

| | | | | |
|-----|----|---|-----|----|
| MD | ✓ | | BKC | ✓ |
| CS | ✓ | | DPY | NA |
| RO | ✓ | | DIV | NA |
| TRA | NA | | AC | ✓ |
| AGM | ✓ | ✓ | SH | ✓ |
| YE | ✓ | ✓ | | ✓ |

Thirteenth Annual Report 1997-98

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STI India Limited



Thirteenth Annual Report 1997-98

BOARD OF DIRECTORS

| | |
|-----------------------|----------|
| DR. R.B. BAHETI | Chairman |
| DR. K.B.LALL | Director |
| MR. A.N.HAKSAR | Director |
| MR. B.M.LALL MUNJAL | Director |
| MR. S.K.BHATNAGAR | Director |
| MR. D.N.GHOSH | Director |
| MR. P.N.KHANDWALLA | Director |
| MR. R.K.SABOO | Director |
| MR. R.C.JAIN | Director |
| DR. N.C.B.NATH | Director |
| MR. JOHN MARJORIBANKS | Director |
| MR. K.N.GARG | Director |

MR. ANIL BHASKARAN

Company Secretary

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BANKERS & FINANCIAL INSTITUTIONS

STATE BANK OF INDIA
CANARA BANK
INDUSIND BANK LIMITED
INDUSTRIAL DEVELOPMENT BANK OF INDIA

AUDITORS

M/s P.N. NAGAR & CO.
Chartered Accountants,
20/1 Silver Arc,
New Palasia,
Indore (M.P.)

REGD. OFFICE & WORKS

Plot No.1, Sonvay Industrial Area,
Rau-Pithampur Link Road,
Tehsil-Mhow,
Distt. Indore (M.P.) - 453 441
Tel.: +91-07324-68223 to 27
Fax : +91-07324-68222

ADMINISTRATIVE OFFICE

Saubhagya Building,
1/1, New Palasia,
Indore (M.P.) 452 001
Tel. : +91-0731-538354/56.
Fax : +91-0731-538355

**THIRTEENTH
ANNUAL GENERAL MEETING**
of the company held on Thursday,
the 27th August, 1998
at the Regd. Off. of the company at 4.00 p.m.

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NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of **STI India Limited** will be held at its Registered office at Plot No.1, Sonvay Industrial Area, Rau-Pithampur Link Road, Tehsil Mhow, Distt. Indore (M.P.) on Thursday, the 27th August, 1998 at 4.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr B. M. Lall Munjal, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. D.N. Ghosh, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr.P.N.Khandwalla, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration and in this connection to pass the following resolution with or without modification as an Ordinary Resolution.

"RESOLVED THAT M/s. P.N. Nagar & Co., Chartered Accountants, Indore, be and are hereby reappointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration of Rs. 75,000/- plus such travel and out of pocket expenses as may be incurred."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr John Marjoribanks be and is hereby appointed as Director of the Company whose period of the office shall be liable to retire by rotation."

By Order of the Board of Directors
For **STI India Limited**

Anil Bhaskaran
Company Secretary

Place : Indore (M.P.)
Date : 27th July, 1998

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The Proxies to be effective must be lodged with the Company's Registered Office not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 20th August, 1998 to 26th August, 1998 (both days inclusive).
3. The Explanatory statement as required pursuant to the provisions of Section 173(2) of the Companies Act, 1956, is annexed hereto.
4. The unclaimed/unpaid of both Interim & Final dividend of the Company is being transferred to the General Revenue Account of the Central Government during and upto the financial year ended 31st March, 1995. The Concerned members may, therefore, submit their claims directly to the Registrar of Companies, Chamber of Commerce Building, Dharam Mandir Road, Gwalior (M.P.) and not to the Company.
5. The Share Department of the Company has been shifted from its present address at Steel Tube Road, Dewas (M.P.) to the Registered office of the Company at Plot No.1, Sonvay Industrial Area, Rau-Pithampur Link Road, Tehsil Mhow, Distt. Indore (M.P.). The Members are requested to send all their queries and Mails to the new address of the Share Deptt. and in future nothing will be entertained from the old address.

ANNEXURE TO THE NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

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

FOR ITEM NO. 6

Shareholders are aware that Commonwealth Development Corporation, United Kingdom (CDC) has participated in our Textile Project by way of Equity and Foreign Currency Convertible Bonds. In terms of the Financial tie-ups and Agreements, CDC has nominated Mr. John Marjoribanks, the Country Manager of India Office, as their representative on the Board as an additional Director of the Company.

