

katara spg. mills limited

19th ANNUAL REPORT

1998-99



ॐ नमो देव्यै महादेव्यै शिवायै सततं नमः ॥
नमः प्रकृत्यै भद्रायै नियताः प्रणताः रम ताम् ॥

KATARE SPINNING MILLS LIMITED

19th ANNUAL REPORT AND ACCOUNTS 1998 - 99

BOARD OF DIRECTORS

| | |
|-------------------------|------------------------------|
| Shri. T. T. Katare | Chairman & Managing Director |
| Shri. K. T. Katare | Executive Director |
| Shri. V. T. Katare | Whole Time Director |
| Shri. S. T. Katare | Director |
| Shri. V. V. Mahindrakar | Director |

COMPANY SECRETARIES

M. J. Risbud & Co., Pune.

AUDITOR

S. M. HIREMATH
Chartered Accountant
257-A, Sakhar Peth,
Solapur - 413 005.

MILL

Kamalanagar, Tamaiwadi.
Tal. Tuljapur Dist. Osmanabad

HOTEL TRIPURSUNDARI

Civil Lines, Solapur

REGISTERED OFFICE

"KAMALA"
259, Sakhar Peth,
Solapur - 413 005.

BANKERS

Bank of India,
Main Branch, Solapur.

FINANCIAL INSTITUTIONS

Industrial Credit & Investment Corporation of India Ltd.

KATARE SPINNING MILLS LIMITED**Reg. Office : "Kamala", 259 Sakhar Peth, Solapur****N O T I C E**

Notice is hereby given that 19th Annual General Meeting of the Shareholders of Katare Spinning Mills Limited will be held on Thursday the 30th day of September 1999 at 10.30 a.m. (I.S.T.) at C-2, MIDC, Akkalkot Road, Solapur-413006, to transact the following :

ORDINARY BUSINESS :

1. To adopt the audited Profit & Loss Account of the Company for the year ended 31st March 1999 and the Balance Sheet of that date and to consider the report of the Auditors and Directors thereon.
2. To appoint Director in place of Shri. S. T. Katare who retires by rotation and being eligible offers himself for re-appointment.
3. 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 :

4. To consider and if thought fit to pass with or without modifications the following as an Ordinary resolution.
 "RESOLVED THAT pursuant to the provisions of Sections 269 and 309 read with Schedule XIII and such other applicable provisions, if any, of the Companies Act 1956 and subject to any other provisions as may be applicable the consent of the members of the Company be and is hereby accorded to the appointment of Mr. V. T. Katare as Whole Time Director of the Company to look after Hotel Division for a period of 5 (five) years w.e.f. 1-10-98 on the following terms and conditions. :
 - a) Remuneration : Rs. 7000/- per month plus other benefits under the law.
 - b) Perquisites : a) HRA 5% on Gross Salary.
 b) Service charges as per company rules applicable to Hotel Division.
 - c) In the year in which the Company has no profits or its net profits as calculated under sections 349 and 350 of the Act are inadequate then, subject to the provisions of Schedule XIII the appointee may be paid the above remuneration by way of salary allowances, perquisites, commission as minimum remuneration not exceeding in total the amount of minimum remuneration as mentioned in Section II (1) of Schedule XIII as per the effective capital of the Company with the following perquisites which shall not be included in the remuneration specified above : -
 - d) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income - tax Act, 1961.
 - e) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and (iii) encashment of leave at the end of the tenure.

By order of the Board of Directors,

Solapur,
August 20, 1999

(T. T. KATARE)
Chairman & Managing Director

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business is enclosed herewith and forms part of this Notice.
3. The Register of Members and Transfers of the company shall remain closed from Thursday 23rd September 1999 to Thursday 30th September 1999. (Both days inclusive)
4. The Shareholders are requested to intimate change, if any, in their addresses registered with the Company.
5. The Company has transferred unclaimed dividends up to the financial year 93-94 to the General Revenue Account of the Central Government pursuant to section 205 (a) (5) of the Companies Act, 1956. Necessary intimation under Rule 4 A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 regarding above transfer was given to the concerned Shareholders every year. The Shareholders who wish to claim the dividend may directly approach Registrar of Companies PMT Building, 3rd Floor, Deccan Gymkhana, PUNE - 411 004. (The registration number of the Company is 22962)

The Unclaimed Dividend for the year 1995 has been transferred to a separate account. Those shareholders who have not yet claimed the same, are requested to approach the Company for the same. As per the amended provisions of the Companies Act, 1956, henceforth the unclaimed dividend shall be transferred to 'Investors' Education and Protection Fund after a period of seven years.

