The Thapar Group

JCT LIMITED

Board of Directors	Mr. M.M. Thapar *Chairman & Managing Director*		
	Mr. R.S. Mehra *Addl. Managing Director*		
	Mr. Samir Thapar *Jt. Managing Director*		
	Directors Mr. L.M. Thapar Mr. Prem Saigal Mr. Mahesh Sahai Mr. A.S. Dugal Mr. Gordhan Bhojraj Kathuria Mr. B.L. Gupta *(UTI Nominee)* Mr. C.D. Ghosh *(IFCI Nominee)* Mr. L.P. Aggarwal *(IDBI Nominee)* Mr. J. N. Pandey *(Allahabad Bank Nominee)*		
Secretary	Mr. S.C. Saxena		
Auditors	S.P. Chopra & Co. *Chartered Accountants* F-31, Connaught Place New Delhi-110 001		
	Thakur, Vaidyanath Aiyar & Co. *Chartered Accountants* 212, Deen Dayal Uppadhyaya Marg New Delhi-110 002		
Registered Office	Village Chohal Distt. Hoshiarpur-146 001 (Punjab)		
Head Office	Thapar House 124, Janpath New Delhi-110 001		
Divisions	**Textiles**		
	Units at	—	Phagwara (Punjab)
		—	Sriganganagar (Rajasthan)
	Synthetic Fibres		
	Filament Unit	—	Hoshiarpur (Punjab)
	Fibre Unit	—	Hoshiarpur (Punjab)
	Steel Wire	—	Hoshiarpur (Punjab)
	Exports	—	Mumbai
Subsidiaries	Chohal Investments Limited Poly Investments Limited Rajdhani Trading Co. Ltd. Kidarnath Kishanchand Finance & Investments Limited JCT (International) Pte. Ltd.		

DIRECTORS' REPORT

Your Directors present 51st Annual Report together with audited statement of account for 18 months period ended on 30th September, 1999.

The salient features are given here below :

		(Rs. in "000)
	1998-99 (18 months)	1997-98 (12 months)
Gross Income from operations	14,268,634	9,039,142
Other Income	1,20,068	73,723
Profit before interest, depreciation & tax	1,113,009	244,533
Interest & financing charges (net)	1,285,314	864,000
Depreciation	907,883	607,924
Net Loss	1,080,188	1,227,391

In view of losses, no dividend on equity and preference shares is being considered.

OPERATIONS

There has been an all round increase in the production, sales and profits at various operative units as compared to the immediately preceding year. All the units are operating at optimum levels. Earning before interest, depreciation and tax has shown improvement and is Rs.11,130 lacs vis-à-vis Rs.2,445 lacs in 1997-98 which represents 7.8% of the sales turnover in 1998-99 as against 2.7% in the year 1997-98. However, the earning is still not sufficient to take care of payments towards entire interest burden on the borrowings made by the Company for modernisation/ expansion at various units.

The Company is constantly monitoring operations to further improve its profitability. The non-availability of adequate working capital for uninterrupted operations has forced the Company to reduce its raw material inventory to bare minimum. This also at times does not enable the Company to take advantage of low prices of raw materials. The textile unit at Sriganganagar was also faced with some labour problem which has since been duly settled and the units are operating at full capacity. The Company is confident that a sustained economic revival will get a boost to the textile industry which in turn will further improve upon the working and profitability of the Company.

FINANCE

With the opening of Indian economy and government thrust for liberalisation the Company had planned for a very ambitious expansion/modernisation programme for Synthetic Fibres Division and Steel Division both at Hoshiarpur and also Textile Division comprising of units at Phagwara and Sriganganagar. The Company had acquired new machines and equipments and had incurred a capital expenditure of over Rs. 400 crores. It was planned to meet part of the capital expenditure out of internal accruals over the period of implementation. Unfortunately when the installation/ commissioning at all the units was in progress, the market became highly competitive and profit margins abruptly became negative. The Company had to resort to borrowings at exorbitant rate of interest to complete the work of expansion/modernisation.

