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**THE DAWN MILLS  
CO. LTD.**

**90TH ANNUAL REPORT  
2002-2003**



## **The Dawn Mills Company Limited**

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### **BOARD OF DIRECTORS**

SHRI BANSI S. MEHTA - CHAIRMAN  
 SHRI R. GOENKA  
 SHRI M.G. PITTIE  
 SHRI D.B. DHUV  
 SHRI N.P. JHUNJHUNWALA  
 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 :24964510-16, Fax :24939567  
 E-mail : dawnmill@vsnl.com

Registrar and Share Transfer Agent  
 R & D CONSULTANTS LTD.  
 610, DALAMAL TOWER, 6TH FLOOR  
 211, NARIMAN POINT  
 MUMBAI 400 021  
 Phone :22834347, 22834374  
 Fax : 22855759  
 E-mail : rndcons@vsnl.net

### **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. Super Shopping Centre, Swami Vivekanand Road, Andheri (W), Mumbai 400 058
5. 712, Narayan Peth, Laxmi Road, Poona 411 030
6. Booty Estate, Variety Chowk, Sitabuldi, Nagpur 440 012.

## The Dawn Mills Company Limited

### NOTICE

Notice is hereby given that the Ninetieth Annual General Meeting of The Dawn Mills Company Limited will be held on Friday, the 25th July, 2003 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 & Loss Account of the Company for the year ended 31.03.2003 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. M.G. Pittie who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. N.P. Jhunjhunwala who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. 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.  
Mumbai, dated 26th April, 2003.

**V. Ravi**  
General Manager-Finance  
& Company Secretary.

### 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 15th July, 2003 to Friday, the 25th July, 2003 (both days inclusive).
3. Members, who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easier identification of attendance at the meeting.
4. The shareholders can contact or write to the Company's Registrar and Share Transfer Agent M/s. R & D Consultants Ltd., 610, Dalamal Towers, 6th Floor, 211, Nariman Point, Mumbai 400 021 regarding change of address or transfer of shares, if any.
5. Unpaid/unclaimed dividend for 1995-96 will be due for transfer to the Investor Education & Protection Fund of the Central Government on the 16th September, 2003 pursuant to the provisions of Section 205A of the Companies Act, 1956. Members who have not yet encashed their dividend warrants for the financial year ended 31.03.1996 or any subsequent year(s) are requested to claim the dividend(s) by writing to the Share Department at Registered Office of the Company. No separate intimation will be sent to the individual shareholders in this regard.
6. Shareholders are requested to bring the Annual Report at the time of the Annual General Meeting.

By Order of the Board of Directors,

**V. Ravi**  
General Manager-Finance  
& Company Secretary.



## DIRECTORS' REPORT

To

The Members of  
The Dawn Mills Company Limited

- The Directors hereby present their ninetieth Annual Report together with the audited Statement of Accounts for the year ended 31st March, 2003.

2. Financial Results	2002-03 (Rupees)	2001-02 (Rupees)
Gross Profit	1,50,92,979	1,28,69,741
Depreciation	(92,79,458)	(95,26,741)
Provision for doubtful debts/advances no longer required	—	1,37,923
(Debits)/Credits relating to earlier years	6,09,630	(33,866)
Provision for taxation	(15,00,000)	—
Deferred Tax	3,16,743	(9,44,153)
Income tax in respect of earlier years	(2,38,228)	(24,97,760)
Transfer from Investment Allowance (Utilised) Reserve	—	5,00,000
Balance brought forward from last account	2,83,50,132	2,93,69,988
	<b>3,33,51,798</b>	<b>2,98,75,132</b>

### Appropriations

Transfer to General Reserve	1,30,000	25,000
Proposed Dividend @ 12% (Previous Year @ 12%)	15,00,000	15,00,000
Corporate Dividend Tax and Surcharge thereon	1,92,188	—
Balance carried to Balance Sheet	3,15,29,610	2,83,50,132
	<b>3,33,51,798</b>	<b>2,98,75,132</b>

As regards the qualification in the Auditors' Report concerning non-provision in respect of gratuity liability upto the year ended on 30.06.1988, the following may be noted :

- till the Financial Year ended on 30.06.1988, the Company, in line with other similar Companies in the Textile Industry followed the cash system of accounting for gratuities i.e. in the respective years in which amounts of gratuities were paid;
- from and after the Financial Year beginning on 01.07.1988, following the amendment made in Sec.209 of the Companies Act, 1956 (which amendment took effect from 15.06.1988), the Company has started making provision for the accretal in the gratuity liability (based on actuarial valuation) by charging such accretal in the relevant year's Profit & Loss Account;
- the amount of Rs.1,46,70,778/- referred to in the foregoing qualification represents the amount of the backlog which could not have been provided under the foregoing previous method (cash system) so followed; and because of the magnitude of such backlog and of the generally weak performance by Units

## The Dawn Mills Company Limited

in the Textile Industry in Western India, the Company is not in a position to make up for such backlog without seriously impacting the Company's net worth which may have adverse consequences on the Company's current performance and the non-provision for such backlog is based on the Board of Directors belief that the same is in the overall interests of the Company and all its shareholders.

