



ANNUAL REPORT 1998-99



The India Sugars
& Refineries Limited



THE INDIA SUGARS & REFINERIES LIMITED

BOARD OF DIRECTORS :

Sri. Rajendra Prasad R. Morarka Chairman cum Managing Director
Sri. Siddharth R. Morarka Executive Director
Sri G. S. Shekhawat Wholetime Director
Sri. Rahul R. Morarka
Sri. M. N. Medhekar
Sri. G. V. Shantharaju
Sri. K. P. Medhekar
Sri. A. Vamanan

COMPANY SECRETARY :

Sri. K. Sethuraman

AUDITORS :

M/s. M. S. Krishnaswami & Rajan,
Chartered Accountants,
22, Sambasivam Street, Chennai-600 017.

BANKERS :

State Bank of India

REGISTERED OFFICE :

Chitwadgi,
Hospet - 583211
Dist. Bellary
Karnataka

CORPORATE OFFICES :

Bank of Baroda Bldg., 5th Floor,
12, Mumbai Samachar Marg,
Fort, Mumbai - 400 023.

102, Midford House,
1, Midford Gardens,
Bangalore - 560001

STOCK EXCHANGE WHERE COMPANY'S SECURITIES ARE LISTED

| | |
|--|---|
| Bangalore Stock Exchange Ltd. Stock Exchange Towers 51, 1st Cross, J. C. Road, Bangalore - 560 027. | The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street, Mumbai - 400 001. |
|--|---|

Madras Stock Exchange Ltd.
Exchange Bldg., P. B. No. 183,
11, Second Line Beach,
Chennai - 600 001.

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NOTICE :

NOTICE is hereby given that the SIXTY FIFTH ANNUAL GENERAL MEETING OF THE INDIA SUGARS & REFINERIES LIMITED will be held at the Registered Office of the Company at Chitwadgi Hospet -583211, Bellary District, Karnataka State, on Tuesday the 28th March, 2000, at 10 A M to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30th September, 1999 and the Balance Sheet as at that date and reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri R. P. Morarka who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri M. N. Medhekar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri G. V. Shantharaju who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with, or without modifications, the following Resolution as an "Ordinary Resolution"

RESOLVED that the consent of the company be and is hereby accorded under the provisions of Sections 198, 269 and 309 and other applicable provisions (if any) of the Companies Act, 1956 and Schedule XIII to the said Act to the appointment of Sri G. S. Shekhawat as wholtime Director for a period of five years with effect from 17th July, 1999 on the following remuneration.

1. Salary : Rs. 13000/- per month in the scale of Rs. 10,000/- to Rs. 20,000/- with annual increment to be decided by the Board.

2. Perquisites :

- (i) Company's accomodation.
- (ii) Contribution to Provident Fund/Superaanuation Fund or Annuity Fund to the extent these, either singly or put together are not taxable under the Income Tax Act, 1961.
- (iii) Gartuity not exceeding half a month's salary for each completed year of service.
- (iv) Encashment of leave at the end of the tenure.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year during the tenure of the aforesaid period of Wholtime Director, the remuneration by way of salary and perquisites payable to him shall not exceed the limits prescribed under Section II of Part II of Schedule XIII to the Companies Act, 1956, or any modifications/amendments thereto

By Order of the Board
for The India Sugars & Refineries Ltd.

Place : Chitwadgi
Date : 5th Feb, 2000

K SETHURAMAN
Company Secretary



THE INDIA SUGARS & REFINERIES LIMITED

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company.
2. Proxies in order to become effective must be received by the Company not less than 48 hours before the scheduled commencement of the meeting.
3. The Explanatory Statement relating to Special Business mentioned in the Notice, as required under the Section 173 (2) of the Companies Act, 1956 is annexed to the Notice.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 22-03-2000 to 28-03-2000 (both days inclusive).
5. In view of the amendment made to section 205A of the Companies Act, 1956, the unpaid dividends shall be transferred to the "Investor Education and Protection fund" established by the Central Government, after the expiry of 7 years from the date of transfer to the unpaid dividend account as follows :

| Date of Declaration | For the Financial year | Due for transfer on |
|---------------------|------------------------|---------------------|
| 26-09-96 | 1995-96 | 11-11-2003 |
| 24-09-97 | 1996-97 | 09-11-2004 |

Members who have not encashed their dividend warrants/ demand drafts for the above said years may approach the company for revalidation.

