



Chemcrown (India) Limited

REPORT & ACCOUNTS

for the 18th months period ended 30th September, 1999

BOARD OF DIRECTORS : SHRI B. D. BHAIYA, *Chairman and Managing Director*
SHRI R. K. MAHESHWARI, *Whole-time Director*
SHRI B. K. MEHTA

REGISTERED OFFICE : 95, PARK STREET
CALCUTTA - 700 016

AUDITORS : M/S L. B. JHA & CO.
8, NETAJI SUBHAS ROAD
CALCUTTA - 700 001

BANKERS : CANARA BANK
STATE BANK OF BIKANER & JAIPUR

REGISTRARS : ABC COMPUTERS PVT. LTD.
NATIONAL COUNCIL OF EDUCATION, BENGAL BUILDING
JADAVPUR UNIVERSITY CAMPUS
2ND & 3RD FLOOR
CALCUTTA - 700 032

BRANCHES

Chennai

Real Chambers, III Floor
30, Maddox Street, Choolai
Chennai - 600 112

New Delhi

E-9, Naraina Vihar,
(Ground Floor)
Opposite Community Centre
New Delhi - 110 028

Mumbai

D-3, Poonam Apartment
Dr. Annie Besant Road, Worli,
Mumbai - 400 018

FACTORIES

Walajapet
North Arcot District
Tamilnadu

86, Athupattu, Ambattur,
Chennai - 600 058

19/1 & 4/4, Mylam Pondicherry
Road
Sedarapet,
Pondicherry - 605 101

**RESEARCH AND
DEVELOPMENT CENTRES**

60, Debendra Chandra Dey Road,
Calcutta - 700 015

Walajapet
North Arcot District
Tamilnadu

NOTICE

NOTICE is hereby given that the Twenty-Fourth Annual General Meeting of the Members of Chemcrown (India) Limited will be held on Wednesday, the 22nd December, 1999 at 11.30 A.M. at Sangeet Kala Mandir, Kala Kunj, 48 Shakespeare Sarani, Calcutta-700 017, to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the Eighteen Months Financial period ended 30th September, 1999, the Balance Sheet as at that date and the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Mr. R. K. Maheshwari, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modification(s), the following resolution :

As an Special Resolution

"RESOLVED that, subject to compliance of necessary regulations, the consent of the Company be and is hereby accorded to the Board of Directors to for delisting of the shares of the Company from Delhi Stock Exchange Association Ltd."

"RESOLVED further that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, required or expedient to give effect to this resolution."

Registered Office : By Order of the Board

95, Park Street,
Calcutta - 700 016

Date : 1st November, 1999

B. D. Bhैया
Managing Director

Notes :

1. A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxy(s) to attend and vote on a pool instead of himself and such proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Registered office of the Company not less than 48 hours before the meeting.

2. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15th December, 1999 to 21st December, 1999 (both days inclusive).
4. Members are requested to inform the Registrar and Share Transfer Agent about any changes in their addresses immediately so as to enable the Company to despatch any future communication at their correct addresses.
5. Members are requested to quote their Folio Number in all their correspondence with the Company or its Registrar and Share Transfer Agent.

EXPLANATORY STATEMENT

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

Item No.4

Presently the shares of your Company are listed at Calcutta, Mumbai, Madras and Delhi Stock Exchanges. However, there has been hardly any trading of shares of the Company on the Delhi Stock Exchange for more than one year. Further as a measure of cost control, the Board of Directors has decided that it would be desirable if listing from the Delhi Stock Exchange is withdrawn. Further the number of shareholders and the holding of the equity capital base of the Company Delhi and surrounding region is negligible.

After the above delisting the shares of the company will remain listed at Calcutta, Mumbai and Madras Stock Exchanges.

The Lising agreement requires prior approval of shareholders by way of a Special resolution for applying to the Stock Exchange(s) for delistment. Hence, the resolution is proposed.

The Directors recommend the Resolution, as proposed, for your adoption.

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

Registered Office : By Order of the Board

95, Park Street,
Calcutta - 700 016

Date : 1st November, 1999

B. D. Bhैया
Chairman and
Managing Director

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 24th Annual Report and together with audited accounts for the eighteen months period ended on 30th September, 1999.

FINANCIAL RESULTS

The summarised financial results for the 18th months period ended on 30th September, 1999 are as under :

	(Rs. in Lacs)
Sales including other Income	306.86
Profit before interest and depreciation	81.39
Less : Interest and other financial charges	854.98
Loss before depreciation	(773.59)
Less : Depreciation	68.57
Loss after depreciation	(842.16)
Loss before taxation	(842.16)
Net loss for the year	(842.16)
Add : Amount of Loss brought forward from earlier years	(2168.22)
Balance to be carried forward	(3010.38)

DIVIDEND

In view of the huge losses, your directors regret their inability to recommended payment of any dividend for the above period.

OPERATION & FUTURE PROSPECTS :

The period under review witnessed a turnover of Rs.307 lacs partly from manufacturing operations of shoe soles and partly from technological services. Your company has continued to sustain losses since 1994. Due to restructuring of business activities, using technical expertise and cost cutting, your company has been able to earn an income before provision of interest and depreciation to the extent of Rs.81 lacs. It would be observed that interest payable to institutions and banks and depreciation provision have remained a major component of the loss as reflected in the accounts.

Your Company had submitted a revival proposal to BIFR on the basis of One Time Settlement of the

dues payable to the banks, institutions and secured creditors. On the basis of such proposal, a Draft Rehabilitation Scheme (DRS) was circulated by BIFR. The DRS provided for infusion of funds to the extent of Rs.1665 lacs into the Company. The Company had been banking upon a major source of inflow from the pending arbitration matter, which could have formed a substantial part of the flow of funds into the Company. BIFR and involved institutions, banks did not agree to such contention of the Company and ultimately BIFR forwarded a reference to Calcutta High Court for winding up the Company. Being aggrieved by the said order, your Company preferred an appeal before the AAIFR. Meanwhile, the Ld. Arbitrator Hon'ble Justice A. N. Sen made and published an Award on 13th September, 1999 directing Wasgau Plast GmbH to pay a sum of DM 3,042,365 together with interest thereon @ 21% per annum from 1st August, 1996 and also costs of the arbitration proceedings. As of today, in terms of Indian Currency the value of the Award with interest would be Rs.1200 lacs approx.

