ANNUAL REPORT
1998-99

DALMIA INDUSTRIES LIMITED

DALMIA INDUSTRIES LIMITED

BOARD OF DIRECTORS

SANJAY DALMIA (CHAIRMAN)
ANURAG DALMIA (VICE CHAIRMAN)
O.P. KHAITAN
S.V. DEVA
M.K. PANDITA (EXECUTIVE DIRECTOR)

SR. GENERAL MANAGER - FINANCE

R.K. GUPTA

COMPANY SECRETARY

NARESH KAPOOR

AUDITORS

LODHA & CO.
CHARTERED ACCOUNTANTS
NEW DELHI

SOLICITORS

KHAITAN & CO.
NEW DELHI

BANKERS

UNITED BANK OF INDIA
STATE BANK OF BIKANER & JAIPUR
BANK OF TOKYO MITSUBISHI LTD.

REGISTERED OFFICE AND WORKS

GHANA SEWAR BY PASS ROAD
BHARATPUR (RAJASTHAN)-321 001

HEAD OFFICE

8-A, ATMA RAM HOUSE,
1, TOLSTOY MARG,
NEW DELHI - 110 001

REGIONAL OFFICES

NEW DELHI
1-E/1, JHANDEWALAN EXTENSION
NEW DELHI - 110 055

CALCUTTA

12-B, STEPHEN HOUSE
4 BBD BAGH EAST
CALCUTTA-700 001

BOMBAY

65 MITTAL CHAMBERS
NARIMAN POINT
BOMBAY-400 021

CHENNAI

NO. 5/2, SOUTH MADA STREET
SRINAGAR COLONY
SAIDAPET
CHENNAI-600 017

GUWAHATI

GOPINATH BAZAAR
KALAPAHAR
GUWAHATI-781 016

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DIRECTORS' REPORT

For the period ended 30th September, 1999

We have pleasure in presenting the SIXTY FIRST Annual Report together with the audited Statements of Account of the Company for the period ended on 30th September, 1999.

OPERATING RESULTS *(Rs. lacs)*

		As on 30.09.99 (15 months)		As on 31.06.98 (15 months)
Sales and other income		1147.08		2375.61
Profit /(Loss) before interest and Depreciation		(61.16)		(428.32)
Less: Interest	521.03		474.70	
Depreciation	78.65	599.68	80.40	555.10
Profit/(Loss) before Tax		(660.84)		(983.42)
Compensation recd. from collaborator on cancellation of agreement		112.45		–
Income-Tax Refund/Provision for Taxation - no longer required written back		44.75		(65.96)
Provision for Taxation for earlier years written off		(25.81)		–
Surplus from last year		(613.73)		–
		(1143.18)		(917.46)
Appropriations :				
Net Surplus/(deficit)		–		(303.73)
		(1143.18)		(613.73)

OPERATIONAL HIGHLIGHTS

During the period under review, company launched a new product named Learnol Plus apart from the production and sale of regular products. The production of the regular products however was insignificant during the period under review. The Company mainly concentrated on promotive health care products to increase its growth as well as to make a beginning for new products to be launched.

FINANCIAL YEAR

During the period under review , the financial year of the Company was extended up to 30th September, 1999 and accordingly present accounts have been prepared for 15 months starting from 1st July, 1998 to 30th September, 1999.

DIVIDEND

In view of operational losses, your directors do not recommend any dividend for the period ended on 30th September, 1999.

DIRECTORS

During the period under review, Shri M.C. Sharma, left for his heavenly abode. Your Directors express deep sense of sorrow on his untimely demise and places on record appreciable contributions made by him in his capacity as Director of the Company.

During the period under review, Shri. N. Sukumar resigned from the directorship of the Company. The Board places on record the valuable contributions made by him during his association with the company.

In accordance with the provisions of the Companies Act, 1956, Shri Anurag Dalmia retires by rotation and has not offered himself for reappointment.

AUDITORS

M/s Lodha & Co., Chartered Accountants, retire and being eligible for appointment under Section 224 of the Companies Act, 1956 offer themselves for reappointment. Members are requested to appoint Auditors for the current year and to fix their remuneration.

SUBSIDIARY COMPANIES

The Directors' Reports and Accounts of the subsidiary companies for the year ended 31st March, 1998 and 31st March 1999, are annexed as required under Section 212 of the Companies Act, 1956.

EMPLOYEES

In compliance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement giving the required information relating to the employees drawing remuneration of Rs.6,00,000 or more per annum or Rs.50,000 or more per month is annexed herewith as Annexure 'A' to this Report.

DEPOSITS

Fixed Deposits amounting to Rs. 71.81 lacs in respect of 663 depositors had matured but had not been claimed / paid upto 30th September, 1999. The Company has already started making payments of Fixed Deposits according to the proposed scheme of repayment as modified by the Hon'ble Company Law Board which was finally approved in its hearing held on 2nd March, 2000.

CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION

Particulars as required to be disclosed as per Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988, are set out in the statement annexed herewith as Annexure 'B' to this report.

APPLICABILITY OF THE PROVISIONS OF SEC 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT , 1985.

