

14th Annual Report 1997-98



AMTREX APPLIANCES LIMITED

A MEMBER OF THE TALHA GROUP

. Everything changes in seventy-five days, goes an ancient Japanese proverb.
Which counsels us not to be too hasty, not to overrespond, not to react too quickly.
Like the Japanese elders, world giant Hitachi too adheres to this maxim.
Which is why they develop products that do not pander to the latest fad,
but pursue perfection that transcends time.
This year, Amtrex in a strategic alliance with Hitachi, introduced
the Amtrex-Hitachi range of airconditioners.
Which will soon be augmented by eighteen new products.
All backed by incessant research and an obsession with quality standards.
Because, like the Japanese we too don't believe in compromise.

AMTrex APPLIANCES LIMITED

Board of Directors

Sanjay S Lalbhai	- Chairman
Naishadh I Parikh	- Managing Director
Indrakant T Parikh	- Director
Deepak Navnitlal	- Director
Shreyas C Sheth	- Director
Dr. Vasant L Mote	- Director

Chief Executive Officer

Arvind Nair

Head-Legal & Company Secretary

Mahesh D Agrawal

Auditors

M/s. Kunte & Associates
Chartered Accountants
Ahmedabad

Bankers

State Bank of India
Corporation Bank
Export-Import Bank of India

Registered Office

9th Floor, "Abhijeet",
Mithakhali Six Roads,
Ahmedabad - 380 006
Gujarat

Works

Ashima Complex, Village : Karannagar-382 727
Ta : Kadi, Dist : Mehsana, Gujarat

Plot No.119, Industrial Estate, Piparia,
Silvassa - 206 230, Dadra & Nagar Haveli

Plot No.472/P/2 Tajpur Road,
Village : Changodar-382 210,
Dist. : Ahmedabad, Gujarat

Registrars and Share Transfer Agent

Pinnacle Finance Limited
Arvind Ashoka Aruna Hospital Premises,
Near Ashoka Mills, Naroda Road,
Ahmedabad : 380 025, Gujarat



NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the members of the Company will be held on Friday, the 11th day of September, 1998 at 9.30 a.m. at Ahmedabad Textile Mills Association (ATMA) Hall, Near Sales Tax Bhavan, Ashram Road, Ahmedabad - 380 009 to transact the following Ordinary Businesses :

1. To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1998.
2. To declare dividend.
3. To appoint a Director in place of Shri Shreyas C Sheth who retires by rotation in terms of Article 110 of the Articles of Association of the Company. He, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vasant L Mote who retires by rotation in terms of Article 110 of the Articles of Association of the Company. He, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company in place of the retiring Auditors to hold office from conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
- (b) Printed copies of the Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report and all other documents required by law to be annexed or attached to the Balance Sheet for the financial year ended 31st March, 1998, are enclosed as prescribed by Section 219 of the Companies Act, 1956.
- (c) The Register of Members and Share transfer books of the Company will be closed from 1st September, 1998 to 10th September, 1998 (both days inclusive).
- (d) If the dividend on shares as recommended by the Directors is declared at the meeting, payment of such dividend will be made on or before 22nd October, 1998 to those members whose names are on the Company's register of members on 1st September, 1998.
- (e) Members desirous of obtaining information in respect of accounts of the Company are requested to send their queries in writing to the Company at the Registered Office, so as to reach at least seven days before the date of the meeting.
- (f) Members are requested to notify promptly any change in their address to the Company's Registrars and Share Transfer Agent, M/s. Pinnacle Finance Ltd., Arvind Ashoka Aruna Hospital Premises, Near Ashoka Mills, Naroda Road, Ahmedabad - 380 025. The members are also requested to send all correspondence relating to Shares, including transfers and transmissions to the said Registrars and not to the Company.
- (g) Members/Proxies are requested to bring the attendance slip sent herewith duly filled in for attending the meeting.
- (h) The members are hereby informed that all Unpaid/Unclaimed Dividend declared for the financial year 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Those members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Gujarat, Ahmedabad.
- (i) Further, unclaimed dividend for the financial year ended 31st March, 1995 will be transferred to General Revenue Account of the Central Government in the month of November, 1998 in terms of the provisions of Section 205A of the Companies Act, 1956.

Registered Office :
9th Floor, "Abhijeet"
Mithakhali Six Roads, Ahmedabad - 380 006, Gujarat.

