

**38th ANNUAL REPORT
2000-2001**

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ARUNODAY MILLS LIMITED



ARUNODAY MILLS LIMITED

BOARD OF DIRECTORS :

Shri Kantilal K. Sheth	(Chairman and Managing Director)
Shri Babubhai C. Shroff	
Shri Girijashanker U. Mehta	
Shri Harkishon N. Udani	
Shri Manharlal M. Sheth	
Shri Ramniklal G. Kikani	
Shri Prabhat R. Kothari	
Shri Yeshwantlal R. Shah	
Shri Premal M. Vora	
Shri Vishal U. Sheth	
Shri Vamanray M. Mehta	(GSFC Nominee)
Shri Bhupendra K. Patel	(Director- HRD)
Shri C.R. N. Swamy	(Technical Director)

BIPIN MANEKLAL SHAH
COMPANY SECRETARY

AUDITORS :

Messrs B. S. Mehta & Co.
Chartered Accountants,
Mumbai - 400 001.

BANKERS & FINANCIAL INSTITUTIONS

Bank of India
Bank of Baroda
Syndicate Bank
Development Credit Bank Ltd.,
Industrial Development Bank of India
Exim Bank of India
Gujarat State Financial Corporation

SHARE TRANSFER AGENTS :

R & D Consultants Pvt. Ltd.
610, Dalamal Tower,
211, Nariman Point,
Mumbai - 400 021.

REGISTERED OFFICE AND MILLS :

MAHENDRA NAGAR
MORBI (GUJARAT)
PIN : 363 641

CORPORATE OFFICE :

Sakhar Bhavan, 5th Floor,
Nariman Point,
Mumbai - 400 021.

N O T I C E

NOTICE is hereby given that the 38th Annual General Meeting of the Members of **ARUNODAY MILLS LIMITED** will be held at the Registered Office of the Company situate at Mahendra Nagar, Morbi (Gujarat) on Saturday the 29th September, 2001 at 4.30 P.M. to transact the following business :-

1. To receive and adopt the Directors' Report and the Audited Statement of Accounts for the year ended 31st March, 2001.
2. To appoint a Director in place of Shri Ramniklal G. Kikani, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Girijashanker U. Mehta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Prabhat R. Kothari, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors for the current year to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
6. To consider and if thought fit, to pass with or without modification the following Resolution as an **ORDINARY RESOLUTION**.
 "RESOLVED THAT, Shri Bhupendra K. Patel who was appointed as an Additional Director Under Section 260 of the Companies Act, 1956 and whose term of office expires at the conclusion of this meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification the following Resolution as an **ORDINARY RESOLUTION**.
 "RESOLVED THAT, Shri Premal M. Vora who was appointed as an Additional Director Under Section 260 of the Companies Act, 1956 and whose term of office expires at the conclusion of this meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**.
 "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of and consent to the appointment of Shri Bhupendra K. Patel as Factory Occupier and Director in Whole

Time Employment of the Company designated as Director (HRD) for a period of FIVE Years with effect from 12/07/2001, on the remuneration, perquisites as set out in the draft Director's Agreement expressed to be made and entered into between the Company of the one part and Shri Bhupendra K. Patel of the other part which draft agreement is placed before this meeting and initialled by the Chairman for the purpose of identification is hereby approved, and that the stamped engrossment in duplicate of such draft agreement be executed under the Common Seal of the Company in accordance with the relevant provisions of the Articles of Association of the Company in that behalf".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

9. To consider and if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**.

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended to the extent and in the manner set out hereunder :-

- I. After Article 24, a new Article 24A be inserted :
 24A Dematerialisation of securities :

1. Definitions : ... For the purpose of this Article :

"**Beneficial Owner**" means a person whose name (s) is recorded as such with a Depository."

"**Depository**" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992."

"**Security**" means such security as may be specified by the SEBI from time to time.

2. **Dematerialisation of Securities**

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form in accordance with the Depositories Act, 1996.

3. **Options to hold securities**

- (a) Every person subscribing to securities offered by the Company shall have the option to either receive the security certificates or to hold the securities through a depository.