During the financial year 1996-97 and 1997-98 there was practically no cash generation and the losses had to be funded by borrowings. The Company could not meet its financial commitments to financial institutions/banks and as a consequence they started charging penal interests on the borrowing.

The Company has also not been able to pay the instalments of redemption due and also the interest to institutional subscribers in respect of following series of Debentures:

Series	Amount (Rs. in lacs)
'G'	1,975.73
'H'	612.17
'I'	260.00
'J'	3,244.87
'K'	4,512.06
'L'	1,639.43

However amounts due to the individual debentureholders in respect of these series have been paid on time. In view of losses the Company has not provided for the Debenture Redemption Reserve.

In view of the inadequacy of funds the Company has also not been able to fully meet the instalments of term loans and interest to the various banks/financial institutions which it had taken for its modernisations/expansion projects as aforesaid.

In view of the Company's inability to service the increasing outstanding liabilities it has submitted a proposal to IFCI and other secured lenders including banks to restructure the financial liabilities and also for waiver of interest etc. keeping in view the future profitability of the Company and serviceability of debts. The matter is being pursued vigorously with them. As a part of restructuring the company also proposes hiving-off one of the units of the Company. Once the restructuring is completed the company would be able to meet its restructured liabilities and be on strong footing for future growth.

It was only due to continuous help and co-operation of financial institutions and banks the company have been able to continue its operations at the optimum levels in respect of all its units in spite of severe financial liquidity crunch faced by the Company.

FIXED DEPOSIT

Consequent upon the delay in payment of matured deposits due to shortage of funds the company discontinued the acceptance/renewal of deposits w.e.f. October, 1998 and have filed an application under Section 58A of the Companies Act, 1956 for extension of time to re-pay the matured deposits. Deposits worth Rs.273 lacs have matured for repayment of which Rs.119 lacs have since been repaid.However, all afforts would be made to square up the outstandings as early as possible.

STATUTORY DISCLOSURES

As required under Section 212 of the Companies Act, 1956, the Statement and Annual Accounts of Subsidiary Companies are annexed and forms an integral part of this report.

The statement of employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975, is annexed and forms an integral part of this report.

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

AUDITORS

M/s. S. P. Chopra & Company, Chartered Accountants, and M/s. Thakur Vaidyanath Aiyar & Co., Chartered Accountants, Auditors of the Company, retire and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The observations made by the Auditors in their Report are adequately explained in the notes to the Accounts and Significant Accounting Policies and need no further elaboration. However it is clarified that as explained here-in-above the Company has submitted a proposal for restructuring of the business operations / financial liabilities and pending the approval of the same certain provisions for doubtful advances and also interest on some borrowings have not been made in the books of accounts. Further, the Company has regularly followed the principle of going concern basis and accordingly temporary diminution in the value of investments have not been accounted for.

DIRECTORS

Mr. L. M. Thapar, Mr. Prem Saigal, Mr. Mahesh Sahai, Directors, retire by rotation and being eligible offer themselves for re-appointment.

Mr. J. N. Pandey has joined the Board in place of Mr. V. M. Swami earlier nominated by Allahabad Bank, the Lead Bank of the Consortium Member Banks. Board places on record its appreciation for his valuable contribution by him.

Dr. Bhai Mohan Singh and Mr. V. K. Srivastava resigned from the Directorship of the Company on 29.1.1999 and 30.4.1999 respectively. Your Directors wish to place on record their deep sense of appreciation for Dr. Bhai Mohan Singh's and Mr. V.K. Srivastava's valuable contribution extended during their tenure as Directors of the Company.

Mr. Gordhan Bhojraj Kathuria and Mr. Satish Ajmera were appointed as Directors on 5.4.1999 and 30.4.1999 against the casual vacancy caused on the resignation of Dr. Bhai Mohan Singh and Mr. V.K. Srivastava. However, Mr. Satish Ajmera due to his pre-occupations resigned on 9.12.1999. Your Directors consider that the continuation on the Board of Mr. G. Kathuria and of the directors retiring on rotation will be extremely beneficial to the Company and hence recommend passing the resolution appointing them as Director at the ensuing Annual General Meeting.

