

DUNCAN GOENKA

Annual Report

1998-99

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NRC LIMITED


NRC LIMITED

BOARD OF DIRECTORS

GOENKA G.P.	<i>Chairman</i>
BANERJEE BHASKAR (Dr.)	
CORREA W.R. (Dr.)	
VAIDYA V.C.	
KAMTE V.N.	
SHARMA R.S.	
GHATALIA PRAVIN N.	
GOENKA ASHOK	
RAI BODHISHWAR	
VISHWANATH SURESH	<i>Nominee of ICICI</i>
BUDHIRAJA SATISH K.	<i>Managing Director</i>

DEPUTY SECRETARY

KUMAR BHOJANE

**CORPORATE &
REGISTERED OFFICE**EWART HOUSE
HOMI MODI STREET
MUMBAI 400 001Report Junction.com**PLANTS**MOHONE 421 102
DIST. THANE
MAHARASHTRA STATE**BANKERS**BANK OF BARODA
DENA BANK
PUNJAB NATIONAL BANK
CANARA BANK**AUDITORS**LODHA & CO.
CHARTERED ACCOUNTANTS

NRC LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 1999

To The Members

Your Directors present the 52nd Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	Rs. in Lacs	
	1998-99	1997-98
Gross Sales	32,911.50	39,194.97
Profit before Interest, Depreciation and Tax	519.68	3,151.90
Interest	2,206.17	1,994.27
Profit/(Loss) before Depreciation and Tax	(1,686.49)	1,157.63
Depreciation	858.92	822.22
Profit/(Loss) before Tax	(2,545.41)	335.41
Taxation (MAT)	—	35.22
Profit/(Loss) after Tax for the year	(2,545.41)	300.19
Profit of erstwhile Caristrap Limited	—	7.96
Surplus from Previous Year	453.74	433.69
Transfer from General Reserve	1,022.35	—
	(1,069.32)	741.84
Appropriations		
General Reserve	—	100.00
Proposed Dividend	—	171.00
Corporate Dividend Tax	—	17.10
Surplus/(Deficit) carried to Balance Sheet	(1,069.32)	453.74
	(1,069.32)	741.84

OPERATIONS

The year under review was the most difficult one for the Company in recent times. Industry in general was under intense pressure because of the worsening recession in the Indian economy, leading to an all-round slow-down. The difficult business climate resulted in lower off-take of

Rayon Yarn, Caustic Soda and allied Chemicals. However, despite curtailment in production, the finished goods inventory levels increased resulting in higher interest cost and strain on liquidity. Demand for Rayon Yarn declined due to substitution by other cheaper varieties of yarn and also lack of export orders for the Fabrics. This imbalance in demand and supply position pushed down the prices to unremunerative levels. Caustic Soda Industry continued to suffer from an over supply situation particularly in the Western Region, causing heavy erosion in prices. Performance of the Nylon Tyre Cord Division was generally satisfactory considering the recession in the Automobile sector and increased imports of Nylon Tyre Cord.

Under these trying conditions, the Company's turnover during the year reduced to Rs. 329 Crores as against Rs. 392 Crores last year. Prices of end products had to be lowered to keep parity with the competitors. Operating margins further eroded due to significant increase in the Employees' cost, Power tariff and cost of other inputs. As a result, the Gross Profit declined to Rs. 5.20 Crores from Rs. 31.52 Crores. After providing for Interest and Depreciation, the operations resulted in Net Loss of Rs. 25.45 Crores during the year. After taking into account the surplus of Rs. 4.54 Crores from previous year and transfer of the entire amount of Rs. 10.22 Crores available in General Reserve, the residual deficit of Rs. 10.69 Crores is carried forward.

DIVIDEND

In view of the loss, the Directors regret their inability to recommend any dividend for the year.

EXPORTS

Despite depressed market conditions, the Company exported Rayon Yarn valued at Rs. 278 Lacs during the year under review as against Rs. 180 Lacs in the previous year. The export performance during the current year is expected to improve further.

CURRENT YEAR'S PROSPECTS

Barring unforeseen circumstances, improvement is expected in the current year on account of commissioning of Co-generation Diesel Generating Power Plant and the efforts being made to curtail costs and improve operational efficiency.

