



HINDUSTAN WIRES LIMITED ANNUAL REPORT

HINDUSTAN WIRES LIMITED

BOARD OF DIRECTORS

Shri M.L. Bhartia — Chairman

Shri S.L. Purohit — Executive Director

Shri U.S. Bhartia

Shri N.R. Chakravarty

Shri S.S. Sidhu

Shri M.L. Saraf

Shri K. Varugis

Shri Bodhishwar Rai (SBI Nominee)

BANKERS

State Bank of India

SOLICITORS

Messrs. Khaitan & Co.

AUDITORS

Messrs. K.N. Gutgutia & Co.

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REGISTERED OFFICE

3A, Shakespeare Sarani
Calcutta - 700 071

FACTORIES

Barrackpore Trunk Road, Sodepur
(24 Parganas, West Bengal)

267-268 Sector-24, Faridabad
(Haryana)

HINDUSTAN WIRES LIMITED**DIRECTORS' REPORT****TO THE SHAREHOLDERS**

Your Directors present their Report together with Audited Accounts of the Company for the Eighteen Months period from 1st October, 1997 to 31st March, 1999.

CORPORATE RESULTS

	(Rs. in Lacs)	
The Results are Summarised below:		
	01.10.97	01.04.96
	To	To
	31.03.99	30.09.97
Sales & other income	9674.81	13770.09
Expenses	9586.56	13183.20
Gross Profit/(Loss)	88.25	586.89
Gratuity & Retirement Benefits	181.73	102.84
Profit/(Loss) before Interest, Depreciation & Tax	(93.48)	484.05
Interest	376.07	1174.01
Profit/(Loss) before Depreciation & Tax	(469.55)	(689.96)
Depreciation	194.51	276.43
Net Profit/(Loss)	(664.06)	(966.39)

OPERATIONS

You will observe from the above results that the turnover for the period ended 31st March, 1999 is less by Rs. 40.54 crores as compared to the turnover of corresponding period. The decline in sales is due to reduced sales of the Wire Division of the Company. The sales of the Wire Division for the period ended on 31st March, 1999 is Rs. 43.76 crores as compared to the sales of Rs. 88.15 crores during the corresponding earlier period. The sales of Sodepur unit was affected due to labour problem in the factory which has subsequently resulted in suspension of work w.e.f. 12th December, 1998.

The business of LPG Equipment Division at Faridabad has increased by 10% during the current period. The turnover for this division in the current period was Rs. 50.64 crores as compared to Rs. 46.19 crores in the corresponding earlier period.

GENERAL REVIEW

The performance of the Company was affected badly due to severe recession in the Steel & Engineering Industry. As a result of this, the Steel Wire Division of the Company was also affected. In order to reduce losses of the Wire Division, the Company has taken several steps to reduce the cost including rationalisation of manpower. For achieving the rationalisation of manpower, your Company has paid Rs. 181 Lacs towards gratuity and other benefits to outgoing employees.

In case of LPG Equipment Division, during the period your Company has been successful in developing various designs and drawings and getting the approval from concerned government authorities for the LPG Equipments required by Private Sector. Considering the present demand of LPG connections your Company expect good business during the current year from Private Sector as well as from Public Sector Oil Companies.



REFERENCE TO B.I.F.R.

You will observe from the above results that there is a loss of Rs. 664.06 Lacs in the current period as compared to the loss of Rs. 966.39 Lacs in the corresponding earlier period. As a result the entire net worth of the Company has been eroded. In the current period Company has taken the steps to increase the net worth by increasing its share capital by Rs. 490.00 Lacs. Even after considering the increased share capital, the net worth of the company is still negative. As a result the Company will be referred to the Board for Industrial & Financial Reconstruction (BIFR) as per the provisions of Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985.

DIVIDEND

In view of losses, your Directors are not in a position to recommend any dividend for the period ended 31st March, 1999.

PUBLIC DEPOSITS

At the end of the period there were certain overdue deposits which are being repaid.

DIRECTORS

Dr. S.S. Sidhu and Shri N.R. Chakravarty, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Shri S.S. Bhartia has resigned from the Board of the Company. Your Directors wish to place on record their appreciation for the valuable services rendered by Shri S.S. Bhartia during his tenure as Director of the Company. Shri U.S. Bhartia has resigned from Managing Directorship and continues as a Director of the Company. Shri S.L. Purohit has been re-appointed as Executive Director of the Company w.e.f. 01.10.1998 for a further period of one year.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 1994 forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts that are being circulated to the Shareholders do not include the statement of Particulars of Employees. Any shareholder interested in obtaining copy of the said statement can write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

AUDITORS' REPORT

The Notes referred to in the Auditors' Report are self explanatory and it is clarified in Notes to Accounts.

AUDITORS

The terms of Office of Messrs K.N. Gutgutia & Co., Chartered Accountants, Calcutta as Auditors of the Company expires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the assistance and co-operation received from Banks and Financial Institutions and look forward to their continued support.

HINDUSTAN WIRES LIMITED

Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company in the current difficult phase.

For and on behalf of the Board of Directors

New Delhi
the 10th Day of June, 1999

U.S. BHARTIA
Director





ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period from 1st October, 1997 to 31st March, 1999.

