

GANESH POLYTEX LTD.

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12 ANNUAL REPORT

1999 - 2000

GANESH POLYTEX LTD.**BOARD OF DIRECTORS**

Shri SHYAM S. SHARMA, *Chairman and Managing Director*

Shri V. D. KHANDELWAL

Shri M. P. MEHROTRA

Shri SHARAD SHARMA

Shri R. K. SAXENA

Shri SANDEEP JHAWAR

Shri S. K. KABRA

Shri A. P. SINGH (*PICUP Nominee*)

AUDITORS

M/s. MEHROTRA RAKESH KUMAR & CO.

Chartered Accountants

KANPUR

BANKERS

STATE BANK OF INDIA

INDUSTRIAL FINANCE BRANCH,

B-13, SARVODAYA NAGAR,

KANPUR - 208 005

STATE BANK OF BIKANER & JAIPUR

122/224, SAROJINI NAGAR,

KANPUR - 208 012

REGISTERED OFFICE AND WORKS

RAIPUR, RANIA,

KALPI ROAD,

DISTT. KANPUR DEHAT.

ADMINISTRATIVE OFFICE

113/216-B, SWAROOP NAGAR,

KANPUR - 208 002

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NOTICE

NOTICE is hereby given that TWELFTH Annual General Meeting of the Members of GANESH POLYTEX LTD. will be held on Thursday, the 22nd February, 2001 at 11.30 A.M. at the Registered office of the Company at Raipur (Rania), Kalpi Road, Distt. Kanpur Dehat to transact the following business:

- 1) To receive, consider and adopt the audited Profit and Loss Account for the year ended 30th September, 2000, the Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
- 2) To appoint a Director in place of Shri V.D. Khandelwal, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri R.K. Saxena, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

SPECIAL BUSINESS

- 5) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri M.P. Mehrotra, who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956, and holds office upto the date of the forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation."

- 6) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share Capital of the Company amounting to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) comprising of 1,50,00,000 (One Crore Fifty lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each be and is hereby restructured so as to consist of 1,20,00,000 (One Crore Twenty lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each, aggregating to Rs. 12,00,00,000/- (Rupees Twelve Crores only) and 3,00,000 (Three Lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each, aggregating to Rs. 3,00,00,000/- (Rupees Three Crores only), by cancellation of unissued 30,00,000 (Thirty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each aggregating Rs. 3,00,00,000/- (Rupees Three Crores only) and creation of 3,00,000 (Three lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each, aggregating to Rs. 3,00,00,000/- (Rupees Three Crores only)."

- 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 the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and substituted as under:

V. The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,20,00,000 (One Crore Twenty Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 3,00,000 (Three Lacs) Preference Shares of Rs. 100/- (Rupees One hundred only) each with power to increase or reduce the capital of the Company and to divide the Share in the Capital for the time being into several classes and attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956, or provided by the Articles of Association of the Company for the time being."

- 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 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause 3 of the Articles of Association of the Company be and is hereby deleted and substituted as under:-

3. The Authorised Share Capital of the Company shall be of such amount as may from time to time be provided in Clause V of the Memorandum of Association of the Company with power to increase or reduce the capital of the Company for the time being into several classes and attach there to respectively such preferential, qualified and special rights, privileges or conditions and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or any enactment thereof for the time being in force."

- 9) 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 80,81 and all other applicable provisions, if any, of the Companies Act, 1956, and the Memorandum and Articles of Association of the Company and subject to such approvals, consents or permissions of such authorities as may be necessary and subject also to such conditions or modifications as may be prescribed or imposed by any of them in granting any such approval or consent which may be agreed to by the Board of Directors (hereinafter referred to as 'The Board'), the consent of the company be and is hereby accorded to the Board for issue and allotment

