

14th Annual Report

G-41

21/4/03





GANESH POLYTEX LTD.

BOARD OF DIRECTORS

Shri SHYAM S. SHARMA, *Chairman and Managing Director*
 Shri V. D. KHANDELWAL
 Shri SHARAD SHARMA
 Shri R. K. SAXENA
 Shri S. K. KABRA
 Shri ANOOP GUPTA (*Additional Director*)

COMPANY SECRETARY

MISS LEENA JAIN

AUDITORS

M/s. MEHROTRA RAKESH KUMAR & CO.
Chartered Accountants
 KANPUR

BANKERS

STATE BANK OF INDIA
 STATE BANK OF BIKANER & JAIPUR

REGISTERED OFFICE AND WORKS

RAIPUR (RANIA),
 KALPI ROAD,
 DISTT. KANPUR DEHAT.

ADMINISTRATIVE OFFICE

113/216 - B, SWAROOP NAGAR,
 KANPUR - 208 002

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NOTICE

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of the Members of GANESH POLYTEX LIMITED will be held on Saturday, 29th March, 2003 at 3.00 P.M. at the Registered office of the Company at Raipur (Rania), Kalpi Road, Distt. Kanpur Dehat to transact the following business :

- 1) To receive, consider and adopt the Profit & Loss Account for the year ended 30th September, 2002, the Balance Sheet as at that date together with the reports of Directors and Auditors thereon.
- 2) To appoint a Director in place of Shri V.D. Khandelwal who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

- 4) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri Anoop Gupta who was appointed as an additional director by the Board under Section 260 of the Companies Act, 1956, and holds office up to the date of forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose his candidature for the office of director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation."

- 5) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, and/or subject to the approvals, if applicable or required under any Statutes/Rules/Regulations or any other law for the time being in force, and subject to the approval of Financial Institution(s) and any other concerned authorities and subject to such terms and conditions as may be imposed by them, while granting any such permission or approval which the Board of Directors of the Company is hereby authorised to accept, consent of the Company be and is hereby accorded to the Board of Directors to sell, transfer or otherwise dispose of the Fibre Division of Unit No. III of the Company, together with all its assets, licenses, permits, consents and approvals whatsoever, all the rights and benefits attached thereto, to one or more persons, companies or entities, at such price and on such terms and conditions, at such time and in such manner as may be decided by the Board of Directors or a Committee of Directors as may be appointed by the Board for the purpose, including the receipt of the consideration therefor in cash and partly by shares and/or debentures or any other securities or any other manner, with power to the Board of Directors or to the said Committee, in its absolute discretion, to finalize the terms and conditions, the means, methods or modes in respect thereof and to finalize and execute all required documents, including schemes of arrangements, deeds of assignment/conveyance and other documents and to do all such other acts, deeds, matters and things as may be deemed necessary and expedient in their discretion and in the best interest of the Company including the power to delegate to give effect to this Resolution."

Registered Office :
Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat.
Dated : 27.01.2003

By order of the Board
LEENA JAIN
Company Secretary

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy in order to be effective must be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.
- 2) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 4 and 5 as set out above is annexed.
- 3) With respect to the Resolution at Item No. 5 of the Notice, members are required to vote only by Postal Ballot in terms of Section 192A of the Companies Act, 1956. A postal ballot form along with prepaid postage envelope is enclosed. Votes cast otherwise than in the enclosed postal ballot form will be rejected. Please read the instructions in the postal ballot form carefully. Depending upon the result of the postal ballot, the said Resolution will be confirmed/declared as having been passed on the date of the Annual General Meeting.
- 4) The Register of Members and Share Transfer books of the Company shall remain closed from Thursday, the 27th March, 2003 to Saturday, the 29th March, 2003 (both days inclusive).
- 5) Pursuant to Section 205A of the Companies Act, 1956 dividends for the financial year 1990-92 and 1992-93 remaining unclaimed for three years have been transferred to the General Revenue Account of the Central Government. The Shareholders who have not so far encashed their dividend warrants may prefer their claims to the Registrar of Companies, U.P. & Uttaranchal, West Cott Building, The Mall, Kanpur - 208 001
- 6) Pursuant to Section 205C of the Companies Act, 1956, Share Application money refundable and remaining unclaimed for more than seven years has been transferred to the Investor Education and Protection Fund.
- 7) Members holding Shares in identical order of names in more than one folio are requested to write to the Company, enclosing the Share Certificates for consolidation of their holdings into one folio.
- 8) Members holding Shares in physical form may write to the Company for change in their address, if any, under their signatures clearly quoting their folio numbers, old address along with the changed address with Pin Code, and Members holding shares in electronic form may inform any change in address to their Depository Participants.
- 9) In order to provide prompt services members are advised to address all their correspondence to Secretarial Department of the Company at 113/216-B, First Floor, Swaroop Nagar, Kanpur-208 002.
- 10) Members holding shares in electronic form are requested to provide their Client-ID and DP-ID numbers at the meeting for easy identification.
- 11) Members desirous of obtaining any information/clarification concerning the Accounts and Operations of the Company are requested to address their queries in writing to the Company Secretary atleast seven days before the Annual General Meeting, so that the desired information may be made available at the Annual General Meeting, if the Chairman permits to do so.



