



SHREE MANUFACTURING COMPANY LIMITED

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REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 1999

Board of Directors

G. D. KOTHARI *Chairman*
S. N. SINGHANIA
R. SURENDER REDDY
A. BASU (*Nominee of ICICI*)
SAMAR KAR (*Nominee of SBI*)
K. K. MOHTA
P. K. DAGA
C.K. DHANUKA
UTSAV PAREKH
BHARAT MOHTA

Secretary

J. C. DAS

Bankers

STATE BANK OF INDIA
STATE BANK OF HYDERABAD

Auditors

PRICE WATERHOUSE

Registered Office

A-1, GILLANDER HOUSE
NETAJI SUBHAS ROAD
CALCUTTA -700 001

Spinning Mill

ISNAPUR
DIST. MEDAK - 502329
ANDHRA PRADESH

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SHREE MANUFACTURING COMPANY LIMITED

NOTICE

NOTICE is hereby given that the Twentysecond Annual General Meeting of the Members of the Company will be held at the williamson & Magor Hall of the Bengal Chamber of Commerce & Industry, (1st Floor), Royal Exchange, 6, Netaji Subhas Road, Calcutta - 700 001 on Wednesday, the 15th September, 1999 at 3.00 p. m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. N. Singhania who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. C. K. Dhanuka who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Utsav Parekh who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

AS SPECIAL BUSINESS :

6. To consider and if deemed fit to pass with or without modification(s) the following Resolution as an ordinary Resolution :

RESOLVED that pursuant to the provisions of Section 94 of the Companies Act, 1956 and other applicable provisions, if any, the Share Capital of the Company which is presently Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each shall be reorganised and divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each.

7. To consider and if deemed fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution: RESOLVED that pursuant to the provisions of Section 16 of the Companies Act., 1956 and Subject to necessary approvals, Clause V of the Memorandum of Association of the Company be and is hereby amended as follows :

The figures and words "Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each" occurring thereon be substituted with the figures and words "Rs. 10,00,00,000/- divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each."

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

RESOLVED that pursuant to the provisions of Section 31 of the Companies Act, 1956 and subject to necessary approvals, Article 3 of the Articles of Association of the Company be and is hereby deleted and substituted by the following amended clause :

The Share Capital of the Company is Rs. 10,00,00,000 divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each.

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

RESOLVED that in accordance with the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and the enabling provisions in the Memorandum and Articles of Association of the Company and subject to the approval of the Term Lending Financial Institutions (FIS), the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue and allot Cumulative Redeemable Preference Shares of Rs. 100/- each for an aggregate value not exceeding Rs. 3 crores in lieu of outstanding Term Loan of Rs. 2.87 crores on private placement basis in one or more instalment(s) to ICICI Limited with such terms and conditions as the Board may deem fit but subject to the following conditions that :

SHREE MANUFACTURING COMPANY LIMITED

- (i) The dividend payable on the Cumulative Redeemable Preference Shares shall not exceed 12% per annum, and
- (ii) The said Preference Shares shall be redeemable by 3 equal instalments at the end of the 5th, 6th & 7th year from the date of allotment of such Preference Shares.
10. To Consider and if deemed fit to pass with or without modification(s) the following Resolution as a Special Resolution:
- RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 32A after the Article 32 :-

BUY BACK OF SHARES

- 32A Notwithstanding anything contained in these Articles and in consonance with Section 77A and 77B of the Companies Act, 1956, the Board of Directors may buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals, as may be permitted by the law.
11. To consider and if deemed fit to pass with or without modification(s) the following Resolution as a Special Resolution :
- RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 51A after Article 51.

DEMATERIALISATION OF SECURITIES

51A DEFINITIONS

- 1) For the purpose of this Article :

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository ;
 'SEBI' means the Securities & Exchange Board of India ;
 'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under the Securities & Exchange Board of India Act, 1992, and ; 'Security' means such security as may be specified by SEBI from time to time.

DEMATERIALISATION OF SECURITIES

- 2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

OPTIONS FOR INVESTORS

- 3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the Law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

- 4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

SHREE MANUFACTURING COMPANY LIMITED

RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

- 5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

SERVICE OF DOCUMENTS

- 6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served such depository on the Company by means of electronic mode or by delivery of floppies or discs.

TRANSFER OF SECURITIES

- 7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

ALLOTMENT OF SECURITIES DEALT WITH IN A DEPOSITORY

- 8) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

DISTINCTIVE NUMBER OF SECURITIES HELD IN A DEPOSITORY

- 9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

REGISTER AND INDEX OF BENEFICIAL OWNERS

- 10) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.
12. To consider and if deemed fit to pass with or without modification(s) the following resolution as a special resolution :
RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 12A after the Article 12

NOMINATION FOR SHARES, DEBENTURES AND DEPOSITS

Subject to the provisions of law and rules framed by the competent authorities, it shall be permissible for a holder/joint holder of any security (including any debt security of deposit) to nominate a person or persons in whose favour such security shall be transmitted in the event of the death of such holder/joint holder. The Company may, on such intimation backed by evidence of the death of such holder/joint holder as the Board may require, enter the name of the nominee(s) as the holder/joint holder of such security, notwithstanding anything to the contrary contained in any will, testament or any other instrument indicating interest of any other person in such security.

