

Indo Count Industries Limited

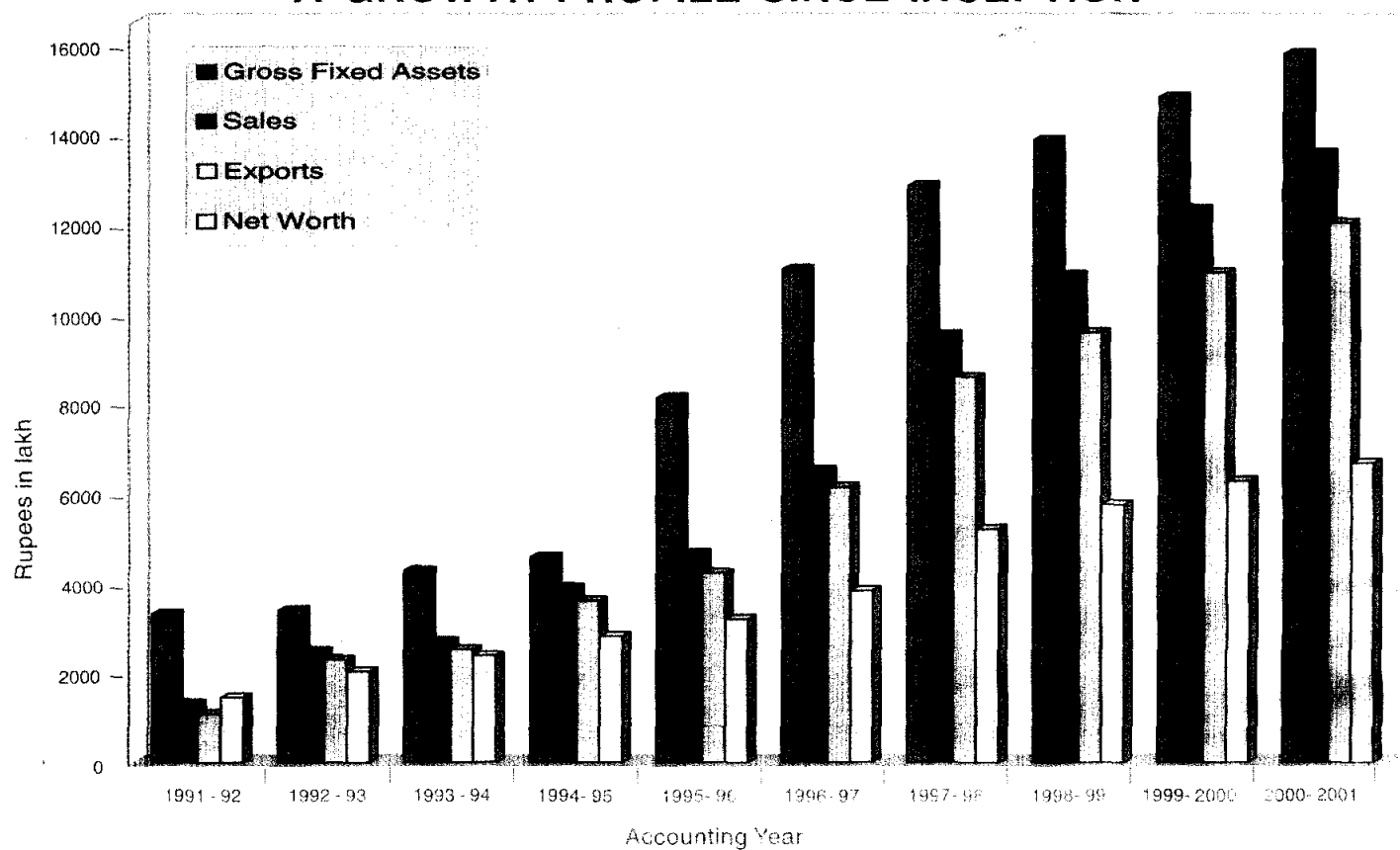


*13th Annual Report
2000-2001*



Indo Count Industries Limited

A GROWTH PROFILE SINCE INCEPTION



(Rs. in lakh)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001
Sales	1247	2401	2642	3790	4530	6327	9245	10536	11951	13146
Exports	1042	2225	2462	3512	4100	5942	8333	9290	10595	11650
Gross Fixed Assets	3202	3291	4162	4468	7883	10677	12463	13431	14357	15371
Gross Profit Before Interest and depreciation	355	747	790	1168	1244	1698	2434	2362	2428	2364
Net Profit	34	202	342	614	579	784	936	754	791	566
Net Worth	1402	1970	2325	2748	3115	3709	5038	5573	6068	6456
Book Value (Rs.)	10.55	11.06	12.98	15.35	17.40	20.71	21.41	23.68	25.78	27.43
Rate of Dividend (%)	—	—	10%	12%	12%	10%	10%	7%	7%	5%
Installed Capacity (Nos)										
a) Spindles	20160	26208	26208	32256	32256	50400	52416	52416	55440	55440
b) Knitting Machines	—	—	—	—	—	—	4	4	6	7



