

43rd ANNUAL REPORT 2005-06

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ARUNODAY MILLS LIMITED



BOARD OF DIRECTORS

: **Shri Kantilal K. Sheth**
(Chairman and Managing Director)

Shri Girijashanker U. Mehta

Shri Yeshwantlal R. Shah

Shri T. R. Dharmarajan
(Technical Director & President)

Shri Bhupendra K. Patel
(H. R. D. Director & Factory Manager)

Shri Mahendra S. Shah

Shri Vamanray M. Mehta
(G. S. F. C. Nominee)

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 **43rd 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 Wednesday the 30th August, 2006 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, 2006.
2. To appoint a Director in place of Shri Yeshwantlal R. Shah 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 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 consents to the re-appointment of Shri B. K. Patel as Director, HRD for a period of FIVE Years with effect from 12th July, 2006, 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 B. K. Patel of the other part which draft agreement is placed before this meeting and initialed 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."

NOTES :

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item 4 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 28th August, 2006 to 30th August, 2006 (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.

**NOTICE**

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.

ORDER OF THE BOARD OF THE BOARD

Place : Mumbai
Dated : 15th July, 2006

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

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

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 15th July, 2006.

ITEM NO. 4

The Board of Directors at the Meeting held on 27th April, 2006, re-appointed Shri B. K. Patel, as Director-HRD for a period of FIVE Years with effect from 12th July, 2006 at the remuneration and on the terms and conditions as contained in the Draft 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 B. K. Patel aged 61 years is holding B. A., M.S.W, L.L.B. Degrees.

Remuneration and other perquisites payable to Shri B. K. Patel with effect from 12th July, 2006 are as under :

(a) Salary

Salary Rs. 39,000/- (Rupees thirty nine thousand only) per month. This will include dearness allowance and all other allowances not otherwise specified herein.

The increase in remuneration by way of increment in each year will be mutually agreed upon between the Board of Directors and the Director-HRD.

NOTICE

(b) Perquisites as follows :

- i) Contribution to Provident Fund to the extent the same are not taxable under the Income Tax Act.
- ii) Gratuity as per the provisions of the Payment of Gratuity Act, or as per Gratuity Scheme of the Company, whichever is higher.

(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 B. K. Patel none of the other Directors is in any way interested or concerned in the said Resolutions.

The Draft Director's Agreement proposed to be executed between the Company and Shri B. K. Patel 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 the resolution as stated vide item No. 4 of the Notice.

ORDER OF THE BOARD OF THE BOARD

Place : Mumbai
Dated : 15th July, 2006

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

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



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting herewith the **43rd** Annual Report of the Company with the Audited Statement of Accounts for the financial year ended **31st March, 2006**.

Amount Rs. in Lacs		
	2005 - 06	2004 - 05
	(12 months)	(9 months)

1. FINANCIAL RESULTS :

Sales & Operative Income (Net)	4,409.29	5,931.57
Gross Profit before Interest	9.87	(108.08)
Interest	1,316.60	702.63
Profit /(Loss) before Depreciation & Tax	(1,303.73)	(810.71)
Add: Provision for:		
i) Depreciation	469.72	345.03
ii) Taxation	4.00	0.00
Profit / (Loss) for the year	(1,780.45)	(1,155.74)
Add : Brought forward from last year	(6,265.24)	(5,109.50)
Balance carried to Balance Sheet	(8,042.69)	(6,265.24)

2. DIVIDEND :

In view of the Losses incurred, your Directors are unable to recommend any dividend for the year under review.

3. ACCOUNTING YEAR :

The accounts for the current year ended on 31st March, 2006 are for a period of 12 months as against accounts for the previous year which ended on 31st March, 2005 was for 9 months.

4. PERFORMANCE :

During the year under report, the sales and net operative income was Rs. 4,409.29 Lacs (for 12 months), as against Rs. 5,931.57 Lacs for 9 months during the preceding year.