Mr John Marjoribanks post-graduated in Agriculture from St. John's College, Cambridge and he is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom. He is founder member of the Commonwealth Association of Public Administration and Management and a member of the UK Tropical Agriculture Association. He is a development banker with more than three decades of experience. He has earlier worked for Department of Agriculture, Zambia; the Country Manager, India office of CDC; Director of Mananga Management, Swaziland; Country Representative of Mozambique and Zimbabwe; and Operations executive in London & currently is the Chairman of CDC Advisors Pvt. Limited, a wholly owned subsidiary of Britain's Commonwealth Development Corporation in India.

The Board considered his appointment as an Additional Director of the Company w.e.f. 27th March, 1998 subject to cessation of office at the ensuing Annual General Meeting. The Directors of your Company feel that his continued association with the Company will be more beneficial to both Company and the CDC. Hence, his appointment is recommended for your adoption.

None of the Directors other than Mr. John Marjoribanks is interested in the above resolution.

By Order of the Board of Directors
For **STI India Limited**

Anil Bhaskaran
Company Secretary

Place : Indore (M.P.)
Date : 27th July, 1998



DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report alongwith the Audited statements of Accounts for the year ended on 31st March, 1998.

PERFORMANCE DURING THE YEAR

In its maiden full year operation, the Textile Division of the Company saw 32736 spindles fully commissioned, leading to an upswing in annual sales turnover from Rs. 4277.86 lacs in 1996-97 to Rs. 6564.09 lacs in 1997-98 an impressive increase of 53%.

Export orientation in marketing has come up as a significant development with the entire output of cotton yarn and knitted fabrics finding promising export destinations. It is indeed a good augury that 73% of your company's products were exported to European Union countries while remaining 23% to Israel, Egypt, Hong Kong, New Zealand, Sri Lanka and Bangladesh.

While present depressed situation of cotton yarn and knitted fabrics market globally is a matter of concern, it is encouraging that there is inflow of continuous orders for your company's products from the various developed country markets, particularly from Europe.

While profit margins are evident in operational performance as reflected in cash profit, the interest burden has unavoidably been heavy. The situation is expected to improve once the plant commences operating at the full capacity of 67440 spindles in the current year.

FINANCIAL HIGHLIGHTS

The performance of the company during the year under review was satisfactory. The Financial highlights of the performance of your Company during the year are as under :

| | (Rs. in Lacs) | |
|---|----------------|----------------|
| | <u>1997-98</u> | <u>1996-97</u> |
| Sales | 6564.09 | 4277.86 |
| Profit before interest, depreciation and tax | 1507.45 | 784.80 |
| Less : - Depreciation | 490.47 | 320.34 |
| - Interest | 1031.26 | 514.02 |
| Profit before tax (PBT) | (14.28) | (49.56) |
| Tax Provision for previous year | -- | -- |
| Tax Provision written back/Tax refunded | 3.21 | 0.12 |
| Profit brought forward from previous year | (40.75) | 8.69 |
| Net Profit / (Loss) | (51.82) | (40.75) |
| Cash Profit | 478.90 | 270.78 |
| Appropriation | | |
| Transfer to General Reserve | -- | -- |
| Proposed Dividend | -- | -- |
| Balance carried to Balance Sheet | (51.82) | (40.75) |
| | <u>(51.82)</u> | <u>(40.75)</u> |

BUSINESS PROSPECTS

The Management has decided to increase the spindleage from 60,192 to 67,440 spindles with a very marginal investment to further improve the profitability of the company. With the entire plant getting commissioned fully by August, 1998, your company is confident of operating at the full capacity of 67,440 spindles by September/October, 1998. However, considering the position regarding the availability of cotton and the increasing cotton prices, your company expects to have a cash break even in the current year.

STI SANOH, THE JOINT VENTURE COMPANY

You are already aware that your Company had entered into a Joint Venture Agreement with Sanoh Industrial Company Limited, Japan and formed a new Company namely, STI Sanoh India Limited. Both Sanoh Industrial Co., Japan and your Company have invested 50% each of the Paid up Share Capital of the new Company. Subsequent to your approvals, the Tube Division of your Company has been sold to the new joint venture Company on 30th April, 1997 and thus the current year performance includes the operations of the Tube division for a period of one month only.