Where the nominee is a minor, it shall be lawful for the holder/joint 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.

Registered Office

A-1, Gillander House,
Netaji Subhas Road
Calcutta - 700 001
Dated : 30th June, 1999.

By Order of the Board

for SHREE MANUFACTURING COMPANY LTD.

J. C. Das

Secretary

SHREE MANUFACTURING COMPANY LIMITED

- 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. Such proxy need be a Member of the Company.
 2. The Register of Members of the Company will remain closed from 7th September, 1999 to 15th September, 1999, both days inclusive.
 3. An Explanatory Statement under Section 173 (2) of the Companies Act, 1956, in respect of the Special Business of the Meeting is annexed hereto.
 4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1995, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal.

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

Items No. 6 & 7

Section 94 of the Companies Act, 1956 authorises a Company to alter its Share Capital by altering its Memorandum by Ordinary Resolution in General Meeting. The present Capital of the Company is Rs. 10,00,00,000 consisting of 1,00,00,000 Equity Shares of Rs. 10/- each. The Board of Directors think it expedient to create Cumulative Redeemable Preference Share Capital in view of the proposal to convert the loan taken from ICICI Limited into Preference Shares as mentioned in item No. 9. Hence, it is necessary to reclassify the Share Capital of the Company as mentioned in the Resolutions set out in the Notice and alter the relevant Capital clause in the Memorandum of Association.

As Clause V of the Memorandum of Association relating to capital clause is being amended, consent is being sought from the shareholders by an Ordinary Resolution for the said amendment.

Accordingly, Ordinary Resolutions set out under items No. 6 and 7 of the Notice is submitted to the Meeting for approval. None of the Directors of the Company is interested or concerned in the Resolution except to the extent of their shareholding.

A copy of the Memorandum of Association of the Company is available for inspection at the Registered Office of the Company on any working day between 10:00 a.m. and 12:00 noon and will also be available for inspection at the Meeting.

Item No. 8

Consequent upon the amendment of the capital clause of the Memorandum of Association of the Company, it has become necessary to amend the Articles of Association dealing with the Capital clause. Since the amendment of Articles of Association of the Company requires the approval of the Shareholders by a special Resolution, consent of the shareholders is being sought for the said amendment.

Accordingly, Special Resolution set out under Item No. 8 of the Notice is submitted to the Meeting for approval.

None of the Directors of the Company is interested or concerned in the Resolution except to the extent of their shareholding.

A copy of the Articles of Association of the Company is available for inspection at the Registered Office of the Company on any working day between 10:00 a.m. and 12:00 noon and will also be available for inspection at the Meeting.

Item No. 9

The Company had obtained a term loan of Rs. 4.10 crores from ICICI Limited under a Loan Agreement dated 12th July, 1994. In view of the losses suffered by the Company and the repayment of principal/interest not being made in accordance with terms and conditions of the loan agreement, it has been proposed to offer Cumulative Redeemable Preference Shares to ICICI Ltd. to convert the outstanding term loan.

SHREE MANUFACTURING COMPANY LIMITED

Under Section 81 (1A) of the Companies Act, 1956, the authority of members of the Company is, therefore, sought by way of Special Resolution to offer further shares to persons other than the existing shareholders.

Accordingly, Special Resolution set out under item No. 9 of the Notice is submitted to the Meeting for approval. None of the Directors of the Company is interested or Concerned in the Resolution except to the extent of their Shareholding.

Item No. 10

Consequent upon introduction of new Sections 77A & 77B in the Companies Act, 1956, a new vista has been opened for flexible capital structure by companies as and when necessary without involvement of any external regulatory mechanism. Buy back is a financial strategy. A provision has, therefore, been made in the Articles of Association of the Company to enable the Company to buy back its own shares, if so required. Hence, the proposed Resolution is for your approval.

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

Item No. 11

With the Depositories Act, 1996, coming into force, investors at their option are now enabled to hold and transact in securities in dematerialised form through a depository. It is, therefore, necessary to alter the Articles of Association of the Company so that they conform to the amended provisions of Companies Act, 1956 and Depositories Act, 1996.

Board recommends this Resolution for the approval of the Members.

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

Item No. 12

Sections 109A & 109B of the Companies (Amendment) Act, 1999 provide for the facility of nomination by a member in the event of his death. The Articles of Association is proposed to be amended to include nomination facilities in the Articles in terms of Sections 109A and 109B of the Act.

The Board recommends the Resolution for adoption by the members. None of the Directors of the Company is interested or concerned in the said Resolution.



SHREE MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT

Your Directors are hereby presenting the Annual Report and Audited Accounts of the Company for the financial Year ended 31st March, 1999.