The Hon'ble AAIFR in its meeting held on 20th October, 1999 admitted the appeal of the Company and also stayed the BIFR order for winding up of the Company in the light of major developments as detailed hereunder :

- The arbitration Award, which the Company hopes of enforce by initiating appropriate proceedings in the appropriate Court in Germany within a reasonable time.
- Another German Company had taken interest for investment upto DM 3.0 million in the Company's plant at Pondicherry. This negotiation was subject to the conclusion of the arbitration proceedings in the Company's favour. Now there is probability of a German Company coming forward for investment.
- The Company also proposes to dispose off its assets at Ambattur and Walajapet.
- It would be possible to settle the dues of the secured creditors subject to successful negotiations with them on realisation of amounts to be received by the Company as a result of the arbitration Award in its favour and the sale proceeds from the disposal of the assets.

The Hon'ble members of AAIFR also directed the Company to keep the sale proceeds from the disposal

of its assets as also the proceeds from the execution of the arbitration Award in a no-lien account with IDBI.

Your Company had initiated legal proceedings before the appropriate Courts for recovery of amounts due to it from a few major debtors aggregating to Rs.300 lacs. Your Company is hopeful of this recovery in very near future, subject to legal proceedings.

In the light of the foregoing developments, your Company now sees the possibility of its revival within a reasonable time. It would be worthwhile to mention here that upon settlement with secured creditors, your Company would be able to get waiver of a substantial portion of interest and consequently your Company's network would turn to positive.

INDUSTRIAL RELATIONS

The Industrial Relations continued to remain harmonious and healthy at all levels. Your Directors wish to record their appreciation of the dedication and hard work put in by the employees at all levels.

DIRECTORS

Mr. R. K. Maheshwari retires by rotation and being eligible, offers himself for reappointment.

AUDITORS' REPORT :

Observations of the Auditors as contained in their report read with Notes on Accounts are self-explanatory and do not warrant any further clarification or comment.

AUDITORS

Auditors M/s. L. B. Jha & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

PUBLIC DEPOSIT

Your Company has not accepted or renewed any deposit from the public during the above period.

LISTING AGREEMENT

The shares of your Company are listed at Calcutta, Bombay, Madras and Delhi Stock Exchanges. Your Directors propose to delist the shares from Delhi Stock Exchange as there has been hardly any trading

during the last more than one year and also as a measure of cost control.

ENVIRONMENT, SAFETY AND ENERGY CONSERVATION:

The Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' forming part of this report.

PARTICULARS OF EMPLOYEES

There was no employees who was in receipt or remuneration of Rs.50,000 or more per month during the above period and therefore, the particulars of employees as required to be given under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not required to be annexed to the Directors' Report.

Y2K COMPLIANCE

Your Company has taken appropriate measures to ensure that all its Computer Systems are Y2K Complaint. Your Company is pleased that the associated costs will not have any material impact on the Company's operations and with its competency plan in place the Company will be able to control any possible risk arising out of it.

APPRECIATION

Your Directors gratefully acknowledge the continued co-operation and support of the financial institutions, the Company's bankers, the Central Government and various State Governments. Your Directors also take this opportunity of acknowledging with gratitude the continued support given by the Members of the Company.

For and on behalf of the Board

B. D. BHAIYA

Place : Calcutta

Chairman and

Date : 1st November, 1999

Managing Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT**Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.****A. CONSERVATION OF ENERGY**

a) Energy Conservation measures taken	N A	
b) Additional investment and proposals if any, being implemented for conservation of energy	N A	
c) Impact of measures (a) & (b) above for energy conservation and subsequent impact on the cost of production of goods.	N A	
d) FORM A	Current Period 18 Months	Previous Period 12 Months
a) Power & Fuel Consumption :		
1. Electricity :		
a) Purchase (Unit)	533,243	215,870
Total	1,099,296	442,614
Rate/Unit (Rs.)	2.06	2.05
b) Own Generation	NIL	NIL
2. Furnace Oil/Diesel Oil		
Quantity (Ltrs.)	5,200	5,698
Total Cost (Rs.)	54,196	51,510
Average Rate (Rs.)	10.42	9.04
b) Consumption per unit of Production		
Production of Sodium Nitrate		
Electricity Per MT of Production (Units)	NIL	NIL
HSD/Oil-Per MT of Production (Ltrs.)	NIL	NIL
Production of Sodium Nitrite		
Electricity Per MT of Production (Units)	NIL	NIL
HSD/Oil-Per MT of Production (Ltrs.)	NIL	NIL
Production of Liquid Dyes		
Electricity Per MT of Production (Units)	NIL	NIL
Production of Leather Chemicals		
Electricity Per MT of Production (Units)	NIL	NIL
Production of Shoe Soles & Heels		
Electricity Per MT of Production (Units)	4,440	1,349
HSD/Oil Per MT of Production (Ltrs.)	NIL	NIL

B. TECHNOLOGY ABSORPTION

e) FORM B		
Form of disclosure of particulars with respect to absorption, research and development (R & D)		
1. Specific area in which R & D were carried out by the Company	None	None
2. Benefits derived as a result of R & D	N A	N.A.
3. Future plan & action	None	None

ANNEXURE 'A' TO THE DIRECTORS' REPORT (Contd.)
FORM B (Contd.)

	Current Period	Previous Period
Technology absorption, Adaptation and Innovation		
1. <i>Efforts, in brief, made towards, technology absorption, adaptation and innovation</i>	NIL	NIL
2. <i>Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.</i>	NIL	NIL
3. <i>In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.</i>		
a) Technology imported	NIL	NIL
b) Year of import		
c) Has technology been fully absorbed		
d) <i>It not fully absorbed, areas where this has not taken place, reasons thereof and future plans and actions.</i>		
C. FOREIGN EXCHANGE EARNINGS AND OUTGO		
Total foreign exchange used	NIL	64,208
Total foreign exchange earned	NIL	NIL

1st November, 1999

For and on behalf of the Board
 B. D. BHAIYA Chairman and
 Managing Director
 R. K. MAHESHWARI Director

AUDITORS' REPORT**TO****THE MEMBERS OF CHEMCROWN (INDIA) LIMITED**

We have audited the attached Balance Sheet of Chemcrown (India) Limited as at 30th September, 1999 and annexed Profit & Loss Account for the 18 months ended on that date signed by us under reference to this report.

A. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 we enclose in Annexure 'A' a statement of the matters specified in the said Order.

B. Further to our comments in the Annexure referred to in Paragraph 'A', we report that :

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for information regarding disclosure of details of creditors relating to small scale undertakings as required under Schedule VI of the Companies Act, 1956, (refer note 13 in Schedule 22).
- ii) 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 those books.
- iii) The said Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account maintained by the Company.
- iv) In our opinion and to the best of our information and according to the explanations given to us and subject to the limitations of disclosure stated above, the Balance Sheet and Profit & Loss Account together with the notes thereon attached give in the prescribed manner information required by the Companies Act, 1956.
- v) In our opinion the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards as referred to in subsection 3(c) of Section 211 of the Companies Act, 1956 except for Accounting Standard 6 relating to "Depreciation Accounting" to the extent as stated in para (b) below.

