

 **Bell**
CERAMICS LIMITED
Wall & Floor Tiles

Healthy & Happy Homes

UNDERWRITERS LABORATORIES INC.

CERTIFICATE OF REGISTRATION

Bell Ceramics Limited

Dora Village,
Amod Taluka,
Bharuch District,
Gujarat - 392 230
India

Underwriters Laboratories Inc.® (UL) issues this certificate to the Firm named above, after assessing the Firm's quality system and finding it in compliance with:

ISO 9002:1994

EN ISO 9002:1994; BS EN ISO 9002:1994; ANSI/ASQC Q9002:1994

for the following scope of registration

3253 (US) : Ceramic Wall and Floor Tile

The manufacture of wall and floor ceramic tiles.

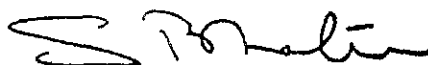
This quality system registration is included in UL's Directory of Registered Firms and applies to the provision of goods and/or services as specified in the scope of registration from the address(es) shown above. By issuance of this certificate the firm represents that it will maintain its registration in accordance with the applicable requirements. This certificate is not transferable and remains the property of Underwriters Laboratories Inc. ®.

File Number: A9563

Volume: 1

Issue Date: September 7, 2000

Renewal Date: September 7, 2002



S. Joe Bhatia
Executive Vice President and
Chief Operating Officer - International



**BOARD OF DIRECTORS**

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

Chief Executive Officer

Mr. N. C. Mehta

Vice President (CA) & 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
1A & 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,
Taluka 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	- Vice President (Operations)
Mr. A. N. Rangaswamy	- Vice President (Sales & Marketing)
Mr. S. K. Rajada	- Dy. Gen. Manager (HR)
Mr. S. Vijaykumar	- Dy. Gen. Manager (Operations)
Mr. C. S. Murthy	- Asstt. Gen. Manager (Production)
Mr. Ravi Aravamuthan	- Asstt. Gen. Manager (Marketing)
Mr. Sunil Mehra	- Asstt. Gen. Manager (Maintenance)

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NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Monday, the 27th November, 2000 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 consider and adopt the audited Balance Sheet as at 30th June, 2000 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.N.K. Ahuja who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.S.K. Jatia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.G.R. Divan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

Item No. 6. ORDINARY RESOLUTION:

"RESOLVED THAT in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company, wherever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company:

On the first charge basis in favour of Industrial Development Bank of India (IDBI) for its:

- (i) Private placement of Secured Non-convertible Debentures (NCDs) of an amount not exceeding Rs.500 lacs
- (ii) Private placement of Secured NCDs or Rupee Loan

of an amount not exceeding Rs.2800 lacs towards conversion of outstanding Foreign Currency Loan (FCL) into Rupee liabilities.

together with interest, commission, costs, charges, expenses and any other monies payable by the Company to IDBI as above towards the financial assistance granted/ to be granted by them to the Company.

FURTHER RESOLVED THAT the mortgage and/or charge so created on the first charge basis as above shall be pari passu with the existing 1st charges created to be created in favour of institutions/banks.

FURTHER RESOLVED THAT for the purpose of giving effect to the above resolution the Board of Directors of the Company be and is hereby authorised to make and/ or agree to any modifications in the terms and conditions and to settle or resolve any question or difficulty or matter of interpretation of whatsoever nature as they consider necessary, expedient, usual or proper or otherwise in the best interest of the Company.

Item No.7 - SPECIAL RESOLUTION:

"RESOLVED THAT in accordance with the Articles of Association of the Company, guidelines issued by Securities & Exchange Board of India (SEBI) and subject to the provisions of Section 81, Section 91(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals, permissions and consents as may be necessary and subject to such conditions and modifications as may be required by such authorities, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue upto 461000 Equity Shares of Rs.10/- each as fully paid-up in the capital of the Company for cash at a price to be decided in terms of the SEBI guidelines in operation on a preferential basis to the Employees of the Company under the Employees Stock Option Plan (ESOP) scheme".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company be and is hereby authorised to make and/ or agree to any modifications in the terms and conditions and to settle or resolve any question or difficulty or matters of interpretation of whatsoever nature as they may consider necessary, expedient, usual or proper or otherwise in the best interest of the Company".

