12th ANNUAL REPORT

1998 - 99

MPIL

PAPER & BOARD

Mansarovar Paper & Industries Limited

Regd. Office & Works :

Najibabad-Nagina Road, NAJIBABAD - 246 763

MPIL
PAPER & BAOARD

MANSAROVAR PAPER & INDUSTRIES LIMITED

DIRECTORS

Shri. S.C. Agarwal. (Chairman)
Shri Dinesh Chand, (Managing Director)
Mrs. Asha Agarwal (Joint Managing Director)
Shri Avdesh Kumar
Shri. Rakesh Kumar
Shri. Surinder Kumar Bansal
Shri. R.S. Agarwal
Shri. D.B. Bhargava

GENERAL MANAGER
(Accounts & Administration)
Shri. K.P. Tyagi

COMPANY SECRETARY
Shri. S.M. Sundaram

BANKERS
Bank of Baroda, Najibabad

AUDITORS
V. Sankar Aiyar & Co.
Chartered Accountants,
B-9 Guru Nanak House
Ranjit Nagar Commercial Complex,
New Delhi - 110 008

REGISTERED OFFICE AND WORKS
Najibabad - Nagina Road
Najibabad - 246763 (U.P.)

DELHI OFFICE
F-20 East of Kailash,
New Delhi - 110 065

List of the Stock Exchanges in which Company's Equity and Preference Shares are Listed

Name and Address of the Stock Exchanges
The Delhi Stock Exchange Association Ltd, West Plaza, Indira Gandhi Stadium, Indraprastha Estate, NEW DELHI-110 002
The Uttar Pradesh Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines, KANPUR-208 001
The Stock Exchange, 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI-400 001
Madras Stock Exchange Limited, Exchange Building, 11, Second Line Beach, CHENNAI-600 001
Jaipur Stock Exchange Limited, "Stock Exchange Building", Jawaharlal Nehru Marg, Malviya Nagar, JAIPUR-302 017
The Stock Exchange, Kamadhenu Complex, Opp. Sahajanand College, Panjarapole, AHMEDABAD-380 015
The Calcutta Stock Exchange Association Limited, 7, Lyons Range, CALCUTTA-700 001

Note :
Due to financial pressures, the company has not paid the Listing Fees of the Stock Exchanges for the Financial Year 1999-2000.

Registrar and Share Transfer Agents

MCS Limited,
Unit : Mansarovar Paper & Industries Limited
212-A, Srivenkatesh Bhawan,
Shahpur Jat
New Delhi-110048
Tel. : 6494830/6490051

S. M. SUNDARAM

MPIL
PAPER & BAOARD

MANSAROVAR PAPER & INDUSTRIES LIMITED

DIRECTORS' REPORT

The Shareholders,

The Directors of your company feel the pleasure in presenting their Twelfth Report for the year ended 31st March 1999. The Performance of the company during the year under review was as under :

Financial Figures

S.NO.	Particulars	Current Year 1998-1999 (Rs. in lacs)	Previous Period ended 1997-1998 (Rs. in lacs)
1.	Total Turnover and Other Receipts	1874.69	3593.52
2.	Gross Profit *(Before deducting* any of the following)	(-) 249.90	(-) 16.69
	a) Interest	133.65	606.72
	b) *Depreciation*	89.38	352.65
	c) Tax Liability	-	-
	d) Others, if any	59.39	(+) 313.89
3.	Net Profit (Loss) available for Appropriation	(-) 532.32	(-) 662.18
4.	Provision for Investment Allowance Reserve	-	-
5.	Net Profit / (Loss)	(-) 532.32	(-) 662.18
	a) Add /(Loss) :	-	
	B/fd. From last year's Balance	(-) 2251.67	(-) 1589.49
	b) Other adjustment, if any.		
	Add / Less		
	Less: Transferred to Gen. *Reserve*	-	-
6.	Balance Carried forward to Balance Sheet	(-) 2783.99	(-) 2251.67

Operations

You will find that the company continued to suffer loss during the year under reference. Paper Industry in general, was in fact, under a state of depression throughout the year. That was inspite of certain sops being afforded by the Honourable Finance Minister in the Union Budget of the last fiscal year. The main reasons for the continued losses are summed up as under :

