

MD	✓				BKC	✓
CS	ND				DPY	NA
RO	✓				DIV	NA
TRA	ND				AC	✓
AGM	✓	✓			SH	✓
YE	✓	✓	✓			

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## **ANNUAL REPORT**

### **1996 - 97**

Report  junction.com



## **AMAR DYE-CHEM LIMITED**

**AMAR DYE-CHEM LIMITED****BOARD OF DIRECTORS :**

RASIKLAL S. MARDIA, Chairman  
MANOJ K. MATHUR, Managing Director  
S.K. AGRAWAL  
M.V. RAGHAVACHARYA (Special Director BIFR)  
RAKESH K. BANSAL, Finance Director

**BANKERS :**

DENA BANK  
ALLAHABAD BANK  
INDIAN OVERSEAS BANK  
CANARA BANK  
SYNDICATE BANK  
STANDARD CHARTERED BANK

**AUDITORS :**

MEHTA LODHA & CO.  
Chartered Accountants

**REGISTERED OFFICE :**

RANG UDYAN,  
SITLADEVITemple ROAD,  
MAHIM,  
MUMBAI - 400 016

**FACTORIES :**

SHAHAD, KALYAN (Maharashtra)  
VAPI (Gujarat)

**REQUEST**

1. The practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. You are, therefore requested to bring your copy of the Annual Report to the Meeting.
2. Members intending to ask any question or information at the ensuing Annual General Meeting are requested to send the same in writing to the Company at its Registered Office at least seven days before the Meeting.
3. In order to render more effective service, the Company proposes to consolidate the holdings of those shareholders who hold shares in more than one folio, either solely or as joint holders in identical order of names. Such shareholders are requested to inform the Company to enable us to consolidate the holdings.

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## AMAR DYE-CHEM LIMITED

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD ANNUAL GENERAL MEETING of the Members of AMAR DYE - CHEM LIMITED will be held at KARNATAKA SANGHA, Dr. M. Visvesvaraya Smarak Mandir, Jhaverbhai Patel Sabhagriha, Mogul Lane, Off. T.H. Kataria Marg, Near Matunga Road Rly. Station (West), Mumbai - 400 016. on Tuesday, the 23<sup>rd</sup> September, 1997 at 3.30 p.m. to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Profit And Loss Account for the year ended 31<sup>st</sup> March, 1997, the Audited Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr. S. K. Agrawal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

4. To consider and, if thought fit, to pass the following Resolution with or without modifications as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 and 314 read with Schedule XIII of the Companies Act, 1956 and such other approvals as may be necessary, Mr. Manoj Kumar Mathur be and is hereby appointed as the Managing Director of the Company on the following terms and conditions :

1. The appointment shall be for a period of 3 years with effect from 1<sup>st</sup> April, 1997.
2. He shall be entitled to the following remuneration and perquisites :
  1. Salary : Rs.25,000/- in the scale of 25000-2500-32500.
  2. In addition to the salary, he shall be entitled to perquisites listed in Categories 'A', 'B' and 'C' below :

The perquisites shall be restricted to an amount equivalent to his annual salary.

**CATEGORY - A :**

- i) Housing I : The expenditure by the Company on hiring furnished accommodation for the appointee will be subject to the following ceiling : Sixty percent of the salary, over and above ten percent payable by the Managing Director.  
Housing II : In case the accommodation is owned by the Company, ten percent of the salary of the Managing Director shall be deducted by the Company.  
Housing III : In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.  
Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Managing Director.
- ii) Medical Reimbursement : Expenses incurred for the Managing Director and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii) Leave Travel Concession : For the Managing Director and his family once in a year incurred in accordance with Rules specified by the Company.
- iv) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) Personal accident insurance premium not to exceed Rs.4,000/- per annum.

