

**20<sup>th</sup> Annual Report  
2006-2007**

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**ADHUNIK YARNS  
LIMITED**

# ADHUNIK YARNS LIMITED

## BOARD OF DIRECTORS

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

## AUDITORS

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

## BANKERS

Punjab National Bank

## REGISTERED OFFICE

Plot No. 5, Municipal Industrial Estate,  
Sai Nagar, 1<sup>st</sup> M. G. Cross Lane,  
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.

## CONTENTS

	<i>Page No.</i>
Notice .....	2
Directors' Report .....	3
Auditors' Report .....	5
Balance Sheet .....	10
Profit & Loss Account .....	11
Cash Flow Statement .....	12
Schedules .....	13

## 20th Annual Report 2006-2007

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### NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of **ADHUNIK YARNS LIMITED** will be held on **Saturday, 29<sup>th</sup> September 2007**, at **11.15 a.m.** at the registered office of the company at Plot No.5, Municipal Industrial Estate 1<sup>st</sup> M. G. Cross Lane, Sai Nagar, Kandivli (West), Mumbai - 400 067 to transact the following business: -

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 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, 16<sup>th</sup> August 2007

#### 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 TUESDAY 25<sup>TH</sup> SEPTEMBER 2007 TO SATURDAY 29<sup>TH</sup> SEPTEMBER 2007 (BOTH DAYS INCLUSIVE).

# ADHUNIK YARNS LIMITED

## DIRECTORS' REPORT

To  
The Members,  
Adhunik Yarns Limited,

Yours Directors have pleasure in presenting the Twentieth Annual Report and Audited Statement of Accounts for the Year ended 31<sup>st</sup> March 2007.

### FINANCIAL HIGHLIGHTS:

	(Rs. in lacs)	
	2006-2007	2005-2006
Sales and other Income	1.45	1.37
<b>Add:</b> Extraordinary Exceptional items	1067.73	0
Profit/(Loss) before depreciation and tax	1055.62	(190.95)
<b>Less/(Add):</b> Depreciation	32.40	34.48
Profit/(Loss) before tax	1023.22	(225.43)
<b>Less/(Add):</b> Tax Adjustments	0.00	0.14
Net Profit/(Loss) after tax	1023.22	(225.57)

### 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 and other income recorded Rs. 1.45 lacs as compared to earlier year Rs. 1.37 lacs. During the year, the company has paid off entire OTS amounts to Bank of Baroda and IDBI. The relief received by the company on OTS in interest and principle has been credited to profit and loss account amounting to Rs. 1067.73 lacs as an extraordinary exceptional item.

### 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 31<sup>st</sup> 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 concerned High Court. In the meantime, since the company has reached OTS with Bank of Baroda and IDBI, the proceedings of the DRT and winding up have been suspended. The company sold entire plant and machineries of Navapur Unit and also taken advance payment for sale of Vapi Unit with a view to pay off entire OTS amounts to IDBI and Bank of Baroda. The company has received 'no dues' certificate' from Bank of Baroda but such certificate is yet to be obtained from IDBI.

### LISTING

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

### INSURANCE

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

## 20th Annual Report 2006-2007

### FIXED DEPOSITS

During an earlier year the company has accepted fixed deposits from a relative of the directors. Out of such deposit an amount of Rs. 200000/- are still to be paid however the company is regular in payment of interest. During the year under review, due to payment of OTS, the company had also to take interest free deposit from a firm in which relatives of the directors are partners.

### 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 31<sup>st</sup> March 2007, 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 judgments 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 31<sup>st</sup> March 2007 on a 'going concern' basis.

### CONSERVATION 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, 16<sup>th</sup> August 2007

# ADHUNIK YARNS LIMITED

## AUDITORS' REPORT

To

The Members of  
**ADHUNIK YARNS LIMITED**

1. We have audited the attached Balance Sheet of ADHUNIK YARNS LIMITED as at 31<sup>st</sup> March 2007, 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 (hereinafter referred to as "the CARO 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 Act except:

(a) AS-1 as referred to in Note No. 12 of schedule 17 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 liabilities except the secured creditors to whom the dues as per One Time Settlements (hereinafter referred to as 'the OTS') have been paid;
- ac) The company has continuously incurred losses and thereby the accumulated loss has exceeded the net worth of the company and a substantial loss, even after adjustment of relief under the OTS, is carried forward as on 31<sup>st</sup> March 2007;
- ad) As per permission of the Debt Recovery Tribunal (hereinafter referred to as 'the DRT'), the whole plant & machineries of Navapur Unit was sold and the DRT has also permitted to sale other assets of the company to pay off to secured creditors (refer note no 12 of Schedule 17);
- ae) The Board for Industrial and Financial Reconstruction (hereinafter referred to as 'the BIFR') has also, formed an opinion, on prima facie, that the company be wound up and forwarded the matter to the concerned High Court, since the company has reached OTS with secured creditors, the winding up proceedings are under suspension (refer note no. 12 of Schedule 17);

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 16 of Significant Accounting Policies for valuation of inventories, the valuation is not as per Accounting Standard, consequential impact of the same is not ascertainable.

