

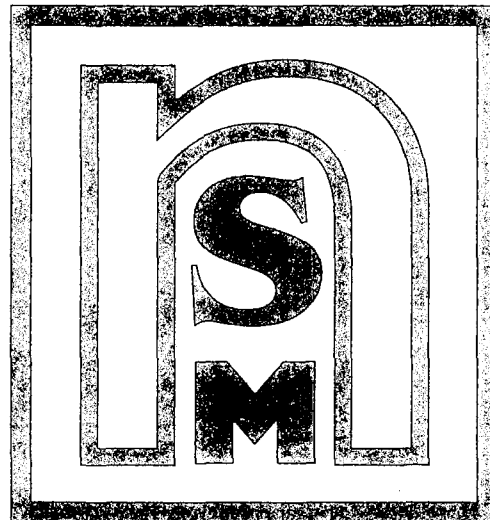


THE NAHAR GROUP

MD	✓		BKC	✓
CS	✓		ENV	✓
RO	✓		ENV	✓
TRA	✓			✓
AGM	✓	✓		✓
Y&	✓	✓		✓

18th Annual Report 1997-98

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NAHAR SPINNING MILLS LIMITED

ONE OF THE PREMIER RECOGNISED TRADING HOUSE OF INDIA



NAHAR SPINNING MILLS LIMITED — Annual Report 1998

MANAGEMENT

BOARD OF DIRECTORS :	SH. JAWAHAR LAL OSWAL	<i>Chairman</i>
	SH. DINESH OSWAL	<i>Managing Director</i>
	SH. KAMAL OSWAL	<i>Director</i>
	SH. DINESH GOGNA	<i>Director</i>
	SH. VIJAY GUPTA	<i>Director</i>

FINANCIAL CONTROLLER : SH. HANS RAJ KAPOOR

COMPANY SECRETARY : SH. BRIJ SHARMA

AUDITORS : M/s Gupta Vigg. & Co.
Chartered Accountants
101, Kismat Complex,
G. T. Road, Miller Ganj, Ludhiana - 141 003.

BANKERS : Punjab National Bank
Allahabad Bank

REGD. OFFICE : 373, Industrial Area - 'A'
Ludhiana - 141 003.

WORKS : Industrial Area - 'A', Ludhiana.
Dhandari Kalan, G. T. Road, Ludhiana.
Village Simrai, Mandideep, Distt. Raisen (M.P.)

EIGHTEENTH ANNUAL GENERAL MEETING	CONTENTS	PAGE NO.
DAY : TUESDAY	NOTICE	1
DATE : 29TH SEPTEMBER, 1998	DIRECTORS' REPORT	4
TIME : 10.00 A.M.	AUDITORS' REPORT	8
PLACE : NAHAR INTERNATIONAL LIMITED	BALANCE SHEET	10
FOCAL POINT, LUDHIANA.	PROFIT & LOSS ACCOUNT	11
	NOTES ON ACCOUNTS	20
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NOTICE

NOTICE is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Members of NAHAR SPINNING MILLS LIMITED will be held on **Tuesday the 29th Day of September, 1998 at 10.00 A.M.** at Focal Point, premises of M/s.Nahar International Limited, Ludhiana to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sh. Jawahar Lal Oswal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Dinesh Gogna who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors who shall hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and fix their remuneration. M/s.Gupta Vigg & Co., Chartered Accountants, the retiring Auditors of the company being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED THAT Pursuant to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time), Clause-V of the Memorandum of Association of the company be amended and substituted as :

"The Authorised Share Capital of the Company is Rs.30,00,00,000 (Rs. Thirty Crores Only) divided into 3,00,00,000 (Three Crores) equity shares of Rs.10/- (Ten) each. The Company has power from time to time to increase or to reduce its capital and divide the shares in the new capital into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions and to purchase/buy-back any of its own fully paid/partly paid shares for cancellation or otherwise in such manner as may be permitted by the Companies Act, 1956 or provided by the Regulations of the Company for the time being in force."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT Pursuant to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) the Article No.3 of the Articles of Association of the company be amended and substituted as:

"The Authorised Share Capital of the Company is Rs. 30,00,00,000 (Rs. Thirty Crores only) divided into 3,00,00,000 (Three Crores) equity shares of Rs.10/- (Ten) each. The Company has power from time to time to increase or to reduce its capital and divide the shares in the new capital into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions and to purchase/buy-back its equity shares from the existing holders of equity shares of the Company, on a proportionate basis or otherwise and/or from the open market and/or from the lots smaller than market lot of



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equity shares (odd lot) from out of its free reserve or out of the Share Premium Account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose or from such other sources and on such terms and conditions and in such manner as may be permitted by the Companies Act, 1956 or provided by the regulations of the Company for time being in force."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special RESOLUTION.