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(b) If a person opts to hold his securities through a Depository, the Company shall intimate such Depository all details of such allotment and shall enter in its records.

(c) Every person who is the beneficial owner of the securities may at any time opt out of a depository in the manner provided by the Depositories Act, 1996. The Company shall then, in the manner and within the time prescribed, issue requisite security certificates to the beneficial owner thereof.

4. Securities in Depositories to be in fungible form

(a) All Securities held by a Depository shall be dematerialised and be in fungible form.

(b) Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

5. Rights 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 effecting the transfer of a security on behalf of a beneficial owner.

(b) Save as otherwise provided in (a) above, the Depository as the registered owner, 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 thereof, 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 held by a Depository.

6. Service of Documents

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

7. Transfer of Securities

Nothing contained in Section 108 of the Act or the Articles shall apply to a transfer of securities effected by a transferor or transferee both of whom are entered as beneficial owners in the records of a depository.

8. Allotment of securities dealt within a depository

Notwithstanding anything contained in the Act or the Articles, where securities are dealt with by a

depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

9. Distinctive members of securities held in a depository

Nothing contained in the Act or the Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities issued by the Company shall apply to securities held with a depository.

10. Register and index of beneficial owners

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of the Articles.

NOTES :

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

The Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2001 to 29th September, 2001 (both days inclusive) for the purpose of Annual General Meeting.

3. As required under Section 173 of the Companies Act, 1956, the relevant Explanatory Statement sets out material facts relating to the SPECIAL BUSINESS mentioned in the Notice under item No.6 to 9 Annexed hereto.

4. Members are requested to intimate to R & D CONSULTANTS PRIVATE LIMITED, Share Transfer Agents at 610, Dalamal Towers, 211, Nariman Point, Mumbai - 400 021, for changes, if any, in their registered address.

5. Shareholders desirous for any information at the Annual General meeting, with regard to accounts are requested to write to the Company their queries 7 days before the date of meeting so as to enable the Management to keep the information ready.

BY ORDER OF THE BOARD OF DIRECTORS

Dated : 01/09/2001

Place : Mumbai

Bipin M. Shah
(Company Secretary)

Regd. Office:
Mahendra Nagar,
Morbi (Gujarat)

N O T I C E

EXPLANATORY STATEMENT

Pursuant to Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out material facts in respect of the BUSINESS mentioned in the Notice dated 1st September, 2001.

ITEM NO.6

Shri Bhupendra K. Patel, General Manager (HRD) was appointed as an Additional Director of the Company at the Board Meeting held on 12th July, 2001. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Articles 130 of the Article of Association of the Company. Shri Bhupendra K. Patel will continue to hold the office as Director till the date of this Annual General Meeting. A notice has been received from a member as required under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Bhupendra K. Patel as a candidate for the office of Director of the Company. The Company has received his consent in writing to act as a Director, if appointed.

Your Directors feel that it is in the interest of the Company to continue his appointment as a Director on the Board. Hence, this resolution for his appointment as a Director of the Company liable to retirement by rotation is placed before the Members. Your Directors commend the passing of this resolution.

Except Shri Bhupendra K. Patel no other Director is concerned or interested in this resolution.

ITEM NO.7

Shri Premal M. Vora was appointed as an Additional Director of the Company at the Board Meeting held on 1st September, 2001. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Articles 130 of the Article of Association of the Company. Shri Premal M. Vora will continue to hold the office as Director till the date of this Annual General Meeting. A notice has been received from a member as required under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Premal M. Vora as a candidate for the office of Director of the Company. The Company has received his consent in writing to act as a Director, if appointed.

Your Directors feel that it is in the interest of the Company to continue his appointment as a Director on the Board. Hence, this resolution for his appointment as a Director of the Company liable to retirement by rotation is placed before the Members. Your Directors commend the passing of this resolution.

Except Shri Premal M. Vora no other Director is concerned or interested in this resolution.

ITEM No.8

The Board of Directors at the Meeting held on 12th July, 2001 appointed Shri Bhupendra K. Patel, as Director in Wholetime Employment of the Company designated as Director (HRD) and Factory Occupier for a period of Five years with effect from 12th July, 2001 to 11th July, 2006 at the remuneration and on the terms and conditions as contained in the Draft Director's Agreement referred to herein, subject to the approval of the Company in the General Meeting.