We further report that :

- a) Registration of title deeds have not been executed in respect of certain immovable properties (Note No.6 in Schedule 22).

b) Depreciation amounting to Rs.39,97,341/- on Fixed Assets of Walajapet Plant and Sonil Division for the 18 months period ended 30.9.99 has not been provided for in the Accounts. Depreciation on Fixed assets amounting to Rs.34,50,000/- and Rs.4,00,556/- have also not been provided for during the accounting period of 18 months ended 30th September 1994 and the accounting period of 15 months ended 31.12.95. Consequently, depreciation and loss for the accounting period ended 30.9.99 has been understated by Rs.39,97,341/- and accumulated depreciation and losses have been understated by Rs.78,47,897/- (Note No.: 7(c) in Schedule 22).

c) Balances of Sundry Debtors outstanding with the Distributors of the Company totalling to Rs.29,308,648/- are subjudice. Sundry debtors also include outstandings amounting to Rs.1,916,235/- of doubtful nature which have not been provided for.

d) Outstanding balance of Rs.31,82,19,359/- as on 30.9.99 shown under Secured Loan (Schedule 3) have not been reconciled in absence of Statement of Account from the respective Institutions/Banks.

e) Outstanding balance of Rs.43,34,202/- as on 30.9.99 included under Unsecured Loan (Schedule 4) has not been reconciled in absence of Statement of Account from the respective Institution.

f) Sundry Creditors include an unconfirmed balance as mentioned in Note No.9 in Schedule 22 and there are claims against the company by the same Sundry Creditor which have not been admitted by the Company.

g) Interest income has been netted off against interest paid / payable (Note No. 11 in Schedule 22).

h) Our audit is not intended, designed or performed to identify or detect problems relating to Y2K compliance.

Subject to the above, we report that the Balance Sheet and Profit & Loss Account together with the Notes thereon attached give a true and fair view :

a) In the case of the Balance Sheet of the state of affairs of the Company as at 30th September, 1999.

b) In the case of the Profit & Loss Account of the loss for the 18 months period ended on that date.

8, Netaji Subhas Road
Calcutta - 700 001

For L. B. JHA & CO.,
Chartered Accountants
T. NIYOGI
Partner

The 1st November, 1999.

ANNEXURE "A" TO THE AUDITORS' REPORT

(Referred to in Paragraph "A" of our report of even date)

1. The Fixed Assets Register of the Company has not been updated during the year. The Fixed Assets of the Company have been physically verified by the management during the year. However, complete reconciliation of the fixed assets physically verified with records was not possible as the fixed assets Register was under the process of being updated.
2. The Fixed Assets of the Company have not been revalued during the year.
3. The stock of finished goods, stores, spares and raw materials at all locations have been physically verified by the management during the year.
4. The procedures followed by the management in conducting physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of business.
5. The discrepancies between the physical stocks and book stocks, were not material and have been properly dealt with in the books of account.
6. On the basis of our examinations, it appears that the valuation of stock of finished goods, and raw materials is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding period.
7. The Company has not taken any loan, secured or unsecured from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loan, secured or unsecured, to any party listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amount and interest (where applicable), as stipulated.
10. In our opinion and according to the information and explanations given to us the internal control procedures of the Company, relating to purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for sale of goods are reasonably commensurate with the size of the Company and nature of its business.
11. The Company has not entered into any transaction for purchase of goods and materials and sale of goods, materials and services from parties listed in the register maintained under Section 301 of the Companies Act, 1956.
12. Unserviceable or damaged stores, raw materials, finished goods are determined by the Company and the provision for the loss, wherever necessary has been made in the accounts.
13. Paragraph 4(A) (XIII) of the order relating to deposits accepted from the public does not apply.
14. The Company does not have any realisable by-products.
15. The Company has an internal audit system. However, the same needs to be strengthened in view of the size of the company and the nature of its business.
16. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 with regard to the products manufactured by it during the period.
17. According to the records of the Company, there have been delays in the deposit of Provident Fund dues with the appropriate authority, however, there were no arrears as at period ended 30.9.99. In case of Employees State Insurance dues, there have been delays in deposits and dues aggregating to Rs.9,455/- as at 30.9.99 have been subsequently deposited with the appropriate authority.
18. There was no undisputed amount payable in respect of Wealth Tax, Customs Duty and Excise Duty as on 30.9.99 outstanding for a period of more than six months from the date they become payable. In case of Income Tax and Sales Tax undisputed amounts of Rs.59.07 Lakhs and Rs.12.33 Lakhs respectively were outstanding for a period of more than six months.
19. In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account.
20. The Company has attracted the provision of Sec.3(1)(O) of The Sick Industrial Companies (Special Provisions) Act, 1985 and has also made a reference to the Board for Industrial and Financial Reconstruction (BIFR), which has declared the Company as a sick industrial unit within the meaning of the said Act.
21. The Company has determined the value of damaged goods in case of goods traded in and the provision for the loss, wherever necessary has been made.

8, Netaji Subhas Road
Calcutta - 700 001

For L. B. JHA & CO.,
Chartered Accountants
T. NIYOGI
Partner

The 1st November, 1999

BALANCE SHEET
as at 30th September, 1999

	Schedule Reference	As at 30th September, 1999 Rs.	As at 31st March 1998 Rs.
SOURCE OF FUNDS			
SHAREHOLDERS' FUND			
(a) Share Capital	1	51,784,500	51,784,500
(b) Reserves & Surplus	2	57,557,662	57,698,650
		109,342,162	109,483,150
LOAN FUNDS			
(a) Secured Loans	3	318,219,359	250,557,023
(b) Unsecured Loans	4	5,447,638	4,401,860
		323,666,997	2,549,58,883
		433,009,159	364,442,033
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	166,901,762	172,661,269
Less : Depreciation		58,100,792	51,114,955
Net Block		108,800,970	121,546,314
INVESTMENTS	6	227,500	227,500
CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventories	7	5,328,700	2,681,530
(b) Sundry Debtors	8	88,344,574	98,925,510
(c) Cash & Bank Balances	9	4,023,698	1,960,185
(d) Other Current Assets	10	8,582,957	8,449,617
(e) Loans & Advances	11	9,357,953	9,634,798
		115,637,882	121,651,640
<i>Less :</i>			
Current Liabilities & Provisions			
(a) Current Liabilities	12	85,266,926	88,977,024
(b) Provisions	13	7,630,303	7,630,303
		92,897,229	96,607,327
NET CURRENT ASSETS		22,740,653	25,044,313
MISCELLANEOUS EXPENDITURE	14	201,709	801,751
PROFIT & LOSS ACCOUNT		301,038,327	216,822,155
		433,009,159	364,442,033
NOTES ON ACCOUNTS & ACCOUNTING POLICIES			
	22		