The term of office of Mr. Samir Thapar, Joint Managing Director, Mr. R.S. Mehra, Additional Managing Director and Mr. M. M. Thapar, Chairman & Managing Director expired on 1.6.1999, 22.8.1999 and 31.1.2000 respectively. The Board re-appointed Mr. Samir Thapar as Joint Managing Director, Mr. R.S. Mehra as Additional Managing Director and Mr. M.M. Thapar as Chairman & Managing Director for a further period of 5 years w.e.f 2.6.1999, 23.8.1999 and 1.2.2000 respectively and recommend passing the resolution set out in the Notice to the Members.

YEAR 2000 (Y2K) COMPLIANCE

The business systems, hardware machines, equipment, process control and embeded systems of the Company have rolled over to year 2000 smoothly and are functioning normally.

INDUSTRIAL RELATIONS

Relations with the work force continued to be normal at all units except some interruptions in the Textile Mill at Sriganganagar. The directors wish to place on record their appreciation for concerted efforts and contributions in improved performance of the Company by employees at all levels.

ACKNOWLEDGMENT

The Board also places on record its appreciation for the valuable support and cooperation of the various Financial Institutions, Banks, Govt. Agencies, Customers, Suppliers and Shareholders and look forward to their continued support in future.

FOR AND ON BEHALF OF THE BOARD

M. M. THAPAR
Chairman &
Managing Director

New Delhi
Dated: 28th February, 2000

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 30th September, 1999.

A. **CONSERVATION OF ENERGY**

(a). **Energy Conversation Measures taken:**

The metallic blades of Cooling Towers' Fans have been replaced with ERP blades resulting in reduced consumption of energy. Reduction in fuel consumption was also achieved for boiler's steam generation by optimizing condensate recovery, operating pressures and productivity on machines. Energy inefficient PIV's were replaced with energy efficient inverters in some areas of Synthetic Fibres Unit plant. Reduction in Air Conditioning and Air Compressor load was achieved by optimizing operating conditions.

The first phase of INDUSTRIAL FANS were replaced with FRP Fans in Humidification plants. This step is giving saving upto 25% in Energy Consumption. 2nd phase of replacement of above Fans is in progress. About 70% of Special Energy Efficient Tubes have been replaced and the remaining are expected to be replaced within next few months in the Textiles Unit. Increased collection of Condensate was achieved by installing additional Steam Driven Power Pumps. There was substantial improvement in Insulation of Steam Lines, Voltage stabilizers and Special Control Devices have also been installed.

High efficiency combustion Equipment has been installed in two G.I. Furnaces, which could not be done last year. One of the Quality Circles is working constantly for control of fresh water consumption in the plant. New Shunt Capacitors has been provided to Wire Rope.

(b) **Additional Investments and proposals, if any, being implemented for reduction in consumption of energy:**

(i) There are plans for implementing more energy saving steps. For recovery of heat from hot effluent water of PTR, heat of Exhaust glass of Monofort Infra red chamber of CDR, exhaust heat energy of Multitherm Boiler and Thermopack, orders have been placed for relevant items and the installation thereof is expected soon.

(ii) The energy efficient equipments of latest technology like jets with low air consumption, energy efficient motors etc. are also being installed.

(c) **Impact of Measures:**

As a result of the above measures the production has increased without installing additional equipments thus reducing the per Unit Consumption of various utilities.

(d) **Total energy consumption and energy consumption per unit of production:**

As per Form 'A' attached.

B. **PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (FORM 'B')**

1. **Specific areas in which R & D carried out by the Company**

(i) **Textile Divisions**

Exhaustive efforts were made in R & D to achieve development of lighter varieties of Bottom Weight Fabrics from finer count, improve yarn quality by optimizing process parameters in Spinning, reduction in fabric damage by analysing the problems case by case. To improve Machine utilisation and efficiency, Time & Motion studies were introduced.

