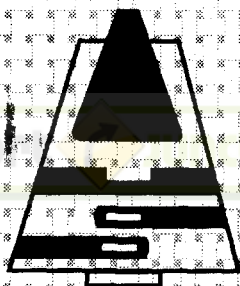


**yarn syndicate limited.**  
**One Star Trading House**



**ANNUAL REPORT**  
**2004 - 2005**

## 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

SRI RISHIRAJ PATODIA (w.e.f. 1-7-05)

### 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

## NOTICE OF THE 59TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifty Ninth Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Wednesday the 14th day of September, 2005 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, 2005 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 Krishna Prasad Bagaria, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. Sheela Patodia, who retires by rotation and being eligible, offers herself 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.

### Registered Office :

7, Sambhu Nath Mullick Lane  
Kolkata - 700 007

By order of the Board

For YARN SYNDICATE LIMITED

**BIKASH CHANDRA CHATTERJI**  
COMPANY SECRETARY

Dated : the 3rd day of June, 2005

### 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 1st September, 2005 to 14th September, 2005 (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 1996-97 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 1997-98 and any subsequent Dividend payment(s) are requested to make their claims to the Company.

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YARN SYNDICATE LIMITED – ANNUAL REPORT 2004-05

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**REQUEST TO THE MEMBERS :**

- 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.
- 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.
- Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
- 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."
- 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 Krishna Prasad Bagaria  |
|    | Date of Birth  | 04.11.1931   |
|    | Date of Appointment  | 30.04.1993   |
|    | Qualifications   | L.L.B.   |
|    | Expertise in specific functional area.   | Legal  |
|    | Chairman/Director of other Companies   | <b>Directorships :</b><br>Teage Limited  |
|    | Chairman/Member of committees of the Board of Companies of which he is a Director  | NIL  |
| 2. | Name   | Smt. Sheela Patodia  |
|    | Date of Birth  | 13.11.1949   |
|    | Date of Appointment  | 01.04.2002   |
|    | Qualifications   | H.S.   |
|    | Expertise in specific functional area.   | Business   |
|    | Chairman/Director of other Companies   | <b>Directorships :</b><br>1. Aarkap Finance Private Limited<br>2. Navalgarh Export & Investments Pvt. Ltd.<br>3. Sunglow Credit Private Limited<br>4. YS Exports Limited |
|    | Chairman/Member of Committees of the Board of Companies of which she is a Director | NIL  |

**Registered Office :**  
7, Sambhu Nath Mullick Lane  
Kolkata - 700 007

By order of the Board  
**For YARN SYNDICATE LIMITED**

**BIKASH CHANDRA CHATTERJI**  
COMPANY SECRETARY

Dated : the 3rd day of June, 2005

## YARN SYNDICATE LIMITED - ANNUAL REPORT 2004-05

**REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS**

Your Directors have pleasure in submitting their 59th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2005.

**FINANCIAL RESULTS :**

	2004-2005 Rs. in Lacs	2003-2004 Rs. in Lacs
Export Sales	<u>1,123.64</u>	<u>1,510.30</u>
Profit/(Loss) before Interest & Depreciation	<u>(67.94)</u>	<u>(6.89)</u>
Less : Interest	(4.92)	(10.50)
Depreciation	<u>16.20</u>	<u>19.61</u>
	<u>11.28</u>	<u>9.11</u>
Profit/(Loss) before Tax	<u>(79.22)</u>	<u>(16.00)</u>
Less : Adjustment of Income Tax for earlier years	-	(1.07)
Profit/(Loss) after Tax	<u>(79.22)</u>	<u>(14.93)</u>
Add : Balance brought forward from last year	<u>141.10</u>	<u>156.03</u>
	<u>61.88</u>	<u>141.10</u>

**Appropriations :**

Balance carried forward to next year	<u>61.88</u>	<u>141.10</u>
	<u>61.88</u>	<u>141.10</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, 2005.

**PERFORMANCE REVIEW :**

The major recession affecting the textile industry has continued to persist throughout the year under review. This has resulted in lower export sales by your Company during much of the year as compared to export sales in the previous year. However, export sales picked up considerably during the fourth quarter of the year.

The Quota system for yarn under W.T.O. has been dismantled w.e.f. 01.01.2005 and your Directors are happy to inform that the company has increased its export sales subsequent to the lifting of the Quota system.

With the global textile industry becoming more competitive than ever, your Company has continued to strive to maintain quality and delivery schedules of its exports and we continue to explore 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.

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**YARN SYNDICATE LIMITED – ANNUAL REPORT 2004-05**

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**DIRECTORS :**

Shri Krishna Prasad Bagaria and Smt. Sheela Patodia, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Rishiraj Patodia has been appointed as an Additional Director of the Company with effect from 1st July, 2005 at the meeting of the Board of Directors held on 3rd June, 2005 and shall hold office upto the date of the next Annual General Meeting of the Company.

