

# **The NARANG INDUSTRIES Limited**

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**58TH ANNUAL REPORT & ACCOUNTS 2000-2001**



## **THE NARANG INDUSTRIES LIMITED**

### **FOUNDER**

Dr. Sir Gokul Chand Narang

### **BOARD OF DIRECTORS**

Mr. Dipak Raj Narang	<i>Chairman</i>
Mr. Devinder Raj Narang	<i>Managing Director</i>
Mr. A. K. Jain	<i>Director (Finance &amp; Corporate)</i>
Mr. S. K. Mittal	<i>Director (Nominee of PICUP)</i>

### **COMPANY SECRETARY**

Mr. A. K. Jain

### **AUDITORS**

M/s. Basant Ram & Sons  
Chartered Accountants

### **COST AUDITORS**

Rishi Mohan Bansal

### **BANKERS**

State Bank of Hyderabad

Punjab National Bank

### **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

### The Narang Industries Limited

Regd. Office : P.O. Sugar Factory, Nawabganj, Distt. Gonda, U.P.-271 304

### NOTICE

Notice is hereby given that the Fifty-Eight Annual General Meeting of the shareholders of The Narang Industries Limited will be held at the Registered Office of the Company at P.O. Sugar Factory, Nawabganj, Distt. Gonda, U.P. on Friday, September 28, 2001 at 11 A.M. to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended March 31, 2001 and Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Dipak Raj Narang who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

RESOLVED THAT in terms of Sections 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with those Stock Exchanges, where the shares of the Company are listed and subject to the consent of all concerned authorities, if and to the extent necessary and 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 of the Company be and is hereby accorded to the Board to offer/issue/allot equity shares of the face value of Rs.10/- each at par subject to an aggregate amount not exceeding Rs.25 lacs (Rupees Twenty five Lacs) to be subscribed, by any person or persons, whether or not shareholders of the Company on such terms and conditions as the Board may in its absolute discretion think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit without being required to seek any further consent or approval of members or otherwise, to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority 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", which term shall be deemed to include any Committee thereof for the time being exercising the power conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges at Uttar Pradesh, Mumbai and New Delhi.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors, be and is hereby authorised on behalf of the Company, to do all such acts, deeds & things as it may deem fit and proper in its



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discretion being necessary or desirable in respect of the above as it may in its absolute discretion, deem necessary to give effect to this resolution.

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 Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the consent of the Company be and is hereby granted to insert the following Article 8A in the Articles of Association of the Company:

"8A. The Company may issue equity shares with differential voting rights as to dividend, voting or otherwise in accordance with the provisions of the Companies Act, 1956."

By Order of the Board of Directors

New Delhi  
September 3, 2001

**A. K. JAIN**  
Director (Finance & Corporate)  
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 and such proxy need not be a Member of the Company. Proxies in order to be valid and effective must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out above is appended hereunder.
3. The Register of Members and Share Transfer Books will remain closed for two days on 27<sup>th</sup> and 28<sup>th</sup> September, 2001.
4. Members who hold shares in dematerialised form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
5. Members are requested to notify change in their addresses, if any, quoting their respective Folio Number to the Registered Office of the Company.
6. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.
7. As a measure of economy, copies of the Annual Report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.

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

#### Item No. 4

The Board of Directors of your Company in its meeting held on September 3, 2001 has decided to issue and allot 250000 equity shares of Rs.10 each at a price of Rs.10 per share by way of preferential allotment.

The proceeds of Rs.25 lacs of the said preferential allotment, have already been received by the Company and has been classified —

- a) to the extent of Rs.22 lacs under the head 'Security Deposits' forming part of 'Unsecured Loans.'
- b) to the extent of Rs.3 lacs under the head 'Sundry Creditors' forming part of 'Current Liabilities and Provisions.'

The subject proceeds of Rs.25 lacs have been utilised for the purposes of Company's business operations/modernization of its factory at Nawabganj.