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

Date : 30.09.2000

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



NOTES :

1. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item No.6 and 7 is 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 16-11-2000 to 22-11-2000 (both days inclusive).
4. The shareholders are requested to intimate the Company immediately of the change in their address.

EXPLANATORY STATEMENT :

As required under section 173 of the Companies Act, 1956 the following explanatory statement sets out all the material facts relating to the business mentioned in item No.6 & 7 of the accompanying notice.

Item No.6 :

As the members are aware, there is considerable erosion in the value of Rupee against US Dollar in the recent past. The Company has availed Foreign Currency Loan from IDBI during the expansion/modernisation undertaken in 1995.

In order to restrict further increase in the financial liability due to depreciation in Rupee value against US Dollar, the Company has approached IDBI to consider conversion of the outstanding FC Loan in to Rupee Term Loan/Debentures. Moreover, the Company has also requested IDBI to consider sanction of corporate loan/NCDs not exceeding Rs.500 lacs to fill up the gap in Working Capital requirements.

The financial facilities when sanctioned by IDBI would require to be secured by creating 1st charge on the fixed assets of the Company as a whole in the manner prescribed by IDBI. Creation of charge/mortgage as above requires approval of shareholders under section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company are considered to be interested in this resolution.

The Directors recommend to approve the resolution.

Item No.7 :

As the members are aware, the Employees Stock Option Plan (ESOP) is an employee benefit plan to make them part in the ownership of the Company. In order to reward and retain their services, a scheme has been devised by the Board of Directors for the employees of your Company. Accordingly a consent is sought for the members to offer and allot maximum up to 461000 Equity Shares of Rs.10/- each for cash at a price to be decided as per SEBI guidelines in this respect.

The resolution placed at item No.7 of the accompanying notice is recommended for your approval.

None of the Directors are interested in this resolution.

Copies of correspondence with IDBI referred in Item No.6 and copy of the scheme for ESOP approved by the Board of Directors are available for inspection by the members at the Registered office of the Company during usual office hours.

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

Date : 30.09.2000

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



DIRECTORS' REPORT :

Your Directors submit herewith the Fourteenth Annual Report and the Audited Accounts of the Company for the financial year ended on 30th June, 2000.

FINANCIAL RESULTS:

	Rs. in lacs	
	Current Year	Previous Year
	1999-2000	1998-99
Sales & Other Income	10525.17	6381.44
Operating Profit	2495.21	580.38
Interest	1797.01	1802.60
Profit/(Loss) before depreciation	698.20	(1222.22)
Depreciation	701.49	758.69
Prior period expenses	(3.83)	(9.53)
Profit/(Loss) for the Year	0.54	(1971.38)
Provision for Income Tax earlier years written back	5.78	2.47
Net Profit/(Loss)	6.32	(1968.91)
Profit B/F from previous year	(2333.21)	(364.30)
Amount available for appropriation	(2326.89)	(2333.21)
Transfer to Debenture Redemption Reserve	6.32	-
Profit carried to Balance Sheet	(2333.21)	(2333.21)

DIVIDENDS:

In view of inadequate profit earned during the year, your directors do not recommend any dividend on the Equity and Preference Capital.

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

In order to further support the operations and reduce the overall interest burden of the Company, during the year additional 20,00,000, 12.5% Non-Convertible Cumulative Redeemable Preference Shares of Rs.10/- each aggregating Rs.200 lacs have been issued on private placement basis to the NRI promoters of the Company. With this the promoters have subscribed for preference shares to the extent of Rs.1500 lacs. The fund raised as above has been utilised to repay high interest bearing inter corporate deposits, overdue principal and interest to institutions/banks, overdue lease payment etc. Part of the fund was utilised to strengthen operations of the Company.

These preference shares will be redeemed in three annual instalments at the end of 8th, 9th and 10th year from the date of allotment.

FINANCE :

Due to late implementation of the restructuring proposal, IDBI had collected Rs.211.79 lacs as further interest, liquidated damages and other charges. The Company has now submitted its claim with IDBI for refund of this amount.

