



## **Annual Report**

**2001-2002**

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# **Ashnoor Textile Mills Limited**



### **Board of Directors**

1. Mr. Suneel Gupta
2. Ms. Sangeeta Gupta
3. Mr. Sudhir Raizada

Chairman and Managing Director  
Director  
Director

### **Auditors**

Messrs Kumar Piyush & Co.  
Chartered Accountants  
C-5, Lajpat Nagar - III  
New Delhi - 110024

### **Registered Office and Factory**

Behrampur Road  
Village Khandsa  
District Gurgaon  
Haryana - 122 001

### **Bankers**

Bank of Baroda  
Overseas Branch  
16, Sansad Marg  
New Delhi - 110 001



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## **ASHNOOR TEXTILE MILLS LIMITED**

### **NOTICE**

NOTICE is hereby given that Nineteenth Annual General Meeting of the members of the Ashnoor Textile Mills Limited will be held on Monday, the November 18, 2002 at 9.30 a.m. at the Registered Office of the Company at Behrampur Road, Village Khandsa, District Gurgaon, Haryana-122 001, to transact following business :-

#### **ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. Sangeeta Gupta, who retires by rotation and being eligible, offer herself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

#### **SPECIAL BUSINESS**

4. To consider and, if thought fit, to pass with or without modification, the following Resolution as a ORDINARY RESOLUTION :

“RESOLVED THAT in accordance with the provisions of Sections 198, 309 and 310 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment(s) thereof for the time being in the force and in partial modification of the ordinary resolution passed at the Extra-ordinary General Meeting held on January 10, 2000 and at the 17<sup>th</sup> Annual General Meeting held on December 28, 2000, the Company hereby approves the re-structuring of the salary, perquisites and allowances payable to Mr. Suneel Gupta with effect from April 1, 2002, for the remaining tenure of his term as stated below:

##### **Salary :**

In the range of Rs.40,000/- to Rs.80,000/- per month.

The Board or may Committee thereof, be and is hereby authorised in its absolute discretion and from time to time, to fix, within the range stated above, the salary payable to Mr. Suneel Gupta.

##### **Perquisites :**

Perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation, gas, electricity, water and furnishings, servants salary, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits in accordance with the scheme(s) and rule(s) of the Company.

In case Company-owned accommodation is not provided, Mr. Suneel Gupta shall be eligible for house rent allowance at the rate of 50% of salary per month and maintenance of accommodation including furniture, fixtures and furnishings, repairs as may be provided by the Company.

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT Mr. Sudhir Raizada, be and is hereby appointed as Director of the Company, liable to retire by rotation.”

**ASHNOOR TEXTILE MILLS LIMITED**

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment(s) thereof for the time being in the force, approval of members be and is hereby given to appoint Mr. Sudhir Raizada as Whole Time Director, for a period of five years with effect from October 1, 2002, at the salary of Rs. 11,000/- per month, including dearness allowance and Leave Encashment, Contribution to Provident Fund and Gratuity, as per rules of the Company.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board) be and is hereby authorised to vary the terms and conditions set out in this resolution as the Board of Directors/Committee may in its absolute discretion consider necessary.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an SPECIAL RESOLUTION:

"RESOLVED THAT subject to rules and regulations prescribed by the SEBI and other authorities, as may be applicable, approval be and is hereby accorded to the delisting of equity shares of the Company from Ahmedabad, Jaipur and Ludhiana Stock Exchanges (All non regional).

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps actions and do all such things, deeds as may be necessary to give effect to this resolution."

**By the order of the Board**

Place : Gurgaon  
Date : October 10, 2002

**Suneel Gupta**  
**Chairman and Managing Director**

### 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/HERSELF AND SUCH PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. THE PROXY FORM MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of business under item numbers 4 to 6 is annexed hereto and forms part of the notice.
3. The Register of Members and Share Transfer Books of the Company shall remain closed on Saturday, the November 16, 2002.
4. **The members are requested to:**
  - a. Bring the copy of Annual Return with them.
  - b. Intimate changes, if any, in their registered address at an early date.
  - c. Quote ledger folio number in all their correspondence.
  - d. Apply for consolidation of folios, if shareholdings are under multiple folios.

