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THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS COMPANY LTD.

95TH ANNUAL REPORT AND ACCOUNTS 2002-2003

BOARD OF DIRECTORS

Shri Prem Ratan Damani
Chairman & Managing Director

Shri Navratan Damani
Shri E.A.K. Faizullahoy

Shri Kiranbhai J Shah

Shri S.K. Somany

Shri J.P. Singhal

Executive Director w.e.f. 31/7/2003.

ADVISOR

Shri S.R. Gandhi

GENERAL MANAGER

Shri J.M. Adhia

SOLICITORS

M/s. Mulla & Mulla & Craigie Blunt & Caroe

AUDITORS

M/s. K.S. Aiyar & Co.

Chartered Accountants

BANKERS

Bank of India

MILLS & REGISTERED OFFICE

Fatehchand Damani Nagar,
Station Road,
SOLAPUR - 413 001

LISTED AT

The Stock Exchange, Mumbai
The Stock Exchange, Ahmedabad
The Calcutta Stock Exchange Association Ltd., Kolkata
The Delhi Stock Exchange Association Ltd., New Delhi
The Madras Stock Exchange Ltd., Chennai

NOTICE

NOTICE is hereby given that the Ninety Fifth Annual General Meeting of the Shareholders of THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS CO. LTD., will be held at the Company's Registered office at Fatehchand Damani Nagar, Station Road, Solapur - 413 001, on Saturday, the 27th September, 2003 at 12.30 P.M.(S.T.) to transact the following business;

- 1) To receive and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2003.
- 2) To Appoint a Director in place of Shri S.K. Somany, who retires by rotation but, being eligible, offers himself for reappointment.
- 3) To Appoint a Director in place of Shri E.A.K. Faizullahoy, who retires by rotation but, being eligible, offers himself for reappointment.
- 4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

- 5) To appoint Shri J.P. Singhal as Executive Director.
 To consider and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution;
 "RESOLVED THAT pursuant to Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and (Subject to the approval of the Shareholders in the General Meeting) and the Central Government if necessary, the approval of the Company be and is hereby accorded to the appointment of Shri J.P. Singhal as the Executive Director of the Company for a period of 5 years with effect from 1st August, 2003, on the following terms and conditions :
 - I. SALARY : Rs.10000/=(Rupees Ten Thousand only) Per month
 - II. COMMISSION : One percent of the net profits of the Company, subject to a ceiling of 50% of the salary or Rs.60,000/- per annum, whichever is less.

PART - A

- (i) HOUSING : Unfurnished Accommodation to be provided at Solapur

PART - B

- (i) COMPANY'S CONTRIBUTION TOWARDS PROVIDENT FUND/ SUPERANNUATION FUND AND PENSION : As per Rules of the Company, but not exceeding 25% of the salary as laid down under the Income-Tax Rules, 1962.
- (ii) GRATUITY : Not exceeding one-half month's salary for each completed year of service.

PART - C

- (i) CAR : Free use of Car with driver for the Company's business.
- (ii) TELEPHONE : Free Telephone facility at residence.

OTHER PERQUISITES :

- (i) LEAVE : One full pay and allowance as per Rules of the Company but not exceeding one month's leave for every 11 months of service subject to condition that leave accumulated but not availed of will not be allowed to be encashed.
 - (ii) ENTERTAINMENT : Reimbursement of all entertainment and all other expenses actually and properly incurred for the business of the Company which will not be treated as an item of remuneration for the purpose of the Companies Act, 1956.
- MINIMUM REMUNERATION** : Where in any financial year during the tenure of Mr.J.P. Singhal as the Executive Director, if the Company has no profit or the profits are inadequate then there will be no reduction in the remuneration by way of salary and perquisites.

- 6) To consider and if thought fit, to pass with or without modification, the following Resolution as a special Resolution.
 "RESOLVED THAT in terms of SEBI (De-listing of Securities) Guidelines, 2003, and also Guidelines / Notifications issued / to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 (including any Statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall deem to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to De-list Company's Equity Shares from The Stock Exchange Ahmedabad (ASE), The Kolkatta Stock Exchange Association Limited (CSE), The Delhi Stock Exchange Association Limited (DSE) and Madras Stock Exchange (MSC).

