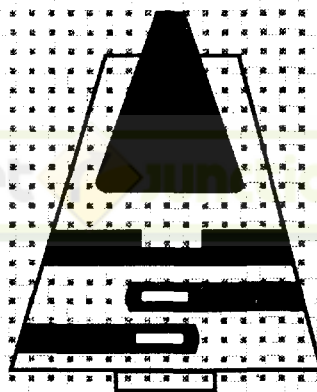


# yarn syndicate limited.

Govt. Recognised Trading House



## ANNUAL REPORT

### 2003 - 2004

# YARN SYNDICATE LIMITED

## BOARD OF DIRECTORS

SRI M. L. PATODIA, Chairman & Managing Director

SRI R. K. PATODIA, Managing Director

SRI K. P. BAGARIA

SRI SITA RAM SARAF

SRI DEVENDRA JHUNJHUNWALA

SRI DILIP KUMAR KHANDELWAL

SRI VIKASH SINGHAL

SMT. SHEELA PATODIA

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## BANKERS

CANARA BANK

Overseas Branch

2/1, Russel Street, Kolkata - 700 071

## AUDITORS

LODHA & CO.

Chartered Accountants

14, Government Place East, Kolkata - 700 069

## REGISTERED OFFICE

7, Sambhu Nath Mullick Lane, Kolkata - 700 007

## YARN SYNDICATE LIMITED

### NOTICE OF THE 58TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifty Eighth Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday the 24th day of September, 2004 at 10.00 A.M. to transact the following business :

#### ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended on that date together with the Auditor's and the Directors' Reports thereon.
2. To appoint a Director in place of Shri Dilip Kumar Khandelwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Devendra Jhunjunwala, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

#### SPECIAL BUSINESS :

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

**"RESOLVED THAT** Sri M. L. Patodia, be and is hereby re-appointed as Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2004"

#### Registered Office :

7, Sambhu Nath Mullick Lane  
Kolkata - 700 007

Dated : the 30th day of June, 2004.

By order of the Board  
For YARN SYNDICATE LIMITED

**MADANLAL PATODIA**  
Chairman & Managing Director

#### NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be valid, must be received by the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books shall remain closed from 16th September, 2004 to 24th September, 2004 (both days inclusive).
3. Pursuant to Section 205A(5) of the Companies Act, 1956 any money transferred to the Unpaid Dividend Account of the Company which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.

Unclaimed/Unpaid dividend amounts for the Financial year 1995-96 have been transferred to the Investor Education and Protection Fund of the Central Government.

**Members who have not encashed the dividend warrant(s) for the Financial Year 1996-97 and any subsequent Dividend payment(s) are requested to make their claims to the Company.**

## YARN SYNDICATE LIMITED

### REQUEST TO THE MEMBERS :

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents, "M/s. AMI Computers (I) Limited, 60A & B Chowringhee Road, Kolkata-700 020."
5. As the Members are aware, your Company's shares are tradable compulsorily in electronic form and in view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation

### DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT

(in pursuance of Clause 49 of the Listing Agreement)

- |  |                             |
|--|-----------------------------|
| 1. Name                                | Shri Dilip Kumar Khandelwal |
| Date of Birth                          | 18.12.1943                  |
| Date of Appointment                    | 01.04.2002                  |
| Qualifications                         | B.E. (Civil Engineer)       |
| Expertise in specific functional area. | Business                    |

Chairman/Director of other Companies

#### **Directorships :**

1. SSK Broking Services Private Limited
2. Venus Funds Management Limited

Chairman/Member of Committees of the Board of Companies of which he is a Director.

<u>Name of the Company</u>	<u>Committee Type</u>	<u>Membership Status</u>
Yarn Syndicate Limited	1. Audit 2. Remuneration	Member Member

- |  |                           |
|--|---------------------------|
| 2. Name                                | Shri Devendra Jhunjunwala |
| Date of Birth                          | 27.09.1952                |
| Date of Appointment                    | 01.04.2002                |
| Qualifications                         | B.Com.                    |
| Expertise in specific functional area. | Business                  |

Chairman/Director of other Companies

#### **Directorships :**

1. Howrah Apartments Private Limited
2. Howrah Skyscrapers Private Limited
3. Shreeji apartments Private Limited
4. Southern Nirman Private Limited
5. Howrah Resorts Private Limited
6. Asiatic Promoters Private Limited

Chairman/Member of Committees of the Board of Companies of which he is a Director.