Schedules 1 to 14 and 22 referred to above form an integral part of the Balance Sheet

In terms of our Attached Report of even date

For L. B. JHA & CO.,
Chartered Accountants
T. NIYOGI
Partner

8, Netaji Subhas Road, Calcutta - 700 001
The 1st November, 1999

For and on behalf of the Board
B. D. BHAIYA *Chairman and*
R. K. MAHESHWARI *Managing Director*
Director

PROFIT & LOSS ACCOUNT
for the period ended 30th September, 1999

	Schedule Reference	18 months period ended 30th September, 1999 Rs.	12th months period ended 31st March 1998 Rs.
INCOME			
Sales & Other Receipts	15	30,686,294	40,026,547
Increase/(Decrease) in Stock of Finished Goods	16	—	—
		<u>30,686,294</u>	<u>40,026,547</u>
EXPENDITURE			
Cost of Goods Sold /			
Raw Materials Consumed	17	10,818,136	17,350,404
Direct Expenses	18	22,84,103	2,688,135
Financial Expenses	19	85,498,513	47,172,645
Selling Expenses	20	302,946	274,805
Other Expenses	21	9,142,581	7,098,935
		<u>108,046,279</u>	<u>74,584,924</u>
Surplus/(Deficit) before Depreciation, Taxation, Bad Debts and Other Provision.		(77,359,985)	(34,558,377)
Add : Doubtful Debts and Advances Written off		—	(1,613,769)
		<u>(77,359,985)</u>	<u>36,172,146</u>
Add : Provision for Diminution Investment		—	(84,000)
Depreciation	(8,360,859)		(8,240,286)
Less : Transfer from Capital Reserve	140,988	(8,219,871)	93,992
		<u>(85,579,856)</u>	<u>(44,402,440)</u>
Less : Depreciation written back		1,363,684	000
Profit/(Loss) before Tax		<u>(84,216,172)</u>	<u>(44,402,440)</u>
Profit/(Loss) after Tax		(84,216,172)	(44,402,440)
Add : Balance brought forward from earlier years		<u>(216,822,155)</u>	<u>(172,419,715)</u>
		<u>(301,038,327)</u>	<u>(216,822,155)</u>

NOTES ON ACCOUNTS &**ACCOUNTING POLICIES**

22

Schedules 15 to 21 and 22 referred to above form an integral part of the Balance Sheet

In terms of our Attached Report of even date

For L. B. JHA & CO.,

Chartered Accountants

T. NIYOGI

Partner

For and on behalf of the Board

B. D. BHAIYA Chairman and

Managing Director

R. K. MAHESHWARI

Director

8, Netaji Subhas Road, Calcutta - 700 001

The 1st November, 1999

**Schedules to the Balance Sheet
as at 30th September, 1999**

	As at 30.9.99 Rs.	As at 31.3.98 Rs.
1. SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs.10/- each (Previous year 10,000,000 Equity Shares of Rs.10/- each)	100,000,000	100,000,000
Issued :		
5,181,500 Equity Shares of Rs.10/- each (Previous year 5,181,500 Equity Shares of Rs. 10/- each)	51,815,000	51,815,000
Subscribed :		
5,181,500 Equity Shares of Rs. 10/- each (Previous year 5,181,500 Equity Shares of Rs. 10/- each)	51,815,000	51,815,000
Paid-up :		
Fully paid-up 5,175,400 Equity Shares of Rs.10/- each (Previous year 5,175,400 Equity Shares of Rs.10/- each)	51,754,000	51,754,000
Partly paid-up 6,100 Equity Shares @ Rs.5/- each (Previous year 6,100 Equity Shares @ Rs.5/- each)	30,500	30,500
(Of the above shares 1,250,000 (Previous year 1,250,000) are allotted as fully paid-up Bonus shares by way of capitalisation General Reserve)	51,784,500	51,784,500

2. RESERVES & SURPLUS

	As at 31.3.98 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 30.9.99 Rs.
CAPITAL RESERVE	3,553,951	—	140,988	3,412,963
Investment Allowance Reserve	5,195,000	—	—	5,195,000
General Reserve	27,959,889	—	—	27,959,889
Investment Subsidy	33,810	—	—	33,810
Debenture Redemption Reserve	1,867,000	—	—	1,867,000
Share Premium	19,089,000	—	—	19,089,000
	57,698,650	—	140,988	57,557,662

**Schedules to the Balance Sheet
as at 30th September, 1999 (Contd.)**

	As at 30.9.99 Rs.	As at 31.3.98 Rs.
3. SECURED LOANS		
A. Term Loans		
From State Bank of India	2,131,489	2,131,489
Interest Accrued & due on the above	3,493,514	2,431,039
From The Tamilnadu Industrial Investment Corporation Limited	84,000	84,000
Interest accrued & due on the above	356,030	273,283
(The above loans are secured by first charge on all Fixed Assets of Sonil Division both present and future ranking pari passu with Industrial Reconstruction Bank of India and personal guarantee of two Directors)		
From Industrial Reconstruction Bank of India	21,049,000	21,049,000
Interest accrued & due on the above	53,869,697	35,843,153
From Industrial Development Bank of India	16,110,000	16,110,000
Interest accrued & due on the above	42,861,141	28,115,639
From Industrial Finance Corporation of India	6,810,000	6,810,000
Interest accrued & due on the above	16,529,823	10,709,957
From Industrial Credit & Investment Corporation of India	4,400,000	4,400,000
Interest accrued & due on the above	12,553,608	7,928,381
From Industrial Credit & Investment Corporation of India (STL)	17,621,741	17,621,741
Interest accrued & due on the above	53,747,183	33,277,614
(The above loans are secured by first charge on all fixed assets of the company both present & future except in case of assets of Sonil Division where charge ranks pari passu with similar charge created in favour of the Financial Institutions and State bank of India as mentioned above and Second charge on all Current Assets of the Company and personal guarantee of two Directors.)		
B. Cash Credit and Bill Discounting Account with :		
Canara Bank	24,218,671	24,218,671
State Bank of Bikaner & Jaipur	26,675,869	26,675,869
(The above loans are secured by Hypothecation of all inventories, Books Debts, and Inland Bills of the Company and also by Second charge on all fixed assets of the Company and personal guarantee of two Directors.)		
C. 14% Non-Convertible Debenture	7,000,000	7,000,000
Interest accrued & due on the above	8,707,593	5,877,187
(Secured by first charge on all fixed assets of the Company both present & future ranking pari passu with the similar charge already created in favour of other financial institutions and second charge on all current assets of the Company. However, approval from financial institution is awaited for creation of such charge.)		
	<u>318,219,359</u>	<u>250,557,023</u>
4. UNSECURED LOANS		
Fixed Deposits	—	14,000
Interest accrued & due	—	11,760
Short Term Loans :		
Unit Trust of India	1,000,000	1,000,000
Interest Accrued & due (UTI)	3,334,202	2,241,617
Other Loans	1,086,436	1,107,483
Interest free Sales Tax Loan from the Tamilnadu Small Industries Development Corporation	27,000	27,000
	<u>5,447,638</u>	<u>4,401,860</u>

