



SHREE MANUFACTURING COMPANY LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2000**

Board of Directors

G. D. KOTHARI *Chairman*
S. N. SINGHANIA
A. BASU (*Nominee of ICICI*)
K. K. MOHTA
P. K. DAGA
C. K. DHANUKA
BHARAT MOHTA

Bankers

STATE BANK OF INDIA
STATE BANK OF HYDERABAD

Auditors

RASHMI & COMPANY

Registered Office

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

Spinning Mill

VILL. ISNAPUR
P.O. IDA PASHAMILARAM
DIST. MEDAK - 502307
ANDHRA PRADESH

NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of the Company will be held at the Williamson & Magor Hall of the Bengal Chamber of Commerce & Industry, (1st floor), Royal Exchange, 6 Netaji Subhas Road, Kolkata - 700 001 on Friday the 29th of June 2001 at 4.00 PM to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st December, 2000 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S.N. Singhania who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. P. K. Daga who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

Registered Office

A-1, Gillander House
Netaji Subhas Road,
Kolkata - 700 001
Dated : 18th May, 2001

By order of the Board
for **SHREE MANUFACTURING COMPANY LTD.**

BHARAT MOHTA
Director

NOTES :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a Member of the Company.
2. The Register of Members of the Company will remain closed from 25th June, to 29th June, 2001 both days inclusive.

DIRECTORS REPORT

Your Directors are presenting the Annual Report and Audited accounts of the Company for the financial year ended 31st December 2000.

FINANCIAL RESULTS

		(Rupees in lacs)
Loss for the year		262.44
Add : Depreciation	84.09	
Interest	<u>111.15</u>	<u>195.24</u>
Loss for the year		457.68
Add : Loss B/F from previous year		<u>928.13</u>
Balance Carried to Balance Sheet		<u>1385.81</u>

DIVIDEND

In view of the accumulated losses, your Directors do not recommend any dividend for the year under review.

OPERATION

Your Directors report that the turnover of the company was Rs. 721 lacs during the part of the year. As reported in our previous report, due to unreasonable demands and indiscipline by the workers for increase in wages, the management was compelled to declare a Lock-out in the factory since March, 2000. Since the operations were suspended and unfavourable condition prevailed, Company suffered a huge loss of Rs. 457.68 lacs during the year.

STATUS UNDER BIFR

As reported earlier due to erosion of Net worth a reference was made to BIFR. Accordingly BIFR Board vide its order dt. 25th September, 2000 declared the Company as Sick U/s. 15(1) of the SICA. BIFR Board also appointed State Bank of India, as Operating Agency. The rehabilitation scheme was submitted to State Bank of India, which in turn appointed M/s. Texpro (India) to study the detailed Techno Economic viability of the Company. Now State Bank of India will submit the rehabilitation scheme to BIFR when the matter will be considered further.

AUDIT COMMITTEE

Pursuant to Sec. 292A of the Companies Act 1956 read with clause 49 of the Listing Agreement with Stock Exchanges. Your Board has constituted an Audit Committee comprising of Sri G.D. Kothari, Sri K.K. Mohta and Sri Bharat Mohta, the Directors of the Company. The Audit Committee has elected Sri G.D. Kothari as Chairman of the said Committee. The terms of reference of this Committee are wide enough covering the matters specified for Audit Committee under the Listing Agreement. One meeting was held before finalisation of Annual Accounts.

PERSONNEL

Due to lock-out / suspension of works, most of the Workmen, Staff and Officers of the Company have since been laid off. However negotiations with the workers are going on and a Scheme of

Voluntary Retirement is under consideration.

ENVIRONMENT AND SAFETY

In view of Lock-out the requirement of environment safety is neither applicable nor possible.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of this Report are given in Annexure 1 to this Report.

The particulars of employees required under section 217 (2A) of the Companies Act, 1956 is not applicable to the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the companies Act, 1956 and subject to practical constraints as described in Note 4 of Schedule 23 your Directors state that –

– In the preparation of Annual Accounts, the applicable accounting standard had been followed along with proper explanation relating to material departure.

– The Directors had selected such accounting policies and applied them consistently and made judgments and estimated that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of financial year and the Profit and loss of the Company for the year.

–The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

– The Directors had prepared the annual accounts on a going concern basis.

FIXED DEPOSIT

The company has not accepted any fixed deposit.

LISTING OF EQUITY SHARES ON STOCK EXCHANGES

The Company's Shares are listed on the Stock Exchanges in Calcutta and Mumbai. But due to inadequacy of funds listing fees are due.

AUDITORS REPORT

The notes to the accounts, referred to in the Auditors Report, are self explanatory and therefore do not call for any further comment on the auditors Report under section 217(3) of the Companies Act, 1956.

DIRECTORATE

Mr. Utsav Parekh, Mr. R. Surender Reddy resigned from the Board w.e.f.7.3.2001 and 26.3.2001 respectively.

Mr. Samar Kar, a nominee Director have since been withdrawn from the Board by the State Bank of India.

Your Directors wish to place on record the appreciation of the valuable services rendered by Mr. Utsav Parekh, Mr. R Surender Reddy & Mr. Samar Kar during their tenure of Office.

Mr. S. N. Singhania and Mr. P. K. Daga retire by rotation and are eligible for reappointment.

DEMATERIALISATION OF SHARES

The Company received a letter from Securities & Exchange Board of India intimating compulsory dematerialisation of the Shares of the Company w.e.f. 26th December, 2000. Due to losses coupled with financial constraints, the Company expressed its inability to bear the cost and requested them to defer the dematerialisation of the shares.

