

inertia 
industries Limited

MD	✓		BKC	ND
CS	✓		INT	AD
RO	✓		INT	AD
TRA	NR		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		

8th
Annual Report
1996-97

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8th Annual Report 1996-97

Board of Directors

Shri Sunil Kumar Tandon
Chairman Cum-Managing Director

Shri Shammi Malhotra
Shri Vikas Malik

COMPANY SECRETARY

Shri Mukesh Agarwal

BANKERS

ORIENTAL BANK OF COMMERCE
New Delhi

THE VYSYA BANK LTD.
New Delhi

AUDITORS

Yogi Associates
Chartered Accountants
E-335, East of Kailash
New Delhi-110 065

REGISTERED OFFICE

A-1, Mangol Puri Industrial Area,
Phase-II, Delhi-110 034

CORPORATE OFFICE

135-136, Sector-31
Gurgaon

BREWERY

- Main Delhi-Jaipur Highway
Village Joniawas, Dharuhera
Distt. Rewari, Haryana.
- L-10, MIDC Industrial Area
Waluj, Aurangabad, (Maharashtra)

NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of Inertia Industries Limited will be held on Monday, 17th November, 1997 at 9.00 a.m. at A-1, Mangol Puri Indl. Area, phase-II, Delhi-34 to transact the following business:

ORDINARY BUSINESS

01. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997, the Profit and Loss Account for the year ended on that date and Report of Directors and Auditors thereon.
02. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

"M/s Yogi Associates, Chartered Accountants, the retiring auditors of the company, being eligible and offer themselves for the reappointment and a certificate pursuant to section 224 (1-b) of the Companies Act, 1956 has been received from them, be and are hereby appointed as auditors of the Company from the conclusion of this annual general meeting to the conclusion of next annual general meeting of the Company at a remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS

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

"Resolved that Shri Shammi Malhotra, Director who was appointed as an Additional Director in the meeting of the Board of Directors of the

Company held on 25th May, 1997 and who hold office as such upto the date of Eighth Annual General Meeting of the Company and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Shammi Malhotra as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

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

"Resolved that Shri Vikas Malik, Director who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 23rd July, 1997 and who holds office as such upto the date of Eighth Annual General Meeting of the Company and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Vikas Malik as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

05. To consider and if thought fit pass with or without modification(s) the following resolution as Special Resolution:-

"Resolved that approval of the Members of the Company be and is hereby accorded to the reappointment of Shri Sunil Kumar Tandon, as Managing Director of the Company for a period of five years effective from 30th Sept., 1997 at salary of Rs. 15000/- per month.

By order of the Board of Directors
for **INERTIA INDUSTRIES LIMITED**

(**SUNIL KUMAR TANDON**)
Managing Director

Place : Gurgaon
Date : 04.10.1997

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NOTES

- a) Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
- b) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. In order to be effective the proxy, must be lodged at the Registered Office of the Company not less than Forty Eight hours before the time of the meeting.**
- c) All documents referred to in the accompanying Notice and all Explanatory Statements are open to inspection at the Corporate Office of the Company during office hours on all working days between 11.00 A.M. to 1.00 P.M. up to the date of Annual General Meeting except on Sunday and holidays.
- d) Members may please bring their copies of the Annual Report to the meeting together with the attendance slip duly filed in for attending the meeting.
- e) Members desiring any information about the accounts to be explained at the meeting are requested to furnish their queries, if any, to the Company at least 10 days in advance of the Annual General Meeting so that details can be kept ready at the meeting.
- f) Members are requested to Communicate their change of address, if any, and PAN/GIR No. with Income Tax Ward/Range/District immediately to the Company, if any, quoting respective folios.
- g) Members who are holding Shares in identical order of names in more than one folio, are requested to write to the Corporate Office of the Company to enable the Company to consolidate their holdings under one folio.
- h) In view of the recent developments, Members may kindly note that no provision for gift is made for distribution at Annual General Meeting.

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

ITEM NO. 3 AND 4

Shri Shammi Malhotra and Shri Vikas Malik were appointed as Additional Directors by the Board of Directors of your Company in their meeting held on 25th May, 1997 and 23rd July, 1997 respectively.

Pursuant to Article 80 of your Company's Articles of Association read with section 260 of the Companies Act, 1956 they will hold office upto the date of forthcoming Annual General Meeting. Your Company has received notice in writing from a member in terms of section 257 of the Companies Act, 1956 signifying their intention to propose the appointment of Shri Shammi Malhotra and Shri Vikas Malik as Directors of your Company.

The Board considers that the appointment of Shri Shammi Malhotra and Shri Vikas Malik will be beneficial to your company and accordingly recommends the acceptance of the Resolutions set out in item No. 3 and 4 of the convening Notice.

Shri Shammi Malhotra and Shri Vikas Malik are concerned or interested in the relative resolutions concerning their respective appointments. Save as aforesaid no Director of your Company is concerned or interested in these Resolutions.

