

**39TH ANNUAL REPORT
1999-2000**



**ZENITH
LIMITED**

REPORTJUNCTION.COM



39TH ANNUAL REPORT 1999-2000

DIRECTORS

YASH BIRLA	<i>Chairman</i>
D.V. KAPUR	
S. P. JAKHANWAL	<i>(Nominee of BIFR)</i>
AUGUSTINE P. KURIAS	
D.K. RAO	<i>Whole-time Director,</i>
	<i>Finance (Nominee of SBI)</i>
U.S. SETHIA	<i>Managing Director</i>

SECRETARY

P.R. DHRUVA

AUDITORSDALAL & SHAH
Chartered Accountants**BRANCH AUDITORS**S.R. BATLIBOI & CO.
Chartered Accountants**BANKERS**STATE BANK OF INDIA
PUNJAB NATIONAL BANK
BANK OF BARODA
ORIENTAL BANK OF COMMERCE**REGISTERED OFFICE**MOTI MAHAL
195, CHURCHGATE RECLAMATION,
MUMBAI - 400 020.**WORKS**KHOPOLI 410 203
DIST. RAIGAD
MAHARASHTRAD-17, MIDC AREA
BOISAR 401 506
DIST. THANE
MAHARASHTRA62/63, MIDC AREA
SATPUR
NASHIK 422 007
MAHARASHTRAB-15/3/1, MIDC AREA
WALUJ 431 133
DIST. AURANGABAD
MAHARASHTRAA-82, MIDC AREA
KHAMGAON 444 303
DIST. BULDHANA
MAHARASHTRA**REGISTRARS AND TRANSFER AGENTS**BIGSHARE SERVICES PVT. LTD.
E/2, ANSA INDUSTRIAL ESTATE,
SAKIVIHAR ROAD, SAKI NAKA,
ANDHERI (EAST),
MUMBAI - 400 072

Shareholders are requested to note that only tea/coffee will be served during the 39th Annual General Meeting to be held on Tuesday, the 26th September, 2000 at Patkar Hall, New Marine Lines, Mumbai - 400 020.



NOTICE

NOTICE is hereby given that the Thirtiyninth Annual General Meeting of the Shareholders of ZENITH LIMITED will be held at Patkar Hall of S.N.D.T. Women's University 1, Nathibai Thakersey Road, Mumbai - 400 020, on Tuesday, the 26th day of September, 2000 at 4.00 p.m. to transact, with or without modifications, as may be permissible, the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the Accounting Year ended 31st March, 2000, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Yash Birla who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Augustine P. Kurias, who was appointed as an Additional Director of the Company and who holds office under Section 260 of the Companies Act, 1956, only upto the date of this Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notice in writing from a member, signifying intention to propose him as a candidate for the Office of the Director.
4. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Dalal & Shah, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, in addition to re-imbursement of out-of-pocket expenses incurred in the performance of their duties".

5. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. S. R. Batliboi & Company, Chartered Accountants, be and are hereby appointed as Branch Auditors of Tools Division having its units at Mumbai, Nashik and Aurangabad and Textile Division having its unit at Khamgaon, together with their branches, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors, in addition to re-imbursement of out-of-pocket expenses incurred in the performance of their duties".

6. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions, if any, of the

Companies Act, 1956, the Registers and Indices of Members, Debentureholders and copies of all Annual Returns prepared under Section 159 and 160 of the Companies Act, 1956, together with the copies of certificates and documents required to be annexed thereto under Sections 160 and 161 of the Companies Act, 1956, or any one or more of them be kept either at the Company's Registered Office at Moti Mahal, 195, Churchgate Reclamation, Mumbai - 400 020 or at the office of M/s. Bigshare Services Pvt. Ltd. E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, Registrars & Transfer Agents of the Company".

"RESOLVED FURTHER THAT the Registers, Indices, Records, Books, Certificates and documents of the Company required to be maintained and kept for inspection under the provisions of the Companies Act, 1956, be kept open for inspection at the place/places where they have been kept, by the persons entitled to, to the extent, in the manner and on payment of the prescribed fee, if any, prescribed in the Act between 11.00 a.m. and 1.00 p.m. on any working day of the Company/Bigshare Services Pvt. Ltd. except when the Registers and Books are closed under the provisions of the Act and/or Articles of Association of the Company provided, however, that the Register required to be maintained under Section 307 of the Companies Act, 1956, shall be open for inspection of the members of the Company as aforesaid between the hours mentioned above during the period prescribed by sub-section 5(a) of Section 307 of the Companies Act, 1956".

