

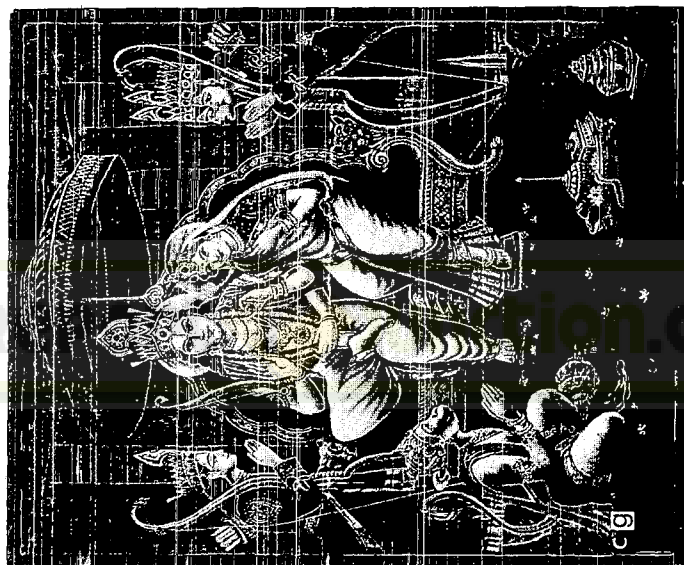
KAMADGIRI SYNTHETICS LTD.

The Mill of the 21st Century

11th Annual Report, 1998



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BOARD OF DIRECTORS

Pradip Kumar Goenka
 Vijay Kumar Goenka
 Lalit Kumar Goenka
 G. A. Sompura

Chairman & Managing Director
 Joint Managing Director
 Whole-time Director
 Nominee Director - GIIC

AUDITORS

R. S. Agrawal & Associates
 Chartered Accountants
 Mumbai - 400 002

BANKERS

Bombay Mercantile Co-operative Bank Ltd.
 Union Bank of India, Jankikund
 State Bank of India, Umbergaon,
 Bank of Baroda

REGISTERED OFFICE

10, Singhanian Wadi,
 187, Dadiseth Agiary Lane,
 Mumbai - 400 002

PLANT

31/3, Ganga Devi Road,
 Umbergaon - 396 171
 Dist. Valsad (Gujarat)

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KAMADGIRI SYNTHETICS LTD.
The Mill of the 21st Century



NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the **KAMADGIRI SYNTHETICS LIMITED** will be held on 27th August, 1998 at 4.30 p.m. at Singhania Wadi, 187, Dadiseth Agiary Lane, Mumbai - 400 002 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended on that date alongwith Directors' and Auditors' Reports thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Lalit Kumar Goenka, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

Regd. Office :

10, Singhania Wadi,
187, Dadiseth Agiary Lane,
Mumbai - 400 002.

PRADIP KUMAR GOENKA
Chairman & Managing Director

Place : Mumbai.

Dated : 27th June, 1998.

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
2. Proxy forms in order to be valid should be deposited at the Registered Office of the Company not less than 48 Hours before the appointed time for the meeting.
3. Dividend, if declared, will be paid to those members whose names appear in the Register of the Members of the Company as on 27th August, 1998.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 20th day of August, 1998 to Thursday, the 27th day of August, 1998. (both days inclusive)
5. Unpaid Dividend : Pursuant to section 205 A of the Companies Act, 1956, the unclaimed dividend for the financial year 1994-95 is likely to be transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the same from the Company before it is transferred to General Revenue Account of the Central Government.
6. Members are requested to :
 - i) Quote their Folio Number in all correspondence with the Company.
 - ii) Notify immediately to the Company any change in their address and the mandate.

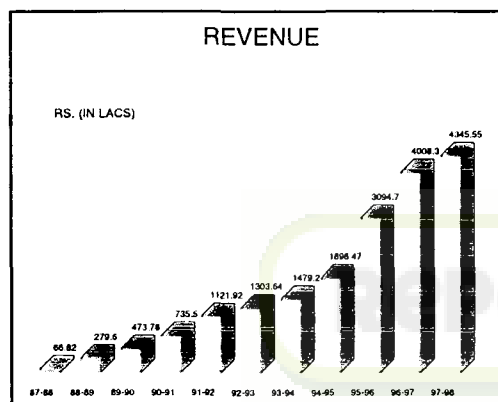
DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure to present performance and future plans through Eleventh Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 1998.

