

# THE NARANG INDUSTRIES Limited

MD	✓	AKC	✓
CS	✓	DPY	NA
RO	✓	DIV	NA
TR	NA	AC	✓
AGM	✓	CH	✓
YE	✓		✓

# NG

54TH ANNUAL REPORT & ACCOUNTS 1996-97



## FIFTY FOURTH ANNUAL REPORT &amp; ACCOUNTS

# THE NARANG INDUSTRIES LIMITED

**BOARD OF DIRECTORS**

Mr. Dipak Raj Narang (Chairman)  
 Mr. Devinder Raj Narang (Managing Director)  
 Mr. Surinder Malik (Executive Director)  
 Mr. Kamlesh Suresh Gandhi  
 Mr. K.C. Gupta  
 Mr. S.K. Mittal (Nominee of PICUP)

**COMPANY SECRETARY**

Mr. Satish Kumar Bhakri

**MANAGEMENT COMMITTEE  
CORPORATE OFFICE**

Mr. Jai Uppal, President (Corporate Planning & Projects)  
 Mr. T.D. Sethi, Sr. Manager (Marketing)  
 Mr. T.N. Bhan, Sr. Manager (Corporate Planning)  
 Mr. V.K. Garg, Sr. Manager (Taxation & Legal)  
 Mr. S.K. Sharma, Sr. Manager (Accounts)  
 Mr. Dipak Anand, Sr. Manager (Materials)

**MANAGEMENT COMMITTEE  
FACTORY**

Mr. Sudhir Bakshi, General Manager  
 Mr. L.D'Souza, Sr. Manager (Commercial)  
 Mr. O.P. Tiwari, Sr. Manager (Production)  
 Mr. Naveen Khanna, Sr. Manager (Coordination)  
 Mr. R.K. Gupta, Manager (Production)  
 Mr. Diwaker Singh, Manager (Warehouse)  
 Dr. A.R. Singh, Manager (Quality Control)  
 Mr. P.N. Pandey, Manager (Accounts)

**AUDITORS**

Basant Ram & Sons  
 Chartered Accountants  
 21, Lakshmi Insurance Building,  
 Asaf Ali Road, New Delhi-110 002

**INTERNAL AUDITORS**

D.R. Dhall & Co.  
 Chartered Accountants  
 F-22, D.B. Gupta Market, Karol Bagh,  
 New Delhi-110 005

**BANKERS**

State Bank of Hyderabad  
 Punjab National Bank  
 Bank of Baroda

**REGISTERED OFFICE  
& WORKS**

Nawabganj, District Gonda,  
 Uttar Pradesh-271 304

**CORPORATE OFFICE**

12, Basant Lok, Community Centre,  
 Vasant Vihar, New Delhi-110 057

# THE NARANG INDUSTRIES LIMITED

Regd. Office: P.O. Sugar Factory, Nawabganj, Dist. Gonda, U.P. 271304.

## NOTICE

Notice is hereby given that the 54th Annual General Meeting of The Narang Industries Limited will be held on Tuesday, the 30th September, 1997 at 11.00 a.m. at the Registered Office of the Company at P.O. Sugar Factory, Nawabganj, Dist. Gonda, Uttar Pradesh to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March, 1997, Profit & Loss Account as at that date, and the Directors' and the Auditors' Reports thereon.
2. To appoint Director in place of Mr. K.C. Gupta who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Mr. Dipak Raj Narang who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting.

By Order of the Board

New Delhi  
29th August, 1997

Sd/-  
(Satish Kumar Bhakri)  
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. A proxy need not be a member. Proxy form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books will remain closed for seven days from 24th to 30th September, 1997 (both days inclusive).
3. Members are requested to intimate changes, if any, in their registered addresses.
4. As required by the provisions of Rule 4A of the Companies Unpaid Dividend (transfer to General Revenue Account of the Central Government) Rules 1978, concerned members are informed that an aggregate amount of Rs.6,772.00 representing the balance in the Unpaid Dividend Account for the year 1992-93 was transferred to General Revenue Account of the Central Government during the year.

## FIFTY FOURTH ANNUAL REPORT &amp; ACCOUNTS

## REPORT OF THE DIRECTORS

To

## THE MEMBERS

Your Directors are pleased to present the 54th Annual Report on Business and Operations of the Company and the Audited Financial Accounts for the year ended 31st March, 1997.

