

16th ANNUAL REPORT

Krishna Filaments Limited

Registered Office

Betegaon Village, Boisar (E), Taluka Palghar, Dist: Thane – 401 501.

SIXTEENTH ANNUAL REPORT 2003-2004

BOARD OF DIRECTORS

Mr. K.K. Agarwal	Director
Mr. MSR Srinivasa	Director
Ms. Leena Thakkar	Director

AUDITORS

M/s. Haribhakti & Co.,
Chartered Accountants
Mumbai.

BANKERS

Syndicate Bank
State Bank of India
Karnataka Bank
ICICI Banking Corporation Limited
Central Bank of India

SOLICITORS AND ADVOCATES

Little & Co., Mumbai

REGISTERED OFFICE & FACTORY

Bategaon Village,
Boisar (E), Tal. Palghar,
Dist. Thane - 401 501.
Maharashtra, India.

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.

BETEGAON VILLAGE, BOISAR (EAST),
TAL. PALGHAR, DIST. THANE - 401 501.
TEL.: 02525-84950/62 FAX: 02525-84252

KRISHNA FILAMENTS LIMITED

NOTICE

NOTICE is hereby given that the **Sixteenth Annual General Meeting** of the Members of **KRISHNA FILAMENTS LIMITED** will be held on Thursday, 30th September, 2004 at Registered Office of the Company situated at Betegaon Village, Boisar (East), Taluka Palghar, Dist. Thane – 401 501 at 4.00 p.m. to transact the following business –

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2004 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- 2) To appoint Director in place of Shri. Krishnakumar Agarwal, who retires by rotation, and being eligible offers himself for re-appointment.
- 3) To appoint Auditors and fix their remuneration.

**By Order of the Board of Directors
For KRISHNA FILAMENTS LIMITED**

Date : 24/08/2004
Place : Betegaon
Registered Office
Betegaon Village,
Boisar (East),
Taluka Palghar,
District Thane – 401 501.

DIRECTOR.

NOTES

1. A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. A PROXY NEED NOT BE A MEMBER OF THE COMPANY
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
3. the instrument appointing a proxy should, however be deposited at the registered office of the company not later than 48 hours before the time for holding the meeting the proxy need not be a member of the company.
4. The Register of Members and the Share Transfer Register of the Company shall remain close from 27th September, 2004 to 30th September 2004 (both days inclusive).
5. Members are also requested to notify changes in address, details of bank account number, name of the bank, bank,s branch name and address, if any, immediately to the Company's REGISTRAR & SHARE TRANSFER AGENTS – Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.

6. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrar's and Transfer Agents, at the address as stated in note.4 above.
7. Members may please address all their documents/ correspondences relating to the equity shares & NCD's of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated above.
8. Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated above.
9. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchange would be facilitated if share certificates are dematerialized. Members having the physical shares certificate are advised to consider opening of a Demat Account with an authorized Depository Participant and arrange for dematerializing their shareholdings in the Company.
 - a) All unclaimed dividend for the financial year 1996-1997 (interim dividend) of the company has been transferred to the Investors Education and Protection Fund in terms of Section 205C of the COMPANIES ACT, 1956
 - b) In terms of Section 205A and 205C of the COMPANIES ACT, 1956 the amount of dividend declared for the financial year 1996-97 (Final Dividend) and thereafter remaining unpaid for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Funds('Fund") . Members who have not encashed their dividend warrant for the year 1996-97 or thereafter are requested to write to the Company's Registrars and Transfer Agents.

Members may kindly note that once the unclaimed dividend is transferred to the fund, no claim shall be against the Fund of the Company in respect of the individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first become due for payment and no payment shall be made in respect of such claim.

- 14 Members attending the Annual General Meeting are requested to bring with them the following:
 - a) Members holding shares in dematerialized form, their DP & Client ID Numbers.
 - b) Members holding shares in physical form, their folio Numbers.
 - c) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
 - d) The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The company would accept only the Attendance Slip from a member actually attending the Meeting or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slip of Members/ valid proxies not personally present at the Meeting, or relating to proxies which are invalid, will not be accepted from any other member/person.

KRISHNA FILAMENTS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors present the Sixteenth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2004.

1. Financial Results

(Rupee in Lakhs)

Description	Year Ended 31-03-2004	Year Ended 31-3-2003
Profit/(Loss) before Interest, Depreciation & Tax	(43.18)	20.26
Interest	2713.14	2,713.20
Profit/(Loss) before Depreciation and Tax	(2756.32)	(2692.94)
Depreciation	1340.70	1346.56
Profit/(Loss) before Tax & Provisions	(4097.02)	(4039.50)
Diminution in the Value of Fixed Assets	(17468.16)	Nil
Provision for Doubtful Debts	1172.27	248.35
Provision for Tax	Nil	Nil
Profit/(Loss) after Tax	(22737.45)	(4287.85)
Add : Non-operating loss	Nil	Nil
Add : Prior period and extra ordinary items	Nil	Nil
Add : Surplus b/f from the previous year	(20790.14)	(16,502.29)
Deficit	(22737.45)	(4287.85)
Balance carried forward to Balance Sheet	(43527.59)	(20790.14)

2. Dividend

In view of the losses incurred by the Company during the year under review, your directors regret their inability to declare any dividend on equity shares of the Company.

3. Operations and Outlook

During the year there was no manufacturing operation at plant of the company due to unavoidable circumstances beyond control of the company.

4. Directors

Mr. Krishnakumar Agarwal, retires by rotation at the conclusion of ensuing Annual General Meeting and being eligible, offers himself for reappointment.

5. Directors' Responsibility Statement

As required by section 217(2AA) of the companies Act, 1956, your directors state:

- ◆ that in the preparation of annual accounts, for the year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanations relating to material departures except to the extent that an amount of Rs. 373.50 Lakhs which has not been capitalised as a part of fixed assets, which is not in conformity with the Accounting Standard – 10 on “Accounting for Fixed Assets”;
- ◆ 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 financial year and of the loss of the company for that year;
- ◆ that 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 for preventing and detecting fraud and other irregularity;
- ◆ that the directors had prepared the annual accounts for the year ended 31st March 2004, on a going concern basis.

6. Audit Committee

In pursuance of the Companies Amendment Act, 2000, the company has formed Audit Committee.

A) Terms of reference:

- ◆ Review with the management and/or Internal Audit Department and/or Statutory Auditors.
 - ❖ Company's Financial Statements and Reports,
 - ❖ Disclosure of Company's financial information to ensure the same are correct, sufficient and credible,
 - ❖ Changes/improvement in financial/accounting practices,
 - ❖ Adequacy of Internal Audit function and systems; and
 - ❖ Charter of Audit Committee
- ◆ Hold Discussions with
 - ❖ Statutory Auditors, before and after audit on the scope and area of concern;
 - ❖ Internal Audit Department on its significant findings and also failure of internal control systems, if any; and
 - ❖ Management before submission of Financial Statements to the Board

- ◆ Look into reasons for substantial defaults in payment to Debenture Holders, Financial Institutions and Bankers.
- ◆ Compliance with Accounting Standards, legal requirements and ethical codes.

