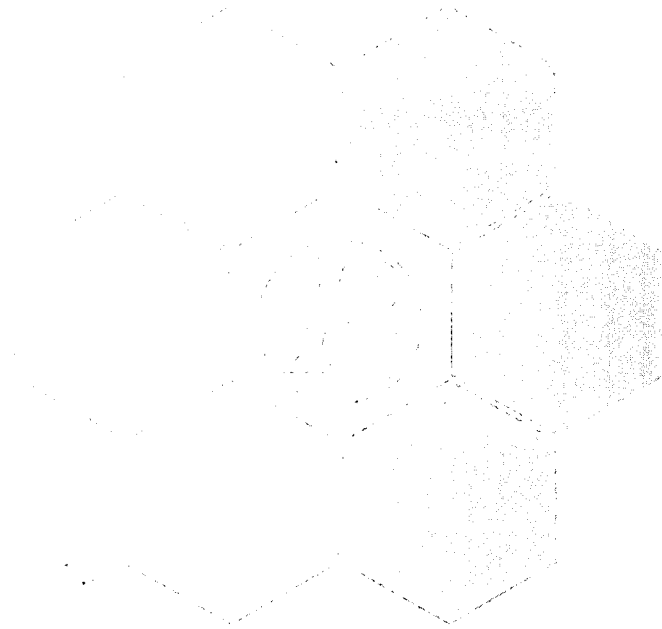


MD	✓		RKC	✓
CS	✓		MA	✓
RO	✓		MA	✓
TRA	✓			✓
AGM	✓	✓		✓
YE	✓	✓		✓



4th ANNUAL REPORT

1997/98

POLYCHEM LIMITED



(INCORPORATED UNDER THE INDIAN COMPANIES ACT VII OF 1913)

<b>BOARD OF DIRECTORS</b>	SHRI TANIL KILACHAND <i>Chairman &amp; Managing Director</i> SHRI M. Ct. MUTHIAH SHRI H. C. SHAH SHRI F. M. PARDIWALLA <i>(Nominee Director of ICICI)</i> SHRI R. A. SHAH SHRI M. R. B. PUNJA SHRI K. H. KAZI <i>(Nominee Director of UTI)</i> SHRI P. T. KILACHAND <i>(Whole-time Director)</i>
<b>COMPANY SECRETARY</b>	SHRI A. H. MEHTA
<b>BANKERS</b>	STATE BANK OF INDIA BANK OF BARODA DENA BANK
<b>AUDITORS</b>	MESSRS C. C. CHOKSHI & COMPANY <i>Chartered Accountants</i>
<b>LEGAL ADVISERS</b>	MESSRS DAPHTARY, FERREIRA & DIVAN
<b>REGISTERED OFFICE</b>	7, Jamshedji Tata Road Churchgate Reclamation Mumbai 400 020

<b>WORKS</b>	<b>CORPORATE MANAGEMENT TEAM</b>
ALCOHOL DISTILLERY & POTABLE LIQUOR UNIT Nira, Taluka Baramati, Dist. Pune	SHRI TANIL KILACHAND <i>Managing Director</i>  SHRI P. T. KILACHAND <i>Whole-time Director</i>
ACRYLONITRILE BUTADIENE STYRENE PLANT 14, PCC Area, P.O. Petrofils VADODARA 391 347	SHRI A. H. MEHTA <i>VP — Corporate Affairs &amp; Company Secretary</i>
VINYL ACETATE MONOMER PLANT AND POLYVINYL ALCOHOL PLANT Nimbut Village, Dist. Pune	SHRI Y. S. MATHUR <i>Vice President — Operation</i>

Note : As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

## POLYCHEM LIMITED

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**NOTICE**

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Notice is hereby given that the Forty-first Annual General Meeting of the Members of POLYCHEM LIMITED will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, 76, Veer Nariman Road, Churchgate, Mumbai 400 020 on Thursday, 31st December, 1998 at 11 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the fifteen months period ended on 31st March, 1998.
2. To appoint a Director in place of Shri M. Ct. Muthiah who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri H. C. Shah who retires by rotation, but being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification/s the following resolution as a Special Resolution:  
 "RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. C. C. Chokshi & Company, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.1,00,000/- (Rupees one lac only) in addition to reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit".

**SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass with or without modification/s the following resolution as a Special Resolution:  
 "RESOLVED THAT consequent upon the financial year of the Company having been extended from 1st January, 1998 to 31st March, 1998, M/s. C. C. Chokshi & Company, Chartered Accountants, Auditors of the Company be paid a sum of Rs. 25,000/- as additional remuneration for the extended period of the financial year from 1st January, 1998 to 31st March, 1998.
6. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution:  
 "RESOLVED THAT pursuant to the provisions of the Securities Contracts Regulation Act, 1956, as amended by SEBI Act, 1992 and other applicable provisions, if any, subject to such approvals as may be necessary, and in view of infrequent trading of shares in Ahmedabad Stock Exchange, the Company hereby approves delisting of 1,61,61,808 Equity Shares from the Stock Exchange, Ahmedabad".
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 Section 163 of the Companies Act, 1956 and in supersession of the Special Resolution passed at the 36th Annual General Meeting of the Company held on 23rd September, 1992, the Company hereby approves that the Registers of Members, Indexes of Members, the Registers and Indexes of Debentureholders, copies of Annual Returns of the Company and other related books and documents prepared under Section 159 of the Companies Act, 1956 together with the copies of Certificates and Documents required to be annexed thereto under Section 161 of the said Act or any one or more of them be kept at the premises of Company's Registrar and Share Transfer Agents, M/s. Tata Consultancy Services at Lotus House, 6, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020 and/or at Marwah House, 1st Floor, Plot No. 3, Marwah Estate, Saki Vihar Road, Andheri (E), Mumbai 400 072".

By Order of the Board of Directors

A. H. MEHTA  
VP – Corporate Affairs & Company Secretary

Registered Office :  
7, Jamshedji Tata Road  
Churchgate Reclamation  
Mumbai 400 020  
Dated: 23rd November, 1998.



## DIRECTORS' REPORT

To  
The Members of  
POLYCHEM LIMITED

Your Directors present the Forty-first Annual Report and Statement of Accounts for the fifteen months period ended 31st March, 1998.

	01.01.97 to 31.03.98 (15 months) Rs. in lacs	01.10.95 to 31.12.96 (15 months) Rs. in lacs
<b>FINANCIAL RESULTS</b>		
Sales including Excise duty	6,810.50	16,833.90
Loss before Interest, Depreciation & Tax	(955.73)	(677.11)
Interest	2,190.47	2,184.18
Depreciation	438.86	551.85
Loss before tax & Extraordinary items	(3,585.06)	(3,413.14)
Extraordinary Items	—	1,528.63
Provision for wealth tax	(4.00)	(2.00)
Short Provision for taxation in respect of earlier year	(23.77)	—
Loss after Taxes and Extraordinary items	(3,612.83)	(1,886.51)
	(3,612.83)	(1,886.51)
Balance brought forward	(2,376.53)	(490.02)
	(5,989.36)	(2,376.53)
General Reserve deducted per contra	1,127.62	266.33
Amount available for Appropriation	(4,861.74)	(2,110.20)
Balance carried forward	(4,861.74)	(2,110.20)
	(4,861.74)	(2,110.20)

During the fifteen months period ended 31st March, 1998 your Company incurred a loss of Rs. 3,612.83 lacs against loss of Rs. 1,886.51 lacs during the fifteen months period ended 31st December, 1996 after considering extraordinary items. In view of the loss, Directors regret their inability to pay any dividend on Equity and Redeemable Cumulative Preference Shares. Main reasons for the loss are increase in interest cost plus purchase costs of raw materials and utilities, coupled with low selling price, dumping of imported material, surplus local capacity in relation to demand and decline of production because of shortage of working capital and consequent operating losses due to reduced contribution.

