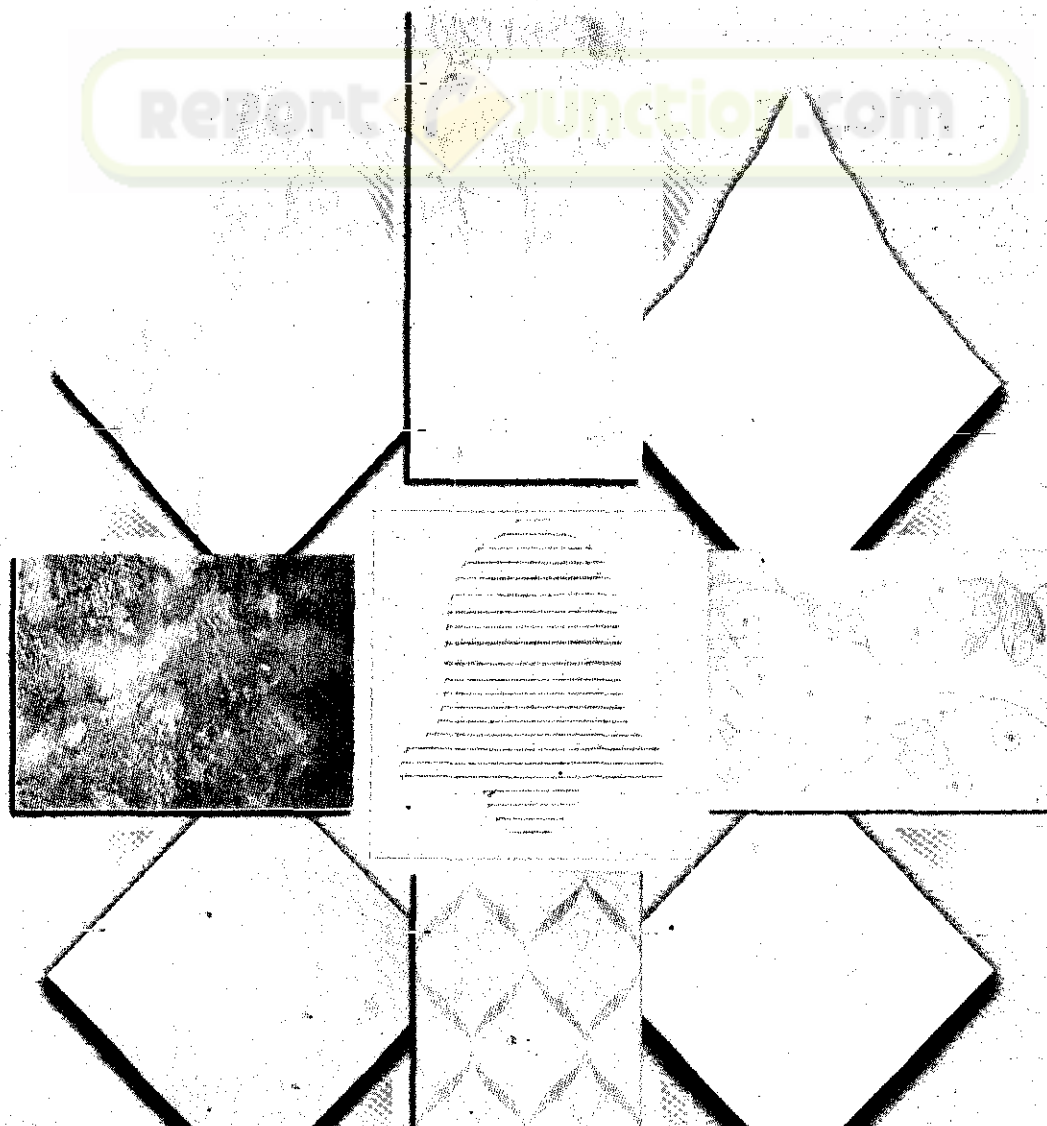


13th Annual Report 1998-99





BOARD OF DIRECTORS

Mr. R. G. N. Swamy	Chairman
Mr. S. K. Jatia	Vice-Chairman
Mr. Ramesh Jatia	Managing Director
Mr. R. K. Jatia	
Mr. S. N. Atreya	
Mr. N. K. Ahuja	
Mr. Lalit Bhasin	
Mrs. Medha Joshi	Nominee Director
Mr. G. R. Divan	

