



GOETZE (INDIA) LIMITED

C O N T E N T S**44TH ANNUAL REPORT 1998-1999**

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Our Tribute to a Visionary



Late Shri H.P. Nanda
(9 January, 1917 to 13 April, 1999)

The Directors pay a tribute to Shri H.P. Nanda, Chairman Emeritus and Founder Director, an extraordinary man who, with his zeal, business acumen, leadership qualities and humane touch endeared himself to all those who had the privilege to work with him. His abounding courage and determination enabled him to meet the many challenges on his way to achieve an outstanding success.



GOETZE (INDIA) LIMITED

Financial Controller
Mr. Sunil Khemka

Company Secretary
Mr. Mukesh Manglik

REGISTERED OFFICE
A-39, Mohan Co-operative
Industrial Estate,
Mathura Road,
New Delhi 110 044

HEAD OFFICE
Corporate Centre,
ERC Building,
15/5, Mathura Road,
Faridabad - 121 003

WORKS

1. Bahadurgarh,
Patiala (Punjab)
2. Yelahanka,
Bangalore (Karnataka)
3. Village Roondh Dhooni Nath,
Tehsil Ramgarh,
Dist. Alwar (Rajasthan)

BANKERS

ANZ Grindlays Bank Ltd.
ABN Amro Bank N.V.
Bank of America
Standard Chartered Bank
Deutsche Bank AG
Bank of India
State Bank of Patiala
State Bank of Bikaner & Jaipur
Canara Bank
State Bank of Mysore
Indian Bank

AUDITORS

M/s. S.N. Dhawan & Co.

BOARD OF DIRECTORS

Chairman & Managing Director
Mr. Anil Nanda

Vice-Chairman
Mr. Rajan Nanda

Directors
Mr. J.B. Dadachanji
Mr. Chakor L. Doshi
Mr. Alan C. Johnson
Mr. B.N. Kalyani
Mr. Rajen A. Kilachand

Field Marshal Sam Manekshaw, MC

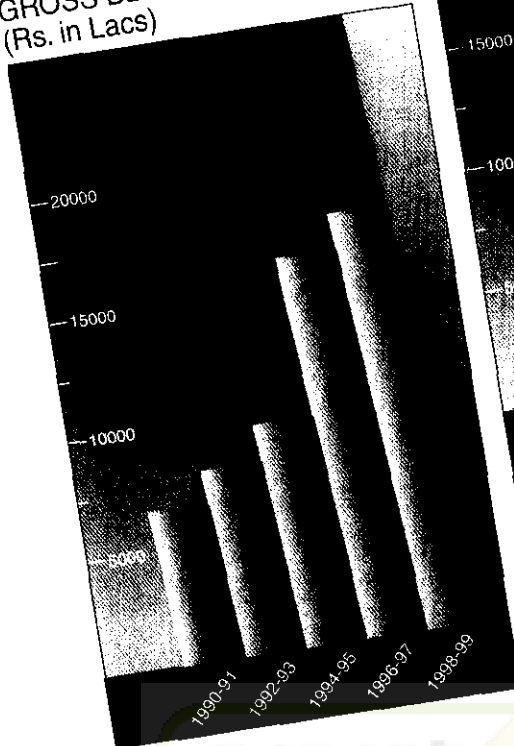
Mr. Nikhil Nanda
Dr. Brian L. Ruddy
Mr. M.M. Sabharwal
Mr. Jahar Sengupta
Mr. V.K. Srivastava
Mr. L.M. Thapar

Executive Director
Mr. B.R. Kapoor

GOETZE (INDIA) LIMITED



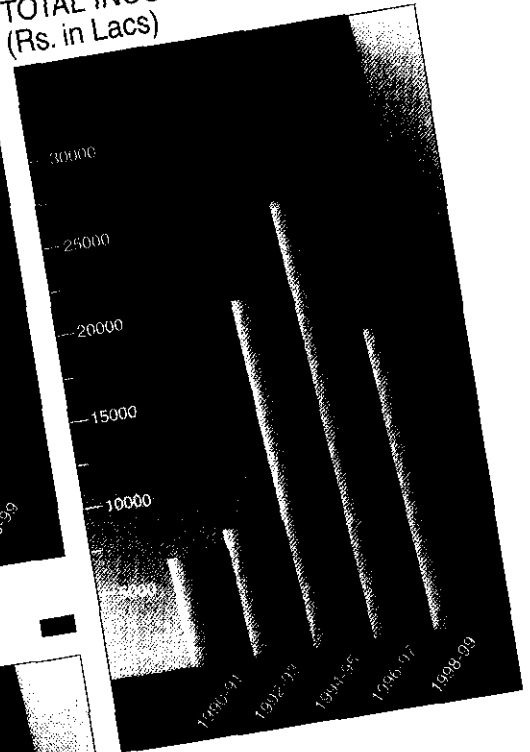
GROSS BLOCK
(Rs. in Lacs)



