

GRATEX INDUSTRIES LIMITED

...progressing towards Growth

29th

**ANNUAL REPORT
2012 - 2013**

29th Annual Report 2012 - 2013

Board Of Directors :

Baldevkrishan Sharma - Chairman
Karan Sharma - Managing Director
Promila Sharma
Mona Menon
Pratap Menon
K.P. Bharadwaj
Pradeep Nagori
Gurvinder Singh Saggi

Registered Office :

109, Kakad Udyog Bhavan,
L.J.Road, Mahim,
Mumbai - 400 016.
Tel : 022 - 40702120/21
Fax : 022 - 40702161
Website : www.gratex.in

Auditors :

M/s Lakhani & Lakhani
Chartered Accountants
F/ 1, Shanti Bhunvan
Co-Operative Hsg. Soc., S.N. Road,
Mulund (West), Mumbai - 400 080

Registrar And Transfer Agents :

Adroit Corporate Services Pvt. Ltd.,
19, Jaferbhoy Industrial Estate,
Makwana Road, Marol Naka,
Andheri (East), Mumbai. - 400 059.
Email : info@adroitcorporate.com

Bankers :

Bank of Maharashtra,
Gadkari Chowk Branch,
Dadar, Mumbai - 400 028.

IMPORTANT COMMUNICATION TO MEMBERS :

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in Physical form are requested to send the above information i.e. e-mail address to the Company at investor@gratex.in OR to the Registrars And Transfer Agents of the Company at gratexgogreen@adroitcorporate.com for registration of their e-mail address.

A REQUEST :

As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy of the Annual Report to the meeting.

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NOTICE

Notice is hereby given that the 29th Annual General Meeting of the members of Gratex Industries Limited will be held on Saturday, 10th August 2013, at 12.00 p. m., at Giants International, Orient Club Bldg No.9, Chowpatty Seaface, Mumbai - 400 007 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. P. Bharadwaj, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Mona Menon, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Pratap Menon, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"**RESOLVED THAT** pursuant to section 224 of the Companies Act, 1956, M/s Lakhani & Lakhani, Chartered Accountants, (ICAI Registration No. 115728W), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration as may be fixed by the Board of Directors."

By Order of the Board
For **Gratex Industries Limited**

Karan Sharma
Managing Director

Date : 29.05.2013

Place : Mumbai

Registered Office

109, Kakad Udyog Bhavan,
L. J. Road, Mahim,
Mumbai - 400 016

NOTES :

1. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The instrument appointing a proxy in order to be valid must be duly filled in all respects and should be deposited at the registered office of the Company not later than 48 hours before the commencement of the meeting.**
2. Corporate members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing such representative(s) to attend and vote on their behalf at the Meeting.
3. Members / Proxy holders are requested to bring their Attendance slip duly signed along with their copy of Annual Report to the meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 6th August, 2013 to Saturday, 10th August, 2013 (both days inclusive).
5. The equity shares of the Company are compulsorily tradable in electronic form and your Company has established connectivity with both the depositories i.e. NSDL and CDSL. Members are requested to avail the facility of dematerialization of the Company's shares on either of the depositories, as aforesaid.
6. **The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Director's Report, Auditor's Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.**

By Order of the Board

For **Gratex Industries Limited**

Karan Sharma

Managing Director

Date : 29.05.2013

Place : Mumbai

Registered Office

109, Kakad Udyog Bhavan,

L. J. Road, Mahim,

Mumbai - 400 016

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

The Following Information is being furnished in terms of Clause 49 of the Listing Agreement in respect of the Director retiring by rotation and proposed to be reappointed.

Particulars	Mr.K.P.Bharadwaj	Mrs. Mona Menon	Mr. Pratap Menon
Date of Birth	July 10, 1933	April 26, 1975	June 12, 1973
Date of Appointment	October 1, 1994	October 1, 1995	August 10, 2004
Qualifications Expertise in specific functional areas	Bachelor of Science degree in D.C.E and Engineering Diploma from City and Guild Institute of London Expertise in Technology & Operations Management and General Management	B.Com + Interior Designer Wide experience in Marketing & Corporate Management.	B.Com + D.M.M. Experience of more than 10 years in Marketing and General Management. He is heading the Dealer Market with Network spread all over India.
Directorships held in other Public Companies (excluding foreign companies)	Nil	Nil	Nil
Memberships/ Chairmanships of committees of other public companies (Includes only Audit and Shareholders / Investors Grievance Committee)	Nil	Nil	Nil
Number of Shares held in the Company	5300	137700	1000

DIRECTORS' REPORT

Your Directors are pleased to present the 29th Annual Report along with the Audited Accounts of the Company for the financial year ended 31st March, 2013.

