

Reliance Industries Limited

Annual Report 1985

Dhirbhai H. Ambani
(Chairman &
Managing Director)

BOARD OF DIRECTORS

Dhirubhai H. Ambani (Chairman & Director)
Ramniklal H. Ambani (Joint Managing Director)
K. Gopal Rao
Natvarlal H. Ambani (Executive Director)
Mukesh D. Ambani (Executive Director)
Jayantilal R. Shah
Mansingh L. Bhakta
R. V. Madhava Rao (Nominee Director, G.I.C.)
V. V. Divecha (Nominee)
T. Ramesh U. Pai
Anil D. Ambani (Executive Director)

SECRETARY

Vinod M. Ambani

SOLICITORS & ADVOCATES

Kanga & Co.
Dave & Co.

AUDITORS

Rajendra & Co.
Chaturvedi & Shah

BANKERS

Syndicate Bank
State Bank of India
Canara Bank
Bank of Baroda
Indian Bank
Standard Chartered Bank
European Asian Bank
Grindlays Bank plc.

REGISTRARS & TRANSFER AGENTS

Reliance Consultancy Services Limited
56, Mogra Village Lane
Off Old Nagardas Road
Andheri (East), Bombay-400 069

FINANCIAL HIGHLIGHTS

	(In million)	
	1985	
	Rs.	\$
Sales	7113.50	584.73
Other Income	49.39	4.06
	(A) 7162.89	588.79
Manufacturing Expenses	5830.45	479.76
Interest	244.47	20.10
	(B) 6074.92	499.36
Gross Profit (A)-(B)	(C) 1087.97	89.43
Depreciation	(D) 374.60	30.79
Net Profit (C)-(D)	713.37	58.64
WHAT THE COMPANY OWNED:		
FIXED ASSETS		
Gross Block	7356.86	604.74
Less: Depreciation (Cumulative)	1288.77	105.94
Net Block	6068.09	498.80
Investments	372.98	30.66
Current Assets	4020.96	330.52
	10462.03	859.98
WHAT THE COMPANY OWED:		
Long Term Funds	5151.62	423.46
Medium/Short Term Funds	819.05	67.33
Current Liabilities and Provisions	1380.19	113.45
	7350.86	604.24
NET WORTH OF THE COMPANY:		
Equity Share Capital	516.09	42.42
Preference Share Capital	58.00	4.77
Reserves and Surplus	2537.08	208.55
	3111.17	255.74

1984		1983		1982		1981	
Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
6042.74	484.02	5028.26	474.67	4063.31	417.10	3016.57	328.35
71.11	5.70	46.80	4.42	25.15	2.58	36.37	3.96
6113.85	489.72	5075.06	479.09	4088.46	419.68	3052.94	332.31
4934.97	395.29	4160.77	392.78	3465.83	355.77	2578.32	280.65
226.16	18.12	215.21	20.31	189.30	19.43	167.89	18.27
5161.13	413.41	4375.98	413.09	3655.13	375.20	2746.21	298.92
952.72	76.31	699.08	66.00	433.33	44.48	306.73	33.39
341.73	27.37	313.83	29.63	141.69	14.54	109.77	11.95
610.99	48.94	385.25	36.37	291.64	29.94	196.96	21.44
5309.29	425.27	3948.81	372.77	3567.08	366.16	1334.62	145.27
1046.44	83.82	734.18	69.31	421.00	43.22	279.01	30.37
4262.85	341.45	3214.63	303.46	3146.08	322.94	1055.61	114.90
1.70	0.14	1.21	0.12	1.21	0.13	0.70	0.08
2354.06	188.56	2151.93	203.14	1915.33	196.61	1565.49	170.40
6618.61	530.15	5367.77	506.72	5062.62	519.68	2621.80	285.38
2769.62	221.85	2399.91	226.55	2605.98	267.50	831.74	90.53
448.28	35.91	354.65	33.48	228.53	23.46	163.54	17.80
936.80	75.03	1314.43	124.08	1312.76	134.76	1055.53	114.90
4154.70	332.79	4068.99	384.11	4147.27	425.72	2050.81	223.23
461.80	36.99	361.51	34.13	185.95	19.09	166.74	18.15
58.00	4.65	58.00	5.48	58.00	5.95	3.00	0.32
1944.11	155.72	879.27	83.00	671.40	68.92	401.25	43.68
2463.91	197.36	1298.78	122.61	915.35	93.96	570.99	62.15

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting the 12th Annual Report together with the Audited Statement of Accounts for the year ended 31st December, 1985.

1. Financial Results: (In million)

	1985		1984	
	Rs.	\$	Rs.	\$
Gross Profit	1087.97	89.43	952.72	76.31
Of the above, the following Provisions and/or Appropriations have been made:				
(a) Depreciation	374.60	30.79	341.73	27.37
(b) Investment Allowance Reserve	228.00	18.74	291.50	73.35
(c) Taxation Reserve	100.00	8.22	—	—
(d) Differential Dividend pertaining to previous year	0.51	0.04	—	—
	<u>703.11</u>	<u>57.79</u>	<u>633.23</u>	<u>50.72</u>
There remains a balance of	384.86	31.64	319.49	25.59
Adding thereto:				
(a) Balance brought forward from previous year	149.09	12.25	21.23	1.70
(b) Transfer from Investment Allowance (Utilised) Reserve	—	—	3.04	0.24
Sub-total	<u>149.09</u>	<u>12.25</u>	<u>24.27</u>	<u>1.94</u>
Deducting therefrom net effect of reversal of interest capitalised (See Note No. 14 of Schedule 'N')	81.28	6.68	—	—
	<u>67.81</u>	<u>5.57</u>	<u>24.27</u>	<u>1.94</u>
	<u>452.67</u>	<u>37.21</u>	<u>343.76</u>	<u>27.53</u>
<i>Less: Recommended Dividends (subject to deduction of tax)</i>				
(a) On 11% Cumulative Redeemable Preference Shares	0.33	0.03	0.33	0.02
(b) On 15% Cumulative Redeemable Preference Shares	8.25	0.68	7.43	0.60
(c) On Equity Shares	<u>248.94</u>	<u>20.46</u>	<u>154.41</u>	<u>12.37</u>
	<u>257.52</u>	<u>21.17</u>	<u>162.17</u>	<u>12.99</u>
Retained Profits	195.15	16.04	181.59	14.54
<i>Less : Transferred to General Reserve</i>	50.00	4.11	32.50	2.60
Balance carried to Balance Sheet	<u>145.15</u>	<u>11.93</u>	<u>149.09</u>	<u>11.94</u>

2. Dividends:

Your Directors have recommended the following dividends (subject to deduction of tax) for the year ended 31st December, 1985, to be paid, if approved by the Shareholders at the ensuing Twelfth Annual General Meeting.

	(In million)	
	Rs.	\$
On Preference Shares:		
(a) A dividend of Rs. 11/- (\$ 0.90) per share on 30,000 Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each, fully Paid-up.	0.33	0.03
(b) A dividend of Rs. 15/- (\$ 1.23) per share on 5,50,000 Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each, fully Paid-up.	8.25	0.68
(A)	8.58	0.71
On Equity Shares:		
(a) A dividend at the rate of Rs. 5/- (\$ 0.41) per share on 4,61,79,669 Equity Shares of Rs. 10/- (\$ 0.82) each, fully paid-up	230.94	18.98
(b) A dividend at the rate of Rs. 3.35 (\$ 0.27) (pro-rata) per share on 53,33,333 Equity Shares of Rs. 10/- (\$ 0.82) each, fully paid-up.	17.90	1.47
(c) A dividend at the rate of Rs. 2.45 (\$ 0.20) (pro-rata) per share on 53,445 Equity Shares of Rs. 10/- (\$ 0.82) each, fully paid-up.	0.10	0.01
(d) A dividend at the rate of Rs. 0.20 (\$ 0.02) (pro-rata) per share on 42,871 Equity Shares of Rs. 10/- (\$ 0.82) each, fully paid-up Rs. 8,809(\$ 724).	—	—
(B)	248.94	20.46
TOTAL (A) + (B)	257.52	21.17

3. **Equity Shares for Debentures**

In view of persistent requests from some Debentureholders of Series I, II, III and IV who could not exercise their option for extinguishment of Debentures held by them within the time stipulated, your Company approached the Controller of Capital Issues Government of India, New Delhi, to extend the validity period of their permission. Your Company has, consequent to the necessary approvals, issued 96,316 Equity Shares of Rs. 10 (\$ 0.82) each, aggregating Rs. 96.30 (\$ 7.92) million to these Debentureholders. Your Directors are pleased to state that out of the total outstanding face value of Rs. 735.00 (\$ 60.42) million in the form of Debentures of Series I, II, III and IV, a sum of Rs. 723.20 (\$ 59.44) million have now been extinguished. The outstanding face value of these Debentures not being significant, the Board of Directors of the Company have proposed to redeem these Debentures and accordingly obtained an "in-principle" advice from the Controller of Capital Issues in this regard. Requisite resolutions seeking consent of the Shareholders and Debentureholders will be placed at their respective meetings to give effect to this.

In terms of the issuance of Debentures of Series 'E', the Company issued 53,33,333 Equity Shares of Rs. 10 (\$ 0.82) each at a premium of Rs. 40 (\$ 3.29) per Share to the holders of these Debentures upon partial conversion of the said Debentures on 30th April, 1985.

4. **Issuance of Secured Debentures-Series 'F'**

In order to finance a part of the capital expenditure for the enhancement of licenced capacity for the manufacture of Polyester Filament Yarn and for the establishment of new undertaking to manufacture Polyester Staple Fibre and Purified Terephthalic Acid at Patalganga, as also to augment long term resources of the Company for meeting its working capital requirements, the Company issued 15% Secured Redeemable Non-Convertible Debentures of Rs. 100 (\$ 8.22) each for-cash at par aggregating

Rs. 2700.00 (\$ 221.94) million, inter alia, to the Company's Shareholders, Debentureholders and Fixed Depositors. This Debenture Issue evoked unprecedented response both from resident and non-resident investors, the overall subscription exceeding a little over Rs. 3900.00 (\$ 320.58) million establishing yet another corporate record. Since the Company could retain only Rs. 2700.00 (\$ 221.94) million as per the permission granted by the Controller of Capital Issues, excess application money was refunded. As required by the Controller of Capital Issues, the Directors certify that the funds raised through these Debentures to the extent of Rs. 130.00 (\$ 10.69) million have been utilised only for working capital purpose and that these funds have not been diverted for other purposes.

5. Year in Retrospect

5.1 Overall Performance

The turnover during the year under review reached Rs. 7113.50 (\$ 584.73) million as against Rs. 6042.74 (\$ 484.02) million in the previous year, an increase of 17.72%. The gross profit also registered an increase of 25.58% viz. Rs. 1087.97 (\$89.43) million from Rs. 8(0.00 (\$ 68.89) million (being the comparable amount after reversing the interest that was capitalised in the previous year).

5.2 Textile Division

Water Jet Looms and Projectile Jacquard Weaving Machines installed in 1984 as a part of modernisation programme at Ahmedabad are smoothly functioning. The effluent treatment plant treating 4 million gallons of water per day costing Rs. 15.00 (\$1.23) million, the largest in the Textile Industry in India, was successfully commissioned. With a view to monitor treatment of effluent on a regular basis, the Company has reserved a plot of 1,500 Sq. Metres for growing cash crop by utilising this treated water. The first reports are encouraging.

