

# **46th ANNUAL REPORT 2008 -09**

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## **ARUNODAY MILLS LIMITED**



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

: M/s. J. C. Mistry  
Chartered Accountants

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 - 400 001

## NOTICE

**NOTICE** is hereby given that the 46th 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 Saturday the 19th September, 2009 at 3.30 p.m. to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & 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.

### 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 K. K. Sheth as Managing Director for a period of FIVE Years with effect from 3rd April, 2009, at **NIL** remuneration and **NIL** perquisites and on the terms and conditions as set out in the draft Managing 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."

### 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. Pursuant to Section 173 of the Companies Act, 1956, the Explanatory Statement sets out material facts in respect of the SPECIAL BUSINESS mentioned in the Item No. 4 of the Notice stated hereafter.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2009 to 19th September, 2009 (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.



ARUNODAY MILLS LIMITED

## 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.

**BY ORDER OF THE BOARD OF DIRECTORS**

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

Place : Mumbai  
Dated : 24th July, 2009

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

### 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 24th July, 2009.

#### **ITEM NO. 4**

At the Board Meeting held on 24th July, 2009 Shri K. K. Sheth was re-appointed as Managing Director of the Company for a period of 5 years with effect from 3rd April, 2009 at **NIL** remuneration and **NIL** perquisites and on the terms and conditions as set out in the Managing Director's Agreement to be executed, subject to the approval of the Shareholders.

As Shri K. K. Sheth is of 86 years age, 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 of the Notice.

**BY ORDER OF THE BOARD OF DIRECTORS**

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

Place : Mumbai  
Dated : 24th July, 2009

**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 **46th Annual Report** of the Company with the Audited Statement of Accounts for the financial year ended **31st March, 2009**.

### 1. FINANCIAL RESULTS:

	Rs. in Lacs 2008 - 09	Rs. in Lacs 2007 - 08
Sales & Operative Income (Net)	46.57	28.87
Profit / (Loss) for the year	8.62	(85.62)
Sales-tax Deferment Loan written back	249.01	0.00
Balance carried to Balance Sheet	(9,856.66)	(10,114.29)

### 2. DIVIDEND:

In view of carried forward Losses, 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. 46.57 Lacs (previous year Rs. 28.87 Lacs). Profit was at Rs. 8.62 Lacs (previous year Loss Rs. 85.62 Lacs). The total Accumulated Loss as on 31st March, 2009 was of Rs. 9,856.66 Lacs.

As reported earlier, IDBI acting on behalf of Secured Lenders sold both movable and immovable assets of the Company to Chirpal Group's Unit viz. Shanti Exports Pvt. Ltd.

After the said sale, for workers' dues towards Gratuity, Leave Encashment ex-gratia etc. dues of ESIC and dues of the Sales-tax, legal actions were taken before the various Courts / Authorities by the Workers Union, ESIC Department and Sales-tax Department respectively.

Your attention is invited to the separate para on Pre and Post Balance Sheet Events covering full facts of the said legal actions.

### 4. PRE AND POST BALANCE SHEET EVENTS:

Based on the legal advise, for the above referred legal actions against the Company, the Company moved the relevant Courts to include Shanti Exports Pvt. Ltd. (SEPL) as responsible party for the various dues, as purchaser of the Company's assets under Securitization Act.

Based on the terms of the sale of assets by IDBI under Securitization Act the Hon'ble High Court, Gujarat directed SEPL, the Purchaser to pay the Sales-tax dues vide order dated 15/12/2008 and to pay ESIC dues vide order dated 15/04/2009.

On 24/10/2008 SEPL signed the Memorandum of Understanding (MoU) with Workers Union for settlement of the dues of the workers and gradually paid dues to some workers. Further SEPL moved the Hon'ble High Court, Gujarat to direct LIC, Rajkot to release the gratuity amount lying with them and the said Court passed the order dated 06/07/09 directed LIC to release the gratuity amount which LIC, Rajkot paid a cheque for Rs. 93,01,956/- to AML Employees Group Gratuity Cum-Life Assurance Fund to disburse gratuity amount to 118 employees of the Company and said payments were made on 9th July, 2009. Balance Gratuity amount and other dues were paid by SEPL as per MoU.

