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THE GAEKWAR MILLS LIMITED
BILIMORA

68th ANNUAL REPORT

1996 - 1997



THE GAEKWAR MILLS LIMITED

[Incorporated under the Baroda State Companies
Act 2 of Samvat Year 1975]

**DIRECTORS'S REPORT AND STATEMENTS OF ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1997**

DIRECTORS :

HOMI FRAMROZE MEHTA Esq., Chairman

RANCHHODDAS M. GOCULDAS Esq.

RASHEED A. MASKATI Esq.

**N. O. PAREKH Esq., Special Director,
Nominated by B.I.F.R.**

K. K. KOTWAL Esq.

D. M. SHIRODKAR Esq.

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AUDITORS :

**MESSRS. M.D. PANDYA & ASSOCIATES
CHARTERED ACCOUNTANTS**

REGISTERED OFFICE :

**BHARAT HOUSE, 4TH FLOOR,
104, BOMBAY SAMACHAR MARG,
FORT, MUMBAI - 400 001.**

Shareholders are requested to bring their copy of the Annual Report along with them at the General Meeting, as the practice of Distributing copies of the Report at the Meeting, has been discontinued.

THE GAEKWAR MILLS LIMITEDN O T I C E

The SIXTY-EIGHTH ANNUAL GENERAL MEETING of the Shareholders of THE GAEKWAR MILLS LIMITED will be held at Mehta House, 4th Floor, 79-91, Bombay Samachar Marg, Fort, Mumbai - 400 001, on Saturday, the 29th day of November, 1997, at 11.00 A.M. (S.T.), to transact with or without modifications, as may be permissible, the following business :

- (1) To consider and adopt the Directors' Report and the Audited Statements of Account of the Company for the year ended 31st March, 1997.
- (2) To appoint a Director in place of Shri Homi F. Mehta, who retires by rotation and is eligible for re-appointment.
- (3) To appoint a Director in place of Shri R.M. Goculdas, who retires by rotation and is eligible for re-appointment.
- (4) To appoint Auditors to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES : (i) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

(ii) The Register of Members and the Share Transfer Books of the Company, will be closed from Wednesday, the 17th day of December, 1997 to Tuesday, the 27th day of December, 1997, both days inclusive.

(iii) Change of address, if any, should be notified to the Company, immediately.

By Order of the Board of Directors

K. K. KOTWAL
Director

Registered Office :

Bharat House, 4th Floor,
104, Bombay Samachar Marg,
Fort, Mumbai - 400 001.

Dated: 3rd day of November, 1997.

THE GAEKWAR MILLS LIMITEDDIRECTORS' REPORT

To:

The Members,

The Directors present their 68th Annual Report and the Audited Accounts for the year ended 31st March, 1997.

The Members are aware that the Mill stopped working from the 10th June, 1986. Since closure of the Mill, the members of the staff have not been attending. However, the work of writing of Books of Accounts was taken up with the assistance of some loyal employees, and the same has been completed and audited.

The Company has incurred a loss of Rs.438 lacs for the year under report, of which Rs.422 lacs is on account of interest. However, to remission of interest, as per one-time settlement with the Banks and Financial Institutions, as per the Sanctioned Scheme of AAIFR, there is a profit of Rs.964 lacs.

The process of implementing the Sanctioned Scheme has been initiated and the Company sold part of its idle assets and cloth stock, as per the Sanctioned Scheme.

As for the repayment of dues of the Banks and Financial Institutions, the Company is making all efforts for sale of its surplus land, preferable in one block or by plots, depending on proposals from prospective buyers, as per the order of AAIFR at a review hearing of the implementation of the Sanctioned Scheme, on 13th October, 1997.

DIRECTORS :

The Directors regret the sad demise of Shri R.S. Bhatt, the Director of the Company. His valuable guidance and counsel will be missed by the Board. The Board has placed on record its appreciation of the services rendered by Shri R.S. Bhatt during his tenure as Director of the Company.

Shri Homi F. Mehta and Shri R.M. Goculdas, Directors of the Company, retire by rotation, but being eligible, offers themselves for re-appointment.

INSURANCE :

The Company's Buildings, Machinery and other properties have been adequately insured against risk of Fire, Riots, Strike and Civil Commotion.

AUDITORS :

The Members are requested to re-appoint M/s. M.D. Pandya & Associates, Chartered Accountants, as Auditors and fix their remuneration.

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OBSERVATION ON THE REMARKS IN THE AUDITORS' REPORT :

The Auditors have made their expression of opinion, subject to Notes 1, 3 to 5 and 7 to 13 of the Accounts. The Auditors' Report also contains Statement on additional matters, as required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988. The fullest information and explanation on the respective matters have already been given in the aforesaid Notes included by your Directors as a part of Accounts submitted to you for the year under Report as also by the Auditors themselves in the said Report.

On behalf of the Board of Directors

K. K. KOTWAL
Director

Registered Office :

Bharat House, 4th Floor,
104, Bombay Samachar Marg,
Fort, Mumbai - 400 001.