**CATEGORY - B :**

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these, either single or put together, are not taxable under the Income-tax Act. Gratuity payable should not exceed half-a-month's salary for each completed year of service.
- ii) Encashment of leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

**CATEGORY - C :**

- i) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual Managing Director concerned.
- ii) The Company will reimburse to the Managing Director such expenses as he may incur on behalf of the Company.
- iii) The Managing Director shall not be liable to retire by rotation.
- iv) The Managing Director shall not be entitled to receive any sitting fees for attending the meeting of the Board of Committees thereof.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby further authorised to accept all such modifications, variations and alterations in any of the terms and conditions of his appointment, if required".

5. To consider and, if thought fit, to pass the following Resolution with or without modifications as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 and 314 read with Schedule XIII of the Companies Act, 1956 and such other approvals as may be necessary, Mr. Rakesh K. Bansal be and is hereby appointed as the Finance Director of the Company on the following terms and conditions :

1. The appointment shall be for a period of 3 years with effect from 1<sup>st</sup> June, 1997.
2. He shall be entitled to the following remuneration and perquisites :
  - (i) Salary Rs. 13,500/- P.M.
  - (ii) In addition to the salary, he shall be entitled to perquisites listed in Categories 'A', 'B', and 'C' below.

The perquisites shall be restricted to an amount equivalent to his annual salary.

**CATEGORY - A :**

- i) Housing I : The expenditure by the Company on hiring furnished accommodation for the appointee will be subject to the following ceiling : Sixty percent of the salary, over and above ten percent payable by the Finance Director.  
Housing II : In case the accommodation is owned by the Company, ten percent of the salary of the Finance Director shall be deducted by the Company.  
Housing III : In case no accommodation is provided by the Company, the Finance Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.  
Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Finance Director.
- ii) Medical Reimbursement : Expenses incurred for the Finance Director and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- iii) Leave Travel Concession : For the Finance Director and his family once in a year in accordance with any Rules specified by the Company.
- iv) Fees of clubs : Subject to a maximum of two clubs. This will



## AMAR DYE-CHEM LIMITED

not include admission and life membership fees.

- v) Personal accident insurance premium not to exceed Rs.4,000/- per annum.

### CATEGORY - B :

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these, either single or put together, are not taxable under the Income-tax Act. Gratuity payable should not exceed half-a-month's salary for each completed year of service.
- ii) Encashment of leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

### CATEGORY - C :

- i) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual Finance Director concerned.
- ii) The Company will reimburse to the Finance Director such expenses as he may incur on behalf of the Company.
- iii) The Finance Director shall be liable to retire by rotation.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby further authorised to accept all such modifications, variations and alterations in any of the terms and conditions of his appointment, if required."

By Order of the Board,

**Manoj K. Mathur**  
Managing Director

### NOTES :

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such a proxy need not be a member of the Company. Proxies in order to be valid and effective must be lodged at the Registered Office of the Company not later than forty-eight hours before the commencement of the meeting.
- b) The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 16th September, 1997 to Tuesday, the 23rd September, 1997 (both days inclusive).
- c) Members / Proxy holders must bring the attendance slip to the meeting and hand it over at the entrance duly signed.
- d) Members are requested to :
- Notify immediately any change in their address(es) to the Company.
  - Quote their Folio number(s) in all correspondence with the Company.
- e) Shareholders desiring any information as regards the accounts are required to write to the Company atleast seven days in advance so as to enable the Management to keep the information ready.

By Order of the Board,

**Manoj K. Mathur**  
Managing Director

### ANNEXURE TO THE NOTICE

Explanatory statement as required under Section 173(2) of the Companies Act, 1956 relating to business mentioned under Item Nos. 4 and 5 annexed to and forming part of the notice convening the Forty-third Annual General Meeting.

Item No. 4 : Mr Manoj Mathur has been appointed as Managing Director with effect from 1st April, 1997.

Mr. Manoj K. Mathur is M. Sc. by qualification and has around 20 years of technical-cum-marketing experience. He was President (Marketing) of Mardia Chemicals Ltd.

