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THE INDIAN CARD CLOTHING COMPANY LIMITED

45TH ANNUAL REPORT 1998-99

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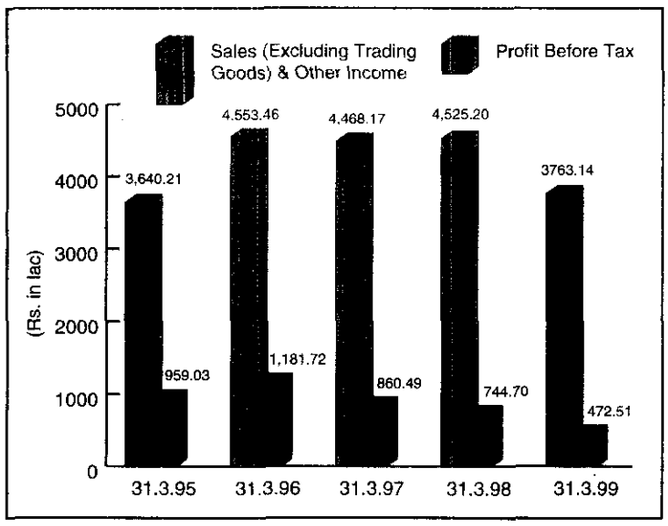
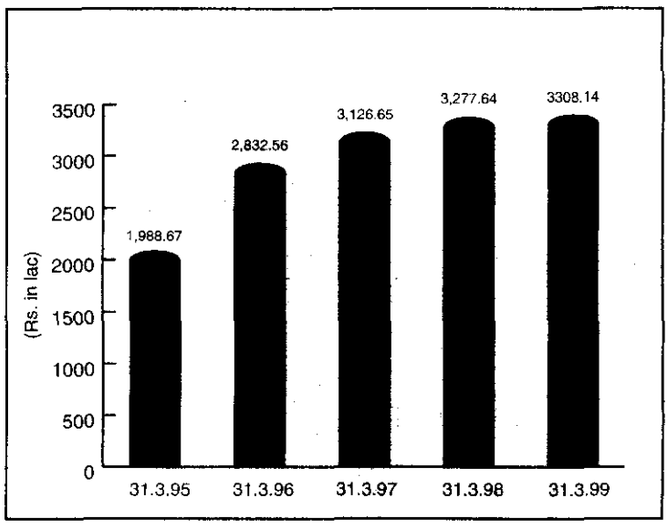
The Indian Card Clothing Company Ltd. is the pioneer in the manufacture of card clothing in India and has sustained its position as a market leader for over 41 years. In the last few years, the Company's card clothing has made its mark in the world market as a quality product and exports are rising year after year.

With the sound technological base developed over years, the Company manufactures both Flexible and Metallic Card Clothing for processing all sorts of fibre used by the textile industry. The technology is constantly upgraded to meet the changing international requirements.

