



ANNUAL REPORT 2004-2005

STM

SURAT TEXTILE MILLS LIMITED

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## BOARD OF DIRECTORS

M. R. MOMAYA	Wholetime Director
S. M. VIG	Director
Y. C. PAPAIYA	Director
M. PARMESWARAN	Nominee Director of UTI

## AUDITORS

MESSRS NATVARLAL VEPARI & CO.  
Chartered Accountants

## BANKERS

DENA BANK

## REGISTERED OFFICE

Garden Mills' Complex,  
Sahara Gate,  
Surat 395 010.

## PLANTS

- i. Varachha Road, Surat 395 006.  
Tel.: (0261) 2548444, 2551192, 2554451  
Fax: (0261) 2553346
- ii. Vareli Complex, Village Vareli,  
Taluka Palsana, Dist. Surat 394 327  
Tel.No. (02622) 276046.
- iii. Village Jolva, Taluka Palsana,  
Dist. Surat 394 305  
Tel.No.(02622) 273287, 273289, 276050
- iv. Survey No.285, Village Khadoli,  
Silvassa-Khanvel Road,  
SILVASSA (DNH)  
Tel. No.(0260) 2699009

## FIFTY-NINTH ANNUAL GENERAL MEETING

Date : 6th September, 2005  
Day : Tuesday  
Time : 10:30 a.m.  
Place : Garden Mills Complex,  
Sahara Gate,  
Surat 395 010  
Book Closure Dates : 30th August, 2005 to  
6th September, 2005  
(both days inclusive)

## REGISTRARS & SHARE TRANSFER AGENTS

MCS LIMITED,  
Neelam Apartment,  
88, Sampatrao Colony, Alkapuri,  
Baroda 390 007.  
Tel. No. (0265) 2339397, 2314757  
Fax No. (0265) 2341639.  
e-mail: mcsbaroda@iqara.net

("Surat Textile Mills Limited" formerly known as "Garden Cottons & Yarns Limited")

## NOTICE

**NOTICE** is hereby given that the Fifty-ninth Annual General Meeting of the Members of SURAT TEXTILE MILLS LIMITED will be held at the Registered Office of the Company at Garden Mills' Complex, Sahara Gate, Surat 395010 on Tuesday, 6th September, 2005, at 10:30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005, Profit and Loss Account for the year ended on that date and the report of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri M. R. Momaya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution.

"RESOLVED THAT M/s. Natvarlal Vepari & Company be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the auditors."

### SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act 1956, read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Shri M. R. Momaya, as Managing Director designated as Whole time Director of the Company for a period of 5 (five) years with effect from 11th December, 2005, on the terms and conditions including remuneration as set out in the draft agreement to be entered into between the Company and Shri M. R. Momaya which is submitted to this meeting, which agreement be and is hereby specifically approved and sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, from time to time in such manner and to such extent as may be agreed to between the Board and Shri M. R. Momaya in the best interest of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to review and / or revise the remuneration, perquisites and benefits to be paid or

provided to, or any other terms and conditions of the appointment of Shri M. R. Momaya as the Managing Director designated as Wholetime Director of the Company in the light of and in conformity with any amendment to the relevant provisions in the Companies Act, 1956 and /or the Rules and Regulations made thereunder and / or the guidelines as may be announced by the Central Government from time to time, and in accordance with the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto or substitution thereof; as may be agreed to between the Board and Shri M. R. Momaya.

RESOLVED FURTHER THAT in the absence or inadequacy of profit in any financial year, the remuneration aforesaid shall be the minimum remuneration payable to Shri M. R. Momaya, subject to the overall ceiling prescribed under Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board, be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise in such manner as it may deem fit".

