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54th

Annual Report

1998-99

The Premier Automobiles Ltd.

The Premier Automobiles Ltd.**BOARD OF DIRECTORS**

Vinod L. Doshi
Executive Chairman

Arvind R. Doshi
Vice Chairman

Jyotindra M. Vakil

Pravinchandra V. Gandhi

Chandra Mohan (Upto 15th June, 1999)

B. K. Khare (Upto 12th July, 1999)

Chakor L. Doshi

Maitreya V. Doshi
Managing Director

N. N. Jambusaria (Upto 17th June, 1999)

Sharayu Daftary (Smt.)

V. Ramakrishnan (From 16th October, 1999)

L. Krishnamoorthy
*General Manager (Legal) &
Company Secretary*

REGISTERED OFFICE

Lal Bahadur Shastri Marg,
Kurla, Mumbai - 400 070.

Email : premierauto@vsnl.com

FACTORY

Chinchwad, Pune 411 019

BANKERS

Bank of India
Dena Bank
Bank of Baroda

SOLICITORS

M/s. Matubhai Jamietram
M/s. Little & Co.

AUDITORS

K.S. Aiyar & Co.

SHARE TRANSFER AGENT

Intime Spectrum Registry Pvt. Ltd.,
260, Shanti Industrial Estate
Sarojini Naidu Road,
Mulund (West), MUMBAI - 400 080

Tel. : 564 7731, 567 2716

Fax : 567 2693,

Email : isrl@vsnl.com

54th Annual General Meeting

Day & Date :
Tuesday, 16th May, 2000

Venue :
Patkar Hall, SNDT Women's University,
1, Nathibai Thackersey Road,
Mumbai - 400 020

Time : 10.30 a.m.

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NOTICE

NOTICE is hereby given that the FIFTYFOURTH ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Road, Mumbai - 400 020 on Tuesday, the 16th May, 2000, at 10.30 a.m. to transact the following business:

1. To receive and adopt the Directors' Report, the Audited Profit & Loss Account for the year ended on 31st December, 1999 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri J.M Vakil who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Chakor L. Doshi who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Smt. Sharayu Daftary who retires by rotation and being eligible offers herself for reappointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions :
 - (a) "RESOLVED THAT M/s K.S. Aiyar & Co., Chartered Accountants be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors and they be paid in addition any out of pocket and/or travelling expenses they may incur in carrying out their duties as such Auditors."
 - (b) "RESOLVED THAT M/s. K.S. Aiyar & Co. be and are hereby also reappointed to examine and audit the accounts of the Company's Machine Tool Division at

Chinchwad, Pune, for the financial year 2000-2001 on such remuneration as may be mutually agreed upon between the Board of Directors and the said Auditors and they be paid in addition any out of pocket and/or travelling expenses they may incur in carrying out their duties as such Auditors."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309 and Schedule - XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof for the time being in force), the Company hereby accords its consent and approval to the reappointment of Shri Vinod L. Doshi as the Executive Chairman of the Company, for a period of five years from 1st August, 1999 to 31st July, 2004, upon such terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the aforesaid period), as set out in the draft agreement placed before this meeting and initialled by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said reappointment and/or agreement so as not to exceed the limits specified in Schedule-XIII to the Companies Act, 1956, including any statutory modification or reenactment thereof for the time being in force or any amendments thereto that the Central Government may make from time to time and that the Board of Directors of the Company be and is hereby authorized to enter into an agreement with Shri Vinod L. Doshi in terms of the said draft of the agreement with such modifications as may be agreed to and acceptable

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to the Board of Directors and Shri Vinod L. Doshi.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary, proper or expedient to give effect to the foregoing resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, 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, which the Board of Directors of the Company, be and is hereby authorized to agree to and acceptable to the Board, the consent of the Company be and is hereby accorded to the Board to delist Company's equity shares from the Stock Exchange at Pune and from the National Stock Exchange of India Ltd., Mumbai."

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 258 of the Companies Act, 1956 and Article 147 of the Company's Articles of Association, the number of Directors on the Board of the Company be reduced from 12 to 8."

NOTES:

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument appointing a proxy and the Power of Attorney, if any, under which it is signed,

should be deposited at the registered office of the Company not less than 48 hours before the time for holding the Annual General Meeting.

- (b) The explanatory statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items 6 to 8 set out above are annexed hereto.
- (c) The Register of Members and Share Transfer Books will remain closed from Friday, the 12th May, 2000 to Monday, the 15th May, 2000 (both days inclusive).
- (d) The Company has transferred unclaimed dividend declared upto the financial year 30th September, 1994, to the Central Government. Those shareholders, who have not, so far, claimed the dividend upto the said financial year, may claim the same from the Registrar of Companies, Maharashtra, Hakoba Compound, 2nd Floor, Kalachowkie, Mumbai - 400 033.

