

KAMADGIRI SYTHETICS LTD

12 Annual Report 1999



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| BOARD OF DIRECTORS | Pradip Kumar Goenka Vijay Kumar Goenka Lalit Kumar Goenka | Chairman & Managing Director Joint Managing Director Whole-time Director |
| 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.

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CHAIRMAN'S NOTE

Dear Shareholders

I have great pleasure in extending to you all a very warm welcome to the Twelfth Annual General Meeting of your Company and present before you the performance of your Company.

BUSINESS AND INDUSTRIAL ENVIRONMENT

The perceptible sign of slow-down which hit the Indian economy in 1996-97 continued into 1998-99. The number of destabilising factors such as increased fiscal deficit, fall in exports limited industrial growth and above all, political instability have exerted downward pressure on the economy.

The South East Asian currency crises continued even in the Financial year 1998-99. There has been some recovery in the South East Asian countries in the Current Financial Year, however, the growth of those economies were negligible. The global recession is also receding, thereby giving Indian economy breathing time to recover and the outcome are encouraging with positive corporate results in the Current Financial Year.

GOVERNMENT POLICIES

The Government policies for the corporate sector has been more or less the same. The introduction of 10% surcharge will further take away money available for development and growth. The simplification of law for conversion of firms into company, making amalgamation and demerger tax neutral, simplification of capital gain, sops given to Housing, Constructions, and Infrastructure sectors are laudable which in turn may help in bringing the economy on right track.

The restoration of full MODVAT, rationalization of excise duty rates., buy back of shares and simplification of capital gain tax on difference of acquisition cost and consideration received, stock options and sweat equity and its tax simplification are some of the positive points of the budget 1999-2000.

It is heartening to note that despite of ideological differences all political parties have expressed their commitment to continue with the reform process unabated. This positive attitude of all political parties manifested by huge FII investment in capital market even after the collapse of the Government and war like situation across the LOC.

PERFORMANCE APPRAISAL :

Operation

Despite the slow down in the economy, your Company achieved increased turnover in the financial year 1998-99 of Rs. 5041.52 Lacs and profit before tax of Rs. 116.49 Lacs. Sales grew during the year by 16.01%, however the profit reduced by 18.91%. *The continued improvement in the performance of your Company has been achieved through introduction of new and affordable product, blended fibre, better product line, cost control, efficiency in manufacturing and continuous upgradation of machinery.*

Exports

During 1998-99 your Company's export division registered sales of Rs. 526.35 Lacs. Your Company has initiated several export promotion measures to increase exports.

Product & Brand Development

The Company's brand product "True Value" - value for money, has successfully created image and market recognition, both in local and International markets. Efforts have been made to strengthen "True Value" brand through T.V. and visual media.

Financial Performance

Profitability from operation reduced by 18.91% to Rs. 116.49 Lacs in 1998-99. Your Company successfully repaid G.I.I.C. term loan of Rs.150 Lacs, thereby reducing the interest burden on already constrained net margin of the Company.

The Debt:Equity Ratio stood at 3.38:1 in 1998-99 as against 3.92:1 in the previous Financial Year 1997-98

Dividend

Your Board has maintained consistency by recommending 20% p.a. dividend for the year ended 31st March 1999 - 7th year in row.

Shareholders' Value

The earnings per share decreased to Rs. 3.52 from Rs. 4.33 and Book Value per Share grew from Rs. 34.77 to Rs. 36.23. The market price of the Company's share maintained at Rs. 27 to Rs. 30, giving stability even in difficult market conditions.

THE FUTURE :

I am pleased to report that your Company has maintained its trend of increasing sales over the first few months on 1999-2000. The first quarter results which have been published are encouraging.

Your management is committed to continue emphasis of new innovative product mix, design, blended fabrics and better product line, maximum utilisation of capacities, cost reduction, economies of scales, which will bring in positive change in turnover and profitability of the Company.

The opportunity for your Company to continue for into new millenium are encouraging. A steady growth, growing customer base combined with brand image, product mix, designs, etc., present a formula for successful growth and improved performance in the years ahead.

CONCLUSION :

On behalf of the Board I take this opportunity to convey their sincere appreciation to all the Company's employees, shareholders, investors, Bank and Financial Institutions for their continued co-operation and support.

