

MAXXON INDIA LIMITED

MAX 

'90 ANNUAL
REPORT

MAXXON INDIA LIMITED

Directors

Dr. Bhai Mohan Singh--*Chairman*
Dr. S.S. Baijal
Dr. D.V. Kapur
Shri O.P. Gupta
Shri A.Mazumdar
Shri S.K. Bijlani
Maj. Gen. Indar Jit Rikhye
Bhai Analjit Singh

Auditors

Arthur Andersen & Associates

Solicitors

J.B. Dadachanji Ravinder Narain Mathur & Co.
Ajay Bahl & Co.

Bankers

Canara Bank
ANZ Grindlays Bank p.l.c.
Banque Nationale De Paris

Factory

Rail Majra, Tehsil Balachaur,
Distt. Hoshiarpur (Punjab) 144 533.

Registered Office

Bhai Mohan Singh Nagar,
Toansa, Ropar-Hoshiarpur Highway,
Tehsil Balachaur,
Distt. Hoshiarpur (Punjab) 144 533.

Head Office

Devika Tower, 6, Nehru Place,
New Delhi-110 019.

REGIONAL OFFICES:

Bangalore : Raheja Chambers, 12, Museum Road, Bangalore-560 001, **Bombay** : May & Baker House, 'B' Wing, 2nd Floor, S.K. Ahire Marg, Worli, Bombay-400 025, **Calcutta** : No. 502, Central Plaza, 2/5, Sarat Bose Road, Calcutta-700 020, **Chandigarh** : 41, Sector 5, Chandigarh-160 008, **Delhi** : 72, Nehru Place, New Delhi-110 019.

NOTICE

Notice is hereby given that the Second Annual General Meeting of Maxxon India Limited will be held on Monday, October 22, 1990 at 10.00 A.M. at the Registered Office of the Company at the complex now named as 'Bhai Mohan Singh Nagar', Toansa, Ropar Hoshiarpur Highway, Tehsil Balachaur, Distt. Hoshiarpur (Punjab) 144 533 to transact the following business :

Ordinary Business

1. To receive, consider and adopt report of the Directors, Audited Accounts and Auditors' Report thereon for the financial year ended March 31, 1990.
2. To appoint a Director in place of Bhai Analjit Singh who retires by rotation under Article 112 of the Articles of Association of the Company and is eligible for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration from the conclusion of this meeting until the conclusion of the next Annual General Meeting. Arthur Andersen & Associates, Chartered Accountants, the retiring Auditors of the Company, are eligible for re-appointment.

Special Business

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :
"RESOLVED THAT Shri O.P.Gupta who was appointed as an Additional Director of the Company on August 29, 1989 and whose term of Office expires as per Article 109 of the Articles of Association and Section 260 of Companies Act, 1956 at this Annual General Meeting and in respect of whom, the Company has received a notice from a member under Section 257 of Companies Act, 1956 proposing his candidature for the Office of Director be and is hereby appointed a Director of the Company."
5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :
"RESOLVED THAT Shri A.Mazumdar who was appointed as an Additional Director of the Company on August 29, 1989 and whose term of Office expires as per Article 109 of the Articles of Association and Section 260 of Companies Act, 1956 at this Annual General Meeting and in respect of whom, the Company has received a notice from a member under Section 257 of Companies Act, 1956 proposing his candidature for the Office of Director be and is hereby appointed a Director of the Company."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :
"RESOLVED THAT Shri S.K.Bijlani who was appointed as an Additional Director of the Company on December 21, 1989 and whose term of Office expires as per Article 109 of the Articles of Association and Section 260 of Companies Act, 1956 at this Annual General Meeting and in respect of whom, the Company has received a notice from a member under Section 257 of Companies Act, 1956 proposing his candidature for the Office of Director be and is hereby appointed a Director of the Company".
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
"RESOLVED THAT Major Gen. Indarjit Rikhye who was appointed as an Additional Director of the Company on March 27, 1990 and whose term of Office expires as per Article 109 of the Articles of Association and Section 260 of Companies Act, 1956 at this Annual General Meeting and in respect of whom, the Company has received a notice from a member under Section 257 of Companies Act, 1956 proposing his candidature for the Office of Director be and is hereby appointed a Director of the Company."
8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :
"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 138(2) of the Articles of the Association of the Company be altered as follows :
138(2): The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorised by it in that behalf and except in the presence of two Directors or at least one Director and Secretary or some other person appointed by the Board for this purpose and those two Directors or a Director and Secretary or other person aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence."

