

Swadeshi Polytex Limited



29th Annual Report
1998 - 1999

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. Mukhopadhyay
Cmde. A.K. Narula (*Retd.*)
Shri A.K. Doda - *IDBI Nominee*

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.)

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Swadeshi Polytex Limited



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company take pleasure in presenting to you the 29th Report of the operations of the Company together with audited statement of accounts for the year ended 31st March, 1999.

1. HIGHLIGHTS

For the fourth 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. Contrary to the expectation, there was no relief in the Customs Duty on the import of raw material. Increased duty on imports of PSF could have given some impetus to the sale in domestic market as well as export of PSF.

The global polyester scenario is also quite dismal, while according to the report of deliberations of Fibre Producers Conference, 1998 (USA). Majority of Producers expected polyester to maintain its place as the most preferred Fibre. Demand of PSF is growing, though capacity is still higher than demand. Producers all over the world are operating at below optimal levels. There has been some slowdown in capacity creation and it is uncertain when some sort of balance can be expected. Nevertheless, at present almost all producers of polyester are losing money.

2. FINANCIAL RESULTS

The financial results of the company for the year 1998-99 are summarized below :-

	(Rs in lacs)	
	Year ended 31st March '99	Year ended 31st March '98
Profit/(Loss) before tax	(1,016.81)	(978.47)
Add : Surplus from provision for taxation in earlier years (net of tax liability for the year) written back	---	199.50
Net profit/(Loss) after tax	(1,016.81)	(778.97)
Balance in Profit/ Loss account brought forwarded from last year	44.18	823.15

Retained surplus carried
over to Balance Sheet

(972.63) 44.18

3. DIVIDEND

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

4. PRODUCTION AND SALES

The Production of PSF during the year was 3760 MT of PSF, including 3030 MT under conversion arrangement for others. 1237 MT of Methanol was produced as by-product.

During the year, 930 MT of PSF and 9 MT of polyester chips were sold. In addition, 3180 MT of PSF was sold under conversion arrangement for others. The total turnover for the year works out to Rs 980.26 lacs. In case the sale value of the converted quantity of PSF under job work is taken into account, the value of the turnover for the year would come to Rs 2502.62 lacs.

Due to inability of the company to pay the power dues and consequent disconnection of power by UPSEB, the management was forced to suspend the production w.e.f. 21-09-1998. Since, as earlier stated, due to depressed market condition even the variable cost could not be recovered; the company was incurring operational losses on production and, therefore, the plant was not restarted. As operating the plant was considered unviable, an appeal for closure of the Factory is pending with the Government of Uttar Pradesh.

5. MODERNISATION AND EXPANSION SCHEME

The pre-poly modernisation scheme which was in the final stage of implementation could not be completed due to financial constraints. Expansion/diversification scheme for production of speciality Fibre, which were under consideration of your Directors, could also not be taken up due to generally 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

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to Rs 8.49 lacs were received/ renewed and deposits for Rs 18.92 lacs were redeemed. The deposits which had matured but remained unclaimed were of Rs 2.72 lacs.

7. COMMENTS ON AUDITOR'S REPORT

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

8. HUMAN RESOURCE AND INDUSTRIAL RELATIONS

Due to acute financial crunch the salary & wages could not be paid fully to the employees since December 1998. Despite this unprecedented situation of crisis, the industrial relations during the year continued to be satisfactory.

None of the employees is a relative of any Director of the Company.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & 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. DIRECTORS

Shri A. K. Mukhopadhyay, Ex. M. D. of KRIBHCO was appointed as additional director of your company and has been functioning as Occupier of the factory and holds office upto the date of this AGM. Cmde. A. K. Narula (Retd.) Director (Personnel), NTC (holding Company)Ltd. was also appointed as additional Director of your company and holds office upto the date of this AGM. Company has received Notices u/s 257 of the companies Act, 1956 from the shareholders proposing that Shri Mukhopadhyay & Cmde. Narula (Retd.) be appointed as directors of your company, liable to retire by rotation. Shri T. R. Reddy nominee director of LIC has resigned as director of your company.

11. AUDITORS

M/s. Thakur, Vaidyanath Aiyar and Company, Auditors, retiring at the conclusion of this Annual General Meeting, and being eligible, offer themselves for re-appointment. 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.

12. 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 Department of the Government at the center 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 sincere and great appreciation for the dedicated efforts and cooperation put in by the workers, staff and officers of the Company for maintaining peace and cordial relations at all levels during the year.

for and on behalf of the Board

Place : New Delhi

K. K. MISRA, IAS

Dated : 02.12.1999.

CHAIRMAN

Annexure to Directors' Report

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, 1999.