(ii) **Synthetic Divisions**

Developed Nylon Dope Dyed Filament, established increased production by about 10% of Polyester Staple Fibre by change of Spinnerets from 1360 H to 1500 H. Developed Nylon Bright Fibre & Tow.

As a result of concentrated R & D efforts, the plant capacity in Synthetic Fibres has increased significantly by evolving new methods in production process.

2. **Benefits Derived :**

Textile Divisions

Improved yarn quality resulted in better fabric appearance and value addition. There was increase in value recovery percentage, production and quality of product on account of continuous testing/checking resulting in reduction of waste/ damage.

Synthetic Division

Improved/increased product range to meet market requirement and better overall contribution. Reduction in production cost.

3. **Future plan of action :**

Development of new deniers to meet changing trends in the market.

The Company is maintaining an independent R&D Department which regularly provides suggestions for improvement so as to reduce the cost of production and improve the qualitty.

Further developments in increasing product range of dope dyed yarns.

4. **Expenditure on Research & Development :**

	Current Period Rs.	Previous Year Rs.
Capital	**254,836**	470,331
Recurring	**6,316,060**	4,660,332
	6,570,896	5,130,663
Total R&D Expenditure as a percentage of total turnover	**0.05%**	0.06%

C. **TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

(a) **Efforts in brief, made towards technology absorption, adaptation and innovation.**

New strategic methods have been developed for improvement in quality and quantum of production. For keeping pace with the ever-changing processes, old and *obsolete machines/parts have been changed/replaced to* provide avenues to manufacture value added products with lesser cost.

(b) **Benefits derived**

The above steps/efforts at product/process improvement and technology absorption, adaptation and innovation have resulted into a larger product range including development of new deniers and manufacture of bright trilobal fibre.

(c) **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).**

Technology imported

From Zimmer AG, Germany for the manufacture of POY through Direct Melt Spinning - Imported in 1995.

From Korea Act Corporation, Korea for the manufacture of Wire Ropes - Imported in 1996

Has Technology been fully absorbed ?

Yes

If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.

Not applicable.

D. FOREIGN EXCHANGE EARNINGS & OUTGO

(a) **Activities relating to exports, initiatives taken to increase export development of new export markets for product services and export plans**

Wire rope has been well accepted in the export market and it is hoped that a substantial part of the production shall be exported. Depressed market conditions continued the world over but efforts are made to maintain the volumes of exports of Polyester Staple Fibre and Textiles.

(b) **Total Foreign Exchange used and earned:**

	Rs.
Used	287,816,231
Earned	1,184,125,550

FORM 'A'

A. POWER AND FUEL CONSUMPTION :

	Current Period	Previous Year
1. Electricity		
(a) Purchased :		
Units	**241,264,627**	156,081,923
Total Cost (Rs./lacs)	**7,415.22**	4,348.90
Rate/Unit (Rs.)	**3.07**	2.79
(b) Own Generation :		
(i) Through Diesel Generators		
Units	**75,171,027**	45,505,327
Unit per Ltr. Of Diesel Oil (Rs.)	**3.57**	3.46
Cost/Unit (Rs.)	**2.36**	2.44
(ii) Through Steam Turbine Generators		
Units	**Nil**	Nil
Unit per Ltr. Of Fuel Oil/Gas	**Nil**	Nil
Cost/Unit (Rs.)	**Nil**	Nil
2. Coal (Specify quantity/where used)		
Quantity (tonnes)	**66,949**	46,580
Total Cost (Rs./lacs)	**1,892.31**	1,237.72
Average Rate(Rs.)	**2,826.49**	2,657.19
3. Furnace Oil		
Quantity (K.ltrs)	**25,487.160**	11,982.181
Total Cost (Rs./lacs)	**1,742.48**	789.89
Average Rate(Rs.)	**6,837**	6,592
4. LDO/HSD (HTM/BOILER)		
Quantity (ltrs)	**18,587,509**	12,681,088
Total Cost (Rs./lacs)	**1,574.88**	1,029.14
Average Rate/ltrs (Rs.)	**8.47**	8.11
5. Other/Internal Generation		
Steam		
Quantity (tonnes)	**180,685**	99,135
Total Cost (Rs./lacs)	**1,011.69**	564.70
Rate/Unit (Rs.)	**559.92**	569.62