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- 12) The shares of the Company are compulsorily tradable in demat form. The Equity Shares of the Company have been assigned ISIN **INE845D01014**. Members are requested to get their shares dematerialized at the earliest to make them tradable.

ANNEXURE TO THE NOTICE :

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

With a view to broad base the Board of Directors of the Company, Shri Anoop Gupta was inducted as an Additional Director on 31st July, 2002 and he holds office up to the date of ensuing Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice form a member along with requisite deposit proposing the candidature of Shri Anoop Gupta as a Director of the Company. Shri Anoop Gupta is an eminent Chartered Accountant with rich experience in Corporate Financial Management and allied areas and is presently holding directorship in companies of high profile as Professional Director. The Board considers it desirable that his continuance on the Board will be of immense benefit to the Company and accordingly recommends the resolution for approval.

None of the Directors of the Company except Shri Anoop Gupta himself may be considered as concerned or interested in the resolution.

Item No. 5

The Fibre division of Unit No III of the Company engaged in processing of Waste Polyester Staple Fibre for direct marketing was set up in the year 1995 with the financial assistance of IFCI Ltd. In view of the prolonged recession and change

in market scenario, the operations of the Fibre division suffered and the unit is presently operating at a capacity utilization of around 10% to 15% with intermittent suspension of processing activities. The Board of Directors of the Company after a careful consideration is of the view that the operations of the division cannot be made profitable even in distant future and the division is not expected to add shareholder value vis-à-vis the capital employed. Accordingly, the Board of Directors of the Company has decided to dispose off this division in the best possible manner. The company has already obtained the requisite approval from Financial Institution(s) for disposal of the said division. Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of the members of the Company in General Meeting sell, transfer, lease or otherwise dispose of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Accordingly in terms of the provisions of Section 293(1)(a) read with Section 192A of the Companies Act, 1956 approval of the members is being sought by way of intended resolution through Postal Ballot process for disposal of the said undertaking. The Board of Directors of the Company accordingly commends the Ordinary Resolution for approval by the members by exercising their voting rights through Postal Ballot.

None of the Directors of the Company is concerned or interested in the resolution.

Registered Office :
Raipur (Rania), Kalpi Road,
Distt. Kanpur Dehat.
Dated : 27.01.2003

By order of the Board
LEENA JAIN
Company Secretary

DIRECTORS' REPORT

TO THE MEMBERS OF GANESH POLYTEX LIMITED

Your Directors have pleasure in presenting the Fourteenth Annual Report and the Audited Accounts of the Company for the year ended 30th September 2002.

FINANCIAL RESULTS

The summarized Financial Results of the Company for the year ended 30th September, 2002 as compared to the preceding year are as under :-

	2001-2002	(Rs. in Lacs) 2000-2001
Sales and Other Income	4594.68	4444.75
Profit before Interest, Depreciation and Taxes	331.04	358.34
Interest and Finance Expenses	221.10	207.85
Depreciation	151.33	150.06
Profit / (Loss) before Tax	(41.39)	0.43
Provision for Taxation - Current	—	—
- Deferred Tax Benefit (Net)	18.22	—
Profit / (Loss) after Tax	(23.17)	0.43
Deferred Tax liability (Net) for earlier years	(49.46)	—
Surplus/(Deficit) brought forward from previous year	23.44	23.01
Surplus/(Deficit) carried to Balance Sheet	(49.19)	23.44

DIVIDEND

In view of the unprofitable operations during the year, your Directors regret their inability to recommend any dividend for the year.