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
"RESOLVED THAT the Registered Office of the Company be shifted from Village Toansa to Village Railmajra, Tehsil Balachaur, Distt. Hoshiarpur (Punjab) 144533."
10. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 1 of Articles of Association of the Company be altered to the extent by deleting the following definitions:
- i) PSIDC : means Punjab State Industrial Development Corporation Limited, Chandigarh and where the context so permits their nominees within the meaning of the Collaboration Agreement.
 - ii) Collaborator : means M/s Max India Limited, having its Registered Office at Toansa, Tehsil Balachaur, Distt. Hoshiarpur, Punjab-144 522 and/or where the context so permits nominees within the meaning of Collaboration Agreement.
 - iii) Collaboration Agreement : means the 'Collaboration Agreement' dated 20th February, 1988 entered into between Punjab State Industrial Development Corporation Limited, Chandigarh on the one hand and M/s Max India Limited, Toansa, Tehsil Balachaur, Distt. Hoshiarpur, Punjab-144 522 on the other hand, including any modification thereof from time to time.
11. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of Companies Act, 1956, Article 98(a) and 98(b) of the Articles of Association of the Company be deleted:
- 98(a) So long as PSIDC and Collaborator respectively hold not less than 11% and 25% of the paid up Equity Capital of the Company the PSIDC and the Collaborator shall be entitled to nominate or appoint three Directors each on the Board of Directors.
 - 98(b) So long as the PSIDC holds not less than 11% of the paid up Equity Capital of the Company, it shall have a right to nominate the Chairman of the Company."
12. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Articles of Association of the Company be and are hereby amended in the following manner :
- (a) The following new Article be substituted in place of existing Article 14(b) :
 - 14(b). Every member shall be entitled, free of charge to one certificate under the Common Seal of the Company, for all the shares of each class registered in his name or, if the Board so approves, to several certificates each for one or more of such class of shares. The Company, unless prohibited by any provision of law or any Order of any Court, Tribunal or other Authority shall within three months after the date of allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in case of issue of Bonus Shares) of any of its shares or debentures stock and within two months after receipt of the application for the registration of the transfer of any such shares and debentures, as the case may be, deliver in accordance with the procedure laid down in Section 53 and any other applicable provisions of the Act, the certificate(s) of all shares or debentures allotted/ transferred.
 - (b) The following new Article be inserted after Article 52 with marginalised notes:
KEEPING IN ABEYANCE RIGHTS SHARES PENDING TRANSFER
 - 52A. Notwithstanding anything contained in Article 52 or the Act, the offer of Rights Shares under Section 81 (1) (a) of the Act on Shares in respect of which instrument of transfer of shares has been delivered to the Company for registration and the transfer of shares has not been registered by the Company shall be kept in abeyance pending transfer.
 - (c) The existing Article 80 be substituted by the following new Article :
 - 80. At any General Meeting a resolution put to vote shall be decided on show of hands, unless before or on the declaration of the result of the show of hands, a poll is ordered to be taken by the

Chairman of the meeting of his own motion or unless a poll is demanded by a member or members present in person or by proxy and holding shares in the Company :

- (i) which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution; or
- (ii) on which an aggregate sum of not less than Rs. 50,000 has been paid up.

The demand for poll may be withdrawn at any time by the person or persons who made the demand. Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

- (d) The first sentence of Article 100 be substituted by the following :

100. The Director shall receive and the Company shall pay remuneration not exceeding such sum as may be prescribed by the Act or the Central Government in that behalf towards fee for attending meetings of the Board or it's Committees as may be determined by the Board from time to time.

- (e) The existing Article 114 be substituted by the following new Article:

114. No person not being a retiring Director shall be eligible for appointment to the Office of Director at any General Meeting unless he or some member intending to propose him has, not less than fourteen days before the Meeting, left at the Office a notice in writing under his hand signifying his candidature for the Office of Director or the intention of such member to propose him as a candidate for that Office as the case may be, alongwith a deposit of Rs. 500/- which shall be refunded to such person as the case may be, to such member if the person succeeds in getting elected as a Director and unless he has by himself or by his agent authorised in writing, signed and filed with the Registrar of Companies a consent in writing to act as such Director.

- (f) The existing Article 151 be substituted by the following new Article :

151. Dividend on shares, in respect of which instrument of transfer of shares has been delivered to the Company for registration and the transfer of shares has not been registered by the Company, shall be transferred to a Special Account referred to in Section 205A of the Act, pending transfer unless the Company is authorised by the registered holder of such shares, in writing, to pay such dividend to the transferee specified in such instrument of transfer.

- (g) The following new Article be inserted after Article 175(1) with marginalised notes:

KEEPING IN ABEYANCE BONUS SHARES PENDING TRANSFER

175(1)(a). Notwithstanding anything contained in Article 175(1) or the Act, fully paid up Bonus Shares, pursuant to provisions of Section 205(3) of the Act and Article 175(1), in respect of Shares for which instrument of transfer of shares has been delivered to the Company for registration and the transfer of shares has not been registered by the Company shall be kept in abeyance pending transfer."

By Order of the Board

Place : New Delhi
Dated : August 8, 1990

Bhai Analjit Singh
Director

Notes

1. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under items 4 to 12 as set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME AND DATE OF THE MEETING.
3. Members are requested to intimate to the Company changes, if any, in their registered address, alongwith pin code numbers.
4. Register of Members and Transfer Books of the Company will remain closed from October 16, 1990 to October 22, 1990 (both days inclusive).
5. Members desiring any information on the accounts are requested to write to the Company at its Head Office, Devika Tower, 6, Nehru Place, New Delhi - 110 019 giving at least 7 days' time before the date of the Annual General Meeting to enable the Management to collect and keep the information ready.
6. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
7. Members who are holding shares under more than one folio under same name(s) are hereby requested to send the relevant share certificates to the Company by Registered Post for consolidating the entire holding in one account. The Certificate(s) after consolidation, will be returned by Registered Post.
8. Members/Proxies are requested to bring their copies of the Annual Report with them as the same will not be supplied again at the meeting, as a measure of economy.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 REGARDING SPECIAL BUSINESS BEING ITEM NO. 4 TO 12

Item Nos. 4 to 7

Respective resolutions are self explanatory.

No other Director, except in respect of whom Company has received notices from the members proposing their candidature for the Office of Director, is in any way concerned or interested in the passing of these resolutions.

