

# SKF

## SKF Bearings India Ltd. Annual Report 2000

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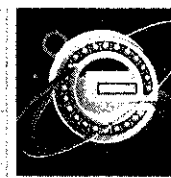
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## e-commerce - the new business mantra

In order to give the best possible customer value, SKF has always pursued advance logistic solutions to help customers improve speed in operation and reduce their administrative and inventory holding costs.

Since over a decade SKF has been offering its distributors direct access to SKF order handling system through the IT - service - customer - link. Now, in the e-supply-chain age SKF provides a complete e-marketplace – ENDORSIA.com for end users and distributors. endorsia.com offers services and products not only from SKF, but from an array of other high quality suppliers as well.

The endorsia.com marketplace offers services like know-how, product information and purchasing functions covering products from all participating suppliers. In order to ensure maximum quality and minimum response time, endorsia.com is completely integrated with the different suppliers' business system.

SKF also offers Vendor Managed Inventory (VMI) services to its various customers.

This VMI service is also called OPTIMA which will help the customer to optimise service and stock levels. Seamless system to system communication solutions are available even to our OEM customers in the form of traditional EDI. Soon it will also be based on internet based solutions for the electronic interchange of schedules, etc..

Flexibility in meeting customer demands is very important for SKF. In order to ensure that SKF products and service be available in all markets, SKF strives to keep in touch with the development process in other industrial and automotive e-marketplaces emerging in different parts of the world.

## SKF Bearings India Limited

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## Board of Directors

<i>Chairman</i>	Dr. Freddie A. Mehta Darius C. Shroff Mansingh L. Bhakta Jamshyd N. Godrej Narendra J. Jhaveri Gunnar Gremlin Tom Johnstone Giuseppe Donato Bjarne Johansen Gunilla Nilsson
<i>Managing Director</i>	Torsten Nordgren
<i>Sr. Dy. Managing Director</i>	Keki N. Wadia (Alternate to B. Johansen)
<i>Secretary</i>	Jimmy N. Panthaky

<i>Auditors</i>	Arthur Andersen & Associates Chartered Accountants
<i>Solicitors</i>	Crawford Bayley & Co.
<i>Bankers</i>	Bank of America N.T. & S.A. Bank of India Citibank N.A. Standard Chartered Grindlays Bank Hongkong & Shanghai Banking Corporation Limited Punjab National Bank
<i>Registrars and Share Transfer Agents</i>	Tata Share Registry Limited Army & Navy Building 148, Mahatma Gandhi Road Mumbai 400 001
<i>Registered Office</i>	Mahatma Gandhi Memorial Building, Netaji Subhash Road, Mumbai 400 002
<i>Plants</i>	Chinchwad, Pune Bommasandra, Bangalore



## Notice

Notice is hereby given that the Fortieth Annual General Meeting of SKF Bearings India Limited will be held at the Bombay House Auditorium, Bombay House, 24 Homi Mody Street, Mumbai, on Friday, March 30, 2001 at 3.30 p.m. to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended December 31, 2000, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To declare a dividend.
3. To appoint a Director in place of Dr. F.A. Mehta who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D.C. Shroff who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Gunnar Gremlin who retires by rotation but being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. Giuseppe Donato who retires by rotation but being eligible offers himself for re-appointment.
7. To appoint a Director in place of Ms. Gunilla Nilsson who retires by rotation but being eligible offers herself for re-appointment.
8. To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS

#### 9. Sub-division of Equity Shares

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

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of the Articles of Association of the Company, and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities, the equity shares of the Company having nominal value of Rs.100/- (Rupees Hundred Only) per share be sub-divided into equity shares having nominal face value of Rs.10/- (Rupees ten only) per share and the relevant capital clauses in the Memorandum and Articles of Association of the Company be accordingly altered as proposed in resolutions at Item Nos. 10 & 11 of the Notice convening this Annual General Meeting.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all acts, deeds, matters and things including issue fresh share certificates and execute all such documents, instruments and writings as may be required in the said

connection and to delegate all or any of the powers herein vested in them to any Director(s) to give effect to the aforesaid resolution."

