

Associated Stone Industries (Kotah) Ltd.

**54th
Annual Report
1999-2000**



The Stone Masters



Associated Stone Industries (Kotah) Ltd.

BOARD OF DIRECTORS

NEMNATH JATIA, *Chairman & Managing Director*
 DEEPAK JATIA, *Vice Chairman & Managing Director*
 TONY JATIA, *Managing Director*
 C. S. LODHA
 SANWARMUL SHROFF
 NARENDRA S. KARNAVAT
 CHANDULAL D. THAKKER
 G. RAGHUNATHAN, *Nominee IFCI*

MANAGEMENT EXECUTIVES

MINING UNIT

C. S. JAIN, *Executive President*
 S. R. SONI, *Vice President & Secretary*
 D. K. PARIKH, *Vice President (Finance)*
 S. C. AGARWAL, *Vice President (Mines)*
 A. K. JAIN, *Vice President (Operations)*
 B. S. AGRAWAL, *Vice President (Sales)*

SPINNING UNIT

N. P. PODDAR, *President*
 ASHOK NANNA, *Sr. Vice President*

AUDITORS

M/s. B. L. AJMERA & CO.
 Chartered Accountants
 M. I. Road, Jaipur - 302 001.

BANKERS

State Bank of Bikaner & Jaipur
 HDFC Bank Ltd.

HEAD OFFICE

Feltham House, J.N. Heredia Marg,
 Ballard Estate, Mumbai - 400 001.

REGISTERED OFFICE

Jatia Avenue, 15-B, RIICO Indl. Area
 Neemrana, Dist. Alwar-301 705
 Rajasthan.

WORKS

MINING UNIT

Ramganjmandi-326 519
 Dist. Kota - Rajasthan.

SPINNING UNIT

"Prerna Syntex" (100% EOU)
 Jatia Avenue, 15-B, RIICO Indl. Area
 Neemrana, Dist. Alwar-301 705
 Rajasthan.

Associated Stone Industries (Kotah) Ltd.

DIRECTORS' REPORT

To
The Members,
Associated Stone Industries (Kotah) Limited

The Directors have pleasure in presenting the 54th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2000 :

1. FINANCIAL RESULTS

	(Rs. in lacs)	
	2000	1999
Sales	9131.49	8516.86
Profit before Interest and Depreciation	1635.94	1417.18
Less : Interest	800.70	726.48
Depreciation	617.00	573.28
Profit for the year	218.24	117.42
Less : Provision for Taxation	26.00	13.50
Profit after tax	192.24	103.92
Add : Income tax and provisions of earlier years	26.62	-
	218.86	103.92
Add : Balance brought forward from the previous year	458.69	416.11
Profit available for appropriation	677.55	520.03
Less : Dividend	33.09	33.09
Tax on Dividend	3.64	3.64
Retained Profits	640.82	483.30
Less : Transfer to General Reserve	24.61	24.61
Balance carried to Balance Sheet	616.21	458.69

2. DIVIDEND

In order to conserve the resources, the Directors recommend for your approval a Dividend of Re. 0.50 per share for the year ended 31st March, 2000.

The aggregate amount of dividend and tax thereon will absorb Rs. 36.73 lacs.

3. REVIEW OF OPERATIONS

After a long recessionary phase commencing from late 1996 - 97, industrial activity appears to be on the uptrend. The Company achieved a turnover of Rs.9131.49 Lacs as compared to Rs. 8516.86 Lacs in the previous year.

The Company's Gross Profit and Net Profit increased by 15% and 85% to Rs. 1635.94 Lacs (Rs. 1417.18 Lacs) Rs. 192.24 lacs (Rs. 103.92 lacs) respectively.

The Company has registered exports of Rs. 4164.25 lacs during the year.

4. PERFORMANCE OF DIVISIONS MINING DIVISION

Your Directors are able to maintain turnover of Rs. 3233.71 Lacs (Rupees 3224.49 Lacs) at Mining Divisions despite recessionary trend in construction industry. The decline in operating margin of Mining Division largely attributed due to stiff increase in grid power cost and diesel price as also unprecedented high rainfall in the region during the year when all the mines were flooded and had to do dewatering from July, 1999 to January, 2000 as against normal dewatering programme from September to November

every year, resultant which the production was suffered.

Your Director has taken all effective steps to mitigate the impact of these unfavourable factors through reduction in operating cost and improved productivity.

In the Union Budget relief and concession have been given to housing and infrastructure industries and we expect favourable growth in years to come.

SPINNING DIVISION (PRERNA SYNTAX) - (100% EOU)

The Company's persistent efforts in developing export markets resulted in sales amounting to Rs. 5897.78 Lacs as compared to Rs. 5292.37 Lacs during the previous year.