## 1. FINANCIAL RESULTS

	1996-97 (12 months)	1995-96 (9 months)
Profit before interest, depreciation and tax	2,02,51,698	1,37,67,116
Less: Interest	1,23,05,501	85,58,666
Less: Depreciation	56,48,183	32,04,770
Net Profit	22,98,014	20,03,680
Add/Less: Adjustment of Previous year's Income (Net)	7,366	(7,11,025)
<b>PROFIT BEFORE TAX</b>	<b>23,05,380</b>	<b>15,91,655</b>
Provisions for Income-tax	2,77,000	—
<b>PROFIT AFTER TAX</b>	<b>20,28,380</b>	<b>15,91,655</b>
Add: Surplus as per Last Balance Sheet	3,77,837	2,86,182
Less: Transferred to General Reserve	20,00,000	15,00,000
Surplus/(Loss) Carried over	4,06,217	3,77,837

## 2. DIVIDENDS

Much as your directors would have liked to recommend payment of dividend, they are unable to do so due to inadequacy of profit and a decision to plough back the profits earned during the year.

## 3. PERFORMANCE - 1996-97

1996-97 was a difficult year for the Indian Industry, especially for the Liquor Industry. Due to the Liberalization Policy of the Government of India to allow entry of foreign Multinational Companies in the field of consumer products, the Company had to face a stiff competition from these MNCs and Domestic Companies.

Not only this. The introduction of Prohibition in the neighbouring State of Haryana, which was an important market for your Company's products, had its toll, adversely affecting the sales turnover and profitability of the Company. Even your Company's business with Herbertsons received a set-back because of Prohibition and volumes of business came down considerably.

Undaunted and unruffled by the innumerable difficulties arising out of the above situations, the Management of your Company has been investing heavily on promotion and popularization of its brands in the civil market, incurring expenditure on advertising and other promotional activities and paying increased commissions to its distributors. Although this has made dents on the profits of the Company, yet the competition was effectively resisted.

In spite of the above, the Profit before interest, depreciation and tax increased from Rs.1.83 crores (on annualised basis) in 1995-96 to Rs.2.02 crores in 1996-97, thereby registering an increase of 10.72%.

## 4. CURRENT YEAR'S PERFORMANCE

The Distillery Division of your Company has entered into bulk supply of spirits in a big way. During the current year, John Bolt Whisky has been re-launched in Calcutta and in the States of North-Eastern India.

The Brewery Division of your Company has re-launched its Continental and Topsy Beer during the months of July and August, 1997.

## 5. SUBSIDIARY COMPANY

During the year under report, your subsidiary Company, M/s. McKilligan Distillery Ltd. have held several negotiations with foreign Multinational majors for a tie-up. We are hopeful that as a result of these negotiations, your subsidiary company would be able to enter into an alliance with a foreign liquor major in the near future.

## THE NARANG INDUSTRIES LIMITED

### 6. INDUSTRIAL RELATIONS

The relationship between the management and the employees in all the divisions were marked with cordiality throughout the year. At Nawabganj, the record of uninterrupted industrial harmony since the inception of the Company in 1942 has been maintained. The Company also embarked upon extensive training to its employees in order to expose them to the latest management techniques. The Directors wish to place on record their deep appreciation for the dedicated services rendered by the officers, staff and workers of the Company at all levels.

### 7. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, we state that there is one employee employed throughout the financial year drawing remuneration in excess of Rs. 4,32,000/- per year.

### 8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Substantial savings in specific areas were achieved as a consequence of conscious effort and judicious use of technology.

As required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed as Annexure to the Directors' Report.

### 9. ENVIRONMENT AND SAFETY

The Company is committed to keep the environment clean and healthy. Effective effluent treatment and environment care remained matters of top priority with the Company. To keep the environment clean and healthy, a number of trees have been planted within the precincts of the Factory during the current year. Due care is taken

to constantly build greater awareness to provide pollution-free working environment.

Supported by professionals, the Company maintained the highest standards of safety at its plants.

### 10. SOCIAL OBLIGATIONS

The Company is highly conscious of the need to pay attention to the welfare of its employees and has undertaken various programmes for the benefit of its staff. Considerable improvement has taken place in working conditions both at Factory and Head Office, which has resulted in increased productivity and efficiency.

### 11. FIXED DEPOSITS

The Company accepts fixed deposits from the public and the members without public invitation. The outstanding public deposits as at the end of year under review amounted to Rs.23.25 lacs. There were no overdue/unclaimed deposits at the end of the year.

### 12. DIRECTORS

Mr. K.C. Gupta and Mr. Dipak Raj Narang retire by rotation and, being eligible, offer themselves for reappointment.

