

**18 TH ANNUAL REPORT  
1999-2000**

Report  junction.com



**MASKARA INDUSTRIES LIMITED**

128, Jolly Maker Chambers 2, Nariman Point, Mumbai - 400 021.

# **MASKARA INDUSTRIES LIMITED**



## **BOARD OF DIRECTORS**

Shri Santosh Kumar Maskara (Managing Director)  
 Shri Subodh Maskara (Executive Director)  
 Shri Bimal Kumar Maskara  
 Shri Abhay Maskara (Executive Director)  
 Shri T. B. Sinha (Executive Director)  
 Shri Ashok Goenka  
 Shri M.P. Mehrotra  
 Dr. S. S. Jha (IFCI Nominee)  
 Shri Gautam Vashisht (RCTC Nominee)

## **Bankers**

Dena Bank,  
 Raviwar Karanja Branch,  
 Nashik.

Union Bank of India,  
 Princess Street Branch,  
 Mumbai - 400 002.

State Bank of Bikaner & Jaipur,  
 P.D'Mello Road Branch, Fort  
 Mumbai-400 001.

## **Registered Office:**

128, Jolly Maker Chambers 2,  
 Nariman Point,  
 Mumbai - 400 021.

## **Factory :**

A-5/4, MIDC,  
 Murbad,  
 Dist. Thane (Maharashtra)  
 265/2, 266, Village - Avankhed,  
 Taluka - Dindori,  
 District - Nashik.

## **Auditors:**

M/s. Lodha & Company  
 Chartered Accountants,  
 40, Hamam Street,  
 Mumbai - 400 023.



# MASKARA INDUSTRIES LIMITED

## NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Maskara Industries Limited will be held on September 2nd, 2000 at the registered office of the company at 128, Jolly Maker Chambers II, Nariman Point, Mumbai - 400 021 at 10.00 a.m. to transact the following business:

### Ordinary Business:-

1. To consider and adopt the Director's Report and the Audited Profit and loss account for the year ended March 31, 2000 and the balance Sheet as at that date.
2. To appoint Director in place of Mr. Tuhin Sinha, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Mr. M.P.Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### Special Business:-

5. To consider and, if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION.

"RESOLVED that pursuant to the provisions of Sections 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. Santosh Kumar Maskara, as the Managing Director of the Company for the period of 5 years with effect from September 01, 1999 on the terms and conditions including the remuneration as are said out in the draft agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, so as not to exceed the limits, if any, specified in schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Directors and Mr. Santosh Kumar Maskara or as may be varied by the General Meeting.

6. To consider and, if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION.

"RESOLVED that pursuant to the provisions of Sections 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Mr. Subodh Kumar Maskara, as a Executive Director of the Company for the period of 5 years with effect from September 01, 1999 on the terms and conditions including the remuneration as are said out in the draft agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, so as not to exceed the limits, if any, specified in schedule XIII to the Companies Act, 1956

or any amendments thereto as may be agreed to between the Directors and Mr. Subodh Kumar Maskara or as may be varied by the General Meeting.

BY ORDER OF THE BOARD

Mumbai

Date : 29th June, 2000.

S. K. Maskara

Chairman

### NOTES:

1. Explanatory statements as required under Section 173 (2) of the Companies Act, 1956 are annexed.
2. A Member Entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. Members are requested to notify immediately any change in their addresses.
4. Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date, so as to enable the management to keep the information ready.
5. The Register of Members will remain closed from August 28, 2000 to September 05, 2000 both days inclusive.

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

1. **Item No. 5:** It is proposed to appoint Mr. Santosh Kumar Maskara, as Managing Director of the Company. The terms and conditions including remuneration payable to him is set out in the draft of the Agreement to be entered into by the Company with him, which inter-alia, contain the following terms and conditions:-
  - a) The Managing Director shall, subject to the supervision and control of the Board of Directors of the Company, manage the business and affairs of the Company.
  - b) Period of Agreement: September 01, 1999 to August 31, 2004
  - c) Remuneration payable to him:
    - i) Salary : Rs. 23,000/- per month.
    - ii) Perquisites :
  - a. He shall be entitled to perquisites including furnished accommodation or house rent in lieu thereof, gas, electricity, water and furnishings, medical reimbursements and leave travel concessions for self and family, club fees, medical and personal accident insurance, Children's education etc in accordance with the rules of the Company. The perquisites will be restricted to Rs. 225,000/- per annum.
  - b. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules,



## MASKARA INDUSTRIES LIMITED

wherever applicable. Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, Gratuity as per the rules of the company, earned leave and encashment of earned leave at the end of the tenure shall not be included in the computation of the perquisites.