Keeping in mind the rich experience, the Board of Directors are of the opinion that the Company will be greatly benefited under his leadership. The Directors recommend the passing of the resolution.

None of the Directors of the Company is in any way concerned or interested in the resolution.

The explanation together with the accompanying notice is and be treated as an abstract under Section 302 of the Companies Act, 1956 in respect of appointment and payment of remuneration to Mr. Manoj K. Mathur as Managing Director of the Company.

The draft agreement entered into between the Company and Mr. Manoj K. Mathur is open for inspection by the members of the Company during the working hours on all working days upto the date of the ensuing Annual General Meeting.

Item No. 5 : Mr. Rakesh K. Bansal who is working with the Company since last four years and managing the entire affairs of the Company has been promoted to the post of Finance Director by the Board of Directors in its meeting held on 30th May, 1997 subject to the approval of the shareholders at the annual general meeting.

Mr. Bansal is a Chartered Accountant and has around ten years of practical experience.

The Board recommends Mr. Bansal's appointment as Finance Director. None of the directors is in any way concerned or interested in the resolution.

By Order of the Board,

**Manoj K. Mathur**  
Managing Director

### Registered Office :

'Rang Udyan',  
Silladevi Temple Road,  
Mahim, Mumbai - 400 016.

Dated : 19th August, 1997.

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## DIRECTORS' REPORT

To the Members of Amar Dye-Chem Limited.

The Directors present their Forty-third Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 1997.

## FINANCIAL RESULTS :

The Financial results of the operations of the Company for the year under review and of the previous year are given below:

	1996-97 Rs. in Lacs	1995-96 Rs. in Lacs
Sales & Other Income	4507.90	5089.20
Loss before interest and depreciation	793.70	408.71
Interest	431.53	402.30
Depreciation	58.09	48.36
Loss	1273.12	859.37
Balance brought forward from previous year	4696.06	3834.73
Expenses in respect of the earlier year	0.92	1.96
Transferred to Balance Sheet	5970.10	4696.06

## OPERATIONS :

In spite of continuous efforts put in by the management, the operational results of the Company continue to be unfavourable and the accumulated losses of the Company as on 31.3.97 exceeds Rs. 59 Crores. While the Board have kept the Members informed about the developments at the A.G.Ms from time to time, it will be worthwhile to recall the developments at this juncture to put the matter in proper perspective:

- BIFR approved the scheme for rehabilitation of the Company under section 17(2) of the SICA in favour of M/s Doshi & Tolaram on 15.11.88. However, projected performances were not achieved and BIFR in its hearing on 15.10.92 recorded that the scheme under section 17(2) has failed. BIFR then commenced action in the light of provisions of section 17(3) and appointed ICICI as the operating agency directing the operating agency to look out for new parties to take over both ADC as well as KCA Ltd.
- The scheme submitted by Mardias Group was found to be the best by BIFR and was notified in April, 93. It was sanctioned by BIFR on 11.6.93. Mardias took over charge of the affairs of the Company w.e.f. 18.6.93 in the genuine hope that the previous promoters will genuinely and sincerely cooperate in improving the performance of company. Mardias promptly brought in Rs. 21.50 Crores into the Company as envisaged in the scheme.
- Unfortunately, however, the previous promoters went into prolonged litigations challenging the BIFR order by filing an appeal with AIFR which remanded the case back to BIFR. BIFR conducted hearing as per AIFR directions and passed a fresh order on 22.9.94 reconfirming its order of 11.6.93. They also filed a WRIT petition with High Court and then SLP with Supreme Court. Both were rejected. They again approached AAIFR challenging BIFR order of 22nd Sept. 94. AAIFR after giving patient hearing, finally rejected the appeal on 20.10.95. That should have prompted the previous promoters to jointly work for the betterment of the Company. It was not to be so. They filed second Writ petition in Nov. 95. The final decision on this is still awaited.
- This prolonged litigation as well as certain other steps taken by the previous promoters severely affected the smooth working of the Company. It created doubts in the minds of the workers as well as others dealing with ADC. Sincere efforts made by Mardias to revive the Company proved futile because of the adverse atmosphere created by previous promoters.