6. Shareholders are requested to notify any change in their addresses.

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, has been annexed hereto and forms an integral part of the Notice.

Item No. 6.

In the vacancy caused by the resignation of Sri Praveen Jaipuria a Director liable to retire by rotation, the Board appointed Sri G. S. Shekhawat as Director on 17-7-99, pursuant to Article 107 of the Articles of Association of the Company. In terms of the said Article, he holds office only upto the date of this Annual General Meeting. As required under Section 257 of the Companies Act, 1956, a notice has been received from a member along with the deposit of Rs. 500/- signifying his intention to propose the candidature of Sri G. S. Shekhawat as a Director of the Company.

Further, the Board has also appointed him as Wholetime Director as per the terms mentioned in the Resolution for a period of five years with effect from 17-7-99.

Sri G. S. Shekhawat is a Commerce and a Law Graduate. Till his appointment as Wholetime Director he was working in the company as Chief Accountant and was looking after the entire financial and other related matters of the company under the instructions of the Executive Director. He has put up 35 years of service and is well versed with the working of the company.

It will be beneficial and in the interest of the company to avail of his experience and services as Wholetime Director.

An abstract of terms of his appointment pursuant to Section 302(7) of the Companies Act, 1956 has already been sent to the shareholders.

Except Sri G. S. Shekhawat, no other Director is concerned or interested in the said Resolution.

By Order of the Board
for The India Sugars & Refineries Ltd.,

Place : Chitwadi
Date : 5th February, 2000.

K Sethuraman
Company Secretary

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DIRECTORS' REPORT

TO:
THE MEMBERS

The Directors present their SIXTY FIFTH ANNUAL REPORT on the Business and Operations of the Company and on the Financial Accounts for the year ended 30th September, 1999.

FINANCIAL RESULTS :

| | (Rs. in Lakhs) | |
|---|----------------------------|----------------------------|
| | 1998-99 (for 12 months) | 1997-98 (for 18 months) |
| Profit before Financial charges and Depreciation | 111.09 | 378.17 |
| Less : Financial charges | 488.26 | 814.73 |
| Depreciation | 54.37 | 83.78 |
| | <u>542.63</u> | <u>898.51</u> |
| Profit \ Loss (-) | (-) 431.54 | (-) 520.34 |
| Add : Transfer from Investment Allowance Reserve | 2.71 | 6.04 |
| Net Profit \ Loss (-) | (-) 428.83 | (-) 514.30 |
| Less : Provision for taxation | - | 0.96 |
| | <u>(-) 428.83</u> | <u>(-) 515.26</u> |
| Add : Profit/Loss(-) brought forward from the previous year | (-) 341.12 | 174.14 |
| Balance of Profit / Loss (-) | (-) 769.95 | (-) 341.12 |
| Carried to Balance Sheet | <u>(-) 769.95</u> | <u>(-) 341.12</u> |

In view of the loss your directors are not in a position to recommend payment of any dividend.

WORKING :

The working figures of the Company for the season 1998-99 along with the figures of 1997-98 season are given below:

| | 1998-99 Season | 1997-98 Season |
|---|-------------------|-------------------|
| Date of commencement of crushing operations | 15.12.98 | 23.12.97 |
| Date of Closure | 13.06.99 | 28.04.98 |
| Gross Season days | 180 | 127 |
| Sugarcane handled (input) MT. | 2,49,672 | 2,20,751 |
| Sugar produced (output) Qtls. | 2,47,255 | 2,12,221 |
| Recovery | 9.90% | 9.57% |

The Company has crushed 2,49,672 MT of sugarcane producing 24,726 MT of sugar during the current accounting year (1998-99) for 12 months as against 2,88,040 MT of sugarcane crushed producing 27,316 MT of sugar during the previous accounting period 1997-98 for 18 months.

The Company's turnover was Rs.20.71 crores during the year 1998-99 for 12 months as against the turnover of Rs.48.41 crores of 1997-98 for 18 months.