MUMBAI

DATED : 31st July, 2003

By Order of the Board of Directors
 P.R. DAMANI
 CHAIRMAN

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (b) The Register of Members and Shares Transfer Books in respect of Equity Shares of the Company will remain closed from 11th September, 2003 to 18th September, 2003 (both days inclusive).
- (c) Shareholders are requested to intimate immediately any change in their registered address.
- (d) Members are hereby informed that dividends which remain unclaimed/unencashed over a period of seven years have to be transferred by the Company to the Investor Education & Protection Fund constituted by the Central Government under Sec.205(A) & 205(C) of the Companies Act, 1956 as amended up-to date.
- (e) Shareholders seeking any information with regard to Accounts are requested to write to the Company early so as to enable the management to keep the information ready.
- (f) **BRIEF RESUME OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENTS.**

Shri S.K. Somany

Shri S.K. Somany is an industrialist with a wide experience of 50 years in textile industry. He is Chairman of Soma Textiles & Industries Ltd. and has advised our Company on many occasion. His presence on the Board of Company is an asset. He is chairman of the Audit

Committee Constituted by the Board of Directors of the Company. The Board considers that the Company would be benefited from his experience and knowledge and recommends his re-appointment as Director on the Board of Company under item No. 2 of the Agenda of accompanying Notice of 95th Annual General Meeting of the Members of the Company.

Shri E.A.K. Faizullahoy

Shri E.A.K. Faizullahoy is an eminent Solicitor and partner of M/s. Mulla & Mulla Cragie Blunt & Caroe. He is on the Board of Company since last 20 years and has given valuable legal advice whenever required. He is a member of the remuneration committee constituted by the Board of Directors. The Board considers that the Company would be benefited from his experience and knowledge and recommends his re-appointment as Director on the Board of Company under item No.3 of the Agenda of accompanying Notice of 95th Annual General Meeting of the Members of the Company.

THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS CO. LTD.

ANNEXURE TO NOTICE - EXPLANATORY STATEMENT

In conformity with the provisions of the Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to Item No. 5 mentioned in the accompanying Notice dated 31st July, 2003.

ITEM 5

Shri J.P. Singhal Aged 72, has studied in T.I.T Bhiwani and obtained the degree of BSC. Tex in 1955. He has more than 45 years experience in textile industry. He is working with the Company since 1969 and rose to the position of Advisor to Chairman. He has also written many useful articles on textiles technology and the same were published in various textiles journals. The Company would benefit from his sincerity and hard working and recommends for his appointment as Executive Director for a period of 5 years from 1st August, 2003.

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|----------------|--|
| I. SALARY | : Rs.10000/=(Rupees Ten Thousand only) Per month |
| II. COMMISSION | : One per cent of the net profits of the Company, subject to a ceiling of 50% of the salary or Rs.60,000/- per annum, whichever is less. |

PART - A

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|-------------|---|
| (i) HOUSING | : Unfurnished Accommodation to be provided at Solapur |
|-------------|---|

PART - B

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|---|---|
| (i) COMPANY'S CONTRIBUTION TOWARDS PROVIDENT FUND/ SUPERANNUATION FUND AND PENSION GRATUITY | : As per Rules of the Company, but not exceeding 25% of the salary as laid down under the Income-Tax Rules, 1962. |
| (ii) | : Not exceeding one-half month's salary for each completed year of service. |

PART - C

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|----------------|---|
| (i) CAR | : Free use of Car with driver for the Company's business. |
| (ii) TELEPHONE | : Free Telephone facility at residence. |

OTHER PERQUISITES :

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|-----------|--|
| (i) LEAVE | : One full pay and allowance as per Rules of the Company but not exceeding one month's leave for every 11 months of service subject to condition that leave accumulated but not availed of will not be allowed to be encashed. |
|-----------|--|

- | | |
|--------------------|---|
| (ii) ENTERTAINMENT | : Reimbursement of all entertainment and all other expenses actually and properly incurred for the business of the Company which will not be treated as an item of remuneration for the purpose of the Companies Act, 1956. |
|--------------------|---|

MINIMUM REMUNERATION : Where in any financial year during the tenure of Mr.J.P. Singhal as the Executive Director, if the Company has no profit or the profits are inadequate then there will be no reduction in the remuneration by way of salary and perquisites.

Mr. J.P. Singhal is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is concerned or interested in the said resolution.