B. Consumption per unit of production (Rs.)

Products	Unit	Current Period					Previous Year				
		Electricity	**Coal**	**Furnace Oil**	**Steam**	**LDO/ HSD**	Electricity	Coal	Furnace Oil	Steam	LDO/ HSD
Filament Yarn	Per Kg.	**14.77**	—	**2.03**	**1.73**	**3.47**	15.96	—	2.27	2.14	4.26
Cloth	Per Mtr.	**1.98**	**1.08**	—	—	—	1.75	0.97	—	—	—
Steel Wires	Per MT	**1910**	**18**	**380**	—	—	1843	20	391	—	—
Cotton Yarn	Per Kg.	**1.77**	—	—	—	—	1.87	—	—	—	—
Polyester Staple Fibre	Per MT	**1580**	—	**1050**	**580**	**730**	1850	—	980	—	1270

AUDITORS' REPORT

To the Members of JCT Limited

We have audited the attached Balance Sheet of JCT Limited, as at 30th September, 1999 and the Profit and Loss Account for the period ended on that date and report that:

1. (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 as required by Law have been kept by the Company so far as appears from our examination of the books;

(c) The report on the Accounts of the Steel Division audited by the branch auditor u/s 228 of the Companies Act, 1956 has been forwarded to us and taken into consideration by us in preparing this report after making such adjustments as we considered appropriate;

(d) The Balance Sheet and Profit and Loss Account dealt with by the Report are in agreement with the books of account; and

(e) In our opinion the Profit & Loss Account and Balance Sheet of the Company complies with the mandatory accounting standards referred to in Section 211 (3c) of the Companies Act, 1956 except as otherwise disclosed in the Notes to Accounts in Schedule 'X'.

(f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the Significant Accounting Policies and subject to Note No. (6) Re: Non-provision of amounts shown as doubtful of recovery of Rs. 44,571.55 lacs and non provision of interest on certain loans, debentures etc. of Rs. 11,566.34 lacs for the period (cumulative Rs. 17,620.94 lacs) on account of restructuring proposal under the active consideration of Financial Institutions/Banks and other lenders; Such aforesaid non provision of interest is at variance with Section 209 of the Companies Act, 1956 but for which the loss for the period would have been higher to that extent; Further, we are unable to form an opinion on the proposal for restructuring of liabilities and are unable to comment upon the consequential effect thereof on the Accounts and the net worth of the Company; Note No. (12) Re: Non provision of probable loss of investments of Rs. 380.40 lacs in the Share Capital of M/s India International Airways Ltd.: Note No. (13) and (14) Re: Non-provision of multi-shift depreciation and capitalisation of post production interest on deferred credits respectively in earlier years; the aggregate impact of which is that the losses for the current period are higher by Rs. 543.48 lacs and its consequential effect on the fixed assets and accumulated losses; Note No. (17) Re: Non-confirmation/ reconciliations of certain loans from Bank(s)/Financial Institution (s)/Body Corporate (s) and impact of the consequential adjustments; and Note No. (18) Re: Non adjustment in respect of transactions referred to therein; for which we have no opinion to express; and note No.(21) Re: Lease rental adjustments etc. consequent upon settlement with the parties, impact not ascertained; and other notes thereon in Schedule No. 'X' give the information as 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 30th September, 1999; and

(ii) in the case of the Profit and Loss Account, of the Losses for the period ended on that date.

2. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 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:

A. (i) The Company has maintained proper records to show the full particulars including quantitative details and situation of its fixed assets. We are informed by the management that the fixed assets of the Company were physically verified as per phased programme during the period under review and no material discrepancies were noticed on such verification.

(ii) None of the fixed assets has been revalued during the period under review.

