



Daewoo. A part of the great Indian dream.

Report  junction.com

*18th  
Annual Report  
2000-2001*

**DAEWOO MOTORS INDIA LIMITED**

## BOARD OF DIRECTORS

<b>Y.T. CHO</b>	<i>Managing Director &amp; CEO</i>
<b>D.W. KIM</b>	Dy. Managing Director
<b>V.K. SAXENA</b>	IDBI-Nominee
<b>SANDEEP MALHOTRA</b>	ICICI - Nominee
<b>I.K. LEE</b>	Director
<b>Wg Cdr Retd H.D. TALWANI</b>	Director

<b>VINAY SHUKLA</b>	Company Secretary
---------------------	-------------------

### AUDITORS

V. Malik & Associates  
Chartered Accountants

### REGISTERED OFFICE

33, Siri Fort Road  
New Delhi - 110049

### WORKS

A-1, Surajpur Industrial Area,  
Noida-Dadri Road, Tehsil Dadri  
Gautam Budh Nagar - 203207, (U.P.)

### BANKERS

American Express Bank  
Canara Bank  
Citibank, N.A.  
Corporation Bank  
HDFC Bank  
ICICI Banking Corp.  
Indian Overseas Bank  
IndusInd Bank  
Punjab National Bank  
Societe Generate  
State Bank of India  
State Bank of Patiala

## CONTENTS

Notice .....	2
Directors' Report .....	3
Auditors' Report .....	5
Balance Sheet .....	7
Profit & Loss Account .....	8
Schedules to the Accounts .....	9
Abstract .....	20
Cash Flow Statements .....	20
Attendance Slip & Proxy .....	22



## DIRECTORS' REPORT

### TO THE MEMBERS OF DAEWOO MOTORS INDIA LIMITED

Your Directors have pleasure in presenting the 18th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2001.

### FINANCIAL RESULTS

Particulars	2000-2001	1999-2000
Sale & other Income	117,745	130,813
EBIDT	14,817	21,630
Interest	13,004	11,519
Prov. for Depr.	19,998	20,924
Misc. exp. written-off	1,464	792
Prev. Year Adjustment	(7)	—
Net profit/(loss)	(19,642)	(11,605)
Balance b/f from previous years	(19,411)	(7,806)
Balance c/f to Balance Sheet	(39,053)	(19,411)

### OPERATIONS

During the year under review, turnover of the Company was Rs. 117,745 lacs as compared to Rs. 130,813 lacs during previous year, showing a marginal decline of 9%. The Company has incurred net loss of Rs. 19,649 lacs during the year under review. Major reason for such losses were closure of the Engine and Transmission unit, stiff competition and recession in the international and domestic market.

Your Directors have taken proactive action for successfully withstanding the challenging market situation. The Company has introduced new variants of "MATIZ-Special" during the second quarter of current financial year under the concept of TOTAL S.P.I.C.E standing for Safety, Power, Innovation, Comfort and Economy. New variant of the Company are unique and pioneer in their price and comfort segment. Various customer services management schemes were initiated and new program such as nation wide Road Shows, free check up camp, soft selling schemes for employees and corporate were introduced and organised. The Company has also sharpened its advertisement and marketing strategies and campaign. New offerings of your company will include spicy models of Matiz in 800 cc and also in much desired version of 1000 cc. A very hot hot variant of your small wonder "Matiz" under the project Matiz 150 is all set to hit the road in very near future. Your company also have plans to roll out some more model from its variety full stable i.e. Multi activity vehicles "Tacuma" and niche segment cars like "Nubira." It is a pleasure to inform that first GM - Daewoo offering naming "KALOS" is also under progress. Yes, this all reflects surely for one thing that Daewoo is a part of great Indian dream, your company is here and very well here in India to serve better.