on private placement basis to Individuals, Firms, Indian Financial Institutions, Indian/Foreign Mutual Funds, Domestic Corporate bodies, Foreign Institutional Investors, Non-resident Indians, Overseas Body corporates (whether shareholders of the company or not) Cumulative Redeemable Preference Shares (CRPS) of the face value of Rs. 100/- each with aggregate nominal value not exceeding Rs. 300 Lacs and such issue and allotment be made in one or more tranches, at such time(s) and on such terms and conditions including the rate of dividend, amount of premium, if any, payable on issue and redemption, redemption period, manner of redemption and matters incidental thereto as the Board may, in its absolute discretion, deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised on or before redemption of preference shares issued pursuant to this resolution to issue fresh shares upto the nominal amount of the shares redeemed or about to be redeemed as if those shares have never been issued to the persons and in the manner and on terms referred to herein above."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot the Cumulative Redeemable Preference Shares and for the purpose of giving effect to the above resolution, the Board is also hereby authorised to do all such acts, deeds, matter and things as it may in its absolute discretion deem necessary or desirable for the purpose and to settle any question, difficulty or doubt that may arise in regard to any such issue or allotment as it may, in its absolute discretion, deem fit."

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

"RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded to the re-appointment of Shri SHYAM S. SHARMA as the Chairman and Managing Director of the Company for a period of five years with effect from 18th September, 2000 on the following terms and conditions:-

A. SALARY

Rs. 50,000/- (Rupees Fifty Thousand only) per month

B. PERQUISITES

1. The Managing Director shall be entitled to perquisites like furnished accommodation or House Rent Allowance in lieu thereof together with reimbursement of expenses for utilisation of gas, electricity, water, reimbursement of ordinary medical expenses and leave travel concession for self and his family including dependents, club fees, premium towards personal accident insurance and medical claim and all other payments in the nature of perquisites and allowances as agreed by the Board of Directors from time to time, subject however that the aggregate monetary value of the perquisites in any year shall not exceed Rs. 6,00,000/- (Rupees Six lacs only).

EXPLANATION

"Family" here means the spouse, dependent children and dependent parents of the Managing Director.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

Use of Company's car for official purpose and Telephone at residence (including payment for local calls and long distance official calls), shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Apart from the reimbursement of ordinary medical expenses, in case of hospitalisation of the Managing Director and his family, the Board of Directors shall have the discretion to reimburse the actual expenses incurred by him including on travel, notwithstanding that the total perquisites may exceed the limit of Rs. 6,00,000/- (Rupees Six lacs only) in any financial year, however, subject to necessary approvals.

2. Contribution to Provident fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-Tax Act.

3. Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will 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.

The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the company. The aggregate of the salary, perquisites and allowances, contribution towards Provident Fund and Superannuation Fund in respect of the Managing Director, shall always be subject to the overall ceiling laid down in section 198 and 309 of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter, vary, modify and/or enhance the terms and conditions of appointment of Shri SHYAM S. SHARMA from time to time during the tenure of his appointment as the Managing Director of the Company including the salary and perquisites payable to him, provided however that the total remuneration payable to him shall not at any time exceed the limit prescribed under Schedule XIII and all other applicable provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT where in any financial year the Company has no profits or its profits are inadequate, the Company may pay to Shri Shyam S. Sharma, Managing Director, remuneration by way of salary and perquisites as specified above as minimum remuneration."



GANESH POLYTEX LTD.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

- 11) 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 other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time, the Company hereby accords its consent to the appointment of Shri Rajesh Sharma, a relative of some of the Directors of the Company and holds office as Executive Director, to hold and continue to hold office as such for a further period of five years with effect from 1st October, 2000 on the monthly remuneration as under:

1. Basic Salary : Rs. 10,000/- p.m.
2. House Rent Allowance : 40% of basic Salary or Rs. 4000/- p.m.
3. Conveyance Allowance : Rs. 5,000/- p.m.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to sanction at its discretion such increment or promote Shri Rajesh Sharma to higher grade provided that if the total monthly remuneration is fixed at Rs. 20,000/- or such higher sums as may be prescribed from time to time by the Central Government the same shall be paid with the prior approval of Central Government pursuant to the provisions of section 314 (B) and other applicable provisions of the Act."

