



Swadeshi Polytex Limited

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**30TH ANNUAL REPORT
1999-2000**



Swadeshi Polytex Limited

BOARD OF DIRECTORS

Shri K. M. Chadha, IAS *Chairman*
 Shri Mahendra Swarup
 Shri Gaurav Swarup
 Shri Vivek Singhal
 Shri R. P. Yadav
 Shri A. K. Mukhopadhyay
 Shri P. Saravanan
 Shri B. Mahapatra
 Shri W. K. Jain
 Shri A. K. Doda *IDBI Nominee*

ADVISOR & COMPANY SECRETARY

Shri Mahimohan Sharma

BANKERS

State Bank of India
 Bank of India

SOLICITORS

Shri Pramod B Agarwala

AUDITORS

Thakur, Vaidyanath Aiyar & Co., New Delhi

REGISTERED OFFICE & FACTORY

New Kavi Nagar, Ghaziabad-201 002 (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 30th Report of the operations of your Company together with audited statement of accounts for the year ended 31st March, 2000.

1. HIGHLIGHTS

In the second consecutive year also there has been no operation and production in your company and the same stands suspended till date. The future plan for the company is under active consideration of Ministry of Textiles, Government of India.

One of the creditors, M/s Surat Goods Transport Services (SGTS) has filed a winding up petition against the company before the Hon'ble Allahabad High Court for recovery of its alleged dues of Rs.8,12,310/- and Rs.1,53,827/- being interest amount. According to the records of the company, the claimed amount is not correct. Furthermore, the creditor, (a transporter company) has given bad services to the company by not informing Central Bank of India with whom L/C was opened in favour of your company for supply of PSF. The PSF was supplied direct to the mill, i.e. M/s Meenakshi Textile Mills, Madurai, due to this gross negligence on the part of the said creditor and one more transporter, the Central Bank of India has not released the payment of Rs.65 lakhs plus interest accrued as on date to your Company.

Your company's bankers State Bank of India and Bank of India have filed petitions for recovery of their outstanding dues on account of cash credit limit, before the Hon'ble Debt Recovery Tribunal, Delhi (DRT). The Hon'ble DRT, Delhi has restrained your company from disposing of its properties. The management of your company has held mutual negotiations with the above bankers for one time settlement and hopefully look forward that the above banks will agree on OTS out of court. A notice has been received from the Office of Deputy Commissioner, Delhi for recovery of dues of Rs.21,04,564/- from your company being the alleged arrears of rent payable to Hotel Samrat, New Delhi, in which your company's head office was situated. The Deputy Labour Commissioner, Ghaziabad has issued various recovery certificates against your company for recovery of dues of salary & wages of workers of your company.

The Company had held extra ordinary general meeting on 21.2.2000, to consider the report of the Board of Directors of the Company; to the shareholders as to (a) erosion of net-worth of the Company as on 31.3.1999 by more than 50% of

the peak net worth of the Company, during the preceding four years; and (b) the causes of such erosion. The Company has filed Form 'C' before BIFR, Delhi, pursuant to provisions of Section 23 of SICA.

2. FINANCIAL RESULTS

The financial results of the Company for the year 1999-2000 are summarised below:

	(Rs. in Lacs)	
	Year ended 31st March, 2000	Year ended 31st March, 1999
Profit/(Loss) Before Tax	(705.66)	(1,016.81)
Net Profit/(Loss) After Tax	(705.66)	(1,016.81)
Balance in Profit/(Loss) Account Brought Forward from last year	(972.63)	44.18
Retained surplus carried over to Balance Sheet	(1,678.29)	(972.63)

3. DIVIDEND

There being no production and business in your company, besides heavy accumulated losses during the year, your Directors have not recommended dividend.

4. PRODUCTION AND SALES

There was no production of PSF during the year, and hence no sale of PSF has taken place during the year.

5. FIXED DEPOSITS

There was no renewal of fixed deposits from the public during the year. Deposits which had matured but remained unclaimed were of Rs.11.83 lacs.

6. COMMENTS ON AUDITOR'S REPORT

The Auditor's comments have been adequately explained in "Notes to Accounts" and need no further explanation. The Company has successfully transited into Y2K and has not faced any problem in the transition.

7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Due to acute financial crunch only part payment of salary had been made upto February '99 and since then salary & wages could not be paid to the employees during the year. Statutory dues like P.F., ESI also could not be deposited. Despite this



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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.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Since there was no power supply by UPSEB during the year, and as such there was no power consumption, technology absorption and foreign exchange earnings & outgo.

9. DIRECTORS

Shri T. V. K. Raman, GM (F&A), NTC (HC) Ltd. was appointed as Director of your Company pursuant to Section 262 of the Companies Act, 1956, against the vacancy caused due to the death of Shri R. P. Sharma, Director of your Company. (Nominee Director of NTC (U.P.) Ltd.). Shri Raman had ceased to be Director of your Company on 23.7.2000 pursuant to the provisions of Section 283(1)(a). He was again appointed as Director by the Board on 8.8.2000.

