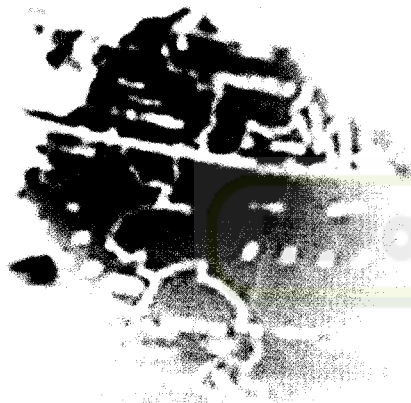
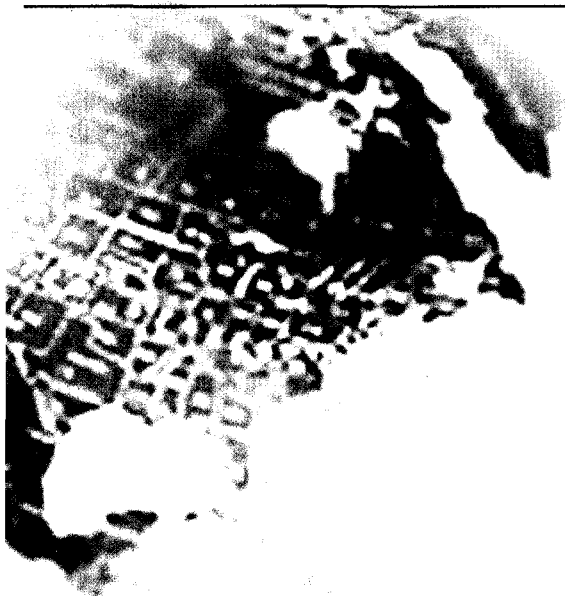
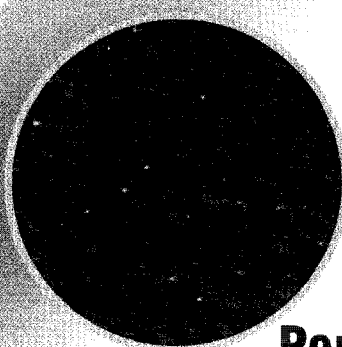
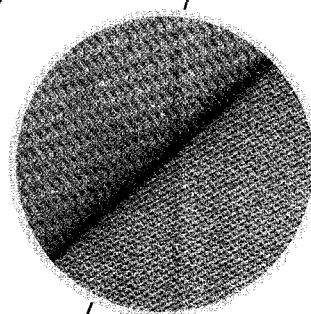
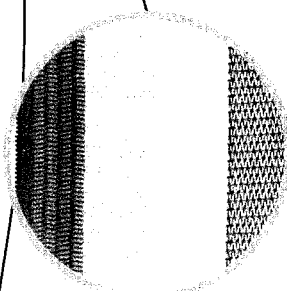
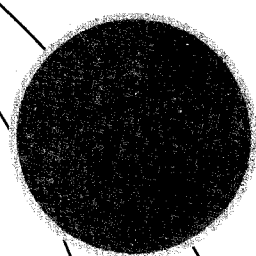


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34th Annual Report 2003



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BOARD OF RECTORORS



Michael Cartmell
Chairman



Chandrakant Kahandas Thanawala
Director



Biren De
Director



Ravinder Nath
Director



Manoj Kapoor
Executive Director

Global Presence

BOARD OF DIRECTORS

Michael Cartmell, Chairman
Chandrakant Kahandas Thanawala, Director
Biren De, Director
Ravinder Nath, Director
Manoj Kapoor, Executive Director

COMPANY SECRETARY

C.S. Gugliani

AUDITORS

Lodha & Co., New Delhi

BANKERS

Standard Chartered Bank, New Delhi.

