



**COSMO FILMS LIMITED**  
Report and Accounts 1998-99



## BOARD OF DIRECTORS

Ashok Jaipuria, Chairman & Mg. Director  
 T. Kannan  
 Dr. Dharni P. Sinha  
 Dr. S.M. Dugar  
 A.P. Venkateswaran  
 Hasmukh Shah  
 B.V. Bhargava  
 P.M. Bellappa

### EXECUTIVE DIRECTOR

S.K. Mittal

### SECRETARY

Atul Mittal

### AUDITORS

B.K. Shroff & Co.

### REGISTERED OFFICE

30, Community Centre, Saket  
 New Delhi - 110 017

### BANKERS

Union Bank of India  
 Canara Bank  
 State Bank of India

### Corporate Office

30, Community Centre  
 Saket, New Delhi - 110 017  
 Phone : 011-668105, 6863968, 6863969  
 Fax : 011-6862969

### Mfg. Plants

#### Plant-I

J-4, MIDC Industrial Area  
 Chikalthana, Aurangabad-431210  
 Maharashtra  
 Phone : 0240-485080  
 Fax : 0240-485581

#### Plant-II & Plant -III

B-14/9, MIDC Industrial Area,  
 Waluj, Aurangabad - 431136  
 Phone : 0240 - 554612/13  
 Fax : 0240-554416

### SALES OFFICES

#### Bombay :

Bits House  
 Jukaso Silk Mills Compound  
 Saki Naka, Andheri East  
 Bombay - 400 072  
 Phone : 022-8510901, 8514734

#### Delhi :

30, Community Centre  
 Saket, New Delhi - 110 017  
 Phone : 011-668105, 6863968, 6863969  
 Fax : 011-6862969

#### Calcutta :

2nd Floor, 7C, Middleton Street  
 Calcutta - 700 016  
 Phone : 033-2475153, 2403170  
 Fax : 033-2407130

#### Hyderabad :

1405/B, 14th Floor  
 Babu Khan Estate, Basheer bagh  
 Hyderabad - 500 001  
 Phone : 040-3297620, 3297621  
 Fax : 040-232387



## Notice

NOTICE is hereby given that the Twenty Second Annual General Meeting of Cosmo films Limited will be held at Air Force Auditorium, Subroto Park, New Delhi-110001 on Wednesday the 21st July 1999 at 3.00 P.M. to transact the following business :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as on that date and the Report of Board of Directors and the Auditors of the Company thereon.
2. To appoint a Director in place of Mr. T. Kannan who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Dr. D.P. Sinha who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration.

### Special Business

#### 5. AS AN ORDINARY RESOLUTION

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 to create additional 5,00,000 (five lac) preference shares of Rs. 100/- each and thereby increasing the Authorised Share Capital of the Company to Rs. 25,00,00,000 (Rupees Twenty Five Crore) divided into 1,50,00,000 (one crore and fifty lac) equity shares of Rs. 10/- each and 10,00,000 (ten lac) Preference shares of Rs. 100/- each.

"RESOLVED FURTHER that following clause be substituted in place of existing Clause v of the Memorandum of Association of the Company.

V. The Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty Five crore) divided into 1,50,00,000 (one crore and fifty lac) equity shares of Rs. 10/- each and 10,00,000 (ten lac) Preference shares of Rs. 100/- each.

#### 6. AS A SPECIAL RESOLUTION

"RESOLVED that following Article be substituted in place existing Article 5(a) of the Articles of Association of the company;

5(a) The Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty Five crore) divided into 1,50,00,000 (one crore and fifty lac) equity

shares of Rs. 10/- each and 10,00,000 (ten lac) Preference shares of Rs. 100/- each.

