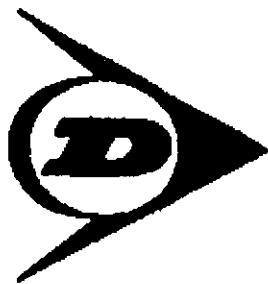


# ANNUAL REPORT



Report  Junction.com

## 1998-99

***DUNLOP INDIA LIMITED***

## BOARD OF DIRECTORS

**Mr. M R Chhabria**  
Chairman

**Mr. Y C Lumba**  
Whole-time Director

**Mr. B S Mehta**

**Mr. K Tozawa**

**Mr. M H Godhwani**

**Mr. T S Shettigar**

**Air Marshal P K Puri**

**Mr. R N Tripathi**

**Mr. Virendra Prakash**

### ALTERNATE DIRECTOR

**Mrs. Komal C Wazir**  
(Alternate to Mr. M R Chhabria)

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**Mr. S. K. Dhar**  
(Company Secretary & Chief Legal Officer)

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### Registered Office

'Dunlop House'  
57B Mirza Ghalib Street  
Calcutta 700 016

### Bankers

ANZ Grindlays Bank plc  
State Bank of India  
United Bank of India  
Citibank NA  
Standard Chartered Bank  
Allahabad Bank  
The Hongkong & Shanghai  
Banking Corporation  
The Bank of  
Tokyo-Mitsubishi Ltd  
The Catholic Syrian Bank Ltd  
The Federal Bank Ltd

### Auditors

Lodha & Co  
Chartered Accountants

### Solicitors

Mukherjee & Biswas

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# DUNLOP INDIA LIMITED

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### HOLDING OF EQUITY SHARES

	Equity Shares No	31.03.99 held %	Equity Shares No.	31.12.97 held %
Non-resident	75,61,093	39.82	75,60,886	39.82
Financial Institutions	63,28,524	33.32	63,32,024	33.34
Resident & Others	50,99,680	26.86	50,96,387	26.84
Total	1,89,89,297	100.00	1,89,89,297	100.00

### TEN YEAR SUMMARY

		1998-99 15 months	1997 9 months	1996-97 12 months	1995-96 15 months	1994 12 months	1992-93 18 months	1991-92 15 months	1990-91	1989-90	1988-89
Income	Rs. Crores	26.87	207.77	562.99	824.03	751.82	884.35	711.43	608.95	585.89	417.98
Operating Profit / (Loss)	Rs. Crores	(78.38)	(44.06)	33.19	68.79	45.71	47.93	37.69	41.36	41.53	43.09
Profit before Tax	Rs. Crores	(105.97)	(231.84)	5.80	39.00	12.56	13.18	5.11	14.29	14.05	18.81
Profit After Tax	Rs. Crores	(105.97)	(231.84)	5.14	39.00	12.56	7.67	2.43	5.34	8.15	9.99
Earnings per Equity share	Rs.	—	—	1.67	20.54	6.61	4.01	1.25	2.79	4.25	5.24
Dividends per Equity share	Rs.	—	—	1.00	2.00	2.00	2.00	1.00	3.00	3.00	3.00
Net Worth per Equity share	Rs.	41.19	110.91	232.90	234.10	177.21	184.39	129.37	134.12	92.14	93.95
Net Assets employed	Rs. Crores	192.11	294.90	532.85	542.81	446.59	448.08	349.82	344.72	260.37	250.72
Shareholder's Funds	Rs. Crores	78.21	210.60	442.25	444.53	336.50	350.13	246.37	255.39	175.67	179.17
Gearing	%	36.36	24.34	20.49	22.11	32.72	28.00	42.00	34.90	48.20	39.90

**DUNLOP INDIA LIMITED****REPORT OF THE DIRECTORS**

Your Directors present the 72nd Annual Report of the Company together with the audited accounts for the 15 months period from 1 January, 1998 to 31 March, 1999.