REGISTERED OFFICE AND MILL

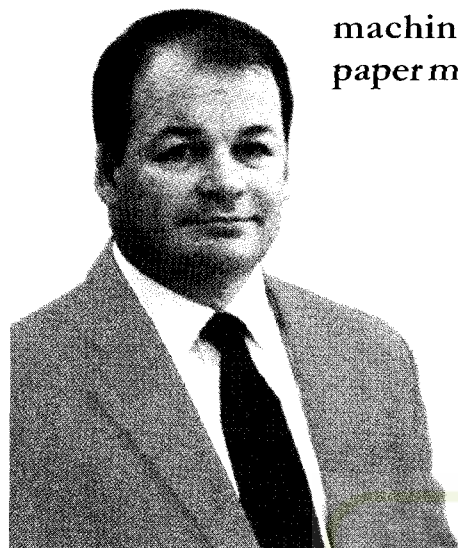
113/114A, Sector 24,
Faridabad-121 005, Haryana (INDIA)

CONTENTS

Chairman's Message	2
Message from the Executive Director	2
Directors' Report	3
Corporate Governance	7
Management Discussion & Analysis	11
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules	16
Cash Flow Statement	28
Balance Sheet Abstract	30

Chairman's Message

“PSA is the only Indian manufacturer to supply the entire range of machine clothing to paper manufacturers.”



Dear Shareholders,

This year we celebrate the 35th anniversary of Porritts & Spencer (Asia) Ltd. (PSA). Your Company has made consistent progress due to your support and encouragement, and I hope that your trust in the Company and its potential, which has grown over the years, will remain in times to come.

Today, PSA is the only Indian manufacturer to supply the entire range of machine clothing, to paper manufacturers.

Since the last few years, your Company has been consciously working towards internationalising its product, thereby becoming a significant global player. The VOITH Group supported the global sales drive of your Company, and has agreed to provide us with a broader base to enable entry into new markets. PSA has also been appointed as an agent of Voith Fabrics, Ipoh, Malaysia.

With a good monsoon, this year, all the sectors are likely to record encouraging results and the GDP growth for the current fiscal is expected to rise to 6-6.5%, the effect of which may result in increased demand for paper resulting in a consequential rise in the demand for our product. PSA is fully geared to take full advantage of this opportunity. The global economy is also emerging from recession and core sectors like steel, cement, infrastructure, etc., are looking up.

Your Company puts safety & environment protection in a high-priority category. While providing a work culture that ensures efficiency, measures are taken to instill a high degree of credibility, discipline and transparency in operations.

I thank you all for the trust and confidence reposed in PSA and assure you that, with your continued support, the Company will make further progress in the years to come.

My sincere Regards and best wishes for the coming festive season,

MICHAEL CARTMELL

Chairman

Dear Shareholders,

At the very outset, I would like to share with you an overview of the progress achieved by your Company during the year ended on 30th September, 2003. Sales have exhibited an upward trend, touching Rs. 467.71 million this year, as against Rs. 458.12 million last year. Profits have also jumped significantly, recording a figure of Rs.74.62 million, as compared to Rs. 53.44 million last year. It is our constant endeavour to enhance overall efficiency, while minimising costs without any compromise on quality.

You will be pleased to know that your Company has received the ISO 9001:2000 certification and ISO 14001 certification for its Environment Friendly Practices has been recommended by TUV.

Your Company places Human Resources at the top of its high-priority list, as people are the key creators of wealth & value for any organisation. It is our constant endeavour to enhance the motivation levels and skills of employees through regular training, while charting out their career development paths in consultation with the concerned personnel and experts. Keeping pace with international norms, we have introduced a 360 degree performance appraisal system in order to provide useful feedback to everyone and help them improve their personality & skills. Our Human Resources are a healthy blend of experience and youth. This will help to meet and overcome any challenges the future may throw up.

Your Company has a firm belief that all stakeholders should have access to all information about its position, future potential and plans. As required by SEBI and the Listing Agreement, your Company has commenced the filing of its financial and other information on the Electronic Data Information Filing and Retrieval (EDIFAR) website www.sebi.gov.in maintained by National Informatics Centre (NIC), since February 2003. All relevant information is also available on your company's website www.porrittsandspencerasia.com

In closing, I would like to thank all of you for your wholehearted support. I believe that the revival of the economy coupled with our operational excellence, is sure to result in further all-round success in the days to come.

