Ecoplast Limited

Twentieth Annual Report [illegible]ment of Accounts for the year ended 31st M[illegible]

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Ecoplast Ltd.

Twentieth Annual Report 2001-2002

Board of Directors	:	Mr. P. P. KHARAS	– Chairman & Managing Director
		Mr. JAYMIN B. DESAI	– Executive Director
		Mr. BANKIM B. DESAI	– Director
		Mr. P. D. KARKARIA	– Director
		Mr. J. A. MOOS	– Director
		Mr. BHUPENDRA B. DESAI	– (Alternate to Mr. Bankim B. Desai)

Secretary : Mr. M. S. Moholkar

Bankers : UNION BANK OF INDIA
M. S. Marg,
Mumbai – 400 023.

Legal Advisors : M. S. Bodhanwalla & Co.
Motlibai Wadia Building,
22D, S. A. Brelvi Road,
Fort, Mumbai – 400 001.

Auditors : M/s. AKKAD MEHTA & CO.
Chartered Accountants,
10, Ketayun Mansion,
Shahaji Raje Marg,
Vile Parle (E),
Mumbai – 400 057.

Share Registrars & Manager to the Fixed Deposit : Tata Share Registry Ltd.
Army & Navy Building,
148, Mahatma Gandhi Road,
Fort, Mumbai – 400 001.

Registered Office : National Highway No. 8,
Water Works Cross Road,
Abrama,
Valsad – 396 001, GUJARAT.
E-Mail : eco_ad1@sancharnet.in

Head Office : 4, Magan Mahal,
215, Sir. M. V. Road,
Andheri (E), Mumbai-400 069.
E-Mail : ecoplast@bom3.vsnl.net.in

Web site : http:\\www.ecoplastindia.com

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NOTICE TO MEMBERS

NOTICE is hereby given that the TWENTIETH Annual General Meeting of the Company will be held at the Registered Office of the Company at National Highway No. 8, Water Works Cross Road, Abrama, Valsad-396 001, at 11.00 a.m. on 27th September, 2002 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended on that date, and the Reports of the Directors and the Auditors thereon.

2. To declare a Dividend on Equity Shares for the financial year 2001-2002.

3. To appoint a Director in place of Mr. J.A. Moos, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and fix their remuneration. M/s. Akkad Mehta & Co., Chartered Accountants, retiring Auditors of the Company are eligible for reappointment.

By Order of the Board

P. P. KHARAS
Chairman

Place : Mumbai
Dated : 27th July, 2002

Notes :

(a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.

(b) The Register of Members and the share transfer books of the Company will remain closed from 6th September, 2002 to 27th September, 2002 (both days inclusive).

(c) Dividend as recommended by the Directors for the year ended 31st March, 2002 if declared, will be payable to those shareholders whose names appear in the Register of Members as at the close of business on 6th September, 2002 and the dividend warrants will be posted to them on or after the date of AGM.

(d) Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company at least 7 days before the meeting, so that relevant information can be kept ready at the meeting.

(e) Members are requested to notify any change in their address to the Tata Share Registry Ltd., Army & Navy Building, 148 Mahatma Gandhi Road, Fort, Mumbai - 400 057.