Place : Mumbai

Dated : 18th June, 1999

For KAMADGIRI SYNTHETICS LIMITED

Pradip Kumar Goenka
Chairman & Managing Director



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NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of the **KAMADGIRI SYNTHETICS LIMITED** will be held on 27th August, 1999 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, 1999 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 Shri Vijay 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 : 18th June, 1999

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, 1999.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 23rd day of August, 1999 to Friday, the 27th day of August, 1999. (both days inclusive)
5. Unpaid/Unclaimed Dividend : Pursuant to section 205 A of the Companies Act, 1956, the unclaimed dividend for the financial year 1995-96, 1996-97, 1997-98 will be transferred to the the Central Government - Investors Education & Protection Fund A/c 7 years after the date of declaration. Members who have not encashed the dividend warrants for the aforesaid period are requested to claim the same from the Company before it is transferred to Investors Education & Protection Fund.
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.

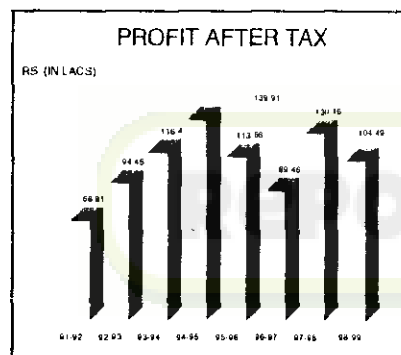
DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure to present performance and future plans through Twelfth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 1999.

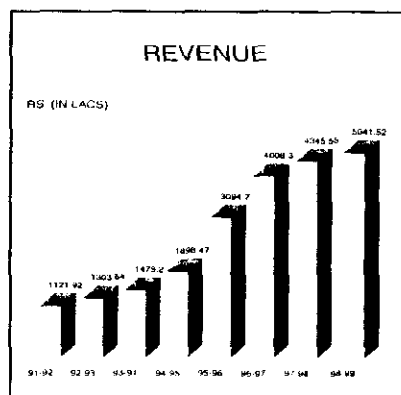
1. FINANCIAL EVALUATION OF PERFORMANCE :

- The statement of Accounts shows Turn Over of Rs. 5041.52 Lacs (Rs. 4345.55 Lacs in previous year) and Pre-tax cash profit of Rs. 331.35 Lacs (305.95 Lacs) and after providing non cash expenses of Rs. 214.86 Lacs (162.29 Lacs) Taxation Rs. 12.00 Lacs (13.50 Lacs), Net profit is Rs. 106.58 Lacs (121.10 Lacs). The details of which are as follows :



| (Rs. in Lacs) | | |
|----------------------------------|---------|---------|
| Year Ended March, 31 | 1999 | 1998 |
| Turnover | 5041.52 | 4345.55 |
| Profit Before Depreciation & Tax | 327.97 | 302.57 |
| Provision for Depreciation | 211.48 | 158.91 |
| Profit Before Taxation | 116.49 | 143.66 |
| Provision for Taxation | 12.00 | 13.50 |
| Profit After Tax | 104.49 | 130.16 |
| Income Tax paid for earlier year | 0.91 | (9.06) |
| Add Prior period adjustment | 1.18 | 0.00 |
| Net Profit | 106.58 | 121.10 |
| Cash Profit | 331.35 | 305.95 |

- Disposable Profit and Appropriation thereof recommended by your Directors :



| (Rs. in Lacs) | | |
|---|--------|--------|
| Year Ended March, 31 | 1999 | 1998 |
| Net Profit | 106.58 | 121.10 |
| Balance of Profit and Loss Account Brought forward from previous year | 123.26 | 212.16 |
| Disposable Profit | 229.84 | 333.26 |
| Appropriation : | | |
| Interim Dividend | 30.00 | 30.00 |
| Dividend tax on Interim Dividend paid | 3.00 | 3.00 |
| Proposed Dividend | 30.00 | 30.00 |
| General Reserve | 18.00 | 144.00 |
| Dividend tax on Proposed Dividend | 3.30 | 3.00 |
| Leaving Balance to be carried over to next year | 145.54 | 123.26 |

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3. DIVIDEND :

Your Directors are pleased to maintain the dividend recommendation of 20% on Subscribed Share Capital as on 31st March, 1999, 7th 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, 1999.