ENERGY CONSERVATION

- (a) The following energy conservation measures were taken.
 - (i) The Company's Engineers are continuously trying to find out ways and means to conserve energy by combination of operations, elimination of unnecessary process and various wasteful practices.
 - (ii) The company has substituted consumption of LDO with HSD at Sodepur factory which will be cheaper.
 - (iii) Shutting down all electrical machineries and appliances when not in use to avoid unnecessary waste of energy.
 - (iv) Company has started using an additive at Sodepur Factory which improves fuel efficiency.
 - (v) Providing automatic shut off twilight switch for lighting in and around factory premises and use of more transparent sheets for day time lighting.
 - (vi) Providing automatic load and unload device on compressors.
 - (vii) Providing soft starters at electrical control panels which gives a saving in power consumption.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
No additional major investment is proposed in view of losses and shortage of funds.
- (c) Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
It has resulted in awareness at all levels to use the energy in best possible manner and reduce the wastage during the period when the load is not required.
- (d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule thereto : *This is not applicable in case of your Company.*

TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B are given below:

- (i) Research and Development:
No specific research and development work has so far been taken up. However, there have been on going efforts to improve productivity and carry out cost effective operations with better value added products.
- (ii) Technology absorption, Adaptation and Innovation.
Particulars of technologies imported during the last 5 years: Nil

FOREIGN EXCHANGE EARNINGS & OUTGO

During the period, the Company was able to achieve export earnings of Rs. 405.16 lacs. The total foreign exchange earned/utilised are given in Schedule-I to the Accounts.

For and on behalf of the Board of Directors

New Delhi
the 10th Day of June, 1999

U.S. BHARTIA
Director

HINDUSTAN WIRES LIMITED**AUDITORS' REPORT****TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of HINDUSTAN WIRES LIMITED as at 31st March, 1999 and also the Profit and Loss Account of the Company for the eighteen months period ended on that date annexed thereto 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 purpose of our audit.
2. 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 subject to note no. 7 & 8 of Schedule I, regarding non-provision of Interest and amounts due to Small Scale Industrial Undertakings respectively.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion the Balance Sheet and Profit & Loss Account complies with the mandatory Accounting Standards (AS) referred in section 211(3c) of the Companies Act, 1956 except AS 15 to the extent as stated in Note nos. 9 & 10 of Schedule-I to the Accounts.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with accounting policies and notes thereon and together with Schedules annexed thereto and subject to note nos. 7, 9, 10 & 11 of Schedule I-(a) regarding non-provision of Interest, (b) regarding Gratuity to the extent unprovided, (c) regarding non-provision of liabilities of accumulated earned leave of employees and (d) regarding Interest Capitalisation which is not in accordance with the recommendations of the Institute of Chartered Accountants of India to the extent indicated therein respectively and corresponding effects on loss for the period and period end net assets and liabilities give the information required by the Companies Act, 1956 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 Profit & Loss Account of the Loss for the period ended on that date.

As required by the manufacturing and other Companies (Auditors' Report) Order, 1998 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we further state that :

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets except of its Sodepur Unit (which could not be verified due to suspension of work w.e.f. 12.12.98) have been physically verified by the management during the period and no material discrepancies were noticed on such verification.
- (ii) None of the fixed assets have been revalued during the period.
- (iii) The stock of finished goods, stores and spare parts and raw materials lying in Factories and Branches have been physically verified during the period by the management except materials in transit and lying with third parties and at its Sodepur Unit which is under suspension of work w.e.f. 12.12.1998. In our opinion, the frequency of verification is reasonable.
- (iv) The procedure 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 between the physical stocks and the book records which were not material, have been properly dealt with in the books of account except of its Sodepur Unit where book balance were taken and discrepancies if any will be adjusted in the year of ascertainment.



- (vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, subject to Note No. 6 of Schedule I regarding excise duty on finished goods which is not in accordance with the guidelines issued by the Institute of Chartered Accountants of India and is on the same basis as in the preceding year.
- (vii) In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been taken from companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- (viii) The Company has not granted unsecured loans to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (ix) The Company has given loans free of interest or advances in the nature of loans only to its employees who are repaying the amount as stipulated.
- (x) 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 & machinery, equipment and other assets and with regard to the sale of goods.
- (xi) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and services made in pursuance of contracts or arrangement entered in the register 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.
- (xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged raw materials, stores and spares and finished goods. On the basis of this procedure the Company has determined that there are no such items during the period and accordingly no question or provision for any loss in respect of such items in the accounts arises.
- (xiii) 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 from the Public except some shortfall in maintenance of liquid assets as required under rule 3A of the said rules for which the company has taken necessary steps and the company has overdue deposits and total deposits as at 31.03.1999 exceed the prescribed limits under the said rules due to continued operating losses. As informed to us necessary steps are being taken by the company to regularise the same.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the disposal of realisable scrap. We are informed that the Company has no by-products.
- (xv) In our opinion, the Company has an Internal Audit System commensurate with the size and nature of its business.
- (xvi) The Central Government has not prescribed maintenance of cost records under Section 209 (i) (d) of the Companies Act, 1956 for any of the products of the Company.
- (xvii) According to the records of the Company it has generally been regular in depositing Provident Fund and Employees' State Insurance dues with appropriate authorities except for delay on few occasions.
- (xviii) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, customs duty and excise duty were outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable. However, undisputed sales tax amounting to Rs. 46,94,017 is due for more than six months from the date they became payable as a consequence of suspension of activities at its Sodepur Works and we have been informed by the management that steps are being taken to regularise the same.
- (xix) According to the information and explanations given to us, no personal expenses of employees or directors