



SHREE MANUFACTURING
COMPANY LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 1999

Board of Directors

G. D. KOTHARI *Chairman*
S. N. SINGHANIA
R. SURENDER REDDY
A. BASU (*Nominee of ICICI*)
SAMAR KAR (*Nominee of SBI*)
K. K. MOHTA
P. K. DAGA
C.K. DHANUKA
UTSAV PAREKH
BHARAT MOHTA

Secretary

J. C. DAS

Bankers

STATE BANK OF INDIA
STATE BANK OF HYDERABAD

Auditors

PRICE WATERHOUSE

Registered Office

A-1, GILLANDER HOUSE
NETAJI SUBHAS ROAD
CALCUTTA -700 001

Spinning Mill

ISNAPUR
DIST. MEDAK - 502329
ANDHRA PRADESH

NOTICE

NOTICE is hereby given that the Twentysecond Annual General Meeting of the Members of the Company will be held at the Williamson & Magor Hall of the Bengal Chamber of Commerce & Industry, (1st Floor), Royal Exchange, 6, Netaji Subhas Road, Calcutta - 700 001 on Wednesday, the 15th September, 1999 at 3.00 p. m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. N. Singhania who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. C. K. Dhanuka who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Utsav Parekh who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

AS SPECIAL BUSINESS :

6. To consider and if deemed fit to pass with or without modification(s) the following Resolution as an ordinary Resolution :

RESOLVED that pursuant to the provisions of Section 94 of the Companies Act, 1956 and other applicable provisions, if any, the Share Capital of the Company which is presently Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each shall be reorganised and divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each.

7. To consider and if deemed fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution: RESOLVED that pursuant to the provisions of Section 16 of the Companies Act., 1956 and Subject to necessary approvals, Clause V of the Memorandum of Association of the Company be and is hereby amended as follows :

The figures and words "Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each" occurring thereon be substituted with the figures and words "Rs. 10,00,00,000/- divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each."

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

RESOLVED that pursuant to the provisions of Section 31 of the Companies Act, 1956 and subject to necessary approvals, Article 3 of the Articles of Association of the Company be and is hereby deleted and substituted by the following amended clause :

The Share Capital of the Company is Rs. 10,00,00,000 divided into 70,00,000 Equity Shares of Rs. 10/- each and 3,00,000 Redeemable Preference Shares of Rs. 100/- each.

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

RESOLVED that in accordance with the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and the enabling provisions in the Memorandum and Articles of Association of the Company and subject to the approval of the Term Lending Financial Institutions (FIS), the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue and allot Cumulative Redeemable Preference Shares of Rs. 100/- each for an aggregate value not exceeding Rs. 3 crores in lieu of outstanding Term Loan of Rs. 2.87 crores on private placement basis in one or more instalment(s) to ICICI Limited with such terms and conditions as the Board may deem fit but subject to the following conditions that :

- (i) The dividend payable on the Cumulative Redeemable Preference Shares shall not exceed 12% per annum, and
- (ii) The said Preference Shares shall be redeemable by 3 equal instalments at the end of the 5th, 6th & 7th year from the date of allotment of such Preference Shares.
10. To Consider and if deemed fit to pass with or without modification(s) the following Resolution as a Special Resolution:
- RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 32A after the Article 32 :-

BUY BACK OF SHARES

- 32A Notwithstanding anything contained in these Articles and in consonance with Section 77A and 77B of the Companies Act, 1956, the Board of Directors may buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals, as may be permitted by the law.
11. To consider and if deemed fit to pass with or without modification(s) the following Resolution as a Special Resolution :
- RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 51A after Article 51.

DEMATERIALISATION OF SECURITIES

51A DEFINITIONS

- 1) For the purpose of this Article :

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository ;
'SEBI' means the Securities & Exchange Board of India ;
'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under the Securities & Exchange Board of India Act, 1992, and ; 'Security' means such security as may be specified by SEBI from time to time.

DEMATERIALISATION OF SECURITIES

- 2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

OPTIONS FOR INVESTORS

- 3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the Law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

- 4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

- 5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

SERVICE OF DOCUMENTS

- 6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served such depository on the Company by means of electronic mode or by delivery of floppies or discs.

TRANSFER OF SECURITIES

- 7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

ALLOTMENT OF SECURITIES DEALT WITH IN A DEPOSITORY

- 8) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

DISTINCTIVE NUMBER OF SECURITIES HELD IN A DEPOSITORY

- 9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

REGISTER AND INDEX OF BENEFICIAL OWNERS

- 10) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.
12. To consider and if deemed fit to pass with or without modification(s) the following resolution as a special resolution :
RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the following Heading and Article be inserted and added as Article 12A after the Article 12

NOMINATION FOR SHARES, DEBENTURES AND DEPOSITS

Subject to the provisions of law and rules framed by the competent authorities, it shall be permissible for a holder/joint holder of any security (including any debt security of deposit) to nominate a person or persons in whose favour such security shall be transmitted in the event of the death of such holder/joint holder. The Company may, on such intimation backed by evidence of the death of such holder/joint holder as the Board may require, enter the name of the nominee(s) as the holder/joint holder of such security, notwithstanding anything to the contrary contained in any will, testament or any other instrument indicating interest of any other person in such security.

Where the nominee is a minor, it shall be lawful for the holder/joint holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

Registered Office

A-1, Gillander House,
Netaji Subhas Road
Calcutta - 700 001
Dated : 30th June, 1999.

By Order of the Board

for SHREE MANUFACTURING COMPANY LTD.

J. C. Das

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. Such proxy need be a Member of the Company.
 2. The Register of Members of the Company will remain closed from 7th September, 1999 to 15th September, 1999, both days inclusive.
 3. An Explanatory Statement under Section 173 (2) of the Companies Act, 1956, in respect of the Special Business of the Meeting is annexed hereto.
 4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1995, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT., 1956

Items No. 6 & 7

Section 94 of the Companies Act, 1956 authorises a Company to alter its Share Capital by altering its Memorandum by Ordinary Resolution in General Meeting. The present Capital of the Company is Rs. 10,00,00,000 consisting of 1,00,00,000 Equity Shares of Rs. 10/- each. The Board of Directors think it expedient to create Cumulative Redeemable Preference Share Capital in view of the proposal to convert the loan taken from ICICI Limited into Preference Shares as mentioned in item No. 9. Hence, it is necessary to reclassify the Share Capital of the Company as mentioned in the Resolutions set out in the Notice and alter the relevant Capital clause in the Memorandum of Association.

As Clause V of the Memorandum of Association relating to capital clause is being amended, consent is being sought from the shareholders by an Ordinary Resolution for the said amendment.

