

Annual Report 1998-99



TEXMACO LIMITED


DIRECTORS

Shri K. K. Birla, Chairman
 Shri S. K. Poddar, Vice Chairman
 Shri B. M. Khaitan
 Shri B. P. Bajoria
 Shri K. K. Dutt
 Smt. Shobhana Bhartia
 Shri G. P. Goenka
 Shri H. C. Gandhi
 Shri T. B. Ghoshal
 (Nominee Director SBI)
 Shri A. C. Chakrabortti
 Shri B. C. Bose
 Shri B. Rai
 Shri A. K. Nanda
 (Whole-time Director)

PRESIDENT

Shri Ramesh Maheshwari

SECRETARY

Shri O. P. Jhunjhunwala

AUDITORS

Messrs. K. N. Gutgutia & Co.

BANKERS

State Bank of India

REGISTERED OFFICE

Belgharia, Calcutta-700 056

CORPORATE OFFICE

Birla Building
 9/1, R. N. Mukherjee Road
 Calcutta-700 001

REGIONAL OFFICES

Mumbai
 Coimbatore
 Chennai
 New Delhi

ENGINEERING WORKS

Belgharia (W. Bengal)
 Agarpara (W. Bengal)
 Sodepur (W. Bengal)
 Panihati (W. Bengal)

REAL ESTATE DIVN
GINNING FACTORIES

Malout (Punjab)
 Kesrisinghpur (Rajasthan)
 Sangaria (Rajasthan)
 Fatehabad (Haryana)

DAIRY

Birla Dairy (Delhi)

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that Fiftyninth Annual General Meeting of TEXMACO LIMITED will be held on Friday, the 6th August, 1999 at 3.00 p.m. at Birla Building, 9/1, R. N. Mukherjee Road, Calcutta - 700 001, to transact the following business :

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 31st March, 1999.
2. To declare Dividend on Equity Shares for the year ended 31st March, 1999.
3. To confirm payment of Dividend on Preference Shares redeemed during the year.
4. To appoint a Director in place of Shri K. K. Birla who retires by rotation and is eligible for re-election.
5. To appoint a Director in place of Shri G. P. Goenka who retires by rotation and is eligible for re-election.
6. To appoint a Director in place of Shri B. P. Bajoria who retires by rotation and is eligible for re-election.
7. To appoint a Director in place of Shri K. K. Dutt who retires by rotation and is eligible for re-election.
8. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following Resolutions :

AS ORDINARY RESOLUTIONS

Item No. 9 (a)

"RESOLVED that Shri B. Rai be and is hereby appointed a Director of the Company."

Item No. 9 (b)

RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company pertaining to Belgharia, Agarpara and Sodepur Units wheresoever situate, present and future, except on certain equipments acquired under Equipment Finance Scheme and the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events, to or in favour of the Industrial Development Bank of India (IDBI) to secure its Rupee term loan not exceeding Rs. 1000 lakhs (Rupees One thousand lakhs only) under Corporate Loan Scheme lent and advanced/agreed to be lent and advanced by IDBI to the Company; together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other monies payable by the Company to IDBI under their Loan Agreements entered into/to be entered into by the Company in respect of the said term loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

AS SPECIAL RESOLUTION

Item No. 10

RESOLVED that subject to the approval of Central Government and other authorities, if any, the existing Article 72 may be substituted by the following :

"Until otherwise determined by the Company in General Meeting, the number of Directors shall not be less than 3 and not more than 18 excluding the Nominee Directors as provided in Article 81A".

The Register of Members of the Company will remain closed from 27th July, 1999 to 6th August, 1999 both days inclusive.

Belgharia,
Calcutta - 700 056
Dated : 21st May, 1999.

By Order of the Board
O. P. Jhunjhunwala
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 the Proxy need not be a member.
2. The instrument appointing Proxy should, however, be deposited at the Registered Office of the Company not less than fortyeight hours before the commencement of the Meeting.



EXPLANATORY STATEMENT

AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956 :

AS ORDINARY RESOLUTIONS

Item Nos. 9 (a)

Shri B. Rai was appointed as an Additional Director of the Company with effect from 21st May, 1999. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article No. 79 (a) of the Articles of Association of the Company, Shri B. Rai will hold Office as Director only upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a Notice has been received from a Shareholder signifying his intention to propose the appointment of Shri B. Rai as a Director of the Company. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail his valuable advice. The Directors accordingly recommend the resolution as mentioned in Item No. 9 (a) of the Notice for your approval.