By Order of the Board

L. Krishnamoorthy,
General Manager (Legal) &
Company Secretary

Registered Office:
Lal Bahadur Shastri Marg
Kurla
Mumbai - 400 070
Date: 1st April, 2000.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956.

ITEM NO.6:

Shri Vinod L. Doshi's term as the Executive Chairman expired on 31st July, 1999. Considering his vast industrial & management experience, the Board of Directors has thought it desirable that the Company should continue to avail of his services as the Executive Chairman. Accordingly, the Board, at its meeting held



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on 16th October, 1999, has reappointed him for a further period of five years from 1st August, 1999. The remuneration and perquisites payable to him will be the same as he is drawing at present, namely, Rs.10,50,000/- per annum (Rs.87,500/- per month), as per details given below:

- 1) Salary : Rs.6,00,000 per annum
2) Perquisites : Rs.4,50,000 per annum

Perquisites consist of:-

Housing : The Company shall provide furnished accommodation to the Chairman. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance. He shall also be entitled to house maintenance allowance together with utilities therefor such as gas, electricity, water, furniture, furnishings and repairs.

Medical : Reimbursement of medical expenses incurred for self and family, subject to the ceiling of one month's salary per year or 5 months' salary for a period of 5 years.

Leave : For self and family once in a year, as per travel rules of the Company.

Club fees : Fees of two clubs

Medical/ : Hospitalisation and Domiciliary

Accident : Hospitalisation Benefit Policy

Insurance and Personal Accident Insurance.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated on actual cost.

'Family' means the spouse.

- 3) In addition to above perquisites, the Chairman shall also be entitled to the following benefits. These benefits will not be included in the

computation of ceiling on perquisites :

Company's contribution : As per rules of
towards Provident Fund the company
and Superannuation
or Annuity Fund

Gratuity : Gratuity is
payable as per
rules of the Company

Earned Privilege : As per rules of the
Leave Company

Encashment : Leave accumulated
of leave but not availed of
during the tenure,
will be allowed to
be encashed.

Car : Provision of
Company's car with
driver.

Telephone : Free telephone
facility at residence.

- 4) Commission : Such remuneration
by way of
commission
calculated with
reference to the net
profit of the
Company in a
financial year as
may be determined
by the Board of
Directors of the
company at the end
of the each financial
year, subject to
ceilings stipulated
in Sections 198
and 309 of the
Companies Act, 1956.

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- 5) In the event of loss or inadequacy of profits in any financial year, the Chairman shall be paid the remuneration, perquisites and the benefits mentioned respectively at (1), (2) and (3) above.

The Directors commend to the shareholders' approval of the resolution.

Shri Vinod L. Doshi and Shri Chakor L. Doshi, Shri Maitreya V. Doshi and Smt. Sharayu Daftary, who are his relatives, may be deemed to be concerned or interested in the resolution.

The draft agreement, referred to in the resolution, is available for inspection of the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on working days (Monday-Friday).

ITEM NO.7:

Presently, the Company's equity shares are listed at Bombay Stock Exchange(BSE), National Stock Exchange of India Limited (NSE) and Pune Stock Exchange Ltd. (PSE). With the extensive networking of BSE, investors have access to on-line trading in the Company's shares across the country. A bulk of the trading in the Company's equity shares, in any case, takes place at the BSE. The Company's equity shares are dematerialized through NSDL and CDSL. It is expected that the settlement of trading in Company's equity shares would take place only in dematerialized form from June, 2000. There is virtually no trading of Company's shares at PSE.

As a part of cost reduction measure, this resolution is proposed, which will enable the Company to delist voluntarily its equity shares from PSE and NSE at an appropriate time in future. In line with SEBI Regulations, members' approval is sought by a special resolution.

The proposed delisting of the Company's shares, as and when takes place, will not adversely affect the investors, since the Company's shares will continue to be listed in BSE, which is the regional stock exchange.

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

Your directors recommend the special resolution for approval of the members.

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

ITEM NO.8

At the 50th Annual General Meeting held on 12th April, 1995, the shareholders approved reduction of the number of directors from 15 to 12. The Board considers that in the light of the operations of the Company at the current level, it would be economical and prudent if the Board consists of 8 Directors. The Board recommends the resolution for approval of the shareholders.