1. FINANCIAL HIGHLIGHTS:

The financial performance of the Company, for the year ended 31st March, 2013 is summarized below:

(Amount in Lacs)

	CURRENT YEAR 31.03.2013	PREVIOUS YEAR 31.03.2012
Income from Operations	496.37	528.02
Total Expenditure including Depreciation	432.53	498.09
Profit before Tax	23.78	29.92
Profit/Loss After Tax	(9.24)	5.72

2. PERFORMANCE REVIEW:

During the year under review, your Company achieved an operational Profit before Tax of Rs.63.83 lacs. However it went ahead with its decision to adjust prior period expenses of difference in depreciation of Rs.16.07 lacs and write off 3 of its old bad debts amounting to Rs.40.04 lacs, thus posting a loss of Rs.9.24 lacs in the current year.

In the year 2012-13, your Company launched a new product line of Furniture through the Retail Showroom and the target set by the Company is Rs.50 lacs for the year 2013-14.

Your Company is determined to wipe out the carry forward losses and bad debts in the current year and thereafter start an era of sustained profits.

3. DIVIDEND:

Owing to the loss incurred by the Company, your Directors do not recommend any Dividend for the financial year ended March 31, 2013.

4. OUTLOOK FOR 2013 - 2014:

This year the Company is targeting an additional commission income from Marshalls Franchise Showroom. Further the Company is also focusing on enhancing the profitability by providing warehousing, packing and forwarding facility to Marshalls.

The Company is focused to wipe out the carry forward losses and bad debts thus transforming the Company into a profitable organization.

5. FIXED DEPOSITS:

During the period under review, the Company has not accepted/ renewed and deposit within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal / interest was outstanding as on the balance sheet date.

6. DIRECTORS:

- Composition

The Board comprises eight Directors, four of whom are Non-Executive & Independent Directors, two non-executive Directors, one Executive Director & one Managing Director.

- Retirement by Rotation

In accordance with the relevant provisions of the Companies Act, 1956, Mr. K. P. Bharadwaj, Mr. Pratap Menon and Mrs. Mona Menon, Directors of the Company are liable to retire by rotation at the ensuing Annual General

Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting.

The Board recommends re-appointment of the Directors retiring by rotation at the ensuing Annual General Meeting.

The brief resume and other details relating to the Directors, who are to be re-appointed as stipulated under clause 49 (IV) (G) of the Listing Agreement, is furnished in the Notice forming part of the Annual Report.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act"), and based on the representations received from the operating management, the Directors hereby confirm that:

- (i) in the preparation of the Annual Accounts for the year 2012-13, the applicable Accounting Standards have been followed and there are no material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a fair & true view of the state of affairs of the Company at the end of the Financial year and of the loss of the Company for the financial year.
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) they have prepared the Annual Accounts on a going concern basis.

8. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

As per Clause 49 of Listing Agreement with the Stock Exchanges, a report on Corporate Governance is attached to this Report along with the Management Discussion and Analysis statement.

9. STATEMENT PURSUANT TO LISTING AGREEMENT:

The Company's Securities are listed at the Bombay Stock Exchange Limited. The Company has paid the Annual Listing for the year 2013-2014.

10. DELISTING OF COMPANIES SECURITIES FROM AHMEDABAD STOCK EXCHANGE LIMITED :

The Company has received Order vide Letter Ref : ASEL/2012-2013/1039 dated February 20, 2013 from Ahmedabad Stock Exchange Limited stating that the Securities of the Company are removed from the list of the exchange w.e.f. 21.02.2013. Therefore pursuant to the undertaking given by your Company, the fact of delisting is disclosed in the First Annual Report, subsequent to delisting, in compliance to clause 7 (1) (d) of SEBI (Delisting of Equity Shares) Regulations, 2009.