M/s. STI Sanoh India Ltd. has also installed facilities at Gurgaon for the manufacture of auto components, mainly for Maruti Udyog Ltd. and Honda Motors Ltd. Sanoh Industrial Company Ltd. has been making lot of technological improvements and upgradation of technology at both the plants. The performance of STI Sanoh India Ltd. during the year under review has been satisfactory.

With a view to upgrade STI Sanoh's product line in tune with the latest technological developments, a single wall mill has been commissioned recently at Dewas for manufacturing of Single Walled Tubes.

DIVIDEND

Though Financial performance of your Company has been satisfactory, as the operations have resulted in very meagre profits, your Directors have considered it prudent to skip the dividend for the year.

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FINANCE

To raise finance for its textile project as well as augment the Company's long term resources and strengthen its Capital base, your Company made an issue of 1,35,00,000 Equity shares of Rs.10/- each at a premium of Rs. 27/- per share calculated as per the SEBI formula to Foreign Investors including 4594594 Equity shares of Rs.10/- each at a premium of Rs. 27/- per share to Commonwealth Development Corporation and the Domestic Companies on private placement basis. The Company has also issued 1,86,865, Foreign Currency Convertible Bonds of Sterling Pound 10.00 each to Commonwealth Development Corporation of United Kingdom. After this private placement, the existing Paid up Share Capital of the Company has been enhanced from Rs. 4.00 Crs to Rs. 17.50 Crs. The continuing depressed capital market conditions have forced your Directors to take this effective and alternative steps for procuring funds for its Project and also thankful for overwhelming response by Indian and Foreign Investors and in particular the Commonwealth Development Corporation. Your Company was assisted by Industrial Development Bank of India to the extent of Rs. 48 Crores for the textile project during the year. With this assistance the project is gearing up for early completion and commissioning.

Your Company has been extended working capital facility during the year by a consortium of banks led by State Bank of India for its operation.

CAPTIVE POWER PROJECT

The shareholders are aware that mainly to cater to the power requirement of textile division, it was decided to set up a 25 MW furnace oil based captive power project adjacent to your textile factory site. In order to implement the captive power project, STI India Vidyut Private Limited, a project specific Company has been incorporated on 20th July, 1997.

Your Directors are pleased to inform you that substantial progress has been made on the project in terms of obtaining various statutory clearances, including Fuel Linkage from the Ministry of Petroleum & Natural Gas, Government of India and tying up of financing for the project. MCN Investment Corporation, USA will be subscribing 49% of the equity in the project and this will be a joint venture between your company and MCN Investment Corporation. STI India Vidyut Private Limited is a subsidiary of your Company.

Barring unforeseen circumstances the entire Power Plant should be operational during the middle of year 1999.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure-I which forms part of this Report.

BOARD OF DIRECTORS

During the year Mr.K.S.Parmar, Executive Director retired from the services of the Company upon the completion of his term of office. Mr G.M.Sheth another Director resigned on account of his pre-occupation with other assignments. Also Industrial Development Bank of India withdrew the nomination of Mr.U.M.Kale, their nominee on the Board during the year. The Directors of your Company record their appreciation of the valuable services rendered by them during their tenure as Directors.

Mr. John Marjoribanks, Country Manager of India Office of CDC was appointed as Director on 27th March, 1998 subject to the provisions of Section 260 of the Companies Act, 1956 and cease to hold office at the ensuing Annual General Meeting and also eligible for appointment. In view of the contributions by the CDC, the Board has recommended his appointment as Director.

Pursuant to the provisions of Section 256 of the Companies Act 1956 and the Articles of Association of the Company, Mr B. M. Lall Munjal, Mr. D.N.Ghosh and Mr. P.N.Khandwalla, Directors of your Company retire by rotation at this Annual General meeting and being eligible offer themselves for reappointment.

AUDITORS

The Statutory Auditors, M/s P.N. Nagar & Co., Chartered Accountants, Indore retire at the conclusion of the ensuing Annual General Meeting. The Company has received certificate from the Auditors to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. You are requested to appoint Statutory Auditors for the current financial year to hold office until the conclusion of the next Annual General Meeting and also to fix their remuneration.

FIXED DEPOSITS

Your Company has not accepted or invited any Deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

PARTICULARS OF EMPLOYEES

Particulars of employees as required to be given in the Directors' Report under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, are given in the Annexure-II which forms part of this report.

