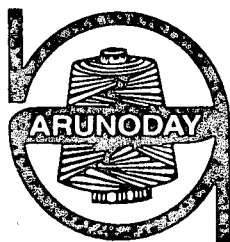


44th ANNUAL REPORT 2006 - 07

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ARUNODAY MILLS LIMITED



BOARD OF DIRECTORS	: Shri Kantilal K. Sheth (Chairman and Managing Director)
	Shri Yeshwantlal R. Shah
	Shri Mahendra S. Shah
	Shri Vamanray M. Mehta (G. S. F. C. Nominee)
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	: 205 (Cabin B), Somnath Complex, 33/37, Karan Para, Opp. Hotel Samrat, Rajkot - 360 001
CORPORATE OFFICE	: 2/A, 2nd Floor, Malhotra House, Opp. G. P. O., Walchand Hirachand Road, Mumbai - 400 021

NOTICE

NOTICE is hereby given that the **Adjourned 44th Annual General Meeting** of the Members of **ARUNODAY MILLS LIMITED** will be held at the Registered Office of the Company situate at 205 (Cabin B), Somnath Complex, 33/37, Karan Para, Opp. Hotel Samrat, Rajkot - 360 001, on Wednesday the 28th November, 2007 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Director's Report and the audited Statement of Accounts for the year ended 31st March, 2007 & Auditor's Report thereon.

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, PROXY FORM MUST BE LODGED WITH THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 27/11/2007 to 28/11/2007 (both days inclusive) for the purpose of Annual General Meeting.

3. The information pertaining to the Directors 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.

4. 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.

5. 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 : 24th October, 2007

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

Regd. office :

205 (Cabin B), Somnath Complex,
33/37, Karan Para,
Opp. Hotel Samrat,
Rajkot - 360 001



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting herewith the **44th** Annual Report of the Company with the Audited Statement of Accounts for the financial year ended **31st March, 2007**.

Amount Rs. in Lacs

2006 - 07 2005 - 06

1. FINANCIAL RESULTS :

Sales & Operative Income (Net)	1,768.23	4,409.29
Gross Profit / Loss	(63.85)	9.87
Interest	(0.49)	1316.60
Profit/(Loss) before Depreciation & Tax	(63.36)	(1,303.73)
<u>Add : Provision for :</u>		
i) Depreciation	218.34	469.72
ii) Taxation	2.00	4.00
Profit / (Loss) for the year	(283.70)	(1,780.45)
Deficit on acquisition of assets	(1,699.28)	0.00
Add : Brought forward from last year	(8,045.69)	(6,265.24)
Balance carried to Balance Sheet	(10,028.69)	(8,042.69)

2. DIVIDEND :

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

3. YEAR IN RETROSPECT :

During the year the Company continued production mainly on job work basis upto 15th September, 2006. The sales and net operative income was Rs. 1,768.23 Lacs, as against Rs. 4,409.29 Lacs during the preceding year.

IDBI, acting on behalf of Secured Lenders exercised the right of action under Securitisation Act and took possession of the mills' premises housing, all the assets and also records including accounts books etc. on 17th October, 2006 and eventually sold the assets of the Company by auction to M/s. Nandan Exim Ltd. of Chiripal Group, Ahmedabad.

The Company continuously followed up with IDBI for recovery of account books, records etc. and also filed a civil suit in court at Morbi. Finally only on 19th July, 2007 IDBI instructed the buyer to deliver the said records to the Company.

It was therefore not possible to compile final accounts and get the same audited in time and hence there has been delay in submission of Audited Statements of Accounts for the year ended 31st March, 2007. Now the said Audited Accounts would be presented before the members at the adjourned Annual General Meeting to be held at the Registered Office on 28th November, 2007.

In view of the sale of mills' premises, the registered office of the Company has been shifted from the mills' premises, Morbi, Gujarat to 205 (Cabin B), Somnath Complex, 33/37, Karan Para, Opp. Hotel Samrat, Rajkot-360 001.

Your attention is also invited to separate para on Pre and Post Balance Sheet Events stated hereunder :

4. PRE AND POST BALANCE SHEET EVENTS :

- (a) On 17th October, 2006 IDBI took possession of the premises housing charged assets viz. Land, Building, Plant & Machinery and Other Movable Assets including Stock of Stores & Spares. Alongwith the said charged assets IDBI was having custody of all records pertaining to Accounts, Production, Consumption, Documents, Data sheets, Software and Data loaded in Computers as well as Computer Equipments, Vehicles and other items lying in the mills' premises.
- (b) On 16th November, 2006 IDBI acting on behalf of Secured Lenders advertised for sale of Movable and Immovable Assets of the Company with a Reserve price of Rs. 46 Crores. However there was no response to the same on sale terms given by IDBI.