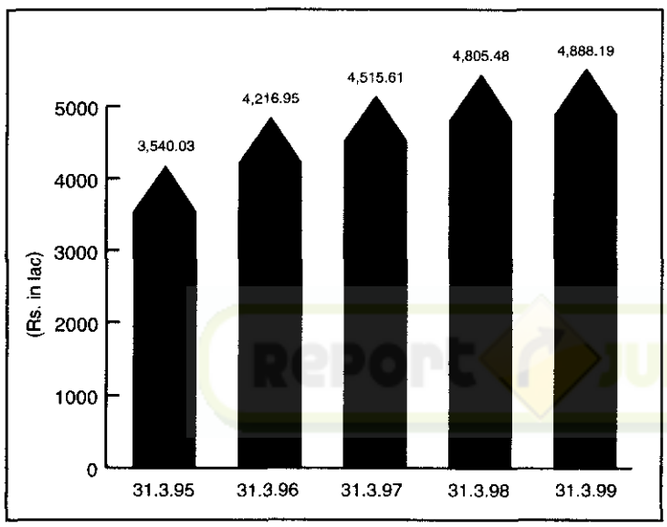
GROWTH IN SALES & PROFIT



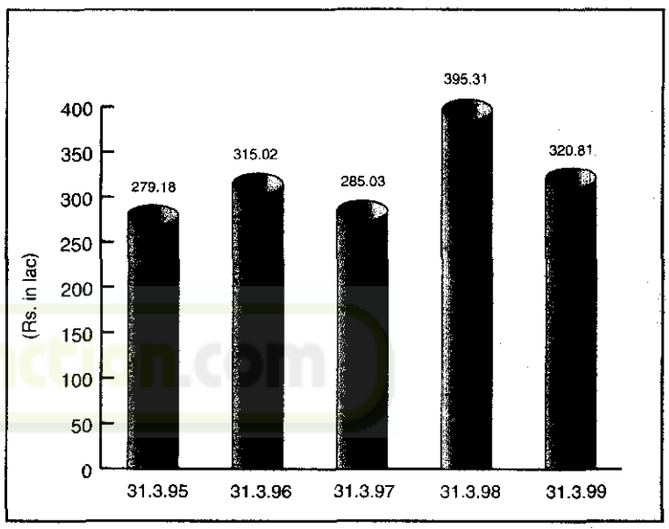
GROWTH IN GROSS FIXED ASSETS



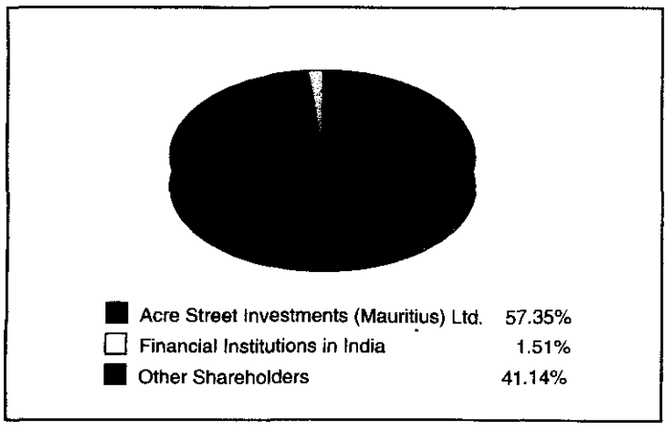
GROWTH IN NET WORTH



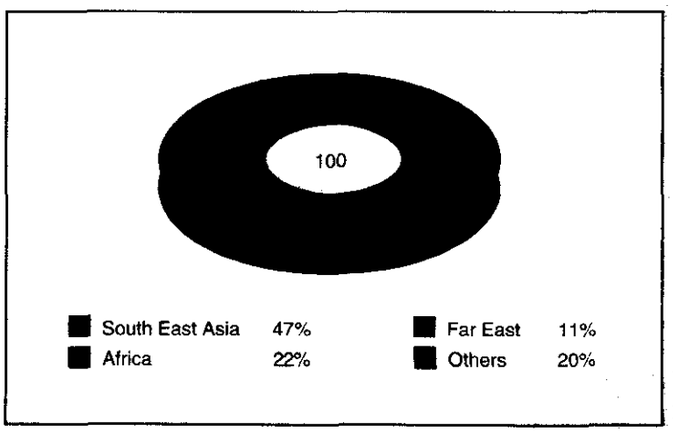
GROWTH IN EXPORT : CARD CLOTHING



PATTERN OF SHAREHOLDING



PATTERN OF EXPORTS : CARD CLOTHING



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THE INDIAN CARD CLOTHING COMPANY LIMITED

DIRECTORS

K. K. Trivedi, *Chairman*

M. M. Shah, *Managing Director*

M. K. Trivedi, *Executive Director*

H. C. Asher

J. M. Kothary

C. M. Maniar

Prashant K. Trivedi

Sudhir Merchant

Gautam B. Doshi

MANAGEMENT TEAM

M. M. Shah, *Managing Director*

M. K. Trivedi, *Executive Director*

R. Raman, *Vice President (Marketing)*

A. D. Hajare, *Vice President (Technical)*

S. G. Athavale, *Vice President (Operations)*

N. Chopra, *Vice President (Property Development)*

A. D. Dahotre, *Vice President (Finance) and Company Secretary*

REGISTERED OFFICE AND SHARE DEPARTMENT

Mumbai-Pune Road,
Pimpri, Pune 411 018.
Tel. : (020) 777200

AUDITORS

M/s. Sharp & Tannan
Bank of Baroda Building,
Bombay Samachar Marg,
Mumbai 400 023.

SOLICITORS

M/s. Crawford Bayley & Co.
State Bank Building,
N. G. Vaidya Marg,
Mumbai 400 023.

BANKERS

Corporation Bank
Centurion Bank
State Bank of India

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Directors' Report

Your Directors have pleasure in presenting the Company's Balance Sheet as at 31st March, 1999, together with the Profit and Loss Account for the year ended on that date.