INDUSTRIAL RELATIONS

The relations between your Company and its employees continued to be cordial during the year enabling the Company to achieve allround progress. Various steps have been taken by your Company for the welfare of the employees. All the employees worked with enthusiasm to better the Company's performance compared to the previous year.

APPRECIATION

Your Directors place on record their appreciation for unstinted and continued support extended by clients, shareholders, Commonwealth Development Corporation, Financial Institutions, Banks, State and Central Governments in achieving the better levels of performance during the year.

The Directors also take this opportunity to express their sincere appreciation of the devoted and dedicated services rendered by all employees and staff.

For and on behalf of the Board

Place : New Delhi
Date : 25th June, 1998

Dr. R.B. Baheti
Chairman



STI India Limited

ANNEXURE - I TO THE DIRECTORS' REPORT

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREIN AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 1998.

FORM- A (See Rule 2)

(A) CONSERVATION OF ENERGY :

The Company has generated the entire requirement of electricity for its operation from Diesel Generating sets. Use of self generated power has led to more conscious and controlled energy management. The D.G.sets operation was optimised and efforts were made for improving the utilisation of power generated to achieve a very healthy load factor for economical operation of D.G. sets, thereby lowering the cost of generation per unit as well as lowering the units consumed per kilogram of production.

High efficiency light sources and electronic ballasts have been installed. This has resulted in substantial savings of electrical energy for lighting installation. Energy conservation features are incorporated in the plant from the design stage and efforts are being made to maintain and improve them.

The required data with regard to Conservation of Energy as applicable to our industry are furnished below.

| | As at 31-03-1998 | As at 31-03-1997 |
|--|---------------------|---------------------|
| Power & fuel consumption | | |
| Electricity purchased (KWH in Lacs) | Nil | 83.03 |
| Electricity own generated (Units in Lacs) | 177.01 | Nil |
| Total amount (Rs in Lacs) | 597.57 | 247.09 |
| Rate/Unit (in Rs) | 3.38 | 2.98 |
| Consumption of electrical energy per Kg. of production | 3.73 | 4.31 |

FORM - B (See Rule 2)

RESEARCH AND DEVELOPMENT (R&D)

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

No specific R & D activity was carried out by the Company. The Company has the most modern Quality Assurance Laboratory which has complete range of equipment for testing of raw material, process intermediates and the finished yarn. A few machines are equipped with On line quality monitoring and rectification systems.

2. Benefits derived as a result of the above R&D :

The success derived from the above efforts is resulting in control over rejection and produce consistently in better quality for International market

3. Future plan of action :

Some more equipments are likely to be introduced in near future.

4. Expenditure on Research & Development :

No expenditure has been incurred on Research & Development.

(B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :

1. Efforts, in brief, made towards technology absorption, adoption and innovation;

Though the entire range of plant and machinery is imported, the company does not have any technical collaboration agreements. The Company is managed by qualified and experienced staff in all fields.

2. Benefits derived as a result of the above efforts, i.e., product development, import substitution, etc.;

It is hoped that during the current year with the entire capacity getting commissioned the Company would be in a position to run the plant with full capacity and expand its exports to other countries in the world.

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

| | |
|--|------------------|
| (a) Technology imported | - Not Applicable |
| (b) Year of import | - Not Applicable |
| (c) Has technology fully been absorbed? | - Not Applicable |
| (d) If not fully absorbed, areas where this has not taken place, reason thereof and future plan of action. | - Not Applicable |

The Company does not have any technical collaboration and hence Technology Absorption and Adoption are not applicable.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

| | (Rs. in Lacs) |
|--|---------------|
| - Foreign Exchange earnings | 5495.70 |
| - Foreign Exchange outgo; | -- |
| - CIF value of imported raw material, components and spare parts | 4.47 |
| - CIF value & machinery | 754.19 |
| - Others | 455.24 |
| - Travelling | 11.23 |

By Order of the Board of Directors

Place : New Delhi
Date : 25th June, 1998

Dr. R.B. Baheti
Chairman

*13th Annual Report 1997-98***ANNEXURE - II TO THE DIRECTORS' REPORT**

Information pursuant to section 217(2A) read with Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 1998.

