



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

ANNUAL REPORT

1997-98

Report  junction.com

Modern
DENIM LIMITED

Board of Directors

Shri H. S. Ranka – Chairman
Shri Sachin Ranka – Managing Director
Shri S. S. Mody – Director
Shri J. N. Pathak – Director
Shri K. N. Malhotra – Director
Shri B. L. Verma – Director
Shri S. S. Betrabet – Nominee, ICICI
Shri O. P. Singal – Nominee, IDBI
Shri R. K. Jalan – Nominee, UTI
Shri L. N. Mishra – Nominee, GIC
Shri P. K. Roongta – Executive Director

Bankers

Bank of Baroda
Indian Overseas Bank
Sanwa Bank
Bank of Maharashtra
Indusind Bank

Auditors

M/s. Chaturvedi & Shah,
Chartered Accountants
Mumbai-400 020

Registered Office

A-4, Vijay Path, Tilak Nagar
Jaipur - 302 004, (Rajasthan)

Corporate Headquarter

68/69, Godavari
Poachkhanwala Road
Worli,
Mumbai - 400 025

Plant

Village - Moriya
Distt. Ahmedabad-380 015
(Gujarat)

NOTICE

Notice is hereby given that the 20th Annual General Meeting of Modern Denim Limited will be held on Monday the 31st August, 1998 at 5.00 P.M. at Hotel Clarks Amer, Jawaharlal Nehru Marg, Jaipur-302017 to transact the following business :

A. ORDINARY BUSINESS :

- (1) To consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Audited Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri H. S. Ranka, who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri J. N. Pathak, who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint a Director in place of Shri B. L. Verma, who retires by rotation and being eligible, offers himself for re-appointment.
- (5) To appoint Auditors and to fix their remuneration and in connection therewith to pass the following resolution, with or without modifications, as a special resolution:
 "RESOLVED THAT pursuant to the provisions of Section 224(A) of the Companies Act, 1956, M/s Chaturvedi & Shah, Chartered Accountants, Mumbai be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company."

B. SPECIAL BUSINESS :

- (6) To consider, and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :
 "RESOLVED THAT Shri P. K. Roongta who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
- (7) To consider, and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :
 "RESOLVED THAT pursuant to the provisions of Section 269, 198, 309, 310 and 311 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force) and further subject to the provisions of Schedule XIII to the said act, Company hereby accords its approval and consent to the appointment of Shri P. K. Roongta as an Executive Director of the Company from 30.6.98 for a period of 3 years on the terms and conditions of remuneration as specified in the explanatory statement annexed hereto."
- (8) To consider, and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :
 "RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging such terms and conditions and at such time or times and in such form or manner, as it may think fit, the whole or substantially the whole of the company's any one or more of the undertaking or all the undertakings, including the present and/or future properties, whether moveable or immovable comprised in any existing or new undertaking or undertakings of the Company as the case may be, together with power to take over the management of the business and concern of the said undertaking(s) of the Company in certain events, in favour of :

On First Charge basis

- i) Industrial Credit and Investment Corp. of India (ICICI)
- ii) Industrial Investment Bank of India (IIBI)
- iii) Industrial Finance Corp. of India Ltd. (IFCI)
- iv) Bank of Baroda (BOB)
- v) Industrial Development Bank of India (IDBI)
- vi) State Bank of India (SBI)
- vii) Unit Trust of India (UTI)
- viii) Life Insurance Corp. of India (LIC)
- ix) New India Assurance Company Ltd. (NIA)
- x) LIC Mutual Fund (LICMF)
- xi) PNB Capital Markets Ltd. (PNBCAPS)
- xii) Army Group Insurance Fund (AGIF)

for their 17% - Non Convertible Debentures of Rs. 100/- each not exceeding Rs. 10750 Lacs and 16% - Optionally Fully Convertible Debentures of Rs. 100/- each not exceeding Rs. 4000 Lacs.

in connection with the term loans/debentures sanctioned/to be sanctioned and disbursed/to be disbursed by the financial institutions/debentureholders to the Company to secure the said term loans/debentures together with interest thereon, commitment charges, liquidated damages, costs, charges, expenses and other monies payable by the Company in the terms of loan agreements/letter of sanction(s)/memorandum of the terms and conditions entered into/to be entered into by the Company and as per the scheme of restructuring of debts as approved by the term lenders in respect of such term loans/debentures, such security, to rank as the case may be, to the mortgages and/or charges already created or to be created in future by the Company or in such manner as may be agreed to by the financial institutions/banks and as may be agreed to by the financial institutions/banks and as may be thought expedient by the Board of Directors of the Company."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to finalise the matter and method of documents and deeds for creating the aforesaid mortgage/charges and to do all such acts, deeds and things as it may in its absolute discretion, deem necessary, proper or desirable and also agree to any amendments thereto from time to time as it may think fit."

