



Certified True Copy
For Rahul Merchandising/Ltd.

[Signature]
Company Secretary

7th Annual Report
1999-2000

Board of Directors

Suresh Mansharamani : Managing Director
Anoop Gajwani : Executive Director
Pradeep Kumar : Director

Company Secretary

K.K. Singh

Bankers

Canara Bank

Auditors

Jagdish Ajmani & Co.

Registered Office

B-88/1, Mayapuri Industrial Area, Phase-I,
New Delhi - 110 064

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NOTICE

NOTICE is hereby given that the 7th Annual General Meeting of the Company is scheduled to be held on Monday the 25th day of September, 2000 at 2, Raj Niwas Marg, Shah Auditorium (Shree Delhi Gujrati Samaj), Civil Lines, Delhi - 110054 at 3.30 P.M. to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company as at 31st March, 2000 and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Suresh Mansharamani who retires by rotation and is being eligible, offers himself for re-appointment.
3. To appoint Auditors M/s Ajmani Om Taneja & Co., Chartered Accountants, New Delhi at the place of M/s Jagdish Ajmani & Co., Chartered Accountants, New Delhi to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

Special Business

4. To consider, and if thought fit, to pass with or without modification the following resolution as special resolution : -

"Resolved that pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 the following clauses be and are hereby added to the existing Clause III (A) of the Memorandum of Association of the Company. :

1. To deal, manufacture, export, import, buy, sell, develop, take on hire, keep, maintain, and to deal in all kinds of computer hardware, Telecom instrument, Communication system/satlite, computer software, computers, processors and micro-processors and all other peripherals and devices attached therewith and carry on business, in all there respective branches of running computer bureaus and hiring out computer time and services specially data storage and data-processing on both turnkey and time basis for commercial, engineering and all other applications, system analysis and design, programming, service lending and provision of all type of output facilities.
 2. To act as importer, exporter, buyer, seller, distributor, agent for software and hardware in relation to audio, video, information technology, I.T. enabled services and other medias, including satellites, cable and other channels, internet, e-commerce, web sites, web hosting, design, web, pages and to render consultancy, solutions and to act as implementor in the field of Internet, networking, connectivity, information technology, e-mails, e-commerce and other related fields of internet technology in India and abroad in collaboration with any other body, co-institution or foreign partner.
5. To consider, and if thought fit, to pass with or without modification the following resolution as special resolution : -

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Clause 3 of the Articles of Association of the Company be and is hereby substituted by the following clause :

3. The Authorised Share capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in clause V of Memorandum of Association, payable in the manner as may be determined by the Directors, from time to time, with power to increase, reduce, sub-divide or to repay the same or to divide the same into several

classes and to attach thereto any right and to consolidate or sub-divide or re-organise the shares subject to the provisions of the Act, to vary such rights as may be determined in accordance with the regulations of the Company.

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

"RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered to the extent and in the manner as set out hereunder notwithstanding anything to the contrary contained in these Articles :

A. INSERT THE FOLLOWING DEFINITION UNDER ARTICLE 1 "INTERPRETATION" AFTER THE PARA STARTING WITH "IN WRITING.....VISIBLE FORM."

"Beneficial Owner" "Beneficial Owner" shall have the meaning assigned thereto in section 2(1)(a) of the Depositories Act, 1996.

"Depositories Act" Depositories Act" shall mean the Depositories Act, 1996 and includes any statutory modification or re-enactment thereof for the time being in force.

"Depository" "Depository" shall mean a Depository as defined in section 2(1)(e) of the Depositories Act, 1996.

"Member" "Member" shall mean a duly registered holder, from time to time, of the security of the Company and includes every person whose name is entered as beneficial owner in the records of the depository.

"Security" "Security" shall mean such security as may be specified by SEBI.

B. INSERT THE FOLLOWING NEW ARTICLE 46A AFTER ARTICLE 46 UNDER THE HEADING "DEMATERIALIZATION OF SECURITIES."

- 46A. (i) 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

- ii) a) 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 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 on securities.
- b) 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

- (iii) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187C and 372A 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

- iv) a) Notwithstanding anything to be contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose 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 the 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

- (v) 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 by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- (vi) Transfer of Securities held in a depository will be governed by the provisions of the Depositories Act, 1996.

Nothing contained in Section 108 of the Act or these Articles shall apply to 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 by a Depository

- (vii) Notwithstanding anything in the act or these Article, 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 numbers of Securities held in a Depository

- (viii) 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

- (ix) 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 Securities holders for the purposes of these Articles.

C. INSERT THE FOLLOWING HEADING AND ARTICLES AS ARTICLES 46B AFTER ARTICLE 46A.

NOMINATION

46B. Notwithstanding anything containing in these Articles or in any other law for the time being in force, a holder or joint holders of shares or debentures, may nominate, in accordance with the provisions of section 109A of the Companies Act, 1956, and in the manner prescribed thereunder, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of such holder(s). Any nomination so made shall be dealt by the Company in accordance with the provisions of section 109B of the Companies Act, 1956.