SUGARCANE POLICY AND SUGARCANE PRICE :

The Government of India had fixed Statutory Minimum Sugarcane Price (SMP) at Rs.527.00 per M T linked to 8.5% recovery for the Season 98-99. On this basis, the Statutory Minimum Price applicable to your company's factory works out to Rs.613.80 per M T. Ultimately, by compulsion the company was obliged to pay the sugarcane price of Rs. 785/- per MT which includes the purchase tax rebate of Rs. 15/- per MT plus unloading charges of Rs 5/- per MT.

SUGAR POLICY AND SUGAR PRICE :

The Government of India had continued the Levy Sugar Price of the previous sugar season 1997-98 for the sugar season 1998-99 also and the price applicable to your company's factory was Rs. 1009.11 per quintal.

The Government of India subsequently revised the Levy Sugar Price for the said 1998-99 season and the price applicable to your company's factory is Rs. 1028.37 per quintal. The company is preferring a claim before the Government of India for reimbursement of differential levy sugar price.

As per the Press Release, from the Sugar Year 1999-2000 the ratio of levy and free sugar has been changed from 40%:60% to 30%:70%.

RIVIVAL OF THE COMPANY

In the last report it was informed that the company has become a sick industrial company and a reference has been made to the Board for Industrial and financial Reconstruction (BIFR).

The said Board has declared the company as sick industry and has appointed State Bank of India as the Operating Agency under section 17 (3) of the Sick Industrial Companies (Special Provisions) Act, 1985 to examine the viability of the company and formulate a rehabilitation scheme for its revival. The company has submitted a rehabilitation package to the Operating Agency for considering various reliefs and concessions from Banks, Financial Institutions and the Government of Karnataka.

Y2K COMPLIANCE:

Your company had reviewed the risk associated with the year 2000 problem concerning computer systems. The company has taken remedial measures for the Y2K problem through procurement of necessary hardware and software for its accounting, stores and sales functions which could be affected due to Y2K bug. Required tests have been carried out on the said hardware and software and the company does not



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anticipate any adverse effect on its operations due to the Y2K bug.

PROSPECTS:

Your company is taking steps to modernise and upgrade the plant to augment the increase in crushing capacity from 2000 to 2500 TCD and also to crush more than 3 lakh tonnes of sugarcane. A letter of intent for enhancing the crushing capacity to 2500 TCD has already been received by the company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

Pursuant to Section 217 (1) (e) of the Companies Act, 1956 the particulars in respect of Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo are furnished in Annexure 'A'.

AUDITORS REPORT:

The observations in the Auditors Report are dealt within the Notes at the appropriate places in the Account and are self explanatory.

EMPLOYEES:

The Directors place on record their appreciation for the co-operation of the Company's employees at all levels for the proper working of the Company. The company has no employees in respect of whom statement under section 217 (2A) of the Companies Act, 1956, is required to be annexed.

DIRECTORS

Sriyuths Praveen Jaipuria and A. Gopalkrishna Directors of the company have resigned from their directorship with effect from 23-3-99 and 31-5-99 respectively. The Board records its appreciation for the services rendered by them during the tenure of their office.

Sri. G. S. Shekhawat was appointed as Director in the casual vacancy caused by the resignation of Sri Praveen Jaipuria and was also appointed as wholetime Director with effect from 17-7-99.

Appropriate Resolution in this regard appear in the Notice of the Annual General Meeting and your Directors recommend its adoption.

Sriyuths R. P. Morarka, M N Medhekar, and Sri G V Shantharaju Directors of the company retire by rotation under Article 105 & 106 of the Articles of Association of the company being eligible offer themselves for re-appointment.

AUDITORS:

M/s. M S Krishnaswami and Rajan, Chartered Accountants, Chennai, retire and are eligible for re-appointment and have furnished certificate to the effect that their appointment if made will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

LISTING OF SHARES :

The equity shares of the company are listed on Bangalore Stock Exchange Ltd., Madras Stock Exchange Ltd. and The Stock Exchange, Mumbai. Due to severe liquidity problem, the company has requested the respective Stock Exchanges extension of time for payment of Annual Listing fee.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies (Second Amendment) Bill, 1999, your Directors state that :-

- i) In preparation of the Annual Accounts, the applicable accounting standards had been followed.
- ii) 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 your company at the end of the Financial Year and of the Loss of your Company for that period.
- iii) Had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the Provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) Had prepared the Annual Accounts of your Company on a "GOING-CONCERN" basis.

