

Fourteenth  
Annual  
Report  
1998-99

Report

junction



**HOYSALA**

**Hoysala Blow  
Moulders (India)  
Limited**



- BOARD OF DIRECTORS** :
1. Mr. G.M. Krishna  
(Chairman & Managing Director)
  2. Mr. K. Vijayan
  3. Smt. Byamma
- AUDITORS** :
- M/s P.Ishwara Bhat & Co.,  
Chartered Accountants  
No.107, 1st Floor, Swiss Complex  
3, Race Course Road  
Bangalore - 560 003.
- SOLICITORS** :
- M/s. N.Jayaraman  
Advocates  
112/2, 11th Cross Road  
Near 5th Main  
Bangalore - 560 003.
- BANKERS** :
- Canara Bank  
Industrial Finance Branch  
83, Richmond Road  
Bangalore - 560 025.
- REGISTERED OFFICE** :
- No.9&11, "Krishna Towers"  
Cellar, III Main, Gandhinagar,  
Bangalore - 560 009.  
India  
Tel No. : 220195 Fax No. : 080-2200195
- WORKS** :
- (a) 15(A-1), Jigani Industrial Area,  
Anekal Taluk, Bangalore District - 562106  
Karnataka State.  
India  
Tel No. : 080-425369
- (b) N.H. 13, Chikkagondanahalli, Chitradurga  
Taluk & District, Karnataka State  
India  
Tel 08194 52023



**NOTICE TO MEMBERS**

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING OF HOYSALA BLOW MOULDERS (INDIA) LIMITED, will be held on Thursday, the 30th day of March 2000 at Hotel Kanishka, No.2, 11nd Main Road, Gandhinagar, Bangalore 560 009 at 11 A.M. to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.1999, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt. Byramma, who retires by rotation. Being eligible she offers herself for reappointment.
3. To appoint the Auditors and fix their remuneration. The retiring Auditors M/s P.Ishwara Bhat &Co., are eligible for reappointment.

Place : Bangalore

Date : 02.02.2000

By order of the Board

(G.M. Krishna)  
Managing Director

**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member. Proxies in order to be effective, must be received at the Registered office of the company, not less than 48 hours before the meeting
2. Any change in the address may please be intimated to the company.
3. The Register of members and Share Transfer Books will remain closed from 03.03.2000 to 30.03.2000 (both days inclusive)

By order of the Board

Place :Bangalore

Date : 02.02.2000

(G.M. Krishna)  
Managing Director.



## REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH 1999

To the Members,

The Board of Directors of your Company have the privilege of presenting before you the Annual Report and Audited statement of Accounts for the year ended 31st March 1999.

### PERFORMANCE OF THE COMPANY :

#### Financial Results :

	(Rs. in lakhs)	
	1999	1998
Gross Turnover	65.64	339.95
Gross Operating Profit	(183.42)	(495.80)
Interest	143.74	127.26
Depreciation	1.88	4.52
Net Profit(+) /Loss (-)	(452.75)	(678.07)
Net worth	(411.20)	41.72

#### OPERATION

The performance of the Company slowed down further due to continuation of 'Closure' of the main plant at Jigani. Despite various efforts made by the Management, the Operations at Jigani could not be started mainly on account of Recession experienced by the Manufacturing sector, especially Chemical Industries. The Company's products depended heavily on the Chemical Industries demand and more so in the case of L Ring Barrels proposed to be manufactured on the Expansion scheme.

The Export sector, namely Gherkins experienced tremendous Price war thereby pushing the Prices below Break even levels, for eg., the selling price of \$ 1.6 per kg came down to \$ 0.75 per kg and Break even price was around \$ 0.84. This forced the Management to become cautious and also suspended growing of Gherkins. The supplies of Barrels made to various Gherkin growers and Chemical Industries resulted in increase of Book debts beyond 180 days and the weak financial situations of these companies left no alternative but to suspend supply to most of these Companies.

The Board for Industrial and Financial Reconstruction (BIFR) during the Meeting held on 19th April 1999 declared the Company as 'Sick' and instructed the Operating Agency to submit the Rehabilitation Proposal and the Company is preparing the proposal with a view to restart the Operations to meet the customers requirements, who were in a position to make Advance payments against supplies. The Company had approached established Customers, who had in principle agreeable to this new arrangement and some of them had even prepared to supply Raw material for Job works.

