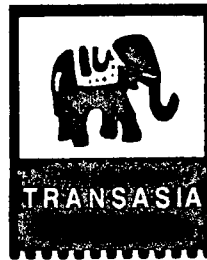


MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



Birla TransAsia Carpets Ltd.

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Twenty Fourth Annual Report 1997-98



Birla TransAsia Carpets Ltd.

BOARD OF DIRECTORS

K.P. Chokhani	Director
S.N. Baheti	Director
Arun Singhi	Director

MANAGER CUM CHIEF EXECUTIVE OFFICER

D.K. Mittal

BANKERS

The Bank of Rajasthan Ltd.
Punjab National Bank

AUDITORS

Vinod Kumar & Associates
Chartered Accountants,
New Delhi - 110 019

REGISTERED OFFICE & WORKS

Plot No. 3 & 4, Industrial Area,
Sikandrabad - 203 205
Distt. Bulandshahar (U.P.)

HEAD OFFICE

A-7, Ring Road,
South Extension Part - I,
New Delhi-110 049

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NOTICE TO MEMBERS

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of BIRLA TRANSASIA CARPETS LIMITED will be held on Wednesday, the 17th February, 1999 at 10.30 A.M. at Shri Dharamshala Galla Vyapar Samiti (Chamber Dharamshala) near Sikandrabad Tehsil, Sikandrabad, Distt. Bulandshahar (Uttar Pradesh) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th September, 1998 and the Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Arun Singhi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311, 386, 387 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the appointment of Mr. D.K. Mittal as Manager cum Chief Executive Officer of the Company for a period of 3 years w.e.f. 21st August, 1998 on the remuneration as set out in the draft agreement between the Company and Mr. D.K. Mittal placed before this meeting be and the same is hereby approved."

"RESOLVED FURTHER THAT the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. D.K. Mittal in terms of the aforesaid draft."

By Order of the Board

K.P. CHOKHANI

Director

Place : Mumbai

Dated : 16th January, 1999

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON POLL TO VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST REACH REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer books of the Company will remain closed from 12th February, 1999 to 17th February, 1999 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
4. Members are requested to bring their copy of Annual Report at the meeting.
5. Members desiring any information as regards the accounts, are requested to write to the Company at least 7 days before the date of the Meeting, so as to enable the Company to keep the information ready.
6. All documents referred in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days between 10 A.M. to 1 P.M. up to the date of Annual General Meeting except on Sundays and other holidays.
7. Members are requested to notify immediately change in their address, if any, to the Company at its Registered Office by quoting their folio numbers.

ANNEXURE TO THE NOTICE

(EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956).

ITEM No. 4

Consequent upon the resignation of Mr. D.K. Agarwal, Managing Director of the Company, the Board of Directors have subject to the approval of the members in Annual General Meeting,

appointed Mr. D.K. Mittal as Manager cum Chief Executive Officer of the Company for a period of three years with effect from 21st August, 1998 upon the remuneration as set out in the draft Agreement referred to in the Resolution in terms of the provisions of Schedule XIII of the Companies Act, 1956.

The material provisions of the draft Agreement relating to Mr. D.K. Mittal's appointment as Manager cum Chief Executive Officer referred to in the Resolution are as under :-

A. Salary : Rs. 13,450/- per month in the scale of Rs. 13450-500-14950. Increments shall be subject to the approval of the Board of Directors.

B. Perquisites

(i) Housing—(a) The expenditure by the Company on hiring unfurnished accommodation will be subject to a ceiling of 60 per cent of the basic salary.

(b) Free furnished accommodation in case the accommodation is owned by the Company.

(c) In case no accommodation is provided by the Company, entitlement to house rent allowance subject to the ceiling laid down in (a) above.

The expenditure incurred by the Company on gas, electricity, water & furnishing will be valued as per the Income-Tax Rules, 1962 subject to a ceiling of 10% of the basic salary.

