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50th

ANNUAL REPORT 1999-2000

KESAR ENTERPRISES LTD.

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KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

BOARD OF DIRECTORS: H. R. KILACHAND *(Chairman & Managing Director)*
M. M. NANAVATI
ANILKUMAR S. RUIA
ANIRUDH A. KILACHAND
VIJAY KHOSLA
K. D. SHETH
B. M. KINI *(Nominee of UTI)*

SR. GENERAL MANAGER (LEGAL) & COMPANY SECRETARY: D. J. SHAH

BANKERS: Bank of Baroda
Uttar Pradesh Co-operative Bank Limited

AUDITORS: M/s. Chandabhoy & Jassoobhoy
Chartered Accountants

SUGAR FACTORY AND DISTILLERY: Baheri
Dist. Bareilly, U.P.

STORAGE INSTALLATIONS: Kandla (Gujarat)

REGISTERED OFFICE: Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai - 400 020.

SUBSIDIARIES: KESAR MARBLE & GRANITE LIMITED
AMBER DISTILLERIES LIMITED

REGISTRAR & TRANSFER AGENTS: SHAREX (INDIA) PVT. LTD.
17/B, Dena Bank Building
2nd Floor, Horniman Circle, Fort
Mumbai - 400 001.

AUDIT COMMITTEE MEMBERS: M. M. NANAVATI *(Chairman of the Committee)*
H. R. KILACHAND
K. D. SHETH

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KESAR ENTERPRISES LTD.

NOTICE

NOTICE is hereby given that the **66th** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** scheduled to be held on 30th March 2001 pursuant to the Notice dated 2nd March 2001 already posted to the Members and is proposed to be adjourned after transacting business other than item nos. 1 and 4 mentioned in the said Notice, **will then be held on Friday, the 20th April 2001 at 3.30 p.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001** to transact the remaining business viz:

1. To receive, consider and adopt the Directors' Report and the audited Statement of Accounts for the year ended 30th June 2000.

2. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as **ORDINARY RESOLUTION**:

   RESOLVED THAT pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Chandabhoy & Jassoobhoy, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 2,00,000/- plus reimbursement of travelling and other out-of-pocket expenses incurred by them in performance of their duties including auditing of the accounts at the factories of the Company.

Registered Office:
Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020.

22nd March 2001.

By Order of the Board of Directors

D J SHAH
Sr. General Manager (Legal)
& Company Secretary

NOTES:

(a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

(b) The Register of Members and Share Transfer Books of the Company will remain closed on **Thursday, the 29th March 2001 and Friday, the 30th March 2001**. The shareholders are requested to inform of change in address, if any, at the earliest.

(c) The Unclaimed Dividends upto the financial year ended **31st March 1995** of the Company, have been transferred to the General Revenue Account of Central Government pursuant to sub-section (5) of Section 205A of the Companies Act, 1956. The concerned members may therefore submit their claims in the prescribed manner/form to the Registrar of Companies, Hakoba Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400 033.

(d) The Members may lodge their shares for transfer/transmission with the office of M/s. Sharex (India) Pvt. Ltd. at 17/B Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.

(e) As mentioned in the notes to the Notice dated 2nd March 2001 convening the 66th Annual General Meeting, the Company was not in a position to complete the audit for the reasons mentioned in the said Notice. The audit of the Annual Accounts for the year ended 30th June 2000 is now completed by Auditors of the Company M/s. Chandabhoy & Jassoobhoy, Chartered Accountants and the Annual Report is annexed herewith.

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Directors' Report

To
The Shareholders
KESAR ENTERPRISES LTD.

Gentlemen,

Your Directors have pleasure in presenting to you the 66th Annual Report and audited Statement of Accounts for year ended 30th June 2000.

FINANCIAL RESULTS

	1999-2000	*(Rs. in Lacs)* *1998-99*
The working of the year shows a Gross Profit before interest, depreciation & taxation	1,816.99	*1,958.64*
Less: Interest	1,251.04	*1,340.81*
Gross Profit	565.95	*617.83*
After providing:		
For Depreciation	473.82	*532.36*
For Taxation	1.45	*55.00*
Profit (after tax)	90.68	*30.47*
Add (Less):		
Balance brought forward from previous year	4.31	*112.09*
Net effect of adjustment for short/excess provisions and expenses and income relating to earlier years	(55.99)	*(63.25)*
Amount available for disposal	39.00	*79.31*
Which your Directors have appropriated as follows:		
1. Transfer to Debenture Redemption Reserve	—	*75.00*
2. Balance carried forward to Balance Sheet	39.00	*4.31*
	39.00	*79.31*

From the above, it will be observed that the Gross Profit before Depreciation and Taxation for the year ended 30th June 2000 has been Rs. 565.95 lacs as against Rs. 617.83 lacs in the previous year. The Net Profit has been Rs. 90.68 lacs during the year as against Rs. 30.47 lacs in the previous year.

