

18TH
ANNUAL REPORT
1996-97

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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 THE ARIHANT GROUP

ARIHANT
INDUSTRIES LIMITED

MANAGEMENT
BOARD OF DIRECTORS

Mr. K. L. Jain	Chairman & Managing Director
Mr. S. L. Narasimha Rao	Nominee IFCI
Mr. D. S. Dhaliwal	Nominee PSIDC
Mr. J. L. Bajaj	Nominee UTI
Mr. K. L. Narang	
Mr. B. K. Arora	
Mr. Rajneesh Oswal	
Mr. C. P. Soti	
Mr. R. K. Singla	
Mr. R. C. D. Kaushik	
Mr. I. M. Aggarwala	

COMPANY SECRETARY

Mr. Raman K. Sood

AUDITORS

M/s. Dass Khanna & Co.,
B-XX 711, Pakhowal Road,
Gurdev Nagar, Ludhiana

BANKERS

State Bank of Patiala
Bharat Nagar Chowk, Ludhiana

State Bank of India
Miller Ganj, Ludhiana

Punjab National Bank
Industrial Area, Ludhiana

Punjab & Sind Bank
Dholewal Chowk, Ludhiana

Standard Chartered Bank
Parliament Street, New Delhi

REGISTERED OFFICE

B-35, Phase V, Focal Point,
Ludhiana-141 010

WORKS

B-35, Phase V, Focal Point,
Ludhiana - 141 010

Village Matrewara
Rahon Road, Ludhiana

H/A-1, Industrial Area
Sikandarabad
Distt. Bulandshahr (U.P.)

Village Baddi,
Tehsil Nalagarh,
Distt. Solan (H.P.)

DELHI OFFICE

223/9, Somdutt Chambers II
Bhikaji Cama Place,
New Delhi-110 066

1112, Antriksh Bhawan,
K. G. Marg,
New Delhi-110 001

BOMBAY OFFICE

416, Raheja Chambers,
4th Floor, Nariman Point,
Bombay-400 021

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ARIHANT INDUSTRIES LIMITED

Regd. Office : B-35, Phase-V, Focal Point,
LUDHIANA - 141 010

NOTICE

NOTICE is hereby given that the 18th ANNUAL GENERAL MEETING of the Members of the Company will be held on Tuesday, the 30th September, 1997 at 10.00 A.M. at the Registered Office of the Company at B-35, Phase V, Focal Point, Ludhiana to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as on March 31, 1997 and Profit and Loss Account for the year ended on that date and the Reports of the Director's and Auditor's thereon.
2. To appoint a Director in place of Shri Rajneesh Oswal who retires at this meeting and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri R. C. D. Kaushik who retires at this meeting and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri I. M. Aggarwala who retires at this meeting and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri C. P. Soti who retires at this meeting and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri R. K. Singla who retires at this meeting and being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

8. **TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTION AS ORDINARY RESOLUTION.**

"RESOLVED THAT consent of the Company be and is hereby granted to the Board of Directors of the Company pursuant to the provisions of Section 293(i)(a) and other applicable provisions, if any, of the Company's Act, 1956 to mortgage/create second charge on all movable and immovable properties and assets of the Company, wheresoever situate, both present and future, and whole of the undertakings of the Company together with power to take over the Management of the business and concern of the Company in certain events or in favour of consortium banks as security for the due payment, discharge and redemption of the Company in respect of their respective credit facilities for working capital being extended to the Company by various banks under consortium led by the State Bank of Patiala, aggregating to Rs. 4344 lacs (Rupees Four Thousand Three Hundred Forty Four Lacs only) both fund based and non fund based, together with interest, additional interest, permia on pre-payment or on redemption, costs, charges, expenses and other monies payable under the joint deed of hypothecation.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to modify and finalise with the consortium banks, if deemed necessary, the documents creating the aforesaid mortgage and/or second charge and to do all such acts, deeds, things and to take all necessary step(s) as they say deem fit and proper to give effect to above resolution and in the interest of the Company.

BY ORDER OF THE BOARD
FOR ARIHANT INDUSTRIES LIMITED .

