



BOARD OF DIRECTORS

PRAFUL A. SHAH	Chairman
RAJEN P. SHAH	Wholetime Director
SANJAY S. SHAH	Wholetime Director
S. J. BHESANIA	
A. N. JARIWALA	
HARSHAD F. SHAH	
ANIL RATANPAL	Nominee of IDBI
M. PARAMESWARAN	Nominee of UTI

AUDITORS

NATVARLAL VEPARI & Co.,
Chartered Accountants

COST AUDITORS

P.M. NANABHOY & Co.,
Mumbai.

BANKERS

DENA BANK

REGISTERED OFFICE

Garden Mills' Complex,
Sahara Gate,
Surat 395010.

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 Bldg., Alkapuri,
Baroda 390 005.

DIRECTORS' REPORT

To the Members of

SURAT TEXTILE MILLS LIMITED

Your Directors present their fifty-fourth Annual Report with the audited Statement of Accounts for the financial year ended March 31, 2000.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	1999-2000	1998-99
Total Income	16572.00	12714.18
Profit before Interest, Depreciation & Tax	320.96	1037.54
Less: Financial Charges (Net)	306.11	985.56
Profit before Depreciation	14.85	51.98
Less: Depreciation	909.59	885.20
Profit / (Loss) for the year	(894.74)	(833.22)
Add: Balance brought forward from Previous year	(2070.13)	(1236.91)
Balance carried to Balance Sheet	(2964.87)	(2070.13)

REVIEW OF OPERATIONS

The general economic slow-down continued during the year 1999-2000. With competition further intensifying, the polyester yarn industry as well as the cotton spinning units were hard hit due to prevailing over-supply situation and the un-remunerative sales realisation prevailing in the textile industry.

During the year under review, grim situation of over-supply, coupled with demand recession in the domestic market, dumping of yarn/chips by various countries through illogical low pricing coupled with the rising trend in raw material prices, have virtually wiped out the margins.

In view of the continuing reduced off-take of yarn and margins under pressure due to dull market conditions, the Company was unable to service its heavy interest burden on the debt of the financial institutions.

The Company has also submitted a proposal to the financial institutions for alternate options for revival of the unit under the present scenario. In response to the Company's proposal, Industrial Development Bank of India (IDBI), as lead institution, vide its letters dated 30.07.1999 and

27.09.1999 called back the entire outstanding of non-convertible portion of Secured Redeemable Debentures aggregating to Rs.87.30 Crores and outstanding term loan component of Rs.14.29 Crores. The Company is in active dialogue with the financial institutions to consider various options to make the operations of the Company viable and restructure the outstanding dues.

In spite of the prevailing situation, the Company had undertaken various measures to keep the plant operating and achieved optimum capacity utilisation during the year. The Company also managed to control its working capital better through tighter management of inventory and sundry debtors which, taken together, were lower than at the end of the previous year despite an increase in sales volume.

FUTURE OUTLOOK

In the current year, the Company is concentrating on increased productivity, cost control and a thrust in sales and better price realisation. Your Directors are optimistic that your Company will be able to meet the challenges of the future through well-defined objectives and strategies to improve the performance in the coming months. However, the performance would be largely dependent on the overall industry scenario.

DEPOSITORY

As per the directives of SEBI, the Company has entered into a tripartite agreement with National Securities Depository Ltd. ("NSDL") and MCS Limited on 27th November, 1999 for enabling investors to hold and trade in Company's shares in electronic form. Consequently NSDL has activated the Company's system for demat with effect from 17th December, 1999.

The Company has also entered into a tripartite agreement with Central Depository Services (India) Limited (CDSL) and MCS Limited on 9th December, 1999 and CDSL has activated the Company's system for demat with effect from 22nd December, 1999. The said securities bear the ISIN "INE936A01017".

Any shareholder opening a securities account with a Depository Participant (DP), can now hold his shares in Surat Textile Mills Limited in the form of an electronic entry. Dealing in shares in electronic form eliminates loss, theft, mutilation, bad deliveries, forgeries, fake certificates, etc. associated with physical handling of share certificates besides reducing transactional costs to the investors.