On the export front too, DMIL manufactured cars, engines and transmissions components and spares worth Rs. 15198.45 lacs have been shipped to various destinations world over including Mauritius, African Countries, South America, Middle East, Italy, Egypt, Korea, Bangladesh, Bhutan and Nepal boosting the moral of the company, wide opening new vistas and markets for the

company. The R & D division of your company has been working round-the-clock for developing new products for the existing as well as prospective customers. Quality of your company's products have been accredited found well up to the mark in the surveillance audit of the ISO 9002 for which the Certificate was granted in April, 2000, for high standard quality and systems. Here we are dedicated to our customers.

Your Spicy Matiz is in its winning spree to win over the hearts not only of customer but its critic and auto experts too. World over, your small wonder has received 16 National and International awards. Recent honours includes USED CAR HONOUR 2000 IN THE COMPACT CAR IN INDIA (By Overdrive, India's No.1 Car & Bike Magazine, January 2001), MATIZ-THE CAR OF THE YEAR (By International Association GIPA, Italy, March 2001), and the THREE LEAVES AWARD by centre for Science and Environment Ranking first among all cars in India. Matiz has entered the "Guinness Book of World Record" and "Limca Book of Records 2001" for being the most fuel efficient car.

### PRODUCTION & SALES : 2000-2001

#### PARTICULARS CARENGINETRANS MISSION

PRODUCTION (Nos.)	34,233	18,777	17,310
SALES (Nos.)	33,369	19,904	19,444
SALESVALUE (Rs. in Lacs)	97,128	8,920	3,517

#### FRESH BEGINNING -2001 (FB 2001) - REVIVAL THROUGH SACRIFICE

This gives a great pleasure to inform our shareholders that General Motors, USA, has entered into an MOU with Daewoo Motors Company, Korea, for taking over its two plants at Korea and some other plants in other countries. General Motors has also shown keen interest in your company in India also. However, to make your company self reliant, live and wire efforts under the banner of Fresh Beginning 2001 have been initiated. Major features of FB 2001 include cost reduction, right sizing of personnels, rationalization of amenities and benefits provided to managerial personnel. Cash generation by disposal of obsolete and non usable components, materials and other assets. Restructuring of operation adopted by the parent company in Korea from the beginning of this years has already started showing positive results. Your Company has also initiated above process under FB 2001 and profitable results are expected in near future. Being encouraged with the results of above campaigns, the Company has planned to initiate more and more cost saving measures in various areas of operation for improvement of efficiency, productivity, effectiveness and quality consciousness.

The Company is making in-house efforts for upgradation and training of its personnel through various programs like Process Management, Quality Circle, Suggestion Scheme etc.. It is noteworthy that 5S Activities are in full swing for cost reduction, improvement of system, work culture, productivity and quality consciousness.

#### INDIGENISATION:

Localization of components is vital to cost of production and immunisation from exchange rate fluctuations during these days of high exchange fluctuation. Your Company has

entered into joint ventures with several vendors for local quality components. The Cielo and Nexia have local components more than 90% while Matiz has a local content of more than 82% at present.

### LISTING REQUIREMENT

The Company's shares are listed at Delhi, Mumbai, Chennai and Calcutta Stock Exchanges. The Company has paid the listing fees to all the Stock Exchanges. As per Clause 32 of the Listing Agreement, Cash Flow Statement is appended with the annual accounts of the Company.

### FIXED DEPOSITS

The Company has not invited any fixed deposit during the year within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder. There were no deposits for which payments were claimed but not paid. In compliance with the Section 205C of the Companies Act, 1956, the Company has taken steps for deposit of Rs. 7.28 lacs representing unclaimed maturity amount lying with the Company for more than 7 years, with the Investor Education and Protection Fund.

### DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance with provisions of section 217(2AA) of the Companies Act, 1956, your Directors confirm and state that:

1. In the preparation of annual accounts, applicable accounting standard have been followed and mentioned along with explanation relating to material departures.
2. Accounting Policies have consistently been applied and disclosed alongwith the material departures and judgements and estimation has been made with rational and prudence so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss for the year under review,
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for the safeguarding of assets of the Company and for detecting and preventing fraud and other irregularities.
4. The Directors have arranged preparation of the accounts for the accounts for the financial year ended March 31, 2001 on the "Going Concern" basis but for the auditors comment.

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

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo is given at Annexure 'A' to the Report.

### INDUSTRIAL RELATIONS

During the year, industrial relations of the Company continued to be cordial. The particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are made out in an Annexure to this Report and will be made available to shareholders on request.

### DIRECTORS

Mr. Young Tae Cho has been appointed as Managing Director and CEO of the Company in place of Mr. Young Chang Kim who resigned on health ground w.e.f. 16<sup>th</sup> June, 2001. Wg. Cdr.(Retd.) H.D. Talwani has also been



## NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Saturday, the 29th December 2001, at 10.30 a.m. at the Air Force Auditorium, Subroto Park, New Delhi - 110010 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001, the Profit and Loss Account for the financial year ended on that date and the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. D.W. Kim, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/S V. Malik & Associates, Chartered Accountants, the retiring Auditor's as Statutory Auditor's of the Company for holding the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 257, 260, 269, 309, 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company for the appointment of Mr. Y.T. Cho, whose term as additional director is expiring at this Annual General Meeting and in respect of whom a notice for appointment under Section 257 has been received, be and is hereby appointed as Managing Director & CEO of the Company, on the terms, conditions and remuneration as set out in the explanatory statement annexed with this notice.

RESOLVED FURTHER that the Board of the Company be and is hereby authorised/empowered to accept any change and/or modification in the terms, conditions and remuneration of the appointee as per the consent and approvals of the Authorises."

By Order of the Board

Place : New Delhi  
Dated : October 22, 2001.

**VINAY SHUKLA**  
Company Secretary

### NOTES :

1. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolutions set out under item No. A is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.
3. The Register of Members of the Company will remain closed from 28.11.2001 to 15.12.2001 (both days inclusives).
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all days, except holidays, between 11 A.M. and 1.00 P.M. up to the date of the Annual General Meeting.
5. Members are requested to bring their copy of the Annual Report for 2000-01 and attendance slip duly completed and signed as per specimen signature lodged with the Company, at the meeting.
6. No gifts will be distributed.
7. Members desiring any information with regard to accounts are requested to write to the Company at least 15 days before the date of annual general meeting to enable the management to keep the information ready.
8. As per the provisions of Section 205A read with 205C of the Companies Act, 1956, the Company is required to transfer the unclaimed amounts relating to deposits lying for a period of 7 Years to the Investor Education and Protection Fund. It may be noted that no claims will lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed amount transferred to the fund.

### ANNEXTURE TO NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF SPECIAL BUSINESS : Item No. 4

Pursuant to the Agreement Dated 7/8/01 Read with enabling Board Resolution dated 16.06.2001, Mr. Young Tae Cho has been appointed as Managing Director and CEO of the Company for a period of 5 years w.e.f. 16.06.01, on the terms and conditions morefully set out in the aforementioned agreement, extracts of which are given hereinbelow:

