



Porritts & Spencer (Asia) Ltd.

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30th Annual Report 1999



BOARD OF DIRECTORS

Ivan James Fearnhead, Chairman
 Chandrakant Kahandas Thanawala
 Biren De
 Ravinder Nath
 Kamallesh Chandra Tapadar, Managing Director

CHIEF OPERATING OFFICER

A.K. Tiwari

**COMPANY SECRETARY
 & GENERAL MANAGER (Commercial)**

Manoj Kapoor

SENIOR MANAGEMENT TEAM

B.B. Chakravorty, General Manager (Production)
 K. K. Philip, General Manager (Marketing)

AUDITORS

Price Waterhouse,
 New Delhi

BANKERS

ANZ Grindlays Bank Ltd.
 New Delhi.
 State Bank of India,
 Faridabad.

REGISTERED OFFICE AND MILL

113/114A, Sector 24,
 Faridabad, Haryana-121 005

DELHI OFFICE

308, Kanchenjunga,
 18, Barakhamba Road,
 New Delhi-110 001.

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Porritts & Spencer (Asia) Ltd.

NOTICE

Notice is hereby given that the Thirtieth Annual General Meeting of the Members of Porritts & Spencer (Asia) Ltd. will be held on Friday, 18th June, 1999 at 9.30 A.M. at Delite Banquet, 23A, Industrial Area, NIT, Faridabad to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Biren De who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. C. K. Thanawala who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s), the following resolution as special resolution:

6. RESOLVED that Mr. Ravinder Nath be and is hereby appointed as Director of the Company whose period of office is liable to determination by retirement of Directors by rotation.

By Order of the Board
for PORRITTS & SPENCER (ASIA) LTD.

Manoj Kapoor
Company Secretary &
General Manager (Commercial)

New Delhi
8th May, 1999

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and to attend and vote (on a poll only) instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
2. The register of members and the share transfer books of the Company will remain closed from 25th May, 1999 to 18th June, 1999 (both days inclusive).
3. The dividend as recommended by the Board of Directors, if declared at the meeting will be paid on or after 30th June, 1999 to those members whose names appear in the register of members as on 18th June, 1999.
4. The unclaimed dividend for the financial year 1994-95 has been deposited by the Company into the General Revenue Account of the Central Government pursuant to the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have not yet received/claimed their dividend for the aforesaid year may please approach the Registrar of Companies, NCT of Delhi and Haryana, Paryavaran Bhawan, C.G.O. Complex, Lodhi Road, New Delhi.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM 6 OF THE NOTICE

Item No. 6

Mr. Ravinder Nath was appointed as an additional Director of the Company by the Board of Directors at their meeting held on 24th October, 1998.

In terms of Section 260 of the Companies Act, 1956 Mr. Ravinder Nath ceases to hold the office of Director at the conclusion of this Annual General Meeting.

Under Section 257 of the Companies Act, 1956 a Notice alongwith a deposit of Rs. 500/- has been received in writing from a Shareholder signifying his intention to propose Mr. Ravinder Nath's candidature for appointment as a Director and Mr. Nath's consent to act as Director if so appointed has also been received.

None of the Directors except Mr. Nath is interested in the resolution. The Directors recommend that the resolution be passed.

By Order of the Board
for PORRITTS & SPENCER (ASIA) LTD.

Manoj Kapoor
Company Secretary &
General Manager (Commercial)

New Delhi
8th May, 1999



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Thirtieth Annual Report and the Audited Accounts for the Financial Year ended 31st March, 1999.

FINANCIAL RESULTS

	Rs. in Millions	
	1998-99	1997-98
Profit before taxation	53.47	64.72
Provision for taxation	18.20	20.50
Profit after taxation	35.27	44.22
Appropriations		
Transferred to Debenture Redemption Reserve	—	2.50
Dividend	9.66	9.66
Corporate Dividend Tax	1.06	0.97
Transferred to general reserve	24.55	31.09
	35.27	44.22

During the year under review your Company has achieved a turnover of Rs. 327.21 million which is marginally higher than last year. The Paper Industry has shown a negative growth over the past year.

