



# **AMIT SPINNING INDUSTRIES LIMITED**

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## **13th**

**ANNUAL REPORT  
2003-2004**

**Quotes :**

1. Success seems to be largely a matter of hanging on after others have let go.  
– *William Feather*
2. Every great work, every great accomplishment, has been brought into manifestation through holding to the vision, and often just before the big achievement, comes apparent failure and discouragement.  
– *Florence Scovel Shinn*
3. History has demonstrated that the most notable winners usually encountered heart breaking obstacles before they triumphed. They won because they refused to become discouraged by their defeats.  
– *B. C. Forbes*



## BOARD OF DIRECTORS

Shri. Bharat P. Shah	<i>Chairman &amp; Managing Director</i>
Shri K.R. Choksey	<i>Director</i>
Shri. Y.R. Shah	<i>Director</i>
Shri. Pravin Shah	<i>Director</i>
Shri. Tushar Jani	<i>Director</i>
Shri. R. Sampath	<i>Technical Director</i>
Smt. N.J. Shetty	<i>Nominee Director (IDBI)</i>

Shri. Darshan Majmudar      Chief Finance Officer & Company Secretary

## AUDITORS

M/s. B.S. Mehta & Co.  
Chartered Accountants, Mumbai

## BANKERS

Bank of Baroda  
Bank of India  
State Bank of Mauritius Ltd.  
Bank of Rajasthan Ltd.  
Development Credit Bank Ltd.

## FINANCIAL INSTITUTIONS

Industrial Development Bank of India.  
SICOM Ltd.

## REGISTERED & CORPORATE OFFICE

Lotus House, 5th Floor,  
33-A, New Marine Lines,  
Mumbai 400 020.  
Tel. Nos.: 56315801- 8 lines  
Fax Nos.: 56315809  
E-mail:  
asil@bom2.vsnl.net.in.

## WORKS

Gat No.47 & 48, Sangavade Village,  
Kolhapur - Hupari Road, Taluka-Karveer,  
Dist. Kolhapur - 416 005.  
Tel. No.: 0231-2676108, 2676106.  
Fax No.: 0231-2676164  
E-mail : klp\_asil@sancharnet.in.

## WEBSITE

<http://www.amitgroup.com>

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# AMIT SPINNING INDUSTRIES LIMITED

## NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Members of the **AMIT SPINNING INDUSTRIES LIMITED** will be held at THE RESIDENCE HOTEL & CONVENTION CENTRE Saki Vihar Road, near L & T Gate no. 1, before Nitie, Powai, Mumbai-400087 on the 31st day of January, 2005 at 4.00 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2004 and Profit and Loss Account for the financial year ended on that date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Tushar Jani who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.R. Choksey who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business :

5. To consider erosion of entire net worth of the Company during the immediately preceding three financial years as required by Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED THAT this meeting of shareholders, adopts the Report of Board of Directors as to erosion of entire net worth of the Company during the immediately preceding three financial years and causes for such erosion and approves the steps taken by the management for improving the financial position of the Company.

BY THE ORDER OF THE BOARD  
For **AMIT SPINNING INDUSTRIES LIMITED**

Place : Mumbai

Date : December 23, 2004

(DARSHAN MAJMUDAR)  
CHIEF FINANCE OFFICER  
& COMPANY SECRETARY

## 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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. INSTRUMENTS OF PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE AT LOTUS HOUSE, 5TH FLOOR, 33-A NEW MARINE LINES, MUMBAI 400 020 NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.

3. MEMBERS DESIRING ANY INFORMATION ON THE ACCOUNTS AT THE ANNUAL GENERAL MEETING ARE REQUESTED TO WRITE TO THE COMPANY ATLEAST SEVEN DAYS IN ADVANCE, SO AS TO ENABLE THE COMPANY TO KEEP THE INFORMATION READY AT THE MEETING.
4. AS A MEASURE OF ECONOMY, COPIES OF THE ANNUAL REPORT WILL NOT BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING.
5. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY SHALL REMAIN CLOSED FROM 20.01.2005 TO 03.02.2005 (BOTH DAYS INCLUSIVE) FOR ANNUAL CLOSURE AS PER THE LISTING AGREEMENTS.
6. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY ANY CHANGE OF ADDRESS TO THEIR DEPOSITORY PARTICIPANTS (DPs) IN RESPECT OF THEIR ELECTRONIC SHARE ACCOUNTS AND TO THE COMPANY'S R & T AGENT AT INTIME SPECTRUM REGISTRY LTD. C- 13, PANNALAL SILK MILK COMPOUND, LBS MARG, BHANDUP WEST, MUMBAI 400 078 IN RESPECT OF THEIR PHYSICAL SHARE FOLIOS, IF ANY.

