

KAMADGIRI SYNTHETICS LTD.

The Mill of the 21st Century



14th Annual Report - 2001

BOARD OF DIRECTORS	Pradip Kumar Goenka Vijay Kumar Goenka Lalit Kumar Goenka Basanti Lal Jain	Chairman & Managing Director Joint Managing Director Whole-time Director Executive 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, Singhania Wadi, 187, Dadiseth Agiary Lane, Mumbai - 400 002.	
PLANT	31/3, Ganga Devi Road, Umbergaon - 396 171. Dist. - Valsad (Gujarat)	

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CHAIRMAN'S NOTE

Dear Shareholders,

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

BUSINESS AND INDUSTRIAL ENVIRONMENT:

Economic survey and corporate results shows slump in economic growth in comparison with the growth figure of the corresponding period of the previous year. The Industry wise growth especially in the textile industry was not significant as the demand for textile products dwindled. The implementation of GATT agreement, removal of quantitative restrictions, putting more than 700 products reserved for SSI on OGL will put Indian industry on tenter-hook. The Indian industry should learn ABC of quality control, cost control, development of brands, and invest continuously on research and development to survive competition from superfine quality products of advanced countries.

To keep pace with the development in the industry world over, your company is continuously upgrading technology or technological based machinery, product designs, product mix, saving on power consumption etc.

GOVERNMENT POLICIES:

The decrease in corporate tax on payment of dividend from 20% to 10% was a welcomed feature of the budget but imposing of the excise duty @ 16% on ready-made garments both branded and unbranded was not digested by the industry. There has been protest from the nook and corner of India on said imposition of excise duty. The company's finished products become raw materials for the garment industry. The imposition of excise on the garment industry will have repercussion on the sales of the company.

The policies envisaged by the Govt. in the previous year's budget to tax service industry especially I.T. industry by phasing out 100% tax deduction available on profit earned from export of goods shall continue, which will also constrain export margin of small exporters of products like fabrics.

The renaming of MODVAT into CENVAT and generalization of excise duty will benefits certain industry which were earlier paying high excise duty.

The textile have not been much focused by the budget 2001-2002 but the Textile Minister has announced sops for the industry by way of availability of cheap and readily available finance for modernisation and rationalisation. The textile industry has been largest foreign exchange earner of our economy and our country is the pioneer in cotton production and cotton made fabrics. The government should initiate all possible measures to ensure that the oldest Indian industry survives and sickness of the industry rooted out by better budgetary provision in the coming financial years.

PERFORMANCE APPRAISAL:

Operation

The economic slow down has its effect on the sales and turnover of the company which was remain stagnant at Rs. 5696.39 Lacs. The profit before tax was at Rs. 81.89 Lacs. The sales registered during the financial year decrease by 1.08% and the profit after tax reduced by 24.84%.

Exports

During the Financial Year 2000-2001 your company's export division registered sales of Rs.566.83 Lacs up by 26.81%. Your company has initiated several export promotion measures to increase exports.

Brand Equity

Your company consistently following strategies to improve brand image and taking continuous help of the media (audio-visual) to increase its popularity.

The future of the market is electronic market with both shopping and purchasing will take place electronically through internet. The system of e-commerce either B2B or B2C will outweigh physical sales or purchase with better logistic support and cut down the cost of purchase by atleast 25 to 30%. Your company does not want to lag behind, and intend to adopt to systems to derive benefits of change in technology. Your company intend to develop a web site and display its products on web server to be browsed by the prospective buyers.

Financial Performance

Profitability from operation reduced by 24.84% to Rs.73.45 Lacs in Financial Year 2000-2001.

The Debt: Equity Ratio stood at 2.84:1 in Financial Year 2000-2001 as against 2.67:1 in the previous Financial Year 1999-00.

Dividend

Your Board has maintained consistency by recommending dividend @ 20% for the year ended 31st March, 2001, 9th year in a row.



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Shareholders Value

The Earning per Share decreased from Rs. 3.25 to Rs. 2.44 and Book Value Per Share grew from Rs.37.38 to Rs.37.85. The market price of the company's share was decreased to Rs.15 per share from Rs.27 mainly due to low volume of trading and difficult market condition.

THE FUTURE:

I am optimistic about better performance in the current financial year 2001-02. The trend of gradual growth and development shall continue unless unforeseen circumstance struck or hamper it. The first quarter results ending 30th June, 2001 was satisfactory but not commendable.

Your management is committed to lay emphasis on new, innovative product mix, design, blended fabrics and better product line, maximum utilization of capacities, cost reduction, economies of scale to bring in positive change in turnover and profitability of the company.

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.

For KAMADGIRI SYNTHETICS LTD.

