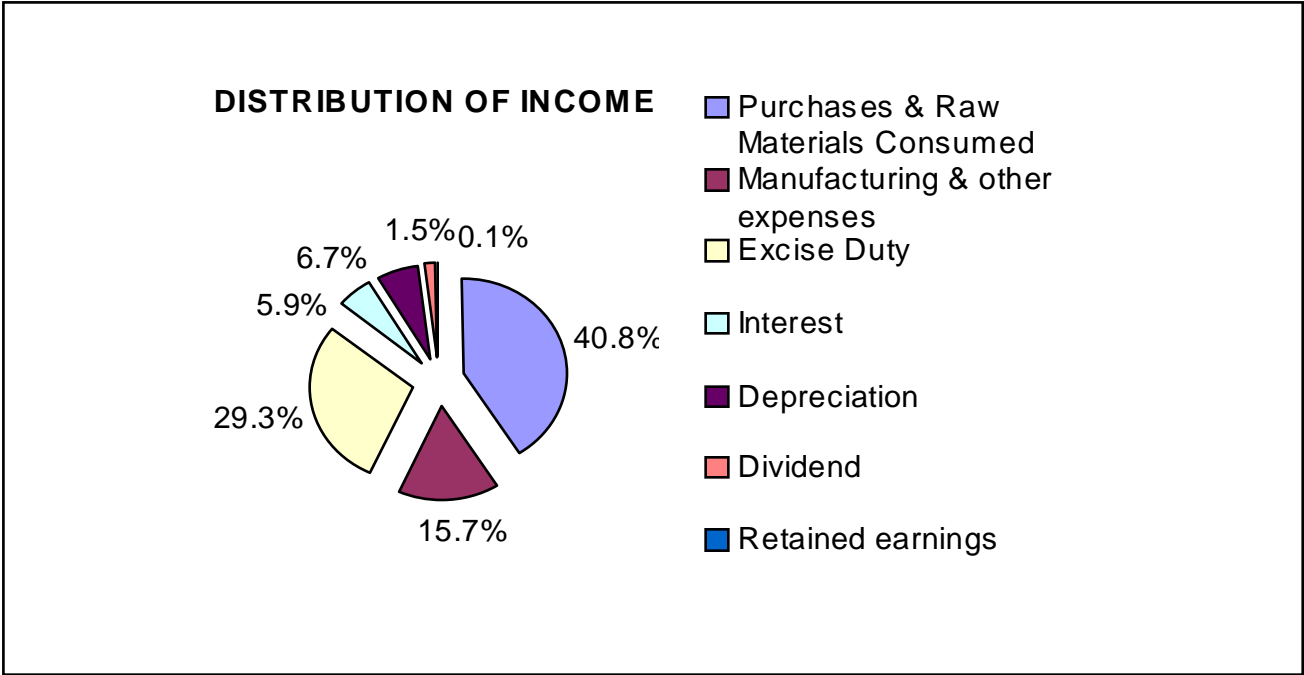
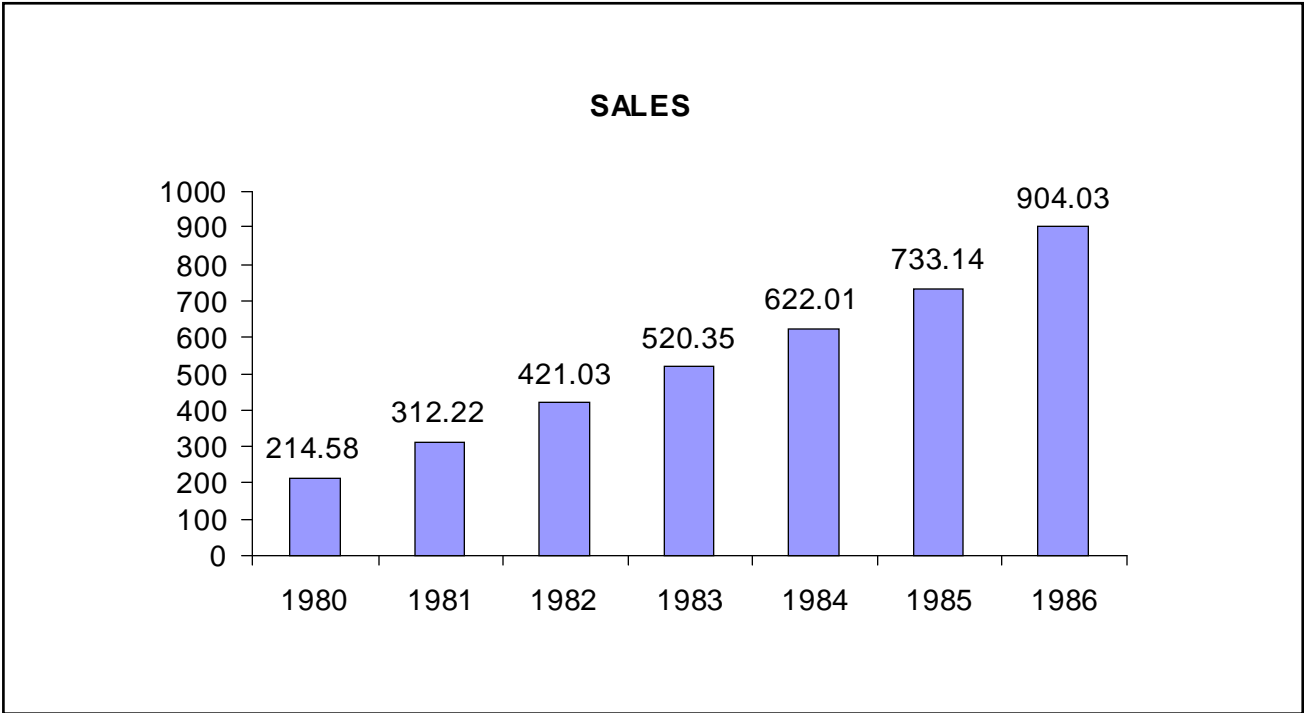


Reliance Industries Limited

Annual Report 1986



13TH ANNUAL GENERAL MEETING

on Wednesday, the 24th June, 1987
at Sri Shanmukhananda Fine Arts & Sangeetha Sabha
292 Jayashankar Yagnik Marg, Sion (East),
Bombay 400 022.
at 2.15 p.m.

Shareholders are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

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Registered Office

3rd Floor, Maker Chambers IV,
222 Nariman Point, Bombay 400 02 1.

PLANTS AT:

1. Patalganga. Off Bombay-Pune Road,
Near Panvel. Dist. Raigad.
Maharashtra.
2. 103/106 Naroda Industrial Estate,
Naroda, Ahmedabad.

Subsidiary Company:

Devti Fabrics Limited
Plant at Sidhpur
Dist. Mehsana,
Gujarat State.

BOARD OF DIRECTORS

Dhirubhai H. Ambani, *Chairman & Managing 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
V.V. Divecha, *Nominee Director- ICICI.*
T. Ramesh U. Pai
Anil D. Ambani, *Executive Director*
Nikhil R. Meswani

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
Deutsche Bank (Asia)

REGISTRARS & TRANSFER AGENTS

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



Reliance

FINANCIAL HIGHLIGHTS

		(Rs. in crores)						
		1986	1985	1984	1983	1982	1981	1980
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Sales		904.02	733.14	622.01	520.35	421.03	312.22	214.58
Other income		7.19	4.94	7.11	4.68	2.51	3.63	2.55
	(A)	911.21	738.08	629.12	525.03	423.54	315.85	217.13
Manufacturing Expenses	(B)	781.82	604.83	511.23	433.61	361.28	268.39	187.91
Gross Profit (A-B)	(C)	129.39	133.25	117.89	91.42	62.26	47.46	29.22
Interest		54.24	24.45	22.61	21.52	18.93	16.79	11.13
Depreciation		60.98	37.46	34.18	31.38	14.17	10.97	6.88
	(D)	115.22	61.91	56.79	52.90	33.10	27.76	18.01
Net Profit (C-D)	(E)	14.17	71.34	61.10	38.52	29.16	19.70	11.21
WHAT THE COMPANY OWNED								
Fixed Assets								
Gross Block		1137.55	735.68	530.93	394.88	356.71	133.46	74.97
Less: Depreciation (Cumulative)		188.09	128.88	104.65	73.42	42.10	27.90	17.02
Net Block		949.46	606.80	426.28	321.46	314.61	105.56	57.95
Investments		0.37	37.30	0.17	0.12	0.12	0.07	0.08
Current Assets		1052.83	402.10	235.41	215.19	191.53	156.55	93.76
		2002.66	1046.20	661.86	536.77	506.26	262.18	151.79
WHAT THE COMPANY OWED								
Long Term Funds		546.12	515.16	276.96	239.99	260.60	83.17	38.56
Medium/Short Term Funds		143.78	81.90	44.83	35.46	22.85	16.36	9.03
Current Liabilities & Provisions		1001.23	138.02	93.68	131.44	131.27	105.56	72.41
		1691.13	735.08	415.47	406.89	414.72	205.09	120.00
NET WORTH OF THE COMPANY								
Equity Share Capital		51.61	51.61	46.18	36.15	18.60	16.67	12.06
Preference Share Capital		5.80	5.80	5.80	5.80	5.80	0.30	0.30
Reserves & Surplus		254.12	253.71	194.41	87.93	67.14	40.12	19.43
		311.53	311.12	246.39	129.88	91.54	57.09	31.79

CHAIRMAN'S STATEMENT

To the Members,

Your Company, since it went public, has consistently shown growth in all key areas namely gross block, products, range of production, turnover, profitability, etc. Though the Company continued to maintain its lead in the polyester industry, for reasons enumerated in the Directors' Report, the gross profit did not move up and amounted to Rs. 129.39 crores against Rs. 133.25 crores in the previous year against a turnover which rose by 23.3% i.e. in absolute terms Rs. 904 crores against Rs. 733 Crores in the previous year.

We hope the Government would take measures to reverse the adverse conditions affecting this industry.

CONTRIBUTION TO EXCHEQUER:

You will be pleased to note that your Company's contribution to the exchequer, rose in line with its turnover. It paid to the National Exchequer over Rs. 460 crores compared to Rs. 380 crores in 1985, an increase of 21% over the previous year's contribution.