The Company has since enhanced the diesel generating capacity to 13MW as a stand-by to meet any contingency of power shortage.

With the increased production the Company has opened additional retail outlets and the total now exceeds 1,500.

5.3 Fibre Division

5.3.1 Polyester Yarn Division

Your Company had received an endorsement to enhance the licenced capacity from 10,000 tonnes to 25,125 tonnes per annum. This has been implemented in the third quarter of 1985. With this, the Company's profitability will further improve.

5.3.2 Polyester Staple Fibre Project

Your Company commissioned in March, 1986, its Polyester Staple Fibre Plant at Patalganga (Maharashtra) with a licenced capacity of 45,000 tonnes per annum in technical collaboration with E.I.DU-PONT DE NEMOURS AND COMPANY, U.S.A., in a record time of less than 14 months from the date of issue of Letter of Intent.

The Company's plants for the manufacture of Polyester are basically designed to use solely Purified Terephthalic Acid (PTA) as a raw material from the beginning for producing better quality products.

The benefits arising from this project will be reflected in the accounting year 1986 onwards.

6. Projects under Implementation

6.1 Textile Division

The Company has taken on hand the modernisation of Knitting and Twisting Division involving a total outlay of Rs. 670.00 (\$ 55.07) million. The Company has already placed orders for imports of machinery of a value of Rs. 230.00 (\$ 18.91) million, the first of which consignment has already come and the balance are on way. The modernisation of this Division of Naroda Project would contribute to further improvement in the quality of fabrics, provide for an edge over competition, increase the turnover and improve profitability.

6.2 Fibre Intermediates Division

6.2.1 Purified Terephthalic Acid (PTA) Project

The Company has taken greater strides in speedily setting up its PTA Plant of licenced capacity of 75,000 tonnes per annum. The Project has progressed faster with the guidance of the technical collaborators, Messrs. Imperial Chemical Industries, U.K. and UOP Processes International Inc., U.S.A. The engineers from the collaborators are guiding our project on a continuous basis with an objective to commission the project by end of 1986.

On the project being commissioned, the Company will be producing this product for the first time in the country. The Company would thereby substantially save Foreign Exchange by way of import substitution as a part of a package of projects taken up for 'import substitution'.

6.2.2 Mono Ethylene Glycol (MEG) Project

As you are aware, the Company proposes to set up a project for manufacture of Mono Ethylene Glycol (MEG), a vital raw material required for the Polyester Industry, with a licenced capacity of 40,000 tonnes per annum. The Company has taken suitable steps for implementing this project.

6.3 Detergent Intermediates Division

6.3.1 Linear Alkyl Benzene (LAB) Project

As a part of the diversification programme, the Company has initiated first of such projects, viz. LAB for the manufacture of 50,000 tonnes per annum of raw material required for the manufacture of Synthetic Detergents. Presently there is an estimated demand for this product at 1,40,000 tonnes per annum. This is expected to improve upon the projected increase in the manufacture of Synthetic Detergents which has been accepted as a superior washing material to conventional soaps. This project is being set up in technical collaboration with UOP Processes International Inc., U.S.A. The Company has already taken adequate steps to speedily effect the commissioning of this project.

6.4 Plastics Division

The Company has received Letters of Intent for manufacture of High Density Polyethylene (HDPE) of 50,000 tonnes per annum and Poly Vinyl Chloride (PVC) of 1,00,000 tonnes per annum. These projects are proposed to be set up at Hazira, in the State of Gujarat. The Company is taking effective steps to implement these proposals.

7. Chemicals and Plastics Division of Union Carbide (India) Limited

On account of delays in obtaining various approvals for the takeover of the assets of the Chemicals and Plastics Division of Union Carbide (India) Limited, situated at Anik Chembur, Bombay, the Company called off that proposal with the consent of Union Carbide (India,) Limited.

8. Subsidiary Company

Devti Fabrics Limited, a Company incorporated earlier, has become the Subsidiary of the Company on 30th September, 1985 and has taken over the running business of the Sidhpur Unit with effect from 1st October, 1985.

In compliance with the provisions of Section 212 of the Companies Act, 1956, the audited Statement of Accounts along with the Directors' Report of Devti Fabrics Limited for the year ended 30th September, 1985, are annexed.

9. Research and Development

The Research and Development wing of the Company at Ahmedabad has worked on different projects such as Catalytic Fading of Disperse Dyes, Discharge/Resist Printing on Polyester and its blends, behaviour of Disperse Dyes during High Temperature Fixation and Acretic Size Recovery to reduce load on effluent.

At Patalganga, the Research and Development Division laid special emphasis for conservation of energy. It also worked on programmes for development of products such as octalobal yarn, trilobal yarn and flat yarn.

A sum of Rs. 1.10 (\$ 0.09) million has been spent towards capital expenditure during the year making the total capital expenditure to Rs. 26.60 (\$ 2.19) million so far on Research and Development facilities. A revenue expenditure of Rs. 10.70 (\$0.88) million has also been incurred during the year under review on research. and development. These amounts have been reflected under various heads in the Annual Accounts.

10. Insurance

All the properties and insurable interest of the Company including buildings, plant and machinery, stocks, wherever necessary and to the extent required, have been adequately insured.

11. Fixed Deposits

The Company's Fixed Deposit Scheme, inter alia, providing for acceptance of deposits under Cash Certificate Scheme, continues to enjoy support of the investing public.

Deposits of Rs. 1.60 (\$ 0.13) million which became due for repayment on or before, 31st December, 1985 were not claimed by the depositors as on that date. Of these, deposits of Rs. 0.70 (\$ 0.06) million have been repaid/renewed.

12. Personnel

Information as per sub-section (2-A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31st December, 1985 is annexed.

13. Directors

Shri R. L. Meswani, an Executive Director expired on 30th August, 1985. No.. words; can match the warmth of his presence in office. his pleasing manners, dexterity and above all, the dedicated support he gave to the Company. With profound grief, the Directors put on record the invaluable services rendered by late Shri R. L. Meswani from the inception of the Company as a Founder Director.

The Industrial Credit and Investment Corporation of India Limited has nominated Shri V. V. Divecha in place of their earlier nominee Shri R. R. Hirway who expired in May 1985. General Insurance Corporation of India Limited has also nominated Shri R. V. Madhava Rao in place of their earlier nominee Shri K. S. Shenoy. The Board of Directors have placed on record their grateful appreciation for the invaluable contributions made by the aforesaid Directors during their tenure as Directors in the Company.

Shri N. H. Ambani, Shri A. D. Ambani and Shri M. D. Ambani, Executive Directors of the Company, retire by rotation as required by the Companies Act, 1956 and as per the provisions in the Articles of Association of the Company and are eligible for re-appointment.

14. Auditors

Messrs. Rajendra & Company and Messrs. Chaturvedi & Shah, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received certificates from these Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1) of the Companies Act. 1956.

Shri Rajendra J. Shah, Proprietor of Messrs. Rajendra & Company, Chartered Accountants and a joint Auditor of the Company is a relative of Shri Jayantilal R. Shah, a Director of the Company. Your attention is, therefore, invited to the Explanatory Statement to item No. 7 annexed to the Notice convening the 12th Annual General Meeting.

The Notes to the Accounts Nos. 8 and 14 referred to' in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

15. Cost Auditor

The Central Government has directed that an audit of the cost accounts maintained by the Company for the year ended 31st December 1985 relating to the manufacturing activities at-Sidhpur be carried out. Pursuant to Section 233-B of the Companies Act, 1956, Shri Kaushik K. Shah, a practising Cost Account a was appointed as Cost Auditor to conduct the cost audit.,

16. Appreciation

Your Directors' acknowledge with. gratitude' the co-operation and assistance given by the Financial Institutions,. Banks and Investors during the year under review.

Your Directors wish to place on record their deep sense of appreciation of the devoted services rendered by executives, staff and workers of the Company for its success

For and on behalf of the Board

R. H. AMBANI
Joint Managing Director

Bombay
Dated: 4th April, 1986

M. L. BHAKTA
Director

BALANCE SHEET AS AT 31ST DECEMBER, 1985

(in Million)

		1985				1984			
	Schedule	Rs.	\$	Rs.	\$	Rs.	1 \$	Rs.	\$
SOURCES OF FUNDS:									
Shareholders' Funds:									
Capital	'A'	574.09	47.19			519.80	41.64		
Reserves and Surplus	'B'	2537.08	208.55			1944.11	155.72		
				3111.17	255.74			2463.91	197.36
Loan Funds:									
Secured Loans	'C'	5537.40	455.17			1992.28	159.58		
Unsecured Loans	'D'	819.05	67.33			448.28	35.91		
				6356.45	522.50			2440.56	195.49
Total				9467.62	778.24			4904.47	392.85
APPLICATION OF FUNDS:									
Fixed Assets:									
Gross Block		7356.86	604.74			5309.29	425.27		
Less: Depreciation		1288.77	105.94			1046.44	83.82		
Net Block	'E'			6068.09	498.80			4262.85	341.45
Investments	'F'			372.98	30.66			1.70	0.14
Current Assets, Loans and Advances:									
Current Assets:									
Inventories	'G'	1475.86	121.32			1277.59	102.34		
Sundry Debtors		1094.12	89.94			917.15	73.46		
Cash and Bank Balances		1263.48	103.86			90.05	7.21		
Other Current Assets		4.58	0.37			1.87	0.15		
		3838.04	315.49			2286.66	183.16		
Loans and Advances	'H'	182.92	15.03			67.40	5.40		
		4020.96	330.52			2354.06	188.56		
Less: Current Liabilities and Provisions:	'I'								
Liabilities		735.54	60.46			1548.48	124.03		
Provisions		258.87	21.28			165.66	13.27		
		994.41	81.74			1714.14	137.30		
Total				3026.55	248.78			639.92	51.26
Total				9467.62	778.24			4904.47	392.85
Notes and Contingent Liabilities	'N'								

As per our Report of even date

For **RAJENDRA & CO.**
Chartered Accountants

R. J. SHAH
Proprietor

BOMBAY,
Dated: 4th April, 1986.