D. INSERT THE FOLLOWING HEADING AND ARTICLES AS ARTICLES 50A AFTER ARTICLE 50.

50A. Subject to the provisions of Sections 77A and 77B of the Act and Securities and Exchange Board of India (Buy-back of Securities), Regulation 1998 as may be in force at any time and from time to time, the company may acquire, purchase, own, resale any of its own shares and any other securities as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in-respect of such acquisition/purchase on such terms and conditions and at such time or times in one or more installments as the Board may in its discretion decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed or re-issued as may be permitted under the Act or the Regulations as may prevail at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules and regulations governing such issue.

By order of the Board

Place : New Delhi
Date : 11.08.2000

K. K. Singh
Company Secretary

Notes

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Proxy, in order to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time fixed for the Annual General Meeting.
3. The Register of Members and Share Transfer Books will remain closed from 22.09.2000 to 25.09.2000 (both days inclusive)
4. Members desiring any information in respect of Accounts of the company, are requested to write to the Company atleast seven days before the date of Annual General Meeting so as to enable the management to keep the information ready.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IS ANNEXED HEREWITH.

Item No. 4

Till the date your company has been in the business of Export of Ready made Garments. Now in the wake of revolution in IT sector India is emerging as dynamic force in this sector and it's getting momento day by day. Your company is also keen to diversify into the IT Sector as it had already announced in the last AGM of Chairman's speech. Your Board have been putting their serious and hard efforts to convert the idea into action. Keeping in view the above said into consideration and provisions of section 17 of the Companies Act, 1956 the amendment(addition) of main object clause becomes inevitable.

Since the amendment in the object clause attracts the provisions of Section 17 of the Companies Act, 1956, the same is being placed before the members of the Company for their consent and approval as required under the above said section. Therefore, your Board recommends the same to be approved by the members of the company at the ensuing Annual General Meeting.

None of the Directors of the Company is concerned or interested in the said resolution except their shareholding.

Item No. 5 & 6

Keeping in view the fast changing business environment and its requirement, change in provisions of Memorandum and Articles of Association (Regulations) of the Company becomes inevitable. Therefore to bring uniformity in provisions of Memorandum and Articles of Association of the Company in respect of the Capital Clause, the Board is hereby recommending the above said resolution no. 5 for your approval as required under section 31 of the Companies Act, 1956.

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956 relating to the issue, holding transfer, transmission of shares, debentures and other securities have been amended to facilitate the implementation of the new systems. The depository system is safe and convenient method to hold and trade in the securities of the Company. The system eliminates several problems, experienced in the scrip based system such as bad deliveries, fraudulent transfer and transmission, theft in postal transit, time taken in registration of transfer, maintenance of share certificate etc. The system also offers several cost advantages such as no postage expenses, exemption from stamp duty on transfers etc.

SEBI has, vide circular dated 29th May, 2000, notified that your Company's shares shall be traded compulsorily in demate form w.e.f. 26.3.2001.

The Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999, has provided to every holder of shares or debentures or other securities an option to nominate a person to whom his/her shares or debentures of the Company shall vest in the event of his/her death.

To get the shares of the Company dematerialised and for providing nomination facility in conformity with the Depositories Act, 1996 and the companies Act, 1956 respectively, certain enabling provisions are required to be incorporated in the Articles of Association of the Company, which required approval of the Members.

Further, the Article relating to buy back of securities by the Company is proposed to be added to bring it in line with the amended provisions of the Companies Act, 1956.

Your Directors commend the resolution for your approval.

None of the Directors may be deemed to be concerned or interested in the aforesaid resolution.

A copy of the Memorandum and Articles of Association of the Company available for inspection at Registered Office of the Company during office hours on all working days except Saturdays between 10:00 A. M. and 1:00 P.M. up to the date of Annual General Meeting.

By order of the Board

Place : New Delhi
Date : 11.08.2000

K. K. Singh
Company Secretary

DIRECTOR'S REPORTS

To The Members,

Your Directors are pleased to present the 7th Annual Report of your Company alongwith the audited accounts for the year ended on 31st March, 2000

FINANCIAL HIGHLIGHTS

The financial results of the Company for the year ended on 31st March, 2000 as compared to the previous year are summarised below : -

	(Rs. in lacs)	
	Current year ended on 31.03.2000	Previous Year ended on 31.03.1999
Gross Sales	1660.97	1892.47
Profit subject to		
Finance Cost, Depn. & Tax	47.83	63.86
Finance Cost	131.91	120.69
Depreciation	13.18	15.27
Adjustment relating to earlier years	-	(0.77)
Profit (Loss) after tax	(97.26)	(72.87)

OPERATION

The Sales and other Income during the year of report is Rs. 1660.97 lacs as against Rs. 1892.47 lacs for the previous year. The operations have resulted into profit of Rs. 47.83 lacs before interest and depreciation. After providing interest and depreciation, loss for the year is Rs. 97.26 Lacs as against Rs. 72.87 lacs for the previous year.

FUTURE PROSPECTS

Your Directors are pleased to state that your company has achieved encouraging results since the beginning of the millenium. During the 1st half of the current calender year, the company has achieved turnover of Rs. 1354.92 lacs as compared to Rs. 916.91 lacs in the corresponding previous year. Further-more, the company has export order in hand more than Rs. 15 crore to be executed before Dec. 2000.

DIVERSIFICATION

Export being thrust area of your company, the Board of Directors see a great potential in diversifying to development and export of software and IT enabled services. Suitable steps are being taken and amendmets in the main objects clause is being carried out. The same is being placed before you for your approval.