Except Shri B. Rai, no other Director is interested in the proposed resolution.

Item No. 9 (b)

The Company has approached Industrial Development Bank of India (IDBI), for financial assistance in the form of term loans in connection with augmenting the long term requirement for Margin Money for Working Capital.

The financial assistance from the above institution has to be secured by a first mortgage of all the immovable and movable properties of the Company pertaining to Belgharia, Agarpara and Sodepur Units, present and future.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public Company shall not without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company or where the Company owns more than one undertaking the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions/banks may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgages/charges.

Copy of the Letter of Intent No. IDBI: ERO: 310/CLS/TEXMAC dated 9th April, 1999 received from IDBI and copies of the relevant documents/correspondence between the said Institution and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

AS SPECIAL RESOLUTION

Item No. 10

The proposed resolution is to increase the maximum number of Directors on the Board from 12 to 18. It is in the interest of the Company to increase the number of Directors on the Board to enable it to invite eminent and experienced persons to join the Board to avail the valuable advice and guidance. Approval of the Central Government will also be required for the purpose, pursuant to Section 259 of the Companies Act, 1956.

None of the Directors is interested in the Resolution.

Belgharia,
Calcutta - 700 056
Dated : 21st May, 1999.

By Order of the Board
O. P. Jhunjhunwala
Secretary



REPORT OF THE DIRECTORS

Your Directors take pleasure in presenting the 59th Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March, 1999.

	Rs. in Lakhs		
	1998-99	1997-98	
FINANCIAL RESULTS			
Operating Profit before interest and depreciation	1497.21	1683.17	
Profit on sale of Fixed Assets	32.56	967.60	
Gross Profit	1529.77	2650.77	
Less : a) Interest	474.59	585.95	
	1055.18	2064.82	
b) Depreciation	219.62	173.32	
Profit before Taxation	835.56	1891.50	
Less : Provision for Taxation			
i) For the year (MAT)	86.00	153.00	
ii) For the earlier year	300.00	500.00	653.00
Profit after Taxation	449.56	1238.50	
Less : Extra-ordinary items a/c			
Payment to workers of Birla Textiles, Delhi as per Order of the Hon'ble Supreme Court	33.94	376.74	
	415.62	861.76	
Add : Balance brought forward from previous year	547.16	500.81	
Balance available for appropriation	962.78	1362.57	
which the Directors have appropriated as under :			
a) Proposed Dividend without deduction of tax on —			
i) 30,000 5.5% Cumulative Preference Shares of Rs. 100/- each	0.34	1.65	
ii) 51,63,378 Equity Shares of Rs. 10/- each	103.27	103.61	104.92
b) Tax on proposed Dividend	11.39	10.49	
c) General Reserve	300.00	700.00	
Balance Carried Forward to Balance Sheet	547.78	547.16	
	962.78	1362.57	

Your Directors are happy to report that despite the continuing general economic slow-down, which affected the out-turn in practically all the Divisions of the Company, its bottomline was largely protected owing to vigorous cost reduction initiatives of the Management on all fronts. The profit before tax worked out to Rs. 803.00 lakhs, as against Rs. 923.90 lakhs (excluding profit on sale of fixed assets) during the previous year. Hence, your

Directors are pleased to recommend a dividend of 20% on Equity shares for the year under review.

OPERATIONAL PERFORMANCE

Sales amounted to Rs. 192.42 crores, against Rs. 265.44 crores during the previous year. The sharp decline was due to substantial curtailment in wagon off-take by Indian Railways and strategic downsizing of the operations in Textile Machinery Division, besides the demand recession affecting the Boiler & Sugar Machinery Divisions too.

During the year, Railway Board orders declined to 3322 Wagons (Four-Wheelers) as compared to 4347 Wagons (Four-Wheelers) during the previous year. Further, what made the situation worse, was an unprecedented cut by the Railway Board in otherwise firm wagon orders placed by it earlier on the Industry. Although these were subsequently reinstated, albeit at a reduced provisional price, the despatches were severely affected during the last quarter of the year. Moreover, wagon orders under OYW Scheme also shrank to only 795 FWs, as against 1115 FWs during the previous year. As a result of all these factors, the Company could turn out only 4245 FWs during the year, as against 5470 FWs in the previous year.

