

SUPER TANNERY (INDIA) LIMITED

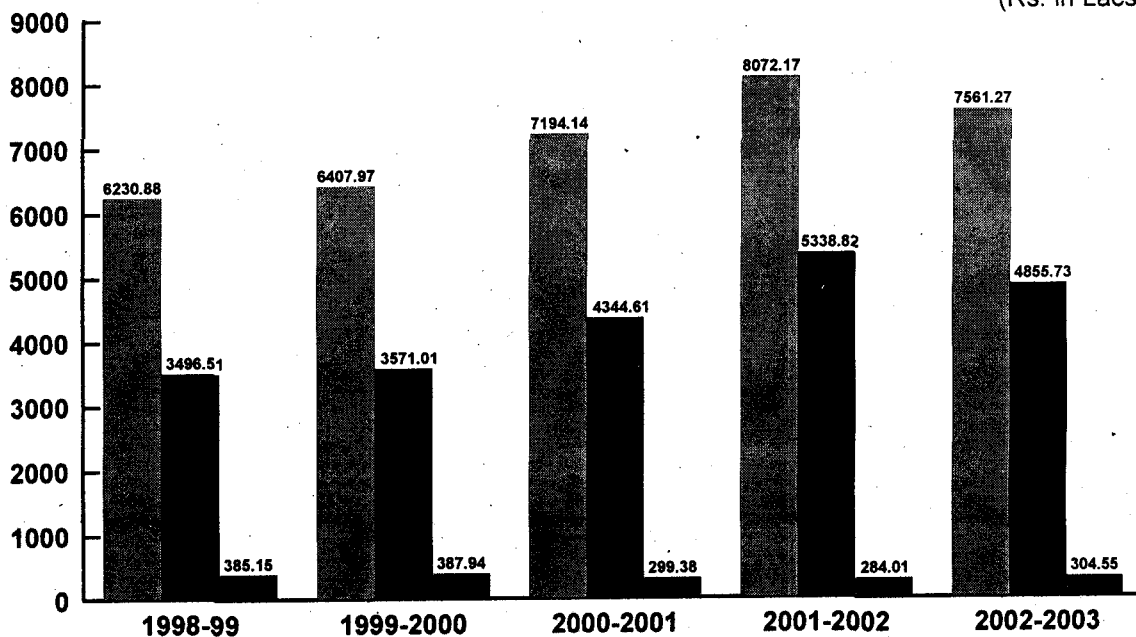
Report  junction.com



**NINETEENTH ANNUAL REPORT
2002-2003**

PERFORMANCE HIGHLIGHTS

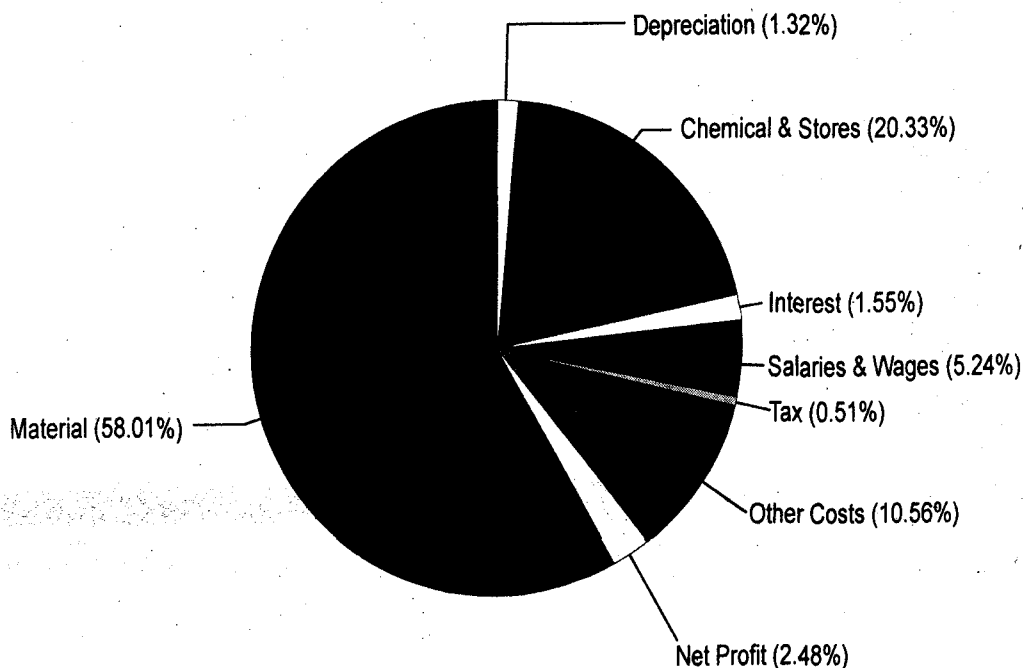
(Rs. in Lacs)



