



SUDITI
INDUSTRIES
LTD.

Report of the Board of Directors
for the Seventh Annual Report

SEVENTH ANNUAL REPORT
1997-98

BOARD OF DIRECTORS

Kishorilal Agarwal
(Chairman)

Anand Agarwal
(Managing Director)

Govind Agarwal

Pawan Agarwal

Dinkar Rai

A. T. Shahani

J. John
(Nominee IDBI)

A. Indu Sekhar Rao

**V.P. Finance &
Company Secretary**

H. Gopalkrishnan

Registered Office

A-2, Shah & Nahar Estate, Unit No. 23/26,
Lower Parel, Mumbai 400 013.

Admn. Office

A-2, Shah & Nahar Estate, Unit No. 33/34,
Lower Parel, Mumbai 400 013.

Works**Unit No. 1**

C-253/254, M.I.D.C., T.T.C. Indl. Area,
Pawne Village, Navi Mumbai 400 705.

Unit No. 2

Plot No. D-371, M.I.D.C.,
T.T.C. Indl. Area, Kukshet,
Turbhe, Navi Mumbai 400 705.

Auditors

Chaturvedi & Co.

81, Mittal Chambers, 228 Nariman Point,
Mumbai 400 021.

Legal Advisors

Kanga & Co.

Readymoney Mansion,
43 Veer Nariman Road,
Fort, Mumbai 400 001.

Bankers

The Vysya Bank Ltd.

Union Bank of India

SBI Commercial & International Bank Ltd.

Registrar & Share Transfer Agents

Karvy Consultants Ltd.

7, Andheri Indl Estate, Off Veera Desai Road,
Andheri (W), Mumbai 400 058.

or

"Karvy House", 46, Road No.4, Street No.1,
Banjara Hills, Hyderabad 500 034.

CONTENTS**Page**

Notice	1
Directors' Report	3
Annexure to the Directors' Report	4
Auditors' Report	6
Balance Sheet	8
Profit & Loss Account	9
Schedules to the Accounts	10
Notes to the Accounts	15
Cash Flow Statement	18
Balance Sheet Abstract	19

SEVENTH ANNUAL GENERAL MEETING
On Friday, the 18th day of September, 1998
at 3.30 p.m. at Kilachand Conference Hall,
2nd Floor, Indian Merchants' Chamber,
Churchgate, Mumbai 400 020.

As a measure of economy, copies of the
Annual Report will not be distributed at the
Annual General Meeting. Shareholders are
requested to kindly bring their copies
to the meeting.

SUDITI INDUSTRIES LTD.

FOR SUDITI INDUSTRIES LTD.

V. P. FINANCE & CO. SECRETARY

NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at 3.30 p.m. on Friday the 18th September, 1998 at Kilachand Conference Hall, 2nd Floor, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020 to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the audited Balance Sheet as at 31st March, 1998 and Profit & Loss Account of the Company for the year ended 31st March, 1998 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri Pawan Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri A. T. Shahani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri A. Indu Sekhar Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 387 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals, as may be necessary, the company hereby approves the reappointment of Shri Anand Agarwal as Managing Director of the Company for a further period of 5 (five) years with effect from 1st August, 1998, with liberty to either party to terminate the appointment on three months notice in writing to the other, upon the revised terms of remuneration as set out hereunder, with power to the Board of Directors of the company to revise the terms of remuneration from time to time as they may deem fit in the best interest of the Company, but so as not to exceed the maximum limit in that behalf prescribed in the said Schedule XIII for the time being in force.

"The Managing Director shall be paid the following remuneration:

- (a) Salary, Commission and perquisites payable would be restricted to 5% of the net profits of the company for any financial year. The salary payable would be as per notification No. GSR 510 (E) dated 14th July, 1993 issued by the

Ministry of Law, Justice and Company Affairs and would be subject to amendments to be notified from time to time. In the event of inadequacy of profits or loss in any particular financial year comprised in the period of appointment, the maximum salary payable shall be Rs.25,000 per month. Under such circumstances, no commission would be payable.

- (b) Perquisites: The following perquisites shall be allowed in addition to salary and commission.

For this purpose the perquisites are classified into three categories

Part A

Part B

Part C

Perquisites with regard to part B & C shall not be considered or included for the computation of the ceiling of perquisites.

Part - A.