B) Composition, name of member and chairperson

The audit committee of the company comprises three members, two of them are Non executive directors. The names of the members of the Audit Committee, including its chairman , are provided herein below ;

Sr. No.	Name of the Member/Chairperson
1	Ms. Leena Thakkar - Chairperson
2	Mr. K. K. Agarwal - Member
3	Mr. MSR Sriniswasa - Member

7. Auditors

M/s. Haribhakti & Co., Chartered Accountants, Mumbai retire as auditors of the company and have given their consent for reappointment. As required under the provisions of Section 224 of the Companies Act, 1956, the Companies has obtained a written certificate from the above auditors proposed to be re-appointment, if made, would be in conformity with the limits specified in the said section.

8. Auditors' Report -

The observations and qualifications made by auditors in the Auditors' Report are explained as under:

- ◆ With reference to point no. II (d) in the Auditor' Report, the company has not capitalised a sum of Rs. 373.50 lacs as part of fixed assets, which is not in conformity with Accounting Standard – 10 on “Accounting for Fixed Assets”.

The company has not made provision on its Non-Convertible debentures for the period up to 15.03.1999, which if provided, would have been capitalised as part of fixed assets. In addition to the explanation given herein above please also refer note No. 3 of Schedule V to the Balance Sheet.

- ◆ With reference to point no. II (f) in the Auditors' Report, Financial Institutions and Bankers of the Company have recalled their credit facilities extended to the company and consequently have adopted realisation action to recover the same. This has adversely affected the functioning of the company.
- ◆ With reference to point no. II (i) in the Auditors' Report, regarding Non-provision of interest on the Non-convertible Debentures issued by the company.

The same has already been dealt in the previous para.

- ◆ With reference to point no. II (i) in the Auditors' Report, confirmation of loans and advances, Sundry Debtors and Sundry Creditors are not available.

The company has sent the balance confirmation requests to all the major parties. However the same were to be received by the company as on the date of the Balance Sheet.

9. Particulars Of Employees

There were no employees drawing a salary in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

10. Conservation of Energy, Technological Absorption, Foreign Exchange Earnings and Outgo

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed to this report.

11. Acknowledgements

The Board of Directors wishes to thank the Company's members and esteemed business associates for their valued contributions and support.

For and on behalf of the Board,



K. K. AGARWAL
Director

Place : Betegaon

Date : 24/08/2004

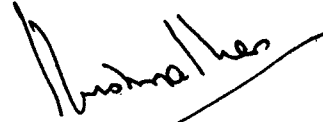
Registered Office :

Betegaon Village, Boisar (E),
Tal. Palghar,
Dist. Thane - 401 501.

ANNEXURE TO DIRECTORS' REPORT

- a. **Conservation of Energy** : The above details are not required to be given by the Company in Form A as our activities do not fall under list of industries specified in the Schedule attached to Rule 2. Ours is not a major power consuming industry.
- b. **Technology absorption** : The Company has not undertaken any R & D work.
- c. **Foreign Exchange Earnings and Outgo**: Nil

For and on behalf of the Board,



K. K. AGARWAL
Director

Place : Betegaon
Date : 24/08/2004

Registered Office :
Betegaon Village, Boisar (E),
Tal. Palghar,
Dist. Thane - 401 501.

CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance is aimed at assisting the top management of the company in efficient conduct of its business, transparency in management and in meeting its obligations towards shareholders.

I. BOARD OF DIRECTORS

A) Composition :

The present strength of the Board is 3 (three) Directors. The Board comprises of 3 (three) Non-Executive Directors. The Board's role, functions, responsibility and accountability are clearly defined. The company has appointed Mr. Krishnakumar Agarwal, Director as Chairman of the Board of Directors of the company.

B) Board meeting held during the year:

The Meeting of the Board of Directors are chaired by Mr. Krishnakumar Agarwal or in his absence Mr. M.S.R. Srinivasa. The Board held 6 Meetings during the financial year 2003-04 on 30th April 2003, 31st July 2003, 28th August 2003, 30th October 2003, 8th November 2003, 30th January 2004.

C) Attendance of Directors at Board Meetings and last AGM:

The attendance of each Director at the Board Meetings and the last AGM is given below -

Name of the Director	Category of Directorship	Attendance particulars		No. of Directorships of public Ltd. Cos.
		Board Meeting	Last AGM	
Mr. Krishnakumar Agarwal	Director	6	Yes	4
Mr. M.S.R. Srinivasa	Director	1	No	1
Ms. Leena Thakkar	Director	6	Yes	1

D) Directors with materially peculiarly or business relationship with Co.

There has been no material relevant peculiarly transaction or relationships between the Company and its non-executive director.



II. AUDIT COMMITTEE

The following Directors have been appointed as Members of the Audit Committee;

Ms. Leena Thakkar -Chairperson
Mr. Krishnakumar Agarwal -Member
Mr. M.S.R. Srinivasa -Member

The Audit Committee met periodically during the year 2003-2004 and gave its reports and recommendations to the Board of Directors for Corporate Governance and overall improvement in the functioning of the Company.

There were 4 meetings of the Audit Committee during the year 2003-2004. The attendance of each member of the Committee is given below;

<u>Name of the Director</u>	<u>No. of Meetings Attended</u>
Mr. Krishnakumar Agarwal	4
Mr. M.S.R. Srinivasa	4
Ms. Leena Thakkar	4

As per the terms of reference prescribed by the Board as stipulated in Clause 49(II)(d) of the Listing Agreement, the committee performs such duties and tasks as are assigned to it by the Board. The Committee has access to all records of the Company. The committee reviews the report of the internal and statutory auditors, internal audit systems and procedures, internal control systems, etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

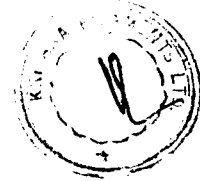
III. REMUNERATION COMMITTEE

The company does not have a remuneration committee, however the Board determines and recommend the remuneration package/ commission on profits payable to the Managing/Wholtime Directors subject to approval by members in the General Meeting.

Remuneration of Directors

During the year review the details of remuneration paid to directors are as follow :

Mr. K.K. Agarwal Rs. Nil
Mr. MSR Srinivasa Rs. Nil
Ms. Leena Thakkar Rs. Nil



Disclosures by Management to the Board

During the year there were no transactions relating to financial and commercial transactions where Directors have a potential interest, the disclosure requirements by the Directors do not arise.

