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**THE DAWN MILLS
CO. LTD**

**88TH ANNUAL REPORT
2000-2001**



The Dawn Mills Company Limited

BOARD OF DIRECTORS

SHRI BANSI S. MEHTA - CHAIRMAN

SHRI R. GOENKA

SHRI M. G. PITTIE

SHRI D. B. DHURUV

SHRI P. S. VAIDYA

SHRI N. P. JHUNJHUNWALA

SHRI C. H. MIRANI

SHRI S. K. JALAN

SHRI N. R. RUIA - Managing Director

SHRI R. V. RUIA - Executive Director

GM (Finance) & Secretary

SHRI V. RAVI

Bankers

BANK OF BARODA

Auditors

CHANDRAKANT & SEVANTILAL, MUMBAI 400 001

Solicitors

DHRU & CO., MUMBAI 400 001

Registered Office and Mills

GANPATRAO KADAM MARG

LOWER PAREL, MUMBAI 400 013

Phone: 4964510-16, Fax:(91-22) 4939567

Retail Shops of the Company

1. 'Sukh Sagar', N.S. Patkar Marg, Mumbai 400 007
2. 395, Kalbadevi Road, Mumbai 400 002
3. Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013
4. Senapati Bapat Marg, Lower Parel, Mumbai 400 013
5. Super Shopping Centre, Swami Vivekanand Road, Andheri (W), Mumbai 400 058
6. 712, Narayan Peth, Laxmi Road, Poona 411 030
7. Booty Estate, Variety Chowk, Sitabuldi, Nagpur 440 012.
8. 144, Commercial Street, Bangalore 560 001.

The Dawn Mills Company Limited

NOTICE

NOTICE is hereby given that the Eighty-eighth Annual General Meeting of The Dawn Mills Company Limited will be held on Friday, the 27th July, 2001 at 3.30 p.m. at Jai Hind College Hall, 'A' Road, Churchgate, Mumbai 400 020 for the purpose of transacting the following business :

1. To receive, consider and adopt the Directors' Report and audited Profit and Loss Account of the Company for the year ended 31st March, 2001 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Shri M.G. Pittie who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri N.P. Jhunjhunwala who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri S. K. Jalan who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors to hold Office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors,

Registered Office:
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

V. Ravi
General Manager-Finance
& Company Secretary.

Mumbai, dated 30th April, 2001.

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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 17th July, 2001 to Friday, the 27th July, 2001 (both days inclusive).
3. Consequent upon the amendment to Section 205A and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed or unpaid for a period of seven years shall be transferred to Investor Education and Protection Fund to be established by the Central Government and no claim thereof shall lie against this Fund or the Company on the expiry of the said period of seven years. Members are requested to send unclaimed / unpaid dividend warrants, if any, for the years 1995-96 to 1999-2000 to the Registered Office of the Company at their earliest, for payment in lieu thereof.



DIRECTORS' REPORT

To
The Members of
The Dawn Mills Company Limited

1. The Directors hereby present their Eighty-eighth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2001.

2. Financial Results	2000-01 (Rupees)	1999-00 (Rupees)
Gross Profit	1,16,88,158	30,58,318
Depreciation	(85,47,930)	(79,02,331)
Provision for taxation	(10,00,000)	—
Income tax in respect of earlier years	(3,76,063)	(14,75,952)
Debits/Credits relating to earlier years	2,98,119	88,023
Transfer from Investment Allowance (Utilised) Reserve	30,00,000	—
Provision for doubtful debts no longer required	22,06,992	—
Balance brought forward from last account	2,39,38,712	3,16,95,654
	<u>3,12,07,988</u>	<u>2,54,63,712</u>
Appropriations		
Transfer to General Reserve	1,85,000	—
Proposed Dividend @ 12% (Previous Year @ 10%)	15,00,000	12,50,000
Corporate Dividend Tax and Surcharge thereon	1,53,000	2,75,000
Balance carried to Balance Sheet	2,93,69,988	2,39,38,712
	<u>3,12,07,988</u>	<u>2,54,63,712</u>

As for the qualification in paragraph 2 (e) & 2 (f) of the Auditors Report attention is invited to the notes to which the Auditors have invited reference, which notes are self explanatory.

