



WELSPUN

SYNTEX LIMITED

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17 TH
ANNUAL REPORT
1999-2000

WELSPUN SYNTEX LIMITED

BAORD OF DIRECTORS

Mr. G. R. Goenka	
Mr. B. K. Goenka	Managing Director
Mr. R. R. Mandawewala	Executive Director
Mr. C. V. Kamalaker	Nominee IFCI
Mr. M. V. Badrinath	Nominee IDBI
Mr. S. K. Goenka	
Mr. M. L. Mittal	Director (Finance)
Mr. A. K. Shah	
Mr. R. K. Jain	
Mr. V. L. Bhutra	Director (Operations)

COMPANY SECRETARY

Mr. K. N. Kapasi

AUDITORS

M/s. M. G. Bhandari & Co.
Chartered Accountants

BANKERS

State Bank of Bikaner & Jaipur
Bank of Baroda

REGISTERED OFFICE

Survey No. 394 (p)
Village Saily,
Silvassa,
Union Territory of Dadra & Nagar Haveli.

CORPORATE OFFICE

Kamani Wadi, 1st Floor,
542, Jaganath Shankar Seth Road,
Chitra Bazar, Mumbai - 400 002.

FACTORIES

Survey No. 394 (p)
Village Saily,
Silvassa,
Union Territory of Dadra & Nagar Haveli.

Plot No. 14/15,
Dewan Industrial Estate,
Palghar,
District Thane, Maharashtra

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DIRECTORS' REPORT

To,
The Members,
WELSPUN SYNTEX LIMITED.

Your Directors have pleasure in presenting the Seventeenth Annual Report together with Audited Statement of Accounts of the Company for the six months period ended 31st March, 2000.

FINANCIAL RESULTS AND APPROPRIATIONS :

(Rs. in lacs)

	Six months period ended 31.03.2000	Eighteen months period ended 30.09.99
Gross Profit before Depreciation & Finance Expenses	803.90	2209.61
Less: Finance Expenses	1424.79	2760.87
Depreciation	746.04	1165.50
Profit/(Loss) before tax	(1366.93)	(1716.76)
Provision for tax	00	00
Profit/(Loss) after tax	(1366.93)	(1716.76)
Profit/(Loss) brought forward	(1652.87)	209.51
Prior year adjustments	25.96	(305.62)
Transfer from General Reserve	39.59	160.00
Profit/(Loss) carried to Balance Sheet	(2954.25)	(1652.87)

In view of the loss suffered by the Company during the period under review, no dividend is recommended.

PERFORMANCE & OUTLOOK

During the period under report (for six months), the sales and gross profit before interest and depreciation were Rs. 13133.64 lacs and Rs. 803.90 lacs respectively as compared to Rs. 21392.51 lacs and Rs. 2209.61 lacs respectively for the previous period (for eighteen months). During the period under report, the sales has jumped on annualised basis by 84%. Export was at Rs. 2208 lakhs as against Rs.2248 lakhs of previous period, registering growth of about 200% on annualised basis.

The production of POY and texturised yarns was 8994 MTPA and 8567 MTPA respectively compared to 4916 MTPA and 21370 MTPA respectively in the previous period.

Over capacity in polyester yarn industry, heavy interest burden, increase in cost of power & fuel, reduction of Import Duty on Finished Goods by 15.69% & Import Duty maintained at same level at 44.93% on Basic Raw material i.e. chips, steep hike in prices of raw materials and competition from abroad as well as in local market have put pressure on margin of profit. Your directors regret to state that the financial performance as mentioned above is lower as

compared to the profitability of Rs. 1191 lacs (calculated proportionately on the basis of profit projected in the Prospectus dated 18th May, 1998) due to aforesaid reasons.

The Company is approaching financial institutions with a proposal for reduction in interest rate on term loans and to restructure financial assistance given by them to reduce entire debt burden so that the Company can strive for its existence in present competitive polyester industry.

The company has always focussed on value added yarns and have made significant changes in the production range from the existing ones to newer speciality yarns such as OCTOLOBAL CROSS SECTION OF POY/PFY/PTY, THERMALLY INSULATED HOLLOW YARNS, BRIGHT DELTA CROSS SECTION, FULL DULL YARN. The Company's ability to shift the product range from existing ones will definitely yield results.

Further specialisation in Dope dyed yarns, bright yarns & microdenier yarns are being developed in PTY. The company is refocusing on value added dyed yarns.



Continuous efforts to control cost and improve productivity has already started yielding results.

PUBLIC DEPOSITS :

The Company has not accepted deposits during the year within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Shri B.K. Goenka, Shri S.K. Goenka and Shri V.L. Bhutra retire by rotation at the forthcoming Annual General Meeting. They are eligible for re-appointment.

AUDITORS and AUDITORS' REPORT

Your Company's Auditors, M/s. M.G. Bhandari & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration.