ITEM 6

Presently, the Company's Equity Shares are listed on the following Stock Exchanges:

- 1) The Mumbai Stock Exchange (BSE) - Regional Stock Exchange
- 2) The Stock Exchange Ahmedabad (ASE),
- 3) The Kolkatta Stock Exchange Association Limited (CSE),
- 4) The Delhi Stock Exchange Association Limited (DSE)
- 5) The Madras Stock Exchange (MSE).

As part of its cost reduction measures and in line with the Circular issued by SEBI for Voluntary De-listing of Company's Securities, your Company has proposed De-listing of its Equity Shares from Stock Exchanges viz. Ahmedabad, Kolkatta, Delhi & Madras.

SEBI vide Circular SMD/POLICY/CIR-7/2003 dated 17th February, 2003 issued fresh Guidelines for De-listing of Securities. Pursuant to Clause 5.2 relating to De-listing of Securities (Voluntary) of a Listed Company, an EXIT opportunity need not be given in cases where securities continue to be listed on a Stock Exchange having nationwide terminals. Your Company's shares are listed and traded with Stock Exchanges having nationwide terminals viz. Stock Exchange Mumbai.

With the net working facilities of BSE, the Members of the Company have access to on-line dealings in the Company's Equity Shares across the Country. Trading volumes on ASE, CSE, MSE and DSE in the Company's Shares are virtually nil. Further, the Company's Equity Shares are compulsorily traded in demat form for all investors and hence Investors including the members located in the above Region are dealing with the securities of the Company only with BSE. The proposed Delisting of the Company's Equity Shares from ASE, CSE, MSE and DSE will not therefore, adversely affect any Investor including the members located in these regions. Company's Equity Shares will continue to be listed on BSE.

None of the Directors is in any way concerned or interested in the Resolution.

NINETY FIFTH REPORT OF THE DIRECTORS

We present our Annual Report of the Company with the audited statement of accounts for the year ended 31st March, 2003.

	2002-2003	2001-2002
1. FINANCIAL RESULTS		
Gross Profit/(Loss)	(1,77,06,134)	(10,14,24,689)
ADDITIONS/DEDUCTIONS		
Depreciation	2,82,70,429	2,92,65,759
Profit/(Loss) before taxation	(4,59,76,563)	(13,06,90,448)
Add :		
Balance brought forward	(38,39,43,922)	(25,93,84,623)
Income Tax of earlier years	0	(8,88,851)
Transfer from Debenture Redemption	0	70,00,000
Profit/(Loss) dealt with as under	(42,99,20,485)	(38,39,43,922)
Surplus/(Deficit) carried to Balance Sheet	(42,99,20,485)	(38,39,43,922)

2. DIVIDEND

In view of losses suffered by the Company it is not possible for the Directors to recommend any dividend.

3. RESPONSIBILITY STATEMENT

As stipulated in Section 217(2AA) of Companies Act, 1956 your Directors subscribe to the "Directors' Responsibility Statement" and confirm as under :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have 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 the period;
- that the directors have taken proper and sufficient care of 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;
- that the directors have prepared the annual accounts on a going concern basis.

4. WORKING

The performance during the year under review continued to be poor because of lower plant utilization and severe recession in textiles sector. The operation of old unit was phased out considering the poor quality and low productivity of old machines. The account of workers/ staff were settled amicably. The company has made reference to Board for Industrial and financial Reconstruction (BIFR) for rehabilitation package.

5. CORPORATE GOVERNANCE

A separate report on Corporate Governance is enclosed as a part of this Annual Report of the Company. A certificate from Auditors of the Company regarding compliance of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

6. CURRENT OUTLOOK

The benefits of measures taken during last year for cost reduction is expected during this year. Further Company has approached Competent Authorities for the permission for constructing Housing Complex and expect this activity will be beneficial for further reduction in cost towards Financial Charges.

7. DIRECTORS

Shri R.N. Joshi, Director of the Company expired on 4th March, 2003. The Company suffered a great loss in his demise. The Company puts on record its appreciation for the services rendered by him during the course of his tenure as Director.

Under Articles 148 of the Articles of Association of the Company, Shri S.K. Somany and Shri E.A.K. Faizullahoy retire by rotation and are eligible for re-election.

8. INSURANCE

Your Company's buildings, Plant and Machinery, Tool, Electrical installations, Stock in Process, Finished Goods and Raw Materials have been adequately insured.