DIRECTORS

Sh. Suresh Mansharamani who retires by rotation and being eligible offers himself for re-appointment.

AUDITORS

The retiring auditors of the Company, M/s Jagdish Ajmani & Co., Chartered Accountants, have given a notice of their unwillingness to be reappointed. The Board of Directors hereby recommend the appointment of M/s Ajmani Om Taneja & Co., Chartered Accountants, New Delhi to hold office from

the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting for your approval at the ensuing Annual General Meeting.

PUBLIC DEPOSIT

During the year of report your company has not accepted any deposit as per the provisions of section 58A of the Companies Act, 1956. There is no any amount of deposit as unpaid or unclaimed as on date.

SUBSIDIARY COMPANY

The Statement as required under Section 212(1) of the Companies Act, 1956 in respect of Splash Sportswear Inc. USA which is wholly owned subsidiary of your company, are attached alongwith audited accounts of the said company as at 31st December, 1999. However your company has received the approval from Reserve Bank of India, Mumbai vide their letter No. ECE. CO. OID 5000/19.18.78/99-2000 date 9.5.2000 fo disinvestment of its entire shareholding of Splash Sportswear Inc. USA and received total consideration of Rs. 37,90,017.00 against such disinvestment. Henceforth the Splash Sportswear Inc. USA ceases to be a wholly owned subsidiary of the company.

PARTICULARS OF EMPLOYEES

The Statement of particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 for the year ended on 31.03.2000 is not applicable since none of employee is getting remuneration above the limit prescribed in the abovesaid Act, or Rules.

DEPOSITORY SYSTEMS

The SEBI has notified that the shares of Company shall be dealt with only in dematerialised form w.e.f. 26.03.2001. Accordingly, the Company is ensuing to comply the connected provisions and make arrangements with the National Securities Depository Limited and Central Depository Services (India) Limited. It will ensure more safety and betterment in services to the shareholders of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGOING,

CONSERVATION OF ENERGY

Conservation of energy at each production process continued to receive focus during the year. Further measures are being contemplated for efficient use of machinery and improve power factor in the ensuing year.

TECHNOLOGY ABSORPTION

There is no imported technology involved in our production process. However continious efforts are put on to improve upon quality, development of new designs and process etc.

FOREIGN EXCHANGE EARNING AND OUTGOING

Particulars with regard to foreign exchange earning and outgoing appear in Schedule - L to the Annual Accounts.

ACKNOWLEDGEMENT

Your Directors express their gratitute for the business assistance, co-operation and support extended to your Company by the Govt. Authorities, Customers, Suppliers, Employees for their support to the Company.

For and on behalf of the Board

Place : New Delhi
Date : 11.08.2000

Suresh Mansharamani
Chairman & Managing Director

AUDITOR'S REPORT

We have audited the attached Balance Sheet of RAHUL MERCHANDISING LTD. as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. and report that :

1. As required by the manufacturing and other Companies (Auditor's Report) Order, 1988 issued by Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above.
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account :
 - d. In our opinion the Balance Sheet and the Profit and Loss Account have complied with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956
 - e. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - i. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2000 and
 - ii. In the case of the Profit and Loss Account of the loss for the year ended on that date.

For Jagdish Ajmani & Co.
Chartered Accountants

Jagdish Ajmani
Proprietor

Place : New Delhi
Date : 11.08.2000

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of the report even date of the auditors to the Members of RAHUL MERCHANDISING LIMITED. on the accounts for the year ended 31st March, 2000.

1. The Company has not updated records showing full particulars including quantitative details and situation of fixed assets. As explained to us, assets have been physically verified by the management at reasonable intervals during the year. Reconciliation of assets, we are informed, still in the progress. The discrepancy, if any, will be ascertained and adjusted on completion of updating of fixed assets records of the Company and reconciliation of the same.
2. None of the fixed assets have been revalued during the year.
3. Physical verification of stocks of finished goods, raw materials and stores has been conducted by the management at reasonable intervals during and/or at the close of the year.
4. As explained to us the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. As explained to us, the discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of accounts. However stock records in respect of finished goods have not been maintained comprehensively.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The company has not taken any secured or unsecured loans from companies firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or Companies under the same management as this company as defined under Section 370(1-B) of the Companies Act, 1956.
8. Apart from trade advances the company has not granted any loans secured or unsecured to companies firms or other parties listed in the register maintained under section 301 of the companies Act, 1956 and/or companies under the same management as this company as defined under Section 370 (1-B) of the Companies Act, 1956 the terms and conditions of which are prima facie prejudicial to the interest of the company.
9. In respect of loans and advances in the nature of loans given by the company to employees and others, the recovery is generally regular, except for certain inter-corporate loans and advance to employees where the recovery of principal and interest have not been regular and as informed to us the Management is taking suitable steps to recover the amount.
10. In our opinion and according to the information and explanations given to us there are adequate internal control procedure commensurate with the size of the company and the nature of its business with regard to purchase of stocks and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchases and sales of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and

aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or the prices at which transactions for similar goods or services has been made with other parties.

