

ADHUNIK YARNS LIMITED

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17th Annual Report
2003-2004

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BOARD OF DIRECTORS

Radheshyam Poddar : Chairman
Sandeep Poddar : Managing Director
Pradeep Poddar : Director

AUDITORS

R. S. Agrawal & Associates,
Chartered Accountants,
Mumbai.

BANKERS

Bank of Baroda

REGISTERED OFFICE

Plot No.5, Municipal Industrial Estate
1st M. G. Cross Lane, Sai Nagar,
Kandivli (West),
Mumbai-400 067.

PLANTS

Village Chinchpada,
Taluka Navapur,
Dist. Dhule (Maharashtra).

Plot No.1809, GIDC Phase III,
Vapi, Dist. Valsad (Gujarat).

REGISTRARS & TRANSFER AGENTS

Computronics Financial Services (I) Ltd.
1, Mittal Chambers,
Nariman Point,
Mumbai-400 021.

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ADHUNIK YARNS LIMITED

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Adhunik Yarns Limited will be held on Thursday, 30th September 2004, at 11.30 a.m. at Smt. Kalawati Maganlal Hall, No. 3 (Thathai Bhatia Hall) Corner of Shankar Lane, S. V. Road, Kandivli (W) Mumbai - 400 067, to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date along with Directors' & Auditors' Reports thereon.
2. To appoint a Director in place of Shri Sandeep Poddar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors and fix their remuneration.

By Order of the Board
For **Adhunik Yarns Limited**

Sandeep Poddar
Managing Director

Mumbai, 18th August 2004.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY SHOULD BE LODGED WITH THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. THE REGISTERS OF MEMBERS AND TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM FRIDAY 24TH SEPTEMBER 2004 TO THURSDAY 30TH SEPTEMBER 2004 (BOTH DAYS INCLUSIVE).

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DIRECTORS' REPORT

To
The Members,
Adhunik Yarns Limited,

Yours Directors have pleasure in presenting the Seventeenth Annual Report and Audited Statement of Accounts for the Year ended 31st March 2004.

FINANCIAL HIGHLIGHTS:

	(Rs. in lacs)	
	2003-2004	2002-2003
Sales and other Income	9.48	156.34
Profit/(Loss) before depreciation and tax	(141.32)	(96.55)
Less/(Add): Provision for Depreciation	(34.51)	(34.51)
Profit/(Loss) before tax	(175.83)	(131.06)
Less/(Add): Tax Adjustments	0.15	0.32
Net Profit/(Loss) after tax	(175.68)	(130.74)

OPERATIONS:

Due to continuous recession in textile industry, shortage of working capital, the manufacturing operation of both the units of the company continued to be suspended during the year also. The turnover reduced to Rs. 9.48 lacs from Rs. 156.34 lacs recorded last year. The company is in negotiation with bank and institution for OTS. The management is hopeful to success in the settlement.

DIVIDEND:

In view of loss for the year, your directors regret their inability to recommend payment of any dividend for the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri Sandeep Poddar retires by rotation and being eligible offer himself for re-appointment.

REFERENCE TO BIFR

As reported last year, the company's net worth as per the audited accounts as at 31st March 1999 stood fully eroded and accordingly a mandatory reference was made to BIFR under section 15 of the Sick Industrial Companies (Special Provisions), 1985 on 01/10/1999

which is duly registered on 13.10.1999 under case no. 330/99. BIFR appointed IDBI as an Operating Agency for getting the special investigative report for last three financial years. The auditors appointed by IDBI submitted the special investigative report in May 2000. The company was declared sick industrial company by the BIFR in terms of section 3(1)(o) of the Act. The Bench further directed to explore the possibility of change of management but no concrete offer was received for the same.

Therefore in view of explored and exhausted all possibilities to rehabilitate the company, the bench formed a prima facie opinion, vide its order issued on 11th August 2003, that the company is not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its due financial obligations, hence not likely to become viable on long-term basis. Therefore the BIFR formed, an opinion, on prima-facie, that it is just and equitable and in public interest that it is wound up u/s 20(1) of the Act and send the matter to the concern High Court. In the meantime company is trying to settle the secured creditors out of the court on 'OTS' basis. Secondly regarding directions before High Court, Mumbai it is admitted as civil suit to be provided with a new suit number of 2004 and to listed for final hearing on the basis of merits.