NET WORTH:

The Company's equity capital stood at Rs. 51.61 crores and the shareholders -reserves and surplus stood at Rs. 254.12 crores by the end of 1986. On conversion of 'G' series debentures, the equity capital will rise by Rs. 69 crores and the Share Premium Account by Rs. 431 crores. The net worth of Rs. 311.53 crores at the end of 1986 will rise to Rs. 811.53 crores upon conversion of Debenture Series 'G' (excluding 1987 profits) a spectacular jump of over 260%.

GROSS BLOCK:

The Company added during the year to its fixed assets Rs. 402 crores taking the gross block to Rs. 1138 crores from the previous year's Gross Block of Rs. 736 crores, an impressive rise of 55 per cent The depreciation fund amounted to Rs. 188 crores against Rs. 129 crores at the end of the previous year. The debt: equity ratio on conversion of Debenture Series 'G' will be at 0.67:1. The Company will have further borrowing power of Rs. 1100 Rs. 1200 crores within the present debt: equity norms to take on hand further expansion and diversification plans.

SHOW CAUSE NOTICE FROM CUSTOMS AUTHORITIES:

After the close of the accounting year 1986, the Company received a Show Cause Notice under the Customs Act 1962, alleging basically that additional machines/lines have been found imported and installed.

The Company in its interim reply dated 25th February, 1987, pointed out that the contract for import of equipment or expansion of plant capacity, proforma invoices in respect thereof and the concerned licence clearly indicated that what was purchased, imported and installed by the Company did not violate any regulations.

The allegation in the Show Cause Notice of alleged misdeclaration of more than twice the declared capacity at Patalganga and of the alleged unauthorised importation of spinning, machines and the consequential notice to show cause why a claim should not be made on the Company for alleged differential duty/penalty of Rs. 119 crores was ex -facie unfounded. The Company has also asked the Authorities to give inspection of the documents referred to in the Notice and to give certain particulars of the allegations. These are still awaited from the Authorities.

According to the Company and as advised after due consideration, the Company is certain that it will not be faced with any liability in respect of the Show Cause which is unfounded and legally untenable.

These are brought to the notice of the members as a matter of information.



Reliance

CURRENT YEAR OPERATIONS:

Operations of the current year of your Company are quite encouraging. It has achieved higher production, higher sales and better realisation. The turnover for the first quarter of 1987 has touched Rs. 270 crores as against Rs. 210 crores for the corresponding period of 1986 indicating an impressive growth of over 28% in sales. Your Company hopes to achieve much higher turnover exceeding Rs. 1200 crores for the whole of the current year, apart from the results arising out of the commissioning of PTA and LAB plants as well as higher capacity utilisation of PFY and PSF plants. Keeping in view of the above, I am sure, the Company will show a better performance in the current year.

CONCLUSION:

I am grateful to the workers as well as to the Supervisors and Officers for their continued enthusiasm which has been the main contribution towards our success. I would also like to thank the Shareholders and the Board of Directors for their considered support, as well as the Government, Financial Institutions and Banks for their help whenever it was sought.

Dhirubhai H. Ambani
Chairman

Bombay,
29th April, 1987.

DIRECTORS' REPORT

To the Members,
Your Directors submit the 13th Annual Report together with the Audited Statement of Accounts for the year ended 31st December, 1986.

FINANCIAL RESULTS:

	(Rs in crores)	
	1986	1985
	Rs.	Rs.
Gross Profit before interest and depreciation	129.39	133.25
Add: (a) Surplus Balance brought forward from previous year	14.52	14.91
(b) Investment Allowance (Utilised) Reserve written back	25.00	—
Less: Provisions and or appropriations		
(a) Interest	54.24	24.45
(b) Depreciation	60.98	37.46
(c) Investment Allowance Reserve	36.00	22.80
(d) Taxation Reserve	—	10.00
(e) Differential dividend pertaining to previous year	—	0.05
(f) Net effect of reversal of interest capitalised	—	8.13
(g) Recommended Dividend: (subject to deduction of tax)		
(i) On 11% Cumulative Redeemable Preference Shares	0.03	0.03
(ii) On 15% Cumulative Redeemable Preference Shares	0.83	0.83
(iii) On Equity Shares	12.90	24.89
(h) Transferred to General Reserve	2.00	5.00
Balance carried to Balance Sheet	1.93	14.52

2. DIVIDENDS:

Your Directors have recommended the following dividends (subject to deduction of tax) for the year ended 31st December, 1986 to be paid, if approved by the Shareholders at the ensuing Thirteenth Annual General Meeting

	(Rs in crores)	
ON PREFERENCE SHARES:		
(a) Dividend of Rs 11 per share on 30,000 Cumulative Preference Shares of Rs. 100 each fully paid up	0.03	
(b) Dividend of Rs. 15 per share on 5,50,000 Cumulative Redeemable Preference Shares of Rs. 100 each fully paid up	0.83	
		0.86

ON EQUITY SHARES:

Dividend of Rs. 2.50 per share on 5,16,09,318 Equity Shares of Rs 19 each fully paid up	12.90
Total	<u>13.76</u>

3. ISSUE OF CONVERTIBLE DEBENTURES SERIES 'G'

Your Company issued 13.5 % Secured Fully Convertible Debentures of Rs. 145 each for cash at par aggregating to Rs. 400 crores with a right to retain 25 % of the issue in the event of oversubscription. The largest issue made so far by a private sector company. in the country The issue was made to part finance the capital expenditure of the Company and for augmenting the long term resources of the Company for meeting its working capital requirements.

The Company is the first company in India to file Prospectuses both In United Kingdom and Hong Kong as per international practice. Merrill Lynch & Co. . Inc., one of the largest International Investment Bankers acted as Advisers to the Issue.

The domestic issue mobilised application money of Rs. 494 crores. 7.5 times of the issue and the Non Resident Public Issue mobilised as much as Rs. 150 crores against the issue of Rs. 88 crores, from over 17.50 lakhs applicants, another record in the corporate sector in terms of the number of applications received. Together with the Rights Issue made to the Shareholders, your Directors allotted Debentures (Series G) of an aggregate nominal value of Rs. 500 crores to over 14.55 lakhs allottees. Arrangements are being made to list these debentures on the Stock Exchanges at Bombay, Ahmedabad, Calcutta. New Delhi, Bangalore, Pune, Kanpur, Cochin and Madras.

4. YEAR IN RETROSPECT:

4.1 Overall Performance:

The sales during the year under review reached Rs. 904 crores as against Rs. 733 crores in the previous year with an increase of 23.3%.

There was a pressure on margins partly because of unrestricted imports of Polyester Fabrics as well as unrestricted imports of Polyester Staple Fibre and Yarn and partly due to the higher levy on Purified Terephthalic Acid (PTA) compared to Dimethyl Terephthalate (DMT). though both are alternative raw materials of the polyester industry and PTA being a superior raw material for the Polyester Industry. But (or these factors, the gross profit would have smartly risen in consonance with the turnover.

4.2 Textile Division:

During the year under review, this Division started taking steps to implement a program of re-adjusting its product-mix to synchronise with the changes in the consumers demand for high value high quality products. The Company further strengthened its marketing net work to meet the changing competitive scenerio.

4.3 Fibres Division:

4.3.1. Polyester Yarn Division:

The Company maintained its growth both in annual production and sales in polyester yarn in the year under review However. profit margins were under pressure mainly due to unrestricted imports. removal of anti dumping duty of Rs. 15 per kg. on imports and the discriminating policy of levying a higher import duty on PTA, a superior raw material for the polyester industry. The reduction in excise duty on polyester staple fibre and not on polyester filament yarn was yet another discriminating policy to the disadvantage of polyester filament industry. This resulted in a further pressure on the realisation of this division. The division during the year introduced several new products such as flat yarn, bright yarn and fancy yarn to enhance the product range. thus making the Company a highly diversified producer in the polyester industry.

4.3.2 Polyester Staple Fibre Division:

The Polyester Staple Fibre plant encountered several teething problems and stabilised its production as well as quality only during the later part of the year under review The staple fibre demand was restricted owing to the policy of free imports. The polyester staple fibre of your Company has now been accepted as one of the best quality fibres in the market.



The Company hopes that suitable measures will be taken by the concerned authorities to reverse the import duty on PTA to restrict imports of polyester fibre and yarn and to reduce the exorbitant excise duty. This will lead to fuller capacity utilisation and increased consumption and enhance revenue to the exchequer

4.4 Show Cause Notice from Excise Authorities:

Your attention is drawn to the Auditors' Report dated 29th April, 1987, on the subject. You may be aware, that in the notes to Accounts of 1985, it was, inter alia, shown as a contingent liability a sum of Rs. 27.23 crores in the matter of a Show Cause Notice issued by Excise Authority in respect of Polyester Yarn and contested by the Company.

This amount was the subject matter of a Show Cause Notice to which the Company has filed a detailed reply raising therein certain basic preliminary contentions. In the preliminary contentions the very maintainability of the substantial part of the Show Cause Notice was challenged as the alleged excise duty was sought to be demanded not on goods which have been actually produced or manufactured but on goods which ought to or must be deemed to have been manufactured on the basis of certain chemical formula set out in the Show Cause Notice. The Collector of Central Excise heard the preliminary contentions and decided that the Show Cause Notice was maintainable and deferred the consideration of the Show Cause Notice on merits. In an appeal before the Central-Excise & Gold (Control) Appellate Tribunal (CEGAT) against the Order on the preliminary contentions, differing judgements were given. one member holding that the appeal was not maintainable whilst the other member held that the appeal was maintainable, but held that CEGAT, unlike a Writ Court, had no jurisdiction to quash the Show Cause Notice.

The Company thereafter held a Writ Petition under Article 226 of the Constitution of India after the Order of CEGAT in the High Court of Judicature at Bombay. After hearing Counsel for the Department Government, the Hon'ble Court admitted the Writ Petition and issued rule nisi. The Order of the High Court also directed that the Collector should not pass any final order on the Show Cause Notice till the disposal of the Writ Petition. The matter is, therefore, sub-judice and no order of adjudication has been or can be passed till the disposal of the Writ Petition. The Company has also contended that even on merits there is no basis or foundation in the Show Cause Notice and that there is no liability of whatsoever nature for excise duty or penalty arising therefrom.