12. As explained to us the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The company has not accepted any deposits from the public during the year.
14. The company has no by products As explained to us, the company does not maintain records of production scrap, as the realisable value thereof is not material.
15. It has been explained to us that internal audit is carried out by the staff of the company. However the same is required to be strengthened to make it commensurate with the size of the company and nature of its business.
16. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of Companies Act, 1956 for any product manufactured by the company.
17. There have been delays in payments of Provident Fund and Employees State Insurance Dues to the appropriate authorities. However, the year end balances payable in respect of Provident Fund and ESIC was Rs. 35,862/- and Rs. 6,477/- respectively which have been since paid.
18. According to the information and explanations given to us, except a sum of Rs. 2,01,707/- payable towards tax deducted at source, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise duty were outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable.
19. On the basis of information and explanations given to us and during the course of our examination of the books of account we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of subsection 1 of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Jagdish Ajmani & Co.**
Chartered Accountants

Place : New Delhi
Date : 11.08.2000

Jagdish Ajmani
Proprietor

BALANCE SHEET AS AT 31st MARCH, 2000.

Schedule	As at 31st March, 2000 Rs.	As at 31st March, 1999 Rs.
I. Sources of Funds		
1. SHAREHOLDER'S FUNDS		
a) Share Capital	A 35,122,500.00	35,122,500.00
b) Reserves and Surplus	B 39,713,185.69	49,438,823.00
2. LOAN FUNDS		
a) Secured	C 53,960,190.10	60,399,384.00
b) Unsecured	D 442,925.00	459,661.00
	<u>129,238,800.79</u>	<u>145,420,368.00</u>
II. Application of Funds		
1. FIXED ASSETS		
a) Gross Block	E 15,326,466.86	21,363,457.00
b) Less Depreciation	8,517,036.92	7,370,527.00
c) Net Block	<u>6,809,429.94</u>	13,992,930.00
2. INVESTMENTS	F 2,624,994.00	2,624,994.00
3. CURRENT ASSETS, LOANS & ADVANCES		
a) Current Assets, Loan & Advances	G 179,194,746.73	224,159,937.00
Less :		
b) Current Liabilities & Provisions	H 59,390,369.88	95,357,493.00
	<u>129,238,800.79</u>	<u>145,420,368.00</u>
NOTES TO THE ACCOUNTS	L	

As per separate report of even date attached

For and on behalf of Board

for Jagdish Ajmani & Co.
Chartered Accountants

Suresh Mansharamani
(Chairman & Managing Director)

Jagdish Ajmani
Proprietor

Anoop Gajwani
Executive Director

Place : New Delhi
Dated : 11.08.2000

K. K. Singh
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2000.

Schedule	Year Ended 31st March, 2000 Rs.	Year Ended 31st March, 1999 Rs.
Income		
Sales	164,955,893.15	187,505,045.00
Other Income	1,141,193.78	1,742,332.00
Increase/(Decrease) in Finished Stock & Stock in process	I <u>12,367,825.00</u>	14,080,207.00
Expenditure		
Materials	J 126,095,219.15	146,929,615.00
Manufacturing & Other Expenses	K 47,586,512.26	50,012,257.00
Finance Cost	13,190,969.25	12,068,399.00
Depreciation	E <u>1,317,848.29</u>	<u>1,527,238.00</u>
Profit/(Loss) for the year before Tax	<u>(9,725,637.02)</u>	<u>(7,209,925.00)</u>
Adjustments relating to earlier years		(77,763.00)
Profit/(loss) for the year after tax	<u>(9,725,637.02)</u>	<u>(7,287,688.00)</u>
Profit/(Loss) Carried to Balance Sheet	<u>(9,725,637.02)</u>	<u>(7,287,688.00)</u>

As per separate report of even date attached

For and on behalf of Board

for Jagdish Ajmani & Co.
Chartered Accountants

Suresh Mansharamani
(Chairman & Managing Director)

Jagdish Ajmani
Proprietor

Anoop Gajwani
Executive Director

Place : New Delhi
Dated : 11.08.2000

K. K. Singh
Company Secretary

	As At 31st March, 2000 Rs.	As At 31st March, 1999 Rs.
Schedule - A		
1. Share Capital		
AUTHORISED		
8,000,000 Equity Shares of Rs. 10 each	80,000,000.00	80,000,000.00
200,000 Preference Shares of Rs. 100/- each	20,000,000.00	2,00,00,000.00
	<u>100,000,000.00</u>	<u>100,000,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
3,512,250 Equity Shares of Rs. 10/- each (Including 100000 equity shares of Rs. 10/- each alloted for consideration other than cash)	35,122,500.00	35,122,500.00
	<u>35,122,500.00</u>	<u>35,122,500.00</u>
Schedule - B		
2. Reserves and Surplus Capital		
i) General Reserve		
Balance brought forward	7,000,000.00	7,000,000.00
	<u>7,000,000.00</u>	<u>7,000,000.00</u>
ii) Profit & Loss Account		
Balance brought forward	42,438,822.71	49,726,511.00
Profit/(Loss) for the year as per Profit & Loss Account	(9,725,637.02)	(7,287,688.00)
	<u>32,713,185.69</u>	<u>42,438,823.00</u>
	<u>39,713,185.69</u>	<u>49,438,823.00</u>
Schedule - C		
3. Secured Loans :		
A) From Canara Bank		
i) Working Capital Loan	53,057,037.10	58,496,481.00
Secured by hypothecation of Raw Materials, Semi-finished goods, finished goods and receivables both present and future. Also additionally secured by way of equitable mortgage of residential property of the director. (Above loans are also secured by corporate guarantee of associated companies)		
B) From Others		
Secured by hypothecation of Cars and Machinery	9,03,153.00	1,902,903.00
	<u>53,960,190.10</u>	<u>60,399,384.00</u>

