

Aditya Mills Limited



42nd ANNUAL REPORT 2002-2003

ANNUAL REPORT

YEAR ENDED MARCH 31, 2003

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)

Aditya Mills Limited

NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that 43rd Annual General Meeting of the members of ADITYA MILLS LIMITED will be held at its Registered Office at **Madanganj-Kishangarh** (Rajasthan) on Friday, the 28th November, 2003 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, 2003 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 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 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 mutually fixed by the Board of Directors plus reimbursement of travelling and other incidental expenses, if any, incurred in connection with the Audit

As Special Business

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

"RESOLVED that pursuant to the provisions of Section 372 A and any other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to make temporary investments in excess of 60% of paid-up share capital and free reserves of the Company or 100% of the free reserves of the Company whichever is more prescribed under section 372A of the Companies Act, 1956 in the bonds/units/shares of other bodies corporate as they may, in their absolute discretion deem beneficial and in the interest of the company, up to aggregate amount of Rs. 200.00 lacs, further temporary investment made by the Board of Directors during the year in Mutual Funds be and is hereby approved unanimously."

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution.

Registered Office :
Madanganj-Kishangarh
 (Rajasthan) 305 801
 Dated : 1st Nov., 2003

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

Aditya Mills Limited

Notes :

1. A member entitled to attend and vote in the above Meeting is entitled to appoint proxy 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. 2 is annexed hereto.
3. For the sake of convenience, the shareholders are requested to bring thier own copy of the accounts when attending this meeting.

EXPLANATORY STATEMENT

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

ITEM No. 2

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. 3

Your Board of Directors had invested the amount of temporary surplus arising from sale of assets, as was available with the company for short duration. This surplus was invested in Mutual Funds, which are yielding good returns. Pursuant to the provisions of Section 372A, of the Companies Act, 1956, this investment required approval of shareholders for investment in Mutual Funds/Units/Shares of other body corporate, in excess of 60% of the paid-up share capital and free reserves of the Company or 100% of the free reserves of the company whichever is more.

Hence your Board of Directors recommends approve to the temporary investments made by Board of Directors and for further investments not exceeding Rs. 200.00 lacs, by passing special resolution.

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

Registered Office :

Madanganj-Kishangarh

(Rajasthan) 305 801

Dated : 1st Nov., 2003

By Order of the Board

N. C. PATNI

Manager (Finance)

Aditya Mills Limited

DIRECTORS' REPORT

TO THE MEMBERS,

The Directors present their Report and Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

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

	<u>2002-2003</u>	(Rs.in lacs) <u>2001-2002</u>
Profit / (Deficit) for the year	94.58	(158.07)
Less : depreciation for earlier years	<u>185.41</u>	<u>390.59</u>
Loss for the year	90.83	548.66
Add / (Less) :		
(a) Deficit balance brought forward from previous year	1926.13	1865.60
(b) Exceptional Items : waiver of interest for earlier years	0.00	(492.19)
(b) Prior period adjustment	<u>(7.73)</u>	<u>4.06</u>
Deficit carried to next year	<u>2009.23</u>	<u>1926.13</u>

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

In the year under review your company had paid off its entire debt to the financial institutions and approximately half its debt to the remaining secured creditor, Punjab National Bank. This was possible due to the sustained efforts by the Company in raising maximum amounts for all assets sold. This was achieved by retail selling most machineries and buildings. In case of delays in sale of assets the company managed to arrange advance against sales in order to meet its financial commitments. Further the Company has been in real estate development by plotting its land and selling the same individually. This activity will continue in the future also. The company is also desirous of trading in steel & textiles in the coming year and has taken effective steps in this direction. The Company is confident of retiring its entire debt in the current financial year as envisaged in the One Time Settlement finalised before the hon'ble DRT.

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.Compliance Certificate

The Company has obtained a Compliance certificate from a Practising Company Secretary as required Pursuant to 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 2003, the applicable Accounting Standards had 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, 2003 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 dismantled and/or sold during the year.

Place : **MUMBAI**
Dated : 1st Nov., 2003

On behalf of the Board
A. K. KANORIA
Chairman

Aditya Mills Limited

AUDITOR'S REPORT

To,

The Members of Aditya Mills Limited

1. We have Audited the attached Balance Sheet of ADITYA MILLS LIMITED as at 31st March, 2003 and also the Profit & Loss Account and the 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 a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, except otherwise stated in report and in Schedule '23', as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.
3. As required by the Manufacturing and other Companies (Auditor's Report's) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) 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 information and explanations given to us, we set out in the attached 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. Most of buildings have been demolished and/or are in damaged condition. Most of Plant & Machinery have also been dismantled / sold. The accounts of the Company has been prepared on the basis of a going concern. In case the Company 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 our comments in the Annexure referred to in paragraph 4 above.
 - 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(iv), 2(v), 2(viii)(c and d), 2 (ix), 5 to 7, 11 & 14 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 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 Account dealt with by this report are in agreement with the books of accounts as submitted to us ;
 - d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement 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(iv), 2(v), 2(viii)(c and d), 2 (ix), 5 to 7, 11 and 14 regarding maintaining of certain accounts other than on accrual basis ;*
 - (ii) *Notes 2(vii) regarding accounting of gratuity and leave encashment liabilities on the basis stated thereunder ;*