FINANCIAL HIGHLIGHTS		31.3.2002	31.3.2001	31.3.2000	31.3.1999	31.3.1998
OPERATION						(Rs. '000)
Sales (Net)		**319,955**	245,918	214,939	133,491	161,549
Other Income		**1,650**	1,715	1,626	1,104	861
Operating Income [Before depreciation]		**30,253**	20,328	14,053	5,862	10,430
Profit before tax		**21,540**	14,443	8,423	547	5,314
Profit after tax		**14,461**	9,803	6,983	547	4,864
Dividend and Corporate Tax thereon		**5,400**	4,628	3,660	0	1,980
Retained earnings		**9,061**	5,175	3,323	547	2,884
Earnings per Share (Rs.) [On Face Value of Rs.10/-]		**4.82**	3.27	2.33	0.18	1.62
ASSETS						
Gross Block		**167,306**	155,067	140,133	136,987	126,851
Net Block		**110,354**	105,353	96,522	99,825	96,041
Net Current Assets		**79,419**	67,494	47,503	49,900	64,849
Total Assets		**223,869**	208,513	189,837	182,049	186,905
NET WORTH						
Equity Capital		**30,000**	30,000	30,000	30,000	30,000
Reserves and Surplus		**73,023**	88,126	84,246	81,970	82,469
Net worth		**103,023**	118,126	114,246	111,970	112,469
Book value per share (Rs.) [On Face Value of Rs.10/-]		**34.34**	39.38	38.08	37.32	37.49
BORROWINGS						
Long Term		**17,147**	10,136	3,124	10,846	14,623
Short Term		**49,323**	48,252	30,351	29,343	36,596
		66,470	58,388	33,475	40,189	51,219
RATIOS						
Profit before tax to Sales and other Income	%	**6.70**	5.83	3.89	0.41	3.27
Profit before tax to Net Worth	%	**20.91**	12.23	7.37	0.49	5
Dividend to Equity Capital	%	**18**	14	10	0	6
Dividend to Net Worth [Yield]	%	**5**	4	3	0	1.76
Return on Capital Employed	%	**18**	16	15	8	12
Dividend cover	Times	**2.68**	2.12	1.91	0	2.46
Current Ratio	Ratio	**1.70:1**	1.34:1	1.40:1	1.59:1	1.78:1
Long Term Debt:Equity	Ratio	**0.57:1**	0.34:1	0.10:1	0.36:1	0.49:1

DIRECTORS' REPORT

To
The Shareholders,

The Directors are pleased to present the Twentieth Annual Report and Audited Accounts for the year ended 31st March, 2002.

1. **FINANCIAL RESULTS**

(Rs.'000s)

	31.3.2002	31.3.2001
Net Sales	**3,19,955**	2, 45,851
Other Income	**1,650**	1,715
Sales and Other Income	**3,21,605**	2,47,566
Operating Profit *(before Depreciation)*	**30,253**	20,328
Less : Depreciation	**8,713**	5,885
Profit before tax	**21,540**	14,443
Less: Provision for tax		
Current Tax	**6,260**	4,640
Deferred Tax	**642**	–
Profit After Tax	**14,638**	9,803
Less : Short Provision for Tax for Prior Period (Net)	**177**	–
Profit for the year	**14,461**	9,803
Add : Balance brought forward	**11,137**	8,462
	25,598	18,265
APPROPRIATION		
Transfer to General Reserve	**2,500**	2,500
Dividend on Equity Shares	**5,400**	4,200
Corporate Dividend Tax	–	428
Balance Carried Forward.	**17,698**	11,137
	25,598	18,265

2. **OPERATIONS:**

Rural and agricultural incomes continue to remain depressed, affecting the consumption and sale of Fast Moving Consumer Goods and consequently the demand for films in the domestic flexible packaging market segment.

The Company's expansion of its multilayer film capacity in anticipation, of a rising demand from other market segments was rewarded, in terms of higher business volumes. While domestic sales volumes grew by only 11%, export sales volumes showed an encouraging growth of 400% and largely compensated for a sluggish demand in the domestic flexible packaging market.

Over all, sales volume and operating income grew by 35% and 30% respectively over that of the previous year. Net profit after tax improved by 47 % based on higher sales, realisations, lower overheads in relation to sales volumes and lower interest costs.

The Company's films were sold to a wide range of industries :

Packaging of Fast Moving Consumer Products such as shampoos, detergents, ketchup, beverages, milk powder, salt, soup powders; automobile; surface protection films and films for lamination to aluminum foil used as a component in the *manufacture of telecom cables.*

3. **DIVIDEND :**

The Directors recommend a dividend of 18 % for the year on the equity capital to the Members, for approval at the Annual General Meeting.

The dividend for the Financial Year 2001-2002 shall be taxable at the hands of the members and shall also be subject to deduction of tax at source. (if applicable).

4. **CAPITAL & FINANCE :**

The Company's Working Capital facilities with Union Bank of *India were renewed at Rs. 50.00 million with some modifications* to suit the Company's requirements.