BY THE ORDER OF THE BOARD  
For **AMIT SPINNING INDUSTRIES LIMITED**

(DARSHAN MAJMUDAR)  
CHIEF FINANCE OFFICER  
& COMPANY SECRETARY

Regd. Office:  
Lotus House, 5th Floor,  
33-A New Marine Lines  
MUMBAI 400 020

Date: December 23, 2004

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Section 15 (1) of the Sick Industrial Companies (Special Provision) Act, 1985 ('the Act') provides that if the accumulated losses of an industrial company is at the end of any financial year have resulted in an erosion of entire net worth, the Company shall within a period of sixty days from the date of finalization of the duly audited accounts of the Company for the relevant financial year report the fact of such erosion to the Board for Industrial & Financial Reconstruction constituted under the Act, ('the Board') and hold a general meeting of the shareholders of the Company for considering such erosion. The Company is an industrial company as defined in the Act.



Since entire net worth of the Company has been eroded in view of the accumulated losses amounting to Rs. 2909 lacs upto the eighteen months period ended on 30th September, 2004 as against the net worth of Rs. 2360 lacs as on 30th September, 2004, the provisions of the above said Act have become applicable to the Company.

The Board of Directors' Report for such erosion and causes thereof and the steps that are being taken for improving the financial position is sent alongwith this Notice to every member of the Company for their consideration.

None of the Directors of the Company is concerned or interested in the resolution except to the extent of shareholding in the Company like any other shareholder.

BY THE ORDER OF THE BOARD  
For **AMIT SPINNING INDUSTRIES LIMITED**

(DARSHAN MAJMUDAR)  
CHIEF FINANCE OFFICER  
Place : Mumbai  
Date : December 23, 2004 & COMPANY SECRETARY

## REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY PURSUANT TO SECTION 15(1) (b) OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 ("the Act") provides that if the accumulated losses of an industrial company as at the end of any financial year have resulted in an erosion of its entire net worth, the Company shall within a period of sixty days from the date of finalisation of the duly audited accounts of the Company for the relevant financial year report the fact of such erosion to the Board for Industrial and Financial Reconstruction constituted under the Act, ('the Board') and hold a general meeting of the shareholders of the Company for considering such erosion. The Company is an industrial company as defined in the Act.

Since the entire net worth of the Company has been eroded in view of the accumulated losses amounting to Rs. 2909 lacs upto the period ending 30<sup>th</sup> September, 2004 as against the net worth of Rs.2360 lacs the provisions of the said Act have become applicable to the Company.

Your Board have reviewed the situation and are of the opinion that inspite of market conditions continuing to be good and having excellent plant, but due to inadequate working capital funds and large debt the operations continues to be under pressure. Yours company's financial position continues to be precarious.

## CAUSES FOR EROSION OF MORE THAN FIFTY PERCENT OF THE NET WORTH OF THE COMPANY

For information of the Shareholders, the reasons for the present situation are given below:

- 1) Under utilisation of production capacity due to shortage of working capital funds.
- 2) Increase in power cost due to increase in fuel price.
- 3) Provision for doubtful debts and advances amounting to Rs.518 lacs
- 4) Payment of carrying charges amounting to Rs. 275 lacs pertaining to prior year on account of delay in fulfilling the commitments of taking deliveries of Cotton.
- 5) Lower sale price of yarn in overseas market.
- 6) Company's major market being USA & Canada which got affected due to prevailing market conditions in these countries and many mills faced closure thus affecting demand of quality yarn.

## MEASURE TO OVERCOME THE POTENTIAL SICKNESS OF THE COMPANY

The Company is focusing on reorientation of its operation of its product mix towards value added yarns which fetch higher contribution. The Company's Plant is now dedicated for manufacturing value added yarns which will fetch higher contribution.

