

# **ESSA CEMENT INDUSTRIES LTD.**

**Annual Report 1997**

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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

MR. ABDUL AZ CHAIRMAN & CHIEF EXECUTIVE  
MRS. HUMERA ESSA  
MRS. JAMILA YOUNUS DADA  
MRS. ZAITOON HAMZA DADA  
MR. JAWED AZIZ ESSA  
MR. IRFAN AZIZ ESSA  
MIR. ZAFARUDDIN SIDDIQUI

### **COMPANY SECRETARY**

MR. JAWED AZIZ ESSA

### **AUDITORS**

F.R. MERCHANT & CO.  
CHARTERED ACCOUNTANTS

### **BANKERS**

HABIB BANK LIMITED  
NATIONAL BANK OF PAKISTAN  
MUSLIM COMMERCIAL BANK LIMITED  
ANZ GRINDLAYS BANK  
ALLIED BANK OF PAKISTAN LIMITED  
BOLAN BANK LIMITED

### **REGISTERED OFFICE**

FL-2/1, BLOCK-6,  
GULSHAN-E-IQBAL,

KARACHI-75300

**FACTORY**

DEH KALO KOHAR  
NOORIABAD INDUSTRIAL AREA  
DISTRICT DADU, (SINDH)

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be held on Monday, December 29, 1997 at 08:00 A.M. at Avari Towers, Fatima Jinnah Road, Karachi, to transact the following business:

**ORDINARY BUSINESS**

- 1) To confirm the minutes of the last Annual General Meeting.
- 2) To receive and consider the Report of the Directors, the Audited Accounts and Statement alongwith the Balance Sheet for the year ended June 30, 1997 with the Auditors' Report thereon.
- 3) To appoint Auditors for the year 1997-98 and to fix their remuneration.
- 4) To transact any other business with the permission of the Chairman.

**SPECIAL BUSINESS**

1) To consider and if thought fit to resolve "that a sum of Rs. 31,481,570 be capitalised out of the profit and general reserve of the Company and that such sum be applied in making full at par for 3,148,157 ordinary shares of Rs. 10 each in the capital of the Company. Such shares to be distributed as fully paid shares among the members as at the closing of the books on December 17, 1997 C? 10% (1 share for every 10 shares held ) and that any fraction of shares arising thereof shall be disregarded and that the whole shares representing such fraction shall be disposed of in such manner as the Directors of the Company think fit and proceeds shall be distributed in due proportion among the members entitled thereto in accordance with their respective rights and such shares shall rank for all purposes pari passu with the ordinary shares already issued by the Company."

**NOTES :**

1) The Share Transfer Books of the Company will remain closed from December 18, 1997 to December 29, 1997 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of business on December 17, 1997 will be considered in time for the purpose of Bonus Shares to the transferees.

2) A member entitled to attend and vote at the Annual General Meeting may appoint another member as the proxy to attend and vote on his/her behalf. Proxies must be duly filled, signed and deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

3) Shareholders are requested to promptly notify the Company of any change in their addresses, if any.

#### **STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984**

The Reserves of the Company as on June 30, 1997 represent accretion on its existing share capital, it has been thought expedient to capitalise a part of the said reserves by way of Bonus Shares to the members. The Company has no direct interest in the event the capital is increased as proposed. Upon issuance of the Bonus Shares, the paid-up capital of the Company shall stand increased to Rs. 346,297,320.

#### **DIRECTORS' REPORT TO THE MEMBERS**

The directors take pleasure in presenting their report alongwith audited accounts and audit report thereon for the year ended June 30, 1997.

#### **PRODUCTION**

During the year under review the Company witnessed a further setback in production.

The cement industry had to face unfavourable trading conditions particularly in view of unpolitical situations coupled with inflated sales tax rates and other indirect taxes. However capacity utilised remained at the installed capacity at ~ 00%. Comparative figures of production given hereunder:

	1996-97 Tons	1995-96 Tons
Clinker	133,982	149,882
Ordinary Portland Cement	90,075	127,030
Slag Cement	48,024	41,550
Sulphate Resistance Cement	12,643	6,220

#### **SALES & MARKETING**

During the year under review there was over supply of cement in the market, conversely there was lesser local demand for consumption mainly due to political instability in the country order situation which resulted in downward trend in ex-factory prices. Inspire of all these Company has been successful in achieving the sale of cement equivalent to our capacity. The cement sales by the Company aggregated to 150,455 tons as compared to 173,807 tons last year.