AUDITORS

Messrs Rashmi & Company, Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting.

ACKNOWLEDGEMENT

Your Directors have pleasure in recording their appreciation of assistance extended to your company by various Government Departments and also the Financial Institutions and the Commercial Banks for their support and co-operation.

On behalf of the Board

Kolkata, 18th May 2001

G.D.Kothari
Chairman

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2000

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

A. CONSERVATION OF ENERGY

Efficient and controlled use of electric energy was implemented only upto March 2000. Thereafter due to lock-out and suspension of work no effective measures were possible.

FORM - A

		2000	1999
A.	Power & Fuel Consumption		
1.	Electricity		
	a) Purchased		
	Units	1164870	5337565
	Total Amount (Rs.)	4991450	21768536
	Rate Unit (Rs.)	4.28	4.08
	b) Own Generation (Through Diesel Generator)		
	Units	566789	2049871
	Units per Ltr of Diesel Oil	3.38	3.41
	Cost Unit (Rs.)	4.12	3.19
2.	Coal		
	Quantity (M. Tons)	202	903
	Total Cost (Rs.)	400467	1726947
	Cost/M.Ton (Rs.)	1979	1912
3.	Furnace Oil	—	—
B.	Consumption per unit of production		
	Production (M. Tons)	507	2332
	Electricity per M. Ton of production Units	3415	3168

FORM - B

A. RESEARCH AND DEVELOPMENT (R & D)

1. Research and Development activities carried out till previous year continued only upto March 2000. Thereafter since Factory is under lock-out no further steps were possible in this regard.
2. Expenditure on R & D

a) Capital	Rs. NIL
b) Recuring	Rs. 125046
c) Total	Rs. 125046

B. TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption

Two For One Twister and Auto-coner were installed to produce quality yarn till previous year but are now not in operation.
--
2. Benefit derived as a result of above efforts. e.g. output improvement. Cost reduction, product development import substitution.

NIL

3. Details of imported technology

NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- i) Foreign Exchange used during the year

NIL

- ii) Foreign Exchange earned during the year

Rs. 23.96 lacs.

On behalf of the Board

Kolkata, 18th May 2001

G. D. Kothari
Chairman

AUDITORS' REPORT
TO THE MEMBERS OF
SHREE MANUFACTURING COMPANY LIMITED

1. We report that we have audited the Balance Sheet of Shree Manufacturing Company Limited as at 31st December, 2000 signed by us under reference to this report and the related Profit and Loss Account for the Year ended on that date which are in agreement with the books of account.
2. *Your attention is drawn to the following Notes on Schedule 23:*
 - a) **Note No. 4 regarding preparation of accounts on going concern basis & non availability of some records due to Lock-out, etc.**
 - b) **Note No. 5 regarding non provision of Interest, Gratuity & Disputed Wages, etc as described in the said Notes.**
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the notes thereon and attached thereto, give in the prescribed manner, the information required by The Companies Act, 1956 (The Act) and also give respectively, subject to paragraph 2 above a true and fair view of the state of affairs of the Company as at December 31, 2000 and its losses for the year ended on that date.
4. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law, so far as appears from our examination of the books. These accounts have been prepared in compliance with the applicable Accounting Standards, issued by the Institute of Chartered Accountants of India, referred to in Section 211(3C) of 'The Act'.

As per the information and explanations and records made available to us, none of the Director of the Company is disqualified from being appointed as Director in terms of Section 274 (1) (g) (as amended) of "The Act".
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Government of India and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we further report that :
 - 5.1 The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have not been physically verified during the year by the management due to the circumstances described in Note No. 8 on Schedule 23.
 - 5.2 The fixed assets of the Company have not been revalued during the year.
 - 5.3 The stocks of Finished & Semi-finished goods, Stores, Spare parts and Raw Materials of the Company at the factory as well as other locations have not been verified by the management during the year. (Refer Note No. 8 on Schedule 23)
 - 5.4 In our opinion, the rates of interest and terms & conditions of loans, secured & unsecured carried forward from the previous year from Companies, firms and other parties listed in the Register maintained under Section 301 of the Companies Act are prima facie not prejudicial to the interest of the Company.
 - 5.5 The Company has not granted any loan, secured or unsecured to Companies, firms or other parties listed in the Register maintained under Section 301 of The Act.
 - 5.6 The Company has not granted any loans or advances in the nature of loans except for certain interest-free advances in the nature of loans to its employees, which are being repaid as stipulated.

SHREE MANUFACTURING COMPANY LIMITED

- 5.7 In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant and machinery, equipment and other similar assets and for sale of goods are commensurate with its size and nature of business.
- 5.8 In our opinion, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the 'The Act' and aggregating during the year Rs. 50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services.
- 5.9 The company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation. No write-offs in the accounts is possible at this stage. Refer Note No. 5B (ii) on Schedule 23 to the Accounts.
- 5.10 The Company has not accepted any deposits from the public during the year under review.
- 5.11 In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, wherever applicable and significant. The Company has no by-product.
- 5.12 The Company had an Internal Audit system prevailing during the previous year. However during the year under review Internal Audit have not been conducted due to circumstances described in Note No. 8 in Schedule 23.
- 5.13 On the basis of the information & explanations given to us, we are of the opinion that prima facie, the cost records and accounts prescribed by the Government of India under Section 209 (1) (d) of 'The Act' in respect of the products of the Company have been maintained. However we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- 5.14 The Company has not deposited Employer's contribution of Provident Fund, Pension Fund and Employees State Insurance with the appropriate authorities during the year aggregating to Rs. 13.37 Lacs including Employee's contribution of Rs. 1.88 Lacs.
- 5.15 There were no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Sales Tax and Customs Duty which were due for more than six months from the date they became payable except Excise Duty Rs. 60.63 Lacs approximately were not paid.
- 5.16 During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, followed in India, we have not come across any personal expenses (other than customary or contractual) which have been charged to Profit and Loss Account nor we have been informed of such case by the management.
- 5.17 The Company has not rendered any services activities during the year, therefore no special report is required in connection therewith.
- 5.18 As indicated in Note 4 on Schedule 23 the Company has become a sick industrial undertaking within the meaning of Section 3(1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