(ii) Medical Reimbursement - Expenses incurred for the Manager cum Chief Executive Officer and his family, subject to the ceiling of one month's salary in a year or three months' salary over a period of three years.

(iii) Leave Travel Assistance/Reimbursement - For the Manager cum Chief Executive Officer and his family once in a year in accordance with the Rules specified by the Company, subject to the ceiling of equivalent to one month's salary in a year or three months' salary over a period of three years.

(iv) Personal Accident Insurance - Premium not to exceed Rs. 4000/- per annum.

(v) Provident Fund & Superannuation Fund - Contribution to Provident Fund, Superannuation Fund or Annuity Fund under the Company's Rules to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.

(vi) Gratuity - Gratuity in respect of the period of appointment not exceeding half a months' salary for each completed year of service subject to a ceiling of Rs. 2,50,000/- (Rupees Two Lacs fifty thousand only)

(vii) Leave Encashment - In accordance with the Rules specified by the Company. However, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

(viii) Car and Telephone - Provision of one car with driver for use on Company's business and telephone at the residence will not be considered as perquisite. Personal long distance calls and use of car for private purpose shall however be billed by the Company to the Manager cum Chief Executive Officer.

In case of absence or inadequacy of profit in any financial year, Mr. D.K. Mittal, as such "Manager cum Chief Executive Officer" of the Company will be entitled to receive the remuneration as specified above as minimum remuneration.

The Board of Directors consider that the remuneration proposed to be paid to Mr. D.K. Mittal is commensurate with his duties & responsibilities as Manager cum Chief Executive Officer and therefore recommend the Resolution set out in item no. 4 of the Notice. The approval of the Members is necessary in view of the provisions of the Companies Act, 1956.

The foregoing material terms may also be treated as an abstract of the terms of Mr. D.K. Mittal's appointment as Manager cum Chief Executive Officer for the purpose of Section 302 of the Companies Act, 1956.

A copy of the draft agreement referred to above will be available for inspection by members at the Registered Office of the Company upto the date of meeting between 11:00 A.M. to 5:00 P.M. on any working day except Saturday.

By Order of the Board

K.P. CHOKHANI

Director

Place : Mumbai

Dated : 16th January, 1999



Birla TransAsia Carpets Ltd.

DIRECTORS' REPORT

Dear Members,

Your Directors are presenting their Twenty Fourth Annual Report on the operations of the Company together with the Audited Accounts for the financial year ended on 30th September, 1998.

FINANCIAL RESULTS

	Year ended 30.09.98 (12 Months)	Period ended 30.09.97 (18 Months)
Net Sales/Income from Operations *	1127.05	1990.97
Other Income	84.37	173.08
Total Expenditure	1778.85	1980.77
Operating Profit/ (Loss)	(567.43)	183.28
Interest	172.36	126.20
Gross Profit / (Loss) after Interest but before Depreciation	(739.79)	57.08
Depreciation	56.61	52.02
Net Profit/ (Loss) for the year	(796.40)	5.06
Provision for Taxation	—	0.36
Net Profit/(Loss) after Taxation	(796.40)	4.70
Investment Allowance Reserve utilised and Transferred	3.60	—
Surplus/(Deficit) brought forward from previous year	32.63	27.93
Amount Available for Appropriation	—	32.63
Surplus/(Deficit) carried to Balance Sheet	(760.17)	32.63

*Inclusive of Increase/(Decrease) in Finished Goods, Process & Waste Stock.

OPERATIONS

As against Sales of Rs. 1990.97 lacs during the previous 18 months ended on 30th September, 1997, the Sales stood at Rs. 1127.05 lacs during the year under report ended on 30th September, 1998. There was a net loss of Rs. 796.40 lacs during the year.

During the year the Company has launched a premium product namely Ax Minister Designed woven carpets in wool/nylon quality in Floral, Persian and Geometrical patterns which can be woven in 8 colours.