Accordingly, Ordinary Resolutions set out under items No. 6 and 7 of the Notice is submitted to the Meeting for approval. None of the Directors of the Company is interested or concerned in the Resolution except to the extent of their shareholding.

A copy of the Memorandum of Association of the Company is available for inspection at the Registered Office of the Company on any working day between 10:00 a.m. and 12:00 noon and will also be available for inspection at the Meeting.

Item No. 8

Consequent upon the amendment of the capital clause of the Memorandum of Association of the Company, it has become necessary to amend the Articles of Association dealing with the Capital clause. Since the amendment of Articles of Association of the Company requires the approval of the Shareholders by a special Resolution, consent of the shareholders is being sought for the said amendment.

Accordingly, Special Resolution set out under Item No. 8 of the Notice is submitted to the Meeting for approval.

None of the Directors of the Company is interested or concerned in the Resolution except to the extent of their shareholding.

A copy of the Articles of Association of the Company is available for inspection at the Registered Office of the Company on any working day between 10:00 a.m. and 12:00 noon and will also be available for inspection at the Meeting.

Item No. 9

The Company had obtained a term loan of Rs. 4.10 crores from ICICI Limited under a Loan Agreement dated 12th July, 1994. In view of the losses suffered by the Company and the repayment of principal/interest not being made in accordance with terms and conditions of the loan agreement, it has been proposed to offer Cumulative Redeemable Preference Shares to ICICI Ltd. to convert the outstanding term loan.

SHREE MANUFACTURING COMPANY LIMITED

Under Section 81 (1A) of the Companies Act, 1956, the authority of members of the Company is, therefore, sought by way of Special Resolution to offer further shares to persons other than the existing shareholders.

Accordingly, Special Resolution set out under item No. 9 of the Notice is submitted to the Meeting for approval. None of the Directors of the Company is interested or Concerned in the Resolution except to the extend of their Shareholding.

Item No. 10

Consequent upon introduction of new Sections 77A & 77B in the Companies Act, 1956, a new vista has been opened for flexible capital structure by companies as and when necessary without involvement of any external regulatory mechanism. Buy back is a financial strategy. A provision has, therefore, been made in the Articles of Association of the Company to enable the Company to buy back its own shares, if so required. Hence, the proposed Resolution is for your approval.

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

Item No. 11

With the Depositories Act, 1996, coming into force, investors at their option are now enabled to hold and transact in securities in dematerialised form through a depository. It is, therefore, necessary to alter the Articles of Association of the Company so that they conform to the amended provisions of Companies Act, 1956 and Depositories Act, 1996.

Board recommends this Resolution for the approval of the Members.

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

Item No. 12

Sections 109A & 109B of the Companies (Amendment) Act, 1999 provide for the facility of nomination by a member in the event of his death. The Articles of Association is proposed to be amended to include nomination facilities in the Articles in terms of Sections 109A and 109B of the Act.

The Board recommends the Resolution for adoption by the members. None of the Directors of the Company is interested or concerned in the said Resolution.

DIRECTORS' REPORT

Your Directors are hereby presenting the Annual Report and Audited Accounts of the Company for the financial Year ended 31st March, 1999.

FINANCIAL RESULTS

		1999 Rs.
Gross Profit		52,54,918
Less : Interest	2,33,24,537	
Depreciation	<u>96,87,424</u>	<u>3,30,11,961</u>
Net Loss for the year		<u>2,77,57,043</u>

OPERATION

Production during the year under review was 3460 tonnes as against production of 3374 tonnes in the previous year. Sale of Yarn also increased from 3341 tonnes in the previous year to 3539 tonnes in the year under review. Sales Value amounted to Rs. 3864.37 lacs as against Rs 4509.82 lacs in the previous year. There was a substantial fall in sales realisation by around 24% due to poor market conditions prevailing persistently resulting in a net loss of Rs. 277.57 lacs as against net profit of Rs. 36.33 lacs in the previous year.

Your Directors are very much concerned with the matter. A Scheme has been undertaken to install some balancing machines to improve the productivity. Your Directors are thankful that for this purpose, ICICI Ltd. has sanctioned a Corporate Loan of Rs. 250 lacs, and the Promoter-Directors, their relatives and associates have brought in Rs. 130 lacs as Share Capital.

SHARE CAPITAL

In terms of the Special Resolutions passed at the Extraordinary General Meeting of your Company held on 15th January, 1999, 13,00,000 Equity Shares of Rs. 10/- each for cash at par have been allotted to the Promoter-Directors, their relatives and associates on Preferential basis on compliance of the SEBI Guidelines.

POTENTIALLY SICK COMPANY

Net loss made during the year together with past losses of Rs. 124.80 lacs has resulted in erosion of more than fifty percent of the peak net worth of the Company. Hence, it has become a potentially sick Company. After finalisation of the audited accounts of the Company at the forthcoming Annual General Meeting, necessary actions will be taken as required under the Sick Industrial Companies (Special Provisions) Act.

PERSONNEL

During the year under review, industrial relations have remained cordial.

ENVIRONMENT AND SAFETY

Your Company has accorded to safety and environment control measures as required. Effluent treatment plant is maintained at Dye House and all statutory regulations in this regard are complied with.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information in accordance with 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 and forming part of this Report are given in Annexure I to this Report.

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this Report are given in Annexure II of this Report.

SHREE MANUFACTURING COMPANY LIMITED

ACKNOWLEDGEMENT

Your Directors have pleasure in recording their appreciation of assistance extended to your Company by Various Government Departments and also the Financial Institutions and the Commercial Banks for their support.

DIRECTORS

Mr. Arnab Basu was appointed by ICICI Ltd., as their Nominee Director on the Board in place of Mr. S. Samanta with effect from 23rd November, 1998.

Mr. Samar Kar was appointed by State Bank of India as their Nominee Director on the Board in place of Mr. B. V. Rajeswara Rao with effect from 3rd March, 1999.

Mr. G. M. Ghosh resigned from the Board with effect from 30th June, 1998.

Mr. C. S. Gandhi, the Executive Director resigned from the services of the Company and also from the Board with effect from 24th June, 1999.

Your Directors wish to place on record the appreciation of the valuable services rendered by Mr. S. Samanta, Mr. B. V. Rajeswara Rao, Mr. G. M. Ghosh and Mr. C. S. Gandhi during their tenure of office.

Mr. S. N. Singhania, Mr. C. K. Dhanuka and Mr. Utsav Parekh retire by rotation and are eligible for re-appointment.

AUDITORS

Price Waterhouse, the Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

On behalf of the Board

Calcutta, 30th June, 1999.