Kolkata
May 18, 2001

Per(Sanjay Kumar Maheshwary)
Partner
For and on behalf of
RASHMI & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 31st DECEMBER, 2000

	Sch. No.	2000		1999	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	83,665,920		83,665,920	
Reserve and Surplus	2	5,779,841		5,779,841	
Capital Suspense	3	1,975,430	91,421,191	1,975,430	91,421,191
Loan Funds					
Secured Loans	4	74,758,716		57,096,104	
Unsecured Loans	5	44,242,262	119,000,978	44,938,013	102,034,117
			210,422,169		193,455,308
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	213,494,563		213,493,403	
Less : Depreciation		113,158,202		104,748,857	
Net Block		100,336,361		108,744,546	
Capital Work-in-progress		14,284,088	114,620,449	14,227,406	1,22,971,952
Current Assets, Loans and Advances					
Inventories	7	14,331,723		39,001,596	
Sundry Debtors	8	6,696,037		15,818,568	
Cash and Bank Balance	9	474,231		2,082,181	
Other Current Assets	10	31,912		4,174,436	
Loans and Advances	11	12,062,668		18,513,559	
		33,596,571		79,590,340	
Less : Current Liabilities and Provisions :					
Current Liabilities	12	72,248,155		97,858,645	
Provision	12	4,275,731		4,275,731	
		76,523,886		102,134,376	
Net Current Assets			(42,927,315)		(22,544,036)
Miscellaneous Expenditure (to the extent not written off)			148,462		214,462
Profit and Loss Account (Debit Balance)			138,580,573		92,812,930
			210,422,169		193,455,308
Notes on Accounts	23				

In terms of our attached report of even date.

Sanjay K Maheswary
Partner
For and on behalf of
RASHMI & COMPANY
Chartered Accountants
Kolkata May 18, 2001

On behalf of the Board

G. D. Kothari Chairman
K. K. Mohta Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Sch. No.	2000 Rs.	1999 Rs.
INCOME			
Sales (Includes export sales Rs. 2396103 (Rs. 16013774))		72,140,776	263,678,617
Closing Stock	13	5,914,671	29,222,178
Interest	14	205,077	413,100
Other Income	15	529,956	3,947,109
		<u>78,790,480</u>	<u>297,261,004</u>
EXPENDITURE			
Opening Stock	16	29,222,178	42,077,040
Raw Material Consumed 33988994			
Less : Modvat credit availed 4834272		29,154,722	140,395,472
Manufacturing and			
Maintenance Expenses	17	14,585,000	42,322,359
Selling Expenses	18	2,402,356	7,529,221
Salaries, Wages and Other			
Employees' Benefits	19	11,233,428	36,508,720
Directors' Remuneration	20	6,000	221,961
Interest	21	11,115,295	21,015,995
Depreciation		8,409,345	11,435,071
Auditors' Remuneration			
(Note 12 on Schedule 23)		23,250	121,842
Administrative and Other Expenses	22	7,742,052	10,512,287
Excise Duty (Note 9 on Schedule 23)		10,598,497	37,651,384
Preliminary Expenses Written Off		66,000	49,500
		<u>124,558,123</u>	<u>349,840,852</u>
Loss Before Taxation		(45,767,643)	(52,579,848)
Provision For Taxation		—	—
Loss After Taxation		(45,767,643)	(52,579,848)
Loss Brought Forward		(92,812,930)	(40,233,082)
		<u>(138,580,573)</u>	<u>(92,812,930)</u>
Balance Carried Forward		(138,580,573)	(92,812,930)
Notes on Accounts	23		

In terms of our attached report of even date.

Sanjay K Maheswary
PartnerFor and on behalf of
RASHMI & COMPANY
Chartered Accountants
Kolkata May 18, 2001

On behalf of the Board

G. D. Kothari Chairman
K. K. Mohta Director

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2000**SCHEDULE 1****SHARE CAPITAL****Authorised**300,000 (300,000) 12% Cumulative
Redeemable Preference Shares of Rs. 100 each

7,000,000 (7,000,000)

Equity Shares of Rs. 10/- each

Issued and Subscribed

(Notes 3 on Schedule 23)

287,000 (287,000) 12% Cumulative
Redeemable Preference Shares of Rs. 100 each.

5,500,277 (5,500,277) Equity

Shares of Rs. 10 each

Less : Calls in Arrears

Of the above :-2,76,109 (276,109) Equity Shares of Rs. 10
each have been allotted as fully paid up pursuant
to a contract without payment being received in cash.287,000 (287,000) 12% Cumulative Redeemable
Preference Shares of Rs. 100 each have been
allotted as fully paid up pursuant to a contract
without payment being received in cash.