The new promoters brought in additional interest free funds into the Company to give it financial strength to the tune of Rs. 16.50 Crores. All this proved in vain in view of the uncertainties and adverse atmosphere. This uncertainty continues till date, as final decision of the Hon'ble High Court is still awaited.

- A further notice was received from Central Pollution Control Board asking the Company to set up a secondary plant before 30.6.97. This was not possible unless some old structures (not being used) were demolished. This could not be done on account of prohibiting orders of the High Court not to dispose off any immovable property.

In view of the adverse climate existing for the proper and smooth operations of the Company, the losses had been rising in spite of new promoters bringing in fresh funds to the tune of Rs. 38.0 Crores (as against Rs. 21.50 Crores as per scheme approved by BIFR).

The new promoters have found it impossible to bring in additional funds to cover the losses.

The performance of the Company was reviewed by BIFR in its hearing on 12.2.96. The Bench observed that "the additional cash losses incurred by the Company, were partially attributable to the uncertainty in regard to the management control of the Company as also for reasons beyond promoters' control. The Bench also felt that a modified scheme could be considered with the rehabilitation period extended by upto 2 years directed that a new proposal for necessary modifications to the sanctioned scheme be submitted.

Your Company after discussions with ICICI, submitted the revised scheme in the last week of December, 1996. This is yet to be finally examined by the Banks and the operating agency even after expiry of 7 months. This is further making the scheme unworkable on account of delay in decision making. Not only this funds released for specific purposes by the Banks have been adjusted towards past dues making it almost impossible to continue the operations of the Company.

In view of the above despite the best efforts being put up by the new promoters both in the form of infusion of continuous funds and best professional management, the rehabilitation scheme has been seriously jeopardized. The various actions of the previous management has contributed towards this in no small measures. The beliefs and hopes of the new promoters while taking up the charge of the affairs of the Company in June, 1993 have been totally shattered. They have come under heavy financial burden and find it virtually impossible to further run the Company, unless certain immediate facilities are provided as envisaged in the modified scheme submitted in Dec. 96.

I am sorry to have taken your valuable time in placing above facts before you. The Board felt that it is not only desirable but obligatory for it to place the full facts before the Members and how the efforts of the new promoters have been thwarted at each stage in improving the operations of the Company.

## FIXED DEPOSITS :

There are no outstanding deposits or interest due and payable during the year under report. The Company has not taken fresh deposits during the year.

## HEALTH SAFETY &amp; ENVIRONMENT :

The Company is taking adequate steps with respect to health and safety of the employees and protection of its various plants. Adequate pollution control measures are also carried out. Safety audit exercises are conducted regularly to prevent accidents.

As mentioned above, the Company has been directed by Central Pollution Control Board to set up Secondary Effluent Treatment Plant. There are practical and legal problems in setting up





# AMAR DYE-CHEM LIMITED

the plant, which have been brought to the notice of the authorities. Health check-up of employees at the factory is carried out at regular intervals.

## INDUSTRIAL RELATIONS :

Your Company has endeavoured to maintain best of industrial relations. Some problems have, however, arisen due to severe financial crunch.

## SUBSIDIARY :

The Balance Sheet, Profit and Loss Account together with the Auditors' Report and the Directors' Report of the Subsidiary Company, K.C.A. Limited for the year ended 31st March, 1997 are annexed hereto.

## DIRECTORS :

Mr. Manoj K. Mathur has been appointed as Managing Director as well as Director with effect from 1st April, 1997.

Mr. Rakesh K. Bansal has been appointed as Finance Director as well as Director with effect from 30th May, 1997.

