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RE	☒	SH	☒

16th ANNUAL REPORT 1998

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ADDI INDUSTRIES LIMITED



ADDI INDUSTRIES LIMITED

BOARD OF DIRECTORS	:	Shri C. L. Jain	-	Chairman & Managing Director
	:	Shri R. K. Khanna		
	:	Shri R. D. Thapar		
	:	Shri Harihar Lal		
	:	Dr. P. K. Hari		
	:	Smt. Urmila Jain	-	Whole-time Director
GENERAL MANAGER (FINANCE) & COMPANY SECRETARY	:	Shri S. C. Singhal		
BANKERS	:	Punjab National Bank		
AUDITORS	:	Messrs Nayyar & Malik Chartered Accountants 370-A, Sant Nagar, East of Kailash, New Delhi-110065		
CORPORATE OFFICE	:	A-105,106, Sector IV Noida - 201 301 (U.P.)		
REGISTERED OFFICE	:	A-34, Industrial Area Sikandrabad - 203 205 Distt. Bulandshahr (U.P.)		
WORKS	:	A-105,106, Sector IV Noida - 201 301 (U.P.)	:	B-1, 2, 3, Hosiery Complex Phase-II, Noida (U.P.)
	:	C-227, Indl. Area Bulandshahr Road Ghaziabad (U.P.)	:	H-11, Textile Colony Industrial Area Ludhiana (Punjab)
	:	A-34, Indl. Area Sikandrabad (U.P.)		

Request to Members

1. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested kindly to bring their copies to the meeting.
2. Members/Proxy holders are requested to bring the Attendance Slip duly filled in for attending the Meeting.



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NOTICE

TO ALL MEMBERS

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Members of Addi Industries Ltd. will be held on Saturday, the 31st day of October, 1998 at 9.30 A.M. at the Regd. Office of the Company at A-34, Industrial Area, Sikandrabad, Distt. Bulandshahr (U.P.), to transact the following business :

Ordinary Business

1. To consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the 18 months period ended on that date, and the Reports of the Board of Directors and the Auditors of the Company.
2. To appoint a Director in place of Shri R. K. Khanna, who retires from office by rotation but being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri R. D. Thapar, who retires from office by rotation but being eligible, offers himself for reappointment.
4. To appoint Auditors for the current year 1998-99 and fix their remuneration.

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 in partial modification of the resolution passed by the Members of the Company at the Annual General Meeting held on 30th June, 1997 and pursuant to the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII thereof, the consent and approval of the Company be and is hereby accorded to the revision in the salary of Shri C. L. Jain, Managing Director, from the existing Rs.25000 (Rupees Twenty five thousand) per month to Rs. 50000 (Rupees Fifty thousand) per month, in the scale of Rs. 50000-2500-52500, for the remaining period from 1st June, 1998 to 30th September, 1998, the other terms and conditions remaining unchanged".

"RESOLVED FURTHER THAT the aforesaid increased remuneration shall be paid to the Managing Director as minimum remuneration in the event of absence or inadequacy of profits for any period".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds and things as may be required and deemed necessary, in the best interest of the Company".

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

"RESOLVED THAT in partial modification of the resolution passed by the Members of the Company at the Annual General Meeting held on 30th June, 1997 and pursuant to the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII thereof, the consent and approval of the Company be and is hereby accorded to the variation in the terms of appointment of Smt. Urmila Jain, Whole-time Director, as under :

	Existing	Proposed
a) Salary	- Rs. 11000 per month	Rs. 21000 per month (in the scale of Rs. 21000-2100-27300)
b) All other terms and conditions remain unchanged.		

"RESOLVED FURTHER THAT the revision in salary shall be effective from 1st June, 1998 and be applicable for the remaining period from 1st June, 1998 to 30th November, 2001".

"RESOLVED FURTHER THAT the Board of Directors of the Company shall be at liberty to alter & vary the said terms & conditions, within the overall permissible remuneration under the Companies Act, 1956 and Schedule XIII thereof, as amended from time to time, & in such manner as may be agreed to between the Directors and Smt. Urmila Jain, in the best interest of the Company".

"RESOLVED FURTHER THAT the aforesaid increased remuneration shall be paid to the Whole-time Director as minimum remuneration in the event of absence or inadequacy of profits in any year".