**EXPLANATORY STATEMENT**

***PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956***

**Item No. 4**

At the Extra-ordinary General Meeting held on January 10, 2000, Mr. Suneel Gupta was re-appointed as Managing Director for a period of five years effective from December 29, 1999, on the terms and conditions then approved. The remuneration was modified vide resolution passed at the 17<sup>th</sup> Annual General Meeting held on December 28, 2000, to Rs.1,25,000/- by way of salary, dearness allowance, perquisites and other allowances. In view of continuous losses suffered by the Company it is proposed to re-structure his salary, perquisites and allowances payable to him, as shown in the resolution, effective from April 1, 2002.

The directors, therefore, recommend passing of the Resolution by the members.

None of the Directors of the Company other than Mr. Suneel Gupta is interested in this resolution.

**Item No. 5 & 6**

Pursuant to Section 260 of the Companies Act, 1956, and Articles 127(a) of the Articles of Association of the Company Mr. Sudhir Raizada was appointed as Additional Director of the Company effective from October 04, 2002. He can hold the office of the Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing his candidature for the office of the Director under Section 257 of the Companies Act, 1956, alongwith requisite fee.

Mr. Sudhir Raizada was also appointed as Whole Time Director of the Company with effective from October 1, 2002, subject to approval of the members in the General Meeting at a remuneration as mentioned in the resolution. He has wide experience of years of Finance and Accounts. Their appointment as Whole Time Directors will in the interest of the Company.

The directors, therefore, recommend passing of both the Resolutions by the members.

None of the Directors of the Company except Mr. Sudhir Raizada is interested in this resolution.

**Item No. 7**

The shares of the Company are listed at Delhi, Mumbai, Ahmedabad, Ludhiana and Jaipur Stock Exchanges. The shares of the Company are not traded since long time at Ahmedabad, Ludhiana and Jaipur Stock Exchanges (All non regional). The liquidity of shares of the Company at these Stock Exchanges is very low and Company is suffering losses since many years. It is difficult for the Company to pay the listing fees to these Exchanges. Hence, the Company has decided to voluntarily delist the shares of the Company at the Ahmedabad, Ludhiana and Jaipur Stock Exchanges. As per guidelines issued by the SEBI for delisting of shares it is mandatory for the Company seeking delistment of its shares from any Stock Exchange to pass a special resolution by its members at general meeting. The Company had, earlier, passed the special resolution in the Extra-ordinary General Meeting held on March 18, 1999, for delisting of its shares but same could not be materialised.

Now your Directors again proposes this resolution to be passed as special resolution by the members.

None of the Directors of the Company is interested in this resolution.

**By the order of the Board**

Place : Gurgaon  
Date : October 10, 2002

**Suneel Gupta**  
**Chairman and Managing Director**

**ASHNOOR TEXTILE MILLS LIMITED****DIRECTORS' REPORT****Dear Members,**

The Directors of your company have pleasure in presenting their Nineteenth Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended March 31, 2002.

**FINANCIAL RESULTS**

The financial results for the year are as under :

(Rupees in Lakh)

Particulars	2001-2002	2000-2001
Sales and Other Income	<b>2687.63</b>	3067.04
Gross Profit / (Loss) Before Interest and Depreciation	<b>4.90</b>	268.66
Financial Charges	<b>538.40</b>	336.77
Depreciation	<b>319.64</b>	318.47
Profit / (Loss) Before Extra-ordinary Items and Tax	<b>(853.13)</b>	(386.58)
Extra-ordinary Items	<b>155.89</b>	622.19
Provision for Tax	-	-
Profit / (Loss) after Tax	<b>(1009.03)</b>	(1008.77)
<b>Adjustments including Transfer from :</b>		
General Reserve Appropriated	<b>1371.24</b>	-
Profit / (Loss) Brought Forward	<b>(2425.02)</b>	(1416.25)
Balance Carried Forward to Balance Sheet	<b>(1751.03)</b>	(2425.02)

**DIVIDEND**

In view of continuous losses suffered by the company, your directors have not recommend any dividend.