9. PUBLIC DEPOSITS

Fixed Deposits at the end of the year stood at Rs. 5,35,000/-. An amount of Rs. 1,48,000/- remained unclaimed as on 31st March, 2003 out of which Rs. 59,000/- has been repaid leaving a balance of Rs. 89,000/- unclaimed.

10. AUDITORS' REPORT

Auditors' Report para VI, VII & VIII are self explanatory and do not call for any specific response u/s. 217(3) of the Companies Act, 1956.

11. AUDITORS

You are requested to appoint the Auditors to hold office from conclusion of the meeting till the conclusion of the next Annual General Meeting and fix their remuneration. The retiring Auditors, M/s. K.S. Aiyar & Co., Chartered Accountants being eligible offer themselves for reappointment.

12. PARTICULARS OF EMPLOYEES

There is no Employee in receipt of remuneration exceeding Rs. 2,00,000/- p.m. or part thereof or Rs. 24,00,000/- p.a. Accordingly no particulars are furnished u/s. 217(2A) of the Companies Act.

13. ACKNOWLEDGEMENTS

Your Directors place on record the timely assistance and cooperation given to the Company by Bank of India and Industrial Development Bank of India. Your Directors also place on record their appreciation of contribution made by the employees at all levels to the operations of the Company during the year under review.

14. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EARNING AND OUTGO

Information pursuant to Section 217(i)(e) of the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 is given in the annexure.

Place : MUMBAI
 Date : 30th June, 2003

For and on behalf of the Board
P. R. DAMANI
 CHAIRMAN

ANNEXURE "A" TO DIRECTORS REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY**a. ENERGY CONSERVATION MEASURES TAKEN.**

- i) IN VIEW OF REDUCED LOAD FROM PROCESSING SECTION, THE TRANSFORMERS HAVE BEEN REALLOCATED TO GET THE MAXIMUM OUTPUT AND AVOID EDDY CURRENT LOSS.
- ii) THE POWER FACTOR IS MAINTAINED IN THE VICINITY OF 0.99.
- iii) EXHAUST AIR OF RING FRAME PNUMAFIL IS USED FOR COOLING OF DRIVE MOTOR.

b. ADDITIONAL INVESTMENT AND PROPOSAL IF ANY BEING IMPLEMENTED FOR REDUCTION IN CONSUMPTION OF ENERGY.

- i) INSTALLATION OF OLTC WITH AVR IN A UNIT.

c. IMPACT OF MEASURES AT (a) AND (b) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND ON THE COST OF PRODUCTION OF GOODS.

- i) REDUCTION IN EDDY CURRENT LOSSES RESULTED IN SAVING OF ENERGY.
- ii) MAINTENANCE OF HIGH POWER FACTOR FETCHED MAXIMUM AND EFFICIENT UTILIZATION OF ENERGY.
- iii) MOTOR BURNING RATE HAS GONE DOWN DUE TO PROPER COOLING.

d. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF THE PRODUCTION : FORM - "A" ENCLOSED.**B. TECHNOLOGY ABSORPTION.****a. EFFORTS MADE IN TECHNOLOGY ABSORPTION : FORM - "B" ENCLOSED.****C. FOREIGN EXCHANGE EARNING AND OUTGO.****(RS. IN LACS)**

- | | |
|----------------------------|-------|
| i) FOREIGN CURRENCY EARNED | 98.50 |
| ii) FOREIGN CURRENCY USED. | NIL |

NOTES : FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

FORM "A"

A. POWER AND FUEL CONSUMPTION

CURRENT YEAR
1.4.2002 - 31.03.2003PREVIOUS YEAR
1.4.2001 - 31.03.2002

1. Electricity

a) Purchased

Unit (kwh) in lakhs

136.78

128.93

Total Amount (Rs. in lakhs)

539.41

505.95

Rate/Unit (Rs.)

3.94

3.92

b) Own generation through Diesel Generator

Units (KWH) in lakhs

0

0

Total Cost (Rs. in lakhs)

0

0

Cost/Unit (Rs.)