The Company obtained a term loan of Rs. 11.23 million from Union Bank of India for the purchase of Plant and Machinery. The company has repaid Rs. 4.30 million against the term loan to Union Bank of India and Rs. 0.21 million to Gujarat State Financial Corporation.

5. **BORROWING :**

The Company continued accepting Fixed Deposits from the public during the year under review. The Company has collected Rs. 5.48 million under the scheme during the year. At the close of the year there were no Fixed Deposits due for payment which remained either unclaimed or unpaid except 5 deposits amounting to Rs.69,000/- which have matured but not claimed. The Company has complied with all the requirements of the Companies (Acceptance of Deposits) Rules 1975.

6. **PROSPECTS FOR THE CURRENT YEAR :**

The current year poses several challenges, to maintain the rate of growth. The focus will be on improving operating efficiencies and reducing costs, while at the same time pursuing export markets and developing new applications for films in hitherto uncharted areas, to maintain the growth and profitability in the longer term.

7. **CONSERVARTION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Information in accordance with Clause (e) of sub-section (1) of section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 31st March, 2002 is given in the Annexure to the Report.

8. **PARTICULARS OF EMPLOYEES :**

Information as per Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not provided, as the same is not applicable to employees of the Company.

9. **AUDITORS' QUALIFICATIONS :**

The Auditors have qualified their Report with regard to the issue of Bonus Shares to the tune of Rs. 10 Million by capitalisation *of Revaluation Reserve on the plea that this is contrary to the* recommendation of the Institute of Chartered Accountants of India.

In this connections the Directors would like to clarify that the Company has been legally advised that the provisions of the Companies Act, 1956 do not prohibit or restrict the Company from capitalising its Revaluation Reserves by issue of Bonus Shares. The Capitalisation does not involve any release of the Company's assets to its shareholders, and in fact it freezes *any possibility of its distribution except in the event of winding* up. This legal position has been confirmed by English Courts in the case of Dimula Valley (Ceylons) Tea Ltd. v. Laurie.

Further more the Memorandum and Articles of Association also provides for and permits the capitalisation of Revaluation Reserves by issue of Bonus Shares. The Bonus Shares were issued when the Company was closely held Company, to whom the guidelines for issue of Bonus Shares by Public Company, as framed by SEBI, did not apply at the relevant time.

The recommendation was issued by the Institute of Chartered Accountants of India Subsequent to the Company's issue of Bonus Shares. The Directors are therefore of the opinion that both according to the accounting principles and principles of Company Law, the Company is justified in capitalising its Revaluation Reserve.

10. **SUBSIDIARY COMPANY :**

As required u/s 212 of the Companies Act, 1956 annexed hereto are the Audited Statement of Accounts, Report of Board of

Directors and Auditors for the year ended 31st March 2002 of Jampore Printers Ltd.

11. **LISTING OF EQUITY SHARES ;**
The Company's Equity Shares are listed on the Stock Exchange, at Mumbai, Baroda and Ahmedabad.

Company's Shares are now traded in dematerialised Form.

The Company has paid listing fees for the period 1st April, 2002 to 31st March, 2003.

12. **DIRECTORS:**
Mr. J.A. Moos, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

13. **CORPORATE GOVERNANCE :**
Although the guidelines prescribed by SEBI on Corporate Governance are not applicable to your Company for the year under report, effective steps have been initiated to comply with the guidelines.

14. **DIRECTORS' RESPONSIBILITY STATEMENT :**
The Directors have fulfilled their responsibility for the preparation of the accompanying financial statements by taking all reasonable steps to ensure that :

- These statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgments and estimates that are reasonable and prudent have been made where necessary.
- The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- The Company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures, and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties. The company's internal auditors conduct regular internal audits, which complement the internal controls. "Integrity"is one of the core values of the Company, which prescribes that the company and all employees are to maintain the highest ethical standards and that its business practices are to be conducted in a manner above reproach.

The Company's statutory auditors, M/s Akkad Mehta & Co. have audited the financial statements in accordance with generally accepted auditing standards and practices as indicated in their report.

The Directors are satisfied that the Company has adequate resources to continue its business in the foreseeable future and consequently consider it appropriate to adopt the Going Concern basis in preparing financial statements.