#### 7. AS AN ORDINARY RESOLUTION

"Resolved that pursuant to the provisions of sections 198,269,309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Financial Institutions, the company hereby accords its approval for the reappointment of Mr. Ashok Jaipuria, Managing Director of the company for a further period of five years effective from 2nd April, 1999 on the following remuneration and perquisites :

1. (a) Salary : Rs. 50,000/- per month
- (b) Commission : 3% of net profit of the company.
2. Perquisites, benefits etc.
  - i) Housing - House rent allowance @ 60% of his salary.
  - or
  - Company leased unfurnished accommodation on rental upto 60% of his salary.
  - Reimbursement of expenses incurred on gas, Electricity, Water & furnishing of the accommodation.
  - ii) Medical reimbursement - Expenses incurred for the Managing Director and his family.
  - iii) Leave Travel concession - For the Managing Director and his family once in a year incurred in accordance with the rules of the company.
  - iv) Leave - Leave with full pay and allowance and the right to accumulate in accordance with the rules of the company.
  - v) Club Fees - Fees for the clubs subject to a maximum of four clubs. This may include admission and life membership fees.
  - vi) Personal Accident - Of an amount the premium of which shall not exceed Rs. 10,000/- per annum.



- vii) Provident Fund - As per rules of the company.
- viii) Superannuation - As per rules of the company.
- ix) Gratuity - As per rules of the company.

RESOLVED that the remuneration payable as aforesaid by way of salary, commission and perquisites etc. shall not exceed 5% of net profits of the company in any financial year.

RESOLVED further than in the event of absence or inadequacy of net profit in any financial year, the remuneration payable to Shri Ashok Jaipuria, Managing Director shall be governed by section-II of Part-II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof."

#### 8. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association of the company and the listing Agreement entered into by the company with the Stock exchange(s), where the shares, of the company are listed, and subject to the consent of all concerned authorities, if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to "as the Board"), at its sole discretion, consent of the company be and is hereby accorded to the Board to create, offer for subscription, issue and allot, to financial institutions 13% Cumulative Redeemable Preference Shares of Rs. 100 each for a sum not exceeding Rs. 800 lacs in one or more tranches on terms and conditions including issue price as may be fixed and determined by the Board prior to the issue and offer thereof. Such financial Institutions need not be the member of the Company.

RESOLVED FURTHER that for the purpose of giving effect to any issue and/or allotment of Preference Shares the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, its discretion, deem necessary or desirable with power to settle any question, difficulty or doubt that may arise in regard to any such issue and/or allotment."

#### 9. AS A SPECIAL RESOLUTION

"RESOLVED that following article be substituted in place of existing article 10 of the Articles of Association of the Company.

"Subject to the provisions of these articles, the Company shall have power to issue preference shares carrying a right to redemption out of profits which would otherwise be available for dividend or out of fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the company and the Board may, subject to the provision of Section 80 of the act, exercise such power in such manner as may be provided in these Articles."

#### 10. AS A SPECIAL RESOLUTION

RESOLVED THAT the Articles of Association of the Company be altered in the following manner:

After Articles 60 insert the following Article as Article 60A :

##### Dematerialisation of Securities

60A (1) 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 of registration to act as a depository under the Securities & Exchange Board of India Act, 1992; and

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

(2) 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.

(3) Every person subscribing to securities offered by the Company shall have the option to receive security certificate 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.

- (4) All securities held by a depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- (5) 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 owners.  
 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.
- (6) 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.
- (7) 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 owner in the records of a depository.
- (8) 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.
- (9) 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.
- (10) 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 Securities holders for the purposes of these Articles.

By order of the Board

Registered Office :  
 30, Community Centre  
 Saket, New Delhi-110017  
 Date : 31st May, 1999

Atul Mittal  
 Secretary

#### Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.
2. The Register of Members and Share transfer Books of the Company will be closed from Friday the 16th July, 1999 to Wednesday the 21st July 1999 (both days inclusive).
3. In terms of the Provisions of Section 205 of the Companies Act, 1956, the Company has transferred all the unclaimed dividend upto and including the final dividend for the year ended 1994-95 to the General Revenue Account of the Central Government. Those shareholders who have not so far claimed dividend for the above mentioned period may claim the same from the Registrar of Companies NCT of Delhi & Haryana, Paryavaran Bhawan, IInd Floor, CGO Complex, Lodhi Road, New Delhi - 110 003.



