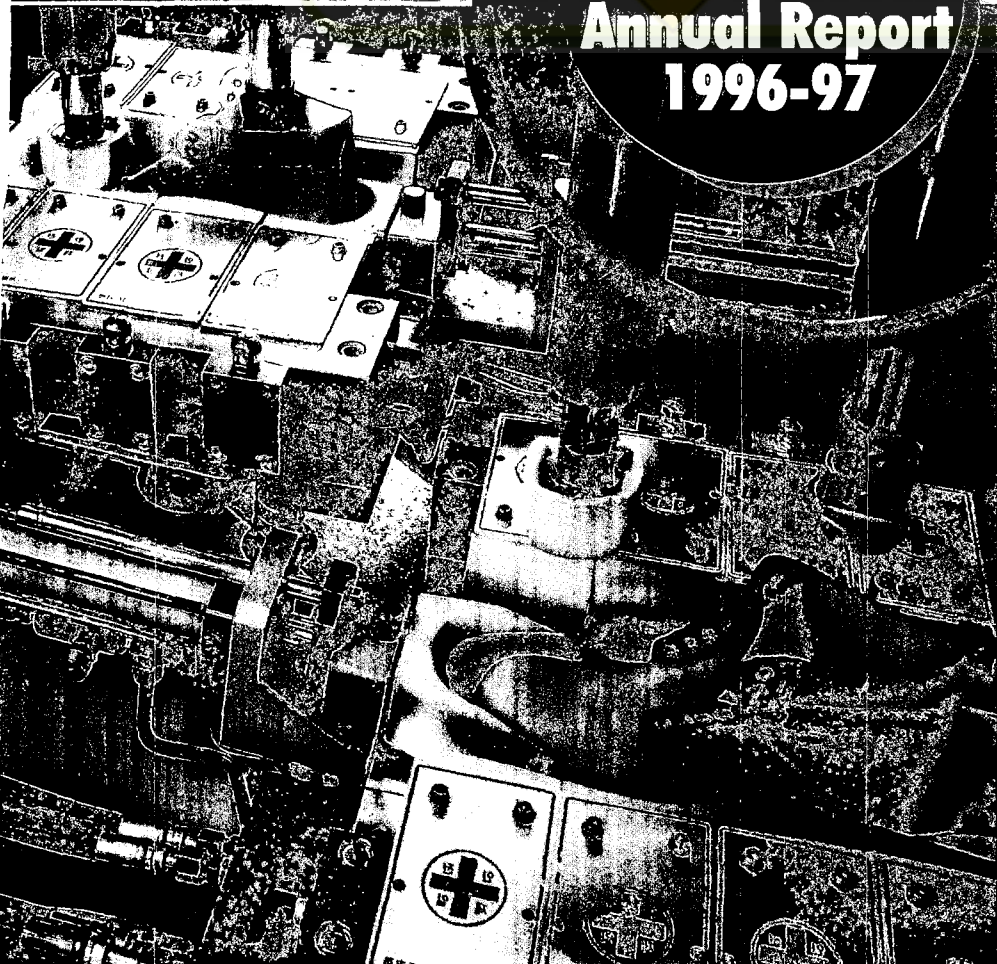


Humantech. At work

Liberty Shoes Ltd.
11th
Annual Report
1996-97



LIBERTY WE ARE about PEOPLE

Miss Dominican Republic

Miss Mexico

Miss Venezuela

Miss Brazil

Miss Colombia

Miss South Africa

Miss Belgium

Miss Nigeria

Miss India

Liberty
Chosen
Footwear
for Miss World

Forces 1 to 10

WEAR ABOUT

कुछ सुना तुमने...

इसका नाम मिडिल सुटिंग का है

दृशक का
योग

TIPTOP
FROM LIBERTY

आपके नटवट के नन्हे पैरों को चाहिए

एक खास सुरक्षा, बेहतर देखावाल

FOOT FUN
FROM LIBERTY



WINDSOR
FROM LIBERTY

Fortune
FROM LIBERTY

GLIDERS
FROM LIBERTY

LIBERTY



Thanda-Hi-Thanda. Coolers from Liberty. Genuine leather and Nubuk leather uppers. Stamped on strong, supple and lightweight PU soles. As slip-ons or bookstraps. In glossy black, amber brown, deep cherry, clear tan and e-white.