Item No. 8

Currently, Articles of Association provide for affixation of Common Seal in the presence of two Directors and Secretary/ Authorised person. It is now proposed to alter Article 138(2) of the Articles of Association of the Company by providing the authority to sign and affix the Common Seal of the Company on any instrument in the presence of either two Directors or atleast one Director and Secretary or some other person appointed by the Board for this purpose. This is being done for administrative convenience and to eschew avoidable delays which may occur or be caused due to non-presence of two Directors at the same time.

Hence, the proposed Resolution.

None of the Directors is in any way concerned or interested in the passing of this resolution.

Item No. 9

Your Company has been considering for some time now to change its Registered Office to its factory location situated at Railmajra, Tehsil Balachaur, Distt. Hoshiarpur (Punjab) 144 533, consequent upon the completion of Company's works thereat. This will provide locational advantage in terms of better co-ordination which will facilitate expeditious handling of statutory matters.

Hence, the proposed Resolution.

None of the Directors is in any way concerned or interested in the passing of this resolution.

Item No. 10 and 11

Consequent upon the disinvestment of entire shareholding in the Company by Punjab State Industrial Development Corporation (PSIDC), definitions of PSIDC, Collaborator and Collaboration Agreement laid down in Article 1 and the provisions regarding nomination/appointment of Corporation's Directors on the Board of Directors and the right to nominate the Chairman of the Company, as provided in Articles 98(a) and 98(b) respectively cease to have any relevance.

Hence, the proposed Resolution.

None of the Directors is in any way concerned or interested in the passing of this resolution.

Item No. 12

Companies (Amendment) Act, 1988 made certain changes in the Companies Act, 1956. It is proposed that corresponding changes be made in Articles of Association of the Company so that Company's Articles are in conformity with the provisions of the amended Act.

Hence, the proposed Resolution.

None of the Directors is in any way concerned or interested in the passing of this resolution except amendment to Article 100 to the extent of sitting fees payable to them.

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Second Annual Report of the Company together with Audited Accounts, for the year ended 31st March, 1990.

This period marks transition of the Company from project stage to commercial operations.

OPERATING RESULTS

The operating results for the 26 days of commercial operations are summarised below :-

	Rs./lakhs
Sales (Gross)	8.62
Other Income	<u>1.23</u>
Operating Loss	10.73
Add : Interest	<u>17.11</u>
Cash Loss	27.84
Add : Depreciation	<u>11.18</u>
Gross Loss	<u><u>39.02</u></u>

PROJECT COMMISSIONING

Based on government approval received for a total revised capacity of 3150 TPA of BOPP film, the project was revised in its scope and necessary modifications carried out to achieve a start up installed capacity of 3150 TPA of BOPP film.

After completion of installation, erection and successful trial runs, the main film line was handed over on 5th March 1990, by the supplier Bruckner Maschinenbau GmbH, the film line supplier.

The Profit and Loss Account for the period ending 31st March, 1990 consequently covers a period of 26 days commencing from 6th March, 1990, being the post start-up period.

PROJECT COST

The installation of 3150 TPA plant capacity has necessitated revision in the project cost mainly by way of increase in standing charges like interest and overheads due to the extended construction period and the cost of additional Designs & Drawings imported for plant modification.

PURCHASE OF SHARES HELD BY PSIDC

During the year, option to purchase entire shareholding of PSIDC in terms of Collaboration Agreement was exercised as a consequence of which they withdrew their nominees from the Board of Directors.

MARKETING

In our last Annual Report, we had touched upon the market and scenario for the BOPP Industry. Since then, there has been an encouraging trend of increasing BOPP usage, specially as new development and replacement usage. Hitherto, major reasons hindering replacement of existing packing material such as polyester film, cellophane and foil laminates by BOPP Film were :-

- modifications necessary in end user machinery and conversion equipment to use BOPP Film;
- development of ancillary items required for successful running of BOPP Film like inks, adhesives etc.

During the last one year, we have vigorously pursued our developmental efforts to remove these constraints and can claim some measure of success

Our marketing strategy is based on a three-pronged approach aimed at the following :

- existing BOPP users;
- replacement of other flexible packaging materials by BOPP; and
- replacement of non-flexible packaging systems by flexible packaging incorporating BOPP.

Towards this, we have set up a separate Marketing Services and Technical Services Group. We are confident that these two groups with their strong customer service orientation and our Sales & Production teams shall, despite the difficult marketing conditions, lead the Company to a successful future.

Bulk trial supplies have already commenced and initial responses to our product quality have been favourable.

During the year, your Company participated in two International exhibitions at Delhi, viz INDIAPACK '90 and PLAST INDIA '90.

An intensive export effort has also been initiated and several potentially promising enquiries are being worked on.

DIRECTORS

The following changes have taken place in the Board of Directors since the last Annual General Meeting of the Company:

Consequent upon the disinvestment of Punjab State Industrial Development Corporation's entire shareholding in the Company, the nominations of Shri A.K. Kundra as Chairman and Shri S.K. Tuteja and Shri D.C. Mehandru as Directors were withdrawn. The Board places on record its sincere thanks and appreciation for the able guidance provided by the aforesaid Directors during their tenure of Directorship.

Dr. Bhai Mohan Singh was appointed Chairman of the Board.

Shri. A.Mazumdar has joined the Board as an Additional Director w.e.f. August 29, 1989. The Company will be benefited by his vast experience and able guidance.

Shri O.P. Gupta has joined the Board as an Additional Director w.e.f. August 29, 1989. The Company will be benefited by his vast experience and able guidance.

Shri S.K. Bijlani has joined the Board as an Additional Director w.e.f. December 21, 1989. The Company will be benefited by his vast experience and able guidance.