CHIEF EXECUTIVE OFFICER

Mr. N. C. Mehta

GENERAL MANAGER (CORPORATE AFFAIRS) & COMPANY SECRETARY

Mr. S. R. Vyas

BANKERS

Bank of India
Hongkong and Shanghai Banking Corporation
Bank of Bahrain and Kuwait

AUDITORS

M/s. R.P. Malhan & Co.
Chartered Accountants
IA & C, Vandhana Building,
11, Tolstoy Marg,
New Delhi - 110 001

REGISTERED OFFICE

Village Dora, Taluka Amod,
Dist. Bharuch, Gujarat

WORKS

1. Village Dora, Taluka Amod,
Dist. Bharuch, Gujarat
2. Village Chokkahalli,
Taluk : Hoskote, Rural Bangalore,
Karnataka

REGISTRAR & SHARE TRANSFER AGENT

PCS Industries Ltd.
'Ashirwad', 18, Ganga Park,
Race Course, Baroda - 390 007
Gujarat

MANAGEMENT TEAM

Mr. K. M. Pai	- Dy. Chief Executive Officer
Mr. P. N. Jha	G.M. (Works)
Mr. A. N. Rangaswamy	G.M. (Marketing)
Mr. S. K. Rajjada	- D.G.M. (HR)
Mr. S. Vijaykumar	- D.G.M. (Operations)
Mr. C. S. Moorthy	- A.G.M. (Production)
Mr. Ravi Aravamuthan	- A.G.M. (Marketing)

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NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Thursday, the 25th November, 1999 at 12.00 Noon at the Registered Office of the Company situated at Village Dora, Taluka Amod, District Bharuch, Gujarat to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 1999 and the Profit and Loss Account of the Company for the Financial Year ended on that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr. R.G.N. Swamy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.K. Jatia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S.N. Atreya who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and to fix their remunerations.

SPECIAL BUSINESS :

To consider and if thought fit to pass the following resolutions with or without modifications:

6. ORDINARY RESOLUTION :

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be altered by inserting the following immediately after the existing Article 62.

DEMATERIALIZATION OF SECURITIES:

62A (i) For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities & Exchange Board of India;

'Depository' means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate to act as a depository under the Securities & Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

- (ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors:

- (iii) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in depositories to be in fungible form:

- (iv) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to the depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of depositories and beneficial owners:

- (v) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of documents:

- (vi) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

**Transfer of Securities:**

- (vii) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with in a depository:

- (viii) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a depository:

- (ix) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and index of beneficial owners:

- (x) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

7. ORDINARY RESOLUTION :

"RESOLVED THAT in supersession of a resolution passed at the Annual General Meeting of the Company held on 06.09.1993 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the consent of the Company be and is hereby granted to the Board of Directors of the Company, for borrowing monies for the purposes of the Company amounting in the aggregate to a sum not exceeding Rs.12,500 lakhs (Rupees Twelve Thousand Five Hundred Lakhs only) notwithstanding that the monies already borrowed by the Company (apart from the temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital and its free reserves".

Regd.Office :
Village Dora, Taluka Amod
District Bharuch, Gujarat

By Order of the Board
S.R.VYAS
General Manager
(Corporate Affairs) &
Company Secretary

Date : 21.09.99

NOTES

1. Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No.6 and 7 are annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

3. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 15th November, 1999 to Thursday, the 25th November, 1999 (both day inclusive).
4. The shareholders are requested to intimate the Company immediately of the change in their address.
5. Members can now avail of the facility of nomination in respect of shares held by them pursuant the amendment in the Companies Act, 1956. The prescribed Nomination Form (Form No. 2B) is being sent with this Notice. Members desiring to avail of this facility, may send their Nomination Form duly filled in, to the Share Transfer Agent of the Company.