"RESOLVED FURTHER THAT the Board of Directors be & are hereby authorised to do all such acts, deeds & things as may be required & deemed necessary, in the best interest of the Company".



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

"RESOLVED THAT in pursuance of the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII thereof, the consent & approval of the Company be and is hereby accorded to the re-appointment of Shri C.L.Jain, as Managing Director of the Company for a period of five years w.e.f. 1st October, 1998 to 30th September, 2003, & payment of the following remuneration to him :

- a) Salary - Rs. 50000 (Rupees Fifty thousand) per month in the scale of Rs. 50000-5000-70000.
- b) Commission - One percent of the net profits of the Company.
- c) Perquisites - Restricted to 50% of annual salary or Rs. 1.50 Lacs per annum whichever is lower, under the following classifications :

Category A

- i) Free furnished accommodation.
- ii) Re-imbursement of expenditure on gas, electricity, water & furnishings, subject to a ceiling of 10% of the salary paid to him.
- iii) Re-imbursement of Medical Expenses incurred for self and family subject to a ceiling of one month salary for every year of service.
- iv) Leave travel concession for self and family once in a year in accordance with the Company Rules subject to a ceiling of one month salary in a year.
- v) Fee of Clubs subject to a maximum of two Clubs, not including admission and life membership fees.
- vi) Personal Accident Insurance, the annual premium of which shall not exceed Rs. 1000.

For the aforesaid purpose, "family" shall mean self, wife, dependant children and dependant parents of the Managing Director.

Category B

- vii) Company's contribution towards Provident Fund/Pension Fund/Superannuation Fund as per Company Rules, such contributions shall not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income tax Act, 1961.
- viii) Gratuity not exceeding one-half month's salary for each completed year of service.
- ix) Encashment of leaves as per Company's Rules.

Category C

- x) Provision of free use of Car with driver, for Company's business, & free Telephone/s at residence shall not be considered as perquisites. The expenditure on personal long distance calls on telephone and use of car for private purpose, exceeding one month's salary, shall be billed by the company to the Managing Director.

"RESOLVED FURTHER THAT the aforesaid remuneration and perquisites, except Commission, shall be paid to the Managing Director as minimum remuneration in the event of absence or inadequacy of profits in any year".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds and things as may be required and deemed necessary in the best interest of the Company".

8. 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 314 and all other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII thereof, the consent and approval of the Company



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be and is hereby accorded to the appointment of and payment of following remuneration to Shri Hari Bhaddar, as Manager (Administration & Production Planning), w.e.f. 1st September, 1998":

a) Salary : Rs. 20000 (Rupees Twenty thousand) per month (consolidated).

"RESOLVED FURTHER THAT the appointment of Shri Hari Bhaddar shall be governed by all other terms and conditions as applicable to Senior/Key Executives of the Company".

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds and things as may be required & deemed necessary, in the best interest of the Company".

9. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution :

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors of the Company, of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole or substantially the whole of the undertaking(s) of the Company in such manner and as may be required from time to time, by way of a second charge, to/ or in favour of Punjab National Bank (PNB) and by joint equitable mortgage with the Industrial Finance Corporation of India Ltd. (IFCI), subject and subservient to the first charge/s in favour of the IFCI, to secure the total fund-based and non fund-based Working Capital Facilities granted by Punjab National Bank to the Company aggregating to Rs. 1415 Lacs (Rupees One thousand four hundred fifteen Lacs) and Rs. 250 Lacs (Rupees Two hundred fifty Lacs), respectively, together with interest thereon at the respective agreed rates, compound and/or additional interest in case of default, further interest by way of liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses, guarantee commission and other monies payable by the Company to the Bankers named herein above under their respective Heads of Agreement/Loan Agreements entered into by the Company in respect of the said Loans".

"RESOLVED FURTHER THAT the action of the Board of Directors of the Company be and is hereby ratified and confirmed in finalising the documents with IFCI and PNB and creating the aforesaid mortgage and/ or charge to secure the said Working Capital Facilities".

By order of the Board

ADDI INDUSTRIES LIMITED

S.C.Singhal

Gen. Mgr. (Fin.) & Company Secretary

Place : Sikandrabad - 203 205 (U.P.)