Summarised Final Results	Rs. in Crores	Rs. in Crores
Gross Profit/(Loss)		(78.38)
Less :		
Financing Charges	22.91	
Depreciation	4.68	
Profit/(Loss) Before Tax		(105.97)
Taxation (Minimum Alternate Provision)		—
Profit / (Loss) After Tax		(105.97)

**CURRENT STATUS**

As a result of the gradual deterioration of the Company's financial health and the net worth of the Company becoming negative in 1997, the Company became a sick industrial company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). In view of this, the Company applied to the Board for Industrial and Financial Reconstruction (BIFR) for registration. By its order dated 22.06.98, BIFR declared the Company as a sick industrial company, appointed the Industrial Development Bank of India (IDBI) as Operating Agency and directed the Company to submit a revival proposal under Section 17(3) of SICA to the operating agency. On an appeal preferred by the Company against the said order of the BIFR, the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) by its Order dated 18.05.99 directed the BIFR to consider the revival scheme under Section 17(2) submitted by the Company on merits. The BIFR after hearing the concerned parties, passed an Order on 9.8.99 appointing IDBI as the operating agency and directing the Company to submit to IDBI a revival scheme under Section 17(3) of SICA. The Scheme has been submitted and is now under consideration of IDBI.

Your Directors had reported in the previous Report that operations at the Company's Sahaganj and Ambattur units had been suspended on 7 and 8 February 1998 respectively. Operation at all the other units, except the Registered Office of the Company, was suspended subsequently from 2 August, 1999.

**FINANCIAL YEAR**

The financial year of the Company was from January to December. However, for Income-tax purposes the Company had to prepare annual accounts from April to March every year. The Company was experiencing practical difficulties in getting the two sets of accounts prepared and audited both in terms of time and cost. Your Directors, therefore, decided to change the financial year from January–December to April–March and also to extend the financial period for 12 months ending 31 December 1998 to 15 months period ending 31 March 1999. The financial accounts presented with this Report are, therefore, for 15 months period ended 31 March 1999.

**ANNUAL GENERAL MEETING**

On account of the various difficulties the Company has been experiencing, the Company was not in a position to hold the Annual General Meeting within the statutory period. The Company sought and has been granted extension of time upto 30 November 1999 for holding the Annual General Meeting.

**DIVIDEND**

In view of suspension of activities and the Company having been declared a sick industrial company under the provisions of SICA, 1985, your Directors regret that they are unable to recommend payment of dividend in respect of the period under review.

**PUBLIC DEPOSIT**

Fixed Deposits matured upto 31 March 1999 but not paid amount to Rs. 10,69,10,000, out of which claim for repayment of Rs. 9,41,63,000 has been received from the depositors. Claim for repayment of Rs. 1,27,47,000 has not been received.

The above amount has been included in the revival scheme submitted which is under consideration and repayment shall be made on finalisation of the Scheme by the Hon'ble BIFR.

**AUDITORS' REPORT**

In regard to the reservations/qualifications/adverse remarks in the Auditors' Report, the information/explanations are given in the Annexure appended hereto. The relevant notes on the accounts are self-explanatory.

**DIRECTORS**

Mr. T. S. Venkatesan was appointed as an Additional Director on 25 September 1998 and ceased to be a Director on his resignation effective 30 June 1999. Mr. P. J. Rao ceased to be a Director on his resignation effective 20 March 1999. Mr. Y. C. Lumba was appointed as a Director effective 20 March 1999 in the casual vacancy caused by the resignation of Mr. P. J. Rao. Mr. Lumba was also appointed as Whole-time Director for a period of 3 years with effect from 20 March 1999. Being an Executive Director of Hindustan Dorr Oliver India Ltd, Mr. Lumba draws his remuneration from the said Company. He will not draw any remuneration from the Company. The proposal for his appointment as a Whole-time Director is being placed before the members at this Annual General Meeting for approval. As recommended by the BIFR, Mr. Virendra Prakash was appointed as Additional Director effective 29th July, 1998. He will hold office upto this Annual General Meeting and is eligible for re-appointment. Notice under Section 257 of the Companies Act, 1956 have been received from members proposing the appointment of Mr. Y.C. Lumba and Mr. Virendra Prakash as Director.

Mr. M. R. Chhabria and Mr. M. H. Godhwani will retire from be Board by rotation at this Annual General Meeting pursuant to Article 89 of the Articles of Association of your Company and being eligible offer themselves for re-appointment.

**AUDITORS**

M/s. Lodha & Company, Chartered Accountants, the Auditors, will retire at this Annual General Meeting and being eligible offer themselves for re-appointment. In terms of Section 224(1B) of the Companies Act, 1956 a Certificate signifying their willingness for re-appointment, if considered, has been submitted with your Company.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956**

The statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, and particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1994 are attached to this



Report.

#### PERSONNEL

There has not been any appreciable change in the relationship with the employees from what was reported in the last report of the Directors.