	As At 31st March, 2000 Rs.	As At 31st March, 1999 Rs.
Schedule - D		
4. Unsecured Loans		
From Directors	307,000.00	322,000.00
From Public Deposits	135,925.00	137,661.00
	<u>442,925.00</u>	<u>459,661.00</u>

Schedule - E

Schedule of Fixed Assets forming part of Balance Sheet as at 31st March, 2000

Particulars	Block of Assets As on 1.4.99	Addition During the year	Deduction/ Sale During the year	Total Upto 31.3.2000	Total Upto 31.3.1999	Total Depreciation For the year	Write off During the year	Total upto 31.3.2000	W.D.V. as 31.3.2000	W.D.V. as 31.3.1999
Land- Leasehold	5,631,230.74	0.00	5,631,230.74	0.00	0.00	0.00	0.00	0.00	0.00	56,31,230.74
Plant & Machinery	11,203,042.74	0.00	379,143.00	10,823,899.74	4,778,596.02	878,146.54	171,338.00	5,485,404.56	5,338,495.18	6,424,446.72
Computer & Software	897,825.00	72,850.00	0.00	970,675.00	715,038.02	100,279.79	0.00	815,317.81	155,357.19	182,786.98
Furniture, Fittings & Office Equipments	2,204,742.22	25,533.90	0.00	2,230,276.12	1,105,689.73	2,020,98.00	0.00	1,307,787.73	922,488.39	1,099,052.49
Vehicles	1,301,616.00	0.00	0.00	1,301,616.00	771,202.86	137,323.96	0.00	908,526.82	393,089.18	530,413.14
TOTAL	21,238,456.70	98,383.90	6,010,373.74	15,328,466.86	7,370,526.63	1,317,848.29	171,338.00	8,517,036.92	6,809,429.94	13,867,930.07
	22,850,816.70	345,386.00	1,832,546.00	21,363,456.70	6,898,805.40	1,527,238.00	1,055,516.77	7,370,526.63	13,992,930.07	15,951,811.30

Schedule - F

Investments

Trade

Unquoted-In wholly owned subsidiary company
 Splash Sportswear Inc. USA- At Cost
 100 Share of US \$ 1 each fully paid up
 10 Shares of US \$ 7490 each fully paid up

<u>2,624,994.00</u>	<u>2,624,994.00</u>
<u>2,624,994.00</u>	<u>2,624,994.00</u>

Schedule - G

6. Current Assets, Loans & Advances

a) Inventories

(As verified, valued and certified by the management)

Raw Material	32,186,898.00	53,961,306.00
Finished Goods	42,724,719.00	41,559,751.00
Partly Finished Goods	<u>14,926,932.00</u>	89,838,549.00

b) Sundry Debtors

(Unsecured-Considered good)

Over Six Months	23,234,242.05	64,760,644.00
Others	<u>12,148,583.00</u>	35,382,825.05

		As At 31st March, 2000 Rs.	As At 31st March, 1999 Rs.
c) Cash & Bank Balance			
Cash in Hand		1,506,347.15	1,359,520.00
<u>Balance with Scheduled Banks</u>			
On Current Accounts	970,737.82		333,485.00
On Deposit Accounts	12,925,724.40	13,896,462.22	15,144,206.00
(Including interest accrued thereon)			
d) Loans and Advances (Unsecured Considered Good)			
i) Export Incentives receivable	11,657,879.00		8,089,173.00
ii) Pre-paid Expenses	705,620.00		793,159.00
iii) E.M.D. with AEPC	1,237,538.30		1,163,892.00
iv) T.D.S. Current Year	215,743.00		411,629.00
v) Income tax agt disputed demand- -earlier year	1,038,249.00		0.00
vi) Advances recoverable in cash or in kind or for value to be read	23,715,534.01	38,570,563.31	20,567,547.00
		<u>179,194,746.73</u>	<u>224,159,936.00</u>
Schedule - H			
7. Current Liabilities and Provisions			
Sundry Creditors		45,037,891.32	84,835,231.00
Taxes and other Govt. Dues.		797,129.00	781,225.00
Security Deposits		1,592,406.88	1,624,657.00
Expenses Payable		1,512,740.90	2,296,140.00
Overdraft at Canara Bank Uncleared cheques		9,028,633.78	5,820,240.00
Advances from Customers		1,421,568.00	0.00
		<u>59,390,369.88</u>	<u>95,357,493.00</u>
Schedule - I			
8. Increase/(Decrease) in Finished Stock & Stock in Process			
Opening Stock			
-Finished Goods	41,559,751.00		15,745,354.00
-Partly Finished	3,724,075.00	45,283,826.00	15,458,265.00
Closing Stock			
-Finished Goods	42,724,719.00		41,559,751.00
-Partly Finished	14,926,932.00	57,651,651.00	3,724,075.00
		<u>12,367,825.00</u>	<u>14,080,207.00</u>
Schedule - J			
9. Materials			
Raw Materials consumed		120,398,647.23	137,533,711.00
Other Materials consumed		5,696,571.92	9,395,904.00
		<u>126,095,219.15</u>	<u>146,929,615.00</u>