Gross Sales Revenue amounted to Rs. 495.938 million, out of which Rs. 224.985 million were paid to the government as Excise Duty and Sales Tax. Net sales revenue amounted to Rs. 270. million.

#### **OPERATING PROFIT & FINANCIAL RESULTS**

The Company has earned Operating Profit of Rs. 32.474 million during the year as compared to last year's Operating Profit of Rs. 62.760 million. Following are the financial results

PROFIT AFTER TAX	16,267,002
UNAPPROPRIATED PROFIT B/F	4,908,436
PROFIT AVAILABLE FOR APPROPRIATION	21,175,438
APPROPRIATIONS	
TRANSFER FROM GENERAL RESERVE	(15,000,000)
PROPOSED ISSUE OF BONUS SHARES IN THE RATIO OF 1:10	31,481,566
	-----
	16,481,566
	-----
UNAPPROPRIATED PROFIT C/F	4,693,872
	-----

In the year under report cement industry as a whole is moving towards decline in earning due to the factors as discussed above.

#### **BONUS SHARES**

The Directors now are pleased to recommend to issue Bonus Shares @10% (1 Share for every 10 shares held).

#### **EXPANSION PROGRAMME**

During the year your Company continued to progress smoothly towards the completion of the expansion programme with additional capacity of 1000 tons per day,

The civil work is more than 90% completed, Most of the imported equipment is already received at the plant site and erection work is already completed, Chinese technical team is also working at the plant site and Inshallah, we expect to go on trial production by March 1998,

#### **STAFF & LABOUR**

We wish to place on record our appreciation for the work done by the Staff and the Workers

#### **AUDITORS**

The present Auditors M/s. F.R. Merchant & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the Company for the year 1997-98.

## FINANCIAL HIGHLIGHTS

[Figures in Thousand)

	1997	1996	1995	1994
NET SALES	270,954	300,613	310,612	338,811
<b>RESULT</b>				
PROFIT AFTER TAX	11,918	416,14	88,845	115,915
	16,267	29,015	70,670	114,211
NET RETURN OF TURNOVER %	6.00	9.65	22.75	33.71
CURRENT ASSETS	188,831	184,302	156,415	109,566
CURRENT LIABILITIES	171,174	127,282	90,633	63,969
CURRENT RATIO				
ASSETS: LIABILITIES	1.10:1	1.45:1	1.73:1	1.71 : 1
DISTRIBUTABLE				
RESERVES	216,175	228,528	199,513	147,508
SHAREHOLDERS				
EQUITY	530,991	514,724	342,611	260,629
NUMBER OF SHARES	31,482	28,620	14,310	11,312
EARNING PER SHARE				
OF RS. 10 EACH	0.52	1.01	4.94	10.10
BRACK-UP VALUE				
PER SHARE	RS. 16.87	17.98	23.94	23.04

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ESSA CEMENT INDUSTRIES LIMITED as at June 30, 1997 and the related profit and loss account and statement of changes in financial position together with the notes forming part thereof, for the year then ended and we state that we obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that

a) in our opinion, proper books of account have been kept by the Company as required

by the ,Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1 984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming pad thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the profit and the changes in the financial position for the year then ended; and

d) in our opinion, no zakat was deductible at source under the Zakat & Ushr Ordinance, 1,980

**KARACHI ' November 25, 1997**

**F.R. MERCHANT & CO.**  
Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 1997**

<b>SHARE CAPITAL AND RESERVES</b>	<b>NOTE</b>	<b>1997</b>
<b>Authorised</b>		
50,000,000 ordinary shares of Rs. 10/- each		500,000,000 5 ===== =
Issued, subscribed and paid-up capital	3	314,815,750 2
Reserves	4	216,175,442 2 -----
		530,991,192 5
REDEEMABLE CAPITAL	5	--
LONG TERM LOANS	6	444,264,846
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	24,166,761
CURRENT LIABILITIES		