The Company is continuing its efforts on cost savings in various areas which are already yielding results.

Your consent has already been received to issue Equity shares through preferential allotment to promoter and conversion of preference shares into equity. The Board is in the process of making such allotment. This will augment the net worth of the Company.

The Company is considering various avenues, in consultation with the financial institutions, to restructure its debt and take advantage of the low interest rate scenario. This will be implemented shortly with the co-operation and support of the Company's lenders.

The General economy is on the revival path. Cotton continues to remain the preferred fabric of the common man on account of its many qualities. The revival of economy in general should pull up the demand and with capacities remaining the same (leading to better balance between demand - supply) the effect on prices should be beneficial.

By the Order of the Board of Directors,  
For **AMIT SPINNING INDUSTRIES LIMITED**

(BHARAT P. SHAH)  
CHAIRMAN & MANAGING DIRECTOR

Mumbai, the 23<sup>rd</sup> day of December, 2004

# AMIT SPINNING INDUSTRIES LIMITED

## DIRECTORS' REPORT

To the Members,

Your Directors are presenting to you the 13th Annual Report of the company with the Audited Statement of Accounts for 18 months period ended September 30, 2004.

### 1. FINANCIAL RESULTS

	For the period ended 30.09.2004	(Rs. in lacs) For the year ended 31.3.2003
Net Sales	9385.99	8458.82
Other Income	51.50	174.51
Profit before, interest, depreciation & write-offs	140.51	601.94
Interest & financial charges	839.85	932.21
Depreciation & write-offs	812.89	552.58
Provision for Doubtful Debts & Advances	518.07	-
Provision for Previous period expenses	275.41	-
Profit/(Loss) before Tax	(2305.72)	(882.85)
Deferred Tax Asset/(Liability)	708.97	(469.80)
Provision for taxation	-	-
Profit/(Loss) after tax	(1596.74)	(1352.64)
Add: Balance As per last balance sheet	(1312.19)	40.45
Profit/(Loss) available for appropriations	(2908.93)	(1312.19)

### 2. APPROPRIATIONS

In view of losses your Directors regret inability to declare any dividend on equity as well as preference capital.

### 3. ACCOUNTING YEAR

The Account for the Current Year have been drawn up for a period of 18 months. The Accounting Year was extended in view of the proceedings pending with CDR cell for restructuring of debt.

### 4. REVIEW OF OPERATIONS

During the eighteen months period ended on 30th September, 2004 your Company has achieved a sales of Rs. 9,385.99 lacs against Rs. 8,458.82 lacs for the year ended 31st March, 2003. The Company made an operating profit of Rs. 140.51 lacs before interest and Depreciation and after providing one time charges of provision of Doubtful debts, advances and prior period expenses, the net loss is Rs. 1,596.74 lacs. Company had to make provisions of Rs. 425.72 lacs for doubtful debts and doubtful advances of Rs. 92.35 lacs on account of receipt of notice of bankruptcy from its overseas customer

The sales Turnover have not increased due to combination of factors such as under utilization of production capacities at 85.88% (previous year 89.50%); lower yarn prices during most of the period; higher cotton carrying charges for cotton booked but unable to lift in time, as also inability of the Company to undertake continuously the desired product mix from time to time, transportation strike, uncertainty in the month of March in the market regarding application of VAT and service tax. The operations were also affected on account of inadequate working capital finance.

The cotton prices have fallen to a new low and looking at the global scenario, prices will remain competitive throughout the year. Presently the cotton prices with new crop are at the lowest and if the working capital is available the performance can be improved.



During the period under review the Company has taken some major corrective steps:

Debonding :- For the survival of the Company it was very essential to debond the unit for the following reasons :-

- Restrictions to sell in the local market being a 100% EOU & as permission got exhausted forcing the company to sell in the export Market at lower prices as against domestic market offering better prices.
- Change in duty structure as import duty were reduced significantly on capital goods, stores and spares, raw materials & introduction of tax on export profit . Thus making the EOUs & non EOUs almost at par.
- Option to levy excise duty on domestic sales.
- To have flexibility of selling either in the domestic market or in the international market.
- To avail benefit of export benefits available to non-EOU unit.
- The Company have also approached Banks and Financial Institution for reduction in Interest cost & reschedule the repayment of loans under CDR mechanism easing the cash flow constraints.

