

The word IMPOSSIBLE is a strange one. Daunting and severe as it sounds, it carries within itself the word POSSIBLE.

A word that sparkles with hope. It is much like everyday

life, wherein one is confronted with situations that are

packed with the first fear of IMPOSSIBILITY, but actually

conceal the opportunity of making things POSSIBLE. At the end

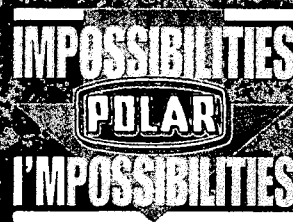
of the day, it is the way one looks at situations. At Polar, we

constantly compel and challenge ourselves to see opportunity

where others see adversity. To see light where others see

darkness. To see POSSIBILITIES where others see IMPOSSIBILITIES.

At Polar, this is not



Why, it is a process. Much like growth.



MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

BOARD OF DIRECTORS

Shri Anil Agarwal
Chairman & Managing Director

Shri Sunil Agarwal
Director

Shri S K Jatia
Director

Shri S M Shroff
Director

Shri N G Khaitan
Director

Shri N C Gupta
Nominee Director (GIC)

Smt Kuldeep Kaur
Nominee Director (IFCI)

Shri Rajendra Kela
Director

Shri M K Rustagi
Director (Finance)

Shri Ashok Tibrewala
Director cum Secretary

REGISTERED OFFICE

Poddar Point, 113 Park Street, Calcutta 700 016

CORPORATE OFFICE

A 105, Sector 5, Noida 201 301

WORKS

Ceiling Fan Division, A 2 Sector 5, Noida 201 301
District Gautam Budha Nagar (U.P.)

Calcutta Fan Unit, 58/4/2A B. T. Road, Calcutta

Pressing Division, 20/4 Mathura Road, Faridabad

Portable Fan Division, 20/4 Mathura Road, Faridabad

Pump Division, 20/4 Mathura Road, Faridabad

Motor Division, 20/4 Mathura Road, Faridabad

Pump Division, B 26/27, Sector 1, Noida 201 301,
District Gautam Budha Nagar (U.P.)

COMPANY SECRETARY

Shri Ashok Tibrewala

AUDITORS

M/s Singhi & Co.

PRINCIPAL BANKERS

Punjab National Bank, Sadar Bazar, Delhi

Allahabad Bank, Industrial Finance Branch,
Connaught Place, New Delhi

Union Bank of India, Industrial Finance Branch,
Connaught Place, New Delhi

REGISTRARS & SHARE TRANSFER AGENTS

M/s Computech International Ltd
77/2A Hazra Road, Calcutta 700 029



from the Chairman's desk

Impossible. A word which has no place in our vocabulary at Polar Industries Limited. Because we firmly believe that nothing is impossible.

That is precisely why the recession in the economy during the previous year failed to dampen our spirits. We made all endeavours to successfully encounter the adversities of the economic slowdown. The electrical fans division registered a growth of 5% in spite of several discouraging trends in the market. The pumps division witnessed the development of new models and an expansion of the market base. The challenge posed by the competition in the motors segment was boldly faced by us.

Polar Industries has always laid great stress on innovation and quality control. This fact is borne out by the technologically superior manufacturing equipment at each of our plants. And the number of international quality certifications.

We, at Polar Industries, realise that improvements must be made in the capital goods sector and in our infrastructure. Only then will we be able to bring an end to the

recession. We will continue to excel in all spheres to bring a favourable change in the existing scenario.

As far as the increased competition from foreign companies is concerned, Polar will remain prepared to face the challenge. Thus our constant improvements in manufacturing standards.

In international trade, exports recorded a substantial increase. Efforts have been made to consolidate the market position abroad. Polar's products have a sizeable presence in Europe, South Africa and in African and Gulf countries, as well as in other parts of Asia.

It is my firm belief that people in an organisation turn impossibilities into possibilities. And, as we prepare to go into the next millennium, I hope that both our workers and customers will continue to support us. So that we, who believe

that a storehouse of possibilities are contained in impossibilities, continue to go strength to strength.