ACKNOWLEDGEMENTS:

Your directors place on record their thanks to the Bankers and the Financial Institutions for their cooperation.

on behalf of the Board
For The India Sugars & Refineries Ltd.

R P Morarka
Chairman cum Managing Director

Place : Chitwadgi
Dated : 5th February, 2000

G. S. Shekhawat
Director

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ANNEXURE - A

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

1. CONSERVATION OF ENERGY :

Energy conservation is an on-going activity in the Company and the efforts to conserve energy through improved operational methods and other means will continue. Total energy consumption and energy consumption per unit of production are furnished in the prescribed Form 'A' below.

FORM-A

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

A. POWER AND FUEL CONSUMPTION :

| | Current Year 1998-99 (Oct. 98 to Sept. 99) (12 months) | Previous Year 1997-98 (April '97 to Sept. '98) (18 months) |
|--|--|--|
| 1. ELECTRICITY : | | |
| (a) Purchased | | |
| Units-KWH | 4,36,876.00 | 7,67,196.00 |
| Total Amount (Rs) | 19,54,412.00 | 31,00,981.00 |
| Rate/Unit (Rs) | 4.47 | 4.04 |
| (b) Own Generation: | | |
| (i) Through Diesel Generator | | |
| Units-KWH | 21,610.00 | 55,250.00 |
| Unit per Ltr. of diesel oil | 3.85 | 2.83 |
| Cost/Unit (Rs.) | 2.89 | 4.24 |
| (ii) Through Steam Turbine/Generator | | |
| Units-KWH | 45,85,650.00 | 51,18,720.00 |
| Unit per Ltr. of Fuel Oil/gas | NA | NA |
| Cost/Unit (Rs) | - | - |
| 2. Coal (Specify quality and where used) : | | |
| Quantity (Tonnes) | - | - |
| Total Cost | - | - |
| Average Rate | - | - |
| 3. Furnace Oil | | |
| Quantity (Kilo Ltrs.) | - | - |
| Total Amount | - | - |
| Average Rate | - | - |

4. Others/Internal Generation

| | BAGASSE | | FIREWOOD | | HUSK | |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 98-99 (12 months) | 97-98 (18 months) | 98-99 (12 months) | 97-98 (18 months) | 98-99 (12 months) | 97-98 (18 months) |
| Quantity (MT) | 76397.69 | 90067.45 | 19.27 | 17.99 | 65.97 | 48.82 |
| Total | Own Generation | | 24602.08 | 23387.00 | 47175.30 | 34906.30 |
| Cost (Rs.) | | | | | | |
| Rate/Unit (Rs/MT) | | | 1276.70 | 1300.00 | 715.00 | 715.00 |

B. CONSUMPTION PER UNIT OF PRODUCTION :

| | Standards (If any) Unit-Qtls. | Current Year 1998-99 (12 months) | Previous Year 1997-98 (18 months) |
|--|-------------------------------------|--|---|
|--|-------------------------------------|--|---|

PRODUCTS-SUGAR

| | | | |
|------------------------|---|----------|----------|
| Electricity (KWH) | - | 19.54 | 18.73 |
| Furnace Oil | - | - | - |
| Coal (Specify Quality) | - | - | - |
| Others: (Specify) | | | |
| Firewood (MT) | - | 0.000078 | 0.000066 |
| G N Husk (MT) | - | 0.000267 | 0.000179 |
| Bagasse (MT) | - | 0.30898 | 0.329722 |

TECHNOLOGY ABSORPTION :

FORM-B

(See Rule 2)