### 1. PRODUCTION & SALES

Sales including excise duty during the period of 15 months (1st January 1997 to 31st March 1998) was Rs. 68.10 Crores compared to Rs.168.34 Crores during the previous year (Oct. 1995 - Dec. 1996). The down trend was primarily due to combined effect of lower production, liquidity constraints and declining realisation on account of heavy imports at very low prices. The Company was unable to purchase sufficient raw materials to ensure continuous operations of the plants and was also unable to match the credit terms offered to customers by other manufacturers. VAM is the major product of the Company and this market was seriously affected from December '97 onwards due to huge surge in imports of VAM on account of exceptionally low priced material available from large producers in the world. The crash in international prices can be attributed to the start up of large plants in Asia as well as the economic and currency crises faced by ASEAN countries and the consequential slow down in the demand for VAM. The Chemical Division operations of the Company are primarily based on agro product i.e. sugarcane and molasses. The period under review saw a substantial drop in availability of sugarcane and molasses thereby leading to high prices. High cost of production and depressed selling prices also affected the operations of the Company. The operations of Polyvinyl Alcohol plant were gradually brought to a halt after March '97 on account of economic unviability.

## POLYCHEM LIMITED

**2. STYRENICS DIVISION**

The production of ABS and SAN at Baroda plant were 1120 MT and 1216 MT during the period Jan. '97 to Mar. '98 respectively. During the period sale of ABS and SAN were 1246 MT and 535 MT respectively.

For the reasons mentioned earlier, the production levels remained very low though successful efforts were made to retain several key customers in specified regions of the country.

Strategic and sourcing alliance were also initiated during this period with GE Plastics India Ltd. and are expected to bear fruit in due course.

**CHEMICALS DIVISION****VAM PLANT**

Vam production was 5,221 MT as compared to 9,585 MT during the previous annual report period (October '95 to December '96). 5,384 MT of VAM was sold as compared to 8,297 MT during the previous report period.

**PVA PLANT**

43 MT of different grades of PVA were produced as compared to 596 MT during the previous annual report period. 156 MT of PVA was sold as compared to 546 MT during the previous report period.

**ACETIC ACID**

6,933 MT of Acetic Acid was produced during the period as compared to 9,135 MT during the previous report period. 2,896 MT of Acetic Acid was sold as compared to 2,127 MT during the previous reporting period.

**DISTILLERY**

Rectified Spirit production during the period was 8,053 KL as compared to 9,185 KL during the previous report period.

**3. DEVELOPMENT OF LAND AT GOREGAON**

Company has received necessary permissions from various authorities for development of land at Goregaon with a reputed Developer viz. Mahindra Realty & Infrastructure Developers Ltd. (MRIDL) Major portion of the building dismantling work has been completed. Construction has started on first two Residential Buildings and work on foundation is nearing completion. Project is to be launched for sale shortly. It is proposed to mortgage Goregaon land in favour of MRIDL as security against advances made by them.

**4. STEPS FOR REDUCTION IN LOSSES**

The commodity plastics segment of Styrenic products has yet to see an upturn in their prospects. With this in view, a strategic and sourcing alliance with GEPI in order to sustain a minimum level of operations and reduce losses has been concluded. Company has sold/and is in the process of selling non-performing and surplus Assets and closing down its unviable operations/businesses.

It has also given Voluntary Retirement to 200 employees during the period under report and not filled vacancies caused due to resignations or retirements of employees. Some offices in and outside Mumbai have been closed and the Company has also taken various steps for reducing expenses.

Company has taken the necessary permission of shareholders at the Extraordinary General Meeting held on 23rd November, 1998 for sale of Nira Units viz. Alcohol Distillery, Acetic Acid and VAM subject to necessary permissions. Sale will enable the Company to reduce cash losses and pay off the debts of Institutions and Banks.