Remuneration and other perquisites payable to Shri Bhupendra K. Patel with effect from 12th July, 2001 as under :-

a) Salary

Salary Rs.27,500/- (Rupees Twenty seven thousand five hundred only) per month. This will include dearness allowance and all other allowances not otherwise specified herein.

b) Perquisites as follows :-

- i) Half month salary as medical expenses incurred for him and his family shall be reimbursed.
- ii) Contribution to Provident Fund to the extent the same are not taxable under the Income Tax Act.
- iii) Gratuity as per the provisions of the Payment of Gratuity Act, or as per Gratuity Scheme of the Company, whichever is higher.
- iv) Provision of car with driver for use on Company's business and telephone at the residence.

c) Minimum Remuneration

In the event of no profits or inadequacy of profits in any year the Company shall pay to the Director the aforesaid remuneration by way of salary and perquisites not exceeding the limits specified in this part.

It is in this context that a resolution is placed before the Company as a Special Resolution. The resolution is self-contained and self-explanatory. The Board commands the resolution for acceptance.

Except Shri Bhupendra K. Patel none of the other Directors is in anyway interested or concerned in the said Resolution.



NOTICE

The Draft Director's Agreement proposed to be executed between the Company and Shri Bhupendra K. Patel available for inspection at the Registered Office of the Company on any working day between 10.00 A.M and 12.00 Noon.

The above may also be treated as an extract of the terms of appointment of the Director under Section 302 of the Companies Act, 1956.

ITEM NO.9

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956, relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate implementation of the new system.

It is proposed to amend the Articles of Association of

the Company suitably to incorporate therein necessary provisions relating the Depository System.

None of the Directors is interested or concerned in the proposed Resolution. The Board recommends the Resolution for approval of the Shareholders.

A copy of Memorandum and Articles of Association available for inspection at the Registered Office of the Company on any working day between 10.00 A.M and 12.00 Noon.

BY ORDER OF THE BOARD OF DIRECTORS

Dated : 01/09/2001
Place : Mumbai

Bipin M. Shah
Company Secretary

Regd. Office:
Mahendra Nagar,
Morbi (Gujarat)

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D I R E C T O R S ' R E P O R T

Dear Shareholders,

Your Directors have pleasure in presenting herewith the 38th Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2001.

Rs. in Lacs

2000-2001 1999-2000

1. FINANCIAL RESULTS

Sales & Operative Income	9732.23	9566.64
Gross Profit before Interest	116.18	836.62
Interest	705.95	487.49
Profit /Loss before Depreciation & Tax	(589.77)	349.13
Less : Provision for		
i) Depreciation	436.48	313.91
ii) Taxation	-	5.00
Profit / Loss for the year	(1026.25)	30.22
Add : Brought forward from last year	105.10	129.85
Less :		
i) Prior years' adjustment	8.18	10.26
ii) Short Provision for Taxation	4.26	44.71
Profit / Loss available for appropriations	(933.59)	105.10
Appropriations :		
Balance carried to Balance Sheet	(933.59)	105.10

2. DIVIDEND

In view of the adverse financial results, the Directors regret their inability to recommend any dividend for the year under review.

3. PERFORMANCE

During the year under report, the sales and operative income of Rs.9732.23 Lacs, was higher as against Rs.9566.64 Lacs during the preceding year. The operating profit achieved, before Interest and Depreciation for the year under review, of Rs.116.18 Lacs was lower as compared to that of Rs.836.62 Lacs of the last year. After providing higher interest of Rs.705.95 Lacs and Depreciation of Rs.436.48 lacs, there was a net Loss of Rs.1026.25 lacs against the net profit of Rs.30.22 Lacs of the preceding year.

The increase in Turnover is mainly on account of increase in production capacity by installation of new

ring frames under modernisation programme and efforts in marketing the yarn procured for processing and trading. Trading helped to reduce the losses marginally. Textile Industry is passing through severe recession. Further the Company's performance was severely effected due to the devastating earthquake in Gujarat on 26th January, 2001, which has made damages to the factory building and some machines. Practically, all machines lost their alignments. Houses of large number of Mills Workers were severely damaged during earthquake, which resulted in more absenteeism of workers. These factors disturbed the production substantially and quality of yarn in the fourth quarter resulting to the substantial loss during the year under review.