15. **AUDITORS :**
M/s. Akkad Mehta and Co. Chartered Accountants, Auditors of the Company retire at the Annual General Meeting. They are however, eligible for reappointment. A Certificate to the effect that their re-appointment if made, will be in accordance with the limit specified in sub-section (1-B) of Seciton of 224 of the Companies Act, 1956 has been furnished.

16. **ACKNOWLEDGEMENT:**
The Board Wishes to place on record its appreciation for the efforts and dedication of all employees which led to improved results in an unfavourable business environment. The Directors wish to acknowledge the support and co-operation extended by Union Bank of India. The Gujarat State Financial Corp. and not the least its shareholders for their continuing support and confidence in the Company.

On behalf of the Board of Directors

P. P. KHARAS
Chairman & Managing Director

Place : Mumbai
Dated : 27th July, 2002

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT.

A. **CONSERVATION OF ENERGY:**
Adequate measures have been taken to avoid waste of energy. The requirement of disclosure with respect to conservation of energy is not applicable to the Company.

B. **TECHNOLOGY ABSORBTION:**
RESEARCH & DEVELOPMENT (R & D)

1. Specific areas in which R & D was carried out by the Company:
The development of film structures as import substitutes for:-
   - Processed food packaging
   - Thermal Laminating films

   The other major development involved making a film used in the manufacture of Telephone Cable for export.
2. Benefits derived as a result of above R & D:-
These developments resulted in the Company entering Speciality films market and higher value added films.
For our customers these developments meant better cost-performance benefits.
These developments helped savings in foreign exchange by reducing imports of these films.
3. Future plan of Action:
(a) To continue development of special purpose films which are currently being imported.
(b) To evaluate new generation of polyolefins, that have the potential to provide lighter weight packaging (reducing thickness), without compromising on performance or can be employed for higher packaging speeds, while at the same time reducing leaker rates.
(c) To simulate packaging conditions and provide to customers comparative behaviour patterns of existing and new polymers on packaging systems.
4. **R&D Expenditure**

(Rs.'000)

		31.3.2002	31.3.2001
a.	Capital Expenditure	–	51
b.	Recurring Expenditure	501	430
c.	Total Expenditure	501	481
d.	Total R&D Expenditure as a percentage of total turnover (Indirect overheads in terms of significant time, effort and the infrastructure supporting the R & D programme are not reflected in the above figures)	0.16%	0.20%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

Continuous efforts are made towards technology absorption, adoption and innovation by developing new film structures for applications in speciality market segments. The thrust has been on improving the quality of all products and developing new products to compete effectively in the market place.

No technology has been imported by the Company over the last five years.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with regard to Foreign Exchange Earnings and Outgo appear in Schedule 17 under Note 13 forming part of the accounts.

On behalf of the Board of Directors

P. P. KHARAS
Chairman & Managing Director

Place : Mumbai
Dated : 27th July, 2002

MANAGEMENT DISCUSSION & ANALYSIS

The Industry

The demand for "fast moving consumer goods" (FMCG) was once again restrained by the down turn in the economy. This affected the domestic demand for flexible packaging, where the Company's film is utilised by customers for lamination to various substrates.

The significant over-capacity in the lamination or converting industry, resulted in competitive pressures on prices from the FMCG companies, which ultimately impacted on prices of film sold to the converting industry. Several convertors in the unorganised sector have been restrained in expanding business, by poor cash flows and limitations on working capital ; some are facing imminent closure.

The Management having earlier sensed this unfavourable development in the domestic flexible packaging industry moved to developing export markets, from the year 1999.

Opportunities & Outlook

"Greatness is not in where we stand, but in what direction we are moving. We must sail sometimes with the wind and sometimes against it – but sail we must, and not drift, nor lie at anchor." – Oliver Wendell Holmes

Over a three year period, the Company has successfully diversified its customer base, attracting new customers by developing new products, and innovating film structures for high-speed packaging lines, for the export market.

During the last two years, the Company has doubled its capacity. The increased capacity has enabled the Company to execute orders with shorter delivery periods, leading to customer satisfaction.