By order of the Board of Directors

Place : Surat.  
Dated : 28th July, 2005

**M. R. MOMAYA**  
Wholetime Director

### NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
A proxy in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the time for holding the aforesaid meeting.
- (2) In terms of Section 224A of the Companies Act, 1956, a Special Resolution is proposed to be passed for the appointment of the auditors of the Company as the aggregate of shareholdings of the nationalized banks and financial institutions exceeds 25% of the subscribed capital of the Company.
- (3) Explanatory Statement under section 173 (2) of the Companies Act, 1956 relating to Special Business to be transacted at the Meeting is annexed hereto.
- (4) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 30th August, 2005 to Tuesday, 6th September, 2005 (both days inclusive).
- (5) Members are requested to notify immediately about any change of address:
  - (a) To their Depository Participants (DPs) in respect of their electronic share accounts, and

**NOTICE** (Contd.)

- (b) To the Company at its Share Department or to the Company's Registrar & Transfer Agent, MCS Limited, in respect of their physical shares folios, if any.
- (6) Members/Proxies should bring the attendance slip sent herewith, duly filled in, for attending the meeting.
- (7) Members seeking any information or clarification on the Accounts are requested to send their queries in writing to the company, at least one week before the date of the meeting.
- (8) Members, holding Shares in more than one folio in the same name are requested to send the details of their folios with the Share Certificates so as to enable the Company to consolidate their holdings into one folio.
- (9) The Shareholders may kindly note that as mandated by the Securities & Exchange Board of India (SEBI), the Equity Shares of the Company are traded in compulsory dematerialised form by all the investors since 17th January, 2000.
- (10) Pursuant to the provisions of Section 109A of the Companies Act, 1956, Members are entitled to make a nomination in respect of Shares held by them. Members desirous of making a nomination are requested to send their requests in Form No.2B to the Company's Registrar and Share Transfer Agent - MCS Limited.
- (11) Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send to the Company at its Registered Office a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
- (12) Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting, is separately annexed hereto.

By Order of the Board of Directors

**M. R. MOMAYA**  
*Wholtime Director*

Surat, 28th July, 2005

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT****(Pursuant to Section 173(2) of the Companies Act, 1956)****Item No. 4**

At the 55th Annual General Meeting of the Company, held on 29th December, 2001, members of the Company had approved the terms and conditions of appointment of Shri M. R. Momaya as Managing Director designated as Wholtime Director of the Company for a period of five years with effect from 11th December, 2000. The present term of Shri M. R. Momaya as Wholtime Director of the Company expires on 10th December, 2005.

Shri Momaya is a qualified Engineer having wide experience in the textile industry. He was associated with one of the most reputed textile company of Surat for about 30 years and at present rendering his services as Consultant Engineer. Shri Momaya is also involved with the various activities of the Group since a long time and has contributed to a large extent to the activity in which the Company is engaged. Considering his experience and managerial capability, it would be in the interest of the company to continue to avail of the services of Shri M. R. Momaya as Managing Director of the Company.

The Board of Directors of the Company in its meeting held on 28th July, 2005, reappointed him as Managing Director designated as Wholtime Director of the Company for a further

period of five years w.e.f. 11th December, 2005, on the remuneration as stated hereunder, subject to the approval of shareholders and such other approvals / permissions / consents, if any, as may be required.

The draft agreement between the company and Shri M. R. Momaya as Managing Director designated as Wholtime Director contains the following principal terms and conditions:

- I. **Period** : From 11th December, 2005 to 10th December, 2010
- II. **Remuneration**
  - a) Salary: upto Rs.50,000/- per month with such increments as may be decided by the Board of Directors (which includes any committee thereof) from time to time, after taking into account the Company's performance.
  - b) Perquisites and Allowances:
    - i) in addition to the salary and commission, Shri M. R. Momaya is also entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowance, together with utilities thereof such as gas, electricity, water and furnishings, repairs,

**ANNEXURE TO NOTICE** (Contd.)

servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, and such other allowances and perquisites as the Board may in its absolute discretion, determine from time to time.

- ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these are either singly or together, not taxable under the Income-tax Act; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling for remuneration specified above.
  - iii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.
  - iv) Leave with full pay or encashment thereof as per the Rules of the Company.
  - v) Reimbursement of actual entertainment expenses, actual travelling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.
  - vi) Other perquisites:  
Subject to overall ceiling on remuneration mentioned herein below, the Wholetime Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.
- Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.
- The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956 or by giving 6 months' notice in writing by either party.

- c) Commission:  
Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board

of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

**III. Overall Remuneration**

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

**IV. Minimum Remuneration**

In the event of loss or inadequacy of profits in any financial year during the currency of the tenure of service of the Wholetime Director, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956 with authority to the Board to pay the Salary, commission and perquisites as specified above, subject to the requisite approvals.