None of the Director is either a Chairman in more than five committees or member in ten committees.

IV. Shareholders

Disclosure regarding appointment and reappointment of Directors

As per the statute two thirds of the directors should be retiring directors. One third of the directors are required to retire every year and if eligible, these directors qualify for re-appointment.

Mr. K.K. Agarwal retires by rotation at the ensuing Annual General Meeting. He is eligible for reappointment.

Considering his experience in the corporate world and association with the Company for more than 14 years, it is doubtless that his guidance would be beneficial in the progress of the Company.

Means of Communication

The Board takes on record the unaudited financial results in the prescribed proforma of the stock exchanges within a month of closure of the quarter and announces forthwith the results to all the stock exchanges where the company is listed. Further, information is also provided to concerned registrar & depository participant.

Details Non Compliance

There have been no instances of Non compliance on any matter relating to the capital market during the last three years.

General Shareholder information

Investors/ Shareholders Grievance cum Share Transfer Committee

The Board has constituted an investors/shareholders Grievance cum Share Transfer Committee. Compliance Officer is Mr. S. H. Kabra. The Committee is headed by Ms. Leena Thakkar. The Committee looks into investors/shareholders complaints. The Committee meets twice a month to look after share transfer. All share transfer work of the company is carried out by the Company's Share Transfer Agents M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078.

The status of investor queries/complaints is as under:



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No. of investor queries / complaints received during the year 2003-04	Pending at the end of the year	No. of pending share transfer
13	Nil	Nil

General Body Meetings

Date time and venue for the last 3 Annual General Meetings are given below;

Financial Year	Date	Time	Venue
2002-03	30.09.2003	04.00 p.m.	Boisar
2001-02	03.08.2002	04.30 p.m.	Boisar
2000-01	05.05.2001	04.30 p.m.	Boisar

Annual General Meeting

AGM will be held on Thursday, 30th September, 2004 at Boisar at the Registered Office of the Company.

Financial Year

01st April to 31st March.

Book Closure

27th September, 2004 to 30th September, 2004 (Both days inclusive)

Dividend

No dividend was declared for last financial year.

Dividend declared in earlier years

31 st March, 2001	-	Nil
31 st March, 2002	-	Nil
31 st March, 2003	-	Nil

Listing of Shares

The Company's shares are listed at Mumbai Stock Exchange and National Stock Exchange. Listing fees for the same have been paid to the stock exchanges.

Stock code

Stock Exchange, Mumbai
Physical Script Code No. 248
Demat Script Code No. 500248



Registrar & Transfer Agents

Share Transfers in physical and demat forms is handled by the Company's Share Transfer Agents M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400078.

Share Transfer System

All the transfers are received, processed and approved by the Share Transfer Agents and sent back to transferee.

Shareholding Pattern

The following tables give the pattern of shareholding as on 31st March, 2004.

Pattern of shareholding by ownership as on 31st March, 2004.

Category	No. of Shares held	Shareholding %
Promoters	50,20,056	64.47
Financial Institutions/Insurance Companies/ Nationalized Banks	50,200	0.64
Mutual Funds - UTI	100	0.00
Foreign Institutional Investors	500	0.01
Bodies Corporate	11,39,832	14.64
Non Resident Indians	90,703	1.16
Indian Public	8,63,595	11.09
Closing Members	300	0.01
Non Nationalised Bank	6,21,014	7.98
Total	77,86,300	100.00

Pattern of shareholding by share class as on 31st March 2004.

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Upto 500	4289	548996	7.05
501 to 1000	146	121226	1.56
1001 to 2000	57	85803	1.10
2001 to 3000	22	54991	0.71
3001 to 4000	12	41498	0.53
4001 to 5000	10	47825	0.61
5001 to 10000	17	129993	1.67
10001 and above	33	6756268	86.77
Total	4568	77,86,300	100.00



Market Price Data:

The market price and volume of the company's shares traded in stock exchange during the year was as follow:

Year 2003-04	High	Low	Volume
Month	(Rs.)	(Rs.)	(Nos)
April 2003	4.50	2.50	2848
May 2003	4.60	2.75	4800
June 2003	5.50	3.83	35277
July 2003	6.40	4.00	145174
August 2003	6.90	4.20	59354
September 2003	6.15	2.65	99707
October 2003	4.60	3.10	8070
November 2003	5.47	2.10	29466
December 2003	19.65	4.30	398626
January 2004	12.90	7.05	69990
February 2004	7.23	5.31	13631
March 2004	6.15	3.76	32188

Dematerialization of shares and liquidity

73.49% of shareholding has been dematerialized.

Registered Office

Betegaon Village,
Boisar (East),
Tal. Palghar...,
Dist. Thane 401501

For and on behalf of the Board


K. K. Agarwal
Director

Ph.No. : 952525 - 84950/84962
Fax No. : 952525 - 84252



HARIBHAKTI & CO. CHARTERED ACCOUNTANTS

42, FREE PRESS HOUSE, 4TH FLOOR, 215, NARIMAN POINT, MUMBAI-400 021. ☎ : 2287 1099 / 5639 1101 (3 LINES) VBH - 2287 1806 • FAX : 2285 6237
91-21, BOMBAY MUTUAL CHAMBERS, AMBALAL DOSHI MARG, MUMBAI-400 001. ☎ : 2265 2675 / 5639 1106 / 7 (DIRECT) 2262 6345
FAX : 2265 6260 • E-mail : hbhakti@vsnl.com • Website : www.haribhaktigroup.com

Auditors' Certificate on Corporate Governance

To the Members of
Krishna Filaments Limited,
Boisar (East), Thane-401 501.

We have examined the compliance of conditions of corporate governance by Krishna Filaments Limited, for the year ended on 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement except that :

- 1) the composition of the audit committee is not in conformity with the relevant requirement of the Agreement.
- 2) The statutory auditors were not invited in any of the audit committee meetings.
- 3) Quarterly results have not been published by the Company as per relevant requirement of the Agreement.
- 4) The Directors' Report does not include the paragraph on Management Discussion and Analysis.
- 5) The Corporate Governance report of the Company states that a director who is retiring by

Our Network in India : Ahmedabad, Bangalore, Bhopal, Bhubeneshwar, Chandigarh, Chennai, Goa, Hyderabad, Jaipur, Jodhpur, Kolkata, New Delhi, Patna, Pune and Vadodara.

rotation, is eligible for reappointment. However, as mentioned in our audit report dated 24th August, 2004, such director is disqualified from being appointed as Director as per the provisions of Section 274(1)(g) of the Companies Act, 1956.

