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**THE DAWN MILLS  
CO. LTD.  
92ND ANNUAL REPORT  
2004-2005**



## The Dawn Mills Company Limited

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### BOARD OF DIRECTORS

SHRI BANSI S. MEHTA - CHAIRMAN  
SHRI RAJEEV GOENKA  
SHRI M. G. PITTIE  
SHRI D. B. DHURV  
SHRI N. P. JHUNJHUNWALA  
SHRI S. K. JALAN  
SHRI N. R. RUIA - MANAGING DIRECTOR  
SHRI R. V. RUIA - EXECUTIVE DIRECTOR

### GM (Finance)

SHRI R. J. RATHI

### Bankers

BANK OF BARODA

### Auditors

M/S. CHANDRAKANT & SEVANTILAL, MUMBAI 400 001

### Solicitors

M/S. DHURU & 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

BIGSHARE SERVICES PVT.LTD.  
E-2/3, ANSA INDUSTRIAL ESTATE  
SAKIVIHAR ROAD, SAKI NAKA  
ANDHERI (E), MUMBAI 400 072  
Phone:28473747/28473474/28470652  
Fax :28475207  
E-mail:bigshare@bom7.vsnl.net.in

### 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. Booty Estate, Variety Chowk, Sitabuldi, Nagpur 440 012

## The Dawn Mills Company Limited

### NOTICE

Notice is hereby given that the Ninety-second Annual General Meeting of The Dawn Mills Company Limited will be held on Friday, the 22nd July, 2005 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 31st March, 2005 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Shri N.P.Jhunjhunwala who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri S.K. Jalan, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri D.B. Dhruv, 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.

For and on behalf of the Board of Directors

#### Registered Office:

Ganpatrao Kadam Marg,  
Lower Parel,  
Mumbai 400 013.

R. V. Ruia  
Executive Director

Mumbai, dated 27th April, 2005.

#### 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 12th July, 2005 to Friday, the 22nd July, 2005 (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. Bigshare Services Pvt.Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai 400 072 regarding change of address or transfer of shares or demat facilities, if any.
5. Unpaid/unclaimed dividend for 1997-98 will be due for transfer to the Investor Education & Protection Fund of the Central Government on the 31st August, 2005 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 31.03.1998 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. Unclaimed dividends for the year 1996-97 were transferred to the Investor Education and Protection Fund during 2004 pursuant to Section 205A read with 205C of The Companies Act, 1956.
7. Shareholders are requested to bring the Annual Report at the time of the Annual General Meeting.



## DIRECTORS' REPORT

To  
The Members of  
The Dawn Mills Company Limited

- The Directors hereby present their Ninety-second Annual Report together with audited Statement of Accounts for the year ended 31st March, 2005.

### 2. Financial Results

	2004-05 (Rupees)	2003-04 (Rupees)
Gross Profit	1,72,15,511	3,13,92,031
Depreciation	(91,08,191)	(90,39,560)
Credits relating to earlier years	6,85,649	2,68,478
Provision for taxation	(38,00,000)	(1,11,00,000)
Deferred Tax Credit	26,34,888	61,25,462
Excess provision of Income Tax written back	—	14,57,475
Balance brought forward from last account	4,63,78,183	3,15,29,610
	<u>5,40,05,960</u>	<u>5,06,33,496</u>
<b>Appropriations</b>		
Transfer to General Reserve	5,75,000	14,35,000
Proposed Dividend @ 20% (Previous Year @ 20%)	25,00,000	25,00,000
Corporate Dividend Tax	3,50,625	3,20,313
Balance carried to Balance Sheet	5,05,80,335	4,63,78,183
	<u>5,40,05,960</u>	<u>5,06,33,496</u>

As regards the qualifications given under Items No. (i), (ii), (iii) & (iv) of Paragraph 4 (f) in the Auditors' Report about the non-provision of gratuity liability, non-provision of diminution in value of investment, non-provision of losses on account of investment in subsidiary Company, and non-disclosure of amounts owed to small scale industrial undertakings, the necessary explanations in respect thereof have duly been given in Notes to the Accounts respectively, numbered as 6, 7(a) 7(b) & 10.

Further, about the non-registration of charge by borrower in favour of the Company on the property secured against the loan of Rs. 2.90 crores granted by the Company as referred to by the Auditors in their Reports and Annexure to the Reports in paragraph 4(f) (v) & 3(a) respectively, it is reported that the said matter is being pursued.

### 3. Dividend

The Directors recommend for your consideration payment of dividend for the year ended 31st March, 2005 at the rate of 20% (i.e. Rs.10/- per share) on 2,50,000 Equity Shares of Rs. 50/- each, fully paid. If approved, dividend aggregating to Rs.28,50,625/- (Inclusive of Corporate Dividend Tax of Rs. 3,50,625/-) will be paid out of the Profits.

### 4. Performance

During the year under report, the gross sales of the Company aggregated Rs. 3674 lacs as against Rs.4977 lacs in the preceding year, thereby resulting in a decrease by 26.18%. The reason for drop in sales was due to increase in cost of production especially raw material prices, power tariff and lower demand in the market because of higher selling prices. Due to the above factors, the profitability was also affected.

### 5. 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, 2005 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.

## The Dawn Mills Company Limited

### 6. 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.

### 7. Insurance

All the properties of the Company including building, plant and machinery & stocks are adequately insured.

### 8. 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.

### 9. 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.

### 10. Acknowledgement

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.

### 11. Directors

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Shri N.P.Jhunjunwala, Shri S.K. Jalan and Shri D.B. Dhruv retire from the Board of Directors by rotation and are eligible for reappointment.