With warm regards,

Manoj Kapoor
Executive Director

Communique from the Executive Director

“Your Company has a firm belief that all stakeholders should have access to all information about its position, future potential and plans.”





DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Thirty-Fourth Annual Report together with audited statement of accounts of the Company for the year ended 30th September, 2003.

FINANCIAL RESULTS

	Rs. in millions	
	2002-03	2001-02
Sales	467.71	458.12
Profit before taxation	116.19	86.09
Provision for taxation	41.57	32.65
Profit after taxation	74.62	53.44
Appropriations		
Dividend	17.57	13.18
Corporate dividend tax	2.25	—
Transferred to general reserve	54.80	40.26
	74.62	53.44

During the year under review, your Company has achieved a turnover of Rs. 483.73 million, registering an increase of 3.75% over the previous year.

The profit before tax at Rs. 116.19 million shows a growth of 34.96% over the previous year.

Barring unforeseen circumstances, the Directors hope to achieve continued growth in turnover & profitability.

DIVIDEND

Your Directors are pleased to recommend for your approval a dividend of Rs. 4/- per equity share of Rs. 10/- each. This will absorb Rs. 19.82 million.

MARKETING

The products of your Company continue to enjoy good acceptability in the market, which is well supported by a dedicated service team.

DIRECTORS

Mr. C.K. Thanawala and Mr. Manoj Kapoor, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

The Details of Directors of the Company seeking re-appointment are as follows:

Name of Director	Mr. C.K. Thanawala		Mr. Manoj Kapoor
Age (years)	70		38
Date of Appointment	02.02.1973		31.01.2002
Expertise in Specific Functional areas	Finance & Management		Finance, Legal, Secretarial, Administration & Operations
Qualifications	B.A. (Hons.), B.Com, AMBIM (London), ACWA (U.K)		B.Com (Hons.), FCS, LLB, LMIMA, LMICA.
Directorships held in outside Companies as on 30.09.2003	1. Industrial Investment Trust Ltd. 2. IIT Corporate Services Ltd. 3. Inarco Ltd. 4. ARI Consolidated Investments Ltd. 5. Sanyei Mediquip Ltd. 6. De Beers India Pvt. Ltd. 7. De Beers India Surveys Pvt. Ltd. 8. De Beers India Minerals Pvt. Ltd. 9. Indo Berolina Industries Pvt. Ltd. 10. I-Maritime Consultancy Pvt. Ltd. 11. Snow White Constructions Pvt. Ltd. 12. Lok Global & National Constructions Ltd. 13. IIT Capital Services Ltd. 14. IIT InvesTrust Ltd. 15. IBI Chematur (Engg. & Consultancy) Ltd. 16. Anand Electric Supply Co. Ltd. 17. De Beers India Geology Pvt. Ltd. 18. De Beers India Prospecting Pvt. Ltd. 19. De Beers India Exploration Pvt. Ltd. 20. BEC Chemicals Pvt. Ltd., 21. Nishtha Technologies India Pvt. Ltd. 22. Lok Cements Ltd.		NIL
Membership of Committees of other Companies, in which he is a Director, as on 30.09.2003	1. IIT Capital Services Ltd. (Member - Audit Committee, Chairman - Share Transfer Committee & Investors'/Shareholders' Grievances Committee) 2. Industrial Investment Trust Ltd. (Member - Share Transfer Committee & Investors'/Shareholders' Grievances Committee) 3. IIT InvesTrust Ltd. (Member - Audit Committee) 4. IIT Corporate Services Ltd. (Member - Audit Committee) 5. Anand Electric Supply Co. Ltd. (Member - Audit Committee) 6. Sanyei Mediquip Ltd. (Member - Audit Committee)		NIL

Porritts & Spencer (Asia) Ltd.

AUDITORS

M/s Lodha & Co., Chartered Accountants, the present auditors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Company has received a certificate from them stating that the re-appointment, if made, will be in conformity with the limits specified under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The observations of the auditors are self-explanatory and, therefore, do not call for any further comments.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditors' Certificate regarding compliance of conditions of Corporate Governance, form part of the Annual Report as a separate section.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure I forming part of this Report.