2000	1999
Rs.	Rs.
30,000,000	30,000,000
70,000,000	70,000,000
<u>100,000,000</u>	<u>100,000,000</u>
28,700,000	28,700,000
55,002,770	55,002,770
(36,850)	(36,850)
<u>83,665,920</u>	<u>83,665,920</u>

SCHEDULE 2**RESERVE AND SURPLUS**

Capital Reserve (Note 2 on Schedule 23)

As per Last Account

Central Subsidy

As per Last Account

Investment Allowance Reserve

As per Last Account

2000	1999
Rs.	Rs.
3,278,841	3,278,841
1,500,000	1,500,000
1,001,000	1,001,000
<u>5,779,841</u>	<u>5,779,841</u>

SCHEDULE 3

Capital Suspense (Note 3 on Schedule 23)

2000	1999
Rs.	Rs.
<u>1,975,430</u>	<u>1,975,430</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2000

SCHEDULE 4

SECURED LOANS

Term Loan

State Bank of Hyderabad

Working Capital Loan from Banks

Cash Credit Account

Interest Accrued and Due

(Note 5(A)(i) on Schedule 23)

2000	1999
Rs.	Rs.
1,685,000	2,085,000
71,400,114	55,011,104
1,673,602	—
<u>74,758,716</u>	<u>57,096,104</u>

Term Loan are secured by :

- A first mortgage by deposit of the title deeds relating to the Company's immovable properties at Isnapur both present and future.
- A first charge by way of hypothecation of all the company's movable including movable machinery, (save and except machinery purchased under Deferred payment Credits), machinery spares, tools and accessories both present and future, subject to prior charges in favour of the company's Banker on stock of raw materials semi-finished and finished goods, consumable stores and book debts and such other movables as may be agreed to by the lenders for securing the borrowing for cash credit requirements in the ordinary course of business, and
- Personal guarantee of a Director of the Company. (Note 14 on Schedule 23)

Working Capital Loan is secured by:

- Hypothecation of present and future stock of raw-materials, stock-in-process, finished goods, consumable stores and book debts.
- Personal guarantee of two Directors of the Company.
- Second Charge on Company's immovable factory properties at Isnapur, both present and future.

SCHEDULE 5

UNSECURED LOANS

Inter-Corporate Deposits

Add : Interest accrued and due

2000	1999
Rs.	Rs.
43,479,393	44,938,013
762,869	—
<u>44,242,262</u>	<u>44,938,013</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2000

**SCHEDULE 6
FIXED ASSETS**

Description of
Assets

COST				DEPRECIATION				NET BOOK VALUE OF ASSETS	
As at 31st December, 1999	Addition During The Year	Deduction During The Year	Gross Block As at 31st December, 2000	Upto 31st December 1999	For the Year	Deduction During the Year	Upto 31st December, 2000	As at 31st December, 2000	As at 31st December 1999
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Free Hold Land	728,848	—	—	7,28,848	—	—	—	728,848	728,848
Building	30,547,633	—	—	3,05,47,633	9,272,243	799,560	—	10,071,803	20,475,830
Plant and Machinery	1,78,592,186	—	—	17,85,92,186	93,907,908	7,444,587	—	1,01,352,495	77,239,691
Furniture and Fittings	2,072,934	—	—	20,72,934	1,301,144	58,170	—	1,359,314	713,620
Office Equipments	802,401	1,160	—	8,03,561	216,863	35,905	—	252,768	550,793
Vehicles	749,401	—	—	7,49,401	50,699	71,123	—	121,822	627,579
Total	2,13,493,403	1,160	—	2,13,494,563	1,04,748,857	8,409,345	—	1,13,158,202	1,00,336,361
1999	1,76,055,260	39,173,915	1,735,772	2,13,493,403	94,822,175	11,435,071	1,508,389	1,04,748,857	1,08,744,546

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2000

SCHEDULE 7

INVENTORIES- At lower of cost or net relisable value

Stores and Spares

Raw materials

Finished Goods

Stock-in-Process

Waste

2000	1999
Rs.	Rs.
5,427,703	4,369,354
2,989,349	5,410,064
1,402,290	15,943,387
4,495,061	13,244,416
17,320	34,375
<u>14,331,723</u>	<u>39,001,596</u>

SCHEDULE 8

SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured-

Considered good

Considered doubtful

Less : Provision for doubtful debts

Other Debts

Unsecured-Considered good

2000	1999
Rs.	Rs.
156,671	2,028,221
7,502,082	279,603
<u>7,658,753</u>	<u>2,307,824</u>
962,716	279,603
<u>6,696,037</u>	<u>2,028,221</u>
—	13,790,347
<u>6,696,037</u>	<u>15,818,568</u>

SCHEDULE 9

CASH AND BANK BALANCES

Cash-in-hand

Balances with Scheduled Banks

Current Accounts

Fixed Deposit Accounts*

2000	1999
Rs.	Rs.
9,763	241,343
101,968	198,338
362,500	1,642,500
<u>474,231</u>	<u>2,082,181</u>

* Receipts pledged with Bank against Guarantees

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 2000

SCHEDULE 10

OTHER CURRENT ASSETS

Interest Receivable on Deposit
Export Incentive Receivable

2000	1999
Rs.	Rs.
31,912	2,070,366
—	2,104,070
<u>31,912</u>	<u>4,174,436</u>

SCHEDULE 11

LOANS AND ADVANCES

Unsecured - Considered good unless otherwise stated
Advances recoverable in cash or in kind or for value to be received [including considered doubtful Rs. 183777 (Rs. 183777) and advance against capital contracts Rs. 2127862]