- \* Appointment is for a period of 5 years with effect from 16th June, 2001 to 15th June, 2006, subject to retirement by rotation.
  - \* Appointment is subject to and as per the provisions of the Articles of Association of the Company, the Companies Act, 1956, and is subject to the consent of Shareholders, Central Government etc.
  - \* Managing Director shall be vested with the substantial powers of the general management of the Company under the ultimate control and supervision of the Board of Directors of the Company.
  - 1. Salary per month : US \$ 5100 (to be paid in Indian Rupees as per rate of exchange (SBI TT Buying) prevailing on 15th of the month)
  - 2. Perquisites/Benefits/Allowances :
    - a. Housing : Free furnished residential (monetary value of which will be evaluated and be taken as per Rule 3 of the Income Tax Rules, 1962).
    - b. Medical Reimbursement : Expenses incurred for self and family subject to ceiling of one month's salary in a year or three months' salary in a block of three years.
    - c. Leave Travel : For self and family once in a year in accordance with the Company's rules and regulations.
    - d. Accident Insurance : Premium not exceeding to Rs. 4000 p.a. (As per Company policy)
    - e. Car with chauffeur : Taxable value of car for personal/official use.
    - f. Telephone : Free Telephone facility at residence, long distance calls will be charged by the Company.
    - g. Earned/Privilege Leave : Full pay and allowances as per rules of the Company.
    - h. Entertainment/Travel : Reimbursement of actual expenses including entertainment and travel
    - i. expenses incurred for the business of the Company as per rules of the Company.
    - j. Gratuity / Ex-gratia : As per the provisions of the Gratuity Act.
- The respective remuneration shall be the minimum remuneration in the absence or inadequacy of profits in any financial year.
- None of the directors except Mr. Y.T. Cho, being appointee himself, is interested in or concerned with the resolution.

By Order of the Board

Place : New Delhi  
Dated : October 22, 2001

**VINAY SHUKLA**  
Company Secretary





appointed as Director of the Company in place of Mr. K. Vishwanathan who resigned on health ground. Besides, Mr. S.B. Chon, Mr. C.S. Park, and Mr. I.S. Kim have also resigned from the Board of Directors of the Company. Your directors would like to place on record deep and sincere appreciation for valuable contribution made by each of them during their tenure. In accordance with the provisions of the Companies Act, 1956, Mr. D.W. Kim retires by rotation and being eligible offers himself for reappointment.

#### AUDITORS & THEIR REPORT

M/s V. Malik & Associates, Chartered Accountants, the retiring auditors have submitted their eligibility certificate for reappointment.

The Auditors' observations are suitably replied and explained in the addendum to the Directors' Report, annexed as Annexure 'B'.

#### ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation for the whole-hearted support and co-operation received from General Motors, USA, Promoters and Bankers at Korea, Government of India, Government of U.P. and NCT of Delhi., District Administration, Customers, Shareholders, Bankers, Financial Institutions, Vendors, Media and other agencies and associates of the Company.

Your Directors also thank the employees at all levels for their sacrifices made for the survival of the Company and for their co-operation, dedication and sincere efforts.

For and on behalf of the Board

Place : New Delhi

Date : October 22, 2001

Young Tae Cho  
Managing Director & CEO

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**  
Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended March 31<sup>st</sup>, 2001.

#### A. ENERGY CONSERVATION

Energy saving activities were taken up on continuous basis through out the year. Following activities were completed during this period.

- By close audit and monitoring operation of two DG sets reduced to one set.
- For power generation residual oil has been made usable instead of diesel oil, Hot Water Generators On/Of timing controlled to diesel oil consumption, effective maintenance of DG Sets has resulted in minimum 5% reduction in fuel expense.
- DG Gas has been used for steam generation required for fuel oil heating.
- HT capacitor banks put in operation to improve power factor from 0.7 to 0.85.
- All twin fluorescent lights have been reduced to single lights, one out of three street lights has been activated, only emergency lights made open during non production hours.
- Close Energy Audit has been conducted to curb any excess energy unit and cost.
- Restriction of timings of Air Conditioners, Separate centralized A/C plant has been replaced by local A/Cs, offices have been clubbed to replace consumption of energy,

efforts and cost, Compressed Air audit has been carried out to check air wastage.

- Compressed air load has been reduced from 3500 CFM to 1500 CFM by close monitoring and modifications in the system. Power saving up to 30 MWH/ month has been achieved.

#### B. TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT

##### 1. SPECIFIC AREAS IN WHICH R&D ACTIVITY WAS CARRIED OUT

- Development of Matiz-LPG variant with the Italian kit to provide alternate fuel option to customer. Testing of car on Indian roads and at ARAI, Pune have been completed. Final CMVR certificate is awaited.