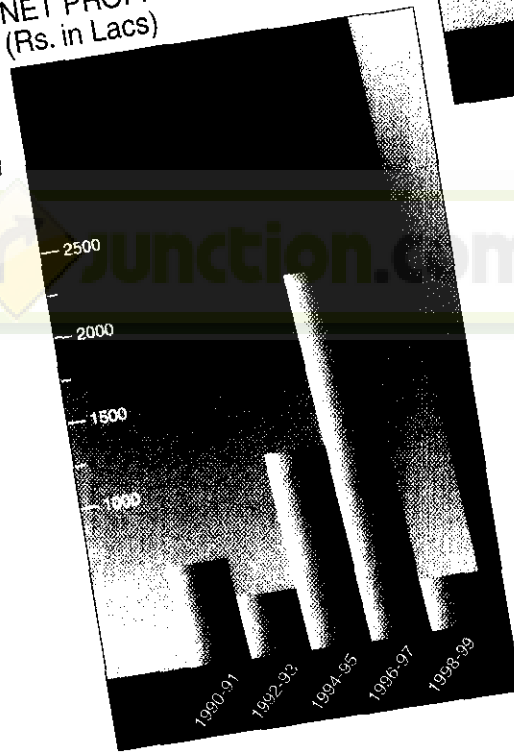
NET WORTH
(Rs. in Lacs)



TOTAL INCOME
(Rs. in Lacs)



NET PROFIT
(Rs. in Lacs)



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GOETZE (INDIA) LIMITED

TEN YEARS' FINANCIAL REVIEW

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
	(Rs. Lacs)									
Total Income	176,71.33	185,48.38	256,93.77	216,77.31	203,81.93	129,49.71	75,29.10	79,77.64	64,08.88	49,80.15
Depreciation	10,89.34	8,82.00	8,24.67	5,13.53	4,25.48	3,16.64	2,30.06	2,35.15	2,06.35	1,80.79
Profit before Tax	3,06.53	21,03.00	27,06.41	21,08.46	16,03.81	8,01.90	5,97.72	6,77.34	9,16.06	7,01.56
Taxation	-	2,30.00	5,25.00	5,50.00	4,37.35	2,20.00	2,30.00	2,90.00	3,15.00	2,34.00
Profit after Tax	3,06.53	18,73.00	21,81.41	15,58.46	11,66.46	5,81.90	3,67.72	3,87.34	6,01.06	4,67.56
Dividend	5,05.75	10,11.50	10,11.50	7,23.13	5,68.74	3,68.39	2,99.40	2,35.74	2,35.74	2,21.88
Dividend Tax	55.63	2,02.30	-	-	-	-	-	-	-	-
Retained Profit	(2,54.85)	6,59.20	11,69.91	8,35.33	5,97.72	2,13.51	68.32	1,51.60	3,65.32	2,45.68

Assets, Liabilities & Net Worth

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
	(Rs. Lacs)									
Fixed Assets	176,40.85	175,42.59	161,23.15	128,15.81	94,42.18	91,75.50	78,86.43	68,53.03	64,65.84	58,83.53
Investments	45,42.24	36,72.16	37,98.93	34,08.97	23,44.17	12,37.94	9,22.86	6,67.17	7,25.99	6,65.23
Indebtedness	117,40.73	107,47.85	86,97.13	77,90.36	43,99.69	48,05.62	32,82.92	59,06.75	28,47.98	21,01.74
Share Capital	25,28.75	25,28.75	25,28.75	25,28.17	16,85.84	12,27.96	12,27.96	6,93.36	6,93.36	6,93.36
Reserves	138,18.65	142,56.39	138,07.99	128,13.05	129,92.77	79,87.92	79,48.80	53,98.42	53,86.77	51,52.86
Net Worth	163,47.40	167,85.14	163,36.74	153,41.22	146,78.61	92,15.88	91,76.76	60,91.78	60,80.13	58,46.22

