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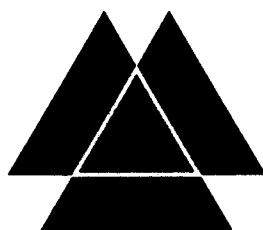
FOR THE AHMEDABAD ADVANCE MILLS LTD,


AUTHORISED SIGNATORY

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Fourteenth Annual Report

2002-2003



The Ahmedabad Advance Mills Limited

THE AHMEDABAD ADVANCE MILLS LIMITED FOURTEENTH ANNUAL REPORT

Board of Directors : **PRADEEP AGARWAL**
(CHAIRMAN & MANAGING DIRECTOR)
A.K. GHOSH (BIFR'S NOMINEE) (Up to 20-2-03)
S. M. BATHE (BIFR'S NOMINEE) (W.e.f. 21-2-03)
S. D. VYAS
V. S. DIDWANIA

**Company Secretary-cum-
Manager (Finance)** : **R. Vijaykumar**

Bankers : **STATE BANK OF INDIA**

Auditors : **A. F. FERGUSON & CO.**
Chartered Accountants

Registered Office : **F.P. 105,**
Shahibaug Road,
Outside Delhi Gate,
Ahmedabad - 380 004.

**Head Office and International
Marketing Division** : **67, Bajaj Bhavan**
Nariman Point,
Mumbai - 400 021.

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of **The Ahmedabad Advance Mills Limited** will be held on Saturday, the 27th September, 2003 at 11.00 A.M. at the Registered Office of the Company at F.P. No. 105, Shahibaug Road, Outside Delhi Gate, Ahmedabad - 380 004 to transact the following business.

ORDINARY BUSINESS :-

1. To receive, consider and adopt the report of the Board of Directors and Audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date and Auditors' Report thereon.
2. To appoint a Director in place of Shri Pradeep Agarwal who retires by rotation and offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :-**4) APPOINTMENT OF MANAGING DIRECTOR :**

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 269 of the Companies Act, 1956 Shri Pradeep Agarwal be and is hereby proposed to be appointed as Managing Director of the Company as per the terms and conditions mutually agreed by him and the Board of Directors of the Company for a period of 5 years from 28.9.2003 to 27.9.2008."

5) ALTERATION OF ARTICLES :

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act 1956, (including any Statutory modification(s) or re-enactment thereof for the time being in force and subject to such approvals, consents, permissions and sanctions, as may be necessary from the appropriate authorities, the Articles of Association of the Company be and is hereby altered in the following manner and to the extent, set out below:

Insert the following Heading and Article as **Article 18A** after **Article No.18**

Dematerialisation Of Shares

For the purpose of this Article :-

(1) Definitions

- (a) "Beneficial Owner" shall have the meaning assigned thereto in Section 2 of the Depositories Act, 1996.
- (b) "SEBI" means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.
- (c) "Depositories Act" means the Depositories Act, 1996, including any statutory modifications

or re-enactment thereof for the time being in force.

- (d) "Bye-Laws" means the bye-laws made by a Depository under section 26 of the Depositories Act, 1996.
- (e) "Depository" shall mean a Depository as defined under clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.
- (f) "Member" means the duly registered holder from time to time of the Shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository.
- (g) "Issuer" means any person making an issue of Securities.
- (h) "Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992
- (i) "Registered Owner" means a depository whose name is entered as such in the Register of the Issuer.
- (j) "Record" includes the record maintained in the form of books or stored in computer or in such other form as may be determined by regulation made by SEBI in relation to the Depositories Act.
- (k) "Regulations" means the regulations made by the SEBI.
- (l) "Security" means such security as may be specified by the SEBI.
- (m) Words and expression used and not defined in the Act, but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

(2) Dematerialisation of Securities

Notwithstanding anything to the contrary or inconsistent contained in the Act or these Articles, the Company shall be entitled to Dematerialise its existing securities, rematerialize its securities, held in the Depositories and/or offer its fresh securities in a dematerialized form pursuant to the Depositories Act and the Rules framed thereunder, if any.

(3) Company to recognize interest in dematerialized Securities under Depositories Act

Either the Company or the Investor may exercise an option to issue, deal to hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof, shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any Depositories Act, as amended thereof or re-enactment thereof.

(4) Options for Investors

Every Person acquiring/subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.

