

salzer

15th ANNUAL REPORT 1999 - 2000

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SALZER ELECTRONICS LIMITED
COIMBATORE 641 047

SALZER SPINNERS LIMITED**salzer****SALZER SPINNERS LIMITED**

BOARD OF DIRECTORS	Mr. R.Doraiswamy Mr. P.S.P.Ramesh Mr. N.Murugesan
FINANCIAL INVESTMENTS	M/s. INDUSTRIAL DEVELOPMENT BANK OF INDIA Stack Exchange Building, 683-686, Trichy Road, Coimbatore - 641 005.
BANKERS	M/s. STATE BANK OF TRAVANCORE, Pappaniackenpalayam Branch, Avanashi Road, Coimbatore - 641 018. M/s. THE BENERAS STATE BANK LTD, Shastri Road, Ramnagar, Coimbatore.
AUDITORS	M/s. Swamy & Ravi, Chartered Accountants, N S R Road, Saibaba Colony, Coimbatore - 641 011.
REGISTRARS & SHARE TRANSFER AGENTS	M/S. GNSA INVESTOR SERVICES (P) LIMITED, No.1/302 52nd Street, 2nd Floor, 7th Avenue, Ashok Nagar, Chennai - 600 083.
REGISTERED OFFICE & FACTORY	Sikkarampalayam, Karamadai - Annur Road, Karamadai, Coimbatore - 641 104.

SALZER SPINNERS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting this Sixth Annual Report and the Audited accounts as on March 31, 2000.

PROJECT IMPLEMENTATION

The Project is still under implementation and the infrastructure facilities to service the 18,144 spindles have already been created. Of the 18,144 spindles, 7,000 spindles have already been erected and commissioned. The project has been appraised by IDBI and assisted to the extent of Rs.500.00 Lacs. The project cost of Rs.23.20 Lacs is sourced as Rs.1,200.00 Lacs as equity capital and Rs.1,120.00 Lacs as Loan Capital. The loan capital has been funded as under:

IDBI (including Foreign Currency Loan)	-	Rs.500.00 Lacs
The Benares State Bank Limited	-	Rs.320.00 Lacs
State Bank of Travancore	-	Rs.300.00 Lacs

FINANCE

Out of the equity component of Rs.1,200.00 Lacs, the Promoters have already brought their full contribution of Rs.700.00 Lacs towards equity as under:

Salzer Electronics Limited	-	Rs.575.00 Lacs
Mr. R.Doraiswamy - Co-Promoter & his associates and relatives	-	Rs.125.00 Lacs

The Public Issue Component of equity portion Rs.500.00 Lacs could not be raised due to the continued depressed capital market conditions resulting in resource constraints to complete the project as originally contemplated. But the Promoters have however been taking all efforts to mobilise alternate resources to increase the spindleage capacity including induction of additional promoters, who could invest into the project. Besides your Directors have also taken up the matter with IDBI (Financial Institution), The Benares State Bank Limited (BSBL) and State Bank of Travancore (SBT) for funding of interest and rephasing of repayment schedule of term loan as well as postponement of interest payments.

Accordingly, the IDBI, SBT and BSBL though inclined to approve the proposals of the Company for funding of interest and rephasing of repayment of schedule of term loan as well as postponement of interest payments, the matter has been being pursued with them to waive certain terms and conditions stipulated by them so as to enable the new promoter to take up the implementation and completion of the project with full capacity without any hindrance. The matter is under consideration of the term lenders.

SALZER SPINNERS LIMITED**salzer****PERFORMANCE :**

Your Directors have taken all out efforts to operate already installed and commissioned 7000 spindles at the optimum capacity. During the year under review your Directors had also added 1500 spindles on lease basis and operate the total spindleage to produce the maximum optimum quantity of quality yarn during the year under report and thus achieved a turn over of Rs.532.20 lacs as against Rs.415.51 lacs in the last year. In spite of the optimum production and turn over the operations have resulted in a loss of Rs.532.62 lacs, after depreciation to the extent of Rs.135.11 Lacs and provision of finance cost to the extent of Rs.300.58 lacs. The accumulated loss carry-forwarded to the Balance Sheet represents Rs. 898.56 lacs as at 31.03.2000. The Company's net worth has been completely eroded as at 31.03.2000 and the Company has become a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (special provision) Act 1985. The Auditors have also reported the fact in their audit report. Accordingly, your Directors have formed an option to take up the matter with BIFR and work out the feasibility of revival of the unit.

HUMAN RESOURCES

The Company do not face any constraints in getting the required manpower for the project and the manpower is being recruited in a phased manner, in view of the fact that the project is still under implementation.

COMPANY SECRETARY

The Company is taking all efforts to appoint a qualified Company Secretary, but is unable to locate a suitable candidate. Continued efforts are being taken to appoint a suitable candidate at the earliest.