**DIRECTORS RESPONSIBILITY STATEMENT :**

Pursuant the requirement under Section 217 (2AA) 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, 2005, 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 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 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, 2005 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 :**

Your Directors wish to inform that Company has received approval from the Calcutta Stock Exchange Association Limited for the voluntary delisting of the company's equity shares under SEBI (Delisting of Securities) Guidelines, 2003.

The Company's equity shares are now listed with The Stock Exchange, Mumbai.

**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

For and on behalf of the Board

**M. L. PATODIA**

Chairman & Managing Director

Dated : the 3rd day of June, 2005.

## 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 recognised 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	4	—	2
Shri D. K. Jhunjhunwala	Independent	4	—	—
Shri D. K. Khandelwal	Independent	2	—	2
Smt. Sheela Patodia	Non-Executive	4	—	—
Shri Vikash Singhal	Independent	5	3	—

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

Board Meetings were held on 23<sup>rd</sup> April, 2004, 30<sup>th</sup> June, 2004, 30<sup>th</sup> July, 2004, 30<sup>th</sup> October, 2004 and 29<sup>th</sup> January, 2005.

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

The Annual General Meeting was held on 24<sup>th</sup> September, 2004.

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



**3. AUDIT COMMITTEE**

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

- a) 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.
- b) It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- c) It shall review with management the annual, half-yearly and quarterly financial statements in all respects.
- 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 30<sup>th</sup> October, 2002. Audit Committee Meetings were held on 29<sup>th</sup> June, 2004, 29<sup>th</sup> July, 2004, 29<sup>th</sup> October, 2004 and 28<sup>th</sup> January, 2005.

<b>MEMBERS OF THE AUDIT COMMITTEE</b>		<b>Meetings held</b>	<b>Meeting Attended</b>
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	2

**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 30<sup>th</sup> October, 2002.

The Remuneration Committee has been constituted to decide and review the Remuneration Package of Managing Director in consonance with existing industry practice and also with the provisions of the Companies Act.

**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 did not meet during the year under review.

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**YARN SYNDICATE LIMITED – ANNUAL REPORT 2004-05**


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**Details of remuneration paid to Managing Director for the year :**

The aggregate of salary and perquisites paid for the year ended 31<sup>st</sup> March, 2005 to Managing Director were as follows :

Sri R. K. Patodia	: Rs.4,20,000/- . Furthermore, Rs.78000/- has been paid during the year towards the maintenance of Managing Director's residential flat at Mumbai.
Sri M. L. Patodia	: Rs. NIL as payment of remuneration has been waived vide his letter dated 24.03.2004

Sitting Fees to Directors of the Board or any Committee thereof has been waived at the Meeting of the Board of Directors held on 27<sup>th</sup> July, 2001.

**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, a Non-executive Director and Sri Bikash Chandra Chatterji, Company Secretary is the Compliance Officer.

The Company has received 38 complaints as on 31.03.2005 and all of them has been resolved.

The number of shares pending for transfer on 31.03.2005 were 200 involved in two cases due to mismatch of signatures and these 200 shares have been transferred subsequently.

**6. GENERAL BODY MEETINGS :**

A. Location and time for last three Annual General Meetings were :

<b>FINANCIAL YEAR</b>	<b>DATE OF AGM</b>	<b>VENUE</b>	<b>TIME</b>
31 <sup>ST</sup> MARCH, 2002	28.09.2002	23, CIRCUS AVENUE KOLKATA 700 017.	10.00 A.M.
31 <sup>ST</sup> MARCH, 2003	23.09.2003	—DO—	10.00 A.M.
31 <sup>ST</sup> MARCH, 2004	24.09.2004	—DO—	10.00 A.M.

B. Special Resolution at the last three Annual General Meetings :

- i) At the Fifty Seventh Annual General Meeting held on 23<sup>rd</sup> September, 2003
  - Delisting of equity shares of the Company from the Stock Exchanges at Ahmedabad, Chennai, Coimbatore and Kolkata as per SEBI (Delisting of Securities) Guidelines 2003.
  - Alteration in Article 34 of Articles of Association of the Company for nomination facility to the holders of shares or debentures of the Company under Section 31 of the Companies Act, 1956.
  - Lending by the Company of a sum of money as loan to Sri R. K. Patodia, Managing Director for further education of his son.
- ii) At the Fifty Eighth Annual General Meeting held on 24<sup>th</sup> September, 2004
  - Re-appointment of Sri M. L. Patodia as Managing Director of the Company for 5 years w. e. f. 01.04.2004.

No resolution was put through Postal Ballot.