

10th
Annual Report
2001-2002



KEI INDUSTRIES LIMITED

10th Annual Report 2001-2002

BOARD OF DIRECTORS

Mr. Anil Gupta	Managing Director
Mr. Sunil Gupta	Whole Time Director
Mr. Pawan Bholusaria	Director
Mr. K. G. Somani	Director
Mr. Vijay Bhushan	Director
Mr. Vikram Bhartiya	Director

AUDITORS

M/S JAGDISH CHAND & CO.
Chartered Accountants
New Delhi

BANKERS

DENA BANK
PUNJAB NATIONAL BANK
THE VYSYA BANK LTD.

SHARE TRANSFER AGENT

MAS SERVICES PVT. LTD.
AB-4, Safdarjung Enclave
New Delhi-110 029
Tel. : 6104142, Fax : 6181081

REGISTERED OFFICE

D-90, Okhla Industrial Area,
Phase-I, New Delhi-110 020

KEY MANAGEMENT PERSONNEL

DEEPAK GUPTA	Excutive Director - S.S. Wire
A. R. GHOSE	Vice President (Cable)
S. K. CHADHA	General Manager (Mktg-Cable)
P. K. AGGARWAL	General Manager (P&A)
RAJEEV GUPTA	General Manager (Finance)
MANOJ KAKKAR	General Manager (Mktg -S&W India-Cable)
S. K. MOHANTY	General Manager (Mktg-JFTC&Cable Export)
S. H. RATANPAL	General Manager (Mktg-Flex Wire)
K. C. SHARMA	Dy. General Manager (Works-Cable)
ANIL KHERA	Dy. General Manager (Mktg-Export ss wire)

NOTICE

The 10th Annual General Meeting of the Members of the Company will be held at Hamdard Convention Center (Hall No.1) Jamia Hamdard, Hamdard Nagar, Near Batra Hospital New Delhi - 110 062 on Monday the 30th day of September, 2002 at 10.30 A.M to transact the following business.

ORDINARY BUSINESS:

1. To consider and adopt balance sheet as at 31st March, 2002, Profit & Loss Account for the Year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Pawan Bholusaria, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Sunil Gupta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution :

"RESOLVED THAT M/s JAGDISH CHAND & CO. Chartered Accountants, New Delhi be and are hereby appointed Auditors of the company from the conclusion of this Annual General Meeting of the company until the conclusion of the next Annual General Meeting of the company on such remuneration as shall be fixed by the Board of Directors of the Company."

Special Business :

5. To consider and if thought fit, to pass, with or without modification(s), the following as Special Resolution:

"RESOLVED THAT in partial modifications of the resolutions passed at the 9th Annual General Meeting of the Company held on 23.08.01 and pursuant to the provisions of sections 198, 269, 309, 310 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, approval of the Company be and is hereby accorded to the revision in the remuneration payable to Shri Anil Gupta, Managing Director of the company with effect from 01.09.2002 till the expiry of his present term of office as Managing Director of the Company i.e. till 31.07.2003 on such terms as set out in the explanatory statement attached hereto."

"RESOLVED FURTHER THAT the remuneration set out in the explanatory statement, be paid to Shri Anil Gupta, Managing Director as minimum remuneration in the event of absence or inadequacy of profits in any year."

NOTES

1. The relevant Explanatory Statement pursuant to Section 173 (2) of the companies Act, 1956, is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not to be a member of the company. Proxy form is attached herewith.
3. The instrument appointing the proxy should however be deposited at the Registered office of the company not less than 48 hours before the commencement of the meeting.
4. Member/Proxies should bring the attendance slip sent here with duly filled in for attending the meeting.
5. The Register of Members and Share Transfer Books will remain close from 24th .09.02 to 30.09.02 (both days inclusive).
6. Members are requested to address all their correspondence including change of address, to the Registrar and Share Transfer Agent MAS SERVICES PRIVATE LIMITED, AB-4, Safdarjung Enclave, New Delhi - 110 029.
7. Documents referred to in the Notice and the explanatory statement are open for inspection at the Registered Office of the company during office hours on all working days except Sundays and Holidays between 10.30 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
8. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
9. Shareholders are requested to bring their copy of Annual Report at the meeting .

