



PATSPIN
•
EIGHTH
ANNUAL REPORT
•
1998-99

PATSPIN INDIA LIMITED

BOARD OF DIRECTORS

B K Patodia	: <i>Chairman</i>
M K Patodia	
R Balasundram	: <i>Nominee of Industrial Development Bank of India</i>
J Fukunaga	: <i>Nominee of Itochu Corporation</i>
K Osumi	: <i>Alternate to Mr. J Fukunaga</i>
T Pius Joseph	: <i>Nominee of KSIDC</i>
P K Kurian	
Kishore V Mariwala	
P C Seksaria	
Umang Patodia	: <i>Managing Director</i>

COMPANY SECRETARY

E K Balakrishnan

BANKERS

Central Bank of India
State Bank of India
State Bank of Travancore
ANZ Grindlays Bank Limited

AUDITORS

M/s. M S Jagannathan & Visvanathan
Chartered Accountants

CORPORATE ADVISORS

M/s. Lodha & Co., Mumbai

FACTORY

5/345, Para Road, Patodia Nagar
Pudussery Central Village
Kanjikode East P.O., Palakkad
Kerala - 678 621

REGISTERED OFFICE

3rd Floor, Palal Towers, Ravipuram
M G Road, Kochi - 682 016

CORPORATE OFFICE

43, Mittal Chambers, 228, Nariman Point
Mumbai - 400 021

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NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of PATSPIN INDIA LIMITED will be held at Bharat Hotel (BTH), Darbar Hall Road, Kochi - 682 016 at 9.30 A.M. on Friday, the 30th day of July, 1999 to transact the following business.

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 1999 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
- 2) To consider declaration of Dividend on Preference shares.
- 3) To appoint a Director in place of Shri M. K. Patodia, who retires by rotation, and being eligible, offer himself for re-appointment.
- 4) To appoint a Director in place of Shri P. K. Kurian, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

ITEM NO. 6 : RESOLUTION FOR RE-APPOINTMENT OF SHRI UMANG PATODIA AS MANAGING DIRECTOR FOR A FURTHER PERIOD OF 5 YEARS.

To consider, and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII thereto, as amended, and subject to the approval of the Financial Institutions, the company hereby approves the re-appointment of Shri Umang Patodia, Managing Director of the Company for a period of 5 years with effect from 04.08.1999 upon the terms and conditions as set out in the draft agreement submitted to this meeting and signed by the Chairman thereof for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and /or Agreement in such manner as may be agreed to between the Board of Directors and Shri Umang Patodia."

"RESOLVED FURTHER THAT Shri Umang Patodia, shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps expedient to give effect to this Resolution."

ITEM NO. 7 : AUTHORISATION BY THE ARTICLES OF ASSOCIATION FOR BUY BACK OF SHARES.

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and is hereby altered in the manner and to the extent set out below.

Insert the following Article as Article 3A after Article 3.

"Notwithstanding anything contained in the preceding article no. 3 (the preceding Article refers to the Articles in terms of section 77 of the Act) but subject to the provisions of Sections 77A and 77B of the Act and Securities and Exchange Board of India (Buy-back of securities), Regulation, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, resale any of its own fully / partly paid or redeemable share and any other security as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition/ purchase on such terms and conditions and at such time or times in one or more instalments as the board may in its discretion decide and deem fit. Such shares which are so bought back by the company may either be extinguished and destroyed or reissued as may be permitted under the Act or the Regulations as may prevail at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules and regulations governing such issue and subject further to a Special Resolution being passed by the shareholders to this effect".

ITEM NO. 8 : NOMINATION FACILITIES

To consider and if thought fit to pass with or without modification(s) the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provision of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") the existing Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

The following new Articles be inserted as Articles 44A and 44B after Article 44.

Article 44A — Nomination

1. Every Shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.
2. Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
4. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint any person to become entitled to shares in, or debentures of the Company in the manner prescribed under the Act, in the event of his death, during the minority.

Article 44B — Transmission of Securities

1. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
 - a. To register himself as holder of the share or debenture as the case may be: or

NOTICE (Contd.)