Accordingly ESIC dues, Sales-tax dues and workers dues of the Company are settled / being settled by SEPL.

The suits in the Debt Recovery Tribunal (DRT) against the Company and the Guarantor filed by Exim Bank of India and Asset Reconstruction Company (India) Ltd. are pending and being contested by the Company.

Bank of India, Bank of Baroda and Syndicate Bank amongst the Secured Lenders filed suits in the DRT against the Company and the Guarantor for recovery of their outstanding dues.

Your Directors are looking for new avenues for future prospects of the Company.

### 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. 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.

Shri Y. R. Shah resigned as Director of the Company during the year. Your Directors express their appreciation for the valuable contribution made by him during his tenure with the Company.

Shri K. K. Sheth was re-appointed as Managing Director of the Company for a period of 5 years with effect from 3rd April 2009 at the Board of Directors Meeting held on 24th July, 2009 at NIL remuneration and NIL perquisites and on the terms and conditions as set out in the Managing Director's Agreement to be executed, subject to the approval of the shareholders.

As Shri K. K. Sheth is of 86 years of age, the **Special Resolution** is necessary under the Provisions of Companies Act, 1956 for his re-appointment as the Managing Director of the Company and a Special Resolution vide item No. 4 of the notice put before you for approval.



## DIRECTORS' REPORT

### 7. 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 along with 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.

### 8. AUDITORS:

M/s J. C. Mistry, Chartered Accountants, the present Auditors, retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. The Company has received a certificate 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. Members are requested to appoint the Auditors and fix their remuneration.

### 9. 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.

### 10. 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.

### 11. LISTING OF SHARES:

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

### 12. CASH FLOW ANALYSIS:

In conformity with the provisions of clause 32 of the Listing Agreement the Cash Flow Statement for the year ended 31st March, 2009 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 383A of the Companies Act 1956, the compliance certificate dated 24th July, 2009, 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 : 24th July, 2009

**Regd. office :**  
'JYOT',  
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. 46.53 Lacs (previous year Rs. 28.87 Lacs). Profit was at Rs. 8.62 Lacs (previous year Loss Rs. 85.62 Lacs). The total Accumulated Loss as on 31st March, 2009 was of Rs. 9,856.66 Lacs.

### C) HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS:

The Company continues to have cordial relations with its employees.

### 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 : 24th July, 2009

Regd. office :

'JYOT',

Kanta Stree Vikas Grah Road,

Bhakti Nagar,

Rajkot - 360 002





## 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 three including the Chairman cum Managing Director.

#### Brief profile of the Directors :

- (1) Shri Kantilal Keshavlal Sheth (86) 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 (68) holds B. Com. Degree. He is an Independent Director and joined the Board on 10th March, 2005.
- (3) Shri Vamanray M. Mehta (63) holds B. Sc., L.L.B. Degrees. He is GSFC Nominee and joined the Board on 15th November, 2000.

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, 2009 Five Board meetings were held on (1) 17th April, 2008 (2) 22nd July, 2008 (3) 4th September, 2008 (4) 27th October, 2008 (5) 3rd January, 2009.



## 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	Five	Yes
2	Shri Mahendra S. Shah	Five	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) and Shri K. K. Sheth. 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) 17th April, 2008 (2) 22nd July, 2008 (3) 27th October, 2008 (4) 3rd January, 2009

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 :

At present the Company does not have the Remuneration Committee.

#### D. Subsidiary Company :

The Company does not have any Subsidiary Company.

#### 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(d) of Schedule XIX to the



ARUNODAY MILLS LIMITED

## REPORT ON CORPORATE GOVERNANCE

financial statements in the Annual Report. However these transactions are not likely to have any conflicts 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
2007 - 08	45th	30/09/2008	4.00 p.m.
2006 - 07	44th	29/09/2007 Adjourned meeting held on 28th November, 2007	3.00 p.m.
2005 - 06	43rd	29/09/2006	3.00 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 : 19th September, 2009 at 3.30 p.m.  
Venue : Registered office
- 3. Financial Year : 2008 - 2009