At this juncture, the Company experienced severe jolts from the 'Search' undertaken by the officers of the 'Directorate of Revenue Intelligence' (DRI) on 16th and 17th of April 1999 at Registered



Office and Factory at Jigani and Chitradurga, respectively and seized Chitradurga plant and no production could be done for a span of three months. The Show Cause Notice issued by DRI alleging that the Managing Director and the Company for misappropriation of duty free Import Raw Material to the extent of 145 Mts ; which according to the Company is not justifiable as the Company is holding certain Advance Licences where Exports have been completed against which no Imports have been made. Also the Company is yet to receive Advance Licences against the supplies made to export oriented units which account for an additional 100 Mts.

The DRI 'Search' unearthed the clandestine and fraudulent dealings of one of the Senior Executives, General Manager (Operations), Mr.G.M.Halappa, of the Company, who had schemed jointly with some Traders of Raw material. They have imported raw material and sold the material on High Sea Purchase by the Company and used the Advance Licences belonging to the Company for clearance of this material and used an unknown Agent at Chennai and after clearance of these material it has been sold thereby depriving the Company its Revenue and Loss to the Exchequer.

The Board of Directors after conducting detailed investigations informed the DRI and filed a Criminal Complaint against Mr.G.M.Halappa before the Police and F.I.R has been Registered under Sections 468,420 and 400 of IPC.

The Board of Directors were totally engaged in providing information to DRI and reconciling company's Advance Licences for over 7 years, which did not leave much time to concentrate on the Revival aspect of the Company. Now with the completion of the investigations, the Management is making its best efforts to revive the plant. The recent indication in improvement in the economy adds to the Revival plans.

The Fourteenth Annual General Meeting was postponed as all the books of Accounts had been seized by DRI and we were given photocopies only during December 99.

#### **PARTICULARS OF EMPLOYEES**

Information required under section 217(1)(s) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 1988 is annexed.

#### **CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under section 219(1)(s) of the Companies Act, 1956 read with companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, information is given in the Annexure to this report.

#### **ACKNOWLEDGEMENTS**

Your Directors gratefully acknowledge the support given by Canara Bank, Shareholders, Staff and Employees of the Company and we look forward to their continued active involvement.

for and on behalf of the Board of Directors

Place : Bangalore  
Date :02.02.2000

(G.M. Krishna)  
Managing Director

**ANNEXURE TO DIRECTORS REPORT**

Statement showing the name of every employee of the Company as per section 217(2A) of the Companies Act, 1956, and forming part of the Directors Report for the period ended 31st March 1999 who was :

- |       |   |     |
|-------|---|-----|
| (i)   | Employed throughout the Financial year, was in receipt of remuneration for that year, which in the aggregate was not less than Rs.3,00,000/-  | NIL |
| (ii)  | Employed for a part of the financial year, was in receipt of Remuneration for that year, which in the aggregate was not less than Rs.25,000/-per month.   | NIL |
| (iii) | Employed throughout the financial year or part thereof, was in receipt of remuneration in that year which in the aggregate or as the case may be at a rate, which in the aggregate is, in excess of that drawn by the Managing Director or Whole Time Director or Manager and hold by himself or along with his spouse and dependent children, not less than Two percent of the Equity Shares of the company. | NIL |

**CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND  
FOREIGN EXCHANGE EARNINGS AND OUTGO**

**A. POWER & FUEL CONSUMPTION**

	Current year (1998-1999)	(Rs. in lakhs) Previous year (1997-1998)
Electricity purchased	NIL	15.85
Own Generation through Generator set	4.33	3.80

**B. FOREIGN EXCHANGE EARNINGS & OUTGO**

	Current year (1998-1999)	Previous year (1997-1998)
Raw Material	15.28	103.88
Sales	NIL	219.15

for and on behalf of the board of Directors

Place : Bangalore  
Date : 02.02.2000

(G.M.Krishna)  
Managing Director





## AUDITORS REPORT

We have audited the attached Balance Sheet of M/s. HOYSALA BLOW MOULDER'S (INDIA) LIMITED, # 9 & 11, Krishna Towers, Cellar Floor, III Main, Gandhinagar, Bangalore-560 009, as at 31st March 1999 and the Profit & Loss Account for the year ended on that date, annexed thereto, and report that

1. As required by the Manufacturing and other companies (Auditors Report) order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we state that
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper Books of Account required by Law have been kept by the company, so far as appears from our examination of such books.
  - c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of Accounts, and comply with the accounting standards referred to in sub section 3 (c) of section 211 of the Companies Act, 1956.
  - d) In our opinion and to the best of our information and according to the explanations given to us, the Accounts together with the Schedules annexed thereto read with the Notes made thereon, 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 Balance Sheet of the state of the affairs of the company as at 31st March 1999 and
    - b) In the case of the Profit & Loss Account, of the LOSS for the year ended on that date.