- b. To make such transfer of the share or debenture, as the deceased shareholder or debenture holder, as the case may be, could have made.
2. If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a Notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.
3. A nominee shall be entitled to the share dividend and other advantages to which he would be entitled if he was the registered holder of the share or debenture. Provided that he shall not, before registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.
- Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

ITEM NO.9 : CONSENT TO CREATE CHARGE, MORTGAGE ON THE COMPANY'S IMMOVABLE PROPERTIES UNDER SECTION 293(1)(a) OF THE COMPANIES ACT, 1956 IN FAVOUR OF INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) AND EXPORT IMPORT BANK OF INDIA (EXIM BANK) ON PARI PASSU FIRST CHARGE BASIS FOR THE ADDITIONAL FINANCIAL ASSISTANCE SANCTIONED BY THEM AND IN FAVOUR OF CENTRAL BANK OF INDIA (CBI), STATE BANK OF INDIA (SBI), STATE BANK OF TRAVANCORE (SBT) AND ANZ GRINDLAYS BANK LTD (ANZ GRINDLAYS BANK), ON PARI PASSU SECOND CHARGE BASIS FOR THE REVISED WORKING CAPITAL FINANCIAL ASSISTANCE SANCTIONED FOR THE FINANCIAL YEAR 1998-1999.

To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board / Committee of Directors, of the Company of all the movable and immovable properties of the Company, excluding assets on which exclusive charge was given and, hypothecation of all immovable properties of the Company subject to prior charges in favour of bankers for Working Capital, wheresoever situate, present and future, and of conferring power to enter upon and to take possession of assets of the company in certain events, to or in favour of the following, namely:-

1. Industrial Development Bank of India (IDBI).
2. Export Import Bank of India (EXIM Bank).

to secure on First charge basis:

- a) 1. Rupee Term loan of Rs. 500 lacs (Rupees Five hundred lacs only) lent and advanced by IDBI to the Company
2. Rupee Term loan of Rs. 600 lacs (Rupees Six hundred lacs only) lent and advanced by EXIM Bank to the Company
- b) Together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, charges, expenses and other moneys including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange of foreign currencies involved, payable by the Company to IDBI, EXIM Bank under the Loan Agreements / Memorandum of Terms and Conditions entered / to be entered into by the Company in respect of the said term loans.

to secure on Second charge basis:

1. Additional Working Capital facilities aggregating to Rs. 227.50 lacs lent and advanced by Central Bank of India (CBI)
2. Additional Working Capital facilities aggregating to Rs. 162.50 lacs lent and advanced by State Bank of India (SBI)
3. Additional Working Capital facilities aggregating to Rs. 167.50 lacs lent and advanced by State Bank of Travancore (SBT)
4. Additional Working Capital facilities aggregating to Rs. 92.50 lacs lent and advanced by ANZ Grindlays Bank Ltd (ANZ Grindlays Bank).

"RESOLVED FURTHER THAT the Board / Committee of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution".

ITEM NO.10 : CONSENT TO CREATE CHARGE, MORTGAGE ON THE COMPANY'S MOVABLE AND IMMOVABLE PROPERTIES UNDER SECTION 293(1)(A) OF THE COMPANIES ACT, 1956 FOR ISSUE OF DEBENTURES.

To consider, and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board / Committee of Directors of the Company ("The Board / Committee") for creation of charge and to mortgage both movable and immovable properties and assets of the Company both present and future, and whole of the undertaking of the company in such form and such manner as the Board / Committee may determine to secure one or more securities to be issued of the aggregate value not exceeding Rs.1500 lacs (Rupees One thousand five hundred lacs only) plus interest and other charges thereon, if any".

"RESOLVED FURTHER THAT the Board / Committee be and is hereby authorised to finalise with lenders the documents for creating the aforesaid mortgage and / or charges and to do all such things including any charge(s) amendment(s) modification(s) as it may in its absolute discretion deem fit and proper".

By Order of the Board
For **PATSPIN INDIA LIMITED**

E.K.BALAKRISHNAN
Company Secretary

Place : Kochi
Date : 22nd May, 1999

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and proxy need not be a member of the Company.
2. Proxies in order to be effective should be lodged with the Company at the Registered Office atleast 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20.07.99 to 30.07.99 (both days inclusive)

NOTICE (Contd.)

4. Pursuant to section 205A of the Companies Act, 1956 all unclaimed dividends upto financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Kerala, Ernakulam.