Anil Agarwal
Anil Agarwal
Chairman



DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Fifteenth Annual Report and the Audited Accounts of your Company for the year ended 30th June, 1998.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	30.06.98	30.06.97
Profit before Interest & Depreciation	862.93	812.62
Less : Interest	617.46	295.24
Profit before Depreciation	245.47	517.38
Less : Depreciation	143.66	123.68
Profit before Taxation	101.81	393.70
Less : Taxation	11.00	29.00
Profit after Taxation	90.81	364.70
Add : Balance in Profit & Loss Account	822.43	658.43
Less : Short Provision of Income Tax for earlier years	(0.34)	(7.72)
Add : Excess Provision of Income Tax for earlier years written back	9.93	108.50
Surplus available for Appropriation	922.83	1123.91
Appropriation :		
Preference Shares Redemption Reserve	2.75	3.75
Debenture Redemption Reserve	100.02	100.02
General Reserve	25.00	100.00
Proposed Dividend on Preference Shares	3.50	3.50
Equity Shares	42.66	85.33
Corporate Dividend Tax	4.62	8.88
Balance Carried over	744.28	822.43
Total Appropriation	922.83	1123.91

OPERATIONS

You are already aware that the economy of the country continued to be under the grip of a stinging recession even during the previous year. A major thing witnessed during the year was world bodies acknowledging the spread of recession the world over and offering viable prescriptions to tide over the resultant crises. The South-Asian financial

turmoil further aggravated the crisis. In India, the ever-increasing fiscal deficit did no good to improve the country's economy. The decreased spending towards planned expenditure and infrastructural investments further dampened the market. The ultimate consumer was left with hardly any surplus to spend. Real estate prices hit the rock bottom. The market was virtually left with no demand.

Your Company deals primarily in products in the consumer goods segment, which witnessed an all time low demand. This shall be explained in further detail in the various segments that follow:

FAN SEGMENT

The Electric Fan segment continued to be the core area of operations of your Company. The demand in this segment has a natural correlation with growth in the real estate business, increased thrust on rural electrification, increased urbanisation of the populace and adequate purchasing power of the consumer. You are aware that none of these showed any encouraging trends during the previous year. Nevertheless, the Company did not let loose its grip in this segment of its core competence. In fact, it registered a marginal improvement of 5 per cent growth in this segment and sold around 9.98 lakh fans as against 9.48 lakh fans in the previous year.

PUMP SEGMENT

Water lifting pumps constitute another segment in which your Company has been trying to carve a niche for the last few years. The product of the Company, in this segment, relates largely to consumer demand. Dull market conditions, continuous erosion of purchasing power and abundant growth in spurious manufacturing units in the unorganised sector hit branded products considerably. The Company suffered heavily on this account and its capacity utilisation dropped considerably. However, it has been in the business for long and has well understood the intricacies involved. While it thus gave more impetus on the development of new models and widening the product range, it also made attempts to widen and strengthen the market base.

FHP MOTOR SEGMENT

FHP motors manufactured by the Company are mainly used in white and brown goods i.e. consumer durables. In the initial years, the motor division performed exceedingly well. However, during the last two years including the previous year, the performance graph dropped considerably. This was mainly on account of two reasons. First, the severe and persistent recession in the industry led to a significant drop in the demand from O.E.Ms. Secondly the entry of some MNCs with powerful financial muscles literally created havoc for Indian companies. Fierce competition emerged and bitter price wars threatened even the bare existence of the Indian companies. Nevertheless, your Company faced the challenges boldly, and despite a sudden



DIRECTORS' REPORT (CONTD.)

drop in the level of operations, initiated steps for development of new models and changes in the product mix in order to have only value-added models and increased manufacturing of models having large demand.

STAMPINGS DIVISION

You are aware that a few years back the Company went into backward integration to install the stampings division mainly for captive consumption as well as for catering to some external clients. In view of the continued deceleration in industrial activity the operations in the other divisions did not pick-up as expected. As a result the captive requirement also did not grow on the lines envisaged. Though the Company developed outside clients, the overall impact of the industrial slowdown affected the business and growth prospects to a sizeable extent. The division operated at a lower capacity, but definitely has the potential to do much better.

DIVIDEND

Your Directors take pleasure in announcing the dividends even in this year in keeping with the uninterrupted dividend paying record of the company since inception. Although there has been a considerable drop in the present year's profitability, as a token of commitment towards the valued shareholders, your directors are pleased to recommend dividend of 14% on Preference Shares and 5% on Equity Shares, for the year ended 30th June, 1998, subject to approval of the Financial Institutions and Banks. The total Preference and Equity dividend shall involve an outflow of Rs. 46.16 lacs as against Rs. 88.83 lacs in the previous year.

MODERNISATION AND EXPANSION

The Company has well-balanced plant and equipment with the latest technology. The modernisation and expansion exercise carried out during earlier years has strengthened the divisions technically. The strength of the Company lies in its skill for value engineering, modernisation and upgradation of product quality. It is this strength which has given the Company the confidence to continue with a seven-year guarantee on its vast range of fans. The Company now awaits improvement on the overall industrial climate to encash upon the comparative advantage in technology that it has over others.