Shri R. P. Yadav, CMD, NTC (DPR) and Shri D. K. Handa, GM (Pers.) were appointed as Directors by the Board of your Company as Nominee Directors of NTC (U.P.) Ltd., pursuant to the provisions of Section 262 of the Companies Act, 1956, against the casual vacancies caused due to resignations of Shri Arun Sedwal and Cmde A. K. Narula. Both the Directors, were ceased to be Directors of your Company on 9.10.2000, pursuant to the provisions of Section 283(1)(a) of the Companies Act, 1956.

NTC (U.P.) Ltd. has nominated Shri R. N. Naib in place of Shri T.V.K. Raman, Shri P. Saravanan in place of Shri D. K. Handa, as Directors of your Company, liable to retire by rotation. Shri R. P. Yadav has been again nominated as Director, liable to retire by rotation, on the Board of your Company by NTC (U.P.) Ltd. Upon the said request of NTC (U.P.) Ltd. the Board of Directors of your Company has appointed S/Shri R. N. Naib, P. Saravanan & R.P. Yadav, as Directors of your Company, liable to retire by rotation, pursuant to provisions of Section 262 of the Companies Act, 1956.

Shri Vivek Singhal, Shri D. K. Mahalanabis, and Shri R. N. Naib, who has been appointed in place of Shri T.V.K. Raman, (who in turn was appointed in place of Shri R. P. Sharma), being longest in the Office shall retire at this AGM. However, being eligible, they may offer themselves for

reappointment as Directors, liable to retire by rotation in the ensuing AGM.

Shri K. K. Misra, IAS, Chairman of the Board of Directors of your Company has resigned as Director & Chairman, consequent thereof, the Board of Directors of your company has appointed Shri K. M. Chadha, IAS, CMD, NTC (HC) Ltd., as Director and Chairman of the Board of Directors of your company in place of Shri K. K. Misra, IAS, w.e.f. 30.01.2001.

Shri B. Mahapatra, CMD, NTC (WBABO) Ltd. and Shri V. K. Jain, G.M. (Cood.) NTC Ltd. have been nominated as Director, liable to retire by rotation, on the Board of your company by NTC (U.P.) Ltd. Upon the said request of NTC U.P. Ltd., the Board of Directors of your company has appointed Shri B. Mahapatra, CMD, NTC (WBABO) Ltd., and Shri V. K. Jain, G.M. (Cood.) NTC Ltd., as Directors of your company, pursuant to the provisions of Section 262 of the Companies Act, 1956, w.e.f. 09.02.2001, against the casual vacancies caused due to resignations of Shri D. K. Mahalanabis and Shri R. N. Naib.

10. AUDITORS

M/s. Thakur, Vaidyanath Aiyar & Company, Auditors, retiring 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.

11. 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 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.

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
Dated : 12.02.2001

K. M. CHADHA, IAS
Chairman

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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, 2000.

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, 2000	Year ended March, 1999
1. Electricity :		
(a) Power & Fuel Consumption		
* Electricity units purchased in KWH	—	56,73,800
Total amount (Rs./Lacs)	—	266.67
- Rate per unit	—	4.70
(b) Own Generation units KWH	—	7,90,666
- Units per litre of diesel oil	—	3.05
2. Coal quantity - Total Cost	—	N.A.
3. Furnace Oil K. Ltr.	—	3,40,280
- Total Amount (Rs./Lacs)	—	19.54
- Avg. Rate (Rs./KL.)	—	5,473.10
4. Others/Internal generation		
HSD/RFO/LDO		
- Qty. (MT)	—	556.023
- Total cost (Rs./Lacs)	—	45.36
- Rate/Unit	—	8,158.42
Natural Gas		
- Qty. (MT)	—	10,75,067
- Total cost (Rs./Lacs)	—	47.44
- Rate/Unit	—	4,412.60

FORM - B

1. Specific areas in which R & D carried out
 - No R & D activity was carried out as production of plant was suspended since 21.09.1998.
2. 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.
3. Expenditure (Rs./Lacs)

(a) Capital	Nil
(b) Recurring	Nil
(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, 2000.

- 1) None of the persons was employed throughout the financial year under review who was in receipt of remuneration for the year in aggregate not less than Rs.6,00,000/- nor was employed for part of the year who was in receipt of remuneration at the rate not less than Rs.50,000/- per month.
- 2) None of the employees is related to any director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2000.

