

28th Annual Report 1997-1998

MD	✓	BKC	✓
CS	✓	DPY	NA
RO	✓	DIV	NA
TRA	NA		✓
AGM	✓	SPH	✓
YE	✓		✓



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Swadeshi Polytex Limited

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Swadeshi Polytex Limited _____



BOARD OF DIRECTORS

Shri K. K. Misra, *IAS, Chairman*
Shri Mahendra Swarup
Shri Gaurav Swarup
Shri Vivek Singhal
Shri Arun Sedwal, *IDAS*
Shri R. P. Sharma
Shri D. K. Mahalanabis
Shri A. K. Doda - *IDBI Nominee*
Shri T. R. Reddy - *LIC Nominee*

**VICE PRESIDENT &
COMPANY SECRETARY**

Shri Manmohan Sharma

BANKERS

State Bank Of India
Bank of India

SOLICITORS

Shri Pramod B Agarwala

AUDITORS

Thakur, Vaidyanath Aiyar & Co., New Delhi

REGD. OFFICE & FACTORY

New Kavi Nagar, Ghaziabad-201002 (U.P.)

SWADESHI POLYTEX LIMITED.

Registered Office : New Kavi Nagar, Ghaziabad-201002 (U.P.)

NOTICE

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the Members of Swadeshi Polytex Limited will be held at the Registered Office of the Company at New Kavi Nagar, Ghaziabad (U.P.) on Friday the 18th December 1998 at 3.30 P.M to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as on 31st March, 1998 and the Profit & Loss Account of the company ended as on that date together with Directors and Auditors Report thereon.
2. To appoint a Director in place of Shri Vivek Singhal, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Gaurav Swarup, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration and for that purpose to pass the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s Thakur, Vaidynath Aiyar & Company, Chartered Accountants, the retiring auditors of the company be and are hereby re-appointed as auditors of the company to hold such office from the conclusion of this meeting until the conclusion of next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company".

By order of the Board

Date : 26th Oct. 1998
Place : New Delhi

MANMOHAN SHARMA
Vice President & Company Secretary

NOTES :

1. A member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend & on a poll to vote on his behalf and the proxy need not be a member. Proxies in order to be effective must be received by the company not less than 48 hrs. before the meeting.
2. The Register of Members and the Share Transfer Books of the company will remain closed from 12-12-1998 to 18-12-1998 (both days inclusive)
3. Members are requested to bring their copies of the Annual Report and Accounts to the meeting.

Swadeshi Polytex Limited

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors of your Company take pleasure in presenting to you the 28th Report of the operations of the Company together with audited statement of accounts for the year ended 31st March, 1998.

1. HIGHLIGHTS

For the third consecutive year the polyester industry continued to face the situation of depressed market and decline in price. The price which had started picking up from May/June 1996 onwards had a sudden reverse trend in February, 1997 and touched the lowest ever level during January/February, 1998. Though there has not been any major import of Polyester Staple Fibre (PSF), due to domestic price being quite competitive to the import price, the demand has been low compared to the availability of the material.

Contrary to the expectations, there has not been any relief from the Government also in the custom duty on raw material, or increase in duty on imports of PSF, which could give some impetus to the sale in domestic market as well as export of PSF from India.

The global polyester scenario is also quite dismal. According to the report of deliberations of Fibre Producers Conference, 1998 (USA), most expect, polyester to maintain its place as the most preferred fibre. Demand is still growing at a rate of 5-7% per annum, though capacity is still at least 20% higher than demand and producers all over the world are operating at below optimal levels. There has been some slowdown in capacity creation and some sort of balance is expected to be restored after 2000 AD. Nevertheless, at present almost all producers of polyester are losing money and nobody is expecting better margins before 2000 AD.

2. FINANCIAL RESULTS

The financial results of the Company for the year 1997-98 are summarised below :-

	(Rs. in lacs)	
	Year ended 31st March '98	Year ended 31st March '97
Profit/(Loss) before tax	(978.47)	28.43
Add : Surplus from provision for taxation in earlier years (net of tax liability for the year) written back	199.50	11.10
Net profit/(Loss) after tax	(778.97)	39.53
Balance in profit and loss account brought forward from last year	823.15	805.07
	<u>44.18</u>	<u>844.60</u>

Appropriations :

1. Proposed dividend to equity shareholders and tax on dividend	---	21.45
2. Retained surplus carried over to Balance Sheet	44.18	823.15
	<u>44.18</u>	<u>844.60</u>

3. DIVIDEND

There being no profit during the year, your Directors have not recommended dividend.