CAPTIVE POWER PLANT

The Company has installed Co-generation Diesel Generating Power Plant of 24 MW capacity comprising four units of 6 MW each, which has been lease financed by The Industrial Finance Corporation of India Ltd. Two out of the four units are under pre-commissioning trials and all the units are expected to be on stream within a month. With this, the Company will be self-sufficient in its power requirement at current level and the investment is expected to yield substantial savings in the coming years.

DIRECTORS

ICICI Limited has nominated Shri Suresh Vishwanath on the Board of Directors of your Company in place of Smt.Y.J. Mogrelia. Unit Trust of India and The Industrial Finance Corporation of India Limited have withdrawn their nominations of Shri B.G. Daga and Shri J.L. Bajaj respectively from the Board of Directors of your Company.

The Board of Directors place on record their sincere appreciation of the valuable services and guidance rendered by Smt.Y.J. Mogrelia, Shri B.G. Daga and Shri J.L. Bajaj during their tenure.

In compliance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri G.P. Goenka, Dr. W.R. Correa and Shri V.C. Vaidya retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

The approval of the Members is sought to the re-appointment of Shri S.K. Budhiraja as Managing Director of the Company for a further period of three years with effect from 1st April, 1999 as set out in the Notice and Explanatory Statement thereto.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Particulars of Energy conservation and research & development activities undertaken by the Company as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed and form part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The Particulars as required under Section 217(2A) of the Companies Act, 1956 are appended.

Y2K COMPLIANCE

Most of the Hardware systems of the Company are latest and the Software is developed in-house. These will be Y2K compliant by September, 1999 at a minimal cost. Steps have been initiated to deal with Y2K related contingencies for minimising the impact thereof.

COST AUDIT

M/s. R. Nanabhoy & Co., Cost Accountants have been appointed as Cost Auditors to conduct the audit of Cost Accounts of the Company relating to Rayon Yarn, Nylon Tyre Cord, Caustic Soda and Sulphuric Acid for the financial year ended 31st March, 1999 with the approval of the Central Government.

AUDITORS' REPORT

The notes to the Accounts referred to by the Auditors in their report are self-explanatory.

APPOINTMENT OF AUDITORS

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The appointment of the Auditors is required to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

ACKNOWLEDGEMENTS

Your Company and its Directors acknowledge with gratitude the support received from the Government Agencies, Financial Institutions, Banks, Investors, Business Associates and Employees of the Company at all levels and look forward to their continued support.

On behalf of the Board

G.P. GOENKA
Chairman

Mumbai, 18th May, 1999

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

(a) Specific areas in which R & D carried out by the Company:

- Operation of concentration unit for Caustic Soda Plant on Hydrogen.
- Waste water utilisation.
- Knotless fabric development for Nylon Fabric.

(b) Future Plan of Action:

- Zinc free viscose yarn development.
- Low Bleach high strength viscose yarn development.

(c) Technology Absorption:

The Company has fully absorbed the Membrane Cell Technology imported for its Caustic Soda Plant.

(d) Expenditure on R & D:

An expenditure of **Rs. 1.93 Crores** of revenue nature (Previous Year Rs. 1.92 Crores) representing **0.59%** (Previous Year 0.49%) of the total turnover was incurred during the year. There was no capital expenditure.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings amounted to **Rs. 2.78 Crores** (Previous Year Rs. 1.80 Crores). Total Foreign Exchange outgo amounted to **Rs. 8.25 Crores** (Previous Year Rs. 11.57 Crores).

On behalf of the Board

G.P. GOENKA
Chairman

Mumbai, 18th May, 1999

**PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956**

Name (a) Designation/Nature of Duties (b) Age (Years) (c) Remuneration (Rs.) (d) Qualifications (e) Experience (Years) (f) Date of Commencement of Employment (g) Last Employment

Budhiraja Satish K. (a) Managing Director (b) 44 (c) 10,05,028 (d) B.Com., F.C.A. (e) 23 (f) 25.11.1991 (g) Executive Director (Commercial), Fenner (India) Ltd.