Tax Deducted at Source
Balance with Central Excise Authorities

Less : Provision for doubtful advance

Deposits [including Rs. 28,500 (1999-Rs. 27,500) in National Saving Certificates]

2000	1999
Rs.	Rs.
3,822,405	8,992,679
469,006	424,080
840,009	2,111,552
<u>5,131,420</u>	<u>11,528,311</u>
183,777	183,777
<u>4,947,643</u>	<u>11,344,534</u>
7,115,025	7,169,025
<u>12,062,668</u>	<u>18,513,559</u>

SCHEDULE 12

CURRENT LIABILITIES AND PROVISIONS

A. Current Liabilities -

Acceptances
Sundry Creditors - For Goods, Services & Expenses (Note 15 on Schedule 23)
Advances & Deposits
Interest accrued but not due
Other liabilities

B. Provisions:

For Taxation
For Gratuity

2000	1999
Rs.	Rs.
—	14,677,470
66,686,711	69,491,412
4,234,014	5,934,014
—	6,465,733
1,327,430	1,290,016
<u>72,248,155</u>	<u>97,858,645</u>
211,647	211,647
4,064,084	4,064,084
<u>4,275,731</u>	<u>4,275,731</u>
<u>76,523,886</u>	<u>102,134,376</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2000**

SCHEDULE 13**CLOSING STOCK**

Finished Goods
Stock-in-process
Waste

2000	1999
Rs.	Rs.
1,402,290	15,943,387
4,495,061	13,244,416
17,320	34,375
<u>5,914,671</u>	<u>29,222,178</u>

SCHEDULE 14**INTEREST**

From Banks on Fixed Deposits
From Others
(Tax deducted at source Rs. 44926
(Rs. 3812)

2000	1999
Rs.	Rs.
86,610	125,871
118,467	287,229
<u>205,077</u>	<u>413,100</u>

SCHEDULE 15**OTHER INCOME**

Sundry Receipts
Export Incentive
Insurance Claims
Liabilities no longer required written back

2000	1999
Rs.	Rs.
73,118	1,184,635
391,621	2,598,434
65,217	109,544
—	54,496
<u>529,956</u>	<u>3,947,109</u>

SCHEDULE 16**OPENING STOCK**

Finished Goods
Stock-in-process
Waste

2000	1999
Rs.	Rs.
15,943,387	27,702,979
13,244,416	14,364,651
34,375	9,410
<u>29,222,178</u>	<u>42,077,040</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2000**

SCHEDULE 17**MANUFACTURING AND
MAINTENANCE EXPENSES**

Consumption of Stores and Spare Parts, etc.
Packing Expenses
Power and Fuel Charges
Water Charges
Repair to Buildings
Repair to Machinery
Repair to Others

2000	1999
Rs.	Rs.
541,587	3,002,772
824,157	4,725,947
12,503,888	30,175,650
166,094	230,828
42,175	497,698
452,560	3,557,803
54,539	131,661
<u>14,585,000</u>	<u>42,322,359</u>

SCHEDULE 18**SELLING EXPENSES**

Rent
Freight and octroi etc.
Cash Discount
Commission
Brokerage
Other Expenses

Less : Freight and Insurance recoveries

2000	1999
Rs.	Rs.
171,958	224,551
1,370,198	5,768,624
1,120,043	3,201,238
471,990	1,349,910
207,280	676,708
12,452	3,000
<u>3,353,921</u>	<u>11,224,031</u>
<u>951,565</u>	<u>3,694,810</u>
<u>2,402,356</u>	<u>7,529,221</u>

SCHEDULE 19**SALARIES, WAGES AND OTHER
EMPLOYEE BENEFITS**

Salaries, Wages and Bonus
Recruitment Expenses
Employees' Welfare Expenses
Contribution to Provident Fund
and Other Funds
Gratuity

2000	1999
Rs.	Rs.
8,897,018	28,899,407
7,002	65,179
807,732	2,679,357
1,144,600	4,389,163
377,076	475,614
<u>11,233,428</u>	<u>36,508,720</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2000**

SCHEDULE 20**DIRECTORS' REMUNERATION**

Managerial Remuneration
Sitting Fees

2000	1999
Rs.	Rs.
—	207,461
<u>6,000</u>	<u>14,500</u>
<u>6,000</u>	<u>221,961</u>

SCHEDULE 21**INTEREST**

On Term Loans
On Others

2000	1999
Rs.	Rs.
<u>286,927</u>	<u>5,649,077</u>
<u>10,828,368</u>	<u>15,366,918</u>
<u>11,115,295</u>	<u>21,015,995</u>

SCHEDULE 22**ADMINISTRATIVE AND OTHER EXPENSES**

Rent
Rates and Taxes
Insurance
Printing and Stationery
Travelling and Conveyance
Postage, Telegram and Telephone
Bank Charges and Commission
Vehicle Expenses
Security and Gardening Expenses
Legal and Professional Charges
Charity and Donations
Loss on Sale of Fixed Assets
Provision for Doubtful Debts and Advances
Irrecoverable Balances Written Off
Miscellaneous Expenses

2000	1999
Rs.	Rs.
285,950	433,471
114,749	274,658
1,155,360	1,748,210
153,293	414,136
1,096,149	1,824,878
563,618	1,009,995
317,677	1,842,850
181,341	197,121
554,082	658,293
413,167	335,755
—	1,100
—	750,566
683,113	453,380
1,832,401	—
<u>391,152</u>	<u>567,874</u>
<u>7,742,052</u>	<u>10,512,287</u>

SCHEDULE 23**Schedules Forming Part of the Balance Sheet As At 31st December, 2000****1. SIGNIFICANT ACCOUNTING POLICIES****1.1 FIXED ASSETS**

Fixed Assets are stated at cost less depreciation.