4. PRODUCTION AND SALES

Due to low price of PSF as stated above, and the slack demand, the volume of production during the year had to be kept low. The greater stress was given for doing conversion jobs and production of coarse denier fibres which gives a premium over the price of normal fibre. However, the demand for coarse denier is limited.

The Production of PSF during the year was 7302 MT of PSF including 1674 MT of PSF produced under conversion arrangement for others. The company also produced 322 MT of polyester chips including 97 MT under conversion arrangement. The production of PSF and chips during the year was 7624 MT. 2587 MT of methanol was also produced as by-product.

During the year 6456 MT of PSF and 290 MT of polyester chips were sold. In addition, 1524 MT of PSF and 97 MT polyester chips were supplied under conversion arrangement for others. The total turnover for the year works out to Rs. 4071.46 lacs. In case the sale value of the converted quantity of PSF under job work is taken into account, the value of the sales for the year works out to Rs. 4949.93 lacs.

5. MODERNISATION AND EXPANSION SCHEME

The pre-poly modernisation scheme which was in the final stages of implementation could not be completed due to financial constraints and non availability of some equipments from the suppliers. Expansion/diversification schemes for production of speciality fibre which have been under active consideration of your Directors were not taken up due to general depressed conditions in polyester market.

6. FIXED DEPOSITS

The Company continued to receive/renew fixed deposits from the public during the year. At the end of the year, fixed deposits from the public with the Company amounted to Rs. 21.60 lacs. During the year, deposits for Rs. 9.44 lacs were received/

Swadeshi Polytex Limited

renewed and deposits for Rs. 10.56 lacs were redeemed. The Deposits which matured but remained unclaimed amounted to Rs. 2.66 lacs.

7. COMMENTS ON AUDITORS REPORT

The Auditors' comments have been adequately explained in "Notes to Accounts" and need no further explanation.

8. HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The industrial relations during the year continued to be cordial. There has been no loss of production during the year on this account. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are annexed. None of the employees is a relative of any Director of the Company.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

As required under Section 217(i) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings/outgo etc. is annexed.

10. UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30TH SEPT., 1998

The company has continued to incur loss during the current year and as per unaudited financial results compiled, the company has suffered a loss of Rs. 4.98 crores upto the half year ending 30th Sept. 1998. The production of polyester fibre has been stopped from 21-9-1998 as UPSEB has disconnected power supply on 7-9-1998 on account of non-payment of bills due to liquidity problems. The UPSEB has been requested for allowing payment in instalments.

11. CORPORATE OFFICE

The company was having its corporate office at Samrat Hotel, Chanakyapuri, New Delhi. As an economy measure, the corporate office has been shifted w.e.f. 14-8-1998 to the company's head office at F-60, Malhotra Building, Connaught Place, New Delhi. The office space at Samrat Hotel has been de-hired and dispute raised by the owners of Samrat Hotel regarding payment of rent and other charges has to be settled.

12. DIRECTORS

In the 27th AGM of your company, held on 5th Dec. 1997, resolutions relating to adoption of accounts, declaration of dividend and appointment of M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, as statutory auditors of your company, were declared carried unanimously, by show of hands. Sh. K.L. Koul, retiring Director was declared elected as Director of your company, liable to retire by rotation, by show of hands. His election was challenged by Sh. Gaurav Swarup, Director of company, in the Hon'ble Delhi High Court. On resolutions, relating to appointment of S/ Sh. R.P. Sharma: V. Balasubramanian, IAS; H.S. Dubey, IAS (Retd.); S. Natarajan, IAAS (Retd.); and A. K. Mukhopadhyay and on resolution relating to ratification of the appointment of Sh. P.N. Veda Narayanan, as

MD, poll was demanded by NTC (UP) and Swarup Group. As a result of poll, S/Sh. H.S. Dubey, IAS (Retd.); S. Natarajan, IAAS (Retd.); and A. K. Mukhopadhyay, were declared elected as Directors, liable to retire by rotation. Resolution for the ratification of the re-appointment of Sh. P.N. Veda Narayanan as Managing Director of your company, for a further period of 2 years, on the same terms and conditions, passed by the Board of Directors in its meeting held on 14-8-1997 and on 3-10-97 by circulation, was also declared carried. The result of the poll which was declared by the Chairman was challenged by NTC (UP) and Swarup Group, before the Hon'ble Delhi High Court. It would be pertinent to mention here that due to the order dated 2-12-1997 passed by the Hon'ble Delhi High Court, all the above resolutions passed in the 27th AGM of your company could not be implemented.