- Development of Matiz CNG has been undertaken during the period,
- Continuous value engineering and increased localisation to improve cost effectiveness.

##### a) Awards and recognitions

- DMIL R&D is re-recognised by Department of Science & Technology under Ministry of Industry for its in-house R&D activities.

- Re-certification of the quality systems, laid by DMIL for continuously meeting customer and product requirements, by external agency TUV Sudeutschland

- Development of J-150 engine for export and its validation completed. This engine has been developed to meet stringent EURO-III norms, which will be applicable in India after 2005.

- Activities to ensure meeting vehicle regulations released by Ministry of Surface Transport. For Example:-

- Supply of first aid kit in the cars
- Development and supply of waning triangle and spare head lamp bulbs.
- Development of gasoline tank of five litres capacity for Cielo-CNG

#### 2. TECHNOLOGY TRANSFER, ABSORPTION, ADAPTION & INNOVATION

- Development of Matiz-II with more appealing changes in the Body, enhanced breaking and improvement in the emission performance.

- Regular updation of Matiz design with the support of Daewoo Motor Company, Korea

#### 3. BENEFITS DERIVED AS A RESULT OF ABOVE R&D ACTIVITIES

Above R&D activities have helped us in fulfilling environmental, technological advancement and product economies responsibilities by:

- Increased product competitiveness in the market.
- Introduction in near future of Matiz with alternate fuels.
- Timely meeting of the government regulation applicable from time to time.

#### 4. FUTURE PLAN OF ACTION

- Development of Matiz 1.0 L engine.
- Close co-ordination with supplier for development and implementation of high security futuristic plate.

#### EXPENDITURE INCURRED ON R & D

- Capital	Rs. 27,928,191
- Revenue	Rs. 40,589,806
- Total	Rs. 68,517,997
- % to turnover	0.58%

#### TECHNOLOGY TRANSFER, ABSORPTION, ADAPTION & INNOVATION

- Technical data, drawings and documentation received from Daewoo Motor Co.Ltd., Korea, have been provided to vendors and production for transfer and adaptation, on going basis.
- Modification of the technology to suit the domestic and new exports market is a continuous process.

#### BENEFITS

- Indigenisation of various components to reduce product, time & other related costs.
- Modification in the Company's product to suit the need of the domestic and export market, with minimum cost escalation.
- Facilitating development of components/ system for meeting regulatory requirements.

#### FOREIGN EXCH. EARNINGS AND OUT GO:

1) Activities relating to exports, initiatives to increase exports, development of new export markets for products, services and export plans:

Special emphasis has been given to export. Continuous efforts for exploration and development of new markets are on. Your directors are hopeful to accomplish better exports during the current year.

2) Total foreign exchange used and earned:

Rs. In Lacs

a) Earnings in foreign Currencies:	15199.18
b) Expenditures in foreign Currencies:	
i) import of goods	19856.58
ii) import of others	29.45
iii) Interest, Travelling & Others	1285.42

#### ADDENDUM TO THE DIRECTORS' REPORT

1. Apropos to the Auditors' observations in para 2(f)(i), (ii) of the Auditors' report, which are self explanatory, your Directors' wish to refer notes 12., 13 and 14 of Schedule 12 of the annual report wherein above observations are suitably explained.

2. Apropos to the Auditors' observations in para 2(f)(iv) of the Auditors' report, your Directors' would like to explain that substantial recovery of outstanding inter Corporate Deposits have been made during the year under review. Necessary actions, legal or otherwise, have been taken for recovery of outstanding deposits. Keeping in view, legal status, negotiations with the parties, financial health of companies and other inputs available, the Company has made adequate provisions in the accounts.