INDUSTRY

There has not been too much in terms of visible and discernible activity from the side of the Government to restore buoyancy into the market. Inadequacy of infrastructure spending, lack-lustre support to core industries, significant erosion in the capital markets etc. have all led to an all-time slowdown in industrial performance. It is time we realised the importance to save Indian industry having high capital investment and stakes of the common investor as well as Govt. institutions from falling prey to large MNCs, poor money market conditions and rigidities of operating norms in banks and institutions.

Unless significant performance improvements are witnessed in the capital goods sector, the infrastructure sector, the capital markets and most importantly, in the overall political stability, recession will continue to cast its shadow over the Indian macro economy and the industry will be able to do little other than to face deterrents of unmanageable magnitudes.

EXPORTS

Your Company has something indeed to cheer on the exports front. Exports improved from Rs.3.22 crores to Rs.4.22 crores; a jump of almost 31 per cent. Its products continue to be shipped to Europe, U.S.A., South Africa, the African and Gulf countries and other Asian nations. The focus on exports has been further sharpened and the team has been revitalised. An increased frequency of participation in global trade fairs along with successful execution of orders to newly added lists of clients are together intended to give further impetus to planned growth on the exports front.

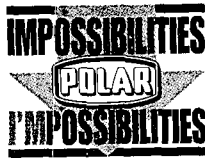
FUTURE OUTLOOK

Time has come to initiate some drastic measures to save the national economy. In today's world, even without having threats of a war, nations perennially prepare themselves to be more protected and accordingly invest more into superior defence technology. Likewise, we have a duty to protect the Indian industry and strengthen it to combat all global challenges victoriously. Over the years the Indian industry has withstood various pressures despite several limitations but now with the WTO and GATT in force, the industry does not seek protection but facilitation to be competitive and to be on the fast-track.

Your Company is fully geared up to face all challenges and only awaits conducive growth opportunities. In contrast to various other Asian nations, our economy is based on certain fundamental socio-economic principles and is able to withstand global pressures and competition. Some recent steps taken by the Government to resurge industrial climate have been well received by the Indian business community. The commitment of the Government to contain the fiscal deficit within the budgetary forecast, if achieved, shall definitely improve the climate for industrial growth. The increased planned expenditure, if incurred, shall certainly improve purchasing power. This, in turn, would generate additional demand and that is what your Company expects to happen by the end of the current fiscal year.

HUMAN RESOURCE DEVELOPMENT

It goes without saying that it is the people of the organisation which turn impossibilities into possibilities. It is also a fact that continued and focussed development of human resources plays a key role in the success of an organization. Your Company has confidence in this philosophy. It has maintained its thrust on the development of its invaluable



DIRECTORS' REPORT (CONT'D.)

human assets. It has attempted to re-define individual roles best suited to capabilities, put greater emphasis on training at all levels and decentralize the decision making process at various levels by participative management. The steps taken by your Company in this critical area shall result in positive tangible value additions to the Company's growth efforts.

INDUSTRIAL RELATIONS

Various divisions of the Company enjoyed congenial working environments. Industrial relations remained cordial. Workmen at the divisions strived hard and played an important role in making the Company smoothly pass through during these trying and troubled times. The Management places on record its appreciation of the dedication and motivation showed by the entire workforce during the year.

DIRECTORATE

Under Article 99 of the Articles of Association of the Company, Mr. Sunil Agarwal, Mr. S. M. Shroff and Mr. R. Kela, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. Mr. Ashok Tibrewala was appointed as Additional Director designated as Director cum Secretary w.e.f. 27.02.1998. He holds office upto the date of ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. The Company has received requisite notice under Section 257 of the said Act from a member proposing his reappointment as Director.

In accordance with Article 98(2) of the Articles of Association of the Company and pursuant to the proposal of General Insurance Corporation of India, Mr. N. C. Gupta was appointed in place of Mr. B. D. Banerjee as a nominee Director of the institution on the Board of the Company. The Board places on record its appreciation of Mr. Banerjee's valuable counselling and effective guidances during his stay on the Board.

DEPOSITS

The deposits at the end of the year stood at Rs.13 lacs. There was no default in the repayment of Fixed Deposits on maturity.

