



**ANNUAL REPORT  
2000-2001**

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***K. G. Khasla Compressors Limited***  
***(A Kirloskar Group Company)***

# K. G. Khosla Compressors Limited

(An ISO 9001 Company)

## 26<sup>th</sup> Annual Report and Accounts for the year 2000-2001

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### Board of Directors :

Mr. Sanjay C. Kirloskar	Chairman
Mr. Rahul C. Kirloskar	
Mr. S.G. Chitnis	Executive Vice Chairman
Mr. G. Krishna Rao	Nominee of GIC
Mr. H.R. Mustikar	Managing Director

Mr. G.P. Kulkarni	Company Secretary
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### Bankers :

Punjab National Bank  
ICICI Bank Ltd.

### Auditors :

M/s. Raghu Nath Rai & Co., Chartered Accountants

### Regd. Office :

Plot No. 1,  
Hadapsar Industrial Estate,  
Pune - 411 013  
Telefax : 020-6812822  
E-mail : kgkcl@pnq.kpcl.co.in

### Works :

#### Plant I

18.8 Km., Delhi-Mathura Road,  
Faridabad - 121 003 (Haryana)  
Phones : 0129-5275682, 84, 85  
Fax : 0129-5274270  
E-mail : mail@khoslacompressors.com

#### Plant II

Hadapsar Industrial Estate,  
Pune - 411 013 (Maharashtra)  
Phones : 020-6870133, 341  
Fax : 020-6870297, 634  
E-mail : administrator@pnq.kpcl.co.in

### Branches :

New Delhi, Mumbai, Calcutta, Chennai, Bangalore,  
Hyderabad, Baroda, Dibrugarh and Tiruchengode

**K. G. Khosla Compressors Limited****NOTICE**

Notice is hereby given that the **26th Annual General Meeting** of the Shareholders of **K.G. Khosla Compressors Limited** will be held on Wednesday, 12th September, 2001 at 10 A.M. at the Registered Office of the Company at Plot No. 1, Hadapsar Industrial Estate, Pune 411 013, to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended 31st March, 2001 and the Auditors' and Directors' Reports thereon.
2. To appoint a Director in place of Mr. S.C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

**SPECIAL BUSINESS**

4. To consider, and if thought fit, to pass the following resolutions, with or without modification, as **Ordinary Resolutions**:
  - A. "RESOLVED that Mr. Sudhakar Ganesh Chitnis, who was appointed by the Board of Directors of the Company as an Additional Director with effect from January 27, 2001 and who in terms of Section 260 of the Companies Act, 1956 read with Article 88 of the Company's Articles of Association holds such office until the conclusion of this Annual General Meeting and in respect of whom the Company has received a notice from a Member of the Company proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.
  - B. RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and subject to such approvals as may be necessary under the provisions of the Act, consent of the Company be and is hereby accorded to the appointment of Mr. Sudhakar Ganesh Chitnis as the Whole-time Director designated as the Executive Vice-Chairman of the Company for a period of five (5) years beginning from January 27, 2001 on the

terms and conditions, without remuneration with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed to between the Board of Directors and Mr. S.G. Chitnis provided that, such alternation/variation shall be within the limits specified in Schedule XIII to the Act, including any modification, amendment or re-enactment thereof."

5. To consider, and if thought fit, to pass the following resolution, with or without modification, as an **Ordinary Resolution**:

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to sell, transfer or otherwise dispose off the Land & Building, Plant & Machinery of the Company situate at New Delhi and/or Faridabad, on such terms and conditions and to such party / parties and at such time(s) as the Board of Directors of the Company in their absolute discretion deem fit to be in the best interest of the Company, with full power and authority to the Board of Directors to do all such acts, deeds, matters and things as may be necessary and expedient to implement this Resolution".

**Notes :**

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of item Nos. 4 to 5 of the Notice is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
3. The Proxy Form duly executed and properly stamped should reach the Company at its Registered Office at least 48 hours before the time of the Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 7th September, 2001 to Wednesday, 12th September, 2001 (both days inclusive).

**K. G. Khosla Compressors Limited****Annexure to the Notice****Explanatory Statement****(Pursuant to Section 173(2) of the Companies Act, 1956)**

5. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days upto the date of the Annual General Meeting.