For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

For and on behalf of the Board

R. H. AMBANI Joint Managing Director

K. GOPAL RAO
J. R. SHAH
M. L. BHAKTA
V. V. DIVECHA } Directors

N. H. AMBANI
M. D. AMBANI
A. D. AMBANI } Executive Directors

V. M. AMBANI Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1985

(In million)

		1985				1984		
	Schedule	Rs.	\$	Rs.	\$	Rs.	\$	
INCOME:								
Sales (Net)		7113.50	584.73			6042.74	484.02	
Other Income	'J'	49.39	4.06			71.11	5.70	
Increase/Decrease in stocks	'K'	135.00	11.10			(-92.89)	(-7.44)	
				7297.89	599.89		6020.96	482.28
EXPENDITURE:								
Purchases		532.53	43.77			586.93	47.01	
Manufacturing and other expenses	'L'	5432.92	446.59			4255.15	340.84	
Interest	'M'	244.47	20.10			226.16	18.12	
Depreciation		374.60	30.79			341.73	27.37	
				6584.52	541.25		5409.97	433.34
Profit for the year				713.37	58.64		610.99	48.94
Balance as per last Balance Sheet				149.09	12.25		21.23	1.70
Transfer from Investment Allowance, (Utilised) Reserve				—	—		3.04	0.24
Excess Provision for Directors' Remuneration (Rs. 42,493) (\$ 3493) (Previous Year Rs. Nil) (\$ Nil) written back				—	—		—	—
				862.46	70.89		635.26	50.88
<i>Less:</i> Net effect of reversal of capitalisation of Interest on Fixed Assets (Refer Note No. 14 of Schedule 'N').				81.28	6.68		—	—
				781.18	64.21		635.26	50.88
APPROPRIATIONS:								
Differential Dividend pertaining to Previous Year		0.51	0.04			—	—	
Transfer to Taxation Reserve (Refer Note No. 15 of Schedule N)		100.00	8.22			—	—	
Transfer to Investment Allowance Reserve		228.00	18.74			291.50	23.35	
Proposed Dividend (subject to 'tax') on: Preference Shares		8.58	0.71			7.76	0.62	
Equity Shares		248.94	20.46			154.41	12.37	
Transfer to General Reserve		50.00	4.11			32.50	2.60	
				636.03	52.28		486.17	38.94
Balance carried to Balance Sheet				145.15	11.93		149.09	11.94
Notes and Contingent Liabilities	'N'							

As per our Report of even date

For **RAJENDRA & CO.**
Chartered Accountants

R. J. SHAH
Proprietor

BOMBAY,
Dated: 4th April, 1986.

For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

For and on behalf of the Board

R. H. AMBANI Joint Managing Director

K. GOPAL RAO
J. R. SHAH
M. L. BHAKTA
V. V. DIVECHA } Directors

N. H. AMBANI
M. D. AMBANI
A. D. AMBANI } Executive Directors

V. M. AMBANI Secretary

Schedule - 'A' forming part of the Balance Sheet

(in million)

SHARE CAPITAL		1985		1984	
		Rs.	\$	Rs.	\$
Authorised:					
7,50,00,000	Equity Shares of Rs. 10/- (\$ 0.82) each	750.00	61.65	750.00	60.07
30,000	11% Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each	3.00	0.25	3.00	0.24
5,50,000	15% Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each	55.00	4.52	55.00	4.41
4,20,000	Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each	42.00	3.45	42.00	3.36
		850.00	69.87	850.00	68.08
Issued & Subscribed:					
5,16,09,318	Equity Shares of Rs. 10/- (\$ 0.82) each fully paid-up	516.09	42.42	461.35	36.95
30,000	11% Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each fully paid-up (Redeemable at any time after 16th March 1990 but not later than 15th March 1993)	3.00	0.25	3.00	0.24
5,50,000	15% Cumulative Redeemable Preference Shares of Rs. 100/- (\$ 8.22) each fully paid-up (Redeemable at any time after 31st December 1994 but not later than 31st December 1997)	55.00	4.52	55.00	4.41
	Equity Shares of Rs. 10/- (\$ 0.82) each fully paid up (45,005 Equity Shares of Previous Year pending allotment on account of consolidation of fractional coupons)	—	—	0.45	0.04
		574.09	47.19	519.80	41.64

Of the above Equity Shares:

- (1)
 - (a) 1,56,62,923 Shares were allotted as fully paid-up Bonus shares by capitalisation of Share Premium and Reserves.
 - (b) 60,33,372 Shares were allotted as fully paid-up pursuant to Schemes of Amalgamation, without payments being received in cash.
 - (c) 1,67,12,278 Shares were allotted as fully paid-up shares on conversion of Debentures and Term Loans.
 - (d) 1,01,24,675 Shares were issued in lieu of surrender of non-convertible portion of Debentures of Series I, II, III and IV.
 - (e) 44,941 Shares (including shares by way of Bonus) are reserved for allotment to some of the shareholders/purported transferees of Shares of erstwhile Sidhpur Mills Company Limited (hereinafter referred as 'SMCL') pending necessary approval of the concerned authorities/Gujarat High Court.
- (2) The Company will be required to issue and allot additional 18,667 Equity Shares of Rs. 10/- (\$ 0.82) each at a premium of Rs. 15/- (\$ 1.23) per share to the shareholders of erstwhile 'SMCL' as Right shares if the High Court of Bombay so decides..

Schedule - `B' forming part of the Balance Sheet

(In million)

RESERVES AND SURPLUS:		1985				1984		
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Capital Reserve :								
As per last Balance Sheet	0.34	0.03			0.34	0.03		
<i>Less:</i> Adjusted against Goodwill Account	<u>0.34</u>	<u>0.03</u>			<u>—</u>	<u>—</u>		
			—	—			0.34	0.03
Share Premium Account:								
As per last Balance Sheet	624.80	51.36			8.77	0.70		
<i>Add:</i> Additions during the year :								
On Conversion of Debentures of 'E' Series	213.33	17.53			—	—		
On Surrender of Debentures (Refer Note No. 13 of Schedule W)	<u>5.92</u>	<u>0.49</u>	844.05	69.38	<u>616.03</u>	<u>49.34</u>	624.80	50.04
Development Rebate Reserve:								
As per last Balance Sheet	0.96	0.08			2.79	0.22		
<i>Less:</i> Transferred to General Reserve	<u>0.96</u>	<u>0.08</u>			<u>1.83</u>	<u>0.14</u>	0.96	0.08
			—	—				
Investment Allowance Reserve.								
As per last Balance Sheet	291.50	23.96			277.50	22.23		
<i>Less:</i> Utilised for purchase of Machinery during the year -transferred to Investment Allowance (Utilised) Reserve	<u>291.50</u>	<u>23.96</u>			<u>277.50</u>	<u>22.23</u>		
<i>Add:</i> Transferred from Profit and loss Account	228.00	18.74			291.50	23.35		
			228.00	18.74			291.50	23.35
Investment Allowance (Utilised) Reserve:								
As per last Balance Sheet	539.98	44.39			265.52	21.27		
<i>Add:</i> Transferred from Investment Allowance Reserve	<u>291.50</u>	<u>23.96</u>			<u>277.50</u>	<u>22.23</u>		
	831.48	68.35			543.02	43.50		
<i>less:</i> Transferred to Profit and Loss Account (in respect of assets sold within the prescribed period)	<u>—</u>	<u>—</u>			<u>3.04</u>	<u>0.25</u>		
			831.48	68.35			539.98	43.25
Taxation Reserve:								
Transferred from Profit and Loss Account			100.00	8.22			—	—
General Reserve:								
As per last Balance Sheet	337.44	27.74			303.11	24.28		
<i>Add:</i> Amount transferred from:								
Development Rebate Reserve	0.96	0.08			1.83	0.15		
Profit and Loss Account	<u>50.00</u>	<u>4.11</u>			<u>32.50</u>	<u>2.60</u>		
			388.40	31.93			337.44	27.03
Profit and Loss Account			145.15	11.93			149.09	11.94
			2537.08	208.55			1944.11	155.72

Schedule - 'C' Forming part of the Balance Sheet

(In million)

SECURED LOANS				1985		1984		
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
A. Working Capital Loans:								
From Banks			380.04	31.24			285.09	22.84
B. Working Capital Term Loans:								
From a Bank			5.74	0.47			17.07	1.36
C. Debentures:								
i) 11% Privately-placed Debentures of Rs. 1000/- (\$ 82.2) each fully paid	3.50	0.29			3.50	0.28		
<i>Less:</i> Converted/Redeemed	3.50	0.29			2.80	0.22		
	<u>—</u>	<u>—</u>			<u>0.70</u>	<u>0.06</u>		
ii) 11% Privately-placed Debentures of Rs. 1000/- (\$ 82.2) each fully paid	5.50	0.45			5.50	0.44		
<i>Less:</i> Converted/Redeemed	5.50	0.45			3.38	0.27		
	<u>—</u>	<u>—</u>			<u>2.12</u>	<u>0.17</u>		
iii) 11% Convertible Mortgage Debentures of Rs. 500/- (\$ 41.1) each fully paid (Series-I) Balance amount is redeemable at par in five, annual instalments between 25th October, 1987 and 25th October 1991	70.00	5.76			70.00	5.61		
<i>Less:</i> Converted/Surrendered'	68.93	5.67			68.38	5.48		
	<u>1.07</u>	<u>0.09</u>			<u>1.62</u>	<u>0.13</u>		
iv) 12% Convertible Mortgage Debentures of Rs. 125/- (\$ 10.27) each fully paid (Series 11) Balance amount is redeemable at par in five annual instalments between 14th November, 1988 and 14th November 1992	108.00	8.88			108.00	8.65		
<i>Less:</i> Converted/Surrendered	106.88	8.79			106.21	8.51		
	<u>1.12</u>	<u>0.09</u>			<u>1.79</u>	<u>0.14</u>		
v) 13.5% Convertible Mortgage Debentures of Rs. 125/- (\$ 10.27) each fully paid (Series 111) Balance amount is redeemable at par in four annual instalments between 23rd June 1990 and 23rd June, 1993	240.00	19.73			240.00	19.22		
<i>Less:</i> Converted/Surrendered	234.89	19.31			232.64	18.63		
	<u>5.11</u>	<u>0.42</u>			<u>7.36</u>	<u>0.59</u>		
Carried forward	7.30	0.60	385.78	31.71	13.59	1.09	302.16	24.20

Schedule - 'C' (Contd.)

(In million)

			1985				1984	
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Brought forward	7.30	0.60	385.78	31.71	13.59	1.09	302.16	24.20
vi) 13.5% Convertible Secured Debentures of Rs. 125/- (\$ 10.27) each, fully paid (Series-IV). Balance amount is redeemable at par at the end of 15th June 1994 with an option to repay these amounts in one or more instalments by drawing lots at any time after the end of 15th June 1991	500.00	41.10			500.00	40.05		
Less: Converted/Surrendered	495.50	40.73			492.08	39.42		
	<u>4.50</u>	<u>0.37</u>			<u>7.92</u>	<u>0.63</u>		
vii) 13.5% Convertible Secured Debentures of Rs. 150/- (\$ 12.33) each, fully paid (Series 'E') Balance amount is redeemable at par at the end of 10th December 1996 with an option to repay these amounts in one or more instalments by drawing lots at any time after the end of 10th December 1993.	800.00	65.76			800.00	64.08		
Less: Converted	266.67	21.92			—	—		
	<u>533.33</u>	<u>43.84</u>			<u>800.00</u>	<u>64.08</u>		
viii) 15% Non-Convertible Secured Debentures of Rs. 100/- (\$ 8.22) each (Series 'F') (Refer Note No. 7 below)	2700.00	221.94			—	—		
			3245.13*	266.75			821.51	65.80
*Includes Debentures of Rs. 0.70 (\$ 0.06) million held by Directors								
D. TERM LOANS:								
1. From Banks:								
(a) Foreign Exchange Loan in Euro-Currency at floating rate	617.18	50.73			222.16	17.80		
(b) Loan from State Bank of India, New York, Exim Bank U.S.A. Line of Credit, Private Export Funding Corporation of U.S.A. and Sanva Bank Ltd., Tokyo, Japan-	199.70	16.41			264.33	21.17		
(c) Rupee Loans	27.84	2.29			38.67	3.10		
	<u>844.72</u>	<u>69.43</u>			<u>525.16</u>	<u>42.07</u>		
Carried forward	844.72	69.43	3630.91	298.46	525.16	42.07	1123.67	90.00

Schedule - 'C' (Contd.)