By Order of Board
For KEI INDUSTRIES LIMITED

(ANIL GUPTA)
Managing Director

Place : New Delhi
Dated : 6th September, 2002

EXPLANATORY STATEMENT PURSUANT TO SEC. 173(2) OF THE COMPANIES ACT, 1956

As required by section 173 (2) of the Companies Act, 1956, the following explanatory statement set out material facts relating to the Special Business under item number 6 of the accompanying Notice dated 6th September, 2002.

Item No. 5

At the 6th Annual General Meeting of the Company held on 21.09.98 the members of the Company had approved the appointment of Shri Anil Gupta as Managing Director of the Company on payment of remuneration, for a period of 5 years from 1st August, 1998. His term of appointment were revised in 9th Annual General Meeting of the Company held on 23.08.2001.

Considering the increase in responsibilities being shouldered by the Managing Director, current trend in managerial compensation, your Board of Directors were pleased to propose enhance rate of the remuneration payable to Shri Anil Gupta, Managing Director in its meeting held on 6th September, 2002 subject to obtaining requisite approvals. The increased remuneration is for the period commencing from 1st September, 2002 to the rest of his term of appointment as the Managing Director. The remuneration payable to Shri Anil Gupta, Managing Director of the company after the increase now recommended is as follows:

a) Salary

At the rate of Rs. 70,000 per month.

b) Perquisites

Perquisites shall be restricted to an amount equal to not exceeding Rs. 6,00,000/- Per annum. The said perquisites are classified into following three categories A, B, and C.

Category-A**i) Housing :** The expenditure by the company on hiring furnished accommodation for him will be subject to the following ceilings:**a) Rs. 30,000/- per month.**

In case the accommodation provided to him is owned by the company, ten percent of his salary be deducted by the Company.

b) In case the company does not provide him accommodation he will be paid rent allowance at the rate of Rs. 30,000/- per month.

The expenditure incurred by the Company on gas, electricity water and furnishings evaluated as per income- tax rules 1962.

ii) Medical Reimbursement: Expenses incurred for himself and his family subject to ceiling of one month's salary in a year or three months salary over a period of three years.**iii) Club Fees :** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.**Category- B**

The company's contribution for him to provident fund, superannuation fund or annuity fund in accordance with the Rules and Regulations of the Company. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income- tax Act, 1961.

Category- C

Car with a driver for use on the Company's business and telephone at residence provided that personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to him. The provision of car and telephone will not be considered as perquisites.

In the event of loss or inadequacy of profits of the Company in any year during the term of Shri Anil Gupta's appointment, he shall be paid minimum remuneration by way of salary and perquisites not exceeding the limits specified above. Shri Anil Gupta shall be entitled to leave in accordance with the Rules of the Company from time to time in force as applicable to the Senior executive of the Company.

The changes in terms of appointment of Shri Anil Gupta as the company's Managing Director requires the approval of the member of the Company in General Meeting in terms of Part III of schedule XIII to the Companies Act, 1956 '(the Act)' and the remuneration payable also requires the approval of the Company in General Meeting under Section 309 of the Act.

The remuneration of Shri Anil Gupta on the terms proposed satisfies the conditions laid down in Parts I, II and Clauses (1) and (2) of Part-II of schedule XIII to the Act and a Return in the prescribed form (along with a certificate under Clause (3) of Part III of schedule XIII to the Act) under section 269(2) of the Act will, as required be filed with the Registrar of Companies, NCT of Delhi. The Board considers that the remuneration payable to Shri Anil Gupta is commensurate with his duties and responsibilities as the Managing Director of the Company.

The resolution set out in the convening Notice has to be considered accordingly and the Board recommends its acceptance.

Shri Anil Gupta is interested in remuneration payable to him. Shri Sunil Gupta being related to Shri Anil Gupta may be deemed to be interested in this resolution. This may also be regarded as an abstract of Shri Anil Gupta's terms of remuneration payable as Managing Director of the Company and Memorandum of interest under section 302 of the Act.