1. *In terms of the Sanctioned Scheme of Rehabilitation (Scheme) dated 4th February 1999, formulated by* the Board for Industrial and Financial Reconstruction (BIFR), your company was to undertake manufacture of Premium Products, such as High Burst Factor Kraft, White Kraft Liner etc. However, during the year under reference, prices and market for those Products had fallen drastically, thus rendering the manufacture of those products unviable. Hence, the contribution expected *from these products was not forthcoming.*
2. There was a time lag between filing of Application by your company before BIFR and actual the sanction of the Scheme by the said Authority. During the said period, your company incurred a net loss of Rs. 568.88 Lacs (Loss of Rs. 183.88 Lacs was attributable to erstwhile Mansarovar Bottling Company Limited, which merged with your company) *That had its impact, resulting in erosion of capital, which could not have been anticipated at the time of sanction of the Scheme.*
3. Besides, the company suffered further loss of Rs. 532.32 Lacs during the year under reference. That was mainly due to inadequate working capital and non release of additional working capital by company's Bankers on technical grounds.
4. *Hindustan Coca Cola Bottling North West Private Limited* (HCC), which had acquired the Bottling Assets of erstwhile MBCL from your company, had withheld payment of Rs. 100 Lacs out of the funds payable to the company. The reason was that Uttar Pradesh Financial Corporation (UPFC), which had granted loans to erstwhile MBCL did not issue the requisite No Dues Certificates and failed to release the title deeds of erstwhile MBCL, despite your company having paid their dues during February 1998. That also had an adverse impact on the working capital of the company.
5. Due to non availability of adequate working capital, the company was not able to meet its commitment in settling the dues of Uttar Pradesh States Electricity Board (UPSEB), besides other creditors. That resulted in disconnection of Power Supply to the company from time to time. Now, with effect from 12th July 1999, there is no power supply to the factory of your company and hence your company also suffered heavily due to disconnection of power supply by UPSEB.

Recovery Proceedings against the company

The Company had entered into an Agreement with UPSEB for repaying the past dues of Rs. 1.66 Crores in ten instalments commencing from August 1999. But due to the disconnection of power supply, with effect from 12th July 1999, and consequent to closure of plant since then, your company was not able to keep up its commitment of remitting first instalment of past dues to UPSEB by the end of August 1999. That prompted UPSEB to initiate Recovery Proceedings against your company during the *first week of September 1999. However, due to intervention of High Court of the Judicature at Allahabad, the Recovery Proceedings have been stayed upto to the end* of October 1999 and the company was directed to pay the first instalment by that date. . It is unlikely that your company would be in a position to meet the deadline fixed by Allahabad High Court, in view of stoppage of production. Hence, an Application has been filed before the Honourable Allahabad High Court, seeking modification of *its earlier Order so as to enable the company to make the first instalment of payment by April 2000. The Application for Modification is pending before the said High Court.*

Modification of the Scheme

Due to the continued losses, your company approached BIFR with an Application for Modification of Sanctioned Scheme during January 1999. Based on our Application, a Review Hearing was fixed by BIFR during August 1999, where both Bank of Baroda and UPFC were directed to comply with their respective part of obligation stipulated *in the scheme of rehabilitation. Bank of Baroda was directed to sanction additional working capital in terms of the Scheme. The Honourable Members of BIFR also* directed its officials to issue show cause notice to UPFC as to why they should not refund the excess payment received by them from your company and that why they should not compensate your company for the losses suffered for delaying the issue of No Dues Certificate and the Release of Title Deeds in favour of HCC.

Now, it is more than two months since fresh Order has been passed by BIFR, but the desired corrective action has not been taken by these institutions, till the date of this Report.

Besides, BIFR also directed the Monitoring Agency to submit a report regarding the viability of Modified Scheme submitted by the company. The Report of the Monitoring Agency will be submitted to BIFR shortly. The Modification of the Scheme mooted by the company, *inter alia*, envisages the following

a) Additional capital Expenditures on balancing equipments to the tune of Rs. 170 lakh in order to improve the efficiency of the current operations and to sustain in the competitive market, and capital expenditures of Rs. 50 lakh in order to replace the worn-out machinery and equipments. Said expenditures to be financed out of fresh Term of Rs. 220 lakh from the Bank, which shall be repaid over a period of seven years, including the moratorium period of one year.