- c. Car for use on Company's business and telephone and other communications facilities at residence will not be considered as perquisites.
- iii) In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as the specified above.
- iv) The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

Apart from the above, the aforesaid agreements contain further terms and conditions as to the tenure of the office, the powers and duties of Managing Director, reimbursement of entertainment, travelling and other all expenses incurred by him for the business of the Company, provision for earlier termination of the appointment by either party by giving six month's notice in writing to the other party, non-participation in any selling agency of the Company etc.

Mr. Santosh Kumar Maskara, being Managing Director of the Company is interested in the respective resolution to the extent of the remuneration payable to him. Mr. Bimal Kumar Maskara, Mr. Subodh Kumar Maskara and Mr. Abhay Kumar Maskara are concerned as his relatives. No other Director is concerned or interested in the proposal.

The Drafts of the Agreements entered into by the Company with Mr. Santosh Kumar Maskara, are available for inspection of members of the Company at the Registered Office of the Company on all its working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of Managing Director under Section 302 of the Companies Act, 1956.

- 2. **Item No. 6:** It is proposed to appoint Mr. Subodh Kumar Maskara, as Executive Director of the Company. The terms and conditions including remuneration payable to him is set out in the draft of the Agreement to be entered into by the Company with him, which inter-alia, contain the following terms and conditions:-
  - a) The Executive Director shall, subject to the supervision and control of the Board of Directors of the Company, manage the business and affairs of the Company.
  - b) Period of Agreement:  
September 01, 1999 to August 31, 2004
  - c) Remuneration payable to him:
  - i) Salary: Rs. 14,000/- per month.
  - ii) Perquisites :
    - a. He shall be entitled to perquisites including furnished accommodation or house rent in lieu

thereof, gas, electricity, water and furnishings, medical reimbursements and leave travel concessions for self and family, club fees, medical and personal accident insurance, Children's education etc in accordance with the rules of the Company. The perquisites will be restricted to Rs. 187,500/- per annum.

- b. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, Gratuity as per the rules of the company, earned leave and encashment of earned leave at the end of the tenure shall not be included in the computation of the perquisites.
- c. Car for use on Company's business and telephone and other communications facilities at residence will not be considered as perquisites.
- iii) In the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as the specified above.
- iv) The Executive Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

Apart from the above, the aforesaid agreements contain further terms and conditions as to the tenure of the office, the powers and duties of Executive Director, reimbursement of entertainment, travelling and other all expenses incurred by him for the business of the Company, provision for earlier termination of the appointment by either party by giving six month's notice in writing to the other party, non-participation in any selling agency of the Company etc.

Mr. Subodh Kumar Maskara, being Executive Director of the Company is interested in the respective resolution to the extent of the remuneration payable to him. Mr. Santosh Kumar Maskara, Mr. Bimal Kumar Maskara and Mr. Abhay Kumar Maskara are concerned as his relatives. No other Director is concerned or interested in the proposal.

The Drafts of the Agreements entered into by the Company with Mr. Subodh Kumar Maskara, are available for inspection of members of the Company at the Registered Office of the Company on all its working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of Executive Director under Section 302 of the Companies Act, 1956.

The Board of Directors, therefore, recommend the shareholders approval of this item of the accompanying Notice.

**MASKARA INDUSTRIES LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 18th Annual Report and Audited Accounts of the Company for the financial year ended March 31, 2000.

**1. Financial Results:**

	1999-2000 (Rs.)	1998-99 (Rs.)
Sales & Other Income	373,237,169	125,823,772
Gross Profit/(Loss)	(195,321,509)	61,55,293
Less: Depreciation	32,740,852	3,985,128
Profit/(Loss) before Taxation	(228,062,361)	2,170,165
Less: Provision for Taxation	11,300	2,75,000
Add: Excess Provision of Taxation written back	314,786	(1,23,591)
Add: Transfer from General Reserves	28,012,200	—
Add: Balance from earlier year b/f	4,274,362	23,54,536
Carried over to balance sheet	(196,101,885)	4,274,362

**2. Operations:**

During the year, the Murbad unit produced 559 MT of texturised and twisted yarn as compared to 935 MT in the previous year showing a decline of 40.2%. This decline can be attributed to the uneconomic operations owing to increased cost of power in comparison to units located in Silvassa and due to general downtrend in the Polyester industry. The margins took severe beatings and as a result the company had to suspend operation with effect from February 2000. The company has meanwhile settled the dues of almost all the workmen and some of the staff who did not opt for redeployment at Nashik unit.