The Company has fared well in the field of Hydro-Mechanical equipments for which there is a growing demand. During the year under review, there was an appreciable increase in sales in Structural Division. The Company bagged a prestigious order from M/s. Noell Stahl-und Maschinenbau GmbH, Germany for supply of hydraulic gates and allied equipments to Kali Gandaki H.E.P. Project, in Nepal. The current year should witness further improvement in this Division's performance, and looking to the demand potential, it is likely to emerge as a major product line of the Company in the near future. Sales of Water Tube Boilers and Sugar Mill Machinery, which dipped during the year, have started picking up recently, and the inflow of orders is expected to improve during the current year. As reported earlier, having already down-sized the operations of the Textile machinery Division, the Company is continuing its efforts to induct new products for manufacture therein.

Modernisation of Steel Foundry is well under way and shall be completed shortly. Production of Couplers has been established, and the Foundry is in a position to meet the total requirement of Bogies and Couplers of the Wagon Division, besides effecting supplies to other wagon builders. The future of Switches and Crossings activity is a bit clouded as of now in absence of definite demand projections from Indian Railways and no less on account of the uneconomic prices obtaining presently.

The Company's exports, including deemed exports, which stood at Rs. 3.23 crores, are expected to pick up during the current year.

As for the prospects of the current year, since the Capital Goods Sector is the first to bear the brunt of any political uncertainty, your Directors are anxious about the fall-out of the recent political developments on the order book of the Company. In particular, the fortunes of the Company would depend on the orders from Indian Railways, which are overdue for placement for the current year. Further, in the background of the aforesaid recent cut in wagon orders by the Railway Board and the reported slackness



in the revenue earning traffic, the Wagon Industry is naturally concerned about the quantum of the orders, which will have a significant bearing on the Industry's performance. Your Directors, therefore, cannot but view the current year's working with cautious optimism.

REAL ESTATE BUSINESS

The development of the Company's land/properties at Worli (Mumbai), Sabjimandi and Sahadra (Delhi) is still awaiting requisite approvals from various Govt. Authorities and Departments. However, it may hopefully be taken up during the current financial year.

BIRLA TEXTILES

As reported in the previous year, after closure of Birla Textiles under Order of the Hon'ble Supreme Court, the Company had offered the Workmen an option either to report at Baddi (Himachal Pradesh) where the Mill is being relocated, or to take their final payment, as directed by the Hon'ble Supreme Court. Only a relatively small number of workmen opted not to go to Baddi and collected their dues. However, others did not exercise either option within the stipulated time and, instead, moved the Hon'ble Supreme Court for affording them yet another opportunity to exercise the option and also pleaded for certain revision of the terms. Thereafter, on hearing the Review Petition by the concerned Workmen, the Hon'ble Supreme Court has been pleased to direct that barring the Workmen who have already opted not to shift to Baddi, the remaining Workmen be given a chance by the Company to report at Baddi, and that such Workmen be additionally paid not only their shifting allowance, but also their wages from 1/12/96 till the time the Baddi Unit commences production. Accordingly, the order is being implemented.

Birla Textiles at Delhi and its Ginning Factories were being run by a Partnership Firm under a working arrangement. However, following the closure of Birla Textiles under the Order of Hon'ble Supreme Court, the working arrangement has been terminated, and the Company has taken over the assets and liabilities of the Ginning Factories from 1/4/98, and that of Birla Textiles from 1/10/98. As far as the Baddi Unit is concerned, it is now being run by a Partnership Firm comprising of Hindustan Times Ltd., Suttlej Industries Ltd. and Texmaco Ltd. with their respective shares of 50%, 30% and 20%.

SUBSIDIARIES

As required by Section 212 of the Companies Act, 1956, Audited Accounts of the Company's Subsidiaries - High Quality Steels

Ltd. and Shree Export House Ltd. — and Reports thereon from the Directors and the Auditors are attached.

INDUSTRIAL RELATIONS

The Company's Industrial Relations continue to be cordial, and your Directors record their deep appreciation of the cooperation extended by the Workmen, Staff and Officers of the Company in an ongoing major re-structuring of the Company's activities. A Voluntary Retirement Scheme announced by the Company is also being successfully implemented.

ACCOUNTING

The Company had discontinued the practice of capitalising the interest charges on fixed assets acquired on deferred credit during the previous years. In respect of interest already capitalised during the earlier years, the Notes appended to the Accounts as well as the other Notes in the Auditors' Report will be found self-explanatory.