However due to continuous recession which has resulted in pile-up of Inventories and blocking of the Debtors, stiff competition, higher rate of Excise Duty & Sales Tax and heavy interest cost, the debt burden has been increased to such a level that your Company could not meet its financial obligations and once again falls under the purview of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985) and has become a Sick Industrial Company. Since the losses of the Company have exceeded its net worth, a reference has to be made to the Board for Industrial & Financial Reconstruction (BIFR) in the prescribed 'Form A' as per the provisions of the SICA, 1985 in order to determine the measures to be adopted with respect to the Company.

FIXED DEPOSITS

The Company is neither having nor accepting Fixed Deposits from Public.

DIRECTORS

Mr. Arun Singhi was appointed as a Director of the Company to fill the casual vacancy caused due to the resignation of Mr. Yashovardhan Birla, Director, liable to retire by rotation. Mr. Arun Singhi holds the office only till the date to which Mr. Yashovardhan Birla would have held the office and, therefore, retires by rotation and being eligible, offers himself for re-appointment.

Mr. D.K. Agarwal tendered his resignation as Managing Director of the Company w.e.f. 31.08.98 and Mr. D.K. Mittal has been appointed as Manager cum Chief Executive Officer of the Company pursuant to the provisions of Section 269 of the Companies Act, 1956 w.e.f. 21.08.98.

INDUSTRIAL RELATIONS

At present there is a lockout at the factory of the Company at Sikandrabad. This was primarily due to illegal strike and violence created by some mischievous elements in the labour upon which the factory management had to declare the lockout. The negotiations with the labour Union are going on and it is expected that the issues would be sorted out at the earliest.

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AUDITORS

The Company's Statutory Auditors M/s Vinod Kumar & Associates, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, are willing to be re-appointed.

AUDITORS' REPORT

The remarks of the Auditors in their Report, Annexure thereto and Notes attached to the Accounts are self explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars regarding employees is given in Annexure to Directors' Report.

PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988 :

a. Conservation of Energy

The operation involves low level of energy consumption. Wherever possible energy conservation measures have already been implemented. However, efforts to conserve and optimise the use of energy through improved methods and other measures will continue.

b. Absorption of Technology

The Technology has been fully absorbed by the Company.

c. Foreign Exchange Earnings & Outgoings

During the year under review, the foreign exchange earnings and the foreign exchange outgoings were Nil.

ACKNOWLEDGEMENT

Your Directors acknowledge with thanks the co-operation and assistance received by the Company from its Customers, Financial Institutions, Banks and various Government Authorities. The Directors also express their gratitude to the Shareholders and Employees for the continued support during the crucial years of the Company.

For and on behalf of the
BOARD OF DIRECTORS

Place - Mumbai

Date - 16th January, 1999

K.P. CHOKHANI
Director

ARUN SINGHI
Director

ANNEXURE TO DIRECTORS' REPORT

Additional Information as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30.09.98

S.No.	Name	Qualification	Age (Years)	Designation	Experience (Years)	Date of Commencement of employment	Remuneration drawn (In Rs.)	Last Employment held (Name of Employer/ Designation)
1	Agarwal D.K.	B.Com,FCA	58	Advisor	34	07.11.94	6,63,809/-	Daggar Forst Tools Ltd. -Advisor
2.	Saraswat A.	B.Com., M.B.A.	47	Whole Time Director	19	18.09.96	2,99,217/-	Indoswe Polyster Ltd. -Executive Director
3.	Rathi P.H.	B.Sc.	45	Vice President (Marketing)	28	01.07.94	2,76,754/-	Birla Jute & Industries Ltd. - Marketing Manager

* Indicates employment for the part of the year.

Notes :

- The Remuneration as shown above includes Salary, Company's Contribution to Provident Fund & Superannuation Scheme, House Rent Allowance, Expenditure by the Company on Accomodation, Leave Travel Assistance, Medical and other facilities.
- The above details are of those employees who were employed throughout the accounting year and in receipt of remuneration not less than Rs. 3,00,000/- per annum and who were employed for the part of the year and in receipt of remuneration of not less than Rs. 25,000/- per month.
- No appointment except Serial No. 1 & 2 are contractual.
- None of the employee is a relative of any Director of the Company.