The good cotton crop during 1999 resulted which favourable price, consistent quality of cotton and its mixing availability of consistent power due to management decision to install leased D.G. Set till installation of own power plant attributed to improve operating margins of Spinning Division.

Due to increase in production / turnover and control over the input cost your Director are please to inform you that Spinning Unit turn the corner and able to generate net profit at its own.

The production and turnover at Prerna Syntex have been increased by 22% and 11% respectively. Your Directors are able to minimise the losses till arrival of new cotton viz. October, 1999 by curtailing input cost wherever possible and attain profitability by increasing production and manufacturing marginal / profitable counts to offset downward sales realisation.

Cotton Yarn industry is on path of recovery in view of positive international development including fresh demand from Egypt, Israel, Germany and European Countries and opening up of markets in South East Asian Countries.

5. PRIVATE PLACEMENT OF SHARES

The Company has obtained the approval from Government of India, Ministry of Industry, Department of Industrial Policy and Promotion, Secretariat for Industrial Assistance (EOU - NRI Section) New Delhi for NRI investment in your Company amounting to Rs. 1500 Lacs by way of equity shares. Your Directors are initiating necessary steps to allot the shares.

6. ENVIRONMENT, HEALTH & SAFETY

Environment

Your Company has always believed in effective management of work environment to meet occupational safety and health standards.

Your Director reaffirm the commitment and pledge to continue and observe self imposed regulations to regenerate a clean, cool & green environment.

Your Company shall

: Continue to solve environmental problems by re-engineering the process and products.

: Maintain safe, and environ- friendly working technology.

: Seek continuous improvement for reduction of waste generation, better conservation of natural resources for better environment.

: Seek participation and have dialogue with employees on environment, health and safety issues.

During 1999 - 2000 significant action in the field of environment, health and safety has resulted in improved safety



and environment standards.

7. DIRECTORS

Shri. Nemnath Jatia, Shri C. S. Lodha and Shri Deepak Jatia, Directors of the Company, retire by rotation in accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company and being eligible, offer themselves for reappointment.

Shri. Atul S. Dayal, Director of the Company resigned with effect from 30th July, 1999.

Shri. G.Raghunathan coopted on the Board of the Company as Nominee of IFCI Ltd. vice Shri. Arun Kapoor with effect from 29th October, 1999.

The Director place on record their appreciation for the valuable services rendered by Shri. Atul S. Dayal and Shri. Arun Kapoor as member of the Board.

8. AUDITORS

Directors recommend appointment of M/s. B. L. Ajmera & Co., Chartered Accountants, retires as auditors of the Company at the ensuing Annual General Meeting and are eligible for reappointment.

9. STATUTORY INFORMATION

The statement of particulars pursuant to the provision of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this report. However as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956 the Report and Accounts are being sent to the shareholders of the Company excluding the statement of Particulars of Employees under Section 217 (2A) of the Act. Any share holder desires to obtain a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

Information pursuant to section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure to this Report.

The Company has been accepting deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Total amount of such Fixed Deposit as on 31st March, 2000 was Rs. 56.79 Lacs. Two Deposits amounting to Rs. 0.40 Lacs is lying unclaimed with the Company.

Pursuant to the provisions of Section 212 of the Companies Act, 1956, financial statements and other documents of subsidiary companies are annexed.

10. APPRECIATION

Your Directors places on record its gratitude to Company's valued Dealers, Customers, Suppliers, Central and State Government, Bankers, Financial Institutions, International Lenders, Members and Investing Public for their continued support and confidence in the Company.

On behalf of the Board of Directors

Mumbai,
29th April, 2000

NEMNATH JATIA

Chairman and Managing Director

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

MINING UNIT

The aforesaid information is not applicable to the Mining Unit. However, adequate measures have been taken for optimum utilisation of energy.

TEXTILE UNIT

a) Energy Conservation Measures taken

- i) Compressor air has been used in the machineries to obtain maximum energy saving.
- ii) Optimising illumination in the plant.
- iii) Low loss ballast in lighting tube fixtures have been used.
- iv) Humidification plants have been provided with computerised monitoring.
- v) 100% synthetic spindler tapes have been used in spinning.
- vi) Pneumatic pressure at Compressor outlet has been reduced.

b) Additional investments and proposals for reduction of consumption of energy :

A study is under progress for installation of D. G. Set for continuous production and to avoid dependency on State Electricity Board. However, D.G.Sets has been arranged on leased basis till installation of own power plant.

c) Impact of the above measures :

The above mentioned measures will result in energy saving and subsequent reduction in energy cost.

d) Total Energy Consumption and Energy consumption per unit of production.