Place: Mumbai
Dated: 27th July, 2001

Pradip Kumar Goenka
Chairman & Managing Director



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NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of the **KAMADGIRI SYNTHETICS LIMITED** will be held on Monday the 27th day of August, 2001 at 10.30 a.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, 2001 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 retire 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.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications the following as an Ordinary Resolution :

"RESOLVED THAT in partial modification of the Resolution passed in the Tenth Annual General Meeting held on 27.08.97 consent of the company be and is hereby accorded to under Section 310 and other applicable provisions of the Companies Act, 1956 ("the Act") to an increase in the remuneration payable to Shri. Pradip Kumar Goenka, Managing Director, with effect from 1st April, 2001 until the expiry of the tenure of his appointment i.e. 26th August, 2002, on such terms and conditions as set out in the revised agreement dated 27th July, 2001 between the company and Shri. Pradip Kumar Goenka, a copy whereof initialled by the Director for the purposes of identification is placed before this meeting, with liberty to the Board of Directors of the company ("the Board") to alter and vary such remuneration, subject to the overall ceiling specified in part II of Schedule XIII of the Companies Act, 1956 read with Sections 198,309, and other applicable provisions of the said Act or any amendments thereto or re-enactment thereof as may be agreed between the Board and Shri. Pradip Kumar Goenka".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts, deeds, matters and things necessary, desirable or expedient for giving effect to this resolution."

By Order of the Board of Directors

Regd. Office :

10, Singhania Wadi, 187, Dadiseth Agiary Lane,
Mumbai - 400002.

Place : Mumbai.

Dated : 27th July, 2001

Pradip Kumar Goenka

Chairman & Managing Director.

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. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Item no. 5 of the Notice is annexed hereto.
4. 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, 2001.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, 24th August, 2001 to Monday, 27th August, 2001. (both days inclusive.)
6. 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, 1998-99 will be transferred to the Central Government - Investors Education & Protection Fund A/c 7 year after the date of declaration. Members who have not encashed their dividend warrants for the aforesaid period are requested to claim the same from the Company before it is transferred to Investors Education & Protection Fund.
7. 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.



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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.5

At the Tenth Annual General Meeting held on 27th August, 1997 the members' had accorded their approval and consent to the remuneration payable to Shri. Pradip Kumar Goenka, Managing Director, with liberty to the Board of Directors ("the Board") to alter and vary such remuneration within the limits specified in Part II of Schedule XIII to the Companies Act, 1956 ("the Act") or any amendments thereto, as may be agreed to by the Board and Shri. Pradip Kumar Goenka, Managing Director.

By notification No. 215(E) dated 2-3-2000 the Central Government has amended Schedule XIII to the Act, thereby revising the limits of minimum remuneration payable to Managerial personnels and removing restriction on the nature and quantum of remuneration payable by the company so long as the remuneration paid or payable during the Financial Year was within the limits laid down under Section 198 of the Act.

The Board at its meeting held on 27th July, 2001 resolved that subject to the overall ceiling specified in the Schedule XIII and Section 198 and 309 of the Act, and the approval of the shareholders in General Meeting, the remuneration payable to Shri. Pradip Kumar Goenka, Managing Director be varied for the residual period of his service as set out below with effect from 1st April 2001.

1. Salary : Salary in the scale of Rs. 13,500-1,500-16,500.
2. Perquisites : The perquisites payable to the Managing Director are listed below, however such perquisites and allowances will be subject to a ceiling of maximum of 125% of the salary of the Managing Director.

Category A

1. Housing :
 - a) The expenditure incurred by the company on hiring unfurnished accommodation for the Managing Director will be subject to ceiling of 60% of the salary over and above 10% payable by the Managing Director which shall be deducted by the company.
 - b) In case the managing Director is provided accommodation owned by the company, 10% of the salary of the Managing Director shall be deducted by the company.
 - c) In case no accommodation is provided by the company, the Managing Director be entitled to house rent allowance to the ceiling laid down in (a) above.

Explanation I : The expenditure on incurred by the company on gas, electricity, water and furnishing will be valued as per the Income-tax Rules 1962 subject to the ceiling of 10% of the salary.

2. Medical Expenses Reimbursement : Reimbursement of Medical and surgical expenses actually incurred for the self and family, subject to a ceiling of one month salary per year or three months salary in a block of three years.
3. Leave travel Concession : For self and family once in year in accordance with the rules of the company.
4. Club Fees : The Managing Director shall be entitled to draw fees of two clubs but excluding admission and life membership fee.

Explanation II : For the purpose of the Section II family means the spouse, dependent children and dependent parents.