By order of the Board,

Mahesh D Agrawal
Head-Legal & Company Secretary

Date : 29th June, 1998

AMTrex APPLIANCES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report, together with the Audited Financial Accounts of the Company, for the year ended 31st March, 1998.

1. FINANCIAL RESULTS

The financial results of the Company for the year under review are summarised for your consideration :

Financial Highlights

	Year ended 31st March, 1998 (Rs. in '000)	Year ended 31st March, 1997 (Rs. in '000)
Sales and Other Income	1139033	1068939
Profit before interest, depreciation and tax	82991	84804
Interest	34326	38440
Profit before depreciation and tax	48665	46364
Depreciation	17430	9275
Provision for Taxation	Nil	Nil
Net Profit	31235	37089
Add/(Less): Prior period adjustments	(829)	960
Add : Surplus brought forward from previous year	46068	36836
Amount available for appropriation	76474	74885

Appropriations

Transferred to General Reserve	10000	10000
Proposed Dividend	14247	17106
Corporate Dividend Tax	1425	1711
Balance carried forward to Balance Sheet	50802	46068

2. DIVIDEND

It is a matter of pleasure for your Directors to recommend a dividend of Rs. 1.50 per Equity Share of Rs. 10/- on the Paid-up Equity Capital.

3. OPERATIONS

The first half of the year under review witnessed stagnation in the market demand. However, the market demand & sentiment improved in the second half, resulting in a marginal industry growth for the entire year. In this market scenario, your Company has improved its market share registering a twofold growth than the industry average.

Split airconditioners have been growing at a rate higher than the industry average. With a view to strengthen its market position in this product segment, a new range of high end decorative splits like **Senpai**, the high wall mounted split and **Tower**, the floor standing vertical split were introduced during the year. These are the latest generation international models with microprocessor based intelligent features like fuzzy controls, ultra powerful cooling, self diagnostic systems, energy saving, etc. and have received very good market response. Your Company further strengthened its presence in the speciality Telecom airconditioning segment with the launch of **Unitary spacemaker - II**. The **Spacemaker** range has now become an industry standard for this sector, with Amtrex having a dominant market share.



The higher capacity ductable Split Packaged Airconditioning Business was further consolidated by enhancing dealer network and serving new corporate customers. Your Company has increased its market share and secured firm place in this product segment.

The focus during the year for the Commercial Refrigeration business was on absorbing the new technology of design & manufacturing of equipments like Visicoolers and Chest Coolers from the collaborator Orford Refrigeration of Australia. A range consisting of four models was approved by international testing facilities in Sydney, Australia during the year. The new manufacturing facility was also commissioned and commercial production commenced in May, 1998.

4. FUTURE PROSPECTS

The beginning of current year witnessed an overall improvement in economic sentiment leading to good demand growth, especially in the consumer durables sector. The airconditioner market further benefitted from the reinforcing factor of very good summer throughout the country registering a growth of about 30% in the first two months.

As you are aware, your company has a long standing association with Hitachi, Ltd. of Japan, a major player in consumer durables world wide. In the month of April, 1998 this association matured into a strategic alliance between the two companies for the entire range of room airconditioners for the Indian market. For the first time, the joint brand name of Amtrex-Hitachi is being used to promote the new range of window & split airconditioners which was launched in April, 1998. Over the last few months, your Company has made significant investments and upgraded the manufacturing & design facilities with the support of Hitachi.

It is indeed satisfactory to report that our growth at more than 50% during the first two months of current financial year is amongst the highest in the industry.

Due to current uncertainty on the economic and political fronts, the macroeconomic factors and market sentiments may not sustain the initial growth momentum, ending the year with a moderate high growth of about 15-20%. Your company is planning aggressively to capture additional market share and register a higher growth for the year.

Commercial Refrigeration business is likely to make a significant contribution to the operations of the Company with the commissioning of Visicooler and Chest Cooler manufacturing facilities and revival of demand for fountains and spares thereof.

5. EXPANSION & DIVERSIFICATION PLAN

It has been planned to further supplement the new Amtrex-Hitachi range with the development & launch of several new models under the joint brand umbrella. Substantial capital resources have been allocated for development of these models.

The other focus area during the year will be improvement of quality assurance & manufacturing facilities during the year to meet Hitachi quality standards and the likely increased demand for your Company's products in the next summer.

The important market segment of Packaged airconditioners will also receive focussed attention in the areas of new product development and project management to get an upper edge in the market place. The distribution and marketing focus for this product range is also being realigned to better serve large corporate customers and architects & consultants in the field.