The Company is focusing on major areas of cost reduction which will improve the bottom line and consolidate last years growth, for a new round of expansion. The effect of these programmes will be apparent from the second quarter of the current year.

Risk & Concerns

The FMCG producers, are exploiting the competitive situation by focusing on price alone, rather than adopting a more constructive approach to develop vendors on the basis of quality, technology, technical service capability and ethical management practices, as is prevalent world-wide.

The business volume of films for lamination to aluminum foil as a component in the manufacture of telecom cables, has grown over the last two years. However, the business in this sector has matured and is no longer growing at the rates prevailing earlier. The volume of business is determined by the Dept. of Telecommunications (DOT), the single largest buyer. The cable manufacturers, are therefore dependent largely on the timing, pricing and volume of DOT tenders.

The export of films for flexible packaging has shown a significant growth, with the investment in management time, technical support, the quality of our product, and shortened delivery periods. The export business will need to be supported with additional capacities, to sustain the level of growth.

Operating & Financial Performance

CRISIL has identified ECOPLAST as "among the larger players in the domestic polyethylene film industry, with strong technical capabilities and new product development skills".

Operating income has improved to Rs.31.9 million (Rs.24.5 million) resulting from greater demand from both new customers and export. Profitability has improved by 49%, because of higher realisations from new products, better recovery of overheads due to higher capacity utilization and lower interest cost.

The Company's gearing has increased due to the largely debt funding of its expansion, while its capital structure still remains favourable. Interest coverage ratios are considered to be moderate.

Material Developments

In 1999-00 the Company increased its stake in Jampore Printers Ltd. from 20% to 70% and shortly thereafter to 80% at a total cost of Rs.2.21 million. This Company does upto six color printing on polyethylene films, and is considered to be about the best in the business.

The Company introduced a management system to improve management skills in the functions of Planning, Organising, Leading & Controlling. New techniques in reviewing "work processes", and "decision making" are being communicated by professionals to accountable managers.

AUDITORS' REPORT

To

The Members of

ECOPLAST LTD.

1. We have audited the attached Balance Sheet of **Ecoplast Ltd** as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 1 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 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 such books.

(c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.

(d) In our opinion, the Profit and Loss Account and Balance Sheet complies with the Accounting Standards specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

(f) *The company when it was unlisted had issued Bonus shares on 29th June, 1994 for Rs. 10 Million (10,00,000 equity shares of Rs. 10/- each) by capitalising part of its revaluation reserve. Accordingly, the paid up equity share capital of the company stands increased by Rs.10 Million and the revaluation reserve stands reduced by that amount. The issue of bonus shares as aforesaid is contrary to the circular issued by the Department* *of Company Affairs issued in September, 1994 and the recommendations of the Institute of Chartered Accountants of India issued in November, 1994.*

(g) Subject to foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account 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 in conformity with the accounting principles generally accepted in India.

i) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March, 2002.

And

ii) in so far as it relates to the Profit and Loss Account, of the Profit of the company for the year ended on that date.

For AKKAD MEHTA & CO
Chartered Accountants

SANJAY MEHTA
Partner

Mumbai, 27th July, 2002.

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 thereof)

1. The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that major portion of the Fixed Assets have been physically verified by the management during the year in accordance with phased programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As explained to us no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, spares and raw materials have been physically verified during the year by the management. In our opinion, the frequency of 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 noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of Stock records, in our opinion, the valuation of stocks is fair and proper in accordance with generally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has taken loans from Companies listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of these loans are *prima facie* not prejudicial to the interest of the Company. The provisions of section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.
8. In respect of unsecured loans granted to companies firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, in our opinion, the rate of interest and other terms and conditions are *prima facie* not prejudicial to the interest of the company. In terms of Sub-Section (6) of Section 370 of the Companies Act, 1956, provisions of the section are not applicable to a company on or after 31st October, 1998.
9. Employees and other parties to whom loans and advances in the nature of loans have been given by the company are repaying principal amounts wherever stipulated and are also regular in payment of interest wherever applicable.
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 purchases 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 sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under section 301 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, materials 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. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted by the company from the public.
14. In our opinion and according to the information and explanations given to us reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company has no by-products.
15. Present coverage of internal audit by the Internal Auditors appointed by the Company, together with the present internal control system is commensurate with the size of the Company and nature of its business and is, in our opinion, adequate.
16. We are informed that the Central Government has not prescribed 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 and dues where deducted/accrued in the books of account, have been regularly deposited during the year with the appropriate authorities. We are informed that Employees State Insurance Scheme is not applicable to the Company.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March, 2002 for a period of more than six months from the date they became payable.
19. 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 obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For AKKAD MEHTA & CO
Chartered Accountants

