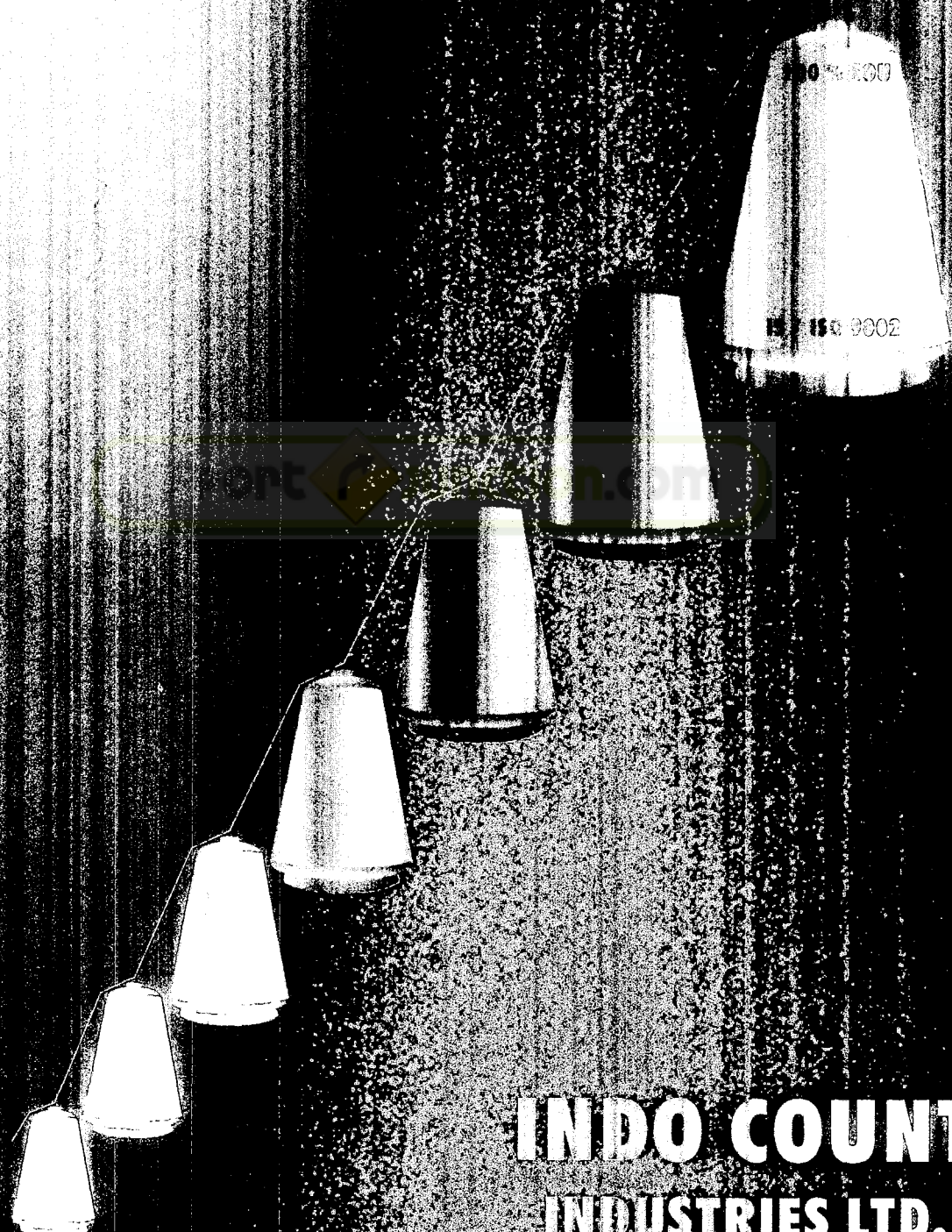


# ANNUAL REPORT

1997-98

ANNUAL



**INDO COUNT  
INDUSTRIES LTD.**

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## Indo Count Industries Limited

### Board of Directors

Shri Sunil Jain  
 Shri Nandkishor Kagliwal  
 Shri P. N. Shah  
 Shri Pramod Kumar Khaitan  
 Shri R. Anand  
 Shri T. A. N. Devalkar (Nominee of SICOM)

### Chairman & Managing Director

Shri Anil Kumar Jain

### Jt. Managing Director

Shri R. N. Gupta

### General Manager (Finance) &

### Company Secretary

Shri K. Muralidharan

### Auditors

B. K. Shroff & Co.  
 Chartered Accountants,  
 3/7-B, Asaf Ali Road,  
 New Delhi 110 002

### Bankers

Canara Bank  
 Union Bank of India  
 The Global Trust Bank Ltd.