11. AUDITORS AND AUDITORS' REPORT:

M/s Lakhani & Lakhani, Chartered Accountants, holds office until the conclusion of the ensuing Annual General Meeting of the shareholders of the Company, and are eligible for re-appointment. They have confirmed their eligibility as Auditors of a Listed Company.

The Company has received a confirmation from them to be effect about their eligibility under section 224(1B) of the Companies Act, 1956.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

12. PARTICULARS OF EMPLOYEES:

Information in accordance with the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules 1975, as amended, regarding employees to the Directors Report is as follows.

None of the Employees of the Company are in receipt of remuneration aggregating to Rs.6,000,000/- or more p.a. if employed for the entire year or Rs.500,000/- or more per month, if employed for the part of the year.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO :

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of Energy and Technology absorption respectively, are not applicable.

Value of Imports on CIF basis :

Particulars	2012-2013	2011-2012
Purchase of Goods		
EURO	4,71,786	4,45,728
USD	1,46,981	98,477
GBP	13,438	11,713

14. ACKNOWLEDGEMENTS:

Your Directors record their grateful appreciation for the encouragement, assistance, co-operation and consistent support received from Members, Dealers, Government Authorities, Dealers, Banks, Financial institutions, Business Partners and Customers. The Board wishes to place on record its appreciation to the contribution made by employees of the Company during the year under review. Your Directors are thankful to all the Stakeholders for their continued patronage.

By Order of the Board
For **Gratex Industries Limited**

Karan Sharma
Managing Director

Date : 29.05.2013

Place : Mumbai

Registered Office

109, Kakad Udyog Bhavan,
L. J. Road, Mahim,
Mumbai - 400 016

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, given below is a report on the Corporate Governance in the Company:

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE:

The epitome of Company's Governance philosophy is based on trusteeship, transparency, accountability and ethical corporate citizenship. As a responsible corporate citizen our business fosters a culture of ethical behavior and disclosures aimed at building trust of our stakeholders.

The Company's governance framework is based on the following principles:

- Appropriate composition and size of the Board, with each member bringing in expertise in their respective domains;
- Availability of information to the members of the Board and Board Committees to enable them to discharge their fiduciary duties;
- Timely disclosures of material operational and financial information to the stakeholders;
- Ethical business conduct by the Board, Senior Management and employees.

2. BOARD OF DIRECTORS AND MEETINGS:

The Board of Directors of the Company has an optimum combination of executive, non-executive and independent directors. The present strength of the Board of Directors of the Company is 8 (Eight) Directors. Five Board Meetings were held in 2012-13. The following table shows the detailed composition of Board of Directors as well as their attendance details at the Board Meetings:-

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at last AGM	No. of other Directorship
Mr. Baldevkrishan Sharma	Chairman, Executive	5	Yes	1
Ms. Promila Sharma	Non-Executive, Promoter	4	Yes	1
Mr. K.P. Bharadwaj	Non-Executive, Independent Director	5	Yes	NIL
Ms. Mona Menon	Non-Executive Promoter	3	No	1
Mr. Karan Sharma	Managing Director, Executive	5	Yes	1
Mr. Pratap Menon	Non-Executive Independent Director	5	Yes	NIL
Mr. Pradeep Nagori	Non-Executive Independent Director	5	Yes	NIL
Mr. Gurvinder Singh Saggi	Non-Executive Independent Director	4	Yes	NIL

Code of Conduct:

The Board has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

The Code of Conduct seeks to ensure that the Directors and the Senior Management Personnel observe a total commitment to their duties and responsibilities while ensuring a complete adherence with the applicable statutes on one hand and values and ethics on the other.

3. AUDIT COMMITTEE:

Audit Committee of the Board of Directors ("the Audit Committee") is entrusted with the responsibility to supervise the Company's financial reporting process, appointment of external auditors and reviewing with the Management the quarterly and annual financial statements. The composition, quorum, powers, role, scope, etc., are in accordance with Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement. All the members of the Audit Committee are financially literate and bring in expertise in the field of Finance, Taxation, Economics, Risk and International Finance.