b) Conversion of core irregularity in working capital dues payable to bank into WCTL to be repaid over a period of seven years including the moratorium period of one year

c) Provisions of need-based working capital by the Bank
d) Additional promoters contribution of Rs. 145.48 lakh towards additional margin money for working capital
e) Restructuring of the projected Balance Sheet as on 31.03.2000 and conversion of existing issued preference share capital of Rs. 726.40 lakh into equity and then reduction of entire equity share capital (including preference shares converted into equity) by 75%.
f) Repayment of unsecured loans received from outsiders over a period of seven years including a moratorium period of one year, without any interest thereon.
g) Repayment of Non-current liabilities over a period of seven years including a moratorium period of one year
h) Sale of second hand machinery supplied by IVAX and purchased by the company for an estimated value of Rs. 550 Lakh and utilisation of said sale proceeds for payment to IVAX as per the decree passed against the company (estimated liability Rs. 298 Lacs), and balance amount to be utilised for repayment of unsecured loans brought in by the promoters for the purchase of said machinery.

Dividend

Due to the sustained loss, your Directors express their inability to declare any dividend

Public Deposit

During the year under review the company did not receive or accept any public deposit under Section 58 A of the Companies Act 1956

Settlement of Tax Liabilities

The company has won the case of disputed trade tax liability amounting to Rs. 1.71 Crores. Accordingly the same has been removed from the Contingent Liabilities specified in the Notes to Accounts forming part of Audited Statement of Accounts

Projection Vs. Performance

The Scheme of Rehabilitation formulated by BIFR envisaged projections of company's performance. Given below is the statement of performance vis a vis projections together with the reasons for deviation.

Particulars	Projected for 31st March 1999* Rs. (in lacs)	Actual for 31st March 1999* Rs. (in lacs)	Reasons
Net Sales	3319	1823	Production flow was hampered during the year due to paucity of working capital, disconnection of power supply by UPSEB from time to time and also on account of general recession in the market. Besides, the company could not take up manufacture of premium products due to falling prices and market for the Premium Products. The manufacture of these products had, thus, become unviable. Hence the Contribution expected from these products was not forthcoming
Gross Profit	628	(-) 250	Due to non availability of adequate working capital as also disconnection of power supply the company could not operate at the optimum level. Hence it could not achieve the projected Operating Profits
Interest	296	134	Interest on unsecured loans were waived off by certain unsecured creditors. The aggregate amount interest waiver amounted to Rs. 73.35 Lacs. Interest Burden was also less on account of non sanction of additional working capital by the company's Bankers
Depreciation	84	89	The increase in the figure of depreciation is due to addition in Gross Block to the tune of Rs. 16.69 Lacs
Operating Profits/(Loss)	249	(847)	Due to non availability of adequate working capital as also disconnection of power supply the company could not operate in the optimum level. Hence, it could not achieve the Projected Operating Profits.

Sanctioned Scheme has assumed 31st May as date of Balance Sheet but Since the company has changed its financial year to 31st March the figures are provided for 31st March, 1999

Listing of Securities of the company

Your Company's Equity and 15 % Non Cumulative Redeemable Preference Shares are listed in the Stock Exchanges of Kanpur (Regional Stock Exchange), Delhi, Jaipur, Mumbai, Ahmedabad, Chennai and Calcutta Stock Exchanges. The Annual Listing Fees for the year 1999-2000 has not been paid owing to financial strain. Efforts are being made to pay off these priority dues before November 1999.

Unaudited Vs Audited Financial Results

Pursuant to Clause 41 of the Listing Agreement, it is explained that two items of Audited Financial Results exceeded the Unaudited Financial Results by more than twenty percent. They are:

S.No	Particulars	Unaudited 31/3/99	Audited 31/3/99	Difference Difference	Percentage of Difference
1	Other Income	22.60	51.82	29.22	129.30
2	Interest	207.94	133.65	(74.29)	(35.72)

Reasons for Difference in the above figures between Unaudited and Audited Figures

1. **In Respect of Other Income**: The Audited Statement of Accounts include a sum of Rs. 27.88 Lacs. being the Modvat Credit availed. That is only a change in disclosure method and has no impact on overall results declared

2. **In Respect of Interest Expenditure**: Subsequent to publishing of the Unaudited Results, few unsecured creditors have waived off interest due to them from the company amounting to Rs. 73.35 Lacs. Hence, the amount of interest waived has been deducted in the Audited Statement of Accounts. Interest Burden was also less on account of non sanction of additional working capital by the company's Bankers

Year 2000 Preparedness

The company's systems are PC based and no date wise processing are carried out. Hence no problem with regard to Y2K is envisaged. However the company has appointed a firm of software consultants to make necessary modifications that may be required in the software. The corrective measures, if required will be taken up immediately, so that the operations are not affected in any manner. The cost of the remedial measures on account of Y2K is estimated at Rs. 50,000/- only.