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

By Order of the Board

L. Krishnamoorthy,
General Manager(Legal) &
Company Secretary

Registered Office:

Lal Bahadur Shastri Marg

Kurla, Mumbai - 400 070

Date: 1st April, 2000.



CHAIRMAN'S STATEMENT

Dear Shareholders,

I welcome you to the 54th Annual General Meeting of your Company. On the national scene we have a new government and like the last time it once again consists of alliances of different political parties. With some of the more difficult political groups not being part of the present government, one can safely feel that there is a good chance for this government to be stable through the full term.

Political stability is a very important prerequisite for a concentrated focus on the various economic problems facing the country. It is heartening to note that despite the difficulties faced by the previous government, the economy is turning around with significant growth being visible in several key sectors. This has progressively restored the business confidence amongst investors. Since the present government is substantially the same as the previous one sans the problematic groups, it should be relatively troubleless to pick up where the previous government had to leave off.

In his budget for 2000-2001 the Finance Minister has rightly emphasized the need to contain deficit financing to a manageable level. As a step towards this his proposal to cut subsidies on several items has to be welcomed whole heartedly. This is a matter which all the past governments had also supported but did not implement it due to a lack of political will and confused thinking. These measures have been long over due. The GDP growth of about 6% and inflation rate down appreciably is yet another heartening development. It clearly shows the effective turn around of the sagging and recessionary economy of the past few years. A good monsoon this year also will undoubtedly give a further impetus to the economic growth.

Coming to operations of the Company, the year ended with a loss of Rs.1260 lacs and is indeed very disappointing. This loss was mainly attributable to the stoppage of production caused by the temporary liquidity problem faced by the Company. Added to this, as explained in the Directors' Report, the Company successfully fought a legal battle in the High Court, Bombay, against a totally arbitrary order passed by the Transport Commissioner, Mumbai banning registration of your Company's 1.37 diesel cars as taxis.

The main reason for the liquidity problem was due to the fact that after the spin-off of the Kurla plant the Company repaid all its loans and was virtually debt free as part of that deal. In September'98 itself we initiated the process of raising fresh facilities for Padmini production. However, banks were very negative about the auto sector at that time due to the recessionary situation prevailing then coupled with several new entrants such as Indica, Santro, Matiz,

etc. There was a feeling that these cars would replace the Padmini in the taxi market and hence our future was perceived as uncertain. This caused them to progress our case slowly which delayed the working capital thereby affecting production. Again in April'99 the emission regulation crisis in the Supreme Court created uncertainty and made banks hesitant. Finally the transport commissioner's order in September further created a lack of confidence. I am grateful to Bank of India who supported the Company during this period by helping with new facilities whereby production could resume again. It may be noted that despite being out of production for one year the taximen who are free to buy any car, still continue to prefer Premier Padmini and have even made a statement to this effect in the Bombay High Court. It is now well accepted that the Bombay taxi market as a niche is there for us. With 55,000 vehicles totally and a large portion of this population needing replacement, there still exists a strong demand for our cars for the next few years. With finance available, the Company has geared up all its activities to produce Premier Padmini model with petrol, CNG option and diesel options and is in the process of obtaining the requisite pollution certificates.

With the initiatives made by the Transport Commissioner for phasing out the engines having 3-cylinders, which are imported and retrofitted by taxi operators in their cars, there is a good opportunity for the Company to supply petrol engines with CNG option and thus increase its business.

JOINT VENTURE WITH FIAT AUTO

Our joint venture between PAL and Fiat called Ind Auto Limited continued to progress smoothly. Although initially the shareholding pattern was 51% with Fiat and 49% held by PAL, over the course of the last two years, this has changed to Fiat holding 93% and PAL holding 7%. The total number of shares held by PAL i.e. face value of Rs 32 crores remains unchanged. However, in order to cover the cost of capital investment, indigenization, additional marketing and advertising cost, etc. Fiat has continuously pumped in several hundred crores of rupees leading to an increase of its shareholding and consequently a dilution of PAL's share. In view of the situation prevailing in the Indian automotive environment and given PAL's temporary resource constraint, it was decided to freeze our investment at the original level even if it had meant a dilution in shareholding percentage. Automotive business globally is one which requires very long gestation period with low returns which the PAL board felt was not justified for additional investment. This is, in fact, no different from the stand taken by other Indian companies with multinational partners in Auto JVs such as Mahindra Ford, Tata

