

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



ANNUAL REPORT 1998

BOARD OF DIRECTORS

Mr. Raghu Murti
Chairman

Mr. Ram Nath Bansal
Mr. Deepak Mohla
Mr. R. S. Desikan

COMPANY SECRETARY

Mr. M. V. Rama Kanth

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants
15th Floor,
Dr. Gopal Das Bhawan,
28, Barakhamba Road,
New Delhi - 110 001

INTERNAL AUDITORS

H. K. S. & Associates
Chartered Accountants
510, Chiranjiv Towers,
43, Nehru Place,
New Delhi - 110 019

REGISTERED OFFICE

Modipuram - 250 110
Distt. Meerut (U.P.)

HEAD OFFICE

D-4, Okhla Industrial Area
Phase - I
New Delhi - 110 020

WORKS

Shahzad Nagar, Modipur,
Rampur (U.P.) - 244 901

BANKERS

Banque Nationale De Paris
Bank of Nova Scotia
State Bank of India
State Bank of Patiala
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Travancore

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the ELEVENTH ANNUAL REPORT together with Audited Statement of Accounts for the financial year ended December 31, 1998.

FINANCIAL RESULTS :

	Period ending December 31, 1998	(Rs. in Lacs) Period ending December 31, 1997
Sales & other Income	1921	1442
Profit before Interest & Depreciation	276	(90)
Interest & Financial Charges	130	233
Profit/loss before Depreciation	146	(323)
Depreciation	100	133
Net Profit/loss for the Period	46	(456)

OPERATIONS

The company reported sales of Rs. 18.62 Crores as against Rs. 13.18 crores in the previous year. The company earned a profit of Rs. 46 lakhs as against loss of 4.56 crores in the preceding year.

FINANCE

During the year the Company has repaid a sum of Rs. 30 lakhs to Financial Institutions and Banks and has fully repaid the entire term loan availed by it to the financial institutions.

JOINT VENTURE AGREEMENT

Subsequent to the Balance Sheet date a settlement agreement is entered between both joint venture partners on April 23, 1999 whereby Ing. C. Olivetti & C. transferred its holdings to Indian promoter and Olivetti waives the amount due to them by taking a token amount. As a consequence, the company had written back the amount due to them. Both the partners agree to terminate the Joint Venture Agreement mutually.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year within the meaning of section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS

Mr. R. N. Bansal retires by rotation and being eligible, offers himself for reappointment.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors' Comments

The leave encashment benefits are accounted for by the company as and when claimed by the employees and therefore no provision has been made in the accounts as referred in clause (e) of the Auditors' Report.

ADDITIONAL INFORMATION

The additional information required to be disclosed in terms of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure-A and form part of this report.

PERSONNEL

The particulars of employees as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in the Statement annexed hereto (Annexure - B) and form part of this report.

ACKNOWLEDGMENTS

The Directors wish to thank the Central Government, Government of Uttar Pradesh, Financial Institutions and the Company's Bankers for all the help and encouragement extended by them to the Company. Your Directors deeply acknowledge the continued trust and confidence that the customers and shareholders have reposed in the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the officers, staff and workers of the Company at all levels and for their dedication and loyalty.

BY ORDER OF THE BOARD

Place : New Delhi
Dated : July 1, 1999

(RAGHUNATH MURTI)
CHAIRMAN

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Statement of particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

(A) Conservation of Energy

The factory operations do not consume high energy. However, adequate steps have been taken to achieve high power factor by installation of shunt capacitor on power line. A low capacity generator has been installed to maintain safety, lighting during power cuts. High capacity generator is used only when required. There has been no increase in the energy requirement of the factory.

(B) Technology Absorption

The information required to be disclosed under rule 2 of the aforesaid Rules is given hereunder in Form B.

FORM 'B'

Form for disclosure of particulars with respect to Absorption, Research and Development (R&D)

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

No R & D was carried out during the year.

2. Benefits derived as a result of the above R & D

N.A.

3. Future Plan of Action.

Banking & finance sector continues to be the Company's main thrust area. The expertise acquired in R & D and systems integration will be further exploited to offer innovative solutions to our customers.

4. Expenditure on R & D

(a) Capital	NIL
(b) Recurring	NIL
(c) Total	NIL
(d) Total R & D expenditure as a percentage of total turnover	N.A.

Technology absorption, adaptation and innovation.

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

There is a continuous process involving knowledge, training and adaptation.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

Some of the more significant benefits have been in the achievements of indigenisation targets, improvement in productivity and reduction in cost.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.

(a) Technology imported

PR-50 Production

(b) Year of Import

1994

(c) Has technology been fully absorbed?

Yes, the technology has been fully absorbed.

(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

Not applicable

(C) Foreign Exchange Earnings and Outgo

The Company used Foreign Exchange amounting to Rs. 362 Lakhs and earned Rs. 31.50 lakhs Foreign Exchange during the period under review.

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Particulars of employees forming part of Director's Report for the period ended December 31, 1998 in terms of Section 217 (2A) of Companies Act, 1956.