ITEM NO. 5

Members may be aware that Mr. Sunil Kumar Tandon was appointed as Managing Director of the Company on 30th Sept 1992 for a period of five years. The Board of Directors have in their meeting held on 23rd August 1997 reappointed Mr. Sunil Kumar Tandon as Managing Director of the Company for a period of five years w.e.f. 30th Sept., 1997. Since the Company is facing severe liquidity crunch, Shri Sunil Kumar Tandon has agreed to provide his services as Managing Director of the Company for a reduced monthly remuneration of Rs. 15000/- only.

In view of his wide experience the Board considers that the appointment of Shri Sunil Kumar Tandon as Managing Director of your company will be beneficial to your company and accordingly recommends the acceptance of the Resolution set out in item No. 5 of the notice Convening the meeting.

Section 269 of the Companies Act, 1956 read with Schedule XIII requires consent by the members of the Company to such an appointment.

Mr. Sunil Kumar Tandon, Managing Director is concerned or interested in the resolution: Save as aforesaid no director of your company is concerned or interested in the resolution.

By order of the Board of Directors
for **INERTIA INDUSTRIES LIMITED**

(**SUNIL KUMAR TANDON**)
Managing Director

Place : Gurgaon
Date : 04.10.1997

DIRECTORS' REPORT

DIRECTOR'S REPORT

To the Members,

Your Directors have pleasure in presenting the 8th Annual report together with the Audited Statement of accounts for the period ended 31st March 1997.

	(Rs. in lacs)	
	Current Year 1996-97	Previous Year 1995-96
Sales	1614.07	3771.94
Other Income	57.72	87.82
(Losses) due to prohibition	(600.21)	—
Profit/(loss) before Tax and Depreciation	(699.85)	293.37
Profit after Tax and Depreciation	(747.51)	226.55
Dividend Written Off	191.83	—
Profit B/F	556.50	329.95
Appropriations		
Balance C/F	0.82	556.50

PERFORMANCE

As you will observe, the above parameters and statistics shows a decline in the company's performance. The reasons for the same are as mentioned below:

During the current year your company had been compelled to face the biggest problem of closure of its brewery at Dharuhera with effect from 5th sept 96 due to promulgation of prohibition in the state of Haryana and unfortunate decision of Haryana Government even to ban production of beer in the state for sale outside State. The imposition of prohibition had a very severe effect on the financial performance of your Company and your Company had to abandon its manufacturing operations on 5th Sept., 1996. Your Company suffered total losses of Rs. 699.85 lacs during the year out of which losses to the tune of Rs. 600.21 lacs were due to imposition of prohibition in the State. The losses due to prohibition were mainly on account of payment of compensation to the workers/employees who had to be retrenched (Rs. 11.47 lacs), legal expenses that company had to

incur to take legal action against the debtors for recovery and bad debts (Rs. 33.68 lacs) and on account of loss of raw material in stock and finished goods, seized by State Excise authorities due to prohibition and shelf life of which was expired on 31st March, 1997 (Rs. 555.06 lacs).

To overcome the difficulty your Company had filed a petition in the Haryana High Court for permission to manufacture beer for sale out of Haryana, which was rejected by the Haryana High Court. Later on your Company filed a special leave petition in the Hon'ble Supreme Court of India against the decision of the Haryana High Court. Hon'ble Supreme Court vide its interim order has instructed the Haryana Government to issue licence to the Company for manufacture of beer for sale outside India. However final verdict of the Court are still awaited.

FUTURE BUSINESS PLAN

The Board of Directors of the Company are committed to revive the operations of the Company and envisage to position your Company as one of the leading beer manufacturers in India. The planning and future business plan are as follows:

BOTTLING AGREEMENT

Your Company's premium brand 'SANDPIPER' was well placed in the market particularly in Bombay, Goa and Delhi before imposition of prohibition in the State of Haryana, where the manufacturing facilities of the Company were situated. In order to keep the brand alive the Company entered into a bottling agreement with M/s Blossom Industries Ltd, Daman for bottling of Company's premium brand 'SANDPIPER'. Presently the brand is available in Bombay, Goa and Pune.

NEW BREWERY UNIT

Your Company has recently acquired a new brewery unit at Aurangabad Maharashtra having an installed capacity of 600,000 HL from M/s Inraport India Limited vide agreement to sell dated 30th June, 1997.

The total Cost of the project is Rs. 4039 Lacs which will be completed in two phases. The project is in advance stage of completion and the commercial

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production is scheduled to commence within next two months. The first phase requires total investment of Rs. 2195 lacs out of which Rs. 1700 lacs have already been spent and it requires a further investment of Rs. 500 lacs to start commercial production at 40% capacity level.

The Second phase would require an additional investment of Rs. 1844 lacs and after which the plant will be operative at full capacity. The Company is negotiating with some financiers for required investments and the commercial production at full capacity is expected to Commence by April, 1998.

SHIFTING OF CAPACITY OF DHARUHERA PLANT

The Company is considering to shift 50% of the installed capacity of its Dharuhera Plant to an alternate potential State i.e. Andra Pradesh or Karnataka. The proposed plant capacity would be 300,000 HL. The Company has taken suitable steps to get manufacturing licences from the respective State Governments.