The Remuneration Committee of the Board has recommended the same remuneration. In compliance with Sections 269 and 309 of the Act, the terms of remuneration and appointment specified above are now placed before the shareholders in general meeting for their approval. The Board of Directors recommends passing of the resolution at item No.4.

The copy of the draft agreement as referred above is open for inspection by the members at the registered office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

This Explanatory Statement read with the Resolution in respect of the draft agreement as referred above may also be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

Shri M. R. Momaya is deemed to be concerned or interested in the resolution as it pertains to his appointment and/or remuneration payable to him. Save as aforesaid, none of the other Directors is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

Surat, 28th July, 2005

**M. R. MOMAYA**  
Wholetime Director

## DIRECTORS' REPORT

To the Members of  
**SURAT TEXTILE MILLS LIMITED**

The Directors present their Fifty-ninth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2005.

### FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2004-05	2003-04
Total Income	10340.32	16550.84
Profit / (Loss) before interest, depreciation and tax	113.60	246.48
Financial Charges (Net)	48.95	30.77
Profit / (Loss) before Depreciation & Tax	64.65	215.71
Depreciation & Impairment	184.91	866.48
Profit / (Loss) before extraordinary items & Tax	(120.26)	(650.77)
Extraordinary items - Impairment of Assets	8579.14	0.00
Profit / (Loss) before Tax	(8699.40)	(650.77)
Profit / (Loss) Brought Forward	(6416.24)	(5765.47)
Balance carried to Balance Sheet	(15115.64)	(6416.24)

### OPERATIONS

Despite a highly competitive environment, the company was able to run its plants at good utilization rates. Good efficiency levels were also maintained. The total production of Polyester Filament Yarn increased from 7892 MT to 8333 MT whereas production of Polyester Chips was maintained at 26660 MT as compared to 26605 MT in the previous year.

During the year under review, high global prices of DMT and MEG put pressure on operating margins. The company's efforts to correct the prices of its products have not fully covered the entire increase in the raw material prices. Due to financial weakness, the company had to restrict own production and do third party job work. Hence the overall volume of business was lower. The sharp increase in the prices of these commodities is driven by a spurt in crude prices and the tight global supply of raw materials created by a rapid growth in China's polyester capacities, which has outpaced the growth of global feedstock capacities.

At present, with the current scale of operations, the value in use, i.e. the estimated future economic benefits expected from the company's cash generating units has significantly eroded and is even lower than the assets' net selling price. Consequently there has been a material impairment of the company's assets in accordance with Accounting Standards AS-28 issued by the Institute of Chartered Accountants of

India as the carrying amount of the assets exceed their recoverable amount. For the purpose of quantifying the level of impairment, the company appointed a firm of renowned valuers to determine the net realizable values of the cash generating units.

### PROVISIONS OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

The reference made by the Company U/s.15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 was registered by the Board for Industrial and Financial Reconstruction (BIFR) in March, 2003. The matter is pending with the Board and no hearing has taken place till date.

### MANAGEMENT DISCUSSION & ANALYSIS

#### Industry Scenario and Outlook

Custom duties on PTA, DMT and MEG have been reduced from 20% to 15% in the current Budget, thereby lowering the landed cost of the above materials. However, decrease in the custom duty rates is expected to only partially offset the rise in the feedstock prices, thus continuing the pressure on the margins.

As the import duties continue to come down, domestic margins also tend to be more in line with international margins. Thus, we believe that the future scenario will be highly competitive. The profitability will be critically contingent on the company's ability to control the costs of other heads, viz., power, labour and others.

The sharp increase in feedstock costs for making polyester - DMT/PTA and MEG which pushed up polyester prices coupled with lower cotton prices, and duty cuts on cotton textiles made cotton yarn cheaper where the major factors which turned unfavourable to the polyester industry in 2004-05, leading to a slow down in the growth rate.

#### Opportunities, Threats & Challenges

The growth in demand would continue to rely on high consumption in the domestic market. The removal of quota restrictions provides limited opportunities for the man made fibre industry in the short term.