(In million)

	1985				1984			
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Brought forward	844.72	69.43	3630.91	298.46	525.16	42.07	1123.67	96.00
2. From Financial Institutions:								
(a) Foreign Currency Loans	960.18	78.93			200.48	16.06		
(b) Rupee Loans	18.23	1.50			21.91	1.76		
	<u>978.41</u>	<u>80.43</u>			<u>222.39</u>	<u>17.82</u>		
3. From Others:								
(a) Lazard Brothers & Co. Ltd., London	16.95	1.39			28.64	2.29		
(b) Housing Development Finance Corporation Ltd.	6.19	0.51			—	—		
	<u>23.14</u>	<u>1.90</u>			<u>28.64</u>	<u>2.29</u>		
			1846.27	151.76			776.19	62.18
E. BRIDGE LOANS:								
1. From a Financial Institutions	—	—			11.90	0.95		
2. From Housing Development Finance Corporation Limited	—	—			4.00	0.32		
	<u>—</u>	<u>—</u>			<u>—</u>	<u>—</u>	15.90	1.27
F. DEFERRED PAYMENT LIABILITIES								
To Foreign Machinery Suppliers (Guaranteed by Banks and a Financial Institution)			60.22	4.95			76.52	6.13
			5537.40	455.17			1992.28	159.58

NOTES:

Of the above:

- Working Capital Loans from Banks are secured against hypothecation of present and future stock of raw materials, stock-in-process, finished goods, spares and stores, book debts, outstanding monies and receivable claims.
- Working Capital Term Loans represent working capital facilities originally granted by Bank of Baroda to the Sidhpur Mills Company Limited (amalgamated with the Company). In terms of the Scheme of Amalgamation, a portion of the said facilities to the extent not covered by securities for Working Capital Loans is to be converted into Term Loans, amount whereof is to be determined. Amount of the said Term Loan is to be secured by way of large on the Fixed Assets situate at Sidhpur in the state of Gujarat.
- Debentures referred to in C(iii) are secured by mortgage of deposit of title deeds on the properties both situate at Baroda, District Ahmedabad, in the state of Gujarat and Patalganga, District Raigad, in the state of Maharashtra.
 - Debentures referred to in C(iv), (vi) and (viii) and Term Loans referred to in D(1)(c) to the extent of Rs. 3.16 (\$ 0.26) million, D(2)(a) to the extent of Rs. 5.13 (\$ 0.42) million and D(2)(b) to the extent of Rs. 18.23 (\$ 1.50) million, are secured by legal mortgage in English form on the properties situate at Naroda, District Ahmedabad in the state of Gujarat and mortgage by deposit of title deeds on the properties at Patalganga, District Raigad, in the state of Maharashtra.
 - Debentures referred in C(vii) are secured by legal mortgage in English form on the properties situate at Naroda, District Ahmedabad, in the state of Gujarat. These Debentures alongwith cumulative interest payable on the debentures referred to in C(viii) shall rank subsequent to the charges created/to be created by the Company in favour of:
 - Trustee/Agents and Trustees for the holders of Debentures referred to in C(iii), C(iv), C(v) C(vi) and C(viii) and
 - Other financial institutions/banks for their outstanding loans/guarantees and shall rank, pari passu with the Debentures referred in C(viii).
- Debentures referred in CM, Term Loans referred in D(1)(a) to the extent of Rs. 432.56 (\$ 3.55) million, D(1)(b), D(1)(c) to the extent of Rs. 18.75 (\$ 1.54) million, D(2)(a) to the extent of Rs. 955.05 (\$ 78.50) million, D(3)(a), and deferred payment liabilities in F are secured by deposit of title deeds on the properties situate at Patalganga, District Raigad in the state of Maharashtra and are to be secured on the properties at Naroda, District Ahmedabad in the state of Gujarat.

Schedule - 'C' (Contd.)

5. **Term Loans referred in:**
- (a) D(1)(a) to the extent of Rs. 184.62 (\$ 15.17) million are secured exclusively by hypothecation of specific items of plant and machinery situate at Naroda and Patalganga.
- (b) D(1)(c) to the extent of Rs. 5.93 (\$ 0.49) million are secured/to be secured by hypothecation of all moveable machinery including all stock and spare parts both present and future situate only at Sidhpur. The charges shall rank pari passu inter se with the charge referred in Note 2.
- (c) D(3)(b) are to be secured by a charge on the residential quarters situate at Panvel, District Raigad, in the state of Maharashtra.
6. The charges created/to be created on the Debentures, term loans, and deferred payment liabilities referred to in (c). (d) and (0 above would rank pari passu, inter se, save and except:
- (i) Debentures referred in C(vii) and cumulative interest payable on Debentures referred in C(viii) relating to cumulative interest payments scheme.
- (ii) Term loans referred in D(1)(a) D(1)(c) to the extent of Rs. 184.62 (\$ 15.17) million and Rs. 5.93 (\$ 0.49) million respectively subject to the prior charges on the current assets in favour of the Banks for working capital facility.
- (a) The Debentures referred in C(viii) above are redeemable at a premium of 5% of the face value of each Debenture. Of the aforesaid Debentures, the Debentures issued under non-cumulative interest payment scheme are redeemable on 30th September, 1992 and the Debentures issued under cumulative interest payment scheme are redeemable in three yearly instalments commencing from 30th September, 1992 by draw of lots.
- (b) The Company is required to buy back at par the said Debentures provided; (i) The face value of the total holding of the debentureholder in each case does not exceed Rs. 40,000 (\$ 3,288) and (ii) The debentureholder has held the debentures for a period of not less than one year on the date of his offer. The Company can re-issue at par such bought-back debentures.
- (c) The Debentures referred in C(viii) includes, 97,47,320 Debentures reserved for allotment to non-resident Indians since permission received subsequently.

Schedule - 'D' forming part of the Balance Sheet

	(In million)			
	1985		1984	
UNSECURED LOANS	Rs.	\$	Rs.	\$
Fixed Deposits [Including Cash Certificates of Rs. 115.62 (\$ 9.50) million] From Unit Trust of India	697.92*	57.37*	446.95	35.80
Advance against debentures to be privately placed with Unit Trust of India, pending approval of concerned Authorities	121.13	9.96	—	—
From Scheduled Banks				
Overdrawn balance in Current Accounts (As per Books of Accounts)	—	—	1.33	0.11
	819.05	67.33	448.28	35.91

*Includes deposits of Rs. 235.50 (\$ 19.36) million, repayable within one year.

Schedule - 'E' forming part of the Balance Sheet

(In million)

FIXED ASSETS

NATURE OF FIXED ASSETS	GROSS BLOCK (AT COST)			DEPRECIATION		NET BLOCK	
	As at 1.1.85	Additions/ transfers	Deductions/ transfers	As at 31.12.85	Total upto 31.12.85	As at 31.12.85	As at 31,12.84
Goodwill	Rs. 12.62	—	0.34	12.28	—	12.28	12.62
	\$ 1.04	—	0.03	1.01	—	1.01	1.01
Leasehold Land	Rs. 31.78	15.32	—	47.10	—	47.10	31.78
	\$ 2.61	1.26	—	3.87	—	3.87	2.54
Freehold land	Rs. 1.15	—	—	1.15	—	1.15	1.15
	\$ 0.10	—	—	0.10	—	0.10	0.09
Buildings	Rs. 416.66	144.57	54.23	507.00	32.45	474.55	390.00
	\$ 34.25	11.88	4.46	41.67	2.67	39.00	31.23
Railway Siding	Rs. 0.05	—	0.05	—	—	—	—
	\$ 0.01	—	0.01	—	—	—	—
Plant & Machinery	Rs. 4547.71	2042.75	1245.45	5345.01	1221.10	4123.91	3555.35
	\$ 373.82	167.91	102.37	439.36	100.37	338.99	284.78
Electric Installation	Rs. 70.56	106.96	7.11	170.41	12.97	157.44	60.71
	\$ 5.80	8.79	0.58	14.01	1.07	12.94	4.86
Factory Equipments	Rs. 33.28	7.03	1.41	38.90	6.19	32.71	28.51
	\$ 2.74	0.58	0.12	3.20	0.51	2.69	2.29
Furniture & Fixtures	Rs. 73.53	23.34	0.46	96.41	12.65	83.76	63.91
	\$ 6.04	1.92	0.04	7.92	1.04	6.88	5.13
Vehicles	Rs. 13.52	7.32	1.91	18.93	3.41	15.52	10.36
	\$ 1.11	0.60	0.15	1.56	0.28	1.28	0.83
Capital Expenditure pending allocation and advance against Capital Expenditure	Rs. 108.43	1119.67	108.43	1119.67	—	1119.67	108.43
	\$ 8.91	92.04	8.91	92.04	—	92.04	8.69
	Rs. 5309.29	3466.96	1419.39	7356.86	1288.77	6068.09	4262.85
	\$ 436.43	1284.98	116.67	604.74	105.94	498.80	341.45
Previous Year	Rs. 4057.24	1935.81	683.76	5309.29	1046.44	4262.85	
	\$ 324.98	155.06	54.77	425.27	83.82	341.45	

NOTES:

- (a) Leasehold Land includes Rs. 6.95 (\$ 0.57) million in respect of which lease-deeds are pending execution. No write-off has been made in respect of lease-premium paid for leasehold land since the grant of lease is for a long period.
- (b) Buildings includes (i) under-construction Rs. 147.77 (\$ 12.15) million and (ii) cost of ownership premises in Co-operative Societies Rs. 2.34 (\$ 0.19) million.
- (c) Plant and Machinery includes (i) Rs. 1296.19 (\$ 106.55) million under-installation and (ii) Rs. 44.71 (\$ 3.67) million in-transit.
- (d) Electric installation includes Rs 39.79 (\$ 3.27) million under-installation.
- (e) Factory Equipments includes Rs. 3.11 (\$ 0.26) million under-installation.
- (f) Furniture and Fixtures includes Rs. 1.08 (\$ 0.09) million against work-in-progress.
- (g) Capital Expenditure pending allocation consists Rs. 737.61 (\$ 60.63) million on account of Advance against Capital expenditure [previous year Rs. 107.89 (\$ 8.87) million] and Rs. 382.03 (\$ 31.40) million on -account of pre-operative expenses as per Note No. 16 of Schedule 'N'.
- (h) Depreciation is provided in -accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956. Depreciation in respect of Fixed Assets installed. and put to use during the year is charged on pro rata basis with reference to the period of use.
 - (i) Deductions includes Rs. 1272.08 (\$ 104.56) million on account of reversal of capitalisation of interest (Refer Note No. 14 of Schedule W) and Rs. 13.90 (\$ 1.14) million on account of transfer/sale of certain assets to Devti Fabrics Limited, a wholly owned subsidiary of the Company.
 - (j) Additions during the year includes assets -acquired of Rs. 1.07 (\$ 0.09) million for Research and Development.