Place : New Delhi
Dated : 12.07.1997

RAMAN K. SOOD
COMPANY SECRETARY

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxy forms, in order to be effective, must be received by the Company not less than 48 hours before the commencement of the meeting.

2. The Register of Members & Share Transfer Books of the Company will remain closed from 26.09.1997 to 30.09.1997 (both days inclusive).
3. Members desiring any information on accounts are requested to write the Company at least Ten days prior to date of meeting so as to enable the Company to keep the information ready.
4. Members are requested to notify the change in their address, if any, to the Company immediately.
5. Members are requested to bring their copies of Annual Report at the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
For Item No. 8 :

The Company has to borrow funds from the Banks in the ordinary course of business to meet its various requirements including working capital requirements. These facilities are granted by the banks by way of various borrowings, loans, etc. which are both fund based and non fund based. At times, such borrowings are required to be secured by a Second Charge on the immovable properties of the Company in addition to the charge on the movable properties.

The Board of Directors of the Company in their meeting held on 12th July 1997 had approved the creation of Second charge on the assets of the Company in favour of the banks from whom the Company has availed working capital facilities. As such, the Resolution is proposed under Section 293(i)(a) of the Companies Act, 1956 for your approval to create mortgage/charge on the assets of the Company.

None of the Directors of the Company is interested individually in this resolution.

**BY ORDER OF THE BOARD
FOR ARIHANT INDUSTRIES LIMITED**

Place : New Delhi
Dated : 12.07.1997

RAMAN K. SOOD
COMPANY SECRETARY

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NOTE : IN LINE WITH THE RECOMENDATIONS OF THE COMMITTEE ON COMPANY'S AMENDMENT ACT, 1997 AND AS A MATTER OF GOOD CORPORATE PRACTICE, THE COMPANY HAS DECIDED NOT TO GIVE ANY GIFTS ETC. TO THE MEMBERS.

DIRECTORS' REPORT

The Members
ARIHANT INDUSTRIES LIMITED

Your Directors have immense pleasure in presenting their Eighteenth Annual Report on the operations of the company alongwith Audited Statement of Accounts and Cash Flow Statement for the Year ended March 31, 1997

(Rs. in lacs)

	CURRENT YEAR	PREVIOUS YEAR
Profit before Financial expenses	2609.19	2301.22
depreciation taxation and capital issues expenses to the extent written off		
Less:		
Financial Expenses	1969.53	1635.81
Depreciation	520.28	377.52
Capital Issues expenses written off	17.49	17.71
	<u>101.89</u>	<u>270.18</u>
Transferred to Debenture Redemption Reserve	Nil	3.00
	<u>101.89</u>	<u>267.18</u>
Add: i) Balance brought forward from last Accounts	1139.78	872.60
Amount available for appropriation	1241.67	1139.78
Transferred to Balance Sheet	1241.67	1139.78

Despite of continued recessionary conditions and liquidity crunch prevailing during year under review, your company has posted a turnover and other income of Rs.13503.02 lacs as compared to Rs.14349.72 lacs of previous year. The Profit before Financial Expenses, Depreciation, Taxation & Capital Issues expenses (to the extent written off) is Rs.2609.19 lacs as compared to Rs.2301.22 lacs in previous year. After providing for interest, depreciation, tax & capital issues, expenses the amount available for appropriation is Rs.1241.67 lacs as compared to Rs. 1139.78 lacs for the last Financial Year.

CURRENT OUTLOOK AND FUTURE PLANS

During the Current Year all the divisions of the company are performing very well and if the present performance is any indication, the company is poised for higher production, turnover and profit during the current year ending 31st March 1998.

FIXED DEPOSITS

Fixed Deposits outstanding from Public as on 31.3.1997 were Rs.92.40 lacs. Out of these deposits, 17 deposits of Rs.16.24 lacs were due for payment on or before 31.3.1997. 1 deposits of Rs. 0.15 lacs were not claimed by the depositors till date. The company is waiting for the instructions of the depositors in this regard.