Schedules to the Balance Sheet

5. FIXED ASSETS

PARTICULARS OF ASSETS	COST			
	As at 1-4-98 Rs.	Additions Rs.	Disposal/ Adjustment Rs.	As at 30.9.99 Rs.
A. SHOE SOLE DIVISION				
Building	4,687,136	—	—	4,687,136
Plant & Machinery	93,894,351	—	5,741,827	88,152,524
Electrical Equipments	754,436	—	—	754,436
Furniture & Fixtures	286,123	—	—	286,123
Vehicles	205,703	—	—	205,703
Moulds	1,094,267	—	—	1,094,267
	<u>100,922,016</u>	<u>—</u>	<u>5,741,827</u>	<u>95,180,189</u>
B. OTHER DIVISIONS				
Land	2,694,460	—	—	2,694,460
Land & Buildings	1,183,713	—	—	1,183,713
Buildings	6,564,853	—	—	6,564,853
Plant & Machinery	45,280,831	—	—	45,280,831
Electrical Fittings	5,101,019	—	—	5,101,019
Laboratory Equipments	272,696	—	—	272,696
Office Equipments	1,387,984	—	—	1,387,984
Other Equipments	2,458,216	—	—	2,458,216
Furniture & Fittings	3,788,061	—	—	3,788,061
Vehicles	3,007,420	—	17,680	2,989,740
Total :-	<u>71,739,253</u>	<u>—</u>	<u>17,680</u>	<u>71,721,573</u>
Grand Total (A + B)	<u>172,661,269</u>	<u>—</u>	<u>5,759,507</u>	<u>166,901,762</u>
Previous year	<u>171,899,230</u>	<u>762,039</u>	<u>—</u>	<u>172,661,269</u>

as at 30th September, 1999

D E P R E C I A T I O N				WRITTEN DOWN VALUE	
As at 1-4-98 Rs.	18th Months Period ended Rs.	Disposal/ Adjustments Rs.	As at 30-9-99 Rs.	As at 30-9-99 Rs.	As at 31-3-98 Rs.
781,879	234,825	—	1,016,704	3,670,432	3,905,257
18,379,471	6,889,973	1,363,684	23,705,760	64,446,764	75,514,880
179,393	53,754	—	233,147	521,289	575,043
82,860	27,167	—	110,027	176,096	203,263
112,252	29,313	—	141,565	64,138	93,451
246,781	266,071	—	512,852	581,415	847,486
<u>19,782,636</u>	<u>7,301,103</u>	<u>1,363,684</u>	<u>25,720,055</u>	<u>69,460,134</u>	<u>81,139,380</u>
—	—	—	—	2,694,460	2,694,460
194,998	—	—	194,998	988,715	988,715
1,524,351	—	—	1,524,351	5,040,502	5,040,502
22,237,908	—	—	22,237,908	23,042,923	23,042,923
1,845,964	—	—	1,845,964	3,255,055	3,255,055
127,655	—	—	127,655	145,041	145,041
421,264	98,894	—	520,158	867,826	966,720
1,236,061	175,148	—	1,411,209	1,047,007	1,222,155
1,638,886	359,676	—	1,998,562	1,789,499	2,149,175
2,105,232	426,038	11,338	2,519,932	469,808	902,188
<u>31,332,319</u>	<u>1,059,756</u>	<u>11,338</u>	<u>32,380,737</u>	<u>39,340,836</u>	<u>40,406,934</u>
<u>51,114,955</u>	<u>8,360,859</u>	<u>1,375,022</u>	<u>58,100,792</u>	<u>108,800,970</u>	<u>121,546,314</u>
<u>42,874,669</u>	<u>8,240,286</u>	<u>—</u>	<u>51,114,955</u>	<u>121,546,314</u>	<u>—</u>

**Schedules to the Balance Sheet
as at 30th September, 1999 (Contd.)**

	As at 30.9.99 Rs.	As at 31.3.98 Rs.
6. INVESTMENTS		
Other than Trade Investment		
a) Unquoted at Cost		
National Savings Certificate (Deposited with Sales Tax Authorities)	1,500	1,500
3,000 Equity Shares of Indmark Finance & Invest. Co. Ltd.	300,000	300,000
b) Quoted at Cost		
1,000 Equity Shares of Rs.10/- each in Appollo Hospital Enterprises Ltd., fully paid (Market Value Rs.27,000/- previous year Rs. 26,250/-)	10,000	10,000
	311,500	3,11,500
Less : Provision for Diminution in value of Investment	84,000	84,000
	<u>227,500</u>	<u>227,500</u>
7. INVENTORIES (As taken, valued and certified by the Management)		
Raw Materials (at cost)	1,742,725	1,411,610
Finished Goods (at lower of cost or market price)	1,216,720	1,216,720
Goods traded in (at lower of cost or market price)	2,369,255	53,200
	<u>5,328,700</u>	<u>26,81,530</u>
8. SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months Considered Good	82,218,623	91,796,694
Other Debts, Considered Good	6,125,951	7,128,816
	<u>88,344,574</u>	<u>98,925,510</u>
9. CASH & BANK BALANCES		
Cash in hand	526,680	1,130,534
Balance with Scheduled Banks :		
In Current Accounts	530,225	362,858
Fixed Deposits	2,966,793	466,793
	<u>4,023,698</u>	<u>1,960,185</u>