ACCUMULATED LIABILITIES

In respect of liabilities provided in the audited accounts further to add that pursuance to the heavy losses, the company suspended its all most Works / functioning in its units / factories long back and in lieu of no improvement in the textile market but reactant slack down, it has closed down the units / factories long back and approached to BIFR in the year 1999-2000 and subsequently BIFR declared the company sick industrial undertaking.

Therefore it is pertinent to say that the liabilities of the company towards all financial institution / banks, of its principles amounts, interest and compound interest along with rate inconceivable / untenable and can not be taken as the admitted liabilities but under scanner / scrutinisation / arbitrated / prima-facie and subject for the verdict of an appropriate Court of Law as per provision i.e. the liabilities stand as disputed / integrated.

LISTING

The equity shares of the company are listed on Mumbai, Delhi, Chennai and Ahmedabad Stock Exchanges. The annual listing fees have been paid till 1997-98.

ADHUNIK YARNS LIMITED**INSURANCE**

Due to continuous financial difficulties only, the company could not get insured its assets and properties.

FIXED DEPOSITS

During the previous year the company has accepted fixed deposits from a relative of the directors and from the chairman of the company amounting to Rs. 400000/- and Rs. 200000/- respectively in view of meeting the financial crisis in the company. Out of such deposits an amount of Rs. 200000/- are still to be paid to a relative of the directors and company is regular in payment of interest.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility statement; it is hereby confirmed:

- i) That the preparation of accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and the profit or loss of the company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors' have prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

CONVERSATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS OUTGO:

Since the company has no manufacturing operations, there are no particulars to be furnished with regard to conservation of energy and technology absorption pursuant to section 217(i) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988. The foreign exchange earnings and outgo were Nil.

PARTICULARS OF EMPLOYEES:

Particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 are not attached with this report as no employee comes under the purview of these provisions.

AUDITORS:

M/s. R. S. Agrawal & Associates, Chartered Accountants, the Auditors of the Company are retiring at the forthcoming Annual General Meeting. The members are requested to appoint the auditors.

AUDITORS' REPORT:

The Auditors report is self-explanatory and hence do not require any clarification.

APPRECIATION:

The Board of Directors place on record their appreciation for the support and co-operation received from the Government, Bankers, IDBI, SICOM, Dealers, Suppliers, Employees and you the shareholders.

By Order of the Board
For **ADHUNIK YARNS LIMITED**

RADHESHYAM PODDAR
CHAIRMAN

Mumbai, 18th August 2004.

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AUDITORS' REPORT

To
The Members of
ADHUNIK YARNS LIMITED

1. We have audited the attached Balance Sheet of ADHUNIK YARNS LIMITED as at 31st March 2004, the Profit & Loss Account and also Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, *except referred to elsewhere in the report*, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books.
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3-C) of section 211 of the Companies Act, 1956 except:
 - (a) AS-1 as referred to in Note No. 16 of schedule 18 that the financial statements have been prepared on the concept that the company will continue as a going concern, though:

- aa) All the manufacturing operations continuously stand suspended.
- ab) The company is not in a position to honour its commitment towards various secured and unsecured liabilities.
- ac) The company has continuously incurred losses and thereby the accumulated loss has exceeded the net worth of the company and a substantial loss is carried forward as on 31st March 2004.
- ad) Debt Recovery Tribunal has directed to issue Recovery Certificate in favour of Industrial Development Bank of India and Bank of Baroda (refer note no 13 of Schedule 18) and
- ae) The BIFR also, formed an opinion, on prima facie, that the company be wound up and forwarded the matter to the concerned High Court (refer note no. 16 of Schedule 18).
- af) Further impairment of the assets, as reported in the following paragraphs and also in annexure to report, cannot be ruled out on realization / recovery.

Hence it cannot be said whether the company will continue to be so.

Therefore financial statements for the year under consideration do not include any adjustments relating to recorded amounts and classification of assets; or to amounts and classification of liabilities that may be necessary if the company is unable to continue as a going concern.