	Year Ended 31st March, 2000 Rs.	Year Ended 31st March, 1999 Rs.
Schedule - K		
10. Manufacturing and Other Expenses		
a) Manufacturing:		
Dyeing, Printing & Washing	4,306,187.00	8,963,010.00
Design & Development	859,543.90	269,717.00
Fabrication Expenses	22,341,870.85	18,091,763.00
Power & Electricity	965,193.01	1,187,105.00
Freight & Cartage	615,812.00	1,602,304.00
Freight Outward (on exports)	3,439,880.00	3,212,708.00
	32,528,486.76	
b) Personnel:		
Salaries, Wages & Bonus	3,490,633.25	5,247,696.00
Cont. to Provident & Other funds	439,561.35	547,750.00
Workmen and Staff welfare	60,041.98	197,682.00
Recruitment & Training Expenses	0.00	6,000.00
	3,990,236.58	
c) Administration:		
Maintenance & Repairs	188,404.68	693,215.00
Director's Remuneration	832,030.00	665,185.00
Audit Fees	100,000.00	100,000.00
Insurance	640,100.80	441,398.00
Professional & Legal Charges	425,671.00	264,838.00
Charity & Donation	109,444.00	5,100.00
Bank Charges	2,537,537.19	2,394,575.00
Travelling Expenses	1,188,455.23	1,109,077.00
Miscellaneous Expenses	962,842.13	1,250,270.00
Loss on Surrender of Plot/Machinery	856,723.90	0.00
Fees & Subscription	34,749.00	88,100.00
Telephone, Fax & Courier Charges	855,479.64	1,103,785.00
	8,781,437.57	
d) Selling & Distribution:		
Advertisement & Publicity	58,596.00	76,358.00
Export Expenses	750,733.25	1,058,831.00
Rebate & Discount	459,281.00	188,885.00
Freight, Forwarding & Handling Charges	1,017,741.10	1,246,905.00
	2,286,351.35	
	47,586,512.26	50,012,257.00

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Schedule - L

A. SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention. Revenues and expenses are recognised and accounted on their accrual basis (except insurance claims) with necessary provisions for all known liabilities and losses.

2. SALES INCLUDES :

- i) Export Incentives
- ii) Freight recovered from buyers as per terms of sales

3. FIXED ASSETS AND DEPRECIATION

Tangible assets are stated at cost less depreciation, which is provided on written down value method in accordance with Schedule XIV of the Companies Act, 1956.

4. INVENTORIES

Inventories are valued at lower of direct cost or estimated net realisation value after providing for cost of obsolescence.

5. FOREIGN CURRENCIES TRANSACTIONS

Exchange difference are dealt with follows :

All exchange difference arising from foreign currency transactions are dealt with the Company's profit and loss account.

All other foreign currency liabilities/assets not covered by any forward contracts are restated at the rates ruling at the year end and any material exchange differences arising on such transactions are dealt within the profit and loss account.

Transactions in the foreign currency are recorded at the exchange rate at the time of the transactions.

B. NOTES TO THE ACCOUNTS

1. CONTINGENT LIABILITIES NOT PROVIDED FOR	31st March, 2000	31st March, 1999
i) Claims against the company not acknowledged as debts. (to the extent ascertainable)	5,350,000.00	6,041,009.26
ii) Bills discounted/negotiated but not matured (Since realised)	46,091,295.00	49,136,411.00
iii) Bank Guarantees, Letter of Credits and Co-acceptances. (other than LUT)	5,923,068.00	14,159,916.95
iv) Income Tax and interest thereon for which the company has preferred appeals.	5,029,980.00	3,469,837.00
v) Income Tax and interest thereon for which the Income Tax Department has preferred appeals	539,709.00	539,709.00

vi)	Export obligations in respect of Custom duty Exemption availed under Advance Licence scheme	2,200,000.00	2,200,000.00
2.	Remuneration to Auditors & Expenses		
	Audit Fee	100,000.00	75,000.00
	In Taxation & other matters	150,000.00	25,000.00
3.	(i) Balances in certain accounts included in Sundry Debtors, Sundry Creditors an advances recoverable are subject to confirmation from respective parties.		
	(ii) In the opinion of the Board and to the best of their knowlege and belief, unless stated otherwise, the valuation on realisation of current assets, loans and advances in the ordinary course of business would not been less than amount at which they are stated in the Balance Sheet		
4.	A sum of Rs. 2,08,873/- (net) is debited to Profit and Loss account representing net prior period items.		
5.	Purchases are net of recoveries from fabricators, dyers, printers and other parties.		
6.	Debit Notes issued to various suppliers for materials supplied in earlier years have been adjusted to respective accounts.		
7.	In view of the business losses and the deduction admissible under Sec 80 HHC of the Income tax Act 1961 no provisions for Income Tax has been made.		
8.	Payment against supplies from small scale and ancilliary undertaking are made in accordance with the agreed credit terms and as ascertained from available information, there were no amounts overdue as on 31st March 2000.		
9.	Sundry Debtors includes a sum of Nil (Previous Year Rs. 22157816.00) due from wholly owned subsidiary company.		
10.	After obtaining approval from Reserve Bank of India, Mumbai vide their ref. no. EC.CO.OID 5000/19.18.78/99-2000 Dt 9.5.2000. the company has made disinvestment of entire shareholding of Splash Sportswear Inc. USA and received total consideration of Rs. 3790017/- against such disinvestment henceforth the Splash Sportswear Inc ceases to be wholly owned subsidiary of the company.		
11.	Fixed deposits of Rs. 1,29,25,724.40 (Previous year Rs. 7,386,206.40) are pledged with Bank as securities against performance of contracts letter of credits and bank guarantees issued by bank.		
12.	Managerial Remuneration		
	Salary	725,780.00	631,185.00
	Perquisites	127,850.00	50,200.00
13.	i) Loans & Advances include a sum of Rs. 646000/- (Previous Year Rs. 646000/-) paid to associate company towards share application money pending allotment.		
	ii) Loans & Advances include a sum of Rs. 10,51,404.00 (Previous year Rs. 10,51,404.00) being an intercorporate loan given to M/s Mesco Pharmaceuticals Ltd. on which legal action for recovery have been initiated. However the company hopeful of recovery hence no provision is made there against. No provision for interest has been made, the same will be accounted for the year of receipt.		
14.	Other Income includes interest on Bank Deposits amounting to Rs. 10,53,946.00(Previous year Rs. 5,72,994.00) TDS Rs. 2,15,743/- (previous Year Rs. 1,15,955/-)		