3. Dividend

The Directors recommend for your consideration payment of dividend for the year ended 31st March, 2001 at the rate of 12 % (i.e. Rs. 6/- per share) on 2,50,000 Equity Shares of Rs. 50/- each, fully paid. If approved, dividend aggregating Rs. 15,00,000/- will be paid out of the Profits.

4. Performance

Sales during the year had been marginally better compared to last year though the Textile Industry continues to face difficult situation created by many unfavourable factors. The gross sales during the year under review amounted to Rs.4648 lacs as against Rs.4265 lacs of last year, reflecting an increase of 9%. Though the increase in sale has been nominal (9%), the results, as may be observed from the figures mentioned above, are mainly due to improvement in margins and better utilisation of manufacturing facilities by undertaking processing jobs. The comfortable supply of raw materials, a good monsoon during last year, increased consumer demand, better realisations, improvement and efficiency in production resulting from modernisation, have been the favourable factors that have also contributed to the profitability. Also the management's sustained efforts in effective economy and controlling costs at all levels have gone a long way in nullifying the adverse effects of increase in the cost of power and fuel, stores, wages and other inputs.

As regards the business of hosiery garments, it continued to face severe competition from smaller manufacturers, who enjoy the cost advantage as compared to your Company, and hence the resultant margins thereof were not very remunerative, during the year.

The directors hope that the current year will not portend a reversal of this upswing.

5. Modernisation

The Company is continuing to modernise its manufacturing process. During the year, it undertook the installation of 3 more Schlafhorst Autoconers, 1 Atlas Copco GA55 10 Bar AAF Compressor, replacement of 18.8mm with 18.5mm wharve diameter spindles on existing two ring frames having 768 spindles and replacement of existing 23 impeller fans with latest SITRA Excel Fans.

The Dawn Mills Company Limited

6. Subsidiary Company

Pursuant to the provisions of the Companies Act, 1956 the accounts together with Directors' Report of Dawn Apparels Limited for the year ended 31st March, 2001 are attached to the Balance Sheet of the Company. As reported in detail in the Directors' Report of the said Company annexed to these accounts, the factory of the subsidiary Company has remained closed since last 3 years.

7. Public Deposits

At the end of the financial year there were 3 depositors who had not claimed their deposits aggregating Rs.9,000/- which had matured. The deposits continue to be unclaimed.

8. Insurance

All the properties of the Company including building, plant and machinery, stocks, loss of profits and standing charges are adequately insured.

9. Safety and Pollution Control

Your Company accords priority to the health and safety of its employees. It has been taking proper care in complying with all the statutory requirements relating to safety, environment and pollution control. Safety audit and environment audit reports are prepared and submitted to the prescribed authorities.

10. Personnel

The industrial relations during the year remained satisfactory. The Directors wish to place on record their appreciation of the valuable services rendered by the workmen, staff and officers at all levels.

11. Appreciation

The Directors acknowledge with gratitude the co-operation and assistance received by the Company from its Bankers who have been extending all possible help to the Company to meet its financial requirements.

12. Directors

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Shri M.G. Pittie, Shri N.P. Jhunjhunwala, and Shri S.K. Jalan retire from the Board of Directors by rotation and are eligible for reappointment.

13. Particulars of Employees

In compliance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, there are no employees who were paid Rs.12,00,000/- or more if employed throughout the year or Rs.1,00,000/- per month or more if employed during the part of the year by way of remuneration.

14. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors state as under

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the annual accounts on a going concern basis.

15. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

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 is given in the annexure to the report.

16. Auditors

At the forthcoming Annual General Meeting the members will be required to appoint Auditors for the current year and to fix their remuneration.

For and on behalf of the Board of Directors,

Bansi S. Mehta
Chairman

REGISTERED OFFICE:

Ganpatrao Kadam Marg
Lower Parel, Mumbai 400 013
Mumbai, dated, 30th April, 2001.