(5) Securities in Depositories to be in Fungible Form

All securities of the Company held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, 372 and 372A, of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

(6) Right of Depositories and Beneficial Owners

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the Securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

(7) Beneficial Owner deemed as absolute owner

Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any shares or where the name appears as the Beneficial Owner of Shares in the record of Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust of equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivors or survivor of them.

(8) Depository to furnish Information

Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

(9) Cancellation of Certificates upon Surrender by a person

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificate and substitute in its records the name of Depository as registered owner in respect of the said securities and shall also inform the Depository accordingly.

(10) Option to opt out in respect of any security

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall within thirty days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue

the certificate of securities to the beneficial owner or the transferee as the case may be.

(11) Service of Documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode.

(12) Provisions of Article to apply to Securities held In Depository

Except as specifically provided in these Articles, the provisions relating to joint holders of Securities, Calls, Lien on Securities, Forfeiture, Transfer and Transmission of Securities shall be applicable to Securities held in physical form subject to the provisions of the Depository Act.

(13) Allotment of Securities dealt within a Depository

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to Depository immediately on allotment of such securities.

(14) Distinctive number of Securities held in a Depository

The Securities in the Capital shall be numbered progressively according to their several denominations, provided however, that the provisions relating to progressive number shall not apply to the securities of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialised form, except in the manner herein before mentioned. No securities shall be sub-divided. Every forfeited or surrendered securities held in material form shall continue to bear the number by which the same was originally distinguished.

(15) Register and Index of Beneficial Owners

The Company shall cause to be kept a Register and Index of Members in accordance with Section 151 of Companies Act, 1956 and the Depositories Act, with details of shares held in material; and dematerialized form in media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members for the purpose of the Act. The Company shall have the power to keep in any State or Country outside India a Branch Register of Members resident in that State or Country.

(16) Register of Transfers

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctively particulars of every transfer or transmission of any Securities held in materialized form.

(17) Overriding effect of this Article

Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article of these presents.

NOTES :-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not to be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of meeting.

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2. The Register of Members and Share Transfer Books of the Company will remain closed from 24.09.2003 to 27.09.2003 (Both days inclusive) .
3. Any member requiring further information on Accounts at the Meeting is required to send the queries in writing so as to reach at the Registered Office of the Company at least 10 days before the meeting .
4. The members are requested to notify change of their address and query relating to share transfer / transmission , if any to the Company at the following Registered Office.

F.P. No. 105, Shahibaug Road,
Outside Delhi Gate,
Ahmedabad - 380 004.

By Order of the Board

Date : 3rd September, 2003

R. VIJAYKUMAR

Place : Ahmedabad

Secretary

**EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956,
AND FORMING PART OF THE NOTICE**

Item No.4

The Company proposes to appoint Shri Pradeep Agarwal as Managing Director of the Company for a period of 5 years from 28.9.2003 to 27.9.2008. The appointment of Shri Pradeep Agarwal as Managing Director of the Company does not require the approval of Central Government under section 269 of the Companies Act, 1956.

He is an Industrialist with wide and varied experience in both manufacturing and national and international trading. He has been associated with the Company for more than 15 years.

Board of Directors of the Company may decide the terms and conditions of his appointment.

Directors commend the Resolution contained at Item no. 4 of the accompanying Notice for your approval.

ITEM NO. 5

Consequent upon the introduction of Depository system by Securities and Exchange Board of India (SEBI) and considering the benefits of scripless trading in Book entry form electronically, the Company is intending to participate in Depository system.

With the enactment of the Depository Act, 1996 and amendment of certain provisions of the Companies Act, 1956 a new Article being Article 18A after Article 18, is proposed to be inserted. This briefly sets out the framework of system of Depository as per provisions of the Depository Act, 1996, facilitating the operation of Depository System.

Necessary changes which have been incorporated in the New Article 18A are in line with amended provisions of the Companies Act, 1956 read with Depository Act, 1996.

A Special Resolution is therefore proposed, amending Articles of Association for your approval.

Directors commend the Resolution contained at Item No.5 for approval of the members.

None of the Directors of the Company is in anyway interested or concerned in the said resolution.

By Order of the Board

Date : 3rd September, 2003

R. VIJAYKUMAR

Place : Ahmedabad

Secretary

DIRECTORS' REPORT

To
The Members
The Ahmedabad Advance Mills Limited

Your Directors hereby present their Fourteenth Report and Audited Accounts of the Company for the year ended March 31st, 2003 .