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- (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 and the amount having not been ascertained and stated.
- e. On the basis of written representations received from two of the Directors, namely, Shri A. K. Kanoria and Shri D. Kanoria as on 31.3.2003 and taken on record by the Board of Directors, we report that the said two Directors are not disqualified as on 31.3.2003, from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. The company has been advised that nominee Director are not liable to be disqualified from appointment as Director vide virtue of clause (G) of sub-section 1 of section 274.
- 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(iv), 2(v), 2(viii), 2(ix), 4 to 7, 11 & 14 regarding maintaining of certain accounts other than on accrual basis, notes 2(iii) & 8(b) regarding basis of valuation of inventories, note 2(d) (ii) regarding provision of depreciation of Rs. 185.41 Lacs relating to earlier years and the consequent effect on the Loss and W.D.V. of fixed Assets, notes 2(ix), 5 & 6 regarding nonprovision for matters stated there under and in certain cases the quantum having not been ascertained and stated, note 12 regarding balances of Debtors/Creditors/Loans/Advances/deposits etc. being subject to confirmations and the consequent impact having not been ascertained and stated, note 13(i) regarding shares not yet transferred in name of the Company, note 14 regarding non-redemption of Redeemable Preference Shares to the extent indicated therein, and the consequent financial implication in this regard under the provisions of the section 80, 80A and other applicable provisions having not been ascertained and stated, note 15(c) regarding payment of Rs. 1.76 lacs to Chairman being subject to approval of authorities concerned, note 21 regarding non-accounting of deferred Tax Assets / Liabilities and the amount having not been ascertained and stated, notes 22 to 25 regarding revaluation of land, value/area of certain land having been taken only on estimated basis and other matters as stated there under, note 27 regarding non-compliance of certain provision of listing agreement, note 28 regarding change in method of valuation of certain stocks and the consequent effect on the results of the Company to the extent indicated therein and note 29(ii) regarding pending compliance to be made of the provisions of section 372(A) of the Companies Act 1956 in schedule 23 and read together with other "Notes" 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 the accounting principle generally accepted in India ;*
- (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2003 and
 - (ii) In the case of the Profit & Loss Account, of the Loss for the year ended on that date and
 - (iii) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

Above Laxmi Dharam Kanta
Hawa Sadak, 22 Godown
Jaipur 302006
Dated : 1st Nov., 2003

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

Aditya Mills Limited

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph (3) of our Report of even date for the year ended 31st March, 2003)

- (i) *The register of fixed assets duly completed upto 31.3.2003 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) None of the fixed assets have been revalued during the year.
- (iii) *The stocks of finished goods, stock in process, 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. 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. Except as stated under note 28 and in note 2(iii) in schedule 23 the valuation of stocks is on the same basis as in the previous year.*
- (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. Provision 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 Provision 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 is not being provided in accounts (refer note 2(v)(d) in schedule 23),*
- (ix) *There are no purchases of stores, raw material. There are no adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchases of fixed Assets and for land, finished goods, fixed assets and other materials sold during the year.*
- (x) In our opinion and according to the information and explanations given to us, the Company has not purchased goods and materials and sold goods, materials and

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services aggregating Rs. 50,000 or more in value from/to any of the parties listed in the register maintained under Section 301 of the Companies Act, 1956.

- (xi) *Unserviceable or damaged stores, have not been determined by the company and therefore provision, for loss have not been made in accounts.*
- (xii) *Attention is drawn to note 29 (iii) in schedule 23 attached to the Accounts regarding loans taken from the Directors of the Company. Except as stated under such note the Company has not accepted any other deposits during the year from the public within the meaning of section 58A of the Companies Act, 1956 and the relative rules framed thereunder.*
- (xiii) *In our opinion, the company has not maintained reasonable records for sale and disposal of realisable scrap and salvage,*
- (xiv) *The Company has no internal audit system.*
- (xv) *Cost records have not been maintained due to non operation in Textile & Steel Divisions.*
- (xvi) *The Company has not been regular in depositing Provident Fund and Employees State Insurance Fund dues, with the appropriate authorities there were arrears of Rs. 1.36 lacs as on 31.3.2003*
- (xvii) *As per information and explanations given to us and the books and records examined by us there are no undisputed amounts payable in respect of Income-Tax except Custom/Excise Duty Rs. 13.86 lacs, Textiles Committee Cess Rs. 0.29 lacs and Sales Tax Rs. 47.63 lacs and panchayet tax Rs. 0.91 lacs, outstanding as on 31st March, 2003 for a period exceeding six months from the date they became payable.*
- (xviii) *In our opinion and according to the information and explanation given to us, no personal expenses have been charged to Profit & Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.*
- (xix) *The Company is a Sick Industrial Company within the meaning of Section 3 (1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985, as amended by the Sick Industrial Companies (Special Provisions) Amendment Act, (12 of 1994). Rajasthan High Court Jaipur Bench vide order dated 25th July, 2002 quashed and set aside the order passed by BIFR and AAIFR for winding up of the company. Compromise Settlement order passed by DRT Jaipur for payment of dues of financial institutions and Bank, payment of employees and statutory dues from sale of assets (refer note 1 in schedule 23)*

Above Laxmi Dharam Kanta
Hawa Sadak, 22 Godown
Jaipur 302006
Dated : 1st Nov., 2003

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