**3. Polyester (PET) Chips Project:**

The constraints faced by the company in marketing of chips produced at the plant for manufacture of POY during previous year remained unresolved. However, during the year under review the company has made significant progress in developing new market for use of PET chips namely for manufacture of Monofilaments, PSF, and for use in PET bottles. The company also was able to export chips to Saudi Arabia for use in fiber-fill applications.

During the year under review the company entered into arrangement with Baroda Rayon Corporation Ltd. for operating their POY Division based on chips manufactured at Nashik Unit and also from outside spinners. The arrangement had to be discontinued earlier than expected due to adverse operating conditions.

The average capacity utilization of the Chips plant during the year was at 26%. Such low capacity utilization due to constraints of quality and marketability resulted in uneconomic operations and losses.

Due to severe financial constraints the company has not been able to service the loans of Financial Institutions and Banks during the year. As a result FIs and Banks have recalled the total outstanding due to them.

During the year the company has taken measures to bring down the cost of operations by downsizing and rationalizing the manpower and stringent cash management measures.

The company is in advance stage of negotiation with some of the leading spinners for strategic alliance in order to improve the operations and in due course meet the obligations towards stakeholders.

**4. Directors:**

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Tuhin Sinha and Mr. M.P. Melhotra retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. Sangramsingh Gaekwad resigned from the Board of Directors of the Company due to pre occupation.

Mr. V.B. Gadkari, a nominee director of SICOM was withdrawn by the institution from the Board of Directors of the Company with effect from April 2000.

The Board expressed their appreciation for the services and valuable guidance provided by Mr. Sangramsingh Gaekwad and Mr. V.B. Gadkari during their tenure.

**5. Sick Industrial Companies (Special Provisions) Act, 1985.**

Your Company has become a potentially sick company as the accumulated losses at the end of the financial year 1999-2000 have resulted in erosion of more than 50% of its peak networth during the immediately preceding four financial years. The Company is taking necessary steps in this regard as required by Sick Industrial Companies (Special Provisions) Act, 1985.

**6. Insurance:**

Plant and Machinery, raw materials and finished goods of the company have been adequately insured.

**7. Energy, Technology & Foreign Exchange:**

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

**8. Personnel:**

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees, are set out in the Directors Report.



## MASKARA INDUSTRIES LIMITED



Your Company has a highly dedicated technical and professional team to manage various operations. Industrial relations remained cordial throughout the year. The Directors wish to place on record their appreciation of the valuable services rendered by the workmen, staff and officers at all levels.

**9. Auditors**

M/s. Lodha & Company, Chartered Accountants, Mumbai, the Auditors of the Company, will retire from the office of the Auditors and being eligible, offer themselves for reappointment. Their remuneration for the current year is to be fixed by you.

**10. Auditors' Report:**

The notes to the accounts referred to in the Auditors Report are self-explanatory and, therefore do not call for any further comments.

**11. Fixed Deposits:**

The Company has not accepted/renewed any deposits from the Public during this year.

**12. Acknowledgement:**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and the Banks, during the year under review.

For and on behalf of the Board

Date : 29th June, 2000  
Mumbai

S.K. Maskara  
Chairman

**ANNEXURE TO DIRECTORS REPORT**

Information under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of board of Directors) Rules, 1988 and forming part of Directors Report.

**1. Conservation of Energy:**

(A) Energy Conservation measures taken by the Company:

**(1) Electrical Energy:**

- Reducing the maximum demand by evenly distributing the loads throughout the day and increasing the efficiency of plant and equipment.
- Utilized baffle in dryer and made proper adjustments of valve connected to radiator to achieve lower energy consumption.
- Implementation of sequential start-up of various air compressors.

(B) Total energy consumption and energy consumption per unit of production as per Form 'A'

**Form 'A'**

Form for disclosure of particulars with respect to Conservation of Energy.