- (9) To consider and if thought fit, to pass, with or without modifications, the following resolution as a special resolution :
 "RESOLVED THAT pursuant to the provisions of Section 17 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Company Law Board, Clause II of the Memorandum of Association of the Company be and is hereby altered to shift the Registered Office of the Company from the State of Rajasthan to the State of Gujarat."

BY ORDER OF THE BOARD

Place : MUMBAI
 Dated : 30th June, 1998

H. S. RANKA
 Chairman

Notes

1. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item number 5 to 9 of the notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
3. The Proxy should be deposited at the Registered office of the Company not less than FORTY EIGHT hours before the commencement of the meeting.
4. The share transfer books and Register of members shall remain closed from 27th August, 1998 to 31st August 1998 (both days inclusive).
5. NO GIFTS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.



Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

The combined shareholding of public financial institutions, nationalised banks and insurance companies in the Company exceeds twenty five percent of the paid up capital of the Company. It is therefore necessary to pass the resolution for appointment of Auditors of the Company as a Special Resolution in accordance with the provisions of Section 224A of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Item No. 6

Shri P. K. Roongta who has vast experience in finance functions and as administrative head of plants, was appointed as an Additional Director by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to the proposed appointment of Shri P. K. Roongta as a Director liable to retire by rotation. The Board considers it desirable that the Company should continue to avail of his services.

None of the Directors is in any way concerned or interested in the resolution in item no. 6.

Item No. 7

Shri P. K. Roongta was appointed as Executive Director of the Company for a period of 3 years w.e.f. 30.06.98.

The terms and conditions of remuneration payable to Shri P. K. Roongta are as under :

- (A) Salary - Rs. 35,000/- (Rupees Thirty five thousand only) per month.
- (B) Perquisites and allowance :
 - (i) Furnished residential accommodation with water, gas, electricity etc. monetary value of which may be evaluated as per rules 3(a) of the Income Tax Rules, 1962. The above is subject to the following :
 - (a) The expenditure incurred by the Company on hiring accommodation for him will be subject to ceiling of 50% of salary over and above 10% payable by him.
 - (b) The expenditure incurred by the Company on gas, electricity, water & furnishing will be evaluated as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary paid to him.
 - (ii) Medical benefits for self and family reimbursement of expenses actually incurred, the total cost of which to the company shall not exceed one months salary for every year of service.
 - (iii) Leave travel concession for self, wife and minor children once in a year to and fro any place in India subject to the condition that only actual fare and no hotel expenses etc. will be allowed.
 - (iv) Fees of Clubs - subject to maximum of two Clubs. This will not include admission and life membership fees.
 - (v) Personal Accident Insurance of an amount the annual premium of which does not exceed Rs. 1000/-.
 - (vi) Company's contribution towards Provident Fund as per the rules of the Company.
 - (vii) Company's contribution towards pension/ superannuation fund as per rules of the company, but it shall not together with the Company's contribution to the Provident fund, exceed 25% of

the salary.

However, contribution to Provident Fund, pension/ superannuation fund will not be included in the computation of the ceiling of perquisites to the extent these, either singly or put together are not taxable under the Income-tax Act, 1961.

- (viii) Gratuity not exceeding one half months salary for each completed year of service, subject to a ceiling of Rs. 1,00,000/-.
- (ix) Free use of car with driver, for company's business, the monetary value of which may be evaluated as per Income Tax Rules, 1962.
- (x) Free telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (xi) Encashment of leaves as per Company's rules.
- (xii) The Executive Director shall not be paid any sitting fees for attending the meeting of Board of Directors or Committee thereof.

None of the Directors, except Shri P. K. Roongta, is concerned or interested in the said resolution in item no. 7. The details set hereinabove may be treated as an abstract under Section 302 of the Companies Act, 1956.

Item No. 8

Generally, the borrowings of the Company are required to be secured by suitable Mortgage and/or charge on all or any of the moveable or immoveable properties of the Company, wherever situated in such form, manner and ranking as may be determined by the Board of Directors of the Company in consultation with the lenders/banks.