Although the excise duty on polyester filament yarn (PFY) was brought down from 24 per cent to 16 per cent in Union Budget 2005-06, the industry has benefited only partially since the measure was more in the nature of a correction, as PFY attracted the highest excise duty amongst all man-made fibres.

The demand growth has slowed down due to the increase in competition from cotton yarn, as cotton textiles have benefited from complete excise exemption and cotton prices have declined following a bumper cotton crop.

In the long term, the dismantling of quotas would give more discretionary powers to the global buyers in selecting their material sourcing avenues. Buyers in developed countries



**DIRECTORS' REPORT** (Contd.)

would be free to buy from the cheapest possible source. This would in turn help the cost-competitive countries like China and India to increase their market share at the cost of other developed and developing nations.

**Internal Control Systems**

The Company has adequate internal control system to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of laws and regulations. Standard operating procedures and guidelines are issued from time to time to support best practices for internal control. Your Company remains committed to maintain internal control systems and procedures designed to provide reasonable assurance for orderly and efficient conduct of business and security of its assets.

**Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include change in Government regulations, tax laws, economic & political developments within and outside the country and such other factors.

**DIRECTORS**

Shri M. R. Momaya retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

The information on the particulars of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement executed with the Stock Exchange Ahmedabad and Mumbai, forms part of Corporate Governance Report.

**FIXED DEPOSITS**

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

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information relating to technology absorption, foreign exchange earnings and outgo required to be disclosed under Rule 2 of the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1998, is given in the annexure and forms an integral part of this report.

**PERSONNEL**

None of the employees of the Company are in receipt of remuneration prescribed under Section 217(2A) of the

Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**AUDITORS & THEIR OBSERVATION**

M/s Natvarlal Vepari & Co., Chartered Accountant, will retire as auditors at the ensuing Annual General Meeting and are eligible for re-appointment. They have, pursuant to Section 224(1B) of the Companies Act, 1956, furnished the certificate regarding their eligibility for re-appointment as the auditors of the company. The Board recommends their re-appointment.

The observations made in the Auditors' Report read with relevant notes to the accounts are self explanatory and, therefore, do not call for any further comments.

**COST AUDITORS**

The Central Government had directed an audit of the Cost Accounts maintained by the Company in respect of its Textiles business and further approved the appointment of M/s P. M. Nanabhoy & Co. for conducting the cost audit, for the year ended 31st March, 2003.

As the said activity at its plant Varachha Road remained discontinued since 2003, the Company has submitted an application to the Department of Company Affairs, Cost Audit Branch, New Delhi for exemption from cost audit in respect of cotton textile activity for the year ended 31st March, 2003 and subsequent years.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (1) In the preparation of the annual accounts, the applicable accounting standards as specified by the Institute of Chartered Accountants of India have been followed alongwith proper explanation given in the notes to accounts, relating to material departures;
- (2) The Directors had 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 as at 31st March, 2005, and of the loss of the Company for the year ended on that date;
- (3) 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
- (4) The Directors have prepared the annual accounts of the Company for the financial year ended 31st March, 2005 on a 'going concern' basis.

**DIRECTORS' REPORT** *(Contd.)***CORPORATE GOVERNANCE**

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Corporate Governance as well as the Auditors' Certificate regarding compliance of conditions of Corporate Governance forms part of the Annual Report.

**LISTING**

Your Company's equity shares are currently listed at Mumbai and Ahmedabad Stock Exchanges. The Shares are under compulsory dematerialisation list of the SEBI. As on 31st March, 2005, 62506157 shares representing 93.20% of Company's equity share capital have been dematerialized.

**ACKNOWLEDGEMENTS**

The Directors wish to convey their appreciation to business associates for their support and contribution during the year. The Directors would also like to thank the employees, shareholders, customers, suppliers and bankers for the continued support given by them to the Company and their confidence reposed in the management.

For and on behalf of the Board of Directors

Surat, 28th July, 2005

**M. R. MOMAYA**  
*Wholtime Director*

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**ANNEXURE "A" TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

**I. CONSERVATION OF ENERGY:****a. Measures taken for conservation of energy:**

- Conservation of energy is an ongoing process and constant efforts are being made to conserve the energy by introduction of energy saving measures and efficient control of

manufacturing process. The Energy Audit is also being carried out by external agencies.

**b. Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:**

- Reduction of fuel / electricity consumption.