DIRECTOR'S REPORT

To The Members

Your Directors take pleasure in presenting their 10th Annual Report for the year ended 31.03.2002. Briefly stated the financial results of operation are: -

	Amount in Rs. 1.4.01 to 31.3.02	Amount in Rs. 1.4.00 to 31.3.01
Sales and other income	712027772	703746557
Profit before interest, Depreciation and tax	76418907	70682401
Less : Financial Charges (Net)	38100969	36716100
Depreciation	12988468	10578793
Profit before tax	25329470	23387508
Provision for Taxation — General	2800000	1427330
— Deferred	5511858	—
Profit after tax	17017612	21960178
Add : Profit & Loss Brought Forward	64836284	56547254
Less : Prior Period adjustment	—	8269996
Add : Taxation for earlier years	344901	(63017)
Amount available for Appropriations	82198797	70174419
Proposed Dividend	—	4844033
Corporate Dividend Tax	—	494092
Transfer to General Reserve	12000000	—
Balance Carried Forward	70198797	64836284

Despite severe competition and sluggish economy the company was able to improve its performance both in terms of sales and profits. The improvement was possible due to increase in turnover of cables from Rs. 4480.99 lacs in 2000-01 to Rs. 4748.07 lacs in 2001-2002. Stainless Steel Wire Products Contributed Rs. 1985.64 lacs in 2001-02 as compared to Rs. 2167.37 lacs in 2000-01. Company has developed new products in Winding, Flexible & Home Wire Cable which contributed Rs. 114.53 lacs in 2001-02 as against Rs. 25.72 lacs in 2000-01. By tight cost control company was able to improve its profits as compared to last year. Since Accounting Standard (AS-22) 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India has become mandatory during the year company has provided deferred tax liability of Rs. 55.11 lacs for 2001-02. This has resulted in profit after tax being lower at Rs. 170.18 lacs during 2001-02 as compared to Rs. 219.60 lacs during 2001-02. Company has also written off Rs. 217.84 against General Reserve for deferred tax liability upto 31st March, 2001.

The Board of Directors had earlier in their meeting held on 16th May, 2002 had recommended dividend @ 10% (subject to deduction at source) for the year 2001-2002. However, due to commitments towards term loan repayment and interest, the Board of Directors in their meeting held on 6th September, 2002 cancelled the dividend recommended earlier. In the opinion of the Board of Directors keeping in view the commitments of term loan repayments and interest obligation it is in Company's interest to conserve financial resource of the Company.

REVIEW OF OPERATIONS :**A) OVERALL PERFORMANCE :**

Sales of the Company has marginally increased from Rs. 7031.84 lacs to Rs. 7114.30 lacs Profit before tax has increased to Rs. 253.33 lacs from Rs. 233.88 lacs.

During the year under review, the Company has commissioned its project at Silvassa in Union Territory of Dadra & Nagar Haveli. This new facility has got facility to manufacture Jelly filled Telephone Cables (JFTC), winding, flexible and house wiring cables and other cables also. With commissioning of this facility installed capacity of cables has as increased from 6500 kms to 7500 kms. The Company has also added new capacity for manufacturing for 12,60,000 ckm of JFTC and 1,00,000 kms of winding, flexible and house wiring cables. This project was executed by mixture of term loan, hire purchase finance, preferential issue of equity shares and internal accruals.

The company has got infrastructure and type approval from Department of Telecommunications for JFTC. It also successfully supplied execution order given by Bharat Sanchar Nigam Limited (BSNL). With completion of all these formalities company has been able to participate in JFTC tender floated by BSNL & MTNL during current year.

With addition of separate facility for manufacture of winding, flexible and house wiring cables, Company has started marketing of these cables in market and has developed network of dealers and distributors. In stainless steel wires, Company has developed domestic market also and which has yielded good results and company's sales in domestic market of stainless steel wires have increased. In cables division, due to efforts of tapping new markets and customers, Company was able to increase sales of its products inspite of general slowdown in the Indian economy.

B) PREFERENTIAL ISSUE OF EQUITY SHARE CAPITAL :

As approved by 9th Annual General Meeting of the Company, the Company issued 30,76,000 equity shares of Rs.10/- each at premium of Rs.3/- each for cash aggregating to Rs.3,99,88,000/- on preferential basis to the promoters, their relatives and group companies and Other bodies corporates. Proceeds of this issue were utilized as per the objects of the issue.

FUTURE OUTLOOK :

Current year has started on a positive mode and with emphasize by Government on powers sector reforms and infrastructure development, it is expected that barring unforeseen circumstances, demand for Company's products will increase. Due to addition of Jelly filled Telephone Cables, and Company's thrust on marketing of winding, flexible and house wiring cables it is expected that Company's turnover will increase

2001 - 2002

substantially during the year. Barring unforeseen circumstances, it is expected that current year will be better than financial year 2001-02 in terms of turnover and profits. Company is setting up full fledged marketing offices in important state capitals for increasing dealer network for the purpose of marketing of winding, flexible and house wiring cables and others cables. Company is also tapping foreign markets for its Jelly filled Telephone Cables. In the cable division, new products are being developed and new customers are being tapped. In stainless steel division new markets and customers are being tapped in domestic market.