Due to the recessionary trend continued during the year under review, despite best efforts, the Company could pay only Rs.492.73 lacs towards the outstanding term loans. The instalments fallen due during the year in Foreign Currency Loan from IDBI and part of the interest thereon could not be paid in time. However with little improvement in the cash flow, the Company has now paid Rs.772 lacs on this account during the 1st quarter of 2000-2001.

Due to the continuous depreciation in the value of Indian Rupee against US Dollar, the Rupee liability on Foreign Currency (FC) Loan from IDBI has increased substantially. In order to prevent further increase in liability, the Company has approached IDBI to convert the F.C. Loan in to Rupee term loan with some moratorium to match the projected cash-flow. Once this is approved, the Company is confident to meet with its future liability on due dates.

INDUSTRIAL SCENARIO:

During most part of the year under review the recessionary trend continued. Globally there was hardly any improvement in the demand situation. Oil prices on international level noticed upward trend resulting into high cost of production.

Despite rationalisation in Excise Duty announced by the Central Government, the effective duty rate continues at 24% on Ceramic tile as against the recommendation of 10% excise duty by Chelliah Committee. Some of the positive steps taken by the Central Government were concession in Income Tax benefits for Housing Sector. Results of the same may not be immediate. Barring other unforeseen circumstances, improvement in the industry is expected only over a period of time.

Heavy competition in the Global market made export of Ceramic tile most unfavorable.

For operating the plant at optimum level there is always mismatch between production and sales quantity. This would result into need of additional working capital and thereby high interest cost. With little improvement in demand position during last 6 months, there is slow but surer improvement in the working of Ceramic tile units.

REVIEW OF COMPANY'S OPERATIONS:

Despite the adverse market conditions, your Company could achieve the turnover of Rs. 10525 lacs during the



year as against the turnover of Rs.6381 lacs of the previous year which shows increase in turnover by 65% over the previous year.

a) DORA (BARODA) UNIT:

Constant efforts were put in to produce variety of Monoporosa Wall tile in different hues, tones & lustre colours. Besides high end floor tiles of exotic colours empower capacity utilisation. Both the products have been well accepted in the market. As a marketing strategy, the focus has been changed from project sales to dealer sales.

Constant efforts are made for cost control at all level.

b) HOSKOTE (BANGALORE) UNIT:

During the year under review, the performance of Bangalore Unit remained satisfactory. This Plant of the Company was operated at 96% of the installed capacity. Due to higher capacity utilisation, the energy cost per unit of production could be well controlled despite steep increase in prices of fuel.

As the members are aware, Bangalore plant of the Company is the only plant in the country with dry process technology and it is a matter of satisfaction that this plant has been successfully operated without any disturbances for whole of the year. Efforts are on to make further improvements for value addition in the products.

ISO 9002 CERTIFICATION:

Both the plants of the Company have been granted ISO 9002 certification.

PERFORMANCE AND PROJECTIONS:

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

	Rs. in lacs	
	Actual Performance	Projections
Sales	10182.95	8321.00
Profit/(Loss) After Tax	6.32	2107.00

Though the Projected Sales are achieved, due to recessionary trends prevailed in the economy, the Company could not achieve the targeted profits mentioned in the Letter of Offer dt.31.08.95 for the Rights Issue.

DEMATERIALISATION OF SHARES:

Your Company has now entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of Equity Shares of the Company to enable the shareholders /members /investors and public

to deal with Equity Shares of the Company in demat form. The individual shareholders are having the option either to go for dematerialisation of the shares or to maintain the shares in the physical form. Securities and Exchange Board of India (SEBI) has mandated that delivery of shares of your Company is compulsorily in dematerialised form for all investors w.e.f. 28th August, 2000.

AUDITOR'S REPORT:

Referring to the remarks in the last para of the Auditors' Report, the Directors would like to refer to Note 7,8,10,11(a) of Schedule 14 of the Accounts which are self explanatory.

Y2K COMPLIANCE:

Your Company had met with Y2K requirements and successfully stepped in to new millennium without any disruption. The Company had not to incur any significant cost to address Y2K problem. For all business critical, IT system are Y2K compliant.