The Industrial Development Bank of India has withdrawn the nomination of Mr. U. M. Kale with effect from 25.03.97. The Company places on record its appreciation of the valuable services rendered by him to the Company.

Mr. R. M. Bhandari has resigned due to his ill-health with effect from 25.03.1997. The Company places on record its appreciation of the valuable services rendered by him to the Company.

Mr. Rakesh S. Mardia and Mr. N. M. Bijlani have resigned which were accepted by Board effective 19.08.1997. The Company places on record its appreciation of the valuable services rendered by them to the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. S. K. Agrawal retires by rotation and being eligible, offers himself for re-appointment.

## AUDITORS :

M/s. Mehta Lodha & Co, Chartered Accountants, hold office as Auditors until the conclusion of the 43rd Annual General Meeting and being eligible offer themselves for re-appointment.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is attached and marked as Annexure 'A', which forms part of this report.

## PARTICULARS OF EMPLOYEES :

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is attached and marked as Annexure 'B' which forms part of this report.

## ACKNOWLEDGMENT :

Your Directors appreciate the support and confidence reposed in them by the shareholders, employees, customers, suppliers during the difficult period through which the Company is passing. Your Directors also wish to place on record their appreciation of the faith reposed in the Company by the concerned departments of the Central Government, Government of Maharashtra and Gujarat, Local Authorities, Financial Institutions and Consortium of Banks.

For and on behalf of the Board

Rasiklal S. Mardia  
Chairman

Ahmedabad, 19th August, 1997.

## ANNEXURE 'A' TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Board of Directors) Rules 1988.

### FORM - A

1996-97      1995-96

#### A Power and Fuel Consumption :

##### 1. Electricity :

###### (a) Purchased :

Units (KWH)	97,29,173	1,04,77,206
Total Amount (Rs.)	3,59,31,599	3,27,81,051
Rate/Unit(Rs./KWH)	3.69	3.13

###### (b) Own Generation :

###### (i) Through Diesel Generator:

Units (KWH)	7,740	18,270
Units per litre of Diesel oil	2.00	2.00
Cost/Unit(Rs.)	4.63	4.03

###### (ii) Through Steam

Turbine/Generator	Not Applicable	Not Applicable
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##### 2. Coal :

###### 3. (a) Furnace Oil :

Quantity (KLS)	6680.229	5848.166
Total Amount(Rs.)	3,79,59,847	2,81,98,208
Avg. Rate(Rs./litre)	5.68	4.82

###### (b) LSHS Oil :

Quantity(Tonnes)	304.180	882.442
Total Amount(Rs.)	23,49,500	53,73,230
Avg. Rate(Rs./Kg.)	7.72	6.09

##### 4. Other/Internal generation

NIL      NIL

#### B. Consumption per unit of production.

##### Products :

Dyes, Dye-intermediates & Chemicals.

The Company manufactures a large number of products and quite a few of them are consumed internally also. The products undergo various operations in various plants and as such it is not feasible to furnish the information in respect of consumption per unit of production.

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## ANNEXURE 'A' TO THE DIRECTORS' REPORT (Contd.)

## FORM - B

Form of Disclosure of Particulars with respect of Technology Absorption, Research & Development (R & D) 1996-97.

**RESEARCH & DEVELOPMENT :**

Specific areas in which R & D work is carried out by the Company:

R & D work was mainly devoted to develop value added dyestuffs which were imported at present. R & D has developed special types of intermediate chemical for using in 1:2 Metal complex leather dyes. Considerable improvement in the present processes with respect to improvement in quality and productivity was also undertaken.

**BENEFITS DERIVED FROM ABOVE R&D :**

Commercial production of new value added dyestuffs were successfully done for export market.

**FUTURE PLAN OF ACTION :**

Efforts will be directed to fortify the Company's activities in the field of dyes, dye intermediates and substitution of banned amines with a view to be competitive in export market.