**c. Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.**

<b>FORM "A"</b>			
<b>Form for Disclosure of Particulars with respect to Conservation of Energy</b>			
		<b>2004-05</b>	<b>2003-04</b>
<b>A Power and Fuel Consumption</b>			
1. Electricity			
a. Purchased Unit (in Lacs) .....		<b>164.90</b>	122.45
Total amount (Rs. in Lacs) .....		<b>913.30</b>	665.69
Rate / Unit Rs. ....		<b>5.54</b>	5.44
b. Own Generation			
i. Through Diesel Generator			
Units in lacs .....		<b>NIL</b>	NIL
Units per Ltr. of Diesel Oil .....		<b>NIL</b>	NIL
Unit per SCM of Gas Consumption .....		<b>NIL</b>	NIL
Cost/Unit Rs. ....		<b>NIL</b>	NIL
ii. Through Steam turbine/Generator			
Units .....		<b>NIL</b>	NIL
Units per Ltr. of fuel oil / gas .....		<b>NIL</b>	NIL
Cost/Unit Rs. ....		<b>NIL</b>	NIL
2. Coal/Lignite for Generation of Steam			
Quantity (M.T.) .....		<b>NIL</b>	NIL
Total Cost Rs.in Lacs .....		<b>NIL</b>	NIL
Average rate Rs./M.T. ....		<b>NIL</b>	NIL
3. Furnace Oil			
Quantity (K.Lts.) .....		<b>2587</b>	4494
Total Amount (Rs. in Lacs) .....		<b>313.47</b>	451.19
Average rate Rs./ Lts. ....		<b>12.11</b>	10.04
4. Others/Internal generation			
Quantity .....		<b>NIL</b>	NIL
Total Cost .....		<b>NIL</b>	NIL
Rate / Unit Rs. ....		<b>NIL</b>	NIL
<b>B Consumption Per Unit of Production</b>			
Product Details .....	<b>SPUN YARN</b>	<b>SPUN YARN</b>	
Unit .....	<b>Kg.</b>	<b>Kg.</b>	
Electricity (Unit) * .....	<b>6.11</b>	<b>5.50</b>	
Product Details .....	<b>PFY</b>	<b>PFY</b>	
Unit .....	<b>Kg.</b>	<b>Kg.</b>	
Electricity (Unit) * .....	<b>0.93</b>	<b>0.62</b>	
Product Details .....	<b>CHIPS</b>	<b>CHIPS</b>	
Unit .....	<b>Kg.</b>	<b>Kg.</b>	
Electricity (Unit) * .....	<b>0.13</b>	<b>0.09</b>	
Furnace Oil .....	<b>NIL</b>	<b>NIL</b>	
Coal / Lignite (Kg.) .....	<b>NIL</b>	<b>NIL</b>	
Others .....	<b>NIL</b>	<b>NIL</b>	

\* The variation in consumption of Electricity per unit of production is due to changes in product mix.

**ANNEXURE "A" TO THE DIRECTORS' REPORT** (Contd.)**II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****Research and Development**

1. Specific areas in which R & D carried out by the Company:

The Company has no specific Research & Development Department however, the Company has quality control department to check the quality of different products manufactured.

2. Benefits derived as a result of the above efforts:

The Company has been continuously improving the quality of its existing products and also been able to reduce the cost of production.

3. Future Plan of Action

Management is committed to strengthen quality control department, further to improve its competitiveness in times to come.

4. Expenditure on R & D:

- The Company, from time to time incurs capital expenditure, exposes itself to better technology and keeps itself abreast of technological improvements.

**Technology Absorption, Adaptation and Innovation**

1. Efforts in brief, made towards absorption, adaptation and innovation:

- Modifications of process and products are carried out from time to time to suit market requirements and to improve operational efficiency.

2. Benefits derived as a result of the above efforts:

- Better quality of yarn will be produced at low costs.

3. Particulars of Technology Imported:

- The technology used by the Company is indigenously developed and no technology has been imported.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Details relating to foreign exchange earnings and outgo are given in Note No.15 of Schedule 13 annexed to the accounts.

By Order of the Board of Directors

Surat, 28th July, 2005

**M. R. MOMAYA**  
Wholetime Director

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