**Part 'A'****Power & Fuel Consumption**

	1999-00	1998-99
<b>1. Electricity</b>		
a) Purchased Units (Lakhs)	29.91	32.27
Total Amount (Rs. in Lakhs)	135.37	158.71
Rate/Unit (Rs.)	4.53	4.26
b) Own Generation Through Diesel Generator		
Units (Lakhs)	12.90	12.71
Units per unit of fuel	3.40	3.29
Cost/Units (Rs.)	3.79	3.40
<b>2. Diesel Oil</b>		
Quantity (K.Ltrs.)	378.71	385.96
Total Cost (Rs. in Lakhs)	48.85	43.18
Average Rate per Ltr. (Rs.)	12.90	11.19
<b>3. Furnace Oil</b>		
Quantity (K.Ltrs.)	185.91	238.29
Total Cost (Rs. in Lakhs)	13.48	14.71
Cost/Unit (Rs.)	7.25	6.17

**Part 'B'****Consumption per unit of Production:**

	1999-00	1998-99
<b>Electricity (KWH)</b>		
Texturising/Twisting	3.09	2.47
PET Chips/POY	1.24	1.28

**NOTE:** The Company Manufactures different product mix and separate power meter are not installed for each product. Actual consumption for each product is not available.

**Foreign Exchange Earnings and Outgo:**

Total Foreign Exchange earned (Rs.)	1,35,67,590	NIL
Total Foreign Exchange used (Rs.)	10,59,651	4,95,33,952

**Personnel:**

Information required by the Provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, as amended and forming part of the Directors Report for the year ended 31st March, 2000.

Names and other particulars of the Employees who were employed throughout/part of the Financial Year and were in receipt of remuneration for the year which in the aggregate was not less than Rs. 6 Lakhs.

Sr. No.	Name of the Employees	Age (Yrs)	Designation	Remuneration (In Rupees)	Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment held
1.	Mr. Tuhin B. Sinha	50	Executive Director	6,45,660	M. Tech( 28)	09/12/96	Reliance Industries Ltd

For and on behalf of the Board

S.K. MASKARA  
Chairman

**MASKARA INDUSTRIES LIMITED****AUDITORS' REPORT**

To  
The Members of  
**MASKARA INDUSTRIES LIMITED,**

We have audited the attached Balance Sheet of **MASKARA INDUSTRIES LIMITED** as at 31st March, 2000 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 (hereinafter referred to as the "Act"), to the extent applicable;
- e) The accumulated losses of the Company have nearly eroded the entire networth of the Company. Besides, there are deferred revenue expenses (to the extent not written-off) of Rs. 1074.17 Lacs. The accounts have, however been prepared by the management on a going concern basis for the reasons mentioned in Note No. 4 in Schedule 17. This being a technical matter, we are unable to express an opinion whether the Company can operate as a going concern, interalia, requiring resultant adjustments to the net worth as at the year end and loss for the year which cannot be ascertained at this stage.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our comments in paragraphs (e) above, having consequential impact on the loss for the year, accumulated losses, assets and liabilities and read together with Significant Accounting Policies and other Notes in Schedule '17', particularly note no. 12 regarding managerial remuneration pending approval of the shareholders in the ensuing Annual General Meeting and those appearing elsewhere in the accounts, give the information required by the Act, in the manner so required and give a true and fair view:

- i. In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000; and
- ii. In case of the Profit and Loss Account, of the loss for the year ended on that date.

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 Act, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of audit, we state on the matters specified in paragraphs 4 and 5 of the said Order:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores & spares, packing materials and raw materials have been physically verified by the management at the reasonable intervals during the year. Stocks lying with third parties have been verified by the management with reference to the confirmations received / subsequent receipt of goods.
4. In our opinion, procedures of physical verification of above referred stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records were not material considering the operations of the Company and the same have been properly dealt with in the books.
6. On the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. It is on the same basis as in the preceding year except to the extent that in accordance with the accounting standard which has become mandatory with effect from 01.04.99, the mode of determination of cost for the purpose of valuation of closing stock has been changed to include excise duty in respect of stocks lying in bonded premises, hitherto accounted for on clearance basis and allocated fixed overheads based on the normal capacity instead of actual production as was done hitherto. As a result of these changes, the loss for the year is higher by Rs. 66.88 lacs (Refer Note no. 5 in Schedule 17)