

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



## 98th ANNUAL REPORT 2005-06

**BOARD OF DIRECTORS**

Shri Prem Ratan Damani  
Chairman & Managing Director

Shri J.P.Singhal  
Executive Director

Shri. Navratan Damani  
Shri. E.A.K. Faizullahoy  
Shri. Kiranbhai J. Shah  
Shri. S.K. Somani

**ADVISOR**

Shri. S.R. Gandhi

**GENERAL MANAGER**

Shri. J.M. Adhia

**SOLICITORS**

M/s. Mulla & Mulla and Craigie Blunt and 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 Calcutta Stock Exchange Association Ltd. - Kolkata

## NOTICE

**NOTICE** is hereby given that the Ninety Eighth 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 Thursday, the 28<sup>th</sup> September, 2006 at 5.00 P.M.(S.T.) to transact the following business.

- 1) To receive and adopt the Directors' Report and Audited Balance Sheet as at 31<sup>st</sup> March, 2006.
- 2) To Appoint a Director in place of Shri E.A.K. Faizullahbhoi, who retires by rotation but, being eligible, offers himself for reappointment.
- 3) To Appoint a Director in place of Shri S.K. Somany, who retires by rotation but, being eligible, offers himself for reappointment.
- 4) To appoint Auditors and to fix their remuneration.

### 5) SPECIAL BUSINESS :

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, the approval of the Company be and is hereby accorded to the appointment of Shri N. R. Damani as the Joint Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> October, 2006, on the following terms and conditions :

- |                  |   |
|------------------|---|
| I. SALARY        | Rs.25000/- (Rupees Twenty-Five 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.1,50,000/- per annum, whichever is less   |
| III. PERQUISITES | The Joint Managing Director, Shri N.R. Damani shall also be entitled to the perquisites listed below, subject to the condition that the perquisites listed under part 'A' shall be limited to the annual salary or Rs.2,40,000/- per annum whichever is less. |

### PART - A

- |                                  |   |
|----------------------------------|---|
| (i) HOUSING                      | House Rent allowance @30% of the salary. The expenditure incurred on gas, electricity, water and furnishings will be valued as per the Income Tax Rules 1962 which will be subject to a ceiling of 10% of the salary. |
| (ii) MEDICAL REIMBURSEMENT       | Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary per year or three months' salary over a period of three years.  |
| (iii) LEAVE TRAVEL CONCESSION    | For self, wife and dependant children once a year to and from any place subject to the condition that only actual fares and no hotel expenses etc. will be allowed.   |
| (iv) PERSONAL ACCIDENT INSURANCE | Of an amount, the annual premium of which shall not exceed Rs.4,000/- per annum.  |
| (v) CLUB FEES                    | Fees of Clubs, subject to maximum of two clubs provided no life membership fee or admission fees is paid  |

### 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. Long distance personal calls will be billed at actuals. |

### 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.N.R. Damani as the Joint Managing 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.

Place : Mumbai

Date : 28<sup>th</sup> July, 2006

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 22<sup>nd</sup> August, 2006 to 28<sup>th</sup> August, 2006 (both days inclusive).
- c) Shareholders are requested to intimate immediately any change in their registered address
- d) 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

**THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS CO. LTD.****(e) BRIEF RESUME OF THE DIRECTORS SEEKING APPOINTMENT OR RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENTS.****ITEM 2****Shri E.A.K. Faizullahbhoj**

- |                    |                           |
|--------------------|---------------------------|
| i) Name            | Shri E.A.K. Faizullahbhoj |
| ii) Age            | 74 Years                  |
| iii) Qualification | I.L.B                     |
| iv) Experience     | Solicitor                 |

Shri E.A.K Faizullahbhoj is an eminent Solicitor and partner of M/s. Mulla & Mulla & Cragie Blunt & Caroe. He is on the Board of Company since last 25 years and has given valuable guidance whenever required. He is Chairman 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.2 of the Agenda of accompanying Notice of 98<sup>th</sup> Annual General Meeting of the Members of the Company

**ITEM 3****Shri S.K. Somany**

- |                    |                  |
|--------------------|------------------|
| i) Name            | Shri S.K. Somany |
| ii) Age            | 74 Years         |
| iii) Qualification | B.Com.           |
| iv) Experience     | Textiles         |

Shri S.K. Somany is an Industrialist with a wide experience of more than 50 years in textile industry. He is Chairman of Soma Textiles & Industries Ltd. and has advised our Company on many occasions. 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 and member of the Shareholders/ Investors/Grievances Committee. 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 98<sup>th</sup> 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 28th July, 2006.