Shareholders who have not encashed their dividend warrants for the years 1995-96, 1996-97 and 1997-98 are requested to write to Karvy Consultants Limited, G-39, Panampilly Nagar, Kochi 682 036.

REQUEST TO THE MEMBERS

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Transfer Agents.
4. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Transfer Agents enclosing their certificates to enable them to consolidate their holdings in one folio.
5. All communications relating to shares are to be addressed to the Company's Transfer Agents M/s Karvy Consultants Limited, G-39, Panampilly Nagar, Kochi 682 036.

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

ITEM NO. 6 : Shri Umang Patodia's appointment as Managing Director of the Company expires on 03.08.1999. The Board of Directors have, therefore, at their meeting held on 22.05.99, re-appointed Shri Umang Patodia as Managing Director of the Company with effect from 04.08.1999 for a further period of 5 years, subject to the approval of Financial Institutions and share holders on the remuneration and terms and conditions contained in the draft agreement submitted to this meeting and initialled by the Chairman for the purpose of identification. The principle terms of the re-appointment are as under:-

- a) Period : Five year with effect from 4th August, 1999.
- b) Salary : Rs. 50,000/- per month in the scale of Rs. 50,000 - Rs.5,000 -Rs.75,000 effective from 1st April, 1999.
- c) Commission : Such amount of commission (in addition to Salary and Perquisites hereinafter stated) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or a Sub-Committee of Directors which together with the salary and monetary value of perquisites shall not exceed the ceiling laid down in Section 309 of the Companies Act, 1956.
- d) Perquisites as follows:
 - (i) Housing : Rent Free accommodation will be provided to the appointee for which ten per cent of the appointee's salary shall be recovered. In case no accommodation is so provided by the Company, house rent allowance at sixty per cent of the appointee's salary, shall be paid. In addition, the appointee shall be allowed free use of the Company owned furniture and other consumer durables, if required.
 - (ii) The expenditure incurred by the appointee on gas, electricity, water and furnishings shall be reimbursed by the Company.
 - (iii) All medical expenses incurred by the appointee for self and their family shall be reimbursed.
 - (iv) Leave Travel Concession for the appointee and their family will be allowed once in a year as per the rules of the Company.
 - (v) Fees of Clubs subject to a maximum of two Clubs; this will not include admission and life membership fees.
 - (vi) Personal Accident Insurance, the premium of which shall not exceed Rs. 10,000/- per annum.
 - (vii) Contribution to Provident Fund, Superannuation Fund, Annuity Fund to the extent the same are not taxable under the Income Tax Act.
 - (viii) Gratuity as per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
 - (ix) Provision of Car with driver for use on Company's business and telephone at the residence.
 - (x) Leave unavailed of to be allowed to be encashed as per rules of the Company.
- e) Minimum Remuneration : The above appointee shall be paid the same remuneration as stated above as minimum remuneration. In the event of inadequacy of profit subject to the ceiling on minimum remuneration as stated in Part II, Section II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time being in force.

Provided, however, that the overall remuneration payable shall not exceed the limits specified under Sections 198 and 309 of the Act.

Shri Umang Patodia shall not, while he continues to be the Managing Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Companies Act, 1956.

Pursuant to the provisions of section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in General Meeting is required to be obtained with regard to the re-appointment of Shri Umang Patodia as the Managing Director and to the remuneration as set out in Item no. 6 of the accompanying Notice.

Furthermore, approval of the members in General Meeting is required to be obtained for payment of minimum remuneration, by way of salary and perquisites and allowances as specified above in the event of absence or inadequacy of profit in any financial year during the tenure of the re-appointment of Shri Umang Patodia as the Managing Director of the Company.

The Services of Shri Umang Patodia as the Managing Director of the Company has been of great benefit to the Company and the Directors, therefore, commend his re-appointment.

Shri B. K. Patodia, Shri M. K. Patodia and Shri Umang Patodia being related to each other, are deemed to be interested in the resolution mentioned in Item no. 6 of the notice.

NOTICE (Contd.)

None of the other Directors of the Company is in any way concerned or interested in the resolution mentioned in item no. 6 of the notice. The terms and conditions mentioned in item no. 6 of the Notice may also be taken as an abstract of the draft Agreement made by the Company with Shri Umang Patodia pursuant to Section 302 of the Companies Act, 1956.