**EXPENDITURE ON R & D :**

		<u>1996-97</u>	<u>1995-96</u>
(a) Capital	(Rs. in Lacs)	-	-
(b) Recurring	(Rs. in Lacs)	92.99	94.07
(c) Total	(Rs. in Lacs)	92.99	94.07
(d) Total R & D Expenditure as a percentage of total turnover.		2.44%	2.10%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

1. No outside technology is obtained and emphasis has been given to in-house development of technology.
2. Benefits derived as a result of the in-house efforts have already been covered under the head Research & Development.
3. There is no imported technology.

**FOREIGN EXCHANGE EARNINGS AND OUTGO :**

		<u>1996-97</u>	<u>1995-96</u>
1. Total Foreign Exchange earned *	(Rs. in Lacs)	1566.60	1823.79
2. Total Foreign Exchange used	(Rs. in Lacs)	14.33	8.08
* F.O.B. Value of exports		1511.12	1755.11

## ANNEXURE "B" TO THE DIRECTORS' REPORT

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 period 1st April, 1996 to 31st March 1997.

Sr. No.	Name	Designation/ nature of Duties	Gross Remuneration Rupees	Net Remuneration Rupees	Qualifications	Experience	Date of commencement of employment	Age in years	Last employment.
1.	Mr. S.S. Bhandari	Vice Chairman & Mg. Director	69,998	44,598	B Com (Hons.) F.C.A	28	7.11.95	53	Mardia Chemicals Ltd.

**NOTES :**

1. Mr. S.S. Bhandari is/was not related to any of the Directors of the Company.
2. The appointment is/was contractual.
3. Remuneration includes Salary and Company's contribution to Provident Fund.
4. Employed for part of the year.



## REPORT OF THE AUDITORS' TO THE MEMBERS

We have audited the attached Balance Sheet of AMAR DYE-CHEM LIMITED as at 31st March, 1997 and also the Annexed Profit and Loss Account of the Company for the year ended on that date and report as under :-

1. 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 annex herewith a statement on the matters specified in paragraphs 4 and 5 of the said order;

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:-

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

In our opinion, proper Books of Account as required by Law have been kept by the Company so far as appears from our examination of the books of the Company;

The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;

3. In our opinion and to the best of our information and according to the explanations given to us, the Accounts (which are prepared on a going concern basis in spite of the Accumulated Losses exceeding the Company's Share Capital and Reserves), read together with the other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view:-

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and

(b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.

FOR MEHTA LODHA & CO.  
Chartered Accountants

Prakash D. Shah  
Partner

PLACE : AHMEDABAD.  
DATE : 19th August, 1997.

## ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997 OF AMAR DYE-CHEM LIMITED.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us and subject to the observations made in our Main Report, to which this Annexure relates, we state that:-

- (i) The Company has generally maintained proper records showing particulars, including quantitative details and situation of fixed assets. As explained to us, all the fixed assets, except furniture, fixtures and equipments have been physically verified by the Management during the year. As per the information and explanations given to us, the discrepancies noticed on physical verification (except in case of furniture, fixtures and equipments, where discrepancies, if any, could not be determined in absence of physical verification) are under scrutiny by the Company. As explained to us, necessary adjustments will be made only after the said scrutiny (including similar scrutiny of past years which is not yet completed and reconciled) is completed and reconciled with book records;
- (ii) None of the fixed assets have been revalued during the year;
- (iii) As explained to us, the stock of finished goods (including goods traded in), stores, spare parts and raw materials have been physically verified by the Management at the close of the year;
- (iv) As explained to us, the procedures of physical verification of above referred stocks followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (v) According to the records produced to us for our verification, no material discrepancies have been noticed on physical verification of stocks referred to in para (iii) above, as compared to book records and the same have been properly dealt with in the books of account of the Company;
- (vi) We have examined the stock verification records of the Company and on the basis of such examination and the assistance received from the technical staff of the Company, we are satisfied that the valuation of stocks, after considering the method of accounting adopted by the Company in relation to Excise Duty (as detailed in Note 12(a) in Schedule 'O' to the Accounts), is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding financial year;
- (vii) The rate of interest and other terms and conditions on which unsecured loans have been obtained from companies listed in the register maintained under Section 301 of the Companies Act, 1956 and from a subsidiary company, are, in our opinion, prima-facie not prejudicial to the interests of the Company. As explained to us, there is no company under the same management within the meaning of Section 370(1B) of the Companies Act, 1956;
- (viii) According to the information and explanations given to us, the Company has not granted any loans, secured or



