

NB FOOTWEAR LIMITED

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FOOTWEAR

10th ANNUAL REPORT
1997 - 98



NB Footwear Limited

BOARD OF DIRECTORS

Mr. Rajen K. Desai
Mr. A.S. Chowdri
Mr. A.L. Prasad
Mr. Sudhakar Shetty
Mr. Kannan A. Yadav
Mr. Gregory Pereira

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
Chennai.

BANKERS

Bank of India
Chennai Corporate Banking Branch
4th Floor, Tarapore Towers
Anna Salai, Chennai - 600 002.

REGISTERED OFFICE & WORKS

63, Sedhuvalai Village
Pin Number at : 632 104
Virinjipuram Post
Vellore Dist.
Tamil Nadu, India.

ADMINISTRATIVE OFFICE

Corp. Off. Gr. Floor
Bldg. Door No. at 3A, Beemanna Gdn. Salai
Off. C.P. Ramaswamy Salai
Abhiraamapuram Area
Chennai, Pincode - 600 018.
Tamil Nadu, India.

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Annual Report

NOTICE TO SHAREHOLDERS

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING of the Company will be held at LAKSHMI NARAYANAN HALL, Hotel Ganga, 16, Officer's Line, Vellore - 632 101 on Tuesday, 29th September, 1998 at 11.30 AM to transact the following business :

- 1) To receive, consider and adopt the Directors' Report, the accounts for the year ended 31st March, 1998 and the Auditors's Report thereon.
- 2) To appoint a Director in the place of Sri A.Kannan Yadav, who retires by rotation under Article 86 of the Articles of Association of the Company and being eligible offers himself for re-election.
- 3) To appoint a Director in the place of Sri. A.Sudhakar Shetty, who retires by rotation under Article 86 of the Articles of Association of the Company and being eligible offers himself for re-election.
- 4) To appoint Auditors and fix their remuneration. The retiring Auditors, M/s. A.F. Ferguson & Co., Chartered Accountants are eligible for re-appointment. The declaration under Section 224(1-B) of the Companies Act, 1956 has been received.

By Order of the Board

Place : Mumbai
Date : 19th August, 1998

A. KANNAN YADAV
Director

NOTES :

1. Any member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The proxies should however be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members of the Company will be closed from 29th September 1998 to 7th October 1998 (both days inclusive).
3. All communications relating to share transfers/transmission are to be addressed only to the Registered Office of the Company at 63, Sedhuvalai Village Pin Number at : 632 104, Virinjipuram Post Vellore Dist., Tamil Nadu, India.
4. Members are requested to notify immediately any change in their address.

NB Footwear Limited

DIRECTORS' REPORT

The Directors are pleased to present their Tenth Annual Report together with the audited accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	1997-98	1996-97
Turnover	237.59	838.98
Loss before depreciation	75.87	81.85
Depreciation	22.92	22.89
Loss after depreciation	98.79	104.74

GENERAL REVIEW

The Directors had in their report last year commented on the sluggish growth of the industry. Unfortunately this continued during the current year also and a steady decline in demand through the year was witnessed.

The capacity utilisation was consequently poor resulting in under absorption of fixed costs, resulting in losses.

OUTLOOK FOR THE CURRENT YEAR

In the light of continuing recession in Europe in general and Germany in particular your Directors have entered into a strategic Joint Venture with Amerind Footwear Inc., New York, for sale of shoes in the USA. The agreement envisages an annual sales of US\$ 3 million.

The optimism on the prospects for the current year should be viewed in this background. The situation calls for strong and imaginative policy initiatives on our part to have a judicious product mix to improve the performance of the Company.

DIRECTORS

Mr. Neville P. Charna resigned from the Board during the year.

Mr. Kannan Yadav and Mr. Sudhakar Shetty retire by

rotation at the ensuing Annual General Meeting and are eligible for re-election.

AUDITORS

Messrs. A.F. Ferguson & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment. The declaration under section 224(1-B) of the Companies Act, 1956 has been received from them.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earned during the year by export was Rs.186.68 lakhs and the foreign outgo was Rs.7.33 lakhs.

