



## SURAT TEXTILE MILLS LIMITED

### BOARD OF DIRECTORS

PRAFUL A. SHAH	Chairman
RAJEN P. SHAH	Wholetime Director
SANJAY S. SHAH	Wholetime Director
SHILPA P. SHAH	
S. J. BHESANIA	
D. B. KHADEPAW	
A. N. JARIWALA	
ANIL RATANPAL	Nominee of IDBI
PREMA M. PRASAD	Nominee of UTI (upto 2nd June, 1999)

### AUDITORS

M/s. NATVARLAL VEPARI & CO.,  
Chartered Accountants

### COST AUDITORS

P. M. NANABHOY & CO.,  
Mumbai

### BANKERS

DENA BANK

### REGISTERED OFFICE

Garden Mills' Complex,  
Sahara Gate,  
Surat - 395 010.

### PLANTS

- i. Varachha Road,  
Surat
- ii. Vareli Complex, Village Vareli,  
Taluka Palsana, Dist. : Surat
- iii. Village Jolva, Taluka Palsana,  
Dist. : Surat
- iv. Village Khadoli, Silvassa,  
Dadra & Nagar Haveli (UT)

### REGISTRARS & SHARE TRANSFER AGENTS

MCS LIMITED  
Neelam Apartment,  
88, Sampatrao Colony,  
Behind Federation Building,  
Alkapuri,  
Baroda 390005

## NOTICE

Notice is hereby given that the Fifty-third Annual General Meeting of the Members of Surat Textile Mills Limited will be held on Wednesday, 29th September, 1999 at 10.00 a.m. at the Registered office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010 to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited statements of Accounts together with the Report of the Board of Directors and Auditors thereon for the year ended 31st March, 1999;
2. To appoint a Director in place of Shri D. B. Khadepaw, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri S. J. Bhesania, who retires by rotation and is eligible for re-appointment.

**Appointment of Auditors**

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the Provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Natvarlal Vepari & Co., the retiring Auditors of the Company, be and are hereby re-appointed auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting of the Company and to examine and audit the accounts of the Company for the financial year 1999-2000 on a remuneration to be mutually agreed upon between the Board of Directors and the Auditors."

**Payment of Service Tax on Audit Fees**

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT Messrs. Natvarlal Vepari & Co., Chartered Accountants, be paid an amount of Rs.5,000/- being the amount representing the service tax on audit for carrying out the statutory audit of the accounts of the Company for the period from 1st April, 1998 to 31st March, 1999 as provided in the Annual Accounts of the Company for the year ended 31st March, 1999."

**NOTES:**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (2) Proxy in order to be effective must be received at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
- (3) The Explanatory Statement setting out the material fact concerning the ordinary business at item No. 4 of the accompanying notice as required by Section 173 of the Companies Act, 1956, is annexed hereto.
- (4) The Register of Members and Share Transfer Book of the Company will remain closed from Thursday, September 23,

1999 to Wednesday, September 29, 1998 (both days inclusive).

- (5) Pursuant to Section 205 of the Companies Act, 1956, all unclaimed / unpaid dividends upto the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government.  
Members, who have so far not claimed or encashed their dividend upto the aforesaid financial year, may claim their dividend from the Registrar of Companies - Gujarat, Opp. Rupal Park Flats, Near Ankur Bus Stand, Naranpura, Ahmedabad 380013.
- (6) Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. Members, who have not encashed the dividend warrant(s) for the financial year 1995-96, are requested to make their claims to the Company.
- (7) Members 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 at the meeting.
- (8) Members are requested to notify changes, if any, in their Addresses, to the Company's Registrar and Transfer Agents quoting their Registered Folio Nos.
- (9) For the convenience of the Members, Attendance Slip is annexed to the Proxy Form. Members are requested to fill in and affix their signatures at the space provided therein and hand over the Attendance Slip at the entrance of the place of Meeting.
- (10) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
- (11) Members, who are holding shares in multiple folios and in identical name(s) or joint accounts in the same order, are requested to send all the share certificate(s) to the Registrar & Transfer Agents, M/s. MCS Limited, for consolidation of all such Shareholdings into one folio to facilitate better service. The Certificates after consolidation will be returned by Registered Post.
- (12) The securities of the Company are listed at the Stock Exchange, Ahmedabad and the Stock Exchange, Mumbai. The Company has paid annual listing fees to each of the above Stock Exchanges for the financial year 1998-99.