1. Housing
 - i. The expenditure incurred by the Company on providing unfurnished accommodation to him will be subject to ceiling of 60% of the salary, over and above 10% payable by him.
 - ii. In case the accommodation is owned by the Company 10% of the salary shall be deducted by the Company.
 - iii. In case no accommodation is provided by the Company or the accommodation is owned or rented by him, House Rent Allowance of 60% of the salary.
2. The expenditure on gas, electricity, water and furnishings shall be subject to a ceiling of 10% of the salary and shall be valued as per the Income-Tax Rules 1961.
3. Medical Reimbursement:

The Company shall reimburse medical expenses incurred by the Managing Director on himself or his family subject to ceiling of one months salary in a year or three months salary for a period of three years.
4. Leave Travel Concession:

For self and family, once in a year incurred in accordance with the rules of the Company.
5. Club Fees:

Fees of the clubs subject to a maximum of two clubs. This will not include Admission and Life Membership fees.
6. Personal Accident Insurance of an amount the annual premium of which does not exceed Rs.4,000/-.

Part- B.

1. Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
2. Company's contribution towards superannuation

Seventh Annual Report 1997-98

fund given together with the Provident fund not to exceed 25% of the salary as laid down under the Income-Tax Rules, 1962.

3. Gratuity not to exceed half months salary for each completed year of service or part thereof.

Part - C.

1. The Managing Director shall be provided with a car for use of Company's business subject to the condition that the use of the car for private purposes shall be billed by the Company to him.
2. Free Telephone to be provided at his residence subject to the condition that all long distance personnel calls shall be duly logged and paid for by him.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient to give effect to the above resolution."

By order of the Board
For **SUDITI INDUSTRIES LTD.**

H. GOPALKRISHNAN
V. P. FINANCE &
COMPANY SECRETARY

Place : Mumbai
Date : 30.06.1998

NOTES:

1. An Explanatory statement relating to Special Business as set out in the Notice is annexed hereto, pursuant to Section 173(2) of the Companies Act, 1956.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the Company. A member unable to attend may appoint another person (whether a member or not) as his proxy in the enclosed form. The instrument appointing the proxy and the Power of Attorney or other authority, if any, under which it is signed or a copy of that power or authority duly certified by a Notary Public or other proper authority shall be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting, in default, the instrument of proxy shall not be treated as valid.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Tuesday 1st September, 1998 to Friday 18th September, 1998 both days inclusive.
4. Members are also requested to notify immediately any change in their address to the Company/Share Transfer Agents.

5. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
6. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Holidays between 10.30 a.m. to 5.00 p.m. upto the date of the Annual General Meeting.
8. The unpaid dividend for the financial year 1994-95 is due for transfer on 10.10.1998 to The General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules 1978. Members who have not encashed their Dividend Warrants, may approach the Company's Share Transfer Agent M/s. Karvy Consultants Ltd., or Registered office of the Company for obtaining duplicate dividend warrants.

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

Item No. 6

Pursuant to Section 269 of the Companies Act, 1956 Shri Anand Agarwal was appointed as the Managing Director of the Company for a period of 5 years with effect from 1st August 1993 on the terms set out in the said Resolution. The term of office of Shri Anand Agarwal as Managing Director expires on 31st July, 1998. Shri Anand Agarwal has been associated with the Company from the incorporation and also continued to hold the office of Managing Director. His long and fruitful association with the Company resulting in considerable experience eminently qualifies him for reappointment as Managing Director of the Company for a further period of five years effective from 1st August, 1998 on the terms and conditions as set out in the Resolution. The proposed remuneration is well within the prescribed limits as specified in Schedule XIII of the Companies Act, 1956.

The Board of Directors recommends this Resolution for your approval.

Shri Kishorial Agarwal, Shri Anand Agarwal, Shri Pawan Agarwal and Shri Govind Agarwal, who are related to each other are deemed to be interested in this Resolution to the extent of his individual appointment.

By order of the Board
For **SUDITI INDUSTRIES LTD.**

H. GOPALKRISHNAN
V. P. FINANCE &
COMPANY SECRETARY

Place : Mumbai
Date : 30.06.1998

SUDITI INDUSTRIES LTD.

**DIRECTORS' REPORT:**

Dear Shareholders,

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of your Company and the Audited Statement of accounts for the year ended 31st March, 1998.