As informed to us, no investor grievance is pending for a period exceeding a month against the company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: Mumbai
Dated: 25th August, 2004



For **HARIBHAKTI & CO.**
Chartered Accountants

A handwritten signature in black ink, appearing to read "Chetan Desai".

CHETAN DESAI
(Partner)

Membership No. 17000

HARIBHAKTI & CO. CHARTERED ACCOUNTANTS

42, FREE PRESS HOUSE, 4TH FLOOR, 215, NARIMAN POINT, MUMBAI-400 021. ☎ : 2287 1099 / 5639 1101 (3 LINES) VBH - 2287 1806 • FAX : 2285 6237
91-21, BOMBAY MUTUAL CHAMBERS, AMBALAL DOSHI MARG, MUMBAI-400 001. ☎ : 2265 2675 / 5639 1106 / 7 (DIRECT) 2262 6345
FAX : 2265 6260 • E-mail : hbhakti@vsnl.com • Website : www.haribhaktigroup.com

AUDITORS' REPORT TO THE MEMBERS OF KRISHNA FILAMENTS LIMITED

We have audited the attached Balance Sheet of KRISHNA FILAMENTS LIMITED as at 31st March, 2004 and the Profit & Loss Account and also cash flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as under:

- I. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
- II. Further to our comments in the Annexure referred to in paragraph I above:
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards as referred to in section 211(3C) of the Companies Act, 1956, to the extent, applicable to the Company except that as mentioned in Note no. B(3) of schedule R, a sum of Rs. 373.50 Lakhs has not been capitalised as a part of Fixed Assets, which is not in conformity with Accounting Standard – 10 on "Accounting for Fixed Assets".



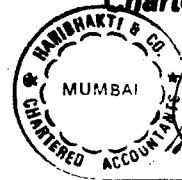
- e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, dealt with by this Report, read together with the Notes thereon, give the information required by the Companies Act, 1956 in the manner so required.
- f) The net worth of the Company is fully eroded due to heavy losses and Financial institutions and Bankers of the Company have recalled their credit facilities extended to the Company. The Company has also revalued its fixed assets, except land and the reduction in value of Rs.174.68 crores has been charged to Profit & Loss Account. In view of all these, the Company does not appear to be a 'Going Concern" and hence, the value of its assets would not be adequate to meet its liabilities.

Further for such revaluation, we have relied upon the approved Valuer's report, as this being technical matter.

- g) In our opinion and according to the information and explanations given to us, all the Directors of the Company as on 31st March 2004, are disqualified from being appointed as Directors as per the provisions of Section 274(1)(g) of the Companies Act, 1956.
- h) As mentioned in Note no. B (8) of schedule R, the book value of relevant assets fall short by Rs. 328.07 crores, as compared with the Secured Loans and Interest accrued thereon outstanding as on 31.03.2004.
- i) We further report that (i) as mentioned in Note no. B (3) of schedule R, no provision has been made for interest of Rs. 39,35,46,178.30 on Non-Convertible Debentures, which also includes interest of Rs. 11,82,53,631.00 for the year, and no provision has been made for Depreciation of Rs. 8443898.93 on the Non-Capitalised value of Fixed Assets as referred to in para 'd' above, which also includes depreciation for the year Rs. 27,71,396.73, (ii) as mentioned in the Note no. B (6) of schedule v, confirmation of Loans and Advances obtained/given, balances with scheduled banks, Sundry Debtors and Sundry Creditors are not available and (iii) The agreement and other relevant details for land are not available for our review (iv) As mentioned in Note no.5, no provision had been for debenture redemption reserve and (v) No details are available in respect of court receiver expenses amounting to Rs.3.60 lacs.
- j) We are unable to comment on the resulting effect of our observations in paragraph (d), (f), (h) and (i) above on relevant assets, liabilities and on loss for the year. Subject to this, the said accounts, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004 and

- ii) in case of the Profit & Loss Account, of the loss of the Company for the year ended on that date.
- iii) In case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date

For HARIBHAKTI & CO.
Chartered Accountants




CHETAN DESAI
Partner

Membership No.17000

Place: Mumbai.
Date: 24th August, 2004

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KRISHNA FILAMENTS LIMITED

Fixed Assets:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. We are informed that fixed assets have not been physically verified by the Management as the same have been taken over by Hon'ble Court Receiver. We are unable to comment on discrepancies in absence of such verification.
3. During the year, the Company has not disposed off a major part of fixed assets.

Inventories:

4. We are informed that the physical verification of inventory has not been carried out by the management as the same is under the possession of the Hon'ble Court Receiver.
5. We are unable to comment on the procedures for physical verification in absence of any such verification.
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventory. We are unable to comment on discrepancies in absence of physical verification.

Related party transactions:

7. The company has neither taken nor given loans or advances in the nature of loans from / to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. In respect of interest free loans to others, there is no stipulation with respect to repayment of principal amount.
9. In our opinion and according to the information and explanations given to us, the transactions for services made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
10. The above transactions are made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



11. We are informed that the company has not given guarantee for loan, if any, taken by others from bank.

Internal Controls:

12. Based on the information and explanations and verification of records, we are of the opinion that there are adequate internal control procedure considering the size of the Company and nature of its business.

13. The Company does not have an internal audit system.

Deposits:

14. The Company has not accepted any deposits from the 'public' to which the provisions of section 58A and section 58AA of the Companies Act, 1956, and the rules framed thereunder apply.

Taxation:

15. The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, ESIC dues, Income tax, Investor Education and Protection Fund, Sales tax, Wealth tax, Excise duty and any other statutory dues applicable to it.

16. According to the information and explanations given to us, there were no dues of custom duty, wealth tax, excise duty and sales tax except the following:

Name of the Statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Income Tax Block Asst.	Income Tax	1,06,50,61,820/-	Settlement Commission
Income Tax A Y 1999-00	Income Tax	57,37,80,044/-	Settlement Commission

Miscellaneous:

17. We are informed that the Central Government has not prescribed maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.

18. The Company has accumulated losses exceeding its networth as at 31st March, 2004 as well as has incurred cash losses in the year under audit and in the immediately preceding year.

19. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has defaulted in repayment of dues to



a financial institution, bank and debenture holders amounting to Rs. 245,13,86,062/-, Rs. 64,92,22,558/-, Rs. 109,54,89,824/- respectively. Details are not made available to us as to the period since when the default continues.

20. Based on our examination of documents and records, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
21. The Company has not dealt or traded in shares, securities, debentures, or other investments during the year.
22. Based on our examination of the balance sheet of the company as at March 31 2004 on an overall basis and as per the information and explanation given to us, we find that the funds raised on long term basis were not utilized for short term purpose. However, funds amounting to Rs1394.48 lacs raised on short term basis were utilized for long term purpose.
23. During the year, the Company has not taken any term loans, and hence, question of its application for the purpose for which it was obtained, does not arise.
24. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
25. Clauses 4(iii) (b), 4(iii) (c), 4(iii) (d), 4(xiii), 4(xviii), 4(xix), 4(xx) are not applicable to the Company and hence, not reported upon.