EXPLANATORY STATEMENT PURSUANT TO SEC. 173 (2) FOR SPECIAL BUSINESS :

The Company after successfully managing its main business of Spinning Mill, has diversified into Hotel Division as approved by the shareholders at their meeting held on 29-12-1987. The hotel project was completed with the help of Managing Director and Executive Director and commenced w.e.f. 20-03-1997. However for running the division on day to day basis it was thought fit to appoint Mr. V. T. Katare as Whole Time Director to look after the said division independently. Accordingly at its Board Meeting held on 20-08-1998, the matter was considered by the Board. However since all the directors were interested in the subject being relative of Mr. V.T. Katare, the matter has been put forward before the general meeting for approval.

The necessary agreement with the said appointee would be executed if required and if approved by the members and the terms and conditions as above to be treated as extract of the said agreement when executed.

By order of the Board of Directors,

Solapur,
August 20, 1999

(T. T. KATARE)
Chairman & Managing Director

KATARE SPINNING MILLS LIMITED

Reg. Office : "Kamala" 259 Sakhar Peth, Solapur

DIRECTOR'S REPORT

To,
The Shareholders,

The Directors hereby present the 19th Annual Report together with the Audited Statement of Account of the Company for the year ended on 31st March 1999.

FINANCIAL RESULTS :

| | Rs. in lacs 1998-99 | Rs. in lacs 1997-98 |
|--|------------------------|------------------------|
| Turnover | <u>1,922.95</u> | <u>2,142.65</u> |
| Profit before Interest and Depreciation and Taxes | (-) 70.00 | 168.71 |
| Less : Interest | 190.01 | 137.60 |
| Less : Depreciation | 82.20 | 66.34 |
| | <u>(-) 202.21</u> | <u>(-) 35.23</u> |
| Less : Provision for Taxes | --- | --- |
| Profit (Loss) after Taxes | (-) 202.21 | (-) 35.23 |
| Add : Adjustment of previous year | --- | (0.92) |
| Add : Balance brought forward from previous year | 61.34 | 97.49 |
| Balance of the loss (-) / Profit carried over | <u>(-) 140.87</u> | <u>61.34</u> |

During the year under review, the industrial climate continued to be difficult. The recession in the Indian industry commenced in 1996 continued to take its toll in 1998-99. The recessionary conditions affected on growth of both the industry and business.

During the year the company has recorded, the total income of Rs. 1922.95 lacs (previous period Rs. 2142.65 lacs). The net loss after tax at Rs. 202.21 lacs (previous period net loss Rs. 35.23 lacs)

The Managing Director and Executive Director of Company who are entitled to a salary of Rs. 15,000/- and Rs. 14,000/- respectively plus allowance due to Company incurred a loss, they drew a salary of Rs. 500/- each per month from October, 1998.

THE DIVISION WISE PERFORMANCE IS PRESENTED BELOW :

Figures in lacs

| | <u>Spinning</u> | <u>Hotel</u> |
|---------------------------------------|------------------------|---------------------|
| Production | Kgs. 22.30 | --- |
| Annual Income | Rs. 1795.38 | 127.57 |
| Profit before interest & Depreciation | Rs. 59.11 | 10.89 |
| Interest | Rs. 80.61 | 109.40 |
| Profit after Interest | Rs. (-) 21.50 | (-) 98.51 |
| Depreciation | Rs. 58.37 | 23.83 |
| Balance of profit of the year | Rs. <u>(-) 79.87</u> | <u>(-) 122.34</u> |

SPINNING DIVISION

In the Spinning Division, due to continuing sluggish demand to our product by the major end users who are the local manufacturers of towels, chaddars and bed spreads, are badly affected by the recession which lead to lower production and moreover affected on the price realisation. These factors coupled with an increase in various input costs adversely affected on the operations of the company.

The management has taken several steps to consolidate operations during the current year. Detailed exercises were carried out unitwise to review operation costs and several measures were introduced to effect streamline the procedure. The benefits of these measures would however materialise in phases over a period of two years. Given external and internal political instability, it will, however, be difficult to anticipate a substantial growth immediately in the years to come.

HOTEL DIVISION

The year under review is the second year of operation of the Hotel Division. In spite of recession, this division is able to maintain a marginal growth. The higher burden of interest has adversely affected the profitability of the Company. Despite the loss of the year under review the performance of this division for the current year is indicative of encouraging results.

DIVIDEND :

In view of the loss suffered by the Company during the period under report the Directors have decided not to recommend any dividend.

DISINVESTMENT IN THE RAYALASEEMA MILLS LTD :

As per the decision taken earlier in the previous year the phase wise disinvestment is in progress.

INSURANCE :

All the properties of the Company have been adequately insured against fire and all other risks.

CONSERVATION OF ENERGY ETC. :

Information pursuant to Section 217 (1) (e) & (2A) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and forms parts of this Report.

AUDITOR'S OBSERVATION :

With reference to the observation made by the Auditors in their report, the Directors wish to state that these are self explanatory and hence do not require any further comments. Regarding balance confirmation, steps are taken to collect it.