#### SUBSIDIARY COMPANIES

During the period under report Falcon Tyres Ltd. ceased to be subsidiary of your Company. The Reports & Accounts of India Tyre & Rubber Company (India) Ltd. and Dunlop Investments Limited are attached.

For and on behalf of the Board  
M. R. Chhabria  
Chairman

Date : 5 November, 1999

#### ANNEXURE TO THE DIRECTORS' REPORT DATED 5 NOVEMBER 1999 - PURSUANT TO SECTION 217(3) OF THE COMPANIES ACT, 1956 ('THE ACT')

Reference is made to the disclaimer of the Auditors in respect of certain records and information. There has been suspension of operation in both the manufacturing units, the reasons for which had been reported earlier.

There has not been any change in the situation and operations in the Depots also were suspended for the same reasons in August, 1999. There has also been an exodus in all levels of managerial staff causing disruption in the availability of information.

However, the management feels that there may not be any material changes on account of lack of such information. Necessary adjustments will be effected on resumption of normalcy in operations.

For and on behalf of the Board  
M. R. Chhabria  
Chairman

Date : 5 November, 1999

**Statement of Particulars under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors Report for the 15 months period ended 31.03.1999.**

#### A. Conservation of Energy and Technology Absorption :

Operations at both the manufacturing units of the company having remained suspended from February, 1988, report on conservation of energy (except Power & Fuel consumption) and technology absorption are not furnished.

Particulars with respect to Power & Fuel consumption are furnished in Form A set out below.

#### B. Foreign Exchange Earnings and Outgo :

Earnings Rs. 1.09 Crores on account of export.

Outgo Rs. 0.12 crores on account of Import of raw materials.

#### FORM A POWER AND FUEL CONSUMPTION

		JANUARY 98 (1 Month) Total	31.12.97 (9 Months) Total
<b>1. Electricity</b>	<b>Unit</b>		
a) Purchased			
Unit	MWH	1129.5	13737
Total Amt.	Rs. Lakh	51.964	609.23
Rate/Unit	Rs/KWH	4.601	4.435
b) Own Generation			
(i) Diesel Gen Unit	MWH	334	3001
Units/Ltr of D. Oil	KWH/LTR	3.275	3.251
Cost/Unit	Rs/KWH	2.518	2.537
(ii) F. Oil Gen. Unit	MWH	90	9227
Units/Kg of F. Oil	KWH/KG	3.782	3.754
Cost/Unit	Rs/KWH	2.016	1.926
<b>2. Coal</b>			
Qty	TON	363.5	16987
Total Cost	Rs/Lakh	682.6	31902
Avg. Rate	Rs/TON	1878	1878
<b>3. Furnace Oil</b>			
Qty	TON	324.8	5152.9
Total Amt.	Rs/Lakh	24	376.81
Avg. Rate	Rs/KG	7.389	7.313
<b>4. Others/Int. Gen (D Oil)</b>			
Qty	KTR	103	943
Total Amt.	Rs/Lakh	8.50	78.02
Avg. Rate	Rs/LTR	8.26	8.27
<b>B Consumption/Ton of Prod</b>			
Purchased	MWH	1129.5	13737
Generated	MWH	424	12228
Electricity	KWH/TON	8703	2268
F. Oil (Elec. Gen) Qty	TON	24	2441
F. Oil (Elec. Gen)	KG/TON	133	213
F. Oil (Steam. Gen) Qty	TON	301	2712
F. Oil (Steam. Gen)	KG/TON	1686	237
Coall (Steam. Gen) Qty	TON	363.5	16987
Coall (Steam. Gen)	KG/TON	2636	1484
D. Oil (Elec. Gen) Qty			
KLTR	103	943	
D. Oil (Elec. Gen)	LTR/TON	577	82

**DUNLOP INDIA LIMITED****Statement under Sub-Section (2A) of Section 217 of the Companies (Particulars of Employees) (Amendment) Rules 1994 and forming part of the Directors' Report for the 15 months period ended 31.03.1999.**