G. D. Kothari
Chairman.

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 and read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

- i) Power factor being maintained above 98% and near to 99% which gives the minimum losses by reducing heat losses. This also increases the life of equipments, motors and cables.
- ii) Separate Power Capacitors are installed inside all the Departments to reduce further transmission losses and to increase the life of cables.
- iii) The main L. T. Panel has been replaced by a new one with modern type changeover Switches and Bus Bars to reduce the heat losses and increase the efficiency.

b) Measures being undertaken :

- i) Wherever the load in motors are less than 70%, new low HP Motors are incorporated for maximum efficiency and wherever the load is more, motor capacity has been increased to reduce the losses.
- ii) Motors which had long service and substantial breakdown records were removed and replaced by new ones to reduce the load and so the losses.

All these measures resulted in saving of energy.

FORM - A

A. Power & Fuel Consumption	1999	1998
1. Electricity		
a) Purchased		
Units	6261575	7315361
Total Amount (Rs.)	2,36,47,958	2,67,24,647
Rate Unit (Rs.)	4.23	3.65
b) Own Generation (Through Diesel Generator)		
Units	4111799	2617483
Units per Ltr of Diesel Oil	3.47	3.41
Cost Unit (Rs.)	2.42	2.69
2. Coal		
Quantity (M.Tons)	1059	1321
Total Cost (Rs.)	20,39,694	23,68,835
Cost/M. Ton (Rs.)	1926	1793
3. Furnace Oil	—	—
B. Consumption per unit of production		
Production (M. Tons)	3460	3374
Electricity per M. Ton of production		
Units	2998	2944

FORM - B

A. RESEARCH AND DEVELOPMENT (R & D)

- | | |
|--|--|
| 1. Specific area in which R & D carried out by the Company | Emphasis is being given to improve quality of yarn and to develop new Varieties. |
| 2. Benefit derived as a result of the above R & D. | This would give us competitive strength to survive in the market. |
| 3. Future plan of action. | The plant should be modernised. |
| 4. Expenditure on R&D | |
| a) Capital | Rs. 2,37,816/- |
| b) Recurring | Rs. 5,28,527/- |
| c) Total | Rs. 7,66,343/- |
| d) Total R&D expenditure as a percentage of total turnover | 0.20% |

B. TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION.

- | | |
|--|--|
| 1. Efforts in brief made towards technology absorption. | Some more Two-for-One Twisters purchased for installation. |
| 2. Benefit derived as a result of above efforts, e.g. output improvement, cost reduction, product development import substitution. | Benefit is expected in the next year. |
| 3. Details of imported technology | NIL. |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- | | |
|--|------|
| i) Foreign Exchange used during the year. | NIL |
| ii) Foreign Exchange earned during the year. | NIL. |

On behalf of the Board

G. D. Kothari
Chairman

Calcutta, 30th June, 1999

ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999
STATEMENT PURSUANT TO PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956
READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED

SL. NO.	NAME	AGE (YRS)	DESIGNATION	REMUNERATION Rs.	QUALIFICATION	EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT HELD BEFORE JOINING THE COMPANY	
1	2	3	4	5	6	7	8	9	
	FULL YEAR								
1.	SRI C. S. GANDHI	44	EXECUTIVE DIRECTOR	Rs. 6,57,676	B. Tech (Textiles) M. Tech (Industrial Engineering)	22	15.03.1993	Business	

- NOTES : 1. Employment is contractual in nature.
2. The employee is not a relative to any Director of the Company.
3. Remuneration includes salary and cost of perquisites.

On behalf of the Board

G. D. Kothari
Chairman

Calcutta, 30th June, 1999

AUDITORS' REPORT

TO THE MEMBERS OF SHREE MANUFACTURING COMPANY LIMITED

1. We report that we have audited the Balance Sheet of Shree Manufacturing Company Limited as at 31st March, 1999 signed by us under reference to this report and the relative Profit and Loss Account for the year ended that date which are in agreement with the books of account.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of affairs of the Company as at 31st March, 1999 and its losses for the year ended on that date.
3. We have obtained all the information which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law, so far as appears from our examination of the books, these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act., 1956.
4. Attention is drawn to the Note 7 on Schedule 23 on year 2000 compliance which is solely a management responsibility. Audit is not intended, designed or performed to identify or detect problem that may result from computer hardware, software or other automated process, inability, to properly process dates related to year 2000. In the opinion of the management, the problem of year 2000 will not vitiate the assumption of going concern.
5. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Central Government and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we further report that :
 - 5.1 The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
 - 5.2 The fixed assets of the Company have not been revalued during the year.
 - 5.3 The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been verified by the management during the year. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The discrepancies between the physical stocks and the book stocks which have been properly dealt with in the books of account were not material. In our opinion, valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles and read with Note 6 on Schedule 23 is on the same basis as in the preceding year.
 - 5.4 In our opinion, the rates of interest and terms and conditions of loans, secured or unsecured taken by the Company during the year, from Companies, firms and other parties listed in the Register maintained under Section 301 of the Companies Act, are not prima facie prejudicial to the interest of the Company. The Company does not have any Company under the same management as defined under Section 370 (1-B) of the Companies Act (as applicable).
 - 5.5 The Company has not granted any loan, secured or unsecured to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act.
 - 5.6 The Company has not granted any loans or advances in the nature of loans except for certain interest-free advances in the nature of loans to its employees, which are being repaid as stipulated.

- 5.7 In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant and machinery, equipment and other similar assets and for sale of goods are commensurate with its size and nature of business.
- 5.8 In our opinion, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act and aggregating during the year Rs. 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services.
- 5.9 The Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on the aforesaid basis, no write offs in the accounts from such stocks were considered necessary by the Company.
- 5.10 The Company has not accepted any deposits from the public.
- 5.11 In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, wherever applicable and significant. The Company has no by-product.
- 5.12 In our opinion, the Company's present internal audit system (a firm of Chartered Accountants having been appointed for the purpose) is commensurate with its size and nature of business.
- 5.13 On the basis of the records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government under Section 209 (1) (d) of the Companies Act in respect of the products of the Company have been maintained. However, we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- 5.14 The Company has regularly deposited during the year, Provident Fund, Pension Fund and Employees State Insurance dues with the appropriate authorities.
- 5.15 At the last day of the financial year there were no amounts outstanding in respect of undisputed income-tax, wealth-tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- 5.16 During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses (other than customary or contractual) which have been charged to Profit and Loss Account nor have we been informed of such case by the management.
- 5.17 The Company is not a sick industrial undertaking within the meaning of Section 3 (1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- 5.18 In respect of trading activities, the Company has a reasonable system of determining damaged goods and providing for the losses for the same. However, as there were no damaged goods at the close of the year, no provision is required to be made in the accounts.