4. OPERATION :

GREY FABRICS : The production of Grey Fabrics in the weaving division increased from 31.55 Lacs metres to 37.21 Lacs metres registering a growth of 17.94% over the previous year. The Company has been regularly changing its product design and product mix to control the cost and to suit the change in customers demand.

SPUN YARN : The backward integration programme which was started in the year 1994-95 has been progressing smoothly. The production of Spinning Division is mainly used for captive consumption. The sales of spun yarn registered during the year 1998-99 was Rs. 17.11 Crores as against Rs. 13.06 Crores in the previous year, which represented a growth of 31% over the previous year.

TRUE VALUE : The Company product "KSL-TRUE VALUE" is fairing well even in difficult market conditions. The Company has introduced various superfine quality suitings made of viscose polyester blend fibre under its brand name "True Value" and the results are encouraging.

5. TURNOVER & PROFITABILITY :

The general recessionary trend in the textile industry continued, thereby adversely affecting demand for textile products, both in the local and international markets.

Your Company however, achieved a turnover of Rs. 5041.52 Lacs as compared to Rs. 4345.55 Lacs recorded in the previous year, registering a growth of 16.01%.

The overall increase in input cost, severe competition, increase in depreciation and rise in cost of finance has put extra pressure on already constrained margin and profitability of the Company.

The net has gone down to Rs. 104.49 Lacs as against Rs. 130.16 Lacs recorded in the previous year.

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 :

During the year under review, the Export House status continued. The Company enjoyed all the concessions and benefits attached to Export House status.

7. EXPORTS :

The textile export remained in bad shape for three years in succession. The industry which has been a major foreign export earner, has been confronted with cut throat competition in the Global/International market. The devaluation of currency of South East Asian countries made their products cheaper and competitive in the Global market.

Your Company's Export registered during the Financial year at 526.35 Lacs as against Rs. 618.72 Lacs in the previous year which was lowered by 14.92%..

8. ACQUISITION OF FIXED ASSETS :

During the year under review the Company acquired additional assets worth Rs. 169.84 Lacs including 1728 spindles (purchased from Jeets Tex1152 Spindles and Laxmi Machines Works 576 Spindles worth Rs. 23.36 Lacs and Rs. 13.75 Lacs) worth Rs. 37.11 Lacs, enhancing the installed capacity of Spindles from 8064 to 9792. The increase in capacity of Spindles will have net effect on production and profitability of the Company.

9. LISTINGS :

The Equity Shares of the Company are listed in Mumbai, Ahmedabad, Jaipur and Hyderabad Stock Exchanges. The Shares of the Company are not delisted for want of Annual Payment Listing Fee 1999-2000.

10. Y2K COMPLIANCE :

The softwares and hardwares of the Company are fully Y2K compatible. The Company's production, sales and distribution and its accounting softwares will not be affected by year 2000 bugs and all activities will be carried out safely.

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 1998-99.

14. INSURANCE :

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

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15. HUMAN RESOURCE DEVELOPMENT :

Your Company has completed Twelfth Year of its cordial relation with employees, since it is giving continuous importance on development of Human Resources. Human Resource Development activities involved motivation through job enrichment and enlargement, fixed remuneration with productivity incentives and welfare programme.

16. DIRECTORS :

Mr Vijay Kumar Goenka retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr G A Sompura, Nominee - Director GLIC (Gujarat Industrial Investments Corporation Ltd.) ceased to be Director of the Company w.e.f. 28.04.99 as the Company successfully repaid Rs. 150 Lacs Term Loan taken from GLIC. The Board placed on record their gratitude for the valuable services and co-operation received from Mr G A Sompura during the tenure of his Directorship.

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.

Place : Mumbai

Dated : 18th June, 1999

For KAMADGIRI SYNTHETICS LIMITED

Pradip Kumar Goenka
 Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required 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

1. Electricity :

a) Purchased:

| | <u>Current Year</u> | <u>Previous Year</u> |
|---|---------------------|----------------------|
| Units | 3334698 | 4266480 |
| Total Amount (Rupees) | 13649728 | 15031599 |
| Rate per Unit (Average rate in Rs.) | 4.09 | 3.52 |
| b) Own Generation Through D. Generator : | | |
| Quantity (Litres) | 1105600 | 348000 |
| Total Cost (Rupees) | 10115080 | 2900181 |
| Average rate (in Rs. per Litre) | 9.15 | 8.33 |

2. Technology absorption :

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