EXPLANATORY STATEMENTS :

As required under Section 173 of the Companies Act, 1956 the following explanatory statements set out all the material facts relating to the business mentioned in item No.6 and 7 of the accompanying notice.

Item No.6:

With the introduction of the Depositories Act, 1996, and the introduction of the Depository System, some of the provisions of the Companies Act, 1956 relating to the issue, holding, transfer and transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a Company. Our Company has joined a Depository. Accordingly its securities can now be dematerialised. It is therefore, proposed that the Company's Articles of Association be suitably altered, to enable it to dematerialise its securities and to spell out the rights of the beneficial owner of the securities in such a system.

Item No.7:

In order to support the steady growth achieved by the Company during last 2/3 years in both the plants, the Company may need to raise fund for installing balancing equipments which would facilitate to produce value added products to cater the market requirements. It is therefore necessary to authorise the Directors to raise the existing borrowing limit from Rs.10,000 lacs to Rs.12500 lacs.

The resolution at Item No.6 and 7 are recommended for approval by the Members.

None of the Directors are deemed to be considered as interested in this resolution except for item No.6 of the notice to the extent of their holding of Equity Shares in the Company and which they may opt for dematerialisation.

Regd.Office,
Village Dora, Taluka Amod
District Bharuch, Gujarat

Date : 21.09.99

By Order of the Board
S.R.VYAS
General Manager
(Corporate Affairs) &
Company Secretary



DIRECTORS' REPORT:

Your Directors submit herewith the Thirteenth Annual Report and the Audited Accounts of the Company for the financial year ended on 20th June, 1999.

FINANCIAL RESULTS:

	(Rs. in lakhs)	
	Current Year	Previous Year
	1998-99	1997-98
	(12 Months)	(15 Months)
Sales & Other Income	6381.44	6514.01
Operating Profit	580.38	1468.24
Interest	1802.60	1571.24
Profit (Loss) before Depreciation	(1222.22)	(103.00)
Depreciation	758.69	770.11
Loss for the Year	(1980.91)	(873.11)
Prior period Expenses	9.53	(168.67)
Income-Tax Paid for earlier year	—	(53.25)
Provision for Income Tax earlier years written back	2.47	—
Net Loss	(1968.91)	(1095.03)
Profit (Loss) B/F from previous year	(364.30)	761.63
Amount available for appropriation	(2333.21)	(333.40)
Transfer to Debenture Redemption Reserve	—	30.90
Profit/(Loss) carried to Balance Sheet	(2333.21)	(364.30)

DIVIDENDS:

In view of losses incurred during the year, your Directors do not recommend any dividend on the equity capital.

PRIVATE PLACEMENT OF 12.5% NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES:

In order to support the operations and reduce the overall interest burden of the Company, during the year 1,30,00,000, 12.5% Non-Convertible Cumulative Redeemable Preference Shares of Rs.10/- each aggregating Rs.1300 lacs have been issued on private placement basis to the NRI promoters of the Company. The fund raised as above has been utilised to repay high interest bearing inter corporate deposits, overdue interest towards old loans from Institutions/Banks, lease payments and interest to Banks etc. Part of the fund has been utilised to strengthen the operations of the Company.

Since 1st July, 1999 till date of this report the Company has also issued another 20,00,000 12.5% Non-Convertible Cumulative Preference Shares of Rs.10/- each aggregating Rs.200 lacs to the said NRI Promoters.

The said Preference Shares are to be redeemed in three annual installments at the end of 8th, 9th and 10th year

from the date of allotment or the Board decides otherwise. Arrears of fixed cumulative preference dividend for the period upto 30.06.99 is Rs.58.15 lacs.