0

0

2. Coal

Quantity in M. Tons

368.92

216.3

Total Cost (Rs. in lakhs)

7.9

45.53

Average Rate (Rs./M.Tons)

2142.5

2150.3

Other Fuels

3. Quantity in M. Tons

4488.4

5447.7

Total Cost (Rs. in lakhs)

45.5

60.53

Average Rate (Rs./M.Tons)

1013.7

835.77

B. CONSUMPTION PER UNIT OF PRODUCTION

1. Electricity (Units)

per kg of yarn

3.05

3.3

per linear metre of fabric

5.04

4.14

2. Fuels (Rs.)

per kg of yarn

1.19

1.28

per linear metre of fabric

1.97

1.61

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT OF TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R & D)

1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY.

- i) DEVELOPED STOP MOTION ON DRAW FRAME.
- ii) THE ACTIVITIES OF QUALITY CIRCLES MONITORED REGULARLY.
- iii) YARN CLASIMATE TESTING IS DONE ON RJK MACHINE.

2. BENEFIT DERIVED AS A RESULT OF THE ABOVE R & D.

PRODUCT DEVELOPMENT / IMPROVEMENT

- i) PROPER DOCUMENTATION AND SYSTEMS ARE DEVELOPED FOR PROCEDURE TO MANUFACTURE AND SUPPLY QUALITY PRODUCTS.
- ii) THE BREAK DOWN ON DRAWING FRAMES ARE CONSIDERABLY REDUCED.
- iii) QUALITY OF YARN IS IMPROVED.

3. IMPORT SUBSTITUTION

NIL

4. FURTHER PLAN OF ACTION.

- i) FURTHER IMPROVEMENT IN QUALITY OF YARN BY IDENTIFYING AND ATTENDING PROCESS PARAMETERS.

5. EXPENDITURE ON R & D.

(RS. IN LACS)

a) CAPITAL

NIL

b) RECURRING

3.95

c) TOTAL

3.95

d) TOTAL R & D EXPENDITURE AS A PERCENTAGE OF TOTAL TURNOVER

0.07

TECHNOLOGY ABSORPTION, ADOPTION AND INOVATION

EFFORTS IN BRIEF MADE TOWARDS TECHNOLOGY ABSORPTION ADOPTION AND INOVATION AND BENEFITS AS A RESULT THEREOF.

- i) THE MARKET SURVEY WAS DONE AND IDENTIFIED THE REQUIREMENT, ACCORDINGLY, YARN PARAMETERS WERE MODIFIED.
- ii) NEW TECHNIQUE FOR WORK PRACTICE IS ADOPTED.
- iii) MINOR INNOVATIONS ARE REGULARLY CARRIED OUT TO COUNTER PROBLEMS ENVISAGED DAY TO DAY.

AUDITORS' REPORT

To the Members of

Jamshri Ranjitsinghji Spinning & Weaving Mills Company Limited

We have audited the attached Balance Sheet of **The Jamshri Ranjitsinghji Spinning & Weaving Mills Company Limited** as at 31st March, 2003 and 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.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 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.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) 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 those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards for referred to in sub-section (3C) of section 211 of the Companies Act, 1956. Related party transactions referred to in note no. 10 are as disclosed by the Company, we are unable to confirm that the list is an exhaustive compilation of all the related parties as defined in Accounting Standard 18. For disclosures as per Accounting Standard 17 refer note no. 9 of Notes to Account.
- (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors are 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;
- (vi) **As detailed in note no. 13, interest for the year amounting to Rs. 2,62,65,392 on bank demand loan, term loans and on other credit facilities given by a bank have not been provided during the year, as a consequence the loss for the year, the accumulated loss till date and the amount of secured loans are understated to that extent.**
- (vii) **Debtors include Rs. 112.35 lacs receivable from a customer outstanding for more than three years. The management is following up with the concerned party for recovery of the dues. In view of the inordinate delay in recovery of the dues, we are unable to opine on the recoverability of the amount.**
- (viii) **As detailed in note no. 6 of the notes to accounts, the Company has been incurring continuing losses resulting in the erosion of its Net-worth. Despite this aspect the accounts of the Company have been prepared on a Going Concern basis.**
- (ix) **Subject to, (vi), (vii) & (viii) above and also to our observation in point number (i) of the annexure to this report, relating to the verification of the fixed assets, we report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 the Profit and Loss Account, of the loss for the year ended on that date and ;
 - (c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Mumbai
Date : 30th June 2003