For Haribhakti & Company
Chartered Accountants



Chetan Desai
Chetan Desai
Partner

Membership.No.17000

Place: Mumbai.
Date 24th August, 2004

KRISHNA FILAMENTS LIMITED
BALANCE SHEET AS AT 31ST MARCH , 2004

PARTICULARS	Sch.	Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	A	77,863,000		77,863,000
Reserves & Surplus	B	793,683,600	871,546,600	793,683,600
Loan Funds				
Secured Loans	C	3,474,561,631		3,252,171,715
Unsecured Loans	D	248,484,389	3,723,046,020	226,784,389
			4,594,592,620	4,350,502,704
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	1,129,307,607		2,903,334,133
Less : Depreciation		920,253,061	209,054,546	786,183,403
Net Block				2,117,150,730
Investments	F		38,000	38,000
Current Assets, Loans & Advances				
Inventories	G	459,632		459,632
Cash & Bank Balances	H	7,814,373		8,079,566
Sundry Debtors	I	-		117,226,941
Other Current Assets	J	-		180,000
Loans & Advances	K	24,096,258		24,291,544
		32,370,263		150,237,684
Less: Current Liabilities & Provisions				
Current Liabilities	L	2,710,691		2,830,310
Provisions	M	6,495,180		6,495,180
		9,205,871		9,325,490
Net Current Assets			23,164,392	140,912,194
Miscellaneous Expenditure	N		9,576,468	13,387,166
Profit & Loss Account			4,352,759,214	2,079,014,614
			4,594,592,620	4,350,502,704
Notes on accounts	R			

As per our attached Report of even date

For **HARIBHAKTI & CO.**

Chartered Accountants

Chetan Desai

Partner

Place : Boisar

Date : 24th August 2004

For & on behalf of the Board

K. K. Agarwal

Director

Leena Thakkar

Director

KRISHNA FILAMENTS LIMITED
PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2004

PARTICULARS	Sch.	Year Ended 31st March, 2004 Rupees	Year Ended 31st March, 2003 Rupees
INCOME			
Other Income	O	1,639,068	7,113,508
		1,639,068	7,113,508
EXPENSES			
Payments to & Provisions for Employees		-	14,282
Selling & Administrative Expenses	P	5,956,882	5,073,166
Financial Expenses	Q	271,313,745	271,320,233
Depreciation (Refer note no. 5)	E	134,069,658	134,655,955
Provision for Doubtful Debts & Advances		117,226,941	24,835,085
		528,567,226	435,898,721
Loss before Extra Ordinary expenses		(526,928,158)	(428,785,213)
Add : Diminution in the value of Fixed Assets		(1,746,816,443)	
Loss for the year		(2,273,744,601)	(428,785,213)
Add : Loss Brought Forward From Previous Year		(2,079,014,614)	(1,650,229,401)
Amount Available for Appropriation		(4,352,759,214)	(2,079,014,614)
Balance Carried to Balance Sheet		(4,352,759,214)	(2,079,014,614)
Earning per share : (Refer note 9 of Schedule S)			
Basic	Rs.	(292.02)	(55.07)
Diluted	Rs.	(292.02)	(55.07)
Notes on accounts	R		

As per our attached Report of even date

K. K. HARIBHAKTI & CO.

Chartered Accountants

MUMBAI

Shantanu Desai

Partner

Place : Boisar

Date : 24th August 2004

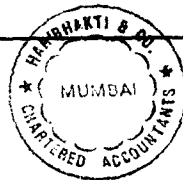
For & on behalf of the Board


K. K. Agarwal
Director


Leena Thakkar
Director

KRISHNA FILAMENTS LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH, 2004

PARTICULARS	Rupees	As at	As at
		31.03.2004	31.03.2003
		Rupees	Rupees
SCHEDULE - A			
SHARE CAPITAL			
Authorised			
1) 80,00,000 (80,00,000) Equity Shares of Rs. 10/- each		80,000,000	80,000,000
2) 2,20,00,000 (2,20,00,000) Unclassified Shares of Rs 10/- each		220,000,000	220,000,000
		300,000,000	300,000,000
Issued, Subscribed & Paid - up			
77,86,300 (77,86,300) Equity Shares of Rs. 10/-each fully paid		77,863,000	77,863,000
		77,863,000	77,863,000
SCHEDULE - B			
RESERVE & SURPLUS			
Capital Reserve		4,336,000	4,336,000
Share Premium		629,347,600	629,347,600
Debenture Redemption Reserve		160,000,000	160,000,000
		793,683,600	793,683,600
SCHEDULE - C			
SECURED LOANS			
A. DEBENTURES			
NON- COVERTIBLE DEBENTURES			
31,12,187 (31,12,187) 19% Non Convertible Debentures of Rs. 200/- each.		622,437,400	622,437,400
B. TERM LOANS			
I. FROM FINANCIAL INSTITUTIONS			
a) Foreign Currency Loans	481,059,869		469,869,953
b) Rupee Loans	1,721,841,804		1,534,641,804
		2,202,901,673	2,004,511,757
II. FROM BANKS			
Rupee Loans		235,610,408	211,610,408
WORKING CAPITAL LOANS			
From Banks		413,612,150	413,612,150
		3,474,561,631	3,252,171,715



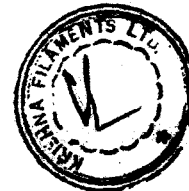
KRISHNA FILAMENTS LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31 ST MARCH, 2004
SCHEDULE - E
FIXED ASSETS

(AMOUNT IN RUPEES)