The Non-Convertible Debentures (NCDs) and Optionally Fully Convertible Debentures (OFCDs) as referred to in the resolution are to be issued in pursuance of Scheme of restructuring of debts as approved by financial institutions, towards conversion of part of the outstanding loans/debentures and accrued interest thereon respectively and same are to be secured as stipulated in the sanction(s).

Such Mortgage and/or charge of the Company's moveable and/or the whole or any part of the undertaking(s) in favour of the lenders may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293 (1) (a) of the Companies Act, 1956.

The approval of financial institutions will also be required as all the assets of the Company, present and future are already mortgaged/charged in their favour.

Hence, it is necessary for the Company to pass the resolution as set out in resolution in Item no. 8 of the notice.

None of the Directors of the Company, is in any way, concerned or interested in the resolution.

Item No. 9

The Company's registered office is situated in the State of Rajasthan while the operations of the Company are carried on in the State of Gujarat since the plant for manufacture of Denim is located at Village Moriya Distt. Ahmedabad in the State of Gujarat.

In order to bring synergy in operations and for better management of affairs of the Company, it is considered expedient to shift the Registered office to the State of Gujarat.

The Clause II of the Memorandum of Association at present provides that the registered office will be situated in the State of Rajasthan. In order to shift the registered office to the State of Gujarat, Clause II of Memorandum of Association has to be altered to provide for the same.

Hence the special resolution in item No. 9 is placed for approval of the members.

None of the Directors of the Company is in any way concerned or interested in the resolution.

DIRECTORS' REPORT

To

The Members,

Your Directors present the 20th Annual Report and Audited Statement of Accounts for the year ended 31st March, 1998 :

1. FINANCIAL RESULTS :

(Rs. in lacs)

	1997-98	1996-97
Profit/(Loss) before depreciation	(2141.12)	1284.91
Less : Depreciation	1715.09	1229.05
Profit/(Loss) for the year	(3856.21)	55.86
Add : Balance brought forward	871.39	914.06
Add : Dividend pertaining to previous year	—	0.47
Add : Transfer from General Reserve	1245.46	—
Less : Debenture Redemption Reserve	—	99.00
Balance carried to Balance Sheet	(1739.36)	871.39

2. OPERATIONS :

Due to unprecedented recessionary conditions prevailing in the economy coupled with demand-supply gap and change in fashion have put the Company into very tight spot so far as sales and realisations are concerned. The steep increase in input costs could not be passed on to buyers due to poor offtake, which in turn squeezed the margins.

In addition to the volatile international markets, the Company faced further brunt on account of severe competition from other exporting countries from Asia who had a price advantage over Indian manufacturers on account of steep fall in their currencies against dollar.

Under these disturbed conditions, inspite of capacity expansion, the Company could achieve a turnover of only Rs. 96.12 crores and has incurred a gross loss of Rs. 21.41 crores. Due to this steep fall in profits, your Directors are unable to recommend any dividend.

3. EXPORTS :

The exports of the Company have been sluggish during the year under review mainly due to continued recessionary market conditions and high costs of Indian products as compared to manufacturers from Far East countries where currencies have fallen against dollar thereby making imports from such countries more luring for the consuming countries. In addition, the availability of Denim in the world market was much above the demand on account of large expansion of capacities in Southern Asia, South East Asia, Far East and Latin American Countries from 2420 million meters in 1992 to 4020 million meters in 1997. This situation has resulted in the cut throat competition among the players in Denim, turning exports non remunerative in comparison with domestic sales.

4. RESTRUCTURING OF DEBTS :

As was informed to the members last year that consequent to delay in payments to deposit holders, many aggrieved investors approached the Company Law Board (CLB). After careful consideration of the petitions filed by investors and the plan submitted by the Company, the Hon'ble Company Law Board passed a general order on 29.12.97 for repayment of Fixed deposits over a period of three years from maturity dates in instalments. The Company is making payments according to the order of CLB.

In view of very tight liquidity position and sluggish market conditions, the Company had approached the term lending financial institutions/banks for restructuring of debts. The financial institutions had examined the proposal of the Company and had approved the scheme for restructuring of the outstanding debts and other liabilities. The restructuring includes rescheduling of term loans, waiver of penal and compound interest, rescheduling of the redemption period of preference shares and induction of long term funds by the promoters. The Company is now in the process of giving effect to the restructuring scheme which will give the Company an opportunity to consolidate its operations over a time frame. The restructuring scheme also envisages the strategic alliances and realignment of the business activities of the group.