In the light of the above and since the maintainability of the Show Cause Notice itself is the question in issue before the High Court in the Writ Petition which has been admitted and is pending, and, the Show Cause Notice is totally unfounded your Directors are of the view that any consideration of the sum of Rs. 27.23 crores in the financial working of the Company for the year ended 31st December, 1986 or in the Notes of Accounts thereto does not arise at all.

5. PROJECTS UNDER IMPLEMENTATION:

5.1 Textile Division:

The modernisation of twisting and knitting divisions taken on hand by the Company with a capital outlay of Rs. 67 crores at Ahmedabad is expected to be completed in the current year. Upon completion, your Company will not only attain the status of being the largest twisting installation in the world under one roof but will also produce sophisticated furnishing fabrics of international quality to meet the quality conscious consumers in India and abroad.

5.2 Fibres Intermediate Division:

Purified Terephthalic Acid (PTA):

Due to unexpected delay in receiving certain clearances, the commissioning of your PTA Plant has been delayed. However, requisite permissions have now been received and all equipment is at the site. The Company is hopeful of commissioning the plant in the second-half of 1987 with the guidance of technical collaborators. Messrs. Imperial

Chemical Industries, plc, U.K., Messrs. UOP Processes International Inc., U.S.A. and Messrs. John Brown Engineers & Constructors Ltd., U.K. It will be heartening to note that in the history of your Company, this project is the single largest project, so far to be implemented.

The Company's industrial licence has been re-endorsed for the enlarged capacity of 100,000 tonnes per annum. This is the minimum economic capacity. The PTA plant is the first of its type in India and there are only 27 other plants existing in the world. With the commissioning of the PTA plant, the Company will have adequate source to meet its growing raw material requirement apart from meeting the demand of the producers of polyester in India. This project will save over Rs 80 crores per annum (based on current imports) in foreign exchange for the country.

5.3 Detergent Intermediate Division:

Linear Alkyl Benzene (LAB) Project:

The Company has taken up the LAB project by way of further diversification in the held of Petro Chemicals, in order to meet the fast growing requirements of synthetic detergents in the country. Currently, the projected demand for LAB is 120,000 tonnes per annum. This is met by importing LAB at a foreign exchange expenditure of Rs. 70 crores. The Company has got its industrial licence re-endorsed for a higher capacity of 60,000 tonnes per annum. On account of the delay in obtaining certain clearances the commissioning of LAB plant has also been delayed. It is now expected that with all equipments at site this project will also be commissioned in the second-half of 1987 with the guidance of UOP Processes International Inc., U.S.A., the Technical Collaborators associated with the project.

6. NEW GROWTH CENTRE PETRO CHEMICAL COMPLEX:

Your Company has decided to enter the rapidly growing held of Plastic Resins and has obtained a Letter of Intent for the manufacture of 50,000 tonnes of High Density Polyethylene (HDPE) and 100,000 tonnes of Poly Vinyl Chloride (PVC) per annum.

For setting up these projects, the Company has acquired lands at Hazira, in the State of Gujarat. The Company has signed Agreements with the Technical Collaborators, viz. Messrs. Du Pont, Canada for HDPE and Messrs. B.F. Goodrich & Co., the world leaders in PVC technology.

The Company has also taken up steps to set up a project for the manufacture of Mono Ethylene Glycol (MEG), a basic raw material required for the Polyester Industry. Permission of the Government authorities for endorsement in the licensed capacity to 60,000 tonnes per annum, which is the minimum economic capacity, is awaited. The Company has also entered into collaboration agreement with Messrs. Scientific Design Company, New York, for this project.

Recruitment of key engineering personnel required for these projects is underway. Implementation of the aforesaid projects will entail a capital outlay of over Rs. 500 crores (approx.)

7. DIVERSIFICATION INTO ELECTRONICS:

Your Company has received a clearance from the Government to manufacture 15,00,000 Colour Glass Shells and 5,00,000 Colour Picture Tubes annually involving a capital outlay of over Rs. 200 crores. The Company has initiated action to identify collaborators to implement this project. Diversification in this held by the Company is yet another project in the series of projects of import substitution taken up by the Company to reduce dependence on imported items by the country.

8. RESEARCH & DEVELOPMENT:

Research & Development Division at Ahmedabad worked on various projects associated with textile production and introduced various schemes and measures in dyeing, printing and processing of fabrics. At Patalganga, the Research and Development Wing achieved a major breakthrough in developing and implementing the waste recovery process.

9. REDEMPTION OF DEBENTURES:

In accordance with the approval by the Debentureholders of Series II, III and IV, at their Class Meetings held on 28th August, 1986 your Company has received the final permission of the Controller of Capital Issues, Government of India, New Delhi, for redeeming the outstanding face value of the said debentures aggregating Rs. 1.28 crores.

Requisite notices until be sent shortly by the Company requesting the debentureholders to surrender the debenture certificates to redeem the said debentures not later than 30th June, 1987.

10. INVESTORS' SERVICES:

The total strength of investors of your Company has now reached almost 28 lacs. To cope with the increasing volume of transfers, many areas of the transfer system have been computerised and mechanised. Further, special counters have been additionally opened in South Bombay and Ahmedabad to receive transfer documents. The Company hopes to extend this facility to other metropolises very shortly.

Your Company planned a unique scheme to refund excess application money to the investors in respect of its recent debenture issue Series 'G' whereby the refund amounts were deposited in the investors' account automatically. The Company with the co-operation of the head offices of certain banks identified over 4200 branches in 29 towns to credit the excess application money to the investors' account. In a matter of seven days, a sum of Rs. 90 crores was actually credited to the respective investors accounts. Since this was the first exercise (involving massive analysis and processing of application forms and deployment of various agencies) there have been cases where the banks could not cope with the scheme which resulted in some complaints. They have been since attended to most expeditiously. In view of the experience, the Company avoided this scheme for the Rights Issue in refunding excess application money to the shareholders.

Keeping in view the investors convenience and to expedite despatch of Debenture Certificate Debenture Series 'G', your Company has opened 78 delivery centres at all major towns to deliver over 30 lakhs certificates.

11. RELIANCE CUP 1987:

The Company is pleased to inform that the next World Cup Cricket is being sponsored by your Company and the Cup is to be known as 'Reliance Cup'. The Company has attained this status in the face of both odds and international competition. In fact, this is the first time a world series has been sponsored by an Indian Company.

The Reliance Cup 1987 is jointly hosted by India and Pakistan in a series of 27 matches to be played during October November 1987 The winners of the 'Reliance Cup' will be the world champions of cricket. The Company is extremely proud of being associated with this event which will create a tremendous amount of national and international awareness for the Company.

12. SUBSIDIARY COMPANY:

As required under Section 212 of the Companies Act, 1950, the audited statement of accounts along with the report of its Board of Directors of Devti Fabrics Limited and the report of the Auditors thereon for the year ended 30th September, 1986 are annexed.

Devti Fabrics Limited has turned the corner and has achieved a moderate profit for the year ended 30th September, 1986.

13. 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.

14. FIXED DEPOSITS:

Deposits of Rs. 0.77 crore which became due for repayment on or before 31st December, 1986 were not claimed by the depositors as on that date. Of these deposits of Rs. 0.26 crore have since been repaid/renewed.

15. PERSONNEL:

Your Company values human resources as its most important asset and continuously strives to upgrade the quality of the staff and their morale.

Towards this, the Company proposes to set up a centralised Training Centre with latest training aids and equipments.

The Company, in keeping with its policy of recruiting eminently qualified professionals for all its new projects, have already recruited staff in important position for its PTA and LAB projects.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure forming part of the Report.

16. DIRECTORS

General Insurance Corporation of India has intimated the Company of the resignation of Shri R.V. Madhava Rao, their nominee, from the Board of the Company. The Board of Directors have placed on record their grateful appreciation for the invaluable contributions made by Shri R.V. Madhava Rao during his tenure as a Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association. Messrs. K. Gopal Rao, J.R. Shah and M.L. Bhakta. Directors retire by rotation and are eligible for re-appointment.

17. 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 with the prescribed limits under Section 224 (1) of the Companies Act, 1956.

The Notes to the Accounts Nos. 13 and 14 referred to in the Auditors Report are self explanatory and therefore do not call for any further comments.

18. ACKNOWLEDGEMENT:

Your Directors would like to express their grateful appreciation of the abundant assistance and co-operation received from the Financial Institutions, Banks and especially from the investors during the year under review.

Your Directors wish to place on record their deep sense of appreciation of the devoted services by the Executives, Staff and workers of the Company for its success.

For and on behalf of the Board,

Dhiruhai H. Ambani
Chairman & Managing Director

Bombay-400021.
Dated: 29th April, 1987



Reliance

BALANCE SHEET AS AT 31ST DECEMBER, 1986.