Indo Count Industries Limited

Board of Directors

Mr. Sunil Jain
 Mr. Nandkishor Kagliwal
 Mr. P. N. Shah
 Mr. Pramod Kumar Khaitan
 Mr. R. Anand
 Mr. Sushil Jiwarajka
 Dr. S. S. Jha (Nominee of IFCI)
 Mr. Mohit Kumar Jain
 Mr. D.M. Pradhan
 Mr. S. G. Araokar (Nominee of IDBI)

Chairman & Managing Director

Mr. Anil Kumar Jain

Jt. Managing Director

Mr. R. N. Gupta

Vice President (Finance) &

Company Secretary

Mr. 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

Registered Office :

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.

Kolkata Office

1-B, Janki Shah Road,
 Hastings, Kolkata - 700 001.

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Indo Count Industries Limited

DIRECTORS' REPORT

To

The members

INDO COUNT INDUSTRIES LIMITED

Your directors have pleasure in presenting the THIRTEENTH ANNUAL REPORT on the business and operations of the Company together with the Audited Statement of Account for the year ended on 31st March 2001.

The financial results for the year are summarised as under:-

(Rs. in lakh)

FINANCIAL RESULTS

	Current Year 2000-2001	Previous Year 1999-2000
Gross Operating Profit	2364.36	2428.44
Less: Interest	1046.55	927.18
Profit before Depreciation	1317.81	1501.26
Less: Depreciation	751.81	710.68
Profit Before Tax	566.00	790.58
Provision for Taxation	0.26	0.24
Net Profit After Taxation	565.74	790.34
Balance Brought Forward	53.48	145.94
Profit available for appropriation	619.22	936.28

APPROPRIATIONS

Interim dividend on Preference shares	67.50	67.50
Dividend on Equity shares	117.68	164.75
Corporate Dividend Tax	27.06	25.55
Transfer to:-		
Debenture Redemption Reserve	25.00	25.00
Preference Share Redemption Reserve	100.00	100.00
General Reserve	250.00	500.00
Surplus Carried to Balance Sheet	31.98	53.48
	619.22	936.28

DIVIDEND

The Directors have decided to recommend a dividend at 5 % on the equity shares for the year ended 2000 - 2001. The Directors have also declared an interim dividend @ 13.50% p.a., on 50,00,000 preference shares of Rs. 10/- each, aggregating Rs.500 lakh, privately placed with IDBI.

REVIEW OF OPERATIONS

During the year under review, on a total turnover of Rs. 13074.91 lakh (previous year Rs. 12061.64 lakh), the Company has earned a net profit of Rs. 566.00 lakh (previous year Rs. 790.58 lakh).

Though the sales and production grew by approx 8% over that of the previous year, the profit margin remained under pressure due to increased cost of inputs, mainly the power cost, as also on account of lower price realization.

The demand for cotton yarn has been gradually shifting from coarser to fine counts. The company has flexibility to adjust to the changing demand pattern and thus, has been able to service its customers' requirements with promptness and with assured international quality.



Indo Count Industries Limited

During the year under review, the company has initiated modernisation of its plant and machinery, to improve quality, production and productivity further. For this purpose, finance under TUF Scheme has been availed. The entire scheme is expected to be completed by March 2002.

BUSINESS OUTLOOK

The spinning industry is passing through a critical phase, plagued by over capacity on the one hand and competition from countries such as Pakistan, Turkey, Indonesia, etc. The weak currency of these countries has placed them at an advantageous position as compared to India.

Volatility in cotton prices and availability of quality fibre during the last procurement season has also affected the spinning units. The slowing down of the US and European economies added to the woes of the spinners, resulting in less offtake from the end users and garment manufacturers.

In this backdrop, only efficient and quality conscious companies will be able to compete effectively. The management has been doing its best to achieve greater productivity, which ultimately would result in competitive production cost. The technology upgradation scheme pursued by the company is a complement to these efforts.

Looking forward, the directors expect that the sentiments will turn positive towards the second half of the current financial year. In the long run, however, the weak mills will go out of the reckoning, adjusting the supplies to the demand. The cotton yarn/fabric exports have been growing at a compounded annual rate of 6% and there is every reason that this trend will continue. With proper and timely support from the Government, this industry could outperform the targets and become a dominant export earner when the quota restrictions are removed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed and there are no material departures.
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

DEPOSITS

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

CORPORATE GOVERNANCE

The Company has already initiated the steps to comply with the code entirely within the stipulated deadline, i.e. before 31st March, 2002.

