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ARORA FIBRES LIMITED

**6TH ANNUAL REPORT
1998-99**

ARORA FIBRES LIMITED

SIXTH ANNUAL REPORT

Board of Directors:

Rupinder Singh Arora — *Chairman*
Sunil Marwah — *Whole-Time Director*
T. N. Raut — *Whole-Time Director (Works)*

Company Secretary:

A. Gopalan

Auditors:

M/s. A. M. Joshi and Co.
Chartered Accountants
Sukrita, 127, Shivaji Park,
Dr. M. B. Raut Road,
Dadar, Mumbai-400 024.

Banker:

Corporation Bank

Registered Office:

Survey No. 213, Piparia Industrial Estate,
Silvassa-396 230, Dadra & Nagar Haveli.

Corporate Office:

Arora House, 16, Golf Link, Union Park,
Khar (West), Mumbai-400 052.

1. Shareholders are requested to bring their copy of the Annual Report to the Meeting.
2. Please address all correspondence regarding Share Transfer work to the Registrars and Share Transfer Agents and not to the Company's Registered Office.
3. Members are requested to notify their change of address, if any, to our Registrars and Share Transfer Agents, M/s. Dynamic Superways & Exports Ltd., at the following address:

DYNAMIC SUPERWAYS & EXPORTS LTD.,
Rainbow Palace, I. C. Colony Cross Road No. 5,
Borivali (West), Mumbai-400 103.

ARORA FIBRES LIMITED

Notice

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of ARORA FIBRES LTD. will be held on Monday, the 28th June, 1999, at 11-00 a.m. at the Registered Office of the Company at Survey No. 213, Piparia Industrial Estate, Silvassa-396 230, Dadra & Nagar Haveli to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet and the Profit and Loss Account as at and for the year ended 31st March, 1999 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri R. S. Arora, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s. A. M. Joshi & Co., Chartered Accountants, Mumbai, the retiring auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual general Meeting of the Company at such remuneration as may be determined by the Board in consultation with the said auditors in addition to payment for other services and reimbursement of out of pocket expenses."

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT subject to the applicable provisions and schedule XIII as amended, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Shri Sunil Marwah as whole-time Director for a period of 5 years from 1st June, 1999 on the following terms and conditions:

Salary : Rs. 15,000 per month with annual increments of Rs. 1,000/-.

Perquisites : No other perquisites except free use of Company's car for official purposes."

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT subject to the applicable provisions and schedule XIII as amended, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Shri T. N. Raut as whole-time Director (works) for a period of 5 years from 1st June, 1999 on the following terms and conditions:

Salary : Rs. 13,000 per month with annual increments of Rs. 750/-.

Perquisites : Suitable residential accommodation at Silvassa with house rent not exceeding Rs. 2,000 per month."

6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolutions as ORDINARY RESOLUTIONS:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if

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Notice — contd.

any, of the Companies Act, 1956, consent of the Company be and is hereby granted to the Board of Directors of the Company to:

- (a) Subject to mortgage/charge created in favour of Industrial Development Bank of India (IDBI) and Corporation Bank (Bank) to sell, transfer, assign or otherwise dispose of, with effect from 1st July, 1999 or any other date mutually agreed the freehold land and building of the Company situated at Survey No. 213, Piparia Industrial Estate, Silvassa-396 230, Dadra & Nagar Haveli to Allied Capital Services Ltd., a Company under the same management; and
- (b) FURTHER RESOLVED THAT to take back on lease for such period (subject to renewal of such further period or periods as the Board of Directors may from time to time decide and consider proper and expedient) with effect from 1st July, 1999 or any other date mutually agreed from Allied Capital Services Ltd., the buyer as proposed above;

On the terms and conditions contained in the agreements to be entered into between the Company and Allied Capital Services Ltd., drafts whereof are placed before the meeting and initialled by the chairman of the Board of Directors for the purpose of identification with such modifications thereto as the Board of Directors of the Company in its absolute discretion deem fit and in the interest of the Company.

- (c) RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute the said agreements for sale of assets and take back on lease and to perform all such steps, acts, deeds, matters and things as may be necessary, proper, desirable or expedient to give effect to this resolution including entering into, signing, executing, delivering of all agreements, assignments, contracts, deeds, writings and instruments of and in the name of and on behalf of the Company."

By Order of the Board of Directors

A. GOPALAN
Company Secretary

Mumbai, dated: 28th May, 1999

Corporate Office:

Arora House,
16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint proxy to attend and vote instead of himself. A proxy need not be a member of the Company.
2. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.
3. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 11-00 a.m. and 1-00 p.m. on all working days prior to the date of the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 25th June, 1999 to Monday, the 28th June, 1999.

ARORA FIBRES LIMITED

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

1. ITEM NO. 4 AND 5 OF THE AGENDA:

The Board of Directors have by resolutions passed at the meeting of the Board of Directors of the Company held on 28th May, 1999, appointed (a) Mr. Sunil Marwah and (b) Mr. T. N. Raut as whole-time Director and whole-time Director (works) of the Company respectively on the terms and conditions for a period of 5 years from 1st July, 1999. Mr. Sunil Marwah is a M.B.A. and has been working with the Company since two years as Senior Manager (Commercial). Mr. T. N. Raut is an experienced technician and has been working with the Company since the beginning.