FINANCE:

During the year, the Company has repaid Rs. 209.29 lakhs towards the outstanding term loans. The liabilities in respect of Foreign Currency Loan have increased on account of depreciation of Indian Rupee. This has increased the loan liability to that extent. Considering the recessionary trend continued in the economy and with a view to reduce the finance burden and to ease the cash-flow for the smooth operation of the Company, IDBI has sanctioned restructuring in its term liabilities. Bank of Bahrain & Kuwait has also as a part of restructuring agreed to convert its Foreign Currency Loan (FCNR) into Rupee Loan with reschedulement in repayment installments. LIC of India has sanctioned installments for repayment of its short term loan. LIC Mutual Fund and Unit Trust of India has restructured the Company's liabilities to these institutions towards Partly Convertible Debentures held by them. The support extended by the above institutions will go a long way in strengthening the Company's operations.

INDUSTRIAL SCENARIO:

The year under review saw a further worsening of the recessionary trend carried over from the previous almost two years. The demand and supply situation was adversely affected by the prevailing global situation. There has been a slow down in construction activities and prices of real estate continues to fall to virtually unimaginable levels.

Ceramic tile industry being closely associated with construction activities has been severely affected due to the continued recession. The over capacity situation in the industry has forced the major players to curtail their production capacity and there was a constant pressure on the selling price to achieve volume sales.

Heavy competition in the Global market made export most unfavorable. Ceramic tile manufacturing industry being the capital intensive industry reduction in the plant utilisation has lead to the problem of unabsorbed fixed overheads. In this situation profitability of the units in the industry has been affected adversely.

Representations from the industry to rationalise excise duty structure for ceramic glazed tiles and to bring down to a level of 10% in line with Chelliah Committee recommendations was not accepted in the budget announced by the Central Government. It is likely that this request would be considered in the next budget.

However to give boost to the housing sector, the Central Government has identified housing as a priority sector and announced various incentives in the form of tax saving. The proposals of repealing of Urban Land (Ceiling &



Regulation) Act has been accepted by the Central Government. Simultaneous actions are required to be initiated by respective State Governments. This factor is most essential for the housing industry to be benefited in real sense. Proposal for building dwelling units on a large scale by the Government during next 5 years may help to overcome the recessionary trends in the economy. Ceramic tile industry has its future linked with the housing sector.

REVIEW OF COMPANY'S OPERATIONS:

Despite the recessionary market conditions, your Company could achieve increase in its annualised turnover by 22% over the previous year. However, due to pressure of achieving volume sale, the average realisation per unit of product has reduced considerably resulting into adverse effect on the profitability of the Company. The Company has incurred net Loss of Rs.1968.91 lacs for the year ended 30.06.1999.

a) DORA UNIT :

As the members may be aware the conversion of the Dora Plant from ceramic glazed floor tile to wall tile was completed during the later part of the previous year. The Commercial Production of the Monoporosa wall tile commenced w.e.f. 27.03.98. It took about three months period to stabilise the quality of the product. During the year the R&D department took various steps to reduce the cost of production by replacing costly imported raw materials with the indigenous materials. Based on the market research, the tiles with new designs, prints were produced. Continuous efforts are being made to add value to the product. However due to the stiff competition prevailed in the wall tile market, the performance of this unit was not satisfactory. The inventory of finished goods increased considerably resulting into additional working capital requirements. Actions are being taken to build brand image for Company's product to enhance market share.

b) BANGALORE UNIT:

During the year under review, the performance of Bangalore Unit remained satisfactory. The Company took necessary steps to optimise the plant capacity. The energy cost per unit of production could be well controlled. The quality and quantity of the product improved considerably. The product from this plant has been accepted both in domestic and international market.

The Collaboration Agreement entered into with M/s. Ceramica Mirage SpA, Italy was terminated during the year as in the opinion of the company, the Collaborator had failed to fulfil the terms and conditions of the agreement. The Indian technicians in the plant have, with the assistance from independent

technical experts both from within the country and outside the country, resolved various operational problems.

PERFORMANCE AND PROJECTIONS:

Details required by Clause 43 of the Listing Agreement with Stock Exchanges are given as under:

	(Rs. in lakhs)	
	Actual Performance	Projections
Sales	6381.44	8206.00
Profit (Loss) After Tax	(1968.91)	2208.00

Due to severe recession in the economy, the Company could not achieve the targeted projections mentioned in the Letter of Offer dated 31.08.95 for the Rights Issue.