FIXED DEPOSIT

The Company has neither invited nor accepted any deposits from the public during the period under review. There is no unclaimed or unpaid deposit lying with the Company.

NOMINATION FACILITY

In order to avoid the hardship and lengthy procedure needed for transmission of shares in the event of unfortunate death of the sole holder, the shareholders are advised to avail the nomination facility by submitting the prescribed Form 2B (annexed to this Annual Report) to the Company Secretary. **For shares held in Demat form, this nomination must be sent to the concerned Depository Participant and not to the Company.**

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the concerned employee are set out in Annexure II of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- II. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- III. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities; and
- IV. The Directors had prepared the annual accounts on a going concern basis.

APPRECIATION

Your Directors wish to convey their grateful thanks to the Company's Customers, Shareholders, Suppliers, Bankers, and the State and Central Government, without whose continued and whole-hearted support the Company would have been unable to achieve whatever it has achieved today. Your Directors also take this opportunity to express their appreciation of the efforts put in by the employees, at all levels, in achieving the corporate objectives.

For and on behalf of the Board

Manoj Kapoor
Executive Director

C. K. Thanawala
Biren De
R. Nath
Directors

New Delhi
8th October, 2003



ANNEXURE I

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

Your Company continues to remain conscious of conserving energy resources. The Company engaged the services of Energy Auditors, who carried out the Energy Audit exercise at the Factory.

The Company is in the process of implementation of the measures recommended by the Energy Auditors, with an objective to reduce the consumption of energy. The objective is being achieved by continued review and implementation of improved processes & techniques and by using energy efficient equipment. Resources are adequately deployed to meet these objectives.

The required data regarding total energy consumption per unit of production is given hereunder in Form A.

FORM A

Part A-Power and Fuel Consumption		2002-2003	2001-2002
1. Electricity			
(a) Purchase units (millions)		1.17	1.24
Total amount (Rs. millions)		4.88	5.29
Rate/unit (Rs.)		4.19	4.25
(b) Own Generation			
(i) Through diesel generating units (million)		0.45	0.46
Unit per litre of diesel oil		2.84	3.04
Cost/unit (Rs.)		6.69	5.32
(ii) Through steam turbine/generator		Nil	Nil
2. Coal		Nil	Nil
3. Furnace Oil			
Quantity (K. Ltrs.)		158.71	165.49
Total amount (Rs. million)		2.50	2.02
Average rate (Rs.)		15.76	12.20
4. Others/Internal generation		Nil	Nil
Part B – Consumption per unit of production			
Product		Felts	Felts
Unit		Kgs.	Kgs.
Electricity		7.74	9.18
Furnace Oil		0.76	0.89

B. TECHNOLOGY ABSORPTION

FORM B

Research & Development (R&D)

As a part of the regular R&D activities carried out by the Company, areas of concentration have been quality upgradation of the products for total customer satisfaction, introduction of new designs to meet the expectations of quality conscious market and development of indigenous sources for import substitution.

Expenditure incurred on Research & Development during the year is given below:

(Rs. in millions)

a) Capital	1.70
b) Recurring	4.57
c) Total	6.27
d) Total R&D expenditure as a percentage of total turnover	1.34

Porritts & Spencer (Asia) Ltd.

Technology Absorption, Adaptation & Innovation

Your Company has adapted the technology resulting in improvements in production processes, reduction in levels of pollution and consumption of energy. To keep pace with continual advances in technology, the Company regularly reviews and tries to absorb the pertinent developments as they occur.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs. 26.61 million. Your Company continues to explore new foreign markets and to enlarge its share in the existing market.

	(Rs. in million)
Foreign exchange earnings	27.52
Foreign exchange outgo	87.28

ANNEXURE II

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30th September, 2003.

Name	Age (years) as on 30.09.2003	Designation/Date of Commencement of employment (Experience in years)	Remuneration (Rs.)	Qualifications	Last Employment held
Manoj Kapoor	38	Executive Director 28th July, 1992 (20)	4,431,583	B.Com (Hons.), FCS, LLB, LMIMA, LMICA	Jaypee Hotels Ltd. Assistant Company Secretary

NOTES:

1. The remuneration includes salary, allowances, medical benefits, Company's contribution to Provident and Superannuation Funds and other perquisites.
2. The nature of employment is contractual.