6. Members are requested to notify immediately any change in their address to the Company's Registered Office with their ledger folio number(s).

7. **Transfer cum Demat :** The Company has introduced the facility of simultaneous transfer cum dematerialisation of shares. In terms of this Scheme, on completion of the transfer process, the Company will give the Member an option to receive shares directly in electronic form. If the option is accepted and the Member fulfills the requirements within the applicable time frame, the Company will, in respect of the physical shares, confirm credit directly in electronic form into the Member's demat account.

In addition to National Securities Depository Limited (NSDL), your Company has an arrangement with Central Depository Services (India) Limited (CSDL) to provide Members with flexibility when trading in the Company's shares in electronic form. The Company's shares are compulsorily required to be traded in dematerialised form and therefore, members will find it beneficial to dematerialise their shares at the earliest.

8. **Nomination:** Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109-A of the Companies Act, 1956, are requested to submit the prescribed Form-2B for this purpose to the registered office of the Company.

9. Members entitled to attend and vote at the meeting, may, elect to vote by Postal Ballot and may send their assent or dissent in writing to the Company in the prescribed postal ballot form, which has been sent separately to the members.

By Order of the Board of Directors

**G.P. Kulkarni**

Company Secretary

**Registered Office :**

Plot No. 1,  
Hadapsar Industrial Estate,  
Pune - 411 013  
Date : July 31, 2001

**Item No. 4**

Mr. S.G. Chitnis has been associated with Kirloskar Group for over 35 years. Mr. S.G. Chitnis holds B.E. Degree in Mechanical Engineering. He is also Director in Kirloskar Mahle Filter System Pvt. Limited, Kirloskar Oil Engines Limited, Kirloskar Pneumatic Company Limited, Denso Kirloskar Pvt. Ltd. and Kirloskar Bearings Pvt. Ltd. Considering his technical skills and long association with Kirloskar Group Companies, the Board of Directors co-opted him as an Additional Director w.e.f. 27.01.2001 pursuant to Article 88 of Articles of Association of the Company and appointed him Whole-time Director designated as an Executive Vice Chairman for a period of five (5) years commencing from 27.01.2001.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 88 of the Articles of Association of the Company, Mr. S.G. Chitnis holds office of the Director upto the date of this Annual General Meeting and eligible for appointment. Notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company indicating his intention to propose Mr. S.G. Chitnis for the office of Director alongwith the necessary deposit of money.

As an Executive Vice-Chairman, Mr. S.G. Chitnis shall be entrusted with such powers of management of the business and affairs of the Company as may deem fit by the Board of Directors from time to time.

As an Executive Vice-Chairman, Mr. S.G. Chitnis shall not be liable for retirement by rotation as a Director pursuant to provisions of Section 255 of the Companies Act, 1956 and Article 99 of the Articles of Association of the Company.

Mr. S.G. Chitnis will not draw any remuneration from the Company.

The Board of Directors of your Company recommend the Resolutions as set out at Item No. 4 of the Notice for your approval.

None of the Directors except Mr. S.G. Chitnis is interested in these resolutions.

The resolutions and explanatory statement be treated as an abstract pursuant to section 302 of the Companies Act, 1956.

***K. G. Khosla Compressors Limited*****Item No. 5**

At present, Company's Faridabad plant is spread in an area admeasuring approximately 9 acres. In addition to this, Company is having vacant land adjacent to the Factory in the Delhi state.

After careful scrutiny of total manufacturing operations involved, it was felt that Company can operate effectively in a much smaller space.

Considering the above, the Board of Directors at its meeting held on July 31, 2001 has passed a resolution to transfer the entire manufacturing operations of the Company to a much smaller place than the existing one. This would streamline activities and achieve cost effectiveness of operations.

Similarly, the excess land and building owned by the Company, which is idle at present can be disposed off at the best market price and the long term debts of the

Company can be prepaid. This would reduce the interest burden and increase the profitability.

This would be achieved without affecting the manufacturing operations of the Company.

None of the Directors of the Company is concerned or interested in this resolution.

The approval of shareholders is solicited for the resolution at item 5 of the notice.