SALES EXPORTS CASH PROFIT

Report Junction.com

DISTRIBUTION OF INCOME



SUPER TANNERY (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. Iftikharul Amin, *Managing Director*
 Mr. Iqbal Ahsan, *Joint Managing Director*
 Mr. Veqarul Amin, *Joint Managing Director*
 Mr. Imran Siddiqui
 Mr. Arshad Khan
 Mr. Mohd. Imran
 Mr. Mohsin Sharif
 Mr. Sujit Kumar Sil
 Mr. Rajive Khanna
 Mr. Nafees Ahmad
 Mr. Kumud Behari Seth
 Dr. Nafis Ahmad

COMPANY SECRETARY

Mr. Zafar Ahmad Khan

AUDITORS

M/S. KAPOOR TANDON & CO.,
Chartered Accountants
 KANPUR

BANKERS

STATE BANK OF INDIA
 OVERSEAS BRANCH, KANPUR

REGISTERED OFFICE

187/170, JAJMAU ROAD, KANPUR-208 010

Phones : (0512) 2460137, 2462138, 2461079, 2462122

FAX : 0512-2460792, 2462227

E-Mail : supertannery@satyam.net.in

Website : www.supertannery.org

CONTENTS

Notice	2
Directors' Report	5
Management Discussion & Analysis	8
Report on Corporate Governance	10
Auditors' Report	16
Balance Sheet	20
Profit & Loss Account	21
Schedules forming part of accounts	22
Notes on Accounts	28
Cash Flow Statement	35
Balance Sheet Abstract	37
Statement under Section 212	38
Consolidated Financial Statements	39
Accounts of Subsidiary Company	55
Attendance Slip and Proxy Form	61

19th Annual General Meeting on
Tuesday, the 30th September, 2003 at
 the **Registered Office** of the Company
 at **8.00 a.m.**

SUPER TANNERY (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of Super Tannery (India) Limited will be held on Tuesday, 30th September, 2003 at 8.00 a.m. at the Registered Office of the Company at 187/170, Jajmau Road, Jajmau, Kanpur - 208 010, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the year ended 31st March, 2003, the Balance Sheet as on that date and Report of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Imran Siddiqui, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mohd. Imran, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sujit Kumar Sil, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Section 293 (1) (e) of the Companies Act, 1956, consent of the members be and is hereby accorded to the Board of Directors of the Company to donate to charitable and other funds not directly related to the business of the Company or the welfare of its employees upto the extent of Rs. 25.00 lacs (Rupees Twenty Five lacs only) during the financial year ending 31st March, 2004."

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

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be agreed to by the Board, consent be and is hereby accorded to delist the Equity Shares of the Company from the Stock Exchanges at Delhi, Calcutta and Chennai."

"RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any Committee/Person(s) authorised by the Board, to settle all questions, difficulties or doubts that may arise in this regard to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

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

"RESOLVED THAT pursuant to the provision of Section 21 of the Companies Act, 1956 and approval of Central Government, or other applicable provisions of the Act, if any, Consent of the members of the Company be and is hereby accorded to change the name of company, from Super Tannery (India) Limited to Super Tannery Limited by deleting word (India) from the name of Company."

"RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any committee/person(s) authorised by the Board to do all such acts, deeds and things as may be necessary expedient and desirable, for the purpose of giving effect to this resolution."

By order of the Board of Directors
for **SUPER TANNERY (INDIA) LTD.**

Place : Kanpur
Date : 31.07.2003

ZAFAR AHMAD KHAN
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING, i.e. 8.00 A.M. ON 30TH SEPTEMBER, 2003.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from **Friday, 19th September, 2003 to Friday, 26th September, 2003** (both days inclusive).
4. The dividend, declared, if any, will be payable on or after **4th October, 2003** to those members whose names appear as beneficial owners at the close of business hours on 18th September, 2003 as per the list furnished by the Depositories in respect of shares held in electronic form and as Members in the Register of Members of the Company as on 26th September, 2003 for shares held in physical form.
5. Members are requested to intimate to the Company, their queries, if any, regarding these accounts/notice at least five days before the meeting to enable the management to keep the information ready at the meeting.
6. Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Those members who have so far not claimed their dividends upto the said periods may claim the same by submitting an application in prescribed Form to the Registrar of Companies, Westcott Building, The Mall, Kanpur.