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Mercedes, Shriram Honda, Toyota Kirloskar and GM Birlas. In fact, the consolidation in the worldwide automotive industry has increased to such an extent that even global giants like NISSAN and Mitsubishi are now joining hands with Renault and Daimler Chrysler respectively. In fact, even our partner Fiat has entered into a strategic alliance with GM – the world's largest automobile company. I am sure that some of the benefits of the synergies between these two giants will trickle down over the next few years to the Indian venture. Despite dilution of PAL's shareholding, our relations and partnership remain excellent and unchanged. I continue to be the Chairman of Ind Auto which is to be now renamed as Fiat India Ltd. and Maitreya Doshi continues as Whole Time Director. Fiat has three representatives reflecting their majority including Mr. Giovanni Ravina, who is the Managing Director and has been doing a commendable job in the difficult operating environment. I may also mention here that originally Fiat had two projects, one for UNO and one for the 178 world car consisting of Palio, Siena, Siena Wagon. It has now decided to consolidate both into the joint venture with PAL. So, in fact, although we have diluted our shareholding, PAL is now a partner in a substantially expanded joint venture which includes all the models of Fiat to be made in India. Our arrangement with Fiat for assembling of Premier Padmini cars at Kurla is going on smoothly and we are getting all the support and assistance as before.

I would like to once again reiterate my sincere appreciation and gratitude to the top management of Fiat both in Italy and India for all their friendship, support and true partnership including bearing the full financial responsibility of the Indian venture.

LIGHT MULTI UTILITY VEHICLE PROJECT

Over the last 18 months, the management team has been working on re-positioning PAL to cater to available opportunities and niches in the automobile sector. Since Fiat is fully entrenched in the passenger car segment, PAL has identified a family vehicle which can cater to the transport requirements of the non-metro, semi-rural and rural segments. This product has been developed in technical collaboration with China Motor Corporation of Taiwan, an affiliate of Mitsubishi Motor and will be powered with the state-of-the-art EURO II compliant Peugeot TUD 5 diesel engine. With more than 75% already localized and requiring very little incremental investment as the capacity at PPL's Kalyan factory is readily suited and available for this product launch in the current financial year. We estimate a full production volume in the range of 10,000 to 15,000 vehicles per annum. We propose to enter into a conversion agreement similar to the existing one between PAL and FIAT for the Padmini at Kurla with PPL's Kalyan plant thereby attempting to initiate the process of rehabilitating and revitalizing this otherwise closed factory.

PAL-PEUGEOT LIMITED

With the unexpected and unilateral withdrawal of Automobiles Peugeot of France from the joint venture company, PAL-Peugeot Limited (PPL), as reported in my last statement, continues to face financial hardship. Due to a complete standstill of its operation and paucity of finance, PPL was not able to service the debentureholders by paying interest on the due dates. ICICI Ltd., as debentureholders' trustee, has moved the Bombay High Court for appointment of Court Receiver for the secured assets. The High Court has appointed the Court Receiver on 30th June, 1999. Only minimal operations necessary for maintenance of its plant are being carried on by PPL, as agents of the Court Receiver. Discussions are being held with ICICI Ltd. on the possibility of rehabilitation of PPL and I am hopeful that something positive should emerge this year.

LAND DEVELOPMENT

The Company is exploring various avenues for monetising its various fixed assets. The Company has residential land at Kurla, admeasuring about approximately 11.00 lacs sq.ft. and has all the requisite approvals for development of this property. The Company has received encouraging inquiries from builders and developers, both private and government, with whom discussions are in progress. I hope that concrete proposals will materialize soon.

The Company has also been exploring the possibility for development of residential land at Chinchwad, Pune and industrial & residential land at Dombivli.

Before I conclude, I wish to take this opportunity to express our sincere gratitude to the shareholders for their unstinted and continuous support to the management. I thank especially all the shareholders for their understanding and co-operation extended to the Company in its temporary difficult times during the year, which resulted in delay in payment of dividend.

With best wishes and regards,

Yours sincerely,

Vinod L. Doshi,
Chairman

Mumbai: 15th April, 2000.



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DIRECTORS' REPORT

To The Members

The Directors present the fifty-fourth annual report of the Company and the audited statement of accounts for the year ended on 31st December, 1999.