#### 10. Amendment of the Memorandum

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

"RESOLVED THAT on the resolution for sub-division of the nominal face value of equity shares being duly passed and becoming effective as stated in resolution at Item No.9 of the Notice convening this Annual General Meeting, Clause 5 of the Memorandum of Association of the Company be deleted and in place thereof the following new Clause 5 be substituted as follows :-

"The authorised share capital of the Company is Rs.26,00,00,000/- (Rupees twenty six crores only) consisting of two crores and sixty lakh equity shares of Rs.10/- each."

#### 11. Amendment of the Articles of Association

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

"RESOLVED THAT on the resolution for sub-division of the nominal face value of equity shares being duly passed and becoming effective as stated in resolution at Item No.9 of the Notice convening this Annual General Meeting and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 7 of the Articles of Association of the Company be substituted as follows :-

The authorised share capital of the Company is Rs.26,00,00,000/- (Rupees twenty six crores only) consisting of two crores sixty lakh equity shares of Rs.10/- each."

#### 12. Increase in authorised capital

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

"RESOLVED THAT the Authorised Capital of the Company be and is hereby increased from Rs.26,00,00,000/- (Rupees twenty six crores) to Rs.100,00,00,000/- (Rupees one hundred crores) by the creation of 7,40,00,000 equity shares of Rs.10/- (Rupees ten only) each ranking pari passu with the existing equity shares of the Company in all respects.

#### 13. Amendment of Memorandum of Association

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

"RESOLVED THAT Clause 5 of the Memorandum of Association of the Company be substituted by the following :



The share capital of the Company is Rs. 100,00,00,000/- (Rupees one hundred crores) divided into ten crores equity shares of Rs.10/- (Rupees ten only) each with power to increase the capital from time to time."

#### 14. Amendment of Articles of Association

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

"RESOLVED THAT Article 7 of the Articles of Association of the Company be substituted by the following :-

The share capital of the Company is Rs.100,00,00,000/- (Rupees one hundred crores) divided into 10 crores equity shares of Rs.10/- (Rupees ten only) each with power to increase the capital from time to time.

#### 15. Dematerialisation of Securities

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, the Articles of Association of the Company be altered as follows :-

After Article 21, the following new Article as Article 21A be added under 'Dematerialisation of Securities'.

##### Definitions

- (i) 'Beneficial Owner' means a person whose name is recorded as such with a depository;
- (ii) 'SEBI' means the Securities and Exchange Board of India;
- (iii) 'Bye-laws' means bye-laws made by a depository under Section 26 of the Depositories Act, 1996;
- (iv) 'Depositories Act' means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force;
- (v) 'Depository' means a company formed and registered under the Companies Act, 1956, which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992;
- (vi) 'Record' includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the SEBI;
- (vii) 'Regulations' means the regulations made by the SEBI;
- (viii) 'Security' means such security as may be specified by the SEBI.

The provisions of this Article shall apply notwithstanding anything to the contrary contained in any other Article of these Articles.

##### (i) Dematerialisation of Securities :-

The Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

##### (ii) Option for Investors :-

Every holder of or subscriber to securities of the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates for the Securities.

If a person opts to hold his Security with a depository, the Company shall intimate such depository the details of allotment of the security.

##### (iii) Securities on depositories to be in fungible form :-

All securities of the Company held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities of the Company held by it on behalf of the beneficial owners.

##### (iv) Rights of depositories and beneficial owners :-

- a) Notwithstanding anything to the contrary contained in the Act, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security of the Company on behalf of the beneficial owner.
- b) Save as otherwise provided in (a) above, the depository as the registered owner of the Securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in

respect of his securities which are held by a depository.

(v) Service of documents :-

Notwithstanding anything contained in the Act to the contrary, where securities of the Company are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

(vi) Transfer of Securities :-

Nothing contained in Section 108 of the Act, shall apply to a transfer of securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

(vii) Allotment of securities dealt with in a depository :-

Notwithstanding anything in the Act, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

(viii) Distinctive numbers of Securities held in a depository :-

Nothing contained in the Act regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with the depository.