DIRECTORS

Since the Last Annual General Meeting Shri Vinod Kumar Khanna, Shri Sanjay Tandon and Shri Vijay Kapoor have resigned from their directorships in the Company.

The Board has appointed Shri Shammi Malhotra and Shri Vikas Malik as additional directors during the year. They being eligible offer themselves for their appointment as Directors of the Company.

AUDITORS

M/S Yogi Associates, Chartered Accountants, New Delhi retire at the conclusion of this Annual General Meeting. A certificate under section 224 (1B) of the Companies Act, 1956 has been obtained from them. Your Directors recommend their re-appointment.

AUDITORS' REPORT

Referring to the remarks in the Auditors' Report, the Directors would like to state as follows:

Point No. 2(G) on Stock Records and 2(H) on Fixed Assets Register

The Company's sole manufacturing unit situated at Dharuhera, Dist Rewari Haryana was closed due to imposition of prohibition by the Government of Haryana w.e.f. 5th Sept., 1996 due to which almost all the persons working for the Company had left its services and only a very few persons were left in the

services of the Company. Due to shortage of manpower the transactions for the current year could not be entered in the register. The Fixed Asset Register was made available to the auditors till last year and there are only a very few additions in the fixed assets during the year. The Stock Records were also made available to the auditors. The Company shall improve upon the maintenance of Stock Records as required by the Auditors for which the Board of Directors have requested the Auditors for specific short comings noticed by them alongwith their advise to ensure proper upkeep of stock records.

Point 2(A) Lease Rentals, 2(J)(e) and 2(J)(f) on Overdue Interest

The lease rentals due to finance companies are in dispute. The company has written letters to the finance companies to take back the equipments. A request has been made to the Bank for wavier of Interest on loan. The respective liabilities have been shown in the Notes on accounts.

Point 2(J) Share Application Money

The Company has been facing liquidity problem since last one year and some of its creditors had agreed to accept equity shares in consideration of the amount due to them. The letters for transferring the amount due to them to the Share Application Money had been obtained from them. The Company has now entered into a formal agreement in this regard and have already allotted equity shares to some of them. The relevant documents are open for inspection by the members of the Company.

Point 2(I) Balance Confirmation

The cases against the debtors had been filed just to expedite the recovery from debtors and the same had been informed to relevant creditors who have agreed to make recovery in order to square of their dues from the Company.

Para 17 Annexure to Auditors Report

The Company is facing severe liquidity problem. The Company has been trying its level best to revive its operations for which a new brewery plant at Aurangabad Maharashtra, which is in advance stage of completion, has been acquired. The operations of the company will be revived at 40% capacity level very soon with the infusion of just Rs.500 lacs for which negotiations are on with some investors. Once the normal operations resume, the Company shall regularise the payment of ESI and PF dues.



PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As stipulated under the provisions of Section 217 (1)(e) of the Companies (Disclosure of the Particulars in the Reports of the Board of Directors) Rules, 1988 the Annexure Containing the above particulars is annexed to this report.

PARTICULARS OF EMPLOYEES

There are no employees as per section 217 (2A) of the Companies Act, 1956 who form part of this report.

PUBLIC DEPOSIT

The Company has not accepted any deposit from the Public during the year under review.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the co-operation extended to the company by various departments of Central & State Government, State Financial Institution, Banks Suppliers and overall employees for their valuable support and assistance.

For and on behalf of the Board
For **INERTIA INDUSTRIES LIMITED**

Place : Gurgaon
Date : 23.08.97

(SUNIL KUMAR TANDON)
Chairman cum Managing Director

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**ANNEXTURE TO THE DIRECTORS' REPORT**

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY

Company has two stage Plate Heat Exchanger in its Brew House to save Heat energy as well as Electrical energy. The Heat energy is being restored to next brew and by virtue of which cooling load is reduced in the refrigeration plant.

POWER

Due to Installation of Capacitor of appropriate capacity there is less consumption of Power as the power factor improves.

WATER AND EFFLUENT DISCHARGE

By Introduction of modern Technology to clean vessel there is less water consumption which in turn reduces the effluent discharge.

TECHNOLOGY ABSORPTION

The information required to be disclosed under rule 2 of the aforesaid Rules is given hereunder in form B.

FORM B

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

(1) Research & Development

Specific areas in which R & D carried out by Company are

- (i) Development of Brand Image of its Premium Brand 'SANDPIPER' in the term of packaging complete with foil top dressing in 650 ml & 325 ml Bottles.
- (ii) Process Development - brought Beer introduction.

Further with the use of Latest & Modern filtration system (Schenk filtration system) we are able to ensures low oxygen pickup, which in turn improves the shelf life of this perishable product.

(2) Technology absorption, adaption and innovation

By use of designed vessels (i.e. fermenters, storage vat etc.) which are cylindro-conical which give better flocculation of yeast cells, use of modern filtration system etc.

(3) Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned.

(in Rs.)

	Current Year	Previous Year
Total foreign used	40,41,429.00	58,45,116.00
Earned	1,05,36,890.00	2,59,51,776.58