	This period from 01.10.1998 to 31.12.1999 (Rs. in lakhs)	Previous year from 01.10.1997 to 30.09.1998 (Rs. in lakhs)
OPERATING RESULTS		
Profit/(Loss) before depreciation and tax	(951.84)	473.50
Less: Depreciation & write offs	307.57	269.15
Provision for wealth tax	1.00	3.00
Profit/(Loss) for the period after tax	(1260.41)	201.35
Add / (less) Extraordinary gains/prior year adjustments	(1.22)	20.98
	(1261.63)	222.33
Add: Surplus brought forward from last period	2235.23	1360.69
Transferred from Investment Allowance Reserve	125.00	60.00
Transferred from Debenture Redemption Reserve	-	881.56
Surplus available for appropriation	2360.23	2524.58
APPROPRIATIONS		
Proposed dividend	-	289.35
Transferred to General Reserve	-	-
	-	289.35
Balance carried to Balance Sheet	1098.60	2235.23

(Figures have been regrouped wherever necessary)

DIVIDEND

In view of the loss made by the Company and with a view to conserve resource of the Company, the Directors do not recommend dividend for the year ended on 31st December, 1999.

DELAY IN PAYMENT OF DIVIDEND FOR THE YEAR ENDED ON 30TH SEPTEMBER, 1998.

The Board of Directors regret the delay in payment of dividend for the year ended on 30th September, 1998. The delay was caused by temporary liquidity problems faced by the Company. The Company,

however, has paid dividend to the shareholders with interest @ 14% per annum from 16th June, 1999 (instead of 27th July, 1999) to 15th March, 2000. Thus, the period of 42 days has been taken into account for the purpose of payment of interest. Necessary intimation in this regard has been sent to the shareholders along with dividend warrants.

CHANGE OF FINANCIAL YEAR OF THE COMPANY.

The Company's financial year is for a period of 15 months from 1st October, 1998 to 31st December, 1999. This change is considered necessary because,

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as shareholders may be aware, the Company has entered into an arrangement with IND AUTO LTD. (IAL) for assembly of Premier cars at Kurla. Therefore, the inventory consisting of components, work-in-process, finished cars relating to Premier models, are stored and recorded in the premises and custody of IAL. For physical verification of this inventory, which belongs to PAL, the Company has to depend on manpower resources and records of IAL. Since IAL's accounting year ends on 31st December, in line with FIAT accounts world wide, physical inventory has been taken by IAL on 1st of January, 2000, for all its activities including Premier cars. The Company had to change the financial year to synchronize with the financial year of IAL.

Extension of financial year upto 31st December, 1999, does not require ROC's approval.

OPERATING HIGHLIGHTS(AUTO DIVISION)

The operations at the Company's auto division were adversely affected due to paucity of working capital finance. During the year under review, the situation worsened further with the Transport Commissioner, Maharashtra, passing an order in August, 1999, banning registration of 1.37 D Premier taxis on the ground that these vehicles emit smoke. Further, there was a public interest litigation filed in the High Court of Bombay against automobile pollution in the city, to which your Company was made a respondent. The Company approached the High Court, Bombay, to get the arbitrary and unjustifiable Order passed by the Transport Commissioner quashed. Ultimately, the Company succeeded in the High Court, when an Order was passed by the High Court on 22nd December, 1999, quashing the Transport Commissioner's Order. Precious time was lost during this time on legal procedures and the Company could not produce any car.

Now, the Company has obtained working capital facilities from a bank. The Company is gearing up all its activities to produce Premier Padmini petrol models with CNG for taxi operators. The mainstay of the Company's market at present is taxi market in Mumbai.

MACHINE TOOL DIVISION (MTD)

The recession in the engineering industry and financial crunch is still faced by the end users. However, in some sectors, the position started improving slowly. Despite this situation, during the period under review, MTD has achieved a Sales Turnover of Rs.29.82 crores (15 months) as against Rs.22.54 crores during the corresponding period (12 months)

PRODUCT DEVELOPMENT & IMPROVEMENT**Product Development**

MTD has completed the Design & Development of following products for customers.

- Gear tooth chamfering machine (Simplified version) Model : GTC20I.
- CNC gear shaping machine, Model : PS300
- 3 Axis CNC gear hobbing machine with LM Guideways, Model : P254
- CNC gear shaping machine as per requirement of CE Certification, Model : CS253
- Upgradation of CNC vertical turret lathe with adaptation of vertical turning centre table, as per customer needs, Model : CVT 150 CNC.
- Relation gauges for auto components of 4-wheelers and 2-wheelers.
- Rotary welding fixture for auto industry, Model : 3W-4S.

FINANCE

The Company is virtually debt free. As of the close of the year, the Company had repaid all the matured fixed deposits except Rs.20.10 lacs, which remained unclaimed and unpaid. Out of this, Rs.9.62 lacs is transferable to the Investor Protection and Education Fund to be notified by the Central Government, pursuant to new section 205(C) of the Companies Act, 1956, (introduced by the Companies Amendment, 1999), since the fixed deposit amounts remained unclaimed for a period of 7 years or more from the