3. Apropos to the Auditors' observations in paras 2(f)(v), (vi) and (vii) of the Auditors' report. This is to inform that proposal for waivers of certain liabilities and conversion of certain liabilities into equity is in advanced negotiation stage and your directors are hopeful of positive development on this count. In view of the same, liabilities which are likely to be waived off or converted in to equity have been provided on Cash basis.

4. Apropos to the Auditors' observation in para 2(f) (vii) of the Auditors' report, your Directors' wish to inform you on our application Government of India have extended export obligation till 2003, 2004 and 2005 and as on date there is no liability payable on account of export obligation. Therefore, no provision has been made for the same.

5. Apropos to the Auditors' observations in para 2(f)(ix) of the Auditors' report, we refer note 25 of Schedule 12 of the annual report and are of the view that with the current MOU in between GM and Daewoo, Korea, all the uncertainty will set to rest.

## AUDITORS' REPORT

TO THE MEMBERS OF DAEWOO MOTORS INDIA LIMITED

We have audited the attached Balance Sheet of Daewoo Motors India Ltd. as at 31st March, 2001 and the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and report that:

1. 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, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph (1) above:

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

b. In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of the books;

c. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account;

d. Subject to our comments in paragraphs f(i) below in our opinion, the balance sheet and profit and loss account comply with the Accounting Standards referred to in sub section (3-C) of section 211 of the Companies Act, 1956 to the extent applicable;

e. On the basis of written representations received from management, we report that none of the Directors are disqualified as on March 31, 2001 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

f. (i) As explained in Note No 12 of schedule 12, the Company has capitalized to fixed assets, the interest incurred on foreign currency loans taken from financial institutions upto 30 June 1985 for the entire period of the loans including the period after the date of commencement of commercial production and premium payable on redemption of debentures issued against the advance of Rs. 500 Lacs received upto 30 June 1985 has also been capitalized to fixed assets. The aforesaid method of accounting for interest adopted by the Company is not in accordance with the method recommended by the Institute of Chartered Accountants of India. As a result, the depreciation and loss for the year are overstated by Rs 37.81 lacs and the accumulated debit balance in the profit and loss account and the net block of fixed assets as at 31 March 2001 are understated and overstated respectively by Rs. 277.69 lacs;

(ii) As explained in Note No 13 of schedule 12, the Company has capitalized to fixed assets, the debenture issue expenses committed on the total issue of Rs. 1858 lacs against which advance of Rs.500 lacs had been received

upto 30 June 1985. This is not in accordance with the Company's policy of treating such expenditure as deferred revenue expenditure to be written off over a period of five years. As a result, the depreciation and loss for the year is overstated by Rs 3.70 Lacs and the accumulated debit balance in the profit & Loss account and fixed assets as at 31.03.2001 are understated and overstated respectively by Rs. 30.87 Lacs.

(iii) As explained in Note No 14 of schedule 12, unutilised MODVAT balance amounting to Rs. 1120.39 lacs outstanding as at 16 March 1995 lapsed with effect from that date pursuant to a notification issued by the Central Government. The Company's writ petition in the Supreme Court challenging the said notification is pending disposal, however a petition in the similar case of another manufacturer had been favorably decided in its favour by the Supreme Court. Subsequently, the Central Excise and Salt Act, 1944 has been amended retrospectively with effect from 16 March 1995 as a result of which the said notification lapsing the MODVAT credit is deemed to have been made under the authority of law. The Company has been legally advised that should it challenge the amendment in the Supreme Court, the likelihood of a decision in its favour is high. Further, we have been informed that the Company along with other affected manufacturers has represented to the Government of India to withdraw the amendment and is also contemplating legal action. In view of the aforesaid, no provision or write off has been made in this regard. Since the final outcome of this matter is not ascertainable at this stage, we are unable to express an opinion on the availability or otherwise of the presently lapsed MODVAT credit. However, had such provision been made in the accounts, the loss for the year and the accumulated debit balance in the profit and loss account as at 31 March 2001 would have been higher by Rs. 640.44 lacs and the net current assets would have been lower by Rs. 640.44 lacs;