Pursuant to the discussions and negotiations, an agreement was signed on 30-7-1998 between the concerned parties, viz., NTC (U.P.) Ltd., NTC LTD.; Swarup Group; and SPL to settle the disputes amicably, out of court. As per the said agreement dated 30-7-1998, a joint application under Order 23 Rule 3 read with Section 151 of the Code of Civil Procedure was filed by the concerned parties before the Hon'ble Delhi High Court on 10-8-1998 for seeking an order in terms of the said Agreement. The Hon'ble Court was pleased to pass a decree in terms of the said Agreement on 27-8-1998. Consequence thereof the restraining order dated 2-12-1997 stood vacated on 27-8-1998, and your company was allowed thereby, to pay the dividend declared in the 27th AGM held on 5-12-1997, within 42 days, from the date of the order of Hon'ble Delhi High Court.

Pursuant to the said agreement - (1) Shri P.N. Veda Narayanan has resigned as Managing Director and Chairman and also as Director w.e.f. 31-7-1998 (AN) and S/Shri K.L. Koul; A.K. Mukhopadhyay; S. Natarajan; and H.S. Dubey, have also resigned as Directors of your company, in the Board meeting held on 31-7-1998. (2) S/Sh. K. K. Misra, IAS, CMD, NTC Ltd.; Arun Sedwal, IDAS, Director (Finance) NTC Ltd.; R.P. Sharma, CMD, NTC (UP) Ltd.; and D.K. Mahalanabis, CMD, British India Corpn. Ltd., were appointed as Directors, by the Board of Directors in its meeting held on 31-7-98 against the vacancies caused by the resignations of the above Directors, pursuant to Article 109 of the Articles of Association of your company read with section 262 of the Companies Act, 1956.

(3) Sh. K. K. Misra, IAS, CMD, NTC Ltd., and a Director of your company, has been appointed as the non-executive Chairman of the Board by the Board of Directors in its meeting held on 31-7-1998.

(4) Sh. Arun Sedwal, Director (Finance), NTC Ltd., and a Director of your company, has been appointed as Occupier of the Factory, pursuant to Section 2 (n) of the Factories Act, 1948, by the Board of Directors of your company in its meeting held on 27-8-1998.

Pursuant to Section 256 of the Companies Act, 1956, Sh. Vivek Singhal and Sh. Gaurav Swarup being longest in office shall retire at this AGM and being eligible offer themselves for reappointment as Directors of the Company, liable to retire by rotation.

**13. AUDITORS**

M/s Thakur, Vaidyanath Aiyar and Company, Auditors, retire at the conclusion of this Annual General Meeting, and being eligible, offer themselves for reappointment. The appointment of the Auditors will be subject to a Special Resolution to be passed by the shareholders, as per the notice circulated, pursuant to the provisions of Section 224(A) of the Companies Act, 1956.

14. ACKNOWLEDGEMENTS

Your Directors place on record their sincere thanks and gratitude for the cooperation and assistance, received from the Company's Bankers, Financial Institutions, shareholders, depositors and various Departments of the Government at the Centre and the State of Uttar Pradesh. The Directors also thank the Auditors of the Company for their valued guidance and advice given to the Company from time to time.

Your Directors also place on record their high appreciation for the dedicated efforts put in by the workers, staff and officers of the Company at all levels during the year.

for and on behalf of the Board

Place : New Delhi
Date : 26th Oct., 1998

K.K. MISRA, I.A.S.
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with the 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.

CONSERVATION OF ENERGY**(a) ENERGY CONSERVATION MEASURES TAKEN :**

The following modernisation schemes are under active consideration : -

- (i) Reciprocating chiller compressors to be replaced with absorption chiller.
- (ii) Quench air system to be modified for energy conservation.

(b) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY :

Additional investments for the above proposal are likely to be of the order of Rs. 115-120 lacs.

(c) IMPACT OF THE MEASURES AT (a) AND (b) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND CONSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS

The advantage of various steps initiated will be of the order of Rs. 32 lacs per annum.