Major Gen. Indarjit Rikhye has joined the Board as an Additional Director w.e.f. March 27, 1990. The Company will be benefited by his vast experience and able guidance.

Pursuant to Section 260 of the Companies Act, 1956, the above Additional Directors hold Office till the conclusion of the ensuing Annual General Meeting.

Bhai Analjit Singh, retires by rotation and being eligible offers himself for re-appointment.

SECTION 217(1)(e) REQUIREMENTS

The information pursuant to Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and out-go are annexed hereto.

PARTICULARS OF EMPLOYEES

A statement giving particulars as required under Section 217 (2A) of the Companies Act, 1956 and rules framed thereunder, is enclosed as part of this report.

AUDITORS

Arthur Andersen & Associates, retire on the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Management is grateful to the Government of India, Punjab Government, Bruckner Maschinenbau GmbH, West Germany, Termofin Spa-Italy, Industrial Finance Corporation of India and other participating Financial Institutions, Company's Bankers, Suppliers, Vendors and Contractors for their continued cooperation and assistance.

Board of Directors gratefully acknowledge and appreciate support extended by the Promoters viz PSIDC and Max India Limited for their valuable contribution in the implementation of the project.

Management also records its appreciation of sustained dedication and hard work of all ranks of Company's personnel.

By Order of the Board

Place : New Delhi
Dated : August 8, 1990

Dr. Bhai Mohan Singh
Chairman

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES DISCLOSURE OF PARTICULARS IN THE REPORT (BOARD OF DIRECTORS') RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 1990.

A. CONSERVATION OF ENERGY

- a) The following Energy conservation measures have been implemented at the time of design and erection of BOPP plant at Rail Majra:
 - i) thermal insulation of Thermic Oil Pipelines (275°C);
 - ii) cold insulation of chilled water pipes (10°C);
 - iii) installation of cooling towers for the generating sets;
 - iv) use of solid state type of controls;
 - v) installation of 536 KW connected load DC Drives;
 - vi) use of automatic power factor correction system;
 - vii) sodium vapour lights are being used;
 - viii) modification of speed and size of motors for compressors & ensuring continuous running of such motors;
 - ix) automatic ON/OFF controls for street lights and flood lights at pre-determined times;
 - x) FRP Translucent roof sheets in place of AC sheets to improve natural lighting inside the buildings.
- b) The following proposals are being implemented :
 - i) conventional ballasts are being replaced with electronic ballasts for fluorescent tube fittings which results in energy saving upto 30%.
 - ii) soft starting electronic devices are being installed for air compressors;
 - iii) automatic temperature controls for cooling tower fans;
 - iv) cooling tower pump and motor sets are being replaced with smaller capacity pump and motor sets, meeting the actual continuous process requirements.
- c) Implementation of above measures is expected to result in reduction of production costs.
- d) Since the operating period covered is only for 26 days, data on energy consumption is not meaningful and not given.

B. TECHNOLOGY ABSORPTION

FORM - B

1. We are working on Joint Development Programmes with :
 - a) convertors who will process our product for end use;
 - b) a printing ink manufacturer for improving BOPP film printing; and
 - c) a packing machine manufacturer to improve efficiencies in BOPP film packaging.
2. Not Applicable
3. Further R & D efforts are at a planning stage.
4. No other expenditure has been incurred on Research and Development.

Technology Absorption, Adaptation and Innovation

1. Efforts :

BOPP Plant imported is based on state of the art technology. Further, the Company has imported designs and drawings of the main film line from Bruckner Maschinenbau for achieving enhanced production capacities. Company has also trained key technical personnel at a leading BOPP manufacturer's plant in Europe to primarily learn, absorb and adapt measures for enhancing plant efficiencies to be incorporated at the time of plant erection and latest operating system.
2. Benefits :

More cost efficient manufacture of international quality film.
3. Particulars of imported technology in the last five years :

As stated at point 1 above.

C. FOREIGN EXCHANGE - EARNINGS AND OUTGO

- Export opportunities are being identified.
- Total foreign exchange used and earned.

Used
Earned

Rs. in Lakhs
273.33
Nil

By Order of the Board

Place : New Delhi
Dated : August 8, 1990.

Dr. Bhai Mohan Singh
Chairman

INFORMATION AS PER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT DATED AUGUST 8, 1990 FOR THE PERIOD ENDED MARCH 31, 1990

Sl. No.	Name	Age	Designation	Remuneration (In Rs.)	Qualification	Date of commencement of employment	Experience	Last Employment held
1.	Amitava Ganguly	35	Manager-Finance	81,120	A.C.A.	13.02.89	11	Samtel India Ltd. Dy. Manager (Finance)
2.	A.V.Parulkar*	45	Manager-Marketing (West)	17,989	B.E.DBM DMM	22.01.90	23	Caprihans India Ltd. Regional Manager-West
3.	B.D. Amar*	56	Chief Technical Service Manager	59,059	B.Tech (Hons)	01.10.89	31	Metal Box India Ltd. Regional Manager-North
4.	D.S.Chadha	46	Manager-Engg.	89,400	B.Sc. (Mech. Engg.)	15.02.89	21	JCT Phagwara Mechanical Engineer
5.	M.Saran	43	Manager- Production	76,320	D.M.E.	14.09.88	19	M.P.U.P. Limited Dy. Manager-Maintenance & Production
6.	S.Chidambar	44	Vice President	1,83,600	B.E.(Mech. Engg.)	04.01.89	22	Paharpur Cooling Towers (P) Ltd. General Manager-Marketing
7.	S.Pakrasi*	46	Sr. Manager- Marketing	77,782	B.Com	28.08.89	26	Metal Box India Ltd Sales Manager-North
8.	S.Raizada	35	Dy.Manager- Marketing	76,920	M.A.	25.10.88	13	M.P.U.P. Limited. Asst. Marketing Manager

- * Indicates employed for part of the year.
- Remuneration indicates salary and perquisites at cost to the Company.
- None of the employees holds by himself or alongwith his spouse and dependent children 2% or more of Equity Shares of the Company.
- None of the employees is related to any Director of the Company.
- Appointment of all employees is contractual as per Company's Rules/Scheme.

