



7th

ANNUAL REPORT

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***WELTERMAN
INTERNATIONAL LTD.***

1998-99



ANNUAL REPORT

1998 - 99

BOARD OF DIRECTORS

KAYUM R. DHANANI	MANAGING DIRECTOR
C. K. SAFAYA	NOMINEE - I.F.C.I.
KANTILAL R. PATNI	DIRECTOR
BIJI PAUL	DIRECTOR

AUDITORS

V. SHAH & ASSOCIATES
Chartered Accountants
Behind Niraj Clinic,
Near World Trade Centre,
Sayajigunj,
VADODARA - 390 005.

BANKERS

UNION BANK OF INDIA

REGISTERED OFFICE & FACTORY

Plot No. 1135,
At & Post - Manjusar,
Lamdapura Road,
Tal. Savli,
Dist. Vadodara.

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**Addendum to the Notice dated 16th August, 1999 convening the 7th Annual General Meeting of the members of the Company on 30th September, 1999.****Item No. 3 to be replaced and read as under :****ITEM NO. 3**

To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Ajit Dalal & Co. Chartered Accountants, Vadodara, be and is hereby appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration plus reimbursement of out-of-pocket expenses as may be agreed between the Board of Directors and the Auditors."

For and on behalf of the Board

Vadodara
4th September, 1999

KAYUM R. DHANANI
MANAGING DIRECTOR

Addendum to the Directors' Report dated 16th August, 1999

The following paragraph be substituted in place of the paragraph on Auditors.

AUDITORS

Subsequent to the meeting of the Board of Directors held on 16th August, 1999, the current Auditors, M/s. V. Shah & Associates, Chartered Accountants, Vadodara, who retire at the conclusion of the forthcoming Annual General Meeting of the Company have vide their letter dated 1st September, 1999, expressed their desire that they do not wish to be re-appointed as Auditors of the Company. The Board of Directors put on record their sincere appreciation of the services rendered by the outgoing Auditors during their long tenure.

The Board at its meeting held on 4th September, 1999, have considered appointment of Auditors and recommends appointment of M/s. Ajit Dalal & Co., Chartered Accountants, Vadodara as Statutory Auditors of the Company, to hold the office from the conclusion of the 7th Annual General Meeting until the conclusion of the following Annual General Meeting. M/s. Ajit Dalal & Co. have confirmed their eligibility under Section 224 of the Companies Act, 1956.

Members are requested to appoint them as Statutory Auditors of the Company for the current year and to authorise the Board to fix their remuneration in consultation with the Auditors.

For and on behalf of the Board

Vadodara
4th September, 1999

KAYUM R. DHANANI
MANAGING DIRECTOR

KANTILAL R. PATNI
DIRECTOR



NOTICE

NOTICE is hereby given that the SEVENTH ANNUAL GENERAL MEETING of the Members of **WELTERMAN INTERNATIONAL LIMITED** will be held on Thursday, the 30th September, 1999 at 11.30 a.m. at the Regd. Office of the Company at Plot No. 1135, At & Post - Manjusar, Lamdapura Road, Tal. Savli, Dist. Vadodara, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Biji Paul, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office :

Plot No. 1135,
At & Post - Manjusar,
Lamdapura Road,
Tal. Savli,
Dist. Vadodara.

Vadodara, 16th August, 1999

By Order of the Board
For **WELTERMAN INTERNATIONAL LTD.**

KAYUM R. DHANANI
MANAGING DIRECTOR

NOTES

1. A MEMBER ENTITLED TO ATTEND THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members/Proxies should bring the attendance slip sent herewith duly filled in and signed, for attending the meeting and also their copies of the Annual Report.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 24th September, 1999 to Thursday, the 30th September, 1999 (both days inclusive).
4. All the documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company prior to the date of the Annual General Meeting on any working day between 11 A.M. and 1 P.M.
5. Members are requested to **inform any change in their addresses.**
6. Members desirous of obtaining any information as regard accounts and operations of the Company are requested to write to the Company atleast 7 days before the meeting to enable the Company to keep the required information ready at the meeting.
7. **Members holding shares in the same name under different Folios are requested to apply for consolidating of such Folios and send relevant share certificates.**
8. Members are requested to quote Folio nos. in all future correspondence.



DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the **SEVENTH ANNUAL REPORT** of your Company together with the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

(Rs. in Lacs)

	YEAR ENDED 31.3.1999	YEAR ENDED 31.3.1998
Sales and other Income	642.10	856.73
Less : Expenses	894.95	1058.67
Profit/(Loss) before Depreciation and Taxes	(252.85)	(201.94)
(Add)/Less : Depreciation	(59.89)	(40.30)
Profit/(Loss) for the year	(312.74)	(242.24)
(Add)/Less : Balance brought forward from Previous year	(217.53)	24.71
Balance Carried to Balance Sheet	(530.27)	(217.53)

This year was one more difficult year in which the Company had to operate in highly adverse environment. While on one hand, there was unprecedented rise in input costs, on the other hand, there was heavy recession due to the overall economic slowdown which led to very low realisation as compared to manufacturing cost.

In view of very thin margin in trading activity during the last two years, the company had focused efforts to achieve higher capacity utilization by undertaking job work. During the year under review, the revenue from manufacturing activity including job work is Rs. 418.26 lacs as compared to last years' figures of Rs. 199.42 lacs, showing improvement of 109.74%.

In quantitative terms production from manufacturing activity increased from 208176 pairs to 297829 pairs i.e. increase of 43.07% and job work production from 106950 pairs to 230473 pairs showing increase by 115%. The increase in manufacturing activity led to increase in capacity utilization from 13.13% in previous year to 22.01% in this year.

In spite of achieving higher capacity utilization the efforts of the Company could not control the further erosion in profitability and net worth because of several factors more particularly outlined below :

- i) Raw material consumption increased by 140.50% as compared to 109.74% increase in manufacturing and job work income. Though the realisation per pair increased by 47%, the per pair consumption of materials increased by 68.11%. The consumption of Leather, rubber sheets and other consumables all showed not only proportionate quantitative increase but their unit cost was also higher as compared to previous year. The major reasons for this phenomena can be ascribed to increase in cost of imports due to hike in customs duty forcing the management to purchase leather from indigenous market which was of poor quality resulting in high wastage at various stages of production and high rejection by customers.
- ii) Due to increase in manufacturing activity, the company has fallen under higher slabs of Excise under Excise Rules.
- iii) Write off of certain non-usable materials and processed stocks after technical evaluation of inventories.
- iv) Depreciation on machineries acquired during expansion period without corresponding increase in production.
- v) Incidence of Electricity duty in power consumption which was hitherto exempted (backward area benefit), the cost of which per unit of consumption has increased by 10%.

Thus, very low capacity utilization, negative margins due to high input cost, low productivity, high rejection, dissatisfied customers and high incidence of interest and depreciation all contributed for poor performance during the year under review.



Though the management undertook intensive measures for comprehensive control of other costs, the realisation per pair could not be increased due to several factors, like competition from unorganized sectors, dissatisfied customers who are reputed brands in the market, economic recession, slow growth in demand of the goods manufactured by the Company.

Due to the above factors, the operations for the year under review resulted into a net loss of Rs. 312.74 Lacs which your Directors regret deeply.

Having identified the reasons for the poor performance the Company has started addressing the issues of low capacity utilization, poor quality of leather, low productivity and inefficiency in operations and high input costs by taking up job works, running the plant on single shift basis, better product mix, concentrating on reputed customers, maintaining of quality standard and delivery schedules. With all these measures, the management is endeavoring to improve the performance during the current year.

However, the Board is of the opinion that the turnaround can be achieved only with reduction in excise burden, lower interest on borrowed funds, change in customs duties for import of quality leather etc., which are the factors beyond the control of the management.

REFERENCE TO BIFR

The Directors regret that the Company received further setback during the year under review. The Company which had suffered heavy losses during the previous year has completely eroded its networth. The Directors have formed the opinion that the Company has become a Sick Industrial Company within the meaning of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985 as the accumulated losses exceeded its entire networth as set out below.

	Rupees In Lacs
Share Capital	439.83
Reserves & Surplus	-----
	439.83
Accumulated Losses as at 31/3/99	530.27

Net Worth (Negative)	90.44

In view of the complete erosion of the net worth the necessary steps are being taken to report the sickness to the Board for Industrial & Financial Reconstruction as required under the said Act.

EXPANSION PROJECT

The Expansion Project to manufacture 10 lacs pair per annum of leather and leather injected thermo plastic rubber (TPR)/ PVC soles at the existing factory site was commenced during 1996-97. Since then the Industrial stagnancy has set in which has resulted in to very low margins and consequent deterioration of the financial position of the company due to heavy losses during the last two years. In view of high cost of finance and continued recession the Board had formed an opinion that the Expansion Project will be uneconomical and unviable in the present situation and hence should be abandoned. The Board at its Board Meeting held on 29th December, 1998 therefore resolved to abandon the Expansion Project.