OPERATIONS

The operations of the Company during the year under review continued to be impacted by general economic slowdown and prolonged recession in Textile Industry. Total turnover during the year marginally improved at Rs. 4594.68 Lacs as compared to Rs. 4444.75 Lacs in the preceding year. The Company also recorded an increase in production of around 4.5% during the year. However, on account of squeezed margins and higher cost of inputs and utilities which could not be passed on to customers, the operations of the Company resulted in Net Loss of Rs. 23.17 Lacs after providing for Interest and Depreciation charges amounting to Rs. 372.43 Lacs against the Break-even level achieved in the previous year.

Your Directors are pleased to report that the Company's efforts towards development of export markets have yielded favourable results, thereby Exports Turnover climbing to Rs. 256.41 Lacs during the year as against Rs. 59.40 Lacs in the previous year. The products of the Company have been well accepted in the overseas markets and prospects in export earnings in the coming years seem to be bright.

With the export initiatives taken by the Company coupled with cost reduction measures exercised in all spheres of the Company's activities, the operations of the Company are expected to improve during the times ahead.

FINANCE

During the year under review the Company had allotted 51,200 12.5% Unsecured Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 51.20 Lacs on preferential basis to the Promoters Group to meet the urgent financial requirements of the Company.

In addition the Company has been sanctioned Working Capital Term Loan assistance of Rs. 51.20 Lacs by State Bank of Bikaner and Jaipur and Funded Interest Term Loan of Rs. 105.40 Lacs by State Bank of India. The Company has also repaid the entire Term Loan assistance availed from PICUP.

DIRECTORS

With a view to broad base the Board of Directors to conform to the requirements of Corporate Governance, the Board inducted Shri Anoop Gupta, a practicing Chartered Accountant and Financial Consultant as an Independent Director who holds office up to the date of ensuing Annual General Meeting and is eligible for appointment.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Shri V. D. Khandelwal, Director retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

FOURTEENTH ANNUAL REPORT

In view of the full repayment of financial assistance availed by the Company from PICUP, the nomination of Shri A. P. Singh, as Nominee Director of PICUP has been withdrawn. The Board places on record its deep appreciation for valuable contribution made by Shri A.P. Singh during his tenure as Director of the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company state in respect of the year ended 30th September, 2002 that :

- a) in preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- c) they have taken sufficient and proper care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they have prepared annual accounts on a going concern basis.

AUDITORS

The term of present Auditors of the Company, M/s Mehrotra Rakesh Kumar & Company, Chartered Accountants, Kanpur will expire at the conclusion of forthcoming Annual General Meeting. The Company has received a certificate from the Statutory Auditors to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Board recommends the appointment.

The Auditors' observations relating to non-provision of penal interest amounting to Rs. 23.88 Lacs and change in method of accounting of Provision for Taxation in their Report are adequately explained in Note No. 10 and 12 respectively in Schedule 19 to the Annual Accounts and do not call for any further explanation/clarification.

DEMATERIALISATION OF SECURITIES

The Equity shares of the Company are tradable compulsorily in electronic mode and the Company has established connectivity with both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) for facilitating dematerialization of its securities

STATUTORY INFORMATION**Particulars of Employees**

As none of the employee of the Company was in receipt of remuneration in excess of the limits prescribed, information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, is not given.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

As per requirements of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are annexed hereto, forming part of this report.

LISTING INFORMATION

The Equity shares of the Company were initially listed at Kanpur (the Regional Stock Exchange), Mumbai, New Delhi, Ahmedabad and Jaipur Stock Exchanges. As the Equity shares of the Company had no trading activities at Ahmedabad, Jaipur and Delhi Stock Exchanges over a fairly long time, it is proposed to delist the Company's securities from these Stock Exchanges. Accordingly, the Annual Listing fee to Kanpur and Mumbai Stock Exchanges is paid up to date.