15. In view of the exchange rate restated at the year end in there is Net gain of Rs. 3,83,414/- (Previous Year Rs. 37,62,161/-) towards Exchange Fluctuation dealt in the Profit & Loss A/c.
16. Additional information pursuant to the provisions of part II of schedule VI of the Companies Act, 1956

CLASS OF GOODS		Readymade Garments		Readymade Garments		
Capacity & Production						
Installed capacity pcs.		960000		960000		
Production (pcs.)		663191		967259		
Finished goods - Readymade garment purchased (pcs.)		13817		-		
Sales		Qty	Value	Qty	Value	
			(Rs. Lacs)		(Rs. Lacs)	
Garments - Pcs	687333	}	1420.64	841709	}	1653.93
Fabrics - in mts	1366928		627269	627269		415.60
Closing Stock - Finished goods - in pcs	223814		427.25	234139		415.60
Raw Materials Consumed		Amount	%	Amount	%	
		(Rs. Lacs)		(Rs. Lacs)		
- Indigenous	*1258.82		99.83	*1469.30		100
- Imported	*2.13		00.17	-		0
*includes various/different items in large numbers and specification hence quantitative information not feasible.						
Earning in foreign Exchange						
Value of goods exported - F.O.B.		1145.41		1592.70		
Expenditure in foreign Exchange						
Travelling		5.02		2.73		
Value of imports of other raw material on cif basis		2.13		0.00		

17. Previous year's figures have been regrouped /rearranged wherever considered necessary.

As per separate report of even date attached

For and on behalf of Board

for Jagdish Ajmani & Co.
Chartered Accountants

Suresh Mansharamani
(Chairman & Managing Director)

Jagdish Ajmani
Proprietor

Anoop Gajwani
Executive Director

Place : New Delhi
Dated : 11.08.2000

K.K. Singh
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2000

	As at 31st March, 2000 Rs. Lacs	As at 31st March, 1999 Rs. Lacs
A. Cash Flow From Operating Activity		
Net Profit (Loss) before Taxation	(9,725,637.02)	(7,209,925.00)
ADD : Depreciation	1,146,510.29	471,721.23
Interest	13,190,969.25	12,068,399.00
Operating Profit before wkg capital changes	4,611,842.52	5,330,195.00
Less : Increase(Decrease) in inventories	(9,406,583.00)	(14,163,497.00)
Increase(Decrease) in receivables	(34,124,204.64)	(1,146,204.00)
Increase(Decrease) in trade payables	35,967,123.12	(12,524,350.00)
	(7,563,664.52)	(27,834,551.00)
Cash generated from operations	12,175,507.04	30,872,339.00
Less : Interest Paid	13,190,969.25	12,068,398.00
Taxes	0.00	77,763.00
Net cash flow from operations (A)	(1,015,462.21)	18,726,178.00
B. Cash Flow From Investing Operations		
Sale of Fixed Assets	6,036,990.14	1,487,160.00
Net Cash in Investment Activity (B)	6,036,990.14	1,487,160.00
C. Cash Flow From Financial Activities Outflow :		
Increase (Decrease) in Borrowings	(6,455,929.90)	(9,933,642.00)
Net Cash from Financial Activity (C)	(6,455,929.90)	(9,933,642.00)
Net increase(Decrease) in Cash/Cash equivalents	(1,434,401.97)	10,279,695.00
Cash/Cash equivalents at the beginning of the year	16,837,212.00	6,657,517.00
Cash/Cash equivalents at the close of the year	15,402,810.03	16,837,212.00

(K.K. Singh)
Company Secretary

(Anoop Gajwani)
Executive Director

(Suresh Mansharamani)
Chairman & Managing Director

Auditor's Certificate

Rahul Merchandising Limited
B-88/1, Mayapuri Industrial Area,
Phase - 1, New Delhi - 110064

We have examined the attached Cash Flow Statement of **Rahul Merchandising Limited** for the year ended on 31st March, 2000. The statement has been prepared by the company in accordance with the requirements of listing agreement clause 32 and is based on and in agreement with the corresponding Balance Sheet of the Company covered by our report of 11th August, 2000 to the members of the Company.