As for the qualifications in paragraph 2(f) of the Auditors' Report regarding the diminution/losses in the amount of investment, 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, 2003 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

During the year under review, the Company achieved a gross turnover of Rs. 4502 lacs as against Rs. 3708 lacs last year. The increase in turnover by 21% has been due to slightly improved market conditions and efforts by the management in introducing certain new counts of blended yarns which were received well in the market. Viewed in the context of the weak performance of blended yarn spinners, the year's result could be considered satisfactory.

The inventory levels have gone up substantially due to very poor deliveries during April 2003 on account of the textile market coming to a standstill after the proposed introduction of CENVAT and VAT in the recent budget combined with the transport strike. Together with the sub-normal monsoon forecast, the working of the Company may be affected during the year. With a view to conserve resources and maintain uniform dividend payout, the Directors felt it prudent to maintain dividend inspite of marginally improved performance last year.

### 5. Modernisation

The Company is continuing to modernise its manufacturing process. Replacements, renovations and modifications in machineries and other equipments have helped the Company in achieving improvement in the quality of the products and also in getting better productivity. A sum of Rs. 17.13 lacs has been spent during the year towards the cost of modernisation.

### 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, 2003 are attached to the Balance Sheet of the Company. As reported in the Directors' Report of the said Company annexed to these accounts, the subsidiary Company continued with the trading activities of ladies undergarments during the year.

### 7. Public Deposits

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

### 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

None of the employees is in receipt of remuneration for the year, which in aggregate was more than the limit prescribed under Section 217 (2A) of the Companies Act, 1956 and rules made thereunder.

#### 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. Dematerialisation of Shares :

As on 31.03.2003, 57,945 Shares of the Company stand dematerialised.

#### 16. 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.

#### 17. 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 26th April, 2003.

## The Dawn Mills Company Limited

### 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 thermal, water and electricity energy consumption is an ongoing programme of the Company.

##### (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- One more Compressor is installed along with the earlier one for the centralised Compressor air distribution system.
- Existing 3 ton, 5 ton per hour capacity boilers have been replaced by smaller capacity of 0.6 ton per hour.

##### (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 2002-03	Previous Year 2001-02
<b>A. Power and Fuel Consumption :</b>		
1. Electricity :		
Purchase Unit (KWH in lacs)	162.17	148.58
Total Amount (Rs. in lacs)	667.69	554.44
Avg. Rate/Unit	4.12	3.73
2. Furnace Oil :		
Quantity (in KLS)	153.833	195.644
Total Cost (Rs. in lacs)	18.32	18.74
Avg. Rate (Rs. per KL)	11912.12	9579.40
<b>B. Consumption per unit of Production :</b>		
1. Electricity (KWH)		
- Yarn/Kg.	6.20	6.37
- Hos./Kg	5.37	5.24
2. Furnace Oil/LSHS(LTR)		
- Yarn/Kg.	0.06	0.06
- Hos./Kg	1.12	1.78



## B. Technology Absorption :

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

### I. Research & Development :

1. Specific area in which R & D carried out by the Company :
  - New products/process development.
2. Benefits derived as a result of the above R & D :
  - Quality enhancement to achieve better standards.
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) Introduction of smaller lift spindles, smaller rings for higher productivity in Ring Frame.
  - (b) Development of optimum process parameters to enhance productivity maintaining quality levels.
  - (c) Further development of speciality yarns.
2. Benefits derived as a result of the above efforts :
  - (a) Technology upgradation.
  - (b) Reduction in costs to maximise profits.
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	94.15
- 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, dated 26th April, 2003.

## The Dawn Mills Company Limited

### AUDITORS' REPORT TO THE MEMBERS OF THE DAWN MILLS COMPANY LIMITED

We have audited the attached Balance Sheet of THE DAWN MILLS COMPANY LIMITED, Mumbai as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 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 we report that:
    - (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 12.
    - (c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;
    - (d) 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.
    - (e) On the basis of written representations received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
    - (f) Attention is invited to the followings :
      - 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 of Rs. 1,50,150/- [See Note 7(a)] has been made.
      - iii) No provision for Losses on account of investments of Rs. 30,57,243/- including the loans to the subsidiary company [See Note 7(b)] has been made.  
The aggregate effect of the above is that, to the extent of Rs. 1,46,70,778/- the liability of the Company is understated and the assets and the reserves of the Company are overstated by Rs. 32,07,393/- and Rs. 1,78,78,171/- respectively.
      - (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 in conformity with the accounting principles generally accepted in India :
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
  - (b) in the case of Profit & Loss Account, of the PROFIT of the Company for the year ended on that date; and
  - (c) in the case of cash flow statement, of the cash flow for the year ended on that date.

FOR CHANDRAKANT & SEVANTILAL  
Chartered Accountants

MUMBAI :

DATED : 28th April, 2003

PRADEEP S. SHAH

PARTNER

**ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003 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 preceding 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. 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.
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, 2003 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 (o) 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.

FOR CHANDRAKANT & SEVANTILAL  
Chartered Accountants