During the year, four meetings were held. The said meetings were held on 11th May, 2012, 11th August, 2012, 10th November, 2012 and 12th February, 2013. The constitution of the Committee and the attendance of each member of the Committee as on 31st March, 2013 are given below :

Name	Status	Number of Audit Committee meetings	
		Held	Attended
Mr. Pradeep Nagori	Chairman	4	4
Mr. Gurvinder Singh Saggu	Member	4	3
Mr. Karan Sharma	Member	4	2
Mr. Pratap Menon	Member	4	2

4. SHAREHOLDERS GRIEVANCE COMMITTEE:

The Shareholders Grievances Committee was constituted to redress the shareholders' grievances/ complaints relating to transfer & transmission of shares, non-receipt of annual report, dividend, share certificate etc. and to provide the responses to the queries, if any, raised by the investors. The Committee also considers the matters which can aid better investor services and relations.

During the year, the Shareholders Grievances Committee met four times. The constitution of the Committee and the details of attendance of each member of the Committee are given below :

Name	Status	Number of Shareholders Grievances Committee meetings	
		Held	Attended
Mr. Gurvinder Singh Saggu	Chairman	4	3
Mr. Pradeep Nagori	Member	4	4
Mr. Karan Sharma	Member	4	4

The Company had received no complaints during the year from the shareholders.

5. DETAILS OF REMUNERATION TO DIRECTORS:

The Company has not set up a Remuneration Committee as the aggregate value of salary and perquisites paid for the year end 31st March, 2013 to the Directors does not exceed the prescribed limit.

6. GENERAL BODY MEETINGS:

Details of the location, date and time of the last three Annual General Meetings (AGM) and the Resolutions passed therein are as under :

Day, Date & Time	Location	Particulars of Special Business
Tuesday, 25th September, 2012 at 11.30 a.m.	Giants International, 2 nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai - 400 007	1. Voluntary Delisting of Shares from Ahmedabad Stock Exchange Limited.
Wednesday, 21st September, 2011 at 11.30 a.m.	Giants International, 2 nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai - 400 007	NIL
Monday, 20th September, 2010 at 11.30 a.m.	Giants International, 2 nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai - 400 007	1. Remuneration to Mr. Baldevkrishan Sharma, Chairman - Executive.

The shareholders passed all the resolutions including the special resolutions set out in the respective Notices. No Postal Ballots were used for voting at these meetings.

The details of Directors seeking appointment / re-appointment are provided in the Notice calling for the Annual General Meeting.

7. DISCLOSURES:

- Transaction with related parties have been disclosed vide Notes on Accounts - 1B, forming part of the Annual Report.
- There have been no instances of non-compliance by your Company on any matter related to the capital markets, nor have any penalty/stricture been imposed on your Company by the Stock Exchanges or SEBI or any other statutory authority or any matter related to capital markets.
- Your Company has complied with all the mandatory requirements of Corporate Governance as required by the Listing Agreements.
- No personnel have been denied access to the Audit Committee of your Company to discuss any matter of substance.

8. MEANS OF COMMUNICATION:

- Publication of Results
The quarterly / annual results of the Company are published in the leading newspapers viz Financial Express in English and Apla Mahanagar in Marathi.
- Designated Email Id for redressal of investor complaints
In terms of Clause 47(f) of the Listing Agreement, investors may use the E-mail ID : investor@gratex.in for redressal of complaints.

9. GENERAL SHAREHOLDER'S INFORMATION:

- AGM: Date, Time and Venue
Saturday, 10th August, 2013, at 12.00 p. m., at Giants International, 2nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai - 400 007
- Date of Book Closure
Tuesday, 6th August, 2013 to Saturday, 10th August, 2013
- Listing on Stock Exchange
Yes

- Stock codes:
Bombay Stock Exchange Limited 526751
ISIN for Dematerialisation INE915E01013
- Registrar and Transfer Agents Adroit Corporate Services Pvt. Ltd.,
19, Jaferbhoy Industrial Estate,
Makwana Road, Marol Naka,
Andheri (East), Mumbai. - 400 059
- Share Transfer System Registrar and Transfer Agents
- Outstanding GDRs /ADRs /Warrants or any convertible instruments conversion date and likely impact on equity NIL
- Address for correspondence. Regd. Office: 109, Kakad Udyog Bhavan,
L.J.Road, Mahim, Mumbai - 400 016.