The adoption of this modern automated system necessitates certain alterations to the provisions of the Articles of Association of the Company. An appropriate Special Resolution for effecting these alterations is being proposed

DIRECTORS' REPORT

(Contd.)

in the ensuing Annual General Meeting, for Shareholders' approval.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company Mr. Rajen P. Shah and Mr. Arunchandra N. Jariwala, retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment as rotational directors.

Mr. Harshad F. Shah, appointed as an Additional Director of the Company with effect from 29.10.1999 will hold office upto the date of ensuing Annual General Meeting. The relevant resolutions relating to these appointments form part of the Notice and are placed for your approval.

During the year, Mr. M. Parameswaran was nominated by Unit Trust of India on the Board of your Company with effect from 22nd October, 1999 in place of Mrs. Prema Prasad, whose nomination was withdrawn.

Mrs. Shilpa P. Shah and Mr. D. B. Khadepaw resigned from the Board of your Company. Your Directors wish to place on record their appreciation of the services rendered by Mrs. Shah and Mr. Khadepaw during their tenure as a Director.

PROJECTIONS Vs. ACTUAL PERFORMANCE

Information on projected profitability statement made by the Company in its Letter of Offer dated 5th January, 1995 and the actual profitability, is annexed hereto and forms part of this report.

FIXED DEPOSITS

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

CONSERVATION OF ENERGY

As regards conservation of energy, Company continued its efforts by elimination of waste, improvement in power factor and by proper maintenance of various equipments.

TECHNOLOGY ABSORPTION

Particulars with regard to technology absorption and foreign exchange earning and outgo, as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are furnished in the annexure and forms part of this report.

PERSONNEL

During the year under review, Industrial relations at all the plants of the Company continued to be cordial and peaceful.

PARTICULARS OF EMPLOYEES

None of the employees 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

The Company has achieved a smooth transition into the new millennium in respect of all systems and all operations are functioning normally.

AUDITORS & THEIR OBSERVATION

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 re-appointment.

The observations of the Auditors read with relevant notes to the accounts and part of this report are self explanatory and, therefore, do not call for any further explanations under Section 217(3) of the Companies Act, 1956.

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 31st March, 2000.

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, June 13, 2000

RAJEN P. SHAH
Wholtime Director

54th Annual Report 1999-2000

ANNEXURE "A"

to the Directors' Report

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

I. CONSERVATION OF ENERGY

- a. Energy Conservation Measure taken:
- Inter connection between SAC units of water treatment plants.
 - Use of fuel oil additive in furnace oil for sludge dilution
 - Improvement in combustion efficiency of steam boiler.

Various other proposals for reducing energy consumption are also under study.

- b. Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:
- The Company is able to produce better quality products at reduced costs.
 - Increase in utilization period of Plant.
 - Substantial saving of Furnace Oil.
- c. Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.

FORM "A"			
Form for Disclosure of Particulars with respect to Conservation of Energy			
		1999-2000	1998-99
A. Power And Fuel Consumption :			
1. Electricity			
a. Purchased Unit in lacs		240.83	236.30
Total amount Rs. in Lacs.		1035.79	937.01
Rate / Unit Rs.		4.30	3.97
b. Own Generation			
i. Through Diesel Generator			
Units in lacs		43.22	26.31
Units per Ltr. of Diesel Oil		3.38	3.29
Cost/Unit Rs.		3.45	3.01
ii. Through Steam turbine/Generator			
Units		NIL	NIL
Units per Ltr. Of fuel oil / gas		NIL	NIL
Cost/Unit Rs.		NIL	NIL
2. Coal/Lignite for Generation of Steam			
Quantity (M.T.)		NIL	NIL
Total Cost Rs. in lacs		NIL	NIL
Average rate Rs./M.T.		NIL	NIL
3. Furnace Oil			
Quantity (K.Lts.)		5734	5962
Total Amount Rs. in Lacs.		397.77	311.72
Average rate Rs./ Lts.		6.94	5.23
4. Others/Internal generation			
Quantity		NIL	NIL
Total Cost		NIL	NIL
Rate / Unit Rs.		NIL	NIL
B. Consumption Per Unit Of Production :			
Product Details	SPUN YARN	SPUN YARN	
Unit	Kg.	Kg.	
Electricity (Unit) *	20.61	20.04	
Product Details	PFY	PFY	
Unit	Kg.	Kg.	
Electricity (Unit) *	1.27	1.46	
Product Details	CHIPS	CHIPS	
Unit	Kg.	Kg.	
Electricity (Unit) *	0.20	0.23	
Furnace Oil	NIL	NIL	
Coal / Lignite (Kg.)	NIL	NIL	
Others	NIL	NIL	

* The variation in consumption of Electricity per unit of production is due to changes in product mix.

