

ANNUAL REPORT

98-99



INDUSTRIES LIMITED



GTC Industries Limited

43RD ANNUAL GENERAL MEETING

Date	: 18th August, 1999
Day	: Wednesday
Time	: 3.00 p.m.
Venue	: Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai - 400 056.
Book Closure Dates	: 11th August to 18th August, 1999 (both days inclusive)

Board of Directors

Chairman

Sanjay Dalmia

Vice-Chairman

Anurag Dalmia

Directors

R. R. Kumar	
Dr. P. L. Malhotra	- B. I. F. R. Nominee
N. V. Joshi	- Whole Time Director
Ved Berry	- Whole Time Director
Viney Mehra	- Whole Time Director

Managing Director

J. P. Khetan

Vice-President (Corporate Affairs) & Secretary

Kamal K. Gupta

Auditors

Lodha & Co.

Solicitors

Khaitan & Partners

Bankers

State Bank of India
Canara Bank
Syndicate Bank
Vijaya Bank
State Bank of Bikaner & Jaipur
Allahabad Bank
Standard Chartered Bank
Deutsche Bank
The Vysya Bank Ltd.
Bank of Tokyo Ltd.
United Bank of India
Oman International Bank S.A.O.
Punjab & Sind Bank

Registered & Share Transfer Office

Tobacco House,
Vile Parle (West),
Mumbai - 400 056.

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NOTICE

NOTICE is hereby given that the Forty Third Annual General Meeting of the Members of GTC Industries Limited will be held on Wednesday, the 18th August, 1999, at 3.00 p.m. at Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai-400 056, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 1999, the Audited Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sanjay Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri N. V. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board

Place : MUMBAI
Dated : 21st May, 1999

KAMAL K. GUPTA
Vice President (Corporate Affairs) &
Secretary

Regd. Office:
Tobacco House,
Vile Parle (West), Mumbai - 400 056

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT PROXY INSTEAD OF HIMSELF. A PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A PROXY NEED NOT BE MEMBER. AN INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, 11th August, 1999 to Wednesday, the 18th August, 1999, (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, read with provisions of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rule, 1978, members are hereby informed that all unpaid dividend upto 1993-94 declared by the Company have been transferred by the Company to General Revenue Account of the Central Government. Those members, who have not yet claimed dividend in respect of the years up to 1993-94, are requested to apply to the office of the Registrar of Companies, Maharashtra in the prescribed manner.
4. Members are requested to kindly communicate immediately any change in their address, particularly mentioning their PIN CODE number.
5. Members attending this Annual General Meeting are requested to bring their copies of the Annual Reports as no separate copies shall be given at the time of the Annual General Meeting.
6. Any query relating to Annual Accounts or otherwise must be sent to the Registered Office of the Company at least 10 days before the date of the meeting.
7. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting. In case of joint holder(s), if more than one holder intends to attend the meeting, they may obtain the additional admission slip on request from the Registered Office of the Company on or before 13th August, 1999 to avoid inconvenience.
8. Shareholders who are holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holding in one folio.

DIRECTORS' REPORT

Your Directors hereby submit their forty third Annual Report with the Audited Accounts for the year ended 31st March, 1999.

OPERATING RESULTS :

	For the year ended 31. 03. 1999	18 months ended 31. 03. 1998
	(Rs. in lacs.)	
Profit / (Loss) for the year before Interest & Depreciation	1122.87	1441.74
Interest	2866.10	3628.34
Profit / (Loss) before Depreciation	(1743.23)	(2186.60)
Depreciation	124.45	78.30
Profit / (Loss) before Tax	(1867.68)	(2264.90)
Provision for Taxation	2.50	5.00
Profit / (Loss) after tax	(1870.18)	(2269.90)
Balance brought forward from last year	(9042.35)	(6773.28)
Excess Provision of Wealth Tax for earlier years	-	0.83
Balance carried to Balance Sheet	(10912.53)	(9042.35)

DIVIDEND :

In view of the loss / accumulated losses, your Directors are not recommending any dividend.

EVALUATION OF PERFORMANCE:

The Cigarette Industry's performance remained subdued during the year 1998-99, reversing the growth trend of the last five years. As against this, the overall performance of your Company was satisfactory. In the Filter segment, which constitutes a major portion of the cigarette turnover, it performed very well. The segment grew by 23% against a negligible growth in the industry in terms of volume. However, in the Mini cigarette segment the turnover suffered due to natural calamities in the main selling areas, which resulted into a substantial loss. Besides this increase in interest by 18.49% over last year has further added to the losses during the year.