PARTICULARS OF EMPLOYEES

A statement containing the required particulars of employees as stipulated under Section 217 (2A) of the Companies Act, 1956, read in conjunction with the Companies (Particulars of Employees) Rules, 1975, is enclosed.

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

As required under Section 217 (1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules 1988, information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

DIRECTORS

Shri P. N. Kaul, Director of the Company since 31st March, 1984, expired during the year. Your Directors deeply condole his passing away and place on record their great appreciation of the valuable advice and guidance received from him during his tenure as Director of the Company.

Shri K. K. Birla, Shri G. P. Goenka, Shri B. P. Bajoria and Shri K. K. Dutt, Directors of the Company, retire by rotation and are eligible for re-election.

AUDITORS

The Auditors, M/s. K. N. Gutgutia & Co. retire and are eligible for re-appointment.

Calcutta
Dated : 21st May, 1999

For and on behalf of the Board
K. K. BIRLA
Chairman



**ENCLOSURE TO THE REPORT OF THE DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1999**

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Designation	Age (Years)	Remune- ration (Rs.)	Qualifications	Experience (Years)	Date of commence- ment of employment	Previous Employment
1	2	3	4	5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 6,00,000/- or more							
Jhunjhunwala O. P.	Sr. Vice President (Comm.) & Secretary	68	6,03,396	B.Com., LL.B.	48	01-10-60	M/s. Cotton Agents (P) Limited, Taxation Officer
Maheshwari Ramesh	President	66	19,13,955	M.Com., LL.B.	43	01-02-62	M/s. F & C Osler (India) Limited & Sister Concerns

- NOTES : 1. Remuneration as shown above includes Salary, Allowances, Bonus, Contribution to Provident Fund, Superannuation Fund and other perquisites.
2. None of the employees named above is relative of any Director of the Company.
3. All appointments are non-contractual.
4. Other terms and conditions as per Company's rules.

ANNEXURE TO THE REPORT OF THE DIRECTORS

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AS PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

I. CONSERVATION OF ENERGY

- a) Energy conservation measures taken :

Engineering Works

Scientific management of operations and load to limit System's 'Max. Demand'.

Steel Foundry

Improvement in operating practices relating to melting and pouring of steel continues.

- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy.

Steel Foundry

Introduction of oxygen lancing for reducing elect. power consumption and melting time in Arc Furnace.

Engineering Works

Installation of proper Capacitor Bank on 30 KV supply side for improvement of power factor.

- 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 :

- i) **Impact of measures under (a)**

Engineering Works

'Max. Demand' has reduced by 30%.

Steel Foundry

With the improved operating practices in melting and pouring of steel, electricity consumption has been reduced from 816 Units per Tonne of Liquid Metal to 797 Units per Tonne of Liquid Metal.

- ii) **Impact of measures under (b)**

Engineering Works & Steel Foundry

Impact of measures listed at (b) not yet due, as these are under installation for commissioning.

- d) Total energy consumption and energy consumption per unit production as per Form A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto : (Steel Foundry)

ANNEXURE TO THE REPORT OF THE DIRECTORS (Contd.)

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AS PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

		1998-99 Arc Furnace	1997-98 Arc Furnace
i) Power & Fuel Consumption :			
Electricity			
Purchased			
Units (in thousands)		5380	5673
Total Amount (Rs. in lakhs)		204.44	216.14
Rate/Unit (Rs.)		3.80	3.81
ii) Consumption per Unit of Production :			
Electricity	Units	797	816
Furnace Oil	Ltrs	—	—
Coal (Steam)	Kgs	—	—

II. TECHNOLOGY ABSORPTION**Benefits****Expenditure on R&D (Rs. in lakhs) :**

i) Capital	—
ii) Recurring	25.00
iii) Total	25.00
iv) Total R&D Expenditure as percentage of total turnover	—

IIA. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Particulars of technology imported during last 5 years :

Technology imported (Product)	Year of Import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action
1. Combustion Systems Ltd., U.K. FBC Water Tube Boiler	1989	No	Project designs in sizes 20 to 50 TPH completed; however, absorption shall be completed after successful execution of the first order.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services :
Continued drive is being made to increase exports and to develop new export markets.
- b) Total foreign exchange used and earned :
- | | |
|----------|------------------|
| Used : | Rs. 134.09 Lakhs |
| Earned : | Rs. 267.03 Lakhs |



AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of TEXMACO LIMITED as at 31st March, 1999 and also the annexed Profit & Loss Account of the Company for the year ended on that date and report that :

1. 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 and on the basis of such checks as we consider appropriate, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :
 - (a) We have, subject to Note No. 12 of Schedule 'N' regarding transactions with small scale and ancillary undertakings, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) Certain Accounts are not maintained on accrual basis as stated in Note Nos. 3, 4 & 6 of Schedule 'N'. Subject to above, 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 the books, and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of accounts.
 - (d) In our opinion, the Profit & Loss Account and the Balance Sheet are drawn up in compliance with the

Accounting Standards specified by the Institute of Chartered Accountants of India, except in respect of Note Nos. 3 & 5 of Schedule 'N' regarding non-provision of gratuity and leave encashment benefit of Birla Textiles (Amount unascertained) (AS 15) and regarding diminution in market value/book value of Long Term quoted investment (AS 13) respectively.

- (e) In our opinion and to the best of our information and according to the explanations given to us, the Accounts together with the Accounting Policies and Notes thereon and Schedules annexed thereto and subject to Note Nos. 3, 4, 5, 6 & 16 of Schedule 'N' regarding non-provision of gratuity etc. in respect of Birla Textiles, non-provision against possible loss in respect of Loans and Advances to a Body Corporate under liquidation, non-provision in respect of diminution in value of investments, regarding compensation payable in respect of Birla Textiles and earlier years Interest Capitalisation which is not in accordance with the recommendation of the Institute of Chartered Accountants of India to the extent indicated therein and with corresponding effects on Profit for the year and year-end net assets respectively 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 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.

6C, Middleton Street,
Calcutta-700 071.
Dated : 21st May, 1999.

For K. N. GUTGUTIA & CO.
P. K. GUTGUTIA
Partner
Chartered Accountants

ANNEXURE TO THE AUDITORS' REPORT (Referred to in Paragraph (1) of our Report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. As explained to us, the Company has a system of verifying all its fixed assets over a period of three years. The Fixed Assets so scheduled for verification during this year could not be physically verified in respect of Birla Textiles as the unit is closed down as per Supreme Court order and most of the fixed assets are under process of transfer to Baddi Unit and therefore discrepancies if any will be adjusted in next year's account.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks of finished goods, stores and spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. 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 between the physical stock and the book records which were not material, have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in

accordance with the normally accepted accounting principles and the valuation is on the same basis as in the preceding year except in respect of Excise Duty on Finished Goods and Customs Duty on goods lying in bonded warehouse as stated in Note No. 8 of Schedule 'N'.

7. The Company has taken advances in the nature of loans (unsecured) from Companies and a firm in which bodies corporate are partners listed in the register maintained under Section 301 of the Companies Act, 1956 against sale of land and assets and liabilities taken over from a firm. The rate of interest wherever applicable and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
8. The Company has not granted any secured/unsecured loans to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 except advances in the nature of loan to its subsidiary company free of interest.
9. The Company has given (a) loan of Rs. 37.43 lakhs (secured) to a Body Corporate which is under liquidation and Management is hopeful of part recovery of the same; (b) loans and advances of Rs. 99.65 lakhs (unsecured) to a Body Corporate which is under liquidation, recovery of which will be known only after the liquidation proceedings are over. In respect of loans given to other Bodies Corporate, they are repaying the principal amounts as stipulated and are also regular in payment of interest. Further, the Company has given interest-free advances in the nature of loans to its employees and others who are generally repaying the same as stipulated.
10. In our opinion and according to the 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 the sale of goods.
11. In our opinion and 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 and aggregating during the year to Rs. 50000 or more in respect of each party have been made at prices which are reasonable

having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

12. As explained to us, the Company has a 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 on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted in earlier years from the Public and remained unclaimed.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. We are informed that the Company has no by-products.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
17. According to the records of the Company, it has generally been regular in depositing Provident Fund and Employees' State Insurance dues with appropriate authorities. As on the date of the Balance Sheet, there were no arrears.
18. According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding, as at 31st March, 1999 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual 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. There are no stocks of trading goods at the close of the year.

6C, Middleton Street,
Calcutta-700 071.
Dated : 21st May, 1999.

For K. N. GUTGUTIA & CO.
P. K. GUTGUTIA
Partner
Chartered Accountants