

LIBERTY SHOES LTD.

14TH ANNUAL REPORT

1 9 9 9 - 2 0 0 0



OUR CREDO


To ensure that the method we use, is the latest technology the world over. To follow the highest standards of honest workmanship in whatever we make. To walk the extra mile to ensure customer satisfaction worldwide. To remain a true cosmopolitan to the spirit. To remain a great corporation to associate with, to work for. To know that "We are about people".

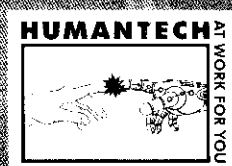


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Year Wise Colour Guide

1992-93  1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-2001





BOARD OF DIRECTORS

P. D. Gupta
Chairman

R. K. Bansal
Managing Director

Adarsh Gupta
Executive Director

H. K. Gupta
Executive Director

Shammi Bansal
Executive Director

D. P. Gupta
Director

Sunil Bansal
Director

Adesh Gupta
Director

Raman Bansal
Director

Adeesh Gupta
Director

D. K. Gupta
Director

S. K. Gupta
Director

P. T. Sood
Company Secretary

REGISTERED OFFICE

Liberty Puram, 13th Mile Stone,
G.T. Karnal Road, Kutail, P.O. Bastara,
Distt. Karnal - 132 001 (Haryana)
Tel. : (91)-1748- 52924, 52925, 52850
Fax : (91)-1748-52849
E-mail : lpm@libertyshoes.com

CORPORATE OFFICE

Central House, Railway Road,
Karnal - 132 001 (Haryana)
Tel. : (91)-184-255633~35, 255637
Fax : (91)-184-255636
E-mail : knl@libertyshoes.com

MARKETING OFFICE

4/42, Punjabi Bagh, New Delhi - 110 026
Tel. : (91)-11-5194371, 5934943~5
Fax : (91)-11-5455567, 5934940~1
E-mail : mail@libertyshoes.com

HUMANTECH CENTRE I

Liberty Puram, 13th Mile Stone,
G.T. Karnal Road, Kutail, P.O. Bastara,
Distt. Karnal-132 001 (Haryana)
Tel. : (91)-1748- 52924, 52925, 52850
Fax : (91)-1748-52849
E-mail : lpm@libertyshoes.com

HUMANTECH CENTRE II

Liberty Complex, 17th Mile Stone,
G.T. Karnal Road, Gharaunda,
Distt. Karnal-132 001 (Haryana)
Tel. : (91)-1748-52297~98
Fax : (91)-1748-52511
E-mail : ghd@libertyshoes.com

BRANCHES

Agra, Bangalore, Chennai, Delhi, Gwalior,
Jaipur, Jammu, Kanpur, Rajpura, Saharanpur

AUDITORS

Pardeep Tayal & Co., Chartered Accountants,
Indian Bank Building, G.T. Road,
Panipat - 132 103

BANKERS

State Bank of India,
(Specialised Commercial Branch),
Ambedkar Chowk, Karnal-132 001 (Haryana)

SHARE TRANSFER AGENTS

In-house Share Registry, 3,
Community Centre, Naraina Industrial Area,
Phase - I, Near Payal Cinema,
New Delhi - 110 028
Tel. : (91)-11-5792012~14
Fax : (91)-11-5792011
E-mail : inhouse@bol.net.in

CORPORATE ADVISORY

KPMG,
511, World Trade Centre, Babar Road,
New Delhi-110 001
Tel. : (91)-11-3351222
E-mail : paruljain@in.kpmg.com

COMMUNICATIONS ADVISORY

Montage Advertising Pvt. Ltd.
305, Deepshikha Building, 8, Rajendra Place,
New Delhi-110 008.
Tel. : (91)-11-5746420, 5786051, 5732474
E-mail : montage@del2.vsnl.net.in



LETTER TO THE SHAREHOLDERS

Dear Valued Shareholder,

We are on the verge of the end of the 2nd Millennium. The last decade of this millennium has brought in dramatic changes the world over. Economic liberalization has put tremendous pressure on Political boundaries and the world is becoming a global village.

India has also gained importance as the second largest market in the world and to take advantage of the globalization, foreign companies have accelerated their activities in India. Most of the import restrictions have already been removed and the peak import duty tariff is also expected to come down further from the present plus 50% level. This has resulted in free flow of imported goods in the Indian market.

Due to explosion of the media, the Indian consumer is exposed to Western culture, lifestyle and all the technological developments that are taking place the world over. The Indian consumer is now getting more ambitious and thus making more efforts than ever to make his life more enjoyable and comfortable with the use of high quality products.

The income level of our countrymen is rising but most of the money is being spent on Home Appliances, Entertainment, Travel, Communication, Computers and Automobiles. Footwear and Clothing are not on the priority-shopping list at this juncture. As a result these traditional high growth industries have reflected a slow-down trend in the last 3 years. This has put pressure on the bottomline of almost all the footwear companies, in fact some of the companies have gone in the red.

The Board of Directors of our Company is not too happy with its performance for the year 1999-2000 which was extended to 15 months to give shape to the company's plan for expansion, acquisition of brands and business of sister concerns. But, due to unfavourable regulations and present adverse market conditions the company has put on hold its plan for expansion including foray into retailing.

We feel the shareholders are concerned about what the company would be doing for them in the coming years. The investors have made great efforts, in the past few years, at understanding our company but they still get a little nervous about us based because of the current market trends. The present trend may continue for another 2-3 years, however, we see the future in a definitely longer term.

We see Liberty playing a leading role in the footwear industry in the future and to realize this ambition, we are currently engaged in re-organising our business. Our company is the first Indian shoe company implementing ERP solution SAP R/3 with the help of the internationally renowned software consultants IBM.