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE FILED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Nos. 3, 4, 5 & 6 set out above is annexed hereto.
3. The Register of Members of the Company and Share Transfer Books will remain closed from 21.9.2000 to 26.9.2000 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to notify the changes in address, if any, immediately, quoting their folio numbers to the Registrars and Transfer Agents, M/s. Bigshare Services Pvt. Ltd., E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.

By Order of the Board

U. S. SETHIA

Managing Director

Mumbai, 30th June, 2000



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT SETTING OUT MATERIAL FACTS AS REQUIRED BY
SECTION 173 OF THE COMPANIES ACT, 1956**Item No. 3**

The Board had appointed Shri Augustine P. Kurias as an Additional Director of the Company with effect from 27th October, 1999. As per the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. He is eligible for appointment as a Director of the Company. As required under Section 257 of the Companies Act, 1956, notice has been received from a member signifying his intention to propose Shri Augustine P. Kurias for the office of Director of the Company which notice is open for inspection by Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days. The Company has also received the deposit of Rs. 500/- as required under the Act.

It is desirable that the Company should continue to avail itself of his services on the Board and hence your Directors recommend his appointment.

Shri Augustine P. Kurias is interested in this Resolution only to the extent of sitting fees payable by the Company.

None of the Directors of the Company, is, in any way, concerned or interested in the said Resolution.

Item No. 4

Since the combined shareholding of Life Insurance Corporation of India, Unit Trust of India, State/Central Government, Nationalised Banks and Insurance Companies exceeds 25% of the Subscribed Capital of the Company, the appointment of Messrs. Dalal & Shah, Chartered Accountants, as Auditors of the Company, is proposed to be made by a Special Resolution in view of the provisions of Section 224A of the said Act. As required under Section 224 of the Companies Act, 1956, a Certificate has been received from the Auditors to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the said Act.

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

Item No. 5

Under Section 228 of the Companies Act, 1956, it is obligatory for the Company to have all the branches audited by a Statutory Auditor unless the Company in General Meeting decides to have the branches audited by persons qualified to be appointed as Auditors of the Company under Section 226 of the said Act. The Company has its Tools Manufacturing Units at Mumbai, Nashik and Aurangabad and Textile Unit at Khamgaon and it is proposed, in accordance with provisions of the said Section, to appoint Messrs. S. R. Batliboi & Company, Chartered Accountants, to audit the accounts of the aforesaid units of the Company. As required under Section 224 of the Companies Act, 1956, a Certificate has been received from the said Auditors to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the said Act.

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

Item No. 6

The share accounting work was handled by M/s. Computrade Services Pvt. Ltd. from 1992 onwards. However, from the second half of 1999, the share accounting work was not carried out in time and there was a go-slow because of the turn over of their key employees, including the death of their Managing Director as well as frequent labour problems at their office.

Also, due to dematerialisation of shares, the rates offered by other Registrars & Transfer Agents had come down drastically. But, Computrade Services Pvt. Ltd. were not ready to reduce their rates. Therefore, the Company had invited offers from various Registrars and Transfer Agents and it was found that the rates offered by M/s. Bigshare Services Pvt. Ltd. having their office at E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E), Mumbai - 400 072 were almost competitive and reasonable. Accordingly, the services of M/s. Computrade Services Pvt. Ltd. were terminated on 30th September, 1999 and M/s. Bigshare Services Pvt. Ltd. were appointed as new Registrars and Transfer Agents with effect from 1st December, 1999.

As required under Section, 163 of the Companies Act, 1956, Register of Members, Indices of Members and copies of Annual Returns etc. prepared under Sections 159 and 160 of the Companies Act, 1956, together with documents have to be kept at the Registered Office of the Company. However, the Company can by a Special Resolution authorise that all or any of such Registers, Indices and other documents etc. may instead of being kept at the Registered Office of the Company be kept at any other place within the city where the Registered Office of the Company is situated. The approval of the shareholders is, therefore, sought under Section 163 of the Companies Act 1956 by a Special Resolution for the Registers, Records and other documents to be kept at the place mentioned in the aforesaid Resolution.