5. FUTURE PROSPECTS :

The Company had an impressive record of growth and profits since its inception. However, the Company's efforts could not bear fruits during the year under review due to unprecedented recession in domestic and global markets.

Company is now putting all its efforts to turn the corner. With the capacity utilisation expected to increase in current year, the Company is expected to pull down the losses. Further the export markets are also expected to normalise with partial recoup of fall in currencies of other Asian countries on one hand and depreciation in rupee rates against dollar on the other hand. This should again make Indian Denim competitive pricewise in international markets.

The Company is taking up firm steps in creation of denim which meets the fancy of fashion across the globe and exploring possibilities to diversify in its product mix by introducing other varieties of high value added products while saving on costs on all fronts.

6. SUBSIDIARY COMPANY :

The statement under Section 212 of the Companies Act, 1956 in respect of Modern Europe Ltd., wholly owned subsidiary of the Company is annexed to this report.

7. DIRECTORS :

During the year Shri G. K. Bohara and Shri R. K. Kalia resigned from Directorship. Shri S. K. Sharma who was appointed as Executive Director also resigned. Shri P. K. Roongta has joined the Board as an Additional Director and has been appointed as Executive Director for three years w.e.f. 30.06.98. Shri H. S. Ranka, Shri J. N. Pathak and Shri B. L. Verma retire by rotation and being eligible, offer themselves for re-appointment. The Board conveys its appreciation to the outgoing Directors for the services rendered by them and welcomes the incoming Directors.

8. AUDITORS :

Your Directors recommend the reappointment of M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai as Auditors of the Company for the year 1998-99. The observations made by the Auditors are self explanatory and have been dealt with in the notes vide Schedule 15 forming part of the accounts and hence need no further clarifications.

9. INDUSTRIAL RELATIONS & PARTICULARS OF EMPLOYEES :

During the year, the Company continued to enjoy good industrial relations at all levels. The management expects to maintain the trend during the current year also.

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, are attached hereto and form part of this report.

10. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO :

The statement of particulars relating to the energy conservation, technology absorption and foreign exchange outgo as required in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Rule 2(A), 2(B) & 2(C) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

11. ACKNOWLEDGEMENTS :

The Board places on record its gratitude for the assistance and co-operation extended by the Financial Institutions and working capital banks. The Company cherishes the support extended by the Central Govt., State Govt. of Gujarat, Shareholders and Fixed Deposit holders. Your Directors also sincerely appreciate the dedication and hard work extended by the executives, staff and workers of the Company.

On behalf of the Board

H. S. RANKA
Chairman

Place : Mumbai
Date : 30th June, 1998



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

1. ENERGY CONSERVATION :

The Company has been giving high priority to conservation of energy on continuous basis by close monitoring of energy consuming equipments. The energy conservation measures taken by the Company include installation of energy efficient equipments and energy saving devices, implementation of various measures arising out of an energy audit and reduction of motor-ratings wherever possible. Periodical reviews and studies are undertaken from time to time for energy savings.

	Current year	Previous year
A. Power & Fuel Consumption		
1. Electricity		
a) Purchased (units in lacs)	99.88	69.50
Total amount (Rs. in lacs)	395.11	227.22
Rate/Unit (Rs.)	3.96	3.27
b) Own Generation:		
Through Diesel generator (units in lacs)	26.24	30.13
Units/Litres of Diesel Oil	3.10	3.25
Cost/Unit (Rs.)	2.75	2.56
2. Furnace Oil		
Quantity (KL)	2354.30	2343.70
Total cost (Rs. in lacs)	121.16	142.14
Rate/Unit (Rs.)	5.15	6.06
3. Other/Internal generation	N.A.	N.A.
B. Consumption per unit of Production :		
Electricity (Kwh./mtr.)	1.420	0.928
Furnace oil (Ltr./mtr.)	0.265	0.218
Coal	N.A.	N.A.

2. TECHNOLOGY ABSORPTION :

Your Company is having research and development cell, headed by a senior and experienced textile technologist. Continuous watch on the quality of the product at various stages is being kept by the section. This section also keeps a regular track on latest advancement on the spinning and finishing technology in order to keep pace with the demand of the new products.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company has earned during the year foreign exchange of Rs. 1635.77 lacs at FOB price against an outgo of Rs. 737.18 lacs.