There was no reduction in quantity of production, however the lower sales and operative income was due to Company doing mainly job work and which resulted to the Gross Profit of Rs. 9.87 Lacs as against the Gross Loss of Rs. 108.08 Lacs in the preceding year.

After providing interest of Rs. 1316.60 Lacs (Previous year Rs. 702.63 Lacs), Depreciation of Rs. 469.72 Lacs (Previous year Rs. 345.03 Lacs) and Taxation of Rs. 4.00 Lacs (Previous year Nil), there was a Net Loss of Rs. 1780.45 Lacs against loss of Rs. 1,155.74 Lacs in the preceding year. The total carried forward loss as on 31st March, 2006 was of Rs. 8042.69 Lacs.

In view of in-adequacy of Working Capital the Company continued doing job work to keep machinery in working status and to cover certain fixed cost.

Your attention is also invited to separate para on 'Revival Proposal' stated hereunder.

5. REVIVAL PROPOSAL :

Based on the Company's reference with the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures to be adopted with respect to the revival of the Company registered vide registration No. 61/2004 dated 23rd January, 2004 and No. 62/2005 dated 14th February, 2005, the BIFR, at the hearing held on 22nd June, 2006, declared the Company as SICK and appointed IDBI as the Operating Agency (OA).

The Revival Proposal is being submitted in consultation with OA.

The reference based on the Audited Accounts for the period ended 31st March, 2005 registered vide case No. Nil dated 18th October, 2005 is pending for hearing.

Amongst the Secured Lenders IDBI vide letter dated 10th July, 2006 and Syndicate Bank vide letter dated 8th June, 2006 issued statutory notice under Section 13 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for defaults committed by the Company. Bank of India vide letter dated 10th May, 2006 and Development Credit Bank vide letter dated 12th June, 2006 gave recall notices for their respective dues. Appropriate actions are being taken by the management as per legal advise.

DIRECTORS' REPORT

6. FIXED DEPOSITS :

The Company has not accepted any Fixed Deposits from the Public within the meaning of Section 58A of the Companies Act, 1956 and the rules framed thereunder.

7. INSURANCE :

Adequate Insurance cover has been taken for properties of the Company, including Buildings, Plant & Machinery and Stocks.

8. DIRECTORS :

Pursuant to Article 131 of the Articles of Association of the Company, Shri Yeshwantlal R. Shah, Director retires by rotation and being eligible, offers himself for re-appointment.

Brief Resume of the Directors proposed to be appointed / re-appointed as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are provided in the Report on Corporate Governance forming part of this report.

Shri B. K. Patel was re-appointed as the Director-HRD of the Company for a period of 5 years with effect from 12th July, 2006 at the Board of Directors Meeting held on 27th April, 2003 on the increased remuneration of Rs. 39,000/- per month plus perquisites subject to the approval of Financial Institutions and Banks and approval of shareholders. The said re-appointment was, referred to IDBI and Bank of India on 12th June, 2006 for their approval. The matter is pending till date.

Special Resolution as to re-appointment of Shri B. K. Patel as Director-HRD vide item No. 4 of the notice put before you for approval.

9. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Sub-section 2AA of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that ;

- 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 have 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 at the end of the Financial year and of the loss of the Company for that period.

- 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.

10. COST AUDITORS :

Pursuant to the directives issued by the Central Government under the provisions of Section 233 B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct cost audit relating to Yarn manufactured by the Company.

11. AUDITORS :

The retiring Auditors, M/s. B. S. Mehta & Co., Chartered Accountants, are eligible for re-appointment and have indicated their willingness to act as such. In terms of Section 224A of the Companies Act, 1956, their appointment needs to be confirmed and their remuneration has to be fixed.

12. AUDITORS' REPORT :

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



DIRECTORS' REPORT

13. STATUTORY DISCLOSURES :

(a) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure : 'A' which forms part of this Report.

(b) SUBSIDIARY :

During the year under report as the Company sold its entire shareholding in Keti Services Ltd., now the same is not its Subsidiary.