EXCISE DUTY STRUCTURE :

The Central Excise Duty structure continues to be regressive on cigarettes and favour multinationals. We are confident that with the introduction of VAT leading to lower tax on lower price cigarettes, this anomaly will be removed in future. Since your Company's products are skewed towards the popular priced segments, this will benefit your Company.

FUTURE OUTLOOK :

The increase in excise duty only on Mini cigarettes, a segment which is already declining, is likely to have a negative impact. Efforts would however continue to revive growth in the segment by your Company where it has a strong presence. Constant efforts to register substantial growth in the Filter segment, which is growing, has started showing results.

BIFR REFERENCE :

The State Bank of India, Operating Agency, appointed by the Board for Industrial & Financial Reconstruction is in the process of finalisation of the revival scheme as per the directives given by the Board in the last hearing.

FIXED DEPOSIT :

The total deposits as on 31st March, 1999 with the Company were Rs. 483.99 lacs, including deposits of Rs. 5.63 lacs, not claimed by the depositors on due dates. Your Directors have to report that since then, deposits of Rs. 0.06 lac out of the said unclaimed deposits have been paid.

CONSERVATION OF ENERGY ETC. :

A statement showing details of measures undertaken towards conservation of Energy, Technology Absorption, Exports and Foreign Exchange Earnings and Outgo in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed.



YEAR 2000 (Y2K) COMPLIANCE :

The Company in its endeavour to always stay updated has taken into consideration the Y2K problem alongwith measures towards Y2K compliance. The Cost for the same is estimated to be about Rs. 10 lacs and the Company expects to achieve complete Y2K compliance by October, 1999.

SUBSIDIARIES :

The following companies continue to remain as subsidiaries of the Company and their Annual Accounts are attached herewith:

1. GTC Investment & Finance Limited.
2. Panama Investment & Finance Limited.
3. Olive Investment & Finance Limited.
4. Rajnigandha Investment & Finance Limited.
5. Golden Investment (Sikkim) Private Limited.
6. GTC Global Limited.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies is attached to the accounts.

EMPLOYEES :

Information as per sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of the Directors' Report for the year ended 31st March, 1999 has been given as annexure to this report.

DIRECTORS :

Shri Sanjay Dalmia and Shri N. V. Joshi retire by rotation as Directors of the Company and are eligible for re-appointment.

AUDITORS' REPORT :

With reference to the observations made by the Auditors in their report, the Directors wish to state that the notes forming part of the Company's accounts are self explanatory, and hence do not require any further explanation.

AUDITORS :

M/s. Lodha & Co. , Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGMENT :

Your Directors place on record their deep appreciation for the continued support and co-operation extended to the Company by Banks, Financial Institutions, Business Associates, Employees and above all its Shareholders.

For and on behalf of the Board

Place : MUMBAI
Dated : 21st May, 1999

SANJAY DALMIA
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 1999.

A. CONSERVATION OF ENERGY

1. Energy Conservation measures taken :
 - i) Installed Energy Efficient "Inverter Drives" on 5 Nos. of Cigarette Making Machines and on Chambon four colour Printing Machine.
 - ii) Carried out suitable modifications in the existing hot air distributing hoods of Chambon Printing Machines to reduce considerable heat losses and saving in electrical energy.
 - iii) Replaced existing old designed, heavy, die-cast cooling tower fan by light, aerodynamically balanced, energy efficient FRP fan for centralised A.C. Plant.
2. Additional Investments & Proposals, if any being implemented for reduction of consumption of energy.
 - i) Installation of energy efficient " Variable Frequency Drives " on Cigarette Making Machines and Chambon 4-colour Printing Machine and on Air Handling units of central A.C. Plant.
 - ii) Installation of high Luminous Energy efficient T. L. fixtures in others areas.
3. Impact of measures at 1 & 2 above for reduction of energy consumption and subsequent impact on the cost of production of goods.
 - i) Reduction in specific fuel consumption per unit of production.
 - ii) Reduction in specific consumption of electrical energy.
 - iii) Improved operational efficiency.