DEMATERIALISATION OF SHARES:

Your Company has entered into an agreement with National Securities Depository Limited (NSDL), for dematerialisation of equity shares of the Company w.e.f. 4th June, 1999. The dematerialisation of shares is done with a view to eliminate the present scrip based transactions in shares which involved enormous paper work. The switching from scrip based system to scripless trading will help the shareholders against bad deliveries, duplicate/fake/forged share certificates etc. The scripless system envisages conversion of securities from physical to electronic form, settlement of trades in electronic segment, transfer of ownership of shares and electronic custody of shares. There is also a provision to rematerialise the dematerialised shares if a shareholder wants to do so.

Your Company has thus provided benefits of the dematerialisation of the shares in the best interest of the shareholders, investors and public at large.

AUDITOR'S REPORT:

Referring to the remarks in the last para of the Auditors' Report, the Directors would like to refer to Note 1(g), 1(h), 1(i), Note 6, Note 9 and Note 13 of Schedule 14 of the Accounts which are self explanatory.

Y2K COMPLIANCE:

Your Company has in place a team to tackle the year 2000 problems. Steps have already been taken to make the entire system Y2K Compliant. No significant additional expenditure will be incurred to carry out the remedial measures. Steps are being taken by the Company to evaluate the level of Y2K compliance by its business associates, with a view to ensure that the Company's



business continuity is not adversely affected in case of any external failure. The Company's system is however equipped to meet any contingencies.

SUBSIDIARY COMPANIES:

Reports pursuant to Section 212 of the Companies Act, 1956 in respect of M/s. Zirchem Industries (Bombay) Limited, Bell International Pte. Limited, Singapore and Bell Trachem Ceramics Limited, the subsidiaries of the Company are annexed to this report.

PUBLIC DEPOSITS:

As on the 30.06.99, the Company hold 22 deposits amounting to Rs.2.19 lakhs matured but not claimed. Out of this 10 deposits amounting to Rs. 1.15 lakhs have since been paid / renewed.

DIRECTORS:

At the ensuing Annual General Meeting, Mr. R.G.N. Swamy, Mr R.K. Jatia and Mr S.N. Atreya the Directors of the Company retire by rotation and they being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions 219(1)(b) of the Companies Act, 1956, the Report and Account are being circulated to the shareholders and do not include the Statement of Particulars of Employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office.

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC.

Information as per Section 217(1) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1998 and forming part of this report is given as annexure to this report.

AUDITORS:

The Auditors M/s. RP Malhan & Company, Chartered Accountants, New Delhi, shall retire at the conclusion of the ensuing annual general meeting and confirmation has been received from them that if re-appointed, their re-appointment shall be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS:

The Company continued to receive good support from its employees at all levels of the organisation During the year under review, relations between the management and workmen remained cordial. Your Directors sincerely thank all the employees for their continued efforts towards achievements of objectives of the Company.

ACKNOWLEDGEMENT:

Your Directors place on record their deep appreciation of the continued co-operation and support extended by financial institutions, bankers, suppliers, customers and various state and Central Government agencies.

Place: Baroda
Date : 21.09.99

For and on behalf of the Board
R.G.N. SWAMY
CHAIRMAN

ANNEXURE TO THE DIRECTOR'S REPORT:

Conservation of Energy:

A. Energy Conservation measure taken:

Exhaust gases of 1 MW Turbo Generation are effectively used for operation of Spray Dryer resulting into substantial conservation of energy.

During the year preventive maintenance of all capital goods were carried out at regular intervals. This has resulted into energy saving.

B. Technology absorption:

Efforts continued to absorb the dry process technology at Bangalore Plant. The per unit consumption of LPG at Bangalore Unit could be controlled by effectively managing the process parameter.

Research and Development (R&D):

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

Production Development:

- development of products with new designs, textures, colours & sizes as per the requirement of the market.
- development of different screen printing effect.
- development of indigenous spares to reduce dependence on import.

Cost Reduction:

- development of alternative raw materials for reduction in the cost as also flexibility in the input materials.

