SAFA INDUSTRIES (INDIA) LTD.

THE SPIRIT OF TRAVEL

19TH ANNUAL REPORT - 1998-99

BOARD OF DIRECTORS

Shri Sumatichandra H. Mehta
(Chairman & Managing Director)

Shri Yogendra P. Trivedi

Shri Jayaramdas M. Patel

Shri Dakshesh B. Dhruv

Shri Dhananjay M. Parekh

Shri Mulchand K. Sheth

Shri Yugesh S. Mehta

Shri Amul S. Mehta
(Managing Director)

Company Secretary
Shri S. K. Somani

REGISTERED OFFICE
107/0, Khetani Textile Compound,
Bazar Ward, Kurla West,
Mumbai - 400 070.

HALOL PLANT
1701/2200, G.I.D.C. Industrial Estate,
Halol 389 350
Dist. Panchmahal (Gujarat)

BANKERS
Central Bank of India

AUDITORS
Bansi S. Mehta & Co.
Chartered Accountants

SOLICITORS
Dhru & Co.

SHARE DEPARTMENT
M/S Safari Industries (India) Ltd,
107/0, Khetani Textile Compound,
Bazarward, Kurla West, Mumbai - 400 070.

19TH ANNUAL GENERAL MEETING
On Saturday, the 31st July, 1999
at 3.30 p.m.
at Jai Hind College Auditorium
A - Road, Churchgate
Mumbai - 400 020

CONTENTS Page No.

FINANCIAL HIGHLIGHTS

(Rs.'000)

		1994-95	1995-96	1996-97	1997-98	**1998-99**
1	Gross Sales	412,763	347,820	476,562	500,902	**565,235**
2	Less Excise	74,043	64,056	88,537	69,882	**80,085**
3	Net Sales	338,720	283,764	388,025	431,020	**485,150**
4	Other Income	2,761	3,315	4,212	3,931	**3,995**
5	Total Income	341,481	287,079	392,237	434,951	**489,145**
6	Total Expenditure	305,423	264,170	351,857	386,903	**434,905**
7	Operating Profit	36,058	22,909	40,380	48,048	**54,240**
8	Interest	12,708	13,571	11,800	9,179	**11,595**
9	Gross Profit	23,350	9,338	28,580	38,869	**42,645**
10	Depreciation	7,501	8,364	8,120	8,164	**8,209**
11	Deferred Revenue Expenditure W/Off	0	0	0	3,030	**3,667**
12	Profit Before Tax	15,849	974	20,460	27,675	**30,769**
13	Tax	4,500	10	5,515	10,000	**14,128**
14	Profit After Tax	11,349	964	14,945	17,675	**16,641**
15	Dividend	4,680	3,900	5,200	6,500	**7,800**
16	Retained Earnings	5,650	4,046	11,666	18,191	**16,174**
17	Share Capital	26,000	26,000	26,000	26,000	**26,000**
18	Reserves & Surplus	33,308	29,938	39,180	49,703	**57,686**
19	Shareholders' Funds	59,308	55,938	65,180	75,703	**83,686**
20	Loan Funds	75,721	56,718	66,013	65,397	**67,637**
21	Total Capital Employed	135,029	112,656	131,193	141,100	**151,323**
22	Gross Block	115,500	118,441	124,825	128,458	**131,674**
23	Net Block	63,862	59,209	57,569	53,890	**49,089**
24	Net Current Assets	71,167	53,447	67,564	82,905	**101,597**
25	Miscellaneous Expenditure	0	0	6,060	4,305	**637**
26	Total Assets	135,029	112,656	131,193	141,100	**151,323**
27	Operating Profit Margin %	10.56	7.98	10.29	11.05	**11.09**
28	Gross Profit Margin %	6.84	3.25	7.29	8.94	**8.72**
29	Dividend %	18.00	15.00	20.00	25.00	**30.00**
30	Book Value Per Share (Rs.)	22.81	21.51	25.07	29.12	**32.19**
31	Cash Earning Per Share (Rs.)	7.25	3.59	8.87	11.10	**10.97**
32	Earning Per Share (Rs.)	4.37	0 .37	5.75	6.80	**6.40**
33	Return On Net Worth %	19.14	1.72	22.93	23.35	**19.89**
34	Return On Capital Employed %	26.70	20.34	30.78	34.05	**35.84**
35	Assets Turnover Ratio	6.46	5.87	8.28	9.29	**11.51**
36	Inventory Turnover Ratio	7.11	6.26	7.68	9.13	**8.83**
37	Debt Equity Ratio	1.28	1.01	1.01	0.86	**0.81**
38	Current Ratio	1.97	1.57	1.59	1.91	**2.02**

NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of Safari Industries (India) Limited will be held at *Jai Hind College Auditorium, A-Road, Churchgate, Mumbai 400 020, on Saturday, the 31st July, 1999*, at 3.30 p.m. to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and the Audited Profit & Loss Account for the year ended 31st March, 1999, and the Balance Sheet as on that date.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Dakshesh B Dhruv, who retires by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Yogendra P. Trivedi, who retires by rotation, but being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS
SAFARI INDUSTRIES (INDIA) LIMITED

Mumbai
DATED : 27th May, 1999.

S. H. MEHTA
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the company will remain closed from Saturday, the 17th July, 1999, to Saturday, the 31st July, 1999, (both days inclusive) *for the purpose of payment of dividend for the year ended* 31st March, 1999.
3. Any dividend that may be declared at the Annual General Meeting will be payable on or after 6th September, 1999, to the members registered in the Register of Members of the company at the close of business on 31st July, 1999.
4. Members are requested to intimate the change in their addresses, if any, immediately to the company at its Registered Office.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report together with Audited Statement of Accounts of the company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	Year Ended 31.03.1999 RUPEES	Year Ended 31.03.1998 RUPEES
Gross Operating Profit	4,26,45,838	3,88,68,562
Less : Depreciation	82,08,956	81,63,714
Operating Profit for the year	3,44,36,882	3,07,04,848
Less : Deferred Revenue Expenditure written off	36,67,263	30,29,853
Profit before Taxes	3,07,69,619	2,76,74,995
Less : Provision for Taxes	1,30,00,000	1,00,00,000
Less : Taxes of earlier years	11,28,420	—
Profit after Taxes	1,66,41,199	1,76,74,995
Add : Profit brought forward from previous year	1,81,90,963	1,16,65,968
Profit available for Appropriation	3,48,32,162	2,93,40,963
APPROPRIATIONS:		
Proposed Dividend	78,00,000	65,00,000
Tax on Proposed Dividend	8,58,000	6,50,000
General Reserve	1,00,00,000	40,00,000
Balance Carried to Balance Sheet	1,61,74,162	1,81,90,963
	3,48,32,162	2,93,40,963

2. DIVIDEND

Your Directors recommend Dividend of Rs. 3.00 per share for the year ended 31st March, 1999.

3. PERFORMANCE

Inspite of the recessionary condition in the economy, the company was able to achieve improvement in production, sales and profitability. Sales and other income have increased from Rs. 5048 lakhs to Rs. 5692 lakhs. The company crossed the milestone of one million pieces of plastic moulded luggage by producing 1086647 number of pieces in the current year as compared to 966615 number of pieces in the previous year. The Gross Profit has increased from Rs. 388.69 lakhs to Rs. 426.45 lakhs.

The net profit is Rs. 166.41 lakhs after providing depreciation of Rs. 82.09 lakhs, provision for taxes of Rs. 130.00 lakhs, taxes of earlier years of Rs. 11.28 lakhs and deferred revenue expenditure of Rs. 36.67 lakhs.

During the year company has made a small beginning with sales of soft luggage which the company outsources.

4. CURRENT YEAR

The company hopes to sustain improvement in production, sales and profitability in the current year barring unforeseen circumstances.

5. Y2K : YEAR 2000 COMPLIANCE :

The company's production planning, materials planning, stores and accounting functions are computerised. The company has already initiated steps to make all hardware and software Y2K compliant and is expected to complete by 30th June, 1999. The cost to address Y2K problems is estimated to be about Rs. 2.50 lakhs.

6. FIXED DEPOSITS

Fixed Deposits from public and shareholders as on 31st March, 1999, aggregated to Rs. 65.02 Lakhs. Matured deposits of Rs.0.02 lakhs in respect of one depositor remained unclaimed as on that date.

7. DIRECTORS

As per the provisions of the Companies Act, 1956, and Company's Articles of Association, Shri Dakshesh B Dhruv and Shri Yogendra P Trivedi, Directors of the company, retire by rotation and being eligible offer themselves for reappointment.

8. AUDITORS

M/s Bansi S.Mehta & Co., Chartered Accountants, Mumbai, Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting. The company has received certificate from Auditors to the effect that their reappointment, if made, would be within the prescribed limit under Section 224 (1B) of the Companies Act, 1956.