Financial Results:**(Rs. in lacs)**

	Current Year ended 31.03.1998	Previous Year ended 31.03.1997
Export Sales	2306.13	6403.44
Local Sales	1370.56	131.82
Trading Sales	3138.00	3293.28
Other Income	170.25	35.27
Profit before interest and Depreciation	596.98	1356.22
Interest	303.94	331.56
Profit after Interest	293.04	1024.66
Depreciation	222.40	203.08
Profit before Tax	70.64	821.58
Provision for Tax	7.50	127.00
Profit after Tax	63.14	694.58
Add: Brought forward from the previous year	1135.29	603.89
Amount available for appropriation	1198.43	1298.47
Appropriation:		
Transfer to General Reserve	6.31	69.46
Proposed Dividend	0.00	85.20
Corporate Tax on Dividend	0.00	8.52
Surplus carried forward	1192.12	1135.29

Dividend :-

With a view to consolidate and to fulfill the necessary financial commitments during the current year, your Directors preferred not to recommend any dividend for the year under review.

Operations:-

Although the operations of the company since inception upto the year 1996-97 was quite progressive, the Company could not retain the same growth rate during the year 1997-98 because of lower utilisation of capacity level upto the period November 1997. Hence the turnover and profits are low compared to previous year. The company has changed its marketing strategy from a single customer to multi customer base and accordingly widened its customer base. There were lot of initial teething problems in setting up the plant in line with the revised marketing set up. However, this step was very essential for the Company in order to derive the benefit which is expected to accrue after the implementation of GATT and abolition of Quota system. The Company has also discontinued its sales under the earlier marketing tie-up arrangement and now the Company is free to sell to any customer in any part of the world. Now the operations are fully stabilised particularly from December 1997

onwards and is now catering to the requirement of very wide range of customers in both overseas and local markets.

Export Sales:-

During the last year the Government has reduced the rate of incentives available to the exporters and because of this the cost of our product become highly uncompetitive and un-economical compared to the similar kind of products manufactured in the neighbouring countries. Because of this there was a slump in the export activities of the Company during the year 1997-98.

Further the continued recession in the European market and excessive competition from the neighbouring countries have adversely affected the prospects of Indian exporters in the Textile sector.

As planned earlier the Company has now revised its marketing strategy. Now it is exploring various avenues in the overseas market. The Company has already added new customers in the countries like Sri Lanka, Egypt, Nepal and USA. The Company is now working out a permanent arrangement to supply to these various customers on a regular basis.

Apart from exporting the fabrics, the Company has also started exporting finished garments and made-ups. These areas are expected to contribute significantly to the export performance of the Company in the year's ahead.

Expansion:-

The Company has already implemented some part of the expansion project as approved by IDBI. In view of changed global scenario the Company is now proposed to revise the scope of the expansion programme for which the proposal has already been submitted to IDBI. In the revised proposal the major thrust is given to various cost saving scheme to reduce the overall cost of production as well as to improve and consolidate its backward integration programme. This would entail centralisation and modification of the Knitting Division to augment the requirement of raw-materials for our process house. The Company is also proposed to set up its own garment manufacturing division to manufacture the garments and made-ups directly for exports.

Industrial Relations:-

Industrial relations of the Company's plant at MIDC, TTC Industrial Area, Pawne Village, New Bombay, and Knitting Div. at MIDC, TTC Ind. Area, Kukshet, Turbhe, Navi Mumbai, continues to be healthy and cordial throughout.

Personnel:-

In compliance with the Provisions of Section 217 (2A) of the Companies Act, 1956 a statement showing the requisite information is annexed hereto and forms part of this report.

Deposits:-

The Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956 and the rules made there under.

Seventh Annual Report 1997-98

Energy, Technology and Foreign Exchange:-

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 is given in the Annexure forming part of this Report.

Directors:-

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Pawan Agarwal, Shri A. T. Shahani and Shri A. Indu Sekhar Rao, Directors shall retire by rotation and being eligible offer themselves for re-appointment.

Auditors Report/Auditors:-

Observations made in the Auditors Report are self explanatory and therefore, do not call for any further comments under Section 217 (3) of the Companies Act, 1956. Messrs. Chaturvedi & Company,

Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Appreciation:-

Your Company and its Directors wish to place on record their appreciation for the support received from different Central and State Government Departments and Agencies, the Company's Bankers, Industrial Development Bank of India, National Insurance Company Ltd., Customers and Vendors. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30.06.1998

KISHORILAL AGARWAL
CHAIRMAN

Annexure I

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 the Directors Report for the year ended 31st March, 1998.