By Order of the Board

**RAJEN P. SHAH**  
Wholetime Director

Surat, August 23, 1999

**Registered Office:**  
Garden Mills' Complex,  
Sahara Gate, Surat 395010.

## ANNEXURE TO THE NOTICE

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956**

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned under Item No. 4 & 5 of the accompanying Notice.

**Item No. 4 & 5**

Section 224A of the Companies Act, 1956, provides that in the case of a Company of which not less than 25% of the subscribed capital is held either singly or in any combination by public financial institutions, government companies, national bank, insurance companies, etc; the appointment or re-appointment of an auditor of that company has to be made by a special resolution.

Since, the combined shareholding of IDBI and UTI in the Company exceeds 25% of the subscribed share capital of the Company, the re-appointment of Messrs. Natvarlal Vepari & Co., Chartered Accountants, as Auditors of the Company is required to be made by a special resolution. It is proposed to re-appoint the auditors for the financial year 1999-2000 on a remuneration to be mutually agreed upon between the Board of Directors and the Auditors.

As required under Section 224 of the Act, a certificate has been obtained from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Act. The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them.

At the Annual General Meeting of the Company held on 29th August, 1998, the members had approved the appointment of Messrs Natvarlal Vepari & Co., Chartered Accountants, as the statutory auditors of the Company to hold office from the close of that meeting to the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed upon between the Board of Directors and the Auditors. However, subsequent to the members' approval, the applicability of service tax was extended by the Finance Act, 1998, to remuneration payable to the Auditors of the Company.

It is therefore proposed to obtain the approval of the members of the Company by a Special Resolution to pay, in addition to the remuneration, an amount of Rs.5,000/- to Messrs. Natvarlal Vepari & Co., being the amount representing service tax on audit fees.

The Board recommends their re-appointment.

None of the Director of the company is concerned or interested in the said Resolution.

By Order of the Board

**RAJEN P. SHAH**  
Wholetime Director

Surat, August 23, 1999

**Registered Office:**  
Garden Mills' Complex,  
Sahara Gate, Surat 395010.

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**DIRECTORS' REPORT**

To the Members of

**SURAT TEXTILE MILLS LIMITED**

Your Directors present their fifty-third Annual Report with the audited Statement of Accounts for the financial year ended March 31, 1999.

**FINANCIAL RESULTS**

	(Rs. in lacs)	
	<b>1998-99</b>	<b>1997-98</b>
Total Income	<b>12714.18</b>	11825.88
Profit before Interest, Depreciation & Tax	<b>1037.54</b>	826.27
Less : Financial Charges (Net)	<b>985.56</b>	860.84
Profit before Depreciation	<b>51.98</b>	(34.57)
Less: Depreciation	<b>885.20</b>	868.16
Profit / (Loss) for the year	<b>(833.22)</b>	(902.73)
Add: Balance brought forward from Previous year	<b>(1236.91)</b>	(425.08)
Add: Transfer from General Reserves	<b>0.00</b>	90.90
Balance carried to Balance Sheet	<b>(2070.13)</b>	(1236.91)

**OPERATIONS**

The grim scenario in the textile industry in general and the POY yarn manufacturing industry, in particular continued during the year under review. Due to demand recession, excess capacity in the domestic market and competition arising out of cheap imports, the margins of domestic manufacturers were under severe pressure.

Despite the adverse market conditions, your Company has achieved improved capacity-utilisation, and increased productivity resulting in higher volumes of production and sales.

In view of the loss for the year, your Directors express their inability to recommend any dividend.

**FINANCE**

The Company has made no further term borrowings during the year. It has repaid an aggregate amount of Rs.42.20 Lacs to The Industrial Finance Corporation of India Ltd. and Industrial Investment Bank of India Ltd. towards its term loan obligation during the year.

Further, the Company has prepaid an amount of Rs.2347 Lacs to the Institutions. Out of this an amount of Rs.220 Lacs was appropriated towards the outstanding term loans. The balance of Rs.2127 Lacs was appropriated by the Institutions towards prepayment of the aforesaid Debentures. At the end of the year, the amount of outstanding debentures stands reduced to Rs.6661.50 Lacs. In addition, an amount of Rs.67 Lacs paid during the previous year has been adjusted towards outstanding interest on Term Loan.