Consequent upon amendment in Section 205-A of the Companies Act, 1956 and introduction of Section 205-C by the Companies (Amendment) Act, 1999, now the amount of dividend/debentures/fixed deposits remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund being set up by the Government.

Accordingly dividend unpaid or unclaimed for the financial year 1995-96 shall be claimed by the shareholders on or before 7th January, 2004. Thereafter, such amount shall be transferred to the Investor Education and Protection Fund. Kindly note that once the unclaimed or unpaid Dividend is transferred to Investor Education and Protection Fund, no claim shall lie in respect thereof.

7. Consequent upon the introduction of Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nomination are requested to send their request in Form No. 2B to the Registrar and Transfer Agents, M/s. Karvy Consultants Ltd. Members holding shares in electronic mode are requested to consult/contact with their respective Depository Participant (DP) for availing nomination facility.
8. Members' proxies are requested to bring attendance slips duly completed for attending the meeting.
9. Members are requested to notify immediately change in their address, Pincode, if any, to the Company at its Registered Office by quoting their Folio numbers.
10. Members of the Company, who have multiple accounts in identical name or joint accounts in the same order are requested to consolidate all such certificates into one account to facilitate better services.
11. In compliance of SEBI Circular No. D&CC/FITTC/CIR-15/2002 dated 27th December, 2002, your Company has taken necessary steps to provide facility of the common agency to shareholders for works related to share registry in terms of both physical and electronic at single point by our Registrar & Transfer Agent i.e. Karvy Consultants Ltd. Hyderabad.
12. Re-appointment of Directors : At the Ensuing Annual General Meeting Mr. Imran Siddiqui, Mr. Mohd. Imran and Mr. Sujit Kumar Sil, retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.

SUPER TANNERY (INDIA) LIMITED

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

(Pursuant to the provision of Section 173(2) of the Companies Act, 1956)

Item No. 7 :

It is the policy of the Company to contribute to those charitable funds, which serve the society at large or for the welfare of its employees, whether such charitable institutions are directly related or not with the business of the Company.

The action of the Board is taken keeping in mind the responsibility that the Company owes to the society. Sometimes the contribution so made may exceed the limit prescribed by Section 293(1) (e) of the Companies Act, 1956. The Board cannot do such welfare work, beyond prescribed limit, without the approval of shareholders. The aggregate of such contribution during the year ending 31st March, 2004 is likely to exceed the limit as prescribed by the Act. Therefore, your permission is requested.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is in any way concerned or interested in the resolution, except as trustee of those trusts, which receives charitable funds.

Item No. 8 :

The Equity Shares of your company are presently listed on following Stock Exchanges :

1. The Stock Exchange, Mumbai
2. The U.P. Stock Exchange Association Ltd.
3. The Delhi Stock Exchange Association Ltd.
4. The Calcutta Stock Exchange Association Ltd.
5. Madras Stock Exchange Ltd.

The Trading volume of Company's Shares other than the stock exchange, Mumbai (BSE) is either nil or insignificant. With the extensive networking of the Stock Exchange, Mumbai (BSE) and extension of terminals to other cities as well, investors have access to on line dealings in equity shares of the Company across the country.

It is also observed that continued listing of Equity Shares other than The Stock Exchange, Mumbai (BSE) neither serves the interest of members nor the Company, as Company is liable to pay listing fee which is relatively higher than the extremely low trading volume of the Company's Securities on those Stock Exchanges.

The company has proposed the resolution to be passed by Special Resolution, which will enable it to delist its equity shares at any time in future from all or any of the following Stock Exchanges :

1. The Delhi Stock Exchange Association Ltd.
2. The Calcutta Stock Exchange Association Ltd.
3. Madras Stock Exchange Ltd.

The Directors of your Company, has recommended for the approval of the members, at the meeting duly held on 31st July, 2003.