COOL, COMFORTABLE SANDALS FOR MEN.

COOLERS
FROM LIBERTY



**Walk on,
India !**

As India strides ahead in its 50th year of freedom, we take pride in sharing its progress march. Having begun operations in 1944, we evolved as the first home-grown national footwear brand, and over the decades, have come to symbolise the needs and aspirations of countless countrymen. Our 10 brands cater to all segments of the diversified, dynamic market. And as the years progress, we are confident our country will walk resolutely to new frontiers.

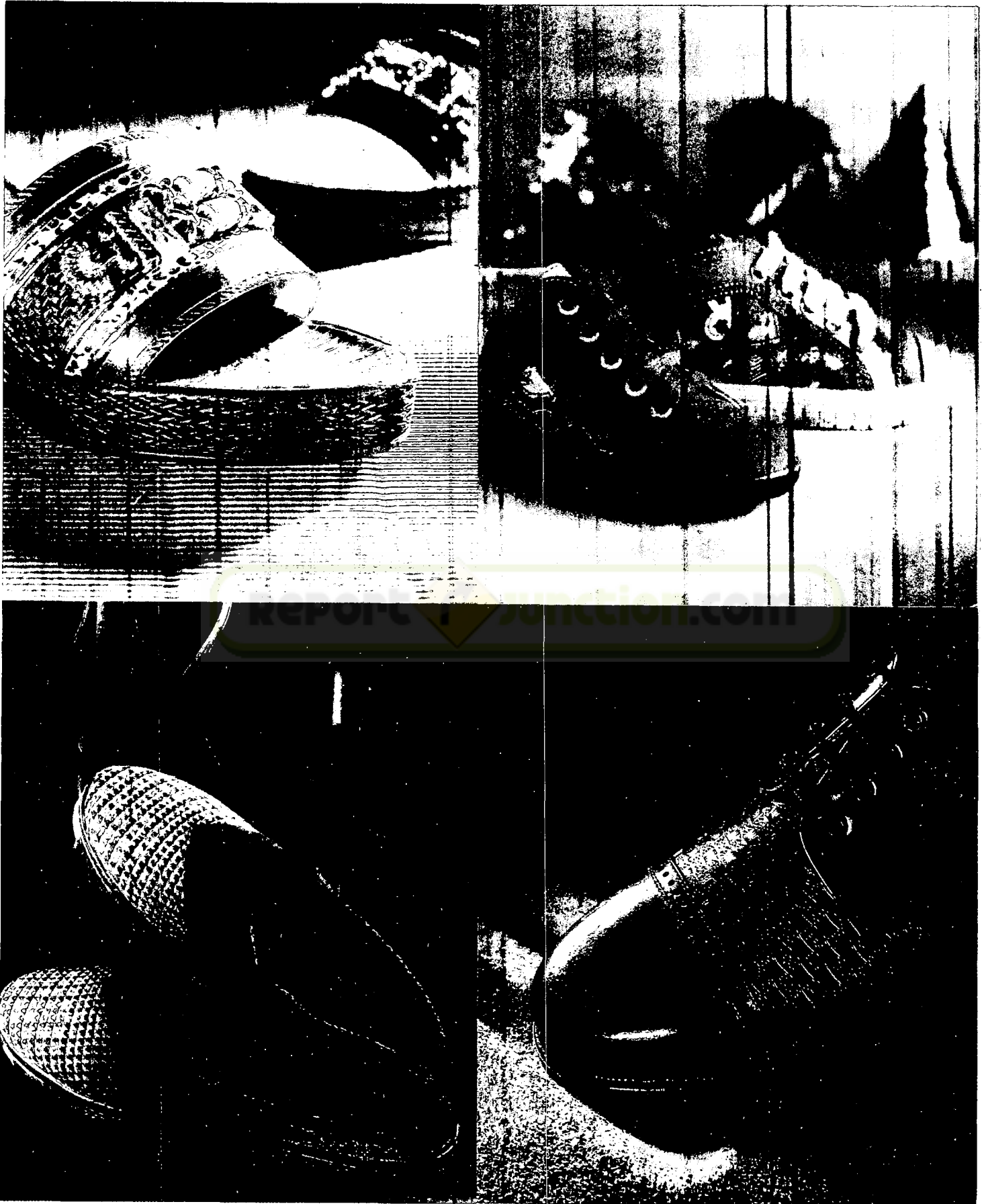
**WE ARE
LIBERTY PEOPLE**

| | | | | |
|-----|---|---|-----|---|
| MD | ✓ | | BKC | ✓ |
| CS | ✓ | | DPY | ✓ |
| RO | ✓ | | DIV | ✓ |
| TRA | ✓ | | AC | ✓ |
| AGM | ✓ | ✓ | SHI | ✓ |
| YE | ✓ | ✓ | | ✓ |

CONTENTS

PAGE NOS.

| | |
|--|----|
| Notice | 6 |
| Letter to Shareholders | 10 |
| Investor Care | 12 |
| Financial Highlights | 15 |
| Key Indicators | 17 |
| India's 100 Top Selling Brands | 20 |
| India's Most Respected Companies | 22 |
| Leather Industry | 25 |
| Global & Indian Footwear Industry | 30 |
| Domestic Market | 31 |
| International Market | 32 |
| Production & Marketing | 32 |
| Sales Promotion | 32 |
| Project & Expansion | 34 |
| Environment, Health & Safety | 34 |
| Quality | 35 |