	2000	1999
1. Power and Fuel Consumption		
Electricity		
a) Purchased		
Unit (KWH in lacs)	23.60	83.80
Total Amount (Rupees in lacs)	87.76	278.94
Rate / Unit (Rupees)	3.72	3.33
b) Own Generation		
(Through Diesel Generator)		
Unit (KWH in lacs)	156.56	79.94
Unit Per Ltr. of Diesel	3.67	3.37
Cost / Unit (Rupees)	3.05	2.88
2. Consumption Per Unit of Production		
Electricity (KWH) Yarn (100kgs.)	318.81	354.39

Associated Stone Industries (Kotah) Ltd.

TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

MINING UNIT

Technical vitality has been maintained through new processes to get the job done with expertise, motivation, creativity, practice and awareness.

TEXTILE UNIT

1. Specific Areas

Optimising process for improvement of yield and quality of yarn, testing of raw material and finished products.

2. Benefits Derived

Improved results and better realisation.

Improved customers satisfaction was obtained due to improvement in product quality.

3. Plan of Action

The focus is on the improvement of the product. This will result in better quality, cost reduction and improvement in the profitability.

4. Expenditure of R & D

No Capital Expenditure has been incurred on R & D activities during the year under review.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made

Management has focused on productivity improvement, technical efficiencies and quality improvement in order to optimise manufacturing cost.

2. Benefits derived

Optimism manufacturing costs combined with improved quality or products resulting in enhanced customer satisfaction, improvement in existing process, commercialisation of technology, cost reduction, export promotion, etc.

3. Imported Technology

None

The Company has developed its product on its own.

FOREIGN EXCHANGE EARNING AND OUTGO.

Earning Rs. 2590.73 lacs

Outgo Rs. 109.59 lacs

On behalf of the Board of Directors

Mumbai,
29th April, 2000

NEMNATH JATIA
Chairman and Managing Director

AUDITORS' REPORT

To

The Members,

Associated Stone Industries (Kotah) Ltd.

Neemrana (Rajasthan).

We have audited the attached Balance Sheet of ASSOCIATED STONE INDUSTRIES (KOTAH) LTD., Neemrana as at 31st March, 2000 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and other companies (Auditors' Report) Order, 1988, issued by the Company Law Board, in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above :
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) 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.
 - iii) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
 - iv) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss account read together with notes and accounting policies in Schedule 17 thereon, give a true and fair view :
 - a) In so far as it relates to the Balance Sheet of the state of affairs of the Company as on 31st March, 2000 and
 - b) In so far as it relates to the Profit and Loss Account of the profit of the Company for the year ended on that date.

For **B.L. AJMERA & CO.**
Chartered Accountants

Jaipur,
30th April, 2000.

SANJEEV MATHUR
Partner



ANNEXURE TO THE AUDITORS' REPORT FOR 1999-2000

Referred to in paragraph 1 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets. All the fixed assets have been physically verified by the management during the year. No discrepancies have been noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management.
4. In our opinion the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No material discrepancies have been noticed on such physical verification of stocks as compared to book records.
6. In our opinion the valuation of the above mentioned stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there is no Company under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
8. The rates of interest and the terms and conditions of the loans granted to Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are, in our opinion, prima facie not prejudicial to the interest of the Company. There is no Company under the same management as defined under sub-section (1B) of Section 370 of the said Act.
9. In respect of loans and advances in the nature of loans given by the Company, the parties to whom such loans and advances have been given are repaying the principal amount and the interest, wherever applicable regularly.
10. In our opinion, the Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. The Company has not made any purchase of goods and materials and sale of goods materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.
12. As explained to us, the Company has a procedure for the determination of unserviceable or damaged stores, raw materials and finished goods.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the Public.
14. In our opinion the Company has maintained reasonable records for the sale and disposal of realisable scraps. The Company has no by products.
15. In our opinion the Company has an adequate internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
17. According to the records of the Company, Provident Fund dues have been regularly deposited during the year with the appropriate authorities.
18. No undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom duty and Excise Duty were outstanding as at the last day of the financial year for a period of more than six months from the date they become payable.
19. In our opinion and according to the explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of Clause (o) of Section 3 (1) of the Sick Industrial companies (Special Provisions) Act, 1985.
21. In respect of trading activities of Companies, we have been informed that there are no damaged goods.