The Members who have not encashed their warrants for dividends, for the year ended 31/3/96 (Interim & Final) and dividend for the year ended 31/3/97 and 31/3/98 have individually been informed of the particulars of unclaimed dividend with a request to approach the Company at 30, Community Centre, Saket, New Delhi-110017 for obtaining duplicate dividend warrants.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**

### **Items No. 5 & 6**

It is proposed to increase the authorised share capital of the Company from Rs. 20,00,00,000 to 25,00,00,000 divided into 1,50,00,000 (one crore and fifty lac) equity shares of Rs. 10/- each and 10,00,000 (ten lac) Preference shares of Rs. 100/- each. The company is planning to issue Preference Shares to financial institutions on preferential basis. To accommodate this issue company needs to increase the authorised capital of the company. The proposed increase in the authorised capital of the company requires the approval of the members in the general meeting and consequential amendment of the Company's Memorandum and Articles of Association.

None of the Directors is interested or concerned in these resolutions.

### **Item No. 7**

The term of Mr. Ashok Jaipuria, Managing Director expired on 2/4/99. In the meeting of the Board of Directors of the company held on 11/1/1999, the Board of Directors reappointed Mr. Ashok Jaipuria for a further period of five years, effective from 2nd April, 1999 on the existing remuneration and perquisites, subject to approval of the shareholders at the general meeting.

None of the Director except Mr. Ashok Jaipuria is interested or concerned in this resolution.

### **Item No. 8**

The company is considering financial restructuring options with the financial institutions. The company has since received a letter of intent from ICICI. This may require the company to issue Preference Shares to the

institutions on preferential basis on such terms and conditions as may be agreed to with the institutions. It is thus necessary to delegate the power to the Board of Directors to issue preference shares to institutions with such terms and conditions as may be agreed to and decided by them in one or more tranches.

None of the directors is interested or concerned in this resolution.

### **Item No. 9**

The existing clause 10 of the Articles of Association of the company need to be reworded, to make it align with the Companies Act, 1956.

None of the Director is interested or concerned in the resolution.

### **Item No. 10**

With the introduction of the Depositories Act, 1956, and the Depository System, some of the provisions of the Companies Act, 1956, relating to the issue, holding, transfer, 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. Your Company has also joined the Depository System and it is therefore, proposed that the Company Articles of Association be suitably altered, as set out in the Resolution at Item No. 12 to reflect the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the Securities in such system.

None of the Director is interested or concerned in the resolution.

By order of the Board

Registered Office :  
30, Community Centre  
Saket, New Delhi-110017  
Date : 31st May, 1999

Atul Mittal  
Secretary



## DIRECTORS' REPORT

To the Members,

Your Directors present the Twenty-second Annual Report and the audited accounts for the year ended 31<sup>st</sup> March, 1999.

(Rs. in lacs)

### FINANCIAL RESULTS

	1998-99	1997-98
Sales	10066	7904
Cash Profit/(Loss)	390	(42)
Depreciation	622	500
Profit before Tax	(232)	(542)
Provision for tax	2	3
Extra Ordinary Income	—	401
Net Profit/(Loss)	(234)	(144)
Add: Transfer from		
General Reserve	73	273
: Transfer from Investment allowance (utilized) Reserve	308	—
: Balance brought forward	—	194
	147	323
<b>APPROPRIATIONS</b>		
Debenture redemption Reserve	147	232
Dividend	—	83
Dividend tax	—	8
	147	323

### DIVIDEND

In view of operating loss, your Directors have decided to skip dividend for the year as against 10% paid last year.

### OPERATIONS

The year ended March 31, 1999 continued to be a tough year for the packaging film industry. However, we have been able to turn around operations through various internal cost cutting actions and increase in export sales. Our total sales have increased by 30% from 7590 MT to 9865 MT. Our operating cash profit is Rs. 390 lacs as against operating cash loss of Rs. 42 lacs during the previous year.