ITEM NO. 7 : With the insertion of sections 77A and 77B of the Companies Act, 1956 permitting the Company to buy its own shares subject to limitations and conditionalities being complied with and subject to the company further complying with the provisions of sections 77A and 77B and Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, it is open for a company to purchase its own shares.

Under the said provisions, it is permissible for a company to make such purchase of its own shares only if the same is authorised by its Articles of Association.

The special resolution under this item is proposed so as to enable the directors to buy-back the shares of the company if so required and re-issue them if so permitted under law subject to such terms and conditions as may be stipulated under the Act or the Rules and Regulations made thereunder and subject further to the same being approved by shareholders by means of a special resolution. Though under the provisions, partly paid shares cannot be bought back articles provide for such shares in case the regulations are amended later. Similarly the provision for reissue of bought back shares is also incorporated as an enabling provision.

The Directors commend this resolution for adoption.

None of the Directors of the Company is in any way concerned or interested in the resolution mentioned in item no. 7 of the notice.

ITEM NO. 8 : By the Companies (Amendment) Ordinance, 1999 the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company will vest in the event of his death. It would be beneficial if such a nomination clause is included in the Articles of Association of the Company.

It has, therefore, become necessary to alter the Articles of Association of your Company as proposed in the resolution set out in item No.8.

Under Section 31 of the Companies Act, 1956, alteration of Articles of Association can be done only by passing a Special Resolution and accordingly, the resolution set out in item no. 8 has been proposed as a Special Resolution.

None of the Directors of the Company is concerned or interested in the resolution set out in item no. 8.

ITEM NO. 9 : The Company has been sanctioned additional financial assistance from IDBI and EXIM Bank for its IVth phase expansion plans at its factory at Kanjikode in Palakkad. As per terms of sanction, the said financial assistance shall be secured by way of mortgage on pari passu first charge on all the movable and immovable properties of the Company, present and future.

The Company has already been sanctioned revised working capital financial assistance by the banks, namely CBI, SBI, SBT & ANZ Grindlays Bank. This financial assistance shall have to be mortgaged on pari passu second charge on the Company's movable and immovable properties.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in the general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the company of its movable and immovable properties as aforesaid in favour of the Financial Institutions / Banks may be regarded as disposal of the company's properties / undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copies of the letters of sanction no. BY.CFD.III.22.B.15(4223)/833 dated 22.12.1998 received from IDBI, the letter of sanction no. OIF:EQU:D-301:522 dated 02.11.1998 received from EXIM Bank and letter of sanction no. WIL/98-99.424 dated 12.08.1998 received from Central Bank of India and copies of the relevant documents / correspondence between the said Financial Institutions / Banks and the company are open for inspection at the Registered Office of the company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the meeting.

Your Directors commend the Resolution for approval.

None of the Directors other than IDBI Nominee, Director, Mr. R. Balasundaram, is concerned or interested in the Resolution.

ITEM NO. 10 : The Company proposes to issue non-convertible debentures for augmenting the long term Working Capital resources of the Company. Raising of funds by way of debentures may require creation of security by way of mortgage / or charge on both movable and immovable properties of the Company, both present and future.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking.

Since mortgaging or charge by the company of its immovable properties as aforesaid in favour of Financial Institutions / Banks may be regarded as disposal of the company's properties / undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Your Directors commend the Resolution for approval.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

By Order of the Board
For **PATSPIN INDIA LIMITED**

E.K.BALAKRISHNAN
Company Secretary

Place : Kochi
Date : 22nd May, 1999

DIRECTORS' REPORT

To the Members,

Your Directors present the Eighth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	Year ended 31.03.1999 (Rs. in lacs)	Year ended 31.03.1998 (Rs. in lacs)
Net Sales / Income from operations (including increase / decrease in stocks)	7834	8242
Other Income	6	7
	<u>7840</u>	<u>8249</u>
Total expenditure	5944	5810
Operating Profit (Profit before interest, depreciation and income-tax)	1896	2439
Interest	899	869
Gross Profit after interest, but before depreciation and taxation	997	1570
Depreciation	593	545
Profit before tax	404	1025
Provision for taxation	1	—
Profit after tax	403	1025
Prior period adjustments	—	9
Balance brought forward from previous year	477	304
Profit available for appropriation	<u>880</u>	<u>1320</u>
Appropriations:		
Interim Dividend on Preference Shares	108	7
Proposed Dividend:		
On Preference shares	—	1
On Equity shares	—	304
Corporate Dividend Tax	11	31
Transfer to General Reserve	250	500
Balance Carried to Balance Sheet	<u>511</u>	<u>477</u>
	<u>880</u>	<u>1320</u>

DIVIDEND

Due to a sharp decline in profit and with a view to conserve available resources, your Directors regret their inability to recommend dividend on equity shares for the financial year ended 31st March, 1999.