The Board has been advised by Scapa Group Plc that they have entered into an agreement with JM Voith AG of Germany whereby Scapa Group Plc's paper machine clothing business will be sold to JM Voith AG, subject to grant of consents and approvals in relevant foreign jurisdictions. The Board is awaiting further information from Scapa Group Plc as to the implications of these developments for your company. It may however be mentioned that JM Voith AG are one of the global players in the business of paper machine building.

DIVIDEND

Your Directors are pleased to recommend for your approval a dividend for the year under review @ Rs. 2.20 per equity share. This will absorb Rs. 10.72 million including tax on dividend.

MARKETING

Your Company has been able to maintain the level of turnover due to good product quality and effective technical services to the customers despite the recessionary market conditions.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 1 forming part of this report.

DIRECTORS

During the year, on attaining the retirement age, as per his contract with Scapa Group plc., Mr. R.D. Buchanan stepped down from the Chairmanship and also resigned from the Board of Directors of the Company. His immense contributions to the Company will be well remembered and we wish him the best. Pursuant to Article 92 of Article of Association, on 1st August, 1998 Mr. I.J. Fearnhead was nominated by Porritts & Spencer Ltd., U.K. as non-retiring Director and became the Chairman of Board of Directors.

After serving the Company for 29 years, as a Director Mr. A.R. Lall stepped down from the Board on attaining the age of 70. The Board expresses deep appreciation for the outstanding contribution made by Mr. Lall during his long association with the Company.

Mr. R. Nath was co-opted to the Board as an additional Director and in accordance with Section 260 of the Companies Act, 1956 he will cease to hold office of Director at the conclusion of the forthcoming Annual General Meeting. A shareholder has notified his intention to propose the candidature of Mr. Nath for appointment as a Director at the forthcoming Annual General Meeting and Mr. Nath's consent to act a Director if so appointed has also been received.

Mr. Biren De and Mr. C.K. Thanawala, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS

Messrs., Price Waterhouse, Auditors of the Company retire at this Annual General Meeting and being eligible offer themselves for reappointment. A certificate has been received from them that the reappointment, if made, will be in conformity with the provision of Section 224 (1B) of the Companies Act, 1956.

AUDITORS REPORT

The observations of the auditors are self explanatory and therefore, do not call for any further comments.

Y2K PREPAREDNESS LEVEL

1. Risk to the Company due to Year 2000 bug

The Company does not envisage any material risk to its business on year 2000 issue as it has already achieved substantial progress in its plan to overcome this problem. Balance of the plan will be completed by October, 1999.

2. Cost to Address to Company's Year 2000 Issues

The Company has incurred expenditure of approximately Rs. 0.50 million on the year 2000 issues. Approximately same amount is envisaged to be spent in the next financial year.

3. Company's Contingency Plans

The Company does not envisage any system breakdown/failure due to the year 2000 problem.

Porritts & Spencer (Asia) Ltd.

Hard copies of pertinent information/data, however, are being maintained to meet unforeseen contingency, if any.

STOCK EXCHANGE LISTING

The Shares of your Company are listed at the following stock exchanges and Annual Listing Fee for the year 1999-2000 has been paid.

1. The Delhi Stock Exchange Association Ltd., West Plaza, I.G. Stadium, Indraprastha Estate, New Delhi-110 002.
2. The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta-700 001
3. The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001

EMPLOYEES

The Board wish to place on record its appreciation to all employees in the Company for their sustained efforts and the contributions to the performance during the year. The

Management-employees relationship remains cordial and harmonious.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 are given in Annexure II forming part of this report.

ACKNOWLEDGEMENTS

Your Directors acknowledge with gratitude the co-operation and assistance given by the Central Government, State Government, Customers, Suppliers and Shareholders.

By Order of the Board

K.C. Tapadar
Managing Director

New Delhi
8th May, 1999

C K Thanawala
Biren De
Directors

ANNEXURE I

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

Your Company has always been conscious of the need for energy conservation and has accordingly installed the necessary equipments and machineries.

The required data regarding total energy consumption per unit of production is given in Form A.