CORPORATE GOVERNANCE

Your Company has a belief that Corporate Governance is the panacea for most of, if not all, the evils surrounding the corporate world. In the recent past, various corporate scams, frauds & scandals have been discovered all over the world. These have made the national & international regulatory authorities to block the chances of re-occurrence of such unethical behaviour by bringing in stringent rules, provisions & policies.

a. Company's philosophy on the Code of Corporate Governance

Your Company is committed to good corporate governance in order to enhance the stakeholders' value. Corporate Governance is concerned with the direction of an enterprise, with overseeing and controlling the executive actions of the management and satisfying the legitimate expectations of accountability and transparency by interests outside the enterprise.

b. Board of Directors

The Board of your Company comprises of five Directors, one of whom is the Whole-time Director, designated as 'Executive Director'. The Board has a Non-Executive Chairman. The Board functions either as a full Board or through Committees. The Board of Directors and its Committees meet at regular intervals. The job of policy making, goal setting, control and evaluation is normally done by the Board, whereas the Committees oversee the operational issues of their respective areas.

Five meetings of the Board of Directors were held during the year, on 10th October & 7th November in the year 2002, and on 11th January, 5th April and 5th July in the year 2003.

The composition of the Board, Directors' attendance and the details of other directorships & committee memberships are set out below.

Name	Category	Board Meetings attended during the year	Attendance at last AGM held on 8th Nov., 2002	Number of other Directorships (including Pvt. Ltd. companies)		Number of other Committee Memberships	
				Indian Companies	Other Companies	As Chairman	As Member
Mr. Michael Cartmell, Chairman	Non-Executive Director & Nominee of Voith Bspannungstechnik GmbH, Germany	1	Absent	NIL	NIL	NIL	NIL
Mr. C.K. Thanawala	Independent & Non-Executive Director	5	Present	22	NIL	1	7
Mr. Biren De	Independent & Non-Executive Director	5	Present	1	NIL	NIL	NIL
Mr. Ravinder Nath	Independent & Non-Executive Director	4	Present	13	NIL	NIL	1
Mr. Manoj Kapoor	Executive Director	5	Present	NIL	NIL	NIL	NIL

The Board has constituted three committees, viz., the Audit Committee, the Remuneration Committee and the Investors' Grievances Committee. The Chairmen of all these Committees are Professional Independent Directors. The composition of these Committees is given in the following paragraphs.

(i) Audit Committee

Terms of reference - The Audit Committee provides direction to the audit function in the Company and monitors/reviews the quality of financial management and internal audit. It also oversees the financial reporting process for proper disclosure in the financial statements and recommends appointment, re-appointment and removal of the auditors and about fixing their remuneration. The Committee also reviews the periodical as well as yearly financial statements before the same are submitted to the Board. It also oversees the working of the internal audit system, including the internal control mechanism of the Company.

Composition - The Audit Committee of the Board of Directors is comprised of three independent and non-executive Directors. The Committee is chaired by Mr. C. K. Thanawala, who has done his AMBIM & ACWA from the United Kingdom.

The composition of the Audit Committee is given below.

Name & Designation	Category	Number of meetings attended
Mr. C.K. Thanawala, Chairman	Independent & Non-Executive Director	4
Mr. Biren De, Member	Independent & Non-Executive Director	4
Mr. Ravinder Nath, Member	Independent & Non-Executive Director	3

Four meetings of the Audit Committee were held during the year as per details given below:

Date of the Meeting	Purpose of the meeting
10th October, 2002	To review the Financial Results for the Year/Half-year/Quarter ended on 30th September, 2002
11th January, 2003	To review the Unaudited Financial Results of the Company for the quarter ended on 31st December, 2002.
5th April, 2003	To review the Financial Results of the Company for the period ended on 31st March, 2003.
5th July, 2003	To review the Audited Financial Results of the Company for the quarter ended on 30th June, 2003.