Name	Age	Designation/ Nature of Duties	Qualifications	Remuneration (Rs.)	Date of commencement of employment	Working Experience	Previous Employment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Mr. S. Badrinathan	54	Sr. VP-Mktg.	B.A., PGDBM	16,73,210	01.08.87	32	Nirlon India Ltd.
Mr. A. K. Banerji	60	VP - Finance	M.Com., F.C.A. E.C.M.A. (U.K.)	13,67,902	16.01.98	34	World Bank Consultant Ministry of LOC, Govt. of Housing Const. of Sri Lanka Tata Iron & Steel Co. Ltd.
* Mr. B. Banerjee	48	GM-Public Relations	M.A.	6,49,800	14.11.94	21	
* Mr. R. N. Bajerjee	56	AVP - Co-ordination	B.A.	2,30,431	07.09.64	34	First Employment
* Mr. A. K. Bandyopadhyay	51	GM-Industrial Products, Sahaganj	B.E.(Mech.)	1,78,958	09.02.81	18	Durgapur Steel Plant
Mr. P. K. Bhattacharjee	50	DGM - Tyres	B.E. (Mech.)	3,92,959	15.12.78	27	Bata India Ltd
* Mr. T. K. Bhattacharya	55	GM-Salaries & Insurance Administration	M.Com., L.L.B. AIII	3,04,200	09.04.73	35	India Reinsurance Corp. Ltd
Dr. R. N. Chakraborty	53	V.P. & Company Secretary	M.Com., LLB FICWA, GDCS, FCS MBIM (Lond.) Ph.D.	9,33,900	18.06.97	30	BOC India Ltd
* Mr. S. K. Chakraverti	48	AVP - Aero	M.Sc.	2,21,838	01.02.75	25	Jay Engineering Ltd
Mr. T. K. Chandra	46	GM - Conveyor Belting	B.Sc.	5,30,696	16.06.89	28	Andrew Yule & Co. Ltd
Mr. S. Chaurasia	43	AVP - Materials	B.Com. (Hons.)	5,81,850	15.12.80	18	First employment
Mr. K. Dasgupta	43	DGM - Systems	B.E., M.E.	4,33,980	16.07.80	18	First employment
* Mr. A. K. Dutta	48	GM - Tyres (Sahaganj)	B.E. (Mech.)	1,59,042	08.01.93	28	Tyre Corp. of India Ltd
* Mr. A. Durairaj	54	VP - Operations (Sahaganj)	M.Sc.	3,62,520	01.09.66	31	First employment
* Mr. K. Ganesan	41	GM - Ambattur	DMB, AMIE	1,69,632	19.09.85	20	Modi Star
* Mr. R. K. Kakkar	53	GM - Utility (Sah.)	B.Sc.	3,39,460	08.08.94	32	Indag Rubber Ltd
* Mr. K. S. Loganathan	51	AVP - Technical	B.Tech., M.Sc. (Engr.), FSEI, MPRI	2,03,940	01.09.69	29	First employment
Mr. M. Mallik	42	VP - Strategic Planning & Exports	B. Tech. (Hons.)	8,39,100	01.09.96	18	Shaw Wallace & Co. Ltd
* Mr. Pradeep Mitra	51	AVP - Manufacturing Services	B. Tech. (Hons.)	2,53,524	04.08.69	30	First employment
* Mr. R. Mukherjee	43	GM - Replacement	B.B.M., M.B.M.	2,17,837	07.11.79	20	First employment
* Mr. A. Munshi	54	GM - East	B.Sc. (Eng.)	2,40,828	18.04.94	30	Tyre Corp. of India Ltd
* Mr. A. Mukhopadhyay	34	GM - T & CF	B.Sc., C.A.	1,88,280	08.08.97	10	Falcon Tyres Ltd
Mr. A. Nandy	54	AVP - Personnel	M.A., M.B.A.	2,14,329	23.12.97	24	Shalimar Paints Ltd
Mr. S. R. Pereira	50	GM - Mgmt. Accounts	B.Com. PGDBM	4,66,200	03.04.95	20	Tata Engineering & Locomotive Co. Ltd
Mr. A. Roy Chowdhury	54	AVP - Internal Audit	B.Com., A.C.A.	5,72,530	01.01.72	27	Sen & Pandit (P) Ltd
Mr. B. Sensarama	55	AVP - I.R.	M.A., L.L.B.	3,47,810	01.03.76	27	Govt. of West Bengal
* Mr. A. Srivastava	46	VP - Finance	B.Sc. (Hons.), A.C.A.	3,19,006	14.08.92	21	Tata Iron & Steel Co. Ltd
Mr. K. Subramanian	58	AVP - Operations Ambattur	B.Sc., M.A.	5,34,420	15.07.94	35	Vikrant Tyres Ltd
Mr. A. K. Talapatra	38	GM - Corporate, Planning	M.Sc., M.B.A.	4,68,116	06.01.86	15	Ananda Bazar Patrika Ltd
* Mr. R. Tandon	42	GM - IRP	B.Com., M.B.A.	1,45,200	01.02.83	21	India Tyre & Rubber Co. (India) Ltd
* A. Wadhwa	51	VP - Tyre Business Group	B.Sc. (Eng.)	4,39,100	08.02.71	28	First employment

\* Part Employment.

