

45th ANNUAL REPORT 2007 - 08

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ARUNODAY MILLS LIMITED



BOARD OF DIRECTORS : Shri Kantilal K. Sheth
(Chairman and Managing Director)

Shri Mahendra S. Shah

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

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

SHARE TRANSFER AGENTS : Bigshare Services Pvt. Ltd. ,
E-2/3, Ansa Industrial Estate,
Sakivihar Road,
Saki Naka, Andheri (East),
Mumbai - 400 072

REGISTERED OFFICE : 'JYOT'
Kanta Stree Vikas Grah Road,
Bhakti Nagar,
Rajkot - 360 002

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 **45th Annual General Meeting** of the Members of **ARUNODAY MILLS LIMITED** will be held at the Registered Office of the Company situate at 'JYOT', Kanta Stree Vikas Grah Road, Bhakti Nagar, Rajkot- 360002, on Tuesday the 30th September, 2008 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended on that date and the Report of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Mahendra S. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

The Retiring Auditors M/s. B. S. Mehta & Co., Chartered Accountants, have informed the Company that they are not offering themselves for re-appointment. The company has received a special notice from a member proposing the following Ordinary Resolution.

"RESOLVED that M/s. J. C. Mistry, Chartered Accountants, be and are hereby appointed as Auditors of the Company in the place of retiring auditors M/s. B. S. Mehta & Co., Chartered Accountants, to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting; and Board be and is hereby authorised to fix their remuneration."

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification(s), the following Resolution:

As a Special Resolution :

"RESOLVED THAT subject to approval of the Securities & Exchange Board of India, Stock Exchanges concerned and any other Statutory Authorities concerned and pursuant to the provisions of the Securities & Exchange Board of India (Delisting of Securities) Guidelines 2003 and subject to the completion of necessary formalities as may be imposed while granting such approval in this regard, consent of the Company be and is hereby accorded to delist the Equity shares of the Company from the Ahmedabad Stock Exchange administered by the Ahmedabad Stock Exchange Limited.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and take all such steps as may be necessary to delist the Equity Shares of the Company from the aforesaid Stock Exchange concerned."

BY ORDER OF THE BOARD OF DIRECTORS

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai

Dated : 4th September, 2008

Regd. office :

'JYOT',

Kanta Stree Vikas Grah Road,

Bhakti Nagar,

Rajkot - 360 002



NOTICE

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 Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September, 2008 to 30th September, 2008 (both days inclusive) for the purpose of Annual General Meeting.
4. 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.
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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

As required under Section 173(2) of the Companies Act, 1956, the Explanatory Statement set out all material facts relating to business mentioned under Item No. 4.

Item No. 4

The Equity shares of the Company are presently listed on the Stock Exchanges at Mumbai and Ahmedabad. Except on the Stock Exchange, Mumbai, the shares of the Company are rarely traded on Ahmedabad Stock Exchange, as such, to save the Annual Listing Fee your Directors at the meeting held on 4th September, 2008 decided to voluntarily delist the shares from Stock Exchange, Ahmedabad subject to the approval of the shareholders at this Annual General Meeting and after completion of necessary formalities in the regard.

The Directors recommend that the Resolution as set out at Item No. 4 be adopted.

None of the Directors of the Company except to the extent of their shareholding is concerned or interested in this Resolution.

BY ORDER OF THE BOARD OF DIRECTORS

**KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR**

Place : Mumbai

Dated : 4th September, 2008

Regd. office :

'JYOT',

Kanta Stree Vikas Grah Road,

Bhakti Nagar,

Rajkot - 360 002

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting herewith the 45th Annual Report of the Company with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

1. FINANCIAL RESULTS :

| | Amount Rs. in Lacs | |
|--------------------------------------|--------------------|-------------|
| | 2007 - 08 | 2006 - 07 |
| Sales & Operative Income (Net) | 10.89 | 1,768.23 |
| Profit / (Loss) for the year | (85.62) | (283.70) |
| Deficit on acquisition of assets | (0.00) | (1,699.28) |
| Add : Brought forward from last year | (10,028.67) | (8,045.69) |
| Balance carried to Balance Sheet | (10,114.29) | (10,028.67) |

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 :

The sales and operative income was at Rs. 10.89 Lacs (previous year Rs. 1,768.23 Lacs). Loss was at Rs. 85.62 Lacs (previous year Rs. 1,982.98 Lacs). The total Accumulated Loss as on 31st March, 2008 was of 10,114.29 Lacs.