Dated : October 5, 1998

Notes

- (a) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.
- (b) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto.
- (c) All correspondence relating to Shares may be sent to the following Corporate Office address of the Company :

Addi Industries Limited, A-105-106, Sector-IV, Noida - 201 301, Distt. Gautam Budh Nagar (U.P.)

- (d) For Members residing in Delhi/New Delhi, transport will be available at the T-Junction at Sarita Vihar, New Delhi at 7.30 A.M. for going to the place of the meeting. Members desirous of attending the meeting should send their particulars of Shareholding/Folio No., under their signatures as per specimen registered with the Company, to reach the Company's Regd. Office not later than 26th October, 1998. Thereafter no such request will be entertained.
- (e) Members are requested to notify any change in their address, and always quote their folio number in all correspondence with the Company.



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- (f) Any member having more than one folio for his Shareholding may intimate the same to the Company to facilitate consolidation of his Shareholding.
- (g) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that information required may be made available at the Meeting.
- (h) Members are requested to bring their copy of Annual Report alongwith them at the Meeting.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Special Business

Item No. 5 :

Keeping in view the day-to-day increasing business activities and the onerous responsibilities carried on by Shri C. L. Jain, Managing Director, and the status/standard of living enjoyed by him, the Board of Directors have deemed it fit to further revise the remuneration payable to him by way of increase in salary from Rs. 25000 per month to Rs. 50000 per month effective from 1st June, 1998, till the remaining period of his present term i.e. upto 30th September, 1998. The rapid growth in the exports and business of the company during the past several years and the strong position it enjoys today, particularly after the economic disintegration in USSR, is largely due to the efficient manner in which the affairs of the Company have been conducted by the Corporate Management headed by Shri C.L.Jain as Chairman & Managing Director. This increase in his remuneration is quite reasonable, looking to the present industry trend and the liberalised Govt. guidelines on managerial remuneration. The remuneration including perquisites is proposed to be paid as minimum remuneration in the event of loss or inadequacy of profits for any period.

The Board of Directors commend the resolution for the consideration and approval of the Members.

Except Shri C.L.Jain himself, and Smt. Urmila Jain being related to him, no other Director is in any way, directly or indirectly, concerned or interested in the resolution.

This may be treated as an abstract of the variation of the terms of contract, pursuant to Section 302(7) of the Companies Act, 1956.

Item No. 6 :

Ever since the Company re-activated its marketing strategy and developed the export of its products to USA since March, 1995, it has carved out a niche for the excellent quality of its products. On account of the gradual increase in business and rapid growth in the exports of the Company, Smt. Urmila Jain was appointed as Whole-time Director, as per the special resolution passed by the Members in the Annual General Meeting held on 30th June, 1997, at the meagre remuneration of Rs. 10000 per month besides other perquisites, to actively assist the Managing Director in the day-to-day affairs of the Company.

The Company has made rapid growth in its exports, which have increased by about 25% over the last year. Smt. Urmila Jain is a Post Graduate in English and has around 22 years rich and varied experience in Textile Industry. Keeping all these circumstances in view, the Board of Directors considered and approved an increase in her remuneration from the present salary of Rs. 11000 per month to Rs. 21000 per month in the scale of Rs. 21000-2100-27300, effective from 1st June, 1998 i.e. for the remaining period of her term from 1st June, 1998 to 30th November, 2001. The increase in salary is quite reasonable befitting her status & standard of living. The remuneration including perquisites is proposed to be paid as minimum remuneration in the event of loss or inadequacy of profits in any year.

The Board of Directors commend the resolution for the consideration and approval of the Members.

Except Smt. Urmila Jain herself, and Shri C.L.Jain being related to her, no other Director is in any way, directly or indirectly, concerned or interested in the resolution.

This may be treated as an abstract of the variation of the terms of contract, pursuant to Section 302(7) of the Companies Act, 1956.