**Note :**

1. Remuneration includes Salary, Bonus, Contribution to Employee Benefit Funds and Perquisites valued in accordance with the Income-Tax Rules, 1962. Remuneration shown in Column 5 is for the period from 01.01.98 to 31.03.99.
2. Employees marked "\*" were in employment for a part of the period under review.





## AUDITORS' REPORT

TO THE MEMBERS OF DUNLOP INDIA LIMITED

We have audited the attached Balance Sheet of Dunlop India Limited as at 31st March, 1999 and also the Profit and Loss Account for the period of 15 months ended on that date and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and according to the information and explanations given to us and on the basis of such checks as we have considered appropriate and subject to non availability of relevant details/information/records due to the reasons given in Note 5 of Schedule 17, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said Order to the extent applicable to the Company.
2. Due to reasons given in Note 6 of Schedule 17, the accounts of the Company have been prepared on the basis that it is a going concern though the accumulated losses of the Company as on 31.03.99 have exceeded its net worth as on that date and the Company has been declared a sick company by the Board for Industrial and Financial Reconstruction (BIFR) within the meaning of section 3 (1) (o) of the Sick Industrial Companies Act, 1985. However, its ability to continue as a going concern is dependant upon the rehabilitation measures which are yet to be finalised and implemented and its future profitability and financial viability, on which we are unable to express any opinion presently.
3. As indicated in Note 35 of Schedule 17, the plant and machinery and equipments which are required to be made Year 2000 (Y2K) compliant have not been inventorised and consequential impact thereof on operations of the Company has not been ascertained. In view of this and in absence of any future program including the contingency measures etc. required to be taken in this respect, we are unable to express our opinion on the possible impact thereof on the assessment of going concern, magnitude of its costs and/or impact on future operations of the Company.
4. As indicated in Note 5 (a) of Schedule 17, relevant records in respect of the manufacturing units, sales depots and various other divisions/departments were not available for our verification. Consequently, figures compiled by the Company for the purpose of these accounts including the qualitative details/information as given under Schedule 13 and notes 36, 37 and 39 of Schedule 17 or elsewhere could not be verified by us with respect to the primary and secondary records and supporting documents and details. Accordingly, in the absence of relevant details/records and/or full information/reconciliations/confirmations, we are unable to express any opinion on the amounts of various assets and liabilities, expenses and income and impact thereof on the loss and networth of the Company including with regard to (a) fixed assets as given in Note 5(b)(i), (b) inventories as given in Note 5 (b)(ii), (c) cash balance as given in Note 5 (b)(iii), (d) sundry debtors, rebates discounts, commissions etc. as given in Note 5(b)(iv), (e) other debit and credit balances as given in Note 5(b) (v), (f) capital work in progress as given in note 8, (g) cash credit, overdraft and current account balances and deposits with banks as given in Note 14, (h) liabilities in respect of items disclosed under contingent liabilities and adequacy of the disclosure/provisions in this respect (Notes 3 and 4), (i) the possible diminution in value of investments aggregating to Rs.45.25 crores (including Rs. 15.70 crores correspondingly credited to investment reserve) issued by Shaw Wallace Properties Limited (SWPL) in exchange of investments in erstwhile subsidiaries amalgamated with the said company as per Note 20 and shortfall in recovery of loans and advances aggregating to Rs 48.40 crores which are outstanding for a considerable period of time and adequacy of the

provision for contingencies amounting to Rs. 55 crores (Notes 22 and 32) and non determination of the extent of adjustments/ impacts arising therefrom.