- 1) The company has followed applicable accounting standards in the preparation of the annual accounts and proper explanation have been given on material facts.
- 2) The company had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year, and of the loss of the company for that period.
- 3) The annual accounts have been prepared on a going concern basis.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Swadeshi Polytex Limited, Ghaziabad, as at 31st March, 2000 and the Profit and 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 (Auditors' 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 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 the 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 were sealed by the local administration for recovery 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) The opinion of the management regarding the liability on account of Central Excise Duty [Note No. 4 (a) & (b)]. (ii) The recoverability of the sum involved in Note No. 7 (a) & (b) amounting to Rs.427.99 lacs. Consequently no provision for doubtful debts been made. (iii) Confirmation of balances of Debtors and Creditors (Note No. 10) & confirmation of bank balances (Note No. 16). (iv) Treatment of Lease Rent of Plant & Machinery as deferred Revenue Expenditure [Note No. 9(a)]. (v) Physical verification of fixed assets (Note No. 17). (vi) The fixed assets include capital work in progress amounting to Rs.657.34 lacs representing the value of Prepoly Modernization Project which is in process of being installed from the year 1990-91. Similarly, deferred revenue expenditure of Rs.92.27 lacs represents the lease rentals on some machinery taken on lease which are also awaiting installation. We are unable to express an opinion as to whether the Project contemplated would be carried through and consequently how realistic is the value placed on these terms. (vii) The management has drawn the accounts on the basis of going concern. However, in our opinion and the matters set out in the Note No. 12 & 13 of financial statements as well as the fact that the accumulated losses have exceeded the general reserve raises a substantial doubt that the company will be able to continue as a going concern.
- (f) 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 Point No. (e) above, the said Accounts give true & fair view :
 - (i) In case of Balance Sheet, of the State of Affairs

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of the Company as at 31st March, 2000, 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

Place : New Delhi

Dated : 12.02.2001

R. Sinha

Partner

ANNEXURE REFERRED TO IN PARAGRAPH (2) OF OUR REPORT OF EVEN DATE

1. The fixed assets records maintained by the company which are pending since 31.3.1998 are yet to be updated. No physical verification of fixed asset was carried out by the management after 1995-96. Hence, discrepancies, if any, between the physical & book balance have neither been ascertained nor adjusted in the books of accounts.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, raw material and general stores has not been physically verified by the management during the year. The general stores were sealed by the local administration for recovery of dues of UPSEB.
4. In view of no physical verification in respect of finished goods, raw material, stores and spares the adequacy or otherwise of the physical verification procedure cannot be commented upon.
5. As no physical verification could be carried out by the management, the discrepancies between physical & book balance could neither be ascertained nor adjusted in the books of accounts.
6. In view of observations in Para 3, 4 & 5, we are unable to express our opinion on the valuation adopted for these items in the financial statements, but for this fact that the valuation of stock of finished goods (except methanol) stores & spares and raw materials is appearing at previous year figures.
7. The Company has neither taken nor granted any loan, secured or unsecured, from companies, firms or other parties listed in the registers maintained under Section 301 & 370 (1B) of the Companies Act, 1956.
8. No interest free loans are given to employees during the year. However, the balances appearing as recoverable from various employees has been adjusted against their outstanding salaries.
9. In our opinion & according to information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company & nature of its business with regard to the purchase of its stores, raw materials including components, plant & machinery, equipment & other assets & for the sale of goods.
10. There has been no transaction of purchase of goods and materials and sale of goods, materials and service made in pursuance of contracts and arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000 or more per annum in respect of each party.
11. As the physical verification of inventories was not carried out during the year the question of determination of unserviceable or damaged stores, raw materials and finished goods doesn't arise.
12. The company has not repaid matured public deposits of Rs.8,14,000 and interest accrued and due of Rs.81,452 upto 31st March, 2000. Return for the deposit for the year ending on 31st March, 2000 is not filed by the Company to RBI as required by Rule 10 of Companies Acceptance of Deposit Rules, 1975.
13. In view of no production during the year in the factory, there was no generation of scrap/by products.
14. The Company had no internal audit system during the year under audit.
15. The Cost Records required to be maintained by the Company under Section 209 (1) (d) of the Companies Act, 1956 are not maintained by the Company as no manufacturing operations has been carried out by it at its factory in Ghaziabad.
16. Since the salary & wages for the period December, 1998 to March, 2000 has not been paid to the employees, to that extent Provident Fund & Employees State Insurance dues remain in arrears to be deposited by the management.
17. According to the records of the Company & information and explanations given to us, no undisputed amount payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty is outstanding as at 31st March, 2000 for a period of more than six months from the date these become payable.
18. According to the information & explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations, or in accordance with generally accepted business practice.
19. The Company is a potentially Sick Industrial Company within the meaning of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. A reference has been made to BIFR on 24th February, 2000.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

Place : New Delhi
Dated : 12.02.2001

R. Sinha
Partner