| Research & Design Development | 35 |
| Foreign Exchange Earning & Taxes Paid | 35 |
| Human Resources | 36 |
| New Growth Areas | 37 |
| Profitability Projections vs Performance | 37 |
| Director's Report | 39 |
| Annexure to Director's Report | 42 |
| Auditors' Report | 44 |
| Annexure to Auditors' Report | 45 |
| Balance Sheet | 47 |
| Profit & Loss Account | 48 |
| Schedules | 49 |
| Notes on Accounts | 55 |
| Cash Flow Statement | 59 |
| Auditors' Certificate | 60 |
| Investor Response Form | 61 |
| Queries Form | 62 |





BOARD OF DIRECTORS

P.D. Gupta
Chairman & Managing Director

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

H.K. Gupta
Executive Director

R.K. Bansal

D.K. Gupta

Sunil Bansal

Adesh Gupta

Satish Gupta

Raman Bansal

Adeesh Gupta

Registered Office & Works

Liberty Shoes Ltd.

Libertypuram, 13th Milestone, G.T. Karnal Road,
P.O. Bastara, Distt. Karnal - 132 001

Tel. : (91) 1748-57612, 57618. Fax : (91) 1748-57653

Marketing Office

4/42 Punjabi Bagh, New Delhi - 110 026

Tel. : (011) 5194371, 5415973

Fax : (011) 5455567

Share Transfer Agents

SRG Infotech (I) Ltd

118A, Zamrudpur Opposite Lady Sri Ram College,
Kailash Colony Extension, New Delhi-110 048

Tel. : (011) 6221974-5 Fax : (011) 6472237

Auditors

Pardeep Tayal & Co.