The company does not envisage system breakdown / failure due to Y2K problem. However, the appointment of firm of computer consultants to advise for matter arising out Y2K problem will take care of any eventuality, in addition to back up arrangement based on manual system

Abandonment of New Project

During the year under reference, the company, abandoned the writing and printing project mainly due to the deteriorating market conditions as also non availability of Institutional finance. The second hand Machinery acquired by the company for the said project is proposed to be sold to any intending buyer. A statement to this effect has also been made in the Modification Scheme filed with BIFR

MPIL
PAPER & BAOARD

MANSAROVAR PAPER & INDUSTRIES LIMITED

Statement on Company's Subsidiary

Mansarovar Holdings Limited (MHL), an unlisted non banking financial company, is subsidiary of your company. A statement under Section 212 of the Companies Act, 1956 relating to the information on subsidiary has been attached to the Balance Sheet for the year under reference.

DIRECTORS

Shri S.C.Agarwaal and Shri Avdesh Kumar have stepped down as Whole Time Director and Joint Managing Director of the company respectively. Mrs. Asha Agarwal, wife of Mr. Dinesh Chand was appointed as an Additional Director in the meeting of Board of Directors held on 24th August 1999. In the same meeting, Mrs. Asha Agarwal was also appointed as Joint Managing Director of the company subject to the approval of shareholders at the general meeting. . The Notice convening 12th AGM spells out the terms and conditions of the appointment of Mrs. Asha Agarwal. In the 12th AGM, Mrs. Asha Agarwal is proposed to be appointed as a regular Director of the company. The Company has received a notice from a member under Section 257 of the Companies Act, 1956, together with the deposit of Rs. 500/- proposing the appointment of Mrs. Asha Agarwal as Director.

Mr. S.C. Agarwal and Mr. R.S. Agarwal, Directors of your company retire by rotation at the ensuing AGM and being eligible offers themselves for reappointment. The Board recommends their appointment.

During the year Mr. Sikanderlal Kohli and Mr. S.B. Dhungat resigned from the Board of the company. The Board wishes to place on Record their deep appreciation for the valuable service rendered by these Directors during their tenure as Directors of the company.

PERSONNEL

The company had on its roll 183 employees as on the date of this report. The Statement of Particulars of Employees as required under section 217 (2-A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 is attached to this report as Annexure- I and forms part of this report. Though the relationship between Management and the staff remained cordial during the year under reference, there were incidents of labour unrest during the last three months owing to non payment of wages. As on date, the remuneration of workers could not be paid with effect from June 1999. The Management hopes to clear off the dues of workers by the first week of December 1999.

INFORMATION PURSUANT TO SECTION 217 (1)(e) OF THE COMPANIES ACT 1956.

The information pursuant to section 217(1) (e) of the Companies Act, 1956.read with the companies (Disclosures of particulars in the Report of the Board of Directors), Rules 1988 is furnished in the Annexes II and III to this report and forms part of this report.

AUDITORS

M/S V.Sankar Aiyar & Co., Chartered Accountants, New Delhi, the Statutory Auditors of the company, hold that office upto the conclusion of the ensuing AGM and being legible offer themselves for reappointment. The Board recommends their appointment. The company has received a certificate from the Statutory Auditors that in the event of their being re-appointed as Statutory Auditors, in the ensuing AGM, the same would be within the limits specified under Section 224(1B) of the Companies Act, 1956.

As Regards the Auditors Qualification relating to non deposit of provident fund dues it is submitted that owing to acute cash constraints, stoppage of production and resultant losses, the company was not able to deposit the provident fund dues. The Management of the company intends to deposit the amount of provident fund dues on receipt of package from BIFR in the modified scheme or after receipt of excess payment of interest etc. to UPFC.