## The Narang Industries Limited

### EXISTING & PROPOSED SHAREHOLDING OF THE PROPOSED ALLOTTEES

Name	Existing Holding (No. of Shares)	Additions (No. of Shares)	Proposed Holding (No. of Shares)	%age (No. of Shares)
M/s. Rapti Leasings Limited	Nil	1,50,000	1,50,000	2.52
Mrs. Maya Nath	Nil	50,000	50,000	0.84
Mrs. Premiata Srivastva	Nil	40,000	40,000	0.67
Ms. Soma Nath	Nil	10,000	10,000	0.16
<b>Total</b>		<b>2,50,000</b>	<b>2,50,000</b>	<b>4.2</b>

### THE SHAREHOLDING PATTERN AFTER THE PROPOSED PREFERENTIAL ALLOTMENT WILL BE AS FOLLOWS:

S. No.	Category of Shareholders	Before Offer		After Proposed Offer	
		No. of Shares	%age to Total Shares	No. of Shares	%age to Total Shares
1.	Promoter Group	3404425	59.86	3404425	57.35
2.	Public	2282455	40.14	2532455	42.65
	<b>Total</b>	<b>5686880</b>	<b>100</b>	<b>5936880</b>	<b>100</b>

The promoters/directors have no intention to subscribe to the offer.

Section 81 of the Companies Act, 1956, and the listing Agreements executed with the Stock Exchanges provides that when a Company proposes to increase its subscribed capital by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company. It is further specified that further shares may be offered to any person in any manner whatsoever if a special resolution to that effect is passed by the Company in General Meeting.

The consent of the shareholders is being sought to enable the Company for issuing further share capital in the manner set out at Item No. 4 of the notice pursuant to the provisions of Section 80, 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various Stock Exchanges where the Company's Shares are listed.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

The abovesaid preferential allotment of equity shares shall be complete within 3 months of the date of passing this special resolution.

The Board commends the Special Resolution for member's favourable consideration.

None of the Directors is concerned or interested in the said resolution.

#### Item No. 5

Presently, the shares of your Company are listed at the following Stock Exchanges in India :

1. The Uttar Pradesh Stock Exchange Association Limited.
2. The Stock Exchange, Mumbai.
3. The Delhi Stock Exchange Association Limited.

The Equity Shares of your Company are compulsorily tradable in dematerialised form w.e.f. April, 2001.

The shares of your Company remained infrequently traded during the last few years. Your Company has been spending considerable amount of money on listing fees, advertisement in newspaper in respect of various provisions of the listing agreements. Shareholders do not get any benefit despite your Company spending these and it is also observed that the listing fee paid to the other Stock Exchanges is disproportionately higher.



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As part of its cost reduction measures, the Company has proposed this resolution. The proposed delisting of the Company's securities from the Stock Exchange, Mumbai and The Delhi Stock Exchange Association Limited, as and when the same takes place, will not adversely affect the investors. The Company's securities will continue to be listed on The Uttar Pradesh Stock Exchange Association Limited, the Regional Stock Exchange.

In line with SEBI regulations members' approval is being sought by a Special Resolution for enabling voluntary delisting of its Securities from the said other Stock Exchanges.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

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

The Board commends the Special Resolution for member's favourable consideration.

### Item No. 6

Vide Companies (Amendment) Act, 2000, Section 86 of the Companies Act, 1956 has been amended authorising the Companies to issue equity shares with differential voting rights as to dividend, voting or otherwise.

Further the Central Government has also notified the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, pursuant to which authority of Articles of Association of the Company is required to issue equity shares as such. It is therefore, proposed that the Company's Articles of Association be suitably amended, as set out in the resolution at Item No. 6.

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

The Board commends the Special Resolution for member's favourable consideration.

By Order of the Board of Directors

**A. K. JAIN**

Director (Finance & Corporate)  
Company Secretary

New Delhi  
September 3, 2001





## THE NARANG INDUSTRIES LIMITED

### DIRECTORS' REPORT

To The Shareholders

Your Directors have pleasure in presenting Fifty-Eighth Annual Report on business and operations of your Company together with the Audited Statement of Accounts for the year ended March 31, 2001.

#### FINANCIAL RESULTS

Year to March/Rs.