As reported earlier, 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.

Exim Bank and Bank of Baroda, amongst the Secured Lenders, have filed Suits in the Debt Recovery Tribunal against the Company and Guarantor for recovery of their outstanding dues.

Development Credit Bank, another Secured Lender, transferred and assigned their dues to Asset Reconstruction Company (India) Ltd.

The registered office of the Company has been shifted from 205 (Cabin B), Somnath Complex, 33/37, Karan Para, Opp. Hotel Samrat, Rajkot - 360 001 to 'JYOT', Kanta Stree Vikas Grah Road, Bhakti Nagar, Rajkot - 360 002.

Your Directors are looking for new avenues for the benefit of Company's working.

4. 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.

5. 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.

6. 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.

7. AUDITORS :

The Auditors M/s. B. S. Mehta and Co., Chartered Accountants have informed the Company that they are not offering themselves for re-appointment at the ensuing Annual General Meeting. The Board wishes to place on record its appreciation for the valuable guidance and professional support provided by M/s. B. S. Mehta and Company, Chartered Accountants as Statutory Auditors of the Company.



DIRECTORS' REPORT

The company has received a special notice from a member proposing the appointment of M/s. J. C. Mistry, Chartered Accountants as the Auditors of the Company in place of M/s. B. S. Mehta and Co., Chartered Accountants. Accordingly an Ordinary Resolution for their appointment is being placed before the shareholders for approval.

8. 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 within the Notes to the Accounts and therefore do not call for any further explanation under Section 217 (3) of the Companies Act, 1956.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The conservation of energy is an on going process and the Company is taking steps to conserve the energy as far as possible. The company has not imported any technology during the financial year. The foreign exchange earnings and expenditure were nil during the year under review.

10. PERSONNEL :

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

11. LISTING OF SHARES :

Equity Shares of the Company are listed with Bombay Stock Exchange Ltd. and Ahmedabad Stock Exchange Ltd.

The attention of the shareholders is drawn to the item of special business where the approval of the shareholders by way of a special resolution has been sought, for delisting of Company's equity shares from the Ahmedabad Stock Exchange.

12. 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, 2008 is annexed hereto.

13. 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.

14. 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.

15. 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.

16. SECRETARIAL COMPLIANCE :

Pursuant to the provisions of Section 333A of the Companies Act 1956, the compliance certificate dated 4th September, 2008, of Shri I. D. Joshi, Practicing Company Secretary as to registers, records, books and papers under the Companies Act 1956 is attached herewith in the Annual Report.

BY ORDER OF THE BOARD OF DIRECTORS

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai
Dated : 4th September, 2008

Regd. office :
'JYOTI',
Kanta Stree Vikas Grah Road,
Bhakti Nagar,
Rajkot - 360 002

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. OVERALL REVIEW :

The Company has no production activity as IDBI took the possession of mills on 17th October, 2006 under the Securitisation Act and sold by auction on 8th February, 2007.

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

A) 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.

B) COMPANY'S FINANCIAL PERFORMANCE & ANALYSIS :

The sales and operative income was at Rs. 10.89 Lacs (previous year Rs. 1,768.23 Lacs). Loss was at Rs. 85.62 Lacs (previous year Rs. 1,982.98 Lacs). The total Accumulated Loss as on 31st March, 2008 was of 10,114.29 Lacs.

C) HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS:

The Company continued to have cordial 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 and Hon'ble High Court, Ahmedabad. The said cases are pending and properly represented by the Management.

D) 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.

BY ORDER OF THE BOARD OF DIRECTORS

KANTILAL K. SHETH
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai

Dated : 4th September, 2008

Regd. office :

'JYOT', Kanta Stree Vikas Grah Road,
Bhakti Nagar,
Rajkot - 360 002



REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India, the compliances by the Company are as under :

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company continues to focus on good corporate governance and its objective lies in the growth and direction of the business, transparency in its operations, compliance of laws, management accountability, professionalism and equitable treatment with its stakeholders.

II. BOARD OF DIRECTORS :

A. Composition of the Board :

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The present strength of the Board of Directors is four including the Chairman cum Managing Director.