Form for disclosure of particulars in respect to absorption

I. RESEARCH AND DEVELOPMENT (R & D) :

1. SPECIFIC AREAS :

a) The Company has procured foundation seeds of sugarcane of sugar rich varieties like CO 97009, CO 87025, CO 87044, CO 85002, CO 88028, CO 8371, CO 88121, CO 86032, CO 86010, CO 85019, CO 92020 from Sugarcane Breeding Institute, Colmbatore, Jamkhandi, A.R.S. Sankeswara and Kathalgere etc. and multiplied in farmers fields, as per recommendations of the sugarcane experts of Sugarcane Breeding Institute, Colmbatore. Out of these varieties CO 97009 (MC 707), CO 85002 & CO 8371 are performing well in our area.

b) To control pests and disease incidences on sugarcane crop, the Parasite and natural enemies are procured from the biological control stations and released in pest affected sugarcane fields of farmers in the area. "MALATHIAN 5%" was



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supplied to control "PYRILLA" infected fields of our area at free of cost.

(c) The early maturing varieties like CO 97009, COC 92061 and CO 85002, have been introduced in the reserved area of the company. The demonstration plots are being laid out in co-ordination with Department of Agriculture to an extent of 0.5 hectare for the benefit of farmers. Farmers are also visiting these plots and are being convinced of the performance.

(d) The low cost technology for supplying the nutrients to the sugarcane crop by the application of "BIOFERTILIZERS" like Azotobacter and Azospirillum have been popularised, and utility is advocated.

2. BENEFITS DERIVED :

(a) The latest sugarcane varieties foundation seeds are multiplied and distributed to the progressive farmers for further multiplication. The company has borne the transportation cost to import the latest sugarcane variety seeds from various research stations to the farmers fields whenever they desire. The pure, good and tender sugarcane seeds grown in farmers fields are purchased by the company and distributed to the farmers at subsidised rate in order to get healthy cane with high sucrose content. By this, both farmers and factory are benefited with high yield and high sugar.

(b) The release of predators in the field to control the pest periodically, has resulted in good yield and good quality of sugarcane to the factory for crushing. We are in regular touch with Central Pest Management Centre, Bangalore.

(c) Introduction of early-rich varieties has enabled the factory to receive good quality cane and to maintain recovery throughout the crushing season.

(d) Use of bio-fertilizer has helped in getting higher yield and minimised the chemical fertilizer expenditure and also improved the texture and fertility of the soil.

(e) The results of the demonstrations taken up in co-ordination with the fertilizer companies have given positive results.

3. PLAN OF ACTION:

(a) Heat treated (with AST Unit) sugarcane seeds of different varieties are multiplied in experimental farms and on selected farmers fields, under seed nursery programme. These seed materials will have good viability and are disease free. One more AST Unit sanctioned by the Government is installed in our factory in coordination with the Department of Agriculture, Government of Karnataka.

b) A Demonstration Plot of Drip Irrigation is laid out in our farm

In co-ordination with the department of Agriculture, Government of Karnataka, to create awareness of using Drip Irrigation in improving yield, quality and conservation of resources.

c) Micro Nutrients are distributed to the farmers who are undertaking seed multiplication programme. Introduction of early maturing sugar rich varieties as planned for sugar factory are as under :

| | Actual (1999-2000) | Proposed for 2000-2001 |
|--------------------|--------------------|------------------------|
| Early varieties | 10.68% | 20% |
| Mid-late varieties | 14.60% | 10% |
| Late varieties | 74.72% | 70% |

4. EXPENDITURE ON RESEARCH & DEVELOPMENT:

| | | |
|---|-----------------|------|
| (a) Capital | Rs. | Nil |
| (b) Recurring | Rs.5,73,348.80. | |
| (c) Total | Rs.5,73,348.80 | |
| (d) Total R & D expenditure as percentage of total turnover | | 0.3% |

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

(1) EFFORTS MADE:

(a) The company has availed the consultancy services of Sugarcane Breeding Institute, Coimbatore on 'Varietal Management'. The team of experts from Sugarcane Breeding Institute, Coimbatore has surveyed the reserved area of our factory and advised to take suitable measures by procuring improved cane varieties from Research Station and take up Adoptive trials, three Tier Seed Nursery programme etc.