Persons employed throughout the period who are in receipt of remuneration for the period which in aggregate was not less than Rs. 6,00,000.

Sr. No.	Name	Designation	Age (Years)	Qualification	Total Past Exp. (yrs.)	Last Employment Designation	Gross Remuneration(Rs.)	Date of Joining
1.	Arun Seth	Director-Systems	46	B.A., A.I.H.S.	25	DCM Data Products, Mgr. M.R.O.	842,509	01/02/90
2.	A. K. Tayal	G.M. Finance	41	B.Com. (Hons.), C. A.	17	Modi Xerox Ltd., Plant Chief Acc.	651,963	23/05/90

Notes :

1. All appointments are contractual. Other terms and conditions are as per company's rules.
2. Remuneration includes salary, leave encashment, incentives, actual expenditure incurred in connection with residential accommodation, house rent allowance, exgratia, reimbursement of medical expenses, L.T.A. etc.
3. None of the employees named above is related to any Director of the Company.
4. None of the employees, either individually or together with his spouse or dependent child, has held more than 2% of the equity of the company.

AUDITORS' REPORT**To the Members of MODI OLIVETTI LIMITED**

We have audited the attached Balance Sheet of Modi Olivetti Limited as at December 31, 1998 and the annexed Profit and Loss Account and Cash Flows for the period ended on that date.

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, and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of the audit, we report that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company including assets provided to employees were not physically verified by the management during the year ended December 31, 1998. Hence discrepancies, if any, could not be ascertained.
2. The fixed assets of the Company have not been revalued during the year.
3. The stocks of finished goods, work in progress, raw materials, components, stores & spares except stock in transit and stock lying with third parties have been physically verified by the management. In our opinion, the frequency of such verification is reasonable.
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.
5. The discrepancies between the physical and book stocks were not material and have been properly dealt with in the books of account.
6. Owing to the technical nature of inventories, we have relied upon the explanations of the management on the extent of devaluation of certain categories of inventories and also on write off of stock on loan to staff and stock with third parties, spares & rejected materials.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of Companies Act, 1956. By virtue of Companies (Amendment) Act, 1999, the provisions of Section 370 (1B) of the Companies Act, 1956 are no longer applicable.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of Companies Act, 1956. By virtue of Companies (Amendment) Act, 1999, the provisions of Section 370 (1B) of the Companies Act, 1956 are no longer applicable.
9. The Company has not given any loans or advances in the nature of loans to anyone except interest free advances to its employees and other parties, which are generally being recovered/adjusted in the ordinary course of business.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of bought out goods, raw materials, 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 company has not purchased any goods and materials and sold any goods, materials or services to any firms or companies or other parties 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 and finished goods. Adequate provision has been made in the accounts for loss arising on the items so determined.
13. The Company has not accepted any deposits from the public, within the meaning of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
14. The Company does not generate any realisable by-products and scraps.
15. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
16. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products of the Company.

17. According to the records of the Company, Provident fund dues and Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities during the year ended December 31, 1998.
18. According to the information and explanations given to us, except for sales tax of Rs. 8,152, there are no undisputed amounts payable in respect of Income Tax, Wealth tax, Sales tax, Customs Duty and Excise Duty as at December 31, 1998, which were due for more than six months from the date they became payable.
19. On the basis of our examination of the books of account, carried out in accordance with generally accepted auditing practices, and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to Revenue Account, other than those payable under contractual obligation or in accordance with generally accepted business practice.
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. The Company has a reasonable system of recording receipts, issues and consumption of raw materials and stores commensurate with the size and the nature of its service activities. However, considering the nature of the service activities rendered and the billing procedure of the Company, the management does not consider it necessary to have a system of allocation of consumption of materials, stores and man-hours consumed, to the relative job.
22. The Company has a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and the related system of internal controls is commensurate with the size of the Company and the nature of its service activities.
23. In respect of the trading activities of the Company, there is a procedure for determination of damaged finished goods and provision for the loss, wherever necessary, is made in the accounts.

Further to the above we state that :

- a) 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;
- 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 Profit and Loss Account dealt with by this report, are in agreement with the books of account;
- d) Subject to the matters referred to in clause (e)(i) below, the Profit & Loss Account and Balance Sheet comply with the accounting standards referred to in sub-section 3(c) of section 211 of the Companies Act, 1956.
- e) (i) Accrued liability for leave encashment benefits payable to employees of the Company has not been provided for. The effect of this non-provision on profit for the year has not been determined by the Company.
- (ii) The carried forward losses as at December 31, 1998 being Rs. 149,633,749 (Previous period Rs. 149,721,830) the ability of the company to continue as a going concern is dependent upon future profitability. (Refer Note 4 of Schedule L)
- (iii) Subject to the matters referred to in Clauses 1, 3, 6, 18 and sub-paragraphs (i) and (ii) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, 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 December 31, 1998 and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended December 31, 1998.

For Deloitte Haskins & Sells
Chartered Accountants

Place : New Delhi
Date : July 1, 1999

DEEPAK ROY
Partner