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ARORA FIBRES LIMITED

11TH ANNUAL REPORT
2003-2004

ARORA FIBRES LIMITED

Board of Directors :

Rupinder Singh Arora	: <i>Chairman</i>
A. Gopalan	: <i>Executive Director/ Company Secretary</i>
Sunil Marwah	: <i>Whole-Time Director</i>
S. M. Gupta	: <i>Director</i>
M. Girijan Nair	: <i>Director</i>

Auditors :

M/s. A. M. JOSHI & CO.

Chartered Accountants
Sukrita, 127, Shivaji Park,
Dr. M. B. Raut Road,
Dadar, Mumbai-400 024.

Banker :

CORPORATION BANK

Registered Office :

Survey No. 213, Piparia Industrial Estate,
Silvassa - 396 230, Dadra & Nagar Haveli

Corporate Office :

Arora House,
16, Golf Link, Union Park,
Khar (West), Mumbai-400 052.

1. Shareholders are requested to bring their copy of the Annual Report to the Meeting.
2. Please address all correspondence regarding share transfer work to the Registrars and Share Transfer Agents and **not to the Company's Registered Office.**
3. Members are requested to notify their change of address, if any, to our Registrars and Share Transfer Agents, **M/s. Dynamic Superways & Exports Ltd., at the following address :**

DYNAMIC SUPERWAYS & EXPORTS LTD.
Rainbow Palace, I. C. Colony Cross Road
No. 5, Borivali (West), Mumbai-400 103.

ELEVENTH ANNUAL REPORT**Notice**

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of ARORA FIBRES LTD. will be held on Friday, the 30th July, 2004, at 11.00 A.M. at the Registered Office of the Company at Survey No. 213, Piparia Industrial Estate, Silvassa-396 230 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet and the Profit and Loss Account as at and for the year ended 31st March, 2004 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Sunil Marwah, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Girijan Nair, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT M/s. A. M. Joshi & Co., Chartered Accountants, Mumbai, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration as may be determined by the Board in consultation with the said auditors in addition to payment for other services and reimbursement of out of pocket expenses."

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT subject to the applicable provisions and schedule XIII as amended, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Shri Sunil Marwah as whole-time Director for a period of 5 years from 1st June, 2004 on the following terms and conditions:

- (a) Basic Salary Rs. 1,20,000/- p.a. (b) City Compensatory Allowance Rs. 48,000/- p.a.
- (c) Lunch Allowance Rs. 24,000/- p.a. (d) Medical Reimbursement Expenses Rs. 15,000/- p.a.
- (e) Leave Travel Assistance Rs. 12,600/- p.a. (f) Car Allowance Rs. 14,400/- p.a. and
- (g) Telephone Expenses Rs. 12,000/- p.a. with annual increments as may be decided by the Board.

By Order of the Board of Directors

A. GOPALAN

Executive Director/Company Secretary

Mumbai, Dated : 26th June, 2004.

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO

ARORA FIBRES LIMITED

APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 1st July, 2004 to Saturday, the 24th July, 2004 (both days inclusive).
3. The Explanatory Statement, pursuant to Section 173(2) of The Companies Act, 1956, is annexed hereto.

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

1. ITEM NO. 5 OF THE AGENDA:

The Board of Directors have, by a resolution passed at the meeting of the Board of Directors of the Company held on 27th April, 2004, re-appointed Mr. Sunil Marwah as a Whole-time Director of the Company for a further period of 5 years from 1st June, 2004. Mr. Sunil Marwah is a M.B.A. and has been working as a Whole-time Director from 1st June, 1999. His term expired on 31st May, 2004. Prior to that, he was working with the Company for two years as Senior Manager (Commercial).

The proposed resolution under Item No. 5 and this Explanatory Statement may be treated as abstract of the terms and conditions of the appointment, pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

By Order of the Board of Directors

A. GOPALAN
Executive Director/Company Secretary

Mumbai, Dated : 26th June, 2004.

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

ELEVENTH ANNUAL REPORT**Directors' Report
to the Shareholders**

Your Directors present before you the Eleventh Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

	2003-2004 Rupees	2002-2003 Rupees
FINANCIAL RESULTS:		
Profit before Finance Charges, Depreciation & Taxation	59,48,950	32,12,890
Less: Interest	5,12,299	8,95,362
Profit before Depreciation and Taxation	54,36,651	23,17,528
Less: Depreciation	39,60,931	63,82,561
Profit/Loss for the year	14,75,720	- 40,65,033
Less: Deferred Tax	3,22,905	24,29,192
Profit/Loss after Tax	11,52,815	- 16,35,841
Brought forward Loss from previous year	- 4,44,85,524	- 4,28,49,688
Balance carried to Balance Sheet	- 4,33,32,709	- 4,44,85,529

DIVIDEND:

The Board of Directors regret their inability to declare dividend in view of carried forward loss and insufficient profit for this year.