DIVIDEND

In view of inadequate profit during the period and that the Financial Institutions have not given their permission and also to conserve the scarce resources, your Directors have decided not to recommend any Dividend for the year 1999-2000.

WORKING OF THE DIVISIONS

Sugar Division

During the Crushing Season 1999-2000 (from 26th November 1999 to 2nd May 2000), the plant crushed a quantity of 71.69 lac quintals of sugar cane in 156 days as against 66.32 lac quintals crushed in 144 days in the previous season. The sugar recovery was higher at 9.41% as against 9.06% in the previous season resulting into higher production of sugar of 6.84 lac quintals as against 6.06 lac quintals in the previous season. Molasses produced during the season 1999-2000 was 3.32 lac quintals as against 3.01 lac quintals in the previous season.

The Cane prices fixed by the U.P. State Government for normal and early maturing varieties were Rs. 85/- per quintal and Rs. 90/- per quintal respectively during the season 1999-2000 as against Rs. 80/- per quintal and Rs. 85.73 per quintal respectively for the previous season. Levy sugar price for the season 1999-2000 was announced by the Government at Rs.1,075.41 per quintal as against Rs. 1,049.09 per quintal for the previous season. The Government had increased free sale quota of sugar from 60% to 70% with effect from 1st January 2000. The Government had increased import duty on sugar to 27% in December 1999 and thereafter to 60% in February 2000. Besides, the Government started collecting 30% of imports for public distribution at the same price it pays for the domestic levy sugar.

Distillery Division

The working of the Distillery Division has improved as compared to the last year. The production of Rectified Spirit (RS) during the year under review was higher at 117.11 lac litres as against 85.73 lac litres in the previous year. The production of Extra Neutral Alcohol (ENA) during the year was also higher at 40.62 lac litres as against 26.26 lac litres in the previous year. The quantity of Country Liquor supplied was 125.61 lac litres during the year as compared to 103.94 lac litres in the previous year. The sale of IMFL was 1.80 lac cases during the year as against 1.36 lac cases in the previous year.

Storage Division

Due to competition from new ports in the neighbouring area of Mundra and Dahej the bulk liquid cargo traffic at Kandla has slowed down. The Terminaling charges have also come down at Kandla due to additional tankages that have come up in Kandla since last two years. This has affected the income of the division and is hence lower than the previous year.

SUBSEQUENT FINANCIAL YEAR 2000-2001

The crushing for the season 2000-2001 started from 20th November 2000. This season, it is expected that the sugar recovery will be much higher as compared to the previous season. The cane price for the season was increased to Rs. 90/- per quintal for normal and to Rs. 95/- per quintal for early maturing varieties. Levy sugar price for the season 2000-2001 was announced by the Government at Rs. 1,160.81 per quintal. The Government had increased free sale quota of sugar from 70% to 85% with effect from 1st February 2001. The working of the Distillery Division has improved further and the overall performance is expected to be

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better than last year. The Storage Division at Kandla has done reasonably well during the year considering the slowdown. Due to the massive earthquake on 26th January 2001, there has been damage to some of the tanks, pump house and compound walls. The assessment of damage is in progress and necessary steps have been taken to ensure that the properties are safe for operation post earthquake. On the basis of first hand assessment, a claim has already been lodged with the Insurance Company. Work on the repair of the installation is likely to start very shortly.

DEVELOPMENT OF LAND

As informed in the last report, the Company had entered into a Project Services Agreement with Mahindra Realty Infrastructure Developers Limited (MRIDL), a wholly owned subsidiary of Mahindra & Mahindra Ltd. for developing its land at Goregaon, Mumbai and constructing for sale, residential and commercial tenements. The Company had obtained necessary approvals from the Government to start construction activities. Further necessary approvals from the various authorities are still awaited. The construction activity is expected to commence in a couple of month time. The Company is also exploring the possibility of selling its 50% share in the project to MRIDL/IDBI/any other interested parties.

