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41st ANNUAL REPORT 2001-2002

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ANNUAL REPORT

YEAR ENDED MARCH 31, 2001

BOARD OF DIRECTORS

Shri A. K. Kanoria
(Chairman)

Shri D. Kanoria
(Vice-Chairman & Managing Director)

Shri A. K. Sharma
(Nominee : PNB)

Smt. Hansa Singh
(Nominee : Govt. of Rajasthan)



AUDITORS

G. P. Kejriwal & Co., Jaipur

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BANKERS

Punjab National Bank

REGISTERED OFFICE

Madanganj-Kishangarh 305 801
(Rajasthan)

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that 42nd Annual General Meeting of the members of ADITYA MILLS LIMITED will be held at its Registered Office at **Madanganj-Kishangarh** (Rajasthan) on Thursday, the 31st October, 2002 at 10.00 A.M. to transact the following business:

As Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31st March, 2002 and Profit & Loss Account of the Company for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint Directors in place of Shri A. K. Kanoria, who retire by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and to fix their remuneration and for this purpose, to pass with or without modification, the following as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224 A of the Companies Act, 1956 M/s G.P. Kejriwal & Company, Chartered Accountants, Jaipur be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors plus re-imbursement of travelling and other incidental expenses, if any, incurred in connection with the Audit

As Special Business

4. To consider and if thought fit, to pass the following Resolution, with or without Modification, as Special Resolution.

"RESOLVED that approval pursuant to the Section 149 (2A) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby given to the commencement by the Company of all or any of the businesses specified in sub Clause 29 and 30 of objects Clause III of the Memorandum of Association of the Company.

"RESOLVED FURTHER that the Company hereby confirms, approve of and ratifies the sale proceeds of Land, real estate businesses done so far by the Company pursuant to order of Hon'ble Debt Recovery Tribunal, Jaipur passed on dated 18th December, 2001.

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5. To consider and thought fit, to pass the following resolution, with or without modification, as special Resolution :-

'RESOLVED that the Company hereby accords its consent and approval under section 314 (1) and (1B) and other applicable provisions, if any, of the Companies Act, 1956 to Shri A. K. Kanoria, Chairman of the Company and a relative of Shri D. Kanoria, Managing Director of the Company, who holds an office of profits under the Company, for holding and continuing to hold an office or place of profit as Chairman under the company under a contract of service in the Rs. 20,000.00 gross per month , w.e.f. 1st April 2002

Registered Office :
Madanganj-Kishangarh
(Rajasthan) 305 801
Dated : 3rd Sept, 2001

By Order of the Board
N. C. PATNI
Manager (Finance)

Notes :

1. A member entitled to attend and vote in the above Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and proxy need not be a member of the Company.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 3,4 and 5 are annexed hereto.
3. For the sake of convenience, the shareholders are requested to bring thier copy of the accounts when attending this meeting.
4. Shareholders desiring any information as regards accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956.)

ITEM No. 3

Since more than 25% of the subscribed share capital of the Company is held by a State Government, Financial Institutions, Nationalised Banks and Insurance Companies, reappointment of M/s G. P. Kejriwal & Co. as Auditors of the Company has to be made by a Special Resolution as required under Section 224 A of the Companies Act, 1956.

ITEM No. 4

At present the Company is having two units one Textile at Kishangarh & Steel at Tarapur. Both the Units are not in operation since last 6 years. The Machineries of both the units are obsolete and market condition of both business are not favourable. Thus no alternate except to start new business activity. The Board considered its possibilities and desirable to diversify the same. The Company is authorised to undertake the proposed business under sub-clause 29 and 30 of clause III of Memorandum of Association of the Company.

According to section 149 (2A) of the Companies Act 1956, requires that the members of the company should approve by a special resolution of the commencement of new business by the company which is not germane to the existing business which it was carrying as on that date; and therefore, commend the special resolution proposed for the members acceptance.

The Company's Memorandum of Association is open for inspection at the Company's Registered Office during usual business hours on any working day.

None of the directors is concerned with or interested in the resolution.

ITEM No. 5

Since the beginning of this year there was a tremendous load of work in disposal of assets and meeting the terms of One Time settlement with Bank and Financial Institutions. This requires full time attention of the Chairman also. As such it was only natural that he should be compensated adequately for his efforts. Hence the proposed Resolution is recommended for your approval.

MEMORANDUM OF INTEREST

Shri A. K. Kanoria is interested or concerned in the resolution to the extent of remuneration and perquisites thereby given to him. No other Director of the company, except Shri D. Kanoria, Managing Directors, who happens to be his son is interested or concerned in the resolution.