Schedule 'F' forming part of the Balance Sheet

INVESTMENTS (AT COST)	1983		1985		1984	
	Rs.	\$	Rs.	\$	Rs.	\$
Government and Other Securities						
Quoted						
3% Conversion Loan of 1946 - [face value Rs. 47,000 (\$ 3,863.40) (Deposited with Central Excise Collectorate)]	28,000	2,301.60			28,000	2,242.80
Unquoted						
7 Years National Savings Certificate (face value Rs. 20,100) (\$ 1652.22) (Deposited with Central Excise Collectorate)	20,100	1,652.22			79,100	6,335.91
	<u>20,100</u>	<u>1,652.22</u>	48,100	3,953.82	<u>79,100</u>	<u>6,335.91</u>
					1,07,100	8,578.71
Trade Investments - Unquoted:						
6 Equity Shares of New Piece Goods Bazar Co. Ltd. of Rs. 1000/- (\$ 82.20) each, fully paid-up	17,000	1,397.40			17,000	1,361.70
5 Equity Shares of Bombay Gujarat Art Silk Vepari Mahajan Co-operative Shops & Warehouses Society Ltd. of Rs. 200/- (\$ 16.44) each, fully paid up	1,000	82.20			1,000	80.10
165 Shares of The Art Silk Co-operative. Limited of Rs. 100/- (\$ 8.22) each fully paid-up	16,500	1,356.30			16,500	1,321.65
225 Shares of Crimpers Industrial Co-operative Society Limited of Rs. 100/- (\$ 8.22) each, Rs. 25/- (\$ 2.05) per share paid-up	5,625	462.38			5,625	450.56
20 Shares of the Bombay Market Art Silk Co-operative (Shops and Warehouses) Society Ltd., of Rs. 200/ (\$ 16.44) each, fully paid-up	4,000	328.80			4,000	320.40
4,980 Shares of Hindustan Oil Exploration Co. Ltd. of Rs. 100/- (\$ 8.22) each, fully paid-up	4,98,000	40,935.60			4,98,000	39,889.80
	<u>4,98,000</u>	<u>40,935.60</u>	5,42,125	44,562.68	<u>4,98,000</u>	<u>39,889.80</u>
					5,42,125	43,424.21
In Subsidiary Company						
(Body Corporate under the same Management)						
2,10,070 Equity Shares of Devti Fabrics Limited, of Rs. 10/- (\$ 0.82) each, fully paid-up			21,00,700	1,72,677.54		
Carried forward			26,90,925	2,21,194.04		6,49,225 52,002.92

Schedule - 'F' (Contd.)

INVESTMENTS (AT COST) 1985 1984

	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Brought forward			26,90,925	2,21,194.04			6,49,225	52,002.92

Other Investments.

(i) In Shares

Quoted:

5,000 Equity Shares of Housing Development Finance Corporation Ltd. of Rs. 100/- (\$ 8.22) each,

fully paid-up 5,00,000 41,100.00 5,00,000 40.050.00

1,000 Equity Shares of Air Control & Chemicals Engineering Co. Ltd., of Rs. 100/- (\$ 8.22) each, fully paid-up 55,000 4,521.00 55,000 4.405.50

3,332 Equity Shares of The Industrial Credit & Investment Corporation of India Ltd., of Rs. 100/- (\$ 8.22) each, fully paid-up 3,33,200 27,389.04 — —

8,88,200 **73,010.04** 5,55,000 44,455.50

(ii) In Units

Unquoted :

2,82,50,000 Units of Unit Trust of India of Rs. 10/- (\$ 0.82) each

36,92,32,911 **3,03,50,945.28**

(iii) In Debentures

Quoted:

1,666 14% Unsecured Convertible Debentures of The Industrial Credit & Investment Corporation of India Ltd. of Rs. 100/- (\$ 8.22) each, fully paid-up

1,66,600 **13,694.52** 4,99,800 40,033.90

37,29,78,636 **3,06,58,843.88** 17,04,025 1,36,49

(In million)

Aggregate Value of **1985** 1984

	Book	Value	Market	Value	Book	Value	Market	Value
	Rs.	\$	Rs.	\$	Rs.	\$	RS.	\$
Quoted Investments	1.08	0.09	0.96	0.08	1.08	0.09	0.96	0.08
Unquoted Investments	371.90	30.57	—	—	0.62	0.05	—	—

During the year, the Company purchased 4,84,00,000 Units [face value Rs. 10/- (\$ 0.82) each] of Unit Trust of India for Rs. 632.56 (\$ 52.00) million and sold 2,01,50,000 Units for Rs. 275.68 (\$ 22.66) million. The Company also purchased 8% Loan 2011 of Government of India -and 11.5% Central Loan 2015 for Rs. 150.17 (\$ 12.34) million. and Rs. 49.72 (\$ 4.09) million respectively and has sold the same for Rs. 150.70 (\$ 12.39) million and Rs. 49.89 (\$ 4.10) million respectively.

Schedule - 'G' forming part of the Balance Sheet

(in million)

CURRENT ASSETS	1985				1984			
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Inventories (at cost-except otherwise stated) (Certified and valued by the Management)								
Stores, Spares, Dyes, Chemicals, etc.	161.40	13.27			119.84	9.60		
Raw Materials	506.49	41.63			469.49	37.61		
Stock-in-transit	0.66	0.06			15.74	1.26		
Stock-in-process	406.51	33.42			341.44	27.35		
Finished Goods	368.29	30.27			329.57	26.40		
Others [includes de-commissioned machinery Rs. 0.59 (\$ 0.05) million at written-down value and Trial-run stock of Rs. 0.51 (\$ 0.04) million at the net estimated realisable value]	32.51	2.67			1.51	0.12		
			1475.86	121.32			1277.59	102.34
Sundry Debtors (Unsecured) Over Six months:								
Considered good	88.60	7.28			95.86	7.68		
Considered doubtful	16.85	1.39			10.37	0.83		
	105.45	8.67			106.23	8.51		
<i>Less:</i> Provision for doubtful debts	16.85	1.39			10.37	0.83		
	88.60	7.28			95.86	7.68		
Others, considered good	1005.52	82.66			821.29	65.78		
			1094.12	89.94			917.15	73.46
Cash and Bank Balances								
Cash on hand	2.65	0.22			1.74	0.14		
Balances with Scheduled Banks:								
In current accounts [includes excess Share and Debenture application monies refundable-Rs. 1.81 (\$ 0.15) million]	38.08	3.13			73.51	5.89		
In Fixed Deposit Accounts [includes Rs. 0.25 (\$ 0.02) million lodged with Central Excise Authorities and Rs. 0.20 (\$ 0.02) million endorsed in favour of the Bankers]	1222.75	100.51			14.80	1.18		
			1263.48	103.86			90.05	7.21
Cost of Import Entitlements: (Under Export Promotion Scheme)			4.58	0.37			1.87	0.15
			3838.04	315.49			2286.66	183.16

Schedule - 'H' forming part of the Balance Sheet

(in million)

LOANS & ADVANCES	1985		1984	
	Rs.	\$	Rs.	\$
Unsecured.- Considered Good				
Advances to a wholly owned subsidiary Company - Devti Fabrics Limited [maximum balance during the year Rs. 10.02 (\$ 0.82) million]	10.02	0.82	—	—
Advances recoverable in cash or in kind or for value to be received [includes Rs. 0.12 ~\$ 0.01) million from Officers- maximum balance during the year Rs. 0.15 (\$ 0.01) million]	86.71 *	7.12 *	33.56	2.69
Deposits [including Rs. 8,550/- (\$ 703) with a firm in which some of the Directors are interested as Partners-amount since recovered	62.38	5.13	23.16	1.86
Prepaid Expenses	3.00	0.25	2.44	0.19
Balances with Customs, Central Excise Authorities, etc.	20.81	1.71	8.24	0.66
	182.92	15.03	67.40	5.40

*Excluding Rs. 1.66 (\$ 0.14) million considered doubtful and provided for

Schedule - 'I' forming part of the Balance Sheet

(In million)

CURRENT LIABILITIES & PROVISIONS	1985				1984			
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Current Liabilities:								
Sundry Deposits	17.81	1.46			14.72	1.18		
Sundry Creditors	388.73	31.96			355.05	28.44		
Unclaimed Dividends	8.81	0.72			6.84	0.55		
Interest accrued but not due on Loans [Previous year Rs. 145.33 (\$ 11.95) million]	318.38 *	26.17 *			1158.86	92.82		
Excess Share and Debenture Application Monies refundable	1.81	0.15			13.01	1.04		
			735.54	60.46			1548.48	124.03
Provisions:								
Gratuity and Superannuation Funds	1.35	0.11			3.49	0.28		
Proposed Dividends	257.52	21.17			162.17	12.99		
			258.87	21.28			165.66	13.27
			994.41	81.74			1714.14	137.30

*Payable within one year

Schedule - 'J' forming part of the Profit and Loss Account

(In million)

OTHER INCOME	1985		1984	
	Rs.	\$	Rs.	IS,
Incentives, Assistance & Drawbacks on Exports received	6.05	0.50	5.48	0.44
Processing Charges	—	—	29.19	2.34
Dividend (Gross) On Other Investments				
Tax at source Rs. 14,850 (\$ 1221)	0.07	0.01	0.06	0.01
Profit on sale/discard of Assets (Net)	—	—	1.16	0.09
Miscellaneous Income	41.97	3.45	35.22	2.82
Profit on sale of Investments	1.30	0.10	—	—
	49.39	4.06	71.11	5.70

Schedule -'K' forming part of the Profit and Loss Account

(In million)

INCREASE IN STOCKS	1985				1984			
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Stock-in-Trade (at close):								
Finished Goods	368.30	30.27			329.57	26.40		
Stock-in-process	406.51	33.42			341.44	27.35		
Others	31.40	2.58			0.20	0.01		
			806.21	66.27			671.21	53.76
Stock-in-Trade (at commencement):								
Finished goods	329.57	27.09			409.38	32.79		
Stock-in-process	341.44	28.06			353.44	28.31		
By-product	—	—			0.14	0.06		
Others	0.20	0.02			0.54	0.04		
			671.21	55.17			764.10	61.20
			135.00	11.10			(-)92.89	(-)7.44

Schedule -'L' forming part of the Profit and Loss Account

(In million)

MANUFACTURING & OTHER EXPENSES		1985				1984		
	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Raw Materials Consumed:								
Stock at commencement	469.49	38.59			284.01	22.75		
Add : Purchases	2271.09	186.68			1804.91	144.57		
	<u>2740.58</u>	<u>225.27</u>			<u>2088.92</u>	<u>167.32</u>		
Less : Stock at close	506.49	41.63			469.49	37.60		
			2234.09	183.64			1619.43	129.72
Manufacturing Expenses:								
Carriage Inward	18.81	1.55			15.04	1.20		
Stores & Spare parts consumed	83.72	6.88			70.84	5.67		
Dyes & Chemicals	173.85	14.29			148.96	11.93		
Electric Power, Fuel & Water	244.99	20.14			191.06	15.31		
Machinery Repairs	9.72	0.80			6.54	0.52		
Building Repairs	4.90	0.40			3.97	0.32		
Labour, Processing & Machinery Hire Charges	78.03	6.41			67.19	5.38		
Excise Duty on Yarn	1970.18	161.95			1575.35	126.19		
			2584.20	212.42			2078.95	166.52
Payments to & Provision for Employees:								
Salaries, Wages & Bonus	144.26	11.86			142.13	11.38		
Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Employees' State Insurance Scheme, Pension Scheme, Labour Welfare Fund, etc.	21.47	1.77			17.13	1.37		
Employees' Welfare and Other Amenities	26.92	2.21			19.04	1.53		
			192.65	15.84			178.30	14.28
Sales & Distribution Expenses:								
Samples, Sales Promotion & Advertisement Expenses	26.13	2.15			36.41	2.92		
Brokerage & Commission	46.84	3.85			38.96	3.12		
Export Expenses	0.08	0.01			0.14	0.01		
Packing Expenses	116.24	9.55			109.49	8.77		
Warehousing Charges	7.00	0.57			3.43	0.27		
Freight & Forwarding Charges	24.14	1.99			26.36	2.11		
			220.43	18.12			214.79	17.20
Establishment Expenses:								
Insurance	16.87	1.39			13.16	1.06		
Rent	4.28	0.35			3.90	0.31		
Rates & Taxes	1.64	0.14			0.78	0.06		
Other Repairs	6.37	0.52			4.67	0.38		
Travelling Expenses [including Rs. 1.70 (\$0.14) million for Directors]	13.43	1.10			9.68	0.78		
Payments to auditors	1.47	0.12			0.84	0.07		
Directors' Fees	0.01	—			0.01	—		
General Expenses	140.65	11.56			123.48	9.89		
Provision for doubtful recoveries	6.48	0.53			2.91	0.23		
Charity & Donation	5.76	0.48			4.25	0.34		
Loss on Sale/Discard of Assets	4.59	0.38			—	—		
			201.55	16.57			163.68	13.12
			5432.92	446.59			4255.15	340.84