Significant Ratios

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
A. Measurement of Investment										
Percentage of Return on Investment	6.27	13.46	18.57	15.75	15.74	10.99	7.83	11.14	14.37	12.53
Percentage of Return on Equity	1.85	12.70	17.09	14.05	9.76	6.31	4.82	6.36	9.89	8.00
Dividend Cover (Ratio)	0.61	1.85	2.16	2.16	2.05	1.58	1.23	1.64	2.55	2.11
B. Measurement of Performance										
Percentage of Profit before Tax to Sales	1.81	12.41	11.20	10.27	8.16	6.39	8.62	8.98	14.99	14.74
Percentage of Profit after Tax to Sales	1.81	11.05	9.03	7.59	5.94	4.64	5.30	5.14	9.83	9.82
C. Measurement of Financial Status										
Percentage of Term Loans to Tangible Net Worth	34.34	28.46	18.60	21.06	15.96	33.42	17.83	16.57	26.85	17.71
Current Ratio	1.70	1.68	1.65	1.98	3.32	1.61	1.62	2.02	1.22	1.16
D. General										
Dividend per Equity Share (Rs.)	2.00	4.00	4.00	4.00 *	4.00 *	3.00	3.00 *	3.40	3.40	3.20
Earnings per Equity Share (Rs.)	1.21	7.41	8.63	8.62	8.22	4.74	2.99	5.59	8.67	6.74
Book Value per Equity Share (Rs.)	64.65	66.38	64.60	60.68 **	87.07	75.05	74.05	87.51	87.57	84.16

* Dividend on shares issued and allotted during the year is payable pro-rata for the period and amount paid-up thereon.

** After issue of bonus shares in the ratio of 1:2 in February, 1996.



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT

The Directors are pleased to present the 44th Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rupees in Crores)	
	For the year ended 31.03.99	For the year ended 31.03.98
Total Income	176.71	185.48
Profit before depreciation and interest	24.47	39.48
Deduct:		
Depreciation	10.89	8.82
Interest	10.51	9.63
Net Profit before Tax	3.07	21.03
Provision for Tax	-	2.30
Profit after Tax	3.07	18.73
Surplus brought forward	23.76	19.58
Add: Transfer from		
Debenture Redemption Reserve	0.83	-
Less: Short Provision of Income		
Tax of Earlier Years	0.06	-
	27.60	38.31
Transferred to:		
Proposed Dividend	5.06	10.11
Tax on Dividend	0.56	2.02
Debenture Redemption Reserve	3.13	0.42
General Reserve	0.25	2.00
Surplus carried to Balance Sheet	18.60	23.76
	27.60	38.31

TURNOVER AND PROFITS

The recessionary trend continued during the year, especially in the automotive sector. Although the total turnover of the Company remained almost at the same level as of last year, this was due to increased turnover in the trading operations of Leather garment business. The net profit from operations shows a decline of 84% over last year excluding the extra-ordinary income. There are no signs of any early revival. The company has further stepped-up its efforts to reduce costs and improve productivity.

OPERATIONS

Auto-Ancillaries

Being OE supplier to almost all the engine manufacturers in the country, the Company's operations were badly affected due to continued slowdown in the automotive industry. The company achieved

a turnover of Rs. 142 crores from this activity as compared to Rs. 154 crores in the previous year.

Solvent Oil Extraction

The edible oil industry also continued to go through a difficult phase due to liberal imports. Due to lack of parity in the prices of inputs and output, the plant remained shut throughout the year.

Leather Garments

The Leather Garments Division was hived off into a separate company, GIP Leather (India) Limited with effect from 1st October, 1998. It is now a Joint Venture with M/s. Speith & Wensky of Germany in which your Company holds 70% Equity. Your Directors are happy to inform that this decision has gone a long way in improving the operations of this business which has become highly profitable.

Exports

The company's exports showed a sharp increase of 65% from Rs. 16.69 crores last year to Rs. 27.51 crores in 1998-99 mainly due to the Leather garment business. Being a recognised Export House, your company continues to handle exports of GIP Leather (India) Limited. In order to withstand the vagaries of the cyclical domestic demand, the Company is adopting a more focussed approach on exports of automotive components to Western Europe and the U.S.A. The initial response is quite encouraging.