### 13. AUDITORS

M/s. Basant Ram & Sons, Chartered Accountants, New Delhi, Statutory Auditors of the Company hold office till the conclusion of the Annual General Meeting and are recommended for reappointment.

### 14. ACKNOWLEDGMENT

Your Directors are pleased to record their appreciation for the full support and co-operation extended by the Shareholders, Bankers - State Bank of Hyderabad, Punjab National Bank and Bank of Baroda, all Government authorities, State Financial Corporation (PICUP), various Finance and Leasing Companies, Customers and Suppliers which has enabled your Company to attain better results and the stature it enjoys today.

## FIFTY FOURTH ANNUAL REPORT &amp; ACCOUNTS

## 15. AUDITORS' REPORT

C-6. The Company has received confirmation of balances and/or statements of account from some of the Debtors, Creditors and other parties. Efforts are still on to obtain the balance confirmation certificates and reconcile accounts with the remaining parties and the directors are hopeful to complete the same during the current year.

(ix) A major portion out of interest free loan is recoverable from parties, who have business dealings with the Company, and at times company owes to these parties on which they have not charged any interest. Therefore, no interest has been charged.

(xvii) The Company has deposited Provident Fund dues with the trustees of the Fund regularly except for a few occasions. The outstanding amount at the end of the year pertains to the Provident Fund deducted from the contract labour. This alongwith other statutory dues have since been deposited.

Rest of the notes to Accounts are self explanatory in respect of Auditors' Comments.

**DEVINDER RAJ NARANG**  
Managing Director  
**SURINDER MALIK**  
Executive Director

New Delhi  
29th August, 1997

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## THE NARANG INDUSTRIES LIMITED

## AUDITORS' REPORT

TO THE MEMBERS OF  
The Narang Industries Limited

We have audited the attached Balance Sheet of The Narang Industries Limited as at 31st March, 1997 and also the Profit & Loss Account of the Company for the year on that date, annexed thereto, and report that:—

1 As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the company as we considered appropriate and according to the information and explanations given to us, we give 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) Subject to the following Notes in Schedule No. 15 attached to the Balance Sheet in our opinion, proper books of account as required by the law have been maintained by the Company, so far as appears from our examination of the books of account:

Note No. A(2)(a) to (e): In respect of accounting policies which result in non-recording of Income and Expenditure on accrual basis and to that extent accounts have not been maintained as required u/s 209 of the Companies Act, 1956.

Note No. C-2: In respect of non-removal of discarded/sold machinery from the books of account.

(c) The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.

(d) In our opinion and to the best of our information and according to explanations given to us, the annexed accounts subject to the following notes of Schedule 15 attached to the Balance Sheet.

Note No. A(2)(a) to (e): In respect of accounting of income and expenditure on receipt/payment basis as stated in the said notes instead of on accrual basis.

Note No. C-1: In respect of non-provision of Penal Interest.

Note No. C-2: In respect of non-removal of discarded machinery from the books of account.

Note No. C-3: In respect of non-providing of liability for use of machinery acquired on lease.

Note No. C-4 and C-5: In respect of non-availability of statement of account and balance confirmation certificates from certain bankers of the Company.

Note No. C-6: In respect of non-reconciliation of accounts with Debtors, Creditors and other parties and non-determination of the effect thereof on accounts.

Note No. C-7: In respect of short provision for doubtful debts and advances to the extent of Rs. 1,65,09,000/-.

Note No. C-8 & C-9: In respect of no provision has been made for diminution in the value of investments and obsolete stores.

Note No. C-12: In respect of treating certain revenue expenses as "Deferred revenue Expenditure".

Note No. C-14: In respect of non-availability of Registration Documents in favour of the Company in respect of Flat purchased during the year and of certain vehicles of the Company.

and read along with other notes thereon, 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 the affairs of the Company as at 31st March, 1997

and

(ii) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date

For Basant Ram & Sons  
Chartered Accountants

(R.K. NAYAR)  
Partner

New Delhi.

Dated, 29th August, 1997.

**ANNEXURE REFERRED TO IN PARAGRAPH '1' OF OUR REPORT DATED 29TH AUGUST, 1997 TO THE MEMBERS OF THE NARANG INDUSTRIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH, 1997.**

i) As explained to us, the records to show particulars regarding quantitative details and situation of fixed assets of the Company are under process of compilation and that the physical verification of fixed assets will be carried out thereafter.

ii) None of fixed assets have been revalued during the year.

iii) The stocks of raw materials and finished goods have been physically verified by the management at reasonable intervals. As explained to us, no physical verification was conducted of stores and spare parts.

iv) The procedures of physical verification of finished goods and raw material followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. No physical verification of stores was conducted, therefore we are not in a position to comment thereon.

v) The discrepancies noticed on physical verification of stocks and raw materials with book records have been properly dealt with in the books of account.

vi) The valuation of stock is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.

vii) Except loan from a company in which a Director is interested, 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. We are informed that there is no company under the same management as defined under section 370(1B) of the Companies Act, 1956.