Calcutta, 30th June, 1999

S. K. Deb
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

BALANCE SHEET AS AT 31ST MARCH, 1999

	Sch. No.	1999		1998	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	5,49,47,650		4,19,47,650	
Reserve and Surplus	2	57,79,841		57,79,841	
Capital Suspense	3	19,93,450	6,27,20,941	19,93,450	4,97,20,941
Loan Funds					
Secured Loans	4	11,13,78,695		9,40,51,131	
Unsecured Loans	5	1,56,10,025	12,69,88,720	1,99,14,955	11,39,66,086
			<u>18,97,09,661</u>		<u>16,36,87,027</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	17,60,55,260		16,69,96,173	
Less : Depreciation		9,48,22,175		8,68,90,157	
Net Block		<u>8,12,33,085</u>		<u>8,01,06,016</u>	
Capital Work-in-progress		5,22,58,551	13,34,91,636	1,81,05,691	9,82,11,707
Current Assets, Loans and Advances					
Inventories	7	5,59,21,904		6,47,70,719	
Sundry Debtors	8	2,23,41,085		2,91,88,985	
Cash and Bank Balances	9	34,55,144		22,97,857	
Other Current Assets	10	21,13,567		2,33,122	
Loans and Advances	11	2,01,66,531		1,35,74,524	
		<u>10,39,98,231</u>		<u>11,00,65,207</u>	
Less : Current Liabilities and Provisions					
Current Liabilities	12	8,37,26,804		5,43,45,718	
Provisions	12	45,50,446		30,50,170	
		<u>3,82,77,250</u>		<u>5,73,95,888</u>	
Net Current Assets			1,57,20,981		5,26,69,319
Miscellaneous Expenditure (to the extent not written off)			2,63,962		3,29,962
Profit and Loss Account (Debit Balance)			4,02,33,082		1,24,76,039
			<u>18,97,09,661</u>		<u>16,36,87,027</u>
Notes on Accounts	23				

This is the Balance Sheet referred to in our report of even date

S. K. Deb
Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Calcutta, 30th June, 1999

On behalf of the Board

G. D. Kothari *Chairman*
K. K. Moha *Director*
J. C. Das *Secretary*

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999

	Sch. No.	1999	1998
Rs.		Rs.	Rs.
INCOME			
Sales		38,64,37,464	45,09,82,121
Closing Stock	13	4,20,77,040	5,21,20,518
Interest	14	28,47,679	11,82,703
Other Income	15	1,35,04,663	6,67,055
		<u>44,48,66,846</u>	<u>50,49,52,397</u>
EXPENDITURE			
Opening Stock	16	5,21,20,518	5,16,12,619
Raw Material Consumed		23,80,33,118	
Less :- Modvat credit availed		<u>3,87,46,038</u>	
		19,92,87,080	21,85,95,505
Manufacturing and Maintenance Expenses	17	5,20,17,838	5,35,58,770
Selling Expenses	18	69,33,452	93,99,435
Salaries, Wages and Other Employees' Benefits	19	5,16,29,250	4,53,35,338
Directors' Remuneration	20	6,22,076	5,51,705
Interest	21	2,33,24,537	2,41,44,252
Depreciation		96,87,424	94,85,056
Auditors' Remuneration (Note 9 on Schedule 23)		1,22,548	91,794
Administrative and Other Expenses	22	1,25,99,717	1,10,63,645
Excise Duty (Note 4 on Schedule 23)		6,42,13,449	7,74,15,176
Preliminary Expenses Written Off		66,000	66,000
		<u>47,26,23,889</u>	<u>50,13,19,295</u>
Profit Before Taxation/(Loss)		(2,77,57,043)	36,33,102
Provision For Taxation		-	-
Profit after Taxation/ (Loss)		(2,77,57,043)	36,33,102
Profit/(Loss) Brought Forward		(1,24,76,039)	(1,61,09,141)
Balance Carried Forward		(4,02,33,082)	(1,24,76,039)
Notes on Accounts	23		

On behalf of the Board

G. D. Kothari *Chairman*
K. K. Mohta *Director*
J. C. Das *Secretary*

Calcutta, 30th June, 1999

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

	1999	1998
SCHEDULE 1		
SHARE CAPITAL		
(Notes 3 on Schedule 23)		
Authorised		
1,00,00,000 Equity Shares of Rs. 10/- each	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued and Subscribed		
54,98,475 (1998-41,98,475) Equity Shares of Rs. 10/- each	<u>5,49,84,750</u>	4,19,84,750
Less : Calls in Arrears	<u>(37,100)</u>	<u>(37,100)</u>
	<u>5,49,47,650</u>	<u>4,19,47,650</u>
Of the above :-		
274307 (1998 - 2,74,307) Equity Shares of Rs. 10/- each have been allotted as fully paid up pursuant to a contract without pay- ment being received in cash.		
13,00,000 Equity Shares of Rs. 10/- each have been allotted on preferential basis.		
SCHEDULE 2		
RESERVE AND SUPRUS		
Capital Reserve (Note 2 on Schedule 23) as per Last Account	32,78,841	32,78,841
Central Subsidy as per Last Account	15,00,000	15,00,000
Investment Allowance Reserve as per Last Account	<u>10,01,000</u>	<u>10,01,000</u>
	<u>57,79,841</u>	<u>57,79,841</u>
SCHEDULE 3		
Capital Suspense (Note 3 on Schedule 23)	<u>19,93,450</u>	<u>19,93,450</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