For other statement in para 3 of the Auditors report it is submitted that the same is explained in the Notes to Accounts and hence no further explanation is considered necessary.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

During the year, the company did not earn any foreign exchange. However, there was an outflow of a sum of Rs. 18,75,985/-, being the CIF Value of raw material imported.

ACKNOWLEDGEMENT

The Board wishes to place on record their deep appreciation to Banks, Central and State Governments for their whole hearted support. The relationship between the Management and employees of your company remained cordial through out the period under reference and also upto the date of this report. The Management also wishes to place on record their deep appreciation for the whole hearted devotion and support of employees at all levels, Last but not the least, the Board wishes to thank the shareholders for their valued support.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place : Najibabad
Date : 14th October 1999.

Asha Agarwal
JOINT MANAGING DIRECTOR

Dinesh Chand
MANAGING DIRECTOR

ANNEXURE-I

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 for the period ended 31st March, 1999

No.	Name	Designation	Remuneration (Rs.)	Qualification & Experience (In Years)	Commencement of employment	Previous Employment
1.	Shri S.C. Agarwal (56)	Chairman (a)	513755	M.Com (35)	14.02.1998	Managing Director Mansarovar Bottling Co. Ltd.
2.	Shri Dinesh Chand (55)	Managing Director (a)	512519	B. Com (29)	01.04.1991	Managing Director Chandra Kattha Industries (p) Ltd.
3.	Shri Avdesh Kumar (40)	Joint Managing Director (a)	488181	B. Com (17)	14.02.1998	Joint Managing Director Mansarovar Bottling Co. Ltd.
4.	Shri V. Ganesan (37)	Sr. Vice President	320000	B. Com, FCA (12)	03.08.1992	Private Practice, New Delhi
5.	Shri J. K. Agarwal (60)	Chief General Manager	360000	B. Sc. (36)	03.10.1997	General Manager (Technical) Agarshakti Paper Inds. Ltd., Vapi
6.	Shri J. K. Nayak (35)	Vice President	98125	B.Sc., B.E.(PP) AMIE (Chemical) (13)	07.01.1999	Wimco Board Ltd. Amarnath, Bombay.

Note: (a) Sh. S. C. Agarwal, Sh. Dinesh Chand and Sh. Avdesh Kumar related with each others and related to Shri Rakesh Kumar, Director. The terms of employment *are contractual.*

ANNEXURE-II

(See Rule 2)

Form for Disclosure of Particulars with respect to conservation of energy

	Current Year	Previous Year
A. Power and fuel consumption		
1. Electricity		
(a) Purchased		
Unit	6930800	8810049
Total amount	3,41,35,894	3,64,12,570
Rate/unit	4.93	4.13
(b) Own generation		
(i) Through Diesel generator		
Unit	516750	82939
Unit per-ltr. of diesel oil	3.58	3.70
Cost Unit	3.00	2.52
(ii) Through steam turbine/generator		
Units		
Units per ltr. of fuel oil/gas	NIL	NIL
Cost / units		
2. Coal (specify quality and where used)		
Quantity (tonnes)		
Total cost	NIL	NIL
Average rate		
3. Furnace oil		
Quantity (k. ltrs.)		
Total amount	NIL	NIL
Average rate		
4. Others/internal generation (please give details)		
Quantity (PADDY HUSK FOR BOILERS)	9919	10435
Total Cost	1,11,53,237	1,24,65,940
Rate/unit	1124	1195

B. Consumption per unit of production

	Standards(if any)	Current Year	Previous Year
		1	2
Products (with details) unit			
Electricity	NIL	584.08	630.08
Furnace oil	NIL	NIL	NIL
Coal (specify quality)	NIL	NIL	NIL
Others (paddy husk)	NIL	834.72	798.38

NOTES:
1) Please give separate details for different products / items produced by the company and covered under these rules.
2) Please give reasons for variation in the consumption of power and fuel from standards of previous year.
3) In case of production of different varieties/specifications consumption details may be given for equivalent production.