By Order of the Board of Directors

**G.P. Kulkarni**  
Company Secretary

**Registered Office :**

Plot No. 1, Hadapsar Industrial Estate,  
Pune - 411 013

Date : July 31, 2001

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**K. G. Khosla Compressors Limited****DIRECTORS' REPORT**

The Directors have pleasure in presenting their 26th Annual Report together with the audited Statement of Accounts of the Company for the year ended March 31, 2001.

**FINANCIAL RESULTS**

The Financial Results for the year ended March 31, 2001 are summarised below :-

	<b>2000-2001 (Rs.)</b>	<b>1999-2000 (Rs.)</b>
Gross Profit (before Depreciation & taxation)	<b>1,93,97,201</b>	3,14,57,192
<b>Deducting therefrom:</b>		
Depreciation	<b>53,72,650</b>	51,00,234
Provision for Taxation	<b>34,30,000</b>	57,82,000
	<b>1,05,94,551</b>	2,05,74,958
<b>Adding thereto :</b>		
Income Tax for earlier years	<b>74,69,311</b>	(37,585)
Provision no longer required	<b>1,58,078</b>	-
Balance brought forward	<b>1,15,70,055</b>	1,16,39,321
	<b>2,97,91,995</b>	3,21,76,694
<b>Appropriations :</b>		
Proposed Dividend	-	1,02,49,300
Tax on Dividend	-	22,54,846
Surcharge on Dividend Tax (for Previous year)	-	1,02,493
General Reserve	<b>1,00,00,000</b>	80,00,000
Balance carried forward to Balance Sheet	<b>1,97,91,995</b>	1,15,70,055
	<b>2,97,91,995</b>	3,21,76,694

**Note :**

The financial Results for the year 2000-2001 are not comparable with the results of financial year 1999-2000. The financial results for the year under review includes results of the Air Compressor Division of Kirloskar Pneumatic Company Limited for the entire year. Whereas, the results of previous year includes the results for part of the year i.e. from October 1999 to March 2000 when the air compressors business was taken on licence.

**LICENSING ARRANGEMENT**

As indicated in our Report of previous year, the combined operations for the financial year under review, being the full year of operations, have resulted in considerable benefits such as synergy of operations, better product mix and improved performance. The Company could also achieve cost effectiveness due to combining of operations.

The Company has consolidated its market position as supplier of Kirloskar and Khosla Compressors.

**OPERATIONS**

During the year under review, the Company achieved a turnover of Rs. 10918.50 lacs (previous year Rs. 6824.99 lacs). As mentioned earlier, these figures are not strictly comparable.

This turnover represents a growth of 19% over the annualised turnover of last year. The Company could achieve this inspite of the growth index of industrial product coming down to 4.9% for the year 2000-01 as compared to 6.7% for the previous year. This is the first time since inception that your Company could achieve the milestone of crossing Rs.100 crore turnover.

The combined operations of the Company resulted in profit before tax of Rs. 140 lacs. The profit is after adjusting payment under VRS (Rs. 185 lacs) and provision of gratuity payment (Rs. 227 lacs).

**DIVIDEND**

In view of the reduced profitability, Directors do not recommend dividend for the year under review.

**FIXED DEPOSIT**

During the year, your Company has not accepted any fixed deposits from public. The Company repaid 17 number of deposits amounting to Rs. 2,75,000.

**DEBENTURES**

The Company has redeemed all the 15% Non-Convertible Debentures which were sent to the Company for redemption by the Debenture-holders. However, Debenture-holders with a total amount of Rs. 57,225 have not yet surrendered the Debenture Certificates to the Company for redemption.

**PROSPECTS**

The down trend in the industrial output is continuing. The growth in production of Capital goods was merely 1.4% for the month of April, 2001.

## ***K. G. Khosla Compressors Limited***

Due to this slowdown, the investment in capital goods industry is declining. In view of this, maintaining the turnover is going to be very difficult during the current year.

However, to counter the recessionary trend in industrial market segment, your Company plans to increase sale of small Industrial Compressors. The Company is also in the process of introducing technologically advanced products in the market. With these measures coupled with strict cost reduction strategies, the company would strive to maintain the turnover and improve profitability.

### **FINANCE**

During the year under review, the Company obtained a Short Term Loan of Rs. 1000 Lacs from ICICI Limited which is repayable after one year.

Company also prepaid three installments of Long Term Loan taken during October 1999.