WORKING RESULTS:

The working has resulted in a small profit of Rs.14,75,720/- after depreciation of Rs. 39,60,931/-.

1. Directors Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (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 ended 31st March, 2004 and of the profit of the Company for that year;
- (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 annual accounts on a going concern basis.

2. Corporate Governance

As per clause 49 of the Listing Agreement with The Stock Exchanges, a detailed Corporate Governance Report is annexed to the Directors' Report.

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3. Audit Committee

An Audit Committee has been constituted with (1) Shri S. M. Gupta, with financial and accounting knowledge as Chairman (2) Shri Girijan Nair, both independent directors with independent judgment in the deliberation and decisions of the Board and (3) Shri Rupinder Singh Arora, Chairman, Promoter – Director. The Executive Director-cum-Company Secretary, Shri. A. Gopalan, B.A., F.C.A., F.C.S. is the secretary of this committee.

4. Directors

Shri Sunil Marwah and Shri Girijan Nair, retire by rotation and are eligible for re-appointment.

Shri Sunil Marwah has been re-appointed as a Whole-Time Director of the Company for a further period of 5 years from 1st June, 2004.

5. Auditors' Report

The observations of the Auditors have been explained in the notes to the accounts wherever necessary.

6. Auditors

The Company's Auditors M/s. A. M. Joshi & Co., Chartered Accountants, retire and are eligible for re-appointment.

7. Particulars of Employees

The particulars of employees required to be given under provisions of Section 217(2A) of the Companies Act, 1956 — NIL.

8. Conservation of Energy

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with Annexure 'A' and forms part of the Report.

9. All the Board members and senior management personnel affirm compliance with the code of conduct laid down by the Board.

For and on behalf of the Board of Directors

RUPINDER SINGH ARORA
Chairman

Mumbai, Dated : 26th June, 2004

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

ELEVENTH ANNUAL REPORT**Annexure to the Directors' Report**

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Annexure 'A'**A Conservation of Energy:**

Various steps and measures are continuously being taken to further reduce consumption of electricity.

The above measures have resulted/will result in saving in the consumption of power and fuel.

B Total energy consumption and energy consumption per unit of production as per prescribed Form 'A':

(A) Power and Fuel Consumption		31.03.2004	31.03.2003
1. Electricity			
(a) Purchased – Units (in lacs)		34.32	24.45
Total amount (Rs. in lacs)		92.90	65.36
Rate per Unit (Rs.)		2.70	2.67
(b) Own generation		NIL	NIL
2. Coal.....		NIL	NIL
3. Furnace Oil			
Quantity (Litres in lacs)		1.68	1.00
Total (Rs. in lacs)		34.83	19.80
Average Rate (Rs.)		20.71	19.80
(B) Consumption per unit of production			
Electricity (Per Kg.)		0.80	0.79
Furnace Oil (Per Kg.)		0.03	0.03

C Research:

There is no activity on research and development.

D Technology absorption:

The Company has fully absorbed the technology obtained from Mijung Ind. Co. Ltd., Korea. The Company is continuously taking steps to improve the product and process technology

E Foreign exchange earning and outgo:

	(Rs. in lacs)
(a) Foreign Exchange earned	NIL
(b) Foreign Exchange used	2.37

For and on behalf of the Board of Directors

RUPINDER SINGH ARORA
Chairman

Mumbai, Dated : 26th June, 2004

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Report of the Directors on Corporate Governance

(As per clause 49 of the Listing Agreement with Stock Exchanges)

1. Company's philosophy on code of Governance

- (i) that the Board and top management of the Company are fully appraised of the affairs of the Company that is at assisting them in the efficient conduct of the Company's business so as to meet Company's obligation to the shareholders.
- (ii) that the Board exercises its fiduciary responsibilities towards shareholders and creditors so as to ensure high accountability.
- (iii) that the decision making process in the organization is transparent.

2. Board of Directors

The present strength of the Board of Directors of the Company is 5 Directors. The Board comprises of 1 Promoter-Chairman, 2 Professional Executive Directors, and 2 Non-Executive Directors with independent judgment in the deliberation and decisions of the Board.

Attendance of each Director at the Board Meetings and Date of last AGM.