### Registered Office & Works

D-1, MIDC Industrial Area,  
 Gokul Shirgaon,  
 Kolhapur- 416 234  
 Maharashtra

### Head Office

301, Arcadia,  
 Nariman Point,  
 Mumbai - 400 021.

### Thane Office

25, Vardhman Industrial Complex,  
 Panchpakhadi,  
 Old Agra Road,  
 Thane - 400 601

### Delhi Office

705, Pragati Tower,  
 26, Rajendra Place,  
 New Delhi - 110 008.

### Calcutta Office

29, Strand Road  
 Calcutta-700 001

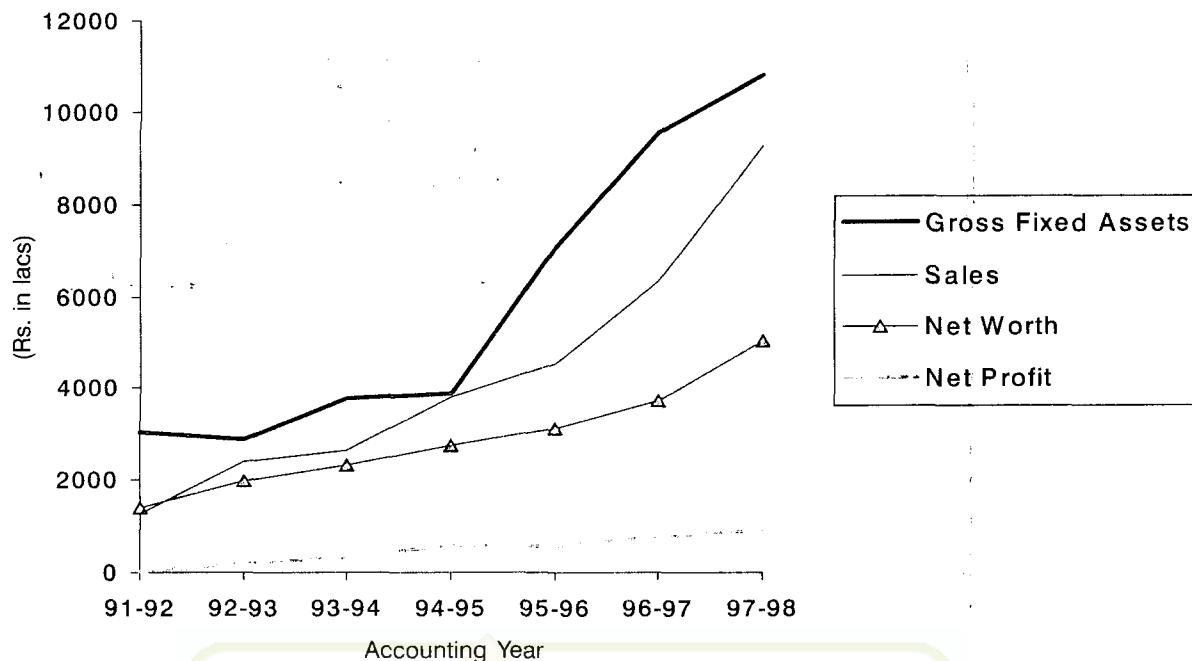
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CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
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TRA	<input checked="" type="checkbox"/>	AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	SH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

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## A GROWTH PROFILE SINCE INCEPTION



(Rs. in lacs)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Sales	1274	2401	2642	3790	4530	6327	9245
Exports	1042	2225	2462	3512	4100	5942	8333
Gross Fixed Assets	3042	2883	3763	3868	7063	9548	10803
Gross Profit Before Interest & depreciation	355	747	790	1168	1244	1698	2424
Net Profit	34	202	342	614	579	784	936
Net Worth	1402	1970	2325	2748	3115	3709	5038
Book Value (Rs.)	10.55	11.06	12.98	15.35	17.40	20.71	21.41
Rate of Dividend (%)	—	—	10%	12%	12%	10%	10%
Installed capacity							
a) Spindles (Nos.)	20160	26208	26208	32256	32256	50400	52416
b) Knitting Machines (Nos.)	—	—	—	—	—	—	4



# Indo Count Industries Limited

## DIRECTORS' REPORT

To  
The members

### INDO COUNT INDUSTRIES LIMITED

Your directors have pleasure in presenting the **TENTH ANNUAL REPORT** on the business and operations of the Company together with the Audited Statement of Account for the year ended on 31st March 1998.