(ix) Registers and Index of beneficial owners :-

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

## 16. Nomination

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

"RESOLVED THAT the Articles of Association of the Company be altered in the following manner -

(i) After Article 69, the following new Article as Article 69A be added under 'NOMINATION'.

69A NOMINATION : Notwithstanding anything contained in these articles, every holder of shares or debentures of the Company may, at any time, nominate, in the prescribed manner, a person to whom these shares or debentures shall vest in the event of his death and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.

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

"RESOLVED THAT in accordance with the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and of Article 131 (3) of the Articles of Association of the Company, the Directors including the Alternate Directors (excluding the Managing Director, the Whole-time Directors and the Non-resident Directors), be paid for a fresh period commencing from April 1, 2001 and ending on March 31, 2006 a yearly commission (to be divided amongst them in such manner as the Board of Directors may from time to time determine) of such amount as may be determined by the Board of Directors, but not exceeding an amount equal to 1% of the net profits of the Company, and that the net profits of the Company shall be computed in the manner prescribed under Section 198(1) of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to the resolution."

### NOTES :

(a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 9 to 17 set out above are annexed hereto.

(b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY OR PROXIES NEED NOT BE A MEMBER OR MEMBERS.

(c) The Register of Members and Transfer Books of the Company will be closed from March 2, 2001 upto and including March 9, 2001.

(d) Members are requested to :

(i) Intimate to the Company's Registrars and Share Transfer Agents, Tata Share Registry Limited, Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001, changes, if any, in their registered address at an early date.

(ii) Quote ledger folio numbers in all their correspondence.

By Order of the Board of Directors

**J.N. Panthaky**  
Secretary

### Registered Office:

Mahatma Gandhi Memorial Building,  
Netaji Subhash Road,  
Mumbai 400 002.  
Date : February 19, 2001.



## Annexure to Notice

### Explanatory Statement

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

#### Item Nos. 9, 10 & 11

Currently the nominal face value of the equity shares of the Company is Rs.100/- per share. Most of the Companies listed on the Stock Exchange have the nominal face value of their equity shares at Rs.10/- per share. Many Companies, which had their face value of equity share at Rs.100/- per share, have sub-divided the shares to bring down the face value at Rs.10/- per share. Also several shareholders of the Company have been requesting the Company to sub-divide the face value of its equity shares from Rs.100/- per share to Rs. 10/- per share.

In view of this, it is proposed to sub-divide the nominal face value of the equity shares of the Company from Rs. 100/- per share to Rs. 10/- per share. The resolutions for altering the Capital clause in the Memorandum & Articles of Association of the Company as set out in Item Nos. 10 & 11 of the accompanying Notice convening this Annual General Meeting are to reflect the alteration to the capital clause in the Memorandum and Articles of Association of the Company and the consequential change in the nominal face value of the equity shares of the Company from Rs. 100/- per share to Rs. 10/- per share.

The Board of Directors recommends the resolutions for approval of the members. None of the Directors of the Company is in any way concerned or interested in the said resolution except to the extent of their shareholding in the Company.

#### Item Nos. 12, 13 & 14

The authorised share capital of the Company is at present Rs. 26,00,00,000/- (Rupees twenty six crores only) divided into 2,60,00,000 equity shares of Rs.10/- each, pursuant to Item Nos. 9, 10 & 11 of the Notice.

While subdividing the share value from Rs.100 to Rs.10 per share it is simultaneously being proposed to increase the authorised share capital of the Company from Rs.26 crores to Rs.100 crores divided into ten crore equity shares of Rs.10/- each by creation of 7,40,00,000 new equity shares of Rs.10/- each. As the existing authorised capital is almost the same as the existing paid up capital this enabling resolution will permit an increase in the issued capital, if required.

None of the Directors of the Company is concerned or interested in this Resolution.