- 12) 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 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, the Articles of Association of the Company be and is hereby altered by deleting the existing clause 134 and substituting in its place the following as new clause 134:-

134. Subject to the provisions of Section 198, 269, 309, 316 and 317 of the Act, the Board may from time to time appoint one or more Directors to be Managing and/or Whole Time Directors of the Company for a fixed term not exceeding five years at a time and may from time to time (subject to any contract between him and the Company) remove or dismiss him or them from office and appoint another or others in his place or their places. Subject to the provisions of Section 255 of the Act, a Managing Director, shall not while he continues to hold the office be subject to retirement by rotation. The office of Whole Time Director shall, however, be liable to determination by retirement by rotation and pursuant to provisions of the Act, he shall be eligible for re-appointment. A Managing or Whole Time Director shall be subject to the same provisions as to resignation and removal as the Directors and he shall ipso facto and immediately cease to be Managing or Whole time Director if he ceases to hold office of Director for any cause".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps to give effect to the above resolution"

- 13) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED in furtherance and partial modification to the Special Resolution passed by the Members at the Tenth Annual General Meeting of the Company held on 24th March, 1999 that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to get the Equity Shares of the Company delisted from the Ahmedabad Stock Exchange, Jaipur Stock Exchange Ltd. and the Delhi Stock Exchange Association Ltd."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, things and matters as may be necessary to give effect to the aforesaid resolution."

Registered Office:

Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat
Date : 30.12.2000

By Order of the Board
SHYAM S. SHARMA
Chairman and Managing Director

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 PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Proxy in order to be effective must be deposited at the registered office of the company not less than forty eight hours before commencement of the Meeting.
2. An Explanatory Statement pursuant to provisions of Section 173 (2) of the Companies Act, 1956 in respect of Special Business under Item Nos. 5 to 13 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 20th February, 2001 to Wednesday, 21st February, 2001 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956 dividends for the financial year 1990-92 and 1992-93 remaining unclaimed for three years have been transferred to the General Revenue Account of the Central Government. The Shareholders who have not so far encashed their dividend warrants may prefer their claims to the Registrar of Companies, U.P., Westcott Building, The Mall, Kanpur - 208 001.
5. The Company had despatched refund warrants to the unsuccessful/partial allottees in the Public Issue of the Company. However, certain amount still stands unclaimed in Company's Books despite repeated reminders. The Shareholders/Applicants entitled to the said amount may prefer their claim to the Company at its Registered Office.

6. As per the provisions of the amended Companies Act, 1956 facility for making nomination is now available for Shareholders and Fixed Deposit holders in respect of the Shares and Fixed Deposits held by them. Nomination can be submitted on Form 2B as prescribed under Companies (Central Government's) General Rules and Forms, 1956.

7. Shareholders intending to require information about accounts to be explained at the meeting are requested to inform the Company atleast a week in advance of their intention to do so, so that the papers relating thereto may be made available. If the chairman permits such information to be furnished.

8. Members holding Shares in identical order of names in more than one folio are requested to write to the Company, enclosing the share certificates for consolidation of their holding into one folio.

9. Members are advised to notify change of address, if any, under their signatures, clearly quoting their Folio No., old address alongwith the changed address with Pin Code.

10. In order to ensure prompt response and avoid unnecessary movement of documents, members are advised to lodge duly executed Share Transfer Deeds/ Letters for change of address/ other Documents addressed to Secretarial Department at the Administrative Office of the Company at 113/216-B, Swaroop Nagar, Kanpur - 208 002.

Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No.: 5

With a view to broad base the Board of Directors of the Company, Shri M.P. Mehrotra was inducted as an Additional Director on 26th June, 2000 and he holds office upto the date of ensuing Annual general Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice from a member alongwith requisite deposit proposing the candidature of Shri M.P. Mehrotra as a Director of the Company. Shri M.P. Mehrotra is an eminent Chartered Accountant with rich experience in Corporate Financial Management and allied areas and is presently holding Directorship in several renowned Companies. The Board considers it desirable that his continuance on the Board will be of immense benefit to the Company and accordingly recommends the resolution for approval.

None of the Directors of the Company except Shri M.P. Mehrotra himself may be considered as concerned or interested in the resolution.

Item No.: 6, 7 & 8

The Authorised Share Capital of the Company is presently Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each. In view of the various future plans of the company involving fresh issue of capital including preference shares, it has been considered desirable by the Board of Directors to restructure the Authorised Share capital of the Company by cancelling unissued 30,00,000 (Thirty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each, aggregating Rs. 3,00,00,000/- (Rupees Three Crores only) and creating 3,00,000 (Three Lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each. After the proposed alteration sought to be effected by passing of resolution at item No. 6 of the Notice, the Authorised Share Capital of the Company will stand at Rs. 15,00,00,000/- (Rupees Fifteen Crores Only), divided into 1,20,00,000 (One Crore Twenty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 3,00,000 (Three Lacs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each.

Restructuring the existing capital requires corresponding alteration in existing capital clause of the Memorandum and Articles of Association of your Company which is sought to be effected by passing of resolutions at item no. 7 & 8 of the Notice.

None of the Directors of the company is concerned or interested in the proposed resolution.

Item No.: 9

The Company is in the process of implementing detailed restructuring plan involving operational and financial re-organisation. The financial restructuring envisages reduction in overall cost of capital by retiring high cost debts through other available funding options. A detailed proposal has been submitted by the company to the financial institutions which is under their active consideration. The proposal involves the infusion of additional funds in the form of capital and accordingly the company intends to raise resources by issue of Cumulative Redeemable Preference Share (CRPS) of the aggregate nominal value not exceeding Rs. 300 Lacs on private placement basis. The Cumulative Redeemable Preference Shares (CRPS) will be issued either at par or at a premium and on such terms and conditions as may be decided by the Board of Directors of the Company, subject to such consents and approvals as may be necessary. The Board recommends the resolution for acceptance by the members.

The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of the Cumulative Redeemable Preference Shares (CRPS) subscribed by them or their relatives or the company (ies) in which they or their relatives are directors or members.

Item No.: 10

Shri Shyam S. Sharma was appointed as the Managing Director of the company for a period of five years with effect from 18th September, 1995 and his term of office has expired on 17th September 2000. Keeping in view the significant contribution made by Shri Shyam S. Sharma during his tenure as Managing Director of the Company, the Board of Directors of the Company at its meeting held on 29th July, 2000 re-appointed Shri. Shyam S. Sharma as Managing Director of the Company for a further period of two years w.e.f. 18th September,

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2000 on the terms and conditions as set out in the proposed resolution which are in line with the requirements of schedule XIII and other provisions of Companies Act, 1956. The Board recommends the resolution for acceptance.

None of the Directors of the Company except Shri Shyam S. Sharma himself and Shri V.D. Khandelwal and Shri Sharad Sharma being related to him may be considered as concerned or interested in the resolution.

The resolution alongwith Explanatory statement may be treated as an abstract of the terms and conditions of appointment of Managing Director within the meaning of section 302 of the Companies Act, 1956.

Item No.: 11

Section 314 of the Companies Act, 1956 read with Rule 10C of the Companies (Central Government's) General Rules and forms, 1956 inter alia provides that except with the consent of the Company in the General Meeting no relative of a Director shall hold an office or place of profit in the company carrying a total monthly remuneration of Rs. 10,000/- and more except with the approval of the Shareholders accorded by passing of a Special resolution at the General Meeting.

