

12th

ANNUAL

REPORT

1998-99

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INDO ZINC LIMITED

**BOARD OF DIRECTORS**

Sanjay Agrawaal	Chairman & Managing Director
Monoj Agrawaal	Jt. Managing Director
B.L. Kakrecha	Whole Time Director
S.K. Nuwal	Director
S. Padmanabhan	Nominee (IDBI)

Bankers

State Bank of India

Auditors

Chaturvedi Sk & Fellows
B- 133, Mittal Tower, Nariman Point

Registered Office

601, Ravi Building
189/191, Dr. D.N. Road, Fort
Mumbai - 400 001

CONTENTS

1.	Notice	3
2.	Directors' Report	3
3.	Auditors' Report	5
4.	Balance Sheet	7
5.	Profit & Loss A/c.	8
6.	Schedules	9
7.	Abstract	20
8.	Cash Flow Statement	21

Administrative Office

405, Appollo Tower, 2, M.G. Road
Indore - 452 001

Plant (Zinc)

Plot No. 79
Pithampur Industrial Area III
District Dhar (Madhya Pradesh)

Plant (Cement)

Mahi Cement, Wajwana
Distric Banswara,
Rajasthan 327 025

**NOTICE**

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held at 601, Ravi Building, 189/191, Dr. D.N. Road, Fort, Mumbai - 400 001 on Thursday, the 30th day of September, 1999, at 3.00 p.m. to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 1999 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Surendra Kumar Nuwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer books of the Company will remain closed from 28th September, 1999 to 30th September, 1999 (both days inclusive).
3. Shareholders seeking any information with regard to Accounts are requested to write to the Company at least seven days in advance of the Annual General Meeting, so as to enable the Management to keep the information ready.

By the order of the Board of Directors
(SANJAY AGRAWAAL)
Chairman & Managing Director

Place : Indore

Date : 4th September, 1999

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors have pleasure in presenting the Twelfth Annual Report on the affairs of the Company together with Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	1998-99	1997-98
Sales and Other Income	2103.07	8034.56
Gross Profit/(Loss)	(567.62)	(831.79)
Less : Depreciation	75.10	269.73
Profit/(Loss) before Tax	(642.72)	(1101.52)
Less : Provision for Income Tax	—	—
Profit/(Loss) after Tax	(642.72)	(1101.52)
Add : Extra Ordinary Items		
Pre-operative expenditure during construction relating to abandoned project	(8.54)	(1326.31)
Income Tax paid under VIDS-1997	—	(15.09)
Add/(Less) : Balance brought forward	(1815.62)	(87.70)
Less : Balance Transferred from General Reserve	—	625.00
Dividend written back	—	90.00
Investment Allowance Reserve	32.30	—
Balance carried to Balance Sheet	(2434.58)	(1815.62)

DIVIDEND

In view of the heavy loss during the year, your Directors are unable to recommend any dividend for the year 1998-99.

OPERATIONS

In view of the erosion of net worth, Company had made reference to BIFR and the Company's case has been registered with BIFR as case No. 277/98.

The ban on import of Zinc Ash continued during the year 1998-99, therefore, Company's Electrolytic Plant remained closed for the whole year.

Company's production during the year reduced substantially from 9500 MT in 1997-98 to 2105 MT in 1998-99 and trading

INDO ZINC LIMITED



operations were also reduced from 3875 MT in 1997-98 to 2137 MT in 1998-99. This was due to non availability of working capital funds. Company has incurred losses of Rs. 642.72 lacs (excluding extraordinary items) as against Rs. 1101.52 lacs in previous year.

DISPOSAL OF UNDERTAKING

Your Directors regret to inform you that due to continued slackness in the capital market and excess of cement capacity over demand in north/western India, we could not find any workable proposal for disposal of Cement Project.

FUTURE PROSPECTS

As mentioned hereinabove that Company has become a sick Company and has already been referred to BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985. On the direction of the BIFR Company shall submit the rehabilitation package for revival of the Company.

Your Directors are pleased to inform you that Govt. of India has ultimately lifted the ban on import of Zinc Ash subject to meeting of certain environmental conditions. Company is also looking forward for disposal of Cement Division as the cement market is picking up. Once the Cement Unit is disposed off and the rehabilitation package is implemented your Directors are confident about the Company's turn around.

FIXED DEPOSIT

During the year the Company has not accepted any fixed deposit from the public under Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company's Research and Development Department has made significant improvement in the production process resulting into better quality of products.

These technical improvements have also helped in stabilisation of energy consumption. The technical process adopted by the Company, is fully indigenous.

During the year under report the Company has spent Rs. 1443.88 lacs foreign exchange on import of raw materials traded goods and other expenses.