DEMATERIALISATION (DEMAT) OF EQUITY SHARES

Securities and Exchange Board of India (SEBI) has made compulsory delivery of shares of your Company in the dematerialised form for all investors with effect from 28th August 2000. In view of the same, the Company has executed necessary agreements with National Securities Depository Limited (NSDL) and Central Depository Services of India Limited (CDSL). Accordingly, the Company has been allotted ISIN activation no. INE133BO1019 by NSDL and CDSL. The shareholders have the option/discretion of holding their dematerialised shares in the Company through NSDL and CDSL.

Y2K STATUS

All internal systems, procedures and operations of the Company which were made Y2k compliant have been performing normally.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars with respect to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in the Appendix 'A' forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

(i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that the Directors had selected such accounting policies and applied them consistently and made judgments 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 of the Company for that period;

(iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that the Directors had prepared the annual accounts on a going concern basis.

SUBSIDIARY COMPANIES

The information including Annual Accounts, Directors' Report and Auditor's Report in respect of the subsidiaries viz. Kesar Marble & Granite Ltd. and Amber Distilleries Ltd. as on 31st March 2000 are annexed as required under Section 212 of the Companies Act, 1956.

DIRECTORS

Shri Anirudh A. Kilachand and Shri Anilkumar S. Ruia, retire by rotation and being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE

The Stock Exchange has amended the Listing Agreement by incorporating a new clause 49 covering Corporate Governance, which is an important instrument of investor protection. As per the amendment, the Company is required to comply with the requirements on or before 31st March 2003. However, the Company has commenced the process of implementation of the required provisions of Corporate Governance as well as the provisions of the Companies (Amendment) Act, 2000.

FIXED DEPOSITS

Fixed Deposits of Rs. 2,16,000/- due for repayment on or before 30th June 2000, were not claimed by 22 depositors as on that date.

AUDITORS' REPORT

Referring to the remarks in the Auditors' Report, the Directors would like to refer to the Notes on Accounts Nos. 2(b), 8(i), 8(ii), 13, 14, 21, 22 & 23 which clarifies the Company's position, and are self-explanatory.

AUDITORS

You are requested to appoint M/s. Chandabhoy & Jassoobhoy, Chartered Accountants, Mumbai as Auditors of the Company from the conclusion of the 66th Annual General Meeting until the conclusion of the next Annual General Meeting.

EMPLOYEES

The relations with the employees remained cordial throughout the year. As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder desirous of obtaining such particulars may write to the Sr. General Manager (Legal) & Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Banks, the Financial Institutions and the U. P. Government, during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

By Order of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

Mumbai, 22nd March 2001.

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KESAR ENTERPRISES LTD.

Appendix 'A' pursuant to Section 217(1)(e) of the Companies Act, 1956
Forming part of the Directors' Report

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

CONSERVATION OF ENERGY

1. We are constantly modifying our plant for conservation of energy like installation of economiser for 30 ton capacity boiler, Auto speed regulation at all the four mills, imbibitions automation, modification in the furnace of 40 ton boiler to increase its efficiency and to recover the waste heat.
2. We have adopted double effect Evaporation system at evaporator in boiling house for reducing steam consumption in Sugar manufacturing process which have reduce the total steam consumption.
3. *Due to continuous improvement in the steam and power management, bagasse saving has increased and co-generation is also planned for conservation of energy.*

			1999-2000	1998-99
A.	Power and Fuel Consumption			
	1. Electricity			
	(a) Purchased			
	Unit	Kwh	703983	1236971
	Total Amount	Rs.	4874266	6889249
	Rate/Unit	Rs.	6.92	5.57
	(b) Own Generation			
	(i) Through Diesel Generator			
	Unit	Kwh	1057074	952059
	Units Per Ltr. Of Diesel Oil	Kwh	3.22	2.61
	Rate/Unit	Rs.	4.12	4.20
	(ii) Through Steam Turbine			
	Unit	Kwh	20172456	17720740
	Units Per M.T. of Steam	Kwh	42.70	50.93
	Rate/Unit	Rs.	3.26	3.12
	2. Coal			
	Quantity	M.T.	44	61
	Cost	Rs.	229543	302160
	Average Rate	Rs.	5216.89	4953.44
	3. Other Fuel Bagasse (Own)			
	Quantity	M.T.	233238	208784
	Cost	Rs.	**	**
	Average Rate	Rs.	**	**
	4. Rice Husk			
	Quantity	M.T.	12964	10757
	Cost	Rs.	10940823	8971210
	Average Rate	Rs.	843.94	833.99
	5. Bagasse PITH (Purchased)			
	Quantity	M.T.	7206	639
	Cost	Rs.	2714575	201606
	Average Rate	Rs.	376.71	315.50
	6. H. S. Diesel			
	Quantity	Ltr.	327955	365113
	Cost	Rs.	4356564	4086460
	Average Rate	Rs.	13.28	11.19
	** Not applicable as this is a By-product			
B.	Consumption per unit of production			
	Product (Sugar)			
	Electricity	Kwh	215.62	221.44
	Bagasse	M.T.	3.46	3.48
	Diesel Oil	Ltr.	3.16	3.17
	Product (Industrial Alcohol) (In 000' Ltrs)			
	Electricity	Kwh	246.02	217.20
	Coal	Qtls.	0.04	0.07
	Bagasse (PITH)	M.T.	0.62	0.07
	Rice Husk	M.T.	1.11	1.26
	Diesel Oil	Ltr.	9.78	20.47

FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

A. **RESEARCH AND DEVELOPMENT**

1. Tissue culture studies for the multiplication of high yielding cane varieties.
2. Effective utilization of bagasse in co-generation.
3. Utilization of Sugar by products namely Press Mud, Bagasse, Fly Ash and Distillery.
4. Development of continuous fermentation process in Distillery.
5. Decolourisation of aerobically treated Distillery spent wash by selective microflora & chemicals.
6. *Effect of Environmental parameters on the biomethanisation process using Doun Flow stationary fixed film Reactor.*

B. **BENEFITS DERIVED**

1. Bagasse saving has increased due to improvement in steam and power Management.
2. Results of other R&D activities are awaited

		1999-2000	(Rs. In lacs) 1998-99
	Expenditure of R & D		
(a)	Capital	3.43	17.48
(b)	Recurring	16.83	15.60
(c)	Total	20.26	33.08
(d)	Total R&D expenditure as a percentage of turnover	0.17%	0.23%

Technology absorption, adaption & innovation: The Company has not purchased/imported any technology hence not applicable.

Foreign Exchange Earnings and Outgo:

The information on foreign Exchange earnings and outgo is furnished in the Notes to the Accounts (Please refer to Note No. 26 Annexure 1 item D, E and F).

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REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Kesar Enterprises Limited as at 30th June, 2000 and also the Profit and Loss Account of the Company for the year ended as on that date, annexed thereto and we report that:

1. 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.

2. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of the books *except for non-provision of liabilities in respect of Gratuity and Contribution to Superannuation fund as referred to in Note No.21 in Schedule 22.*

3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.

4. As per the information & explanations given to us, none of the Directors of the Company are disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956. (as amended)

5. 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, *except Accounting Standard 2 in respect of "Valuation of Inventories" as referred to in Note No.13, and Accounting Standard 15 in respect of "Accounting for Retirement Benefits" as referred to in Note No. 21.*

6. *Attention is invited to the following notes in Schedule 22;*

   (i) Note No. 13 in respect of Excise Duty of Rs. 139.42 lacs not charged to Profit & Loss Account and its consequent effect on the profit for the year.

   (ii) Note No. 21 for non-provision of liability of Gratuity and Superannuation contribution. Had this provision been made, the profit for the year would have been lower by Rs. 65.24 lacs.

   (iii) Note No. 22 in respect of capitalisation of interest cost. This is not in accordance with the Guidance Note issued by The Institute of Chartered Accountants of India. Had this Guidance Note been followed, the Profit for the year would have been lower by Rs. 130.69 lacs.

   (iv) Note No. 23 in respect of short provision of interest on Inter Corporate Deposits, Bill Discounting Charges and Delayed Payment Charges on Lease Rentals. Had these liabilities been provided, the profit for the year would have been lower by Rs. 22.71 lacs.

   The aggregate effect of above is that the profit for the year of Rs. 90.68 lacs would have turned into a loss of Rs. 267.38 lacs and the reserves would have been lower by Rs. 720.46 lacs.

   (v) Note No.2 (b) in respect of Storage Installations at Shakurbasti, New Delhi, towards enhanced demand for Licence Fees, Property Taxes and Electricity Charges aggregating to Rs. 1,132.95 lacs. The said demands are disputed by the Company.

   (vi) Note No. 8(i) in respect of accumulated losses of Amber Distilleries Limited.

   (vii) Note No. 8 (ii) in respect of diminution in the value of long-term investments in Kesar Marble & Granite Limited (KMGL) for which no provision is made in the accounts. We are unable to form an opinion whether such diminution is other than temporary.

