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PROMACT PLASTICS LIMITED

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FOURTEENTH
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PROMACT PLASTICS LIMITED**FOURTEENTH ANNUAL REPORT 1997-98**

BOARD OF DIRECTORS	:	Shri Naranbhai N. Patel	<i>Chairman & Managing Director</i>
		Shri Rameshbhai S. Patel	<i>Wholetime Director</i>
		Shri Kirankumar A. Patel	<i>Director</i>
		Shri Jayantibhai N. Patel	<i>Director</i>
		Shri Babubhai A. Patel	<i>Director</i>
BANKERS	:	State Bank of India Mehsana	
		The Visnagar Nagrik Sahakari Bank Ltd. Ahmedabad	
		The Mehsana Urban Co-op. Bank Ltd. Mehsana	
AUDITORS	:	M/s. M. M. Salvi & Co., Chartered Accountants Mehsana.	
COMPANY LAW CONSULTANT	:	Shri Kashyap R. Mehta Company Secretary Ahmedabad.	
REGISTERED OFFICE	:	106, Harikrupa Chambers, Behind National Chambers, Ashram Road, Ahmedabad-380 009.	
FACTORY	:	Unit No.1: 125, GIDC Estate, Nagalpur, Mehsana-384 002.	
		Unit No.2: 391 to 404, GIDC Estate, Phase-II, Dediyasan, Mehsana-384 002.	

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NOTICE

NOTICE is hereby given that the **FOURTEENTH ANNUAL GENERAL MEETING** of the members of **PROMACT PLASTICS LIMITED** will be held as scheduled below :

Date : 23rd September, 1998
Day : Wednesday
Time : 11.00 a.m.
Place : Ahmedabad Textile Mills'
 Association Hall, Ashram Road,
 Ahmedabad-380 009.

to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Profit and Loss Account of the year ended on 31st March, 1998 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Kirankumar A. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Rameshbhai S. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. 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 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the reappointment of Shri Naranbhai N. Patel as Managing Director of the Company for a period of five years with effect from 15th February, 1998 to 14th February, 2003 on the terms and conditions set out in the draft agreement of appointment submitted to this meeting duly initialled by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which is permissible under Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."

"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Managing Director without the matter being referred to the Company in General Meeting again."

7. 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 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company do hereby accord its approval to the reappointment of Shri Rameshbhai S. Patel as Wholetime Director of the Company for a period of five years with effect from 15th February, 1998 to 14th February, 2003 on the terms and conditions set out in the draft agreement of appointment submitted to this meeting duly initialled by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which is permissible under Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company from time to time."

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"RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 for the payment of managerial remuneration in force during the tenure of the Wholtime Director without the matter being referred to the Company in General Meeting again."

8. 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 mortgage and/or charge by the Board of Director of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of State Bank of India (SBI) to secure Working Capital Facilities of Rs.310 lacs (Rupees three hundred ten lacs only) lent and advanced/ agreed to be lent/advanced to the Company by SBI together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, costs, expenses and other monies payable by the Company to SBI under the Agreement for Working Capital Facilities/Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said Working Capital Facilities."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with SBI the documents for creating aforesaid mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above Resolution."

Registered Office:

106, Harikrupa Chambers,
Behind National Chambers,
Ashram Road,
Ahmedabad-380 009.

By the Order of the Board,

Rameshbhai S. Patel
Wholtime Director

Date: 13th July, 1998.

NOTES :

1. The relevant Explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business at Items Nos. 6 to 8 set out in the Notice is annexed hereto.
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 PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF MEETING.
3. Pursuant to section 154 of the companies Act, 1956 Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, the 1st September, 1998 to Wednesday, the 23rd September, 1998 (both days inclusive).**
4. Dividend when sanctioned at the Annual General Meeting will be payable at all branches of State Bank of India in India on and after **5th October, 1998** to those members whose names stand on the Register of Members of the Company on 23rd September, 1998.
5. Members intending to require information about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting:
6. Members are requested to :
 - a) Intimate, if Shares are held in the same name or in the same order and names, but in more than one account to enable the Company to club the said accounts into one account.
 - b) Notify immediately the change in their registered address, if any, to the Company.