INDUSTRIAL RELATIONS

Relations with the employees continued to be cordial. The Directors wish to place on record their appreciation of the co-operation and contribution made by employees at all levels.

ACKNOWLEDGEMENTS

Your Directors wish to express their deep sense of appreciation for the assistance and co-operation extended by Financial Institutions, Bankers, Government authorities, Business associates and shareholders at large.

For and on behalf of the Board

Place : Kanpur
Dated : 27.01.2003

Shyam S. Sharma
(Chairman & Managing Director)

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 30TH SEPTEMBER 2002.

I. CONSERVATION OF ENERGY

- (a) *Energy conservation measures taken :*
Use of Heat Recovery Unit instead of Heaters for generation of Heat to save on Power cost.
- (b) *Additional Investment and proposals, if any, being implemented for reduction of consumption of energy :*
The Company is constantly on the watch for various modes and areas of conservation of energy. Investments, therefore, will be considered after identification of such areas.
- (c) *Impact of the measures taken above :*
The adoption of energy conservation measures as mentioned above have resulted in substantial saving of energy and has consequently caused a reduction in the cost of goods produced.
- (d) *Total energy consumption and energy consumption per unit of production :*

FORM A

A. Power and Fuel Consumption		Current Year (2001-2002)	Previous Year (2000-2001)
1. Electricity			
(a) Purchased :			
Unit (KWH in lakhs)	(-)	(-)	
Total amount (Rs. in lakhs)	(-)	(-)	
Rate /KWH (in Rs.)	(-)	(-)	
(b) Own Generation :			
(through Diesel Generators)			
Unit (KWH in lakhs)	84.90	93.13	
Unit per Litre of Diesel Oil	3.52	3.52	
Cost / Unit (in Rs.)	3.96	4.36	



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2.	Coal		
	Quantity (Kgs. in lakhs)	10.37	9.78
	Total Cost (Rs. in lakhs)	25.29	25.44
	Average rate	2.44	2.60
B.	Consumption per unit of production		
	Fibre, Yarn and other goods (Kgs. in lakhs)	85.24	81.55
	Electricity (in KWH)	1.00	1.14
	Coal (in Kgs.)	0.12	0.12

FORM B

II. TECHNOLOGY ABSORPTION :

Research and Development (R & D)1. *Specific areas in which R & D carried out by the Company*

The Company is having an ongoing process of Research and Development where regular studies and exploration is carried out for introduction of new products and minimization of waste during various processes.

2. *Expenditure on R & D*

As the Company has inducted latest technology and installed modern plant & machinery, the expenses involved in Research & Development are not significant; therefore, the same have not been accounted for separately.

Technology absorption, adaptation and innovation1. *Efforts in brief, made towards technology absorption, adaptation and innovation :*

The Company has inducted the latest technology in the plant, which has been fully absorbed.

2. *Benefit derived as a result of the above efforts :*

Product improvement, product development, energy saving, cost reduction etc.

3. *Technology Imported - NIL*

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company mainly exports its products to South East Asian countries and is in the process of exploring new export markets in adjoining countries. The constant efforts are on to identify the new export areas and their specific requirements by introduction of value added products and changed product mix. The aforesaid initiatives have resulted in tremendous increase in Export turnover from Rs. 59.40 Lacs to Rs. 256.41 Lacs during the year.

	Current Year (2001-2002)	(Rs. in Lacs) Previous Year (2000-2001)
A) Foreign Exchange earnings	256.41	59.40
B) Foreign Exchange outgo		
1. Import of Raw Materials	90.96	14.98
2. Expenditure on - Travelling	1.52	-
- Others	0.37	-

For and on behalf of the Board

Place : Kanpur
Date : 27.01.2003

Shyam S. Sharma
(Chairman & Managing Director)

AUDITORS' REPORT

TO THE MEMBERS OF GANESH POLYTEX LIMITED

We have audited the attached Balance Sheet of GANESH POLYTEX LIMITED as at 30th September, 2002 and also the annexed Profit & Loss Account for the year ended on that date. 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.

We conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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.