DIRECTORS

During the year under review Mr.P.S.P.Ramesh retire by rotation.

During the year under review your Directors thought fit to broad-basis the constitution of the Board of Directors of your Company by inducting Mr. N.Murugesan as an Additional Director on the Board of Directors of the Company.

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 - CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company's project is still under implementation, your Directors do not consider it necessary to report significantly on conservation of energy, technology absorption and foreign exchange earnings pursuant to section 217 (1) (e) of the Companies Act, 1956.

SALZER SPINNERS LIMITED**salzer****INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) AMENDMENT RULES 1990.**

As regards information to be furnished pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules 1990, none of the employees of the Company was drawing a remuneration exceeding the prescribed limit i.e. Rs.6.00 Lacs, if employed through out the year or Rs.50,000.00 per month, if employed for any part of the year.

AUDITORS

M/s. Swamy & Ravi, Chartered Accountants, the present Auditors retire at this Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENT

Your Directors place on record their deep sense of appreciation and gratitude to the shareholders, Government Agencies, Financial Institutions - IDBI, State Bank of Travancore, The Benares State Bank Limited and the promoter shareholders of the Company and all others who are helping in the implementation of the project, for all their continued co-operation and assistance. Your Directors also wish to record their appreciation for the dedicated services rendered by the employees at all levels.

On behalf of the Board

Place : Coimbatore - 641 104

Date : 26.07.2000

(Sd/-) **R.DORAISWAMY**
DIRECTOR

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SALZER SPINNERS LIMITED**salzer****AUDITORS' REPORT**

We have audited the attached Balance Sheet of SALZER SPINNERS LIMITED, Coimbatore as at 31 st March 2000 and also the Profit and Loss Account of the company for the year ended on that date, annexed thereto and report that :

- (1) As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, a statement on matters specified in paragraphs 4 and 5 of the Order is annexed.
- (2) Further to our Comments in the statement referred to in paragraph (1) above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit.
 - (b) In our opinion proper books of accounts as required by law have been kept by the company so far it appears from our examination of such books.
 - (c) The Balance Sheet and Profit and Loss account referred to in the Report are in agreement with the Books of account.
 - (d) In our opinion, the Profit and Loss account and Balance Sheet comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and Profit and Loss account give the information required by the Companies Act 1956, in the manner so required: and give a true and fair view:-
 - (a) In the case of Balance Sheet of the State of Affairs of the company as on 31st March 2000.
 - (b) In the case of Profit and Loss account, the loss of the company for the year ended on that date.

**For SWAMY & RAVI
CHARTERED ACCOUNTANTS**

**(Sd/-) S. VENKATESAN
PARTNER**

Place : Coimbatore.
Date : 26.07.2000

SALZER SPINNERS LIMITED**salzer****ANNEXURE TO THE REPORT OF AUDITORS TO THE MEMBERS OF SALZER SPINNERS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000.**

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed.
2. None of the fixed assets have been revalued during the year.
3. Physical verification has been conducted by the management in respect of stock of raw-materials, finished goods and stores and no material discrepancies were found.
4. In our Opinion, the procedure of verification of stocks followed by the company is reasonable and adequate in relation to the size of the company and nature of business.
5. The valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
6. The company has taken loans from Directors and other persons listed in the Register under Section 301 of the companies Act, 1956 and terms and conditions of those loans are not prejudicial to the interest of the company. The company has not taken any loan from companies under the same management as defined in Section 370 (1B) of the Companies Act 1956.
7. The company has not given any loans or advances in the nature of loans to companies, firms and other parties listed in the register maintained under Section 301 or to the companies under the same management as defined in Section 370 (1B) of the Companies Act 1956.
8. In our opinion and according to the information and explanations given to us during the course of our audit, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of stocks and other assets.
9. As informed to us, the company has not purchased goods and services during the year exceeding Rs.50000/- in value from Companies/firms in which the Directors are interested.
10. There are no unservicable or damaged stores.
11. The Company has not accepted any deposit from the public within the meaning of Section 58 A of the Companies Act, 1956, during the year.
12. In our opinion, reasonable records have been maintained by the company for the disposal of waste and scraps. The company has no by-products.
13. The company has an internal audit system commensurate with the size and nature of business.
14. The company has maintained the cost records prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956. However, we have not made a detailed examination of such records.
15. The company is not regular in payment of Provident Fund and Employees State Insurance Fund dues to the employees.
16. To the best of our knowledge and according to the information and explanations given to us, there are no un-disputed amount of income-tax, sales tax, customs duty, excise duty outstanding for a period exceeding six months as at the last day of the financial year.
17. According to the information and explanations given to us no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
18. The company is a sick industrial company within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions Act) 1985.