**ITEM 5****Shri N.R. Damani**

- |                    |                  |
|--------------------|------------------|
| i) Name            | Shri N.R. DAMANI |
| ii) Age            | 57 Years         |
| iii) Qualification | B.Com            |
| iv) Experience     | Textiles         |

Shri N.R. Damani is an Industrialist with a vast & varied experience and he has been closely associated with textile industry for long time. He has devoted time and energy for the growth of the company. As a result of his stewardship the Company has launched and successfully completed modernisation and expansion programmes. Because of his deft and efficient handling of the affairs, the Company has been able to achieve changes in product mix to cater to the changing consumers' tastes.

- |                  |  |
|------------------|--|
| I. SALARY        | Rs.25000/- (Rupees Twenty-Five 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.1,50,000/- per annum, whichever is less.   |
| III. PERQUISITES | The Joint Managing Director, Shri N.R. Damani shall also be entitled to the perquisites listed below, subject to the condition that the perquisites listed under part 'A' shall be limited to the annual salary or Rs.2,40,000/- per annum whichever is less |

**PART - A**

- |                                  |   |
|----------------------------------|---|
| (i) HOUSING                      | House Rent allowance @30% of the salary. The expenditure incurred on gas, electricity, water and furnishings will be valued as per the Income Tax Rules 1962 which will be subject to a ceiling of 10% of the salary. |
| (ii) MEDICAL REIMBURSEMENT       | Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary per year or three months' salary over a period of three years.  |
| (iii) LEAVE TRAVEL CONCESSION    | For self, wife and dependant children once a year to and from any place subject to the condition that only actual fares and no hotel expenses etc. will be allowed.   |
| (iv) PERSONAL ACCIDENT INSURANCE | Of an amount, the annual premium of which shall not exceed Rs.4,000/- per annum.  |
| (v) CLUB FEES                    | Fees of Clubs, subject to maximum of two clubs provided no life membership fee or admission fees is paid  |

**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. Long distance personal calls will be billed at actuals |

**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.N.R. Damani as the Joint Managing 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. |
|----------------------|--|

None of the Directors is in any way interested or concerned with the Special Resolution except Shri N.R. Damani himself. Shri P.R. Damani is interested as his brother though he has no pecuniary interest. Directors commend the Special Resolution to your approval

This may be treated as an abstract under u/s. 302 of the Companies Act 1956

# NINETY EIGHTH REPORT OF THE DIRECTORS

We present our Annual Report of the Company with the audited statement of accounts for the year ended 31st March, 2006.

## 1. FINANCIAL RESULTS

	THIS YEAR	PREVIOUS YEAR
Gross Profit	4,98,65,082	1,52,59,516
ADDITIONS/DEDUCTIONS		
Depreciation	1,40,74,201	2,10,43,829
Profit/(Loss) before taxation & extra ordinary items	3,57,90,881	( 57,84,313)
Add : Waiver received on account of One Time Settlement with Bank	7,13,57,037	0
: Income Tax of earlier years	4,568	54,513
: Transfer from General Reserve	8,85,61,191	0
Less: Fringe Benefit Tax	(2,12,313)	0
: Provision for Bad & Doubtful Debts	(21,37,758)	0
: Balance brought forward	(45,87,75,850)	(45,30,46,050)
Profit/(Loss) dealt with as under	(26,32,74,486)	( 45,87,75,850)
Surplus/(Deficit) carried to Balance Sheet	(26,32,74,486)	( 45,87,75,850)

## 2. DIVIDEND

In view of negative networth of 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 working during the year improved compared to previous year due to change in product mix and concentration on quality of the product.