CONSERVATION OF ENERGY

(a) ENERGY CONSERVATION MEASURES TAKEN
The following modernisation schemes were under consideration, but could not be progressed due to financial constraints :

- (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 :

- (i) Additional Investments for the above proposal are likely to be of the order of Rs 85 lacs.

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

- (i) The advantage of various steps initiated is estimated to be of the order of Rs 45 lacs per annum approximately.

**FORM - A****CONSERVATION OF ENERGY**

	Year ended March, 99	Year ended March, 98
1. Electricity :		
(a) Power & Fuel Consumption		
- Electricity units purchased KWH	56,73,800	9,24,500
Total amount (Rs/lacs)	266.67	390.23
- Rate per unit	4.70	4.14
(b) Own Generation units KWH	7,90,666	22,81,820
- Units per litre of diesel oil	3.05	3.19
2. Coal quantity - Total Cost	N.A.	N.A.
3. Furnace oil K.Lt.	3,40,280	5,02,914
- Total amount (Rs/lacs)	19.54	30.62
- Avg. Rate (Rs/KL.)	5,743.10	6,060.08
4. Others/Internal generation		
HSD / RFO / LDO		
- Qty. (MT)	556.023	1,847.361
- Total cost (Rs/lacs)	45.36	142.93
- Rate / Unit	8,158.42	7,737.44
Natural Gas		
- Qty. (SCM)	10,75,067	23,70,320
- Total cost (Rs/lacs)	47.44	77.20
- Rate / 1000 M	4,412.60	3,256.79

FORM - B

- Specific areas in which R & D carried out
 - R & D is engaged in the upgradation of technology and its absorption to improve upon productivity, quantity & quality, cost reduction and import substitution.
- Future Plan
 - To review the prospects of the unit and to examine the feasibility of achieving viability in future operations, dependent upon various constraints.
 - To make vigorous efforts for realising the outstanding dues from the debtors.
- Expenditure (Rs /lacs)

(a) Capital	:	Nil
(b) Recurring	:	Booked in normal heads of account
(c) Total	:	Nil
(d) Total R & D expenditure of total turnover	:	Nil

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PARTICULARS OF EMPLOYEES IN TERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 1999

Sr. No.	Name	Designation/ Nature of Duties	Gross Annual Remuner- ation in Rs	Qualifi- cation	Expe- rience (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.									
NIL									
B. PERSONS EMPLOYED FOR PART OF THE YEAR WHO WERE IN RECEIPT OF RENUMERATION AT THE RATE NOT LESS THAN Rs 25,000 PER MONTH.									
1.	Shri Veda Narayanan PN	CMD	474646	M.A. IAS (Rtd.)	41	17.8.94	66	Government Service	
2.	Shri Manmohan Sharma	V.P. & Co. Secy.	422448	B.A., LLB Spld. Dip. in HRD & Mktg. M.B.A., MIMA, FCS	35	1-3-76	60	Cipla Ltd.	Medical Representative
3.	Shri V.P. Gupta	V.P. (F&A)	183997	B.Com, FICWA	42	1-9-95	62	National Building Cons. Corpn. Ltd.	Director (Fin.)

Notes :

1. 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 there under & wherever these are not computable on actual basis.
2. The conditions of employment are contractual in respect of Sl. No. 1 & 3.
3. 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 the Swadeshi Polytex Limited, Ghaziabad, as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date annexed thereto.

We report on the said Accounts that -

1. We have obtained all the information and explanation, 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.
2. 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 paragraph 4 & 5 of the said order.
3. Further to our comments in the Annexure referred in Para (2) above, we report that -
 - (a) 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.
 - (b) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts (except for the records, relating to stores, could not be examined by us since the general stores was sealed by the local

administration for non payment of dues of Uttar Pradesh State Electricity Board (UPSEB).

- (c) In our opinion, the Profit & Loss Account and balance Sheet comply with the accounting standards referred to in Sub-Section 3(c) of the Section 211 of the Companies Act, 1956.
- (d) The Company has not made adequate arrangement to comply with the requirement of Y2K.
- (e) 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 409.34 lacs and consequently no provision for doubtful debts being made and (iii) confirmation of balances of debtors and creditors (Note No. 10) of Schedule '17', the said accounts give a true and fair view :-
 - (i) In case of Balance Sheet, of the State of Affairs of the company as at 31st March, 1999 and
 - (ii) In case of Profit & Loss Account, of the Loss for the year ended on that date.

For **THAKUR, VAIDYANATH AIYAR & CO.**
Chartered Accountants

New Delhi
Dated :02.12.1999.

Anil K. Thakur
Partner