Category B :

1. Provident fund and superannuation fund Gratuity and leave encashment at the end of the tenure :
Company's contribution to provident fund, super annuation fund or annuity fund, gratuity and encashment of leave at the end of tenure will not be included in computation of the ceiling of remuneration specified in paragraph I of Section II of Schedule XIII.
Gratuity : Gratuity payable at a rate not exceeding half month salary for each completed year of service subject to a ceiling of Rs. 3,50,000/-.

Category C :

1. Car and telephone : The company shall provide a car on company's business and telephone at residence and these shall not be considered as perquisites, personal long distance calls if any on telephone and use of car for the personal purpose shall be billed by the company to the Managing Director.
2. Leave : Leave with full pay and allowance at the rate applicable to the senior executive of the company but normally not exceeding one month leave for every 11 months of service.
3. Reimbursement of entertainment expenses :
The Managing Director shall be entitled to reimbursement of actual entertainment expenditure incurred by him in connection with the business of the company.

Explanation III : For the purpose of calculating the above ceiling perquisite and allowances shall be evaluated as per Income tax & rules, wherever applicable. In the absence of such rules, perquisites and allowances shall be evaluated at actual cost.

The revised agreement dated 27th July, 2001 entered between the company and Shri. Pradip Kumar Goenka, Managing Director has been kept for inspection of the members' at the Registered Office of the company at 10, Singhania wadi, 187 Dadiseth Agiary Lane, Mumbai-400 002 between 11.00 a.m. to 1.00 p.m. on all working days.

Your Directors' recommend payment of increased remuneration to Shri. Pradip Kumar Goenka, Managing Director for the residual tenure of his office.

Shri Pradip Kumar Goenka is interested or concerned in this resolution.

Shri. Vijay Kumar Goenka a relative of Shri. Pradip Kumar Goenka shall deemed to be interested or concerned in this resolution.

None of other Directors is interested or concerned in this resolution

By Order of the Board of Directors

Regd. Office :
10, Singhania Wadi, 187, Dadiseth Agiary Lane,
Mumbai - 400002.

Place : Mumbai.
Dated : 27th July, 2001

Pradip Kumar Goenka
Chairman & Managing Director.



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DIRECTORS' REPORT**To,****The Members,**

Directors' have pleasure to present performance and future plans through Fourteenth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2001.

1. FINANCIAL EVALUATION OF PERFORMANCE :

1. The statement of Accounts shows Turnover of Rs. 5696.39 Lacs (Rs. 5758.89 Lacs in previous year) and Pre-tax cash profit of Rs. 277.11 Lacs (335.45 Lacs) and after providing non cash expenses of Rs. 195.22 Lacs (215.72 Lacs) Taxation Rs. 7.00 Lacs (22.00 Lacs), Net profit is Rs. 73.45 (97.73 Lacs). The details of which are as follows :

	(Rs. in Lacs)	
Year Ended March, 31	2001	2000
Turn over	5696.39	5758.89
Profit Before Depreciation & Tax	273.73	332.07
Provision for Depreciation	191.84	212.34
Profit Before Taxation	81.89	119.73
Prior period adjustment	(1.44)	0.00
Provision for Taxation	7.00	22.00
Profit After Tax	73.45	97.73
Cash Profit	277.11	335.45

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

Year Ended March, 31	2001	2000
Net Profit	73.45	97.73
Balance of Profit and Loss Account brought forward from previous year	155.47	145.54
Disposable Profit	228.92	243.27
Appropriation :		
Interim Dividend	00.00	30.00
Dividend tax on Interim Dividend paid	0.00	3.30
Proposed Dividend	60.00	30.00
General Reserve	5.76	17.90
Dividend tax on Proposed Dividend	6.12	6.60
Leaving Balance to be carried over to next year	157.04	155.47

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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, 2001, 9th year in a row. The Dividend if approved at the forthcoming Annual General Meeting will be paid to all those equity shareholders whose names appeared in the Register of Members as on 27th August, 2001.

4. OPERATION :

GREY FABRICS : The production of Grey Fabrics in the weaving division decreased to 34.17 Lacs meters from 42.43 Lacs meters recorded in the previous year which constituted an decrease by 19.46 %. The company has been regularly changing its product design, product mix to control the cost and to suit the change in customers demand.

SPUN YARN : The sales of spun yarn registered during the year 2000-2001 was Rs. 22.57 Crores as against Rs. 21.49 Crores in the previous year which represented a growth of 5.02 % over the previous year.

TRUE VALUE : The Company's product "KSL-TRUE VALUE" is doing well with active support from marketing department. The efforts are being made to make it a popular brand through advertising Campaign.

5. TURNOVER & PROFITABILITY :

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

Your company however, achieved a turnover of Rs.5696.39 Lacs as against Rs.5758.89 Lacs resulting a decrease by 1.08%.

The overall increase in input cost, severe competition, 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. 73.45 Lacs as against Rs.97.73 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 organization in getting sufficient resistance power to defeat destabilizing factors such as over production, depression, operational losses etc.