Subsidiary Company

GIP Leather (India) Limited

The Company, in its first six months of operations has earned total income of Rs. 14.88 crores and the profit after tax was Rs. 2.72 crores. The Company has declared a maiden dividend of 100%.



GOETZE (INDIA) LIMITED

DIRECTORS' REPORT (Contd.)

Dividend

The Directors are pleased to recommend a Dividend of 20% (previous year 40%). The quantum of the proposed dividend is Rs. 5.62 crores (inclusive of Dividend Tax).

CONDOLENCE

Your Directors regretfully inform of the sad demise of Mr. H.P. Nanda, Chairman Emeritus and Founder Director of your Company. In the passing away of Mr. H.P. Nanda, the Company in particular and the Industrial fraternity in India at large, have lost an entrepreneur with business skills and acumen - par -excellence. His invaluable guidance, foresight and contribution to the growth of the Company for over four decades, not only during his tenure as Chairman and Managing Director, but as Chairman Emeritus thereafter will be greatly missed by all of us.

DEBENTURES

During the year, 14.50% Secured Redeemable Non-Convertible Debentures aggregating to Rs.2500 lacs were privately placed with Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries, Army Group Insurance Fund and HDFC Bank Ltd. to augment long term resources for working capital requirements of the Company. These Debentures are redeemable in three equal annual instalments at the end of fourth, fifth and sixth years from the respective dates of allotment. A Debenture Redemption Reserve, as prescribed, has been created for this purpose.

Y2K COMPLIANCE

The Company has in place a comprehensive plan to address Y2K compliance in a systematic manner:

- (a) A detailed inventory of all critical application software and hardware operating systems has been identified. While most of them have been made Y2K compliant, the remaining are expected to be completed by September 1999.
- (b) The estimated cost of replacing non-compliant hardware and software is Rs.22 lacs.
- (c) The Company has sufficient internal resources to address any system disruption due to the Y2K issue.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. B.N. Kalyani, Mr. Chakor L. Doshi, Mr. V.K. Srivastava and Mr. Rajan Nanda, Directors retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

M/s. S. N. Dhawan & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect that the re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

PUBLIC DEPOSITS

207 Deposits aggregating to Rs.23.93 lacs had fallen due for repayment as on 31.03.99 but remained unclaimed. Out of these 47 deposits aggregating Rs. 5.82 lacs have since been renewed or repaid.

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

Information pursuant to 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 is annexed and forms a part of this report.

PARTICULARS OF EMPLOYEES

The information required under sub-section (2A) of Section 217 of the Companies Act, 1956 in respect of certain employees of the Company is annexed and forms a part of this report.

AUDITORS' REPORT

The observation made by the Auditors in their report is clarified in note no.5 of Schedule 15 to the accounts.

ACKNOWLEDGEMENT

Your Directors wish to place on record the full support and co-operation received throughout the year from our promoters M/s. Escorts Ltd., and Federal-Mogul Corporation, Government Authorities, Banks and Financial Institutions. Your Directors also express their gratitude to your Company's customers, dealers and suppliers for their support. The Directors also acknowledge the outstanding performance, dedicated hard work and co-operation of the employees at all levels. Lastly, our thanks go to our esteemed shareholders for their continued support and encouragement.

For and on behalf of the Board

ANIL NANDA
Chairman

May 28, 1999



GOETZE (INDIA) LIMITED

ANNEXURE TO DIRECTORS' REPORT

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

A. Conservation of Energy
(a) The following energy conservation measures were taken:

- Optimisation of melting from Induction Furnaces with minimum use of Oil Fired Furnaces has resulted in energy saving in Foundries.
- Switching over to double blank Ring castings for identified application has curtailed specific energy consumption.
- Renovation of heat treatment furnaces to curtail heat losses and their better loading has resulted in energy saving.
- Replacement of conventional ballasts in fluorescent lamps with energy efficient electronic ballasts is being done.
- Redesigning and re-laying of cooling water pipelines and compressed air delivery lines has enhanced the performance efficiency of compressors by 10% and power saving by 2%.
- Elimination of air leakages by continuously monitoring and repairing by a designated team has added to the performance efficiency of the compressors.
- An in-depth study of the cooling water pumping system with the help of M/s. Kirloskar Pumps has led to erection of a totally new pump house. This new pumping system is not only very effective but energy efficient too recording a power saving of 10%.
- Modification of the entire roof light system in machine shop has resulted into multiple benefits. In addition to a power saving of 10% a remarkable improvement in the illumination level (350 lux from 100 lux) has given a boost to the housekeeping and employees morale.
- Erection and commissioning of the cell bath has resulted in the process rationalisation and quality improvement at the expense of lesser power. A 10% reduction in the specific power of a Chrome Plated Ring has been recorded.