Current maturity of redeemable capital	5	1,967,500
Current maturity of long term loans	6	45,044,034
Current maturity of liabilities against assets subject to finance lease	7	11,215,989
Creditors, accrued and other liabilities	8	74,536,354
Running finances under mark-up arrangements	9	94,269,119
Provision for taxation		2,204,189
Unclaimed dividend		163,891
		-----
		229,401,076 1

CONTINGENCIES AND COMMITMENTS	10	-----
	Rupees	1,228,823,875 7
		=====

**Fixed Assets - Tangible**

Operating assets	11	328,275,152 3
Capital work-in-progress	12	708,304,598 1
		-----
		1,036,579,750 5

LONG TERM ADVANCES, PREPAYMENTS AND DEFERRED COSTS	13	3,413,146
--	----	-----------

CURRENT ASSETS

<i>Stores and spares</i>	14	57,728,816
Stock-in-trade	15	70,010,433
Trade debts	16	35,993,259
Advances, deposits, prepayments and other receivables	17	2,371,748
Cash and bank balances	18	12,726,723
		-----
		188,830,979 1
		-----
	Rupees	1,228,823,875 7
		=====

The annexed notes form an integral part of these accounts,

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1997**

	NOTE	1997
Sales		495,938,477 4
Less: Excise duty		156,419,832 1

Sales tax		68,565,033	
		-----	
		224,984,865	1
		-----	
Net sales		270,953,612	3
Cost of sales	19	229,846,769	2
		-----	
		41,106,843	
Administration and selling expenses	20	8,632,383	
		-----	
Operating profit		32,474,460	
Other income	21	423,435	
		-----	
		32,897,895	
Financial charges	22	19,464,596	
Other charges	23	1,515,645	
		-----	
		20,980,241	
		-----	
Profit before taxation		11,917,654	
Taxation	24	(4,349,348)	
		-----	
Profit after taxation		16,267,002	
Accumulated profit brought forward		4,908,436	
		-----	
Profit available for appropriation		21,175,438	
Appropriations:			
Transfer from general reserve		(15,000,000)	
Proposed issue of bonus shares in the ratio of 1 : 10 (1996 - 1:10)		31,481,566	
		-----	
		16,481,566	
		-----	
Accumulated profit carried forward		4,693,872	
		=====	
The annexed notes form an integral part of these accounts			

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 1997**

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	11,917,654
Adjustments:	
Depreciation	34,234,777



Amortization of deferred cost	--
	34,234,777
	-----
Operating profit before changes (Increase)/decrease in current assets	46,152,431
Stores and spares	(15,316,637)
Stock-in-trade	18,774,676
Trade debts	(28,901,683)
Advances, deposits, prepayments and other receivables	17,910,070
	-----
	(7,533,574)
Increase/(decrease) in current liabilities	
Creditors, accrued and other liabilities	20,889,516
Running finances under mark-up arrangements	36,471,891
	-----
	57,361,407
	-----
Net cash from operating activities	95,980,264
Tax paid	(9,120,030)
	-----
Net cash from operating activities after tax	86,860,234
 CASH FLOW FROM INVESTING ACTIVITIES	
Capital expenditure	(538,356,261)
	-----
Net cash from after investing activities	(451,496,027)
 CASH FLOW FROM FINANCING ACTIVITIES	
Right shares issued	--
Redeemable capital	(8,150,571)
Long term loans	438,045,524
Liabilities subject to finance lease	20,601,912
Long-term deposits	(2,005,790)
	-----
Net cash flow from financing activities	448,491,075
	-----
Net cash flow after financing activities	(3,004,952)
Cash and bank at the beginning of the year	15,731,675
	-----
Cash and bank at the end of the year	12,726,723
	=====

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED  
JUNE 30, 1997**

## **1. THE COMPANY AND ITS OPERATION**

Essa Cement Industries Limited is a Public Limited Company and listed on the Karachi and Lahore Stock Exchanges, The company's principal activity is Manufacturing & Marketing of Cement and its Products.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention as modified by adjustments of Exchange Fluctuation on Foreign Currency Loans,

### **2.2 Taxation**

Provision for current year taxation is based on current rates of taxation, The company has decided to provide for deferred taxation arising from timing differences. It will be provided in future year out of profit after taxation.