It is proposed to re-appoint Shri Rajesh Sharma who is a relative of Shri Shyam S. Sharma Managing Director and Sharad Sharma, Director, as Executive Director of the Company for a period of five years w.e.f. 1st October, 2000 on the terms and conditions contained in the Special resolution. The Special resolution set out in the accompanying notice is intended to obtain the approval of the company under Section 314 of the Act in respect of Shri Rajesh Sharma holding and continuing to hold the said office of profit under the company. Mr. Rajesh Sharma is not a member of the Board. The resolution also seeks authority for the Board to grant increments to Shri Rajesh Sharma together with usual allowances and benefits. The Directors recommend the Special resolution for the approval of the members.

None of the Directors of the Company except Shri Shyam S. Sharma, Managing Director and Shri Sharad Sharma, Director being relatives may be considered as concerned or interested in the resolution.

Item No.: 12

In order to remove inconsistencies in the Articles of the Association of the Company and to ensure that the composition of Board of Directors of the Company is as per the provisions of section 255 of the Companies Act, 1956 and in line with the Corporate Governance code, it has considered necessary to alter the existing clause 134 of the Articles of Association of the Company which is subject to approval of the Central Government in terms of the provisions of section 268 of the Companies Act, 1956. The Board recommends the resolution for approval.

None of the Directors of the Company may be considered as concerned or interested in the resolution.

Item No.: 13

The Equity shares of the Company are presently listed at Kanpur (Regional Stock Exchange), Delhi, Mumbai, Ahmedabad and Jaipur Stock Exchange. The Company had to spend substantial amount on account of Annual Listing Fees to the stock exchanges where as the dealing in shares is almost nil at the Ahmedabad, Jaipur and Delhi Stock exchanges over the long period. The Shares of the Company are mostly traded at Mumbai stock exchange and expansion of BOLT to other cities imparts sufficient trading opportunities to the members intending to deal in Company's securities. In order to economise the Listing cost in strained financial position of the company, the Board of Directors of the Company is of the view that the Equity shares of the company should be delisted from the Ahmedabad, Jaipur and Delhi stock exchanges and company should continue listing at Kanpur and Mumbai stock exchanges. Although the members of the company had approved the proposal for delisting of Company's shares from Ahmedabad and Jaipur stock exchanges at the Tenth Annual General Meeting of the Company, but the same could not be implemented. A fresh approval is being sought to get the Equity shares of the company delisted from Ahmedabad, Jaipur and Delhi stock exchange as well. The delisting of Equity shares will, however, be subject to necessary approvals and compliances of relevant guidelines in force. The Board recommends the resolution for approval.

None of the Directors of the Company may be considered as concerned or interested in the resolution.

All the documents as mentioned in the notice together with a copy of the Memorandum and Articles of Association of the Company with proposed changes are available for inspection of members at the Registered Office of the Company during business hours on all working days upto the date of the meeting.

Registered Office :

Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat
Date : 30.12.2000

By Order of the Board
SHYAM S. SHARMA
Chairman and Managing Director

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GANESH POLYTEX LTD.**DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 30th September, 2000.

FINANCIAL RESULTS

The summarised Financial performance of the Company for the financial year ended 30th September, 2000, as compared to the previous year is as under :-

	1999-2000	(Rs. in Lacs) 1998-99
Sales and other Income	4501.78	3812.77
Profit before interest and Depreciation	292.06	408.70
Less : Interest and Finance Expenses	463.41	504.65
Gross Profit/(Loss)	(171.35)	(95.95)
Less : Depreciation	149.47	146.25
Profit/(Loss) before Tax	(320.82)	(242.20)
Provision for Tax	-	-
Profit/(Loss) after tax	(320.82)	(242.20)
Prior Year Adjustment (Income Tax)	-	9.59
	(320.82)	(232.61)
Add: Surplus brought forward from previous year	343.83	576.44
Surplus carried to Balance Sheet	23.01	343.83

DIVIDEND

In view of continued losses, your Directors regret their inability to recommend any dividend for the year.