Porritts & Spencer (Asia) Ltd.

(ii) Remuneration Committee

Terms of reference - The functions of the Remuneration Committee include making recommendations for appointments on the Board, evaluation of the performance of the Wholtime Director(s), and grant of remuneration to the Wholtime Director(s), etc.

Composition - The Remuneration Committee of the Board of Directors comprises of three independent and non-executive Directors. The Committee is chaired by Mr. Biren De, a qualified Engineer. Four meetings of the Remuneration Committee were held during the year, on 10th October in the year 2002 and on 11th January, 5th April and 5th July in the year 2003. The composition of the Remuneration Committee is given below.

Name & Designation	Category	Number of meetings attended
Mr. Biren De, Chairman	Independent & Non-Executive Director	4
Mr. C.K.Thanawala, Member	Independent & Non-Executive Director	4
Mr. Ravinder Nath, Member	Independent & Non-Executive Director	3

Remuneration policy - The Executive Director is paid remuneration as approved by the Board of Directors on the recommendation of the Remuneration Committee. The remuneration is fixed considering various factors such as qualification, experience, expertise & capability of the appointee, remuneration prevailing in the industry, financial position of the Company, etc.

The Non-Executive Directors do not draw any remuneration from the Company except the sitting fees, which is paid to them for attending the meetings of the Board of Directors and/or its committees.

The following are the details of the remuneration (including perquisites, commission and retirement benefits paid/ payable to the Executive Director during the year ended on 30th September, 2003).

Particulars	Amount in Rs.
Basic	10,00,000
Commission	10,00,000
Allowances & Perquisites	21,61,583
Contribution to Provident & Other Funds	2,70,000
TOTAL	44,31,583

Note: Liability of Gratuity not ascertainable since funded through Group Gratuity Scheme of LIC.

The Details of Sitting Fees paid to the Independent & Non-Executive Directors during the year are as follows:

Name	Sitting Fees (in Rs.) paid for attending meetings of		Total Sitting Fees paid (Rs.)
	Board of Directors	Committees of the Board	
Mr. C. K. Thanawala	25,000	40,000	65,000
Mr. Biren De	25,000	40,000	65,000
Mr. Ravinder Nath	20,000	50,000	70,000

(iii) Investors' Grievances Committee

Terms of reference - The functions of the Investors' Grievances Committee include overseeing the allotment/approvals & rejection of transfer/ transmission of shares, issue of duplicate certificates, review and redressal of the investor's complaints and listing requirements of securities on the stock exchanges including offering and issuing of shares through depositories.

Composition - The Investors' Grievances Committee comprises of two Directors, one Non-Executive and one Executive Director. The committee is chaired by an Independent Director, Mr. Ravinder Nath, who is an advocate by profession. Four meetings of the Investors' Grievances Committee were held during the year, on 10th October in the year 2002 and on 11th January, 2nd April and 5th July in the year 2003.

The composition of the Investors' Grievances Committee is given below.

Name & Designation	Category	Number of meetings attended
Mr. Ravinder Nath, Chairman	Independent & Non-Executive Director	4
Mr. Manoj Kapoor, Member	Executive Director	4

Mr. C.S. Gugliani, Company Secretary, is the Compliance Officer.

Details of Investor complaints received & disposed off during the year are as follows:

Number of complaints pending as on 1.10.2002: NIL

Number of complaints received during the period 1.10.2002 to 30.09.2003: 30

Number of complaints resolved during the period 1.10.2002 to 30.09.2003: 30

Number of complaints pending as on 30.09.2003: NIL

General Body Meetings

Annual General Meeting	Day, Date	Time	Venue
33rd AGM	Friday, 8th Nov., 2002	10.30 A.M.	Magpie Tourist Complex of Haryana Tourism Corporation Ltd., Sector-16A, Mathura Road, Faridabad.
32nd AGM	Thursday, 29th Nov., 2001	9.30 A.M.	Delite Banquet, 23A, Industrial Area, NIT, Faridabad.
31st AGM	Friday, 8th Dec., 2000	9.30 A.M.	Delite Banquet, 23A, Industrial Area, NIT, Faridabad.