4. FINANCE

- i. During the year under review the Company's financial and liquidity position was under severe pressure due to various factors such as the recessionary trend in the Textiles, internal competition due to excess production in the country and losses suffered by the Company.
- ii. Due to pressure on liquidity position, the Company had to resort to short term borrowings for Working Capital and purchases against Banks Letter of Credit and has to pay heavy carrying charges for cotton which has resulted in increase in input cost and interest burden.
- iii. During the year under review the Company has received disbursements of Rs.986 Lacs from IDBI and Rs.136 Lacs from Exim Bank of India against Term Loan for Technological Upgradation and Modernisation under TUFS sanctioned earlier by IDBI and Exim Bank of India.
- iv. The Development Credit Bank Ltd., sanctioned FCNR(B) Loan of Rs.550 Lacs (equivalent to US\$12.50 Lacs) and disbursed Rs.450 Lacs on 22nd January, 2001.
- v. The Company has made capital expenditure in Plant & Machinery and other assets aggregating to Rs.1173.24 Lacs during the year financed by Term Loan under TUFS. As a part of replacement of machinery affected by earthquake, the Company submitted the project to IDBI having total cost of Rs.380 Lacs, which is to be financed by Term Loan



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from IDBI and earthquake subsidy from Gujarat Government.

- vi Redemption of Debentures aggregating to Rs.100 Lacs due on 05/12/2000 still remains unpaid and considered as a part of restructuring Scheme given here below.
- vii. The Company has not accepted any Fixed Deposits from the public under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rule 1975 during the year. There were no deposits at the end of the year, as the Company repaid all the Fixed Deposits.

5 RESTRUCTURING

Reserve Bank of India vide notification dated 12th February, 2001 directed Banks to extend support to earthquake affected industry and for revival, under the present scenario, your Company requested consortium Banks and financial institutions for financial support and as a major restructuring exercise has submitted detailed proposals / schemes to them in line of guideline of RBI's above referred circular.

The highlights of the proposals / scheme are summarised here below as submitted by the Company to the Banks and Financial Institutions.

- (1) To defer installment and interest payment for 2 years.
- (2) To reduce interest rate.
- (3) To convert part of Working Capital into Term Loan and to give additional Working Capital.
- (4) To grant long term loan for VRS Scheme.
- (5) To defer interest and repayment of instalment of Debentures.
- (6) To give Term Loan for replacement of earthquake damaged machines and equipment's.

The Company is in active dialogue with the Banks and Financial Institutions to consider various options to make the operations of the Company viable and restructure the outstanding dues.

Your Directors envisage full support from Banks and Financial institutions.

With restructuring exercise and with sharp focus on cost control, addition of value added products, higher productivity, quality improvements and efforts on

marketing front for better price realisation, your Directors feel that the Company will have sufficient strength to withstand the current adverse phase and with corrective steps taken during the current year, barring unforeseen circumstances, will produce beneficial results in coming years.

6. INSURANCE

All the properties of the Company have been adequately insured against fire, marine and other risks.

7. DIRECTORS

Pursuant to Article 131 of the Articles of Association of the Company (1) Shri Ramniklal G. Kikani (2) Shri Girijashanker U. Mehta and (3) Shri Prabhat R. Kothari, Directors retire by rotation and being eligible offer themselves for reelection.

The Board of Directors place on record with deep regret the sad demise of Shri Madhubhai Vora, Director of the Company on 3rd July, 2001, who was associated since inception of the Company. He, with his varied experience, dynamic personality and foresight contributed in full measure firstly in establishing the Mills and thereafter in the Management of the affairs of the Company. By his untimely death, the Company has lost the valued and able Director and the Board esteemed colleague.

Shri Vishal U. Sheth resigned as Wholetime Director and continued as Director of the Company.

Shri Bharat P. Shah resigned as Director. The Board recalled and placed on record the significant contribution made by Shri Bharat P. Shah during his long tenure with the Company.

