

LIBERTY SHOES LTD.



15th Annual Report 2000-2001

Steeped in a philosophy that has at its core innovation, technology and advancement, we, at Liberty, pride ourselves over and above everything else on our healthy and heart-felt respect for the human ethos. That which projects itself in the expectancy and excitement with which one greets the arrival of the new combined with a sincere and deep regard for the old. That which is appreciative of and adopts, at every stage, the unique balance between modernization and tradition.

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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".



CONTENTS

	Page Nos.
Information Memorandum	5
Letter to the Investors	6
Notice	7
Seven Years' Figures at a Glance	10
Key Financial Ratios for Last Seven Years	11
Distribution of Rupee Earned	12
Strength Indicators	14
Share of Liberty Shoes Ltd. in Liberty Group	15
Key Indicators	16
Key Revenue Statement	20
Directors' Report	21
Auditors' Report	27
Balance Sheet	30
Profit & Loss Account	31
Schedules	32
Cash Flow Statement	43
Corporate Governance Report	44
Attendance Slip/Proxy Form	--



INFORMATION MEMORANDUM

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

ADESH GUPTA
Director*

SUNIL BANSAL
Director

S. K. GUPTA
Additional Director

S.K. GOEL
Director

* proposed Executive Director

P. T. SOOD
Company Secretary

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G.T. Karnal Road, Kutail, P.O. Bastara,
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E-mail : del@libertyshoes.com

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

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

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

K.L. Jaisingh & Co., Cost Accountants,
Jaisingh House, J-7 Sector-XI, Noida - 201 301

Ajay Dhinra & Co., Chartered Accountants
432, Sector-7, Urban Estate, Karnal - 132 001

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

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LETTER TO THE INVESTORS

Dear Investor,

It's been a decade since the economic liberalisation process was initiated in India. In the course of the last ten years the Indian consumers have had the best of both worlds right at their doorstep. While on the one hand they are being lured with the finest and most expensive European products on the other hand they have the cheapest Chinese products being offered to them. The word 'imported' is therefore of little consequence today as far as they are concerned.

The end result is a confused state of affairs where the typical Indian price-consciousness has obscured the distinction between quality and price which was hitherto very well defined. This has, not surprisingly, had a significant fall out in the share market as well, with several blue chip FMCG stocks plummeting to an all time low. What's more, several New Economy and ICE stocks which once had skyrocketed have fallen leading to a great deal of uncertainty in the minds of the stock market investor about the future.

In this all pervasive skepticism one thing is for sure, the consumer has been placed at quite an advantage at the cost of the business community. It's a buyer's market and the buyer is able to get an all time high value for every rupee spent. In most product categories the volumes have risen but margins have fallen putting the top line and profits under enormous pressure.

During this extremely challenging time we've adopted a simple yet effective mantra - "Offer great products at great prices." We've made major investments in technology and product development which will enable us to give our customers the best in quality and value.

At this juncture, we'd like to express our gratitude for the great understanding you've shown about the way in which we have progressed. Indeed, the next two years will really determine the direction the footwear industry in general and Liberty in particular will take. We are sure that the intrinsic strength of the brand will stand us in good stead and give us a pride of place in the minds of the consumers.

We at Liberty would like to re-dedicate ourselves to our investors, our customers and to our country with a commitment to do our bit to usher in a new era of change, prosperity and progress.

(P. D. Gupta)
Chairman

(Adarsh Gupta)
Executive Director

Place: Libertypuram (Karnal)
Dated: 16th July, 2001



NOTICE

Notice is hereby given that the 15th Annual General Meeting of the members of Liberty Shoes Limited will be held on Monday, 13th August, 2001 at 11.00 AM at the Registered Office of the Company at Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail, P.O. Bastara Distt. Karnal (Haryana) 132 001 to transact the following business :

Ordinary Business

1. To consider & adopt the Audited Profit & Loss Account for the financial year 2000-2001 i.e., of 9 months ended 31st March, 2001 and Balance Sheet as at that date alongwith the Reports of the Board of Directors & Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Mr. Sunil Bansal, who retires by rotation & is eligible for re-election.
4. To appoint a director in place of Mr. S.K. Gupta, who retires by rotation & is eligible for re-election.
5. To appoint Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

Special Business

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

Resolved that Mr. S.K. Goel, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to the provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Company's Articles of Association, who holds office up to the date of this Annual General Meeting & in respect of whom the Company has received a notice in writing proposing his candidature for the office of the Director, be & is hereby appointed as Director of the Company liable to retire by rotation.

- 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 197A, 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. Adesh Gupta as Executive Director for a period beginning from 16th July, 2001 to 31st March, 2005 on the terms and conditions as set out in the Agreement dated 19th June, 2001 entered by the Company and as hereinafter 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: 16th July, 2001 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. Adesh 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.

By order of the Board
For Liberty Shoes Ltd.

