

**Schedules forming part of the Accounts (Contd.)**

	For nine months ended 31st March 2004 Rs.	For the year ended 30th June 2003 Rs
20. NOTES TO ACCOUNTS		
1. Cash Credit and Working Capital Demand Loans from banks are secured by pari-passu hypothecation of the Company's entire stock of raw materials, finished goods, stocks in process, consumable stores and spare parts and book debts and in case of State Bank of India are also secured by charge on fixed assets at Howrah Plant of the Company.		
2. Liabilities in Schedule 11 include Rs. 169.70 Lac (Previous Year Rs. 171.67 Lac) outstanding in respect of facilities granted to the Company by Small Industries Development Bank of India (SIDBI) as well as interest accrued but not due thereon. Facilities are secured upto a limit of Rs. 300 Lac by a second charge on the immovable property of Nasik in the state of Maharashtra and by first charge by way of hypothecation of entire movable assets (save and except book debts) of the Company, subject to prior charges, created and/or to be created, in favour of the Company's Bankers for securing the borrowings for working capital requirements. The charges rank pari-passu between the Financial Institutions.		
3. Auto Loans are secured by hypothecation of the vehicles financed out of such loans.		
4. Contingent Liabilities		
Contingent Liabilities not provided for in respect of:		
Excise Duty	1,50,000	8,63,060
Income Tax	68,37,385	1,30,881
Bank Guarantees	55,59,285	35,57,370
Sales Tax	1,13,95,000	1,09,28,000
Claims against the Company not acknowledged as debt (to the extent ascertained)	52,85,856	51,68,997
5. Estimated amount of capital commitments, net of advance of Rs 3,50,000 (previous year Rs. 1,10,33,000)	20,02,000	21,42,000
6. Auditors' Remuneration		
As Auditors	1,94,400	1,90,350
In other capacity	1,45,800	1,54,520
Reimbursement of expenses	<u>21,864</u>	<u>18,004</u>
	<u>3,62,064</u>	<u>3,62,874</u>
7. Consumption of Stores	93,77,499	98,44,919
8. CIF value of imports		
Raw materials	4,13,30,020	3,69,21,017
Capital Goods	Nil	Nil



Schedules forming part of the Accounts (Contd.)

	For nine months ended 31st March 2004 Rs.	For the year ended 30th June 2003 Rs	
9. Expenditure in foreign currency			
Travelling	64,644	1,17,545	
Purchase of raw material	1,85,61,068	4,81,19,014	
10. Amounts remitted in foreign currency on account of Dividend	23,60,628	Nil	
11. Managerial remuneration			
Directors' Fees	1,65,000	1,30,000	
Whole time Director's remuneration:			
Salaries	3,15,000		
Contribution to Provident Fund	<u>37,800</u>	4,19,647	
	3,52,800		
12. Turnover	For nine months ended 31st March 2004	For the year ended 30th June 2003	
	Quantity KL	Quantity KL	
	Value Rs.	Value Rs.	
Class of Goods	19031	23098	
Paint (finished)	(22837 MT)	(27718 MT)	
	1,32,29,67,065	1,58,78,39,991	
13. Opening and Closing Stocks	Opening stocks as at 1st July, 2003	Closing stocks as at 31st March, 2004	
	Quantity KL	Quantity KL	
	Value Rs.	Value Rs.	
Paint (finished)	3172	4105	
	(3806 MT)	(4926 MT)	
Previous year Paint (finished)	3662	3172	
	(4394 MT)	(3806 MT)	
	16,79,40,209	21,81,13,752	
	18,83,93,237	16,79,40,209	
14. Capacity and Production	Installed capacity as at 31st March 2004	Actual Production during the nine months ended 31st March 2004 (Packed for sale)	Previous Year
Paint, enamels & varnishes	39,204 Tonnes	22052 Tonnes	24539 Tonnes
N.C. Lacquers & Ancillaries		33 Tonnes	36 Tonnes
Synthetic Resin (Varnish)		133 Tonnes	239 Tonnes
		<u>22218Tonnes</u>	<u>24814 Tonnes</u>