The team of experts from Sugarcane Breeding Institute, Coimbatore will be visiting our factory once in six months and review the progress with suitable guidance, for a period of three years as per agreement. It is hoped to achieve better results.

b) Results of R & D carried out in other factories and Research Stations are applied in our farmers fields. The new early, sugar rich cane varieties are introduced in the reserved area.

c) Seed nursery programme and biological control of Pests programme are taken up.

d) The company is making efforts for introducing energy and efficient processes.

2. IMPORTED TECHNOLOGY : NOT APPLICABLE

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

| | |
|-------------------------------------|---------|
| a) Activities relating to exports : | - NIL - |
| b) Total Foreign Exchange : | |
| Used | Rs. Nil |
| Earned | Rs. Nil |



REPORT OF THE AUDITORS

TO
THE MEMBERS OF
THE INDIA SUGARS & REFINERIES LIMITED

We have audited the attached Balance Sheet of THE INDIA SUGARS & REFINERIES LIMITED as at 30th September, 1999 and the Profit and Loss Account for the period ended that date, both signed by us under reference to this Report, and report that:

- 1.00 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.
- 2.00 In our opinion, subject to our comments in paragraphs 6.00 (a) and 6.00 (b) below, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination, of those books.
- 3.00 The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
- 4.00 In our opinion and to the best of the information and explanations given to us, the aforesaid Balance Sheet and the Profit and Loss Account read with Significant Accounting Policies and the Notes on accounts, subject to our comments in paragraph 6.00 (a) and 6.00 (b) below, give the information required by the Companies Act, 1956, (the Act) in the manner so required and give respectively a true and fair view of the state of the Company's affairs as at 30th September, 1999 and of its Loss for the period ended that date.
- 5.00 In our opinion the aforesaid Balance Sheet and Profit and Loss Account, subject to our comments in paragraphs 6 (a) and 6 (b) below, comply in all material respects with applicable Accounting

Standards referred to in sub-section 3(c) of Section 211 of the Act.

- 6.00 a) The Company has followed Cash Basis instead of Accrual basis for accounting its liability for Gratuity & Encashable Leave Salary (Refer Note No. 3.10 in Sch 3.00)
- b) The Company has not made any provision for the diminution in the value of Long Term Investments. (Refer Note No. 3.11 in Sch 3.00)
- 7.00 As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Central Government, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - a) In our opinion, the Company is maintaining proper records to show full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets are physically verified by the management during the year and no serious discrepancies have been found on such verification.
 - b) None of the Fixed Assets have been revalued during the year.
 - c) Finished goods, Stores, Spare parts and Raw Materials have been physically verified by the management at reasonable periods.
 - d) In our opinion, the procedures for physical verification of the Stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - e) The discrepancies noticed on physical verification



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- of such stocks were not material as compared to book records.
- f) In our opinion, the valuation of the aforesaid stocks is fair and proper in accordance with the Normally Accepted Accounting Principles, excepting the interest being reckoned as an item of cost for the purposes of inventory valuation, and is on the same basis as in the preceding year.
- g) Regarding the loan taken by the Company from parties listed in the Register maintained under Sections 301 and 370(1-B) of the Act, the rate of interest and the terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
- h) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 and/or to companies under the same management as defined under section 370 (1-B) of the Act.
- i) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts wherever stipulated and are also regular in payment of interest, where applicable, except in the case of few against whom reasonable steps have been taken by the Company for recovery of principal and interest.
- j) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of Stores, Raw Materials including Components, Plant and Machineries, Equipments and Other Assets and for the sale of goods.
- k) In our opinion and according to the information and explanations given to us the transactions for purchase of goods and materials/services made in pursuance of contracts or arrangements 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 have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services. There was no transaction for sale of goods, materials and services for similar items from other parties.
- l) The Company has a system of determining unserviceable or damaged stores. In our opinion, adequate provision has been made in the accounts for the loss arising on the items so determined.
- m) The Company has not accepted any deposits from the public.
- n) In our opinion, the Company is maintaining reasonable records for sale and disposal of realisable by-products and scrap.
- o) In our opinion, considering the size and nature of the Company's business the scope and coverage of the Internal Audit System requires to be enlarged.
- p) We have broadly reviewed the Cost records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of Cost records under section 209 (1) (d) of the Act, and are of the opinion that prima facie the prescribed records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or