AUDITORS

M/s. Singhi & Co. Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting, and, being eligible, offer themselves for reappointment. A certificate required under Section 224 (1B) of the Companies Act, 1956 to the effect that the appointment, if made, shall be within the limits specified in the said section, has been obtained from them. The notes to the accounts referred to in the Auditors' Report are self-explanatory.

PARTICULARS OF ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules,

1988 are set out in Annexure-I forming part of this Report.

PARTICULARS OF EMPLOYEES

The particulars required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in Annexure-II forming part of this report.

ACKNOWLEDGEMENTS

Your Directors acknowledge and express their sincere gratitude and appreciation for the continuous support extended by the Punjab National Bank, Allahabad Bank, Union Bank of India, SIDBI, IDBI, IFCI, ICICI, IIBI, LIC, UTI, GIC, HFC, UPFC, PICUP, various other Government Agencies and dealers and suppliers of the Company.

Corporate Office :

A-105, Sector-5

Noida-201 301

Dated : 19th November, 1998.

For and on behalf of the Board

Anil Agarwal

Chairman &

Managing Director

ANNEXURE - I

TO THE DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM - A

Conservation of Energy

The Company's operations involve low energy consumption. Wherever possible, energy conservation measures have already been implemented and there are no major areas where further energy conservation measures can be taken. However, efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

FORM - B

Form of disclosure of particulars with respect to Absorption of Technology, Research & Development (R&D)

Research and Development

1. *Specific areas in which R&D carried out by the Company:*

The R&D efforts of the Company are directed towards quality control, improvements/upgradation of existing production methods and development of new products.



ANNEXURE - I (CONTD.)

2. *Benefits derived as result of the above R&D:*
Improvement in product quality, reduction in consumption of raw materials with cost effectiveness, development of new models.
3. *Future Plan of Action:*
Continue above line of action.
4. *Expenditure of R&D:*

	1998 Rs. (in Lacs)	1997 Rs. (in Lacs)
a) Capital (Deferred)	15.98	10.81
b) Recurring	3.99	2.70
c) Total	19.97	13.51
d) Total R&D expenditure as percentage of total turnover	0.21%	0.14%

Technology absorption, adaptation and innovation

1. *Efforts, in brief, made towards technology absorption, adaptation and innovation.*
There is constant endeavour to achieve consistent end

product performance with less & less material consumption.

2. *Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.*

Besides cost reduction, Company has been able to produce products acceptable in the international market. With above efforts Company's products are well accepted abroad and many more orders are flowing in.

3. *In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.*

Not applicable as Company has got indigenous technology.

4. *Foreign Exchange earnings and outgo:*

Products worth Rs. 422.15 lacs were exported during the year. Further orders are flowing in during current year from overseas customers. Imports of raw materials of Rs. 228.94 lacs were made during the year. Details are given in Schedule 21 to the Accounts.

ANNEXURE - II TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED 30TH JUNE, 1998

Name	Qualification	Date of commencement of Employment	Experience (in yrs.)	Age (in yrs.)	Remuneration (in Rs.)	Designation	Previous Employment
Mr. Anil Agarwal	B. Com. (Hons.)	01.05.85	23	42	11,85,540	Chairman & Managing Director	Polar Fan Industries Ltd. Wholtime Director
Mr. Arun Agarwal	ACA & ACS	13.05.97	19	42	3,23,700	Sr. V.P. (Finance)	ABC Communication (India) Ltd. Sr. V. P. (Finance)
Mr. Ashok Tibrewala	FCA, LLB & FCS (Gold Medalist)	01.07.87	20	37	3,37,297	Director cum Secretary	Polar Fan Industries Ltd. Co. Secretary
Mr. D. B. Patherphod*	L.M.E.	04.12.96	26	55	10,403	General Manager	Kanchan International Ltd. (G.M.)
Mr. M.K. Rustagi	FCA, FCS & AICWA	01.10.96	18	38	7,26,519	Director (Finance)	Polar Marmo Agglomerates Ltd. V. P. (Finance)
Mr. P. Handoo	B. Sc. (Engg.) Mech.	01.12.95	29	49	4,21,574	V.P. (Projects)	Hero Cycles Ltd. (Unit - II) V.P. (Tech.)
Mr. V. C. Agerwal	C. A.	10.06.96	24	45	8,22,875	Executive Director	Cimmco Birla Ltd. Jt. President

* indicates employed for part of the year.

1. Remuneration comprises of Salary, Bonus, House Rent Allowance, Conveyance Allowance, Medical Reimbursement, Leave Travel Allowance etc., contribution to Provident & other Funds and other facilities.
2. Mr. Anil Agarwal, Managing Director of the Company, is related to one of the Directors of the Company.