AUDITORS' REPORT

ARTHUR ANDERSEN & ASSOCIATES NEW DELHI

To the Members of
MAXXON INDIA LIMITED :

We have examined the balance sheet of MAXXON INDIA LIMITED at March 31, 1990 and the related statement of profit and loss for the period from March 6, 1990 to March 31, 1990. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of MAXXON INDIA LIMITED at March 31, 1990 and the loss for the period from March 6, 1990 to March 31, 1990. The balance sheet and the statement of profit and loss are in agreement with the books of account and are presented in the manner required by the Companies Act, 1956. Furthermore, in our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 for the year then ended as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

New Delhi
August 8, 1990

Vijay Sahni
Partner

ANNEXURE TO AUDITORS' REPORT--MARCH 31, 1990

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets were physically verified during the year and no material discrepancies were noted.
2. Fixed assets have not been revalued during the year.
3. The stocks of finished goods, semi-processed goods, raw materials, packing materials, film waste, stores and spares (excluding goods in transit) of the Company have been physically verified by the management during the year. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The discrepancies between the physical stocks and the book stocks were not material and these have been properly dealt with in the books of account. In our opinion, the valuation of stocks of finished goods, semi-processed goods, raw materials, packing materials, film waste, stores and spares has been fair and proper in accordance with generally accepted accounting principles.
4. The Company has not taken or granted any loans from/to parties in which the directors of the Company are interested [Section 301] or companies under the same management [Section 370 (1-B)].
5. The parties to whom loans or advances in the nature of loans have been given by the Company have been repaying principal amounts as stipulated and also have been regular in the payment of interest, wherever applicable.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials, plant and machinery, equipment and other assets.
7. We are informed that there were no transactions of purchase of goods, materials or services, aggregating to Rs. 50,000 or more, with each of the parties in which directors of the Company were interested.
8. The Company has a system of determining unserviceable or damaged raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate provision for the loss has been made in the accounts.
9. The Company has not accepted any deposits from the public, as defined under the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder in relation to such public deposits.
10. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of film waste. The Company does not have any by-product.
11. The clause in respect of internal audit is not applicable as the paid-up capital of the Company at the commencement of the financial year did not exceed Rs. 25 lakhs.
12. The Company is not required to maintain cost records under Section 209 (1)(d) of the Companies Act, 1956.
13. The Provident Fund and Employee State Insurance dues have been regularly deposited with the appropriate authorities during the year.
14. The Company has no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty or excise duty, which were outstanding at the date of balance sheet for a period of more than six months from the date they became payable.
15. During the course of our examination of the books of account carried out in accordance with generally accepted auditing practices, we did not note any personal expenses charged to the statement of profit and loss nor have we been informed of any such instances by the Company's management.
16. The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

Arthur Andersen & Associates
Chartered Accountants

New Delhi
August 8, 1990

Vijay Sahni
Partner

MAXXON INDIA LIMITED
BALANCE SHEET--MARCH 31, 1990
(All amounts in rupees)

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
<u>SOURCE OF FUNDS</u>			
SHARE CAPITAL	3	7,39,42,800	700
SHARE APPLICATION MONEY		--	4,54,34,000
		7,39,42,800	4,54,34,700
LOAN FUNDS:			
Secured loans	4	17,18,99,204	1,00,00,000
Debenture application money		--	7,93,73,240
Unsecured loans	5	1,33,93,457	92,01,977
		<u>25,92,35,461</u>	<u>14,40,09,917</u>
<u>APPLICATION OF FUNDS</u>			
FIXED ASSETS:			
At cost	2 & 6	22,82,39,726	14,96,992
Less -- Accumulated depreciation		(12,14,108)	(15,771)
		22,70,25,618	14,81,221
Capital work-in-progress		--	9,35,28,009
Preoperating expenditure	7	--	90,88,822
		<u>22,70,25,618</u>	<u>10,40,98,052</u>
CURRENT ASSETS			
(including loans and advances):	2 & 8		
Inventories		2,55,62,462	--
Sundry debtors		7,11,499	--
Cash and bank balances		17,03,428	8,63,34,787
Loans and advances		1,03,64,084	25,03,055
		3,83,41,473	8,88,37,842
LESS: CURRENT LIABILITIES			
(including provisions)	9	(1,97,25,727)	(5,57,63,977)
Net current assets		1,86,15,746	3,30,73,865
MISCELLANEOUS EXPENDITURE			
(to the extent not written off)	2 & 10	96,92,202	68,38,000
PROFIT AND LOSS ACCOUNT		39,01,895	--
		<u>25,92,35,461</u>	<u>14,40,09,917</u>

The accompanying notes are an integral part of this balance sheet.