B. TECHNOLOGY ABSORPTION

- I. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY:
 1. a) Formulating specific tobacco additives for treatment of tobacco to improve smoking characteristics of the blend.
 - b) Designing of customised blends and cigarettes as per requirement of Domestic and Export market.
 - c) Improving processed parameters for optimum yield in tobacco processing and consistent product quality.
 - d) Improving packaging for enhanced product quality.
 2. Improving Printing techniques for better packet getup and substitution of imported material with indigenous materials, without compromising in quality of the final product.
- II. BENEFITS DERIVED AS A RESULT OF R & D:
 1. a) Enhancing the smoking pleasure of the customer due to improvement in the blend characteristics.
 - b) Resulting in an appreciable volume in Exports and Domestic Market by offering the customer brands of their liking irrespective of the type i.e. an American blend, Virginia blend, Low tar-low Nicotine or standard blend.
 - c) Increasing the yield during process and minimising the fluctuations in the blend chemistry.
 - d) Resulting in increased shelf life of the product by protecting from weathering.
 2. Providing high standard of packaging material in line with International Standard and saving in cost due to import substitutions.
- III. FURTHER PLAN OF ACTION:
Research will be carried out on the above mentioned areas.
- IV. EXPENDITURE ON R & D:

a) Recurring	Rs. 35.87 lacs.
b) Total R & D expenditure	
As percentage of Gross Turnover	0.09%
(Technology absorption, adaption & Innovation)	
c) 1. Efforts, in brief, made towards technology absorption, adaption and innovation:	
i) Using specially developed additives for overall improvement in smoke characteristic. ii) Enhancing quality checks in all stages of production for producing the final product with highest possible quality. iii) Monitoring each stage to ensure cost parameters are under control. iv) Offering the customer the best possible product of his liking at comparative prices through continuous development work and monitoring cost control parameters at every stage of production.	
2. Benefits derived as a result of above efforts are quality products at optimised production cost.	
3. Technology imported	Nil

C. ACTIVITIES RELATED TO EXPORTS :

1. The company has exported during the year various brands of cigarettes aggregating to Rs. 187.47 lacs.
2. During the year under review, 33.65 million of sticks were exported to South America, West Africa, West Asia and the CIS Countries. Activities are on for enhancing exports and to develop new export markets and services and export plans.
3. Total foreign exchange used:

Travel	Rs. 5.81 lacs.
Other expenses	Rs. 31.78 lacs.
Total Foreign Exchange earned :	
Cigarettes	Rs. 185.75 lacs.
Others	Rs. 1.72 lacs.

ANNEXURE TO THE DIRECTORS' REPORT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956.

PARTICULARS OF EMPLOYEES FORMING PART OF DIRECTORS' REPORT FOR THE YEAR FROM 01.04.98 TO 31.03.99

NAME	DESIGNATION/ NATURE OF DUTIES	REMUNE- RATION (RUPEES)	QUALIFICATIONS	EXPE- RIENCE (YEARS)	DATE OF COMMENCE- MENT OF EMPLOY- MENT	AGE (YEARS)	THE LAST EMPLOYMENT HELD BEFORE JOINING THE COMPANY AND ALSO THE DESIGNATION AND NUMBER OF YEARS PUT IN THERE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

A: EMPLOYEES WHO ARE IN SERVICE FOR THE WHOLE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING RS.600000/- OR MORE.

BERRY VED	DIRECTOR-SALES & MARKETING	649,338	B.COM,BUSINESS MANAGEMENT	29	15.07.92	48	GODFREY PHILIPS INDIA LTD., MARKETING MANAGER - 12 YEARS
JOSHI N.V.	DIRECTOR-FINANCE	677,424	B.COM., A.C.A., F.C.S.	28	07.06.88	53	KALYAN SUNDARAM CEMENT INDUSTRIES LTD., SECY. & FINANCE CONTROLLER - 5 ¼ YEARS
KHETAN J.P.	MANAGING DIRECTOR	1,089,144	INTER (ARTS)	35	10.02.79	56	DALMIA INDUSTRIES LTD., COMMERCIAL MANAGER - 7 YEARS
MEHRA VINEY	DIRECTOR - TECHNICAL	656,379	H.S., DIP. IN PRODUCTION ENGG.	33	19.11.84	53	ITC LTD., ASSTT. PRODUCTION MANAGER - 18 YEARS

B: EMPLOYEES WHO ARE IN SERVICE ONLY FOR A PART OF THE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING RS.50,000/- OR MORE PER MONTH.

