

## **INDO ZINC LIMITED**

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

## **ANNUAL ACCOUNTS**

2006-07

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## **CHATURVEDI SK & FELLOWS**

CHARTERED ACCOUNTANTS

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**AUDITORS' REPORT****TO THE MEMBERS OF INDO ZINC LIMITED**

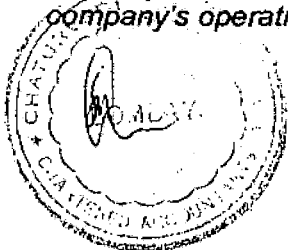
We have audited the attached Balance Sheet of **INDO ZINC LTD.** as at 31<sup>st</sup> March, 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order 2003, issued by the Central Government of India 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.

Further to our comments in the Annexure referred to 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, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and, in our opinion comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- d) On the basis of written representation received from the directors as on 31.03.2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a director in terms of provisions of section 274(1)(g) of the Companies Act, 1956.
- e) (i) *The accounts of the company have been prepared on going concern basis despite it being a sick industrial company within the meaning of the clause (o) of sub section (1) of Section (3) of the Sick Industrial Companies (Special Provisions) Act, 1985. Its reference to BIFR is registered as case No.277/98. The management has submitted proposals to the lenders for settlement of dues. Major participating financial institutions have given their approval to such proposals. In view of these developments, the accounts of the Company have been prepared on the basis that the company is a going concern though there is substantial erosion of its net worth and severe impairment of its liquidity and the viability of company's operations depends upon substantial financial support from outside.*



- (ii) *No provision has been made for interest on term loans from financial institutions since 01.04.1998 and on working capital facilities from bank since 01.01.1999 in view of settlements arrived at with the major financial institutions and bank. Provision of interest liability or the write off, as the case may be, shall be adjusted in the books of the company on completion of payments of settlement moneys and on receipt of No Dues Certificates from the lenders. The liabilities of the Company towards financial institutions and bank are subject to reconciliation and confirmation.*
- (iii) *Balances of debtors, creditors and loans & advances are subject to confirmation.*
- f) Subject to above, in our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the notes to accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2007;
- (ii) In the case of Profit & Loss Account, of the loss for the year ended on that date;
- (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For CHATURVEDI SK & FELLOWS  
Chartered Accountants



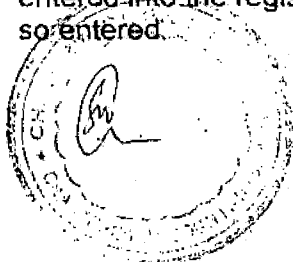
Srikant Chaturvedi (Membership No.70019)  
Proprietor

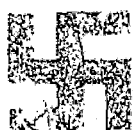
Place : Mumbai  
Dated: 30<sup>th</sup> April, 2007

## ANNEXURE TO THE AUDITOR'S REPORT

Referred to in our report of even date on the accounts of **INDO ZINC LIMITED** for the year ended 31st March 2007.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) According to the information and explanations given to us, the fixed assets were physically verified during the period by the management. No material discrepancies were noticed on such verification.  
  
(c) The company has not disposed off substantial part of its fixed assets during the year.
2. (a) According to the information given to us, physical verification of inventory was conducted by the management during the year at reasonable intervals.  
  
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
  
(c) The company is maintaining proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification of inventories.
3. (a) The company has not granted any loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
  
(b) The company has taken interest free unsecured loan of Rs.475.83 lakhs from a party covered in the register maintained under section 301 of the Companies Act, 1956.  
  
(c) In our opinion, the rate of interest and the other terms and conditions of such loan are not prima facie prejudicial to the interest of the company.  
  
(d) According to the information and explanations given to us, repayment of principal amount is not yet due.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regards to the purchase of inventory and fixed assets and for the sale of goods and services.
5. (a) According to the information and explanations given to us, the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.





# INDO ZINC LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Twentieth Annual Report along with the audited annual accounts for the year ended 31<sup>st</sup> March 2007.