Arthur Andersen & Associates
Chartered Accountants

New Delhi
August 8, 1990

Vijay Sahni
Partner

Ashwani Windlass
Vice President --
Finance & Corporate Affairs

Dr. Bhai Mohan Singh
Chairman

Dr.S.S. Baijal
Dr. D.V. Kapur
A.Mazumdar
S.K. Bijlani
Maj. Gen. Indarjit Rikhye
Bhai Analjit Singh
Directors

MAXXON INDIA LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM MARCH 6, 1990 TO MARCH 31, 1990
(All amounts in rupees)

	<u>Notes</u>	
SALES		8,62,608
COST OF SALES	11	(8,03,118)
Gross profit		59,490
OPERATING EXPENSES	12	(12,54,972)
DEPRECIATION		(11,18,419)
Operating loss		(23,13,901)
INTEREST EXPENSE	13	(17,10,766)
INTEREST INCOME		1,22,772
Net loss		(39,01,895)

The accompanying notes are an integral part of this statement.

Arthur Andersen & Associates
Chartered Accountants

New Delhi
August 8, 1990

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MAXXON INDIA LIMITED
NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

(All monetary amounts in rupees)

1. BACKGROUND:

Maxxon India Limited ('the Company') was incorporated in India on February 24, 1988 to manufacture Bi-axially Oriented Polypropylene ('BOPP') film. The certificate of commencement of business was issued by the Registrar of Companies on March 21, 1988.

The plant, with an installed capacity to manufacture 3150 tonnes of BOPP film per annum, commenced commercial production on March 6, 1990. The Company capitalised cumulative preoperating expenditure as at March 5, 1990 to buildings and plant and machinery. The statement of profit and loss therefore reflects the results of operations of the Company for the period from March 6, 1990 to March 31, 1990.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared under the historical cost convention. The significant accounting policies are as follows:

(a) Fixed assets and depreciation -

Fixed assets are stated at cost. The Company capitalises all costs relating to acquisition and installation of fixed assets. Depreciation is provided on the straight-line method using the following annual rates:

Plant and machinery	
Single shift	5.15%
Double shift	8.09%
Triple shift	11.31%
Buildings	
Factory	3.34%
Non-factory	1.63%
Office equipment	
Computers	16.21%
Other	5.15%
Furniture and fittings	3.34%
Motor vehicles	7.07%

Additionally, in accordance with Schedule XIV of the Companies Act, 1956, depreciation on plant and machinery for additional shifts is charged in respect of days for which such additional shifts are worked.

Cumulative preoperating expenditure as at March 5, 1990, has been allocated to buildings and plant and machinery pro rata to their capitalised values.

(b) Inventories -

Finished goods, semi-processed goods and raw materials inventories are priced at lower of cost or market, with cost determined on the weighted average method and market price based on estimated realisable value. Stores, spares and packing materials are valued at cost. Excise duty on finished goods lying at the excise bonded warehouse is recorded at the time of debonding.

(c) Miscellaneous expenditure -

Miscellaneous expenditure being in the nature of start up costs is deferred and will be amortised as follows:

- (i) deferred revenue expenses over a period of 5 years, and
- (ii) preliminary and public issue expenses over a period of 10 years, using the straight-line method, beginning from the date of commencement of commercial production.

(d) Foreign currency translation -

Foreign currency assets and liabilities are translated into rupees at the exchange rates prevailing on the date of the balance sheet. Translation differences on foreign currency liabilities related to fixed assets acquired are treated as part of the cost of fixed assets. Other translation differences are reflected in the statement of profit and loss under appropriate income and expense accounts.

(e) Sales -

Sales represent amounts billed for goods sold inclusive of excise duty, but net of all discounts, returns and allowances.

3. SHARE CAPITAL:

	<u>1990</u>	<u>1989</u>
Authorised -		
1,50,00,000 equity shares of Rs. 10 each	<u>15,00,00,000</u>	<u>15,00,00,000</u>
Issued, subscribed and paid-up		
74,27,500 (1989 - 70) equity shares of Rs. 10 each fully paid-up	7,42,75,000	700
Less: Calls unpaid	(3,32,200)	--
	<u>7,39,42,800</u>	<u>700</u>

On April 6, 1989, the Company allotted equity shares of Rs. 7,42,74,300, including Rs. 2,90,00,000 of equity shares converted from 12.5% secured convertible debentures in accordance with the terms of their allotment.

4. SECURED LOANS:

Secured loans comprise -

	<u>1990</u>	<u>1989</u>
12.5% Convertible debentures (net of unpaid calls of Rs. 13,28,800)	11,46,71,200	--
Term loan	4,98,00,000	1,00,00,000
Bank overdraft	74,28,004	--
	<u>17,18,99,204</u>	<u>1,00,00,000</u>

The debentures were allotted on April 6, 1989. Under the terms of allotment, debentures shall be secured by a first mortgage and/or charge on the fixed assets, both present and future, of the Company, ranking pari passu with the other mortgages and/or charges created thereon. The management is continuing to take effective steps to create this security and expects to complete the process in the near future.

The Company has converted Rs. 20 of the face value of debentures into two equity shares on the date of allotment of debentures. The balance of Rs. 80 shall be converted and/or redeemed as follows:

- Within 5 years from the date of allotment of debentures, a minimum of Rs. 40 shall be converted into two or more equity shares including the cost of premium, if any.
- On expiry of five years from the date of allotment of debentures, at the option of the debentureholders, the entire remaining face value of debentures shall be bought back.
- Any remaining amount after (a) and (b) above, will be redeemed in three equal instalments at the end of the seventh, eighth and ninth year from the date of allotment of the debentures.