	Schedule	1986		(Rs. in crores)	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
Shareholders' Funds					
Capital	'A'	57.41		57.41	
Reserves & Surplus	'B'	<u>254.12</u>		<u>253.71</u>	
			311.53		311.12
Loan Funds					
Secured Loans	'C'	682.03		553.74	
Unsecured Loans	'D'	<u>143.78</u>		<u>81.90</u>	
			825.81		635.64
TOTAL			<u>1137.34</u>		<u>946.76</u>
APPLICATION OF FUNDS :					
Fixed Assets					
Gross Block		1137.55		735.68	
Less : Depreciation		<u>188.09</u>		<u>128.88</u>	
Net Block	'E'		949.46		606.80
Investments	'F'		0.37		37.30
Current Assets, Loans & Advances					
Current Assets					
Inventories		240.33		147.59	
Sundry Debtors		120.47		109.41	
Cash and Bank Balances		659.25		126.35	
Other Current Assets		<u>0.33</u>		<u>0.46</u>	
Loans & Advances	'H'	<u>1020.38</u>		<u>383.81</u>	
		<u>32.45</u>		<u>18.29</u>	
		1052.83		402.10	
Less : Current Liabilities & Provisions					
Liabilities	'I'	851.11		73.55	
Provisions		<u>14.21</u>		<u>25.89</u>	
		865.32		99.44	
			187.51		302.66
TOTAL			<u>1137.34</u>		<u>946.76</u>
Notes and Contingent Liabilities	'N'				
As per our Report of even date		For and on behalf of the Board			
For RAJENDRA & CO. Chartered Accountants R.J. Shah Proprietor	For CHATURVEDI & SHAH Chartered Accountants D. Chaturvedi Partner	D.H. Ambani R.H. Ambani		Chairman & Managing Director Joint Managing Director	
		K. Gopal Rao J. R. Shah T. Ramesh U. Pai	}	Directors	
		N. H. Ambani M.D. Ambani Executive A. D. Ambani	}	Directors	
Bombay Dated : 29th April, 1987		V.M. Ambani		Secretary	

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1986

	Schedule	1986		(Rs. in crores)	
		Rs.	Rs.	1985	Rs.
INCOME					
Sales		904.02		733.14	
Other Income	'J'	7.19		4.94	
Increase in Stocks	'K'	78.69		13.50	
			989.90		751.58
EXPENDITURE					
Purchases		205.60		53.25	
Manufacturing and Other Expenses	'L'	654.91		565.08	
Interest	'M'	54.24		24.45	
Depreciation		60.98		37.46	
			975.73		680.24
Profit for the year			14.17		71.34
Add: Balance brought forward from last year			14.52		14.91
			28.69		86.25
Add : Excess provision for Directors' Remuneration (Rs. Nil)			—		—
(Previous year Rs. 42,493) written back			25.00		—
Investment Allowance (Utilised) Reserve written-back			53.69		86.25
Less : Net effect of reversal of capitalisation of interest on Fixed Assets			—		8.13
			53.69		78.12
Less : Transfer to :					
Investment Allowance Reserve		36.00		22.80	
Taxation Reserve		—		10.00	
			36.00		32.80
Amount available for Appropriations:			17.69		45.32
APPROPRIATIONS					
General Reserve		2.00		5.00	
Differential Dividend pertaining to Previous year		—		0.05	
Proposed Dividend (subject to tax) on :					
Preference Shares		0.86		0.86	
Equity Shares		12.90		24.89	
			15.76		30.80
Balance carried to Balance Sheet			1.93		14.52

Notes and Contingent Liabilities 'N'

As per our Report of even date		For and on behalf of the Board	
For RAJENDRA & CO. Chartered Accountants R.J. Shah Proprietor	For CHATURVEDI & SHAH Chartered Accountants D. Chaturvedi Partner	D.H. Ambani R.H. Ambani	Chairman & Managing Director Joint Managing Director
		K. Gopal Rao J. R. Shah T. Ramesh U. Pai	} Directors
		N. H. Ambani M.D. Ambani Executive A. D. Ambani	} Directors
Bombay Dated : 29th April, 1987		V.M. Ambani	Secretary

SCHEDULE 'C' (Contd.)

		(Rs. in crores)			(Rs. in crores)				
		1986		1985	1986		1985		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
						B/f.	107.23	460.28	363.09
		B/f	0.11	135.91	38.58				
iv)	12% Convertible Mortgage Debentures of Rs. 125 each fully paid (Series II) (Refer Note No. 8 below) Less : Converted/Surrendered		10.80		10.80				
			10.69		10.69				
			0.11		0.11				
v)	13.5% Convertible Mortgage Debentures of Rs. 125 each fully paid (Series III) (Refer Note No. 8 below) Less : Converted/Surrendered		24.00		24.00				
			23.49		23.49				
			0.51		0.51				
vi)	13.5% Convertible Secured Debentures of Rs. 125 each fully paid (Series N) (Refer Note No. 8 below) Less : Converted/Surrendered		50.00		50.00				
			49.55		49.55				
			0.45		0.45				
vii)	13.5% Convertible Secured Debentures of Rs. 150 each fully paid (Series 'E') – Balance amount is redeemable at par at the end of 10th December. 19% 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. Less : Converted.		80.00		80.00				
			26.67		26.67				
			53.33*		53.33				
	* includes debentures of face value (Rs. 36,000) held by Directors								
viii)	15% Non-convertible Secured Debentures of Rs. 100 each (Series 'F') (Refer Note No. 9 below) Less : Bought back and eligible for reissue		270.00		270.00				
			0.14		–				
			269.86*		270.00				
	* includes debentures of face value Rs. 0.02 crore held by Directors								
			324.37		324.51				
D. TERM LOANS									
i.	From Banks								
(a)	Foreign Exchange Loan in Euro-Currency at Floating Rates		88.32		61.72				
(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 Sanwa Bank Ltd., Tokyo. Japan.		16.19		19.97				
			2.72		2.78				
(c)	Rupee Loans		107.23		84.47				
		C/f	107.23	460.28	363.09				
2.	From Financial Institutions (a) Foreign Currency Loans (b) Rupee Loans						107.99	96.02	
							1.01	1.82	
							109.00	97.84	
3.	From Others: (a) Lazard Brothers & Co. Ltd., London (b) Housing Development Finance Corporation Ltd.						0.52	1.70	
							0.54	0.62	
							1.06	2.32	
							217.29	184.63	
E. DEFERRED PAYMENT LIABILITIES									
	To Foreign Machinery Suppliers (Guaranteed by Banks and Financial Institutions)						4.46	6.02	
							682.03	553.74	
NOTES :									
	Of the above :								
1.	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.								
2.	Debentures referred in C(iii), (iv), (v), (vi) and (viii), Term Loans referred in D save and except D(1)(a) to the extent of Rs. 18.19 crores, D(1)(c) to the extent of Rs. 1.14 crores and D(3)(b) and Deferred Payment Liabilities referred in E are secured by mortgage of deposit of title deeds on the properties situate at Naroda, District Ahmedabad, in the State of Gujarat and at Patalganga, District Raigad, in the State of Maharashtra.								
3.	Debentures referred in C (vii) are secured by a 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 by the Company in favour of: (i) Trustees/Agents & Trustees for the holders of Debentures referred in C (iii), (iv), (v), (vi) and (viii) and (ii) Other Financial Institutions/Banks for their outstanding loans/guarantees.								
4.	Term Loans referred in D(1)(a) to the extent of Rs. 18.19 crores are secured exclusively by hypothecation of specified items of plant and machinery situate at Naroda and Patalganga.								
5.	Term Loans referred in D(1)(c) to the extent of Rs. 1.14 crores are to be secured exclusively by mortgage of the assets of the Company situate at Sidhpur, in the State of Gujarat.								
6.	Term Loans referred in D(3)(b) are secured by mortgage by deposit of title deeds of specified residential quarters situate at Panvel, Dist. Raigad in the State of Maharashtra.								
7.	The charges created on the Debentures, Term Loans and Deferred Payment Liabilities referred to in C, D and E above would rank pari passu, inter se, save and except: (i) Debentures referred to in C(vii) and cumulative interest payment on Debentures referred in C(viii) and (ii) Term Loans referred in D(1)(a) to the extent of Rs. 18.19 crores D(1)(c) to the extent of Rs. 1.14 crores and D(3)(b).								
8.	The balance amount of Debentures of Series I, II, III and IV are redeemable at par not later than 30th June, 1987 in terms of resolution passed by the Debentureholders in their respective class meetings held on 28th August, 1986 and the subsequent consent received from the Controller of Capital Issues, Government of India								
9.	(a) The Debentures referred in C (vii) 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 and (ii) the debentureholder has held the debentures for a period of not less than one year on the date of his offer (c) The Company can reissue at par such bought back debentures. (d) The Company received request for buy-back of debentures of an aggregate nominal value of Rs. 11.46 crores till date (since paid Rs. 9.57 crores)								
10.	The figures of secured loans include Rs. 13.86 crores repayable within one year.								



Reliance

SCHEDULE 'D'

UNSECURED LOANS

	1986		(Rs. in crores) 1985
	Rs.	Rs.	Rs.
Fixed Deposits (including Cash Certificates of Rs. 21.19 crores and Rs. 14.49 crores from Companies)		110.71	<u>69.79</u>
Short Term Loans (Bridge Loans)			
i) From Banks	15.25		—
ii) From Financial Institutions	17.82		<u>12.11</u>
		33.07	<u>12.11</u>
		143.78*	<u>81.90</u>

* includes Rs. 72.04 crores repayable/adjustable within one year.

SCHEDULE 'E'

FIXED ASSETS

Nature of Fixed Assets	(Rs. in crores)							
	GROSS BLOCK (AT COST)			DEPRECIATION		NET BLOCK		
	As at 1.1.86 Rs.	Additions Rs.	Deductions Rs.	As at 31.12.86 Rs.	Total upto 31.12.86 Rs.	As at 31.12.86 Rs.	As at 31.12.85 Rs.	
goodwill	1.23	—	—	1.23	—	1.23	1.23	
Leasehold Land	4.71	0.12	—	4.83	—	4.83	4.71	
Freehold Land	0.11	—	—	0.11	—	0.11	0.11	
Buildings	50.71	12.77	—	63.48	4.40	59.08	47.46	
Plant & Machinery	534.50	347.08	1.82	879.76	178.62	701.14	412.39	
Electric Installation	17.05	19.72	—	36.77	2.16	34.61	15.75	
Factory Equipments	3.89	1.33	—	5.22	0.83	4.39	3.27	
Furniture & Fixture	9.63	2.93	0.01	12.55	1.68	10.87	8.37	
Vehicles	1.89	0.44	0.18	2.15	0.40	1.75	1.55	
Capital Expenditure pending allocation and advance against Capital Expenditure	111.96	85.16	65.67	131.45	—	131.45	111.96	
	735.68	469.55	67.68	1137.55	188.09	949.46	606.80	
Previous Year	530.93	346.68	141.93	735.68	128.88	606.80		

NOTES :

- Leasehold Land includes Rs. 0.82 crore 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.
- Buildings includes (i) under construction Rs. 14.75 crores and (ii) cost of ownership premises in Cooperative Societies Rs. 0.23 crore.
- Plant & Machinery includes (i) Rs. 196.89 crores under installation and (ii) Rs. 50.59 crores in transit.
- Electric installation includes Rs. 17.21 crores under installation.
- Factory Equipments includes Rs. 0.48 crore under installation.
- Furniture & Fixtures includes Rs. 0.34 crore against work-in-progress.
- 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.
- Additions during the year includes assets acquired of Rs. 0.50 crore for Research & Development.
- Capital Expenditure pending allocation consists of
 - Rs. 58.47 crores on account of Advance against Capital Expenditure (Previous year Rs. 73.76 crores).
 - Rs. 67.05 crores on account of Pre-operative Expenses (Previous year Rs. 29.86 crores) as per Note No.15 of Schedule 'N', and
 - Rs. 5.93 crores on account of cost of construction and fabrication materials at site (Previous year Rs. 8.34 crores).