Benefits derived as a result of the above R&D:

- The Company has developed local substitutes for some of the imported components required for the equipments.
- Established quality assurance by adopting procedures to ensure international quality.
- Due to wide range of product, presence of Company's product in the international market has been maintained.

Future Plan of Action:

- Efforts to continue to increase the production and to concentrate on quality products.

Expenditure on R&D:

- During the year, the Company has spent nominal amount on R&D.

Foreign Exchange Earnings & Outgo:

The information of foreign exchange earnings & outgo are contained in the notes to accounts in Schedule 14.



AUDITOR'S REPORT

TO
THE MEMBERS OF
BELL CERAMICS LIMITED, GUJARAT

We have audited the attached Balance Sheet of BELL CERAMICS LIMITED as at 30th June, 1999 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto, which are in agreement with the books of account.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such examination of the books and records of the Company as we consider proper and the information and explanations given to us during the course of our audit, we report that:

1. In our opinion, the Company is in the process of updating records to show full particulars including quantitative details and situation of its Fixed Assets. A part of the fixed assets have been physically verified by the management during the year, however there exists a programme of verification of the assets over a period. In our opinion the frequency of verification of the fixed assets by the management is at reasonable intervals having regard to the size of the Company and nature of the assets and no material discrepancies were noticed between the book records and the physical inventory in respect of the assets physically verified.
2. None of the Fixed Assets have been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials except for clay owing to its nature have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
4. In our opinion and according to the information and explanations given to us the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous years.
7. In our opinion the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
8. 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 and/or to companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956 except an interest free loan to a wholly owned subsidiary company and other costs recoverable from the subsidiaries, the terms and conditions of which are not prima facie prejudicial to the interest of the Company in view of overall involvement of the Company in such bodies corporate.
9. Besides the loans as referred to in para (8) above, no loans and advances in the nature of loans except for loans/advances to staff have been given by the Company, recovery of principal amounts and interest, wherever applicable have been as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
11. There were no transactions of sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register (s) maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000 or more in respect of each party. In respect of purchase of materials from a subsidiary company, prices are reasonable having regard to the prevailing market prices for such goods.
12. As explained to us the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder to the extent applicable.
14. In our opinion reasonable records have been maintained by the Company for the sale of scrap. As explained to us, the Company's operation do not generate any realisable by-products.
15. Internal Audit has been conducted by an independent firm of Chartered Accountants during the year and is commensurate with the size of the Company and the nature of its business.
16. The Central Government has not prescribed the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the Company.
17. The Company has generally been regular in the deposit of Provident fund and Employees State Insurance dues with the appropriate authorities.
18. There are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty outstanding at the last day of the financial year concerned, for a period of more than six months from the day they became payable.
19. The Company has a policy of authorising expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
20. The Company is not 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.
21. In respect of the trading activities of the Company provision has been made for the loss arising out of damaged goods if any, to the extent determined.
22. The Company has maintained proper records of the transactions and contracts of dealings in investments during the year and timely entries have been made therein. All the investments were held in the name of the Company except certain shares of subsidiary companies which are held in the name of the nominees of the Company as stated in Schedule 6 of Investments.

We further report that, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company as required by law so far as appears from our examination of those books. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information in the manner required by the Companies Act, 1956 and subject to Note 13 regarding diminution in the value of investments, are in compliance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956. We report that subject to Note 1 (g), 1(h), 1(i) regarding income tax, excise duty, sales tax/entry tax demands under appeal not provided for; Note 6 regarding non provision for doubtful amounts in certain debts; Note 7 regarding non confirmation of balances; Note 9 regarding non provision of royalty; and Note 13 regarding non provision for diminution in the value of investments the Balance Sheet shows a true and fair view of the state of the Company's affairs as at 30th June, 1999 and the Profit & Loss Account shows a true and fair view of the loss for the year ended on that date.

(VIKAS VIG)
PARTNER
FOR & ON BEHALF OF
R. P. MALHAN & COMPANY
CHARTERED ACCOUNTANTS

PLACE : Baroda
DATED : 21.09.99