(iii) The stocks of finished goods, stores, spare parts and raw materials of the Company except stocks with third parties have been physically verified by the management in accordance with the perpetual inventory programme, at reasonable intervals.

(iv) The procedures 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 on physical verification of stocks as compared to book records which were not material, have been properly dealt with in the books of account.

(vi) In our opinion, on the basis of our examination of the stock records, the 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. However, valuation of stocks is without inclusion of taxes or duties incurred as required by Section 145A of the Income Tax Act, 1961 and the same has no impact on the losses for the period.

(vii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

(viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and/or to the companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

(ix) Loans and Advances have been granted to the employees from whom instalments towards principal and interest wherever stipulated are being generally regularly recovered.

With regard to other loans and advances except those shown as doubtful, as appearing in the attached Schedule 'H' of 'Loans and Advances' we have to observe that there is no stipulation for recovery of interest free loans/advances given to Poly Investments Ltd., a wholly owned subsidiary company, whose outstanding balance as at 30.9.1999 is Rs. 9,288.89 lacs.

(x) In our opinion and according to the information and explanations given to us by the management, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

(xi) We are informed that there are no transactions with any party for the purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 during the period under review.

(xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods which are adjusted in the Accounts on the basis of technical evaluation. Adequate provision has been made in the Accounts for the loss arising on the items so determined.

(xiii) In our opinion and according to the information and explanations given to us by the management, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder, with regard to the deposits accepted from the public except that the deposits matured and claimed as on 30th September, 1999 aggregating Rs. 237 lacs have not been repaid.

(xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scraps.

(xv) In our opinion and according to the information and explanations given to us, the internal audit system is commensurate with the size and nature of the Company's business.

(xvi) We have broadly reviewed the books of account maintained by the Company in respect of the concerned Divisions where Order has been made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records, have been maintained. We have not, however, made a detailed examination of the records.

(xvii) The Provident Fund and Employees State Insurance dues have been regularly deposited by the Company with the appropriate authorities during the period under review.

(xviii) There were no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Custom duty and Excise Duty as on 30th September, 1999 which were outstanding for a period of more than six months from the date they became payable.

(xix) On the basis of our examination of the books of account of the Company carried out in accordance with generally accepted business practice, we and the branch auditors have not come across any personal expenses which have been charged to Revenue Account, nor have we been informed of any such expense by the management.

(xx) In view of what the management has stated in Note No. 6 of Schedule 'X' and the proposal for restructuring materialising in the manner envisaged by the management and on the basis of the legal opinion obtained by the management, in our opinion the Company is not considered as a Sick Industrial Company, as reflected by the state of affairs as at 30th September, 1999 within the meaning of Clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

B. In respect of the Company's trading activities, it has been explained to us by the management that the value of damaged goods has been properly determined and accounted for, which was not significant. In respect of service activity in the case of Steel Division, allocation of stores consumed is not made to relative jobs. Further, the said Division does not have a system of allocating man hours utilised to the relative jobs but have a reasonable system of authorisation at proper levels and adequate system of internal control.

For and on behalf of

S. P. Chopra & Co.	Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants	*Chartered Accountants*
Rajiv Gupta	K.N. Gupta
Partner	*Partner*