5. Attention is drawn to (a) Note 15 of Schedule 17, regarding inclusion of consignment sale as sale and pending reconciliation/confirmation of amount thereof, (b) Note 13 regarding writing back of liabilities and provisions against respective revenue heads directly and non determination of impact of these including those relating to earlier years, (c) Note 12, regarding non ascertainment/provision of full liability of salaries and wages and other employee related costs, (d) note 28(a) and 28(b), regarding non ascertainment /provision of certain slow/non moving and other items and of stocks lying in port/bonded warehouse for a considerable period of time, (e) Notes 9, 10, 18, 27(a) and 27(b) regarding non adjustment/ascertainment of Income Tax liability and non provision/ascertainment of other statutory liabilities and interest thereon, if any, pending determination of amount thereof, (f) Note 24 regarding payment of remuneration to directors in excess of the ceiling prescribed in this respect and Rs.0.02 crores for which necessary approvals were not obtained, (g) Note 25 regarding delay/non payment/ non transfer of dividend, (h) Note 29 regarding non provision/ determination of interest/additional liability pending final decision/ settlement, (i) Note 30(a) regarding provision of gratuity payable to the employees who have left the services of the company on estimated basis, (j) Note 11 regarding non ascertainment /provision for overdue interest including penal/compound interest/charges on the overdue amounts of lease rentals, accrued interest on debentures other secured and unsecured loans and liabilities, (k) Note 30(b) regarding non provision/non maintenance of liquid assets in respect of fixed deposits, non reconciliation of the balance of fixed deposits and non provision/ ascertainment of penal compound interest and consequential adjustments arising therefrom, (m) Note 31 regarding non provision of Royalty, (n) non disclosure of dues to small scale industries and differences due to foreign exchange fluctuations as given in note 34&33 (p) accounting of loan from Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC) and non availability of agreement and other relevant details including securities with respect thereto and (q) and note 26(f) & note 16 regarding non ascertainment/ provision of customs, port charges, excise duty etc. in respect of stocks and capital goods and interest thereon.

Impact of the adjustments including with regard to various legal and other implications arising with respect to our remarks under paras 2 to 5 above or otherwise including on resumption of normal operations of the Company has not been ascertained.

6. Further to above and subject to our comments in paragraph (1) and the Annexure referred therein and paragraphs 2 to 5 above, we report 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, the said accounts given in the prescribed manner the information required by the Companies Act, 1956 and proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books and the said Balance Sheet and Profit and Loss Account are in agreement with the books of account as maintained and produced to us for our verification;
  - (iii) In our opinion, subject to Note 13 of Schedule 17 regarding non ascertainment and non disclosure of prior period and extra ordinary items, note 22 regarding non provision for diminution in the value of investments, note 5(a) regarding non ascertainment of events occurring after the date of balance sheet, note 33 regarding non disclosure of

**DUNLOP INDIA LIMITED**

difference on account of foreign exchange fluctuation separately the Balance Sheet and the Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(iv) In view of our observations in para 1 and the Annexure referred to therein and paras 2 to 5 above and non availability of all relevant records and details, we are unable to express our opinion, whether the said accounts give a true and fair view:

- i) In the case of the balance sheet, of the state of the affairs of the company as at 31st March, 1999, and
- ii) In the case of the profit and loss account, of the loss of the company for the period of 15 months ended on that date

For Lodha & Co.  
Chartered accountants

Date: 5th day of November, 1999

P. L. Vadera  
Partner

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF DUNLOP INDIA LIMITED FOR THE PERIOD OF 15 MONTHS ENDED ON 31ST MARCH, 1999:**

1. In view of the non availability of records, we are unable to comment on the state of the records in respect of fixed assets except in respect of head office where these were under reconciliation with the control ledger balances. Further, as indicated in Note 5(b)(i) of Schedule 17, the physical verification of the fixed assets of the Company could not be carried out during the period. In view of the above, it is not possible to ascertain and comment on the discrepancies, if any, between the book records and the physical inventory.
2. None of the fixed assets have been revalued during the period.
3. As indicated in Note 5(b)(ii) of Schedule 17, the physical verification of the finished goods, stores and spare parts and raw materials, including those lying in transit, in bond and with third parties could not be carried out during the period. In respect of stocks with third party and those lying under Bonds, ports, other sites etc., confirmations from the parties were not available. 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 ascertainment of amount thereof.
4. In view of our observations in notes 5(a), 5(b)(ii), 16 and 28, it has not been possible for us to ascertain whether the valuation of stocks of finished goods, stores and spare parts, raw materials is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the earlier period.
5. As far as we could ascertain from the relevant records and registers maintained at the Head Office and based on management's representation, the rate of interest and the terms and conditions of a secured loan taken from a company listed in the register maintained under Section 301 of the Companies Act, 1956 are prima facie not prejudicial to the interest of the Company. As informed, there are no companies under the same management as defined under Section 370 (1-B)(since not operative) of the Companies Act, 1956.
6. As far as we could ascertain from the relevant records and registers maintained at the Head Office and based on management's representation, the rates of interest and other terms and conditions of