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

Item No. 9 :

Company is mainly concerned with the manufacture and export of leather and leather products. We export to almost 26 countries around the world namely Singapore, Hongkong, Germany, Italy, U.K., Canada, USA, China, Russia, South Africa etc.

Company is regularly looking to enhance its export all over the world and various steps have been taken in this regard. The company wants to give it global image. Company's name is Super Tannery (India) Limited, but word (India) in its name depicts, as the business is limited only upto indigenous market. Basically company is an export house and the name does not construe a correct picture of the company, which becomes hindrance to grow in the international market.

It is observed that change of name of company by deleting word (India) from its name, has become necessary, as the new name may help to provide an international recognition to the Company.

The Directors of your company, has recommended for the approval of the members at the meeting duly held on 31st July, 2003.

The Company has proposed the resolution to be passed by Special Resolution, which will enable it to change the name of Company.

None of the Director of the Company is in any way concerned or interested in this Special Resolution.

By order of the Board of Directors
for SUPER TANNERY (INDIA) LTD.

ZAFAR AHMAD KHAN
Company Secretary

Place : Kanpur
Date : 31.07.2003

DIRECTORS' REPORT

The Directors' of your Company have pleasure in presenting the **19th Annual Report** on the business and operations of the Company together with Audited Financial Statements for the year ended 31st March, 2003 :

		(Rs. in lacs)	
	Year ended 31.03.2003		Year ended 31.03.2002
Profitability :			
Profit before Interest & Depreciation	415.23		402.37
Less : Interest	119.94	127.62	
Depreciation	102.30	96.73	224.35
Profit before tax	192.99		178.02
Less : Provision for tax – Current	40.00	25.00	
– Deferred	(0.98)	14.78	39.78
Profit after tax	153.97		138.24
Add : Profit brought forward from previous year	93.92		191.01
Income Tax relating to earlier years	(15.37)		(0.04)
Gratuity relating to earlier years	NIL		(49.30)
Profit available for appropriation	232.52		279.91
Appropriations :			
(a) Transfer to General Reserve	107.73		150.00
(b) Proposed Dividend (subject to TDS)	35.99		35.99
(c) Balance carried over to next year	88.80		93.92
	232.52		279.91

Dividend :

The Directors recommend dividend at the rate of 10% for the year ended 31st March, 2003 for approval of the Shareholders at the ensuing Annual General Meeting.

Operational Review :

On account of continued recession, sluggish international market and tough competition by neighboring countries, the export performance of the company resulted decline in income from operations from Rs. 8072.17 lacs to Rs. 7,561.27 lacs. However, in spite of adverse conditions i.e. demand and recession, the company not only maintained its profit but recorded a growth in cash profit from Rs. 284.01 lacs to 304.55 lacs.

Subsidiary Company :

As required under Section 212 of the Companies Act, 1956, Annual Report of M/s. Super Shoes (India) Ltd., alongwith its audited accounts for the year ended 31st March 2003, is annexed herewith.

Tannery Modernisation Scheme :

As disclosed above that the Leather Industry went through tough recession in International market especially in Europe. The European buyers started placing small orders for immediate execution at longer credit term. European market became a buyer's market in the literal sense of the world. A very old buyer would switch over to another unknown supplier on receiving slightly better offer. This started unethical competition amongst the tanners creating thereon threat over margin of the established tanners.

There was need to upgrade the quality of the leather to fight the competition as well as to explore new market, other than traditional market of Western Europe. In order to keep pace with ever changing demands of our European customers, it was felt to further modernise the post-tanning operations by installing state-of-art-machines.

As there is paucity of space in the existing premises, the company bought a piece of land measuring approx. 11,000 Sq. Mtrs. at Leather Technology Park, Banthar, Unnao for installation of new machines in a green and dust free environment. Leather Technology Park, Banthar, Unnao is situated on Kanpur-Lucknow Highway.

Industrial Relations :

During the period industrial relations have been extremely cordial. Employees' cooperation and co-ordination had been an important factor in the growth of the organisation.

Fixed Deposits :

The Company has not accepted/renewed any deposit during the year as per the provisions of Section 58-A of the Companies Act, 1956.

Clause 32 of the Listing Agreement :

As per the amended Listing Agreement, it is hereby disclosed that the Equity shares of the Company are listed at Kolkata, Delhi, Kanpur, Chennai and Mumbai Stock Exchanges. The Company has also paid the Annual Listing Fee for the year 2003-2004 to these Stock Exchanges.