The Industrial Finance Corporation of India ('IFCI'), as the lead institution in the consortium of financial institutions, sanctioned to the Company a rupee term loan of Rs. 5 crores. The rupee loan, of which Rs. 4.98 crores was drawn down, is repayable in thirty quarterly equal instalments commencing from July 15, 1991. Sixty percent of this loan is at a concessional rate of interest of 12.5% per annum and the balance at 14% per annum.

The term loan is fully secured by (a) all moveable assets (except book debts) of the Company, subject to a prior charge created and to be created in favour of banks for the working capital requirements of the Company and (b) irrevocable personal guarantee of a director. The security on the Company's immoveable properties, both present and future, is yet to be created.

The bank overdraft referred above is secured against all inventories and book debts.

5. UNSECURED LOANS:

	<u>1990</u>	<u>1989</u>
Bank overdraft	3,79,563	92,01,977
Short term loans		
Banks	37,89,474	--
Others	92,24,420	--
	<u>1,33,93,457</u>	<u>92,01,977</u>

6. FIXED ASSETS:

Cost	Balance, beginning of year	Additions/ charge	Balance
Freehold land	10,73,886	4,23,698	14,97,584
Buildings	--	3,27,80,109	3,27,80,109
Plant and machinery	--	19,11,07,477	19,11,07,477
Furniture and fittings	87,736	15,44,965	16,32,701
Office equipment	1,14,849	8,54,711	9,69,560
Motor vehicles	2,20,521	31,774	2,52,295
	<u>14,96,992</u>	<u>22,67,42,734</u>	<u>22,82,39,011</u>
Accumulated depreciation			
Buildings	--	87,819	87,819
Plant and machinery	--	10,15,804	10,15,804
Furniture and fittings	412	29,736	30,148
Office equipment	8,520	47,515	56,035
Motor vehicles	6,839	17,463	24,302
	<u>15,771</u>	<u>11,98,337</u>	<u>12,14,109</u>
Net book value	<u>14,81,221</u>		<u>22,70,25,902</u>

5.46 acres of land purchased for Rs. 4,09,869 is pending registration in the name of the Company.

7. PREOPERATING EXPENDITURE:

Preoperating expenditure at March 5, 1990 comprised

	March 5, 1990	March 1990
Cost of trial production	16,37,266	
Power and fuel	23,44,529	9,09,711
Employee costs		
Salaries and wages	44,65,772	13,94,711
Contribution to provident fund	1,65,712	14,711
Other welfare costs	6,44,234	74,711
Recruitment	10,46,652	5,54,711
Communication costs	15,87,532	3,50,711
Legal and professional fees	7,59,476	1,09,711
Rent	11,61,091	3,92,711
Travel and conveyance	23,51,451	15,28,711
Insurance	18,53,684	5,77,711
Depreciation	95,689	15,711
Repairs and maintenance	3,62,913	2,13,711
Licence and registration fees	2,20,961	2,14,711
Printing and stationery	7,15,495	73,711
Interest expense, net	1,47,49,850	2,96,711
Bank charges	22,32,625	21,64,711
Other expenses, net	6,21,589	2,05,711
	<u>3,70,16,521</u>	<u>90,88,811</u>
Allocated to buildings and plant and machinery	<u>(3,70,16,521)</u>	<u>--</u>
		<u>90,88,811</u>

(a) Cost of trial production represents --

March 5,
1990

Raw material consumption	67,75,186
Stores and spares consumption	7,13,326
Packing materials	2,99,646
Excise duty	34,501
	<u>78,22,659</u>
Less: Sales	(1,31,094)
Inventories	
Semi-processed goods	(40,57,750)
Film waste	(19,96,549)
	<u>16,37,266</u>

(b) Interest expense (net) comprises --

Interest payable on debentures	1,23,09,833
Interest payable on term loans	55,76,284
Other interest expense	9,92,704
	<u>1,88,78,821</u>
Less: Interest income	(41,28,971)
	<u>1,47,49,850</u>

8. CURRENT ASSETS (including loans and advances):

	1990	1989
(a) Inventories --		
Finished goods	1,08,150	--
Semi-processed goods	40,12,964	--
Raw materials	1,05,00,950	--
Stores and spares	78,85,977	--
Packing materials	8,52,942	--
Film waste	22,01,479	--
	<u>2,55,62,462</u>	--
(b) Sundry debtors	<u>7,11,499</u>	--
Sundry debtors are unsecured and considered good, and are due for less than six months.		
(c) Cash and bank balances --		
Cash in hand	89,633	1,39,615
Current accounts with scheduled banks	15,09,795	21,84,432
Share and debenture application money collection accounts with scheduled banks	--	8,06,10,740
Margin money account with scheduled bank	1,04,000	34,00,000
	<u>17,03,428</u>	<u>8,63,34,787</u>
(d) Loans and advances --		
Unsecured and recoverable in cash or kind or for value to be received, considered good		
Security deposits	18,13,900	13,86,650
Prepaid expenses	4,97,464	9,09,405
Balance with Central Excise	41,83,290	--
Tax recoverable	7,96,188	--
Other advances	30,73,242	2,07,000
	<u>1,03,64,084</u>	<u>25,03,055</u>