For **B. L. AJMERA & CO.**
Chartered Accountants

Jaipur,
30th April, 2000

SANJEEV MATHUR
Partner

Associated Stone Industries (Kotah) Ltd.**BALANCE SHEET AS AT 31ST MARCH, 2000**

	Schedule		As at 31.03.2000	(Rupees in Lacs) As at 31.03.1999
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	661.87		661.87
Reserves & Surplus	2	2732.16	3394.03	2595.94
				3257.81
LOAN FUNDS				
Secured	3	6371.07		6421.44
Unsecured	4	2491.80	8862.87	2421.41
			12256.90	8842.85
				12100.66
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	10765.31		10659.48
Less : Depreciation		2706.58		2228.90
Net Block		8058.73		8430.58
Capital Work-in-Progress		48.38	8107.11	43.70
				8474.28
INVESTMENTS	6		115.20	135.39
CURRENT ASSETS				
Inventories	7	1404.48		1251.07
Sundry Debtors		1709.09		1290.42
Cash & Bank Balance		219.65		272.43
		3333.22		2813.92
LOANS & ADVANCES	8	1814.13		1695.71
		5147.35		4509.63
Less : CURRENT LIABILITIES & PROVISIONS	9	1115.11		1021.37
Net Current Assets			4032.24	3488.26
MISCELLANEOUS EXPENDITURE				
Preliminary Expenses (to the extent not written off)			2.35	2.73
			12256.90	12100.66
Notes on Accounts & Accounting Policies	17			

As per our Report of even date

For **B.L. AJMERA & CO.**
Chartered Accountants**SANJEEV MATHUR**
PartnerJaipur
30th April, 2000**S.R. SONI**
Vice President & SecretaryMumbai
29th April, 2000

On Behalf of the Board of Directors

NEMNATH JATIA
Chairman & Managing Director**DEEPAK JATIA**
Vice Chairman & Managing Director**TONY JATIA**
Managing Director



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2000

		(Rupees in lacs)	
	Schedule	For the year ended 31.03.2000	31.03.1999
INCOME			
Sales	10	9131.49	8516.86
Other Income	11	81.09	121.09
Increase/(Decrease) in Stock	12	(16.50)	(85.07)
		<u>9196.08</u>	<u>8552.88</u>
EXPENDITURE			
Production and Other Expenses	13	5748.97	5243.46
Employees Remuneration and Benefits	14	1330.98	1351.95
Administrive and General Expenses	15	480.19	540.29
Interest	16	800.70	726.48
Depreciation		617.00	573.28
		<u>8977.84</u>	<u>8435.46</u>
Profit before Taxation		218.24	117.42
Provision for Taxation		26.00	13.50
Profit after tax		192.24	103.92
Add : Income Tax & Provisions of earlier years		26.62	—
		<u>218.86</u>	<u>103.92</u>
Add : Balance brought forward from previous year		458.69	416.11
Profit available for Appropriations		<u>677.55</u>	<u>520.03</u>
Appropriated to :			
i) General Reserve		24.61	24.61
ii) Proposed Dividend		33.09	33.09
iii) Tax on Dividend		3.64	3.64
iv) Balance Carried to Balance Sheet		616.21	458.69
		<u>677.55</u>	<u>520.03</u>

Notes on Accounts & Accounting Policies

17

As per our Report of even date

For **B.L. AJMERA & CO.**
Chartered Accountants

SANJEEV MATHUR
Partner

Jaipur
30th April, 2000

S.R. SONI
Vice President & Secretary

Mumbai
29th April, 2000

On Behalf of the Board of Directors

NEMNATH JATIA
Chairman & Managing Director

DEEPAK JATIA
Vice Chairman & Managing Director

TONY JATIA
Managing Director

Associated Stone Industries (Kotah) Ltd.**SCHEDULE ANNEXED TO AND FORMING PART OF BALANCE SHEET
AS AT 31ST MARCH, 2000**

		(Rupees in lacs)	
		As at 31.03.2000	As at 31.03.1999
SCHEDULE 1			
SHARE CAPITAL			
AUTHORISED			
200000	(Previous year 200000) Redeemable Preference Shares of Rs. 100 each	200.00	200.00
23000000	(Previous year 23000000) Equity Shares of Rs. 10 each	2300.00	2300.00
		<u>2500.00</u>	<u>2500.00</u>
ISSUED, SUBSCRIBED AND PAID UP			
6628373	(Previous year 6628373) Equity Shares of Rs. 10 each fully called up	662.84	662.84
	Less : Amount in arrears	0.97	0.97
		<u>661.87</u>	<u>661.87</u>

Notes : Of the above Equity Shares :

- (a) 32000 Shares have been allotted as fully paid up pursuant to a contract without payment being received in cash ;
- (b) 50000 Shares have been allotted as fully paid up on conversion of 1,00,000 Deferred Shares of Rs. 5 each; and
- (c) 3891000 Shares have been issued as fully paid Bonus Shares by capitalisation of General Reserve.

SCHEDULE 2**RESERVE & SURPLUS**

			(Rupees in lacs)
	Balance as on 01.04.99	Addition during the year	Balance as on 31.03.2000
Capital Reserve	2.73	- 0.39	2.34
General Reserve	1475.00	25.00	1500.00
Share Premium Account	479.52	—	479.52
Reserve for Contingencies	180.00	(45.91)	134.09
Profit & Loss Account	458.69	157.52	616.21
	<u>2595.94</u>	<u>136.22</u>	<u>2732.16</u>