Chartered Accountants

Indian Bank Building

G.T. Road, Panipat - 132 103

Company Secretary

P.T. Sood

Bankers

State Bank of India,

The Mall, Karnal - 132 001



NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of Company will be held on Monday, the 4th day of August, 1997 at 9.30 AM at the Registered Office of the Company at Libertypuram, 13th Milestone, P.O. Bastara, G.T. Karnal Road, Kutail, Distt. Karnal (Haryana) to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider & adopt the Audited Profit & Loss Account for the year ended on 31.03.97 & Balance Sheet as at that date and the Reports of Auditors' & Directors' thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. R.K. Bansal, who retires by rotation & being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Satish Gupta, who retires by rotation & being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. D.K. Gupta, who retires by rotation & being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. Raman Bansal, who retires by rotation & being eligible offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting & to fix their remuneration

SPECIAL BUSINESS :

8. **To consider & if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution :-**

Resolved that pursuant to section 370 & other applicable provisions, if any, of the Companies Act, 1956 or any amendment in future thereto or the provisions of any re-enactment of the said Act, in view of the Companies Bill, 1997 and subject to the approval wherever necessary, of the Central Government, the consent of the Company be & is hereby granted to the Board of Directors of the Company:-

- a) To make loans including deposits to any body corporate(s) whether or not under the same management that such loans/deposits may exceed such percentage of the aggregate of the subscribed capital & free reserves provided that aggregate of loans/deposits made to all the bodies corporate shall not exceed, without the prior approval of the Central Government:
 - i) In case where all such bodies corporate are not under the same management as the Company such percentage of the aggregate of the subscribed capital & free reserves of the Company and
 - ii) In the case where bodies corporate are under the same management as the Company such percentage of the aggregate of the subscribed capital & free reserves of the Company as may be prescribed by the Central Government from time to time under the said section.



- b) To give on behalf of the Company, any guarantee(s) or provide any security(ies) in connection with loan(s) made by any other person(s) to, or to any other person by any body or bodies corporate from time to time on such terms & conditions as the Board of Directors may deem fit.

Further resolved that the Board of Directors be & is hereby authorised to do all acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise as may be considered by the Directors to be in the best interest of the Company.

9. **To consider & if thought fit, to pass with or without modification(s) the following Resolution as a Ordinary Resolution :-**

Resolved that pursuant to section 372 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment in future thereto or the provisions of any re-enactment of the said Act in view of the Companies Bill, 1997 and subject to the approval, wherever necessary, of the Central Government, the consent of the Company be & is hereby granted to the Board of Directors of the Company to make investment in any body(ies) corporate whether or not under the same group as the Company, on such terms & conditions as the Board may think fit notwithstanding that such investment may exceed such percentage of the aggregate of the subscribed capital & free reserves provided that aggregate of investments made to all the bodies corporate shall not exceed without the prior approval of the Central Government :

- i) In case where all such bodies corporate are not under the same group as the Company such percentage of the aggregate of the subscribed capital & free reserves of the Company.
- ii) In the case where bodies corporate are under the same group as the Company such percentage of the aggregate of the subscribed capital & free reserves of the Company as may be prescribed by the Central Government from time to time under the said section.

Further resolved that the Board of Directors be & is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise as may be considered by the Directors to be in the best interest of the Company.

By order of the Board,

P.T. Sood
(Company Secretary)

Place : New Delhi
Date : June 20, 1997

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Resolution 8 :**

In the course of its business, the Company has to give loans/deposits to other bodies corporate. Further in the interest of the Company business, it becomes necessary for the Board of Directors from time to time to give guarantee or provide security in connection with the loan(s) made by banks/bodies corporate/financial institutions.

In order to grant loans/deposits and also to cover such guarantees & securities as & when they are required to be given in respect of loans, it was considered necessary to obtain the consent of the Members by special resolution giving necessary authority to the Board of Directors to grant loans/deposits & also to give guarantees and/or provide securities.

Memorandum & statement of interest :

None of the Directors is interested in this resolution.

Resolution 9:

The consent of the Shareholders of the Company, pursuant to the provisions of section 372 of the Companies Act, 1956 or any amendment in future thereto or the provisions of any re-enactment in view of the Companies Bill 1997, is required to enable the Board of Directors of the Company to make investments in any other body(ies) corporate, whether or not under the same group as the Company. Further where the investments so made/to be made exceed the prescribed statutory limits, the approval of the Central Government is also required. As such the proposed resolution is recommended for your approval.

Memorandum & statement of interest :

None of the Directors is interested in this resolution.