We refer to point no. 2 (d) (i) of the Auditors' Report relating to non provision of Debenture Redemption Reserve of Rs. 226.96 lacs and state that in view of loss incurred during the year under review and carried forward loss the Company is not in a position to make provision for the said reserve. As regard point no. 2 (d) (ii) of the Auditors' Report, we state that the change in method of valuation of stock is done to comply with Accounting Standard - 2 which is made mandatory for the accounting period ending on or after 1st April, 1999.

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

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure which forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES :

Information as per section 217(2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this report.

LISTING WITH STOCK EXCHANGES

The Company's equity shares and Optionally Convertible Cumulative Preference Shares are listed on Stock Exchanges at Mumbai (Regional) and Delhi. The Company has paid Annual Listing Fees to both the Stock Exchanges for the financial year 2000-2001.

HRD AND PERSONNEL :

The Company has been consistently undertaking comprehensive program to develop and nurture its Human Resource to face the challenges of the New Millennium. The Industrial relations at your Company's plant remained cordial during the year under review. Your Directors wish to place on record their sincere appreciation of the valued contribution, unstinted efforts and spirit of dedications shown by the employees at all levels.

APPRECIATION :

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial institutions, Mutual Funds, Commercial Banks and other authorities.

For and on behalf of the Board of Directors

B. K. Goenka
Managing Director

V. L. Bhutra
Director (Operations)

Place : Mumbai
Date : 30th June, 2000

ANNEXURE

FORM - A
(SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Period 1999-2000	Previous Period 1998-99
A Power and fuel consumption		
1 Electricity		
(a) Purchased		
Units (In '000S)	18384.28	26680.47
Total Amount (Rs. In Lacs)	510.33	778.95
Rate /Unit (Rs.)	2.78	2.92
(b) Own Generation		
(i) Through Diesel/ Gas Generator		
Units (In '000S)	8333.27	45560.70
Units per Ltr. Of Diesel Oil	3.60	3.49
Cost / Unit (Rs.)	3.97	2.71
(ii) Through Steam Turbine / Generator	Nil	Nil
2 Coal (Specify Quality and Where used)	Nil	Nil
3 Furnace Oil		
Quantity (K.Ltrs.)	298.40	800.36
Total amount (Rs. In Lacs)	32.27	51.38
Average Rate (K.Ltrs.)	10814.34	6419.13
4 Others / Internal Generation	Nil	Nil

B CONSUMPTION PER UNIT OF PRODUCTION

	STANDARDS	CURRENT YEAR	PREVIOUS YEAR
Products (With Details)			
Unit	—	Kg.	Kg.
Electricity	—	2.46	2.89
Furnace Oil	—	—	—
Coal (Specify Quality)	—	—	—
Others (Specify)	—	—	—



ANNEXURE

FORM B
(SEE RULE 2)**Form for disclosure of particulars with respect to absorption
Research and Development (R&D)**

- | | | | |
|----|--|---|---|
| 01 | Specific areas in which R&D is:
Carried out by the Company | - | Development of Special types of Yarn |
| 02 | Benefit derived as a result of
the above R&D. | - | The Company has developed speciality Yarn namely
EDY, TTY, TFY, BSY, WLY, DISCAT, BLACK &
WHITE MELANGE YARN. |
| 03 | Future plan of action | - | NIL |
| 04 | Expenditure on R&D | | |
| | (a) Capital | - | NIL |
| | (b) Recurring | - | NIL |
| | (c) Total | - | NIL |
| | (d) Total R&D expenditure as a
percentage of total turnover | - | NIL |

**Technology absorption, adaptation and
Innovation.**

- | | | | |
|----|---|---|--|
| 01 | Efforts, in brief, made towards technology
absorption, adaptation and innovation | - | The Company had imported one SPFY line from M/s
Rieter Chemical Fiber System in the year 1996-97 and
6 SPFY Lines from M/s Mitsubishi Corporation in the
Year 1998-99. The technology has fully absorbed, the
Company not taken any assistance from the Technology
supplier in last one year. |
| 02 | Benefits derived as a result of the above
efforts, etc. Product improvement, cost
reduction, product development, imports
substitution, etc. | - | As a result of continuous improvement, the Company
has developed in house spin pack etc. which have
resulted in cost reduction and produce High Quality
Yarn |
| 03 | In case of imported technology (imported
during the last 5 years reckoned from the
beginning of the financial year), following
information may be furnished: | - | Not Applicable |
| | (a) Technology imported | - | |
| | (b) Year of import | - | |
| | (c) Has technology been fully absorbed ? | - | |
| | (d) If not fully absorbed, areas where this
has not taken place, reasons therefore and
future plans of action. | - | |

Foreign exchange earnings and outgo :

- | | | | |
|-----|---|---|---|
| (1) | Activities relating to exports; initiatives
taken to increase exports; development of
new export markets for products and
services and export plans: | - | The Company has taken several measures to boost
export :
Export increased Proportionately by 200 % as
compared to the previous period, details of export
mentioned in directors' report |
| (2) | Total foreign exchange used and earned. | - | |
| | Used : Rs. 819.63 Lacs | | |
| | Earned : Rs 1930.91 Lacs | | |