9. COMMENT ON AUDITORS' REMARKS

Notes contained in Schedule No. 12 of the Accounts and referred to in the Auditors' Report are self explanatory and do not call for futher explanations and may be treated as adequate compliance of Section 217(3) of the Companies Act, 1956.

10. PERSONNEL

The Directors place on record their appreciation for the co-operation extended by the officers, staff, and workers of the company.

11. PARTICULARS OF EMPLOYEES

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

12. CONSERVATION OF ENERGY, ETC.

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

ON BEHALF OF THE BOARD OF DIRECTORS
SAFARI INDUSTRIES (INDIA) LIMITED

Mumbai — **S. H. MEHTA**
Dated : 27th May, 1999. — *Chairman*

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE BOARD OF DIRECTORS' REPORT) RULES, 1988.

(A) CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :
Power is not a major input in the manufacturing process. Therefore, no substantial conservation of energy is possible. However, efforts have been made to install energy saving devices and greater awareness have been brought about among the employees at the company's manufacturing unit to induce conservation of energy and in particular to avoid wastage.

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy: Please refer to the explanation provided in (a) above.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. Not applicable.

(d) Total energy consumption and energy consumption per unit of production :
Form 'A' of the annexure to the Companies (Disclosure of particulars in the Board of Directors Report) Rules, 1988, is not applicable.

(B) TECHNOLOGY ABSORPTION :

1. RESEARCH AND DEVELOPMENT (R & D) :

(a) Existing products are continuously evaluated for possible improvement in their design, etc. The process of manufacture is under constant review for improvement in methods, quality and cost reduction.

(b) Benefits derived as a result of above R & D :
Introduction of new and better models.
Improvement in Cycle Time, Machine Performance and reduction in down time.

(c) Future plan of action : Automation in Frame bending and Luggage Assembly.

(d) Expenditure on R & D : Expenditure on normal R & D is insignficant. Hence not allocated separetely.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

(a) Efforts taken for technology absorption and innovation : Company's manufacturing process is based mainly on indigenous technology.

(b) Benefits derived as a result of the above efforts :
Not applicable.

(c) Information regarding technology imported during the last five years. Not applicable.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Total foreign exchange used and earned during the year.

	(Rs.in lacs)
Used	372.45
Earned	—

ON BEHALF OF THE BOARD OF DIRECTORS

Mumbai — S. H. MEHTA
Dated : 27th May, 1999. — *Chairman*

AUDITORS' REPORT

The Shareholders,
SAFARI INDUSTRIES (INDIA) LIMITED

We have audited the attached Balance Sheet of Safari Industries (India) Ltd., as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date, and report that:

1. 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.
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 such books.
3. The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of account.
4. In our opinion, the attached Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of legal advice and consequent to the change in the Income-Tax Rules which no longer require provision of additional depreciation for extra and multiple shift user, the Company had not provided any additional depreciation for extra and multiple shift user, in respect of items of plant and machinery acquired before 2.4.87 as detailed together with its impact on the accounts in Note 5 of Schedule 12 to the Balance Sheet and Profit & Loss Account.

   Subject to the above, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with Note No. 10, 15 and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

   (i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999, and

   (ii) In the case of the Profit & Loss Account of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we further state as under :

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except in respect of situation and cost of certain individual items of furniture and fixtures, where in our opinion and according to the information and explanations given to us it is not practically possible to give the required particulars.

   As per the information and explanations given to us, assets of significant value have been physically verified by the management during the year except in case of fixed assets lying with third parties in respect of which certificates have been obtained. In our opinion, the frequency of verification of fixed assets by the management is reasonable. As informed to us no material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, stores and spare parts and raw materials have been physically verified during the year by the management except for items of stores and spares and raw materials falling under C class having insignificant value and in case of stocks lying with third parties and at depots, in respect of which certificates have been obtained from concerned parties/officials of the Company. In our opinion, the frequency of such verification is reasonable.
4. Subject to para 3 above, in our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and nature of its business.
5. Subject to para 3 above, the discrepancies noticed on verification between the physical stocks and book records were not material and the same have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles, and is on the same basis as in the previous year.
7. The Company has not taken any loans, secured or unsecured, from Companies, Firms or other Parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As per the information and explanations given to us, there is no company under the same Management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956, notwithstanding the inapplicability of Section 370 to the Company with effect from 31st October, 1998, vide Section 17 of the Companies