**ANNEXURE TO THE DIRECTORS' REPORT**

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken:
Reduction in consumption of power and water is an ongoing programme of the Company.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
Compressed Air Distribution System:
Introduced centralised compressor air net work system by removing number of individual compressor for the air requirement of Blow-Room, Carding, Draw Frames, Autoconers etc. and air leakage points were identified and plugged.
2 Nos. TVK Booster Fans for 5 Nos. DK-740 Cards were disconnected after observing the performance. On old Doubling Frames where the load of the main motor is less than 4%, the motors are connected on Star Mode.
Modified all the four Air Washer Plants.
Reduced the suction pressure of the suction fan on 5 Autoconers.
Boiler feed water temperature of about 55° C is maintained in the feed heater service tank by condensated recovery and without direct steam spraying.
- (c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:
Overall saving in cost of energies, thereby saving in cost of production.
- (d) Total energy consumption and energy consumption per unit of production in prescribed Form 'A' are given as under:

		Current Year 2000-01	Previous Year 1999-00
A. Power and Fuel Consumption:			
1. Electricity:			
Purchase Unit (KWH in lacs)		171.16	155.65
Total Amount (Rs. in lacs)		672.68	513.57
Avg. Rate/Unit		3.93	3.30
2. Furnace Oil:			
Quantity (in KLS)		215.939	267.442
Total Cost (Rs. in lacs)		22.77	21.66
Avg. Rate (Rs. per KL)		10545.00	8100.00
B. Consumption per unit of Production:			
1. Electricity (KWH)	Yarn/Kg.	5.74	5.80
	Hos./Kg	21.96	11.93
2. Furnace Oil/LSHS(LTR)	Yarn/Kg.	0.024	0.065
	Hos./Kg	3.88	1.83

B. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form 'B' of the Annexure to the Rules.

I. Research & Development:

- Specific area in which R & D carried out by the Company:
New products/process development.
Development of new cationic yarn.
Measures to control incidents of high end breakages in Ring Frames for spinning man made fibres and their blends were taken.
- Benefits derived as a result of the above R & D:
Quality enhancement to achieve better standards.
Improvement in spindle point production.
Reduction in yarn imperfection during winding and improvement in productivity and efficiency.

The Dawn Mills Company Limited

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3. Further Plan of action:
The above activities shall continue and greater efforts in this direction will be made.
 4. Expenditure on R & D:
The expenditure is merged with various other heads of expenses.

II. Technology absorption, adaptation and innovation:

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
 - (a) Introduced centralised compressor air net work system.
 - (b) Modification of air washer plants.
2. Benefits derived as a results of the above efforts:
 - (a) Technology upgradation.
 - (b) Achieved energy saving and improved performance.
3. Information regarding technology imported during the last 5 years.
Not Applicable.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

	Rs. in lacs
Total Foreign Exchange Used	11.67
Total Foreign Exchange Earnings	Nil
For and on behalf of the Board of Directors,	
Bansi S. Mehta Chairman	

REGISTERED OFFICE:
Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013
Mumbai, 30th April, 2001.

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AUDITORS' REPORT

We have audited the attached Balance sheet of THE DAWN MILLS COMPANY LIMITED. Mumbai as at 31st March, 2001 and also the Profit and Loss Account for the year ended on that date annexed thereto and report that :-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and in terms of the information and explanation given to us and on the basis of such checks as we considered appropriate, we enclose in an Annexure hereto a statement on the matters referred to in para 4 and 5 of the said order.
2. Further and subject to our comments in the Annexure referred to in paragraph 1 above:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit :
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books except for non-provision of liabilities in respect of gratuity as referred to in Note 6 in Schedule 11:
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;
 - (d) The Company has written letters to companies in which its directors are also directors to obtain confirmation regarding compliance with the matters specified in the provisions of section 274(1) (g) of the Companies Act, 1956. However, not all companies have replied to the said communication. In view thereof it is not possible for us to report on the requirement stated in section 227(3) (f), namely, "whether any director is disqualified from being appointed as director under clause(g) of sub-section (1) of section 274."
 - (e) Subject to non-provision of liability in respect of gratuity payable for the period prior to 1st July, 1988, as required under the standard on "Accounting for Retirement benefit in the Financial Statement of Employers" issued by the Institute of Chartered Accountants of India, in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the accounting Standards referred to in Section 211(3c) of the Companies Act, 1956, in so far as they apply to the Company.
 - (f) Attention is invited to the following:
 - i) No provision for Gratuity liability amounting to Rs. 1,46,70,778/- in respect of past years (see Note 6) has been made.
 - ii) No provision for Diminution in value of investment Rs. 1,50,150/- (see Note 7(a)) has been made;
 - iii) No provision for Losses on account of investments of Rs. 38,76,907/- in (including the Loans to) the subsidiary company (see Note 7(b)) has been made.