FINANCIAL RESULTS

		1999 Rs.
Gross Profit		52,54,918
Less : Interest	2,33,24,537	
Depreciation	96,87,424	3,30,11,961
Net Loss for the year		<u>2,77,57,043</u>

OPERATION

Production during the year under review was 3460 tonnes as against production of 3374 tonnes in the previous year. Sale of Yarn also increased from 3341 tonnes in the previous year to 3539 tonnes in the year under review. Sales Value amounted to Rs. 3864.37 lacs as against Rs 4509.82 lacs in the previous year. There was a substantial fall in sales realisation by around 24% due to poor market conditions prevailing persistently resulting in a net loss of Rs. 277.57 lacs as against net profit of Rs. 36.33 lacs in the previous year.

Your Directors are very much concerned with the matter. A Scheme has been undertaken to install some balancing machines to improve the productivity. Your Directors are thankful that for this purpose, ICICI Ltd. has sanctioned a Corporate Loan of Rs. 250 lacs, and the Promoter-Directors, their relatives and associates have brought in Rs. 130 lacs as Share Capital.

SHARE CAPITAL

In terms of the Special Resolutions passed at the Extraordinary General Meeting of your Company held on 15th January, 1999, 13,00,000 Equity Shares of Rs. 10/- each for cash at par have been allotted to the Promoter-Directors, their relatives and associates on Preferential basis on compliance of the SEBI Guidelines.

POTENTIALLY SICK COMPANY

Net loss made during the year together with past losses of Rs. 124.80 lacs has resulted in erosion of more than fifty percent of the peak net worth of the Company. Hence, it has become a potentially sick Company. After finalisation of the audited accounts of the Company at the forthcoming Annual General Meeting, necessary actions will be taken as required under the Sick Industrial Companies (Special Provisions) Act.

PERSONNEL

During the year under review, industrial relations have remained cordial.

ENVIRONMENT AND SAFETY

Your Company has accorded to safety and environment control measures as required. Effluent treatment plant is maintained at Dye House and all statutory regulations in this regard are complied with.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of this Report are given in Annexure I to this Report.

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this Report are given in Annexure II of this Report.

SHREE MANUFACTURING COMPANY LIMITED

ACKNOWLEDGEMENT

Your Directors have pleasure in recording their appreciation of assistance extended to your Company by Various Government Departments and also the Financial Institutions and the Commercial Banks for their support.

DIRECTORS

Mr. Arnab Basu was appointed by ICICI Ltd., as their Nominee Director on the Board in place of Mr. S. Samanta with effect from 23rd November, 1998.

Mr. Samar Kar was appointed by State Bank of India as their Nominee Director on the Board in place of Mr. B. V. Rajeswara Rao with effect from 3rd March, 1999.

Mr. G. M. Ghosh resigned from the Board with effect from 30th June, 1998.

Mr. C. S. Gandhi, the Executive Director resigned from the services of the Company and also from the Board with effect from 24th June, 1999.

Your Directors wish to place on record the appreciation of the valuable services rendered by Mr. S. Samanta, Mr. B. V. Rajeswara Rao, Mr. G. M. Ghosh and Mr. C. S. Gandhi during their tenure of office.

Mr. S. N. Singhania, Mr. C. K. Dhanuka and Mr. Utsav Parekh retire by rotation and are eligible for re-appointment.

AUDITORS

Price Waterhouse, the Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

On behalf of the Board

Calcutta, 30th June, 1999.

G. D. Khothari
Chairman.



SHREE MANUFACTURING COMPANY LIMITED

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 and read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report.

A. CONSERVATION OF ENERGY**a) Energy conservation measures taken :**

- i) Power factor being maintained above 98% and near to 99% which gives the minimum losses by reducing heat losses. This also increases the life of equipments, motors and cables.
- ii) Separate Power Capacitors are installed inside all the Departments to reduce further transmission losses and to increase the life of cables.
- iii) The main L. T. Panel has been replaced by a new one with modern type changeover Switches and Bus Bars to reduce the heat losses and increase the efficiency.

b) Measures being undertaken :

- i) Wherever the load in motors are less than 70%, new low HP Motors are incorporated for maximum efficiency and wherever the load is more, motor capacity has been increased to reduce the losses.
- ii) Motors which had long service and substantial breakdown records were removed and replaced by new ones to reduce the load and so the losses.

All these measures resulted in saving of energy.

FORM - A

A. Power & Fuel Consumption	1999	1998
1. Electricity		
a) Purchased		
Units	6261575	7315361
Total Amount (Rs.)	2,36,47,958	2,67,24,647
Rate Unit (Rs.)	4.23	3.65
b) Own Generation (Through Diesel Generator)		
Units	4111799	2617483
Units per Ltr of Diesel Oil	3.47	3.41
Cost Unit (Rs.)	2.42	2.69
2. Coal		
Quantity (M.Tons)	1059	1321
Total Cost (Rs.)	20,39,894	23,68,835
Cost/M. Ton (Rs.)	1926	1793
3. Furnace Oil	—	—
B. Consumption per unit of production		
Production (M. Tons)	3460	3374
Electricity per M. Ton of production		
Units	2998	2944