Item No. 7 :

Shri C.L.Jain was re-appointed as Managing Director for a period of 5 years from 1st October 1993 to 30th September, 1998. Shri Jain has more than 30 years rich & diversified experience in Textile and connected line of activities. The Company re-activated its marketing strategies for export to USA in March, 1995. Since then



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the rapid growth in exports and the strong position enjoyed by the Company today speak volumes for the efficient manner in which the affairs of the Company have been conducted by Shri C.L.Jain as Chairman & Managing Director. In accordance with the relevant provisions of the Companies Act, 1956, the Board of Directors have re-appointed Shri C.L.Jain as Managing Director for a further period of 5 years from 1st October, 1998 to 30th September, 2003 on the remuneration as set out in the resolution. The remuneration including the perquisites except Commission is proposed to be paid as minimum remuneration in the event of loss or inadequacy of profits in any year.

In compliance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956 the appointment of and payment of remuneration to Shri C.L.Jain as Managing Director of the Company for a further period of five years from 1st October, 1998 to 30th September, 2003 specified in the resolution is now placed before the Members for their consideration. The Board of Directors commend the resolution for the approval of the Members.

Except Shri C.L. Jain himself, and Smt. Urmila Jain being related to him, no other Director is in any way, directly or indirectly, concerned or interested in the resolution.

This may be treated as an abstract of the terms of the contract, pursuant to Section 302(7) of the Companies Act, 1956.

Item No. 8 :

In view of the increasing business activities and the ongoing/proposed expansion-cum-diversification plans of the Company, the Board of Directors, in their meeting held on 29th August, 1998, appointed Shri Hari Bhaddar, a Graduate in Chemical Engineering, as Manager (Administration and Production Planning), w.e.f. 1st September, 1998 at a consolidated remuneration of Rs. 20,000 (Rupees Twenty thousand) per month. The technical knowledge, particularly in the field and other related activities of the Company, is considered advantageous and beneficial to the business and interests of the Company.

Shri Hari Bhaddar is related to Shri C.L. Jain and Smt. Urmila Jain, Directors of the Company. In view of the provisions of Section 314 and other applicable provisions of the Companies Act, 1956, the appointment of and payment of aforesaid remuneration to Shri Hari Bhaddar is placed before the Members. The Board of Directors commend the resolution for the consideration and approval of the Members.

Except Shri C.L. Jain and Smt. Urmila Jain, no other Director is in any way, directly or indirectly, concerned or interested in the resolution.

Item No. 9 :

The Company has been sanctioned the following enhanced Working Capital credit facilities by its Bankers Punjab National Bank :

Fund based	:	aggregating Rs. 1415 Lacs
Non Fund based	:	aggregating Rs. 250 Lacs

One of the stipulations is the ceding and creation of second charge on the fixed assets of the Company in favour of the Bank. The Industrial Finance Corporation of India Ltd. (IFCI), who are the First Chargeholders, have ceded the Second Charge in favour of Punjab National Bank. Since such mortgage and/or charge on the Company's moveable and/or immoveable properties and the whole or any part of the undertaking(s) in favour of the Lenders may be deemed to be the disposal of the Company's undertaking(s) within the meaning of Section 293(1) (a) of the Companies Act, 1956, it is necessary for the Company to pass the resolution as set out in item no. 9 of the Notice.

Since this is apparently in the interest of the Company, the Board of Directors commend the proposed resolution for the consideration and approval of the Members.

None of the Directors of the Company is in any way, directly or indirectly, concerned or interested in the resolution.

By order of the Board
ADDI INDUSTRIES LIMITED

Place : Sikandrabad - 203 205 (U.P.)
 Dated : October 5, 1998

S.C.Singhal
 Gen. Mgr. (Fin.) & Company Secretary



ADDI INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Members

The Directors of your Company have pleasure in presenting their **Sixteenth Annual Report** together with the Audited Statements of Account of your Company for the period ended on 31st March, 1998.

Working Performance :

The performance of your Company, during the 18 months period from 1st October, 1996 to 31st March, 1998, has been as shown hereunder :

	1996-98 (18 M)	(Rs. in lakhs) 1995-96 (12 M)
Turnover & other Income	3665.55	1876.21
(incl. Exports)	(2981.06)	(1624.24)
Gross Profit before	883.10	372.74
interest & depreciation		
Less : Interest	486.89	201.55
Depreciation	339.82	134.58
Provision for Taxation	-	-
Provision for Gratuity etc.	4.02	0.66
Net Profit	52.37	35.95
Surplus carried forward	52.37	35.95

To conserve resources for the increasing business activities and other expansion-cum-diversification plans, the Directors regret their inability to recommend a dividend for the period under Report.