### **2.3 Fixed assets and depreciation**

#### **2.3 (i) Operating assets**

Operating fixed assets except free hold land are stated at cost less accumulated depreciation. Free hold land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method.

Full year's depreciation is charged on additions while no depreciation is charged on assets deleted. Profit / Loss on disposal of fixed assets is accounted for in the profit and loss account.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

#### **2.3. (ii) Assets subject to Finance Lease**

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets in the same manner as the owned assets.

### **2.4 Deferred costs**

These are amortized over a period of four years,

### **2.5 Stores and spares**

These are valued at moving average cost.

### **2.6 Stock-in-trade**

These are stated at lower of cost or net realizable value. The method used for the

calculation of costs are as follows:

Raw and packing materials	-- at average cost
Work-in-process and finished goods	-- at average cost of goods produced during the year.

### 2.7 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the date of the balance sheet except where exchange risk cover has been obtained for repayment of liabilities in which case the rate contracted for is used.

Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant assets. Exchange differences capitalized include loss or gain on the repayments and year-end translation of foreign currency loans.

### 2.8 Revenue recognition

Sales are recorded on despatch of goods to customers.

### 3. ISSUED, SUBSCRIBED & PAID-UP CAPITAL

1997

25,913,117 ordinary shares of Rs. 10 each issued for cash	259,131,170	2
840,000 ordinary shares of Rs. 10 each issued for consideration other than cash	8,400,000	
4,728,458 (1996: 1,866,497) ordinary shares of Rs. 10 each issued as fully paid bonus shares	47,284,580	
	-----	
	314,815,750	2

### 4. RESERVE

General reserve

At beginning of the year	195,000,000	1
Transfer (to)/from profit and loss account	(15,000,000)	
	-----	
	180,000,000	1
Reserve for issue of bonus shares	31,481,570	
Unappropriated profits	4,693,872	
	-----	
	216,175,442	2
	=====	

### 5. REDEEMABLE CAPITAL - secured

Term Finance Certificates (Note 5.1)	1,967,500	
Pakistan Industrial Credit & Investment Corporation Li (Note 5.2)		--

Less: Current Portion

-----  
1,967,500

1,967,500  
-----

--  
=====

5.1 (i) The amount utilized represent "sale price" of the agreement with a corresponding "purchase price" of Rs. 55.321 million. The company has issued Term Finance Certificates in favour of Syndicate as acknowledgement of its liability for payment of purchase price. The TFC's are redeemable in 16 semi-annual installments commencing from January 1, 1990.

In the event of TFC not being redeemed on due date the Company shall have to pay an additional amount of 20% of the face value of such TFC as liquidated damages.

(ii) The Term Finance Certificates have been secured by way of legal mortgage and floating charge of all movable and immovable properties of the Company which shall rank pari-passu with the mortgages, floating charges and hypothecation already existing in favour of existing lenders and financiers.

5.2 (i) The amount utilized represent "sale price" of the agreement with a corresponding "purchase price" of Rs. 80.99 million, which is repayable in 28 quarterly installments commencing from January 1, 1990.

(ii) The above finance is secured by first charge by way of legal mortgage, floating charge and hypothecation of present and future fixed assets of the company ranking pari-passu in all respects with other financing.

## 6. LONG TERM LOANS

1997

Suppliers Credit - secured	(Note 6.1)	356,420,454
Demand Finance - secured	[Note 6.2)	82,888,426
Loan from sponsors - unsecured	(Note 6.3)	50,000,000

-----  
489,308,880

Less: Current Portion (including overdue)

45,044,034  
-----

444,264,846

### 6.1 Break-up of Loans

(1) appearing above is given below

a) Overseas Credit & Investment Co. - I

45,044,034

b) China National Machinery and

c) Equipment Import & Export Corp,

--

Overseas Credit & Investment Co. - II

311,376,420  
-----

356,420,454

=====

(i) The Loans originally represented 90% of the suppliers credits after down payments at 10% C & F Value of the Machinery Imported.