DIRECTORS' REPORT

- (c) On 23rd January, 2007 IDBI again advertised for sale of assets acquired as above with a revised lower Reserve price of Rs. 35 Crores by auction and finally on 8th February, 2007 confirmed the offer of Nandan Exim Ltd. of Ahmedabad for a consideration of Rs. 35 Crores which subsequently transferred the said deal in favour of its sister concern viz. M/s. Shanti Exports Pvt. Ltd.
- (d) On 18th June, 2007 the said ultimate buyer was given physical possession of mills' premises and other assets by IDBI.
- (e) On taking the possession of the mills premises under Securitisation Act, the reference filed before BIFR abated for which BIFR passed final formal order on 17th May, 2007.

5. FIXED DEPOSITS :

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

6. INSURANCE :

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

7. DIRECTORS :

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

Brief Resume of the Directors 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 G. U. Mehta, Shri T. R. Dharmarajan and Shri B. K. Patel resigned as Directors of the Company during the year. Your Directors express their appreciation for the valuable contribution

made by them during their respective tenure with the Company.

8. 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 confirms 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.

9. 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.

10. 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



DIRECTORS' REPORT

Companies Act, 1956, their appointment needs to be confirmed and their remuneration has to be fixed.

11. 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.

12. 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.

13. PERSONNEL :

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

14. 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.

15. 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, 2007 is annexed hereto.

16. 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.

17. 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.

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.

19. 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 for 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 : 24th October, 2007

Regd. office :

205 (Cabin B), Somnath Complex,
33/37, Karan Para,
Opp. Hotel Samrat,
Rajkot - 360 001

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>2006-07</u>	<u>2005-06</u>
1. Electricity (Units)		
(a) Purchased Unit ('000 KWH)	842.00	1,847.50
Total Amount (Rs.in lacs)	62.14	119.77
Rate per Unit	0.38	6.48
(b) Own generation		
Through Diesel		
Generator - Units (000KWH)	134	289
Through CPP Furnace Oil (000KWH)	11,470	26,721
Unit per litre of Diesel (KWH)	3.10	2.37
Cost per Unit	5.15	4.26
Furnace Oil (KWH)	11.10	9.88
Cost per unit Furnace	4.18	3.9
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)	4,169	8,424
Electricity per M.T. of Production	3,520	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

	2006-07	2005-06
	<u>Rs. in Lacs</u>	<u>Rs. in Lacs</u>
Total Earnings	0.00	82.05
Total Expenditure	0.00	11.30

MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses the operations and financial performance of your Company.

1. OVERALL REVIEW:

The Company continued production activity till 15th September, 2006, thereafter IDBI took the possession on 17th October, 2006 under the Securitisation Act and sold by auction on 8th February, 2007.

A) INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK FOR THE CURRENT YEAR:

As reported last year, the Company continued operations on Job Work basis with lower production capacity as 5,000 spindles were damaged during the earthquake which took place in Gujarat in January, 2001. Thereafter there was no manufacturing activity.

The Company was declared as 'Sick' by BIFR vide its Order dated 22nd June, 2006 and appointed IDBI as Operating Agency. IDBI took the possession of the Mills' premises on 17th October, 2006 under Securitisation act. Due to this action of IDBI, BIFR abated the reference filed by the Company and issued Formal Order on 17th May, 2007.

Directors are looking for new areas to extend operations of the Company.

B) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has a proper and adequate internal controls commensurate with its size and the nature of its operations in order to ensure that all assets are properly safeguarded against loss from unauthorised use or disposal. All significant issues are brought to the attention of the Audit Committee of the Board.

C) COMPANY'S FINANCIAL PERFORMANCE & ANALYSIS:

The Company continued production activity upto 15th September, 2006. The sales and operative income was at Rs. 1768.23 (previous year Rs. 4,409.29 Lacs). Loss after Deficit on Acquisition of Assets was at Rs. 1982.98 Lacs (previous year Rs. 1,780.45 Lacs). The total Accumulated Loss as on 31st March, 2007 was of 10,028.69 Lacs.



MANAGEMENT DISCUSSION AND ANALYSIS

D) HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS:

The Company continued to have cordial and harmonious relations with its employees. Because of suspension of production activity at the mills the workers and workers union referred the matters as to continuation of production, wages, gratuity etc. to the Hon'ble Labour Court, Rajkot. The said cases are pending and properly represented by the Management.

E) CAUTIONARY STATEMENT:

Though the statement and views expressed in the above said report are on the basis of best judgment but the actual future results might differ from whatever is stated in the report.

Place : Mumbai

Dated : 24th October, 2007

FOR AND ON BEHALF OF BOARD OF DIRECTORS

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KANTILAL K. SHETH

CHAIRMAN AND MANAGING DIRECTOR

Regd. office :

205 (Cabin B), Somnath Complex,
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