Information Pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1998

Sr. No.	Name of the Employee	Designation	Remuneration (Rs.)	Qualification	Age/ Experience (Years)	Date of Joining	Particulars of last employment
A. Employed throughout the year under review and were in receipt of remuneration of Rs. 300000/- in aggregate or more during the year							
1.	Shri K. L. Lathi	Executive Director	357687/-	B.Com.	54/31	19.01.91	Modern Threads (I) Ltd.
2.	Shri Tarun Baxi	President (Marketing)	437817/-	B.Sc./ M.B.A.	41/20	01.10.91	Modern Threads (I) Ltd.
B. Employed for the part of the year under review and were in receipt of remuneration of Rs. 25000/- per month or more during the year.							
1.	Shri P. K. Tiwari	President (Tech.)	248967/-	B.E. (Ch. Engg)	50/26	17.07.95	Taichonbang Textile Ind. Ltd.
2.	Shri R. K. Kalia	Executive Director	153551/-	B.Sc. (Text.)	49/27	09.04.96	Melson Group (Text. Div) Nigeria
3.	Shri R. K. Shah	President (Commercial)	296725/-	B.Com., F.C.A.	48/23	27.05.96	Deepak Spinner Ltd.
4.	Shri S. K. Sharma	Executive Director	278878/-	B.Sc., AISQC ATA, LL.B.	50/29	28.08.97	Indocount Choongnam Text. Ltd.

- NOTES :**
01. All appointments are contractual.
 02. Remuneration includes salary and other allowances paid in cash, leave travel concession, medical expenses reimbursement, monetary value of perquisites as per Income Tax Act, 1961, and the rules made there under and company's contribution to Provident Fund etc.
 03. None of the employee is related to any Directors of the Company.

AUDITORS' REPORT

To,
The Members of
Modern Denim Limited,

We have audited the attached Balance Sheet of MODERN DENIM LIMITED as at 31st March, 1998 and the Profit and Loss Account of the Company for the year ended on that date, annexed hereto and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion proper books of account, as required by law have been kept by the Company, so far as appears from our examination of such books.

- (iii) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
- (iv) Note No. 1 (i) of Schedule 15 regarding Gratuity accounted on cash basis.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the accounts, read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998, and
- (b) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants

Sohan Chaturvedi
Partner

Place : Mumbai
Date : 30th June, 1998

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date to the Members of MODERN DENIM LIMITED.

- (1) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets other than furniture and fixtures for which detailed records are not maintained. According to the information and explanations given to us the fixed assets were physically verified by the management at reasonable intervals during the year in accordance with a programme of physical verification and no material discrepancies were noticed on such verification as compared to the available records.
- (2) None of the fixed assets have been revalued during the year.
- (3) As explained to us, the stock of finished goods, raw materials, stores and spare parts have been physically verified by the management at reasonable intervals during the year except stocks lying with third parties which have been generally confirmed and stock in transit which have been subsequently received.
- (4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (5) According to the records produced to us for our verification, no material discrepancies were noticed on physical verification of stocks as compared to book records and the same have been properly dealt with in the books of account.
- (6) In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (7) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from the parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined in sub-section (1B) of Section 370 of Companies Act, 1956.
- (8) The Company has not granted any loans secured or unsecured, to companies, firms or other parties, except interest free loan to a Director, listed in the register maintained under Section 301 and/or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- (9) Loans and advances in the nature of loan given by the Company to its employees and other parties, they are generally repaid as per stipulated terms along with interest wherever applicable.
- (10) 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, raw materials including components, plant and machineries, equipments and other assets and for sale of goods.
- (11) As far as we have been able to ascertain and according to the information and explanations given to us, the transactions of purchase and sale 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 during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods or materials.
- (12) As explained to us, the Company has a regular procedure for the determination of unserviceable/damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising on the items so determined.
- (13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public subject to and as stated in note No. 13 of Schedule 15, fixed deposit and related bank accounts are in process of reconciliation.
- (14) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap and waste wherever significant. The Company has no byproduct.
- (15) The Company has an internal audit system by their own staff which, in our opinion, is commensurate with the size and nature of its business. However, the scope of the same needs to be enlarged and strengthened.
- (16) We have broadly reviewed the cost records maintained by the Company pursuant to Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie prescribed records have been maintained. We have not, however, made a detailed examination of such records, so as to ascertain whether they are accurate or complete.
- (17) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Sales Tax and Excise Duty outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
- (18) According to the information and explanations given to us, Provident Fund and Employees State Insurance Act dues have been regularly deposited with the appropriate authorities.
- (19) According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (20) The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For CHATURVEDI & SHAH
Chartered Accountants

Sohan Chaturvedi
Partner

Place : Mumbai
Date : 30th June, 1998