Sr. No.	Assets	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K	
		As At 01.04.2003	Additions/ (Deductions)	As At 31.03.2004	As At 01.04.2003	Provided/ (W/Back)	AS At 31.03.2004	As At 31.03.2004	As At 31.03.2003
1	Land	3,425,377	-	3,425,377	-	-	-	3,425,377	3,425,377
2	Factory Premises	307,260,723	(227,338,644)	79,922,083	53,377,577	10,262,508	63,640,085	16,281,998	253,883,146
3	Plant & Machinery	2,447,890,064	(1,470,145,524)	977,744,545	687,148,701	116,274,778	803,423,479	174,321,066	1,760,741,363
4	Electrical Installations	121,946,334	(69,788,627)	52,157,712	34,170,628	5,792,450	39,963,078	12,194,634	87,775,706
5	Furnitures & Fixtures	10,420,265	(4,257,109)	6,163,163	3,506,348	659,602	4,165,950	1,997,213	6,913,917
6	Office Equipments	3,633,667	(2,062,767)	1,570,904	1,034,937	172,600	1,207,537	363,367	2,598,731
7	Vehicles	330,587	(10,627)	319,970	263,566	31,404	294,970	25,000	67,021
8	Weighing Scale	678,274	(310,679)	367,600	199,727	32,218	231,945	135,655	478,547
9	Generator	765,000	(12,785)	752,220	562,882	36,338	599,220	153,000	202,118
10	Fork Lift Truck	920,967	(99,819)	821,160	559,760	104,162	663,922	157,238	361,207
11	Gas Cylinders	1,227,200	-	1,227,200	1,227,200	-	1,227,200	-	-
12	Computers	4,835,675	(16)	4,835,675	4,132,077	703,598	4,835,675	-	703,598
		2,903,334,133	(1,774,026,597)	1,129,307,607	786,183,403	134,069,658	920,253,061	209,054,546	2,117,150,731
	TOTAL	2,903,334,133	(1,774,026,597)	1,129,307,607	786,183,403	134,069,658	920,253,061	209,054,546	2,117,150,731
	Previous Year	2,913,987,458	(10,653,325)	2,903,334,133	651,527,448	134,655,955	78,618,403	2,117,150,731	-

Deduction includes Rs. 2,72,10,084/- on account of conversion of value of foreign currency loans & liabilities contracted for acquiring Plant & Machinery at the year end exchange rate.

The Fixed Assets of the company other than land have been revalued under, "individual disposable basis" as on 31st March, 2004 as per revaluation report of an approved valuer. Accordingly, the gross block of each of the category of Fixed Assets, which have been revalued, have been brought down by an aggregate amount of Rs. 174,68,16,443/- by debiting Profit & Loss Account for the year. The Balance Net Block of these Assets would be depreciated over the remaining useful life of assets.



KRISHNA FILAMENTS LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH, 2004

PARTICULARS	Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
Notes :			
1. Debentures referred to in 'A' and Term Loans from Financial Institutions and Banks in Foreign currency and Rupee as referred to in B(I) & (II) above respectively are secured by hypothecation of plant and machinery and immovable property, except as mentioned in Note No. 3.			
2. Working Capital Loans from Banks referred to in "C" above are Secured by hypothecation of present & future Stocks, Book Debts & against Bills drawn confirmed orders.			
3. Term Loans referred to in B (II) above to the extent of Rs. 90,000/- is Secured by hypothecation of machinery acquired under Deferred Payment Terms.			
4. The 19% Non Convertible Debentures were due for redemption in three equal instalments each at the end of 36, 48 and 60 months from the date of allotment of OFCDDs commencing from 17.06.2000.			
SCHEDULE - D			
UNSECURED LOANS			
Short Term			
a) From Banks & Institutions	241,643,718		219,943,718
b) From Others	6,840,671		6,840,671
		248,484,389	226,784,389
		248,484,389	226,784,389
Note : Short term loan referred to in (a) above being 4,00,000 Floating Rate Non-convertible Debenture of Rs. 100/- each, Secured Transferable Note of Rs. 5.00 Crores and Short term loan of Rs. 2.00 Crores all including interest are secured by Personal Guarantee given by Directors and their relatives and Pledge of shares held by Directors and their relatives.			
SCHEDULE - F			
INVESTMENTS			
Long Term Investments			
Equity shares			
Unquoted :			
910200 (910200) of Rs. 10/- each of Krishna Vinyls Limited	63,714,000		63,714,000
Less : Provision for Diminution	63,714,000		63,714,000
		-	-
200000 (200000) of Rs. 10/- each of Krishna Capital Services Limited	2,000,000		2,000,000
Less : Provision for Diminution	2,000,000		2,000,000
		-	-
Others :			
Kisan Vikas Patra (Deposited with Sales Tax Authorities)		38,000	38,000
		38,000	38,000



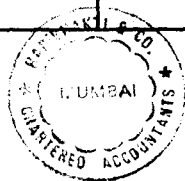
KRISHNA FILAMENTS LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH, 2004

PARTICULARS	Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
SCHEDULE - G			
INVENTORIES			
(As taken, valued and certified by the management)			
Stores , Spares & Packing Materials	459,632	459,632	459,632
		459,632	459,632
SCHEDULE - H			
CASH & BANK BALANCES			
Cash on Hand		761,165	787,516
Balances with Scheduled Banks :			
In Current Accounts	1,714,156		1,952,999
In Fixed Deposit Accounts	126,900		126,900
In Margin Money Accounts	5,212,152		5,212,152
		7,053,208	7,292,051
		7,814,373	8,079,566
SCHEDULE - I			
SUNDRY DEBTORS			
(Unsecured, considered good unless otherwise stated)			
Debts outstanding for more than six months			
- Considered Good	-	-	117,226,941
- Considered Doubtful	326,070,450	-	208,843,510
Less : Provision for doubtful debts	326,070,450	-	208,843,510
		-	-
		-	117,226,941
SCHEDULE - J			
OTHER CURRENT ASSETS			
Rent receivable		-	180,000
		-	180,000
SCHEDULE - K			
LOANS & ADVANCES			
(Unsecured, considered good unless otherwise stated)			
(i) Loans			
- Considered Doubtful	8,841,058		
Less : Provision for doubtful loans	8,841,058	-	-
(ii) Deposits		4,607,890	4,608,481
(iii) Advances receivable in cash or kind or for value to be received			
- Considered Good		10,000	1,004,695
- Considered Doubtful	2,538,406		2,538,406
Less : Provision for doubtful advances	2,538,406	-	2,538,406
(v) Advance Tax & Tax Deducted at Source		19,478,368	18,678,368
		24,096,258	24,291,544

KRISHNA FILAMENTS LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH, 2004

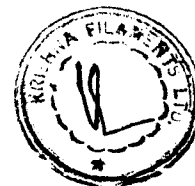
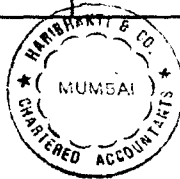
PARTICULARS	Rupees	As at 31.03.2004 Rupees	As at 31.03.2003 Rupees
SCHEDULE - L			
CURRENT LIABILITIES			
Sundry Creditors :			
Due to Others	57,915		33,002
Other Current Liabilities	1,676,816		1,550,245
Investor Education and Protection Fund shall be credited by the following amounts namely:- (To the extent and as and when required)			
Unclaimed Dividend	975,960	2,710,691	1,247,063
		2,710,691	2,830,310
SCHEDULE - M			
PROVISIONS			
Provision for Taxation		6,495,180	6,495,180
		6,495,180	6,495,180
SCHEDULE - N			
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Preliminary Expenses			
As per last Balance Sheet	12,552,017		15,695,492
Less : Written off during the year	3,143,475	9,408,542	3,143,475
			12,552,017
Share Issue Expenses			
As per last Balance Sheet	835,148		1,502,371
Less : Written off during the year	667,223		667,223
		167,925	835,148
		9,576,468	13,387,166