WELSPUN SYNTAX LIMITED

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Welspun Syntax Limited will be held at the Registered Office of the Company at Survey No. 394(P), Village Saily, Silvassa, Dadra & Nagar Haveli on Saturday, 16th September, 2000 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 and the Audited Profit and Loss Account for the period ended on that date and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri B.K. Goenka who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S.K. Goenka who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V. L. Bhutra who retires by rotation, and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of section 224 A of the Companies Act, 1956, M/s. M. G. Bhandari & Co., Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on a remuneration as may be agreed upon between the Board of Directors and M/s. M. G. Bhandari & Co."

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

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as may be necessary and subject to such terms, conditions, alterations and modifications as may be prescribed or suggested in granting any such approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee or sub committee of the Board appointed or entitled to deal with the relevant matters) which is hereby authorised to do so, consent of the Company be and is hereby accorded to the Board to offer, issue and allot equity shares or securities with

or without a right to convert them into equity shares at a later date of the aggregate amount of Rs. 300 lacs to financial institutions on preferential allotment basis at a price as may be determined in terms of guidelines of Securities & Exchange Board of India subject to a minimum of Rs. 10/- per share with a relevant date, in case of convertible security, being the date 30 days prior to the date of conversion, date not being later than 18 months from the date of allotment of securities as may be decided by the Board."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorised to take decision, grant approvals, use discretions and agree on any matter as also to give such directions and instructions as it may, from time to time, think fit and proper, including directions and instructions for determining and settling any question or aspect pertaining to or arising from the issue, offer and/or allotment of securities and equity shares and to do all acts, matters, deeds and things as the Board in its absolute discretion considers necessary, expedient, usual or proper in or about the premises and to settle any questions, difficulty or doubt that may arise in regard to the offering issue, allotment or utilisation of the issue proceeds, as it may in its absolute discretion deem fit and proper."

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

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows :

- a. After last para of Article 1, the following paragraphs shall be inserted :

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) of Sub-Section (1) of Section 2 of the Depositories Act, 1996. Depositories Act, 1996 shall include any statutory modification or re-enactment thereof.

"Depository" shall mean a Depository as defined under clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

- b. After Sub Clause (d) of Article 3, the following sub clause (e) shall be added.

(e) "Notwithstanding anything contained in the Articles of Association, the

WELSPUN SYNTEX LIMITED

company shall be entitled to dematerialise its Shares, Debentures and other securities pursuant to the Depositories Act, 1996, and to offer its Shares, Debentures and other securities for subscription in a dematerialised form"

- c. The following para shall be added in Article 10 :

"Further, the Company shall also be entitled to treat the person as the holder of any share(s) whose name appears as the beneficial owner of the shares in records of the Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as required by law) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof".

- d. The following para shall be added in Article 11 :

No Share Certificate(s) shall be issued for shares held in a depository.

- e. The following Article 13 (A) shall be added after Article 13 :

"The company shall further be entitled to maintain a Register of Members with the details of dematerialised form in any media as permitted by law including any form of electronic media."

- f. Following Article 29(A) shall be added after Article 29 :

"Notwithstanding anything contained herein, in the case of transfer of shares/debentures or other marketable securities where the Company has not issued any Certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply"

8. To Consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Pursuant to Section 198, 269, 309 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, Shri R.R. Mandawewala be and is hereby appointed as Executive Director of the company on an aggregate remuneration upto a limit of Rs. 10,00,000 per annum inclusive of basic

salary, perquisites and allowances like car facility for personal use, accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with allowances for utilities such as gas, electricity, water, furnishings and repairs; medical reimbursement; leave travel concession for himself and his family; club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri R.R. Mandawewala with effect from 1st June, 2000 for a period of 5 years."

"RESOLVED FURTHER THAT contribution to provident fund, superannuation fund or annuity fund and gratuity as may be payable under the provisions of the relevant Acts and to the extent exempt under Income Tax Act and encashment of leave at the end of tenure shall not be computed in the aforesaid ceiling for perquisites and allowances."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to issue letter of appointment, a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or remuneration and /or appointment letter to the extent the Board may consider appropriate and as may be agreed to between the Board and Shri R.R. Mandawewala and the remuneration so increased shall not exceed the limit specified in section II of Part-II of Schedule XIII of the Companies Act, 1956 i.e. Rs.24,00,000 per annum."

"RESOLVED FURTHER THAT where in any financial year closing after 31st March,2000, the Company has no profits or its profits are inadequate, the Company do pay to Shri R.R. Mandawewala remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule XIII of the Companies Act, 1956."

9. To Consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Pursuant to Section 198,309,310 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, the remuneration payable to Shri. V.L.Bhutra, the Director (operations) of the company be and is