

42ND ANNUAL REPORT 2004-05

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ARUNODAY MILLS LIMITED

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- BOARD OF DIRECTORS** : **Shri Kantilal K. Sheth**
(Chairman and Managing Director)
- Shri T. R. Dharmarajan**
(Technical Director & President)
- Shri Girijashanker U. Mehta**
- Shri Yeshwantlal R. Shah**
- Shri Vamanray M. Mehta**
(G. S. F. C. Nominee)
- Shri Bhupendra K. Patel**
(H. R. D. Director & Factory Manager)
- Shri Mahendra S. Shah**
- COMPANY SECRETARY** : **Bipin M. Shah**
- AUDITORS** : **Messrs B. S. Mehta & Co.,**
Chartered Accountants
Mumbai - 400 001
- BANKERS** : **Bank of India**
Bank of Baroda
Syndicate Bank
- SHARE TRANSFER AGENTS** : **Bigshare Services Pvt. Ltd.,**
E-2/3, Ansa Industrial Estate,
Sakivihar Road,
Saki Naka, Andheri (East),
Mumbai - 400 072
- REGISTERED OFFICE & MILLS** : Mahendra Nagar
Morbi, (Gujarat), Pin : 363 641
- CORPORATE OFFICE** : 52, Sakhar Bhavan,
5th Floor,
Nariman Point,
Mumbai - 400 021

NOTICE

NOTICE is hereby given that the **42nd 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), Pin 363 641 on Thursday the 29th September, 2005 at 3.00 P.M. to transact the following business :-

1. To receive, consider and adopt the Directors' Report and the Audited Statement of Accounts for the financial year ended 31st March, 2005.
2. To appoint a Director in place of Shri Girijashankar U. Mehta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors for the current year 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 :

4. To consider and if though fit, to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT, Shri T. R. Dharmarajan who was appointed as an Additional Director of the Company with effect from 17th January, 2005, by the Board of Directors and who holds office up to the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri T. R. Dharmarajan as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

5. To consider and if though fit, to pass with or without modification(s) the following Resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT, Shri Mahendra S. Shah who was appointed as an Additional Director of the Company with effect from 10th March, 2005, by the Board of Directors and who holds office up to the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Mahendra S. Shah as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

6. To consider and, if though fit, to pass with or without modification(s), 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 and subject to approval of Financial Institutions and Banks, the Company hereby approves of and consents to the appointment of Shri T. R. Dharmarajan as Technical Director for a period of FIVE Years with effect from 17th January, 2005, on the terms and conditions and at the remuneration and 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 T. R. Dharmarajan 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."



NOTICE

7. To consider and, if though fit, to pass with or without modification(s), 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 and subject to approval of Financial Institutions and Banks, the Company hereby approves of and consents to the re-appointment of Shri K. K. Sheth as Managing Director for a period of FIVE Years with effect from 3rd April, 2004, on the same terms and conditions and at the same remuneration and 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 K. K. Sheth 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."

8. To consider and, if though fit, to pass with or without modification(s), the following Resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT the Company hereby accords its approval and consent to the re-appointment and payment of remuneration and perquisites aggregating to Rs. 1.20 Lacs for the period from 2nd April, 2004 to 30th June, 2004 and Rs. 3.60 Lacs for the period from 1st July, 2004 to 31st March, 2005 to Shri K. K. Sheth as managerial remuneration pending his re-appointment as Managing Director of the Company."

9. To consider and, if though fit, to pass with or without modification(s), the following Resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT in supersession of Resolution passed at the Annual General Meeting of the Company held on 13th September, 1994, the consent of the members be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 150 Crores."

10. 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 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be and is hereby amended from Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- each and 4,50,000 (Four Lacs Fifty Thousand) Preference Shares of Rs. 100/- each and 50,000 (Fifty Thousand) 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each to Rs. 15,00,00,000/- (Fifteen Crores only) divided into 1,45,00,000 (One Crore Forty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each, and 50,000 (Fifty Thousand) 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each and consequently the existing Clause V of the Memorandum, of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead the following as new Clause V.

NOTICE

The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,45,00,000 (One Crore Forty Five Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each, and 50,000 (Fifty Thousand) 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each. The Company has power from time to time to increase or reduce its capital and to divide the shares in the Capital for the time being into other classes and to attach thereto respectively, such preferential, deferred, qualified or other rights, privileges or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf."