INDUSTRIAL RELATIONS

Your Directors gladly report that industrial relations during the year under review remained cordial.

DIRECTORS

Shri Rajneesh Oswal, Sh. R.C.D Kaushik, Sh. I.M Aggarwala, Sh. C.P Soti and Sh. R.K Singla, Directors of the company retire at the forthcoming Annual General Meeting of the company and being eligible offers themselves for re-appointment. Mr.Anil Kumar resigned from the board of directors due to pre-occupations. Your Directors place on record their appreciation for the valuable service rendered by Mr. Anil Kumar during his tenure. UTI nominated Mr.J.L.Bajaj as its nominee on the board of directors of the company.

PROJECT IMPLEMENTATION

The work on Spinning Unit of the Company at Baddi (H.P) is progressing fast and it is expected that the Unit will go into production by the end of Third quarter of this year.

AUDITORS

M/s. Dass Khanna & Company, Chartered Accountants, Auditors of the company retire at the forthcoming Annual General Meeting and are eligible for reappointment.

AUDITORS' REPORT

Most of the observation made by the Auditors in their report for the year under review are self explanatory and need no further comments from the Directors. Regarding compliance under Section 205A of the Companies Act, 1956, the Company is taking reasonable steps to do the needful.

PERSONNEL

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is enclosed as per Annexure I and forms part of this report.

DISCLOSURE OF PARTICULARS UNDER SECTION 217(1)(e) under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, the detailed information is enclosed as per Annexure II and forms part of this report.

ACKNOWLEDGEMENT

The Board of Directors express its appreciation and place on record their gratitude for the confidence reposed and co-operation extended to the Company by Government of India, State Government, Financial Institutions, Banks, Customers, Suppliers, Shareholders, Debentureholders and Employees of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
FOR ARIHANT INDUSTRIES LIMITED

Place : New Delhi
Dated : 12.07.1997

K. L. JAIN
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE 'I'

Information as per Section 217(2A) of The Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 and forming part of Directors' Report for the year ended March 31, 1997.

a) Employed through out the year under review and were in receipt of remuneration for that financial year in aggregate of not less than Rs.3,00,000/-

S. No.	Name	Designation/ Nature of Duties	Gross Emoluments	Qualifica- tion.	Date of Commen- cement of Employment	Age in years	Expereince	Particulars of last Employment
1.	Mr. K.L Jain	Chairman & Managing Director	397365/-	B. Com.	01.05.1981	51	29 years	1st Employment
2.	Mr. H.K Punni	President	374740/-	B. Com. C.A (Inter)	15.05.1978	44	19 years	1st Employment
3.	Mr. Ravi Bansal	Vice President (Project)	305080/-	B.A	15.09.1977	45	23 years	Shri Vallabh Trading Co. Abohar
4.	Mr. N.P Singh	Vice President (Marketing)	305080/-	M.B.A	03.05.1985	40	18.5 years	Rajasthan Spng. & Weaving Mills Ltd. Gulabpura
5.	Mr. G.M Thapar	Vice President (Commercial)	305080/-	M.A	13.06.1979	44	21 years	Mahavir Spinning Mills Limited Hoshiarpur
6.	Mr. V. Ghoshal	General Manager	327144/-	B.Text.	10.06.1991	50	26 years	Mahavir Spinning Mills Ltd.

b) Employed for a part of the year under review & were in receipt of remuneration at a rate which was not less than Rs.25000/- per month

— NIL —

NOTES:

- Gross Emoluments include salary, bonus, company contribution to Provident Fund, reimbursement of Medical expenses and other allowances paid in cash and cash value of other non-cash perquisites.
- The condition of Employment of the above Employees is non-contractual except that of Mr. K.L Jain, Chairman & Managing Director who has been appointed for a period of 5 years.

ANNEXURE "II"

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended March 31, 1997.

1. A. Conservation of Energy

The company has been continuously making efforts through its dedicated team to achieve high productivity. This has enabled the company to not only reduce energy consumption but also to increase production.

a) Energy conservations measures taken.