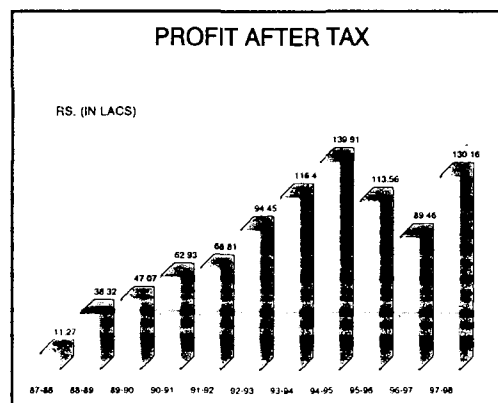
1. FINANCIAL EVALUATION OF PERFORMANCE :

1. The statement of Accounts shows Turn Over of Rs. 4345.55 Lacs (Rs. 4008.30 Lacs in previous year) and Pre-tax cash profit of Rs. 305.95 Lacs (247.55 Lacs) and after providing non cash expenses of Rs. 162.29 Lacs (140.84 Lacs) Taxation Rs. 13.50 Lacs (17.25 Lacs), Net profit is Rs. 121.10 Lacs (89.46 Lacs). The details of which are as follows :



Year Ended March, 31	(Rs. in lacs)	
	1998	1997
Turnover	4345.55	4008.30
Profit Before Depreciation & Tax	302.57	244.15
Provision for Depreciation	158.91	137.44
Profit Before Taxation	143.66	106.71
Provision for Taxation	13.50	17.25
Profit After Tax	130.16	89.46
Income Tax paid for earlier year	9.06	0.00
Net Profit	121.10	89.46
Cash Profit	305.95	247.55

2. Disposable Profit and Appropriation thereof recommended by your Directors :



Year Ended March, 31	(Rs. in lacs)	
	1998	1997
Net Profit	121.10	89.46
Balance of Profit and Loss Account Brought forward from previous year	212.16	203.70
Disposable Profit	333.26	293.16
Appropriation :		
Interim Dividend	30.00	30.00
Dividend tax on Interim Dividend paid	3.00	0.00
Proposed Dividend	30.00	30.00
General Reserve	144.00	18.00
Dividend tax on Proposed Dividend	3.00	3.00
Leaving Balance to be carried over to next year	123.26	212.16





3. **DIVIDEND :**

Your Directors are pleased to maintain the dividend recommendation of 20% on subscribed share capital as on 31st March, 1998, 6th year in a row, out of which the Board has already paid an interim dividend @ 10% on the subscribed share capital. The Dividend if approved at the forthcoming Annual General Meeting will be paid to all those equity shareholders whose names appear in the Register of members as on 27th August, 1998.

4. **OPERATION :**

GREY FABRICS : The production of Grey Fabrics in the weaving division increased to 31.55 Lacs meters from 27.61 Lacs meters recorded in the previous year, which constituted an increase of 14.27%. The growth in the monetary term in the Weaving Division was marginal as the profit increased to Rs. 76.28 Lacs as compared to the figure of Rs. 74.69 Lacs registered in the previous year. The introduction of latest design, patterns and product mix has given Company's textile products a very fine market image.

SPUN YARN : The backward integration programme which was started in the year 1994-95 has been progressing steadily. The production of Spinning Division is mainly used for captive consumption. The sales of spun yarn registered during the year 1997-98 was Rs. 1306.00 Lacs as against Rs. 1249.00 Lacs in the previous year, which represented a growth of 4.61% over the previous year.

TRUE VALUE : The Company registered brand "KSL-TRUE VALUE" has succeeded in creating a market image for the super fine suiting fabrics manufactured by the Company. The sales of the "True Value" brand picked up substantially during the year 1997-98.

The "True Value" brand stand for superfine quality at reasonable rate, gives value for the money spent in purchasing this product. It has substantial market potential both in local and international market. The stricter quality control and cost effective measures taken by the Company has given its brand product an added advantage and an edge over the competitors.

5. **TURNOVER & PROFITABILITY :**

The general recessionary trend has taken its toll by giving severe blow to corporate growth. With lower corporate growth the textile industry faced a lot of problem in terms of liquidity crunch, lower turnover, thin margin, greater competition and price war.

Despite of the mushrooming problems and bottlenecks your Company could withstand the pressure through better planning and effective cost control measures. Your Company achieved a turnover of Rs. 4345.55 Lacs as compared to Rs. 4008.30 Lacs recorded in the previous year, registering a growth of 8.41%.

The profit before tax recorded during the year under review was Rs. 143.66 Lacs as compared to Rs. 106.71 Lacs earned in previous year, which represented a growth of 34.63%.

The all round increase in input costs, depressed market, constrained the profit margin of the Company.

Your Directors believe in long-term development of the Company through consistent investment in productive assets viz

installation of sophisticated and cost effective machinery which increases installed capacity, production, turnover and profitability of the Company. The strategic production, sales and tax planning helps the organisation in getting sufficient resistance power to defeat destabilising factors such as over production, depression operational losses, etc.

6. EXPORT HOUSE STATUS :

Your Company has been granted Export House Status by Government of India, Ministry of Commerce, Directorate General of Foreign Trade, New Delhi on 31.01.97 for a period of 3 years from 01.04.1996 to 31.03.1999. The said recognition by the DGFT, New Delhi will entail the Company various facilities such as advance import licence, clearance of import goods on legal undertaking and various other benefits and reliefs.

7. EXPORTS :

During the year under review there has been major changes in the textile export market as general global recession put pressure in the export front.

The Export House status has given Company's export a major impetus. The said recognition by the DGFT, New Delhi will give further boost to the export turnover in the coming years.

The Asian currency crises and devaluation of currency of various Asian countries such as Indonesia, Malaysia, Thailand, South Korea has increased the competition and price war in the international market. Your Company has taken strategic measures to combat competition by producing superfine quality goods at minimum cost.

