

MD	✓		BKC	✓
CS	✓		DIY	✓
RO	✓			✓
TRA	NA			✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓



Report

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THE STOCK EXCHANGE  
MUMBAI

70 APR 1999

No .....

RESEARCH, STATISTICS  
& PUBLICATIONS DEPT.

# ANNUAL REPORT & ACCOUNTS 1997 - 98





## **THE SOUTHERN GAS LIMITED**

### **DIRECTORS**

Shri A. G. POY RAITURCAR - CHAIRMAN  
Shri M. G. POY RAITURCAR  
Shri LALIT P. MEHTA  
Shri J. V. GAITONDE  
Shri DARA M. TAVADIA  
Shri G. G. POY RAITURCAR

### **CHIEF EXECUTIVE & SECRETARY**

Shri S. V. ANANTH

### **BANKERS**

DENA BANK  
CORPORATION BANK

### **AUDITORS**

M/s VARMA & VARMA  
CHARTERED ACCOUNTANTS,  
COCHIN - 682 016.

### **LEGAL ADVISORS**

M/s MENON & PAI  
ADVOCATES  
COCHIN - 682 016.

### **REGISTERED & HEAD OFFICE**

GOVIND POY HOUSE'  
RUA DO PADRE MIRANDA,  
MARGAO - 403 601, GOA.

### **FACTORIES AT**

UDYOGAMANDAL (KERALA)  
BHADRAVATI (KARNATAKA)  
BANGALORE (KARNATAKA)





## NOTICE

NOTICE is hereby given that the THIRTY FOURTH Annual General meeting of the Shareholders of THE SOUTHERN GAS LIMITED will be held on Thursday, the 31.12.1998 at 10.30 a.m. at Govind Poy House, Rua Do Padre Miranda, Margao - 403 601, Goa to transact the following business:

1. To receive and adopt Directors' report and the audited Balance Sheet and Profit and Loss Account for the year ended 31.3.1998.
2. To declare Dividend for the year ended 31.3.1998.
3. To appoint a Director in place of Shri A.G. Poy Raiturcar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. G. Poy Raiturcar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

## SPECIAL BUSINESS

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

"RESOLVED that pursuant to Section 294 of the Companies Act, 1956, and other applicable provisions if any, of the said act, the re-appointment of M/s. N. Mahalingam & Company, Coimbatore, from 1.10.1998 to 30.9.1999 for a period of one year ending 30.9.1999 as depot managers of the Company for Coimbatore, Salem and Tirunelveli Districts on the terms and conditions specified in the agreement laid down before the meeting and initialed by the Chairman for the purpose of identification be and the same is hereby approved."

## NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT PROXY NEED NOT BE A MEMBER.
- b. Explanatory statement as required by Section 173(2) of the companies Act, 1956 in respect of item No. 6 being special business is enclosed herewith. Agreement referred to in item No. 6 is open for inspection at the Company's Registered office on all working days.
- c. The register of Members and Transfer Books of the Company will remain closed from 17.9.1998 to 30.9.1998 (both days inclusive).

By Order of the Board of Directors

Margao,  
7.12.1998

S. V. ANANTH  
Chief Executive & Secretary



## EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No. 6

M/s. N. Mahalingam & Company have been acting as Depot Managers of the Company from 14.10.1970. Their appointment was renewed from time to time, last such appointment coming to an end on 30.9.1998. In view of the satisfactory services rendered by them the board thought it fit to re-appoint them for a further period of one year with effect from 1.10.1998 for maintaining and promoting the sales at Coimbatore, Salem and Tirunelveli on terms and conditions mentioned below:

- i. The remuneration of 9% (Dissolved Acetylene) and 10% (Oxygen, Nitrogen & Carbon - di-oxide) of the ex-factory ex-depot invoice value of the said area will be paid as commission to them.
- ii. The Depot Managers shall keep the Company indemnified of all bad debts resulting from the sale of gases in the said area.
- iii. The Depot Managers shall provide free of rent suitable premises for location of the Depot Office & Store.
- iv. Office stationery and printed material will be supplied to the depot managers by the Company. Expenditure on account of postage, telegrams, telephones and other sundry office expenses will be borne by the company. All other expenses shall be borne by the Depot Managers.
- v. Re-appointment will be effective from 1.10.1998 to 30.9.1999. The Board of Directors at their meeting held on 29.8.1998 approved the re-appointment. In the opinion of the Board of Directors the said arrangement is in the best interest of the Company.

None of the Directors is interested in the Resolution.

By Order of the Board of Directors

Margao,  
7.12.1998

S. V. ANANTH  
Chief Executive & Secretary



## DIRECTORS REPORT

Your Directors are pleased to submit the 34th Annual Report together with the Audited Statement of Accounts for the year ended 31.3.1998.

### FINANCIAL RESULTS

Your Company earned a net profit of Rs.61.12 lacs during the year as against a net profit of Rs 166.33 lacs last year.

### OPERATIONS

Your Company's operations were adversely affected due to continued high cost of inputs and increased purchase prices of gases. Your company's oxygen plants at Bhadravati and Feroke-Calicut had to be shut down due to prohibitive power cost. Despite these adverse factors, oxygen production registered a decrease of 7%. Our sole gas suppliers in Goa started direct sales in Margao with effect from 1.4.1998 and consequently, our sales in the coming years are expected to be substantially curtailed.

Plans to maintain and improve your company's profitability are on the anvil and your directors are hopeful that there will be improvement in the coming years.