Both the appointments are in accordance with the intention of the Board of Directors to absolutely professionalise the management.

The proposed resolutions under 4 and 5 and this Explanatory Statement may be treated as abstract of the terms and conditions of the appointments, pursuant to Section 302 of the Companies Act, 1956.

Your directors recommend the resolutions for your approval.

2. ITEM NO. 6 OF THE AGENDA:

In view of the unsatisfactory working and the resultant losses, the Company has been unable to meet its obligations of payment of interest due and repayment of loan to Industrial Development Bank of India (IDBI) since a long time.

The amount due to IDBI is approximately Rs. 81.98 lacs as on 1st October 1998 comprising of principal loan of Rs. 55.62 lacs and interest of Rs. 26.36 lacs. IDBI has already issued notices to the Company recalling the entire amount due to them. They have also issued notices to the guarantors asking them to make the payment immediately. The interest is mounting and the total amount due to IDBI as on 31st May, 1999 is Rs. 91.97 lacs approximately.

The Company has also to pay Rs. 83.51 lacs to Corporation Bank against the bank guarantee given by them to Government of India under Export Promotion Credit Guarantee (EPCG) Scheme.

The Company has to make these payments on a very urgent basis.

It is not possible to meet these obligations from internal accruals.

The Company has no other surplus assets and hence it has no other options except to sell the land and building to meet the two commitments. At the same time, these assets are needed by the Company to keep its factory running. In order that the Company continues uninterrupted the activity of manufacture of Regenerated Polyester Staple Fibre, the Company has no other options except to sell the land and building to a buyer who is immediately agreeable to lease back the land and building to the Company. Efforts to find such a buyer failed.

Ultimately, the Board of Directors persuaded Allied Capital Services Ltd., a Company under the same management to agree to purchase land and building and lease back to the Company. Shri Rupinder Singh Arora, a director of the Company is the Managing Director of the other Company.

His relatives are also holding substantial shares in Allied Capital Services Ltd. Therefore, Shri Rupinder Singh Arora, a Director, is substantially interested in Allied Capital Services Ltd. The proposed sale would be a fair market value of the assets and the proposed lease back would also be at prevailing fair rate of return to the lessor/purchaser.

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Explanatory Statement — contd.

None of the other Directors is in anyway concerned or interested in the Resolution.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Company shall not, except with the consent of the Company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, the whole or substantially the whole of any such undertaking.

The Ordinary Resolution proposed under item 6(a) of the Notice is proposed for obtaining the consent of the Company in conformity with the requirements of the aforesaid Section and the Board recommends acceptance thereof.

The Board also recommends the acceptance of the other Resolutions under item 6 of the Agenda.

By Order of the Board of Directors

Mumbai, dated: 28th May, 1999

A. GOPALAN
Company Secretary

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ARORA FIBRES LIMITED

Directors' Report to the Shareholders

Your Directors present before you the Sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 1999.

	1998-99 Rupees	1997-98 Rupees
FINANCIAL RESULTS:		
Profit/Loss before finance charges and depreciation	+3,99,595	-1,28,39,547
Less: Interest	34,67,728	46,55,679
Profit/Loss subject to depreciation	-30,68,133	-1,74,95,226
Less: Depreciation	64,69,326	64,15,515
Profit/Loss before Taxation	-95,37,459	-2,39,10,741
Brought forward from previous year	-2,61,14,234	-22,03,493
Profit available for appropriation/loss	-3,56,51,693	-2,61,14,234
Balance carried to Balance Sheet	-3,56,51,693	-2,61,14,234

DIVIDEND:

The Board of Directors regret their inability to declare dividend in view of loss.

WORKING RESULTS:

PERFORMANCE VS. PROJECTIONS FOR THE YEAR 1998-99

Particulars	Performance (Rs. in lacs)	Projections (Rs. in lacs)
Sales and other Income	828.42	3,251.00
Net Profit after Tax	-95.37	920.00
Dividend	Nil	25%

The year ended 31st March, 1999, continued to be a bad year for the Polyester Fibre Industry not only in Indian market but also in international market. Excess supply vis-a-vis demand coupled with liquidity problems continue to affect the entire industry. Several units in the virgin as well as recycled Polyester Staple Fibre industry are closed or on the verge of closure due to continuing losses.

TERM LOAN

In view of unsatisfactory working and the resultant losses, the Company has been unable to meet its obligations of payment of interest due and repayment of loan to Industrial Development Bank of India (IDBI) since a long time. The IDBI has therefore issued notices calling upon the Company to pay them a sum of Rs. 81,97,876 as on 1st October, 1998 in full and final settlement of the amount due.

It is not possible to meet this obligation from internal accruals.

SALE OF LAND AND BUILDING:

The Company has no other choice except to sell the land and building to make the payment to IDBI. Further, the Company has to make payment of Rs. 83,51,000 (Rupees Eighty Three Lacs Fifty One Thousand only) to Corporation Bank against the guarantee given by them to the Government of India under EXPORT Promotion Credit Guarantee Scheme (EPCG).

In order that the Company continues uninterrupted the activity of manufacture of regenerated Polyester