ANNEXURE "A"

to the Directors' Report (Contd.)

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**RESEARCH AND DEVELOPMENT****1. Specific areas in which R & D carried out by the Company :**

- New product and process development to improve quality of the products as well as to find new applications for existing products.

2. Benefits derived as a result of the above efforts :

- The process of introduction of new and more value added products will provide better price realization.

3. Future Plan of Action :

- The Company is committed to upgrading its Research & Development Facilities wherever required to meet the challenges.

4. Expenditure on R & D :

- The Company, from time to time incurs capital expenditure, exposes itself to better technology and keeps itself abreast of technological improvements world over.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief, made towards absorption, adaptation and innovation:**

- New Products are produced and being introduced successfully.
- Modifications of process and products are carried out from time to time to suit market requirements and to improve operational efficiency.

2. Benefits derived as a result of the above efforts:

- Better quality of yarn will be produced at low costs.

3. Particulars of Technology Imported:

- The technology used by the Company is indigenously developed and no technology has been imported.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Details relating to foreign exchange earnings and outgo are given in Note No.15 of Schedule 13, annexed to the accounts.

IV. PROJECTIONS VS. ACTUAL PERFORMANCE

As per Clause 43 of the Listing Agreement:

Particulars:	(Rs. in Lacs)	
	Projections	Actual
Total Income	23230.00	16572.00
Gross Profit/(Loss) before Interest, Depreciation & Tax	7362.00	320.96
Net Profit / (Loss)	2380.00	(894.74)

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

By Order of the Board of Directors

Surat, June 13, 2000

RAJEN P. SHAH
Wholetime Director

AUDITORS' REPORT

To,
The Members,
SURAT TEXTILE MILLS LIMITED

We have audited the attached Balance Sheet of **SURAT TEXTILE MILLS LIMITED**, as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto.

We 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(4-A) of the Companies Act, 1956, we annex hereto **Annexure 'A'** on the matters specified in paragraph 4 and 5 of the said order.
- 2) Further to our comments in Annexure referred to in para (1) above
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and the Profit & Loss account complies with the mandatory Accounting Standards referred to in section 211(3C) of the Companies Act, 1956, except as stated in paragraph e(ii) below:
 - e) Attention is invited to:
 - i) Note 5 of Schedule 13, extra and multiple shift depreciation allowance amounting to Rs.4.40 lacs has not been provided by the Company in

view of the opinion of an eminent counsel. This is contrary to the accounting practice recommended by the Institute of Chartered Accountants of India. Consequently loss for the year is understated by that amount.

- ii) Note 3(i) of Schedule 13, the Company has not provided for the future payment of Gratuity since the same is accounted for on cash basis. This is contrary to the provisions of section 209(3) of the Companies Act, 1956 and accounting practice recommended in AS-15 issued by the Institute of Chartered Accountants of India. In absence of availability of related information, the effect on financial results is not readily ascertainable.
- iii) Note 6 of Schedule 13, the Company has made no provision for interest on Secured Redeemable Debentures amounting to Rs.1366.57 lacs (including overdue interest Rs.367.35 lacs). Consequently loss for the year is understated by same amount.
- 3) Subject to the matters referred to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet of the Company of the state of affairs of the Company as on 31st March, 2000 and,
 - ii) in the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date.

For **NATVARLAL VEPARI & CO.,**
Chartered Accountants

Place : Surat.
Date : June 13, 2000

R. N. VEPARI
Partner

ANNEXURE

to the Auditors' Report

Annexure 'A' Referred To Paragraph (1) of our Report of even date.

1. The Company has maintained proper record to show full particulars including quantitative details and situation of fixed assets. We are informed that these assets have been physically verified by the management during the year at reasonable intervals. On the basis of explanations given to us, no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. Physical verification was conducted by the management at reasonable intervals during the year in respect of finished goods, raw materials, stores and spare parts.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on such verification as compared with the book records were not significant and the same have been properly dealt with in the books of account.