For P.Ishwara Bhat & Co.,  
Chartered Accounts

(P.Ishwara Bhat)  
Partner

Place : Bangalore  
Date 02.02.2000



**ANNEXURE TO AUDITOR'S REPORT-REFERRED TO IN PARA (I)  
OF OUR REPORT OF EVEN DATE**

1. The company has maintained proper records showing full particulars including quantitative details and situations of fixed assets. All assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification,
2. The Company has charged Depreciation on the revalued Value of Assets and the Depreciation on revaluation has been Charged to Revaluation Reserve.
3. The stock of materials have been physically verified by the management and the same has been valued after providing for depletion of stock of Gherkins.
4. As explained to us, the procedure of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business
5. According to the information produced before us no material discrepancies have been noticed on physical verification of stocks as compared to books subject to wastage of Gherkins becoming waste and stale.
6. In our opinion and on the basis of our examination the value of stocks is fair and proper in accordance with the normally accepted accounting principles
7. The Company has not taken any loans secured or unsecured from Companies, Firms, or Other Parties listed in the register maintained U/s 301 and or/from the Companies under the same management as defined U/s 300 (1B) of the Companies Act. 1956.
8. The Company has not granted any loans secured or unsecured from Companies, Firms, or Other Parties listed in the register maintained U/s 301 and or/from the Companies under the same management as defined U/s 300 (1B) of the Companies Act, 1956.
9. Loans & Advances have been given to Employees who are generally repaying the principal amount as stipulated or as rescheduled.
10. In our opinion there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us, there are no transaction of purchase and sales of goods and materials to the parties listed in the register maintained under Section 301 of the Companies Act. 1956, aggregating to Rs.50,000/- or more, during the period.
12. The Company has not accepted any deposits from the public in accordance with the provisions of section 58A of the Companies Act. 1956.
13. As explained to us, the company's manufacturing process does not generate any By-products or unsaleable scrap.





14. The Central Government has not prescribed maintenance of cost record under the section 209(1) (d) for the Companies Act, 1956 in respect of the products dealt with by the company.
15. The company has not made payments towards statutory liabilities the details for which are hereunder :

-PF	Rs. 1,65,516.51
-ESI	Rs. 10,431.27
-TDS	Rs. 29,845.00
-Professional Tax	Rs. 7,893.00

16. Due to the closure of production units at Jigani & Chitradurga the company's operation has come down substantially. Hence no internal audit was undertaken during the year of our reporting.
17. The Company has become a Sick company within the meaning of Section 15 of Sick Industrial Companies (Special Provision) Act 1985. Due to the closure of works at Jigani & Chitradurga, the company's operations have come to a stand still since July 1998. Further due to recession in the Company running of the unit has become non viable as losses were mounting & financial institutions have recalled their loan facilities. The company has applied for BIFR on 07-11-1998 and the petition has been registered as case #332/98.
18. The DRI (Directorate of Revenue Intelligence) conducted a search at the company's office and factory premises on 16.04.1999 and 17.04.1999 respectively seized several papers/documents. We have obtained photo copies of the relevant material necessary for our audit.
- The DRI has issued a show cause notice dated 10.06.1999 alleging that the Managing Director and the company have utilised advance licenses illegally. The company has submitted a reply dated 23.11.1999 to the show cause notice.
  - The DRI has noticed shortage of 67627 Litres of imported Vinegar in the course of search on 16.04.1999 and has issued show cause notice on the company alleging that company has sold imported raw material illegally.
  - The central Excise Authorities conducted an inquiry during December 1997 and have issued show cause notice dated 19.04.1999 asking the company to pay additional excise duty of Rs.19,93,962.25, which the company has contested.

There is a contingent liability on the company in the event of it being adjudicated as defaulter by the competent authority.

However the contingent liability arising out of the actions of the DRI has not been quantified at present.

For P.Ishwara Bhat & Co.,  
Chartered Accountants

Place : Bangalore  
Date 02.02.2000

(P.Ishwara Bhat)  
Partner