DIVIDEND

In view of accumulated losses, your Directors regret to declare any dividend on shares.

YEAR 2000 COMPLIANCE

The company has yet to take adequate steps to avoid adverse effect on the business due to the year 2000 (Y2K) compliance. In the opinion of the board, cost of compliance of Y2K compliance, if any, will be negligible, considering the nature of business, type of software and hardware for the time being used by the company.

DIRECTORS

In pursuance of Article 154 of the Articles of Associations of the Company read with Section 256 of the Companies Act, 1956, Mr. Biji Paul, retire by rotation and being eligible, offer himself for re-appointment.

During the year under review, Mr. Razak D. Dhanani - Chairman and Mr. Sajid R. Dhanani - Vice Chairman, have resigned from Directorship of the Company w.e.f. 16.10.98. The Board places on record their sincere appreciation of the valuable services rendered by them during their tenure as Directors of the Company.



ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of measures taken for conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, under Section 217(1)(e) of the Companies Act, 1956 is stated in the Annexure forming part of this report.

PARTICULARS OF EMPLOYEES

There was no employee in receipt of remuneration of Rs. 50,000/- or more per month or Rs. 6,00,000/- or more for one year and hence no particulars need to be stated under Section 217(2A) of the Companies Act, 1956.

AUDITORS

M/s. V. Shah & Associates, Chartered Accountants, Vadodara, the Auditors of the Company, retire at the forthcoming Annual General Meeting. You are requested to appoint Auditors for the current year and to fix their remuneration.

ACKNOWLEDGEMENT

Your Directors place on record the co-operation extended to the Company by the various Central and State Government Departments, The Industrial Finance Corporation of India Ltd. (IFCI), Union Bank of India, Suppliers and Customers of the Company.

We are also deeply grateful for the confidence and faith that you have always placed in the Company.

We place on record our sincere appreciation of the total commitment, dedication and hard work put in by all the employees of the Company.

For and on behalf of the Board

Vadodara
16th August, 1999

KAYUM R. DHANANI
MANAGING DIRECTOR

KANTILAL R. PATNI
DIRECTOR

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ANNEXURE TO THE 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).

A. CONSERVATION OF ENERGY :

(a) Energy Conservation measures taken Optimum batch size.

Better production planning.
Elimination of idle running time through improved communication system.

Proper inventory planning & control.

(b) Additional investments and proposals being implemented for reduction in consumption of energy.

The Company has ongoing study and survey of actual energy consumption of equipments and less efficient equipments are replaced by more efficient equipment.

(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 measures taken have resulted in saving in the cost of production.

(d) Details of Energy Consumption for production : As per Form - A

B. TECHNOLOGY ABSORPTION :

Research & Development and Technology Absorption :

Considering the size of the unit and nature of products the avenues for R & D are very limited and therefore not applicable.

C. FOREIGN EXCHANGE, EARNING & OUTGO :

Total foreign exchange used and earned :

i) Foreign Exchange used :	
For Plant & Machinery	: Rs. ----
For raw materials	: Rs. 11,07,956
For consumables stores	: Rs. 8,53,653
For Expenses	: Rs. ----
ii) Foreign Exchange earned	: Rs. 7,53,483

FORM A

(See Rule 2)

Form for Disclosure of Particulars with respect to conservation of Energy.

A. Power and fuel Consumption :

1. Electricity :

(a) Purchased

Unit Nos.	3,33,477
Total Amount Rs.	13,18,885
Rate/Unit Rs.	3.95

(b) Own Generation

(i) Through diesel Generator Units (Kwh.)	N.A.
Unit per litre of diesel oil	N.A.
Cost / Unit	N.A.
(ii) Through Steam turbine/Generator	N.A.

2. Coal (Specify quality and where used)

3. Furnace Oil,	
Quantity (K. Litres)	N.A.
Total Amount Rs.	N.A.
Average Rate Rs.	N.A.

4. Others / Internal Generation (Please give details)

B. Consumption per unit of production

In view of number of products with different sizes, shape and other parameters, being manufactured by Company, it is not feasible to give information on consumption of fuel for unit of production.

For and on behalf of the Board

Vadodara
16th August, 1999

KAYUM R. DHANANI
MANAGING DIRECTOR

KANTILAL R. PATNI
DIRECTOR