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- viii) 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 except Rs. 24,96,495/- due from M/s. McKilligan Distillery Ltd., a wholly owned subsidiary company.
- ix) In respect of loans and advances in the nature of loans given free of interest to employees and to Corporate Bodies and others, the terms for repayment of principal and interest, where charged, have not been stipulated, therefore, we are unable to comment in this respect. In our opinion granting of the free of interest loans aggregating to Rs. 57,18,630/- at the close of the year is prima-facie not in the interest of the Company.
- x) In our opinion and according to the information and explanations given to us, adequate internal control procedures commensurate with the size of the Company and the nature of its business do not exist with regard to the purchase of Raw Materials, Stores including components, plant & machinery, equipment and other assets and for sale of goods.
- xi) According to the information and explanations given to us there are no transaction of sale of goods, material and services aggregating during the year to Rs. 50,000/- or more in respect of each party in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956.
- xii) We are informed that unserviceable, damaged or obsolete stores, spare parts etc. are in the process of being determined by the Company and that adequate provision for the loss, if any, will be made in the accounts in due course.
- xiii) In our opinion and according to the explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposit) Rules, 1975, with regard to the deposits accepted from the public.
- xiv) In our opinion, the Company has maintained reasonable records for sale and disposal of realizable by-products except for scrap which need to be updated.
- xv) A firm of Chartered Accountants has been appointed to conduct the internal audit of the Company and in our opinion, the same is commensurate with the size and nature of the business of the Company.
- xvi) We are informed that the Company has made and maintained Cost Records as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956. However, we are not required to carry out and have not carried out any detailed examination of the such records with a view to determine whether they are adequate or complete.
- xvii) According to the records of the Company, Provident Fund dues have not been regularly deposited during the period with appropriate authority. These arrears of Provident Fund dues at the close of the year were Rs. 5,17,553/- only. As explained to us, the provision of Employees' State Insurance Act are not applicable to the Company.
- xviii) According to the information and explanations given to us, on the last day of the financial year except Sales tax/Trade tax amounting to Rs. 13,74,571/- and excise duty Rs. 1,15,366/- there were no other material amounts outstanding in respect of undisputed Income-tax, Wealth tax, Sales-tax/Trade-tax, Custom duty and Excise duty which were due for more than six months from the date they became payable.
- xix) On the basis of the examination of the books of account carried out by us and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to the Profit & Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx) 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 Basant Ram & Sons  
Chartered Accountants

(R.K. NAYAR)  
Partner

New Delhi.  
Dated: 29th August, 1997.

## THE NARANG INDUSTRIES Limited

**BALANCE SHEET**

as at 31st March, 1997

	<i>Schedules</i>	<i>As at 31-3-1997 Rupees</i>	<i>As at 31-3-1996 Rupees</i>
<b>LIABILITIES</b>			
Share Capital	'1'	3,67,68,800	3,67,68,800
Reserves & Surplus	'2'	5,12,80,287	4,97,25,496
Secured Loans	'3'	4,01,18,283	3,78,69,531
Unsecured Loans	'4'	1,41,32,761	1,12,51,378
Current Liabilities & Provisions	'5'	17,75,26,385	19,82,08,064
		<u>31,98,26,516</u>	<u>33,38,23,269</u>
<b>ASSETS</b>			
Fixed Assets	'6'	8,24,47,338	7,25,78,868
Investments	'7'	89,86,040	90,24,160
Current Assets	'8'	16,23,46,464	18,63,15,966
Loans & Advances	'9'	6,42,03,987	6,43,02,588
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Deferred Revenue Expenditure		6,44,664	1,04,156
Debenture Issue Expenses		11,98,023	14,97,531
		<u>31,98,26,516</u>	<u>33,38,23,269</u>

Significant Accounting Policies,  
Current Liabilities & Notes

'15'

As per our report of even date  
for BASANT RAM & SONS  
Chartered AccountantsDEVINDER RAJ NARANG  
Managing Director(R.K. NAYAR)  
Partner  
New Delhi  
Dated: 29th August, 1997.S.K. SHARMA  
Sr. Manager (Accounts)S.K. BHAKRI  
Company SecretarySURINDER MALIK  
Executive Director