FINANCIAL RESULTS :

For the year ended	(Rs. in lacs)	
	31.03.2003	31.03.2002
Loss before Interest ,		
Depreciation and Taxation	21.72	130.07
Interest Paid	14.37	32.97
Depreciation	1.55	3.41
Provision for Taxation—	—	—
Loss after tax	37.64	166.45
Transfer from Valuation Reserve	—	—
Loss brought forward from last year	4109.85	3943.40
	<u>4147.49</u>	<u>4109.85</u>
Appropriations	—	—
Balance Loss carried forward to		
Balance Sheet	<u>4147.49</u>	<u>4109.85</u>

RESPONSIBILITY STATEMENT :

The Directors confirm :

- that in preparation of the annual accounts , applicable Accounting Standards have been followed and that no material departures have been made from the same;
- that they have , in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of financial year and of the Profit or Loss of the Company for that period;
- that to the best of their knowledge and information, they 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 assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the annual accounts on a going concern basis .

DIVIDEND :

Your Directors do not recommend to declare the dividend in view of Losses carried forward.

REVIEW OF OPERATION :

During the year, the Company achieved milestones like reaching One Time Settlement with State Bank of India (SBI), clearing the dues of Sales Tax, outstanding energy charges of The Ahmedabad Electricity Company Limited, reaching settlement with Ahmedabad Municipal Corporation with regard to Property Tax and Education Cess and subsequent payment of the same. Recently, the Employees' State Insurance Corporation also has withdrawn a demand of about Rs.1.00 Crore. The Company is continuing its efforts to settle the dues of Central Excise Department and Gujarat Development Loan. Your Directors are pleased to inform that the

Operating Agency (SBI) has recommended the Draft Rehabilitation Scheme (DRS) to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) and in turn, the BIFR has circulated the DRS to all the interested parties and fixed a Hearing on 19th September, 2003 for consideration and approval of the DRS.

As per the directives of BIFR and Assets Sales Committee (ASC), the programme of assets sale is on going. More importantly, sale of part of land of the Company admeasuring 40,000 sq. yards is already taken up and nearing completion. The sale proceeds are being distributed to the workers and SBI in the ratio of 2:1.

During the year under review the nomination of Shri B R Narielwala as a Member of the Assets Sale Committee was withdrawn by the SBI and has appointed Shri S.R. Limayee, Asst. General Manager, SBI in his place with effect from 26.03.2002. The Hon'ble BIFR has appointed Shri S.M. Bathe with effect from 21.02.2003 in the place of Shri A K Ghosh, as Special Director and Member of the Assets Sale Committee.

All these efforts of the Management will help the Company to revive the Spinning Unit.

CORPORATE GOVERNANCE :

In order to bring more transparency in the conduct of business, Stock Exchanges have amended the listing agreement incorporating the code of Corporate Governance of listed companies.

Our Company will follow the compliance regarding Corporate Governance immediately after the approval of the Draft Rehabilitation Scheme by the Hon'ble BIFR. The Company has started making efforts towards other legal compliances as well. A Statement on compliance of Corporate Governance is attached to this Report. The Board feels that this initiative to comply with and follow the minimum framework is just a beginning.

AUDITORS :

Your Company's Auditors, M/S A.F. Ferguson & Company, Mumbai retire and are eligible for re-appointment. The members are requested to appoint Auditors and authorize the Board of Directors to fix their remuneration.

AUDITOR'S OBSERVATIONS :

The observations of Auditors are replied in the Notes attached to the Annual Accounts and they are self - explanatory.

DIRECTORS :

Shri Pradeep Agarwal retires by rotation and being eligible, offers himself for re-appointment. Shri Pradeep Agarwal, Director of the Company, is proposed to be appointed as the Managing Director of the Company for a period of 5 years from 28.9.2003 to 27.9.2008. Your Directors recommend his re-appointment as a Director. The BIFR withdrew Shri A.K. Ghosh as Special Director and appointed Shri S.M. Bathe from 21.02.2003 in his place as Special Director.

PARTICULARS OF EMPLOYEES :

There are no employees drawing salaries in excess of limits prescribed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules, 1975) as amended and hence no information is furnished thereto.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO:

The provisions of section 217 (e) of the Companies Act, 1956 regarding information on conservation of energy and technology absorption is presently not applicable to the Company. There is no foreign exchange earning or outgo during the year under consideration.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their sincere appreciation of continuous support received by the Company from the Government of Gujarat, other Semi - Government authorities, Bankers, employees and Shareholders of the Company.

For and on behalf of the Board

PRADEEP AGARWAL

CHAIRMAN

Place : Ahmedabad

Date : 3rd September, 2003