Your Company continued to take steps to optimize energy consumption as in previous years. During the year there were no technology absorption or Foreign Exchange Earnings and Foreign Exchange outgo was to the tune of US \$ 37,500/-.

### DIRECTORS

Shri A.G. Poy Raiturcar and Sri M.G. Poy Raiturcar, Directors of the company retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

### AUDITORS

M/s. Varma & Varma, Chartered Accountants, Auditors of your Company retire and are eligible for re-appointment.

### DIVIDEND

In view of the net profit during the year, your Directors recommend a dividend of Rs. 35/- per share and carry Rs. 10 lacs to General Reserve.

### EMPLOYEES

The Company's relations with its employees continued to be cordial. Your Directors wish to place on record their appreciation of hard and devoted work put in by all the officers and staff which has contributed in no small measure to the overall performance of your company.

For and on behalf of the  
Board of Directors

Margao,  
29.8.1998

A. G. POY RAITURCAR  
Chairman

NOTE : Addendum to the above is at page no. 25



The Members of  
THE SOUTHERN GAS LIMITED  
Margao.

## AUDITORS' REPORT

We have examined the attached Balance Sheet of The Southern Gas Limited, as at 31.3.1998 and the annexed Profit & Loss Account of the Company for the year ended on that date and report as under:

- I In terms of the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Government of India, under Section 227(4A) of the Companies Act, 1956, we report that:
1. The Company has maintained Fixed Assets Register showing the particulars including quantitative details and situation of fixed assets except for location of Gas Cylinders in movement, which require to be updated. It has been explained to us that most of the fixed assets of the company were physically verified by the management during the year, except for assets given on hire and gas cylinders lying with customers which in our opinion is reasonable having regard to the size of the company and the nature of its assets and no material discrepancies have been noticed on such verification.
  2. The Fixed Assets have not been revalued during the year.
  3. As explained to us the closing stock of finished goods, (except goods in transit) stores, spare parts and raw materials have been physically verified by the management as at the year end which in our opinion is reasonable for the size of the company and the nature of its business.
  4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  5. The discrepancies noticed on verification between the physical stock and the book stock which were not material have been properly dealt with in the books of account.
  6. On the basis of our examination of the stock records we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles having regard to the policy followed by the company that excise duty on manufactured goods lying at factory is not included in valuation of inventory (See Note No. 13 attached to the accounts) and is on the same basis as in the preceding year.
  7. The company has received an amount of Rs. 1 lac as interest free security deposit from a concern listed in the Register maintained under Section 301 and there are also other amounts due to such concerns in respect of supplies/issues in the course of business. The company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Sec.301 of the Companies Act, 1956 or from companies under the same management as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956.
  8. The company has paid Rs. 4.5 lacs as interest free security deposit to concerns listed in the Register maintained under Section 301 as stated in note no. 5 (I)(b) to the accounts. The company has not granted any loans secured or unsecured to companies/firms or other parties listed in the register maintained under section 301 or to Companies under the same management as defined in sub-section (1 - b) of Section 370 of the Companies Act, 1956.
  9. As explained to us, in respect of loans or advances given to employees/ suppliers in the usual course of business, the recoveries of principal and interest have been as stipulated by the management.
  10. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
  11. According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market price.
  12. As explained to us, due provision has been made for loss on unserviceable or damaged stores, raw materials and finished goods to the extent determined by the management.
  13. The company has not accepted deposits from public and hence the provisions of Section 58A of the Companies Act, 1956 and the rules framed there under are not applicable to it.





14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of by-products and realisable scrap wherever applicable and significant.
15. The company has an internal audit system which is commensurate with its size and nature of its business.
16. The Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 for industrial gases manufactured by the company. It was explained to us that the records - prescribed under the said provision are being maintained.
17. According to the records of the Company, except for minor delays in payment of Employees State Insurance dues during certain months, the company was generally regular in depositing the Provident Fund and Employees State Insurance dues with the appropriate authorities. There were no arrears as at 31.3.1998.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Custom duty and Excise duty were outstanding as at 31.3.1998 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligation, or in accordance with generally accepted business practice, as also the expenditure on foreign studies of a trainee engineer who is son of a director as stated in Note No. 15 to the accounts.
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 goods traded in by the company, as explained to us, there were no damaged goods at the end of the year.

II. Further to the above comments, we report as under:

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit except to the extent stated under (4) below.
2. In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
3. The Balance Sheet & Profit & Loss Account referred to in this report are in agreement with the books of account.

Subject to Note No. 2(b) regarding non-provision of Excise Duty and sales tax/ penalty disputed by the company aggregating to Rs 10,31,229/- the final liability of which cannot be ascertained at this stage, Note No.3 (a) and (b) regarding company's claim for differential price/fixed charges on sale and for fixed charges pending under litigation/dispute not taken credit for in the accounts respectively, the final position of which cannot be ascertained at this stage, Note No. 4 regarding certain cylinders lying with customers unreturned for a long time for which provision for loss, if any, is not made as the same is not ascertainable at this stage and Note No.7 regarding certain balances of sundry debtors/creditors, deposits, loans and advances which are subject to confirmation by the parties, Note No. 15, regarding foreign study/ training expenses of a trainee engineer, who is the son of a Director Rs. 10,67,021/- charged to revenue, which are not supported by bills, etc. to the extent of Rs. 5,12,175/- and hence not verifiable.

in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes attached to and forming part of the accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- a. in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 1998; and
- b. in the case of the Profit & Loss Account, of the profit for the year ended on that date.

For VARMA & VARMA  
Chartered Accountants

Cochin - 16  
3.10.1998

VENUGOPAL C. GOVIND  
Partner