Financial Calendar 2013- 2014 (tentative)

Financial reporting for the quarter ending June 30, 2013	Upto August 14, 2013
Financial reporting for the half year ending September 30, 2013	Upto November 14, 2013
Financial reporting for the quarter ending December 31, 2013	Upto February 14, 2014
Financial reporting for the quarter ending March 31, 2014	Upto May 15, 2014
Annual General Meeting for the year ending March 31, 2014	Upto September 30, 2014

Note : Annual Listing fee for the financial year 2013-2014 has been paid to the Stock Exchanges

10. THE DISTRIBUTION OF SHAREHOLDERS AS ON 31.03.2013 IS AS FOLLOWS:

Range of Holding	No. of Shareholders	% to Shareholders	Total Shares	Amount	% to Capital
1-500	3616	92.32	573718	5737180.00	18.90
501-1000	149	3.80	127100	1271000.00	4.19
1001-2000	78	1.99	119199	1191990.00	3.93
2001-3000	14	0.36	35500	355000.00	1.17
3001-4000	18	0.46	64300	643000.00	2.12
4001-5000	11	0.28	53900	539000.00	1.78
5001-10000	14	0.36	108300	1083000.00	3.57
Above 10000	17	0.43	1952783	19527830.00	64.35
Total	3917	100.00	3034800	30348000.00	100.00

11. SHAREHOLDING PATTERN AS ON 31ST MARCH, 2013:

Category	Sub-category	No. of securities held
Promoter's holding	Indian Promoters Foreign Promoters Persons Acting in Concern	1653083 0 0
	Sub Total	1653083
Institutional Investors	Mutual Funds & UTI Banks, FIs, Insurance Co's, Central /State Govt./Non-Govt. Institutions FI	0 0 0
	Sub-Total	0
Others	Private Corporate Bodies Indian Public Any Other	74220 1194697 112600
	Sub Total	1381717
	Grand Total	3034800

12. STOCK MARKET PRICE DATA AT BOMBAY STOCK EXCHANGE:

Month	Open	High	Low	Close	No. of Shares	No. of Trades	Total Turnover	Spread	
								H-L	C-O
July 12	7.68	7.68	6.60	6.79	8,175	30	58,530	1.08	-0.89
August 12	7.00	7.15	6.47	6.66	2,600	17	17,702	0.68	-0.34
September 12	6.66	6.66	6.04	6.04	2,387	8	15,445	0.62	-0.62
October 12	5.75	7.32	5.74	6.31	1,912	14	12,442	1.58	0.56
November 12	6.00	6.27	5.43	6.27	2,431	15	14,667	0.84	0.27
December 12	6.27	9.71	6.27	7.96	8,324	40	73,862	3.44	1.69
January 13	7.57	7.57	5.85	5.85	4,225	14	28,218	1.72	-1.72
February 13	5.56	5.83	5.54	5.54	550	4	3,123	0.29	-0.02
March 13	5.81	6.00	5.10	5.61	2,086	12	11,332	0.90	-0.20
April 13	5.89	6.17	5.60	5.87	465	15	2,676	0.57	-0.02
May 13	5.58	5.58	5.31	5.31	800	2	4,302	0.27	-0.27
June 13	5.57	5.57	5.30	5.30	1,700	3	9,064	0.27	-0.27

13. CEO AND CFO CERTIFICATION

As per the requirement of Clause 49 of the Listing Agreement, a Certificate duly signed by Managing Director and the Chairman of the Company has been submitted to the Board.

FOR & ON BEHALF OF THE BOARD

Baldevkrishan Sharma
Chairman

Karan Sharma
Managing Director

PLACE : Mumbai
DATED : 29.05.2013

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Overview:

Gratex Industries Limited, being well known in the Industry as a pioneer, its product commands a strong brand image. GIL has been in the forefront in launch of new designs, which make a life-style statement. Our focus is also on the Industrial Consumer and this will significantly expand the market base.

During the year, the Company has consolidated in the area of setting up the infrastructure for efficient Warehousing of Imported Stocks and Network Marketing on all India basis.