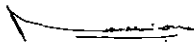


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The SAP implementation will help our company to improve its topline and bottomline and will make it a world-class professionally managed company.

As we sit down and rededicate ourselves to the mission of creating a world of prosperity and happiness for the shareholders of the company, we would like to put on record the appreciation on behalf of the company to all the shareholders and partners who have given us the confidence to look at the new millennium in a novel way.

Best wishes to all for the 3rd Millennium.

A handwritten signature in black ink, appearing to read "P. D. Gupta".

(P. D. Gupta)
Chairman

A handwritten signature in black ink, appearing to read "Adarsh Gupta".

(Adarsh Gupta)
Executive Director

Place: Libertypuram (Karnal)
Dated: 27th October, 2000





NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of Liberty Shoes Limited will be held on Tuesday, 26th December, 2000 at 10.30 AM at the Registered Office of the Company at Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail, P.O. Bastara, Distt. Karnal (Haryana) to transact the following business:-

ORDINARY BUSINESS:

- 1) To receive, consider & adopt the Audited Balance Sheet of the Company as at 30th June, 2000 & Profit & Loss Account for the year ended on that date alongwith the reports of the Auditors & Directors thereon.
- 2) To confirm the two interim dividends aggregating to 75% as final dividend.
- 3) To appoint a Director in place of Mr. P.D. Gupta, who retires by rotation & being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. D.P. Gupta, who retires by rotation & being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Mr. Adesh Gupta, who retires by rotation & being eligible, offers himself for re-appointment.
- 6) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

- 7) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

Resolved that in accordance with the provisions of Section 197-A, 198, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment(s) thereof for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Mr. Adarsh Gupta as Executive Director for a period beginning from 1st June, 2000 to 31st March, 2005 on the terms and conditions as set out in the Agreement dated 01.06.2000 entered by the Company and as hereinunder stated:

Terms & Conditions:

- 1) Subject to the superintendence, control and direction of the Board of Directors of the Company, the Executive Director shall have the general conduct and management of the whole of business and affairs of the Company except in the matters which may be specifically required to be done by the Board either by the Companies Act, 1956 or by the Articles of Association of the Company.
- 2) Period: 1st June, 2000 to 31st March, 2005.
- 3) Remuneration :
 - a) Salary: Rs. 10,000/- per month including dearness allowances, if any.
 - b) Perquisites: In addition to the aforesaid salary Mr. Adarsh Gupta shall also be entitled to perquisites like furnished accommodation, gas, electricity, water and



furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the rules of the Company. The monetary value of such perquisites being limited to annual salary or Rs. 2,25,000/- per annum, whichever is less, for the purpose of which:-

- i) Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in the absence of any such rule, perquisites shall be evaluated at actual cost and;
 - ii) Use of chauffeur driven car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director.
 - iii) Company's contribution to provident fund and superannuation fund in accordance with the rules of the Company shall not be included in the computation of limits for the perquisites aforesaid;
- 4) Sitting Fees: The Executive Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.
- 5) Other Terms: The Agreement may be terminated by either party by giving to the other party three months notice.

Resolved further that the Board of Directors of the Company be & is hereby authorized to take such steps as may be necessary to give effect to this resolution.

- 8) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

Resolved that in accordance with the provisions of section 197-A, 198, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment(s) thereof for the time being in force), the consent of the Company be and is hereby accorded to the appointment of Mr. H.K. Gupta as Executive Director for a period beginning from 1st June, 2000 to 31st March, 2005 on the terms and conditions as set out in the Agreement dated 01.06.2000 entered by the Company and as hereinunder stated:

Terms & Conditions :

- 1) Subject to the superintendence, control and direction of the Board of Directors of the Company, the Executive Director shall have the general conduct and management of the whole of business and affairs of the Company except in the matters which may be specifically required to be done by the Board either by the Companies Act, 1956 or by the Articles of Association of the Company.
- 2) Period: 1st June, 2000 to 31st March, 2005.
- 3) Remuneration:
 - a) Salary: Rs. 10,000/- per month including dearness allowances, if any.
 - b) Perquisites: In addition to the aforesaid salary Mr. H.K. Gupta shall also be



entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the rules of the Company. The monetary value of such perquisites being limited to annual salary or Rs. 2,25,000/- per annum, whichever is less, for the purpose of which:-

- i) Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in the absence of any such rule, perquisites shall be evaluated at actual cost and;
 - ii) Use of chauffeur driven car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director.
 - iii) Company's contribution to provident fund and superannuation fund in accordance with the rules of the Company shall not be included in the computation of limits for the perquisites aforesaid.
- 4) Sitting Fees: The Executive Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.
- 5) Other Terms: The Agreement may be terminated by either party by giving to the other party three months notice.

Resolved further that the Board of Directors of the Company be & is hereby authorized to take such steps as may be necessary to give effect to this resolution.

- 9) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

Resolved that in accordance with the provisions of section 197-A, 198, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactments thereof, for the time being in force), the consent of the Company, be and is hereby accorded to the appointment of Mr. Shammi Bansal as Executive Director for a period beginning from 1st June, 2000 to 31st March, 2005 on the terms and conditions as set out in the Agreement dated 01.06.2000 entered by the Company and as hereinunder stated:

Terms & Conditions:

- 1) Subject to the superintendence, control and direction of the Board of Directors of the Company, the Executive Director shall have the general conduct and management of the whole of business and affairs of the Company except in the matters which may be specifically required to be done by the Board either by the Companies Act, 1956 or by the Articles of Association of the Company.
- 2) Period: 1st June, 2000 to 31st March, 2005.
- 3) Remuneration:
 - a) Salary: Rs. 10,000/- per month including dearness allowances, if any.