### **DEMATERIALISATION**

As you are aware, your Company has entered into the Agreement with both the depositories i.e. National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As such, the shares of your Company are now available for dematerialisation.

As of now, over 80% of Share Capital of your Company is held in electronic mode. While it is not compulsory to hold shares in electronic form, considering its advantages, it is advisable to hold shares in demat form.

### **DIRECTORS**

Mr. Sanjay C. Kirloskar retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year, ICICI Limited had withdrawn the nomination of Mr. R. Raman, Director. The Board wish to place on record its deep sense of appreciation for the valuable services rendered by Mr. Raman during his tenure.

Mr. M. Raghavendra, Director resigned from the Board during April 2001. The Board wish to place on record its deep sense of appreciation for the valuable services rendered by him during his tenure.

The Directors at their Meeting held on January 27, 2001 have appointed Mr. Sudhakar Ganesh Chitnis as an Additional Director. The Board has also appointed him as Executive Vice-Chairman of the Company. He is

incharge of overall operations of the Company. Mr. S.G. Chitnis has over 36 years of experience in various capacities. The Directors are confident that Company would achieve greater heights under the leadership of Mr. Chitnis. You are requested to support the resolution appointing Mr. S.G. Chitnis as Executive Vice Chairman.

General Insurance Corporation of India, have nominated Mr. G. Krishna Rao as Director in place of Mr. M. Raghavendra.

### **STATUTORY DISCLOSURES:**

#### **1. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo is given in the Annexure to this Report and forms a part of this Report.

#### **2. SUBSIDIARY COMPANY**

Pursuant to Section 212 of the Companies Act, 1956, the details in respect of Khosla Indair Limited, a wholly owned Subsidiary Company, are annexed to and form part of the Annual Report.

#### **3. PARTICULARS OF EMPLOYEES**

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended is not given since the Company do not have any employee, other than the Managing Director who is not considered as an employee for the purpose of Section 217 of the Companies Act, 1956, drawing a remuneration in excess of the limits prescribed by the section.

#### **4. A Cash Flow statement for the year 2000-2001 is attached to the Balance Sheet.**

#### **5. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that :

1. In preparation of Annual Accounts, the applicable accounting standards had been followed except for retention money.
2. The Directors had selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.

## ***K. G. Khosla Compressors Limited***

3. The Directors had taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956 for safeguarding Company's Fixed Assets and detecting fraud and other irregularities.
4. Annual Accounts are prepared on the principle of going concern.

### **AUDITORS**

The Auditors of your Company, M/s. Raghu Nath Rai and Co., Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and are eligible for reappointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

### **AUDITORS' REPORT**

With reference to note C-2 & C-3 of Schedule 'O' to the accounts referred to by the Auditors' in their Report, the Directors wish to state that the said notes are self-explanatory.

### **PERSONNEL**

During the year under report, the company introduced Voluntary Retirement Scheme (VRS) for the staff and workmen. About 630 number of Employees opted for VRS and entire compensation including terminal benefits was paid to all employees.

A few officers have filed a case against the Company in Court of Law. The Company has won the case. Meanwhile, some officers have withdrawn the case and some officers have rejoined the Company.

### **ACKNOWLEDGMENT**

The Directors take this opportunity to express their gratitude for the valued and timely support from ICICI Limited, Punjab National Bank & ICICI Bank Limited and wish to place on record their appreciation for the continued trust and confidence in the Company by its large number of members, depositors, customers and suppliers.

For and on behalf of the Board of Directors

**S.C. Kirloskar**

*Chairman*

Pune

Date : July 31, 2001

## **ANNEXURE TO THE DIRECTORS' REPORT**

Statement showing the particulars as required 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 for the year ended March 31, 2001.

### **A. CONSERVATION OF ENERGY**

#### **a) Energy Conservation measures taken :**

1. Addition of capacitors to improve power factor.
2. Reduction in testing hours of Compressor testing.
3. Combined external and internal inspection of compressors testing.
4. Optimum utilisation of Air conditioning / Heat Treatment process.
5. Localised use of compressed air, instead of central compressed system.
6. Disconnection of Foundry connection and subcontracting of castings.