LISTING OF SHARES :

Company's equity shares are listed at Delhi, Mumbai & Calcutta Stock exchanges and the company has paid its upto date listing fees. Company's shares have been put in to compulsory dematerialisation w.e.f. 30th October, 2000 as notified by Securities & Exchange Board of India. Company has appointed M/s. MAS SERVICES PRIVATE LIMITED, AB-4, Safdarjung Enclave, New Delhi-110 029 as registrar and share transfer agent for dematerialised as well as physical shares also. Preferential issue of 30,76,000 equity shares made during the year under review is pending listing with stock exchanges. Company is taking steps to get these shares listed.

CONSTITUTION OF AUDIT COMMITTEE :

Following are the members of audit committee of the Board of Directors.

- Mr. K.G. Somani, Director
- Mr. Vikram Bhartiya, Director
- Mr. Pawan Bholusaria, Director

CORPORATE GOVERNANCE:

As per listing agreement with Stock Exchanges, Compliance with Code of Corporate Governance is to be made on or before 31st March 2003. The Company is taking steps to implement Code of Corporate Governance during the year.

DIRECTORS:

Shri Sunil Gupta, Director of the company retires by rotation at the end of 10th AGM and being eligible offers himself for reappointment.

Shri Pawan Bholusaria, Director of the company retires by rotation at the end of 10th AGM and being eligible offers himself for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed.

- a) That in the preparation of the annual accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed.
- b) That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 of the Company for the year under review.
- c) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) That the directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

SUBSIDIARIES :

As REQUIRED UNDER THE Companies Act, 1956, a copy of the Annual Accounts of KEI International Limited along with director's report and auditors report for the year 2001-2002 are attached herewith. A statement pursuant to section 212 the Companies Act, 1956 is also attached.

As Required under listing requirements company's consolidated financial statements along with its subsidiary are also attached herewith.

FIXED DEPOSITS:

There are no overdue fixed deposits as on 31st March, 2002.

AUDITORS :

M/s Jagdish Chand & Co., Chartered Accountants, auditors of the company will retire at the conclusion of the ensuing AGM and are eligible for reappointment as per certificate furnished by them under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be given under section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information as regards conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) of the Companies Act, 1956 read with the companies (disclosure of Directors) rules, 1988 is annexed hereto as per annexure and forms an integral part of the report.

ACKNOWLEDGMENTS :

Your Directors express their deep appreciation and sincere thanks to various departments of central & state governments, Dena Bank Punjab National Bank & The Vysava Bank Ltd. for their valuable assistance and co-operation.

Industrial relations remained cordial during the year. The Directors wish to place on record their appreciation for the contribution made by employees at all levels during the year.

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Dated : 6th September, 2002

(ANIL GUPTA)
MANAGING DIRECTOR

(SUNIL GUPTA)
WHOLE TIME DIRECTOR

ANNEXURE OF THE DIRECTOR'S REPORT

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report for the year ended 31st March, 2002.

1. CONSERVATION OF ENERGY

- | | |
|---|--|
| (a) Energy conservation measures taken | In view of measures taken in earlier years no fresh measures were required to be taken during the year. Power consumption is continuously monitored. |
| (b) Additional investments and proposal if any, being implemented for conservation of energy. | No major additional investment is required. |
| (c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | Not applicable |
| (d) Total energy consumption & energy consumption per unit of production as per Form A of the Annexure. | Not Applicable |

2. TECHNOLOGY ABSORPTION

- (a) Research & Development : Details in house analytical laboratory is there for the fine-tuning of operations. Accordingly, success has been achieved in increasing the quality of goods with higher yield percentage.
- (b) Technology Absorption : The company neither entered into any technical foreign collaboration nor received/ imported any technology from any foreign organisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO

- | | |
|--|--|
| (a) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and export plans. | Cables
Exports are not priority area for the company in view of better price realisation in domestic market. Stainless Steel Wires The company was able to develop new customers, new markets with its thrust on exports during the year. Foreign customers were regularly followed up by visits as well as by other means. |
| (b) Total foreign exchange used & earned : | |
| Earnings | Rs. 1549.63 Lacs |
| Outgo | Rs. 483.14 Lacs |

Place : New Delhi

Dated : 6th September, 2002

2001 - 2002**AUDITOR'S REPORT**

TO THE MEMBERS OF
KEI INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **KEI INDUSTRIES LIMITED** as at 31st March, 2002 and also the Profit and Loss Account 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.