Pursuant to the provisions of Sec 15 of the Sick Industrial Companies (Special Provisions) Act , 1985 the Company has become sick as a result of losses during the period under the report. Reference to B.I.F.R. shall be made accordingly as required under Sec 15 and other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to foreign exchange earnings and outgo appear in relevant Schedules of Balance Sheet.

GENERAL

Auditors' observations are self-explanatory and do not require our further comments.

Y2K COMPLIANCE

In order to achieve Y2K Compliance, wherever necessary, the application for software and hardware systems have been adequately upgraded. Further the Company had fully achieved Y2K Compliance and the cost of adding the Y2K compliance was not significant.

ACKNOWLEDGEMENT

The Directors express their gratitude to the Financial Institutions, Banks and various other agencies for the co-operation extended to the company.

The Directors take this opportunity to thank the Shareholders, Depositors and Stockists for the confidence reposed by them in the Company.

The employees of the Company contributed significantly to the performance of the Company. The Directors take this opportunity of thanking them and hope that they will extend their enthusiasm and commitment to excellence in the years to come.

By Order of the Board

Place : New Delhi
Dated : 2nd March, 2000

SANJAY DALMIA
Chairman

Annexure 'A'

INFORMATION AS PER SECTION 217(2 A) (B) (II) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER, 1999

Sl. No.	Name	Designation & Nature of Duties	Remuneration	Qualification	Age	Exp. in Yrs	Date of Commencement of employment	Last employment Designation
A.	THROUGH OUT THE PERIOD							
1.	M.K. Pandita	Executive Director	803419	B.Sc. (Dairy Tech), NDRI, Karnal	54	33	09.09.1991	Nestle India Ltd., Factory Manager
B.	PART OF THE PERIOD							
2.	Ravi Bansal	Director-Sales & Mktg.	165330	M.Sc. (Chem.), PGDBM	49	28	01.07.1999	Kash-Intas Pharmaceuticals Ltd.-Lagos, Nigeria - M.D.
3.	P.K. Guha	Vice-President-Sales Marketing	493960	B.Sc.	48	27	01.02.1999	Biologicale Ltd Director-Mktg.
*4.	V.B. Sharma	Executive Director	269375	B.E. (Mech.), M. Tech., I.C.W.A. (Inter)	43	22	07.10.1997	General Export & Credits Ltd. Executive Director

Note: The gross remuneration shown above comprises salary, allowance, company's contribution to provident fund, superannuation fund, medical benefits, leave travel concession, monetary value of perquisites as per Income tax rules.

* Resigned during the period

Annexure 'B'

INFORMATION REGARDING CONSERVATION OF ENERGY (AS PER FORM A) AND TECHNOLOGY ABSORPTION FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED ON 30.9.1999

(A) Conservation of Energy

1) Replacement of evaporator pumps with new design energy efficient pumps resulting in saving in electrical energy.
2) Condensate recovery system from evaporators was installed to economise on the make up water for feeding to the boiler.
3) Redesigning of configuration of burners in the air heaters was taken up resulting in saving of furnace oil used for air heating of the spray driers.

(B) Power & Fuel Consumed

The particulars of total energy consumption and Energy per unit of product (as per Form A) are as under :-

	1998-99	1997-98
1 Electricity		
i) Purchased units (Lacs)	2.06	19.87
Total amount (Rs. lacs)	4.79	80.31
Rate per unit (Rs.)	2.33	4.10
ii) Own Generation		
(a) Through DG units (Lacs)	3.03	2.90
Units per Ltr. of Diesel Oil	3.55	3.24
Total Cost (Rs. lacs)	7.79	7.74
Cost per unit (Rs.)	2.57	2.67
(b) Through TG		
2 Coal (C&D Quality)		
i) Quantity (MT)	11.00	624.00
ii) Total cost (Rs. lacs)	0.30	17.26
iii) Average rate (Rs.)	2727.00	2767.00
3 Furnace Oil (LDO + RFO)		
i) Quantity (lac Ltrs)	1.07	3.23
ii) Total Cost (Rs. lacs)	8.03	23.62
iii) Average rate (Rs.)	7.50	7.31
4 Consumption per unit of production		
i) Electricity (Units)	4157.00	2674.00
ii) Coal (Kg.)	90.00	791.00
iii) Furnace Oil (Ltrs)	874.00	410.00

(C) Technology Absorption

The technology of spray drying system offered by M/s. STAINCO, India and NIRO Systems from L&T was fully absorbed.

By Order of the Board

Place : New Delhi
Dated : 2nd March, 2000

SANJAY DALMIA
Chairman

AUDITORS' REPORT

To the Shareholder's of

DALMIA INDUSTRIES LIMITED

We have audited the attached Balance sheet of DALMIA INDUSTRIES LTD as at 30th September 1999 and the annexed Profit and Loss Account of the Company for the period ended on that date both of which we have signed under reference to this report and which are in agreement with the books of account and report that :

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 subject to our audit subject to our comments below under para (b), c(III), c(IV), c(VI), c(VII), c(VIII) and c(IX).

b) We have conducted the audit (Note No. 5 of Schedule 15) in respect of Calcutta Sales Office and Bharatpur Works on the basis of data/details available with other office / establishments of the company and authenticated by the management in the absence of books and original/primary records maintained at respective office/works, Consequential impact arising out of verification of records, on various revenue heads, sundry debtors, sunder creditors and other balances will be accounted for in the year of verification.

c) Attention is drawn to the following notes on schedule 15 to the accounts :

(i) Note No. 4-regarding preparation of accounts on "Going Concern Basis".