FORM - A**CONSERVATION OF ENERGY**

	Year ended March, 98	Year ended March, 97
1. Electricity :		
(a) Power & Fuel Consumption		
- Electricity units purchased KWH	94,24,500	1,10,63,500
- Total amount (Rs./Lac)	390.23	358.97
- Rate per unit	4.14	3.84
(b) Own Generation units KWH	22,81,820	22,07,505
- Units per litre of diesel oil	3.19	2.96
2. Coal quantity - Total Cost		N.A.
3. Furnace oil K.Lit.	5,02,914	11,78,655
- Total amount (Rs./Lac)	30.62	68.04
- Avg. rate (Rs./ KL.)	6060.08	5772.46
4. Others/Internal generation		
HSD/RFO/ LDO		
- Qty. (M.T.)	1847.361	1481.902
- Total cost (in Lac)	142.93	105.17
- Rate/Unit	7737.44	7096.85
Natural Gas		
- Qty. (SCM)	23,70,320	25,81,380
- Total cost (Lac)	77.20	84.92
- Rate/1000 M ³	3256.79	3289.79

FORM - B

1. **Specific areas in which R & D carried out**
- R & D is engaged in the upgradation of technology and its absorption to improve upon productivity, quality, cost reduction and import substitution.
2. **Future Plan**
- Modernisation of prepoly reactors for uniform polymer quality and better recovery of waste glycol.
- To conserve water resources by recycling the treated water in the plant.
3. **Expenditure** (Rs/Lacs)
 - (a) Capital : Nil
 - (b) Recurring : Booked in Natural heads of account
 - (c) Total : Nil
 - (d) Total R&D expenditure of total turnover : Nil

Swadeshi Polytex Limited

PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 1998

Sr No.	Name	Designation/ Nature of Duties	Gross Annual Remuner- ation in Rs.	Qualifi- cation	Experi- ence (Years)	Date of commence- ment of Em- ployment	Age	Last Employment held by such Employee before joining the Co.	
								Name Designation	
1	2	3	4	5	6	7	8	9	10
A. PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW AND WHO WERE IN RECEIPT OF REMUNERATION FOR THE YEAR IN AGGREGATE NOT LESS THAN RS. 3,00,000.									
1.	Shri Veda Narayanan PN	CMD	974170	M.A., IAS (Rtd.)	40	17.8.94	65	Government Service	
2.	Shri O. M.Solanki	V.P. (P&IR)	472215	B.A. LLB PGD Per.Mgmt.PG Labr Law	38	1-4-95	61	National Textile Corpn. Ltd. Director (P&IR.)	
3.	Shri Manmohan Sharma	V.P. & Co. Secy.	393739	B.A., LLB Spld.Dip.in HRD & Mktg M.B.A., MIMA, FCS	34	1-3-76	59	Cipla Ltd.	Medical Representative
4.	Shri V. P. Gupta	V.P. (F&A)	357439	B.Com., FICWA	41	1-9-95	61	National Building Cons. Corpn. Ltd.	Director (Fin.)
B. PERSONS EMPLOYED FOR PART OF THE YEAR WHO WERE IN RECEIPT OF REMUNERATION AT THE RATE NOT LESS THAN RS. 25,000 PER MONTH.									

NIL

Notes:

- Remuneration includes Salary, Compensatory Allowance, Company's contribution to Provident & Superannuation Funds, Gratuity, Insurance Premium, Gratuity Paid, Personal Accident Policy Premium, expenses incurred on medical, household Insurance reimbursement and Transport allowance, Bonus, leave travel concession, housing assistance, house rent allowance, Car, Company's Furniture and Fixture soft furnishing, servant etc. The monthly value of perquisites calculated in accordance with provisions of Income Tax Act 1961 and Rules made thereunder & wherever these are not computable on actual basis.
- The conditions of employment are contractual in respect of Sl. No. 1, 2 & 4.
- None of the employees mentioned above is related to any director of the company.

AUDITORS REPORT To the Shareholders

We have audited the attached Balance Sheet of Swadeshi Polytex Limited, Ghaziabad, as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date annexed thereto.

We report on the said accounts that -

- 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, and as regards the information on the subject matters of Show Cause Notice/Demands referred to in Note No. 4 (a) & (b) of Schedule '17', in so far as they are subjudice, no opinion is expressed.
- As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement of the applicable matters specified in the paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred in Para (2) above, we report that
 - 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.

- The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the Accounting Policies and Notes thereon, give the information as required by the Companies Act, 1956, in the manner so required and subject to (i) the opinion of the Management regarding the liability on account of Central Excise Duty Note No 4 (a) & (b), (ii) the recoverability of the sums involved in Note No. 7 (a) & (b) amounting to Rs. 355.63 lacs and (iii) confirmation of balances of debtors and creditors (Note No. 10) of Schedule '17', the said accounts give a true and fair view :-
 - In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 1998 and
 - In the case of Profit & Loss Account, of the Profit for the year ended on that date.

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

New Delhi
26th Oct., 1998

Anil K. Thakur
Partner