The time for inspection of the documents by the shareholders or such persons who are entitled to such inspection will be between 11.00 a.m. and 1.00 p.m. on any working day of the Company or of M/s. Bigshare Services Pvt. Ltd.

Your Directors, therefore, recommend the above Resolution for your approval.

None of the Directors of the Company, is, in any way, concerned or interested in the said Resolution.

By Order of the Board

U. S. SETHIA
Managing Director

Mumbai, 30th June, 2000



DIRECTORS' REPORT

To The Members,

Your Directors present the Thirtyninth Annual Report together with the Audited Statement of Accounts for the Accounting Year ended 31st March 2000.

FINANCIAL RESULTS

	1999-2000 (Rs.in Lacs)	1998-1999 (Rs.in Lacs)
TOTAL INCOME	20998.42	21056.72
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	(71.94)	1256.83
Interest	1125.57	964.60
PROFIT/(LOSS) BEFORE DEPRECIATION, EXTRAORDINARY ITEMS & TAXATION	(1197.51)	292.23
Depreciation	314.58	226.25
PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS, EXPENSES IN RESPECT OF EARLIER YEARS & TAXATION	(1512.09)	65.98
Extraordinary Items		
Credits :-		
Reliefs and Concessions under the BIFR Scheme	55.15	43.50
Less: Additional Expenses/Debits under the BIFR Scheme (Net)	3.21	5.45
	51.94	38.05
PROFIT/(LOSS) FOR THE YEAR	(1460.15)	104.03
Expenses in respect of earlier years	46.97	(18.23)
Provision for Taxation	0.98	9.20
Balance of loss as per last Account	(1169.72)	(1246.32)
Balance carried to Balance Sheet	(2677.82)	(1169.72)

During the year under review, total income is almost the same at Rs. 209.98 crores but there is loss of Rs. 0.72 crore before Interest, Depreciation & Taxation.

In spite of total income being almost unchanged, the profitability has been seriously eroded because of highly unfavourable market situation for the products of our Chemical and Engineering Divisions. The Textile Division also incurred losses due to stoppage of work for a part of the year and unremunerative prices.

The situation has been of serious concern to the management and to remedy this, steps have been taken to develop new and better quality products specially in the Chemical Division. Efforts towards reduction in costs and improvement in efficiencies have continued to minimise losses to the extent possible under these adverse conditions.

There are signs of some improvement and along with steps already taken and implementation of further measures for optimising efficiencies, the Company hopes to do much better in the current year.

The Company's total carried forward loss upto 31st March 2000 has increased to Rs. 26.78 Crores. The Company still continues to be a registered Sick Industrial Company under the Sick Industrial Companies (Special Provisions) Act 1985.



1) OPERATIONS:

The Divisionwise comparative performance for 1998-99 and 1999-2000 is as under:

Division	1999-2000			1998-1999			% Increase/(Decrease)		
	Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crores)	Sales (Qty.)	Production (Qty.)	Production Value (Rs. in crores)	Sales (Qty.)	Production (Qty.)	Production Value
Pipes MT	47853	51873	118.49	53742	50669	118.40	(11%)	2%	—
Chemicals MT	2814	2400	35.32	2137	2590	47.86	32%	(7%)	(26%)
Tools (000 pcs)	8306	8002	28.38	6562	6543	28.31	27%	22%	—
Textiles MT	1699	1862	19.09	1568	1185	10.61	8%	57%	80%

PIPES DIVISION

Production at Pipes Division was higher at 51873 tonnes during the year as compared to 50669 tonnes in the previous year. In value terms there is no change. However, the Division has been able to reduce losses to a large extent by increasing production and reducing costs.

CHEMICALS DIVISION

During the year under review, production at this Division had to be somewhat restricted owing to poor demand and totalled 2400 tonnes against previous year's 2590 tonnes. In value terms it was Rs. 35.32 crores as against Rs. 47.86 crores in the previous year. The overall depressed international markets have adversely affected price realisation causing high losses. However, with further cost controls and improved efficiencies and development of newer products, results should be better in the current year.