Birla TransAsia Carpets Ltd.

AUDITOR'S REPORT

THE MEMBERS

BIRLA TRANSASIA CARPETS LIMITED

We have audited the attached Balance Sheet of "BIRLA TRANSASIA CARPETS LIMITED" as at 30th September, 1998 and Profit & Loss Account of the Company for the year ended on that date, annexed thereto and report that :-

1. We have obtained all the information and explanations which to the best of our knowledge were necessary for the purpose of our audit.
2. In our opinion, proper books of account, as required by law have been kept by the Company so far as it appears from our examination of those books.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanations given to us, the accounts, subject to :
 - (i) Note No. 3(a) relating to non-provision of Gratuity and Leave Encashment Liability aggregating to Rs. 55.23 lacs
 - (ii) Note No. 3 (b) relating to capitalisation of interest in earlier years amounting to Rs. 232.62 lacs on Fixed Assets for the period when assets were used for commercial production instead of charging the same to Profit & Loss Account resulting in up-to-date short charge to Profit & Loss Account on account of interest amounting to Rs. 232.62 lacs including Rs. Nil for the year under review and higher charge on account of depreciation amounting to Rs. 158.56 lacs (Rs. 150.65 lacs) including Rs. 7.91 lacs (Rs. 11.81 lacs) for the current year.
 - (iii) Note No. 3(c) relating to non-provision of Depreciation on extra shift basis on Plant & Machinery, resulting in up-to-date short provision of Rs. 152.70 lacs (Rs. 172.81 lacs) for earlier years including Rs. 51.22 lacs (Rs. 57.84 lacs) on account of interest capitalised on Fixed Assets as stated in (ii) above.
 - (iv) Note No. 4 relating to change in the method of valuation of Inventories in accordance with the accounting standard on valuation of Inventories. However there is no impact on the profits for the year.
 - (v) Note No. 9 relating to non adjustment of differences, which may arise on the completion of process of reconciliation of balances of Sundry Debtors and Creditors.
 - (vi) Note No. 11 relating to non-payment of overdue debentures of Rs. 35.63 lacs with State Bank of Bikaner & Jaipur, who has consequently raised a total demand of Rs. 215.24 lacs. which includes the above amount and waiver of interest and other amounts by them in accordance with the order of BIFR.
 - (vii) Note No. 12 relating to the non-reschedulement of Interest Free Sales Tax Loan of Rs. 31.63 lacs. by the U.P. State Government in terms of BIFR order and adjustment of amount of Rs. 10.54 lacs paid by the Company as principal repayment whereas PICUP has adjusted the same towards interest.

and read together with notes thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at 30th September, 1998.
- (b) - In case of Profit and Loss Account, of the Profit for the year ended on that date.
5. 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, and on the basis of such checks, as we considered appropriate, we further report that :-
 - (i) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets. The company has a regular programme of verifying all the assets at appropriate interval, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. Discrepancies noticed on physical verification of the fixed assets are not serious and have been properly dealt within the books of account during the year.
 - (ii) None of the fixed assets were revalued during the year.
 - (iii) The stocks of finished goods, stores, spare parts, raw materials etc. except those lying with the outside parties, have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
 - (iv) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and nature of its business. However, the same require to be further strengthened.
 - (v) In our opinion and according to the information and explanations given to us, the discrepancies noticed on physical verification of stocks as compared to book records has been accounted for properly in the books of account.
 - (vi) In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles. During the year the Company has changed its method of valuation of Inventories to make it consistent with the recommendations of accounting standard on valuation of Inventories issued by the Institute of Chartered Accountants of India. This change in method of valuation does not have any impact on the profits for this year as well as previous year.
 - (vii) The Company has taken loans from companies, firms or other parties listed in the Registers maintained under