ANNEXURE TO THE NOTICE

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

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Items Nos. 6 to 8 in the accompanying Notice dated 13th July, 1998 and should be taken as forming part of the notice.

In respect of Item No. 6 and 7:

Shareholders may recall that in the Extraordinary General Meeting held on 15th February, 1993, Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel were appointed as Managing Director and Wholetime Director of the Company respectively for a period of five years from 15th February, 1993 to 14th February, 1998. The Board of Directors in their meeting held on 12th February, 1998 has reappointed Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel as Managing Director and Wholetime Director for a further period of five years i.e. from 15th February, 1998 to 14th February, 2003.

The major terms and conditions of each of the managerial personnel are as under:

I. PERIOD:

For a period of 5 years from 15th February, 1998 to 14th February, 2003.

II. REMUNERATION:

i) **SALARY :** Rs.11,000/- (Rupees eleven thousand only) per month.

ii) PERQUISITES:

- a) House Rent Allowance : 50 % of the Salary.
- b) Gas, Electricity etc. : The expenditure incurred by the Company on gas, electricity, water, furnishings etc., shall be valued as per Income-tax Rules, 1962. This shall, however, will be subject to a ceiling of 10% of his salary.
- c) Medical Reimbursement : Reimbursement of expenses actually incurred. The total cost to the Company shall not exceed one month's salary per annum or three months' salary in a period of three years.
- d) Leave Travel Concession : For self and family once in a year incurred in accordance with the rules specified by the Company.
- e) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- f) Personal Accident Insurance : Premium not exceeding Rs.3,000/- per annum.

Explanation : For the purpose of perquisites, 'Family' means spouse, dependent, children and dependent parents.

iii) OTHER PERQUISITES:

- a) Company's contribution to provident fund, superannuation funds will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together or not taxable under the Income tax Act, 1961.
- b) Gratuity : Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Encashment of leave at the end of tenure.
- d) Free use of Company's car for Company's business and telephone at residence.
- e) Reimbursement of entertainment expenses incurred for the purpose of Company's business.

III. The Managing Director/Wholetime Director shall not, so long as they function as such, become interested or otherwise concerned directly or through their wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.

IV. DUTIES:

Subject to the Superintendence, direction and control of the Board of Directors of the Company, the

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Managing Director/Wholetime Director shall be entrusted with substantial powers of management and also such other duties and responsibilities as may be entrusted to them by the Board of Directors from time to time.

V. TERMINATION:

The Managing Director/Wholetime Director may be removed from their office for gross negligence, breach of duty or trust if a special Resolution to that effect is passed by the Company in its General Meeting. The Managing Director/Wholetime Director may resign from their office by giving 90 days' notice to the Company.

VI. COMPENSATION:

In the event of termination of office of Managing Director/Wholetime Director takes place before the expiration of tenure thereof, the Managing Director/ Wholetime Director shall be entitled to receive compensation from the Company for loss of office to the extent and subject to limitation as provided under section 318 of the Companies Act,1956."

As per the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act,1956 consent of the Company accorded by Special Resolution is necessary for holding office as Managing Director/Wholetime Director of the Company on remuneration.

The terms and conditions mentioned in the above explanatory statement may be treated as abstract of the terms of proposed contract under Section 302 of the Companies Act,1956.

Resolution of the Board of Directors reappointing Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel as Managing Director and Wholetime Director of the Company respectively and Draft agreement of appointments are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

Shri Naranbhai N. Patel and Shri Rameshbhai S. Patel are concerned or interested in the business since it relates to their appointment as Managing Director and Wholetime Director of the Company respectively. No other Director is deemed to be concerned or interested in this Resolution.