(b) Additional Investments and proposals for reduction in energy consumption:

- Recommendations of the Energy Audit Team whereby an additional saving of 2% has been envisaged will be implemented during the year.
- Provision for Pneumatically operated cover for Holding Furnaces in LMC Foundry.

- Lowering, rewiring of luminaries, provision of Electronic Ballast and providing segregation of light circuit control in Ring Machine Shop, Liner Machine Shop and Packing Section.

(c) Impact of above Measures

- Efficient use of energy resulting in lower cost per unit of production has been achieved.

B. TECHNOLOGY ABSORPTION

- A Plateau Honing Machine along with a Cylindrical Grinder has been procured for Plateau Honing of Cylinder Liners, which is the requirement of the market.
- A new Rundomat Centreless OD Belt Grinding Machine imported from Germany for rough grinding of Chrome Plated Piston Rings has been commissioned. This machine is fast and capable of producing the results intended. The new machine shall save the honing time (of Rings before Chrome Plating) to a considerable extent.
- To further step up technological up-gradation, a set of imported steel Ring Coiling Machine and Hand Lever Operated Milling Machine has been introduced in the Piston Ring Machine Shop. This machine is meant for making blanks for Steel Rings, which were being imported at a high cost.
- To keep pace with the prevailing conditions in the stiff international market, order for an Auto Gap Grinding Machine has been finalised on M/s. Federal-Mogul Burscheid GmbH, Germany. The new machine will ensure precise qualitative production, as problems such as Moly chipping on the gap edge of Moly Coated Pistons Rings shall be eliminated. The machine shall also be very useful for Chrome Plated Rings.
- A CNC Auto Slotting Machine has been procured for change over from Mechanical Indexing Slotting to CNC Slotting Operation.
- The development of Cylinder Head for YBX Motor Cycle has been undertaken and the same has been put into regular production.

C. ENVIRONMENT & SAFETY

a) Environment

- A 5000 CMH capacity Centralised Dedusting Unit

has been procured and installed in the Ring Foundry to give effective suction for various operations to reduce the dust level in the atmosphere to lesser than the permissible level and ensure controlled emission from the Stack.

- A Fume Extraction-cum-Scrubbing System for 3 Nos. Induction Melting Furnaces is being installed to make the working environment more favourable.
- Fume Extraction and Scrubbing Unit for the Induction Furnaces in the Liner Foundry and LAP are being planned for the next year budget. This will result in cleaner environment in the Foundry.
- We have appointed Thaper Corporate Research & Development Centre; an A-Class Laboratory as rated by Punjab Pollution Control Board, for getting the sampling of Air & Water, which is more reliable. They will also be advising necessary actions wherever required in the area of Pollution Control as per their experience.

b) Safety

- A Sound Level Meter has been procured to reduce the noise level.
- Training for all employees on Industrial Safety, Health and Fire Prevention and Control is being organised.
- Campaign for propagating Safety-Thought is organised occasionally to improve safety awareness of employees.
- The Patala Plant has been awarded State Level Safety Awards as under:
 - Lowest frequency rate of accidents in Light Engineering Industries - 1st Prize
 - Largest reduction in frequency rate of accidents in Light Engineering Industries - Merit Certificate (more than five lacs man-hours)
- Fire fighting points plan has been revised and equipment modernised.
- A Plant safety committee has been organised.
- Fire Hydrants are being added near the newly constructed buildings of Tool Room and Cylinder Liner Machine Shop.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO
 Information on foreign exchange earnings and outgo is furnished in the notes to the accounts.