The financial results for the year are summarised as under

### FINANCIAL RESULTS

(Rs. in lacs)

	Current Year 1997-98	Previous Year 1996-97
<b>Gross Operating Profit</b>	<b>2435.53</b>	<b>1697.87</b>
Less: Interest and Finance Charges	956.89	605.96
<b>Profit before Depreciation</b>	<b>1478.64</b>	<b>1091.91</b>
Less : Depreciation	531.10	308.32
<b>Profit before Tax and Extra Ordinary Item</b>	<b>947.54</b>	<b>783.59</b>
Less : Extra Ordinary Item	11.33	—
<b>Profit Before Tax</b>	<b>936.21</b>	<b>783.59</b>
Less : Income Tax payments (for an earlier year)	0.23	—
Provision for Taxation	—	—
<b>Net Profit after Taxation</b>	<b>935.98</b>	<b>783.59</b>
<b>Debenture Redemption Reserve</b>		
Written Back	150.00	—
<b>Balance Brought Forward</b>	<b>322.15</b>	<b>260.55</b>
<b>Amount available for Appropriation</b>	<b>1408.13</b>	<b>1044.14</b>
<b>APPROPRIATIONS</b>		
Proposed Dividend	234.90	179.08
Corporate Dividend Tax	23.49	17.91
Transfer to :		
- Debenture Redemption Reserve	—	75.00
- General Reserve	900.00	450.00
<b>Surplus Carried to Balance Sheet</b>	<b>249.74</b>	<b>322.15</b>
	<b>1408.13</b>	<b>1044.14</b>

### DIVIDEND

The Directors have decided to maintain a pro rata dividend of Re.1/- on 23,536,342 equity shares of Rs.10/- each for the financial year ended 31st March, 1998.

### REVIEW OF OPERATIONS

The performance of the Company for the year under review was quite satisfactory with sales growing to Rs. 92.53 crore and net profits improving to Rs. 9.36 crore, registering a rise of 44 % and 19 % respectively over the previous year.

This all-round progress could be achieved as a result of the fullscale operations of the expansion unit and the 3 MW power generation plant, both of which contributed to the economies in cost of production.

Your Company had installed further 2016 spindles during the year, bringing up the installed capacity to 52416 spindles and is in the process of adding 4032 spindles. Further, a second 3 MW power generation unit has been installed. These additions are expected to make the Company more competitive in the international market.

### BUSINESS OUTLOOK

On the strength of its consistent product quality, accompanied by various accreditations, your Company has been able to retain its existing clientele and also expand its market base.

Barring unforeseen circumstances, the Directors feel that the Company should do well in the coming years.



**DEPOSITS**

The Company has not accepted/renewed any public deposits during the year under review.

**DIRECTORATE**

IFCI has withdrawn its nominee Shri B. R. Mittal from the Board with effect from 23-12-1997.

Shri D.P.Jindal has resigned from the Board since 06-02-1998 due to his pre-occupation.

Shri Raghu Raj has resigned from the Board with effect from 26-06-1998 on health grounds.

The Board places on record its deep appreciation of the guidance and advice given by Shri B.R. Mittal, Shri D.P.Jindal and Shri Raghu Raj to the Company during their tenure as Directors.

Shri Sunil Jain and Shri P.N. Shah, Directors retire by rotation and being eligible, offer themselves for reappointment.

**AUDITORS**

M/s B. K. Shroff & Co., Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING & OUTGO**

Statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" forming part of this Report.

**PERSONNEL**

Your Directors wish to thank the employees, at all levels, for their sincere and dedicated services through out the year and acknowledge their contribution to the improved performance of the Company.

The industrial relations remained cordial throughout the year.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

**ACKNOWLEDGEMENTS**

The Board desires to place on record their appreciation for the co-operation and support extended to the Company by the Central and State governments, semi government bodies, financial institutions, banks, investors and esteemed customers.

On behalf of Board of Directors

Place : Mumbai

Dated : 26th June, 1998

**ANIL KUMAR JAIN**

CHAIRMAN & MANAGING DIRECTOR

**ANNEXURE - A**

Information Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Forming part of the Directors' Report for the year ended 31st March, 1998

**A. CONSERVATION OF ENERGY****Form - A**

Form for Disclosure of particulars with respect to conservation of energy

	Current year 1997-98	Previous year 1996-97
A) Power and Fuel Consumption		
1) Electricity		
a) Purchased		
Units	2,192,550	5,590,260
Total amount	11,952,480	20,745,005
Rate/unit	5.45	3.71



## Indo Count Industries Limited

b) Own generation : through diesel generator		
Units	10,354,237	11,038,265
Unit/litre of diesel oil	3.50	3.49
Cost per unit	2.47	2.61
2) Furnace oil		
Quantity (K.L.)	5120	2444
Amount (Rs. in lacs)	267.52	166.60
Average rate (Rs.)	5.23	6.82
B) Electricity consumption per unit of production of yarn per kg.	5.83	6.95

### B. TECHNOLOGY ABSORPTION

#### Form - B

Technology Absorption, Adaptation and Innovation

#### 1. Research & Development (R & D)

##### (a) Specific areas in which R & D carried out by the Company

The Company concentrated its efforts on improving productivity, production planning and the quality control methods.