AUDITOR :

Shri S.M. Hiremath Chartered Accountant, Solapur existing Auditor of the Company retires at the ensuing Annual General Meeting and is eligible for reappointment.

DIRECTORS :

Shri S.T. Katare Director retires by rotation and being eligible offer himself for reappointment. Mr. V.T. Katare is looking after Hotel Division and his appointment as wholetime Director with remuneration is included in the Notice.

PARTICULARS OF EMPLOYEES :

There is no employee drawing such remuneration requiring disclosure u/s 217 (2A) of the companies Act 1956 and rules made there under as amended upto date.

Y2K COMPLIANCE

The Company has already upgraded its computer systems and software to take care of the year 2000, and Company do not envisage and contingencies in that respect.

CONCLUSION :

The directors wish to thank Financial Institutions and the Company's Bankers for all the assistance and encouragement that they have extended to the Company. The Directors are sure that the Shareholders will wish to join them in extending their warm appreciation coupled with all Employees of the Company to the Management.

On behalf of the Board of Directors

Solapur,
August 20, 1999

(T. T. KATARE)
Chairman & Managing Director

ANNEXURE 1

Information pursuant to Section 217 (1) (e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rule 1988 forming the part of Director's Report.

- A. a) **Energy Conservation taken :**
- Switching off unwanted lights.
 - Use of natural lights as far as possible.
 - Humidification plants not operated during favourable climatic conditions.
 - The Company has installed latest developer VPS Devices to Ring Frame Dept. Due to this installation the Company is getting about 7% Power saving in Ring Frame Dept. Also Company has introduced synthetic spindle tape in Ring Frame Dept. Because of this installation the slippages has come down and Company is getting about 5% Power Saving.
 - The Company has replaced HDP Ring Tubes and introduced light weight ABS Tubes for Ring Frame. Because of this the Company is getting more Yarn contents and about 1.5% power saving in the power consumption.
- b) Additional investment and proposal, if any being implemented for reduction of consumption of energy. The management is actively considering different areas viz.
- Solar Power Panel.
 - Change in Humidification Plant (Cell Type Air Washer) with the help of ATIRA where power can be saved and
 - Installation of appropriate energy saving devices.
 - Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.

The above measures will save energy and to that extent the cost of goods produced will be reduced.

e) **FORM "A"**A) **POWER & FUEL CONSUMPTION**

| | | Current Year | Previous Year |
|----|-------------------------------------|-----------------|------------------|
| 1) | Electricity | | |
| a) | Purchased Units | 60,39,669 | 62,53,110 |
| | Total Amount Rs. | 2,30,17,801 | 2,21,06,709 |
| | Rate Unit Rs. | 3.81 | 3.54 |
| b) | Own Generation | | |
| | Throught Diesel Generator Unit | 44,912 | 24,344 |
| | Per litre of diesel Oil | 3.65 | 3.6 |
| 2) | Coal Quantity | NIL | NIL |
| B) | Consumption of Unit of Production | | |
| | Production of Yarn M. T. | NIL | NIL |
| | Electricity Units per M. T. | NIL | NIL |
| | Coal per M. T. of Production : Kgs. | | |

FORM " B "**RESEARCH & DEVELOPMENT**

| | | |
|----|--|--|
| 1. | Specific Areas in which R & D Carried out by the company | <p>i) R & D carried out to increase the strength of the yarn for better weaving results and to supply fault - free and improved quality of yarn for Auto Looms.</p> <p>ii) Several steps have been taken to reduce and product faults and breakage and waste percentage.</p> |
| 2. | Benefits derived as result R & D carried out by the company. | Reduction in cost output, improvement in quality introduction of , new varieties of yarn better marketability. |
| 3. | Future plan of action | The above activities shall continue and more effects in this direction will be made. Appropriate testing machines and other suitable equipment are going to be added. |
| 4. | Expenditure on R & D A) Capital Rs. 3,07,451.00 B) Recurring Rs. 3,07,451.00 C) Total Rs. 3,07,451.00 D) Total R & D expenditure Technology absorption adaptation & innovation | The separate division has been established to act above activities and the expenditure is merged with the various expenses |
| 1. | Effort in brief towards technology absorption adaptation and innovation. | The plants are based on indigenous technology. Every effort is made to know the latest development in technology in India as well as abroad. Latest machines like Rotors are installed in place of Ring Frames as far as possible within permissible financial resources. |
| 2. | Benefits derived as a results of above efforts e.g:output, improvement, cost reduction, production,development import substitution. | After adaption of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products. |
| 5. | Details of Imported Techonology | No Technology has been imported during the last 5 years |
| C. | Foreign Exchange Earning and outgo | NIL |

On behalf of the Board of Directors

(T. T. KATARE)

Chairman & Managing Director

Solapur,
August 20, 1999