Registered Office :
Madanganj-Kishangarh
(Rajasthan) 305 801
Dated : 30th Sept, 2001

By Order of the Board
N. C. PATNI
Manager (Finance)

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DIRECTORS' REPORT

TO THE MEMBERS,

The Directors present their Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

The financial results of the operation for the year are given below :

	<u>2001-2002</u>	(Rs.in lacs) <u>2000-2001</u>
Deficit for the year	939.25	8.92
Less : depreciation for earlier years	390.59	0.00
	<u>548.66</u>	<u>8.92</u>
Add :		
(a) Deficit balance brought forward from previous year	1865.60	1856.64
(b) Exceptional Items : waiver of interest for earlier years	(492.19)	0.00
(b) Prior period adjustment	4.06	0.04
Deficit carried to next year	<u>1926.13</u>	<u>1865.60</u>

The notes referred to by the Auditors in their Report being self-explanatory require no further explanation.

Your company had succeeded in negotiation with financial Institutions and bankers for Compromise Settlement of their dues through Hon'ble Debt Recovery Tribunal, Jaipur vide order Dt. 18.12.2001. Accordigly Company sold land & building and Plant & Machinery over Rs. 10.00 crores upto date and fully paid off Financial Institutions and almost all its employees. The Company is hopeful to pay off its balance dues to other secured craditors as per settlement made before Hon'ble Debt Recovery Tribunal.

Directors :

Shri A. K. Knoria liable to retire by rotation and eligible offers himself for re-appointment.

Compliance Certificate

The Company has obtained a Compliance certificate from a Practising Company Secretary as required under section 383 A of the companies Act, 1956.

Directors' Responsibility Statement

As required under section 217 (2AA) of the companies Act, 1956, the Directors confirm :

- i) that in the preparation of the Annual Accounts for the Financial year ended 31st March 2002, the applicable Accounting Standards have been followed alongwith 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 are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the 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; and
- iv) that the Directors have prepared the Annual Accounts for the Financial Year ended 31st March, 2002 on a "going concern" basis.

No employee of the Company has drawn salary in excess of Rs. 2,00,000.00 per month. Hence particulars of employees as required U/S 217(2A) of the Companies Act, 1956 has not been given.

M/s G. P. Kejriwal & Co., Chartered Accountants, Jaipur, retire as Auditors of the Company but being eligible offer themselves for reappointment.

Information as per Section 217(1) (e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo, are not given as plants of the Company remained shut for whole year.

Place : **MUMBAI**
Dated : 30th Sept, 2002

On behalf of the Board
A. K. KANORIA
Chairman

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AUDITOR'S REPORT

To,

The Members of Aditya Mills Limited

We have Audited the attached Balance Sheet of ADITYA MILLS LIMITED as at 31st March, 2002 and also the Profit & Loss Account of the company for the year ended on that date, annexed thereto.

1. These Financial Statements are the responsibility of the companies 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 standard generally accepted in India. Those standard require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provide reasonable basis for our opinion.
3. As required by the Manufacturing and other companies (Auditor's Report's) Order, 1988 issued by the Central Govt. of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of books and records examined by us in the normal course of Audit and on the basis of such checks as we considered appropriate and according to the informations and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. *As stated under note 1 in schedule 23, A Compromise Settlement order passed by Debt Recovery Tribunal, Jaipur on 18.12.2001 for payment of Dues of Financial Institutions, Bank, employees and statutory dues by way of sale of assets. Certain buildings have been demolished and/or are in damaged condition. Certain Plant & Machinery has also been dismantled. The accounts of the Company has been prepared on the basis of a going concern. In case the Copmany can not continue as a going concern, the value of assets and liabilities as shown in Balance Sheet may change materially, the impact of which is not presently ascertainable (as certified by the management).*
5. Subject to above and to our comments in the Annexure referred to above we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - b. In our opinion subject to *notes 2(ii) (d), 2(iv), 2(v)(a to c), 2(viii)(c and d), 4 to 7 & 12 in schedule 23* proper books of account as required by Law have been kept by the company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branch not visited by us :
 - c. The Balance Sheet and the Profit & Loss accounts dealt with by this report are in agreement with books of accounts ;
 - d. In our Opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except as stated in the following notes in schedule 23.