(iv) Of the total inter-corporate deposits, no provision has been made against deposits aggregating to Rs. 926.88 lacs placed with public limited companies. In addition, an amount of Rs 53.70 lacs is recoverable on account of interest on some of the aforesaid deposits. The recoverability, or otherwise, of these amounts is not determinable at this stage. We are, therefore, unable to express an opinion on the recoverability or otherwise of these deposits, the interest accrued thereon and the consequential effect, if any, on the loss for the year and the accumulated debit balance in the profit and Loss Account as at 31<sup>st</sup> March 2001. However, had the provision been made for such deposits and interest accrued thereon, the loss for the year and the accumulated losses would have been higher by Rs.980.58 lacs and net current assets lower by Rs. 980.58 lacs;

(v) Reference is drawn to Note No. 18 of Schedule 12 regarding change in accounting policy of accounting of interest on external commercial borrowings from Daewoo corporation and Daewoo Motor Co. Ltd., Korea which

was previously accounted for on accrual basis. During the year the Company has decided to account for the interest on external commercial borrowings amounting to Rs. 14,631.85 lacs on payment basis. As a result of this change the loss for the year is lower by Rs. 14,631.85 lacs and the debit balance in the profit and loss account as on 31<sup>st</sup> March, 2001 is lower by the same amount.

(vi) Reference is drawn to Note No. 19 of schedule 12 regarding change in accounting policy of accounting of running royalty from accrual basis to cash basis in the current year. As a result, Loss for the year is lower by Rs.1,308 lacs and the debit balance in the profit & loss account as on 31<sup>st</sup> March 2001 is lower by the same amount.

(vii) Reference is drawn to Note No. 20 of schedule 12 regarding change in accounting policy of accounting of interest on DA (Supplier Credit) from accrual basis to cash basis in the current year. As a result, Loss for the year is lower by Rs. 2425.29 Lacs and the debit balance in the profit & loss account as on 31<sup>st</sup> March 2001 is lower by the same amount.

(viii) Reference is drawn to Note No. 22 of schedule 12, regarding the non-fulfillment of obligation for export and the consequent possible liability towards payment of customs duty, interest and penalty, if levied. The company has not made any provision in this regard. Considering the available trends till date and other relevant factors, we are unable to assess whether the company would be able to meet the entire future obligations in this regard and, therefore we are unable to quantify the consequent shortfall/liability on this account, if any.

(ix) attention is invited to Note 25 of schedule 12, wherein at the date of the Balance Sheet, Daewoo Corporation, Korea had assigned all shares held by it to Daewoo Motor Co. Ltd., Korea by virtue of which, Daewoo Motor Co. Ltd., Korea had become the holding company. This assignment has not yet been registered. Further, the company has close linkage and dependency relating to technology, procurement of components and materials, exports and continued financial commitments with Daewoo Motor Co. Ltd., Korea, which was reported to be facing considerable financial difficulties. In the previous year it was reported that the outcome of the situation at Daewoo Motor Co. Ltd., Korea could have an effect on the Company's ability to continue as a going concern. As informed by the management, Daewoo Motor Co. Ltd., Korea has signed a Memorandum of Understanding with General Motors Corp., on 21<sup>st</sup> September 2001 for taking over Kunsan, Changwon plants in Korea and a few other plants. This Memorandum of Understanding is likely to provide comfort to Daewoo Motor Co. Ltd., Korea in its restructuring plans. In the interim, this memorandum of understanding may have a positive bearing on the company and consequently on the going concern assumption followed in the preparation of the accounts. This however is subject to materialisation of the memorandum of understanding into a formal agreement.