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

The R & D efforts are expected to result in economies in cost of production without affecting the quality.

##### (c) Future plan for action

An in-depth study into the inter-relationship between the process methods and machine settings is planned to further improve the yarn quality.

##### (d) Expenditure on R & D

(i) Capital - Rs. 881,019/-

(ii) Recurring - Expenditure has been shown under different heads in profit and loss account amounting to Rs.99,238/-  
Total R & D Expenditure as a percentage of total turnover - 0.11%

#### 2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

### C. FOREIGN EXCHANGE EARNINGS AND OUT-GO

#### 1) Activity related to initiatives taken to increase export markets for products and services and export plans

The company's exports of cotton yarn and fabric increased to Rs. 83.33 crore, consequent to addition in spindlage and knitting facilities during the year under review.

The Company continues its efforts to explore new markets for its products and has already initiated steps to widen its market base.

It is also looking to change the composition of mix of products by selling more doubled yarn and processed fabric which will value add to the products.

As an 100% Export Oriented Unit, the Company is pursuing its thrust towards exporting its entire production of cotton yarn and grey knitted fabric.

#### 2) Total Foreign Exchange Used and Earned

	1997-98 [Rs.]	1996-97 [Rs.]
Used	20,178,373	18,964,454
Earned (F.O.B value of export goods)	833,335,167	594,187,841

On behalf of Board of Directors

Place : Mumbai

Dated : 26th June, 1998

ANIL KUMAR JAIN  
CHAIRMAN & MANAGING DIRECTOR

**AUDITORS' REPORT**

To the Members

We have audited the attached Balance Sheet of Indo Count Industries Limited as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and report that:

1. 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, we enclose in the annexure a statement 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, we state that :
  - i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of such books.
  - iii) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account.
  - iv) In our opinion and to the best of our information and according to the explanation given to us, the accounts subject to Note No. 7 regarding provision of accrued liability towards gratuity amounting to Rs. 2,013,671 as the company has decided to account for the same on accrual basis, Note No.10 regarding non-provision of accrued liability towards leave encashment amounting to Rs. 853,560 and read together with the other notes appearing on Schedule S, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - a) In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998 and;
    - b) In so far as it relates to the Profit & Loss Account, of the profit for the year ended on that date.

For **B.K.SHROFF & CO.**  
Chartered Accountants

Place : Mumbai  
Dated : 26th June, 1998

**Anil Gupta**  
Partner

**Annexure 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. As explained to us, all the fixed assets have been physically verified by the management during the year according to a regular programme which in our opinion is reasonable having regard to the size of Company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw material (excluding stores and spares in transit) have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification of stocks as compared to book records were not material and these have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.





## Indo Count Industries Limited

7. The Company has not taken any loans secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management within the meaning of sub-section (1B) of Section 370 of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained, there is no company under the same management as the company within the meaning of Section 370(1-B) of the Companies Act, 1956.
9. Except loans granted to outside parties in earlier years (see Note No.11), employees and other parties to whom loans or advances in the nature of loans have been given by the Company, are repaying the principal amounts as per stipulations, wherever such stipulations exist and are also regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
11. In our opinion and according to the information and explanation given to us, there are no transactions of purchase of goods and materials and sale of goods, materials 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 respect of any party.
12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits from the public and consequently the provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-products.
15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
16. According to the records of the Company, provident fund and employees state insurance dues have been regularly deposited during the year with the appropriate authorities.
17. We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we have not made a detailed examination of such accounts and records.
18. According to the information and explanation given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty were outstanding as at 31st March, 1998 for a period of more than six months from the date they became payable.
20. The Company is not a sick industrial company within the meaning of Section 3(1)(O) of the Sick Industrial Companies (Special Provision) Act, 1985.

For B.K.SHROFF & CO.  
Chartered Accountants

Place : Mumbai  
Dated : 26th June, 1998

Anil Gupta  
Partner