NIL

# YARN SYNDICATE LIMITED

## ANNEXURE TO NOTICE

**Explanatory Statement Pursuant To Section 173(2) of the Companies Act, 1956.**

**Item No. 5 :**

Sri M.L.Patodia was appointed as Managing Director of the Company with effect from 1<sup>st</sup> April, 1999 to 31<sup>st</sup> March, 2004. In consideration of excellent and valuable services being rendered by Sri M.L.Patodia to the Company, the Board of Directors, at its meeting held on 26<sup>th</sup> March, 2004, have re-appointed him as Managing Director for a period of five years with effect from 1<sup>st</sup> April, 2004 on the terms and conditions set out in the agreement subject to your approval. The main terms and conditions of Sri M.L.Patodia's appointment is set out below :

**A) Period :**

5 Years from 01.04.2004 to 31.03.2009.

**B) Salary :**

Rs. 10,000/- per month.

**C) Perquisites :**

**i) Housing :**

a) House Rent Allowance of Rs. 1,000/- per month.

b) The Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962 subject to a ceiling of 10% of his Salary.

**ii) Medical Reimbursement :**

Expenses incurred for self and family subject to a ceiling of one month's salary in a year for three months salary over a period of three years.

**iii) Leave Travel Concession :**

For self and family once in a year, provided that only actual fare shall be paid to and fro any place in India and no Hotel Expenses shall be paid.

iv) Earned/Privileged leave not exceeding one month for every eleven months of service. Leave accumulated but not availed of shall not be allowed to be encashed.

v) The Company shall provide Sri M. L. Patodia with a car and telephone facility at his residence. Provision of car for use on Company's business and telephone at his residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company.

**D) i)** In the case of inadequate or absence of profit, Sri M. L. Patodia will get the same remuneration as mentioned herein above.

ii) So long as Sri M. L. Patodia functions as the Managing Director of the Company he will not be entitled to any sitting fee for attending the meeting of the Board of Directors or any Committee thereof.

iii) So long as Sri M.L. Patodia holds of the office of the Managing Director he will not be liable to retire by rotation.

iv) So long as Sri M. L. Patodia holds the office of the Managing Director of the company he will not become interested or concerned in any selling agency directly or through his wife or children without prior approval of the Central Government.

v) The appointment of Sri M. L. Patodia may be terminated by giving three months notice by either side.

## YARN SYNDICATE LIMITED

The agreement between the Company and Sri M.L.Patodia is available for inspection by the members of the Company at its registered office between 11.00 a.m. and 1.00 p.m. on any working day of the Company. None of the Directors except Shri M.L.Patodia, Shri R.K.Patodia and Smt.Sheela Patodia is concerned or interested in the resolution.

The Board of Directors recommend this resolution for approval of Members at this meeting.

By order of the Board  
For YARN SYNDICATE LIMITED

**Registered Office :**  
7, Sambhu Nath Mullick Lane  
Kolkata - 700 007  
Dated : the 30th day of June, 2004.

**MADANLAL PATODIA**  
Chairman & Managing Director

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# YARN SYNDICATE LIMITED

## REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 58th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2004.

### FINANCIAL RESULTS :

	<u>2003-2004</u> <u>Rs. in Lacs</u>	<u>2002-2003</u> <u>Rs. in Lacs</u>
Sales - Exports	1,510.30	2,805.08
Domestic	-	6.91
	<u>1,510.30</u>	<u>2,811.99</u>
Profit / (Loss) before Interest & Depreciation	(6.89)	16.88
Less : Interest	(10.50)	11.34
Depreciation	<u>19.61</u>	<u>19.51</u>
	<u>9.11</u>	<u>30.85</u>
Profit/(Loss) before Tax	(16.00)	(13.97)
Less : Provision for Taxation	-	-
Provision for Deferred Tax Assets	-	7.79
Profit/(Loss) after Tax	(16.00)	(6.18)
Less : Adjustment of Income Tax for earlier years	(1.07)	0.07
	<u>(14.93)</u>	<u>(6.25)</u>
Add : Balance brought forward from last year	156.03	162.28
	<u>141.10</u>	<u>156.03</u>

### Appropriations :

Balance carried forward to next year	141.10	156.03
	<u>141.10</u>	<u>156.03</u>

### DIVIDEND :

Due to Loss incurred during the year, your Directors do not recommend dividend on Equity Shares for the Financial Year ended 31st March, 2004.