NOTES: (a) Remuneration includes Salary, Rent for residential accommodation, Leave Travel Assistance, Medical Expenses, Company's Contribution to Provident and Superannuation Funds and other facilities/benefits the monetary value of which has been evaluated as per Income-tax Rules.

(b) The above employee is not a relative of any Director of the Company and the nature of his employment is contractual.

On behalf of the Board

G. P. GOENKA
Chairman

Mumbai, 18th May, 1999

NRC LIMITED**AUDITORS' REPORT TO THE MEMBERS**

We have audited the attached Balance Sheet of **NRC LIMITED** as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report that:

- (a) 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.
- (b) Proper returns adequate for the purposes of our audit have been received from branches not visited by us.
- (c) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (d) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (e) The Balance Sheet and Profit and Loss Account of the Company comply with the Accounting Standards as prescribed under the provisions of Section 211(3C) of the Companies Act, 1956 (hereinafter referred to as the "Act").
- (f) We are unable to express our opinion as to the extent of recoverability of Loans and Advances and overdue interest thereon aggregating to Rs. 381.85 Lacs and Sundry Debtors of Rs. 381.25 Lacs. It was explained that the Company has taken suitable measures to recover the said dues including filing of legal cases wherever considered appropriate and that, therefore, no provision is considered necessary at this stage (Refer Note 6 of Schedule 23).
- (g) In our opinion and to the best of our information and according to explanations given to us, the said accounts subject to what is stated at paragraph (f) above having consequential impact (presently not determinable) on the loss for the year, reserves and surplus, assets and liabilities of the Company and read together with contingent liabilities, significant accounting policies and other notes appearing in Schedules 22 to 24 and elsewhere in the accounts, give the information required by the Act 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, 1999; and

- (b) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

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 Act, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we further state that :

- (1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained, the assets have been physically verified by the Management in accordance with the phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable considering the size of the Company and nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.
- (2) None of the fixed assets have been revalued during the year.
- (3) The stocks of finished goods, raw materials and stores and spare parts have been physically verified by the Management at reasonable intervals during the year and/or at the close of the year. Stocks lying with third parties and in transit have been verified with reference to confirmations and subsequent receipt of the goods.
- (4) In our opinion, the procedures of physical verification of the above referred 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, there were no material discrepancies 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 of stocks and also considering the method adopted for accounting of excise duty referred to in Note 3 of Schedule 23 to the Accounts, 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) The Company has not taken any loans from companies, firms or other parties listed in the

register maintained under Section 301 of the Act. We have been informed that there are no companies under the same management within the meaning of Section 370 (1-B) of the Act.

- (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 Act. We have been informed that there are no companies under the same management within the meaning of Section 370(1-B) of the Act.
- (9) The parties including employees, to whom the loans and advances in the nature of loans given by the Company are repaying the principal amount and are generally regular in paying the interest where applicable and as stipulated except loans and advances and overdue interest thereon aggregating to Rs. 381.85 lacs. As explained, necessary steps are being taken by the Company for their recovery. However, in our opinion, concerted efforts in this direction are needed.
- (10) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for the sale of goods.
- (11) In our opinion, transactions of purchase and sale of goods and materials in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act 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 the prevailing market prices for such goods or materials where such market prices are available or prices at which transactions for similar goods or materials have been made with other parties. The Company does not have any service activity during the year.
- (12) The Company has a regular procedure to determine 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 within the meaning of the Section 58A of the Act and the Companies (Acceptance of Deposits) Rules, 1975 framed thereunder.

- (14) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.
- (15) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (16) We have broadly reviewed the books of account maintained by the Company in respect of products where pursuant to the Order issued by the Central Government, the maintenance of cost records have been prescribed under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.
- (17) Provident Fund/Employees' State Insurance dues have been regularly deposited with the appropriate authorities except Employees' State Insurance dues aggregating to Rs. 9.25 lacs pertaining to the period from 1974 to 1977 which have not been deposited pending decision of the Honourable High Court of Bombay/demand from appropriate authorities.
- (18) In our opinion, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
- (19) According to information and explanations given to us and records examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations, or in accordance with generally accepted business practice.
- (20) The Company is not a Sick Industrial Company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner

Mumbai, 18th May, 1999