Significant progress is also made by the Company in installation of wallpapers by up-grading the Adhesives used and providing technical back up support for post sales problems.

2. Perceived Business Risks :

Wallpaper industry is a largely unorganized industry with lack of proper infrastructure. The influx of cheap Chinese & Korean wallpapers is creating an impact on the lower end of the market which may be a long term concern as it may damage the industry name due to poor quality standards.

3. Risk Management and Environment Policy:

Gratex Industries Ltd has established a Risk Management Framework under which all the risks covering the entire spectrum of operation are listed and categorized into high, medium and low risks. The risk details and mitigation plans for all the risks are placed before the Audit Committee and the Board. The Audit Committee monitors the implementation of the risk mitigation plans. All the risks are discussed in the Senior Management Committee meetings periodically to ensure that the risk mitigation plans are well thought out and implemented and adverse impact of risks is avoided or kept within manageable proportions.

Gratex Industries Ltd is totally committed to save the Environment, uphold Human Safety and Health. Gratex Industries Ltd has declared policies on Environment, Health & Safety. The main excerpts of the above policies are hereunder.

- Compliance with all relevant legislative requirements.
- Stimulate rational use of resources through behavioral and technological improvements.
- Minimise waste and maximise recycling/ reuse.
- Creating Human Awareness in Environment, Safety and Health.
- Promoting comprehensive programs for continual improvement of Environmental performance.

4. Internal Control Systems :

Gratex Industries Ltd has instituted adequate internal control procedures commensurate with the nature of business and size of its operations. Internal controls are supported by internal audit and management reviews. The Board of Directors has an Audit Committee chaired by an Independent Director. The Audit Committee meets periodically the management, external-internal auditors, statutory auditors and reviews the audit plans, internal controls, audit reports and the management response to the observations and recommendations emanating from the audit. All significant observations of the Audit Committee are acted upon .

5. Corporate Social Responsibility :

GIL is committed to being a socially responsible corporate citizen. GIL's CSR policy aims to protect and nourish the interest of all its stakeholders and contributes for an equitable and sustainable development. Ethics, Values and Transparency are the factors which lies in all its interaction within the community.

GIL has adopted a clearly defined Occupational Health and Safety Policy.

6. Human Resources Management:

Upgrading and updating of skill levels of employees are highly important for achieving continuous improvement and to stay ahead in the market. Young executives who have joined the company have undergone a well-designed induction programme.

The company continues to maintain cordial and healthy industrial relations and it takes pride in its record of congenial work atmosphere.

7. Cautionary Statement:

The Management Discussion and Analysis Report contains forward looking statements based on the data available with the Company assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Therefore, it is cautioned that the actual results may materially differ from those expressed or implied in the report.

Report of Independent Auditor on the Abridged Financial Statements

To the Members of
Gratex Industries Limited.

We have examined the abridged balance sheet of Gratex Industries Limited as at 31st March 2013, the abridged profit and loss account and the abridged cash flow statement for the year ended on that date, together with the notes thereon.

These abridged financial statements have been prepared by the company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the accounts of the company for the year ended 31st March 2013 prepared in accordance with Schedule V1 to the Companies Act, 1956 and covered by our report of even date to the members of the company which report is attached.

For Lakhani & Lakhani
Chartered Accountants
FRN: 115728W

Suhas Shinde
(Partner)
Membership No. :117107

Place : Mumbai
Date : 27-05-2013

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 2013

Particulars	As at 31 st March, 2013 ₹	As at 31 st March, 2012 ₹
I. EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	30,348,000	30,348,000
Reserves and surplus	(4,190,443)	(3,265,886)
	26,157,557	27,082,114
Non-current liabilities		
Deferred Tax Liabilities	2,233,951	1,366,217
Other Long term liabilities	106,406	282,179
	2,340,357	1,648,396
Current liabilities		
Short-term borrowings	3,088,864	3,105,058
Trade payables	2,395,728	3,012,353
Other current liabilities	36,900,059	18,479,629
Short-term provisions	3,881,130	3,003,151
	46,265,781	27,600,191
TOTAL	74,763,695	56,330,701
II. ASSETS		
Non-current assets		
Fixed assets		
(i) Tangible assets	12,244,223	8,577,248
(ii) Capital work-in-progress	-	5,249,447
Long-term loans and advances	9,412,175	12,632,689
Other non-current assets	-	616,436
	21,656,398	27,075,820
Current assets		
Inventories	49,147,971	24,402,546
Cash and cash equivalents	25,032	36,730
Short-term loans and advances	56,000	4,400,689
Other current assets	3,878,294	414,916
	53,107,297	29,254,881
TOTAL	74,763,695	56,330,701