#### **b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy.**

1. Application for reduction in maximum demand from 1500 KVA to 500 KVA.
2. Addition to Energy meters for monitoring power consumption.
3. Addition of capacitors to improve power factors.

#### **c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

As we manufacture a very wide and diverse range of custom engineered compressors, it is difficult to calculate the impact of energy consumption measures on the cost of production.

#### **d) Total energy consumption and energy consumption per unit of production as per Form 'A' of the Annexure in respect of industries specified in the schedule thereto**

Not Applicable

### **B) TECHNOLOGY ABSORPTION**

#### **(e) Form 'B'**

Form for disclosure of particulars with respect to absorption of Research and Development (R&D)

**K. G. Khasla Compressors Limited****1. Specify areas in which R&D carried out by the Company**

Development of small industrial compressors and Higher Capacity Diesel screw compressors.

**2. Benefits derived as a result of the above R&D**

Company could cater to varying demands of the market.

**3. Future plan of action**

a. Development of energy efficient, high pressure and high capacity diesel screw compressors.

b. Development of additional new models of Small Industrial Compressors.

**4. Expenditure on R&D**

a. Capital	Rs. Nil
b. Recurring	Rs. 9,59,819
c. Total	Rs. 9,59,819
d. Total R&D expenditure as a percentage of total turnover	0.09%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****1. Efforts in brief, made towards technology absorption, adaptation and innovation**

a. Improvement in cooling and control system of diesel screw packages.

b. Reduction in sound attenuation in a few products.

c. Indigenisation of certain parts of Centrifugal Compressors.

**2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.**

Cost reduction due to ingenisation and better market share due to product development.

**3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished**

The Company has improved technology for gas compressors from IHI, Japan during 1997 and is under absorption.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO****a. Activities relating to exports, initiative taken to increase exports; development of new export markets for products and services; and export plans**

So far, the Company does not have any substantial exports. However, efforts are being made for increasing exports.

**b. Total foreign exchange used and earned**

Foreign Exchange outgo	3,43,25,506
Foreign Exchange earned	41,54,199

For and on behalf of the Board of Directors

**S.C. Kirloskar**

*Chairman*

Pune

Date : July 31, 2001

**K. G. Khosla Compressors Limited****AUDITORS' REPORT TO THE MEMBERS**

We have audited the attached Balance Sheet of K.G. Khosla Compressors Limited as at 31st March, 2001 and the Profit & Loss Account for the year ended on that date and report that :-

1. 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 we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:-
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
  - c) The report on the accounts of Plant at Pune audited by the Branch Auditors has been forwarded to us and has been dealt with by us in preparing our report.
  - d) The Balance Sheet & Profit & Loss account referred in this report are in agreement with the books of account.
  - e) In our opinion, the Profit & Loss account and Balance Sheet comply with the accounting standards referred to in sub section 3(c) of Section 211.
  - f) On the basis of representation received from the Directors of the Company, we report that no Director is disqualified from being appointed as a director of the Company under clause (g) of sub section (1) of Section 274 of the Companies Act, and
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & Profit & Loss Account subject to:
    - (i) **Retention Money being treated as Sales on its realisation. Had the Retention Money been treated consistently as sales on accrual basis for the current as well as previous year, Profit for the year would have been less by Rs. 10,97,001**

(Note No. C-2 of Schedule 'O')

- (ii) Out of a total of Rs. 9,26,21,759 incurred during the year under Voluntary Retirement Scheme, a sum of Rs.1,85,24,352 has been charged to revenue and the balance of Rs. 7,40,97,407 has been deferred to the future years. (Note No C-3 of Schedule 'O')

and read together with the notes thereon gives the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view:-

- i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001, and
- ii) in so far as it relates to the Profit & Loss Account, of the Profit of the Company for the year ended on that date

For **Raghu Nath Rai & Co.**  
Chartered Accountants

New Delhi  
Dated : 10th May, 2001

(Prem Prakash)  
Partner

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to paragraph 1 of our report of even date.

1. The Company has maintained proper records to show full particulars including quantitative details and situation of all Fixed Assets of the Company and which have been physically verified by the management during the year.
2. None of the Fixed Assets have been revalued during the year.
3. The Stocks of Finished Goods, Spare Parts and Raw Materials have been physically verified at the end of the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of Stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operation of the Company