Sr. No.	Name of the Director	Category	No. of Board Meetings attended	Attendance in last AGM
1.	Shri Rupinder Singh Arora	Chairman	5	No
2.	Shri A. Gopalan	Executive Director	5	Yes
3.	Shri Sunil Marwah	Whole-Time Director	5	Yes
4.	Shri S. M. Gupta	Non-Executive Independent Director	5	Yes
5.	Shri Girijan Nair	Non-Executive Independent Director	5	No

Date of last AGM — 25th September, 2003.

Number of other companies or committees the Director is a Director/Member.

Name of the Director	No. of other Directorships in Public Limited Companies	No. of other Board Committees in which Member
Shri Rupinder Singh Arora	2	1
Shri A. Gopalan	Nil	Nil
Shri Sunil Marwah	Nil	Nil
Shri S. M. Gupta	1	1
Shri Girijan Nair	1	1

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Number of Board Meetings held and Dates of the Board Meetings.

Number of Board Meetings — 5.

Dates of Board Meetings

(1) 24th April, 2003 (2) 26th June, 2003 (3) 29th July, 2003 (4) 29th October, 2003 (5) 29th January, 2004.

3. Audit Committee

The Audit Committee of the Company comprises of (1) Shri S. M. Gupta, Chairman of the Committee with financial and accounting knowledge (2) Shri Girijan Nair, both independent directors with independent judgment in the deliberation and decisions of the Board and (3) Shri Rupinder Singh Arora, Chairman, Promoter-Director. The Executive Director-cum-Company Secretary Shri A. Gopalan is the Secretary of this Committee. This Committee has been empowered to cover all the matters specified under Section 292 A of the Companies Act, 1956 and also the matters listed under the Listing Agreement with Stock Exchanges.

Number of Audit Committee Meetings — 4.

Attendance of each member of the Audit Committee

Name of the Director	No. of Meetings held	No. of Meetings attended
Shri S. M. Gupta	4	4
Shri Girijan Nair	4	4
Shri Rupinder S. Arora	4	4

Dates of Audit Committee Meetings

(1) 25th June, 2003 (2) 28th July, 2003, (3) 28th October, 2003 (4) 28th January, 2004.

4. Remuneration Committee

(a) Details of remuneration paid/payable to Whole-Time Directors.

Name of the Director	Remuneration including all benefits (Rs./Lacs)
Shri A. Gopalan	2.40
Shri Sunil Marwah	2.28

The appointments are contractual. Shri A. Gopalan upto 30th June, 2006 and Shri Sunil Marwah upto 31st May, 2004. Shri. Sunil Marwah has been re-appointed as a Whole-Time Director of the Company for a further period of 5 years upto 1st June, 2009.

Details of payments made to non-executive Directors

Name of the Director	Sitting fees paid (Rs.)
Shri Rupinder Singh Arora	21,250/-
Shri S. M. Gupta	21,250/-
Shri Girijan Nair	21,250/-

The Company is too small to have a Remuneration Committee.

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5. Shareholders' Committee

A Shareholders'/Investors' Grievance Committee was formed with Shri R. S. Arora (Chairman – Non-Executive), Shri A. Gopalan (Executive Director – Company Secretary) – Compliance officer and Shri Sunil Marwah (Whole-Time Director).

A few routine minor complaints like non-receipt of annual report received from shareholders were dealt with satisfactorily and no complaint is pending. Number of share transfers pending – NIL.

6. General Body Meetings

Date and Time	Place
24th July, 2001 – 11.00 a.m.	At the Registered Office of the Company at Survey No. 213, Piparia Industrial Estate, Silvassa-396 230, Dadra & Nagar Haveli
25th September, 2002 – 11.00 a.m.	
25th September, 2003 – 11.00 a.m.	

No special resolutions requiring postal ballot.

7. Disclosures

- None of the transactions with any of the related parties were in conflict with the interests of the Company.
- The Company has complied with all the requirements of Stock Exchanges or SEBI or any other authority related to the Capital markets during the last 3 years.

8. Means of Communication

The quarterly reports are normally published in "Free Press Journal" and "Nav Shakti". The Annual Report is sent every year to the shareholders. Half yearly reports are not sent.

9. Management Discussion and Analysis Report

The local demand for recycled polyester staple fibres is improving/growing at 15% to 20% per annum. The working of the Company is improving owing to increase in production and sale.

10. General Shareholder Information

Annual General Meeting	30th July, 2004 11.00 a.m. at the Registered Office of the Company at Survey No. 213, Piparia Industrial Estate, Silvassa - 396 230, Dadra & Nagar haveli.
Financial Year	31st March, 2004
Book Closure	01.07.2004 to 24.07.2004
Dividend Payment date	No dividend
Listing on Stock Exchanges	Mumbai and Ahmedabad
Stock Code	21174, (Mumbai) and 05012 (Ahmedabad)