(ii) Note No. 6-regarding pending necessary approvals under section 372 A of the Companies Act, 1956 in respect of submission of guarantees and making of investments.

(iii) Note No. 7-regarding non-provision against certain stores & spares and raw materials (amount unascertained).

(iv) Note No. 9-regarding non-provision of interest/penal interest and liquidated damages on loans / debentures/security deposits/credit facilities (amount unascertained).

(v) Note No. 10-regarding pending confirmation/reconciliation of balances of financial Institutions and certain banks.

(vi) Note No. 13-regarding non-provision against diminution in value of unquoted investments (amount unascertained).

(vii) Note No. 14(iv)-regarding non-provision against doubtful advances amounting to Rs.228.37 lacs.

(viii) Note No. 16-regarding accounting of income as stated in said note and reliving/discharging to the joint venture partners from demands/obligations/liabilities (amount unascertained) pending approval of R.B.I. and other necessary authorities.

(ix) Note No. 17(a)-regarding overdue sundry debtors and loans and advances aggregating to Rs.1688.87 lacs, the eventful recovery of which and provision there against, if any required cannot be commented upon presently.

(x) Note No. 17(b)-regarding pending confirmation/reconciliation from respective parties.

(xi) Note No. 19(ii) - regarding written off balance of Deferred Revenue Expenditure and to the extent effect on loss for the period.

(xii) Note No. 24-regarding non-provision of liability for Gratuity and Leave Encashment of Rs. 56.69 lacs. and Rs.5.02 lacs. respectively.

d) 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 subject to para c(XII) regarding provision of Gratuity and Leave encashment on cash basis.

e) In our opinion, the Profit & Loss Account and Balance Sheet comply with he Accounting Standards referred to in sub section (3c) of section 211 of the Companies Act 1956 except in respect of the following.

a) Non-provision against diminution (amount unascertained) in the value of unquoted investments (Refer Note no. 13 of Schedule 15).

b) Non-provision of liability for Gratuity and Leave encashment (Refer Note No. 24 of Schedule 15)

f) In our opinion and to the best of our information and according to the explanations given to us the said accounts subject to our comments in para (b) and (c) above and read together with other notes give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view :

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30.09.99.

b) In the case of the Profit and Loss Account, of the loss for the period ended on that date.

3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals during the period except as indicated in note no. 5(b)– of schedule 15 regarding Calcutta sales office (Including NER) and Bharatpur works.

g) As required by the Manufacturing and other Company (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we further report on the matters specified in paragraph 4&5 of the said Order that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets which needs to be updated. As per the programme, the Management has physically verified certain fixed assets of the Company and balance is in process of physical verification. However during the period such *records at Calcutta sale office (including* North Eastern Region) and Bharatpur Works due to suspension of operations as given in note no. 5(a)- of schedule 15 were not made available. Further, as indicated in note no. 5(b) - of schedule 15 and at certain locations the physical verification of fixed assets of the company could not be carried out during the period as per the programme designed by the company. In view of the above, the discrepancies, if any between book records and physical inventory have not have presently ascertained.
2. Non of the fixed assets have been revalued during the period.
3. The stock of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals during the period except as indicated in note no. 5(b) - of schedule 15 regarding Calcutta sales office (Including NER) and at Bharatpur works.
4. 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 except as indicated in note no. 5(b) - of schedule 15. Accordingly, it has not been possible to ascertain and comment on the discrepancies, if any in the stocks at the end of the period and the adjustments to be carried consequent to such verification and a ascertainment of amount thereof.
5. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of accounts.
6. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper and in accordance with normally accepted accounting principles read together with our comment in note no.7-of schedule 15 and as per past practice, excise duty on stocks of finished goods have not been considered as part of cost, as recommended by the Institute of Chartered Accountants of India in its revised Guidance Note on "Accounting Treatment of Excise Duty". *The valuation of stocks is on the same basis as in the previous period.*
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
8. The Company has not granted any loans to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The Company has given loans & advances in the nature of demand loans amounting to Rs.317.76 lacs including overdue interest Rs. 199.47 lacs. Necessary steps have been or are being taken up by the company for recovery of the principal amount and/or interest thereon. In respect of other loans and advances in the nature of loans given to employees and some of the parties, the repayment of principal and interest, wherever applicable, are generally in accordance with the stipulations. Interest free advances in the nature of demand loans have also been given by the company to its wholly owned subsidiaries.
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 the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets, and with regard to 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 services in pursuance of contract or arrangements entered in the register 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 have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
12. As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for loss has been made in the accounts read together with our comment in note no. 7-of schedule 15.
13. Except for shortfall in maintenance of liquid assets and non payment of certain deposits which had become overdue