar / Transfer Agents, and based on the report there are no complaints pending against the company. Details of shareholders complaints, compliance officer etc. are separately indicated in the shareholders information attached herewith and forms a part of this report.

Annual General Meeting:

The details of the Annual General Meeting held during the last 3 years are as under:

Date of AGM	Year	Time	Venue
24.09.2004	2003-04 – 13 th AGM	4.00 p.m.	Conference Hall, Society Terrace A-2, Shah & Nahar Indl. Estate Lower Parel, Mumbai-400 013.
26.09.2003	2002-03 – 12 th AGM	4.00 p.m.	- do -
27.09.2002	2001-02 – 11 th AGM	4.00 p.m.	- do -

No special resolution was moved at the last AGM and ordinary resolutions were passed unanimously on a show of hands by the shareholders present at the meeting. During the year 2001-02 there were two special resolution and 2002-03 there was one special resolution passed in the respective Annual General Meeting. All the special resolutions were passed unanimously on a show of hands by the shareholders present at the meeting. None of the business transacted at this AGM were passed by the postal ballot as were not necessary.

There were no EGM's held during the last 3 years and no resolution was passed with the use of postal ballots.

Communication and relationship with share holders

The Company has approx. 12342 share holders as on date. The Company has established a proper and regular system of communication with the shareholders. Annual Report

forms, the major source of information which includes inter alia, Directors Report, the Report of the Board of Directors on Corporate Governance, Management discussions and analysis report and the audited financial results. Apart from this the Company or its R&T Agents responds to each and every shareholders whenever any enquiry or request for any information is forwarded through postal or other services.

In addition to this, the Annual General Meeting held once in a year is also a major source for a face-to-face communication with the shareholders. The board is fully aware of its responsibilities towards its share holders and therefore engages open and active dialogue with all its share holders. The Board lays great emphasis on the importance of understanding the diverse needs and the expectations of its share holders in order to maintain a lasting relationship with them. Share holders are also informed through the press on a quarterly basis while publishing the quarterly financial results of the company. The quarterly results are published in Free Press Journal and Navshakti. Apart from this, announcement of board meeting and book closures are also published through the press. The annual report contains general share holder information including inter-alia, shareholding pattern, distribution of shareholding, information about the share prices during the year at the Stock Exchange, Mumbai, in accordance with the provisions of the listing agreements.

The Management discussion and analysis report is provided as part of the Directors Report on Corporate Governance.

Disclosures:

1) Related Party Transaction:

There were no significant related party transactions to be mentioned other than those undertaken in the normal course of business. The Company ensures that the terms and conditions in respect of related party transaction are not prejudicial to the interest of the Company. During the year under review sales/purchase transactions between associate companies did not exceed in value in the aggregate of 10% of the total sales/purchase of the Company.

2) The board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.

3) There are no significant variation in the accounting treatment from that prescribed to be followed in the preparation of financial statements.

4) Details of non compliance, penalties, strictures by SEBI/ Statutory Authorities /Stock Exchanges on matters relating to capital markets during the last 3 years.

The Company has also complied with the requirements of regulatory authorities on capital markets and also in respect of whistle blower policy regarding access to audit committee. No penalties or strictures were imposed on the company by any Stock Exchanges, SEBI or any statutory authority on