KRISHNA FILAMENTS LIMITED

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH 2004

PARTICULARS	Rupees	Year ended	Year ended
		31.03.2004	31.03.2003
		Rupees	Rupees
SCHEDULE - O			
OTHER INCOME			
Rent -Income		180,000	180,000
Miscellaneous receipts		50,200	1,387
Sundry Balance W/Back		1,207	882,623
Excise duty draw back		1,407,661	6,049,498
		1,639,068	7,113,508
SCHEDULE - P			
SELLING & ADMINISTRATIVE EXPENSES			
Legal & Professional Fees		1,541,857	966,494
Printing & Stationary		12,107	6,150
Advertisement & Publicity		9,312	10,706
Rent , Rates & Taxes		120,000	120,000
Miscellaneous Expenses		1,794	1,890
Sundry Balance w/off		-	36,503
Auditors' Remuneration		64,800	78,750
Books & Periodicals		-	2,163
Listing Fees		35,564	30,563
Directors' Sitting Fees		-	9,000
Preliminary Expenses Written off		3,143,475	3,143,475
Share Issue Expenses Written off		667,223	667,223
Cout Receiver Expense		360,000	-
Sales Tax		750	250
		5,956,882	5,073,167
SCHEDULE - Q			
FINANCIAL EXPENSES			
Interest :			
On Term Loans	249,600,000		249,600,000
On Others	21,700,000		21,700,000
		271,300,000	271,300,000
Bank Charges & Commission		13,745	20,233
		271,313,745	271,320,233



KRISHNA FILAMENTS LIMITED

SCHEDULE FORMING PART OF THE ACCOUNTS SCHEDULE - R SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

1. GENERAL :

The Company maintains its accounts on accrual basis under historical cost convention. The financial statements are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956, to the extent applicable and as per the requirements of the Companies Act, 1956.

2. FIXED ASSETS :

Fixed Assets are stated at cost of acquisition or as revalued and reduced by accumulated depreciation. The cost of an asset includes direct/indirect and incidental costs incurred to bring such asset into its present location and working condition for its intended use.

All costs, including financial costs till the commencement of commercial production, and adjustments arising out of exchange rate fluctuations relating to borrowings in foreign currency attributable to the fixed assets are capitalised.

3. DEPRECIATION :

Depreciation is provided on Straight Line Method on pro-rata basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

4. INVESTMENTS :

Long term investments are stated at cost. Provision for diminution in value of Investments is made only if such a decline is other than temporary in the opinion of the management.

5. INVENTORIES :

Raw materials, Stores, Spares and Packing materials are valued at cost or net realisable value whichever is lower.

6. PRELIMINARY AND SHARE ISSUE EXPENSES :

Preliminary and Share issue expenses are amortised over a period of ten years from the year in which such expenses are incurred.

7. CONTINGENT LIABILITIES & EVENTS OCCURING AFTER THE BALANCE SHEET DATE :

- Contingencies that can be reasonably ascertained are provided for if, in the opinion of the Company, there is a probability that the future outcome may be materially detrimental to the Company.
- Where material, events after the date of Balance Sheet up to the date of finalisation of the accounts are considered.

8. FOREIGN EXCHANGE TRANSACTIONS :



Transactions in foreign currency are recorded as follows:

- A transaction in foreign currency is booked by applying the exchange rate at the date of the transaction.
- Exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.
- Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated either at forward contracted rates when covered by forward contracts or at the rates prevailing at the year end of such currency, as the case may be.
- In the case of Liabilities in respect of the foreign currency loans obtained for acquisition of fixed assets, the variation in the liability arising out of the exchange rates on repayment or at the year end is adjusted to the cost of acquisition of such fixed assets.

B. NOTES ON ACCOUNTS:

1. The Schedules referred to in the Balance Sheet & Profit and Loss Account form an integral part of the accounts.
2. Contingent Liabilities not provided for :
 - Bank guarantee Rs. 6,03,500/- (Rs. 6,03,500/-).
 - Disputed Income Tax demand of Rs. 1,63,88,41,864 /- (P.Y. Rs. 1,63,88,41,864/-)
 - Liquated damages for default of payment to debenture holder – amount not ascertained.
3. The Company has not made provision of Rs. 4,40,65,157.30 (Rs. 4,40,65,157.30) being Interest accrued but not due and Rs. 47,30,52,424/- (Rs. 35,47,89,318/-) being Interest accrued and due as on 31.03.2003 on 19% Non-Convertible Debentures. Had this provision been made, an amount of Rs. 3,73,50,360.21 (Rs. 3,73,50,360.21) would have been capitalised and an amount of Rs. 47,44,58,924.09 (Rs. 35,61,95,818.09) would have been charged to Profit & Loss Account. As a result of this, Fixed Assets have been understated by an amount of Rs. 2,61,35,064.55 (Rs. 2,89,06,461.28) (net of depreciation), Current Liabilities have been understated by an amount of Rs. 4,40,65,157.30 (Rs. 4,40,65,157.30), Secured Loans have been understated by an amount of Rs. 47,30,52,424/- (Rs. 35,47,89,318/-) and Loss for the year has been understated by an amount of Rs. 12,10,25,027.73 (Rs. 12,10,25,027.73) being Interest Rs. 11,82,53,631.00 (Rs. 11,82,53,631.00) and Depreciation Rs. 27,71,396.73 (Rs. 27,71,396.73). No provision has been made for interest on Working Capital Loans and its effect on Loss for the year is unascertained
4. 1,62,400 (1,62,400) Shares held by the Company in Krishna Vinyls Limited have been pledged with Industrial Development Bank of India. Further the Company has agreed to transfer the balance 7,47,800 (7,47,800) shares held by it in Krishna Vinyls Limited in favour of Shanti Capital Services (P) Ltd. and Nishita Capital Services (P) Ltd., as at the instance of the Company these two companies had also pledged with Industrial Development Bank of India equal number of shares held by them in Krishna Vinyls



Limited. The pledge of shares was in connection with the private placement of shares offered by Krishna Vinyls Limited.