   (viii) Note No. 8(ii) in respect of advances of Rs. 1,119.45 lacs given to Kesar Marble & Granite Limited (KMGL) as at 30th June 2000. We are unable to form an opinion regarding the recoverability of the advances.

   (ix) Note No. 14 in respect of Sundry Debtors, which includes Rs. 33.66 lacs arising out of assignment of a debt from a Company in which one of the Director is interested.

   Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the accounts read with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

   (a) In the case of the Balance Sheet of the state of the Company's affairs as at 30th June, 2000 and

   (b) In the case of Profit & Loss Account of the Profit for the year ended on that date.

7. As required by the Manufacturing and Other Companies (Auditors 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: -

   (i) The Company has maintained proper records showing full particulars including quantitative details and location of its fixed assets in respect of its Sugar, Distillery, Farms, Head Office, Delhi Office, IMFL and Distiller's Trading Corporation Divisions *except for item wise values and depreciation written off in respect of Nandgaon Property and for each individual asset purchased before 1st October, 1965 in case of Sugar, Distillery and Farms Divisions and before 1st October, 1967 in case of Chemical Division and Head Office.*

   The Fixed Assets have been physically verified by the Management at regular intervals. No material discrepancies have been noticed on such verification.

   In respect of assets given on lease, the Company has obtained certificate confirming the existence.

   (ii) The Fixed Assets have not been revalued during the year.

   (iii) The stocks of finished goods, stores, spares and raw materials have been physically verified by the Management at regular 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.

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(v) The discrepancies noticed on such verification, which were material, have been properly dealt with in the books of account.

(vi) In our opinion and on the basis of our examination and verification of stock records we are satisfied that the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles *except as stated in Note No. 13 in Schedule 22* and is on the same basis as in the preceding year.

(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. The provisions of Section 370 of the Companies Act are not applicable on or after 31/10/1998.

(viii) The Company has not given any loans, secured or unsecured, to the companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. The provisions of section 370 of the Companies Act are not applicable on or after 31/10/1998.

(ix) (a) The Company has given advances in the nature of loans to its employees. The principal amounts together with interest wherever applicable have been recovered as stipulated. *The Company had given advances of Rs. 47.00 lacs referred to in Note No. 19.* The company has since received a Pay Order of Rs.5.00 lacs from the Party.

(b) *The Company has given interest free advances in the nature of loans to its wholly Owned Subsidiary Company, Kesar Marble & Granite Limited. There are no stipulations as to repayment of the principal amount. Attention is also invited to Para 6(viii) of our report and Note No 8 (ii) in Schedule 22.*

(x) 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 the purchase of raw materials, stores, trading goods, plant and machinery, equipment and other assets and for the sale of goods.

(xi) The Company had neither purchased nor sold goods and materials exceeding Rs. 50,000/- in value from/to the companies, firms or other parties in which Directors are interested as listed in the Register maintained under section 301 of the Companies Act, 1956. In respect of sale of services, the same are made at the rates at which transactions for similar services have been made with other parties.

(xii) As per the information and explanations given to us, stocks were reviewed at the year-end by the Management for determination of unserviceable or damaged stores, raw materials and finished goods and necessary provisions have been made in the books of account.

(xiii) *There is delay in filing of return of deposits Under Section 58 (A) of the Companies Act, 1956. However, the same was filed on 6th October, 2000. Subject to the above,* in our opinion and according to the explanations given to us, the Company has complied with the provisions of section 58(A) of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.

(xiv) The Company has, in our opinion, maintained reasonable records for the sale and disposal of scrap and by-products.

(xv) The Company has Internal Audit System commensurate with the size and nature of its business. However, in our opinion, it needs to be strengthened.

(xvi) In case of Sugar and Alcohol manufacturing activities at Baheri, we have broadly reviewed the books of account maintained by the Company pursuant to the order 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. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

(xvii) As per the records of the Company, the Provident Fund and Employees State Insurance Corporation dues have been regularly deposited with appropriate authorities.

(xviii) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Custom duty and Excise duty which have remained outstanding as at 30th June, 2000 for a period of more than six months from the date they became payable.

(xix) Based on our examination of the books of account and information and explanations given to us, no personal expenses have been charged to revenue account of the Company, except those payable under Service Contract obligations and/or as per accepted business practices and those approved by the Board of Directors.

(xx) 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 Provisions) Act, 1985.

(xxi) In respect of the service activities of the Company:

(a) The Company has, in our opinion, a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size and nature of its business. The allocation of materials consumed and man-hours to relative jobs is not applicable to the Company.