As per attached report of even date
FOR LAKHANI & LAKHANI
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

SUHAS SHINDE
PARTNER
Membership No. : 117107

BALDEVKRISHAN SHARMA
CHAIRMAN

KARAN SHARMA
MANAGING DIRECTOR

Mumbai: May 27, 2013

ABRIDGED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Year Ended 31 st March, 2013 ₹	Year Ended 31 st March, 2012 ₹
I. INCOMES		
Revenue From Operations	49,636,639	52,801,951
TOTAL	49,636,639	52,801,951
II. EXPENSES		
Purchase of material	57,246,676	48,972,181
(Increase) / Decrease in inventory	(24,745,425)	(9,279,926)
Employee benefits expense	5,770,684	3,628,854
Finance costs	297,133	302,122
Depreciation and amortization expense	1,059,806	341,624
Other expenses	3,624,858	5,844,915
TOTAL	43,253,732	49,809,770
Profit before Extraordinary and Exceptional items and tax	6,382,907	2,992,181
Extraordinary / Exceptional Items	4,004,336	-
Profit before tax	2,378,570	2,992,181
Prior Period Expense	1,607,616	372,673
Tax expense:		
Current tax	827,777	680,309
Deferred tax	867,734	1,366,217
Profit / (Loss) for the period	-924,557	572,982
Earning per equity share of Face Value of ' 10 /- each:		
Basic and Diluted	(0.30)	0.19
Weighted average number of shares outstanding	3,034,800	3,034,800

As per attached report of even date
FOR LAKHANI & LAKHANI
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

SUHAS SHINDE
PARTNER
Membership No. : 117107

BALDEVKRISHAN SHARMA
CHAIRMAN

KARAN SHARMA
MANAGING DIRECTOR

Mumbai: May 27, 2013

Notes to Abridged Financial Statements**1. RELATED PARTY DISCLOSURES****A. Nature of Relationship :**

1. Company's under same management, where control exists:
Marshalls Enterprises India Private Limited (MEIPL)
2. (a) Key Management Personnel (KMP)
Mr. Baldevkrishan Sharma
Mr. Karan Sharma
(b) Relatives of KMP and their enterprises, where transactions have taken place
Mrs. Promila Sharma

Note: Related party relationships are as identified by the company and relied upon by the Auditors.

B. Transaction with Related Parties

S.n	Nature of Transaction	MEIPL	KMP	Relatives of KMP
1	Loans and Advances Received / Recovered	- (6,59,12,757)	- (20,000)	- (20,000)
2	Loans and Advances Given / Repaid / Adjusted	- (-)	- (20,000)	- (20,000)
3	Interest Paid	- (-)	- (-)	1,20,000 (1,20,000)
4	Reimbursement of Expenses	5,97,721 (24,55,040)	- (-)	- (-)
5	Sale of Goods /Material	4,55,51,946 (5,26,05,290)	- (-)	- (-)
6	Rent Paid	- (-)	- (-)	- (60,000)
7	Director Remuneration, Perks and Sitting fees paid			
	Baldevkrishan Sharma	- (-)	6,60,000 (5,64,000)	- (-)
	Karan Sharma	- (-)	6,60,000 (4,20,000)	- (-)
	Mrs. Promila Sharma	- (-)	- (-)	25,000 (25,000)
8	Balance Outstanding			
	- Payable	3,67,88,900 (1,79,38,379)	1,10,000 (59,000)	12,14,000 (12,14,000)
	- Receivable	6,26,45,204 (-)	- (-)	- (-)

Foot note: Previous year figures are given in brackets.