Shri Vamanray M. Mehta appointed as a Nominee Director by Gujarat State Financial Corporation, Ahmedabad.

Shri Bhupendra K. Patel and Shri Premal M. Vora were appointed as Additional Directors by the Board of Directors at their meeting held on 12th July, 2001 and 1st September, 2001, pursuant to Section 260 of the Companies Act, 1956. They hold office upto the date the forth coming Annual General Meeting and are eligible for appointment. Necessary resolutions are put before you for approval.

Shri C.R. Narasimha Swamy, Factory Occupier and Technical Director resigned as "Factory Occupier" and

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continued as "Technical Director" and Shri Bhupendra K. Patel, General Manager (HRD) is appointed as "Factory Occupier" and Director in Whole Time employment of the Company and designated as "Director (HRD)", for a period of 5 years with effect from 12th July, 2001.

8. DIRECTORS' RESPONSIBILITY STATEMENT :-

As stipulated under Section 217 (2AA) of the Companies Act, 1956 your Directors' confirm as under :-

- 1] In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanations relating to material departures.
- 2] The Directors had selected such accounting policies and applied them consistently and 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 as on 31st March, 2001 and of the loss of the Company for the year ended 31st March, 2001.
- 3] 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.
- 4] The Directors have prepared the Annual Accounts on a going concern basis.

9. AUDIT COMMITTEE

Pursuant to Section 292 - A of the Company's Amendment Act, 2000 read with clause 49 of the listing agreement with Stock Exchange Ahmedabad and Mumbai, the Board appointed the Audit Committee whose members are Shri Kantilal K. Sheth, Shri Yeshwantlal R. Shah and Shri Premal M. Vora Directors of the Company.

10. SUBSIDIARY COMPANY

The Company purchased 18000 shares of Ketl Services Ltd., (KSL) till 31st March, 2001 and thereafter has acquired further 54000 shares till the date of this report and in the current year KSL has become wholly owned subsidiary.

Ketl Services Ltd., was looking after marketing and other

activities for Group Companies. Now it will look after local and export marketings specially to develop the market for the value added products and procurement of goods to meet export requirements. This will greatly help to the Company in expanding its exports.

11. PERSONNEL

Relations with the employees continued to be cordial and satisfactory during the year.

Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended do not apply to the Company for the year under Report.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

The information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and marked Annexure-I.

13. COST AUDITORS

Pursuant to direction of the Central Government, under the provisions of the Section 233 (b) of the Companies Act, 1956, Shri Sudhir C. Shah has been reappointed to conduct the Cost Audit relating to Yarn for the year ending on 31st March, 2002.

14. AUDITORS

M/s. B.S. Mehta & Co., Chartered Accountants, Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

15. AUDITORS' REPORT

The Notes to the Account referred to in the Auditors Report and observations made by the Auditors are self contained and self explanatory and also have been properly dealt in the Notes to the Accounts and therefore do not call for any further explanation under Section 217 (3) of the Companies Act, 1956.

16. LISTING OF SHARES

Equity Share of the Company are listed with Mumbai



DIRECTORS' REPORT

Stock Exchange and Ahmedabad Stock Exchange and the listing fees have been paid:

Institutions and Banks in meeting financial requirements of the Company.

17. DEMATERIALISATION OF SHARES

As per direction of SEBI and Mumbai Stock Exchange for dematerialisation of shares of the Company necessary resolution as to amendment of Articles of Association to include relevant Clauses put before you for approval.

Your Directors also wish to place on record their appreciation of the services of the Employees of the Company.

FOR AND ON BEHALF OF THE BOARD

18. ENVIRONMENT, SAFETY AND POLLUTION CONTROL

Your Company has been taking proper care in complying with all statutory requirements relating to safety, environmental and Pollution Control.

KANTILAL K. SHETH
Chairman and Managing Director

Place : Mumbai

Dated : 1st September, 2001

19. ACKNOWLEDGMENT

Your Directors are grateful for the continued co-operation and assistance extended by Financial

Registered Office:
Mahendra Nagar,
Morbi, (Gujarat)

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