(P.T. Sood)
Company Secretary

Place : Liberty Puram (Karnal)
Dated : 19th June, 2001

NOTES :

1. A member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by member (s) present in person or by proxy holding at least 1/10th of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs.50000/-. A proxy may not vote except in a poll.
2. The instrument appointing the proxy, duly stamped should be deposited at the Registered Office of the Company not less than 48 hours before the start of the meeting.
3. The Register of Members & Share Transfer Books shall remain closed from Wednesday, 1st August, 2001 to Monday, 13th August, 2001 (both days inclusive).
4. W.e.f. 2nd July, 2001, trading of Equity Shares of the Company are in compulsorily dematerialised form & the International Securities Identity Number (ISIN) allotted to the Company is INE 557B 01019.
5. Members who hold Shares in dematerialised form are required to bring their client ID & DP ID numbers for easier identification of attendance at the meeting.



6. Members can avail of the nomination facility by filling Form 2 B with the Company or its Share Transfer Agents, In-house Share Registry. Blank forms will be supplied on request.
7. Members desirous of consolidating their folios are requested to send all the relevant share certificates alongwith the request for consolidation of Folios to the Company's Share Transfer Agents.
8. **Conveyance facility shall be provided at Bus stand, Panipat and at Corporate Office at Central House, Railway Road, Karnal for the convenience of the members who intend to attend the Annual General Meeting.**

ANNEXURE TO NOTICE

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

Explanatory Statement

Resolution No. 6

The Board of Directors in its meeting held on 19th June, 2001, appointed Mr. S.K. Goel as an Additional Director in accordance with the Article 89 of the Articles of Association of the Company.

Mr. S.K. Goel is an eminent advocate in the field of taxation and has vast experience of more than 30 years.

The Board considers that the Company would be immensely benefitted by his valued experience, guidance and advise.

Memorandum & Statement of Interest

Except Mr. S.K. Goel, no other Director is concerned or interested in this resolution.

Resolution No. 7

Mr. Adesh Gupta, was appointed as Executive Director for the period beginning from 16th July, 2001 to 31st March, 2005 on such terms & conditions as mentioned in the respective resolution of the accompanying notice and the Agreement dated 19th June, 2001.

Mr. Adesh Gupta is a technocrat and been associated with the Company as Director since 1990. With his specialized knowledge and pains taking efforts, Liberty Group was able to introduce polyurethane technology in India. He is a member of National Council of CII and also representing as its Chairman of the State Council of Haryana for the year 2001-2002.

The Board recommends the members to approve the appointment of Mr. Adesh Gupta as Executive Director.

Memorandum & Statement of Interest

Except Mr. S.K. Goel, all the Directors of the Company are interested in this resolution by virtue of their relation with the appointee.

**By order of the Board
For Liberty Shoes Ltd.**

**(P.T. Sood)
Company Secretary**

**Place : Liberty Puram (Karnal)
Dated : 19th June, 2001**



SEVEN YEARS FIGURES AT A GLANCE

(Rs. in lacs)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000*	2000-2001*
RESULTS FOR THE YEAR							
Sales & Other Income	3041.07	4470.50	5398.68	6696.78	7667.94	7612.13	8520.00
Index	1.00	1.47	1.78	2.20	2.52	2.50	2.80
Profit before Depreciation & Tax	890.25	1019.22	1038.72	1126.54	1273.86	1278.38	1262.77
Index	1.00	1.14	1.17	1.27	1.43	1.44	1.42
Profit before Tax	802.43	862.13	862.30	921.46	1010.47	996.73	966.35
Index	1.00	1.07	1.07	1.15	1.26	1.24	1.20
Profit after Tax	627.56	744.02	731.30	756.46	837.97	740.73	590.19
Index	1.00	1.19	1.17	1.21	1.34	1.18	0.94
Equity Dividend (total outlay)	-	157.68	254.01	254.01	278.85	380.25	228.15
Index	-	1.00	1.61	1.61	1.77	2.41	1.45
Dividend (%)	-	31.10	50.10	50.10	55.00	60.00	60.00
QUANTITATIVE DETAILS							
(Leather & Non Leather Shoes)							
No. of Pairs Produced	1496149	2009880	2133599	2894971	3499004	3340855	319033 ²
Index	1.00	1.34	1.43	1.93	2.34	2.23	2.13
No. of Pairs Sold	1339950	1896987	2215727	2849923	3452475	3259248	3275123 ²
Index	1.00	1.42	1.65	2.13	2.58	2.43	2.44
Capacity Utilisation (%)	73.34	98.52	85.48	108.18	122.51	119.49	114.10
Index	1.00	1.34	1.17	1.48	1.67	1.63	1.56
POSITION AT THE YEAR END							
Gross Block	1907.90	2833.06	3154.80	3612.58	4171.51	4287.52	4564.03
Index	1.00	1.48	1.65	1.89	2.19	2.25	2.39
Net Block	1835.87	2701.89	2714.72	2999.58	3364.28	3190.65	3273.08
Index	1.00	1.47	1.48	1.63	1.83	1.74	1.78
Net Current Assets	1409.54	1584.98	1393.86	1932.97	2137.10	3453.86	2929.61
Index	1.00	1.12	0.99	1.37	1.52	2.45	2.08
Net Worth	2308.43	2912.67	3358.36	3904.94	4447.69	4869.43	5059.05
Index	1.00	1.26	1.45	1.69	1.93	2.11	2.19
Share Capital	505.99	507.00	507.00	507.00	507.00	507.00	507.00
Reserves & Surplus	1802.44	2405.67	2851.36	3397.94	3940.68	4362.43	4552.05
Book Value (in Rs.)	45.53	57.45	66.24	77.02	87.73	96.04	99.78
No. of Employees	306	714	728	855	868	871	948