(ii) These Loans carry interest at the rate of 7% and 7.5% per annum respectively.

(iii) These Loans are repayable in sixteen semi-annual installments commencing from thirty six months and eighteen months respectively after the bill of lading date of shipment.

(iv) Foreign currency loans have been converted in Pak Rupees as under:

Loan (a) One D.M. equivalent to Rupees = 23.4528

Loan (b) One US \$ equivalent to Rupees - 17.3605 at fixed rate.

Loan (c) One US \$ equivalent to Rupees = 40.7028

6.2 The demand finance facility is subject to mark-up of 0.3904 paisas per thousand per diem. It is secured against hypothecation of stores, spares, machinery and equipment, 2nd charge over fixed and movable assets, personal guarantee of directors and demand promissory note.

6.3 This represents interest free loans received from sponsors and associates.

#### 7. LIABILITIES AGAINST ASSETS

##### SUBJECT TO FINANCE LEASE

Balance as on 1st July	14,780,838
Assets acquired during the year	30,557,900
	-----
	45,338,738
Less: Payment made	9,955,988
Current portion of the liability	11,215,989
	-----
	21,171,977
	-----
	24,166,761

7.1 The total lease rentals due under the lease agreement aggregate Rs. 35,382,750 (1996: Rs. 14,780,838).

7.2 Overdue rental payments are subject to an additional charge of 2 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee is to pay entire rent for unexpired period.

7.3 Installments are payable in the following periods:

	<b>1997</b>
Year	
1996-1997	--
1997-1998	15,156,828
1998-t 999	14,692,728
1999-2000	12,837,253
2000-2001	4,845,982
2001-2002	795,060
Financial charges allocated to future periods	(12,945,101) (
	-----
	35,382,750

7.4 Financing rate of approximately 20 to 22 percent per annum has been used as discounting factor.

#### **8. CREDITORS, ACCRUED & OTHER LIABILITIES**

Interest accrued on long term loans	6,080,936
Loan from sponsors and associates	7,052,735
Creditors for expenses and others	30,851,108
Workers' profit participation fund (Note 8.1)	28,325,679
Workers' welfare fund	2,225,896
	-----
	74,536,354
	=====

#### **8.1 WORKERS' PROFIT PARTICIPATION FUND**

Balance at the beginning of the year	23,775,480
Interest thereon	3,922,954
	-----
	27,698,434
Allocation for the year	627,245
	-----
	28,325,679

#### **9. RUNNING FINANCES UNDER**

MARK-UP ARRANGEMENTS - secured	94,269,119
	=====

The Company has an aggregate running finance facilities of Rs. 95 million [1996 - Rs. 55 million) available from commercial banks. The facilities are secured against hypothecation stores, spares, machinery & equipment, 2nd charge over fixed and movable assets, personal guarantee of directors and demand promissory note. It carries mark-up at the rate of 0.438 0.54 paise per Rs. 1,000 calculated on daily product basis.

10. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

Central Excise and Land Custom has passed an order for the recovery of excise duty, sales and penalty of Rs. 91.046 million [1996 - 91.046 million). The Company has however dispute the same both on grounds of lack of jurisdiction as well as on the merits, the matter is s The stay order was granted by the honourable High Court of Sindh against the said order.

COMMITMENTS

Aggregate commitments for capital expenditure contracted for, but remaining to be executed of Rs. nil [1996 - Rs. 250 million).

11. FIXED ASSETS - Tangible

11.1 The following is a statement of operating assets.

	Cost As At 01 O 7-96	A (D
Leasehold Land	3,024,768	
Building On Leasehold Land	71,293,254	
Plant and Machinery	483,739,731	
Vehicles	3,433,525	
Office Equipment	2,826,144	
Furniture & Fixture	1,079,877	
Factory Equipment & Laboratory Equipment	390,463	
<b>LEASED ASSETS</b>		
Plant and Machinery	7,176,186	
Quarry Equipment	9,447,374	
	-----	
	582,411,322	
	-----	
1996	552,809,491	
	=====	