9. CURRENT LIABILITIES (including provisions):		1990	
Creditors			
Accrued expenses	64,69,664	5,17,9	
Interest accrued but not due on loans	77,41,179	37,4	
Other liabilities	51,45,072	2,2	
	3,69,812		
	<u>1,97,25,727</u>	<u>5,57,6</u>	
10. MISCELLANEOUS EXPENDITURE (to the extent not written off):			
Preliminary expenses		1,93,654	1,9
Public issue expenses		72,34,715	61,9
Deferred revenue expenses			
Employee cost			
Salaries and wages		4,38,695	
Contribution to Provident Fund		31,990	
Other welfare costs		8,521	
Recruitment		2,96,607	1,74
Market development		6,24,475	2,53
Rent		2,95,846	
Travel and conveyance		3,99,703	
Miscellaneous		2,55,792	19
		97,79,998	68,38
Less: Written off		(87,796)	
		<u>96,92,202</u>	<u>68,38</u>
11. COST OF SALES:			
Raw materials consumption		6,25,513	
Stores and spares consumption		58,553	
Packing materials		63,042	
Power and fuel		1,33,114	
Excise duty		1,91,190	
Movement in inventories during the period from March 6, 1990 to March 31, 1990		(2,68,294)	
		<u>8,03,118</u>	
12. OPERATING EXPENSES:			
Employee cost			
Salaries and wages		3,50,177	
Contribution to Provident Fund		25,411	
Other welfare costs		1,19,582	
Rent		92,742	
Insurance		75,173	
Travel and conveyance		93,974	
Repairs and maintenance		37,090	
Communication costs		87,939	
Legal and professional fees		28,935	
Printing and stationery		32,879	
Bank charges		73,242	
Selling expenses		94,106	
Miscellaneous expenditure written off		87,796	
Other expenses		55,926	
		<u>12,54,972</u>	

Preoperating expenditure and operating expenses include expenses allocated by Max India Limited for salaries of personnel, travel, rent, etc. of Rs. 23,62,890 (1989 - Rs. 18,15,157) and payments made on behalf of the Company of Rs. 20,25,403 (1989 - Rs. 1,04,78,650).

13. INTEREST EXPENSE:

	<u>1990</u>
Interest on term loan	4,80,626
Interest on bank overdraft	1,82,918
Interest on debentures	<u>10,47,222</u>
	<u>17,10,766</u>

14. CAPITAL COMMITMENTS:

The estimated amount of contracts remaining to be executed on capital account, and not provided for, was approximately Rs. 9.24 lakhs (1989 - Rs. 7.5 crores).

15. CONTINGENT LIABILITIES:

- (a) Bank guarantees for Rs. 76,78,611 (1989 - Rs. 68,09,672).
 (b) Letters of credit issued amounted to Rs. 1,00,48,899 (1989 - Rs. 1,26,24,343).
 (c) A bond executed in favour of the Collector of Customs, amounting to Rs. 6,80,96,724.

16. SUPPLEMENTARY PROFIT AND LOSS STATEMENT DATA:

	<u>1990</u>	<u>1989</u>
(a) Payment to auditors included in legal and professional fees is as follows --		
As auditors	1,00,000	40,000
Management services	30,000	--
Tax matters	30,000	--
Other matters	--	53,000
Reimbursement of out-of-pocket expenses	5,000	3,500
	<u>1,65,000</u>	<u>96,500</u>

- (b) The following data relates to employees who earned Rs. 72,000 or more in annual remuneration or Rs. 6,000 per month or more when employed for part of the year --

- (i) Employed throughout the year:

Number	5	--
Salaries and wages	2,97,452	--
Contribution to provident fund	29,745	--

- (ii) Employed for only part of the year:

Number	3	4
Salaries and wages	95,236	95,050
Contribution to provident fund	3,856	2,020

(c) Capacity and production

The Company's licensed and installed capacity for production of BOPP film is 3150 tonnes per annum. The Company produced 11.26 tonnes (including 1.24 tonnes of trial production) of BOPP film.

- (d) Particulars in respect of sales and closing stock of BOPP film produced by the Company are as follows --

	<u>Quantity (tonnes)</u>	<u>Amount</u>
Sales	8.83	9,93,702
Closing stock	<u>1.53</u>	<u>1,08,150</u>

Sales exclude 0.90 tonnes of BOPP film distributed as samples and include 1.24 tonnes of BOPP film sold for Rs. 1,31,094 from trial run production.

(e) Analysis of raw materials consumed during the year

	Quantity (tonnes)	
Polypropylene		
Others	242.36	64
	--	9
	<u>242.36</u>	<u>74</u>

Raw materials consumed include trial production consumption of Rs. 67,75,186 comprising polypropylene consumption of 222.41 tonnes valued at Rs. 59,11,353 and other materials valued at Rs. 8,63,833.

(f) Value of imported and indigenous raw materials, and stores and spares consumed --

	%	Amount
(i) Raw materials		
Imported	94.00	69,75,186
Indigenous	6.00	4,63,833
(ii) Stores and spares	100.00	74,00,000
Imported		
Indigenous	22.94	1,72,00,000
	77.06	5,98,00,000
	<u>100.00</u>	<u>7,70,00,000</u>

(g) Value of imports on CIF basis --

	1990	
Raw materials	90,47,110	
Stores and spares	3,86,992	
Capital goods	<u>1,77,22,098</u>	5,35,96,000
	<u>2,71,56,200</u>	<u>5,35,96,000</u>

(h) Expenditure in foreign currency --

	1990	
Technical know-how fees		
Training expenses	29,20,436	
Travel	36,26,912	
Interest	43,929	1,18,00,000
	5,769	
	<u>65,97,046</u>	<u>1,18,00,000</u>

17. PRIOR YEAR'S COMPARATIVES:

Prior year's amounts have been reclassified wherever necessary for comparative purposes. As the statement of profit and loss is prepared for the first time, no comparatives are given.