FINANCIAL RESULTS

	(Rupees in lac)	
	Year ended 31-03-1999	Year ended 31-03-1998
Sales and Servicing Income	**3538.91**	4351.54
Gross Profit from Operations	**461.07**	889.71
Other Income	**247.05**	224.84
Depreciation	**(235.61)**	(263.91)
Profit Before Tax	**472.51**	744.70
Provision for Tax	**(185.00)**	(250.00)
Profit after Tax	**287.51**	494.70
Profit brought forward	**2739.27**	2499.40
Profit available for appropriation	**3026.78**	2994.10
Appropriated as under		
General Reserve	**29.00**	50.00
Dividend		
Proposed Final	**204.80**	204.83
Retained in Profit and Loss A/c	**2792.98**	2739.27

OPERATIONS

Your Company's Sales and Servicing Income for the year reflects decline of 18.7% (16% in card clothing) as a result of the continuing recession in the textile industry and discontinuance of Computer Aided Design and Drafting activity which accounted for a decrease of Rs.138.20 Lac of Sales and Service Income.

Liberalisation of the economy and the recession in major sectors of industry in general and textile industry in particular affected the performance of textile machinery components and parts like card clothing. Competition from overseas manufacturers continued during the year.

DIVIDEND

Your Directors recommend a dividend of 45% for the year ended 31-03-1999 (45% for the year ended 31.03.98)

DIVERSIFICATION

The Petition filed by your Company, as reported last year, before the Company Law Board to protect its interest in Suessen Asia Limited has not yet been heard.

The Residential housing project of Nirvan Builders and Developers Ltd. in which your Company participated was completed during the year. The Company received advance for sale of major part of its investment in the project.

Texmaticc India Ltd., in which your Company holds 50% of the issued share capital, in its fourth year of operations reported an encouraging performance. Texmaticc India Limited paid maiden interim dividend of 20% for the year ended 31st March, 1999.

Garnett Wire Ltd, a U.K Company, in which your Company has 60% of the issued share capital, continued recording satisfactory performance during the second year of investment by your Company.

ICC Investment and Finance Consultants Limited continued prudent investment of the funds, however, did not declare dividend to conserve the resources.

DIRECTORS

The present Directors who were appointed for a period of three years under Article 115 at the 44th Annual General Meeting held in September, 1998 will continue to hold office.

TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Your Company continues to satisfy requirements of ISO 9002 recognition by Bureau Veritas Quality International (BVQI) for Metallic and Flexible Card Clothing. (Efforts are on to seek the recognition in the areas of product lines added recently). Inhouse Research and Development Centre during its first full year operation has begun to make a contribution to development of newer and improved products and processes.

Information regarding technology absorption given in Annexure I forms part of the report.

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FOREIGN EXCHANGE EARNINGS AND OUT-GO

Export of Card Clothing of your Company decreased to Rs. 320.81 lac for the year from Rs. 395.31 lac last year as result of the Economic and Financial crisis in a number of its asian markets. Sales and service efforts in the overseas markets have been intensified to achieve higher exports.

Total foreign exchange earnings .....Rs. 340.19 lac
Total foreign exchange out-go .....Rs. 511.10 lac

INDUSTRIAL RELATIONS

Industrial relations in the Company continued to be cordial during the year under review. Your Directors look forward to continuing participation of employees in the Company's efforts to increase productivity and maintain the high quality of its products.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, which forms part of the report, is given in Annexure II attached.

CONSERVATION OF ENERGY

Plugging of leakages of air through north lights on the roof resulted in substantial saving in consumption of power for air conditioning of the plant.

AUDITORS

M/s. Sharp & Tannan, the present Auditors of the Company, have signified their consent to continue in office.

For and On Behalf of the
Board of Directors

K. K. TRIVEDI
Chairman

Mumbai, 20th April, 1999

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development (R&D)

1.	Specific areas in which R&D carried out by the Company.	New products for carding applications and process improvement.
2.	Benefits derived as a result of the above R&D	Improvement in product quality, technology upgradation and reduction in cost of production.
3.	Future plan of action	Development of new products for carding applications and improvement in processes.
4.	Expenditure on R&D :	
	(a) Capital	*Nil*
	(b) Recurring	Not identified separately
	(c) Total	As per (b) above
	(d) Total R&D expenditure as a percentage of total turnover.	As per (b) above

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Development of card clothing for new range of cards.
2.	Benefits derived as a result of above efforts	Product development/improvement, cost reduction.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

Technology Imported	Year of Import	Has technology been fully absorbed?	If not fully absorbed, area where this has not taken place, reasons therefore and future plans of action
Tops Knowhow	1994-95	Yes	—
Metallic Knowhow	1994-95	Yes	—
Accessories for improving card *performance*	1997-98 (part)	No	Transfer and absorption of technology is in progress

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Auditors' Report

To
The Members of
The Indian Card Clothing Company Limited.