2. Loans and advances in the nature of loans disclosed under note - 10 includes :

Loans to Others:

S.n	Name of the Loanee	As as 31-03-2013	Maximum Balance 2012-2013	As as 31-03-2012	Maximum Balance 2011-2012
1	Andhra Pradesh Power Tools Limited	25,00,000	57,20,514	57,20,514	57,20,514
2	Elar Fashions Limited	68,10,117	68,10,117	68,10,117	68,10,117

Foot Note:

- None of the directors of the above entity's are directors in the Company.
- Interest has not been provided, on account of litigation and on conservative basis, on the above loans.
- The company has written off accrued interest amounting to Rs. 32,20,514 in case of Andhra Pradesh Power Tools Limited.

3. PRIOR PERIOD ADJUSTMENT :

Particulars	As at 31.03.2013	As at 31.03.2012
Expenses:		
Depreciation adjustment	16,07,616	3,70,198
Professional fees	0	2,475
Total	16,07,616	3,72,673

Note: PRIOR PERIOD ADJUSTMENT DISCLOSURE

The company has been following Written Down Value ('WDV') method to provide depreciation in books of accounts, however, the rates prescribed for Straight Line Method ('SLM') were applied to charge depreciation. The company has recomputed depreciation charge for past five years applying rates as per WDV method.

As per attached report of even date
FOR LAKHANI & LAKHANI
 CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

SUHAS SHINDE
 PARTNER
 Membership No. : 117107

BALDEVKRISHAN SHARMA
 CHAIRMAN

KARAN SHARMA
 MANAGING DIRECTOR

Mumbai: May 27, 2013

ABRIDGED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

Particulars	Year Ended 31 st March, 2013 ₹	Year Ended 31 st March, 2012 ₹
Net Cash Flow in the course of Operating activities	1,386,579	8,227,202
Net Cash flow in the course of Investing activities	-1,084,950	-7,650,172
Net Cash flow in the course of Financing activities	-313,327	-7,650,172
Net Increase/(Decrease) in Cash and Cash Equivalents	-11,698	-30,852
Add: Balance at the beginning of the year	36,730	67,582
Cash and Cash Equivalents at the close of the year	25,032	36,730

As per attached report of even date
FOR LAKHANI & LAKHANI
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

SUHAS SHINDE
PARTNER
Membership No. : 117107

BALDEVKRISHAN SHARMA
CHAIRMAN

KARAN SHARMA
MANAGING DIRECTOR

Mumbai: May 27, 2013



GRATEX INDUSTRIES LIMITED

Regd. Office : 109, Kakad Udyog Bhavan, L. J. Road, Mahim, Mumbai - 400 016.

PROXY FORM

I/We _____ of _____
in the district of _____ being a member/ members of GRATEX INDUSTRIES LIMITED hereby appoint
_____ of in the district of _____ of failing him _____ for me/us and on my/
our behalf at the TWENTY-NINETH ANNUAL GENERAL MEETING of the Company to be held on Saturday,
10th August 2013, at Giants International, 2nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface,
Mumbai - 400 007 at 12.00 p. m. and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Affix Re.1/-
Revenue
Stamp

Signature of Shareholder

Folio No.:

Client ID/ DP ID _____

NOTE : This form duly completed should be deposited at the Registered Office of the Company before 48 hours of the meeting. A Proxy need not be a Member.



GRATEX INDUSTRIES LIMITED

Regd. Office : 109, Kakad Udyog Bhavan, L. J. Road, Mahim, Mumbai - 400 016.

ATTENDANCE SLIP

(Shareholders attending the Meeting in person or by proxy are requested to complete the attendance slip and hand over at the entrance of the Meeting hall)

I hereby record my presence at the **TWENTY-NINETH ANNUAL GENERAL MEETING** of the Company to be held on Saturday, 10th August 2013, at Giants International, 2nd Floor, Orient Club Bldg. No. 9, Chowpatty Seaface, Mumbai - 400 007 at 12.00 p. m.

Folio No.: _____

Client ID/ DP ID _____

Full name of the Shareholder / Proxy _____

(in block letters)

Signature of the Shareholder/s or Proxy

PLEASE BRING THIS ATTENDANCE SLIP AT THE MEETING

Book - Post

If undelivered, please return to :

GRATEX INDUSTRIES LIMITED

**Regd. Office : 109, Kadad Udyog Bhavan,
L.J.Road, Mahim, Mumbai - 400 016.**