Schedule -'M' forming part of the Profit & Loss Account

	(In million)			
	1985		1984	
	Rs.	\$	Rs.	\$
INTEREST				
Debentures	67.76	5.57	26.62	2.13
Fixed Loans	173.74	14.28	119.23	9.55
Others (Net)	2.97	0.25	80.31	6.44
	244.47	20.10	226.16	18.12

Schedule -'N' forming part of the Profit & Loss Account and Balance Sheet
NOTES AND CONTINGENT LIABILITIES

- The previous year's figures have been regrouped wherever necessary.
- Opening balances (in dollars) do not necessarily tally with the closing balances of the previous year in the similar accounts. The same is due to differences in the Rs./\$ exchange rate during this year as compared to those in the previous year. The exchange rates are as follows:

1985 ...\$ 8.22 = Rs. 100/-
1984... \$ 8.01 = Rs. 100/-

- The Company is accounting the following on cash basis:
 - Export incentives and other claims
 - Claims for refunds of custom duty, sales tax, insurance, octroi etc.
 - Interest on overdue bills and delayed payment charges on loans
 - Drawback on return of cops
 - Income on investments
 - Excise Duty set off
 - Performance incentives on sales
 - Liability in respect of maturity value in excess of initial investment of Cash Certificates issued by the Company under Fixed Deposit Scheme.
 - Premium on redemption of Debentures of Series `F'
- Interest -Others (Net) is arrived at after deducting Rs. 63.04 (\$ 5.18) million [Tax at source Rs. 1.11 (\$ 0.09) million] being Interest received/receivable.

The figure of "Sales" has been arrived at after adjusting:

	(In million)			
	1985		1984	
	Rs.	\$	Rs.	\$
(a) Excise Duty	204.98	16.85	172.47	13.81
(b) Sales Tax	12.85	1.06	4.98	0.40

- Revenue expenses amounting to Rs. 10.71 (\$ 0.88) million on Research and Development have been included under the respective heads of accounts.

7. Auditors' Remuneration

	(In million)			
	1985		1984	
	Rs.	\$	Rs.	\$
(a) Audit Fees	0.70	0.06	0.60	0.05
(b) Tax audit fees (includes Rs. 0.20 (\$ 0.02) million for 1984)	0.52	0.04	—	—
(c) For certification and consultation in Finance and Tax matters	0.18	0.01	0.17	0.01
(d) Out-of-pocket expenses	0.07	0.01	0.07	0.01
	1.47	0.12	0.84	0.07

Schedule -'N' (contd.)

NOTES & CONTINGENT LIABILITIES (Contd.)

8. The statement of accounts from the Official Liquidator of 'SMCL' from 1st January, 1981 to 31st December, 1985, has not been received till date. However, the Company carried out an inspection of the books of accounts of the Liquidator and obtained details-, of receipts and payments made by him and has incorporated the same in the accounts of respective years. Necessary adjustments, if any, would be made upon receipt of final Statement of Accounts.
9. In terms of resolution passed by the shareholders at the Extraordinary General Meeting of the Company held on 24th January 1984, the Company has transferred/given on lease certain assets of the Company's undertaking at Sidhpur, as also assigned certain liabilities to Devti Fabrics Ltd., a Company incorporated with a view to take over the running business of Sidhpur Unit as a going concern. Devti Fabrics Limited became a subsidiary of the Company effective from 30th September, 1985.

In view of the transfer of the said business with effect from 1st October, 1985, the previous year's figures to this extent are not comparable and no provision has been made for the cumulative losses of Rs. 14,250 (\$ 117 1) of the said Subsidiary Company

Accordingly, licensed and installed capacities pertaining to the said unit have been adjusted in accounts.

10. (a) The Company has been advised that the computation of net profit (for the purpose of calculation of Directors' remuneration under Section 349 of the Companies Act, 1956) need not be enumerated, since no commission has been paid to the Directors and only minimum remuneration has been paid to the Directors, as per the approval of the Central Government received under Section 198 and Section 309 of the Companies Act, 1956.

	1985		1984	
	Rs.	\$	Rs.	\$
(b) Managing Directors' and Executive Directors' Remuneration:				
(i) Salaries	2,58,300	21,232.26	3,00,100	24,038.01
(ii) Contribution to Provident Fund and Superannuation Fund	64,575	5,308.06	75,025	6,009.50
(iii) Provision for Gratuity (as per actuarial valuation) [Previous year Rs. 26,384 (\$ 2113.36)]	17,815	1,464.39	26,261	2,103.51
(iv) Perquisites	1,75,553	14,430.46	1,95,521	15,661.23

11. The Company has been providing liability for Excise Duty in respect of finished products lying in factory premises/bond as and when they are removed on the footing that duty becomes payable only at the time of removal of goods. Accordingly, estimated liability amounting to Rs. 173.60 (\$ 14.27) million in respect of such products at year end has not been provided in the accounts, and not included in the inventory of finished products.
12. (a) Foreign Currency Loans availed of during the year to acquire plant and machinery have been accounted for in terms of Indian Rupees at the exchange rates prevailing on relevant dates.
- (b) No effect has been given in the Accounts to the fluctuations in rates of exchange on outstanding balance of foreign exchange
- (c) The Company has consistently been treating difference on account of fluctuations in exchange rates on payments of instalments' of loans, deferred credit facilities, etc. as a revenue expenditure and the same amounting to Rs. 33.88 (\$ 2.78) million [Previous year Rs. 25.35 (\$ 2.08) million has been included under the head "General Expenses".
13. In terms of the approval given by the Shareholders, Class Debentureholders and extensions obtained from Controller of Capital Issues, Government of India, the Company has issued during the year 96,316 Equity Shares of Rs. 10/- (\$ 0.82) each credited as fully paid-up against Debentures of the value of Rs. 6.88 (\$ 0.56) million of Series I, II, III and IV surrendered by the Debentureholders in the ratio of 1.4 Equity Shares of Rs. 10/- (\$ 0.82) each for every Rs. 100/- (\$ 8.22) outstanding on the said Debentureholders. Consequently, difference between the outstanding value of such debentures surrendered and the paid-up value of Equity Shares issued amounting to Rs. 5.92 (\$ 0.49) million has been credited to Share Premium Account.

Schedule -'N' (Contd.)
NOTES AND CONTINGENT LIABILITIES (Contd.)

14. (a) From 1st January, 1982 to 31st December, 1984 the Company had capitalised a sum of Rs. 1907.23 (\$ 156.77) million in respect of interest on long term borrowings availed for procuring Fixed Assets for the entire contracted period of such borrowings. In view of the proposed amendment to Section 43 of Income Tax Act, 1961, vide Finance Bill 1986, the Company has decided to capitalise interest on the said borrowings only upto the date of commissioning of the Plant. Accordingly the Company has recalculated the cost of Fixed Assets from 1st January, 1982, and its consequent effect on depreciation, interest and on sale of assets for the years 1982 to 1984 have been adjusted in the, Accounts as under: (In million)

	<u>Rs.</u>	<u>Rs.</u>	<u>\$</u>	<u>\$</u>
Short provision of interest for the past years		192.71		15.84
Less: (i) Excess provision for depreciation written-back	111.02		9.13	
(ii) Net adjustment on Sale of Assets	0.41		<u>0.03</u>	
		111.43		<u>9.16</u>
Net debit to Profit and Loss Account		81.28		<u>6.68</u>

- (b) No provision for taxation on this account is considered necessary (Refer Note No. 15 below).
(c) Investment Allowance Reserve created on account of above capitalisation of Interest in the previous year is being carried forward.
(d) Had the Company continued the said practice of capitalisation of Interest in the current year, the figures of Fixed Assets, Reserves and Current Liabilities for the year would have been higher by Rs. 5043.76 (\$ 414.60) million, Rs. 94.34 (\$ 7.75) million and Rs. 4732.78 (\$ 389.03) million respectively and the charge to Profit and Loss Account on account of Depreciation would have been higher by Rs. 107.30 (\$ 8.82) million and on account of Interest lower by Rs. 110.90 (\$ 9.11) million.
15. The Company has been advised that there will be no tax liabilities for the years ending 31st December, 1983 to 31st December, 1985 in view of the various reliefs considered admissible. However, as a measure of abundant caution, an amount of Rs. 100.00 (\$ 8.22) million has been transferred from the Profit and Loss Account to the Taxation Reserve Account.
16. Pre-operative expenses in respect of various projects upto December, 1985 capitalised/to be capitalised by allocating to Plant & Machinery and Building:

	<u>Rs.</u>	<u>Rs.</u>	<u>\$</u>	<u>\$</u>
				(In million)
Cost of construction and fabrication materials at site		83.41		6.86
Cost of Trial Run Production		0.51		0.04
Labour Charges		1.64		0.13
Power, Fuel and Water		3.11		0.26
Payment to and Provision for employees		0.41		0.03
Insurance		3.23		0.27
Travelling Expenses		2.01		0.16
General Expenses		37.95		3.12
Debenture Issue Expenses		94.30		7.75
Interest on:				
Debentures	250.61		20.60	
Fixed Loans	60.19		<u>4.95</u>	
		310.80		<u>25.55</u>
		537.37		<u>44.17</u>
Less: Interest on Fixed Deposit Account with Banks	35.89		2.95	
Profit on Sale of Investment	<u>10.59</u>		<u>0.87</u>	
		46.48		<u>3.82</u>
		490.89		<u>40.35</u>
Less: Allocated to Plant & Machinery and Building		108.86		<u>8.95</u>
Capital Expenditure pending allocation		382.03		<u>31.40</u>

Schedule - 'N' (Contd.)

NOTES AND CONTINGENT LIABILITIES (Contd.)