The aggregate effect of the above is that to extent of Rs. 1,86,97,835/- the liabilities of the Company are understated and the Reserves are overstated: and

 - (iv) non disclosure of amount(s) owed to Small Scale industrial Undertakings (See Note 10)

Subject to the foregoing in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001, and
 - (b) in the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date.

For CHANDRAKANT & SEVANTILAL
Chartered Accountants

Mumbai:
Dated : 2nd May, 2001

PRADEEP S. SHAH
Partner

The Dawn Mills Company Limited

ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001 OF THE DAWN MILLS COMPANY LIMITED (Referred to in Paragraph 1 thereof.)

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets as from the year 1964-65. As explained to us, certain items of fixed assets were physically verified by the management once during the year. No material discrepancies were observed on such verification. In our opinion, the frequency of verification is reasonable.
 2. None of the fixed assets had been revalued during the year.
 3. The stocks of finished goods, stores, spare parts and raw materials, other than those lying with outside parties and in bonded warehouse have been physically verified by the management at reasonable intervals.
 4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
 5. According to the records produced to us discrepancies noticed on verification of physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
 6. In our opinion and on the basis of our examination of stocks, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
 7. The Company has during the year not taken any loan from Companies and other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there are no Companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
 8. The Company has not granted any loans, secured or unsecured, to Companies, Firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, except to its subsidiary, which is interest free. In our opinion terms and conditions thereof are *prima facie* not prejudicial to the interest of the Company. As explained to us, there are no Companies under the same management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
 9. Except, in the case of a loan of Rs. 41.60 lacs, the parties to whom the loans or advances in the nature of loans are given are re-paying the principal amount as stipulated together with interest, wherever applicable.
 10. In our opinion, and according to the information and explanations given to us, during the year under audit there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and also for sale of goods.
 11. In our opinion and according to the information and explanations given to us, the transactions for purchase of goods and materials, and sale of goods and materials made in pursuance of contracts or arrangements entered in Register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market price for such goods and material at which transactions for similar goods or materials have been made with other parties.
 12. As explained to us, the Company has a regular procedure to determine items of unserviceable or damaged stores, raw materials and finished goods. Adequate provision by way of estimated ad hoc deduction has been made in accounts for the loss that may arise on the items so determined.
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13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to the deposits accepted from the public.
14. According to the information and explanations given to us, saleable scraps of insignificant value are generated during the manufacturing process and hence no records have been maintained in this respect. However, the company has in our opinion maintained reasonable records for sale and disposal of realisable by-products i.e. cotton waste.
15. The internal audit system, in our opinion, is adequate and commensurate with the size and nature of Company's business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima facie* the prescribed accounts and records have been maintained.
17. According to the information and explanations given to us, and records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning clause (0) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the trading activities of the Company, damaged goods have been determined and provision has been made for the loss.
22. In respect of service activity of the Company i.e. processing work carried out on behalf of outside parties, we are informed that such processing jobs having been carried out together with overall process of manufacture of Company's products and it being not practicable to have specific authorisation and allocation of stores and man hours for relative jobs, the Company does not have such system in force. However, in our opinion and according to the information and explanations given to us, there is reasonable system of internal control in this regard.

Mumbai :
Dated : 2nd May, 2001

For CHANDRAKANT & SEVANTILAL
Chartered Accountants
PRADEEP S. SHAH
Partner