11. 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 all other applicable provisions, if any, of the Companies Act, 1956 the existing Article 3 of the Articles of Association of the Company be and is hereby altered by deleting the existing Article 3 and substituting in its place and stead the following as new Article 3 :

"The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Cores only) divided into 1,45,00,000/- (One Crore Forty Five Lakh) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each.

NOTES :

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 4 to 12 set out above are annexed hereto.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September to 29th September, 2005 (both days inclusive) for the purpose of Annual General Meeting.
4. The information or details pertaining to the Directors' re-appointment and/or appointment to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on 'Corporate Governance' published in this Annual Report.
5. Members are requested to intimate to Bigshare Services Pvt. Ltd., Share Transfer Agents at E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, for changes, if any, in their registered address.
6. Shareholders desirous of any information at the Annual General Meeting, with regard to accounts, are requested to write to the Company their queries 7 days before the scheduled date of meeting so as to enable the Management to keep the information ready.

BY ORDER OF THE BOARD OF DIRECTORS

Place: Mumbai
Dated: 24th August, 2005

Kantilal K. Sheth
Chairman & Managing Director

Regd. Office:
Mahendra Nagar,
Morbi (Gujarat),
Pin Code 363 641



NOTICE

EXPLANATORY STATEMENT

Pursuant to Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out material facts in respect of the SPECIAL BUSINESS mentioned in the Notice dated 19th August 2005.

ITEM NO. 4 & 6

Shri T. R. Dharmarajan, President at Mills was appointed as Additional Director of the Company at the Board Meeting held on 17th January, 2005. In the same Board Meeting he was also appointed as Technical Director. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Shri T. R. Dharmarajan 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 T. R. Dharmarajan 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.

The Board of Directors at the said Meeting held on 17th January, 2005 appointed Shri T. R. Dharmarajan, as Technical Director for a period of FIVE Years with effect from 17th January, 2005 at the remuneration and on the terms and conditions as contained in the Draft Technical Directors' Agreement referred to herein, subject to the approval of Financial Institutions and Banks and the approval of the Company in the General Meeting.

Shri T. R. Dharmarajan aged 56 years is B. Tech (Textiles). He has got 34 years of experience in the Textile Industry. He was a Director and in complete charge of P. T. Gokak, Indonesia. He has an excellent performance record during his brief association with Forbes Group of Companies.

Remuneration and other perquisites payable to Shri T. R. Dharmarajan with effect from 17th January, 2005 are as under :

(a) Salary :

Salary Rs. 53,735/- (Rupees Fifty three thousand seven hundred and thirty five only) per month. This will include dearness allowance and all other allowances not otherwise specified herein.

(b) Perquisites as follows :-

- (i) Half month's salary per year 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 resolution is placed before the Company as a Special Resolution. The resolution is self-contained and self-explanatory. The Board commends the resolution for acceptance.

Except Shri T. R. Dharmarajan none of the other Directors is in any way interested or concerned in the said Resolutions.

The Draft Technical Director's Agreement proposed to be executed between the Company and Shri T. R. Dharmarajan is 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.

Your Directors recommend the passing of these resolutions as stated vide item No. 4 & 6 of the Notice.

NOTICE

ITEM NO. 5

Shri Mahendra S. Shah was appointed as an Additional Director of the Company at the Board Meeting held on 10th March, 2005. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 130 of the Article of Association of the Company, Shri Mahendra S. Shah 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 Mahendra S. Shah 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.

Shri Mahendra S. Shah aged 65 years is B. Com. He is a Director in Pranavaditya Spinning Mills Ltd. and Kaytee Cotsynth Industries Ltd. He has got total 40 years' experience in the Textile Industry.

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 Director of the Company liable to retirement by rotation is placed before the Members. Your Directors commend the passing of this resolution.

Except Shri Mahendra S. Shah no other Director is concerned or interested in this resolution.

ITEM NO. 7 & 8

At the Board Meeting held on 23rd January, 2004 Shri K. K. Sheth was re-appointed as Managing Director of the Company for a period of 5 years with effect from 2nd April, 2004 at an increased remuneration of Rs. 50,000/- per month plus perquisites, subject to the approval of Financial Institutions & Banks and Shareholders.

The said re-appointment was referred to IDBI and Bank of India on 3rd March, 2004 for their approval. The Company had also followed up the said matter and after discussion with IDBI has reliably learned that in view of erosion of net worth the proposed increase in remuneration cannot be considered.