Depreciation on Fixed Assets is provided on straight line method at applicable rates specified in Schedule XIV of the Companies Act, 1956.

1.2 INVENTORIES

Inventories are valued at lower of cost or net realisable value.

1.3 GRATUITY & LEAVE ENCASHMENT

In onistence with the practice followed in past the accrued liability on account of gratuity payable and leave encashment to employees is ascertained on the basis of the actuarial valuation and provided in the accounts. However the liability for the year could not be ascertained as the factory is under lock out and hence not provided.

1.4 FOREIGN CURRENCY TRANSACTIONS

Tranctions in Foreign Currency outstanding at the Balance Sheet date are accounted at the contracted rate when covered by forward contracts and at exchange rate prevailing on the Balance Sheet date in the case of others. Exchange differences are dealt with in the Profit and Loss Account appropriately.

1.5 MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure (to the extent not written off) is amortised over a period of ten years.

1.6 RECOGNITION OF INCOME AND EXPENDITURE

Items of Income and Expenditure are recognised on accrual and prudent basis.

2. Capital Reserve amounting to Rs. 3,278,841/- (Schedule 2) (as detailed below) represents the excess of assets over liabilities taken over from the Liquidators of Indian Copper Corporation Limited (ICCL) (In Members' Voluntary Liquidation) as per the agreement dated 3rd January, 1977.

(a)	Being the excess assets over liabilities taken by the Company and credited to Capital Reserve Account in 1977.	Rs.	4,40,245
(b)	Tax refund and interest recovered relating to erstwhile said ICCL (In Members Voluntary Liquidation) for assessment years 1975-76 and 1976-77 and credited to Capital Reserve Account in 1978	Rs.	5,49,518
(c)	Outstanding dividends for the year 1970 and 1971 declared by the erstwhile ICCL (In Members Voluntary Liquidation) credited to the Capital Reserve Account in the year 1979.	Rs.	2,85,838
(d)	Outstanding fractional entitlement of Bonus Shares issued in the years 1954, 1956 and 1966 by the said erstwhile ICCL (in Member Voluntary Liquidation) credited to Capital Reserve Account in 1979.	Rs.	3,240
(e)	Surplus Tax Provision arising out of the Appellate Tribunal Judgement in favour of erstwhile said ICCL (in Members Voluntary Liquidation) in respect of the period from 1st January, 1972 to 20th September, 1972, the relative taxes having been paid by its successor Hindustan Copper Limited. The Income Tax Department's appeal before the Calcutta High Court against the aforesaid judgement has been disposed in favour of the Company	Rs.	20,00,000
		Rs.	32,78,841

SCHEDULE 23 (Contd.)

3. The amount of Rs. 1975430/- (Rs. 1,975,430) (Schedule 3) standing to the credit of Capital Suspence Account required to be converted into paid up equity capital of the Company by issue of 197543 (197,543) fully paid up Equity Shares of Rs. 10/- each for consideration other than cash to the resident stock holders of erstwhile ICCL holding 749860 (749,860) units of stock as and when they will surrender their stock certificattes as per the agreement dated 3rd January, 1977 entered into with the liquidators of said erstwhile ICCL (in Members' Voluntary Liquidation.)

4. In view of substantial losses and unreasonable demand by the Workers for higher Wages and Bonus, the factory of the Company and its Head Office at Medak, Andhra Pradesh has to face Lock-out w.e.f. March 21,2000. As a result of which a substantial portion of the companies records could not be taken out and produced to Auditors for their verification. However, these accounts are prepared on the basis of records and information available with the Company. The management has certified the required information in respect of Consumption of Stores, Raw Materials, Disbursement of Wages and Excise Duty, etc.

Besides the above, on a reference made by the Company to the Board of Industrial & Financial Reconstruction (BIFR) the Company was declared a Sick Industrial Unit. The said Board vide their order dated 25th September, 2000 had appointed the State Bank of India as its Operating Agency. The Company's scheme is under consideration of the said agency and the reports/orders are awaited.

Looking into the accumulated losses and circumstances noted above as well as the ability of the Company to continue as going concern, dependent upon the availability of continuing finance and its future profitability, these accounts have, however, been prepared on the basis that the Company is a going concern.

5. No provision is made in these accounts in respect of the following in view of the circumstances stated in Note No. 4 above :-

(A) Interest Payable —

(Rs. in Lacs)

- | | | |
|------|--|-------|
| i) | To Banks- Since Banks have not debited the interest & penal interest if any in the accounts after 31st March, 2000 | 83.87 |
| ii) | On unsecured Loan - since the request for waiver of interest is under consideration of the lenders | 23.53 |
| iii) | Pending final negotiation with raw Material suppliers | 23.55 |

- (B) (i) Payment of Gratuity, Leave encashment, Salary, Wages, Bonus & Retrenchment benefits, etc. for part of the year

- (ii) Detoriation in quality, if any, of Stores, Raw Materials, Finished & Semi Finished Goods and Machinery inside the Factory.

The actual quantum of such liability can not be determined at this stage.