1. 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 of 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the manufacturing and other companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
3. 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 purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said 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 2002; and
 - ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date.

for **JAGDISH CHAND & CO.**
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATED : 6th September, 2002

(**J.C.GUPTA**)
PARTNER

**Annexure referred to in paragraph '2' of the Auditor's Report to the Members of KEI INDUSTRIES LIMITED
on the accounts for the year ended March 31st, 2002**

1. The Company is maintaining proper fixed assets register showing full particulars including quantitative details and situation of fixed assets. A major portion of the assets has been physically verified by the management. No discrepancies have been noticed on such verification. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, 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.
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 the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has taken unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, the rates of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of Company.
8. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to the Companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by Company to employees and others, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where charged.
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 purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of 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 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanation given to us, the company has complied with the provisions of section 58A of the companies Act, 1956 and the companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap where applicable and significant. The company has no by-product.
15. In our opinion, Company has an internal audit system commensurate with its size and nature of its business.
16. We have broadly reviewed the books of account 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 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.
17. According to the records of the Company, provident fund and employees state insurance dues have generally been deposited regularly during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, custom duty and excise duty were outstanding as at March 31, 2002 for the period of more than six months from the date they become payable.
19. According to the information and explanations given to us no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the sick industrial Companies (special Provision) Act, 1985.

**for JAGDISH CHAND & CO.
CHARTERED ACCOUNTANTS**

PLACE : NEW DELHI
DATED : 6th September, 2002

**(J. C. GUPTA)
PARTNER**

2001 - 2002**BALANCE SHEET AS AT 31ST MARCH, 2002**

	Schedule		As at 31 st March 2002 Rupees	As at 31 st March 2001 Rupees
I SOURCES OF FUNDS :				
1. SHAREHOLDER'S FUNDS.:				
a) Share Capital	"A"	79200430		48440430
b) Reserves & Surplus	"B"	<u>116424988</u>	195625418	<u>112069092</u> 160509522
2. DEFERRED TAX				
a) Deferred Tax Liabilities		27477483		—
b) Less: Deferred Tax Assets		<u>181860</u>	27295623	<u>—</u> —
3. LOAN FUNDS :				
a) Secured Loans	"C"	170585670		115447909
b) Unsecured Loans	"D"	<u>75822459</u>	<u>246408129</u>	<u>83597318</u> 199045227
			<u>469329170</u>	<u>359554749</u>
II APPLICATION OF FUNDS :				
1. FIXED ASSETS	"E"			
a) Gross Block		325226932		226369679
b) Less : Depreciation		<u>72144645</u>		<u>59257885</u>
		253082287		167111794
c) Capital Work in progress	"F"	<u>1863450</u>	254945737	<u>3121451</u> 170233245
2. INVESTMENTS	"G"		1750300	1254300
3. CURRENT ASSETS, LOAN & ADVANCES :				
a) Inventories	"H"	124216737		80713576
b) Sundry Debtors	"I"	195361294		185460090
c) Cash & Bank Balances	"J"	23434601		23327597
d) Loans & Advances	"K"	<u>27947487</u>		<u>20486013</u>
		370960119		309987276
Less : Current Liabilities and Provisions	"L"	<u>159020529</u>		<u>122946953</u>
Net Current Assets			211939590	187040323
4. MISCELLANEOUS EXPENDITURE	"M"		<u>693543</u>	<u>1026881</u>
(To the extent not written off or adjusted)			<u>469329170</u>	<u>359554749</u>
NOTES ON ACCOUNTS	"W"			

As per our Separate report of even date attached

for Jagdish Chand & Co.
Chartered Accountants(J.C. GUPTA)
PartnerANIL GUPTA
Managing DirectorSUNIL GUPTA
Whole Time DirectorPLACE : NEW DELHI
DATED : 6th September, 2002RAJEEV GUPTA
General Manager (Finance)