5. In the absence of profit, the Company has not transferred any amount to Debenture Redemption Reserve during the year as required by SEBI guidelines for the protection of the interests of Debenture Holders.
6. Balances of Sundry Debtors, Sundry Creditors, Loans & Advances from parties / Banks / Financial Institution and Bank Balances are subject to confirmation however as informed to us the company has initiated legal proceeding against its debtors amounting to Rs. 11,72,26,941/- for recovery.
7. The future liability on account of lease rent on Land to be paid over remaining period of 88 years and 3 months is Rs. 1,05,90,000/-.
8. As against Secured Loans of Rs. 347,45,61,631/- the book value of relevant assets aggregate Rs. 19,44,88,072/-.
9. Earning per share:-

	31 st March 2004	31 st March 2003
Basic Earnings per Shares	Rs. (292.02)	Rs. (55.07)
Diluted Earnings per Shares	Rs. (292.02)	Rs. (55.07)
Nominal value per Shares.	Rs. 10.00	Rs. 10.00

Earnings per Share is calculated by dividing the (Loss)/Profit attributable to the Equity Shareholders by the weighted average no. of equity shares outstanding during the period. The numbers used in calculating basic and diluted earnings per Equity Share are stated below:

	Rs. ('000)	
	31 st March 2004	31 st March 2003
(Loss) / Profit after taxation	Rs. (227,37,44,601)	Rs. (4,28,785)
Weighted average No. of shares outstanding during the period	Nos 77,86,300	Nos 77,86,300

10. Related Party Disclosure:

(A) List of Related Parties:

(I) Associates:

- (i) Krishna Vinyls Ltd.
- (ii) Clever Capital Services Ltd.



(II) Directors :

- (i) Shri Krishna Kumar Agarwal
- (ii) Shri MSR Srinivasa



(iii) Ms. Leena Thakkar

(B) Transaction during the year with related parties:

(I) Lease Rent for Land paid to Krishna Vinyls Ltd. Rs. 1,20,000/-

There is no written off/ written back of any amount from related parties

11. In terms of prudence accounting policy and in view of the fact that the reference is made to BIFR, no provision is required to be made for deferred tax in accordance with Accounting Standard 22.

12. Auditors' Remuneration :

PARTICULARS	Year Ended 31 st March, 2004 (Rs.)	Year Ended 31 st March, 2003 (Rs.)
For Audit fees	54,000.00	52,500.00
For Tax Audit Fees	--	26,250.00
For Other Matters	10,800.00	--
Total	64,800.00	78,750.00

13. Additional information pursuant to the provisions of paragraphs 3, 4C & 4D of part II of Schedule VI to the Companies Act, 1956.

A. Details of Products, installed capacity and actual production :

Products	Units	Installed Capacity	Actual Production
Synthetic Ropes	Metric Tons	21000.00 (21000.00)	Nil (Nil)

B. Expenditure in Foreign Currency : Nil

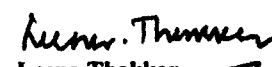
C. Earnings in Foreign Exchange : Nil

14. Figures given in brackets relate to previous year. Previous year's figures have been re-grouped, re-arranged and re-cast wherever necessary to correspond with the figures of the current year.



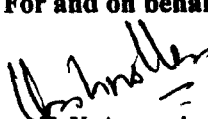
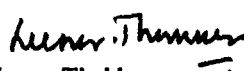
For & on behalf of the Board

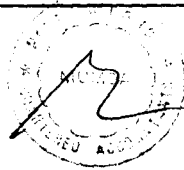

K. K. Agarwal
Director


Leena Thakkar.
Director

Place : Boisar

Date : 24/08/2004

KRISHNA FILAMENTS LIMITED		
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004		
(Persuant to Listing Agreement with Stock Exchange)		
	2003-2004	2002-2003
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) Before Tax and Extraordinary Items	(2,273,744,601)	(428,785,213)
Adjustments For :		
Depreciation	134,069,658	134,655,955
Preliminary expenses written off	3,143,475	3,143,475
Share issue expenses written off	667,223	667,223
Interest	271,300,000	271,300,000
Rent Received	(180,000)	(180,000)
Operating Profit Before Working Capital Changes	(1,864,744,245)	(19,198,560)
Adjustment For :		
Trade & Other Receivables	117,362,990	25,108,449
Trade Payables	119,619	(6,419,296)
Cash Generated From Operation	(1,747,261,636)	(509,407)
Interest Paid	(271,300,000)	(271,300,000)
Net Cash From Operating Activities	(2,018,561,636)	(271,809,407)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Changes in Gross Block	1,774,026,526	10,653,325
Rent Received	180,000	180,000
Net Cash Used in Investing Activities	1,774,206,526	10,833,325
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowing	244,089,916	260,646,675
Net Cash Used in Financing Activities	244,089,916	260,646,675
Net Increase/(Decrease) in Cash and Cash Equivalents	(265,194)	(329,407)
Cash & Cash Equivalents As At 31.03.2003 (Opening Balance)	8,079,566	8,408,974
Cash & Cash Equivalents As At 31.03.2004 (Closing Balance)	7,814,373	8,079,566
For and on behalf of the Board		
		
	K. K. Agarwal	Leena Thakkar
	Director	Director
Place : Boisar		
Date : 24th August 2004		



KRISHNA FILAMENTS LIMITED
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details	- 4 8 1 7 8	State Code	1 1
Balance Sheet Date	3 1 0 3 0 4		
II Capital Raised during the year (Amount in Rs Thousands)			
Public Issue	- - N I L - -	Rights Issue	- - N I L - -
Bonus Issue	- - N I L - -	Private Placement	- - N I L - -
III Position of Mobilisation and Deployment of Funds (Amount in Thousands)			
SOURCES OF FUNDS		APPLICATION OF FUNDS	
Total Liabilities	4 5 9 4 5 9 3	Total Assets	4 5 9 4 5 9 3
Paid up capital	- - 7 7 8 6 3	Net Fixed Assets	- 2 0 9 0 5 4
Reserves & Surplus	- 7 9 3 6 8 3	Investments	- - - - - 3 8
Secured Loans	3 4 7 4 5 6 1	Net Current Assets	- - 2 3 1 6 4
Unsecured Loan	- 2 4 8 4 8 4	Misc Expenditure	- - - 9 5 7 6
		Accumulated Losses	4 3 5 2 7 5 9
IV Performance of Company (Amount in Rupees Thousands)			
Turnover	- - - 1 6 3 9	Total Expenditure	- 5 2 8 5 6 7
Loss (Before Tax)	2 2 7 3 7 4 4	Profit/Loss (After Tax)	2 2 7 3 7 4 4
EPS in Rupee	- - - - - - -	Dividend Rate (%)	- - - - - - -
V Item Code No.	- 3 9 0 2 1 0		
Product Description	S Y N T H E T I C R O P E S		

Place : Boisar
 Date : 24th August 2004



For and on behalf on the Board,

K. K. Agarwal
 K. K. Agarwal
 Managing Director

Leena Thakkar
 Leena Thakkar
 Director