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

Sr. No.	NAME OF EMPLOYEE	AGE (Years)	QUALIFICATIONS	EXPERIENCE (Years)	DATE OF EMPLOYMENT	DESIGNATION/ NATURE OF DUTY	REMUNERATION RECEIVED (Rupees)	LAST EMPLOYMENT HELD
A. Employed throughout the financial year and in receipt of remuneration aggregating not less than Rs. 6,00,000/- for the year.								
1.	AJIT KUMAR B.S.	51	B.E.(Mech.) M.Tech.	29	12.07.1979	Chief General Manager (Production)	7,23,555	Bharat Earth Movers Ltd
2.	ANAND ARUN	43	B.A.(Eco. Hons.), FCA	21	26.04.1982	Associate Vice President (Chairman's Office)	9,42,659	Escorts Limited
3.	KAPOOR B.R.	57	B.Com.(Hons.), FCA	33	01.04.1993	Executive Director	13,09,274	Escorts Limited
4.	KAPOOR S.N.	56	B.Sc (Mech.Engg.)	30	15.11.1972	Associate Vice President (Technical)	8,82,440	Hindustan Aluminium Corporation Limited
5.	KHANNA V.D.	54	B.Sc (Mech.Engg.)	33	15.12.1988	Chief General Manager (Production)	8,69,923	Hero Cycles Pvt.Ltd.
6.	*MANGLIK MUKESH	48	B.Com.(Hons.), FCA, FCS	23	08.02.1988	Associate Vice President (Company Secretary)	10,69,471	Orient Abrasives Limited
7.	NARAYANAN MOHAN	47	B.Sc., MBA	26	03.10.1972	Associate Vice President (Materials & Projects)	9,23,208	-
8.	VIRMANI P.K.	56	Graduate N.D.A	35	06.08.1993	Associate Vice President (Marketing)	10,14,628	Saras Sales (P) Ltd
B. Employed for part of the year and in receipt of remuneration not less than Rs. 50,000/- per month.								
1.	SAIRAM K.	48	B.E.(Mech.), PGDB (IIM, Ahmedabad)	25	01.06.1998	Associate Vice President (Manufacturing)	7,61,633	Motherson Sumi Systems Limited

- Notes: 1. Remuneration received includes salary, leave pay, commission, actual expenditure on rent free accommodation and benefits or amenities. Company's contribution to provident fund, gratuity fund but excludes contribution to superannuation fund which is not allocated individually.
 2. All appointments are contractual.
 * On deputation from M/s. Escorts Ltd.



GOETZE (INDIA) LIMITED

AUDITORS' REPORT

To the Members of Goetze (India) Limited

We have audited the attached Balance Sheet of Goetze (India) Limited as at March 31, 1999 and the annexed Profit and Loss Account of the Company for the year ended on that date and report that:

1. As required by the Manufacturing & Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the report are in agreement with the books of account.
 - d) In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
 - e) 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 in Schedule 15 and subject to Note no. 5 regarding the recoverability of inter-corporate deposits amounting to Rs. 375 lacs and interest 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 March 31, 1999 and
 - ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

for **S.N.DHAWAN & CO.**

Place : New Delhi Chartered Accountants
Dated : May 28, 1999 (Vijay Dhawan)
Partner

Annexure referred to in paragraph 1 of our Report of even date on the Accounts of Goetze (India) Limited, for the year ended March 31, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, physical verification of fixed assets is being conducted in a phased manner by the management under a programme designed to cover all the fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the

Company and the nature of its assets. Discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals except for stocks lying with third parties for which certificates of stocks held by them have been obtained in most of the cases.
4. In our opinion and according to the information and explanations given to us, 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 physical stocks and book records were not material and the same have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, except that, as per past practice, excise duty on stocks of finished goods is not considered as part of cost as recommended by the Institute of Chartered Accountants of India (Refer to Note no. 4 in Schedule 15). The valuation of stocks is on the same basis as in the preceding year.
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 the Companies Act, 1956 or from companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
8. In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and to companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956 are prima-facie not prejudicial to the interest of the Company.
9. In respect of loans and advances in the nature of loans given by the Company to parties including employees, recovery of principal and interest wherever applicable, has been as stipulated except as detailed in Note no. 5 of Schedule 15.
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, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under

Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.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 have been made with other parties except for items stated to be of specialised nature where no comparison is possible.

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 loss arising on 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 Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the products manufactured by the Company.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding for a period of more than six months as at March 31, 1999 from the date they became payable.
19. According to the information and explanations given to us and the records examined by us no personal expenses have been charged to the Profit and Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. In our opinion 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.
21. In respect of trading activities, the Company has a system of determination, during verification, of damaged goods and provision for loss on the same.

for **S. N. DHAWAN & COMPANY**
Chartered Accountants

Place : New Delhi
Dated : May 28, 1999

(Vijay Dhawan)
Partner