(In million)

17. Sundry Creditors' includes:

	1985		1984	
	Rs.	\$	Rs.	\$
(a) For Capital Expenditure	68.58	5.64	35.31	2.83
(b) Fixed Deposits matured but unclaimed	1.65	0.14	2.37	0.19

(In million)

18. Contingent Liabilities:

	1985		1984	
	Rs.	\$	Rs.	\$
(a) Estimated amount of contracts remaining to be executed on Capital account and not provided for	6830.79	561.49	610.62	48.91
(b) Outstanding guarantees furnished by Bankers	237.67	19.54	18.03	1.44
(c) Bonds executed in favour of Excise and Customs Authorities	535.03	43.98	233.29	18.69
(d) Uncalled liability on partly-paid shares [Rs. 16,875 (\$ 1387)] [Previous year Rs. 16,875 (\$ 1387)]	—	—	0.02	—
(e) Show Cause Notice from Excise Authority in respect of Polyester Yarn contested by the Company	272.34	22.39	—	—
(f) Claims against the Company not acknowledged as, debts	3.90	0.32	21.52	1.72
(g) Export Bills discounted against irrevocable Letters of Credit	0.32	0.03	0.65	0.05
(h) Indemnities towards export obligations against capital goods imports	30.40	2.50	28.60	2.29
(i) Disputed Income Tax Liability for the Accounting year 1982	20.25	1.66	—	—

Unit	Licensed Capacity		Installed Capacity	
	1985	1984	1985	1984

19. Licensed and Installed Capacity:

(a) Polyester Yam	M.T.	25125	25125	25125	10000
(b) Polyester Staple Fibre	M.T.	45000	—	(Under implementation) (Commissioned in March 1986)	—
(c) Cotton/Blended Yam (Spindles)	Nos.	12500	50868	12494	50862
(d) Cotton/Man-made Fabrics (Looms) (Knitting m/c.)	Nos.	450	940	450	940
(e) Purified Terephthalic Acid	Nos.	22	22	18	22
(f) Linear Alkyl Benzene	M.T.	75000	75000	Under implementation	—
(g) High Density Polyethylene*	M.T.	50000	50000	— do —	—
(h) Poly Vinyl Chloride*	M.T.	50000	—	— do —	—
(i) Mono Ethylene Glycol*	M.T.	100000	—	— do —	—
(j) Polyester Industrial Yam*	M.T.	40000	40000	— do —	—
(k) Spandex Fibre/Yam	M.T.	2000	—	— do —	—
	M.T.	300	—	—	—

* On the basis of Letter of Intent received.

Schedule - 'N' (Contd.)
NOTES AND CONTINGENT LIABILITIES

		(In million)						
		Unit	1985	1984				
20.	Production:							
	Yarn (POY, PFY, Cotton and Blended)	Kgs.	30.35*	26.32*				
	Fabrics	Mtrs.	58.27	51.27				
	Methanol (By-product)	Kgs.	—	0.93				
	*Including for captive use/Trial Run Production.							
		(In million)						
		1985		1984				
21.	Value of Imports on C.I.F. basis in respect of: (Based on retirement of documents)	Rs.	\$	Rs.	\$			
(a)	Raw Materials	449.79	36.97	239.35	19.17			
(b)	Dyes and Chemicals, Stores and Spare Parts	42.02	3.45	36.86	2.95			
(c)	Capital Goods	1179.38	96.94	243.18	19.48			
		(In million)						
		1985		1984				
22.	Expenditure in Foreign Currency on account of:	Rs.	\$	Rs.	\$			
	Interest on Foreign Currency Loans	170.18	13.99	182.55	14.62			
	Interest on Debentures held by Non-residents on repatriation basis (Gross)	4.00	0.33	1.90	0.15			
	Other matters [including commitment charges Rs. 1.90 (\$ 0.16) million on Foreign Currency Loans-Previous year Rs. 2.46 (\$ 0.20) million]	8.41	0.69	3.26	0.26			
	Technical knowhow and Engineering Fees (Net of taxes)	211.33	17.37	—	—			
		(In million)						
		1985		1984				
23.	Quantitative Information in respect of Opening Stock, Closing Stock, Purchases, Sales and Consumption of Raw Materials	Unit	Qty.	Rs.	\$	Qty.	Rs.	\$
(a)	Opening Stock:							
	Yarn	Kgs.	1.43	177.43	14.58	2.38	274.77	22.01
	Fabrics	Mtrs.	4.91	152.23	12.51	4.78	135.01	10.81
	Stock-in-process (Yarn)	Kgs.	1.57	180.70	14.86	2.14	186.38	14.93
	Stock-in-process (Fabrics)	Mtrs.	6.30	160.73	13.21	8.10	167.06	13.38
	Methanol (By-product)	Kgs.	—	—	—	0.13	0.74	0.06
	Others	Kgs.	0.01	0.12	0.01	0.01	0.14	0.01
(b)	Closing Stock:							
	Yarn	Kgs.	1.47	152.14	12.51	1.43	177.43	14.58
	Fabrics	Mtrs.	7.48	216.17	17.77	4.91	152.23	12.51
	Stock-in-process (Yarn)	Kgs.	1.86	185.79	15.27	1.57	180.70	14.86
	Stock-in-process (Fabrics)	Mtrs.	9.95	220.71	18.14	6.30	160.73	13.21
	Others	Kgs.	0.24	31.40	2.58	0.01	0.12	0.01
(c)	Purchases:							
	Fibre	Kgs.	0.04	3.47	0.29	0.02	1.44	0.12
	Yarn	Kgs.	1.80	355.89	29.25	2.09	381.31	30.54
	Fabrics	Mtrs.	3.51	102.19	8.40	8.12	131.48	10.53
	Sea Foods	Kgs.	0.87	49.45	4.06	0.75	33.62	2.69
	D.M.T.	Kgs.	1.40	21.53	1.77	2.48	39.08	3.13

Schedule - 'N' (Contd.)

NOTES AND CONTINGENT LIABILITIES (Contd.)

		(In million)					
		1985			1984		
(d) Sales	Unit	Qty.	Rs.	\$	Qty.	Rs.	\$
Fibre	Kgs.	0.04	3.47	0.29	0.02	1.40	0.11
Yarn (POY, PFY, Cotton and Blended)	Kgs.	27.07	4819.07	396.13	25.64	4135.55	331.26
Fabrics	Mtrs.	59.21	2217.64	182.29	59.26	1825.01	146.18
Methanol (By-product)	Kgs.	—	—	—	1.07	4.64	0.37
Sea Foods	Kgs.	0.87	49.45	4.06	0.75	33.62	2.69
D.M.T.	Kgs.	1.40	23.87	1.96	2.48	42.52	3.41
(e) Raw Materials Consumed:							
P.T.A/D.M .T./Poly. Chips	Kgs.	21.14	457.09	37.57	19.16	356.07	28.52
M.E.G	Kgs.	8.41	122.69	10.09	7.40	108.79	8.71
Cotton	Kgs.	0.44	7.21	0.59	0.86	14.20	1.14
Fibre	Kgs.	1.60	154.39	12.69	1.81	137.83	11.04
Yarn	Kgs.	6.62	1203.77	98.95	4.63	784.66	62.86
Fabrics (Grey)	Mtrs.	12.96	288.94	23.75	11.59	217.88	17.45

		(In million)					
		1985			1984		
		Rs.	\$	% of total consumption	Rs.	\$	% of total consumption
24. Value of Raw Materials Consumed:	Imported [including Import Duty Rs. 750.20 (\$ 61.67) million]	1222.72	100.51	54.73	508.62	40.74	31.41
	Indigenous	1011.37	83.13	45.27	1110.81	88.98	68.59
		2234.09	183.64	100.00	1619.43	129.72	100.00

		(In million)					
		1985			1984		
		Rs.	\$	% of total consumption	Rs.	\$	% of total consumption
25. Value of Dyes and Chemicals, Stores and Spare Part's Consumed:	Imported	75.75	6.23	29.41	58.51	4.68	26.62
	Indigenous	181.82	14.94	70.59	161.29	12.92	73.38
		257.57	21.17	100.00	219.80	17.60	100.00

		(In million)			
		1985		1984	
		Rs.	\$	Rs.	\$
26. Earnings in Foreign Exchange:	Export of Goods on F.O.B. basis	56.41	4.64	41.79	3.35
		56.41	4.64	41.79	3.35

Schedule - 'N' (Contd.)
NOTES AND CONTINGENT LIABILITIES (Contd.)

		(In million)			
		1985		1984	
		Rs.	\$	Rs.	\$
27. Remittance in Foreign Currency on account of Dividend:					
The Company has not made any remittance in Foreign Currencies on account of dividend and does not Wave information as to the extent to which remittances in foreign currencies on account of dividend have been made by or on behalf of non-resident shareholders held on repatriation basis. The particulars as required are given herebelow as at the end of the year:					
(a) Number of non-resident shareholders	43			25	
(b) Number of Equity Shares held by them	3173181			2975280	
(c) (i) Amount of dividend paid (Gross)		12.10	0.99	8.75	0.70
		[Tax at Source Rs. 3.01 (\$ 0.25) million]			
		[Previous Year Rs. 2.18 (\$ 0.17) million]			
(ii) Year to which dividend relates		1984		1983	
		(Rs./\$ in million)			
		1985		1984	
		Rs.	\$	Rs.	\$
28.(a) Break-up of expenditure incurred on employees, who were employed throughout the year and were in receipt of remuneration for the year which in aggregate was not less than Rs. 36,000 (\$ 2959) per annum :					
(i) Number of employees	431			342	
(ii) Salaries and Bonus .		16.71	1.37	12.61	1.01
(iii) Contribution to Provident Fund and Superannuation Fund		3.70	0.30	2.81	0.23
(iv) Other Perquisites		5.92	0.49	4.68	0.37
(b) Break-up of expenditure incurred on employees who were employed for a part of the year and were in receipt of remuneration for any part of the year at a rate which in aggregate was not less than Rs. 3,000 (\$ 247) per month					
(i) Number of employees	63			52	
(ii) Salaries and Bonus		1.37	0.11	1.02	0.08
(iii) Contribution to Provident Fund and Superannuation Fund		0.28	0.02	0.23	0.02
(iv) Other Perquisites		0.46	0.04	0.35	0.03

As per our Report of even date

 For **RAJENDRA & CO.**
Chartered Accountants

R. J. SHAH
Proprietor

 BOMBAY,
Dated: 4th April, 1986.

 For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

For and on behalf of the Board

R. H. AMBANI Joint Managing Director

K. GOPAL RAO
J. R. SHAH
M. L. BHAKTA
V. V. DIVECHA } Directors

N. H. AMBANI
M. D. AMBANI
A. D. AMBANI } Executive Directors

V. M. AMBANI Secretary

AUDITORS' REPORT

To
THE MEMBERS OF RELIANCE INDUSTRIES LIMITED

We have audited the attached Balance Sheet of RELIANCE INDUSTRIES LIMITED as at 31st December, 1985 and also the annexed Profit and Loss Account of the Company for the year ended on that date. We report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the Books of Account.
3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account.
4. In our opinion and to the best of our information and according to the explanations given to us, the Accounts read with the notes thereon and subject to:
 - (a) Note No. 8 regarding non-receipt of Liquidator's statement of accounts;
 - (b) Note No. 14 regarding reversal of interest capitalised in earlier years and its consequential effects on accounts 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 December, 1985, and
 - (ii) in the case of the Profit and Loss Account of the 'Profit' for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1975 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we further report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets except furniture and fixtures and factory equipments in respect of which proper records are maintained only from 1st January, 1979 onwards. The fixed assets have been physically verified by the Management during the year and no serious discrepancies were noticed on such verification as compared with the available records.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification was conducted by the Management at reasonable intervals during the year in respect of finished goods, stores, spare parts and raw materials, save and except goods lying with third parties. The discrepancies noticed on such verification as compared with the book records were not significant and the same have been properly dealt with in the Books of Account. The valuation of these stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years. The stock of trial run production has been valued at estimated realisable value.
4. The Company has not taken any loans from Companies, Firms or other parties listed in the registers maintained under Sections 301 and 370(1-C) of the Companies Act, 1956.
5. Loans and Advances in the nature of loans have been given to the employees and to the Subsidiary Company free of interest. The repayments of principal amount in most of the cases are as stipulated.