New Delhi
Dated: 28th February, 2000

BALANCE SHEET
AS AT 30TH SEPTEMBER, 1999

	Schedule No.		30.9.1999 Rs.	31.3.1998 Rs.
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
(a) Capital	'A'	1,246,000,510		1,256,000,510
(b) Reserves and surplus	'B'	4,443,488,669		4,811,710,526
			5,689,489,179	6,067,711,036
2. LOAN FUNDS				
(a) Secured loans	'C'	5,514,374,600		5,914,650,023
(b) Unsecured loans	'D'	1,176,885,956		1,308,850,016
			6,691,260,556	7,223,500,039
TOTAL			12,380,749,735	13,291,211,075
APPLICATION OF FUNDS				
1. FIXED ASSETS				
(a) Gross block	'E'	9,470,956,969		9,380,603,850
(b) Less : Depreciation		4,148,240,544		3,103,481,201
(c) Net block		5,322,716,425		6,277,122,649
(d) Capital work-in-progress including advances against machinery and civil works - unsecured considered good		81,043,594		75,994,439
(e) Machinery-in-transit		237,451,036		234,415,847
			5,641,211,055	6,587,532,935
2. INVESTMENTS	'F'		399,413,463	464,894,318
3. CURRENT ASSETS, LOANS AND ADVANCES				
(A) Current Assets	'G'			
(a) Interest accrued on Investments		65,484		70,056
(b) Inventories		1,286,241,542		1,127,216,763
(c) Sundry Debtors		921,467,159		1,263,811,402
(d) Cash and bank balances		198,339,053		96,679,991
(B) Loans and Advances	'H'	5,649,376,816		5,667,525,043
		8,055,490,054		8,155,303,255
Less : CURRENT LIABILITIES AND PROVISIONS				
(a) Current liabilities	'I'	2,579,935,038		1,859,537,347
(b) Provisions	'J'	61,261,457		56,982,086
		2,641,196,495		1,916,519,433
NET CURRENT ASSETS			5,414,293,559	6,238,783,822
PROFIT & LOSS ACCOUNT			925,831,658	—
Significant accounting policies and notes forming part of the Accounts	'X'			
TOTAL			12,380,749,735	13,291,211,075

T.N. Subramaniyan	S.K. Singhal	R.N. Das	S.C. Saxena	Samir Thapar	M.M. Thapar	Mahesh Sahai
Vice President (Finance)	*Sr. Vice President (Accounts)*	*Sr. Vice President*	*Secretary*	*Jt. Managing Director*	*Chairman & Managing Director*	*Director*

As per our report of even date attached
For & on behalf of

S.P. CHOPRA & CO.
Chartered Accountants
Rajiv Gupta
Partner

THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants
K.N. Gupta
Partner

New Delhi
Dated : 28th February, 2000

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDING ON 30TH SEPTEMBER, 1999

	Schedule No.		Current Period Rs.	Previous Year Rs.
INCOME				
Income from operations	'I'		14,268,634,011	9,039,142,202
Other income	'II'		120,067,878	73,723,124
Increase/(Decrease) in stocks	'III'		179,672,598	(268,853,400)
			14,568,374,487	8,844,011,926
EXPENDITURE				
Manufacturing expenses	'IV'		8,695,607,818	5,257,887,705
Purchase of finished goods			827,558,416	906,023,296
Payments to and provisions for employees	'V'		877,647,993	603,367,487
Administration and other expenses	'VI'		445,809,969	310,369,523
Selling and distribution expenses	'VII'		467,903,607	288,264,393
Interest and financing charges	'VIII'		1,285,313,697	863,999,597
Excise duty			2,140,838,048	1,233,566,684
Depreciation		1,075,232,839		
Less: Transfer from revaluation reserve		167,349,672		
			907,883,167	607,923,841
			15,648,562,715	10,071,402,526
DEFICIT			(1,080,188,228)	(1,227,390,600)
Income tax paid for earlier years			11,448,924	—
			(1,091,637,152)	(1,227,390,600)
Add : Balance brought forward from last year			—	89,383,343
: Transfer from General Reserve			165,805,494	1,138,007,257
Significant Accounting Policies and Notes forming part of the Accounts	'X'			
Balance loss carried over to Balance Sheet			925,831,658	—

T.N. Subramaniyan *Vice President (Finance)*	S.K. Singhal *Sr. Vice President (Accounts)*	R.N. Das *Sr. Vice President*	S.C. Saxena *Secretary*	Samir Thapar *Jt. Managing Director*	M.M. Thapar *Chairman & Managing Director*	Mahesh Sahai *Director*

As per our report of even date attached
For & on behalf of

New Delhi Dated : 28th February, 2000	S.P. CHOPRA & CO. *Chartered Accountants* Rajiv Gupta *Partner*	THAKUR, VAIDYANATH AIYAR & CO. *Chartered Accountants* K.N. Gupta *Partner*