| Sl. No. | Name of Employee | Age (Years) | Designation | Remuneration Received (Rs) | qualification | Experience | Date of commencement of employment | Last Employer & position held | % Equity Shares Held |
|--|------------------|-------------|--------------------------|----------------------------|----------------------------|------------|------------------------------------|--|----------------------|
| A. Employed for part of the year and in receipt of remuneration aggregating not less than Rs. 3,00,000/- per annum. | | | | | | | | | |
| 1. | Mr.R.K.Bhatnagar | 47 | President (Works) | 442512/- | B.Tech. (Textile) | 26 | 01.09.94 | M/s Indo Rama Synthetics (I) Ltd. Vice President (Works) | Nil |
| 2. | Mr.M.A.Rizvi | 55 | President (Export) | 316422/- | B.Tech. (Textile) | 33 | 01.06.95 | M/s Nahar Exports Ltd. President (Exports) | Nil |
| 3. | Mr.S.Nand | 51 | Vice President (HRM) | 397040/- | B.Tech. (Electrical) PGDIM | 28 | 25.06.96 | M/s NTPC Ltd., Singroli DGM (P&A) | Nil |
| 4. | Mr.R.S.Poonia | 39 | Vice President (Tech.) | 335117/- | B.Tech. (Textile) | 17 | 05.09.94 | M/s HEG Ltd. Jammu GM.(Tech.) | Nil |
| B. Employed for part of the year and in receipt of remuneration not less than 25,000/- per month. | | | | | | | | | |
| 1. | Mr.K.S Parmar | 65 | Executive Director | 228100/- | M.A.(Eco.) Retired I.A.S. | 36 | 01.09.94 | All India Co-operative Spinning Mills Managing Director | Nil |
| 2. | Mr.A.Srinivasan | 48 | Executive Vice President | 29400/- | B.E (Hons.) | 26 | 01.12.97 | Steel Tubes of India Limited,Dewas Vice President | Nil |

NOTES :

- Nature of Employment is on the basis of terms of service.
- Remuneration includes Salary, Contribution to Provident fund, House Rent, Expenditure incurred by the Company on accommodation, LTA, Medical Benefit and other allowances wherever applicable.
- The above employee is not related to any Director of the Company.

By Order of the Board of Directors

Place : New Delhi
Date : 25th June, 1998

Dr. R.B Baheti
Chairman


STI India Limited

AUDITORS' REPORT

To,

*The Members of
STI India Limited,*

We have audited the attached Balance Sheet of STI India Limited as at 31st March 1998 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. *As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, our comments on the matters specified in para 4 & 5 of the said order.*
2. *Further to our comments in the Annexure referred to in para (1) above :*
 - (i) *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;*
 - (ii) *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 those books;*
 - (iii) *The Balance Sheet and Profit and Loss Account dealt with by the report, are in agreement with the books of Account;*
 - (iv) *In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manners 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 Profit and Loss Account of the Loss for the year ended on that date.*

For P.N. Nagar & Co.
Chartered Accountants

P. N. Nagar
Partner

Place : Indore
Date : 26th June, 1998

*13th Annual Report 1997-98***ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

1. The Company has maintained record showing full particulars including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verifications.
2. None of the fixed assets have been revalued during the financial year.
3. The stock of finished goods, stores, spare parts and raw-materials have been physically verified by the management at reasonable intervals.
4. The procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. On the basis of our examination of stocks, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of stocks is same as in the preceding year.
7. The Company has not taken any loans secured or unsecured from the Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same management as defined under sub-section (1B) of Section 370 of the said Companies Act, 1956.
8. The Company has not granted any loans secured or unsecured to the Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and/or to the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
9. The parties to whom the loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated. There is no stipulation regarding interest in respect of advances in the nature of loans.
10. There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw-materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. As per information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contract or arrangements entered in the Register maintained under Section 301 of the Companies Act 1956, and aggregating during the year Rs.50,000 (Rupees fifty thousand only) or more in respect of any party.
12. The Company has regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising from the items so determined.
13. The Company has not accepted any deposits from the public.
14. The Company has maintained reasonable records for the sale and disposal of realisable scraps.
15. The Company has an internal audit system which to be strengthened considering its size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under Section 209(1)(d) of the Companies Act 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records.
17. The Company is regular in depositing Provident Fund and Employees State insurance dues with the appropriate authorities.
18. There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty outstanding as at the last day of the financial year concerned for a period of more than six months from the date they become payable.
19. According to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contracted obligations or in accordance with generally accepted business practice.
20. 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.
21. In respect of trading activities, we are informed that there were no damaged items of goods traded in by the Company.

For **P.N. Nagar & Co.**
Chartered Accountants

Place : Indore
Date : 26th June, 1998

P.N. Nagar
Partner