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the company (hereinafter referred to as the 'Board') the consent and approval of the shareholders be and is hereby accorded to the Board to buy-back its equity shares from the existing holders of equity shares of the company on proportionate basis or otherwise and/or from the open market and/or from the lots smaller than market lot of Equity shares (odd Lot) from out of its free reserve or out of the Share Premium Account of the company or out of the proceeds of any issue made by the company specifically for the purpose or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time, provided that the aggregate of Equity shares so bought back shall not exceed such percentage of the equity shares of the company, as may be prescribed by law from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as they may in their absolute discretion deem necessary, fit or proper."

BY ORDER OF THE BOARD

PLACE: LUDHIANA
DATE: 25TH AUGUST, 1998

BRIJ SHARMA
(COMPANY SECRETARY)

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business under item No.6 to 8 is/are annexed hereto and forms part of the notice.
3. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the Financial Year 1993-94 have been transferred to General Revenue Account of the Central Government. Shareholders who have not encashed their Dividend Warrants relating to the said period are requested to claim the amount from the Registrar of Companies, 286, Defence Colony, Jalandhar. In case of any assistance required, please write to the attention of Company Secretary of the company. The Unpaid Dividend for the year 1994-95 is due for transfer to General Revenue Account of the Central Government on or before 22nd January, 1999.
4. The Register of Members and Share Transfer Register of the company shall remain closed from 26th September, 1998 to 29th September, 1998 (both days inclusive.)



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5. The dividend on equity shares as recommended by the Board of Directors, if approved at the Annual General Meeting, will be paid to the members, whose names appear in the Register of Members as on 29th September, 1998.
6. Members are requested to :
 - (i) Quote their Folio Number(s) in all correspondence with the company.
 - (ii) Notify/send immediately to the Company's Regd. Office at 373, Industrial Area - A, Ludhiana 141 003.
 - a) Change, if any, in their registered address alongwith Pin Code Number.
 - b) For consolidation of their share holding, if registered in identical name(s) in more than one folio, a request letter alongwith relative share certificates.
7. The document referred to in the accompanying Explanatory Statement are open for inspection at the Registered Office of the company on any working day (except Sunday & Holiday) between 10.00 A.M. to 12.00 Noon up to the date of Annual General Meeting.
8. Members seeking any information with regard to Annual Accounts at the time of meeting are requested to send their queries to the company at least 7 days before the date of meeting so as to enable the management to keep the relevant information ready.
9. Members are requested to bring the copy of Annual Report along with them, at the meeting.

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

ITEM NO. 6 TO 8

The Companies Act, 1956 presently does not allow the company to buy back its own shares. However the Company's Amendment Bill, 1997 which is before the Parliament, contains provisions regarding buy-back of shares. Further from the press releases issued by the Government it is expected that shortly the Law will be amended to allow the companies to buy back its shares.

Your Board of Directors is of the opinion that there may be need to buy back the shares of the company for various reasons in the overall interest of the shareholders of the company. Such buy back of the shares, if permitted, is expected to enhance the shareholders value. Therefore your Board has decided to place an enabling resolution at Item No.8 of the Notice subject to necessary enactment in this regard.

The Memorandum of Association of the company is also being suitably amended vide Resolution proposed at Item No.6 of the Notice to enable the company to buy-back its own equity shares. Likewise, the Articles of Association of the company is suitably amended vide Resolution proposed at Item No.7 of the Notice.

These resolutions are enabling provisions aimed at facilitating the company to buy-back the shares as soon as legally permissible.

Your Directors therefore recommend these resolutions for your approval. The Directors of the company may be deemed to be concerned or interested in these Resolutions to the extent of their share holding, if any, in the company.

BY ORDER OF THE BOARD

**PLACE : LUDHIANA
DATED : 25TH AUGUST, 1998**

**BRIJ SHARMA
(COMPANY SECRETARY)**



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DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the EIGHTEENTH ANNUAL REPORT on the affairs of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

	(Rs. In Lakhs)			
PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
Profit for the year before Tax & Depreciation	5600.39		4797.63	
Less : Depreciation	1425.57		1056.69	
Provision for Taxation	300.00	1725.57	740.00	1796.69
		3874.82		3000.94
Income Tax Adjustment/ Excess prov. for earlier years including interest written back	160.75		(382.38)	
	4035.57		2618.56	

APPROPRIATION

Proposed Dividend	764.84	515.40
Tax on Dividend	76.48	51.54
Transfer to Bond Redemption Reserve	100.00	---
Transfer to General Reserve	3094.25	2051.62
	4035.57	2618.56

COMPANY'S PERFORMANCE :

Before reviewing the overall performance of the company we would like to brief you about the working of each divisions separately.