**Schedules forming part of the Accounts (Contd.)**

	For nine months ended 31st March 2004		For the year ended 30 th June 2003	
	Quantity KL	Value Rs.	Quantity KL	Value Rs.
15. Purchase (Bought-in-items)	1449	3,60,91,921	1930	4,14,04,462
16. Consumption of imported and indigenous raw materials (excluding spare parts and components).				
	For nine months ended 31 st March, 2004		For the year ended 30 th June, 2003	
	%	Rs.	%	Rs.
Imported Raw Materials	6.65	4,66,27,905	8.67	6,60,83,889
Indigenous Raw Materials	93.35	65,48,65,559	91.33	69,57,35,811
17. Important basic raw materials and packing materials consumed.				
	For nine months ended 31 st March, 2004		For the year ended 30 th June, 2003	
	Quantity	Value Rs.	Quantity	Value Rs.
Organic acid/chemicals	24,97,925 Kgs	11,94,04,056	29,26,524 Kgs	15,40,30,184
Pigments	12,12,901 Kgs	7,81,43,805	14,97,615 Kgs	10,25,08,269
Solvents & Oils	81,54,418 Lts	22,25,16,791	95,78,731 Lts	24,95,65,120
Packages and Packing Materials	69,32,940 Nos	8,84,09,048	79,09,477 Nos	9,42,06,965
Others*		<u>19,30,19,764</u>		<u>16,15,09,162</u>
		<u>70,14,93,464</u>		<u>76,18,19,700</u>

* Includes individual items of less than 10% of the total and therefore not considered for the above classification.

18. The small-scale industrial undertakings to whom the Company owes any sums which is outstanding for more than 30 days are M/s Raveshia Pigments, M/s Jalan Hi-Mech Ltd., M/s Dhiraj International Pvt Ltd., M/s Pearson Drums and Barrels Pvt Ltd., M/s Durga Oil Industries, M/s Indian Tin Box Mfg. Company, M/s Sunrise Chemicals, M/s Kali Pigments Pvt. Ltd., M/s V.K.Oils Ltd., M/s Cross Point Chemicals Industries, M/s J.G. Chemicals, M/s Ganga Rasayanie Pvt. Ltd., M/s Techon India (P). Ltd., M/s Oriental Distributors and M/s Bharat General Textile Industries.
19. The Company has adopted Accounting Standard 22 (AS 22) "Accounting for Taxes on Income" and accordingly the net deferred tax liability amounting to Rs. 59,19,087 pertaining to the current year has been provided.



Schedules forming part of the Accounts (Contd.)

The break up of deferred tax assets and deferred tax liabilities is as given below: (Rs. in Lacs)

	Opening As at 01/07/2003	Charge /(Credit) During the year	Closing As at 31/03/2004
Deferred Tax Assets			
Expenses allowable on payment basis	34.36	16.14	18.22
Deferred expenditure	44.69	17.42	27.27
Others	34.30	21.33	12.97
	113.35	54.89	58.46
Deferred Tax Liabilities			
Depreciation and related items	(196.37)	(4.31)	(200.68)
Net Deferred Tax Liabilities	83.02	59.20	142.22

20. Related party disclosure in accordance with the Accounting Standard 18 “Related Party Disclosures” issued by the Institute of Chartered Accountants of India.

Key Management Personnel:

i.	Amiya Gooptu	Chairman
ii.	R.Jindal	Director
iii.	G.Jhunjhnuwala	Director
iv.	R.Garg	Director
v.	A.V.Lodha	Director
vi.	S.L.Agarwal	Managing Director

Name of the related parties with whom the transactions have been made	Description of relationship with the party	Nature of Transaction	Amount 2003-2004 (Rs. in Lac)	Amount outstanding as on 31st March 2004 (Rs. in Lac)
i. S.L.Agarwal	Managing Director	Remuneration	Refer Note 11 of Schedule 20	-
ii. R.Jindal	Director	Guarantee for Debentures	- (89.15)	- (89.15)

Note: Figures in parenthesis relate to previous year.