### Financial Review:

	(Rs. In Lacs)	
	Year ended 31/03/2007	Year ended 31/03/2006
Sales & Other Income	208.72	117.46
Gross Profit/(Loss)	(9.02)	27.25
Less: Depreciation	(16.00)	18.59
Profit/(Loss) before tax and exceptional items	(25.02)	8.66
Less: Extra ordinary items	8.21	7.56
1.Preoperative expenditure during construction relating to abandoned Project		
Profit/(Loss) before tax	(33.23)	1.10
Provision for Tax	0.51	56.13
Profit/Loss after tax	(33.74)	(55.03)
Add/(Less) balance brought forward	(3354.84)	(3299.81)
Balance carried to balance sheet	(3388.58)	(3354.84)

### Dividend:

As your Company is a Sick Company registered with the Board of Industrial & Financial Reconstruction of India and as there are heavy accumulated losses, therefore, your Directors are unable to recommend any dividend for the year 2006-07

### OPERATIONS

The sales and other income for the financial year under review were Rs.208.72 Lacs against Rs.117.46 Lacs for the previous financial year. The Company also registered the loss after tax of Rs. 33.74 Lacs, during the current financial year as against the loss of Rs.55.03 Lacs in the previous financial year.

### Public Deposits:

During the year under review the company has neither accepted nor invited any public deposits within the meaning of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975. Also there are no outstanding public deposits at the end of the year.

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(M.P.) INDIA

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E-mail : info@indozinc.com

Factory :  
Plot No. 79, Sector III  
Pithampur Industrial Area,  
Pithampur, Dist. Dhar.

Telephone :  
07292-507910

**Directors:**

Ms. Vinita Puntambekar and Shri Neeraj Jajoo retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Ms. Vinita Puntambekar and Shri Neeraj Jajoo were Director of the Company but due to certain pre-occupations, they had put their willingness to resign from the post. Board accepted their resignation from the office of the Director with effect from 13.06.2007

Your Board wishes to place on records its appreciation for the valuable services and guidance rendered by Ms. Vinita Puntambekar and Shri Neeraj Jajoo during his tenure as a Director of the Company.

**Auditors:**

M/s Chaturvedi S K & Fellows, Chartered Accountants, Mumbai hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

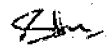
**Directors' Responsibility Statement:**

In compliance to the provision of the Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the annual accounts on a going concern basis.

**Corporate Governance:**

The Company has in place a system of Corporate Governance. A separate Report on Corporate Governance is enclosed as a part of this annual Report of the Company. A certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement.



### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The particulars relating to conservation of energy and technology absorption as stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to the company.

There was no foreign exchange earning and outgo during the year under review.

### **Particulars of Employees:**

There was no employee during the period drawing remuneration attracting the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### **Audit Committee:**

As per the provisions of the Companies Act, 1956 and Listing Agreement with the Stock Exchanges, the Audit Committee of the company comprised of three non-executive independent Directors viz., Ms. Vinita Puntambekar, Mr. R.S. Gupta and Shri Neeraj Jajoo.

### **Appreciation:**

The Board of Directors express their appreciation of the dedicated efforts put in by Executives and staff members at all levels of the company. The Board records their gratitude to the Financial Institutions, bankers & Shareholders for their assistance, co-operation and continued support, which have been a source of strength to the company. The Board of Directors also wishes to thank the central and the State Governments for their continued guidance and support.

**For and on behalf of the Board**



**SANJAY AGRAWAL**

**Chairman & Managing Director**

**Place: Indore**

**Date: 30<sup>th</sup> April, 2007**



## CORPORATE GOVERNANCE

### 1. Corporate Governance – The Philosophy

The underlying principles of Corporate Governance are the values, ethics and commitment to follow best business practices. Thus, it rests upon the foundations of transparency, disclosures and fairness in dealing with its shareholders. It is interplay between Company, shareholders, creditors, capital markets, financial sectors, institutions and law. Corporate Governance is concerned with the establishment of systems whereby the Directors are entrusted with the responsibilities and duties in relation to the direction of Corporate Affairs.

Indo Zinc Ltd. is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices stems from an inherent desire to improve and innovate and reflects the culture of trusteeship that is deeply ingrained in our value system and forms part of the strategic thought process. Our governance philosophy rests on Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders as well as superior transparency and timely disclosure.