## 5. OUTLOOK

There has been a bumper crop of cotton and cotton prices are at its low and post quota regime, there is an opportunity for the textile industry to turnaround. Your company is no exception to this. However, reinstatement of the working capital limits under the CDR proposal remains the main crux for its operations and as soon as the same is resolved, the company is hopeful to revive its operations optimally.

## 6. RESTRUCTURING

### ISSUE OF SHARES :

Under the CDR proposal, company has obtained consent of the shareholders for writing down of its equity capital by 50% and conversion of preference shares of Rs. 3 crore into equity shares and allotment of equity shares worth Rs. 2 crores to the promoters on preferential basis. Pursuant to the scheme, company has filed petition with the Bombay High Court for writing down of capital and is pending their approval. Upon receipt of the Honorable High court's approval conversion of preference shares into equity shares & allotment of shares to promoters will take place.

### CDR

The company's proposal under CDR Scheme has been approved by the financial institutions and banks. However, the implementation is still under process. The restoration of working capital limits is being assessed and the outcome is awaited.

### BIFR.

Due to the losses for the last 3 years, company's net worth has been eroded and as required under provision of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985, company is required to make reference to BIFR. The management is in the process of formulating business and financial strategy to reverse the deteriorating situation with the lenders.

## 7. DIRECTORS

During the period under review Mr. Amit Shah has resigned from the post of Director and the Board places on record the invaluable contribution made by him during his tenure.

In accordance with the Companies Act, 1956 and Articles of Association of the Company, Mr. Tushar Jani and Mr. K. R. Choksey Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

IDBI has nominated Mrs. N. J. Shetty as their representative on the Board w.e.f from 30th July, 2004.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA), of the Companies (Amendment) Act, 2000, the directors confirm :

That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

That the selected accounting policies were applied consistently and the Directors made judgments 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 financial year and of the loss of the Company for the aforesaid period.



## AMIT SPINNING INDUSTRIES LIMITED

That proper and sufficient care has been taken 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;

That the annual accounts have been prepared on a going concern basis.

### 9. CORPORATE GOVERNANCE

The importance of Corporate Governance has always been recognised by your Company and is manifest in the Company's vision. As a proactive step your Company has been following the Corporate Governance practices like striking out reasonable balance in the Composition of Board of Directors, setting up Audit Committee and other Business Committees, adequate disclosures and business to be deliberated by the Board etc.

A report in line with the requirements of Clause 49 of the Listing Agreement on the Corporate Governance practices followed by the Company and the Auditors' Certificate on Compliance of mandatory requirements alongwith the Management Discussion and Analysis, are given as an Annexure to this report.

### 10. AUDIT COMMITTEE

The Company already has an Audit Committee consisting of 3 Non-executive Directors of the Company viz. Mr. K.R. Choksey, Mr. Pravin Shah, and Mr. Tushar Jani. Mr.K.R.Choksey is the chairman of the committee.

### 11. INFORMATION

Information pursuant to sub-section 1(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is given in Annexure "A" to this Report.

There is no employee in the Company whose salary exceeds Rs. 24 lakhs per annum or Rs. 2 lakhs per months. Hence information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules 1975, and forming part of the Directors' Report not applicable to the Company.

Fixed Deposit accepted from the Shareholders and the Public stood at Rs. 22.26 lacs as on 30th September, 2004 and there were 12 unclaimed deposits amounting to Rs.2.55 lacs.

### 12. AUDITORS

Your Company's auditors M/s. B.S. Mehta & Co. Chartered Accountants retire at the close of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

### 13. ACKNOWLEDGEMENTS:

The Directors gratefully acknowledge the contribution made by the employees towards the success of the Company. The directors are also thankful for the co-operation and assistances received from the financial institutions, banks, customers, Central and State Government departments and local authorities.

The Directors would also like to acknowledge the continued support of the Company's shareholders.

For and on behalf of the Board

Place : Mumbai.  
Date : December 23, 2004

BHARAT P. SHAH  
CHAIRMAN & MANAGING DIRECTOR.