Brief profile of the Directors :

- (1) Shri Kantilal Keshavlal Sheth (85) holds B. Sc. Degree. He is one of the chief promoters of the Company and was appointed as Managing Director on 2nd April, 1974. He is the Chairman cum Managing Director of the Company since 18th August 1993.
- (2) Shri Mahendra S. Shah (67) holds B. Com. Degree. He is an Independent Director and joined the Board on 10th March, 2005
- (3) Shri Vamanray M. Mehta (62) holds B. Sc., L.L.B. Degrees. He is GSFC Nominee and joined the Board on 15th November, 2000.
- (4) Shri Yeshwantlal R. Shah (65) holds B. Text. Degree, since resigned, was an Independent Director.

No Director is related to any other director on the Board in terms of the provisions of Companies Act, 1956.

B. Board Procedure :

The Board meets at-least once a quarter to review the quarterly performance and financial results. Dates of Board Meetings are fixed in advance.

C. Board Meetings and attendance of Directors :

During the financial year ended 31st March, 2008 Four Board meetings were held on (1) 10th May, 2007 (2) 21st August, 2007 (3) 24th October, 2007 (4) 15th February, 2008.

REPORT ON CORPORATE GOVERNANCE

The attendance record of all Directors is as under:

| Sr. No. | Directors | No. of Board Meetings attended | Attendance at last A.G.M. |
|---------|------------------------|--------------------------------|---------------------------|
| 1 | Shri Kantilal K. Sheth | Four | Yes |
| 2 | Shri Mahendra S. Shah | Four | Yes |
| 3 | Shri Vamanray M. Mehta | One | No |

III. COMMITTEES OF THE BOARD :

A. Audit Committee :

The Audit Committee consists of Shri M. S. Shah (Chairman), Shri K. K. Sheth as members. The minutes of the Audit Committee Meetings are noted by the Directors at the Board Meetings.

The Committee met Four times during the year on (1) 10th May, 2007 (2) 21st August, 2007 (3) 24th October, 2007 (4) 15th February, 2008.

The attendance of each Audit committee member is as under :

| Sr. No. | Members | No. of Meetings attended |
|---------|------------------------|--------------------------|
| 1 | Shri Mahendra S. Shah | 4 |
| 2 | Shri Kantilal K. Sheth | 4 |

B. Share Transfer Committee :

The Share Transfer-cum-Investor Grievance Committee consists of Shri K. K. Sheth, Shri Mahendra S. Shah as members. The Company has generally complied with the requirements under the Listing Agreement.

The minutes of the Share Transfer Committee meetings are noted by the Directors at the Board Meetings.

C. Remuneration Committee :

- (i) The Remuneration Committee consists of Shri Mahendra S. Shah (Chairman), Shri V. M. Mehta as members.

The Committee is empowered to frame the remuneration structure for the working Directors. No meeting was held during the year.

D. Subsidiary Company :

The Company does not have any Subsidiary Company.



REPORT ON CORPORATE GOVERNANCE

E Disclosures :

- (i) All related party transactions have been entered into in the ordinary course of business. Transactions with related parties are disclosed in Note 17(i) of Schedule XIX to the financial statements in the Annual Report. However these transactions are not likely to have any conflict with the Company's interest.
- (ii) All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
- (iii) No money was raised by the Company through public issue, rights issue, preferential issues etc. in the last Financial year and hence provisions contained in this behalf in Clause 49 of the listing agreement are not applicable by the Company.
- (iv) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

F Compliance Certificate :

Compliance Certificate for Corporate Governance from Auditors of the Company is given as Annexure - I to the report.

G General Body Meetings :

The last three Annual General Meetings of the Company as stated hereunder were held at the Registered Office. All the resolutions, including special business as set out in notice were passed by the shareholders at A.G.M.

Details of Annual General Meetings :

| Year | AGM | Date | Time |
|-----------|------|--|-----------|
| 2006 - 07 | 44th | 29/09/2007 Adjourned meeting held on 28th November, 2007 | 3.00 p.m. |
| 2005 - 06 | 43rd | 30/08/2006 | 3.00 p.m. |
| 2004 - 05 | 42nd | 29/09/2005 | 4.30 p.m. |

IV. SHAREHOLDER INFORMATION :

1. Registered Office : 'JYOT',
Kanta Stree Vikas Grah Road,
Bhakti Nagar,
Rajkot - 360 002
2. Annual General Meeting
Date and time : 30th September, 2008 at 4.00 p.m.
Venue : Registered office
3. Financial Year : 2007 - 2008