### PERFORMANCE REVIEW :

The major recession affecting the textile industry has persisted throughout the year under review. This has resulted in lower export sales by your Company during the year as compared to export sales in the previous year.

The dismantling of the Quota system under W.T.O. w.e.f. 01.01.2005 is expected to increase the export sales of your Company in future.

In the highly competitive environment of the global textile industry, your Company has always maintained quality and delivery schedules of its exports and continue exploring new markets for the export of Yarn and other textile products.

### PARTICULARS OF EMPLOYEES :

Particulars of Employees as required under sub-Section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder are not applicable for the year under review.

## YARN SYNDICATE LIMITED

### DIRECTORS :

Shri Dilip Kumar Khandelwal and Shri Devendra Jhunjunwala, Directors of the Company retire by rotation and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2A) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable accounting standards had been followed;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) that the directors had 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;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

### CORPORATE GOVERNANCE :

A Report on Corporate Governance and Management Discussion and Analysis as required Under Clause 49 of the Listing Agreement is attached.

### VOLUNTARY DELISTING OF SHARES :

Pursuant to the special resolution unanimously approved by the Shareholders at their meeting held on 23.09.2003, the Company had filed application with the Stock Exchanges at Kolkata, Chennai, Ahmedabad and Coimbatore for Voluntary Delisting of Company's Equity Shares under SEBI (Delisting of Securities).

Your Directors wish to inform that Company has received approval from The Stock Exchange of Chennai, Ahmedabad and Coimbatore. The approval from The Kolkata Stock Exchange Association Limited is pending.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO :

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 issued under Section 217(1)(e) of the Companies Act, 1956, your Directors have to state that the particulars in respect of Energy Conservation and Technology Absorption are not applicable to your Company. As regards the Foreign Exchange earning and outgo, your Directors have to state that the relevant figures are given in Schedule 13 annexed to the Audited Accounts. The Company's activity of export is in the line of Cotton Yarn and Textiles. Your Directors plan to continue their initiatives in order to further increase the export turnover.

### AUDITOR'S OBSERVATIONS :

In respect of the reference to the Notes on Accounts in the Auditor's Report, your Directors have to state that the same are self explanatory and do not need further clarification.

### AUDITORS :

M/s. Lodha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### ACKNOWLEDGEMENTS :

The Board is grateful to the Company's Bankers, Canara Bank for their continued co-operation and financial assistance. The Board is thankful to the Management, Officers and Staff of Canara Bank for the prompt and timely assistance rendered by them as and when required. The Board is grateful to Reserve Bank of India, State Bank of India & United Bank of India, Burrabazar Branch, The Cotton Textiles Export Promotion Council, Textile Committee, Export Credit Guarantee Corporation of India Limited, Collector of Central Excise, Director General of Foreign Trade, New Delhi, Joint Director General of Foreign Trade, Calcutta, Registrar of Companies and other Institutions for their kind co-operation in day to day activities of the Company. Your Directors are thankful to all the Executives and staff members of the Company for their whole hearted co-operation.

### Registered Office

7, Sambhu Nath Mullick Lane,  
Kolkata - 700 007

Dated : the 30th day of June, 2004.

For and on behalf of the Board  
**M. L. PATODIA**

Chairman & Managing Director



# YARN SYNDICATE LIMITED

## REPORT ON CORPORATE GOVERNANCE

The following is a report on the ongoing implementation of the code by your Company.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has always recognized the importance of good Corporate Governance and has strived to practice and improve its focus on it by increasing transparency, professionalism and accountability to its shareholders and other stakeholders, including employees, the government and lenders. The company will strive to improve on these aspects on ongoing basis.

### 2. COMPOSITION, CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

#### BOARD OF DIRECTORS

<u>Director</u>	<u>Executive/ Non-Executive/ Independent</u>	<u>Member of Board of Other Companies including Pvt. Ltd. Cos.</u>	<u>Total no. of Committee Membership held</u>	
			<u>As Chairman</u>	<u>As Member</u>
Shri M. L. Patodia	Executive	7	—	1
Shri R. K. Patodia	Executive	7	—	1
Shri K. P. Bagaria	Independent	1	—	—
Shri S. R. Saraf	Independent	6	—	2
Shri D. K. Jhunhunwala	Independent	6	—	—
Shri D. K. Khandelwal	Independent	2	—	2
Smt. Sheela Patodia	Non -Executive	4	—	—
Shri Vikash Singhal	Independent	4	3	—

#### BOARD, ANNUAL GENERAL MEETING & ATTENDANCE :

Board Meetings were held on 15th April, 2003, 28th June, 2003, 31st July, 2003, 6th September, 2003, 30th September, 2003, 28th October, 2003, 5th January, 2004, 29th January, 2004 and 26th March, 2004.