**5. IMFL JOINT VENTURE**

The Joint Venture Company, International Distillers (India) Ltd. continues to perform reasonably well. Overall sales in volume are up by almost 19%. The carried forward losses have been wiped out and the Company seems to be on course for satisfactory performance in the future. However, to meet the obligations to the Financial Institutions and Banks and raise working capital the Company is in process of selling 7 lakhs shares of International Distillers India Ltd. Company has made an application to the Foreign Investment Promotion Board and their approval is awaited.

**6. GUJARAT POLY-AVX ELECTRONICS LIMITED**

The accumulated losses by Gujarat Poly-Avx Electronics Ltd. as on 31st March 1998 were Rs.19.64 crores and had exceeded the net worth of the Company. BIFR has declared the Company as "Sick" Industrial Company in terms of the



provisions of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985. BIFR vide its Order dated 20th April, 98 directed the operating agency viz. ICICI to immediately issue an advertisement in News papers so that interested parties may submit their revival proposals/bids in this regard. Some parties have shown interest in the revival of the Company for which necessary details are being supplied.

## **7. FINANCE**

The Company has repaid loans to Financial Institutions aggregating to Rs. 306 lacs during the period and Rs. 19 lacs thereafter and has not received any loan during the period.

## **8. REFERENCE TO THE BOARD OF BIFR**

Since the accumulated losses at the end of the Financial Year 1997-98 have exceeded the entire net worth of the Company, the Board of Directors is required to make reference to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for determination of the measures which shall be adopted with respect to the Company. Reference to the BIFR shall be made shortly.

## **9. INDUSTRIAL SAFETY AND POLLUTION CONTROL**

- a) Safety record at the Plants continues to be satisfactory. There was one reportable accident at ABS plant, Baroda and Nira plant had an accident free record.
- b) ABS Plant at Baroda received the Gujarat Safety Shield from Gujarat Safety Council and Gujarat State Factory Inspectorate for lowest DII for the year 1995.
- c) Received 1st Prize in Chemical Industries Group (employing more than 100 employees) and 2nd Prize in Major Accident Hazard Installation Group for the best safety performance for the year 1996. This competition was jointly organised by Rotary Club of Pune (North) and Directorate of Industrial Safety & Health, Pune.
- d) Nira unit has been declared runner up for the 1994 National Safety Award for "Average Lowest Accident Frequency Rate". This was declared on 29th July, 1997 by the Ministry of Labour, Government of India.

## **10. TAXATION**

The Company's Income Tax assessments have been completed upto year ended 31st March, 1995.

## **11. DEPOSITS**

Deposits aggregating to Rs. 42.25 lacs due for repayment remain unclaimed as on 31st March, 1998. Deposits of Rs. 4.19 lacs have since been renewed and/or repaid.

## **12. SUBSIDIARY COMPANIES**

Information under Section 212 of the Companies Act, 1956 in respect of Subsidiary Companies is attached. During the year Ankshree Investments & Trading Co. Ltd. ceased to be a subsidiary of the Company. M/s. Lokranjan Breweries Pvt. Ltd. has become a subsidiary of the Company. Company has transferred its country liquor licence to Lokranjan Breweries Pvt. Ltd.

## **13. INDUSTRIAL RELATIONS**

Industrial Relations with the employees at all the Units of the Company were cordial during the period under report.

## **14. PARTICULARS OF EMPLOYEES**

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered office of the Company.

## **15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.**

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc. is given in Annexure II forming part of this report.

## POLYCHEM LIMITED

**16. DIRECTORS**

Shri M. Ct. Muthiah and Shri H. C. Shah retired from Office by rotation but, being eligible, offers themselves for re-appointment.