By order of the Board,

P.T. Sood

(Company Secretary)

Place : New Delhi

Date : June 20, 1997



NOTES

- The Register of Members & Share Transfer books of the Company shall remain closed from Saturday, 2nd of August, 1997 to Monday 4th of August, 1997 (both days inclusive).
- Members desiring any information on the accounts are requested to write to the Company at its Registered Office at Libertypuram, 13th Milestone, P.O. Bastara, G.T. Karnal Road, Kutail, Distt. Karnal (Haryana) - 132 001 by 25th of July, 1997 to enable the Management to keep the information ready.
- 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 such proxy need not be a member of the Company. The proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
- Members/proxies for their own convenience, are requested to bring their copy of Annual Report and the attendance slip duly filled in for attending the meeting.
- All documents referred in the accompanying notice and explanatory statement are open for inspection at the Registered Office of the Company on all working days between 10 A.M. to 1PM. upto the date of Annual General Meeting.
- Members are requested to notify without delay any change in their address or any other query about equity shares to the Company on the proforma at page no. 62 of Annual Report. Further the Members who are holding shares in identical order of names in more than one folio are requested to intimate to the Shares Deptt. such folios together with share certificates alongwith above said proforma to enable the Company to consolidate the total holding into particular folio. The share certificates will be returned to the Members after making the necessary endorsements in due course.
- Dividend on shares, if declared by the Company at the meeting, will be paid to those Members of the Company whose names will appear in the Register of Members on 4th of August, 1997 and Account Payee dividend warrants will be mailed on or before 15th Sept.'97 at the addresses of the Members or as per their mandates as registered with the Company. In the event of query about non-receipt of dividend after 30th Sept.'97, the Shareholders may use Investor Response Form at page no. 61 of Annual Report.



LETTER TO SHAREHOLDERS

Dear Shareholders,

Your company started commercial production on 25th December, 1993 and in a span of just over 3 years it has achieved a satisfactory performance. Against the projections made at the time of public issue, it has achieved a total sale of Rs. 5367.41 lacs which is 21.29% more than the projected sales. The key figures are given below :

Rs. in lacs

| Particulars | Projections 1996-97 | Performance 1996-97 |
|-----------------------------|------------------------|------------------------|
| Sales | 4584.36 | 5367.41 |
| Equity Share Capital | 507.00 | 507.00 |
| Net Worth | 3434.88 | 3358.36 |
| Production Capacity (Pairs) | 15.60 | 24.96 |
| Book Value (Rs.) | 67.75 | 66.24 |
| EPS (RS.) | 18.14 | 14.42 |

In the first 3 full years of commercial production your company has consolidated its position and has built a strong foundation for itself for future growth.

The past three years has seen plethora of international players entering the domestic footwear arena. Even a lot of exporters are realising that the domestic market is too large and lucrative to ignore. This realisation has seen the share of organised sector rising with a number of brands fighting for a slice of Rs. 6000 crores Indian Footwear Industry.

At the time when your Company went for a public issue there were only 23 listed companies in the Leather Industry on Bombay Stock Exchange but now the number is more than 34. The entry of new players in the organised sector has although expanded the market for footwear but the competition has intensified. In order to grab the maximum market share of the expanded market your Company has not increased the prices of its products in the proportion of escalation of costs of the inputs which has resulted in lower profits. The profits earned by your Company have been redeployed in the business which has resulted in the growth of production capacity by 22.35%.

Although the dividend for the 1st year i.e. 1994-95 was not proposed by the Board of Directors but I have great pleasure informing you that the Board of Directors of your company has recommended dividend of Rs. 501/- for every 100 shares for the year 1996-97 which is roughly 60% higher than the dividend paid last year. Further I may inform you that this dividend after getting approved in the ensuing Annual General Meeting, will be paid without deduction of tax at source.

I have also pleasure informing you that the high fashion Seniorita range for ladies manufactured by your Company was the "Chosen Footwear for the Miss World 1996" - a mega Pageant held in October 1996 at Bangalore. Your Company was also rated as the 3rd Best Small Company