During the year the Division has obtained Certification under ISO-9002 for quality management system adopted by the Division.

TOOLS DIVISION

The production at this Division was only marginally higher at Rs. 28.38 crores as against Rs. 28.31 crores in the previous year. The recessionary trend in engineering industry still continues but there are signs of improvement in demand. However, by its aggressive marketing, the Division has been able to retain its market share.

TEXTILES DIVISION

After lifting of lockout in this Division in June, 1999 and signing of productivity linked agreement, production is continuing at higher level. Therefore, the total production has been 1862 tonnes as against 1185 tonnes in the previous year. The recessionary trend still continues but to improve sales realisations in depressed markets, the Company has taken further steps to upgrade equipment and install new ones. This has improved the market image for our products, resulting in better realisations.

2) EXPORTS

In spite of quantum increase from all Divisions, in value terms Exports are down from Rs. 69.36 crores to Rs. 65.61 crores during the year under review. The Company exported 2395 tonnes of Dye-intermediates in the current year as against 1933 tonnes in the previous year and 19162 tonnes of pipes were Exported in the current year as against 19447 tonnes in the previous year. There were increased Exports from Tools and Textile Divisions also. Efforts are continuing to increase Exports further.

3) INDUSTRIAL RELATIONS

Industrial Relations at all the Divisions of the Company remained generally cordial throughout the year.

4) REHABILITATION SCHEME

As reported in the last year, the Scheme has been successfully completed with all payments to Financial Institutions, Debenture-holders and Banks.



5) SUBSIDIARY COMPANY

The Accounts for the wholly owned Subsidiary Company, M/s Zenith (USA) Inc. for the year ended 31st December, 1999 have been received by the Company and Statement pursuant to Section 212 of the Companies Act, 1956, is enclosed.

6) AUDITORS' REMARKS

The Auditors have drawn your attention to specific points in their report. The notes are self-explanatory.

7) DIRECTORS

During the year, BIFR had vide their Order dated 12.7.1999 withdrawn its Nominee Director Shri A.P. Saxena with immediate effect and had appointed Shri S.P. Jakhanwal as its new Nominee Director in his place.

IDBI had withdrawn its Nominee Director Shri Augustine P. Kurias with effect from 19th July, 1999.

The Board placed on record its appreciation for the valuable services rendered by the above Directors during their tenure as Directors of the Company.

Further, Shri Augustine P. Kurias was appointed as an Additional Director and holds office upto the date of ensuing Annual General Meeting. Being eligible, he offers himself for appointment.

In accordance with Article 149 of the Articles of Association of the Company, Shri Yash Birla retires by rotation and being eligible, offers himself for re-appointment.

8) FIXED DEPOSITS

As per provisions of Section 205C of the Companies Act, 1956, the entire amount pertaining to unclaimed amounts in respect of matured Fixed Deposits, including interest, will be transferred to "Investor Education and Protection Fund". Pending constitution of the said Fund and framing rules thereunder by the Central Government, the Company has not remitted the amount to the said Fund.

9) AUDITORS

The members are requested to appoint Statutory Auditors and Branch Auditors for the current financial year.

10) PERSONNEL

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are set out in Annexure-I forming part of this Report.

11) DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY ETC.

The particulars as required under Section 217 (1)(e) of the Companies Act 1956, and the Rules therein pertaining to the above, are set out in Annexure-II forming part of this Report.

12) Y2K (YEAR 2000)

During the course of last year the Company had taken various steps to ensure Y2K compliance. The systems were checked and the Company did not find any disruption on account of Y2K bug and the entire system was successfully completed for a smooth transition into the new millenium.

13) APPRECIATION

The Board wishes to place on record its gratitude for the co-operation and support received from the Shareholders, Financial Institutions, Banks, Central and State Government authorities. The Board also appreciates the co-operation and support received from all its employees.

On behalf of the Board

YASH BIRLA
Chairman

Mumbai, 30th June, 2000.



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE I

Information as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 2000.