Reliance

**SCHEDULES FORMING PART OF THE
PROFIT & LOSS ACCOUNT**

SCHEDULE 'H'

LOANS AND ADVANCES	(Rs. in crores)	
	1986 Rs.	1985 Rs.
UNSECURED - CONSIDERED GOOD		
Loan to a wholly-owned subsidiary Company Devti Fabrics Limited (maximum balance at any time during the year Rs. 1.35 crores) (Previous year Rs. 1.00 crore)	1.35	1.00
Advances recoverable in Cash or in Kind or for value to be received	15.00*	8.67
Deposits	10.66	6.24
Prepaid Expenses	1.47	0.30
Balance with Customs, Central Excise Authorities etc.	3.97	2.08
	<u>32.45</u>	<u>18.29</u>

- * includes i) Rs. 0.06 crore from Officers (Previous year Rs. 0.01 crore) maximum balance at any time during the year Rs. 0.06 crore (Previous year Rs. 0.02 crore)
ii) Rs. 0.19 crore as Promoters contribution towards equity Share Capital in Reliance Capital & Finance Trust Ltd., for which allotment of shares is to be made.
- * excludes Rs. 0.16 crore considered doubtful and provided for.

SCHEDULE 'I'

CURRENT LIABILITIES & PROVISIONS	(Rs. in crores)		
	1986 Rs.	1985 Rs.	1985 Rs.
CURRENT LIABILITIES			
Sundry Deposits	1.97	1.78	
Sundry Creditors	119.62*	38.87	
Unclaimed Dividends	0.41	0.88	
Interest accrued but not due on loans	36.60	31.84	
Excess Share and Debenture Application Monies refundable	0.40	0.18	
Application Money received towards issue of Debenture Series 'G' (Refer Note No. 12 of Schedule 'N')	692.11**	—	
	<u>851.11</u>	<u>73.55</u>	
* includes For Capital Expenditure Rs. 67.12 crores and Fixed Deposits matured but unclaimed Rs. 0.77 crore and Rs. 1.27 crores due to subsidiary company			
** includes Rs. 1.48 crores received from Directors			
PROVISIONS			
Gratuity, Superannuation and Provident Funds	0.45	0.14	
Proposed Dividends	13.76	25.75	
	<u>14.21</u>	<u>25.89</u>	
	<u>865.32</u>	<u>99.94</u>	

SCHEDULE 'J'

OTHER INCOME	(Rs. in crores)	
	1986 Rs.	1985 Rs.
Incentives, Assistance & Drawbacks on Exports received	0.54	0.60
Processing Charges	0.23	—
Dividend (Gross)	0.01	0.01
On other Investments (Tax at source Rs. 16.319)	—	—
Profit on sale/discard of Assets (Net)	0.33	—
Miscellaneous Income	6.07	4.20
Profit on Sale of Investments	0.01	0.13
	<u>7.19</u>	<u>4.94</u>

SCHEDULE 'K'

INCREASE IN STOCKS	(Rs. in crores)	
	1986 Rs.	1985 Rs.
STOCK-IN-TRADE (at close)		
Finished Goods	115.18	36.83
Stock-in-process	41.65	40.65
Others	2.48	3.14
	<u>159.31</u>	<u>80.62</u>
STOCK-IN-TRADE (at commencement)		
Finished Goods	36.83	32.96
Stock-in-process	40.65	34.14
Others	3.14	0.02
	<u>80.62</u>	<u>67.12</u>
	<u>78.69</u>	<u>13.50</u>

SCHEDULE 'L'

MANUFACTURING & OTHER EXPENSES	(Rs. in crores)	
	1986 Rs.	1985 Rs.
RAW MATERIALS CONSUMED		
Stock at commencement	50.65	46.95
Add : Purchases	251.60	227.11
	<u>302.25</u>	<u>274.06</u>
Less: Stock at close	57.27	50.65
	<u>244.98</u>	<u>223.41</u>
MANUFACTURING EXPENSES		
Carriage Inward	2.44	1.88
Stores & Spare parts	8.76	8.37
Dyes & Chemicals	22.45	17.39
Electric Power, Fuel & Water	32.99	24.50
Machinery Repairs	1.01	0.97
Building Repairs	0.57	0.49
Labour, Processing & Machinery Hire Charges	6.02	7.80
Excise Duty	267.35	217.52
Sales Tax	3.57	1.29
	<u>345.16</u>	<u>280.21</u>
PAYMENTS TO AND PROVISION FOR EMPLOYEES		
Salaries, Wages & Bonus	15.48	14.42
Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Employees' State Insurance Scheme, Pension Scheme, Labour Welfare Fund etc.	2.04	2.15
Employees' Welfare and other amenities	2.20	2.69
	<u>19.72</u>	<u>19.26</u>
	<u>609.86</u>	<u>522.88</u>

C/f

		(Rs. in crores)				(Rs. in crores)	
		1986	1985	1986	1985		
		Rs.	Rs.	Rs.	Rs.		
B/f		609.86	522.88				
SALES & DISTRIBUTION EXPENSES							
Samples, Sales Promotion & Advertisement Expenses		3.64	2.61				
Brokerage & Commission		4.62	4.69				
Export Expenses		0.01	0.01				
Packing Expenses		13.00	11.62				
Warehousing Charges		1.11	0.70				
Freight and Forwarding Charges		3.01	1.64				
Octroi Expenses		1.40	0.77				
		26.79	22.04				
ESTABLISHMENT EXPENSES							
Insurance		2.19	1.69				
Rent		0.22	0.43				
Rates and Taxes		0.07	0.16				
Other Repairs		0.50	0.64				
Travelling Expenses (including Rs. 0.04 crore for Directors)		0.91	1.34				
Payment to Auditors		0.15	0.15				
Directors' Fees (Rs. 12,250) (Previous year Rs. 7,000)		—	—				
General Expenses		13.36	14.06				
Provision for doubtful recoveries		0.35	0.65				
Charity & Donation		0.51	0.58				
Loss on Sale/Discard of Assets		—	0.46				
		18.26	20.16				
		654.91	565.08				
SCHEDULE 'M'							
		(Rs. in crores)					
		1986	1985				
		Rs.	Rs.				
INTEREST							
Debentures		20.57	6.78				
Fixed Loans		21.25	17.37				
Others (Net)		12.42	0.30				
		54.24	24.45				
SCHEDULE 'N'							
NOTES AND CONTINGENT LIABILITIES							
1. The previous year's figures have been regrouped wherever necessary.							
2. Figures are shown in crores of rupees in accordance with the approval from the Company Law Board. Figures less than Rs. 50,000 have been shown at actuals in brackets.							
3. The Company is accounting the following on cash basis :							
(a) Export incentives and other claims (b) Claims for refunds of custom duty, Sales tax, insurance, Octroi etc. (c) Interest on overdue bills and delayed payment charges on loans (d) Drawback on return of cops (e) Income on investments and on disposal of sundry items other than usable waste of POY/PSF (f) Excise duty set off (g) Performance incentives of sales (h) Liability in respect of maturity value in excess of initial investment of Cash Certificates issued by the Company under Fixed Deposit Scheme (i) premium on redemption of Debentures.							
4. Sales is inclusive of Rs 25.62 crores being the recovery of Sales Tax and Excise duty.							
5. interest - Others (Net) is arrived at after deducting Rs. 7.13 crores (Tax at source Rs. 0.14 crore) being interest received/receivable.							
6. Revenue expenses amounting to Rs. 1.26 crores on Research & Development have been included under the respective heads of accounts.							
7. Auditors' Remuneration							
(a)	Audit Fees	0.09	0.07				
(b)	Tax Audit Fees	0.03	0.05				
(c)	For certification and consultation in Finance and Tax matters	0.02	0.02				
(d)	Out-of-pocket expenses	0.01	0.01				
		0.15	0.15				
8. (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.							
		(Rs. in crores)					
		1986	1985				
		Rs.	Rs.				
(b) Managing Directors' and *Executive Directors' Remuneration:							
i)	Salaries	0.03	0.03				
ii)	Contribution to Provident Fund and Superannuation Fund	0.01	0.01				
iii)	Provision for Gratuity (as per actuarial valuation) (Rs. 8,980) (Previous year Rs. 17,815)	—	—				
iv)	Perquisites	0.02	0.02				
* Includes remuneration to Shri M.D. Ambani, Executive Director, of Rs. 0.02 crore and is subject to the approval of Central Government.							
9. 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. 61.06 crores in respect of such product at year end has not been provided in the accounts and not included in the inventory of finished products.							
10. (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 loans.							
(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 4.32 crores (Previous year Rs. 3.39 crores) has been included under the head "General Expenses".							
11. The Company has been advised that there will be no tax liability for the year ending 31st December, 1986, in view of various reliefs claimed in tax proceedings. The Company is of the opinion that Taxation Reserve of Rs. 10 crores created in the previous year is adequate to take care of tax liability, if any, for pending assessments.							
12. The Company allotted 13.5% Secured Fully Convertible Debentures of Rs. 145 each (Series 'G') for an aggregate nominal value of Rs. 500 crores after the close of the year. The said debentures have been subsequently secured by way of second and subservient charge in favour of the Trustees for the holders of the said debentures by mortgaging immovable and moveable assets and properties of the Company situated at Naroda, in the State of Gujarat							
The face value of each Debenture shall be converted into two equity shares of Rs. 10 each credited as fully paid up at a premium of Rs. 62.50 per share at the expiry of 12 months from the date of allotment of the said Debentures. Amount disbursed against the above issue expenses till the year end amounting to Rs. 3.94 crores have been shown under the head Advances Recoverable in cash or kind, pending allocation and finalisation.							
13. The Company until last year used to account for disposal of waste generated in the course of production on cash basis. During the year, one of the Waste Recovery Plants was commissioned for recycling of Polyester yarn and Fibre waste as raw material. Therefore, such usable waste lying with the Company to the extent of 4040 tonnes at the end of the year has been booked at the price equivalent to cost of raw materials after deducting recycling cost. Had this not been done, the figures of raw materials consumption would have been higher by Rs. 11.72 crores and correspondingly the Profits for the year would have been lower by the said amount.							