## 20th Annual Report 2006-2007

- (c) AS-13 as referred to in Note no. 11 of schedule 17, 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) (c) 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.
- (d) AS-15 as referred to in Note No. 10 of schedule 17 for provision for the liability if any on account of gratuity payable to the employees of the company for earlier years.
- (e) AS-28, as referred to in Note no. 18 of Schedule 17, the company has not recognized and measured the loss of impairment of its assets, which, in view of continuous suspension of manufacturing operations and also long outstanding amount as referred to in note no. 15 of Schedule 17, in our opinion, being mandatory, should have been recognized.
- (f) AS-24, as referred to in note no. 19 of Schedule 17, requires a separate disclosure of discontinuing operations as the company has decided to discontinue the operations of both the reporting segments.
- (v) Attention of members is invited to:
- (a) Note No. 2 of Schedule 17, no independent confirmation of balances of Sundry Debtors, Sundry Creditors, Loans and Advances, 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 17, lower charge of depreciation, as a result, up to date depreciation charge is lower by Rs. 69.19 lacs net of Rs. 23.08 lacs provided for the year under review.
- (c) Note No. 12 of Schedule 17, no provision has been made for interest which might be required to be paid to IDBI for delayed OTS payments; in view of the representation made before IDBI, the amount is unascertainable;
- (d) Note No. 9 of Schedule 17, no provision has been made for interest accrued and due on the unpaid installments which 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.
- (e) Note No. 14 of Schedule 17, non-provision of listing fees for Madras Stock Exchange, 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 (f), (v)(a), (c), (d), and (e) above, the effect of which could not be determined, the loss for the year would have been lower by Rs. 23.08 lacs and the debit balance in Profit & Loss Account would have been higher by Rs. 69.19 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 31<sup>st</sup> March, 2007, to be appointed as a director of any other public company, as referred to in Section 274(1)(g) of the Act on the said date.
- (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 Act by the company, were not produced to us for our verification.
- (x) Note No. 7 of Schedule 17 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 Act, 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 31<sup>st</sup> March 2007;
- (b) In the case of Profit & Loss Account, of the profit 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 and on behalf of  
**R. S. AGRAWAL & ASSOCIATES**  
 Chartered Accountants

**R. S. Agrawal**  
 Partner

Mumbai  
 16<sup>th</sup> August 2007

Membership No. 33216



## ADHUNIK YARNS LIMITED

**ANNEXURE REFERRED IN PARAGRAPH (3) OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2007 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; further the fixed assets of the company were not insured for any risk; and*
- c) *Refer note no. 12 of Schedule 17, the company has, during the year, sold entire plant and machineries of its Navapur Unit and also the company has received advance against sale of Vapi Unit. The company has not so far made any plans to replace the fixed assets that have been sold. These factors, along with other matters as set forth in note no. 12 of Schedule 17, raise substantial doubt about the company's ability to continue as a going concern in foreseeable future.*
- (ii) a) *As informed to us, the inventory of finished goods is 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.*
- c) *The company for inventory has maintained no specific records that can be said proper. As informed to us no material discrepancies have been noticed on physical verification of finished stock whereas in the absence of physical verification by management of other items of store, spare parts, packing material, colour, chemicals etc lying at the units of the company, where manufacturing operations were shut down, discrepancies could not be determined as compared to book records/statements and hence can not be commented upon.*
- (iii) a) *As informed to us, the company has, during the year, not granted loans, secured or unsecured to companies, firms and other parties covered in the register maintained under section 301 of the Act; and.*
- b) *As the company has not granted any loans, therefore, the provisions of sub clauses (b), (c) and (d) of the clause 4 (iii) of the CARO 2003 are not applicable to the company.*
- c) *During the earlier years the company has taken trade advances/deposits in the nature of unsecured loan from four parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 304.66 lacs and the year-end balance was Rs. 300.30 lacs, which are included in sundry creditors Rs. 273.65 & Rs. 26.65 in unsecured loans;*
- d) *The aforesaid loans taken were interest free so the rate of interest and other terms and conditions of the aforesaid loans taken were prima facie not prejudicial to the interest of the company;*
- e) *Out of the aforesaid loans a sum of Rs. 270.09 lacs, the payment of principal amount of that, however it is informed that there was/ is no stipulation, still, in our opinion, are not regular as the same are outstanding since long. Therefore this sum, looking at the financial condition of the company, is, prudently, overdue as the creditor company is a sick industrial undertaking declared by BIFR. For other loans, taken during the year, in the absence of any stipulation, we are not in the position to comment upon the payment of principal amount.*