Our Corporate structure, business and practices have been aligned to our Corporate Governance philosophy. We will continuously endeavour to take forward the best practices to enhance stakeholders' value. Your Company is compliant with its provisions. The details of compliance are as follows :

### 2. Board Of Directors

#### 2.1 Composition

The present strength of the Board of Directors is 7, comprising of 3 executive Directors and 4 Non Executive Directors. The details of the present Board of directors alongwith the details of their other Directorship/Committee Membership are as under:

Name of the Director	Position	Category	Other Directorships	Committee Memberships	Committee Chairmanships
Sanjay Agrawal	Chairman & MD	Executive	2	-	-
Manoj Agrawal	Jt.MD	Executive	2	-	-
Surendra Kumar Nuwal	WTD	Executive	2	-	-
B.L.Kakrecha	Director	Non-Executive	-	-	-
R.S.Gupta	Nominee (IDBI)	Non-Executive	-	3	-
Neeraj Jajoo	Director	Non-Executive	1	3	-
Vinita Puntambekar	Director	Non Executive	-	3	3

*Signature*



- \* Only three committees, namely, Audit Committee, Investors Grievance Committee and Remuneration Committee are considered.

Ms. Vinita Puntambekar and Shri Neeraj Jajoo were Director of the Company but due to certain pre-occupations, they had resigned from the post with effect from 13.06.2007

## 2.2 Meetings and attendance record of each Directors

Five Meetings of the Board of Directors were held during the year ended 31<sup>st</sup> March, 2007. These were held on:

1. 30<sup>th</sup> April, 2006
2. 31<sup>st</sup> July, 2006
3. 4<sup>th</sup> September, 2006
4. 31<sup>st</sup> October, 2006
5. 31<sup>st</sup> January, 2007

Name of the Director	Attendance at Board Meetings	Attendance at Last AGM
Mr. Sanjay Agrawal	5	Yes
Mr. Manoj Agrawal	2	Yes
Mr. Surendra Kumar Nuwal	4	Yes
Mr. B.L. Kakrecha	1	No
Mr. R.S. Gupta	4	No
Mr. Neeraj Jajoo	5	Yes
Ms. Vinita Puntambekar	5	Yes

## 2.3 Remuneration of Directors

- (i) The details of remuneration paid to the Executive Directors of the Company are given below:

Name of Director	All elements of Remuneration Package
Mr. Sanjay Agrawal	Rs.30000/- P.M
Mr. Manoj Agrawal	Rs.25000/- P.M
Mr. Surendra Kumar Nuwal	Rs.25000/- P.M

- (ii) The remuneration paid to the Non-Executive Directors of the company is NIL.

*Signature*

### 3. Audit Committee

The Audit Committee comprises of three Members all of them are non-executive and independent Directors i.e. Mrs Vinita Puntambekar , Mr R. S. Gupta and Mr. Neeraj Jajoo. They possess adequate knowledge of accounts, audit, finance, etc. Mrs Vinita Putambekar is the Chairman of the Audit Committee. The audit Committee meets from time to time and presents its report to the Board of directors. The Committee met 4 times during the year (on 30/04/06, 31/07/06, 31/10/06 and 31/01/07) and the attendance of the members at the meetings was as follows:

Name of Members	Status	No. of Meetings Attended	Remarks
<b>Ms. Vinita Puntambekar</b>	Chairman	4	-
<b>Mr. Neeraj Jajoo</b>	Member	4	-
<b>Mr.R.S.Gupta</b>	Member	3	-

The objective of the Audit Committee of the Company is to keep a close vigil and potent oversight on the management's financial reporting process with a view to ensure timely and transparent disclosure of financial statements.

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement with the Stock Exchanges.

The company continued to derive benefit from the deliberations at the Audit Committee meetings as its members possess a deep insight into the aspects of finance, accounts, taxation, etc.

The Committee carries the functions in accordance with the terms of reference set out under Clause 49 (II) of the Listing Agreement read together with Section 292A of the Companies Act, 1956 and additional responsibilities assigned to the Committee by the Board of Directors. The Committee also reviews reports of the internal auditors and statutory auditors along with the comments and action taken.

The functions of the Audit Committee, inter alia, includes the following:

- Overseeing the Company's financial reporting process and ensuring the correct, adequate and credible disclosure of financial statements.
- Reviewing with management the annual financial statements before their onward submission to the Board with a special emphasis on accounting policies and practices, internal control requirements, compliance with the accounting standards and other legal requirements concerning financial statements.