21. The Company has only one business segment i.e. Paints.

22. Finance charges under miscellaneous expenses include foreign exchange gain of Rs. 43,39,279 (previous year Rs. 13,95,116), net of provision of Rs. 43,00,000 (previous year Rs. Nil) for diminution in the value of foreign exchange subsequent to the date of Balance Sheet.

ACCOUNTING POLICIES

23.1 GENERAL

The financial statements have been prepared on accrual basis, except otherwise stated, and under the historical cost convention except revalued fixed assets in accordance with the applicable accounting standards specified by the Institute of Chartered Accountants of India and relevant provisions of Companies Act, 1956.



Schedules forming part of the Accounts (Contd.)

23.2 FIXED ASSETS

Fixed Assets are stated at cost, net of cenvat. The cost comprises the purchase price and any other attributable cost of bringing the assets to its working conditions for its intended use.

In case of revaluation of Fixed Assets, the cost/book value as written up by the approved valuer is considered in the books of accounts and the differential amount is transferred to Fixed Asset Revaluation Reserve.

23.3 LEASE ACCOUNTING

The Company provides tinting system to dealers on an operating lease basis. Lease rentals are accounted on straight line basis in accordance with the respective lease agreements

23.4 DEPRECIATION

Depreciation on fixed assets is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 and in respect of assets added/disposed off during the year on pro-rata basis with reference to the date of its use/disposal:

- a) In respect of assets located at Howrah Plant - on written down value method.
- b) In respect of assets located at Nasik and Sikandrabad Plant - on straight-line method.

Depreciation on amount added on revaluation is recouped from Fixed Assets Revaluation Reserve.

23.5 INVESTMENTS

Investments, being long term in nature are stated at cost, less any diminution in value other than temporary.

23.6 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are accounted for at the equivalent rupee value incurred/earned. Foreign currency assets and liabilities at the year-end are realigned at the applicable exchange rate and variations are adjusted to the revenue or capital heads.

23.7 INVENTORY

- a) Raw materials including materials in transit, stores & spare parts and loose tools are valued at cost.
- b) Work-in-process are valued at cost. The finished goods are valued at lower of cost or net realisable value.
- c) The cost which is arrived at following FIFO basis, comprises all direct costs including taxes and duties net of cenvat credits, transportation and other costs incurred in bringing the inventories to the present location and conditions.
- d) The obsolete/damaged items of inventories are valued at estimated realisable value.

23.8 SALES

Sales are inclusive of excise duty and net of sales tax and returns.

23.9 RETIREMENT BENEFITS

- a) Pension and Superannuation for supervisory and executive staff have been funded with LIC and the annual contribution towards the fund is accounted for on accrual basis.
- b) Pension and Superannuation for the other staff members are being accounted for as and when accrued on retirement of such staff members.
- c) Leave Encashment benefits and Gratuity to the employees are accounted for as per actuarial valuation on accrual basis.

23.10 BORROWING COST

Borrowing Costs attributable to acquisition and construction of assets are capitalized as part of the cost of such asset upto the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit and Loss Account.



Schedules forming part of the Accounts (*Contd.*)

23.11 TAXES ON INCOME

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

23.12 DEFERRED REVENUE EXPENDITURE

- i. Payments made under the Voluntary Retirement Scheme (VRS) including gratuity arising pursuant to the VRS are amortised over a period of five years commencing from the year in which it is incurred.
- ii. Other Deferred Revenue Expenditures are being amortised over a period of seven years starting from the year in which they are incurred.

24. CONTINGENT LIABILITIES

Liabilities which are material in the opinion of the Company and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the Accounts.

- 25. There are some net balances, debit and credit, which are pending for reconciliation and confirmation, the impact of the same, if any, not ascertained.
- 26. The figures for the current financial year are not comparable with those of the previous year in view of the figures for the current financial year being for a period of nine months.
- 27. Previous year's figures have been rearranged, where necessary.
- 28. Financial figures have been rounded off to nearest rupee.

Signature to Schedule 1 to 20

For CHATURVEDI & PARTNERS

Chartered Accountants

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A.K. DUBEY

Partner

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Mumbai

4th June'2004

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