### EXPORTS

The company continued its focus on exports which has grown from Rs. 1244 lacs in the previous year to Rs. 1806 lacs. Based upon this export performance, company has become eligible for export house status.

### R & D

Efforts on R & D and new application development have been accelerated to expand the domestic as well as

overseas market. Several products have been upgraded for domestic and export market. Better product mix has resulted into improvement in our average realisation.

### OUTLOOK

The company will continue to increase its focus on cost reduction, expansion of markets through new products & applications and improvement in productivity. We have also further strengthened our marketing department to improve our response to customer needs.

### DIRECTORS

Sh. T.Kannan and Dr. D.P. Sinha Directors retire by rotation and are eligible for reappointment. The directors recommend their reappointment.

### PREFERENCE SHARES

ICICI Ltd has approved in principle the company's proposal for financial restructuring pursuant to which a part of term loan not exceeding Rs. 800 lacs would be converted into 13% Cumulative Redeemable Preference Shares. The allotment of such Preference Shares will be made on preferential basis to financial institutions as stated in the notice.

### SUBSIDIARY

Statements as required under section 212 of Companies Act, 1956 in respect of Company's subsidiaries are attached.

### STATUTORY STATEMENTS

Following information as per the requirements of the Companies Act, 1956 is given in separate statements annexed hereto, which form part of this report.

- Energy conservation, technology absorption and foreign exchange inflow/outgo pursuant to section 217(1)(e) of the Companies Act, 1956.
- Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956.

### AUDITORS

M/s. B.K. Shroff & Company, Auditors of the Company retire and are eligible for reappointment.

### APPRECIATION

Your directors wish to place on record their appreciation of the whole hearted and continued support extended by the employees, shareholders and investors as also by the bankers and financial institutions. This has always been a source of strength to the company.

On behalf of the Board

Place: New Delhi  
Date: 31st May, 1999

Ashok Jaipuria  
Chairman





**INFORMATION AS PER SECTION 217(1)(E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31st MARCH, 1999**

**I. CONSERVATION OF ENERGY**

- (a) Energy Conservation Measures taken:
- Soft Starters installed for Air Humidification in line-III
  - Auto light switch installed in Finished goods & slitting area.
- (b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy.  
Negligible
- (c) Impact of the measures of (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.  
Negligible.
- (d) Form-A not applicable

**II. TECHNOLOGY ABSORPTION**

**Efforts Made in technology absorption as per Form-B of the Annexure to the Rules.**

1. Research and Development
- Specific areas in which R&D carried out by the Company; Development of new products and applications, indigenous vendors for Raw Material and additives.
  - Benefits derived as a result of above R&D. Increase in market, improvement in product quality and reduction in cost.
  - Future Plan of Action  
The company will continue its efforts towards development of new products, new applications and cost reduction measures.
- (d) Expenditure on R & D

(a) Capital	-	Nil
(b) Recurring	-	Rs. 42.44 lacs
(c) Total	-	Rs. 42.44 lacs
(d) Total R & D expenditure as percentage of total turnover	-	-.004%

**2. Technology absorption, adaption and innovation.**

- (a) Efforts, in brief, made towards technology absorption, adaption and innovation.  
The company's technology is developed inhouse which helps in improving efficiency and developing new products.
- (b) Benefits derived as a result of the above efforts.  
The company continues to develop new products and improving efficiency.
- (c) In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.
- (a) Technology imported (b) year of import (c) Has technology been fully absorbed? (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions.  
The Company has not imported any technology since inception.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company's foreign exchange earnings was Rs. 1806 lacs. The total foreign Exchange utilising during the year amounted to Rs. 1163 lacs. Particulars of foreign Exchange earned utilised during the year are given in Schedule 18.