- (i) Notes 2(ii)(b), 2(iv), 2(v)(a to c), 2(viii)(c and d) and 5 to 7 regarding maintaining of certain accounts other than on accrual basis ;
 - (ii) Notes 2(vii), 5(l) and 26 regarding accounting of gratuity and leave encashment liabilities on the basis stated their under ;
 - (iii) Notes 2(iii) and 8(b) regarding valuation of inventories not being in accordance to the revised accounting standard (AS-2) 'Valuation of Inventories' issued by The Institute of Chartered Accountants of India ;
 - (iv) Note 20 regarding non-disclosure on matters of Segment Reporting ;
 - (v) Note 21 regarding non-accounting of Deferred Tax Assets/Liabilities.
- e. On the basis of written representations received from Directors and taken on by the Board of Directors as on 31.3.2002 from, none of the Directors is disqualified as on 31st March 2002 being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanation given to us, the said accounts, *subject to notes 2(ii)(d), 2(v)(a to c), 2(viii)(c and d) and 7 regarding maintaining of certain accounts other than on accrual basis, note 2(v)(d) regarding change in method of accounting of interest on loans given and the consequent effect on the results having not been ascertained, Notes 2(vii) and 26 regarding change in basis of accounting of gratuity/leave encashment liabilities and the consequent effect on the results having not been ascertained, Notes 2(iii) and 8(b) regarding basis of valuation of inventories, notes 5 and 6 regarding non-provision for matters stated thereunder and in certain cases the quantum having not been ascertained, note 12 regarding balances of Sundry Debtors/Creditors/Advances etc. being subject to confirmation and the consequent impact having not been ascertained, note 13 regarding shares not yet transferred in name of the Company, note 4 regarding non-redemption of Redeemable Preference Shares to the extent indicated therein, note 15(a) regarding payment of Rs. 3.63 lacs to ex-Managing Director being subject to approval of authority concern, note (a) in schedule 10 and 17(a) regarding pending compliance to be made of the provision of section 372A, 293(1)(a) and 149(2A) of the Companies Act 1956, and notes 22 to 25 regarding revaluation of land and value/area of certain land having been taken only on estimated basis and note 21 regarding non-accounting of Deferred Tax Assets/Liabilities and the amount having not been ascertained, in schedule 23 and read together with other "Notes" and "Observations" there on and attached thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with accounting principle generally accepted in India ;*
- (i) In the case of the Balance Sheet, of the affairs of the company as at 31st March, 2002 and
 - (ii) In the case of the Profit & Loss Account, of the Loss for the year ended on that date.

Above Laxmi Dharam Kanta
Hawa Sadak, 22 Godown
Jaipur 302006
Dated : 30th Sept, 2002

Chandra Prakash Jain
Partner
For and on behalf of
G. P. KEJRIWAL & Co.
Chartered Accountants

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph (3) of our Report of even date for the year ended 31st March, 2002)

- (i) *The register of fixed assets duly completed upto 31.3.2002 was not available for our verification and therefore we are not in a position to make any comments in this regard. The company has not verified the fixed assets physically during the year and therefore the discrepancies, if any, have also not been adjusted in the books of account.*
- (ii) *Land (Free-hold & Development) have been revalued as on 1.4.2001. Such revaluation has been done on the basis of valuer's report as detailed in note 22 in schedule 23.*
- (iii) *The stocks of finished goods, stores and spare parts and raw materials have not been physically verified by the Management.*
- (iv) *In view of the facts stated under para (iii) above, discrepancies, if any, on physical verification of stocks as compared to book records have not been dealt with in the books of account.*
- (v) *Stocks have been valued on the basis as stated in note 2(iii) in schedule 23 and is on the same basis as in preceding year. Such valuation is not in accordance to the Revised Accounting Standard (AS-2) 'Valuation of Inventories' issued by The Institute of Chartered Accountants of India and as per past practice excise duty on stock of finish goods lying in factory has not been considered as part of cost, as recommended by The Institute of Chartered Accountants of India in its revised guidance Note on "Accounting Treatment of Excise Duty" (refer Note 2 (iv) in Schedule 23)*
- (vi) *In our opinion, the rates of interest and other terms and conditions on which loans have been obtained from parties listed in the register maintained under section 301 of the Companies Act 1956 and are not prima facie prejudicial to the interest of the company, in terms of sub-section 6 of section 370 of the Companies Act, 1956. Provison of the Section are not applicable on or after the commencement of the Companies (Amendment) Act, 1999.*
- (vii) *The Company has not granted any loans, secured or unsecured to Companies, Firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section 6 of section 370 of the Companies Act 1956, the Provison of the Section are not applicable on or after the commencement of the Companies (Amendment) Act, 1999.*
- (viii) *The loans and advances in the nature of loans given by the Company and advances given to employees are generally repaying the principal amounts as stipulated, in cases where there are stipulations or as rescheduled, we are not in a position to make any comments in respect of loans given which is considered doubtful of recovery and on which interest has this year not been provided in accounts (refer note 2(v)(d) in schedule 23),*
- (ix) *There are no purchases of stores, rawmaterial including components, Plant & Machinery, equipments other assets during the year. There is no adequate internal control procedure commensurate with the size of the Company and the nature of its busineses for land, goods others materials and fixed assets sold during the year.*