Reliance

SCHEDULE 'N' (Contd.)

14. Until last year inventories were valued at cost. During the current year, The Company has changed the method of valuation of inventories and accordingly, these are valued at cost or market value whichever is lower. Had the same method been continued inventories and profit would have been higher by Rs. 5.10 crores.
15. Pre-operative expenses in respect of Projects upto December, 1986 capitalised/to be capitalised

(Rs. in crores)			
	1986	Upto 1985	Total
Salaries, Wages & Bonus	0.91	0.02	0.93
Employees' Welfare and Other Amenities insurance	0.44	0.02	0.46
Rent	0.83	0.32	1.15
Rates & Taxes	0.50	—	0.50
Other Repairs	0.01	—	0.01
Travelling Expenses	—	0.07	0.07
General Expenses	0.60	0.20	0.80
Raw Material consumed (during trial run)	8.36	3.79	12.15
Labour Charges	5.16	0.05	5.21
Electric Power, Fuel and Water	0.27	0.16	0.43
Debiture Issue Expenses	7.07	0.24	7.31
Interest:	0.33	9.43	9.76
Debentures	28.76	24.08	52.84
Fixed Loans	8.13	7.00	15.13
Others (Net)	2.96	(3.58)	(0.62)
	64.33	41.80	106.13
Less: Miscellaneous Income	0.62	1.05	1.67
	63.71	40.75	104.46
Less: Capitalised by allocating to Buildings, Plant & Machinery	26.52	10.89	37.41
	37.19	29.86	67.05

16. CONTINGENT LIABILITIES

(Rs. in crores)		
	1986 Rs.	1985 Rs.
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	301.78	683.08
(b) Outstanding guarantees furnished by Bankers	34.52	23.77
(c) Bonds executed in favour of Excise and Customs Authorities	22.53	53.50
(d) Uncalled liability on partly paid shares (Rs. 16,875) (Previous year Rs. 16,875)	—	—
(e) Claims against the Company not acknowledged as debts including Rs. 2.11 crores for excise (Previous year Rs. 27.23 crores)	2.79	27.62
(f) Export bills discounted against irrevocable Letters of Credit	0.02	0.03
(g) Indemnities towards export obligations against capital goods import	0.98	3.04
(h) Disputed Income Tax Liability	6.10	2.03
(i) Guarantee to a Bank against credit facilities extended to Devti Fabrics Ltd., a wholly owned subsidiary company (Facilities utilised upto 31.12.86 Rs. 2.80 crores)	3.00	—

17. Licensed and Installed Capacity

	Unit	Licensed Capacity		Installed Capacity	
		1986	1985	1986	1985
(a) Polyester Yarn	M.T.	25125	25125	25125+	25125+
(b) Polyester Staple Fibre implementation	M.T.	45000	45000	45000	Under
(c) Cotton/Blended Yarn (Spindles)	Nos.	12500	12500	12494	12494
(d) Cotton/Man-made Fabrics (Looms)	Nos.	450	450	450	450
(e) Purified Terephthalic Acid (Knitting M/c)	Nos.	22	22	16	18
(f) Linear Alkyl Benzene	M.T.	100000	75000	Under implementation	Under implementation
(g) High Density Polyethylene*	M.T.	60000	50000	- do -	- do -
(h) Poly Vinyl Chloride*	M.T.	50000	50000	- do -	- do -
(i) Mono Ethylene Glycol*	M.T.	100000	100000	- do -	- do -
(j) Synthetic Filament Yarn including industrial yarn/tyre cord*	M.T.	40000	40000	- do -	- do -
(k) Spandex Fibre/Yarn (surrendered during the year)	M.T.	2000	2000	- do -	- do -
		—	300	—	- do -

* On the basis of Letter of Intent received
+ Based on average Denier of 40
Installed Capacity based on Certificate of the Management.

18. PRODUCTION

	Unit	1986	1985
Yarn (Polyester, Cotton and Blended)	M.T.	33445*	30345*
Fabrics	Mtrs. in lacs	550.50	582.69
Polyester Staple Fibre	M.T.	13185*	—

* Including for captive use/trial run production

19. VALUE OF IMPORTS ON C.I.F. BASIS IN RESPECT OF

(Rs. in crores)		
	1986 Rs.	1985 Rs.
(a) Raw Materials	48.58	44.98
(b) Dyes and chemicals, stores and spare parts	8.48	4.20
(c) Capital goods	119.42	117.94

		1986		1985		
		Quantity	Rs. in crores	Quantity	Rs. in crores	
		(Rs. in crores)				
		1986		1985		
		Rs.		Rs.		
20. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF						
Interest on Foreign Currency Loans			24.57		17.02	
Interest on Debentures held by Non-residents on repatriation basis (Gross)			16.79		0.40	
Other matters (including commitment charges Rs. 0.11 crore on Foreign Currency Loans - Previous year Rs. 0.19 crore)			4.94		0.84	
Technical Knowhow & Engineering Fees			14.87		21.13	
21. QUANTITATIVE INFORMATION IN RESPECT OF OPENING STOCK, CLOSING STOCK, PURCHASES, SALES AND CONSUMPTION OF RAW MATERIALS						
		Unit	Quantity	Rs. in crores	Quantity	Rs. in crores
(a) Opening Stock						
Yarn		M.T.	1470.00	15.21	1426.00	17.74
Fabrics		Mtrs. in lacs	74.84	21.62	49.11	15.22
Stock-in-process (Yarn)		M.T.	1864.00	18.58	1572.00	18.07
Stock-in-process (Fabrics)		Mtrs. in lacs	99.50	22.07	63.01	16.07
Others			—	3.14	—	0.02
(b) Closing Stock						
Yarn		M.T.	5382.00	36.16	1470.00	15.21
Fabrics		Mtrs. in lacs	104.22	46.08	74.84	21.62
Polyester Staple Fibre		M.T.	6417.00	32.94	—	—
Stock-in-process (Yarn)		M.T.	1059.00	12.87	1864.00	18.58
Stock-in-process (Fabrics)		Mtrs. in lacs	64.50	26.61	99.50	22.07
Stock-in-process (PSF)		M.T.	309.00	0.89	—	—
Stock-in-process (Polyester chips)		M.T.	324.00	1.28	—	—
Others			—	2.48	—	3.14
(c) Purchases:						
Yarn		M.T.	2781.00	64.68	1796.00	35.59
Fabrics		Mtrs. in lacs	243.30	138.06	35.12	10.22
Fibre		M.T.	—	—	45.00	0.35
Sea foods		M.T.	495.00	2.86	875.00	4.94
D.M.T.		M.T.	—	—	1398.00	2.15
(d) Sales :						
Yarn (Polyester, Cotton and Blended)		M.T.	29630.00	509.69	27068.00	483.20
Fabrics		Mtrs. in lacs	764.42	340.36	592.08	242.26
Polyester Staple Fibre		M.T.	6666.00	51.11	0.45	0.36
Sea foods		M.T.	495.00	2.86	875.00	4.94
D.M.T.		M.T.	—	—	1398.00	2.39
(e) Raw Materials consumed :						
P.T.A./Poly. Chips		M.T.	42827.00	115.41	21409.00	45.71
M.E.G.		M.T.	17802.00	23.27	8411.00	12.27
Useable Waste		M.T.	74.00	0.20	—	—
Cotton		M.T.	—	—	437.00	0.72
Fibre		M.T.	1418.00	11.54	1602.00	15.44
Yam		M.T.	4233.00	82.45	6625.00	120.38
Fabric (Grey)		Mtrs. in lacs	133.06	23.83	129.57	28.89
				256.70		223.41
Less : Stock of useable waste (Refer Note No. 13 above)				11.72		—
				244.98		223.41



Reliance

22. VALUE OF RAW MATERIALS CONSUMED	1986		1985	
	Rs. in crores	% of total consumption	Rs. in crores	% of total consumption
Imported (including import duty Rs. 102.29 crores)	138.97	56.73	122.28	54.73
	106.01	43.27	101.13	45.27
	244.98	100.00	223.41	100.00
23. VALUE OF DYES AND CHEMICALS, STORES AND SPARE PARTS CONSUMED				
Imported	10.59	53.93	7.58	29.41
Indigenous	20.62	66.07	18.18	70.59
	31.21	100.00	25.76	100.00
24. EARNING IN FOREIGN EXCHANGE				
		1986		(Rs. in crore)
		Rs.		1985
Export of goods on F.O.B. basis		6.79		Rs. 5.64
Interest received on call deposit		0.05		—
25. REMITTANCES IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND				
The Company has not made any remittance in Foreign Currencies on account of dividend and does not have 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 hereinbelow as at the end of the year.				
(a) Number of Non-resident shareholders	72		43	
(b) Number of Equity Shares held by them	36,00,403		31,73,181	
(c) (i) Amount of dividend paid (Gross) Tax at source Rs. 0.43 crore (Previous year Rs. 0.30 crore)		1.73		1.21
(ii) Year to which dividend relates		1985		1984
26. (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 per annum				
(i) Number of employees	555		431	
(ii) Salaries and Bonus		2.16		1.67
(iii) Contribution to Provident Fund & Superannuation Fund		0.47		0.37
(iv) Other perquisites		0.77		0.59
(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 per month				
(i) Number of employees	138		63	
(ii) Salaries and Bonus		0.33		0.14
(iii) Contribution to Provident Fund & Superannuation Fund		0.07		0.03
(iv) Other perquisites		0.08		0.05
As per our Report of even date		For and on behalf of the Board		
For RAJENDRA & CO. Chartered Accountants R.J. Shah Proprietor	For CHATURVEDI & SHAH Chartered Accountants D. Chaturvedi Partner	D.H. Ambani R.H. Ambani	Chairman & Managing Director Joint Managing Director	
		K. Gopal Rao J. R. Shah T. Ramesh U. Pai	Directors	
		N. H. Ambani M.D. Ambani Executive A. D. Ambani	Directors	
Bombay Dated : 29th April, 1987		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, 1986 and also the annexed Profit & 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 & Loss Account dealt with by the report are in agreement with the Books of Account.
4. Attention is invited to:
 - (a) Para 4 of Directors' Report dealing with show cause notice of Excise Authorities bearing No. V(18)15-54/85/6773 dated 28.10.85 in regard to claim of Rs. 27.23 crores and shown as contingent liability in the previous year. The Company has challenged the validity of the said Notice and obtained a stay order from Bombay High Court. On reconsideration of the matter and in the light of an independent legal opinion, the Company has not shown the same as Contingent Liability in this year.