The Directors have declared dividend on 11% 5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - I and on pro-rata basis on 13% 5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - II. As no final dividend has been recommended on these Preference shares, the interim dividend paid, shall be fully adjusted as final dividend for the financial year ended 31st March, 1999.

ISSUE OF REDEEMABLE CUMULATIVE PREFERENCE SHARES

As mentioned in the report last year, the Company has issued 5 lacs 13% Redeemable Cumulative Preference Shares of Rs. 100/- each by way of Private Placement with IDBI in Series-II, aggregating to Rs. 500 lacs during the year under review. The shares will be redeemed at the end of 4th & 5th year, in two equal instalments.

With these, the Company has issued 10 lacs Redeemable Cumulative Preference Shares worth of Rs. 1000 lacs as on date.

PERFORMANCE REVIEW

The turnover at Rs. 7840 lacs is marginally lower as compared to Rs. 8249 lacs in the previous year, primarily due to loss of production on account of non-cooperation and strike by workmen from 20th February, 99. The operations resumed

DIRECTORS' REPORT (Contd.)

only on 26th March, 99 and the estimated loss of turnover on this account is Rs. 485 lacs. The recessionary trend in textile industry in the global markets continued unabated in the year under review. Lower sales realisation, higher raw material cost and lower utilisation of installed capacity due to labour unrest have eroded operating profit from Rs. 2439 lacs to Rs. 1896 lacs. After providing interest and depreciation, the net profit is substantially lower at Rs. 404 lacs as against Rs. 1025 lacs.

The cotton crop during the year under review continued to be adversely affected and even though it is estimated to be 16.25 million bales against 14.80 million bales in 1997-98, it is still lower than 17.65 million bales in the year 1996-97. The prices of Indian cotton in the year under review were higher than comparable international cotton prices.

A five year period, during which power supply from KSEB was available at concessional tariff, has been completed in the year under review for Unit "A". Added to this, in the current year, KSEB has sharply increased the power charges by 42%, which will substantially increase the power cost. In Unit "B", however, the concessional tariff for the power supply will be available till December, 2001.

ENTERPRISE RESOURCE PLANNING SOFTWARE (ERP)

In order to face the challenges of the new millennium, your Company has decided to integrate the unit by installing an Enterprise Resource Planning (ERP) Software provided by SAP, Germany, who are the number one ERP solution providers in the world. The implementation of this software system is being done in phases in the current year. This will enable the company to have seamless flow of information within the company on a real time basis and will improve the operational efficiency and response time to our customers.

Y2K PREPAREDNESS LEVEL

Your Directors are glad to report that the areas where Y2K problems will be faced are very limited. Full Y2K compliance is expected to be achieved by September, 1999. An internal team has been formed to address this problem. The expenditure to ensure Y2K compliance is not expected to be significant.

DIRECTORS

Shri M. K. Patodia and Shri P. K. Kurian, Directors retire by rotation at the forthcoming Annual General Meeting of the Company. The retiring Directors being eligible, offer themselves for re-appointment.

AUDITORS

M/s. M. S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, Auditors of the Company will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of employees referred to in Sub-section (2A) of Section 217 of the Companies Act, 1956 is given in an annexure forming part of Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

ACKNOWLEDGEMENT

Yours Directors place on record their thanks to Industrial Development Bank of India, ICICI Limited, Export-Import Bank of India, IKB Deutsche Industriebank AG, Kotak Mahindra Finance Limited, Central Bank of India, State Bank of India, State Bank of Travancore, ANZ Grindlays Bank Limited, IDBI Bank Limited and the concerned Departments of the State and Central Government, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kochi
Date : 22nd May, 1999

B. K. PATODIA
Chairman