**Schedules to the Balance Sheet
as at 30th September, 1999 (Contd.)**

	As at 30.9.99 Rs.	As at 31.3.98 Rs.
10. OTHER CURRENT ASSETS		
Other Deposits	8,582,957	8,449,617
	<u>8,582,957</u>	<u>8,449,617</u>
11. LOANS & ADVANCES (Unsecured, Considered Good)		
Advances Recoverable in cash or in kind or for value to be received	7,514,217	7,004,488
Advance payment for Income Tax including Tax Deducted at Source	1,843,736	2,630,310
	<u>9,357,953</u>	<u>9,634,798</u>
12. CURRENT LIABILITIES		
Sundry Creditors	79,979,578	82,611,821
Advance from Customers	184,346	2,404,003
Deposit from Dealers/Agents	1,006,383	1,056,383
Interest Accrued but not due	4,069,778	2,788,340
From Scheduled Banks (Book Balance)	26,841	116,477
	<u>85,266,926</u>	<u>88,977,024</u>
13. PROVISIONS		
For Taxation	7,630,303	7,630,303
	<u>7,630,303</u>	<u>7,630,303</u>
14. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Public Issue Expenses including Commission and Brokerage on underwriting and subscription of Shares	801,751	1,201,773
Deferred Revenue Expenditure	—	353,093
	<u>801,751</u>	<u>1,554,866</u>
Less : Written off during the period	600,042	753,115
	<u>201,709</u>	<u>801,751</u>

**Schedules to the Profit & Loss Account
for the period ended 30th September, 1999**

	18 months ended 30.9.99 Rs.	12 months ended 31.3.98 Rs.
15. SALES AND OTHER RECEIPTS		
Sales	16,163,401	29,487,652
Commission & Rebate	1,511,666	2,810,426
Income from Dividend	13,908	2,500
Miscellaneous Receipts	12,997,319	7,725,969
	<u>30,686,294</u>	<u>40,026,547</u>
16. INCREASE/(DECREASE) IN STOCK OF FINISHED GOODS		
Closing Stock	1,216,720	1,216,720
Less : Opening Stock	<u>1,216,720</u>	<u>1,216,720</u>
	<u>—</u>	<u>—</u>
17. a) COST OF GOODS SOLD		
Opening Stock of Goods Traded in	53,200	4,820,715
Add : Purchases	11,176,107	4,916,894
	<u>11,229,307</u>	<u>9,737,609</u>
Less : Closing Stock of Goods Traded in	<u>23,69,255</u>	<u>53,200</u>
	<u>8,860,052</u>	<u>9,684,409</u>
b) RAW MATERIALS CONSUMED		
Opening Stock of Raw Materials	1,411,610	3,102,205
Add : Purchases	2,289,199	5,975,400
	<u>3,700,809</u>	<u>9,077,605</u>
Less : Closing Stock of Raw Materials	<u>1,742,725</u>	<u>1,411,610</u>
Raw Material Consumed	<u>1,958,084</u>	<u>7,665,995</u>
Total Cost of Goods Sold (a + b)	<u>10,818,136</u>	<u>17,350,404</u>
18. DIRECT EXPENSES		
Freight & Carriage Inward	228,573	83,672
Excise Duty	666,039	1,648,852
Packing Expenses	119,589	224,506
Power & Fuel	1,153,492	494,164
Other Manufacturing Expenses	—	138,372
Stores Consumed	<u>118,410</u>	<u>98,769</u>
	<u>2,284,103</u>	<u>2,668,135</u>
19. FINANCIAL EXPENSES		
Interest on Fixed Loans	68,757,421	35,190,298
Interest Others	16,741,092	11,982,347
	<u>85,498,513</u>	<u>47,172,645</u>
20. SELLING EXPENSES		
Freight & Forwarding	119,344	166,369
Advertisement	66,143	29,727
Commission & Discount	69,697	63,875
Sales Promotion Expenses	<u>47,762</u>	<u>14,834</u>
	<u>302,946</u>	<u>274,805</u>

**Schedules to the Profit & Loss Account
for the period ended 30th September, 1999 (Contd.)**

	18 Months ended 30.9.99 Rs.	12 Months ended 31.3.98 Rs.
21. ADMINISTRATIVE EXPENSES		
Salary, Wages, Bonus & Contribution to Provident Fund & Other Funds	2,628,139	2,112,153
Employees Gratuity Insurance & Superannuation Insurance	139,190	417,418
Workmen & Staff Welfare Expenses	238,918	220,476
Conveyance Expenses	219,925	256,561
Vehicle Upkeep Expenses	26,771	79,013
Travelling Expenses	337,521	436,106
Rent & Lease Rent	1,031,655	307,605
Electricity Charges	119,690	75,068
Telephone & Telex	107,025	89,296
Security Services	335,974	255,792
Research & Development	32,042	15,255
Insurance Charges	83,188	48,878
Repairs & Maintenance :		
1) Buildings	10,873	6,880
2) Plant & Machinery	293,399	113,441
3) Others	355,611	596,270
Printing & Stationery	120,705	99,362
Postage & Telegram	39,457	64,675
Books & Periodicals	6,126	—
Consultancy Fees	632,998	238,772
Donation & Subscription	17,874	28,646
Legal Expenses	919,913	198,664
Rates & Taxes	74,239	32,837
Bank Charges	137,894	57,656
Brokerage & Commission	88,075	5,262
General Expenses	497,949	412,484
Directors' Fees	—	2,250
Auditors' Remuneration	27,275	75,000
Sales Tax	20,113	100,000
Public Issue Expenses Written Off	600,042	753,115
	9,142,581	7,098,935

22. Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999.

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Accounts of the Company are prepared under the historical cost convention, except where otherwise stated. Income and expenses are recognised on accrual basis.

FIXED ASSETS

Fixed Assets are stated at cost or revalued figure less accumulated depreciation. Capitalisation of Fixed Assets is done at cost inclusive of expenses directly and indirectly attributable to bring the assets to working condition such as financing cost of borrowed funds utilised for acquisition of fixed assets for the period upto the completion of construction and proportionate administrative and other general overheads incurred during construction period.

DEPRECIATION

Depreciation is provided on straightline method at the rates specified in Schedule-XIV of the Companies Act, 1956. An amount equivalent to depreciation on revaluation portion of fixed assets is transferred from Capital Reserve to Profit and Loss account.

DEFERRED REVENUE EXPENDITURE

The Company follows the process of writing off all Public Issue expenses including brokerage and underwriting cost over a period of ten years. Other deferred revenue expenses are being amortised over a period of five years.

INVENTORY

Inventory of stores & spares, raw materials and packing materials are valued at cost. Goods traded in are valued at lower of realisable value or cost which is calculated at invoice value plus estimated amount for freight inward. Manufactured finished goods are valued at lower of realisable value or cost which is calculated by reducing estimated rate of contribution from sales price.