BHANDARI J.M.	CIG. RCR.	89,859	-	30	20.06.68	56	-
GABA K.D.	MANAGER ENGG. SERVICE	95,796	B.E. (ELE. MECH.)	30	02.04.82	50	M/S. CADBURY INDIA LTD., MUMBAI, ENGINEER - 7 ½ YEARS
GAWDE D.D.	SECTION MAN - I	136,033	X TH STD.	36	02.04.82	58	NEW HEVEN ENGG. CO., ANDHERI, APPRENTICE - 3 MONTHS
JOSHI U.H.	OPERATOR (INK)	90,809	VI TH STD.	31	24.08.67	58	-
KAMBLI B.S.	TIME KEEPING CLERK	77,308	S.S.C.	19	05.05.80	58	KEMP PHARMACEUTICAL, DIV. OF THE MORARJI GOKULDAS SPG. & WVG. CO. LTD., CLERK - 1 YEAR
PANDYA A.M.	OPERATOR SLIDE MACHINE	108,466	VIII TH STD.	37	01.02.61	58	-
PATEL T.K.	SR. EXECUTIVE TIME KEEPING	255,287	S.S.C.	39	01.04.60	58	KHIRA STEEL WORKS., CLERK - 4 MONTHS
SAVANT V.S.	WATCHMAN	93,402	VII TH STD.	34	11.04.84	63	NIIRLON CO. LTD., WATCHMAN - 20 YEARS
SHEIKH HUSAIN G.M.	ASSTT. SERVICEMAN	63,882	VTH STD.	24	21.03.76	58	CHAND MINAR INDIAN WELDING & TIN WORKS, SOLDER / REDETOR REPAIRER - 2 YEARS
SHEIKH M.M.	OPERATOR M PLANT	120,214	VTH STD.	36	01.02.62	58	-
SHIRGAONKAR G.N.	HELPER / CLEANER	94,413	XTH STD.	28	11.10.70	54	-
SUCHADE K.K.	SR. CLERK - I	134,004	S.S.C.	29	23.07.69	58	-
VICHARE RAMESH Y.	EXECUTIVE PRODUCTION	119,188	S.S.C.	27	01.06.71	58	MASKIN PHARMA - MEDICAL REP. - 4 MONTHS

NOTES :

- 1) Remuneration includes Salary, Company's Contribution to Provident Fund and Superannuation Scheme, Medical, Leave Encashment, Leave Travel Assistance, Gratuity, Bonus, Education Allowance, House Rent/Allowance paid for residential accommodation and where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of such perquisite is calculated in accordance with the Income Tax Act, 1961 and the Rules made thereunder.
- 2) None of the employee is a relative of any Director of the Company.
- 3) The conditions of the employment except in the case of the Managing Director whose appointment is contractual, are non-contractual and terminable by one-to-three month's notice.

For and on behalf of the Board

Place : MUMBAI
Dated : 21st May, 1999

SANJAY DALMIA
Chairman

AUDITORS' REPORT

Report of the Auditors to the Shareholders of GTC Industries Limited

We have audited the attached Balance Sheet of GTC INDUSTRIES LIMITED as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report that :

1. 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 subject to Note No.3(b) below.
2. (a) No provision has been made for Excise Duty liability of Rs.69,32,86,695 (excluding penalty/interest thereon) arising on the Supreme Court decision in the matter. As explained by the Management in Note No.2(c) in Schedule 'Q' to the accounts, the Company shall be filing a review petition before the Supreme Court and is hopeful of a favourable outcome in the matter.
 (b) In accordance with the past practice followed by the Company, no provision has been made in the accounts in respect of the estimated total liability for future payment of gratuity of Rs.5,25,98,755 (including liability for the current year Rs.27,74,281) determined on the basis of actuarial valuation. (Refer Note No.20(a) in Schedule 'Q' to the accounts).
 (c) No provision has been made in the accounts for interest, penal/overdue interest and liquidated damages in respect of certain overdue unsecured loans and other liabilities, amount presently not ascertainable, payable to various parties. (Refer Note No.20(b) in Schedule 'Q' to the accounts).
3. (a) Certain Advances and Sundry Debtors aggregating to Rs.5,41,77,530 and Rs.17,11,17,870 respectively, which have been classified by the Management as 'considered good' are, in our opinion, doubtful of recovery and require to be provided for (Refer Note No.10 in Schedule 'Q' to the accounts).
 (b) Certain Sundry Debtors, Sundry Creditors, Bank Balances and Loans and Advances are subject to confirmations, reconciliations and adjustments, if any. (Refer Note No.12(a) in Schedule 'Q' to the accounts).
4. The Company has not complied with the provisions of Section 205A of the Companies Act, 1956 (hereinafter referred to as the 'Act') in as much as the amount of dividend of Rs.7,20,39,609 for the accounting year ended 31st March, 1995 was neither paid nor was it transferred to a special account with a scheduled bank within the prescribed time limits under the said Section. However, out of the above amount, Rs.1,03,97,063 has been paid upto 31st March, 1999. Besides, the Company has not provided for the interest of Rs.1,47,66,319 (including liability for the year Rs.69,92,895) on such unpaid dividend. As explained, the same will be accounted for as and when paid. (Refer Note No.18 in Schedule 'Q' to the accounts).
5. Subject to the matters referred to in paragraphs 2 and 4 above, 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 those books.
6. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
7. Subject to what is stated at paragraph no.2(b) above, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards as prescribed under the provisions of Section 211(3C) of the Act.
8. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to the matters referred to in paragraphs 2, 3 and 4 above, having consequential impact on the loss for the year, accumulated losses, reserves and surplus, assets and liabilities, to the extent ascertained or presently not ascertainable, as the case may be and read together with Note No. 1(C)(c) regarding non-amortisation of perpetual right to occupy the Property Time Sharing Units, Note No.2 regarding contingent liabilities and Note No. 14 regarding reconciliations of allotment/call money unpaid, requiring adjustments, if any and other notes appearing in Schedule 'Q' and elsewhere in the accounts give the information required by the Act, in the manner so required and give a true and fair view :
 (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999
 and
 (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