SCHEDULE 4	1999		1998	
	Rs.	Rs.	Rs.	Rs.
SECURED LOANS				
Term Loans				
From Financial Institutions—				
ICICI Limited	5,37,00,000		3,68,12,794	
Add : Interest accrued and due	21,93,744	5,58,93,744	19,50,018	3,87,62,812
From Banks				
State Bank of Hyderabad		32,85,000		48,85,000
Working Capital from Banks				
Cash Credit Account*		5,17,19,084		4,92,08,020
Deferred Payment Credits		4,80,867		11,95,299
*Net of Remittance-in-Transit Rs. 5,23,081/- (1998 Rs. 15,60,000/-)		<u>11,13,78,895</u>		<u>9,40,51,131</u>
Term Loans are secured by :				
a) A first mortgage by deposit of the title deeds relating to the Company's immovable properties at Isnapur both present and future.				
b) A first charge by way of hypothecation of all the Company's movables including movable machinery, (save and except machinery purchased under Deferred Payment Credits), machinery spares, tools and accessories both present and future, subject to prior charges in favour of the Company's Banker on stocks of raw materials, Semi-finished and finished goods, consumable stores and book debts and such other movables as may be agreed to by the lenders for securing the borrowings for Cash Credit requirements in the ordinary course of business, and				
c) Personal guarantee of a Director of the Company.				
Working Capital is secured by :				
a) Hypothecation of present and future stock of raw-materials, stock-in-process, finished goods, consumable stores and book debts.				
b) Personal guarantee of two Directors of the Company.				
c) Second Charge on Company's immovable factory properties at Isnapur, both present and future.				
Deferred payment credits are secured by :				
a) A first charge by way of hypothecation of machinery purchased there against.				
b) Personal guarantee of two Directors of the Company.				
SCHEDULE 5				
UNSECURED LOANS				
Short term Loans and Advances other than Banks (Including interest Free Loan Rs. NIL (1998 - Rs. 80,10,000/-) from Companies in which some of the Directors of the Company are Directors] Add : Interest accrued & due	1,47,64,000		1,97,74,000	
	8,46,025			
Other Loans				
Interest Free Sales Tax Loan			1,40,955	
			<u>1,99,14,955</u>	
		<u>1,56,10,025</u>		

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

Description of Assets	COST			DEPRECIATION				NET BOOK VALUE OF ASSETS		
	As at 31st March, 1998	Additions during the year	Deduction during the year	Gross Block As at 31st March, 1999	Upto 31st March, 1998	For the year	Deduction during the year	Upto 31st March, 1999	As at 31st March, 1999	As at 31st March, 1998
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold land	7,28,848	—	—	7,28,848	—	—	—	—	7,28,848	7,28,848
Buildings	2,78,17,638	5,58,873	—	2,83,76,511	79,66,990	7,07,456	—	86,74,446	1,97,02,065	1,98,50,648
Plant and Machinery	13,57,92,548	96,85,363	18,49,141	14,36,28,770	7,73,74,200	89,03,634	15,66,304	8,47,11,530	5,89,17,241	5,84,18,348
Furniture and Fittings	14,82,706	5,33,758	555	20,15,908	12,26,221	21,545	555	12,47,210	7,68,698	2,56,485
Office Equipments	7,49,321	34,300	—	7,83,621	1,55,885	32,367	—	1,88,252	5,95,369	5,93,436
Vehicles	4,25,112	5,20,863	4,24,374	5,21,601	1,66,861	22,422	1,88,546	737	5,20,864	2,58,251
Total	16,69,96,173	1,13,33,157	22,74,070	17,60,55,260	8,68,90,157	96,87,424	17,55,405	9,48,22,175	8,12,33,085	8,01,06,016
1998	16,27,12,520	48,49,427	5,66,774	16,69,96,173	7,78,38,957	94,85,056	4,33,856	8,68,90,157	8,01,06,016	—

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

	1999	1998
	Rs.	Rs.
SCHEDULE 10		
OTHER CURRENT ASSETS		
Interest Accrued on Deposit	<u>21,13,567</u>	<u>2,33,122</u>
SCHEDULE 11		
LOANS AND ADVANCES		
Unsecured - Considered good Unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received [including Rs. 10,000/- (1998 - Rs. 10,000/-) considered doubtful and Rs. 26,92,215/- (1998 - Rs. 29,60,508/-) advance against Capital item]	1,03,26,971	80,85,444
Advance Payment of Income Tax	3,84,846	2,99,012
Balance with Central Excise Authorities	23,85,490	7,52,968
	<u>1,30,97,306</u>	<u>91,37,424</u>
Less : Provision for doubtful advances	10,000	10,000
	<u>1,30,87,306</u>	<u>91,27,424</u>
Deposits [including Rs. 27,500/- (1998-Rs.26,500/-) in National Saving Certificates]	70,79,225	44,47,100
	<u>2,01,66,531</u>	<u>1,35,74,524</u>
SCHEDULE 12		
CURRENT LIABILITIES AND PROVISION		
A. Current Liabilities		
Acceptances	1,99,55,547	1,43,75,171
Sundry Creditors (refer note 13 on Schedule 23)	5,74,66,604	3,50,24,563
Advances and Deposits	14,34,014	17,52,014
Interest accrued but not due	35,79,296	18,07,077
Unclaimed Dividend	—	93,454
Other Liabilities	12,91,343	12,93,439
	<u>8,37,26,804</u>	<u>5,43,45,718</u>
B. Provision		
For Taxation	2,11,647	2,11,647
For Gratuity	43,38,799	28,38,523
	<u>45,50,446</u>	<u>30,50,170</u>
	<u>8,82,77,250</u>	<u>5,73,95,888</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

	1999	1998
	Rs.	Rs.
SCHEDULE 13		
CLOSING STOCK		
Finished Goods	2,77,02,979	3,88,15,611
Stock-in-process	1,43,64,651	1,32,90,957
Waste	9,410	13,950
	<u>4,20,77,040</u>	<u>5,21,20,518</u>
SCHEDULE 14		
INTEREST		
From Banks on Fixed Deposits [Tax deducted at source Rs. NIL (1998 - Rs. 28281/-)]	1,81,163	1,75,481
From Others [Tax deducted at source Rs. 85,833/- (1998 - Rs. 1,05,839/-)]	26,66,516	10,07,222
	<u>28,47,679</u>	<u>11,82,703</u>
SCHEDULE 15		
OTHER INCOME		
Sundry Receipts	64,54,624	3,14,064
Insurance Claims	12,66,417	2,38,318
Profit on Trading in shares (Note 10)	50,01,790	-
Liabilities no longer required written back	4,83,759	1,07,591
Profit on Sale of Fixed Assets (Net)	2,98,073	7,082
	<u>1,35,04,663</u>	<u>6,67,055</u>
SCHEDULE 16		
OPENING STOCK		
Finished Goods	3,88,15,611	3,82,56,801
Stock-in-process	1,32,90,957	1,33,45,114
Waste	13,950	10,704
	<u>5,21,20,518</u>	<u>5,16,12,619</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