Dated: 3rd November, 1997.

ANNEXURE TO THE DIRECTORS' REPORT

(Additional information given in terms of Notification No.1029 of 31/12/1988, issued by the Department of Company Affairs.)

No information can be given with regard to Disclosure in respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, etc., since the Mills were closed during the year under Report.

AUDITORS' REPORT
TO THE MEMBERS OF THE GAEKWAR MILLS LIMITED.
ON THE ACCOUNTS FOR THE YEAR 1996-97.

1. We have audited the attached Balance Sheet of your Company as at 31st March, 1997, and also its Profit & Loss Account, for the year ended on that date, annexed thereto, together with the Notes forming part of the Accounts. These Accounts have been prepared on the going-concern basis, though the Mills were closed throughout the year. Appellate Authority for Industrial and Financial Reconstruction (AAIFR), has sanctioned the Rehabilitation Scheme prepared by the Industrial Development Bank of India (IDBI), the Operating Agency. The Company has initiated the process of implementation of the sanctioned scheme.
2. The Fixed Assets, including 'Machinery awaiting installation', were not verified by the Management, during the year, nor were the records maintained. No documents, of title, have been shown to us. During the year certain Machineries were sold. Except for the above machineries, the Assets have been shown at the same figures as at the end of the earlier year, and we are in no position to express any opinion about their existence or present condition. The company has not provided depreciation for the year and for several earlier years. As stated in our past reports, the accumulated arrears, as at 30th June, 1986, amounted to Rs. 1,90,04,724. No computation has been made of the arrears, of depreciation, thereafter.
3. Though goodwill is shown, at its purchase cost of Rs 57,546, it cannot be said, in the circumstances of the case, to have any commercial value.
4. The investments could not be verified by us. However, dividend has been received on the shares in The Zenith Securities and Investments Ltd.

5. The stocks, shown at a total of Rs 31,57,127 in the Balance Sheet, could not be verified, either as at, or after, the end of the year or during it, nor were any records thereof maintained. The same have been valued on an adhoc basis.. the arithmetical effect whereof, expressed as a percentage of the cost, is stated in Schedule H to the Balance Sheet.
6. The Debtors have been taken as per their balances in the books, totaling Rs 43,63,704 (which is the same as on 30.06.1988). However, no confirmation was available from (nor any request, to that effect, made to) debtors totaling Rs . 43,10,220 . As nothing has been received from them, till the completion of audit over 9 years later, the non-confirmation debtors must, in our, opinion, be considered to be doubtful of recovery, even quite apart from the litigation, dispute and arbitration mentioned in Note No. 12 to the Accounts.
7. As regards the Income -Tax Refund/Interest Receivable of Rs 3,97,245 as shown under Current Assets, the same appears to be doubtful of recovery.
8. There are no balance confirmation certificates from the Bank, for the Fixed Deposits of Rs 6,24,008. The deposit receipts could also not be verified by us, as we were informed that they are held by the Bank. As such, we are unable to express any opinion on this item.
9. Out of the Advances for goods and expenses of Rs.29,00,259/-, advances amounting to Rs. 23,70,414, have been taken only as per the books, without any external confirmation (for which, in fact, no request has been made either). As there are hardly any recoveries or adjustments since 30.06.1987, right up to the completion of audit more than 10 years later, the same must, in our opinion, be considered to be doubtful of recovery.

10. The Excise and other deposits, totaling Rs 7,34,056 have also been taken only as per the books, without any external confirmation. Moreover, no request was made, to the depositor parties, for such confirmation. In the circumstances, we cannot say whether the above balance of Rs 7,34,056 can be considered good.
11. Sundry Creditors aggregating Rs9,64,86,662, and the Sundry Deposits and Advances received totaling Rs 450,474, have been taken, as per the books, without any confirmation. Moreover, no request was made, to the parties, for such confirmation.
12. No provision has been made for wages or wage-related outgoings for the year, as we are informed that, no wages are payable for closure period as per the order of AAIFR.
13. As required by the Manufacturing and other Companies (Auditors' Report) order, 1988, issued Under Section 227(4A) of the Companies Act, 1956, we make, on the basis of such checks, of the books and records, as we considered appropriate, the following statement on such of the matters, specified in the said order, as are applicable to the Company :
 - (a) As stated in paragraph 2 above, the Fixed Assets have not been verified, by the Management, during the Year nor were the records thereof maintained as at 31.03.1997.
 - (b) The Fixed Assets have not been revalued during the year; as such, the question, of indicating the basis of revaluation, does not arise.
 - (c) We are informed that, as the Mills were closed, physical verification could not be conducted by the Management, during the year, in respect of Finished Goods, Stores, Spares parts and Raw Materials.
 - (d) In view again of the absence, of physical verification(as just stated above), the question, of determination of reasonableness or adequacy of the procedure, does not arise.