**OPERATIONS**

Owing to various factors listed in the international scenario, the sales realization of the finished product dipped and consequently income of the Company for the year ended March 2002 reduced to Rs.2687.63 Lakh compared to Rs.3067.04 Lakh in the previous year. The net loss increased from Rs.386.58 Lakh to Rs.853.13 Lakh owing to drop in the margin and provision of Rs.197 Lakh on account of overdue lease rental of Haryana Financial Corporation (HFC) and writing of pre-operative expenditure of Rs.34.68 Lakh

**INTERNATIONAL SCENARIO**

*The major reasons for the drop in sales realisation are as under:*

1. The recession in the US market in the past two years, and the resultant business and other commercial conditions have forced the Company to reduce its products prices.
2. Quota for category 369(D) Kitchen Towel which constituted bulk of production was abolished from January 1, 2002. As a consequence large number of Companies entered this market, which exerted a downward pressure on the prices.



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3. With effect from January 1, 2002 European Union lifted the normal duty on all textile products exported from Pakistan apart from substantial increase in quota levels. Thus the Indian products are at a price disadvantage of 9.5%, which is duty on imports of Terry Towels into Europe.
4. Post September, 2001, terrorist attack USA has also allowed larger quotas for Pakistan textile products, which intensified the competition and put downward pressure on the prices.
5. Sale prices have remained under competitive pressure and the price of cotton in the domestic market is higher as compared to international rates. Also there is lack of availability of sufficient quantity of cotton of appropriate quality.

**OUTLOOK FOR THE FUTURE**

The Company is constantly endeavoring to discover new markets for sales of its products and achieve higher sales value realisation by contracts with multinational buyers thereby eliminating wholesalers, and has introduced several cost reduction and cost control measures in areas of production and operations. The Company is exploring long term business and strategic relationships with parties so that the Company enters into the era of removal of quotas in association with an international major.

Company had taken loan from Haryana Financial Corporation (HFC) under Equipment Lease/ Finance Scheme during 1996-97. Company is in the process of negotiating One time Settlement (OTS) as per the Haryana Financial Corporation (HFC) guidelines and proposal is under consideration.

Company had taken working capital loan from the Bank of Maharashtra Limited, Connaught Place, New Delhi for its erstwhile Carpet Division. The Company has entered into compromise proposal with the Bank. As per terms of settlement the Bank has waived interest on principal, waived penal and compound interest and reduced the interest to 12%. This proposal is under implementation.

Company has also filed compromise proposal with Industrial Development Bank of India (IDBI) under Section 391 of Companies Act, 1956, in the High Court, Chandigarh for restructuring its long-term debt. Based on discussions with Senior Executives of IDBI, Company gave an upfront payment of Rs.50 Lakh. This proposal is pending negotiations and settlement. In the meantime Industrial Development Bank of India (IDBI) has filed an application in Debts Recovery Tribunal, Chandigarh which has restrained the Company from disposing off its fixed assets. The rate applied by Industrial Development Bank of India (IDBI) for computation of dues is 17.5% which is higher than the documented rate of 15.5%. This has been contested by the Company and the matter is under consideration.

**DIRECTORS**

Since the last Annual General Meeting of the Company Director, Mr. Vidya Sagar Gupta, Director resigned from the Board. The Board places on record its appreciation for services rendered by him during his tenure as Director of the Company.

Mr. Sudhir Raizada, was appointed as Additional Director / Whole Time Director of the Company subject to your approval.