	1999	1998
	Rs.	Rs.
SCHEDULE 17		
MANUFACTURING AND MAINTENANCE EXPENSES		
Consumption of Stores and Spare Parts etc	40,68,898	38,34,273
Packing Expenses	65,83,100	66,60,013
Power and Fuel Charges	3,58,59,759	3,62,47,893
Water Charges	2,29,623	2,64,417
Repair to Buildings	2,72,458	9,90,363
Repair to Machinery	46,19,350	52,37,969
Repair to Others	3,84,650	3,23,842
	<u>5,20,17,838</u>	<u>5,35,58,770</u>
SCHEDULE 18		
SELLING EXPENSES		
Rent	3,20,901	2,74,613
Freight and Octroi etc.	69,70,990	64,35,348
Cash Discount	45,06,743	55,14,612
Commission	11,11,428	25,48,266
Brokerage	3,52,687	6,84,112
Other Expenses	2,53,612	1,09,608
	<u>1,35,16,361</u>	<u>1,55,66,559</u>
Less : Freight and Insurance recoveries	<u>65,82,909</u>	<u>61,67,124</u>
	<u>69,33,452</u>	<u>93,99,435</u>
SCHEDULE 19		
SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
Salaries, Wages and Bonus	4,02,47,744	3,71,77,633
Recruitment Expenses	3,47,386	1,29,157
Employees' Welfare Expenses	31,25,731	26,83,106
Contribution to Provident Fund and Other Funds	59,44,211	48,33,908
Gratuity	19,64,178	5,11,534
	<u>5,16,29,250</u>	<u>4,53,35,338</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1999

	1999	1998
	Rs.	Rs.
SCHEDULE 20		
DIRECTORS' REMUNERATION		
Managerial Remuneration (Note 8 on Schedule 23)	6,00,076	5,39,205
Sitting Fees	22,000	12,500
	<u>6,22,076</u>	<u>5,51,705</u>
SCHEDULE 21		
INTEREST		
On Term Loans	68,26,045	93,58,565
On Others	1,64,98,492	1,47,85,687
	<u>2,33,24,537</u>	<u>2,41,44,252</u>
SCHEDULE 22		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	5,66,238	2,37,500
Rates and Taxes	3,29,166	2,63,407
Insurance	17,25,537	16,52,133
Printing and Stationery	4,77,261	3,94,203
Travelling and Conveyance	30,40,837	24,88,867
Postage, Telegram and Telephone	17,41,110	14,38,125
Bank Charges and Commission	25,00,646	22,19,163
Vehicle Expenses	1,62,115	1,56,923
Security and Gardening Expenses	9,52,941	9,92,747
Legal and Professional Charges	5,34,045	5,01,560
Charity and Donations	—	6,101
Miscellaneous Expenses	5,69,821	7,12,916
	<u>1,25,99,717</u>	<u>1,10,63,645</u>

SCHEDULE 23

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999

1.	SIGNIFICANT ACCOUNTING POLICIES	
1.1	FIXED ASSETS	
	Fixed Assets are stated at cost less depreciation.	
	Depreciation on Fixed Assets is provided on straight line method at applicable rates specified in Schedule XIV of the Companies Act., 1956.	
1.2	INVENTORIES	
	(a) Inventories are valued at lower of cost or net realisable value.	
	(b) Purchases, Consumption and Cost of inventories include MODVAT element.	
1.3	GRATUITY	
	Year's accrued liability on account of gratuity payable and leave encashment to employees is ascertained on the basis of actuarial valuation and provided in the accounts.	
1.4	FOREIGN CURRENCY TRANSACTIONS	
	Transactions in foreign currency outstanding at the Balance Sheet date are accounted at the contract rate when covered by forward contracts and at exchange rate prevailing on the Balance Sheet date in the case of others. Exchange differences are dealt with in the Profit and Loss Account appropriately.	
1.5	MISCELLANEOUS EXPENDITURE	
	Miscellaneous expenditure (to the extent not written off) is amortised over a period of ten years.	
1.6	RECOGNITION OF INCOME AND EXPENDITURE	
	Items of Income and Expenditure are recognised on accrual and prudent basis.	
2.	Capital Reserve amounting to Rs. 32,78,841/- (Schedule 2) (the details of which being set out below) represents the excess of assets over liabilities taken over from the Liquidators of Indian Copper Corporation Limited (In Members' Voluntary Liquidation) as per the agreement dated 3rd January, 1977.	
(a)	Being the excess assets over liabilities taken by the Company and credited to Capital Reserve Account in 1977.	Rs. 4,40,245
(b)	Tax refund and interest recovered relating to Indian Copper Corporation Limited (in Members' Voluntary Liquidation) for assessment years 1975-76 and 1976-77 and credited to Capital Reserve Account in 1978.	Rs. 5,49,518
(c)	Outstanding 1970 and 1971 dividends declared by the erstwhile Indian Copper Corporation Limited credited to Capital Reserve Account in 1979.	Rs. 2,85,838
(d)	Outstanding fractional entitlement of Bonus Shares issued in 1954, 1956 and 1966 by the erstwhile Indian Copper Corporation Limited, credited to Capital Reserve Account in 1979.	Rs. 3,240
(e)	Surplus Tax provision arising out of the Appellate Tribunal Judgement in favour of Indian Copper Corporation Limited (in Members' Voluntary Liquidation) in respect of the period from 1st January, 1972 to 20th September, 1972, the relative taxes having been paid by its successor Hindustan Copper Limited. The Income Tax Department's appeal before the Calcutta High Court against the aforesaid judgement has been disposed in favour of the Company.	Rs. 20,00,000
		<u>Rs. 32,78,841</u>

SCHEDULE 23 (Contd.)

3. The amount of Rs. 19,93,450/- (1998 - Rs. 19,93,450/-) (Schedule 3) standing to the credit of Capital Suspense Account required to be converted into paid up equity capital of the Company by issue of 1,99,345 (1998-1,99,345) fully paid up Equity Shares of Rs. 10/- each for consideration other than cash to the resident stock holders of erstwhile Indian Copper Corporation Limited holding 7,49,860 (1998 - 7,49,860) units of stock as and when they will surrender their stock certificates as per the agreement dated 3rd January, 1977 entered into with the Liquidators of Indian Copper Corporation Limited (in Members' Voluntary Liquidation).
4. In accordance with the Company's consistent practice these accounts do not include any provision for Excise Duty in the region of Rs. 18.77 lacs (1998 - Rs. 33.20 lacs) in respect of finished goods and waste which become statutorily payable on subsequent clearance thereof.
5. Outstanding contracts for Capital Expenditure – Estimated amount not provided for Rs. 84,13,390/- (1998 - Rs. 84,47,000/-) net of advance Rs. 26,92,215/- (1998 - Rs. 29,60,508/-).
6. Unlike earlier years Modvat element has been included in purchases, inventories and cost of production which was hitherto accounted for on exclusive method without impact in the year's results.
7. The Company has taken appropriate and effective steps to be Year 2000 compliant by September, 1999. The expenditure to ensure Year 2000 compliance is not likely to be significant. The Company has a contingency plan to address any uncertainties that may arise.