6. In view of financial constraint faced by the Company Employer's Contribution towards Provident Fund & ESI aggregating to Rs. 13.37 Lacs including Employee's contribution Rs. 1.88 Lacs could not be deposited with the appropriate authority.
7. Pending assessment of Excise Duty - a provision has been made in accounts amounting to Rs. 60.63 Lacs approximately for the year but could not be paid due to sickness of the Company.
8. Physical verification of stores, Raw Materials, Finished and Semi Finished Goods, Fixed Assets could not be done during the year under review, in the circumstances mentioned in 'Note 4' above. The Internal Audit and cost Audit for the year also could not be done.

SCHEDULE 23 (Contd.)

9. In accordance with the consistent practice followed by the Company these accounts do not include any provision for Excise Duty in the region of Rs. 1.16 lacs (Rs. 4.11 lacs) in respect of finished goods and waste material which will become statutorily payable on subsequent clearance thereof. However this has no impact on the Profit/Loss of the Company.

10. Like previous year Modvat element has not been included in purchases, inventories and cost of production. However there is no impact on the year's results.

11. Estimated amount of Contract remaining to executed on Capital Contracts and not provided for Rs. 4, 155,801 (Rs. 4,155,801). Advances thereagainst Rs. 2,127,862.

12. Auditors' remuneration	2000	1999
	(Rs.)	(Rs.)
Audit fees	18,000	70,000
Tax audit fees	5,250	20,000
For other services	-	29,500
Out of pocket expenses	-	2,342
	<u>23,250</u>	<u>121,842</u>

13. (a) 287000, 12% Cumulative Redeemable Preference Shares of Rs. 100 each redeemable at par in three equal instalments during 2004-05, 2005-06 and 2006-07, have been issued to ICICI Limited on private placement basis in conversion of the term loan of Rs. 287,00,000 outstanding as on 31st March, 1999.

(b) Arrears of fixed cumulative dividends for the year ended 31st December, 2000 amount to Rs. 5,225,067 (Rs. 1,009,611).

14. ICICI Ltd. had provided a Term Loan to the Company in an earlier year since repaid, which was secured against the assets of the Company as described in Schedule 4 of the Accounts. However such charges still continues, as per the term of the agreement, to provide a loan of Rs. 250 lacs to a Body Corporate, to enable the Company to procure an Unsecured Loan to pay off said Term Loan to ICICI Ltd.

15. Sundry Creditors include Rs. 19.22 lacs (Rs. 23.25 lacs) due to SSI undertakings.

16. The accounts of the customer/suppliers are pending reconciliation/confirmation and the same has been taken as per balance appearing in the books.

17. The previous periods figures have been rearranged and/or regrouped wherever necessary for better presentation. Figures for the previous period relate to the nine months ended 31st December, 1999 and hence are not comparable with the figures for the current year ended on 31st December, 2000 and are shown in brackets.

18. INFORMATION PURSUANT TO THE PROVISION OF PARAGRAPHS 3 & 4 OF PART II TO SCHEDULE VI OF THE COMPANIES ACT, 1956 TO THE EXTENT PRESENTLY APPLICABLE TO THE COMPANY:-

	2000	1999
a) i) Licensed Capacity (Spindles)	25,000	25,000
ii) Installed Capacity (Spindles) (as certified by the management)	18,784	18,784

SCHEDULE 23 (Contd.)

		2000		1999	
		Qty.	Value	Qty.	Value
b)	Particulars as regards finished goods of yarn from man made fibre	Kg.	Rs.	Kg.	Rs.
i)	Opening Stock	140,160	15,943,387	266,438	27,702,979
ii)	Production	507,072	—	233,188	—
iii)	Closing Stock	13,477	1,402,290	1,40,160	15,943,387
iv)	Sales	633,425*	72,121,112	245,8162*	2,63,607,919
v)	Waste sales	—	19,664	—	70,698
* include 330 Kgs. (260 Kgs.) Shortage on account of free samples issued and/or loss in transit.					
		2000		1999	
		QUANTITY Kg.	VALUE Rs.	QUANTITY Kg.	VALUE Rs.
c)	Raw material consumed after taking into account Opening Stock. Purchases, Sales and Closing stock	458,782	33,988,994	238,876	17,08,45,704
		Rs.	%	Rs.	%
d)	Value of raw materials, stores and spares parts consumed :				
i)	Rawmaterials				
	Imported	—	—	—	—
	Indigenous	33,988,994	100.00	170,845,704	100.00
ii)	Stores and Spares parts				
	Imported	—	—	149,825	1.32
	Indigenous	1,818,776	100.00	11,217,364	98.68
			Rs.		Rs.
e)	Earnings in Foreign Exchange Exports on F.O.B. Basis		2,344,047		13,18,1696
f)	Consumption of stores and spare parts (Schedule 17 to accounts) excludes amounts debited to				
i)	Repairs to buildings		1,247		85,247
ii)	Repairs to machinery		436,068		3,553,223
iii)	Repairs to other		15,717		—
On behalf of the Board					
		G. D. Kothari		Chairman	
		K. K. Mohta		Director	

Information required pursuant to the provision of part IV to Schedule VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration details**

Registration no.	30796	State Code	21
Balance Sheet Date	31st December, 2000		

II. Capital raised during the year (amount in Rs. thousands)

Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private placement	28,700

III. Position of mobilisation and deployment of fund (amount in Rs. thousands)

Total liabilities (includes Shareholder's fund Rs. 91421)	286946	Total assets (includes miscellaneous expenditure of Rs. 148 & debit balance of Profit & Loss Account of Rs. 138,581)	286946
Sources of funds		Application of funds	
Paid-up capital (including Capital Suspense- Schedule 3)	85641	Net Fixed Assets (including Capital Work-in-Progress)	114620
Reserves & Surplus	5780	Investment	Nil
Secured Loans	74759	Current Assets	33597
Unsecured Loans	43479	Miscellaneous Expenditure	148
Current Liabilities & Provisions	77287	Accumulated Losses	138581