The maximum time gap between any two meetings was not more than three calendar months.

The Annual General Meeting was held on 23rd September, 2003.

<u>Director</u>	<u>No. of Board Meeting</u>		<u>Attended last AGM</u>
	<u>Held</u>	<u>Attended</u>	
Shri M. L. Patodia	9	9	Yes
Shri R. K. Patodia	9	3	Yes
Shri K. P. Bagaria	9	2	No
Shri S. R. Saraf	9	8	No
Shri D. K. Jhunhunwala	9	5	No
Shri D. K. Khandelwal	9	2	Yes
Smt. Sheela Patodia	9	1	Yes
Shri Vikash Singhal	9	8	Yes

### 3. AUDIT COMMITTEE

The broad terms of reference of the Audit Committee are given hereunder :

- It shall oversee the Company's financial reporting process and the disclosure of its financial information and ensure that financial statements are correct, sufficient and credible.
- It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- It shall review with management the annual, half-yearly and quarterly financial statements in all respects.

## YARN SYNDICATE LIMITED

- d) Review with management and statutory auditors the adequacy of internal control systems and internal audit functions.
- e) Discuss with external auditors before the audit commences nature and scope of audit as well have post-audit discussion to ascertain any area of concern.
- f) Review the company's financial and risk management policies.

### COMPOSITION, NAME OF MEMBERS AND CHAIRMAN :

The Audit Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002. Audit Committee Meetings were held on 27th June, 2003, 30th July, 2003, 27th October, 2003 and 28th January, 2004.

MEMBERS OF THE AUDIT COMMITTEE		Meetings held	Meeting Attended
Chairman & Independent Director	: Sri Vikash Singhal	4	4
Member & Independent Director	: Sri S. R. Saraf	4	4
Member & Independent Director	: Sri D. K. Khandelwal	4	1

#### 4. REMUNERATION COMMITTEE :

The Remuneration Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002.

### MEMBERS OF THE REMUNERATION COMMITTEE :

Chairman & Independent Director	: Sri Vikash Singhal
Member & Independent Director	: Sri S. R. Saraf
Member & Independent Director	: Sri D. K. Khandelwal

The Remuneration Committee met twice, on 30th June, 2003 and 25th March, 2004, during the year under review.

At the Meeting held on 30th June, 2003, the Committee noted that Sri M. L. Patodia and Sri R. K. Patodia, Managing Directors of the Company, had waived payment of remuneration to them with effect from 01.02.2000 due to weak financial position of the company. In view of Company's improved financial position during the first quarter of the financial year 2003-04, the Committee decided to resume payment of remuneration to Sri R. K. Patodia, Managing Director of the Company with effect from 01.07.2003 as per the terms and conditions set forth in the agreement dated 21.06.2002 between Sri R. K. Patodia on his re-appointment as Managing Director and the Company.

At the Meeting held on 25th March, 2004, the Committee approved the re-appointment of Sri M. L. Patodia as the Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2004 on the existing remuneration and other terms and conditions. A letter from Sri M. L. Patodia dated 24.3.2004 waiving payment of remuneration was taken on record by the Committee. Consequently, the Company continues not to pay any remuneration to Sri M. L. Patodia.

#### 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE :

The Investors Grievance Committee of the company, under the nomenclature "Share Transfer-cum-Grievance Committee" approves transfer and transmission, duplicate, sub-division, consolidation and replacement of shares and other related matters and to deal with complaints regarding transfer of shares, non-receipt of balance sheet and non-receipt of dividend. The Committee also oversees the performance of Share Transfer Agents and recommend measures for overall improvement in the quality of investor services.

The Committee is headed by Sri Vikash Singhal. Sri M. L. Patodia and Sri R. K. Patodia are other members of the Committee and Sri Santosh Kumar Tibrewal is the Compliance Officer.

The company has received 24 complaints as on 31/03/2004 and all of them has been resolved.

The number of shares pending for transfer on 31/03/2004 were 800 shares involved in seven cases due to mismatch of signatures and not affixing of share transfer stamps out of which 200 shares have been transferred subsequently.