The Board of Directors at the Meeting held on 29th July, 2005 reconsidered the remuneration and re-appointed Shri K. K. Sheth as Managing Director for a further period of 5 years from the expiry date i.e. 2nd April, 2004 on the same terms and conditions and at the same remuneration and perquisites i.e. at Rs. 25,000/- per month plus perquisites subject to the approval of Banks and Financial Institutions and with the approval of members.

Remuneration and Perquisites :

The Company shall pay to the Managing Director a remuneration for his services as such Managing Director of the Company not exceeding the following :

(a) Salary :

Rs. 25,000/- (Rupees twenty five thousand only) plus perquisites per month. This will include dearness allowance and all other allowances not otherwise specified herein.

(b) Perquisites as follows :

- (i) Housing : Rent free furnished accommodation will be provided to the Managing Director for which 10% of his salary, shall be recovered. In case no accommodation is so provided by the Company, house rent allowance at 60% of his salary, shall be paid.
- (ii) The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued in accordance with the Income-tax Rules. This expenditure shall be subject to a ceiling of 10% of the salary of the Managing Director.
- (iii) Medical expenses incurred for self and the family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (iv) Leave Travel Concession for self and family will be allowed once in a year as may be sanctioned by the Board.



NOTICE

- (v) Fees of Clubs subject to a maximum of two Clubs, this will not include Admission and Life Membership Fees.
- (vi) Personal Accident Insurance, the premium of which shall not exceed Rs. 4000/- per annum.
- (vii) Contribution to Provident Fund and Superannuation Fund to the extent the same are not taxable under the Income Tax Act.
- (viii) Gratuity as per the provisions of the Payment of Gratuity Act, or as per Gratuity Scheme of the Company, whichever is higher.
- (ix) Provision of car with driver for use on Company's business and telephone at the residence.
- (x) Leave unavailed or to be allowed to be encashed as per rules of the Company.

(c) Minimum Remuneration :

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

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

Except Shri K. K. Sheth none of the other Directors is in any way interested or concerned in the said Resolutions.

The Draft Managing Director's Agreement proposed to be executed between the Company and Shri K. K. Sheth is 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 Managing Director under Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of these resolutions as stated vide item No. 4 & 6 of the Notice.

ITEM NO. 9

Section 293(1)(d) of the Companies Act, 1956 requires that the Directors of the Company should obtain the consent of the Shareholders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with the amount already borrowed by the Company will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose.

In the 31st Annual General Meeting of the Company held on 13th September, 1994, the Board of Directors of the Company were authorised to borrow from time to time money for the purpose of carrying on the business of the Company subject to the condition that amount to be borrowed together with the amount already borrowed by the Company shall not exceed Rs. 100 Crores (Rupees One hundred Crores only). In view of the proposed restructuring of secured debts, increase in the volume of business and proposed expansion and modernisation, the power of the Board of Directors for borrowing funds has to be enhanced to Rs. 150 Crores. Accordingly, it would be required to obtain the consent of the shareholders pursuant to the Section 293(1)(d) of the Companies Act, 1956 to increase the limit of borrowing powers of the Board of Directors from Rs. 100 Crores to Rs. 150 Crores and to give the necessary power to the Board of Directors of the Company.

Hence the Directors of your Company recommend the shareholders of the Company to pass the proposed resolution.

None of the Directors of the Company has any interest or concern in the said resolution.

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NOTICE

ITEM NO. 10 & 11

The present Authorised Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores) comprising of 1,00,00,00 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten only) each 4,50,000 (Four Lakhs fifty thousand) Preference Shares of Rs. 100/- (Rupees One Hundred only) each and 50,000 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each. To meet the requirement of increase in issued capital by further issue of Equity Shares in near future, it is necessary to suitably amend and reclassify the Authorised Share Capital of the Company to Rs. 15,00,00,000 (Rupees Fifteen Crores only) comprising of 1,45,00,000 (One Crore forty five Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9 % Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each. Accordingly Clause V of the Memorandum of Association of the Company is required to be amended.

Consequent to the proposed amendment in Authorised Share Capital of the Company, it is required to alter Article 3 of the Articles of Association of the Company.

In view of the above, the Board of Directors recommend the passing of resolutions at item nos 9& 10 of the accompanying notice.

None of the Directors of the Company are concerned or interested in the aforesaid resolutions.

BY ORDER OF THE BOARD OF DIRECTORS

Place: Mumbai

Dated: 24th August, 2005

Kantilal K. Sheth

Chairman & Managing Director

Regd. Office:

Mahendra Nagar,

Morbi (Gujarat),

Pin Code 363 641