Shri Jaykrishna Harivallabhdas has resigned as a Director the Company with effect from 14th October, 1998. The Board lays on record the active and invaluable guidance given by him to the Company during the tenure of his Directorship over the the last three decades.

LIC has withdrawn Shri R. Ramakrishnan as their Nominee Director on the Company's Board. The Board records the valuable services rendered and guidance given by Shri R. Ramakrishnan during the tenure of his office.

**17. AUDITORS' REMARKS**

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self explanatory.

**18. AUDITORS**

You are requested to appoint Auditors for the current year. The retiring Auditors, M/s. C. C. Chokshi & Company, Chartered Accountants, Mumbai are eligible for reappointment.

The Directors extend their sincere thanks to the Company's valued customers, the State and Central Government authorities, Depositors, Financial Institutions, Bankers and Shareholders for their co-operation and continued financial support during the difficult times being experienced by the Company.

Sincere thanks are also due to the management team, the staff and workers for their valuable contribution despite adverse circumstances being faced by the Company.

On behalf of the Board of Directors

**TANIL KILACHAND**

*Chairman & Managing Director*

7, Jamshedji Tata Road,  
Churchgate Reclamation  
Mumbai 400 020

Dated: 23rd November, 1998.





## ANNEXURE II

### A. CONSERVATION OF ENERGY

(a) Energy Conservation steps undertaken

Savings  
Rs.in lakhs p.a.  
3.00

i Discharge water from vacuum pumps were recycled completely to reduce effluent plant load by 45% and thus ETP power consumption is reduced.

ii Burner in hot oil unit (Isotex) was modified to reduce consumption of LDO

1.50

iii Returning the moulding machine cooling water to cooling tower.

2.00

iv Replacing 15 HP soft water pump motor with 3 HP

2.40

(b) Additional investments and proposals being considered.

Sr. No.	Description	Investment in lakhs	Saving/ annum
01	Replacement of existing standard motors with high efficiency motors for continuous operation such as dryer, fans for cooling towers, D.C. exhaust blower, CT pump motor etc.	4.00	2.00
02	DG set: Installation of Auto on main failure to avoid off grade SAN production in continuous plant	3.00	6.00
03	Replacing present heat exchanger with fan and radiator of 630 KVA DG set.	3.00	3.00
04	Replacement of turbine pumps by centrifugal pumps in cooling tower.	5.00	5.00

(c) Impact is expected to reduce the cost of production.

(d) Data in respect of Energy Consumption are tabulated in Form A.

### FORM 'A'

#### POWER AND FUEL CONSUMPTION

	1997-98 Jan. '97 to Mar. '98	1995-96 Oct. '95 to Dec. '96
(1) <b>Electricity</b>		
(a) Purchased units (Kwh)	17015841	26901819
Total Amount (Rs.)	69534191	89216063
Rate/Unit (Rs./Kwh)	4.09	3.32
(b) Own Generation (Diesel)		
Units (Kwh)	64225	1358195
Units/Ltr. HSD	2.49	2.81
Cost/Unit (Rs./kwh)	5.44	2.80
(2) <b>Coal (for steam raising)</b>		
Quantity (MT)	16078	27864
Total Cost (Rs.)	35375798	53569137
Rate Rs./MT	2200.26	1922.52
(3) <b>Furnace Oil/LDO (for steam raising and process heating)</b>		
Quantity (KL)	1058	2211
Total Cost (Rs.)	9711660	16110978
Rate (Rs./KL)	9179	7287



## POLYCHEM LIMITED

## FORM 'B'

Disclosures of particulars with respect to Technology Absorption, Research & Development.

**A. Research and Development**

1. Specific area in which R & D work is carried out.
  - (a) Product development.
  - (b) Process development.
  - (c) SBR latex is developed and is being commercialised for paper coating. Another grade of SBR latex is developed for MBS.
2. Benefits derived as a result of the above R & D.
  - i) Improved product thereby resulting in lower rejection and improved customer acceptance.
  - ii) Lower cost as a result of improvement in efficiency of usage of raw materials.
  - iii) SBR latexes are used in paper coating and alloying with other polymers.
3. Future plan of action.
 