#### Item No. 15

The Company has enlisted its Equity Shares with National Securities Depository Limited (NSDL) and Central Depository Services (I) Ltd. (CDSL) which would facilitate the holding and trading in securities of the Company in the electronic mode. The Company's shares have been admitted

as eligible securities in the Depository System by NSDL & CDSL and can be dematerialised at the option of the shareholder.

In order to bring the Company's Articles of Association in line with the Depositories Act, 1996 and the amendments made to the Companies Act, 1956, upon introduction of the Depository System, certain changes are required to be made in the Articles of Association of the Company as specified in the proposed Resolution.

None of the Directors of the Company is concerned or interested in this Resolution.

#### Item No. 16

As per provisions of Section 109A and 109B of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999 every holder of shares in or debentures of the Company may at any time nominate in the prescribed manner, a person to whom his shares or debentures of the Company shall vest in the event of death. It is, therefore, proposed to insert new Article 69A in the Articles of Association of the Company to give effect to the said provisions as detailed in the Special Resolution set out in Item No. 16.

None of the Directors of the Company is concerned or interested in this Resolution.

#### Item No. 17

The Directors including the Alternate Directors (excluding Managing Director, Whole-time Directors and the Non-resident Directors) of the Company are being paid commission effective from January 1, 1992 for a block period of five years. The resolution passed earlier enables the Company to pay commission to its Non-executive Directors upto March 31, 2001.

In view of efforts put in, contributions made and increased responsibilities shouldered by the non-executive Directors, it is appropriate that they be paid commission for a further period of 5 years from April 1, 2001 to March 31, 2006 as set out in the Special Resolution under Item No. 17 of the accompanying notice.

The eligible Directors may be deemed to be concerned or interested in the payment of commission to them.

By Order of the Board of Directors

**J.N. Panthaky**  
Secretary

#### Registered Office:

Mahatma Gandhi Memorial Building  
Netaji Subhash Road,  
Mumbai 400 002.  
Date : February 19, 2001.



## Directors' Report

To the Members,

The Directors present herewith their Fortieth Annual Report with the Audited Statement of Accounts for the year ended December 31, 2000.

	Year ended December 31, 2000 Rupees in crores	Nine months ended December 31, 1999 Rupees in crores
The Profit before providing for depreciation, interest and extra-ordinary expenses amounted to	100.22	60.10
Deducting therefrom :		
Depreciation	40.51	30.15
Interest	27.97	19.51
Profit before extra-ordinary expenses	31.74	10.44
Extra-ordinary expenses related to the Voluntary Retirement Scheme	23.50	—
Profit after extra-ordinary expenses	8.24	10.44
Provision for taxation	(1.38)	(0.62)
Transfer to Debenture Redemption Reserve	—	(8.50)
Transfer from Investment Allowance Reserve	3.25	5.25
Balance brought forward from last year	2.43	—
	12.54	6.57
The appropriations are as follows :		
Proposed dividend on Equity Shares	3.77	2.83
Tax on Proposed Dividend	0.85	0.31
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	2.00	1.00
Leaving a balance of	5.92	2.43

The Company's sales for the year under review were Rs.366.53 crores as compared to Rs.273.95 crores for the 9 months period of the previous year.

During the year miscellaneous income went up to Rs.34.21 crores as compared to Rs.11.56 crores for 9 months' period of the previous year. This represented the sale of the Company's offices at Nariman Point and Worli, thus improving the company's income and cash flow substantially.

### DIVIDEND

Your Directors are pleased to recommend the payment of a dividend of 15% for the year under review.

### OPERATIONS

The production and sales of cars and Multi Utility Vehicles (MUV) during 2000 peaked in March and then gradually came down throughout the year except in the month of September 2000. Sales and production of cars reached its

lowest level in December 2000. The company's sales of bearings in the year 2000 to car and MUV manufacturers fell by 11.4% as compared to the year 1999. In the case of commercial vehicles, both sales and production dropped significantly in the year 2000 compared to 1999. Especially the medium and heavy commercial vehicle production saw a sharp drop of 17.7% compared to previous year. The company, however, managed to increase the sales volume to the commercial vehicle manufacturers throughout the year, indicating a gain in market share in this segment. The adverse market conditions led to a lower demand of automotive related products and consequent build-up of inventories. With a view to immediately adjusting to the lower demand and to reducing the level of finished goods inventory, the company decided to stop production in some of its production channels at the Pune factory, in December 2000. This step, consequently resulted in a sharp drop, in the operating profits of the Company, in the last quarter of the year under review.