6. On the basis of selective checks carried out during the course of audit and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for purchases of stores, raw materials including components, plant and machinery, equipments and other assets.
7. There are no purchases during the year of stores, raw materials or components from the firms or companies or other parties in which Directors are interested, save and except from a Subsidiary Company as listed in the register maintained under Section 301 of the Companies Act, 1956. The prices paid in respect of purchases made from the Subsidiary Company in excess of Rs. 10,000/- in value for each type of item so purchased are reasonable as compared to prices quoted by others or as per information available with the Company.
8. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials. Adequate provision has been made in the Accounts for the loss arising on the items so determined.
9. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58-A of the Companies Act, 1956 and rules made thereunder, with regard to Fixed Deposits accepted from the Public.
10. The Company has no by-products and in our opinion reasonable records have been maintained by the Company for sale and disposal of realisable scrap wherever significant.
11. The Company has an internal audit system commensurate with the size and nature of its business.
12. The Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the manufacturing activities of the Company. We are informed that such accounts and records have prima jape, been maintained in respect of the Patalganga and Sidhpur Units. Compilation of such records of Naroda Unit for the year is in progress. We have not, however, made a detailed examination of the same.
13. Provident Fund dues have been regularly deposited during the year with the appropriate authorities.
14. In respect of trading activities, we are informed that the Company does, not have damaged goods lying with it at the end of the year. Therefore no provision for any loss is required to be made in the Accounts.
15. In respect of processing activities, we are informed that the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size and nature of its business and the system provides for a reasonable allocation of materials and man-hours consumed to the relative jobs. In our opinion, there is reasonable system for authorisation at proper levels with necessary control on the issues and allocation of stores and labour to relative jobs.

For **RAJENDRA CO.**
Chartered Accountants

R. J. SHAH
Proprietor

Bombay
Dated: 4th April, 1986.

For **CHATURVEDI SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANY VIZ., DEVTI FABRICS LIMITED

1. The Financial Year of the subsidiary company ended on	30th September, 1985
2. Date from which it became subsidiary	30th September, 1985
3. (a) No. of shares held by Reliance Industries Limited (holding company) with its nominees in the subsidiary at the end of the financial year of the subsidiary	70 Equity Shares of the face value of Rs. 10 (\$ 0.82) each fully paid-up
(b) Extent of interest of holding company at the end of the financial year of the subsidiary	100%
4. The net aggregate amount of the subsidiary's profits, -less losses, so far as it concerns the members of the holding company: Not dealt with the holding company's accounts:	
(i) For the financial year ended 30th September, 1985	Rs. 7,500 (LOSS) (\$ 616)
(ii) For the previous financial years of the subsidiary since it became the holding company's subsidiary	Rs. 6,750 (LOSS) (\$ 555)
(b) Dealt with in the holding company's accounts:	
(i) For the financial year ended 30th September, 1985	Nil
(ii) For the previous financial years of the subsidiary since it became the holding company's subsidiary	Nil
5. Changes in the holding company's interest, in the subsidiary between the end of the financial year of the subsidiary and the end of the holding company's Financial year	Total holding in the Equity Shares of the subsidiary has gone up from Rs. 700 (\$ 58) to Rs. 21,00,700 (\$ 1,72,678) by subscription of additional Equity Shares aggregating Rs. 2.10 (\$ 0.17) million by the holding company before the year end of the holding company.
6. From 1st October, 1985, the company has transferred its Sidhpur Unit . as a going concern with part of its assets and liabilities. It has also given on lease some of its assets to the subsidiary company from the said date.	
7. Material changes between the end of financial year of the subsidiary and the end of the holding company's financial year in respect of:	
(i) The subsidiary's fixed assets	Rs. 7.30 (\$ 0.60) million (increase)
(ii) Its investments	Nil
(iii) The money lent by it	Nil
(iv) Monies borrowed by it for any purpose other than of meeting current liabilities	Rs. 14.20 (\$ 1.17) million

For and on behalf of the Board

R. H. AMBANI Joint Managing Director

K. GOPAL RAO
J. R. SHAH
M. L. BHAKTA
V. V. DIVECHA } Directors

N. H. AMBANI
M. D. AMBANI
A. D. AMBANI } Executive Directors

V. M. AMBANI Secretary

BOMBAY,
Dated: 4th April, 1986.

DEVTI FABRICS LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER, 1985

	1985				1984			
SOURCES OF FUNDS:	Rs.	\$	Rs.	\$	Rs.	\$	Rs.	\$
Shareholders' Funds:								
Capital								
Authorised								
2,50,000 Equity Shares of Rs. 1W								
(\$ 0.82) each			<u>25,00,000</u>	<u>2,05,500.00</u>			<u>25,00,000</u>	<u>2,00,250.00</u>
Issued, Subscribed and Paid-up								
70 Equity Shares of Rs. 1W								
(\$ 0.82) each (All the Shares								
are held by Reliance Industries								
Ltd., the Holding Company.)			700	57.54			700	56.07
Loan Funds								
Unsecured Loans								
from Holding Company			<u>18,150</u>	<u>1491.93</u>			<u>—</u>	<u>—</u>
Total			<u>18,850</u>	<u>1549.47</u>			<u>700</u>	<u>56.07</u>
APPLICATION OF FUNDS:								
Current Assets, Loans and Advances:								
Cash and Bank Balance								
Cash	700	57.54			200	16.02		
Balance with a Scheduled Bank	<u>500</u>	<u>41.10</u>			<u>500</u>	<u>40.05</u>		
(In Current Account)			1,200	98.64			700	56.07
Miscellaneous Expenditure								
(to the extent not written-off)								
Preliminary Expenses	18,370	1510.01			13,720	1098.97		
Profit and Loss Account	<u>14,250</u>	<u>1171.35</u>			<u>6,750</u>	<u>540.67</u>		
			<u>32,620</u>	<u>2681.36</u>			<u>20,470</u>	<u>1639.64</u>
			<u>33,820</u>	<u>2780.00</u>			<u>21,170</u>	<u>1695.71</u>
<i>Less:</i> Current Liabilities and								
Provisions:								
Sundry Creditors			<u>14,970</u>	<u>1230.53</u>			<u>20,470</u>	<u>1639.64</u>
Total			<u>18,850</u>	<u>1549.47</u>			<u>700</u>	<u>56.07</u>

Notes: Schedule 'A'

As per our Report of even date

For **RAJENDRA & CO.,**
Chartered Account-ants

R. J. SHAH
Proprietor

BOMBAY
Dated: 27th February, 1986.

For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

For and on behalf of the Board

S. NATARAJAN
KIRTI V. AMBANI
VINOD M. AMBANI

} Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 1985

	1985		1984	
	Rs.	\$	Rs.	\$
INCOME:	—	—	—	—
EXPENDITURE				
Directors' Sitting Fees	4,750	390.45	4,500	360.45
Audit Fees	1,500	123.30	1,500	120.15
Certification Fees to Auditors	500	41.10	500	40.05
Professional Tax	250	20.55	250	20.02
General Expenses	500	41.10	—	—
	7,500	616.50	6,750	540.67
<i>Add:</i> Brought forward from Previous Year	6,750	554.85	—	—
Carried to Balance Sheet	14,250	1171.35	6,750	540.67

Notes: Schedule 'A'

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 1985

1. Previous year's figures relate to the period from 17-12-1983 to 30-9-1984 and are not strictly comparable with those of the current year.
2. No manufacturing or trading activity was carried out during the year. Hence, information required as per para 3 and 4 of Part 11 of Schedule VI of the Companies Act, 1956, is not given.
3. The Company has become a wholly-owned subsidiary of Reliance industries Limited upon transfer of all the 70 Equity Shares in the Company.

As per our Report of even date

For **RAJENDRA & CO.,**
Chartered Accountants

R. J. SHAH
Proprietor

BOMBAY
Dated: 27th February, 1986.

For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner

For and on behalf of the Board

S. NATARAJAN
KIRTI V. AMBANI
VINOD M. AMBANI

} Directors

DIRECTORS' REPORT

To the Members,

Your Directors present the Second Annual Report together with the Audited Statement of Accounts for the year ended 30th September, '1985.

Operations

During the year under review, the Company has incurred a loss of Rs. 7,500 (\$ 616) has carried a sum of Rs. 14,250 (\$ 1171) to the Balance Sheet [including loss of Rs 6,750 (\$ 555) relating to the previous period ended 30th September, 1984] and has not undertaken any activity.

The Company, became a Subsidiary Company of Reliance Industries Limited, with effect from 30th September, 1985. As per the arrangement between the Company and Reliance Industries Ltd., the Company has taken over the employees at Sidhpur on its rolls,

Since the end of the accounting year, Reliance Industries Limited (the Holding Company) has subscribed to the Equity Shares of your Company to the extent of Rs. 2,10 (\$ 0.17 million).

The Company has taken over the running business of the undertaking at Sidhpur belonging to Reliance Industries Limited, with effect from 1st October, 1985

The Company has, already commenced production and sale of blended fabric, The Directors are hopeful that the current year's working will be satisfactory,

The Company is negotiating with Bank of Baroda for extending working capital requirements

Directors

Messrs Susheel M. Kothari, Natubhai M Sanghvi, Vinod M. Ambani, Kirti V. Ambani, S Natarajan, who were appointed as additional Directors, will hold office upto the date of the ensuing Annual General Meeting. The Company has received letters from them seeking re-election. Messrs Sohan Chaturvedi, Mansukhlal G. Mehta and Indubhai F. Sheth resigned from the Board on 30th September, 1985.

Auditors

Rajendra & Company and Messrs. Chaturvedi & Shah, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment

For and on behalf of the Board

S. NATARAJAN
Director

KIRTI V. AMBANI
Director

Registered Office :

3rd Floor, Maker Chamber IV,
222, Nariman Point,
Bombay - 400 021.

Dated : 27th February, 1986.

AUDITORS' REPORT

To
The Members of Devti Fabrics Limited

We have audited the attached Balance Sheet of DEVTI FABRICS LIMITED as at 30th September, 1985 and also the annexed Profit and Loss Account of the Company for the period ended on that date. We report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper Books of Account as required by law have been kept and, the Company, so far as appears from our examination of the Books of Account
3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account.
4. In our opinion and to the best of our information and according to the explanations given to us, the Accounts read with notes thereon, give the information required by the Companies Act, 1950 in the manner so required and give a true and fair view:
 - (i) in the case of Balance Sheet of the State of Affairs of the Company as at 30th September, 1985.
 - (ii) in the case of Profit and Loss Accounts of the 'Loss' for the period ended on that date

We further report that this report does not include a statement on the matters specified in paragraph 4 and 5 of the Manufacturing and Other Companies (Auditors' Report) Order, 1975 as the Company was not engaged in any of the activities referred to in Clause 1 of the said order for the year ended 30th September, 1985.

For **RAJENDRA CO.**
Chartered Accountants

For **CHATURVEDI SHAH**
Chartered Accountants

R. J. SHAH
Proprietor

D. CHATURVEDI
Partner

Bombay
Dated: 27th February, 1986.