DEPOSITS

The Company has not accepted any deposits from the public.

EMPLOYEES

There are no employees covered under section 217 (2A) of the Companies Act, 1956.

AUDITORS' REPORT

With regard to the opinion of Auditors given in para 2(d) of their report, it is submitted that note 12 of Notes forming part of the accounts for the year is self explanatory.

ACKNOWLEDGEMENT

The Directors wish to place on record the support received from Financial Institutions, Banks, Government Authorities and employees.

For and on behalf of the Board,

RAJEN K. DESAI
KANNAN A. YADAV
Directors

Place : Mumbai
Date : 19th August, 1998

FORM B

Disclosure of particulars with respect to Research and Development and Technology Absorption as required under Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended 31st March, 1998.

RESEARCH AND DEVELOPMENT

The Research and Development efforts of the company were directed towards development of new styles of gents, ladies and Children shoes. Future plans of the

research and development effort is to develop high fashion ladies shoes for the American market.

TECHNOLOGY ABSORPTION

The technology absorbed with the collaboration agreement has proved useful.

For and on behalf of the Board,

RAJEN K. DESAI
KANNAN A. YADAV
Directors

Place : Mumbai
Date : 19th August, 1998

Annual Report

REPORT OF THE AUDITORS

TO
THE MEMBERS OF
NB FOOTWEAR LIMITED

We have audited the attached balance sheet of NB FOOTWEAR LIMITED as at 31st March, 1998 and also the profit and loss account of the company for the year ended on that date, annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's 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 paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above :
 - (a) 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;
 - (b) 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 the books;
 - (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - (d) Attention is invited to note 12(a), regarding the recoverability of an old outstanding debt amounting to Rs.1,15,11,625 due from a party, note 12(b) regarding Rs.26,00,000 recoverable

on account of a bill of exchange and note 12(c) regarding recoverability of inter corporate deposit of Rs.1,25,94,284. We are unable to express an opinion about the recoverability of these amounts.

In respect of the matters stated in paragraph (d) above we are unable, in view of the uncertainty regarding the eventual outcome, to express an opinion as to whether any further provision is necessary and also unable to comment on the consequential effect on the loss for the year.

- (e) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 1998; and
 - (ii) in the case of the profit and loss account, of the loss for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

Place : Hyderabad
Date : 29th August, 1998

A.C.GUPTA
Partner

NB Footwear Limited

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF NB FOOTWEAR LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1998

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed assets of the company have been physically verified by the management at reasonable intervals. In respect of fixed assets physically verified during the year, no material discrepancies were noticed.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanation 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.
5. The discrepancies noticed on verification of inventories as compared to the book records were not material and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion, that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, where the terms and conditions are prima-facie prejudicial to the interest of the company. We have been informed that there are no companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
8. 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. As stated above, we have been informed that there are no companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
9. As explained to us, in the case of parties to whom loans and advances in the nature of loans have been given by the company, certain loans and advances have no stipulation as to repayment of principal or payment of interest.

Where stipulations have been made, parties are repaying the principal amount and the interest as stipulated except in case of loan to a company (intercorporate deposit) where the principal (Rs.1,25,94,284) has not been paid till date.
10. In our opinion, and according to the information and explanations given to us and having regard to the explanations that some of the items purchased/sold are of a special nature for which alternative quotations/prices are not available, 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 machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us, the Company has not entered into any transaction of purchase of goods and materials 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 aggregating during the year to Rs.50,000/- or more in respect of each party.
12. As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The company has not accepted any deposits from the public and hence the provisions of Section 58A of the Companies Act, 1956 and directives issued by the Reserve Bank of India are not applicable.
14. As explained to us, the company is maintaining reasonable records for the sale and disposal of scrap. The company's manufacturing process does not generate any realisable by-product.
15. The internal audit is being done by an independent firm of chartered accountants. In our opinion, the scope and coverage of internal audit needs to be suitably increased.
16. We have broadly reviewed the books of account