- As required by the Manufacturing and 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 annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred to in paragraph 1 above, we report that :-
(i) **No provision for Penal interest charged and debited by bank on loan accounts amounting to Rs. 23.88 lacs has been made (Refer Note No. 10 of Schedule 19) due to which Loss for the year is under stated to that extent.**
(ii) **The method of accounting relating to provision for income tax has been changed during the year. However, this change has no impact on the Loss for the year. (Refer Note No 12 of Schedule 19)**

ANNUAL REPORT

We further report that without considering item mentioned at 2(ii) above, had the observation made by us in 2(i) above been considered, the Loss for the year would have been Rs. 47.05 Lacs (as against the reported figure of Rs. 23.17 Lacs), the Secured Loans would have been Rs. 1535.82 Lacs (as against the reported figure of Rs. 1511.94 Lacs) and debit balance of Profit & Loss A/c appearing in the Balance Sheet would have been Rs. 27.11 Lacs (as against the reported figure of Rs. 3.23 Lacs);

03. (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 accounts, as required by law, have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet and Profit & Loss Account, dealt with by the report, are in agreement with the books of account;
- (d) In our opinion, the Profit & Loss account and the Balance Sheet, comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
- (e) On the basis of written representations received from the Directors of the Company, as on 30th September, 2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2002 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- Subject to our remarks in paragraph 2 above, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with 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 the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2002 and
- (ii) in the case of the Profit & Loss Account, of the loss for the year ended on that date.

For MEHROTRA RAKESH KUMAR & CO.
Chartered Accountants
(DEEPAK SETH)
Partner

Place : Kanpur
Dated : 30.12.2002

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO MEMBERS OF GANESH POLYTEX LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER 2002.

- The Company has maintained proper records of Fixed Assets showing full particulars including quantitative details and situation thereof. As certified by the Management, all the fixed assets were physically verified during the year and no material discrepancies were noticed on such verification.
- None of the fixed assets of the Company have been revalued during the year.
- The Stock of finished goods, stores, spare parts and raw materials etc. have been physically verified by the management during the year.
 - According to the explanations given to us, the procedure of physical verification of stocks referred to in (a) above followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
 - According to the records produced to us for verification no material discrepancies have been noticed on physical verification of stock referred to in (a) above as compared to book records and the same have been properly dealt with in the books of account.
 - On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.

- In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the parties listed in the register maintained under Section 301 of the Companies Act, 1956, are not, *prima facie*, prejudicial to the interest of the Company. We are informed that there are no Companies under the same management with in the meaning of erstwhile Section 370(1B) of the Companies Act, 1956.
- The Company has not granted any loan secured or unsecured to companies, firms or other parties in which Directors are interested as listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management with in the meaning of erstwhile Section 370(1B) of the Companies Act, 1956.
- Employees to whom advances and loans have been given by the Company are generally repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.
- In our opinion and according to information and explanations given to us there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of stores, raw materials, plant and machinery, equipments and other assets and also for the sale of goods.
- According to information and explanation given to us, there are no transactions of purchase of goods and materials and of 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 any party.
- As informed to us the Company has a system of determination of unserviceable or damaged stores and spares, raw materials and finished goods and necessary provisions for loss on the items so determined have been made in the Books of Accounts of the Company.
- According to information and explanations given to us, the Company has generally complied with the provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted.
- The Company has maintained reasonable records for the sale and disposal of its realizable scrap. The Company has no byproducts.
- The Company has an Internal Audit System commensurate with its size and nature of its business.
- We have broadly reviewed the Cost Records maintained by the Company as prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the said records have been made and maintained properly. We have, however, not made any detailed examination of such records with a view to determine whether they are accurate.
- According to the records of the Company, Provident Fund dues have been, generally, deposited regularly during the year out of provident fund deducted with appropriate authorities except some arrears of such dues at the close of the year which have also been deposited subsequently by the Company. According to the information and explanations given to us, the Company is not yet required to make Employees State Insurance contributions.
- According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as on 30th September, 2002 for a period of more than six months from the date they became payable.
- The Company has a policy of authorizing expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorized on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account which, in our opinion and judgement and to best of our knowledge and belief, could be regarded as personal expenses.
- 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 MEHROTRA RAKESH KUMAR & CO.
Chartered Accountants

Place : Kanpur
Dated : 30.12.2002

(DEEPAK SETH)
Partner