ANNEXURE-III

(See rule 2)

Form for disclosure of particulars with respect to absorption

Research and developments (R & D)

1. Specific areas in which R & D carried out by the company.	1. Improvement of overall quality of paper board to suit present market requirements.
2. Benefits derived as a result of the above R & D	2. (a) Optimisation of Raw Materail Consumption and (b) Energy conservation by removal of unwannted motors and balancing equipments.
3. Future plan of action	3. Continuous efforts to give effect to above.
4. Expenditure on R& D:	4. No Specific expenditure was incurred on R & D. The work of R & D is carried with the existing resources.
a) Capital	
b) Recurring	
c) Total	
d) Total R & D expenditure as a percentage of total turnover.	

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	1. (a) Substitution of cheaper raw material in various layers of the board through innovations (b) Removal of Bottlenecks in stock preparation by reroutinng of piplinnes.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	2. (a) Maximisation of Yield and (b) Reduction of cost
3. In case of imported technology (imported during the last 5 years reck oned from the beginning of the financial year), following information may be furnished:	3. The Company has imported any technology and hence the question of its absorption does not arise.
a) Technology imported.	
b) Year of import.	
c) Has technology been fully absorbed?	
d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.	

AUDITORS' REPORT TO THE SHAREHOLDERS OF MANSAROVAR PAPER & INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of MANSAROVAR PAPER & INDUSTRIES LIMITED as at 31.03.1999 and also the annexed Profit and Loss Account for the year ended on that date.
2. As required by the Manufacturing the 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 and 5 of the said order.
3. Further to our comments in the annexure referred to in para 2 above, we report that :

i) 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;

ii) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of the books;

iii) The Balance Sheet and the Profit and Loss Account are in agreement with the books of account.

iv) In our opinion, the Balance Sheet & Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.

v) We draw attention to :

a) Note No. 3 regarding non adjustment of liability in respect of imported second hand machinery amounting to USD 6,50,000 and damages etc. (which are not yet ascertained);

b) Note No. 4 regarding customs duty, demurrage and detention charges in respect of raw materials abandoned at Bombay / Nave Shewa Ports,

c) Note No. 6 (a) regarding non-receipt of balance confirmations from parties showing Debit / Credit Balances.
We are unable to express our opinion about the effect of the aforesaid matters on the results of the year.

d) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and read with the other notes forming part of the statement of accounts, give a true and fair view;
   i) In the case of Balance Sheet, of the state of affairs of the company as at 31.03.1999 and
   ii) In the case of Profit and Loss Account of the loss for the year ended on that date.

PLACE: NAJIBABAD
DATED: 14th Oct. 1999.

For V. SANKAR AIYAR & CO.
Chartered Accountants
R. RAGHURAMAN
(Partner)

Annexure referred to in our report of even date to the shareholders of
MANSAROVAR PAPER & INDUSTRIES LIMITED for the year ended 31.03.1999

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. As per information and explanations given to us, the Company has physically verified all its fixed assets once during the year which is considered reasonable and no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. (i) The stock of finished goods stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
   (ii) In our opinion and according to the information and explanations given to us, 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.
   (iii) The discrepancies noticed on verification between the physical stock and book records were not material.
   (iv) On the basis of our examination of stock records, and also considering the method of accounting in respect of excise duty referred to in note No. 5, in our opinion, the valuation of the above mentioned stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.
4. The terms and conditions of unsecured loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. No loans have been taken from Companies under the same management within the meaning of section 370(1B) of the Companies Act, 1956.
5. The Company has not granted any loans, secured or unsecured to Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
6. Loans or advances in the nature of loans have not been given by the company except advances to employees of the company, which are interest free. The employees are repaying the principal amount in agreed instalments.
7. 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 purchase of stores and spares, raw materials, plant and machinery, equipment and other assets and for the sale of goods.
8. According to the information and explanations given to us, the transactions of purchases of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating to Rs 50,000 or more have been made at prices which are reasonable having regard to the prevailing market prices for such goods and materials or the prices at which transactions for similar goods and services have been made with other parties. There are no sale of goods, materials or services made to any such parties.
9. As explained to us, the company has a reasonable system for determination of unserviceable or damaged stores, raw materials and finished goods. The company has confirmed that there were no such materials requiring provision at the end of the year.
10. The company has not accepted deposits from the public.
11. As informed to us, the company has no by-products and the realisable scrap are not considered material.
12. A firm of Chartered Accountants has carried out internal audit of accounts and have submitted periodical reports. In our opinion, the internal audit system is commensurate with the size of the company and the nature of its business.
13. The Central Government has prescribed maintenance of Cost Records in respect of the paper industry under section 209 (1)(d) the Companies Act, 1956. We are informed that it has not been practicable to adopt the prescribed formats in respect of paper boards manufactured by the Company. We are further informed that the Company has maintained cost records in sufficient details to suit their requirements. We have not made a detailed examination of the records with a view to determine whether they are accurate of complete.
14. According to the records of the Company, the Company has not been regular in payment of Provident Fund dues with the appropriate authorities. The arrears outstanding as on 31st March, 1999 amount to Rs. 3,85,644. We are informed that ESI scheme is not applicable to the Company.
15. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, customs duty and excise duty outstanding for a period of more than six months as at 31.03.1999 from the date they became payable.
16. According to the information and explanations give to us, no personal expenses have been charged to revenue account, excepting those payable under contractual obligations or in accordance with generally accepted business practices.
17. The Company is a sick industrial company within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly the Company made a reference to BIFR as required under Section 15 of the Act. BIFR has sanctioned a scheme of rehabilitation which is under implementation.