### 12. 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.

### 13. 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 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.

### 14. Dematerialisation of Shares:

As on 31.03.2005, 82,768 Shares of the Company stand dematerialised.

### 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

### Regd. Office:

Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013  
Mumbai, dated, 27th April, 2005.



## 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: Nil
- (c) Impact of measures at (a) 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 2004-05	Previous Year 2003-04
<b>A. Power and Fuel Consumption:</b>		
1. Electricity:		
Purchase Unit (KWH in lacs)	122.54	167.05
Total Amount (Rs. in lacs)	501.16	628.84
Avg. Rate/Unit	4.08	3.76
2. Furnace Oil:		
Quantity (in KLS)	61.368	70.030
Total Cost (Rs. in lacs)	8.10	8.83
Avg. Rate (Rs. per KL)	13197.77	12601.91
<b>B. Consumption per unit of Production:</b>		
1. Electricity (KWH) - Yarn/Kg.	5.60	5.65
2. Furnace Oil/LSHS(LTR) - Yarn/Kg.	0.03	0.02

### 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.

## The Dawn Mills Company Limited

### 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 results 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	Nil
- Total Foreign Exchange Earnings	Nil

For and on behalf of the Board of Directors,



Bansi S. Mehta  
Chairman

#### Regd. Office:

Ganpatrao Kadam Marg,

Lower Parel

Mumbai - 400 013

Mumbai, 27th April, 2005.



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

1. We have audited the attached Balance Sheet of **THE DAWN MILLS COMPANY LIMITED**, Mumbai as at 31st March, 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with the 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further and subject to our comments in the Annexure referred to in paragraph 3 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, Profit and Loss Account and Cash Flow Statement 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, Profit and Loss Account and Cash Flow Statement 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 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.5,00,000/- in 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.6,50,150/- and Rs.1,53,20,928/- respectively.
    - iv) Non disclosure of amount(s) owed to small scale industrial undertakings [See Note- 10].
    - v) In respect of loan of Rs.2.9 crores granted to a company [see Schedule 6 (b)], the charge is yet to be created and registered under section 125 of the Companies Act, 1956 by the borrower.  
 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, 2005;
      - (b) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and



## The Dawn Mills Company Limited

(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, 2005

[PRADEEP S. SHAH]  
PARTNER  
Membership No.30632

### ANNEXURE TO THE AUDITORS' REPORT ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005 OF THE DAWN MILLS COMPANY LIMITED

(Referred to in paragraph 3 thereof)

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets as from the year 1964-65.
- (b) As explained to us, certain items of fixed assets were physically verified by the management once during the year which, in our opinion, is reasonable. No material discrepancies were observed on such verification.
- (c) The fixed assets disposed of during the year is not substantial which may affect the going concern, the basic assumption on which the accounts of the Company are prepared.
2. (a) The inventory, other than those lying with outside parties and in bonded warehouse, have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the 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.
3. (a) During the year, the Company has granted secured loan of Rs.2.9 crores to a company covered in the register maintained under Section 301 of the Companies Act, 1956. However, the charge is yet to be created and registered under section 125 of the Companies Act, 1956 by the borrower.
- (b) In our opinion, the terms and conditions thereof are not *prima facie* prejudicial to the interest of the Company.
- (c) As per the terms agreed upon the loan is to be re-paid within a period of three years.
- (d) There is no overdue amount of loan granted to the company.
- (e) The Company has not taken any loan from parties covered in the register maintained under Section 301 of the Companies Act, 1956. In view thereof clause (iii) (f) and (g) of Paragraph 4 of the Order is not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakh in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. During the year the Company has not accepted any deposits to which provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder would apply.
7. The internal audit system, in our opinion, is adequate and commensurate with the size and nature of Company's business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.



9. (a) According to the information and explanations given to us, and records of the Company except as reported in clause (b) below, the Company is regular in depositing with appropriate authorities undisputed statutory dues, including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax custom duty, excised-duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, there were no undisputed amounts payable in respect of the statutory dues referred to above which have remained outstanding as at 31st March, 2005 for a period of more than six months from the date they became payable except that of liability under the applicable sales tax laws of the Maharashtra State of Rs.2,12,391 and under the Profession Tax Act, 1975 of Rs.6,62,820.
- (c) According to the information and explanation given to us and the records of the Company, except as reported below, there are no dues of income-tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty or Cess, which have not been deposited on account of any dispute. The details of excise duty which have not been deposited on account of dispute with the Central Excise authorities are as under :-

Dispute	Amount (Rs) pending	Forum where dispute is
Excise duty claimed on shortage of stock found in yarn stock in 1985-86.	18,133	Commissioner of Central Excise (Appeals)
Excise duty claimed on process loss in job work.	2,12,920	Addl. Commissioner of Central Excise.

10. The Company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to the banks. There are no dues to any financial institution or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not carrying on the chit fund business, hence, the provisions of any special statute applicable to chit fund are not applicable.
14. The Company is not dealing in or trading in shares, securities, debentures or other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. The term loans have been applied for the purpose for which they were raised.
17. According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we report that the only funds raised by way of term loans from the banks in the recent past have been utilised for acquiring certain fixed assets and accordingly, the funds so raised have not been used for short term purposes. Otherwise, the Company has financed all its assets out of shareholders' funds.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. There are no debentures issued and outstanding during the year.
20. During the year, the Company has not raised money by public issue(s).
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For CHANDRAKANT & SEVANTILAL  
Chartered Accountants

[PRADEEP S. SHAH]  
PARTNER  
Membership No.30632

MUMBAI :  
DATED : 28th April, 2005