(b) In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores. The system of internal control is adequate and commensurate with the size and nature of the business of the Company.

For and on behalf of
CHANDABHOY & JASSOOBHOY
Chartered Accountants

J.D.MEHTA
Partner

Place : Mumbai
Date : 22nd March, 2001

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BALANCE SHEET
as at 30th June, 2000

	Schedule No.		(Rs. In Lacs) As at 30th June, 1999
Sources of Funds :			
1. Shareholders' Funds :			
(a) Share Capital	1	633.93	633.93
(b) Reserves and Surplus	2	4,997.50	4,956.95
		5,631.43	5,590.88
2. Loan Funds :			
(a) Secured Loans	3	9,256.12	9,419.04
(b) Unsecured Loans	4	378.26	522.45
		9,634 .38	9,941.49
Total		15,265.81	15,532.37
Application of Funds :			
1. Fixed Assets :	5		
(a) Gross Block		10,452.35	10,217.39
(b) *Less*: Depreciation/Land Premium written off		5,864.80	5,423.45
(c) Net Block		4,587.55	4,793.94
(d) Capital Work-in-Progress		1,111.74	952.93
		5,699.29	5,746.87
2. Investments	6	896.43	896.52
3. Current Assets, Loans and Advances :			
(a) Inventories	7	9,621.02	8,231.23
(b) Sundry Debtors	8	700.44	855.98
(c) Cash and Bank Balances	9	337.84	292.50
(d) Other Current Assets	10	11.77	18.82
(e) Loans and Advances	11	2,179.29	2,115.41
		12,850.36	11,513.94
Less: Current Liabilities and Provisions :	12		
(a) Current Liabilities		4,134.34	2,414.37
(b) Provisions		133.48	244.25
		4,267.82	2,658.62
Net Current Assets		8,582.54	8,855.32
4. Miscellaneous Expenditure to the extent not written off :			
Deferred Revenue Expenditure [See Note No. 16]		87.55	33.66
Total		15,265.81	15,532.37
Notes forming part of the Accounts	22		

As per our Report attached.
For and on behalf of
CHANDABHOY & JASSOOBHOY,
Chartered Accountants

J. D. MEHTA
Partner

D. J. SHAH
Sr. General Manager (Legal) & Company Secretary

Mumbai, 22nd March, 2001

For and on behalf of the Board of Directors,
H. R. KILACHAND
Chairman & Managing Director

M. M. NANAVATI
Director

Mumbai, 22nd March, 2001

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PROFIT AND LOSS ACCOUNT
for the year ended 30th June, 2000

		Schedule No.		(Rs. in Lacs) Previous Year
1.	**Income :**			
	Sales and Services	13	12,194.01	14,168.85
	Other Income	14	198.71	522.22
	Increase / (Decrease) in Stocks	15	1,411.38	(1,877.30)
	Total		13,804.10	12,813.77
2.	**Expenditure :**			
	Raw Materials Consumed	16	7,478.54	6,424.11
	Property under Development	17	—	—
	Expenses on Sugarcane Plantations	18	210.82	203.30
	Manufacturing and Other Expenses	19	4,297.75	4,227.72
	Interest and Finance Charges	20	1,251.04	1,340.81
	Depreciation (including Land Lease Premium written off Rs. 0.19 Lac *(Previous Year Rs. 0.19 Lac)*		473.82	532.36
	Total		13,711.97	12,728.30
3.	Profit before Tax		92.13	85.47
4.	Provision for Taxation			
	(i) Income Tax		—	53.50
	(ii) Wealth Tax		1.45	1.50
5.	Profit for the year after Tax		90.68	30.47
	Add/(Less) : Balance brought forward from previous year		4.31	112.09
	Prior period adjustments	21	(55.99)	(63.25)
6.	Profit available for appropriation		39.00	79.31
7.	Appropriations :			
	Transferred to Debenture Redemption Reserve		—	75.00
	Balance Carried Forward to Balance Sheet		39.00	4.31
	Total		39.00	79.31
Notes forming part of the Accounts		22		

As per our Report attached.
For and on behalf of
CHANDABHOY & JASSOOBHOY,
Chartered Accountants

J. D. MEHTA
Partner

Mumbai, 22nd March, 2001

For and on behalf of the Board of Directors,
H. R. KILACHAND
Chairman & Managing Director

D. J. SHAH
Sr. General Manager (Legal) & Company Secretary

M. M. NANAVATI
Director

Mumbai, 22nd March, 2001

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