INVESTMENTS

All investments are long term and are carried at cost. However when there is a decline, which is considered other than temporary in the value of longterm investment, the carrying amount is reduced to recognise the decline. The reduction in carrying amount is reversed when there is a rise in the value of the investment and such rise is considered not to be temporary in nature.

RETIREMENT BENEFITS

Gratuity and Leave wage is accounted for on accrual basis.

EXCISE DUTY

The Company accounts for excise duty on manufactured goods at the time of their clearance and not on goods carried in stock. This procedure has however no effect on the operating results for the year.

INCOME FROM INTEREST

This is netted off against interest paid on borrowings.

SALES

Sales are net of Sales Tax but includes Excise Duty.

Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

	Period ended 30.9.99 18 months Rs.	Year ended 31.3.98 12 months Rs.
1. Contingent Liabilities not provided for :		
a) Claims against the Company not acknowledged as debts	140.09 Lakhs	140.09 Lakhs
b) Estimated amount of contracts to be executed on Capital Account	Nil	Nil
c) In respect of Income Tax matter disputed in appeals	49.05 Lakhs	49.05 Lakhs
d) In respect of Sales Tax claims disputed in appeals	87.47 Lakhs	85.10 Lakhs
2. The Total amount of Managing & Whole-time Director's Remuneration under Section 309 of the Companies Act, 1956 debited to the Profit & Loss Account is as under :		
	Rs.	Rs.
Salary	1,035,000	600,000
Value of Perquisites	99,740	79,390
	1,134,740	679,390
3. Additional information pursuant paragraph 3 & 4 of Part - II of Schedule VI Companies Act, 1956		
(I) QUANTITATIVE INFORMATION		
(i) TRADING		
(a) Opening Stock of Goods traded in		
Dyes & Chemicals	1.40 53,200	— —
Other Miscellaneous Items	— —	— 4,820,715
	1.40 53,200	— 4,820,715
(b) Purchases of Goods Traded in		
Dyes & Chemicals	175.00 6,427,875	87.50 4,009,394
Other Miscellaneous Items	227.17 4,748,232	— 907,500
	402.17 11,176,107	87.50 4,916,894

Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

	Period ended 18 months 30.9.99 Rs.		Year ended 12 months 31.3.98 Rs.	
	Qty. M.T.	Value Rs.	Qty. M.T.	Value Rs.
c) Sales of Goods Traded In				
Dyes & Chemicals	165.97	6,376,921	86.10	5,483,422
Other Miscellaneous Items	105.94	749,963	—	10,523,666
	<u>271.91</u>	<u>7,126,884</u>	<u>86.10</u>	<u>16,007,088</u>
d) Closing Stock of Goods Trade In				
Dyes & Chemicals	10.43	359,612	1.40	53,200
Other Miscellaneous Items	121.23	2,009,643	—	—
	<u>131.66</u>	<u>2,369,255</u>	<u>1.40</u>	<u>53,200</u>
	Period ended 18 months 30.9.99 Rs.		Year ended 12 months 31.3.98 Rs.	
	Licenced Capacity	Installed Capacity	Licenced Capacity	Installed Capacity
(II) MANUFACTURING :				
a) Licenced/Installed Capacity				
Dyes & Chemicals	NA	NA	NA	NA
Nitric Acid	7000 MT	6000 MT	7000 MT	6000 MT
Sodium Nitrite/Nitrate	10000 MT	6000 MT	10000 MT	6000 MT
Polyurethane Soles	NA	13.82 Lakh Pairs	NA	13.82 Lakh Pairs
Injection Moulded Components	NA	70 MT	NA	70 MT
TPR/PVC	NA	10 Lakh Pairs	NA	10 Lakh Pairs

Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

	Period ended 18 months 30.9.99 Rs.		Year ended 12 months 31.3.98 Rs.	
	Qty. Pairs	Value Rs.	Qty. Pairs	Value Rs.
b) Actual Production				
PVC/TPR Soles	93,488	—	229,501	—
c) Opening Stock of Finished Goods				
Polyurethane Soles	30,418	1,216,720	30,418	1,216,720
d) Closing Stock of Finished Goods				
Polyurethane Soles	30,418	1,216,720	30,418	1,216,720
e) Sale of Finished Goods				
PVC / TPR	93,488	9,036,517	229,501	13,480,564
f) Consumption of Raw Materials				
PVC / TPR	47.54 MT	1,958,084	110.66 MT	7,665,995
	Rs.	%	Rs.	%
(II) Value of Raw Materials Consumed				
Imported	Nil	Nil	Nil	Nil
Indigenous	1,958,084	100%	7,665,995	100%
	<u>1,958,084</u>	<u>100%</u>	<u>7,665,995</u>	<u>100%</u>
(III) Value of Stores & Spares Consumed				
Imported	Nil	—	Nil	—
Indigenous	116,410	100%	98,769	100%
	<u>116,410</u>	<u>100%</u>	<u>98,769</u>	<u>100%</u>
(IV) Value of Imports on C.I.F. basis	—		—	
(V) Expenditure in Foreign Currency	—		64,208	
	<u>—</u>		<u>64,208</u>	

Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

4. Details of Auditor's Remuneration

a) Statutory Audit Fees	18,900	60,000
b) In other Capacity in respect of		
Tax Audit	2,625	10,000
Other Matters	5,750	5,000
	<u>27,275</u>	<u>75,000</u>

5. a) Amount due by the Director or other officer of the Company or any of them either severally or jointly with any other person

Nil Nil

The maximum amount due by the Directors or other officers of the Company at any time during the year

Nil 1,000

- b) Amount due by Firms or Private Companies respectively in which any Director is a Partner or a Director

Nil Nil

- c) Amount due from other Companies under the same management

Nil Nil

6. Registration of Conveyance Deeds in respect of immovable properties taken over from Southern Nitro Chemicals Ltd. could not be completed as permission from concerned authorities is yet to be received.

7. a) Depreciation has been charged on unsegregated cost of Land & Building of other Divisions.

- b) Depreciation on the revalued portion of the Fixed Assets amounting to Rs. 1,40,988/- (previous year Rs. 93,992/-) has been transferred from Capital Reserve to Profit & Loss Account.

- c) On account of suspension in production, depreciation on Walajapet Plant and Sonil Division for the eighteen months period ended 30.9.99 amounting to Rs.39,97,341/- has not been provided for in the accounts. Similarly depreciation amounting to Rs.34,50,000/- and Rs.4,00,556/- have not been provided for during the accounting period of 18 months ended 30th September, 1994 and 15 months accounting period ended 31.12.95.