In respect of Item No. 8 :

The Company has been sanctioned/enhanced Working Capital Facilities of Rs. 310 lacs (Rupees three hundred ten lacs only) from State Bank of India (SBI) to meet Working Capital requirement of the Company.

As per the Sanction Letter No. ADV/293 dated 25th March, 1998 received from State Bank of India, Mehsana Branch, the Working Capital Facilities are to be collaterally secured by Second Charge over the immovable and movable 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.

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

Copy of the Letter of Sanction No. ADV/293 dated 25th March, 1998 received from State Bank of India, Mehsana Branch and copies of the relevant documents/agreement/correspondence are open for inspection between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors is in any way concerned or interested in the aforesaid resolution.

Registered Office:

106, Harikrupa Chambers,
Behind National Chambers,
Ashram Road,
Ahmedabad-380 009.

Date:13th July, 1998.

By the Order of the Board,

Rameshbhai S. Patel
Wholetime Director



DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

Your Directors have pleasure in presenting the FOURTEENTH ANNUAL REPORT together with the Audited Statement of Accounts for the financial year 1997-98 ended 31st March, 1998.

1. FINANCIAL RESULTS

	For the Year 1997-98	(Rs.in Lacs) Previous Year 1996-97
Operating Profit (before Interest & Depreciation)	134.78	172.28
Less : Interest	58.66	85.73
Profit before Depreciation	76.12	86.55
Less : Depreciation	29.67	33.62
Profit before tax	46.45	52.93
Less : Provision for tax	5.55	8.25
Profit after tax	40.90	44.68
Balance brought forward from Previous year	38.59	37.64
Surplus available for appropriation	79.49	82.32
APPROPRIATIONS :		
1) General Reserve	---	---
2) Proposed Dividend	39.77	39.77
3) Corporate Tax on Dividend	3.98	3.98
4) Balance carried to Balance Sheet	35.74	38.57
	79.49	82.32

2. DIVIDEND :

Your Directors, on the basis of the working results during the year, have recommended for your consideration the payment of Dividend for the Financial Year 1997-98 ended 31st March, 1998 at the rate of Rs.1.00 (Previous year : Re.1.00 per Share, subject to tax) per Share on 39,76,500 Equity Shares of Rs.10/-. The dividend will be tax-free in the hands of shareholders.

3. PRODUCTION, SALES & WORKING RESULTS :

The production of HDPE/PP Woven Sacks and Fabrics during the year under review was 143.66 lacs pcs. compared to 190.76 lacs pcs. during 1996-97. The sales during the year under review for HDPE/ PP Sacks and Fabrics was 143.21 lacs pcs. compared to 191.90 lacs pcs. during 1996-97. The turnover of the Company was Rs. 1299 lacs against Rs.1619 lacs for the year 1996-97.

The Operating Profit of the Company was lower during the year under review at Rs. 134.78 lacs compared to Rs.172.28 lacs during 1996-97. The Profit before Depreciation was lower during the year under review at Rs. 76.12 lacs compared to Rs. 86.55 lacs during 1996-97. The Company had to absorb Depreciation of Rs. 29.67 lacs and the Profit before Tax during the year under review was Rs. 46.45 lacs compared to Rs. 52.93 lacs during 1996-97. After making necessary provisions for Taxation, the Profit after tax during the year under review stood at Rs. 40.90 lacs compared to Rs. 44.68 lacs during 1996-97.

During the year under review, the Company has exported HDPE Woven Bags worth Rs. 27.30 lacs.

In view of the general recessionary trend and economic fall-out during 1997-98, your Directors hope that you will find the working of the Company during the year under report satisfactory.

4. MODERNISATION, EXPANSION AND FUTURE PLANS:

Your Directors are pleased to report that the Company has plans to increase the installed capacity to manufacture HDPE/PP Fabrics/Sacks by 1800 TPA in a year or two.