We have audited the attached Balance Sheet of The Indian Card Clothing Company Limited as at 31st March, 1999 and the annexed Profit and Loss Account of the Company for the year ended on that date. In accordance with the provisions of section 227 of the Companies Act, 1956, we report as under :

(1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, dated 7th September, 1988, issued by the Company Law Board under Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure our report on the matters specified in paragraphs 4 and 5 of the said Order.

(2) Further to our comments in the Annexure referred to in Paragraph (1) above :

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;

(c) The said Balance Sheet and the Profit and Loss Account are in agreement with the books of account;

(d) In our opinion, the said Profit and Loss Account and the Balance Sheet comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India;

(e) Attention is drawn to Notes 13 and 14 of Schedule 11 of the accounts regarding the steps taken by the company in addressing the Year 2000 (Y2K) problem. It may be noted that the audit is neither intended nor designed or performed to identify or detect problems arising from inabilities of computer hardware, software or automative processes to properly recognise dates, which involves issues internal or external relating to year 2000.

(f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and notes on account appearing in schedules 10 and 11 *respectively, give the information* required by the Companies Act, 1956, in the manner so required and give a true and fair view :

(i) in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 1999 and

(ii) in case of the Profit and Loss Account of the profit of the company for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
By the hand of

MILIND P. PHADKE
Partner

Mumbai, April 20, 1999

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our Report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that all these fixed assets have been physically verified by the management during the year which in our opinion, is reasonable. Discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of accounts.
2. The fixed assets have not been revalued during the year.
3. The stocks of finished goods, trading goods, stores spare parts and raw materials of the company have been physically verified by the management during the year and in our opinion the frequency of verification is reasonable.
4. The procedure of physical verification of stocks followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records, which were not material, have been properly dealt with in the books of accounts.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles except that, in keeping with past practice, excise duty paid/payable on unsold finished goods, is not included in valuation of inventory (Refer Note 5 of Schedule 11). The valuation of stocks is on the same basis as in earlier years.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other

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parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there were no companies under the same management, as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956, so long as the section was applicable.

8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956. As explained to us, there were no companies under the same management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956, so long as the section was applicable.

9. The parties to whom loans and advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.

10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, trading goods, plant and machinery, equipment and other assets and for the sale of goods.

11. According to the information and explanations given to us, transactions of purchase of goods and materials and sale of goods, material and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in value in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, or services have been made with other parties.

12. As explained to us, unserviceable or damaged stores, materials, finished goods and trading goods are determined by the Company and adequate provision for loss has been made in the accounts.

13. The Company has not accepted any deposits from the public to which directives issued by the Reserve Bank of India and provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder apply.

14. In our opinion, the Company is maintaining reasonable records for the sale and disposal of realisable scrap. We are informed that the Company does not have any realisable by-products.

15. We are of the opinion that the Company has an internal audit system commensurate with its size and the nature of its business.

16. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the products of the Company.

17. The Company has regularly deposited during the year Provident Fund and Employees' State Insurance Fund dues with the appropriate authorities.

18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at 31st March, 1999 for a period of more than six months from the date they become payable by the Company.

19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.

20. The Company is not a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In regard to the service activities of the Company:

    (i) the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and the nature of its service activities and such system provides for a reasonable allocation of the materials and man-hours consumed to the relative jobs.

    (ii) in our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on issue of stores and allocation of stores and labour to jobs and there is an adequate system of internal control commensurate with the size of the Company and the nature of its business.

SHARP & TANNAN
Chartered Accountants
By the hand of

MILIND P. PHADKE
Partner

Mumbai, April 20, 1999

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Balance Sheet as at 31st March, 1999

	Schedule	Rs.lac	Rs.lac	As at 31-03-1998 Rs.lac
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
Share Capital	1	455.11		455.11
Reserves and Surplus	2	4433.08		4350.37
			4888.19	4805.48
2. LOAN FUNDS	3		123.63	801.58
TOTAL			5011.82	5607.06
APPLICATION OF FUNDS				
1. FIXED ASSETS	4			
Gross Block		3299.60		3263.00
Less : Depreciation		1814.14		1541.66
Net Block		1485.46		1721.34
Capital work-in-progress and advances		8.54		14.64
			1494.00	1735.98
2. INVESTMENTS	5		2541.66	2581.48
3. CURRENT ASSETS, LOANS AND ADVANCES	6			
Inventories		865.50		1036.81
Sundry Debtors		674.45		700.25
Cash and Bank Balances		216.88		104.76
Loans and Advances		582.96		560.54
		2339.79		2402.36
Less : CURRENT LIABILITIES AND PROVISIONS	7			
Liabilities		1226.98		897.73
Provisions		290.08		314.80
		1517.06		1212.53
			822.73	1189.83
4. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)				
Technology fee			153.43	99.77
TOTAL			5011.82	5607.06
SIGNIFICANT ACCOUNTING POLICIES	10			
NOTES ON ACCOUNTS	11			