DIRECTORS

Mr Sunil Jain, Mr P. N. Shah and Mr Sushil Kumar Jiwarajka, Directors, retire by rotation and being eligible, offer themselves for reappointment.

IDBI has nominated Mr. S. G. Araokar, on the Board of the Company with effect from 22nd May, 2001.

AUDITORS

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

The observation of Auditors as referred to in the Auditors' Report are suitably explained in the Notes on Accounts and therefore, do not call for any further comments.



Indo Count Industries Limited

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND 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 place on record their sincere appreciation of the dedicated services rendered by the employees at all levels through out the year. The industrial relations remained cordial.

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

Your Directors wish to place on record their appreciation of the continued support from the esteemed customers and the co-operation extended to the Company by the central and state governments, semi government bodies, financial institutions, banks and investors.

On behalf of Board of Directors

Place : Mumbai
Dated : 20th June, 2001

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, 2001.

A. CONSERVATION OF ENERGY

Form - A

Form for Disclosure of particulars with respect to conservation of energy

Particulars	Current Year 2000-2001	Previous Year 1999-2000
a) Power and Fuel		
ELECTRICITY		
a) Purchased (Units)	—	—
Total amount	—	—
Rate/unit	—	—
	Current Year 2000-2001	Previous Year 1999-2000
b) Own generation:		
i) through diesel generator		
Units produced	1818634	2340425
Unit/litre of diesel oil	3.29	3.59
Cost per unit (Rs.)	4.12	2.92
ii) Furnace oil		
Quantity (KL)	9683	9301
Amount Rs. in Lakh	807.23	552.82
Average Rate (Rs.) per litre	8.34	5.94
b) Electricity consumption in units per kg. of yarn produced	5.70	5.86



Indo Count Industries Limited

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
 - (i) Development of specialised yarns and fabrics.
 - (ii) Scientific study of workload on labour conducted by a consultant.
 - (iii) A comprehensive study of power consumption by production department and utilities was conducted with the help of a consultant.
 - (iv) Indigenisation of valuable spares.
- (b) Benefits derived as a result of the above R & D
 - (i) The company could expand the product range with value added yarns for special application, thereby creating a niche market for its products.
 - (ii) The study on labour productivity has enabled the company to achieve rationalisation of work force.
 - (iii) Savings in power consumption achieved.
 - (iv) Vendor development for spares has enabled lower inventory at cost.
- (c) Future plan for action

The Company proposes to introduce the concept of total productivity management with the help of experts which will enable it to establish and maintain employee morale, commitment to high standards of productivity, workers participation in solving shop floor problems and commitment to the company's growth and objectives.
- (d) Expenditure on R & D
 - (i) Capital - Rs. 81,43,501/-
 - (ii) Recurring - Expenditure has been shown under different heads in Profit and Loss Account amounting to Rs. 4,36,508/-. Total R & D Expenditure as a percentage of total turnover - 0.66%

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.

As an EOU, the company has been exporting majority of its production. The Company's export earnings since inception, has crossed Rs. 600 crore. The full implementation modernization and upgradation of technology currently undertaken, will result in enhanced production, which will also be exported.

Having excellent goodwill behind, the company is continuing to test new markets such as Middle East, South American countries, to increase its presence.

- 2) Total foreign exchange used and earned (Rs. in Lakh)

Particulars	2000-2001	1999-2000
Used	288.17	271.88
Earned (FOB value of export goods)	11651.89	10594.64

On behalf of Board of Directors

Place : Mumbai
Dated : 20th June, 2001

ANIL KUMAR JAIN
CHAIRMAN & MANAGING DIRECTOR



Indo Count Industries Limited

AUDITORS' REPORT

To the Members

We have audited the attached Balance Sheet of Indo Count Industries Limited as at 31st March, 2001 and the Profit and 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 law have been kept by the company so far as appears from our examination of such books ;
 - iii. The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account ;
 - iv. In our opinion, the Balance Sheet and the Profit and Loss Account comply with the mandatory Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956.
 - v. On the basis of our review of the confirmations received and the information and explanation given to us, none of the director of the Company are as at 31st March, 2001, disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of Section 274 of the Act.
 - vi. In our opinion and to the best of our information and according to the explanation given to us, the accounts read together with the notes appearing on Schedule R give the information required by the Companies Act, 1956 in the manner so required subject to **note no. 10 regarding non-provision of liability towards electricity duty amounting to Rs. 6,146,425 as a result of which profit for the year is higher by Rs. 6,146,425 and give a true and fair view :**
 - i) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March, 2001 and
 - ii) in so far as it relates to the Profit and Loss Account, of the profit for the year ended on that date.

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For B. K. SHROFF & CO.
Chartered Accountants

Place : New Delhi
Dated : 20th June, 2001

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 the Company and 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, stocks in process, stores, spares and packing material have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.