Operations

The Directors are glad to report that your Company has maintained positive & steady growth in its business activities, particularly exports, during the period under review. This period has mostly been one of consolidation & stabilisation of company's operations.

The steps taken by your company in re-activating the marketing strategy, changing product-mix and diversification and development of the product for the export market, have sustained and resulted in further improvements. The Company has earned an income of Rs. 3665.55 Lacs during the 18-months period (annualised Rs. 2443.70 Lacs) as against the income of Rs. 1876.21 Lacs during the previous year, registering an increase of 30.25%, although in view of the highly volatile and competitive market, margins continue to be under pressure.

Exports

Your Company has maintained its main emphasis on exports. Despite economic sluggishness & consequent industrial slow-down, the Company has achieved exports of Rs. 2981.06 Lacs (annualised Rs. 1987.37 Lacs) registering an increase of 22.36% over the exports of Rs. 1624.24 Lacs during the previous Year.

During the short span of about 3 years, your company has been successful in establishing its export market in USA and other countries and has carved out a niche for the fine quality and excellence of its products.

Expansion/Diversification

Besides the normal additions to plant & machinery, the Company is working out detailed plans for expansion/diversification of its business, by way of an increase, inter-alia, in its existing knitting/dyeing capacity in the near future. Your Company has the distinct advantage of in-house operations like knitting and dyeing which have increased its operational efficiency, reduced costs and improved its profitability in the face of keen competition in the international markets.

Future Prospects

The Directors of your Company are glad to report that the cumulative steps taken have resulted in a gradual and steady growth in the business and exports of your Company. During the first six months from April to



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September, 1998 in the current year 1998-99, the Company has already achieved a turnover of Rs. 1686.86 Lacs including exports of Rs. 1623.42 Lacs. The target for current year exports is Rs. 3110 Lacs, which is higher by 56% over the exports of the preceding accounting period.

Keeping in view the awareness of and the value attached to the fine quality of products of your Company in the international market, it has been concentrating upon manufacturing high value products. The present ascending trend continuing, and barring any unforeseen circumstances, the Directors of your Company are hopeful of better prospects for its products in future.

Finances

The Company continues to enjoy financial support from its Bankers, Punjab National Bank (PNB). Keeping in view the increasing turnover of the Company, the PNB further enhanced its Working Capital credit facilities from the existing fund based level of Rs. 710 Lacs, to Rs. 1250 Lacs.

The Company is regularly paying the instalments of principal and interest to the Financial Institutions, and there is no arrears outstanding as on date.

Deposits

The Company has neither invited nor accepted any deposits from the public within the meaning of the Companies (Acceptance of Deposits) Rules, 1975, during the period under Report.

Directors

Shri R. K. Khanna and Shri R. D. Thapar, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

The IFCL nominated Shri P. Guruwappa as its nominee Director on the Board of Directors of your Company vice Smt. S.P. Lavakare. However, subsequently, the IFCL withdrew the nomination of Shri Guruwappa also. The Board of Directors of the Company place on record their appreciation of the valuable advice and guidance received by it from Smt. S.P. Lavakare during her tenure as IFCL's nominee Director.

Auditors

M/s Nayyar & Malik, Chartered Accountants, New Delhi, retire and, being eligible, offer themselves for re-appointment as Auditors of the Company for the current year 1998-99. The Company has received the requisite certificate under Section 224(1-B) of the Companies Act, 1956 from them.

Auditors' Remarks

The Company has successfully developed the export market/s, and the efforts made in this regard are yielding positive results. The business advances given without interest for the said purpose are being and will be fully received gradually.

Subsidiary

As required by Section 212(1) of the Companies Act, 1956, the Annual Accounts for the year ended 31st March, 1998, alongwith the reports of the Directors and Auditors thereon, of Addi Farms Ltd., wholly owned subsidiary of your Company, are appended hereto.

Particulars of Employees

A statement showing the particulars of Employees in receipt of remuneration in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto and forms part of this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

A statement containing information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under 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 annexed hereto and forms part of this Report.