Mrs. Sangeeta Gupta, Director of the Company retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer herself for re-appointment.



**ASHNOOR TEXTILE MILLS LIMITED****AUDITORS**

Messers Kumar Piyush & Co., the statutory auditors of the Company, hold office until the ensuing Annual General Meeting. It is proposed to reappoint them to examine and audit the accounts of the Company for the Financial Year 2002-03. Messers Kumar Piyush & Co. has, under section 224 (1B) of the Companies Act, 1956, furnished certificate of their eligibility for the re-appointment.

**AUDITORS' OBSERVATIONS**

1. Your company has written off the remaining balance of pre-operative expenses (Deferred Revenue Expenses) which would otherwise have been charged off in two years including the current year, due to no possibility of accrual of any further revenue.
2. Your company has already approached to Haryana Financial Corporation (HFC) for one time settlement of their dues. The liability of HFC has been created in the book as per their guidelines of One Time Settlement Scheme. The waiver of the interest, which is available under the scheme has not been provided in books and contingent liability is disclosed. Your Company is hopeful of settlement within the ongoing financial year.
3. Your company has been negotiating with Persion Carpets & Textiles limited and hopeful of recovery though the party has been declared sick by Board of Industrial and Financial Reconstruction.
4. In the ongoing recovery suit with Debt Recovery Tribunal (DRT), Industrial Development Bank of India (IDBI) has filed a certificate wherein the interest claimed by them is declared at the rate of 15.5 % through actually charged at the rate of 17.5%. Based on the claim of IDBI with DRT, your Company has created the interest liability at the rate of 15.5%. The difference of interest charged and interest claimed has been disclosed as contingent liability.
5. Other observations of the Auditors read with explanation provided in the relevant notes in schedule -T of the Balance Sheet are self explanatory.

**PUBLIC DEPOSITS**

During the year, your Company did not invite and/or accept any deposit from the public.

**STATUTORY DISCLOSURES**

The Company has no employee in term of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended or otherwise.

Energy conservation continues to be an area of major emphasis in your Company. The efforts are being made to optimize the energy cost while carrying out the manufacturing operations. Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy are annexed thereto and forms part of this report.

During the year, earning in foreign currency comprising of FOB value of Export of Terry Towels was Rs. 2257.83 Lakh as compared to Rs.1879.71Lakh in the previous year. While the expenditure/ remittances in foreign currency was Rs.46.76 Lakh as compared to Rs.75.25 Lakh in the previous year.

**LISTING OF SHARES**

The Shares of the Company are listed at Delhi, Mumbai, Ludhiana, Ahemdabad and Jaipur Stock Exchanges and Company has paid the listing fee for the financial year 2002-03.

## **CORPORATE GOVERNANCE**

In terms of Clause 49 of the Listing Agreement, your Company is required to implement the conditions of Corporate Governance not later than March 31, 2003. The Company has already started to implement the same. Your Directors are confident to implement the same before the specified date.

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

Pursuant to Section 217(AA) of the Companies Act, 1956, the Directors confirms that :

1. in preparation of the annual accounts, the applicable accounting standards have been followed ;
2. appropriate accounting policies have been selected and applied consistently, and have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company as at March 31, 2002 and of the Losses of the company for the year ended on March 31, 2002 ;
3. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for the safeguard of the assets of the Company for preventing and detecting fraud and other irregularities ;
4. the annual accounts have been prepared on a going concern basis.

## **ACKNOWLEDGEMENT**

Your Directors are pleased to place on record their sincere gratitude to the Government Authorities, Financial Institutions, Banks, Bankers, Business Constituents and all the shareholders for their continued and valuable co-operation and support to the Company. They also take this opportunity to record their appreciation of the contribution made by the employees at all levels.

By the order of the Board

Place : Gurgaon  
Date : October 10, 2002

Suneel Gupta  
Chairman and Managing Director