loans, secured or unsecured, granted to companies, firms or other parties listed in the register maintained under Section 301 of the companies Act, 1956, excepting to the extent included under Note 21 of Schedule 17 where recoveries of neither principal nor interest amounts have been made for a considerable period of time, are not prima facie, prejudicial to the interest of the Company. We have been informed that there are no companies under the same management as defined under Section 370(1-B)(since not operative) of the Companies Act, 1956.

7. In respect of the loans and advances in the nature of loans given by the Company to subsidiaries, employees and others, there are defaults in repayment of the principal amounts and in payment of interest (wherever applicable). Cases where repayments have not been made regularly include loans and advances indicated in Note 21 of Schedule 17, to subsidiaries and others. We have been informed that in all cases of delays or defaults, steps are being taken for recovery/adjustment of principal amount along with interest due thereon. However, this could not be validated by us.
8. In view of non availability of information/records, we are not able to comment on the adequacy of internal control procedures for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
9. As explained, there were no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuant to contracts or arrangements as entered in the register maintained under Section 301 of the Companies Act 1956, aggregating during the year to Rs. 50,000 or more in respect of each party.
10. In view of non-availability of information/records, the Company has not determined the unserviceable or damaged stores, raw materials and finished goods. Necessary provisions as estimated by the management for the losses thereagainst, has been made during the period. However, we are unable to comment on the adequacy or otherwise of such provision in the absence of relevant details and information.
11. Reference is invited to note 30(b) of Schedule 17 inter alia dealing with non reconciliation of individual balances of fixed deposits with control account, non maintenance of liquid assets, non submission of requisite returns and non payment of deposits fallen due for payment. Other than these, as far as we could ascertain, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to deposits accepted from the public.
12. Records for sale and disposal of realisable scrap could not be made available to us for verification and hence we are not able to comment on the same. There are no by products.
13. As explained, due to the situation prevailing in the company on account of suspension of operations, internal audit of the company could not be carried out during the period.
14. In view of the suspension of operations at the manufacturing units of the Company, the cost records and accounts prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 could not be reviewed by us.
15. In view of non availability of information, records, details, reconciliations relating to banks and other debit and credit balances and confirmations thereof and non ascertainment of provisions required to be made in respect of employee related expenses, we are unable to comment on the status of payments of Provident and Employees State Insurance dues and the amount lying in arrears thereof as on 31.03.99. However, the liability as per the book balance as on 31.03.99 was Rs.0.52 crores (Note 9 of Schedule 17)
16. a. The Company has been advised that it is not liable to pay sales tax on assets sold on lease back basis.





- b. We have been explained that in respect of materials lying at bonded warehouse and ports for considerably long periods, the custom duty will be payable only on the date of clearance of these.

In view of suspension of operations and non availability of information / records as given in note 5 (a) of schedule 17 and having regard to Note 5(b)(v) regarding non reconciliation / confirmation of debit and credit balances, Note 14 regarding pending reconciliation of bank balances and the non ascertainment of the status of liability with regard to contingencies/claims referred to note 4, 10, 18 and 27 of Schedule 17, we are unable to comment on the amounts of Income Tax, Sales tax, excise duty and custom duty outstanding as on the date of balance sheet for more than six month from the date they became payable. However, the liability as per the book balance as on 31.03.99 was Rs.7.25crores (Note 9 of Schedule 17)

17. During the course of our examination of books of account to the extent made available to us and subject to reconciliations in respect of banks etc., and non availability of supportings /information / records etc., we have not come across any personal expenses which have been charged to revenue account nor have we been informed of such cases by the management, other than those payable under contractual obligations or in accordance with generally accepted business practices.
18. As indicated in Note 5 of Schedule 17, the Company has become a Sick Industrial Company within the meaning of section 3 (1) (o) of the Sick Industries Companies Act, 1985. Necessary reference to the Board of Industrial and Financial Reconstruction (BIFR) as per the applicable provisions of the said Act has been made.
19. In respect of trading activities, as far as ascertained from the available information, we have been explained that there were no damaged goods.

For Lodha & Co.  
Chartered accountants

P. L. Vadera  
Partner

Date: 5th day of November, 1999