SUPER TANNERY (INDIA) LIMITED

Particulars of Employees :

There was no employee in the Company whose particulars are required to be given pursuant to Section 217 (2-A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo :

The particulars of Energy Conservation, Technology Absorption etc. pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars of the Report of Board of Directors) Rules, 1988, are set out in the Annexure forming part of this Report.

Directors :

Mr. Imran Siddiqui, Mr. Mohd. Imran and Mr. Sujit Kumar Sil, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting. Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership/chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Section of Corporate Governance to this report.

Report on Corporate Governance :

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given in annexure to this report.

Directors' Responsibility Statement :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the Directors had 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;
- iv) that the Directors had prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

Consolidated Financial Statements :

In accordance with Accounting Standard As-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements which form part of Annual Reports and Accounts.

Auditors :

M/s. Kapoor Tandon and Company, Chartered Accountants, Kanpur, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. Their re-appointment, if made, will be in accordance with the provisions of the Section 224 (1-B) of the Companies Act, 1956.

Auditors' Report :

On the comments of the Auditors in their Audit Report in reference to non-reconciliation of Calls Unpaid Account, we hereby inform that due to unavoidable circumstances all informations regarding amount of calls could not be collected from the Bank and therefore Calls in Arrear is not reconciled. But the management is regularly attempting to take all informations from the Bank and also to reconcile it.

Acknowledgement :

Your Directors would like to express their gratitude and appreciation for the inflicting support and co-operation received from State Bank of India, Government Authorities, Shareholders and the Customers.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Staff and Workers of the Company.

On behalf of the Board of Directors

Place : Kanpur
Dated : 31.07.2003

IFTIKHARUL AMIN
Managing Director

IMRAN SIDDIQUI
Whole-time Director

ANNEXURE TO THE DIRECTORS' REPORT

Statement as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

(a) Conservation of Energy :

The Company is focusing its particular attention on this very important subject, as in India overall consumption of energy is very low, but compared to its gross domestic production its relative consumption is very high. In India the industrial sector consumes about 50% of the total commercial energy produced. In view of this fact the Company has studied that the interaction between the natural resources has to be maintained at a balance in order to ensure the continuity of the human race since the energy is essential to life and its conservation has become an absolute necessity. The Company is endeavouring its best efforts how to promote energy conservation keeping in view particularly of the two main energy management strategies which are conservation and efficiency.

(b) Conservation Initiatives and Conservation of Energy in Different Industrial Equipment, Appliances and Applications :

During this financial year the Company has introduced in process machines the energy saving devices and systems, such as power factor correcting devices, generation of required quality and quantity of steam at a minimum cost. Special emphasis has been laid on Boiler and steam generation, for which Moisture Separator and Pressure Reducing Station Unit have been installed and proper insulation of all steam pipelines has been done due to which latent heat is effective for heat transfer. After installation of Moisture Separator and Pressure Reducing Station it is seen that due to less moisture contained in low pressure steam heat transfer is more effective in media which has resulted in reduction in steam consumption and ultimately fuel and water consumption in the Boiler has also reduced drastically.

Keeping in view the renewable and non-renewable source of energy, since last many years the Company has stopped using coal and oil as fuel in the Boiler, and in its place the Company is using waste bark in the Boiler, which is coming out from vegetable tanning process as a waste.

In the forthcoming financial year the Company is programming for condensed recovery system, use of pneumatic tools and equipment, instrumentation and new energy efficient Motors. The Company has also modified in this coming financial year, new technologies with state of the art machines process upgradation (Considering the water and energy conservation) due to which the consumption of chemical and water has reduced.

(c) Rain Water Harvesting :

For rain water harvesting the Company has incorporated a system to tap rain water and it has a programme to increase this plan further. The Company will strive in the coming financial year to develop this rain water harvesting system and to increase its catchment area in maximum. This work is under progress.

(d) Technology Absorption :

(i) Specific Areas in which R & D carried out by the Company : Specially our R & D achievements were concentrated in the following areas :

- (a) New Product development based on different raw skins/hides.
- (b) Improvement in existing production.