IV. Performance of Company (Amount in Rs. thousands)

Turnover	72,141	Total Expenditure (Net of Opening Stock Rs. 29,222)	95,336
Profit/(Loss) before tax	(45,768)	Profit/(Loss) after tax	(45,768)
Earning per share in Rs.	N.A.	Dividend rate % (Redeemable Preference Shares)	Nil

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

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

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2000
PURSUANT TO CLAUSE 32 OF LISTING AGREEMENT :**

	2000 (Rs.)	1999 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(Loss) before tax	(45,767,643)	(52,579,848)
Adjustment for		
Depreciation	8,409,345	11,435,071
Preliminary expenses written off	66,000	49,500
Interest Expenses	11,115,295	21,015,995
Interest Received	(205,077)	(413,100)
Provision for Doubtful Debts & Advances	683,113	453,380
Irrecoverable Balance Written Off	1,832,401	—
Profit/(loss) on sale of Fixed Assets	—	750,566
Operating Loss before working capital changes	<u>(23,866,566)</u>	<u>(19,288,436)</u>
Adjustment for		
Trade and other receivables	10,888,894	9,410,930
Inventories	24,669,873	16,920,308
Trade payables	<u>(14,816,644)</u>	<u>13,226,724</u>
Cash generated from operations	<u>(3,124,443)</u>	<u>20,269,526</u>
Direct Tax Paid	<u>(44,926)</u>	<u>(39,234)</u>
Cash Flow before extra-ordinary items	<u>(3,169,369)</u>	<u>20,230,292</u>
Extra-ordinary items	—	—
Net cash from Operation activities	<u>(3,169,369)</u>	<u>20,230,292</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (net)	(67,945)	(7,920,645)
Sale of fixed assets	—	245,000
Interest received	<u>2,243,531</u>	<u>456,301</u>
Net Cash used in investing activities	<u>2,175,586</u>	<u>(7,219,344)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	14,530,390	(21,914,834)
Dividend Paid/Capital increase	—	28,700,250
Interest Paid	<u>(15,144,557)</u>	<u>(21,169,327)</u>
Net Cash Used in Financing Activities	<u>(614,167)</u>	<u>(14,383,911)</u>
Net increase / (decrease) in cash and cash equivalents (A) + (B)+(C)	<u>(1,607,950)</u>	<u>(1,372,963)</u>
Opening cash & cash equivalents (Note (i) below)	2,082,181	3,455,144
Closing Cash & Cash equivalents (Note (i) below)	<u>474,231</u>	<u>2,082,181</u>
	<u>(1,607,950)</u>	<u>(1,372,963)</u>

Notes (i)	Represented by	2000 (Rs.)	1999 (Rs.)
	a) Cash in hand	9,763	241,343
	b) Balance with Banks	464,468	1,840,838
		<u>474,231</u>	<u>2,082,181</u>

ii) Figures for the current year ended 31st December, 2000 and hence are not comparable with the figures for the previous period nine months ended 31st December 1999

On behalf of the Board

Kolkata, 18th May, 2001

G. D. Kothari Chairman
K. K. Mohta Director

AUDITORS CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Shree Manufacturing Company Limited for the year ended 31st December, 2000 reported by us on even date. According to the information and explanations given, the aforesaid Cash Flow Statement read with the notes thereon, has been prepared pursuant to Clause 32 of Listing Agreement with Stock Exchanges and the reallocations required for the purpose are as made by the Company.

Dated, Kolkata 18th May, 2001

Sanjay K Maheswary
Partner
For and on behalf of
RASHMI & COMPANY
Chartered Accountants

SHREE MANUFACTURING COMPANY LIMITED
REGISTERED OFFICE : A-1, GILLANDER HOUSE, NETAJI SUBHAS RAOD
KOLKATA 700 001

PROXY FORM

I/we.....
of..... in the District of.....
being a member/members of **SHREE MANUFACTURING CO. LTD.** hereby appoint.....
of..... in the District of.....
day of Friday the 29th June 2001 of failing him.....
of..... in the District of.....

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday the 29th June 2001 at 4.00 p.m. and at any adjournment thereof.
Signed this day of 2001.

Signatures.....



Note : - This proxy form duly completed must reach the Registered Office of the Company not less than forty-eight hours before the time for holding the Meeting. The proxy need not be a member of the Company.

SHREE MANUFACTURING COMPANY LIMITED
REGISTERED OFFICE : A-1, GILLANDER HOUSE, NETAJI SUBHAS RAOD
KOLKATA 700 001

ATTENDANCE SLIP

Particulars (to be completed by the Members)

Name of Member :.....
(in block capitals)

Register Folio No. :..... No. of Shares held.....

Name of Proxy, if attending for Member :.....
(in block capitals)

I hereby record my presence at the ANNUAL GENERAL MEETING of the Company at Kolkata on Friday the 29th June 2001 at 4.00 p.m.

.....
Member's/Proxy Signature

NO GIFTS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING

If undelivered please return to :

SHREE MANUFACTURING COMPANY LTD

SECRETARIAL DEPT.

A-1, GILLANDER HOUSE,

NETAJI SUBHAS ROAD,

KOLKATA - 700 001