FORM A

Part A-Power and Fuel Consumption

	1998-99	1997-98
1. Electricity		
(a) Purchased Units (Million)	0.66	0.63
Total Amount (Rs. Million)	2.66	2.26
Rate/Unit (Rs.)	4.04	3.57
(b) Own Generation		
(i) Through Diesel Generator Units (Million)	0.61	0.65
Unit per litre of Diesel Oil	3.08	3.16
Cost/Unit (Rs.)	3.37	2.77
(ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil		
Quantity (K. Ltrs.)	153.54	145.61
Total Amount (Rs. Million)	1.28	1.25
Average Rate (Rs.)	8.35	8.63

**4. Others/Internal generation**

Nil

Nil

Part B-Consumption per unit of production

Product	Felts Kgs.	Felts Kgs.
Unit	7.44	7.44
Electricity	0.90	0.84
Furnace Oil		

B. TECHNOLOGY ABSORPTION**FORM B****Research & Development (R&D)**

The Company has a Research & Development Centre recognised by the Department of Scientific and Industrial Research. Your Company has been carrying on R&D activities regularly resulting in development of new technology products and energy savings.

Expenditure incurred on Research & Development during the year has been given below :

(Rs. in Million)

a) Capital	0.23
b) Recurring	5.68
c) Total	5.91
d) Total R&D expenditure as a percentage of total turnover	1.84

Technology Absorption, Adaptation & Innovation

Your Company has adopted the technology resulting in improvements in production processes, minimising pollution and reducing energy usage. Since there are continuous upgradations in technology, we shall strive to absorb the new developments as and when they take place.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year are Rs. 20.49 million. Your Company continues to explore new foreign markets and to enlarge its share in the existing market.

Foreign exchange earnings
Foreign exchange outgo

Rs. 20.49 million
Rs. 82.23 million

ANNEXURE II

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1999.

Name	Age Years	Designation/Date of Commencement of employment (Experience in years)	Remuneration (Rs.)	Qualifications	Last Employment held
Tapadar K.C.	56	Managing Director 01.01.1970 (35)	1,861,157	B.Sc. (Tech.) P.G.D. (Leeds) A.T.A., C. Text., A.T.I., M.I.E.	Porritts & Spencer Ltd., U.K. Special Assistant Asia Project

NOTES :

- The remuneration includes salary, allowances, medical benefits, LTA, Company's contribution to Provident and Superannuation Funds and other perquisites.
- The nature of employment is contractual.

Porritts & Spencer (Asia) Ltd.

AUDITORS' REPORT

TO THE MEMBERS OF PORRITTS & SPENCER (ASIA) LIMITED

1. We report that we have audited the Balance Sheet of Porritts & Spencer (Asia) Limited as at 31st March, 1999 and the related Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
2. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon and attached thereto, give in the prescribed manner the information required by the Companies act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 1999 and its profit for the year ended on that date.
3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examinations of the books and the above mentioned accounts are in agreement therewith.
4. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956 to the extent applicable.
5. As required by the Manufacturing and other Companies (Auditor's Report) order 1988 dated 7th September, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
 - (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the year and no material discrepancies were observed.
 - (ii) The fixed assets of the Company have not been revalued during the year.
 - (iii) The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management at the year end.
 - (iv) In our opinion, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (v) The discrepancies between the physical stock and the book stock which have been properly dealt with were not material.
 - (vi) In our opinion, the valuation of stock of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles and read with Note 14 on Schedule 17, is on the same basis as in the earlier year.
 - (vii) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
 - (viii) The Company has not granted any loans secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.



- (ix) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest.
- (x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
- (xi) The Company has not purchased goods and material and sold goods, materials and services aggregating Rs. 50,000 or more in value from/to any of the parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (xii) The Company has a system of determining unserviceable or damaged stores and raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- (xiii) The Company has not accepted any deposits from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and generation of scrap. The Company has no by-products.
- (xv) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (xvi) The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956 for any of its products.
- (xvii) The Company has been regular in depositing provident fund and Employee's State Insurance dues with the appropriate authorities.
- (xviii) At the last day of the financial year there were no amounts outstanding in respect of undisputed Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than those payable under contractual obligations or in accordance with generally accepted business practices, which have been charged to the Profit and Loss Account, nor have we been informed of any such case by the management.
- (xx) The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985.

New Delhi
Dated : 8th May, 1999

Deepak Kapoor
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants