

katara spg. mills limited

21st ANNUAL REPORT
2000-2001



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

KATARE SPINNING MILLS LIMITED

21st ANNUAL REPORT AND ACCOUNTS 2000 - 2001

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

AUDITOR

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

MILL

Kamalanagar, Tamalwadi.
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 21st Annual General Meeting of the Shareholders of Katare Spinning Mills Limited will be held on Saturday the 29th day of September 2001 at 10.00 a.m. (I.S.T.) at C-2, M.I.D.C., 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 2001 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. V. 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.

By order of the Board of Directors,

Solapur,
August 20, 2001

(T. T. KATARE)
Chairman & Managing Director

NOTES :

1. 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. The Register of Members and Transfers of the company shall remain closed from Saturday 22nd September 2001 to Saturday 29th September 2001. (Both days inclusive)
3. The Shareholders are requested to intimate change, if any, in their addresses registered with the Company.
4. 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.

KATARE SPINNING MILLS LIMITED

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

DIRECTOR'S REPORT**Dear Shareholders,**

The Directors hereby present the 21st Annual Report together with the audited statement of account of the Company for the year ended on 31st March 2001.

TEXTILE INDUSTRY

The recessionary trend in the economy continued during the year also. The Textile Industry witnessed the year of 2000-2001 as a worst year ever since in the last 30 year's of history of Textile Industry and this condition is worsening day by day. As per the Govt. statistics the number of Textile Mills closed down at end of March 1999 were at the number of 313 and this went to 387 by 31st March 2001, which comprised of 265 spinning units and 122 composite mills. Moreover, 40% of the total power-looms were closed down resulting into excess supply of yarn over demand. The closer of the aforesaid textile mill of 387 units and 40% power looms resulted into reduction in capacity of textile industry by 94.32 lacs Spindles, 47022 Rotors and 69270 Power Looms. Besides this, 122 Govt. NTC Mills are in the last breathing condition and some are working with lower capacity utilization of hardly 15% to 35%. The unemployed problems has further scaled up by adding 31.46 lacs unemployed workers due to closer and bad condition of the textile industries. Though the Central Govt. has launched textile technology upgradation scheme earmarking a fund of Rs. 25000 crores at concessional interest rate. there is no response from the existing textile mills due to deficiency in demand, higher cost of production, mainly contributed by power input and duties and also high capital cost.

SOLAPUR (LOCAL) MARKET

The basic object of setting up your Company was to cater the needs of yarn of the local chaddar and towel manufacturers. With this object your Company had successfully implemented the project and supplied 100% production of the Company to the aforesaid manufacturers for last 17 years. As the scenario of the local market has drastically changed due closer of 75% local power looms and most of the remaining power loom owners are financially in bad shape, your Company is therefore bound to change it's marketing strategy by searching new market for Company's product. Accordingly the Company is now supplying it's product in new markets other than local with change in product-mix in order to fulfill the needs of this new markets and expected favourable results.

OPERATION**SPINNING DIVISION**

During the year under review the Company achieved turnover of Rs. 2348.95 lacs as against Rs. 2164.01 lacs relating to the previous year in the yarn spinning division. The reasons of loss for the year under review of Rs. 153.93 lacs against Rs. 139.07 lacs for the previous year were the same as in the preceding year, viz. general deficiency in demand, high cost of power and raw material, higher incidence of taxes and duties, expectation of high credit from the market resulting into higher interest burden and continued slow down in economy. Based on the latest statement of the Reserve Bank of India admitting that "the industrial outlook continued to be uncertain and cause for considerable concern". the position is likely to continue to remain the same during the current year and as reflected by the market conditions and industrial climate of the first quarter.

HOTEL DIVISION :

The Hotel Division of the Company has performed well by achieving higher turnover of Rs. 185.42 lacs from 163.34 lacs, thereby reducing the loss to Rs. 97.84 lacs during the year under review from Rs. 104.37 lacs as compared to the preceding year, despite the higher burden of interest. The performense of the hotel division for the current is indicative of further improving results.

DIVIDEND :

Your Directors are unable to recommend any dividend for the financial year ended 31 st March, 2001 in view of losses.

DISINVESTMENT IN THE RAYALASEEMA MILLS LTD. :

As per the decision taken earlier the phase wise disinvestment is still 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 V. T. Katare, director retires by rotation and being eligible offer himself for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that :

- 1) That in the preparation of Annual accounts the applicable accounting standard had been followed. There are no material departure from the standards and the remarks stated by Auditors in his report under point No. 5 read with related notes to accounts are self explanatory.
- 2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of this financial year and Loss of the Company the financial year ended 31st March 2001.
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting any fraud and other irregularities.
- 4) The annual accounts have been prepared on the going concern basis.

CORPORATE GOVERNANCE :

The guidelines prescribed by SEBI are not applicable to the Company because of the paid up capital is less than Rs. 3 crores.

SICKNESS :

As explained in the first three paragraphs of the Report the reasons of sickness were beyond control of the Directors. The Company was discussing various options such as increase of paid up capital, modifying the terms of loans which would have helped to improve the network. In the current year SICA has been repealed. So even if Directors wish they cannot take any corrective action. On establishment of new set of Regulations in place of SICA the Board proposes to take immediate action, if available.

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.

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, 2001

(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 :

- i) Switching off unwanted lights.
- ii) Use of natural lights as far as possible.
- iii) Humidification plants not operated during favourable climatic conditions.
- iv) 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.
- v) 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.

- a) Solar Power Panel.
- b) Change in Humidification Plant (Cell Type Air Washer) with the help of ATIRA where power can be saved and
- c) Installation of appropriate energy saving devices.
- d) 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	38,58,026	40,53,608
	Total Amount Rs.	1,57,14,215	1,67,65,236
	Rate Unit Rs.	4.07	4.14
b)	Own Generation		
	Through Diesel Generator Unit	22,43,644	22,30,233
	Per litre of diesel Oil	4.51	3.88
2)	Coal Quantity	NIL	NIL
a)	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

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|----|---|-----|---|
| 1. | Specific Areas in which R & D Carried out by the company | 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. |
| | | ii) | Several steps have been taken to reduce and product faults and breakage and waste percentage. |
| 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, 2001

AUDITOR'S REPORT

To,
The Shareholders,
KATARE SPINNING MILLS LIMITED

I have audited the attached Balance Sheet of KATARE SPINNING MILLS LIMITED as at 31st March, 2001 and the Profit and Loss Account annexed thereto, for the year ended on that date and I report that :

1. I have obtained all the information and explanation which to the best of my knowledge and belief were necessary for the purpose of the Audit ;
2. In my opinion proper books of account as required by law have been kept by the Company so far as appears from my examination of the Books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account ;
4. *As the net worth of the Company is negative, hence the Company is a Sick Industrial Company within the meaning of clause (O) of sub-section (I) of Section 3 of the Sick Industrial Companies (Special Provisions) Act 1985 and no reference has been made to Board for Industrial and Financial Reconstruction under section 15 of that Act.*
5. Based on representation made by the directors of the company, and according to the information and explanation given to me, the directors of the company in my opinion, are not prime facie disqualified from being appointed as directors under section 274 (1) (g) of the Act.
6. In my opinion and to the best of my information and according to the explanations given to me, subject to Note No. 4 relating to non-execution of certain agreements and *note No. 5 regarding non-confirmation of balances of receivables and payables and in my opinion the receivables of Rs. 28,19,174/- has become bad in provision year for which no provision is made as bad debts as is referred in the Note No. 7 hence the balance of Profit & Loss has been understated by the said amount and read together with other notes,*
7. In my opinion the Profit and Loss Account and Balance sheet complies with the Accounting standards referred to in sec. 211 (3C) of the companies Act, 1956 to the extent applicable give the information required by the Companies Act, 1956 in the manner so required and give 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, 2001
 - ii) In the case of the Profit and Loss Account of the Loss of Company for the year ended on that date.
8. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks and records of the Company as I considered appropriate and according to the information and explanation given to me during the course of the audit, I further state on the matters specified in paragraphs 4 and 5 of the said order that :
 - i) The Company has maintained the proper records showing full particulars including quantitative details and situation of fixed assets acquired till 31st March 1999. The Company is in the process of updating the said records showing full particulars including quantitative details and situation of fixed assets acquired till date. All the assets have not been physically verified by the Management during the year, but it is reported that there is a phased programme for verification of fixed assets designed to cover all assets over a period of one year which in our opinion is reasonable having regard to the size of the Company and the nature of assets. I have been further informed that discrepancy, if any, will be