SANJAY MEHTA
Partner

Mumbai
27th July, 2002

BALANCE SHEET AS AT 31ST MARCH, 2002

	SCHEDULE	31.3.2002 Rs.	31.3.2001 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**30,000,000**	30,000,000
Reserves and Surplus	2	**73,023,001**	88,125,911
		103,023,001	118,125,911
LOAN FUNDS			
Secured Loans	3	**41,154,476**	44,755,286
Unsecured Loans	4	**25,315,803**	13,632,590
		66,470,279	58,387,876
DEFERRED TAX LIABILITY		**23,582,000**	-
		193,075,280	176,513,787
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		**167,305,922**	155,066,918
Less : Depreciation		**56,952,090**	49,713,672
NET BLOCK		**110,353,832**	105,353,246
INVESTMENTS	6	**2,210,335**	2,210,335
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	**26,829,677**	25,836,956
Sundry Debtors	8	**68,654,054**	58,967,292
Cash & Bank Balances	9	**5,516,535**	5,205,930
Loans and Advances	10	**9,212,443**	9,483,637
		110,212,709	99,493,815
Less: Current Liabilities & Provisions	11	**30,793,614**	31,999,629
NET CURRENT ASSETS		**79,419,095**	67,494,186
MISCELLANEOUS EXPENDITURE	12	**1,092,018**	1,456,020
NOTES TO THE ACCOUNTS	17		
		193,075,280	176,513,787

Note: Schedule 1 to 12 and 17 referred to herein form an integral part of the Balance Sheet.

As per our Report of even date.
For **AKKAD MEHTA & CO.**
Chartered Accountants

P. P. KHARAS — *Chairman & Managing Director*

SANJAY MEHTA
Partner

JAYMIN B. DESAI — *Executive Directors*

Mumbai,
Dated : 27th July, 2002.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	SCHEDULE	31.3.2002 Rs.	31.3.2001 Rs.
INCOME			
Sales	13	**319,955,159**	245,851,857
Other Income	14	**1,650,450**	1,714,557
Increase / (Decrease) in Stocks	15	**95,489**	1,845,175
		321,701,098	249,411,589
EXPENDITURE			
Manufacturing & Other Expenses	16	**278,365,730**	216,032,893
Interest and Finance Charges		**13,082,710**	13,051,122
Depreciation (Refer Note No. 3)		**8,712,780**	5,884,838
		300,161,220	234,968,853
PROFIT BEFORE TAX		**21,539,878**	14,442,736
Provision for Tax			
Current Tax		**6,260,000**	4,640,000
Deferred Tax		**642,000**	–
PROFIT AFTER TAX		**14,637,878**	9,802,736
Short Provision of tax for Prior period (Net)		**(176,722)**	–
PROFIT FOR THE YEAR		**14,461,156**	9,802,736
Balance brought forward		**11,136,626**	8,462,290
PROFIT AVAILABLE FOR APPROPRIATION		**25,597,782**	18,265,026
APPROPRIATION			
Transfer to General Reserve		2,500,000	2,500,000
Dividend on Equity Shares		5,400,000	4,200,000
Corporate Dividend Tax		–	428,400
Balance carried forward		**17,697,782**	11,136,626
NOTES TO THE ACCOUNTS	17	**25,597,782**	18,265,026

Note: Schedule 13 to 17 referred to herein form an integral part of the Profit and Loss Account.

As per our Report of even date.
For **AKKAD MEHTA & CO.**
Chartered Accountants

P. P. KHARAS *Chairman & Managing Director*

SANJAY MEHTA
Partner

JAYMIN B. DESAI *Executive Directors*

Mumbai,
Dated : 27th July, 2002.