	2000-2001	1999-2000
Profit before Interest, Depreciation & Tax	2,14,44,939	2,28,70,573
Less : Interest	1,14,95,984	1,07,00,194
: Depreciation	63,59,381	85,89,108
Net Profit for the Year	35,89,574	35,81,271
Less : Adjustment of Previous Year's Expenditure (Net)	11,32,473	2,92,34,850
: Income-tax paid for earlier years	—	59,374
: Provision for Income tax	1,87,000	—
<b>Profit/(Loss) available for appropriation</b>	<b>22,70,101</b>	<b>2,57,12,953</b>
Loss adjusted from General Reserve	—	2,34,86,547
Deficit as per last year	22,26,406	—
<b>Surplus/(Deficit) carried to Balance Sheet/General Reserve</b>	<b>43,695</b>	<b>(22,26,406)</b>

#### THE YEAR IN FOCUS AND FUTURE OUTLOOK

Despite the Company's concerted efforts to increase its productivity, control cost and give a fillip to its sales for better price realisation, the year 2000-01 did not bring in the desired results and the Company could make a profit before tax of Rs.35,89,574 during the year under review. Substantial increase in cost of raw materials and energy prices could not be passed on, resulting in reduction in value addition in respect of all the products. Provisions & write off in respect of bad debts, advances and recoverables have adversely affected the bottom line of the Company. Your Company continues to focus on more remunerative product mix, stringent quality control and cost reduction. These steps are expected to help improve the performance of your Company.

During the current year the Company has launched new brands, namely 'Crorepati' and 'Chandni' to cater to the needs of the wider section of the market of cheap liquor segment. These brands have found ready acceptability with the trade and the consumers and their response is very encouraging. In spite of a keen competition and over-supply situation in the cheap liquor segment, your Company is set to steer through the competition successfully and the sales volumes are likely to grow considerably. Your Company has also taken necessary steps to face the situation arising out of withdrawal of restriction on import of foreign liquor.

Your Directors are happy that your Company will be able to meet the challenges of the future through well-defined objectives and strategies to improve the performance in the coming months. The Company is fully geared up to avail of the opportunities that may come its way.

#### DIVIDEND

After reviewing the working of the Company and considering the outlook for the current year, your Directors do not recommend any dividend on Equity Shares for the year ended March 31, 2001.

#### PREFERENTIAL ALLOTMENT OF SHARES

The Board of Directors of your Company in its meeting held on September 3, 2001 has decided to issue and allot 250000 equity shares of Rs.10 each at a price of Rs.10 per share by way of preferential allotment.

The proceeds of Rs.25 lacs of the said preferential allotment, have already been received by the Company and have been utilised for the purposes of company's business operations/modernization of its factory at Nawabganj.

#### SUBSIDIARY COMPANY

During the year under review, MC Kiligan Distillery Limited (MDL), a 100% subsidiary of your Company was incorporated. Your Company also acquired 100% of the issued share capital of Narang Distillery Private Limited in July 2001. Further Narang Breweries Limited (NBL) ceased to be the subsidiary of your Company w.e.f. July 30, 2000 after divestment of 100% of its stake in favour of South African Breweries (India) Limited.





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Pursuant to Section 212 of the Companies Act, 1956, the statement required by Clause (e) of sub-section (1) is annexed hereto. However, the first accounting year of MDL will end on March 31, 2002 and therefore the audited statement of accounts alongwith the Reports of the Auditors and the Board of Directors are not annexed.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Dipak Raj Narang retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Appropriate resolution for his re-appointment is placed before you for your approval.

### COST AUDIT

Pursuant to the directions of the Central Government under provisions of Section 233B of the Companies Act, 1956, Mr. Rishi Mohan Bansal has been re-appointed to carry out the cost audit for the year 2001-2002. His appointment has been approved by the Department of Company Affairs.

### AUDITORS

M/s. Basant Ram & Sons, Chartered Accountants, New Delhi, Statutory Auditors of your Company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to serve, if appointed.

### AUDITORS' REPORT

As regards Provident Fund, the Company has deposited the dues with the Trustees of the Funds regularly except for a few occasions. The outstanding amount as at the end of the year has since been deposited.