8. The Company closed down "Sonil Division" at Ambattur with effect from 6th April, 1996, because of low productivity and non-availability of additional working capital required to carry on the production at the viable level and gave notice under the Industrial Disputes Act, 1947 to the Labour Department, Chennai, to this effect.

Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

9. Sundry Creditors include an amount of Rs. 1,50,55,458/- due to a company which had during the year ended 31st March, 1991 terminated the distributorship agreement which this company had with them for a long time. This credit balance had been arrived at after adjustments of various claims and are not admitted by the Sundry Creditor. Various litigations are pending at the Hon'ble High Court of Calcutta in respect of this termination of distributorship which has been challenged by the Company in the above litigation. The total claim against this company by the Sundry Creditors after adjustment of Security Deposit is Rs. 290 lacs which has not been admitted by the Company. The Company also has certain counter claims exceeding Rs. 300 lacs against the sundry Creditor.

The Sundry Creditor had also filed a separate Suit with the Calcutta High Court seeking admission of petition for winding up of the Company and the Trial Court of the Calcutta High Court passed an order permitting admission of the said petition. The Company made an appeal against the said order of the Trial Court and Division Bench of the Calcutta High Court passed an order relegating this suit to the Trial Court for disposal alongwith other pending suits filed both by the Company and the Sundry Creditor, provided Company furnishes the Registrar of Calcutta High Court with a guarantee of Rs. 50,50,000/-. The Company has since furnished the said guarantee.

10. The company filed a reference on 2nd August, 1996 with the Board for Industrial and Financial Reconstruction (BIFR) in terms of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company has been subsequently declared a 'Sick Industrial Company' within the meaning of Section 3(1)(0) of the Sick Industrial Companies Special Provisions Act, 1985 and the Industrial Development Bank of India (IDBI) has been appointed as Operating Agency. Subsequent recommendation by BIFR for winding up of the Company has been stayed by AAIFR on 19.10.99.
11. According to the accounting policy of the Company, interest income of Rs. 13,34,379/- is netted off with the interest charged to the Profit and Loss Account.
12. The provision for Income-Tax amounting to Rs. 56,00,000/- has been netted off with the amount of Advance Income Tax paid upto the accounting year ended 31st March, 1992.
13. The Company has no information as to whether any of its suppliers constitute small scale industrial undertaking and therefore the amount due to such suppliers could not be identified.
14. All the Computer systems of the Company are Y2K compliant.
15. The figures for the current period are for 18 months hence not comparable with the previous year's figures, which are for 12 months.
16. Figures of the previous period have been regrouped / rearranged wherever necessary.
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Notes on Accounts and Accounting Policies annexed to and forming part of the Balance Sheet as at 30th September, 1999 and Profit & Loss Account for the period ended 30th September, 1999. (Contd.)

17. Balance Sheet Abstract and Company's General Business Profile :-

I. Registration Details :

Registration No.	28902
State Code	21
Balance Sheet Date	30th September, 1999

II. Capital raised during the year :

(Rs. '000)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of mobilisation and deployment of funds :

Total Liabilities	525906
Total Assets	525906

SOURCES OF FUNDS :

Paid up Capital	51785
Reserves & Surplus	57558
Secured Loans	318219
Unsecured Loans	5447

APPLICATION OF FUNDS :

Net Fixed Assets	108801
Investments	228
Net Current Assets	22741
Miscellaneous Expenditure	202
Accumulated Losses	301038

IV. Performance of Company :

Turnover	30686
Total Expenditure	114903
Profit & Loss before tax	(84217)
Profit / (Loss) after tax	(84217)
Earning per Share (Rs.)	Nil
Dividend Rate	Nil

V. Generic Names of principal products, services of the Company :

a) Item Code No.	380999
Product Description	Dyes & Chemicals for Leather
b) Item Code No.	283410.01
Product Description	Sodium Nitrite
c) Item Code No.	640620
Product Description	Footwear Parts - Soles

For and on behalf of the Board

B. D. BHAIYA *Chairman and
Managing Director*

8, Netaji Subhas Road, Calcutta - 700 001
The 1st November, 1999

R. K. MAHESHWARI *Director*

CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS PERIOD ENDED 30TH SEPTEMBER, 1999

	For the period ended 30.9.99 (18 months) (Rs./Lakhs)	1997-98 (12 months) (Rs./Lakhs)
A. Cash Flow from Operating Activities		
Net Profit/(Net Loss) before tax and extraordinary items	(855.79)	(444.02)
Adjustment for		
Depreciation	82.20	81.46
Profit on Sale of Investments/Dividend Income	(0.14)	—
Interest Income	(13.34)	(2.72)
Interest Expenses	854.98	474.45
Doubtful Debts & Advances written off	—	16.14
Operating Profit before Working Capital Changes	67.91	125.31
Adjustment for		
Trade & Other Receivables	(107.24)	(118.36)
Inventories	26.47	64.67
Trade Payables	37.11	(53.14)
Cash generated from operations	24.25	18.48
Interest Paid	(10.96)	(3.51)
Cash flow before extraordinary items	13.29	14.97
Extra Ordinary Items (Public Issue Expenses Written Off)	(6.00)	(7.53)
Net Cash from Operating Activities	7.29	(7.44)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	—	(7.62)
Sale of Fixed Assets	0.09	—
Purchase of Investments	—	1.00
Interest Income	13.34	2.72
Dividend Income	0.14	—
Net Cash used in Investing Activities	13.57	(3.90)
C. Cash Flow from Financing Activities		
Proceeds from Long term Borrowings	—	—
Repayment of Long Term Borrowings	(0.21)	(0.25)
Increase in Short Term Loans	—	(0.33)
Dividends Paid	—	—
Net Cash used in Financing Activities	(0.21)	(0.58)
Net increase in Cash and Cash Equivalents (A + B + C)	20.65	2.96
Opening Balance of Cash and Cash Equivalents	19.60	16.64
Closing Balance of Cash and Cash Equivalents	40.24	19.60

For and on the behalf of the Board

B. D. BHAIYA, *Chairman and
Managing Director*

The 1st November, 1999

AUDITORS' REPORT

We have verified the attached Cash Flow Statement of Chemcrown (India) Limited, derived from audited Profit & Loss Account and Balance Sheet and the books and records maintained by the Company for the eighteen months period ended 30th September, 1999 and found the same in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report dated 1st November, 1999.

For L. B. Jha & Co.,
*Chartered Accountants*Calcutta
Dated : 1st November, 1999T. NIYOGI
Partner



CHEMCROWN (INDIA) LTD.

95, PARK STREET
CALCUTTA - 700 016