8. MANAGERIAL REMUNERATION	1999	1998
EXECUTIVE DIRECTOR'S REMUNERATION	Rs.	Rs.
Salary	4,80,000	4,20,000
Perquisites		
Contribution to Provident and Pension Fund	57,600	46,410
Provision for Gratuity	12,421	—
Rent	48,000	42,000
Medical benefits & Leave Travel Assistance	48,000	29,221
Electricity	14,985	1,574
	<u>6,61,006</u>	<u>5,39,205</u>
9. Auditors' Remuneration	1999	1998
	Rs.	Rs.
Audit Fees	70,000	50,000
Tax audit Fees	12,600	10,000
For other services	37,875	30,000
Out of pocket expenses	2,073	1,794
	<u>1,22,548</u>	<u>91,794</u>

SCHEDULE 23 (Contd.)

10.	Profit on Trading in Shares (Schedule 15)	No. of shares		Rs.	Rs.
		1999	1998	1999	1998
	Sale of shares	1,25,000	—	10,81,62,540	—
	Less : Purchase of shares	1,25,000	—	10,31,60,750	—
	Profit on Trading in Shares	—	—	50,01,790	—
11.	Information required pursuant to the provision of paragraphs 3 & 4 of part II to Schedule VI of the Companies Act., 1956.				
a)	i) Licensed Capacity	25,000	Spindles	25,000	Spindles
	ii) Installed Capacity (as certified by management)	18,784	Spindles	18,784	Spindles
		1999	1998	1999	1998
		<u>QUANTITY</u>	<u>QUANTITY</u>	<u>VALUE</u>	<u>VALUE</u>
b)	Particulars as regards finished goods of yarn from man made fibre	Kgs.	Kgs.	Rs.	Rs.
	i) Opening Stock	3,46,767	3,13,400	3,88,15,611	3,82,56,801
	ii) Production	34,59,503	33,73,967	—	—
	iii) Closing stock	2,66,438	3,46,767	2,77,02,979	3,88,15,611
	iv) Sales	35,39,460*	33,40,600#	38,62,39,595	45,00,41,777
	v) Waste Sales	—	—	1,97,869	9,40,343
	* include 372Kgs. (1998 - #315 Kgs.) shortage on account of free samples issued and/or loss in transit				
c)	Raw material consumed after taking into account opening stock, purchases, sales and closing stock.	35,83,597	34,87,608	23,80,33,118	21,85,95,505
		Rs.	1999 %	Rs.	1998 %
d)	Value of raw materials, stores and spares parts consumed :				
	i) Raw materials				
	Imported	—	0.00%	83,74,331	3.83%
	Indigenous	23,80,33,118	100.00%	21,02,21,174	96.17%
	ii) Stores and Spare parts				
	Imported	70,032	0.44%	2,52,027	1.61%
	Indigenous	1,58,58,425	99.56%	1,54,43,325	98.39%
e)	Value of imports on CIF basis				
	Raw materials	—		52,96,470	
	Stores & spare parts	—		—	

SCHEDULE 23 (Contd.)

	1999 Rs.	1998 Rs.	
f) Consumption of stores and spare parts (Schedule 17 to accounts) excludes amounts debited to			
i) Repairs to buildings	48,858	31,154	
ii) Repairs to machinery	39,25,051	51,64,950	
iii) Repairs to others	91,527	4,962	
12. Items of expenditure in the Profit and Loss Account include reimbursement by the Company.			
13. Sundry Creditors include Rs. 11.16 lacs due to SSI undertaking.			
14. Information required pursuant to the provision of part IV to Schedule VI of the Companies Act., 1956.			
Balance Sheet abstract and Company's general business profile.			
I Registration Details			
Registration No. 30796	State code 21		
Balance Sheet Date 31st March, 1999			
II Capital raised during the year (Amount in Rs. Thousands)			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	13,000
III Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousands)			
Total Liabilities (Includes Shareholders' fund Rs. 49,721)	2,77,987	Total Assets (Includes Miscellaneous expenditure of Rs. 264 and debit balance of Profit and Loss Account of Rs. 40,233)	2,77,987
Sources of Funds		Application of Funds	
Paid-up Capital (Including Capital Suspense-Schedule 3)	56,941	Net Fixed Assets (Including Capital Work-in-Progress)	1,33,492
Reserves & Surplus	5,780	Investment	Nil
Secured Loans	1,11,379	Current Assets	1,03,998
Unsecured Loans	15,610	Miscellaneous Expenditure	264
Current Liabilities and Provisions	88,277	Accumulated Losses	40,233

SCHEDULE 23 (Contd.)

IV Performance of Company (Amount in Rs. Thousands)			
Turnover	3,86,437	Total Expenditure (Net of Opening Stock Rs. 52,121)	4,20,503
Profit/(Loss) Before tax	(27,757)	Profit/(Loss) After Tax	(27,757)
Earning per Share in Rs.	N. A.	Dividend Rate %	NIL

V Generic Name of three principal products of the Company
(as per monetary terms)

Item Code No.	i) 550951.11
(ITC Code)	ii) 550931.00
	iii) 550932.00
Product	i) Polyester/Viscose Blended Yarn
Description	ii) Acrylic Single Yarn
	iii) Acrylic Multiple Yarn

15. Previous Year's figures have been rearranged wherever necessary.

On behalf of the Board

G. D. Kothari *Chairman*
K. K. Mohta *Director*
J. C. Das *Secretary*

Calcutta, 30th June, 1999

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 1999
PURSUANT TO CLAUSE 32 OF LISTING AGREEMENT