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:

- i) Note No. 13 regarding valuation of useable waste and its consequential effects on Profits and Reserves:
- ii) Note No. 14 regarding change in method of valuation of inventories and its consequential effects on Profits and Reserves.

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 Balance Sheet of the state of affairs of the Company as at 31st December, 1986:
- ii) in the case of Profit & Loss Account of the Profit for the year ended on that date

As required by the Manufacturing and Other Companies (Auditors' 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 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 except as otherwise stated in Note No. 13 of Notes to Accounts regarding valuation of useable waste and Note No 14 of Notes to Accounts regarding change in method of valuation of inventories.
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 bans have been given to the employees free of interest and with interest to the subsidiary company. The repayment of principal amount and interest, wherever applicable, in most of the cases are as stipulated.
6. On the basis of selective check 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 price 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 facie, been maintained. 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: 29th April 1987

For **CHATURVEDI & SHAH**
Chartered Accountants

D. CHATURVEDI
Partner



Reliance

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, 1986.
- 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 : 2,10,070 Equity Shares of the face value of Rs. 10 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
 - (a) Not dealt with the holding company's accounts: ,
 - i) For the financial year ended 30th September, 1986 : Rs. 1.63 lacs
 - ii) For the previous financial years of the subsidiary since it became the holding company's subsidiary : Rs. 14,250 (Loss)
 - (b) Dealt with in holding company's accounts:
 - i) For the financial year ended 30th September, 1986 : 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 : None
- 6. Material changes between the end of the financial year of the Subsidiary and the end of the Holding Company's financial year in respect of:
 - (a) the Subsidiary's Fixed Assets: : Nil
 - (b) its investments: : Nil
 - (c) the moneys lent by it: and : Nil
 - (d) the moneys borrowed by it for any purpose other than that of meeting current liabilities. : Nil

For and on behalf of the Board

D.H. Ambani
R.H. Ambani

Chairman & Managing Director
Joint Managing Director

K. Gopal Rao
J. R. Shah
T. Ramesh U. Pai

}
}

Directors

N. H. Ambani
M.D. Ambani Executive
A. D. Ambani

}
}

Executive Directors

V.M. Ambani

Secretary

Bombay
Dated : 29th April, 1987

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Third Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 1986.

OPERATIONS :

During the year under review, your Company commenced production and effected sales of Rs. 11.32 crores (previous year: Nil) and earned a net profit of Rs. 1.63 lacs (previous year loss of Rs. 0.07 lac) after providing depreciation of Rs. 21.84 lacs (previous year: Nil). After adjusting carry forward losses of Rs. 0.14 lac, a sum of Rs. 1.49 lacs has been carried to Balance Sheet.

DIVIDEND :

In order to conserve the resources of the Company for future working, Your Directors have proposed that no dividend be declared for the year under review.

EXPANSION/MODERNISATION SCHEME :

Your Company has taken on hand a scheme for modernising the Company's plant at Sidhpur involving a capital outlay of Rs. 494 lacs and has obtained sanction from The Industrial Credit and Investment Corporation of India Limited (ICICI), Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), and Industrial Reconstruction Bank of India (IRBI) for Rupee Term Loans aggregating Rs. 320 lacs.

INSURANCE :

The Company's assets have been adequately insured.

DIRECTORS :

Shri Susheel C. Kothari and Shri Natubhai M. Sanghvi retire by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

AUDITORS :

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

PERSONNEL:

Information as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 forming part of the Directors' Report for the year ended 30th September, 1986 is annexed.

APPRECIATION :

Your Directors wish to place on record their appreciation of the devoted services rendered by the Executives, Staff and workers of the Company for its success.

For and on behalf of the Board of Directors

S. Natarajan
Kirti V. Ambani } Directors
V. M. Ambani

Registered Office :
3rd Floor, Maker Chambers (V)
222, Nariman Point,
Bombay 400 021.

Dated : 27th February, 1987.

AUDITORS' REPORT

The Members of Devti Fabrics Limited

We have audited the attached Balance Sheet of DEVTI FABRICS LIMITED as at 30th September, 1986 and also the annexed Profit & 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 & 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 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 Balance Sheet of the state of affairs of the Company as at 30th September, 1986;
 - ii) in the case of Profit and Loss Account of the 'profit' for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' 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 fixed assets. 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.
4. The Company has taken unsecured loan from the Holding Company in respect of which rate of interest and the terms and conditions of such loan are not prima facie prejudicial to the interest of the Company. The Company has not taken any other loans from companies, firms or other parties as listed in the registers maintained under Section 301 of the Companies Act, 1956.
5. Loans and Advances in the nature of loans have been given to the employees 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.
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. The Company has not accepted any deposits from the Public and hence the provisions of Section 58A of the Companies Act, 1956 and rules made thereunder are not applicable.
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. Since the paid-up capital of the Company is less than Rs. 25 lacs, internal Audit is not required statutorily.
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 facie, been maintained. 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

For **CHATURVEDI & SHAH**
Chartered Accountants

R.J. SHAH
Proprietor

D. CHATURVEDI
Partner

Bombay.
Dated : 27th February, 1987.

DEVTI FABRICS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 1986.

	Schedule	As at 30.9.1986		(Rs. in crores) As at 30.9.85	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
Shareholders' Funds					
Capital	'A'	21.01		0.01	
Reserves & Surplus	'B'	1.49		—	
			22.50		0.01
Loan Funds					
Secured Loans	'C'	275.51		—	
Unsecured Loan (from Holding Company)		135.00		0.18	
			410.51		0.18
TOTAL			433.01		0.19
APPLICATION OF FUNDS :					
Fixed Assets					
Gross Block		209.37		—	
Less : Depreciation		21.84		—	
Net Block	'D'		187.53		—
Current Assets, Loans & Advances					
Current Assets	'E'				
Inventories		194.69		—	
Sundry Debtors		106.35		—	
Cash and Bank Balances		27.50		0.01	
			328.54		0.01
Loans & Advances	'F'	6.25		—	
			334.79		0.01
Less : Current Liabilities & Provisions	'G'				
Liabilities		82.37		0.15	
Provisions		7.11		—	
		89.48		0.15	
Miscellaneous expenditure (to the extent not written off or adjusted)			245.31		(0.14)
Profit & Loss Account			0.17		0.19
			—		0.14
TOTAL			433.01		0.19
Notes and Contingent Liabilities	'L'				
As per our Report of even date		For and on behalf of the Board			
For RAJENDRA & CO. Chartered Accountants R.J. Shah Proprietor	For CHATURVEDI & SHAH Chartered Accountants D. Chaturvedi Partner	S. Natarajan Kirti V. Ambani Vinod M. Ambani		} Directors	
Bombay Dated 27th February, 1987.					

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 1986.

	Schedule	For the year ended 30.9.1986		(Rs. in crores) For the Year ended 30.9.85	
		Rs.	Rs.	Rs.	Rs.
INCOME		1132.05		—	
Sales (Net)				—	
Other Income	'H'	12.94		—	
Inventories at close	'I'	133.83		—	
			1278.82		—
EXPENDITURE					
Purchases		34.07		—	
Manufacturing and Other Expenses	'J'	1178.01		0.07	
Interest	'K'	43.27		—	
Depreciation		21.84		—	
			1277.19		0.07
Profit/(Loss) for the year			1.63		(0.07)
Add : Balance brought forward from last year (Loss)			(0.14)		(0.07)
Balance carried to Balance Sheet			1.49		(0.14)
Notes and Contingent Liabilities	'L'				

As per our Report of even date		For and on behalf of the Board
For RAJENDRA & CO.	For CHATURVEDI & SHAH	S. Natarajan
<i>Chartered Accountants</i>	<i>Chartered Accountants</i>	Kirti V. Ambani
R.J. Shah	D. Chaturvedi	Vinod M. Ambani
<i>Proprietor</i>	<i>Partner</i>	} Directors

Bombay
Dated 27th February, 1987.

DEVTI FABRICS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'A'

SHARE CAPITAL:

	(Rs. in crores)	
	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.
Authorised :		
2,50,000 Equity Shares of Rs. 10 each Issued & Subscribed :	<u>25.00</u>	<u>25.00</u>
2,10,070 Equity Shares of Rs. 10 each fully paid up (All the shares are held by Reliance Industries Limited, the Holding Company)	<u>21.01</u>	<u>0.01</u>

SCHEDULE 'B'

RESERVES & SURPLUS

	As at 30.9.1986	As at 30.9.1985
Profit & Loss Account	<u>1.49</u>	<u>—</u>

SCHEDULE 'D'

FIXED ASSETS

(Rs. in lacs)

Nature of Fixed Assets	GROSS BLOCK (AT COST)			Depreciation		Net Block	
	Taken over from RIL Rs.	Additions	Deductions	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.
Buildings	—	4.33	—	4.33	—	0.14	4.19
Railway Siding	0.38	—	—	0.38	—	0.02	0.36
Plant & Machinery	45.87	135.89	—	181.76	—	20.56	161.20
Electric Installation	16.50	0.08	—	16.57	—	0.83	15.74
Factory Equipments	2.45	0.07	—	2.53	—	0.13	2.40
Furniture & Fixture	2.18	0.52	—	2.70	—	0.09	2.61
Vehicles	0.18	1.02	0.10	1.10	—	0.07	1.03
TOTAL	67.56	141.91	0.10	209.37	—	21.84	187.53
Previous year	—	—	—	—	—	—	—

NOTE : Depreciation has been provided on Straight Line Method in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956.