* Figures annualised. ** Profit margins declined primarily due to extra ordinary loss in value of investments. Excluding Hawaii Chappals being low value items.



KEY FINANCIAL RATIOS FOR LAST SEVEN YEARS

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000*	2000-2001*
FINANCIAL PERFORMANCE RATIOS (%)							
Other Income/Total Sales	1.23	0.86	0.58	0.45	0.63	1.57	1.50
Raw Materials/Total Sales	50.53	48.78	50.64	55.69	51.07	46.13	46.13
Traded Sales/Total Sales	--	--	--	--	--	15.08	21.52
Overheads/Total Sales	30.13	29.79	27.63	32.04	32.99	33.00	31.59
Interest & Financial Charges/Total Sales	2.07	3.42	2.23	0.76	0.91	1.30	0.48
PBDIT/Total Sales	31.70	26.41	21.74	17.66	17.63	18.35	15.52
PBDT/Total Sales	29.63	22.99	19.52	16.89	16.72	17.06	15.04
PAT/Total Sales	20.89	16.79	13.62	11.35	11.00	9.88	7.03 ²
Cash Profit/Total Sales	23.81	20.33	17.07	14.42	14.45	13.64	10.56
Dividend Payout/PAT	-	21.19	34.73	33.58	33.28	41.07	51.54
Return on Net Worth	27.00	26.00	21.78	19.37	18.84	19.01	8.75
BALANCE SHEET RATIOS (%)							
Debt Equity Ratio (Loan Funds/Shareholders Fund)	0.34	0.28	0.21	0.15	0.16	0.17	0.18
Current Ratio (Current Assets/Current Liabilities)	2.44	1.72	2.62	1.96	1.62	2.00	3.75
Quick Ratio (Current Assets net of inv./Current Liabilities)	1.58	0.77	1.08	0.86	0.85	1.15	1.80
Stock Turnover Ratio (Sales/Stocks)	4.69	3.97	4.82	4.80	4.81	4.85	4.51
Working Capital Turnover Ratio (Sales/Net Current Assets)	2.81	5.28	4.59	5.51	5.95	4.14	3.20
Assets Turnover Ratio (Total Revenue/Total Assets)	0.78	0.90	1.12	1.16	1.27	1.38	1.35
GROWTH RATIOS (%)							
Growth in Sales	-①	47.54	21.09	24.21	14.30	(1.65)	12.01
Growth in PBDIT	-①	22.94	(0.33)	0.88	14.08	2.41	(5.27)
Growth in PAT	-①	18.56	(1.71)	3.44	10.78	(11.60)	(20.32)
Growth in Cash Profit	-①	25.96	1.70	4.92	14.54	(7.17)	(13.28)
PER SHARE DATA							
Earnings per Share (EPS) Rs.	12.40	14.67	14.42	14.92	16.53	14.61	11.64
Growth in EPS	-①	18.31	(1.70)	3.47	10.79	(11.62)	(20.32)
Cash Earnings per Share (CEPS) Rs.	14.15	17.82	18.08	18.97	21.72	20.17	17.49
Growth in CEPS	14.75	25.94	1.46	4.92	14.50	(7.14)	(13.29)
Dividend per Equity Share (Rs.)	-①	3.10	5.10	5.10	5.50	7.50	4.5
Book Value (Rs.)	45.53	57.45	66.24	77.02	87.73	96.04	99.78
Growth in Book Value	-①	26.18	15.30	16.27	13.91	9.47	3.89
Dividend Payout (%)	-	31.10	50.10	50.10	55.00	60.00	60.00
Price Earning (PE) Ratio (as on 31st March)	13.91	6.48	5.60	4.02	4.50	8.16	4.70

* Figures annualised. ① The figures of 1994-95 are not comparable with the previous year as former being the 1st full year of manufacturing operations of the Company.

② Profit margins declined primarily due to extra ordinary loss in value of investments.