9. 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 Act and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we further report that :
- (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. The Management has during the year physically verified the land and buildings, major portion of plant and machinery, vehicles and part of equipments, furniture and fixtures, in accordance with a phased programme which in our opinion is reasonable having regard to the size of the Company and nature of its fixed assets. Discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.
 - (ii) None of the fixed assets have been revalued during the year.
 - (iii) The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified by the Management at reasonable intervals during the year. The stocks in the possession and custody of third parties and stocks in transit as on 31st March, 1999 have been verified by the Management, in some of the cases, with reference to confirmations obtained from the third parties and/or subsequent receipt of goods, if any.
 - (iv) In our opinion, 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.
 - (v) The discrepancies noticed on such physical verification of stocks carried out by the Management, as compared to the book records were not material and have been properly dealt with in the books of account.
 - (vi) In our opinion and on the basis of our examination of stock records and considering the method of accounting of Excise Duty consistently followed by the Company, as referred to in Note No. 9 in Schedule 'Q' to the accounts, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.
 - (vii) As per the information and explanations given to us, the Company, has not taken or granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under Section 301 of the Act. We are informed that there is no company under the same Management within the meaning of Section 370(1B) of the Act.
 - (viii) The parties to whom loans, or advances in the nature of loans have been given by the Company are generally repaying the principal amount as per stipulations, wherever made, except in few cases, where as explained to us, steps are being taken to recover the principal amounts. However, in respect of Rs.787.55 lakhs of loans and advances in the nature of loans, no stipulations have been made for the repayments and out of which Rs.245.78 lakhs have been considered as doubtful of recovery by the Management. The interest, wherever applicable, is not being regularly paid and as explained to us, reasonable steps are being taken by the Company for the recovery of the same.
 - (ix) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and for the sale of goods.
 - (x) According to the information and explanations given to us and as per the records of the Company, no transactions of purchase/sale of goods and materials and sale of services are made by the Company in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Act and aggregating during the year to Rs.50,000 or more in respect of each party.
 - (xi) As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.
 - (xii) In our opinion, the Company has complied with the provisions of Section 58A of the Act and rules framed thereunder with regard to the deposits accepted from the public. Further, the amount invested in securities as liquid assets under the rule did not remain free from encumbrance due to attachment proceedings/part seizure of the same by the Income Tax department.

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- (xiii) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scraps. The Company has no by-product.
- (xiv) In our opinion, the Company has an internal audit system which is broadly commensurate with the size of the Company and nature of its business.
- (xv) As per the information and explanations given to us and to the best of our knowledge, the Central Government has not prescribed for the maintenance of cost records under Section 209(1)(d) of the Act for any of the products of the Company for the year under review.
- (xvi) The Company is generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- (xvii) There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at 31st March, 1999, for a period of more than six months from the date they became payable.
- (xviii) No personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practice.
- (xix) In our opinion, the Company is 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. On a reference made to the Board for Industrial and Financial Reconstruction under Section 15 of that Act, the Company was declared as a Sick Industrial Undertaking and, as explained, the rehabilitation package is being finalised by the operating agency.
- (xx) In respect of service activities, as explained to us, the nature of the services rendered by the Company is such that the question of recording receipts, issues and consumption of materials and stores, allocation of materials consumed and man-hours utilised to the relative jobs and the system of authorisation and allocation of stores and labour to jobs does not arise. However, in case of certain services where the charges are recovered on the basis of mandays, the Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business which provides for allocation of mandays to the relative jobs and authorisation at proper levels.
- (xxi) In relation to the trading activities of the Company, damaged goods which were not significant, have been determined by the Company and necessary provision for losses have been made in the accounts.



For LODHA & CO.,
Chartered Accountants

N.KISHORE BAFNA
Partner

Place : MUMBAI

DATED : THIS 21ST DAY OF MAY, 1999.