SCHEDULE 'E'

(Rs. in crores)

	(Rs. in crores)			(Rs. in lacs)	
	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.	
CURRENT ASSETS :					
Inventories (Certified and valued at cost by the Management)					
Stores, Spares, Dyes, Chemicals etc.	15.95	—	—	—	—
Raw Materials	44.91	—	—	—	—
Stock-in-process	61.80	—	—	—	—
Finished Goods	71.93	—	—	—	—
Others	0.10	—	—	—	—
		<u>194.69</u>	—	—	—
Sundry Debtors (Unsecured)					
Over Six Months	1.38	—	—	—	—
Considered Good	—	—	—	—	—
	<u>1.38</u>	—	—	—	—
	C/f	<u>1.38</u>	<u>194.69</u>	—	—
Others :					
Considered good (including Rs. 39.73 lacs outstanding from Holding Company)			104.97	—	—
			<u>106.35</u>	—	—
Cash and Bank Balances					
Cash on Hand			0.39	—	0.01
Balances with Scheduled Banks			26.93	—	—
In Current Accounts			0.18	—	—
In Fixed Deposit Accounts Lodged with Central Excise Authorities)			—	—	—
			<u>27.50</u>	—	0.01
			<u>328.54</u>	<u>0.01</u>	

SCHEDULE 'F'		(Rs. in crores)		For the year		(Rs. in lacs)	
	As at 30.9.1986 Rs.	As at 30.9.1985 Rs.		ended 30.9. 1986 Rs.	ended 30.9.1985 Rs.		ended 30.9.1985 Rs.
LOANS & ADVANCES				B/f	725.83		—
Unsecured, considered good							
Advances recoverable in Cash or in Kind or for value to be received	4.25	—					
	0.21	—					
Prepaid Expenses	0.42	—					
Balance with Central Excise Authorities	1.37	—					
	<u>6.25</u>	<u>—</u>					
SCHEDULE 'G'							
CURRENT LIABILITIES & PROVISIONS:	Rs.	Rs.			204.02		—
CURRENT LIABILITIES :							
Sundry Deposits	0.48	—					
Sundry Creditors	81.89	0.15					
PROVISIONS :							
Gratuity & Superannuation Funds	7.11	—					
	<u>89.48</u>	<u>0.15</u>					
SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT							
SCHEDULE 'H'			(Rs. in crores)				
	For the year ended 30.9. 1986 Rs.	For the year ended 30.9.1985 Rs.					
OTHER INCOME :							
Processing Charges	2.76	—					
Profit on Sale of Assets	0.20	—					
Miscellaneous Income	9.98	—					
	<u>12.94</u>	<u>—</u>					
SCHEDULE 'I'							
INVENTORIES AT CLOSE :	Rs.	Rs.					
STOCK-IN-TRADE AT CLOSE :							
Finished Goods	71.93	—					
Stock-in-process	61.80	—					
Others	0.10	—					
	<u>133.83</u>	<u>—</u>					
SCHEDULE 'J'							
MANUFACTURING & OTHER EXPENSES :	Rs.	Rs.					
Raw Material Consumed						17.93	0.07
Stock at commencement	—	—				1178.01	0.07
Add : Purchases/taken over from Holding Company	770.74	—					
	<u>770.74</u>	<u>—</u>					
Less : Stock at close	44.91	—					
	<u>725.83</u>	<u>—</u>					
C/f	725.83	—					
MANUFACTURING EXPENSES							
Carriage Inward	1.98	—					
Stores and Spare Parts	41.83	—					
Dyes & Chemicals	22.88	—					
Electric power, fuel and water	77.74	—					
Machinery repairs	9.85	—					
Building repairs	3.49	—					
Labour, processing and machinery hire charges	20.92	—					
Excise duty	24.94	—					
Sales Tax	0.39	—					
	<u>204.02</u>	<u>—</u>					
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES							
Salaries, Wages and Bonus	188.09	—					
Contribution to Provident Fund	—	—					
Gratuity Fund, Superannuation Fund, Employees State Insurance Scheme, Pension Scheme, Labour Welfare Fund etc.	23.56	—					
Employees Welfare and Other Amenities	9.59	—					
	<u>221.24</u>	<u>—</u>					
SALES & DISTRIBUTION EXPENSES :							
Samples, Sales Promotion and Advertisement Expenses	0.10	—					
Brokerage & Commission	3.21	—					
Packing Expenses	4.98	—					
Freight and Forwarding charges	0.70	—					
	<u>8.99</u>	<u>—</u>					
ESTABLISHMENT EXPENSES							
Insurance	1.40	—					
Rent	5.01	—					
Rates & Taxes	0.28	—					
Other repairs	0.65	—					
Travelling expenses	1.40	—					
Payment to Auditors	0.35	0.02					
Directors fees	0.08	0.04					
General expenses	8.66	0.01					
Charity and donation	0.10	—					
	<u>17.93</u>	<u>0.07</u>					
SCHEDULE 'K'							
INTEREST:							
Fixed Loans	6.69	—					
Others (Net)	36.58	—					
	<u>43.27</u>	<u>—</u>					

DEVTI FABRICS LIMITED

SCHEDULE 'L'

NOTES AND CONTINGENT LIABILITIES

1. The Company has become a wholly owned subsidiary of Reliance Industries Limited with effect from 30th September, 1985 and has taken over running business of Sidhpur Unit of the Holding Company as a going concern with effect from 1st October, 1985. Previous year's figures therefore are not comparable.
2. The Holding Company has transferred/leased some of the assets and liabilities of the Sidhpur Unit to the Company with effect from 1.10.1985.
3. Necessary applications have been made to the concerned authorities for transfer of various licenses and permits in favour of the Company.
4. The Company is accounting the following on cash basis: claims for refund of Sales Tax, Insurance, Octroi, etc.
5. No provision for taxation is necessary in view of various claims for higher reliefs admissible under the Income Tax Act, 1961 and investment Allowance Reserve will be created out of future Taxable Profits.
6. Interest on other accounts (net) is arrived at after adjusting Rs. 2.66 lacs being interest received/receivable (Tax at source Rs. 0.26 lac).
7. Auditors' Remuneration :

	(Rs. in lacs)	
	30.9.1986	30.9.1985
	Rs.	Rs.
(a) Audit Fees	0.25	0.01
(b) Tax Audit Fees	0.10	0.01
	<u>0.35</u>	<u>0.02</u>

8. The Liability for Excise Duty in respect of finished yarn lying in factory premises/ bond is provided by the Company as and when it is removed from such premises/ bond on the footing that duty becomes payable only at the time of removal of goods. Accordingly, estimated liability amounting to Rs. 0.19 lac in respect of such products at year end has not been provided in the accounts and not included in the inventory of finished products.
9. Contingent Liabilities

	(Rs. in lacs)	
	30.9.1986	30.9.1985
	Rs.	Rs.
Estimated amount of contracts remaining to be executed on Capital Account and not provided for	358.11	—
Outstanding guarantees furnished by Bankers	6.91	—
Bonds executed in favour of Excise & Customs Authorities	—	—

		(Rs. in lacs)	
		30.9.1986	30.9.1985
		Licensed Capacity	Installed Capacity
		30.9.1986	30.9.1985
Spindles	Nos.	38,368	36,443
Looms	Nos.	490	490

		(Rs. in lacs)	
		30.9.1986	30.9.1985
Production		30.9.1986	30.9.1985
Blended Yarn			
(including for captive use)	MT	663	—
Fabrics	Mtr in lacs.	63.55	—

		(Rs. in Lacs)	
		30.9.1986	30.9.1985
		Rs.	Rs.
12. Value of Imports on CIF Basis		—	—
13. Expenditure in Foreign Currency		—	—
14. Quantitative information		30.9.1986	30.9.1985
		Quantity	Quantity
		Rs. in lacs	Rs. in lacs
(a) Opening Stock		—	—
(b) Closing Stock			
Yarn	MT	3	2.17
Fabrics	Mtrs. in lacs	4.90	69.76
Stock-in-process (Yarn)	MT	73	61.80
Others	MT	2	0.10
(c) Purchases			
Yarn	MT	10	9.68
Fabrics	Mtrs. in lacs	2.27	24.39
(d) Sales			
Yarn	MT	276	268.01
Fabrics	Mtrs. in lacs	60.93	864.04
(e) Raw Materials consumed			
Fibre	MT	750	396.07
Yarn	MT	173	329.76
15. Value of Raw Materials consumed		30.9.1986	30.9.1985
		Rs. % of total	Rs. % of total
		in lacs	in lacs
		consumption	consumption
Imported		—	—
Indigenous		725.83	100.00
16. Value of Dyes and Chemicals, Stores and Spare Parts consumed		—	—
Imported		—	—
Indigenous		64.71	100.00
17. Earning in foreign exchange		—	—
18. (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 per annum.		30.9.1986	30.9.1985
		Rs.	Rs.
Number of employees		6	—
Salaries and Bonus		2.79	—
Contribution to Provident Fund & Superannuation Fund		0.57	—
Other Perquisites		0.42	—
(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 per month :			
Number of employees		3	—
Salaries and Bonus		0.64	—
Contribution to Provident Fund & Superannuation Fund		0.05	—
Other Perquisites		0.04	—

As per our Report of even date

For **RAJENDRA & CO.**
Chartered Accountants
R.J. Shah
Proprietor

For **CHATURVEDI & SHAH**
Chartered Accountants
D. Chaturvedi
Partner

For and on behalf of the Board

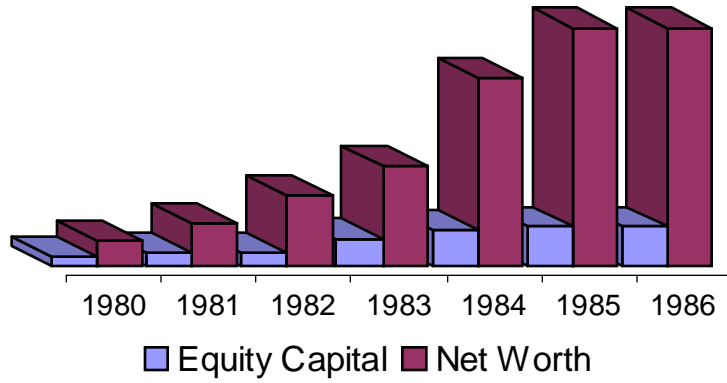
S. Natarajan
Kirti V. Ambani
Vinod M. Ambani

Directors

Bombay
Dated 27th February, 1987.

CAPITAL & NET WORTH

Rs. in crores



GROSS PROFIT & NET PROFIT

■ GROSS PROFIT ■ NET PROFIT

Rs. in crores