For K. S. Aiyar & Co.
Chartered Accountants
Ramakrishna Prabhu
Partner

ANNEXURE THE AUDITORS REPORT

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- i) The Company has maintained records showing full particulars including quantitative details and situation of fixed assets. *However, the same has not been verified during the year. The management proposes to undertake the verification in the next year. Adjustments if any, would be made, if any serious discrepancies were noticed as compared with the available records.*
- ii) The Company has not revalued its fixed assets during the year.
- iii) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials. Stocks of finished goods lying with third parties have been confirmed by them.
- iv) The procedure of physical verification by the management, in our opinion is reasonable and adequate in relation to the size of the company and the nature of its business.
- v) No material discrepancies have been noticed on physical verification of stocks as compared to book records.
- vi) In our opinion the valuation of stock is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
- vii) The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 except for a temporary unsecured loan from Damani Textile Company whereof the rate of interest and the terms and conditions are prima facie not prejudicial to the interests of the Company. We have been informed that there are no companies covered under section 370(1-B) of the Companies Act, 1956. The provisions of section 370 are not applicable with effect from 31st October 1998.
- viii) 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. We have been informed that there are no companies covered under section 370(1-B) of the Companies Act, 1956. The provisions of section 370 are not applicable with effect from 31st October 1998.
- ix) The Company has placed inter corporate deposits with other Companies in respect of which the principal and interest are due for repayment but have not been received as stipulated. We are informed that follow up steps are being taken. As regard interest free loan given to certain employees, the principal is being recovered as stipulated.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business with regard to the purchase of stores, raw materials (including components), plant and machinery, equipment and other assets and with regard to the sale of goods.
- xi) The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the registers 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 or materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- xii) As explained to us, the Company has a regular procedure for determining unserviceable and damaged stores and raw materials.
- xiii) The Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder for the deposits accepted from the public.
- xiv) The Company has maintained reasonable records for the sale and disposal of waste. The Company states that other scraps etc. is not significant. The Company does not have any realisable by-product.
- xv) *No Internal Audit was carried out during the year.*
- xvi) The Central Government has prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956. On a prima facie examination, such records are duly maintained.
- xvii) The Company is generally regular in depositing the Provident Fund and Employees State Insurance dues with the appropriate authorities.
- xviii) According to the information and explanation given to us, *except for sales tax dues amounting to Rs. 984,242* no undisputed amount payable in respect of income tax, customs and excise duty were outstanding as on 31st March 2003 for a period of more than six months from the date they become payable.
- xix) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under the contractual obligations or in accordance with generally accepted business practice.
- xx) *The Company is a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and has made a reference to the Board for Industrial and Financial Reconstruction under section 15 of that Act.*
- xxi) In respect of trading activities of the Company, there were, as explained to us, no damaged goods noticed during the year.

For K. S. AIYAR & CO
CHARTERED ACCOUNTANTS

Place: Mumbai
Date : 30th June, 2003

Ramakrishna Prabhu
Partner

MANAGEMENT DISCUSSION AND ANALYSIS**A) INDUSTRY STRUCTURE AND DEVELOPMENT**

The textile industry in India plays a pivotal role in the economy next only to Agriculture. It contributes 14 percent to the industrial production, provides direct and indirect employment to 35 million people. The export earnings of this sector in the country's exports is almost 27%.

The spinning capacity in India during 2002-2003 expanded by 7,00,000 spindles as compared to 2001-2002. The Government is actively considering the proposal of long term low cost finance for modernization of Industry.

B) OPPORTUNITIES, THREATS, RISKS AND CONCERNS

With the development of decentralized sector for weaving and installation of high speed machines in this sector the requirement of better quality of yarn is increasing to get maximum output of the new machines. Also the consumption of Polyester blended yarn is increasing steadily replacing other yarn. On the other hand International competition with liberal Import policy is considered as threat.

C) OUTLOOK

Please refer Directors report.

D) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure protection against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

E) FINANCIAL AND OPERATIONAL PERFORMANCE

Please refer Director's Report.

F) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT.

The Company has always recognized the manpower as its asset and that the people had been the driving force for the growth and expansion of the Company. Industrial relations during the year were cordial and peaceful.

The Company has taken a number of new initiatives, to improve efficiencies and reduce costs.

G) CAUTIONARY STATEMENT

Statement in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or event.