AUDITORS' REPORT

To the Members,

We have audited the attached Balance Sheet of POLAR INDUSTRIES LIMITED, as at 30th June, 1998 and the Profit and Loss Account of the said Company for the year ended on that date, and we report that :

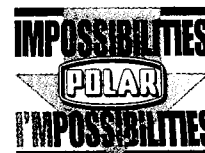
1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;
3. The Balance Sheet and the Profit & Loss Account dealt with in this report are in agreement with the Company's books of account; and
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to :
 - i) Note No. A (iii) of Note Schedule 21 regarding non-provision for diminution in value of unquoted shares and amount of diminution not determined by the management; and
 - ii) Note No. B (4a) of Note Schedule 21 regarding non-provision for doubtful advances Rs. 5,65,202/- & Sundry Debtors Rs. 2,69,203/- and read with other Notes thereon and in particular Note No. B (4b) regarding Debtors under dispute, Note No. 16 regarding loan, Sundry Debtors due from a company under BIFR recommendation for winding up and Note No. 17 (b) regarding advances due from a company referred to BIFR of Note Schedule 21, give the information required by the Companies Act, 1956 (as amended) 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 30th June, 1998 and
 - b) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks as were considered appropriate, we further state that :

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified

by the management at reasonable intervals and no material discrepancy between the book records and the physical verification was noticed.

- ii) None of the fixed assets of the Company has been revalued during the year.
- iii) The stock of finished goods, stores & spare parts and raw materials have been physically verified by the management/by a firm of Chartered Accountants at reasonable intervals. The stocks in possession of third parties have been verified by the management with reference to certificates obtained from them and/or other relevant documents.
- iv) In our opinion, 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.
- v) The discrepancies noticed on verification between the physical stocks and the book records were not significant and the same have been properly dealt with in the books of account.
- vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vii) In respect of loans taken from other bodies corporate, the rate of interest and terms and conditions on which loans have been obtained are not *prima facie* prejudicial to the interest of the Company. We are informed that there are no companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
- viii) The Company has granted interest free loans to bodies corporate including bodies corporate listed in the Register maintained under Section 301 of the Companies Act, 1956. However, no interest has been charged on these loans as referred in Note No. B-16 & B-17 (b). We are informed that there are no companies under the same management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
- ix) The Company has given interest-free advances in the nature of loans to its employees which are being recovered as stipulated.
- x) In our opinion, there is an adequate internal control procedures commensurate with the size of the Company and the nature of its business for the



AUDITORS' REPORT (CONTD.)

purchase of stores, raw materials including components, plant & machinery, equipment and for the sale of goods.

- xi) In our opinion, transactions of purchase of goods and materials and sale of goods and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at reasonable prices as compared with other parties.
- xii) Unserviceable or damaged stores, raw materials or finished goods are determined and provision for the loss, wherever necessary, has been made in the accounts.
- xiii) The Company has accepted deposits and provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder have been complied with.
- xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scraps. The Company has no by-products.
- xv) The internal audit is entrusted to firms of Chartered Accountants and in our opinion, the same is commensurate with the size and nature of the business of the Company.
- xvi) Maintenance of cost records have been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for some of its products and such records have been prepared and maintained by the Company. However, we have not made any detailed examination of the records.
- xvii) The Company is generally regular in depositing the Provident Fund and Employees' State Insurance dues with the appropriate authorities except for minor delays in few cases. There are no arrears at the end of the year.
- xviii) There are no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty as at 30th June, 1998 which are

outstanding for a period of more than six months as at 30th June, 1998 from the date they became payable.

- xix) The Company has policy of authorising expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to Revenue Account which, in our opinion, and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
- 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.
- xxi) In respect of the trading activities, there is a procedure for the determination of damaged goods. No damaged goods were found during the year.
- xxii) In case of service activities
 - a) The Company has reasonable system of recording the receipts, issues and consumption of stores, commensurate with its size and nature of business. Though allocation of stores and spares are not made to relative jobs, in our opinion, overall control has been exercised.
 - b) Allocation of material or men hours utilised is not made to relative jobs. However, in our opinion, control has been exercised on total men hours utilised on the job.
 - c) The Company has a reasonable system for authorisation at proper level with necessary internal control on issues of stores as stated in (a) above. Though allocation of stores and labour to jobs are not made, in our opinion, overall control has been exercised.

For SINGHI & CO.
Chartered Accountants

B. L. Choraria
Partner

Place : New Delhi

Dated : 19th November, 1998.