During the year, the company has launched a number of new and innovative products and services in various business segments. One such example is the integrated HBU-1 hub bearing unit, which is now being produced in the Pune plant and already sold to a number of major car manufacturers in India, such as Maruti, Telco, Ford, Fiat. Through a close co-operation with CR Seals India Limited, which is the SKF Group company for manufacture of high quality seals in India, a number of combined bearings and seals solutions have been successfully launched in the Indian market; one such example is the combined Mud-Block seal and bearing solution for improved service life in the Tractor Industry. A number of new products have also been launched in the two-wheeler, electrical motors and commercial vehicle segments.

Through the new Business Unit organisation, which was implemented in 1999, the Company has developed and further strengthened its business in non-automotive segments. This is in line with the company's strategy to widen its product and service range, and to reduce its dependence on the more cyclical automotive industry. For example, sales to the volume electric segment increased by 12.4% during the year. Sales to the industrial OEM segment also increased by 12.4%. The direct import business to industrial OEM as well as End users in India from SKF overseas manufacturing unit and regional warehouse in Singapore, has developed strongly with a 18% growth in sales over the same period in 1999.

Sales of Textile Machinery Components increased by 64% compared to the same period in 1999, with a strong demand from the textile industry.

The sale of Condition Monitoring Equipment and Maintenance Products for the Industrial Service market has grown strongly and a number of maintenance audits have been carried out with various industrial customers, as a base for future Integrated Maintenance Service (IMS) contracts.

Through the creation of the company wide Supply Chain Function and the implementation of further advanced software solutions and systems, together with a new customer service function, the company has improved its service levels to its customers significantly. The company has also entered into Logistic Agreements with a number of its customers as part of an extended service offering to customers.

The company has taken the lead in establishing e-commerce solutions with its customers. The SKF Group's e-commerce market place endoria" has been launched in India during the year, as the first market in Asia, and the company is actively involved in a number of e-commerce initiatives with its customers, putting it in the forefront of the industry in India.

The company has completed the extensive upgradation programme of the Pune factory, 'Pune 2000'. This programme has included upgradation and automation of its manufacturing process, the introduction of new production

channels, e.g. for the production of new integrated HUB bearing unit for car wheel application, and outsourcing of non-core manufacturing activities. To realise the benefits from the Pune upgradation project it was necessary to further rationalise the manpower requirement at the Pune factory. Accordingly, the company took a decision to introduce a new Voluntary Retirement Scheme to reduce the work force by about 300 employees in order to further reduce its manpower cost and improve the productivity. This will enable the company to become more competitive with a leaner structure. Accordingly, a provision of Rs. 23.5 crores for a Voluntary Retirement Scheme has been made covering an estimated 300 employees at the Pune Plant. The scheme has been finalised in December, 2000, by an agreement signed with the workers' union and will be made operational during the first quarter of 2001.

### OUTLOOK FOR THE YEAR 2001

The Indian economy has experienced a certain slow down during 2000-01 and the forecasted GDP growth for 2001-02 is now on a lower level than earlier forecasted. Likewise the industrial growth has at present slightly slowed down in a number of segments. Overall, however, the outlook for 2001-02 still indicates a growth over 2000-01 which implies that the demand for the company's product and services are likely to grow in most segments during 2001. One hopes that the coming budget will spur industrial production from its current levels.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to an amendment to Section 217 of the Companies Act, 1956, your Directors give hereunder the Directors' Responsibility Statement pertaining to the accounts of the Company :-

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation statement relating to material departures.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on December 31, 2000 and of the Profit & Loss Account of the company for the year ended on that date.
3. 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. These accounts have been prepared on a going concern basis.

### CORPORATE GOVERNANCE

Your company has been practising the principle of good