- Mechanical Equipments like Nylon Bushing, Nylon Belts have being used to avoid friction losses, resulting into Saving of energy.
- Energy saving equipments such as capacitors, Auto paper Factor correction meter etc. have been installed.
- Additional energy saving equipments such as UPS, Voltage Stabilizers, Power capacitors, Heat Exchangers, Economisers, Cyclone (Dust collector) have been attached with some of the machines to save energy.
- Auto transformer type electrical equipments for single phase supply have been used to avoid break down and to reduce lighting load.

- v) Installation of Air preheater for hot oil heaters.
- vi) Improved utilisation of steam generation potential in the Heat recovery steam generators utilising the exhaust heat from boiler.
- vii) Modified steam traps network in dryer heaters to reduce steam consumption.
- viii) Various modifications and installations carried out in processing machines like fixing separators, traps, PRV's temperature controllers etc.

A. Power and Fuel consumption	Current Year	Previous Year
1. ELECTRICITY		
a. Purchase		
Unit (KWH)	7312645	6894949
Total amount Rs.	19197001	16108243
Rate/Unit Rs.	2.62	2.34
b. Own Generation		
Through Diesel Generator Units (KWH)	1660555	1302747
Total amount Rs.	4532412	3520680
Cost per unit Rs.	2.73	2.70
2. STEAM COAL (used in Boiler)		
Quantity	481.700 Tonnes	4221.042 Tonnes
Total cost Rs.	1187702	9679878
Av. rate per ton Rs.	2465.65	2293.24
3. RICE HUSK		
Quantity	9150.660 Tonnes	4517.910 Tonnes
Total cost Rs.	10459887	6653629
Av. rate per ton Rs.	1143.07	1472.72
4. Other/Internal Generation (Brickers)		
Quantity	11.470 Tonnes	1029.090 Tonnes
Total cost Rs.	19499.00	1439388.40
Average rate per ton Rs.	1700.00	1398.70
B. Consumption per Units of production		
1. Synthetic Grey Fabrics Electricity units consumed/Mtr.	0.43	0.47
2. Textured yarn Electricity units consumed/Kgs	1.73	1.94
3. Processed Cloth		
a) Electricity Units consumed/Mtrs.	0.27	0.25
b) Coal Kgs/Mtrs.	—	0.57
c) Rice Husk Kgs/Mtrs.	1.47	0.68
d) Brickers Kgs/Mtrs	0.002	0.15
4. Polyester/Viscose Tops & Acrylic Worsted Yarn		
a) Electricity Units consumed/Kgs.	4.34	5.40
b) Coal Kgs/Mtrs.	0.85	1.07

B. Disclosure of particulars with respect to technology Absorption Form-B
1. Research & Development (R & D)

- a) Specific areas in which R & D carried out by the company Development activities of the company are directed towards energy conservation, pollution control and quality improvement of existing products, development of new products & production process for better productivity.

b) Benefits derived as a result of the above R & D.

(i) Improvement in specific consumption of energy in the process plant on account of the energy saving schemes explained under the head "Conservation of Energy"

c) Future plan of action To continue the R & D work in the above referred areas.

d) Expenditure on R & D

	Current year	Previous year
i) Capital	0.05 lacs	1.15 lacs
ii) Recurring	5.15 lacs	3.83 lacs
iii) Total	5.20 lacs	4.98 lacs
iv) Total R & D expenditure as percentage of total turnover	0.04%	0.04%

2. Technology Absorption, adoption and innovation

i) Efforts in brief and benefit derived.

The above referred developmental work is helping the company in reducing per unit cost and developing new products which helps the company to increase its market share in the domestic as well as export market.

3. Imported Technology (imported during the last 5 years) Nil

C. Foreign Exchange Earning and outgo:

a) Activities relating to exports, initiatives taken in increase exports, development of new export market for products & services and export plans.

The company is presently exporting worsted yarn and fabrics. Steps are being taken to explore new markets and product development.

b) Total Foreign Exchange earned and used.

	Current Year (Rs. in lacs)	Previous Year (Rs. in lacs)
Earned	141.58	115.42
Used	83.56	279.55