Fixed Assets Register is under preparation and is likely to be over shortly.

As regards interest free loans and advances to employees and others, these have been granted to them for business dealings with the Company. The Company has already initiated action to settle these loans/advances.

The other observations of the Auditors are explained, wherever necessary in appropriate notes to the accounts.

### PARTICULARS OF EMPLOYEES

The Company has not paid any remuneration attracting the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975. Hence no particulars are furnished in this regard.

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

Information with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo, pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is set out in Annexure to this report.

### ENVIRONMENT AND SAFETY

Your Company is taking adequate steps to keep the environment clean and healthy. Due care is taken to build greater awareness to provide pollution-free working environment. Effective effluent treatment remained a matter of top priority. Your Company maintained the highest standards of safety at its plants.

Your Company is fully aware of its responsibilities towards the ecology. It makes a conscious effort to ensure compliance with the standards of the Pollution Board in the area where its factory is situated.

### INDUSTRIAL RELATIONS

During the year under review the relations between employees and management remained cordial.

### FIXED DEPOSITS

Your Company accepts fixed deposits from the public and the members without any invitation. The outstanding public deposits as at the end of year under review amounted to Rs.56,56,000. There were no overdue deposits other than unclaimed deposits.

### LISTING DETAILS

The Equity Shares of your Company continue to be listed during the year under review at :

1. The Uttar Pradesh Stock Exchange Association Limited.
2. The Stock Exchange, Mumbai.





## THE NARANG INDUSTRIES LIMITED

### 3. The Delhi Stock Exchange Association Limited.

Your Company has paid the annual listing fees to these subject Stock Exchanges for the financial year 2001-2002.

### CORPORATE GOVERNANCE

Transparency and accountability leading to management reliability are the cornerstones of corporate governance. In its basic objective, corporate governance is different from corporate performance. The ultimate objective of good corporate governance is to enhance the shareholders' value in the long term. Corporate governance recognizes all stakeholders and the decision-making process reflects this concern.

Your Directors are committed to engender good governance practices. The Stock Exchanges have amended the Listing Agreement by incorporating a new Clause 49 covering corporate governance, which is an important instrument of investor protection. As per amendment, your Company has to comply with the requirements of Clause 49 before March 31, 2003. Your Company has already commenced the process of implementation of the mandatory requirements and will ensure that all mandatory provisions are fully complied with well before the last date prescribed by the Stock Exchanges. In the process, the Board is proposed to be expanded while ensuring its performance as a team. The Directors' responsibility would be to ensure the long term success of the Company while at the same time complying with legal and regulatory duties as custodians of the Company.

### AUDIT COMMITTEE

Newly inserted Section 292A vide Companies (Amendment) Act, 2000 specifies that every public Company having a paid-up share capital of not less than Rs. five crores shall constitute a committee of the Board known as 'Audit Committee.'

Your Directors are pleased to inform you that steps have been initiated to comply with the provisions of the aforesaid Section.

### DEMATERIALISATION OF SECURITIES OF THE COMPANY

The Equity Shares of your Company are now compulsorily tradable in dematerialised form. Your Company has already signed Tripartite Agreements with National Securities Depository Ltd. (NSDL), Central Depository Services Ltd. (CDSL) & MCS Ltd., New Delhi, the Registrar and Share Transfer Agents of the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with regard to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the accounts for the financial year ended March 31, 2001, the applicable accounting standards have been followed and there are no material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that the Directors have prepared the accounts for the financial year ended March 31, 2001 on a going concern basis.

### ACKNOWLEDGEMENTS

Your Board of Directors wishes to thank their Customers; Bankers —State Bank of Hyderabad; Punjab National Bank; State Financial Corporation (PICUP); all Government authorities & suppliers for the continued co-operation and unstinted support extended to the Company.

Your Directors take this opportunity to express their grateful thanks for the dedication, commitment and enthusiasm of its employees and are also thankful to the Shareholders for their continued patronage.

For & on behalf of the Board of Directors

New Delhi  
September 3, 2001

**DIPAK RAJ NARANG**  
Chairman