11.2 Addition to plant and machinery include exchange loss/[gain) amounting to Rs. 463,446 (1996 Rs. 1,590,278).

11.3 The Depreciation charge for the period has been allocated as follows:

Cost of Sales	33,399,611
Administration and Selling Expenses	835,166
	-----
	34,234,777
	=====

Cost As At 30-06-97	Accumulated Depreciation	Book Value As At 30-06-97	Depreciation	Rate %
3,024,768	--	3,024,768	--	--
71,293,254	21,388,770	49,904,484	2,878,876	5-10
484,851,992	244,252,306	240,599,686	26,733,298	10
4,436,085	2,162,423	2,273,662	568,416	20
3,014,712	1,330,782	1,683,930	187,103	10
1,083,985	546,024	537,961	59,773	10
390,463	211,600	178,863	19,874	10
26,546,586	3,300,516	23,246,070	2,582,897	10
9,447,374	2,621,646	6,825,728	1,204,540	15
-----	-----	-----	-----	
604,089,219	275,814,067	328,275,152	34,234,777	
-----	-----	-----	-----	
582,411,322	241,579,290	340,832,032	35,508,097	
=====	=====	=====	=====	

12. CAPITAL WORK4N-PROGRESS

1997

Civil work		76,122,923
Plant and machinery	(Note 12.1)	632,181,675
		-----
		708,304,598
		=====
12.1 Plant and machinery		620,994,175
Assets subject to finance lease		11,187,500
		-----
		632,181,675
		=====

13. LONG TERM DEPOSITS AND DEFERRED COSTS

Deposits		3,413,146
Deferred costs		
Preliminary expenses		--
Project appraisal fee		--
Project examination fee		--
Debenture issue expenses		--
Shares issue expenses		--
		-----
		--
Amortized during the period		--



	-----
	3,413,146
	=====
<b>14. STORES AND SPARES</b>	
Stores	18,985,654
Spares	38,743,162
	-----
	57,728,816
	=====
15. STOCK - IN - TRADE	
Raw materials	36,892,965
Working-process	16,347,928
Finished goods	16,769,540
	-----
	70,010,433
	=====
16. TRADE DEBTS	
(Unsecured, considered good)	35,993,259
	=====
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	
Advance to suppliers	9,555,656
Other receivables	2,803,748
Prepayments	12,344
	-----
	12,371,748
	=====
18. CASH AND BANK BALANCES	
Cash in hand	9,107,462
With bank - on current accounts	3,619,261
	-----
	12,726,723
	=====
<b>19. COST OF SALES</b>	1997
Raw and packing material consumed	
Opening stock	51,963,128
Purchases	38,404,200
	-----
	90,367,328 1
Closing stock	-36,892,965 (5)
	-----
	53,474,363
Stores and spares consumed	10,185,226
Fuel and power	103,898,916 1
Salaries, wages and benefits	14,859,377

Rent, rates and taxes	551,501
Insurance	4,250,545
Repairs and maintenance	1,973,371
Depreciation	33,399,611
Other charges	3,549,346
	-----
	226,142,256 2
Work-in-process	
Opening	20,888,060
Closing	(16,347,928) (2
	-----
Cost of goods manufactured	230,682,388 2
Finished goods	
Opening	15,933,921
Closing	(16,769,540) (1
	-----
	229,846,769 2
	=====

**20. ADMINISTRATION & SELLING EXPENSES**

**1997**

<b>Salaries and benefits</b>	<b>2,246,218</b>
Travelling and conveyance	227,035
Vehicle running expenses	1,990,132
Communications	283,590
Printing and Stationery	308,718
Gas expenses	241,001
Repairs and maintenance	168,523
Legal and professional charges	1 29,000
Auditors' remuneration	(Note 20.1) 131,800
Subscription	5,000
Cartage	36,873
Newspaper and periodicals	15,954
Advertisement	570,837
Testing expenses	2,540
Entertainment	18,244
Depreciation	835,166
Miscellaneous	295,398
Fees and registration	850,810
Photostat expenses	91,840
Computer expenses	183,704
	-----
	8,632,383
	=====