PLACE: NAJIBABAD
DATED: 14th Oct. 1999.

For V. SANKAR AIYAR & CO.
Chartered Accountants
R. RAGHURAMAN
(Partner)

MPIL
PAPER & BAOARD

MANSAROVAR PAPER & INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH 1999

	PARTICULARS	SCHEDULE		AS AT 31.03.99		AS AT 31.03.98
	I.SOURCES OF FUNDS					
	SHARE HOLDERS' FUNDS					
	a) Share Capital	1		211,154,767		73,226,237
	b) Share Captial Suspense Account					145,280,000
2.	RESERVES & SURPLUS	2		0		0
3.	LOAN FUNDS					
	a) Secured Loans	3		40,959,033		45,940,453
	b) Unsecured Loans	4		83,407,592		57,935,457
	TOTAL			335,521,392		322,382,147
II	APPLICATION OF FUNDS					
1	*FIXED ASSETS*					
a)	Gross Block (at cost)	5	184,264,927		183,663,816	
b)	Less Depreciation		52,202,504		43,582,268	
c)	*Net Block*		132,062,423		140,081,548	
	Machinery on hand (At Cost)		23,314,631		0	
				155,377,054		140,081,548
2	*INVESTMENTS*	6		20,911,000		20,921,000
3	*CURRENT ASSETS, LOANS AND ADVANCES*					
a)	Inventories	7	19,556,295		21,924,644	
b)	Sundry Debtors	8	13,828,554		17,972,931	
c)	*Cash and Bank Balances*	9	3,388,370		32,250,790	
d)	Other Current Assets	10	316,198		542,276	
e)	Loans and Advances	11	31,539,406		39,236,560	
			68,628,823		111,927,201	
	LESS : Current Liabilities —— and Provisions					
	Current Liabilities	12	138,723,509		127,338,503	
	Net current assets			(70,094,686)		(15,411,302)
4	MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)					
a)	Public Issue Expenses		5,616,538		5,616,538	
b)	Preliminary Expenses		126,640		126,640	
c)	Right Issue Expenses		2,169,818		2,169,818	
d)	Deferred Revenue Expenditure		1,390,068		2,085,102	
				9,303,064		9,998,098
5	PROFIT AND LOSS ACCOUNT					
	Loss as per Account		278,399,492		225,167,335	
	Less: Balance in Capital Reserve Adjusted per Contra		58,374,532		58,374,532	
				220,024,960		166,792,803
	TOTAL			335,521,392		322,382,147
	Significant accounting policies and Notes forming part of Accounts	19				

ANNEXURE TO OUR REPORT OF DATE
for V.SANKAR AIYAR & CO.
CHARTERED ACCOUNTANTS

FOR & ON BEHALF OF THE BOARD OF DIRECTORS

R. RAGHURAMAN
(Partner)
PLACE : NAJIBABAD
DATED: 14th Oct. 1999.

ASHA AGARWAL
JOINT MANAGING DIRECTOR

DINESH CHAND
MANAGING DIRECTOR

S. M. SUNDARAM
COMPANY SECRETARY

K.P. TYAGI
GENERAL MANAGER
(Accounts & Administration)