For Jagdish Ajmani & Co.
Chartered Accountants

Place : New Delhi
Date : 11.08.2000

Jagdish Ajmani
Proprietor

SPLASH SPORTSWEAR INC

Statement Regarding Subsidiary Company Pursuant to Section 212(3) of the Companies Act, 1956

- | | |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 1. Name of the Subsidiary Company | Splash Sportswear Inc. USA |
| 2. Financial Year of the Subsidiary Company | 1st January, 1999 to 31st December, 1999 |
| 3. Shares of the Subsidiary Company held by the Holding Company | 100% Equity Shares aggregating US \$ 75,000. |
| 4. The net aggregate amount of profit/(losses) of the subsidiary company for the financial year | |
| Dealt with in RML's Account | NIL |
| Not dealt with in RML's Accounts | NIL |
| 5. The net aggregate amount of profit/(losses) of the subsidiary company for the previous financial year of the subsidiary | |
| Dealt with in RML's Account | NIL |
| Not dealt with in RML's Accounts | NIL |

(K.K. Singh)
Company Secretary

(Anoop Gajwani)
Executive Director

(Suresh Mansharamani)
Chairman & Managing Director

Place : New Delhi
Date : 11.08.2000

DIRECTORS REPORT

The Directors are pleased to present their Annual Report together with the audited financial statements of the Company for the year ended on December 31, 1999.

Principal Activities

The principal activities of the Company are trading in Garments particularly high fashion ladies Garments.

State of Affairs

The state of the Company's affairs at the balance sheet date was satisfactory.

Auditors

The Auditors Kanwal K. Kapur have expressed their willingness to continue in office and in accordance with Section 164(2) of the Companies Act, 1984 a resolution for their re-appointment will be proposed at the next Annual General Meeting.

By order of the Board
Splash Sportswear Inc.

Dated : Jan. 18, 2000

Chairman

AUDITOR'S REPORT

To the Board of Directors of
Splash Sportswear Inc.

We were engaged to audit the accompanying balance sheet of SPLASH SPORTSWEAR INC (the "company") as of December 31, 1999 and the related statement of income, retained earning and each flows for the period then ended. These financial statements were the responsibility of the company's management.

We have conducted, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. We have also made an assessment of the significant estimates and judgement made by the management in preparation of financial statements and observed that financial statements are in conformity with Generally Accepted Accounting Principles.

In our opinion the financial statements give a true and fair view of the Company's affairs at December 31, 1999.

Kanwal K. Kapur
Public Accountants

Place : New York
Date : January 18, 2000

SPLASH SPORTSWEAR INC

Balance Sheet as at December 31, 1999

ASSETS :	Amount (US\$)
Account receivables	75,250
Cash & Bank Accounts	445
Notes Receivables	4231
Total of Assets	79,926
Liabilities and Shareholder's Equity	
Notes Payables	2,655
Stockholder's Equity	
Paid in Capital	75,000
Retained Earning (Deficit)	2,271
Total of Liabilities and stockholder's equity	79,926

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE PERIOD ENDED ON DECEMBER 31, 1999.

SALES	AMOUNT (US\$)
Sales	5,65,778
Cost of Sales Merchandise	5,60,345
Gross Profit	5,433
EXPENSES	
Administrative and Financial Charges	9,369
Net Profit/(Deficit) for the period	(3,936)
Retained Earning at December 31, 1998	6,207
Retained Earning/(Deficit) at December 31, 1999	2,271

Splash Sportswear, Inc Notes to Financial Statements

I. ORGANISATION

1. Splash Sportswear, Inc. (the "company") was incorporated in the State of New York on January 3, 1994. The Company is a wholly owned subsidiary of RAHUL MERCHANDISING LIMITED, a company domiciled in India. The principal activities of the Company are trading in Garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates : The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

I. INFORMATION PURSUANT TO PART-IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

1. Registration Details	Registration No	:	52461	State Code	:	55
	Balance Sheet Date	:	31.03.2000			
2. Capital raised during the year (Amount in Rs. Thousands)						
	Public Issue	:	NIL	Right Issue	:	NIL
	Bonus Issue	:	NIL	Private Placement	:	NIL
3. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)						
	Total Liabilities	:	129238	Total Assets	:	129238
Source of Funds	Paid Up Capital	:	35122	Reserves & Surplus	:	39713
	Secured Loans	:	53960	Unsecured Loans	:	443
Application of funds	Net Fixed Assets	:	6809	Investments	:	2625
	Net Current Assets	:	119804	Misc. Expenditure	:	NIL
	Accumulated Losses	:	0			
4. Performance of the company (Amount in Rs. Thousands)						
	Turnover	:	166097	Total Expenditure	:	175823
	Profit/Loss before Tax	:	(-) 9726	Profit/Loss after Tax	:	(-) 9726
	(Appropriate box + for Profit, - for Loss)					
	Earnings Per Share in Rs.	:	NIL	Dividend rate %	:	NIL
5. Generic names of three principal products of the Company						
	(as per monetary terms)					
Item (ITC Code No.)	:	Product Description	:			
		READYMADE GARMENTS				