OPERATIONS

The Textile Industry in which your Company operates continued to suffer from the impact of long drawn recession and despite sluggish demand your Company was able to achieve improved Turnover of Rs. 4501.78 Lacs as against Rs. 3812.77 lacs over the preceding year. During the year under review, your Company achieved production of 9632.433 M.T. as against 8305.458 M.T. during preceding year. In view of the unprecedented and uncertain trends, the margins continued to remain under severe pressure and the operations resulted in a higher loss of Rs. 320.82 lacs (previous year Rs. 242.20 lacs) mainly on account of higher costs of power & fuel which rose by 41% as against the production growth of 15% (due to sharp rise in diesel prices during October, 1999), impact of change in policy relating to valuation of inventories and above all continued adverse situation in the textile industry in successive years. To overcome the adverse business scenario and to improve upon the competitive strength in fiercely competitive market, your company has drawn a detailed financial and business re-structuring plan which is expected to enable your company to mitigate the hardships experienced during this tumultuous time.

FINANCE

The long drawn recession and continuous losses have strained the delicate financial position of the company leading to further defaults in honouring its financial commitments. Your Directors have formulated a detailed financial restructuring plan envisaging reduction in interest and financial charges through debt restructuring, settlement of institutional dues under OTS Scheme and infusion of additional funds by raising capital. It is gratifying to mention that IFCI has accepted the Company's proposal under OTS Scheme whereas the negotiations with other institution are at an advance stage.

DIRECTORS

Pursuant to the provisions of the Company's Act, 1956 read with Articles of association of the Company Shri V.D. Khandelwal and Shri R.K. Saxena, Directors of the Company retire from the Board by rotation and being eligible they have offered themselves for re-appointment.

During the year Shri M.P. Mehrotra was inducted as an additional and independent Director on the Board of Directors who holds office upto the date of the forthcoming Annual General Meeting and he is eligible for appointment.

During the year, the Board re-appointed Shri Shyam S. Sharma as the Chairman and Managing Director of the Company for a further period of five years w.e.f. 18th September, 2000.

AUDITORS

The term of present Auditors of the Company, M/s. Mehrotra Rakesh Kumar & Co., Chartered Accountants, Kanpur expires at the conclusion of ensuing Annual General Meeting and being eligible they have confirmed their willingness to accept office, if re-appointed. The Board recommends the appointment.

The observations of Auditors in their report read with notes to the Account are self explanatory and, therefore, do not call for any further comments and explanations.

STATUTORY INFORMATION**PARTICULARS OF EMPLOYEES**

Employees and Management relations continued to remain cordial, reflecting mutual trust, goodwill and Management's concern for the employees.

As none of the employees of the Company was in receipt of remuneration in excess of the limits prescribed, information as per section 217 (2A) of Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended is not given.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by recently introduced Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility Statement is set out in Annexure - I forming part of this report.

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 Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are set out in Annexure-II, forming part of this report.

LISTING INFORMATION

The Equity Shares of the Company were initially listed at Kanpur (The Regional Stock Exchange) Mumbai, Delhi, Ahmedabad and Jaipur Stock Exchanges. As the Equity Shares of the Company had no trading activities at Ahmedabad, Jaipur and Delhi Stock Exchanges over a fairly long time, it is proposed to delist the Company's securities from these Exchanges. Accordingly the Annual listing fee to Kanpur and Mumbai Stock Exchange is paid upto date.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to place on record their appreciation for the co-operation and support extended by the various departments of Central and State Government(s), Financial Institutions, Bankers, Business associates and Shareholders at large.

Your Directors also deeply acknowledge the contribution made by all the employees of the Company during this testing time.

Place : Kanpur
Date : 30-12-2000

For and on behalf of the Board
SHYAM S.SHARMA
Chairman and Managing Director