On behalf of the Board

Place : New Delhi  
Date : 31st May, 1999

Ashok Jaipuria  
Chairman

**PARTICULARS OF EMPLOYEES INTERMS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956.**

Name	Designation /Nature of Duties	Gross Annual Remuneration	Qualification	Years of Experience	Date of commencement of employment	Age	Last Employment	
							Name of company	Designation
Agrawal G.D	Member-SPG	10,40,132	M.Sc., Mech. Engg. FIE MAICHE, MIE	29	01.06.1989	53	Cosmo Electrofil Limited	General Manager (Project)
Deshpande AG	General Manager	6,51,384	M.Sc. (Chemistry)	24	19.04.1980	46	Rathi Poppaig P. Ltd.	Plant Manager
Jaipuria Ashok	Managing Director	11,38,846	Degree in Associates of Arts in Business Admn. & Diploma in Mktg. Science	28	02.04.1980	46	-	-
Mittal S.K	Executive * Director	13,23,072	B.Com. ACA	24	15.03.1996	47	Samtel Colour Ltd.	General Manager Finance
Mukharjee R M	President	10,15,685	Mech Engg	26	01.11.1997	50	Philips India	Senior General Manager

\* Functional Director not Board Member.



**PART OF THE YEAR**

Agarwal S.C	President	3,21,765	M.Sc., PGDM	39	01.02.1996	60	VXL Engineers Ltd.	Joint President
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**Notes :**

1. Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Personal Accident Policy Premium Expense incurred on Medical reimbursement, Leave Travel Assistance, Housing Assistance, House Rent Allowance, Leave Encashment and perquisites evaluated as per Income Tax Rules.
2. None of the employees mentioned above is related to any Director of the Company.
3. The conditions of employment to all employees, except in the case of the Managing Director whose appointment is contractual, are non-contractual and terminable by one/three months notice on either side.

**AUDITORS' REPORT****TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of COSMO FILMS LIMITED as at 31st March 1999 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :

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 enclose in the annexure 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 state that:
  - i) 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,
  - ii) in our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books,
  - iii) the Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account,
  - iv) in our opinion, the Balance Sheet and the Profit & Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in section 211 (3c) of the Companies Act, 1956,
  - v) in our opinion and to the best of our information and according to the explanation given to us, the accounts subject to note no 12 regarding change in the method of charging depreciation resulting in higher charge of depreciation for the current year amounting to Rs.1238435 and Rs.4226434 for previous years and its

consequent effect on the loss and the net block of fixed assets read together with other notes appearing in schedule 18, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view,

- a) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March, 1999 and
- b) in so far as it relates to the Profit & Loss Account, of the loss for the year ended on that date.

For B.K. SHROFF & Co.,  
Chartered Accountants

Place : New Delhi

Dated : 31st May, 1999

Anil Gupta

Partner

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE**

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, all the fixed assets have been physically verified by the management during the year according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials except in transit have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.



5. The discrepancies noticed on verification of stocks as compared to book records were not material and these have been properly dealt with in the books of accounts.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions on which unsecured loans have been taken from 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 within the meaning of section 370 (1-B) of the Companies Act, 1956 are prima-facie not prejudicial to the interest of the company.
8. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which unsecured loans have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management, within the meaning of section 370 (1-B) of the Companies Act, 1956 are prima facie not prejudicial to the interest of the company.
9. Parties including subsidiary company and employees to whom loans or advances in the nature of loans have given by the company are repaying the principal amount as per stipulation, wherever such stipulations exist and are also regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanation given to us, there are 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 including components, plants and machinery equipment and other assets, and with regard to the sale of goods.
11. There are no transaction of purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs. 50,000 or more in respect of each party, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956.
12. As explained to us, the company has a regular procedure for 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 given to us the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted by it from the public.
14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of realizable scrap. The company has no by-products.
15. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
16. The central government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the products dealt with by the company.
17. According to the records of the company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanation given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.
19. According to the information and explanation given to us, no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales-Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.
20. The company is not a sick industrial company within the meaning of section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act 1985.
21. In respect of the trading activities of the company, it has been explained to us that there were no damaged goods during the year.

For B.K.SHROFF & Co  
Chartered Accountants

Place : New Delhi  
Dated : 31st May, 1999

Anil Gupta  
Partner