Spinning Division

The performance of the Spinning Division remained satisfactory. The spinning division produced 125.67 Metric Tons of cotton/synthetic yarn as against 99.93 Metric Tons showing an impressive increase of 25.76% over the previous year. It contributed Rs.159.63 Crores towards the turnover of the company, out of which Rs.115.78 Crores was export turnover. Thus we have been able to increase export as well as domestic turnover in this unit.

Though in terms of production and sales the company has achieved much better results, however the margins in the end products remained under strain because of currency crisis of South East Asian Countries. The currencies of Indonesia, Malaysia and Thailand started depreciating significantly since September 1997 which in turn adversely affected the company's exports as well as margins. In order to remain competitive in the international markets, the company was forced to slash its prices resulting severe squeeze in the margins. However the reduction in exchange rate of dollar with rupee provided a sigh of relief but the overall impact could not be nullified thus affecting the profitability of the company. However in spite of prevailing adverse conditions, your management has been able to improve overall profitability by improving productivity and by optimum utilisation of available resources.

We are also pleased to report that company's commitment to quality spinning system and technological excellence has been recognised by the Bureau of Indian Standard by awarding ISO 9002 Certificate to Unit No.II of spinning division (100% E.O.U) at Mandideep, Distt. Raizen, M.P.

Hosiery Garment Division

The performance of the garment Division also remained satisfactory. The division contributed Rs.157.86 Crores towards the turnover of the company, out of which Rs.74.97 Crores was export turnover. Your company is exporting its product to USA, Germany, Japan, Netherland, United Kingdom, Russia and other republics of erstwhile Soviet Union. Your management continues to regard export as an thrust area and has been making sustained and strenuous efforts to explore new export markets for company's product.

During the year, the company also completed the expansion cum modernisation of garment division by adding ultra modern machinery so that it can maintain its competitive edge in terms of cost and quality. Your management is quite hopeful that the modernisation of the garment division will enable the company to diversify its exports to new export markets.

Overall Performance

From the financial results of the company it is evident that notwithstanding the general sluggish trends in industry, your company has recorded all round growth during the year



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under review. The company achieved total operating income of Rs.317.49 Crores. The export at Rs. 190.75 Crores has shown an impressive increase of 18.08% over the previous year. Because of its export performance the company continues to enjoy the prestigious status of 'Trading House' accorded by the Government of India. The gross profit has risen to Rs.56.00 Crores showing an increase of 16.72% over the previous year. Likewise the net profit has also risen to Rs. 40.36 Crores showing an impressive increase of 54.10% over the previous year. After appropriation of profit as per details herein above the general reserve of the company has risen to 422.65 Crores as on 31st March, 1998.

DIVIDEND :

Your Directors are pleased to recommend dividend @ 60% on the enhanced capital for the financial year ended 31st March, 1998. The shares allotted on exercise of right attached with the warrants are eligible for pro-rata dividend, proportionate to the value paid thereon. The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the company to all those shareholders whose names shall appear in the register of members on 29th September, 1998.

PROMISE V/S PERFORMANCE

Statement of company's performance vis-a-vis projections for the year ended 31st March, 1998 made in the Letter of Offer dated 19th December, 1995 are as under:

(Rs.in Lakhs)		
Particulars	Projected	Actual
Turn Over/Operating Income	34192	31749
Gross Profit	8710	5600
Profit Before Tax	6151	4036

The projected turnover and profitability is based on the working of 75,000 spindles for full year and 25,000 spindles for one month. Whereas the company could install only 64,128 spindles till 31st March, 1998. Further because of lower price of conversion of Bond and Warrant as compared to the price, as envisaged in the Letter of Offer dated 19/12/1995, the total fund mobilisation through Bond/Warrant was Rs.132.25 Crores as against Rs. 208.76 Crores projected in the offer document. Thus the expected income on surplus funds available during the implementation of the project, was adversely affected. This has also affected the overall profitability of the company.

However the manufacturing profits are near to the estimated profits. Other reasons for downfall in profitability have already been explained under the para performance of the company.

Further out of Rs.129.54 Crores collected through the issue of Bond/Warrant, the company has already utilised Rs.93.00 Crores towards refund to the Bond holders and towards the revised objects as approved by the Bondholders/shareholders. The remaining funds have been temporarily placed in deposit/ICD with Banks and its subsidiaries/companies till they are not required for the project.

DIRECTORS

Pursuant to Article 91 of the Articles of Association of the company Sh.Jawahar Lal Oswal and Sh.Dinesh Gogna will be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

COST AUDITORS

The company appointed M/s.Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors for the year 1997-98 and their report would be submitted to the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, in accordance with the requirements of Law.

AUDITORS

M/s.Gupta Vigg & Co., the auditors of your company shall be retiring at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The company has obtained from auditors, a certificate as required under Section 224(1-B) of the Companies Act, 1956 to the effect that their re-appointment, if made, would be within the limits specified in the said section.

FIXED DEPOSITS

During the year the company has not accepted any fixed deposit within the meaning of Section 58-A of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF EMPLOYEES

The information as required under Section 217(2A) of the Companies Act, 1956 read with the rules framed there under, is enclosed as per Annexure-I



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CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The detailed information as required Under Section 217(1) (e) of the Companies Act, 1956 read with Companies (disclosure of Particulars in report of the Board of Directors) Rules 1988, is enclosed as per Annexure-II)

record their thanks and appreciation to all workers, staff members and executives for their contribution to the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Directors also place on record their sincere thanks to the shareholders for their continued support, co-operation and confidence in the management of the company.

INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year and the excellent results were achieved with the whole hearted co- operation of employees at all levels.

FOR AND ON BEHALF OF THE BOARD

ACKNOWLEDGEMENT

The Board of Directors of the company wish to place on

PLACE : LUDHIANA JAWAHAR LAL OSWAL
DATED : 25TH AUGUST, 1998 (CHAIRMAN)

ANNEXURE -I

PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2) (A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 1998

Sr. No.	Name	Designation/ Nature of Duties	Remuneration (In Rs.)	Nature of Employment	Qualification	Experience in Years	Date of Employment	Age (Years)	Last Employment
1.	Sh. Dinesh Oswal	Managing Director	3857680	Contractual	B. Com	13	01.01.87	33	Oswal Woollen Mills Limited
2.	Sh. Shree Paul Jain	Chief Executive	345000	Non Contractual	B. A.	28	01.07.92	62	Oswal Woollen Mills Limited
3.	Sh. M. S. Tyagi	General Manager	323927	Non Contractual	MBA	30	15.12.91	57	S. R. Forgings Limited
4.	Sh. H. K. Saluja	General Manager	390789	Non Contractual	B. Tech	33	01.06.92	56	Maral Overseas Limited

NOTE :

1. Remuneration includes salary, ex-gratia, Leave encashment, monetary value of perquisites as per Income Tax Rules, employers contribution to Provident Fund and commission, where applicable.
2. Sh. Dinesh Oswal is related to Sh. Jawahar Lal Oswal and Sh. Kamal Oswal, Directors of the company.



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ANNEXURE II

INFORMATION AS PER SECTION 217(I) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998.

I. CONSERVATION OF ENERGY

a) Measures taken for conservation of energy :

Energy conservation is an ongoing process in our organisation. The company has taken following measures for energy conservation:-

- For producing at the maximum productivity, latest indigenous as well as imported plant and machinery have been installed.
- For suitable working environment in plant, the Air Humidification plant has been imported from France, which has further reduced the power consumption considerably with optimum efficiency.
- As an energy saving measure, the Aluminium impellers of Humidification plant in Unit-I have been replaced by F.R.P. impellers which has resulted in the energy saving upto 20%.
- We are having special energy efficient motors under trial for future replacement, if found suitable.
- All capacitors were checked and all the derated ones have been replaced.
- Electronic Ballasts have been installed for light fittings in Unit-2 and Unit-I extension. Similar proposal is under planning for Unit-I also.
- Light and Air ventilators are used at various places for best utilisation of natural resources.

b) Additional investment & proposals for reduction of consumption of energy : Conservation of energy is an ongoing process.

c) Impact of measures, consequent to (a) and (b) above By optimising the use of capacitors for maximum demand, company has achieved power factor of up to 98 to 99%.

d) Total energy consumption and energy consumption per unit of production per Form -A, of the Annexure in the rules in respect of industries specified in the schedule thereto.