(ii) Expenditure on R & D :-

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
(a) Capital	—	—
(b) Recurring	13.22	9.00
(c) Total	13.22	9.00
(d) Total R&D Expenditure as % of turnover	0.18%	0.11%

(e) Foreign Exchange Earnings & Outgo :

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
(i) Foreign Exchange earnings on account of Export Sales (FOB value)	4,610.64	5,105.94
(ii) Foreign Exchange Outgo	749.93	750.29

On behalf of the Board of Directors

Place : Kanpur
Dated : 31.07.2003

IFTIKHARUL AMIN
Managing Director

IMRAN SIDDIQUI
Whole-time Director

SUPER TANNERY (INDIA) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development :

The Indian Leather Industry plays a significant role in the Indian Economy in view of its substantial export earnings, employment generation and growth opportunities. The export of leather and leather products has been increased over past few years.

Your company has performed well during the year under review. Despite sluggish market conditions, the company has out performed the industry and enhanced its overall market share in a difficult year. The Profit before Tax has been increased to Rs. 192.98 lacs from Rs. 178.02 lacs, an increase of 8.40%, however the company could not achieve its estimated goal, because towards the end of 2002-03 the entire world was furred into uncertainty of the Gulf War – II. It was not possible for a company like us, which deals in global market to set free by this war. The international market was quite unpredictable during the last quarter of the financial year.

The company is striving high to capture over Global Market in respect of Leather and Leather Products. The Company has taken various steps to promote company's products all over the world and it is being done in line with global trends to enhance scale, global competitiveness, and financial flexibility and also to contribute towards achievement of company's objective and to increase revenue, production volume, market shares and shareholder's return.

Your company in view of the competitive scenario has taken various steps to meet these challenges and also capitalise on budding opportunities available. The company is regularly carrying out detailed analysis of leather industry and has been making all possible efforts to understand the various minutiae of the emerging market scenario. The company has been investing considerable amount of funds on its Research & Development programmes in order to enrich and improve the quality of products.

Opportunities :

Company has gained reputation and established itself globally as Supplier of quality leather.

The company has demonstrated global competitiveness and has achieved international standards for the quality of its products and its immense capabilities provide massive opportunities in the foreign market.

Company's overall strategy is to enhance shareholder value by receiving better returns through a long-term investment.

Threats :

The company is fully aware of the factors dictating competition and has been investing with the ups and downs through its various effective measures like cost optimization, competitive pricing, improved production process and enhanced customer satisfaction.

Even under difficult operating conditions, company has been consistently performing its best. It is expected that company's sound policies, competitive cost position will enable the company to lead the market effectively.

To exist in the competitive market and improve the value of shareholders, company is consistently considering all the significant factors, which provide sharp edges that enable company to enhance the margin.

Out Look :

Company's maximum operational income is based on the margin on export of leather and leather products. As most of part of the earning is realized from Export, out look depends upon the global economic scenario, global demand and supply and international product prices. Export is also dependable upon Government policies, therefore, company shall be envisaged for the favourable Exim Policy of the Union Government in the forthcoming budgets.

Risks and Concerns :

Although your company does not perceive any serious threat, still company is taking care against the risk of growing pressure of prices, foreign exchange rates variation, current and future litigation, working capital management, bad debts etc. Foreign exchange liabilities/revenues are mainly concerned with the company's operation. Regular monitoring of movement of foreign exchange rates is carried out and decisions are taken as to when outstandings are to be covered and payments are to be made.

Working Capital requirement are to be kept at minimum level in order to maintain the lowest possible interest rate.

Company has strongly prepared itself to meet cutthroat competition in global market by adhering to international quality standards of its product.

In addition to above company has overall risk management strategy, follows such practices and policies that are framework of efficient management to count the risk in advance.

Internal Control Systems and their Adequacy :

The Company has made sufficient arrangement for internal control system and its monitoring for keeping proper record of the purchase of raw materials, stores, components, plant and machineries, equipments and all other assets for production and sale of finished leather and leather products. The Company has clearly fixed rules and responsibilities for all management personnels and all operational activities are well controlled. The system ensures authorization of all transactions, records and the reports correctly and properly through computerized system.

The Audit Committee of the Company also re-examines adequacy of internal controls, systems of risk management policies adopted by the Company.

Company's Laws and Regulations are also reviewed by the Internal Audit Team regularly from time to time and its report is submitted to the promoters and put up in every Board Meeting. In order to provide sufficient support for business promotion of the Company, the finance and commercial functions have been properly set. The Company takes into account from time to time and analysis its progress in accordance with the Laws and Regulations set by the internal auditors and reports to the