To continue research on the above areas.
4. Expenditure on R&D
 

a) Capital	:	Nil
b) Recurring	:	Rs.17,314.00
c) Total	:	Rs.17,314.00
d) Total R&D expenditure as a % of total turnover	:	0.0025

**B. Technology - Absorption, Adaptation and Innovation**

1. Efforts in brief made towards technology absorption, adaptation and innovation.
  - a) We have taken know-how from M/s. Panmana Ltd., UK for the manufacture of PB latex, SAN copolymer and different grades of ABS by blending of High Rubber Graft with SAN.
  - b) The know-how was specific for improving the flexibility of the grades of ABS marketed by us and to reduce the energy consumption and process losses.
  - c) We are continuing the exercise for improvement in respect of all ABS grades and SAN.
  - d) All technical personnel have been trained to assimilate the new technology offered by M/s. Penmana Ltd., UK.
2. Benefits derived as a result of the above efforts e.g. product improvement cost reduction, product development, import substitution etc.
  - a) Able to improve the quality of the product thereby improving the customer acceptance.
  - b) Able to reduce the cost due to lower energy consumption & lower process losses.
  - c) Able to increase the range of grades of our product.
  - d) Able to substitute imported grades of ABS/SAN being used locally.
3. Imported Technology
 

No new technology has been imported. All earlier imported technologies have been fully absorbed and improved upon.
4. Foreign Exchange Earnings and Outgoings :
  - (i) Total Foreign Exchange used Rs. 2.52 Lakhs.
  - (ii) Total Foreign Exchange earned Rs. 57.87 Lakhs.



## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Polychem Limited as at 31st March, 1998 and also the Profit and Loss Account for the period from 1st January, 1997 to 31st March, 1998 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, 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, 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 purposes of our audit;
    - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
    - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the above books of account;
    - d) In our opinion, subject to Note No. 16 Re: Non provision for diminution in value of Investment, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956, that have been made mandatory by the Institute of Chartered Accountants of India.
    - e) Attention is invited to the following in Schedule No. 18.
      - i) Re: Income tax liability of Rs. 105.37 lakhs and Sales tax liability of Rs. 288.46 lakhs (vide Note No. 1(e) and (f) respectively);
      - ii) Re: Accounts of the company prepared on a going concern basis (vide Note No. 2);
      - iii) Re: Non-provision of excise demands of Rs. 72.72 lakhs (vide Note No. 4);
      - iv) Re: Non-provision for doubtful debts, loans and advances aggregating to Rs. 1006.68 lakhs (vide Note No. 7);
      - v) Re: Non-confirmation of balances (vide Note No. 8);
      - vi) Re: Capital Work-in-Progress of Rs. 1886.14 lakhs (vide Note No. 9);
      - vii) Re: Non redemption of 13.5% Redeemable Cumulative Preference Shares of Rs. 100/- each aggregating to Rs. 50.00 lakhs and arrears of dividend thereon of Rs. 33.75 lakhs (vide Note No. 13);
      - viii) Re: Non provision for diminution in the value of investment in Gujarat Poly-Avx Electronics Limited (vide Note No. 16).
- Subject to the foregoing, in our opinion and, to the best of our information and according to the explanations given to us, the accounts read with the other notes thereon 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 and
  - b. in the case of the Profit and Loss Account, of the loss for the period ended on that date.

**For C. C. Chokshi & Co.,**  
Chartered Accountants

Mumbai, Dated: 23rd November, 1998.

**A. Siddharth**  
Partner

## Annexure

Regarding: Polychem Limited

Referred to in paragraph 1 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situations of its fixed assets. All the assets have not been physically verified by the management during the period but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
2. None of the fixed assets has been revalued during the period.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding period.