FORM - A

A. POWER & FUEL CONSUMPTION

	Current Year 1997-98	Previous Year 1996-97
1. ELECTRICITY		
a) Purchased Unit (KWH)	53140910	38102844
Total amount (Rs.)	153556709	99764883
Rate per Unit (Rs.)	2.89	2.61
b) Own generation through diesel generator set.		
Units (KWH)	Not Workable	Not Workable
Total amount (Rs.)	33450043	29739180
Cost per Unit (Rs.)		---
2. STEAM COAL	Used in boiler	Used in boiler
Quantity (in Tons)	Nil	717.455
Total Cost (Rs.)	---	722476.95
Average Rate per Ton (Rs.)	---	1006.99
3. FURNACE OIL	Nil	Nil
4. Others/Internal Generation	Used in boiler	Used in boiler
Rice Husk		
(quantity in tons)	18415.450	16287.530
Total Cost (Rs.)	21330133	16655652.34
Rate /Tone (Rs.)	1158.27	1022.60

B. CONSUMPTION PER UNIT OF PRODUCTION

MAIN EXPORT UNIT

1. Coal used per Kg. of dyed cloth	---	0.02
------------------------------------	-----	------

2. Rice husk used per Kg. of dyed cloth	3.87	4.39
3. Electricity consumed per unit of Hosiery Garments manufactured	3.09	3.18

SPINNING UNIT (MANDIDEEP)

Product Cotton/Synthetic Yarn	2.97	2.59
Electricity (Unit/Kg)		

II. TECHNOLOGY ABSORPTION

FORM - B

A) Research & Development (R&D)

- Specific areas in which Research and Development carried out by the company :** The company has latest state-of-the arts technology and equipments in R&D for on line process monitoring from raw-material to the finished product. The company has installed on line Data Control for the finished products.

- Benefits derived as a result of above R & D :** These facilities enable the company to manufacture quality products meeting international standards and which have found ready acceptance in the international markets. Spinning Unit II of the company has also been awarded certification under ISO 9002 quality system.

- Future Plans :** The company is committed to continuously upgrade its R & D facilities to meet the quality requirements of its international customers.

iv. Expenditure on R&D

a) Capital	52,80,680
b) Recurring	Nil
c) Total	52,80,680

B. TECHNOLOGY, ABSORPTION, ADOPTION AND INNOVATION.

- Efforts in brief made towards technology absorption, adoption and innovation :** Continuous efforts are made to secure and utilise the latest available technology both indigenously as well as from abroad to keep pace with the latest manufacturing trends, keeping in mind the quality, cost reduction and the capacity utilisation. The services of trained and experienced technicians are also availed to get the maximum benefits out of the latest machinery.

- Benefits derived as a result of above efforts :** The company is hopeful that with the adoption of latest technology there will be reduction in wastage and improvement in quality.

iii) Information regarding Technology

imported during the last five years Nil

III. FOREIGN EXCHANGE EARNING AND OUTGO

	Current Year	Previous Year
a) Foreign Exchange earned (Rs.)	1842952065	1532304193
b) Foreign Exchange outgo (Rs.)	436067695	568208549

FOR AND ON BEHALF OF THE BOARD-

PLACE : LUDHIANA
DATED : 25TH AUGUST, 1998

JAWAHAR LAL OSWAL
(CHAIRMAN)



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AUDITORS' REPORT

THE MEMBERS OF

NAHAR SPINNING MILLS LIMITED

LUDHIANA

We have audited the attached Balance Sheet of NAHAR SPINNING MILLS LIMITED, LUDHIANA as at 31st March, 1998 and the Profit & Loss Account of the Company for the year ended on that date annexed of the Company for the year ended on that date annexed thereto and we report that :

- 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) Proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of accounts.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the account subject to notes contained in Schedule No. 23 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.
 - B) In the case of the Profit & Loss Account of the Profits of the company for the year ended 31st March, 1998.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Department of Company Affairs in terms of section 227 (4A) of the Companies Act, 1956, we report on the matters specified in paragraph 4 & 5 of the said order as under :

1. The Company has maintained proper records showing full particulars including quantitative details and the situation of its fixed assets other than furniture and fixtures and office equipments. The management has confirmed that whatever practicable physical verification of all major items of fixed assets except furniture and fixtures and office equipments has been carried out at the end of the financial year and no material discrepancies have been noticed on such verification.
2. None of the fixed assets have been revalued during the financial year.
3. According to the information and explanations given to us, the physical verification of finished goods, stores, spare parts and raw materials was conducted by the management wherever practicable at the end of the financial year.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to size of the company and nature of its business.
5. According to the information and explanations given to us, discrepancies noticed on physical verification of stocks as compared to book records which were not material have been dealt with in the books of accounts.
6. On the basis of examination of the stock sheets/stock ledgers, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation is same as in the preceding year.
7. According to the information and explanations given to us, the company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from companies under the same management within the meaning of Section 370 (I-B) of the Companies Act, 1956.