A proposal has been submitted to the financial institutions for rephasing/rescheduling of outstanding term loan components and the scheduled redemption of debentures.

**STATUS OF PROJECTS**

The Directors of the Company had earlier decided to shelve the Cotton Spinning Project and to dispose of the land and the partially constructed factory building at Village Jolva. The Company explored the possibility of disposing of the same in consultation with the financial institutions. However in the absence of any viable proposal, the Company is looking to alternative modes of commercially exploiting the said land and building. Some of the machinery imported for the shelved project were installed in the existing plants of the Company at Varachha Road, Vareli and Silvassa.

The property development activity is under progress. The necessary funding for this activity will be done strictly out of *advances towards booking*.

**FUTURE OUTLOOK**

The off-take of yarn in the domestic market continued to be sluggish in the current year. In addition, the threat of cheaper imports from Far-East & South-East Asian countries have drastically brought down the selling prices of POY. This has

**DIRECTORS' REPORT**

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seriously affected the operating margins of all the polyester yarn manufacturing units in the Country.

Under the present scenario, the Company concentrated on increased productivity through optimal utilisation of production capacities and reduction in operating costs. The benefits of these measures are partially reflected in the working of the year under review.

The product demand during the first quarter of the current year was dull. Although in the beginning of the second quarter there is some improvement in demand, the prices of raw materials have substantially increased. This price increase could not be completely absorbed by way of commensurate increase in yarn prices.

Your Directors are of the view that the Company's performance in the current year would be largely dependent upon the industry scenario in the coming months.

**PROMISE Vs. PERFORMANCE**  
(In Terms of Clause 43 of Listing Agreement)

The performance of the Company vis-a-vis projections for the year-ended 31st March, 1999, made in the Letter of Offer dated 5th January, 1995 as required under Clause 43 of the Listing Agreement, is given below:

	(Rs. in lacs)	
	Projected	Actual
Net Sales	23230.00	12638.15
Gross Profit/(Loss) before Interest, Depreciation & Tax	7400.00	1037.54
Net Profit / (Loss)	2582.00	(833.22)

The performance of the Company was affected due to the recessionary market conditions and unremunerative realisations, prevailing in the textile industry in general and the segment in which the Company is operating, in particular.

**FIXED DEPOSITS**

The Company has not accepted any deposits under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE**

Additional information to the extent applicable on conservation of energy, technology absorption, foreign exchange earning and outgo is required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 and with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto and forms part of this report.

**INDUSTRIAL RELATIONS**

Industrial relations continued to be cordial throughout the year.

**PARTICULARS OF EMPLOYEES**

None of the employee of the Company is in receipt of remuneration of more than Rs.6,00,000/- per annum or Rs.50,000/- per month, where the employment is for a part of the year, and as such the particulars of employees as contemplated under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not attached to this report.

**INFORMATION TECHNOLOGY**

Your Company has taken appropriate steps to deal with the year 2000 (Y2K) related issues. The Company's data processing system, main application and all other equipments / software are being upgraded and suitably tested for Y2K compliance. The Company does not envisage any disruption of its operations due to Y2K problem. There is a contingency plan to meet any unforeseen situation. The expenditure to ensure Y2K compliance is not significant.

**DIRECTORS**

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Shri D. B. Khadepaw and Shri S. J. Bhesania, are liable to retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Board recommends their re-appointment as rotational directors.

Unit Trust of India has withdrawn its nominee Mrs. Prema Prasad from the Board of Directors of the Company with

**DIRECTORS' REPORT**

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effect from 2nd June, 1999. The Directors of the Company place on record their appreciation for the valuable services rendered by Mrs. Prasad during her tenure of office as Director of the Company.

**AUDITORS**

M/s. Natvarlal Vepari & Co. Chartered Accountants, the statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

The Board recommends their reappointment.

**COST AUDIT**

Pursuant to the directives of the Central Government under provisions of Section 233-B of the Companies Act, 1956, *qualified Cost Auditor has been appointed to conduct the cost audit relating to Textiles for the year ended 30th June, 2000.*

**AUDITORS' REPORT**

The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

**ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation for the co-operation and the support extended by the Financial Institutions, Bankers, Customers, Suppliers, Shareholders and Employees of the Company.

By Order of the Board of Directors

Surat, August 23, 1999

**RAJEN P. SHAH**  
*Wholetime Director*