6. EXPORTS :

The textile export remain in bad shape for many years in succession. The industry which has been major foreign export earner has been confronted with cut throat competition in the global/ international market.

The Company's exports registered during the Financial Year at 566.83 Lacs as against Rs. 446.96 Lacs in the previous year which was jumped by 26.81%.

7. ACQUISITION OF FIXED ASSETS :

During the year under review Company acquired additional assets worth Rs. 212.22 Lacs including 2304 spindles thereby enhancing the installed capacity of Spindles from 10368 to 12672. The increase in capacity of spindles will have net effect on production and profitability of the company.

8. LISTING:

The Equity Shares of the Company are at present listed on Bombay Stock Exchange other than Bombay Stock Exchange Equity Shares of the Company were listed at Ahmedabad, Hyderabad and Jaipur Stock Exchanges.

Your company has sought voluntary delisting from 3 Stock Exchanges other than Mumbai effective from 31.3.2000. In response to the delisting application your company has obtained delisting permission from Jaipur, Ahmedabad and Hyderabad Stock Exchanges vide their letters No. JSEL/2000/3061 dated 3rd July, 2000, No. 2187/2000 dated 22-9-2000 and No. HSE : LIST : 01:2912 dated 27-1-2001 respectively.

The Annual Listing fee for the Financial Year 2001-2002 has been paid to Bombay Stock Exchange.

9. VOLUNTARY DELISTING OF COMPANY'S EQUITY SHARES FROM AHMEDABAD, HYDERABAD AND JAIPUR STOCK EXCHANGES:

As the listing fees paid to Ahmedabad, Hyderabad and Jaipur Stock Exchanges were not having any cost benefit for the listing facility to the Company. The shares of the company were not traded actively on those stock exchanges. In view of the those valid reasons your company had obtained voluntary delisting of its equity shares from said stock exchanges.

10. DEMATERIALISATION OF SHARES :

Your company voluntarily dematerialise its shares by entering into agreement with National Securities Depository Limited (NSDL) w.e.f. 8th December, 2000 to facilitate holding and trading of security in electronic form. The ISIN allotted to the company is INE535C01013.

The BSE (Bombay Stock Exchange) vide their circular dated 30th March, 2001 advised all companies of B2 group to sign agreement with both



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depositories latest by 30th April, 2001 which was extended to 30th June, 2001 to avoid shifting of the scrip to trade to trade basis.

In response to the circular, the company has also joined the Central Depository Services Limited (CDSL) by entering into tripartite agreement with Central Depository Services Limited (CDSL) on 17-5-2001.

Since the date of joining depository 14,37,300 of shares have been dematerialized.

11. APPOINTMENT OF REGISTRAR AND SHARE TRANSFER AGENT :

Your company has appointed M/S Sharex (India) Private Limited as Registrar for electronic connectivity of NSDL and CDSL as well as physical transfer work w.e.f. 23-12-2000. The members of the company are requested to correspond with the Registrar in respect of all matters including dematerialization of the shares. The address of the Registrar is given below :

Regd. Office : Sharex (India) Private Limited

17/B Dena Bank Bldg.,

2nd Floor, Horniman Circle, Fort, Mumbai-400 001.

Tel : 022-2702485/2641376 Fax : 022-2641349

E-mail : shrexindia@vsnl.com

Branch Office : Unit No. 1, Luthra Industrial Premises,

Andheri Kurla Road, Safed Pool,

Andheri (E), Mumbai - 400 072.

Tel. : 022-8515606/44 Fax : 8512885

12. CORPORATE GOVERNANCE :

The development of the capital market is dependent on good corporate governance and hence there is need of setting up of high standard of corporate governance.

The code of corporate governance will apply to your company w.e.f the Financial Year 2002-03, however your Board has initiated certain measures to comply with code from now onward.

13. COST AUDIT :

Your company received an order from Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Cost Audit branch, New Delhi, in pursuance of Section 209 (1) (d) of the Companies Act, 1956 to maintain cost accounting records in respect of manufacture of textiles. In response of the said order, your Company has appointed Ms. Ketki D. Visariya, Cost Accountant, Mumbai subject to approval of Central Govt. as Cost Auditors' for the Financial Year 2000-2001 and 2001-2002.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

15. PARTICULARS OF EMPLOYEES :

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

16. FIXED DEPOSITS :

The Company has not accepted any fixed deposits from public during the Financial Year 2000-2001.

17. INSURANCE :

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

18. HUMAN RESOURCE DEVELOPMENT :

The Company has completed Fourteenth 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 & enlargement, fixed remuneration with productivity incentives and welfare programme.

19. DIRECTORS:

Shri. Vijay Kumar Goenka retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.



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