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As per our report attached

SHARP AND TANNAN
Chartered Accountants
by the hand of

MILIND P. PHADKE
Partner

Mumbai, 20th April, 1999

A.D.DAHOTRE
Company Secretary

Mumbai, 20th April, 1999

K.K.TRIVEDI *Chairman*
M.M.SHAH *Managing Director*
M.K.TRIVEDI *Executive Director*

HEMRAJ C. ASHER *Director*
J.M.KOTHARY *Director*
C.M.MANIAR *Director*
PRASHANT K.TRIVEDI *Director*
SUDHIR MERCHANT *Director*
GAUTAM B.DOSHI *Director*

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Profit and Loss Account for the year ended 31st March, 1999

	Schedule	Rs.lac	Rs.lac	Year Ended 31-03-1998 Rs.lac
INCOME :				
Sales		**3503.56**		4204.51
Servicing		**35.35**		147.03
Other Income	**8**	**247.05**		224.84
			3785.96	4576.38
EXPENDITURE :				
Materials, Manufacturing and Other Expenses	**9**	**2982.08**		3461.83
Interest - Term Loans		**21.91**		61.83
- Others		**73.85**		44.11
Depreciation		**235.61**		263.91
			3313.45	3831.68
Profit before tax			**472.51**	744.70
Provision for tax			**185.00**	250.00
(includes **Rs.5.00 lac** for wealth tax, previous year Rs.5.00 lac)				
Profit after tax			**287.51**	494.70
Balance brought forward			**2739.27**	2499.40
			3026.78	2994.10
APPROPRIATIONS :				
Dividend				
Final - Proposed		**204.80**		204.83
General Reserve		**29.00**		50.00
			233.80	254.83
Balance carried to Balance Sheet			**2792.98**	2739.27
SIGNIFICANT ACCOUNTING POLICIES	**10**			
NOTES ON ACCOUNTS	**11**			

As per our report attached

SHARP AND TANNAN
Chartered Accountants
by the hand of

MILIND P. PHADKE
Partner

Mumbai, 20th April, 1999

A.D.DAHOTRE
Company Secretary

Mumbai, 20th April, 1999

K.K.TRIVEDI *Chairman*
M.M.SHAH *Managing Director*
M.K.TRIVEDI *Executive Director*

HEMRAJ C. ASHER *Director*
J.M.KOTHARY *Director*
C.M.MANIAR *Director*
PRASHANT K.TRIVEDI *Director*
SUDHIR MERCHANT *Director*
GAUTAM B.DOSHI *Director*

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Schedules forming part of the Accounts : 31st March, 1999

SCHEDULE 1

	Rs.lac	Rs.lac	As at 31-03-1998 Rs.lac
SHARE CAPITAL			
Authorised			
50,00,000 Equity Shares of Rs.10 each		**500.00**	500.00
(previous year 50,00,000 Equity Shares of Rs.10 each)			
Issued and Subscribed			
45,51,120 Equity Shares of Rs.10 each fully paid up		**455.11**	455.11
(previous year 45,51,120 Equity Shares of Rs.10 each)			
Of the above shares :			
26,20,800 Equity Shares are allotted as fully paid bonus shares by capitalisation of General Reserve			

SCHEDULE 2

	Rs.lac	Rs.lac	As at 31-03-1998 Rs.lac
RESERVES AND SURPLUS			
Share Premium Account		**910.22**	910.22
General Reserve			
As per last Balance Sheet	**700.88**		650.88
Add : Transferred from Profit and Loss Account	**29.00**		50.00
		729.88	700.88
Profit and Loss Account		**2792.98**	2739.27
		4433.08	4350.37

SCHEDULE 3

	Rs.lac	Rs.lac	As at 31-03-1998 Rs.lac
LOAN FUNDS			
Secured Loans			
Term Loans from Bank :			
Secured by equitable mortgage of fixed assets situated at			
Office at Powai		—	80.00
Pimpri Factory		—	255.26
Other Loans from Bank :			
Secured by hypothecation of inventory and book debts		**123.63**	466.32
		123.63	801.58

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