(x) We further report that, without considering the items mentioned in f(viii) to f(ix) above, had the observations made by us in paragraphs f(i) to f(vii) above been considered, the loss for the year would have been Rs. 39593.71 lacs (as against the reported figure of Rs. 19649.06 lacs) and the accumulated losses would have been Rs. 57726.85 lacs (as against the reported figure of Rs. 39053.15 lacs). The net block of fixed assets would have been Rs. 358643.88 lacs (as against the reported figure of Rs. 358952.44 lacs) and the net current assets would have been Rs. 21255.44 lacs (as against the reported figure of Rs. 22876.46 lacs).

(xi) Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view. :

(i) In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2001, and

(ii) In the case of the profit and loss account of the loss of the Company for the year ended on that date.

For V.Malik & Associates  
Chartered Accountants

Place : New Delhi  
Dated : October 22, 2001

Vipin Malik  
(Proprietor)

#### ANNEXURE TO THE AUDITORS REPORT (REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE)

1. The company has maintained proper records to show full particulars including quantitative details and situation its fixed assets. As explained to us, the Company has a programme of physically verifying its fixed assets once in every three years. In accordance with this programme the management carried out physical verification of most of the Company's fixed assets during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets.

2. None of the fixed assets of the Company have been revalued during the year.

3. The stocks of finished goods, stores, spare parts, raw materials and components, other than stocks lying with third parties at the year-end for which confirmations have been obtained, have been physically verified during the year by the management. 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 the nature of its business.

5. Due to the considerably large number of items, individual issues of raw materials, stores, spare parts and components, are not recorded and hence book balances are not available for comparison with physical balances of these items. However, since inventories have been valued on the basis of physi-

cally verified stocks, the discrepancies, if any, have been adjusted in the accounts. In respect of finished goods, the discrepancies between physical balances and book records were not material and 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 normally accepted accounting principles, and is on the same basis as in the preceding year.

7. We have been informed that no loans have been taken from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956. Further, in our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which the Company has taken loans from companies under the same management as defined under section 370(1-B) of the Companies Act, 1956, are not prima facie, prejudicial to the interests 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 loans have been granted to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interests of the company. We have been informed that no loans have been granted to companies under the same management as defined under section 370(1-B) of the Companies Act, 1956.

9. The parties to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also generally regular in the payment of interest where applicable, except in respect of inter-corporate deposits and loans given to employees who are no longer in employment with the Company, aggregating to Rs. 2663.54 lacs, and interest of Rs. 875.19 lacs accrued thereon as at the year-end, where the recoveries have not been as per stipulated terms. We have been informed that appropriate steps have been/are being taken by the Company for recovery of the principal amounts and / or interest thereon.

10. In our opinion and according to the information and explanations given to us, considering the fact that certain items of inventory are for specific requirements of the Company and no alternative quotations are available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.

11. In our opinion and according to the information and explanations given to us, the 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 maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50000 or more in respect of each party, have been made at prices which are reasonable having

regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods or materials have been made with other parties, except for items stated to be of a specialised nature for which there are no alternate sources of supply to enable a comparison of the prices paid.

12. As explained to us, the Company has a system for determining unserviceable or damaged stores and spare parts, raw materials and components and finished goods and adequate provisions have been made for such stocks in the accounts.

13. In our opinion and according to information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. We have been informed that the Company's operations do not generate any realisable by-products.

15. The Company has an internal audit system, which is commensurate with the size of the Company and the nature of its business.

16. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that, prima facie, the prescribed accounts and records have been maintained.

17. According to the records of the Company examined by us, the Company has generally been regular in depositing provident fund and Employees State Insurance dues with the appropriate authorities.

18. We have been informed that there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at 31 March 2001 which are outstanding for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

20. The Company is not a sick industrial company within the meaning of clause (o) of the sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the Company's trading activities, adequate provision had been made for the damaged goods identified.

For V.Malik & Associates  
Chartered Accountants

Place : New Delhi  
Dated : October 22, 2001

Vipin Malik  
(Proprietor)