Auditors' remuneration	
Audit Fee	36,000
Tax, corporate and other services	95,800
	-----
	131,800
	=====
21. OTHER INCOME	
Insurance claim	11,155
Sale of waste	412,280
Income from pls account	--
	-----
	423,435
22. FINANCIAL CHARGES	
Interest on long term loans	4,187,610
Mark-up on running finances	6,611,742
Bank charges	324,270
Excise duty on running finances and loans	1,065,662
Interest on workers' profit participation fund	3,922,954
Financial charges on lease arrangements	3,098,109
Excise duty on lease arrangements	254,249
	-----
	19,464,596
	=====
23. OTHER CHARGES	
Workers' profit participation fund	627,245
Amortisation of deferred cost	--
Donation	888,400
Workers' welfare fund	--
	-----
	1,515,645
	=====
23.1 Recipients of donations do not include any donee in whom a director or his spouse had any interest.	
24. TAXATION	
Current	
Prior Years'	1,400,000
	(4,349,348)
	-----
	(4,349,348)
	=====

The deferred tax liability at current rates of taxation works out to Rs 4,294,002 (1996- Rs 8,465,674) against which no provision has been made, as such timing differences are not likely to reverse in the foreseeable future in view of Capitalisation Programme.

25. REMUNERATION OF DIRECTORS AND EXECUTIVES

	1997			1996		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	--	--	1,919,104	--	--	--
Housing allowance	--	--	767,649	--	--	--
Utilities	--	--	191,837	--	--	--
Bonus	--	--	181,827	--	--	--
	-----	-----	-----	-----	-----	-----
	--	--	3,060,417	--	--	--
	=====	=====	=====	=====	=====	=====
No. of persons	--	--	11	--	--	--

No remuneration is paid or other facility is provided to the Chief Executive or Directors company. Directors have waived their meeting fee.

26. CAPACITY	1997	1996	
Installed capacity	150,000	150,000	tons per annum
Production	150,742	174,800	tons during the
Capacity utilised	100%	117%	

**27. FIGURES**

27.1 Figures have been rounded off to the nearest rupee.

27.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 1997**

SHAREHOLDINGS			SHAREHOLDERS TOTAL SHARES HELD		
FROM	1	TO	100	177	6,013
FROM	101	TO	500	407	82,960
FROM	501	TO	1000	168	104,896
FROM	1001	TO	5000	471	1,027,461
FROM	5001	TO	10000	374	2,888,908
FROM	10001	TO	15000	98	1,209,515
FROM	15001	TO	20000	328	5,936,139
FROM	20001	TO	25000	156	3,363,475
FROM	25001	TO	30000		401,044, i31
FROM	35001	TO	40000	3	113,850

FROM	45001	TO	50000	1	49,063
FROM	50001	TO	55000	1	51,700
FROM	60001	TO	65000	4	254,859
FROM	70001	TO	75000	1	72,765
FROM	100001	TO	110000	1	109,093
FROM	130001	TO	140000	1	139,150
FROM	150001	TO	160000	1	157,042
FROM	160001	TO	170000	1	164,197
FROM	170001	TO	180000	1	176,162
FROM	300001	TO	350000	1	343,699
FROM	350001	TO	400000	1	354,178
FROM	600001	TO	700000	2	1,391,500
FROM	700001	TO	800000	4	3,099,402
FROM	900001	TO	1000000	4	3,673,560
FROM	2000001	TO	2500000	1	2,411,747
FROM	3000001	TO	3500000	13	256,100

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**2248**

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**31,481,575**

**CATEGORIES O NUMBER**

**SHARES HELD PERCENTAGE**

INDIVIDUALS	220729,688,781	94.31
INVESTMENT COMPANIES	28 529,294	1.68
INSURANCE COMPANIES	4 400,964	1.27
JOINT STOCK COMPANIES	-- --	--
FINANCIAL INSTITUTIONS	9 862,536	2.74
CORPORATE LAW AUTHORITY	-- --	--
ADMINISTRATOR ABANDONED	-- --	--
PROPERTY	-- --	--
CHARITABLE	-- --	--
OTHERS	-- --	--

-----  
**2248 31,481,575 100.00**  
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