Sr. No.	Name of the Employees	Age (Yrs)	Designation/ Nature of Duties	Remuneration recd. (Rs.)	Net take home pay (Rs.)	Qualifications	Experience (yrs)	Date of commencement of employment	Last Employment and position held before joining the Company
1.	Daga L.R.	52	Jt. President	617150	389892	B.Com.(Hons), LL.B.FCA	30	03.08.1995	Armour Chemicals Ltd. Chief Executive
2.	Murthy R.N.*	60	AGM Production	458086	416945	B.Sc.	36	14.06.1963	---
3.	Potdar S.V.*	61	Operator	167635	165307	S.S.C	34	10.04.1965	---
4.	Sethia U.S. +	64	Managing Director	956937	401574	M.Com.Dipl. Business Mngmnt.	42	10.06.1994	Birla Jute & Industries Ltd. President-Satna Cement Works NRC Limited Executive President
5.	Sharma M.M.	71	Senior President	726043	425002	M.A.(Eco) M.A. (Hindi), DSW, CM, IIPM	46	11-06-1994	---
6.	Shinde B.S.*	60	AGM Production	467088	423215	DME, DEE	36	27-05-1963	---
7.	Shiral R.N.*	57	Fitter	149301	147138	VI	35	18-01-1964	---

* Employed for part of the year.

+ Employed on Contractual Basis.

Notes:

- In the case of the employees, the remuneration received includes Salary, Allowances, the Company's Contribution to Provident and Superannuation Funds, payment of Gratuity and value of perquisites evaluated in accordance with the Income Tax Rules.
- Net take home pay represents net amount received after deduction of Income-tax, Profession Tax, Contribution towards Provident and Superannuation Funds and Reimbursement.
- None of the above employees is related to any of the Directors of the Company.

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE II

(Information under Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2000.)

A. CONSERVATION OF ENERGY :

(a) Energy Conservation Measures Taken:

The Company has taken following measures for energy conservation at the factories, namely:

- Reduction in batch time cycle in all plants with balancing of the streams.
- Additional capacitors have been provided to increase the power factor.
- Installation of Energy saving lighting in Plant Complex.
- Provision of better insulation Overhauling of Steam Tracks and Pipelines to save steam.

(b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:

- Installation of Coal fired boiler (Capacity 9 MT FNA) to reduce steam cost and additional Power Generation.
- Installation of FRP Fans in Humidification Plant.
- Installation of further Capacitors for improvement in Power Factor as well as to reduce M.D

(c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The above measures have resulted in energy saving and consequent decrease in the cost of production.

(d) Total Energy Consumption and Energy Consumption per unit of production :

As per Form 'A' annexed.



FORM 'A'

		Units	Current Year 1999-2000	Previous Year 1998-1999
A.	Power & Fuel Consumption			
1.	Electricity :			
	Purchased			
	For Textile Division			
	Quantity	Lacs(KWH)	51.38	26.32
	Total value	Rs.in Lacs	202.99	117.05
	Rate per Unit	Rs.per Unit	3.95	4.45
2	Coal(Steam Coal):			
	For Textile Division			
	Quantity	MT	472.63	150.76
	Total value	Rs.in Lacs	8.05	2.59
	Rate per Unit	Rs.per MT	1703.24	1717.96
B.	Consumption Per Unit of Production			
		Prod. Unit	Electricity (KWH)	
			Current Year	Previous Year
	Textile	100 KG	275.91	255.64

Note: Information in respect of Pipe, Chemical and Tools Division have not been provided as Form 'A' under Section 217(1)(e) of the Companies Act, 1956 is not applicable to these Units.

B. Technology Absorption:

Efforts made in Technology Absorption as per Form B.

3. Expenditure on R & D:

The expenditure on in-house R&D is shown under respective functional heads and no separate account is maintained.

FORM 'B'

Research and Development (R & D)

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

- Development of new process for Sulfo Tobias Acid at lower cost.
- Development of new process of H-Acid with reduction in raw material norms.
- Development of new products like Bronner Acid, Chromotropic Acid, STA (Free Acid), 2 Naphthol Amine-8 Sulphonic Acid.