A) Conservation of Energy :

- a) Energy conservation measures taken/under implementation.
 - 1) Installation and commissioning of condensate water recovery plant thereby saving in the fuel oil consumption as well as enhancing the efficiency of the boiler.
 - 2) Insulation work of steam & thermic fluid pipe line and valve as per P.C.R.A. report to reduce the heat loss and substantially effecting considerable saving in the consumption of fuel oil.
 - 3) Effective utilisation of steam and thermal energy through preventive maintenance of the thermic fluid heater and all boilers.
 - 4) Installation of modified steam line for H.T.H.P. machine to reduce the process time, there by saving in the cost of inputs like steam, water and power and also reduce the process time of the fabric.
 - 5) Installation of the new cooling water line to avoid the wastage of water through recycle of the used water in the processing.
 - 6) Effective preventive maintenance of all machine for avoiding the wear and tear of all moving parts and also reduce the break down of the machine thereby saving in the utilisation of power.
- b) Energy conservation measures under study for implementation in future :-
 - 1) Use of fuel additives in the F.O. or H.S.D. for proper combustion of the fuel, enabling saving in fuel consumption.
 - 2) Extensive use of Supervisory Control And Data Acquisition System (SCADA) for effectively monitoring the process of Bleaching/Dyeing and further reduce the cost of inputs is being pursued.

B) Research & Development and Technology Absorption :

- a) Research & Development :
 - 1) Development of direct steam line injection in newly

installed tumble dryer machine and successful development of sherpa quality fabric.

- 2) Development of control panel for polar fleece knitting machine, improving the productivity of the machine.
- 3) Development of new spare parts indigenously in replacement of costly imported spare parts.

b) Technology absorption :

The company is in the process of upgrading and remodelling some of the machines in line with the changing trends of the export market with technologically superior parts and spares.

C) Foreign Exchange Earnings and Outgo:

The figure of earnings and expenditure in foreign currency during the period under report are as under:

(Rs. in lacs)

	Current Year (1997-98)	Previous Year (1996-97)
Total Foreign Exchange used	658.60	374.14
Total Foreign Exchange earned (FOB Value)	1357.12	4810.52

Form - A
(See Rule-2)

The disclosure of particulars with respect to conservation of Energy.

A. Power and Fuel Consumption :-

	Current Year (1997-98)	Previous Year (1996-97)
1. Electricity		
Units	2687306	2173991
Total Amount (Rs.)	10187674.00	7495433.00
Rate/Unit (Rs.)	3.79	3.45
2. Furnace Oil		
Quantity (Ltr.)	1785974	1607063
Total Amount (Rs.)	15081892.00	13949945.00
Average Rate (Rs./Ltr.)	8.44	8.68

B. Consumption per unit production:

Electricity (Unit/Kg.)	1.12	0.65
Furnace Oil (Ltr./Kg.)	0.74	0.48

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30.06.1998

KISHORILAL AGARWAL
CHAIRMAN

SUDITI INDUSTRIES LTD.



STATEMENT UNDER CLAUSE 43 OF THE LISTING AGREEMENT

Profitability Statement :-

Particulars	(Rs. in lacs)	
	Projected for the year 1997-98	Actual for the year 1997-98
Sales and Other Income	6058.00	6984.94
Profit before Depreciation, Interest & Tax	1010.00	596.97
Profit after Tax	539.00	63.13

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30.06.1998

KISHORILAL AGARWAL
CHAIRMAN

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Statement of Particulars of Employees forming part of Directors' Report for 1997-98 pursuant to Section 217 (2A) of the Companies Act, 1956 and Rules thereunder.

Name	Age (Years)	Quali- fication	Experience (Years)	Desig- nation	Date of Comm- encement	Remune- ration (Rupees)	Last Employment Held Name of the Organisation Desig- nation	
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Employed for the Full Year

Anand Agarwal	45	B.Com	25	Managing Director	01.8.1993	4,10,520.00	—	—
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Employed for Part of the Year

Nil

Notes :

1. Remuneration as shown above includes Salary, House Rent Allowance and other perquisites.
2. Shri Anand Agarwal, is related to Chairman Shri Kishorilal Agarwal and Directors Shri Pawan Agarwal and Shri Govind Agarwal of the Company.
3. The conditions of employment are contractual.

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 30.06.1998

KISHORILAL AGARWAL
CHAIRMAN