PARTICULARS OF EMPLOYEES :

None of the employees were in receipt of remuneration which qualify for disclosure Under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

Y2K PREPAREDNESS

Your Company has taken effective steps to meet Y2K compliance in respect of all its computerised systems. The compliance of Y2K problem is going on and is expected to be completed by November, 1999. The Company is in a position to meet the cost which is not material.

DIRECTORS

Shri Dinesh Chandra Goel, resigned from the Board on 07.10.1998. The Board has recorded with appreciation the valuable services rendered by him during his tenure of office.

Shri Surendra Kumar Nuwal retires by rotation, in the forthcoming Annual General Meeting and being offers himself for re-appointment.

AUDITORS

M/s Chaturvedi SK & Fellows, Chartered Accountants, Mumbai hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors in their report read with relevant notes to the Accounts forming part of this report are self explanatory.

APPRECIATION

Directors place on record their appreciation for the co-operation by employees at all levels.

For and on behalf of the Board

INDORE
4th September, 1999

SANJAY AGRAWAAL
Chairman & Managing Director

**AUDITOR'S REPORT****TO : THE MEMBERS OF INDO ZINC LIMITED**

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

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - 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 account as required by law have been kept by the company so far as appears from our examination of the books.
 - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to note no. 3 regarding assumption on the basis of which accounts have been prepared on going concern basis despite the substantial losses incurred by the company over the years and its difficult liquidity position, note No. 5 regarding non provision of interest on term loans for the period from 01.04.1998 to 31.03.1999 amounting to Rs. 85213693 and non provision of interest on working capital facilities for the period from. 1/1/99 to 31/3/99 amounting to Rs. 77,94,775, resulting in the loss for the year being understated by Rs. 93008468 and accumulated losses at the end of the year being understated by the like amount and read with other notes on Accounts as per Schedule 16, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

- (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 1999 and
- (ii) in the case of Profit & Loss Account, of the loss for the year ended on that date.

For **CHATURVEDI SK & FELLOWS**
Chartered Accountants

Mumbai
4th September, 1999

(K.N. CHATURVEDI)
Partner

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date on the accounts of **INDO ZINC LIMITED** for the year ended 31st March, 1999.

1. The company has maintained proper records of its fixed assets to show full particulars including quantitative details and situation of fixed assets. The fixed assets were physically verified during the year by the management. We are informed that no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. the stocks of finished goods, stores, spare parts, trading material and raw material except stock lying with third parties for which no confirmation was available with the company, have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that 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 year.
7. The company has not accepted any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there is no company under the same management as defined

INDO ZINC LIMITED



under Section 370 (1-B) of the Companies Act, 1956.

8. The company has granted unsecured loans/advances of Rs. 110.42 lakhs to companies listed in the register maintained u/s 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans / advances are prima-facie not prejudicial to the interest of the company. We have been informed that there is no company under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
9. The employees and other parties to whom interest free loans or advances in the nature of loans have been given by the company are repaying the principal amount as stipulated.
10. 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 purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of sale of goods, material or services made in pursuance of contracts or arrangements entered in the register maintained under section 301 aggregating 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 or services have been made with other parties. There were no transactions of purchase of goods and materials aggregating during the year to Rs. 50,000/- or more from each such party.
12. According to the information and explanations given to us, the company has no unserviceable or damaged stores, raw material and finished goods.
13. The company has not accepted any deposits from the public during the year.
14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable scrap.
15. The company did not have any formal internal audit system during the year under consideration.
16. We are informed that the Central Government has

not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the company's product.

17. According to the records of the company, the provident fund dues have been regularly deposited with the Provident Fund Authorities. As explained, provisions of Employees State Insurance Act are not applicable to the company.
18. According to the information and explanations given to us, no undisputed amounts (except income tax of Rs. 49941 and sales tax of Rs. 2773034) payable in respect of income tax, wealth tax, sales tax, custom 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. In respect of consignment sales, according to the terms of agreement between the company and the consignment agents, the sales tax is collected and deposited with the appropriate authority by the consignment agents and no record of such sales tax collected and deposited is kept at the company's end. In view of non-availability of such records, we are unable to comment whether any part of such liability was outstanding as at 31st March, 1999 for a period of more than six months from the date it became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under the contractual obligation or in accordance with generally accepted business practice.
20. 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. The company has already made a reference to the Board for Industrial and Financial Reconstruction under section 15 of the Act, and its case is registered with BIFR as case No. 277/98.
21. The company does not have any damaged goods in respect of its trading activities.

For CHATURVEDI SK & FELLOWS
Chartered Accountants

Mumbai
4th September, 1999

(K.N. CHATURVEDI)
Partner