4. Technology Absorption, Adaptation and Innovation:

The Chemical Division has obtained Certification under ISO-9002 specifications as a mark of the approval of the quality management system adopted by the Division.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

2. Future Plan of Action:

To develop Tobias Acid (Purified), Di-hydroxy benzophenone, Epsilon, 2-R Acid

	Rs. in Lacs	
	Current Year 1999-2000	Previous Year 1998-1999
Total Foreign Exchange earned	6561.20	6936.42
Total Foreign Exchange used	3456.02	3903.08



REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of ZENITH LIMITED as at 31st March, 2000 and also the annexed Profit and Loss Account of the Company for the year ended on that date, in which are incorporated the accounts of the Tools and Textile Divisions of the Company audited by another firm of Auditors and report as under:

- 1) As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto statement (which also takes into account the statements made by the auditors of Tools & Textile Divisions of the Company) 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, we report that:
 - a) As regards the amount due from a Company Rs. 89.62 lacs including interest Rs. 19.62 lacs accrued up to 31st March, 1991, the Management has explained to us, as in the previous year, that the said amount and the accrued interest, relate to the Company currently involved under Rehabilitation and Revival by BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985. The recovery, therefore, stands delayed. The Company has, however, not taken into account accrued interest due on the aforesaid amount, amounting to Rs. 122.85 lacs from 01.04.1991 to 31.3.2000 (includes Rs. 13.65 lacs for the accounting year ended 31.3.2000). Under the circumstances, we are unable to express our opinion on the ultimate recovery of the said amount and the interest thereon;
 - b) As reported by the branch auditors of Tools Division - cost of finished goods and goods under process is determined by using the retail method whereby the cost is computed by reducing from the sale value of the inventory, the global gross margin which is not as per Accounting Standard 2 on "Valuation of inventories" issued by the Institute of Chartered Accountants of India. The impact of this on the loss for the year is not quantifiable.
 - c) No provision has been made for Sundry Debtors amounting to Rs. 64.20 lacs of Textile Division appearing in Schedule 8 of Sundry Debtors considered as good, but reported by the auditors of Textile Division as doubtful of recovery;
- Note No. 8: relating to accounting of relief and concessions laid down by the BIFR in respect of waiver of interest etc. as detailed in the Note;
- Note No. 9: relating to transfer of Development Rights to a nominee according to the consent terms filed by the Company as detailed in the Note;
- Note No. 13: relating to non-provision of diminution in the value of investment in wholly owned subsidiary;
- Note No. 15: relating to pending confirmation and reconciliation of balances of Sundry Debtors, various Lenders, Sundry Creditors, Advances and one of the Banks and its effect if any, on the revenue, as detailed in the note, are as disclosed by the Books of Account;
- Note No. 16(b): as reported by the auditors of Textile & Tools Division relating to non-provision of Leave Encashment of Rs. 2.83 lacs in respect of Textile Division and Rs. 50.58 lacs in respect of Tools Division as detailed in the Note. Other Divisions have not ascertained the amount of liability towards Leave Encashment. This has resulted in the Loss for the year being lower by an equivalent amount and accumulated Losses at the close of the year carried forward in the Balance Sheet as at 31st March, 2000 being lower by an equivalent amount;
- Note No. 17A: relating to non provision for doubtful debts and advances amounting to Rs. 53.50 lacs and Rs. 38.17 lacs respectively, as the loss in respect of which is, at present, indeterminable;
- Note No. 23: relating to materials lost in transit in respect of Chemical Division amounting to Rs. 65.25 lacs and expenses of Rs. 11.90 lacs, its adjustments, if any, on settlement of Insurance Claim, which may affect revenue, as detailed in the Note;
- Note No. 24: relating to non-accruing of interest aggregating of Rs. 103.46 lacs till 31.03.2000 (Rs. 30.70 lacs for the year) due on Inter-Corporate deposits as detailed in the Note;
- Note No. 25: relating to non-provision for workers wages of Textile Division amounting to Rs. 15.15 lacs as detailed in the Note.
- 3) Subject to the above:
 - a) 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;
 - b) 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 of the Company.
 - c) In our opinion, the attached Balance Sheet of the Company as at March 31, 2000 and the Profit & Loss Account for the year ended on that date and subject to what is stated in para 2(b) above comply with the Accounting Standards referred in sub-section 3(C) of Section 211 of the Companies Act, 1956;
 - d) The Balance Sheet and Profit & Loss Account referred to in are in agreement with the Books of Account of the Company.
 - e) The reports on the accounts of the Tools and Textile Division referred to above, audited by other Auditors, have been forwarded to us and the same have been considered by us in our report;