	1999 Rs.	1998 Rs.
A. Cash flow From Operating activities		
Net Profit/(Loss) before tax	(-) 2,77,57,043.00	36,33,102.00
Adjustment for		
Depreciation	96,87,424.00	94,85,056.00
Preliminary expenses written off	66,000.00	66,000.00
Interest (Net)	2,04,76,858.00	2,29,61,549.00
Profit/(Loss) on sale of Fixed Assets	(-) 2,98,073.00	(-) 7,082.00
Operating profit before working capital changes	<u>21,75,166.00</u>	<u>3,61,38,625.00</u>
Adjustment for		
Trade and other receivables	73,433.00	(-) 19,49,283.00
Inventories	88,48,815.00	37,81,883.00
Trade payables	<u>2,02,69,996.00</u>	<u>(-) 80,58,333.00</u>
Cash generated from operations	3,13,67,410.00	2,99,12,892.00
Interest paid	(-) 2,04,62,567.00	(-) 2,27,70,013.00
Direct tax paid	(-) 85,833.00	(-) 26,351.00
Net cash from Operating activities (A)	<u>1,08,19,010.00</u>	<u>71,16,528.00</u>
B. Cash flow from investing activities		
Purchase of fixed assets (net)	(-) 3,63,78,578.00	(-) 1,85,118.00
Sale of fixed assets	8,16,738.00	1,40,000.00
Interest received	9,67,234.00	12,91,558.00
Net cash used in investing activities (B)	<u>(-) 3,45,94,606.00</u>	<u>12,46,440.00</u>
C. Cash flow from finance activities		
Proceeds from borrowings	1,19,32,883.00	(-) 83,15,522.00
Capital increase	1,30,00,000.00	65.00
Net cash used in financing activities (C)	<u>2,49,32,883.00</u>	<u>(-) 83,15,457.00</u>
Net increase in cash and cash equivalents (A+B+C)	11,57,287.00	47,511.00
Opening cash & cash equivalents (Note (i) below)	22,97,857.00	22,50,346.00
Closing cash & cash equivalents (Note (i) below)	<u>34,55,144.00</u>	<u>22,97,857.00</u>
	<u>11,57,287.00</u>	<u>47,511.00</u>

Note : (i) Represented By	1999 Rs.	1998 Rs.
(a) Cash in hand	12,951.00	32,144.00
(b) Balance with Banks	34,42,193.00	22,65,713.00
(c) Remittance in transit	-	-
	<u>34,55,144.00</u>	<u>22,97,857.00</u>

(ii) The Company has taken appropriate and effective steps to be Year 2000 compliant by September, 1999. The expenditure to ensure Year 2000 compliance is not likely to be significant. The Company has a contingency plan to address any uncertainties that may arise.

On behalf of the Board

G. D. Kothari *Chairman*
K. K. Mohta *Director*
J. C. Das *Secretary*

Dated, Calcutta, 30th June, 1999

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Shree Manufacturing Company Limited for the year ended 31st March, 1999 reported by us on even date. According to the information and explanations given, the aforesaid Cash Flow Statement read with notes thereon, has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and reallocations required for the purpose are as made by the Company.

S. K. Deb
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Dated, Calcutta, 30th June, 1999

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Extra-Ordinary General Meeting of the members of Shree Manufacturing Company Ltd. will be held at the Williamson & Magor Hall of the Bengal Chamber of Commerce & Industry, (1st Floor), Royal Exchange, 6, Netaji Subhas Road, Calcutta - 700 001 on Wednesday, the 15th September, 1999 at 3.30 p.m. or soon after Annual General Meeting which is scheduled to be held at 3.00 p.m. on the same day, to transact the following business :

"To receive and consider the report of the Board of Directors regarding the erosion of more than 50% of the peak net worth of the Company during the immediate preceding four financial years and causes for such erosion, under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 and same be sent to the Board for Industrial and Financial Reconstruction (BIFR) for consideration."

By Order of the Board
For Shree Manufacturing Company Ltd.

K. K. MOHTA
Director

Place : Calcutta
Date : 30th July, 1999

- 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. Such proxy need not be a member of the Company.
2. The relative Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business said in the notice of Extra-Ordinary General Meeting is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

As per the Audited Accounts approved in the Annual General Meeting, Net loss for the year ended 31st March, 1999 together with accumulated losses of Rs. 124.80 lacs has resulted in erosion of more than 50% of the peak Net worth of the Company. Consequently, provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 are applicable to your Company.

Accordingly, the Extra-Ordinary General Meeting has been convened to consider the enclosed report of the Board of Directors of the Company on such erosion and revival measures.

Board recommends this Resolution for your approval.

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

DIRECTORS' REPORT UNDER SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

THE MEMBERS

Directors present their report pursuant to the provisions of the Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, for your consideration.

BACKGROUND

Shree Manufacturing Company Ltd. was incorporated on 30th November, 1976 as a public limited company.

It had set up a spinning mill in 1983 at Isnapur, Dist. Medak (A.P.) with installed capacity of 15840 spindles. The whole plant became operational in March, 1984. In January 1985, the Company started experiencing labour trouble in the shape of go-slow, absenteeism and strikes. The Management was compelled to declare a lockout in the first week of March 1985 which was lifted on and from 10th June 1985. But due to non-cooperative attitude of the labours, the settlement of the disputes provided under the Industrial Disputes Act, 1947, could be executed only in April, 1986.

By June, 1987, the net worth of the Company became negative. A reference was made to the Board for Industrial and Financial Reconstruction (BIFR) and the Company was declared a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

A rehabilitation package was approved by BIFR in 1988. In addition to the rehabilitation package scheme, the Company installed Dyeing House plant and other balancing equipment. The in-house facility of the dyeing fibre has helped the Company to rationalise the production cost and increase the range of product mix. The Company has also increased the installed capacity from 15840 spindles to 18784 spindles.

In the year 1996, the Company had again experienced labour troubles in the shape of low productivity which resulted in strikes around 4 months from March 1996 to August 1996. The management had negotiated with labour union and linked the wage package with productivity.

In the year 1998-99, Company has started expansion activity to enhance the production capacity from about 3300 M.T. per annum to 4500 M.T. per annum.

The accumulated losses of Rs. 402.33 lacs as on 31.3.99 has eroded more than 50% peak net worth of the Company during the immediately preceding 4 financial years. Consequently, the Company has become a Potentially Sick Industrial Company and attracts the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

REASONS FOR EROSION OF NET WORTH

Various factors which have collectively contributed to the decline in the fortunes of the Company are summarised as under :

Textile Industry as a whole is passing through a recessionary period due to which yarn prices in the market have drastically come down whereas raw material cost has not been reduced. Therefore, overall realisation per KG is much lesser than the cost of goods sold.

Moreover, since ours is a old plant and most of the machines were installed in the year 1984 whereas textile technology is being upgraded very fast. Market requires good quality yarn which can be processed on imported and sophisticated machineries. We are lacking on this part. Earlier, we were having one Autoconer which was not sufficient for entire production of the unit. Therefore, quality production was not possible.

FUTURE

As we have clarified earlier that the company has taken up expansion activity in the year 1998-99 and installed 4 more autoconers and 8 TFO machines which are expected to produce quality yarn as well as make realisation price of yarn remunerative.

Calcutta, 30th July, 1999.

On behalf of the Board
G. D. Kothari
Chairman

BOOK-POST

If undelivered please return to :

SHREE MANUFACTURING COMPANY LTD.
SECRETARIAL DEPT.
A-1, GILLANDER HOUSE,
NETAJI SUBHAS ROAD,
CALCUTTA-700 001