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 30.06.2000, the Company hold 17 deposits amounting to Rs. 1.98 lacs matured but not claimed.

DIRECTORS:

At the ensuing Annual General Meeting, Shri S.K. Jatia, Shri N.K. Ahuja and Shri G.R. Divan, the Directors of the Company shall 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 Accounts are being circulated to the shareholders 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 respect of the Board of Directors) Rules, 1988 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.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Your Company has always considered its Human Resources as most important assets of the Company. Its efforts are directed towards enhancing the skills of the employees through continuous need based training and to make them competent to excel in present day competitive environment. Since last 3 years, Continuing Education & Training Centre (CETC) has been engaged at Dora Unit to provide training on a continuous basis to all the Workmen and Supervisory Staff.

During last 2 years, a programme has been implemented for minimum 5 man days in house or external training for employee of the Company at each level.

Industrial Relations continued to be cordial during the year resulting in constant co-operation by all the employees in day-to-day work and implementing policies of your Company.

ACKNOWLEDGEMENT:

Your Directors place on record their deep appreciation of the continued co-operation and support extended by financial institutions, bankers, suppliers, customers, employees and various state and Central Government agencies. The Directors also take this opportunity to thank the shareholders for their continued confidence reposed in the Management of the Company.

Place: Baroda For and on behalf of the Board
Date : 30.09.2000

RG/H SWAMY
CHAIRMAN

ANNEXURE TO THE DIRECTOR'S REPORT:

CONSERVATION OF ENERGY:

A) Energy Conservation measure taken:

1 MW Turbo Generation was effectively used both for generation of electricity and for operation of Spray Dryer with its exhaust gases. This has resulted into substantial conservation of energy.

During the year an energy audit was conducted for Dora Plant of the Company and corrective steps are taken as per suggestion made in the report. Regular planned preventive maintenance has helped in considerable energy saving.

B) Technology absorption:

Efforts continued to fully 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 production with new tones/hues in popular designs, new textures as per the requirement of the market.
- indigenous development of monoporosa frits & special effect (reaction) Frits saving considerable foreign exchange outgo.
- 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, 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 15.



AUDITORS' REPORT

TO THE MEMBERS OF
BELL CERAMICS LIMITED, GUJARAT

We have audited the attached Balance Sheet of BELL CERAMICS LIMITED as at 30th June, 2000 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 year.
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 purchase of goods and materials and 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.
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 10 regarding valuation of inventories; and Note 12 regarding diminution in the value of long term 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:

- a) Inventories have been valued after considering interest / finance cost not in accordance with Accounting Standard 2 on valuation of inventories thereby increasing the value of inventories by Rs 549.01 lakhs (refer Note 10)
- b) Subject to acceptance by Industrial Development Bank of India, interest claims amounting to Rs 211.79 lakhs included under Loans and Advances have not been provided for during the current year based on representation by the Company (refer Note 11 (a)).
- c) Excise duty payable on finished goods amounting to Rs 503.33 lakhs have neither been included in the expenditure nor in such stocks. However, this has no effect on the profit for the year (refer note 8)
- d) Balances of sundry debtors, loans and advances, creditors and inter corporate loans to the extent not confirmed are subject to reconciliation wherever necessary (refer Note 7)

We report that without considering item (d) the effect of which could not be quantified, had the observations by us in item (a) to item (c) had been considered, the loss after tax for the year would have been Rs 754.48 lakhs as against the reported profit after tax of Rs 6.32 lakhs; the loss carried forward after deduction of uncommitted reserves would have been Rs 2374.01 lakhs as against the reported figure of Rs 1613.21 lakhs; the net current assets would have been Rs 2152.11 lakhs as against the reported figure of Rs 2912.91 lakhs.

Subject to the above, in our opinion and according to the information and explanations given to us, we report that the Balance Sheet shows a true and fair view of the state of the Company's affairs as at June 30, 2000 and the Profit and Loss Account shows a true and fair view of the profit for the year ended on that date.

(VIKAS VIG)
PARTNER

FOR & ON BEHALF OF
R.P.MALHAN & COMPANY
CHARTERED ACCOUNTANTS

Place : Baroda
Dated : 30.09.2000