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unsecured, to companies, firms or other parties listed in the register maintained under the Section 301 of the Companies Act, 1956. As explained to us, there are no Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956;

- (ix) In respect of loans and advances in the nature of loans given to the employees of the Company, we have to state that they are repaying the principal amounts wherever stipulated, and also the interest, wherever applicable. The Company has also given interest-free permanent loans aggregating Rs.42,000 to a Worker's Welfare Institution - ADC Co-operative Society;
- (x) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials, plant and machinery, equipments and other assets and also for sale of goods;
- (xi) According to the information and explanations given to us, in respect of the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 (Rupees fifty thousand only) or more in respect of each party, we have to state that the purchases have been made at prices which are reasonable having regard to the prevailing market prices for such goods and materials, or as compared to the prices at which transaction for similar goods have been made with other parties. In case of sales made to Mardia Chemicals Limited, a Company in which directors are interested, the same have been made at prices in conformity with those generally prevailing in the market and with in the trading margin normally allowed under bulk off take sales scheme. According to above referred register, there were no contracts for sale of services during the year;
- (xii) According to the information and explanations given to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. However, no such items have been so determined by the Company in course of technical assessment carried out during the year. Being a technical matter, reliance has been placed by us on the certificate of the technical personnel furnished to us in this regard for our verification;
- (xiii) In our opinion and as per the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the Public;
- (xiv) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable by-product. The Company has no manufacturing scrap;
- (xv) On the basis of the internal audit reports reviewed by us, we are of the opinion that the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the Management, are, generally commensurate with the size of the Company

and the nature of its business;

- (xvi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products to which the said rules are made applicable, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete;
- (xvii) According to the records of the Company, the Employees' Provident Fund dues and the Employees' State Insurance dues have been generally deposited with the appropriate authorities, except for the dues amounting to Rs. 18.09 lacs of provident fund contribution pertaining to the period February '97 and March '97 which remains in arrears;
- (xviii) On the basis of the records of the Company and subject to the method of accounting consistently followed by it with regard to accounting of Excise Duty as detailed in Note 12(a) in Schedule 'O' to the Accounts, no undisputed amounts were payable and outstanding in respect of Income-tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at the last day of the financial year, for a period of more than six months from the date they became payable;
- (xix) On the basis of (i) the examination of the books of account of the Company, (ii) the vouchers produced to us for our verification, (iii) the explanations given to us against our inquiries, (iv) the checks and controls relating to authorising payments looking to the Company's needs and exigencies, and to the best of our knowledge and belief, we have not come across any expenses charged to revenue account, except for those which were either incurred under service-contract obligations with the employees or which were incurred in accordance with normally accepted business practices which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses;
- (xx) The Company is a Sick Industrial Company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985;
- (xxi) In respect of the trading activity of the Company, we have been given to understand that no damaged goods were determined by the Company in course of a technical assessment carried out. Being a technical matter, reliance has been placed by us on the certificate of technical personnel furnished to us in this regard for our verification.

FOR MEHTA LODHA & CO.  
Chartered Accountants

Prakash D. Shah  
Partner

PLACE : AHMEDABAD.  
DATE : 19th August, 1997.