Your Company's Export turnover increased from Rs. 542.84 Lacs in 1997 to Rs. 618.72 Lacs in 1998, registering a growth of 14% over the previous year.

The products of the Company are mainly exported to countries like Egypt, Kuwait, Saudi Arabia, Bahrain, Colombia, Lebanon, Sri Lanka, U.A.E., Bangladesh, Jordan, Singapore. Efforts have been continuously made to cover wider area to see that all profitable international market are successfully penetrated through export promotion tours and appointment of reputed export agency.

8. ACQUISITION OF FIXED ASSETS :

During the year under review the Company acquired & installed assets worth Rs. 767.38 Lacs including 24 imported suzler looms worth Rs. 209.69 Lacs and 2304 spindles Jeets Tex Model worth Rs. 401.77 Lacs which will enhance the total installed capacity of the Company and increase production in both weaving and spinning division.

9. INDUSTRIAL ENVIRONMENT :

The economic sanctions imposed by USA, Germany, Japan, and other G-5 countries, Asian Currency crises, weakening of rupee value, will have negative impacts on the Infrastructure, Development Industry vis a vis all other Domestic Manufacturing Industries.

The Central Government has already started corrective measures to combat international economic sanctions by better

credit policy, in house technology developments, mobilisation of capital through NRI syndicate, OCB, attracting foreign capital in basic and infrastructure industry, etc. as also agricultural and service industry.

10. GOVERNMENT POLICIES :

The budget presented by the new Government is likely to bring inflationary pressured on the economy. The overall increase in transport cost and petrol price will increase the input cost in all industry.

The corporate sector will be badly affected due to increase in petrol price, reduction in modvat credit to 95% of the duty paid, increase in excise duty, imposition of additional 8% custom duty, etc.

The additional dose of taxes and sanctions imposed by developed countries are the sword of democles hanging over the economy and long term effective planning, influx of Capital NRI funds, in-house R & D, New Technology Developments only will help the country to come out of these hardships.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOINGS :

The particulars regarding conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgoing as required by section 217 (1)(e) of Companies Act, 1956 are given in the addendum to the report.

12. PARTICULARS OF EMPLOYEES :

None of the employees qualify for remuneration u/s 217 (2A) of Companies Act, 1956, hence no particulars are given.

13. FIXED DEPOSIT :

The Company has not accepted any fixed deposits from public during the financial year 1997-98.

14. INSURANCE :

All the properties, asset of the Company are sufficiently insured against the risk of fire and other risks.

15. HUMAN RESOURCE DEVELOPMENT :

The Company has completed Eleventh Year of its cordial relation with employees. The Company is giving continuous importance on development of Human Resources which consists of activities involving motivation through job enrichment and enlargement, fixed remuneration with productivity incentives and welfare programme.

16. DIRECTORS :

Mr. Lalit Kumar Goenka will retire by rotation and being eligible, offers himself for re-appointment.

17. AUDITORS :

M/s. R. S. Agrawal & Associates, Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Your Directors recommend for your approval the re-appointment of M/s R. S. Agrawal & Associates, Chartered Accountants, Mumbai as Statutory Auditors.

18. AUDITORS' REPORT :

The Auditors' report is self explanatory hence does not require any clarification.

19. ACKNOWLEDGEMENT :

The Board place on records its gratitude to our valued Bankers, Financial Institutions, various Government Departments, Suppliers, Customers and Members for their continued support and confidence in the Company.

For KAMADGIRI SYNTHETICS LIMITED

Place : Mumbai

Dated : 27th June, 1998

Pradip Kumar Goenka
Chairman & Managing Director



KAMADGIRI SYNTHETICS LTD.
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ANNEXURE TO THE DIRECTORS' REPORT

Additional information as requires under the Companies (Disclosure of particulars in the Board of Directors) Rules, 1988.

1. Conservation of Energy

- | | | |
|-----|---|---|
| (a) | Energy Conservation Measures taken | Measures taken for conservation of energy include improved maintenance of operating system controlled on consumption and loss of electricity. |
| (b) | Additional investment and proposal, if any, being implemented for reduction of Consumption of energy | Additional investment for reduction of consumption of energy will be made as and when required. |
| (c) | impact of measures at (a) and (b) above for reduction of consumption of energy | The Impact of measures for reduction of energy consumption on cost of production is not precisely ascertainable. |
| (d) | Total energy consumption and energy consumption per unit of production as per Form 'A' of the annexure to Rule is as under :- | |

A. Power and Fuel Consumption

	<u>Current Year</u>	<u>Previous Year</u>
1. Electricity :		
a) Purchased:		
Units	4266480	4185688
Total Amount (Rupees)	15031599	12715555
Rate per Unit (Average rate in Rs.)	3.52	3.04
b) Own Generation Through		
D. Generator :		
Quantity (Litres)	348000	492150
Total Cost (Rupees)	2900181	3555860
Average rate (in Rs. per Litre)	8.33	7.23

2. Technology absorption :

Efforts have been made for technology absorption as per Form B of the annexure to the Rules.