- (b) AS-2 as referred to in point no. 5 of schedule 17 of Significant Accounting Policies for valuation of inventories, the valuation is not as per Accounting Standard, consequential impact of the same is not ascertainable.
- (c) AS-15 as referred to in Note No. 10 of schedule 18 for provision for the liability if any on account of gratuity payable to the employees of the company for earlier years.
- (d) AS-13 as referred to in Note no.11 of schedule 18, no provision has been made for diminution in the value of investments in the equity shares of (a) Adhunik Synthetics Ltd, a sick industrial undertaking within the meaning of Section 3 (1) (b) of the SICA, 1985 and BIFR also directed to issue show cause notice to wound up u/s 20(1) of the Act, Rs. 28.69 lacs and (b) Adhunik Fintrade Ltd., a substantial loss making company Rs. 1.94 lacs.
- (v) Attention of members is invited to:
 - (a) Note no. 2 of schedule 18, no independent confirmation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Loans

ADHUNIK YARNS LIMITED

from Financial Institutions & Bank, stocks lying with third parties and other balances have been produced before us and consequential impact, if any, could not be ascertained.

- (b) Note no. 5 of schedule 18, lower charge of depreciation, as a result, up to date depreciation charge is lower by Rs 142.71 lacs net of Rs 25.08 lacs provided for the year under review.
- (c) Note no.12 of schedule 18, provision has not been made for liquidated damages, overdue and compound interest on late payments/defaults in payment of interest as well as repayment of installments of loans, as the same could not be determined/ascertained properly.
- (d) Note no. 17 of schedule 18, non-ascertainment of the extent of recoverability of certain long outstanding Sundry Debtors and loans and advances Rs.56.97 lac and Rs.144.37 lacs respectively and provision required there against
- (e) Note no. 9 of schedule 18, no provision has been made for interest accrued and due on the unpaid installments which, if, have already become due pertaining to Sales Tax Incentives received in the form of unsecured loans, the amount could not be ascertained in absence, of proper information available with the company.
- (f) Note no. 14 of schedule 18, non -provision of listing fees, amount is not ascertainable for want of information with the company.
- (vi) We, further report that, overall impact of the above referred remarks, without considering items mentioned at (iv)(a) to (d), (v)(a),(c),(d),(e) and (f) above, the effect of which could not be determined, the loss for the year would have been lower by Rs 25.08 lacs and the debit balance in Profit & Loss Account would have been higher by Rs142.71 lacs.
- (vii)Based on the representation made, two directors of the company namely Shri Radheshyam Poddar and Shri Pradeep Poddar who are already the directors of an other public company which has failed to redeem its debentures on due dates, are disqualified as on 31st March, 2004, to be appointed as a director of any other public company, as referred to in Section 274 (1) (g) of the Companies Act, 1956.
- (viii)As informed to us, the company has not complied with the conditions of the Corporate Governance as stipulated under Clause 49 of the Listing Agreement, as compulsorily applicable to it.
- (ix) Minutes Books of Meetings of the Board of Directors and Shareholders and other Statutory Registers required to be maintained under the Companies Act 1956 by the company, were not produced to us for our verification.

(x) Note No. 7 of Schedule 18 for non-availability of the relevant information with the company, the information of SSI creditors, could not be complied.

(xi) In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts, subject to the foregoing, and read together with the accounting policies and other notes thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view.

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2004;

(b) In the case of Profit & Loss Account, of the loss for the year ended on that date; and

(c) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

For R. S. AGRAWAL & ASSOCIATES
Chartered Accountants

R.S. Agrawal
Partner

Mumbai
18th August 2004

Membership No. 33216

ANNEXURE REFERRED IN PARAGRAPH (3) OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2004 OF ADHUNIK YARNS LIMITED ON THE BASIS OF SUCH CHECKS AS WE CONSIDER APPROPRIATE AND IN TERMS OF THE INFORMATION AND EXPLANATION GIVEN TO US, WE STATE THAT:

- (i) a) The Company has not maintained proper records showing full particulars, including quantitative details and situation of fixed assets; as fixed assets register was not produced to us for our verification.
- b) As informed to us, the management has not, during the year, physically verified the fixed assets. Hence, discrepancies, if any, in the fixed assets, could not be ascertained.
- c) During the year the company has not disposed off a substantial part of its fixed assets.
- (ii) a) As informed to us, the inventory of finished goods has been physically verified at the close of the year only by the management whereas other items of stores, spares, packing material and colour chemical lying at the units of the company, where manufacturing operations were shut down, were not physically verified by the management. In our opinion, the verification of inventory only at the close of the year cannot be said to be reasonable.
- b) The procedures of physical verification of inventories followed by the management are, in our opinion, needs to be strengthened in relation to the size of the company and the nature of its business as no records evidencing the physical verification were produced to us except confirming the same as done.