6. QUALITY & CUSTOMER ORIENTATION

The Amtrex manufacturing system benefitted extensively from the Just In Time (JIT) programme which was introduced last year. The most significant benefits accrued were in the areas of labour productivity and reduction in work-in-process inventory.

To further build on the groundwork of JIT, the Total Quality Control (TQC) programme has now been launched. In the medium term, the programme is expected to achieve significant savings by reducing cost of quality and drive your Company towards world class quality.

In its thrust towards customer satisfaction your Company has embarked on a major programme to substantially improve the quality and efficiency of the dealers.

AMTRES APPLIANCES LIMITED

During the year, the in-house R&D Centre of Amtrex was recognised by the Department of Scientific & Industrial Research of the Ministry of Science and Technology, New Delhi. This is a significant achievement and would lead to financial benefits as well as a higher level of technological research & development.

The Kaizen movement continued to do well with enthusiastic implementation of more than 2300 Kaizens by employees to improve quality, productivity, safety, housekeeping and to reduce cost.

7. FIXED DEPOSIT

Rating of 'FA+' assigned by CRISIL to the Fixed Deposits Scheme of your Company has been retained. This indicates adequate safety of timely payment of interest & principal.

8. SUBSIDIARY COMPANY

A statement relating to Avikal Investments Ltd., a subsidiary of your Company, to be furnished in pursuance of Clause (e), (f) and (g) of sub-section (1) of Section 212 of the Companies Act, 1956 and the Annual Accounts of that Company are attached to the Balance Sheet.

9. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company, Shri Shreyas C sheth and Shri Vasant L Mote retire by rotation and being eligible, offer themselves for re-appointment.

10. AUDITORS

The Company's Auditors, M/s. Kunte & Associates, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

11. INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND PARTICULARS OF EMPLOYEES

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, form a part of this report. However, as per the provisions of Section 219 (1) (b) (iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary for a copy.

12. ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the co-operation and support received from State Bank of India, Corporation Bank and Export-Import Bank of India. The Board wishes to place on record its sincere appreciation for the excellent work put in by the employees at all levels during the year under review.

Place : Ahmedabad
Date : 29th June, 1998

For and on behalf of the
Board of Directors

NAISHADH I PARIKH
Managing Director
INDRAKANT T PARIKH
Director



AUDITORS' REPORT

To,

The Members of

AMTrex APPLIANCES LIMITED

We have audited the attached Balance Sheet of Amtrex Appliances Limited as at 31st March, 1998 and also the annexed Profit and Loss Account for the year ended on that date and report that :

A) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.

B) Further to comments in the Annexure referred to in Paragraph - A above, we report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account, dealt with by the report, are in agreement with the books of accounts.
4. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, subject to Note No. 12 regarding change in method of valuation of closing stock of raw materials, and read together with Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view :

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998, and

(ii) In the case of the Profit and Loss Account, of the Profit for the year ended on the date.

For **KUNTE & ASSOCIATES**
Chartered Accountants

PARAG P JHAVERI
Partner

Place : Ahmedabad
Date : 29th June, 1998

AMTRES APPLIANCES LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 'A' of our Report attached)

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and physical inventory have been noticed.
- (ii) The Fixed Assets of the Company have not been revalued during the year.
- (iii) As explained to us, stocks of finished goods, spare parts, stores and raw-materials of the Company have been physically verified by the management at reasonable intervals except stocks lying with third parties, which have been confirmed by majority of them.
- (iv) In our opinion and according to the information and explanations given to us, 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.
- (v) The discrepancies between the physical stocks and book stocks, which have been properly dealt with in the books of accounts were not material.
- (vi) In our opinion and on the basis of our examination of valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year except change in the method of valuation of closing stock of raw-materials as referred to in Note No. 12 of Schedule XVI on accounts.,
- (vii) The Company has not taken any loan secured or unsecured, from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there is no Company under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
- (viii) The Company has not granted any secured or unsecured loan to Companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there is no Company under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956.
- (ix) In respect of loans and advances given in the nature of loans, the parties are generally repaying the principal amount and interest as stipulated. In respect of interest free loan given to an employee welfare trust, no stipulation has been made for repayment of principal amount.
- (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw-materials including components, plant and machinery, equipments and other assets and for the sale of goods.
- (xi) In our opinion and according to the information and explanations given to us, the transactions of the purchase 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 value in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which the transaction for the similar goods, materials or services have been made with other parties.