(c) PARTICULARS OF EMPLOYEES :

Details of remuneration paid to employees, as required by Section 217(2A) of the Companies Act, 1956, are set out in a separate statement attached hereto and Annexure 'B' and forms part of this Report.

14. PERSONNEL :

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

15. LISTING OF SHARES :

Equity Shares of the Company are listed with Bombay Stock Exchange Ltd. and Ahmedabad Stock Exchange Ltd. and the listing fees have been paid.

16. CASH FLOW ANALYSIS :

In conformity with the provisions of clause 32 of the Listing Agreement(s) the Cash Flow Statement for the year ended 31st March, 2006 is annexed hereto.

17. DEPOSITORY SYSTEM :

Your Company continues its arrangement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialization of the Shares in accordance with the provisions of the Depositories Act, 1996.

18. CORPORATE GOVERNANCE :

A separate report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

Management Discussion and Analysis statement is separately given in the Annual Report.

19. 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.

20. ACKNOWLEDGMENT :

Your Directors wish to place on record their appreciation of the services of the loyal workers, contribution of its executives and other staff for their continued support extended to the Company from time to time during the year under review.

Your Directors also wish to record their sincere appreciation of the support extended to the Company by its Bankers and Financial Institutions, customers, suppliers and shareholders.

ORDER OF THE BOARD OF THE BOARD

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai
Dated : 15th July, 2006

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

ANNEXURE : I

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 forming part of Directors' Report.

1. Conservation of Energy :

- (a) Energy Conservation is an on going process within the Company.
- (b) Additional investment and proposals, if any being implemented for reduction of consumption of energy - NIL
- (c) Impact of measures of above for reduction of energy consumption and consequent impact of the cost of production of goods.

The above measures will help in reducing cost.

FORM -A**A. Power and Fuel Consumption :**

<u>Particulars</u>	<u>2005-06</u>	<u>2004-05</u>
1. Electricity (Units)		
(a) Purchased Unit ('000 KWH)	1,847.50	1,012
Total Amount (Rs.in lacs)	119.77	74.78
Rate per Unit	6.48	7.39
(b) Own generation		
Through Diesel		
Generator - Units (000KWH)	289	624
Through CPP Furnace Oil (000KWH)	26,721	19,683
Unit per litre of Diesel (KWH)	2.37	2.79
Cost per Unit	4.26	4.27
Furnace Oil (KWH)	9.88	7.91
Cost per unit Furnace	3.9	2.85
2. Coal - (Lignite, used for Boiler for Dyeing) (Tones)	0	0
3. Others	Nil	Nil

B. Consumption per unit of production :

Production Yarns (M.T)	8,424	6,136
Electricity per M.T. of Production	3,488	3,488
Coal per M.T. of Production (only Dyed production)	0	0

**ANNEXURE : I****II Technology Absorption :****FORM B :****1. Research and Development**

- a. Specific areas in which R & D carried out by the Company

R & D is carried out for developing value added yarn, improvement in the production process and quality of products.

- b. Benefits derived as a result of above R & D

The Company has been able to reduce the cost of production.

- c. Future plan of action

The above activities shall continue and more efforts in this direction will be made.

- d. Expenditure on R & D

- (i) Capital
(ii) Recurring
(iii) Total developed
(iv) Total R & D expenditure as a percentage of total turnover.

No system of maintenance of separate accounts have been developed. The expenditure is merged with various other heads of expenses.

2. Technology absorption, adoption and innovation.

- a. Efforts in brief technology absorption, adoption and

The plants are based on indigenous technology

- b. Benefits derived as a result of above efforts e.g. Output improvement, cost reduction, product development, import substitutions.

Improving bottom line

3. Details of imported technology

No technology has been imported during the last 5 years

III. Foreign Exchange Earnings and Outgo

	2005-06	2004-05
	<u>Rs. in Lacs</u>	<u>Rs. in Lacs</u>
Total Earnings	82.05	540.27
Total Expenditure	11.30	40.77