**For SWAMY & RAVI
CHARTERED ACCOUNTANTS**

**(Sd/-) S.VENKATESAN
PARTNER**

Place : Coimbatore.
Date : 26.07.2000

SALZER SPINNERS LIMITED**salzer****BALANCE SHEET AS AT 31st MARCH, 2000**

PARTICULARS	Schedule No.	As at 31.03.2000 Rs.	As at 31.03.1999 Rs.
I. SOURCES OF FUNDS			
1) Shareholders' Funds			
Share Capital	1	70000000	70000000
2) Loan Funds			
a) Secured Loans	2	218094271	181962750
b) Unsecured Loans	3	126500	126500
TOTAL		<u>288220771</u>	<u>252089250</u>
II. APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block	4	158363397	158160861
b) Less : Depreciation		17686353	4174533
c) Net block		<u>140677044</u>	<u>153986328</u>
2) Investments		—	—
3) Current Assets, Loans and Advances			
a) Inventories	5	2628200	1649150
b) Sundry Debtors	6	1727662	3330875
c) Cash and Bank Balances	7	5537920	4835098
d) Loans and Advances	8	4485012	4262436
Total 3 (a) to (d)		14378794	14077559
Less : Current Liabilities and Provision	9	<u>7042048</u>	<u>9213324</u>
Net Current Assets		7336746	4864235
4) Miscellaneous Expenditure (to the extent not written off)	10	50351402	56645327
5) Profit and Loss Account		89855579	36593360
TOTAL		<u>288220771</u>	<u>252089250</u>
In terms of our Report of even date			
(Sd/-) R. DORAISWAMY Director		for SWAMY & RAVI, Chartered Accountants	
Coimbatore - 641 047. July 26, 2000.		(Sd/-) P.S.P.RAMESH Director	
		(Sd/-) S.VENKATESAN PARTNER	

SALZER SPINNERS LIMITED**salzer****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000**

PARTICULARS	Schedule No.	As at 31.03.2000 Rs.	As at 31.03.1999 Rs.
I. INCOME			
Sales		53080090	41354892
Other Income	16	139477	195691
TOTAL		53219567	41550583
II. EXPENDITURE			
Raw Materials Consumed	11	36498143	27061373
Manufacturing & Other Expenses	12	21087432	13774868
Finance Cost	13	30057670	28658505
Depreciation		13511820	—
Preliminary & Pre-operative to the extent written off	14	6293925	6293925
Increase (-)/Decrease in Stock of finished goods & Work-in-process	15	- 967204	2355272
TOTAL		106481786	78143943
III. Loss/Profit before Tax		-53262219	-36593360
IV. Provision for Taxation		—	—
V. Loss after Tax and arrears of Depreciation		-53262219	-36593360
VI. Deficit b/f from previous year		-36593360	—
VII. Deficit/surplus carried to Balance Sheet		-89855579	-36593360

In terms of our Report of even date

Coimbatore - 641 047.
July 26, 2000.(Sd/-) R. DORAISWAMY
Director
(Sd/-) P.S.P. RAMESH
Directorfor SWAMY & RAVI,
Chartered Accountants
(Sd/-) S.VENKATESAN
PARTNER

SALZER SPINNERS LIMITED**salzer****SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 31ST MARCH, 2000**

PARTICULARS	31.03.2000 Rs.	31.03.1999 Rs.
SCHEDULE 1		
AUTHORISED		
1,25,00,000 equity shares of Rs.10/-each	<u>125000000</u>	<u>125000000</u>
ISSUED, SUBSCRIBED AND PAID-UP		
70,00,000 Equity Shares of Rs.10/- each fully paid-up. (Out of which 57,51,500 shares of Rs.10/- each fully held by M/s.Salzer Electronics Limited being the holding company.)	<u>70000000</u>	<u>70000000</u>
TOTAL	<u>70000000</u>	<u>70000000</u>
SCHEDULE 2		
SECURED LOANS		
(All loans given below are secured on paripassu basis by equitable mortgage of land and buildings of the Company and by way of hypothecation of all moveable assets of the company and also personally guaranteed by four Directors of the Company.)		
IDBI Foreign Currency Loan	55158854	49085002
Interest accrued and due thereon.	921679	5684267
IDBI Indian Currency Loan (including Funded Interest)	47525193	25431973
Interest accrued and due thereon.	3615032	5936000
Term Loan from The Benares State Bank Limited	32000000	32000000
Interest accrued and due thereon.	23905267	18417597
Term Loan from State Bank of Travancore	30000000	30000000
Interest accrued and due thereon.	24968246	15407911
	<u>218094271</u>	<u>181962750</u>
SCHEDULE 3		
UNSECURED LOANS		
Unsecured Loans from Directors	126500	126500
	<u>126500</u>	<u>126500</u>