During the year the Company was declared sick by Board for Industrial and Financial Reconstruction (BIFR) u/s.3(1) (o) of the Act and Bank of India was appointed Operating Agency. The Draft Rehabilitation package is submitted to BIFR for consideration by the Operating Agency.

The Company made One Time Settlement (OTS) with Bank of India on 18/10/2005 and accordingly got a reduction in liability of Rs.7,13,57,037/- besides waiver of past interest. The Company has paid Rs.650 Lakhs as per terms and conditions of the OTS and balance outstanding of Rs.1200 Lakhs is payable in quarterly installments of Rs.100 Lakhs. The Simple interest @ BPLR will be paid after the payment of outstanding principle of Rs.1200 Lakhs as per terms of OTS.

## 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 current outlook of the Company appears positive because of the events of the past year. OTS with Bank of India and its payment in a phased manner will bring down the financial cost of the Company. The Company is further planning to increase the Spindelage from 25200 to 30000 which in turn will increase turnover at least by 15%.

## 7. DIRECTORS

Under Articles 146 of the Articles of Association of the Company, Shri E.A.K. Faizullahoy and Shri S.K. Somany 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.

**THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS CO. LTD.****9. PUBLIC DEPOSITS**

The Company has not taken any Fixed Deposit from the Public

**10. AUDITORS' REPORT**

Auditors' Report para VI & VII 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. COST AUDITORS**

The Central Govt. has approved the appointment of Shri Y.R. Doshi, Cost Accountant for conducting the Cost Audit of the textiles for the financial year ended March 31, 2006

**13. 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

**14. ACKNOWLEDGEMENTS**

Your Directors place on record the timely assistance and cooperation given to the Company by 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.

**15. 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.

For and on behalf of the Board

Place : MUMBAI

**P.R. DAMANI**

Date : 30th June, 2006

**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) THE PREOPENER MACHINE FOR WORKING OF 30's POLYESTER IS STOPPED BY MAKING PROPER ARRANGEMENT IN MBO
- ii) 15. H.P. MOTOR IS REPLACED BY 12.5 H.P. ON HUMIDIFICATION PUMP
- iii) SKF SPRING LOADED DRAFTING IS APPLIED ON ONE SPEED FRAME IN PLACE OF PNEUMATIC DRAFTING

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

- i) ENERGY SAVING SPINDLES TO BE REPLACED ON ONE RING FRAME WITH 18.5 MM ADHERANCE.
- ii) SKF DRAFTING TO BE FITTED ON FURTHER 2 M/Cs.

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

- i) STOPPING PREOPENER FOR 30's P COUNT HAS SAVED THE ENERGY CONSIDERABLY.
- ii) THE POWER CONSUMPTION REDUCED ON ONE OF THE PUMP AS MOTOR WOULD WORK MORE EFFICIENTLY WITH IMPROVED POWER FACTOR.
- iii) REPLACEMENT BY ENERGY SAVING SPINDLES WOULD SAVE ENERGY CONSIDERABLY.
- iv) SKF DRAFTING MOUNTING WOULD REDUCE COMPRESSED AIR REQUIREMENT & THEREBY SAVE ENERGY.
- v) UTILISING THE ELECTRICAL MOTOR MORE EFFICIENTLY.

**B. TECHNOLOGY ABSORPTION.**

EFFORTS MADE IN TECHNOLOGY ABSORPTION : FORM - "B" ENCLOSED.

**C. FOREIGN EXCHANGE EARNING AND OUTGO.**

**(RS. IN LACS)**

- i) FOREIGN CURRENCY EARNED
- ii) FOREIGN CURRENCY USED.

NIL  
NIL



## FORM "A"

## A. POWER AND FUEL CONSUMPTION

	CURRENT YEAR 1.4.2005 - 31.03.2006	PREVIOUS YEAR 1.4.2004 - 31.03.2005
<b>1. Electricity</b>		
<b>a) Purchased</b>		
Unit (kwh) in lakhs	132.69	124.72
Total Amount (Rs. in lakhs)	440.76	428.92
Rate/Unit (Rs.)	3.32	3.43
<b>b) Own generation through Diesel Generator</b>		
Units (KWH) in lakhs	0.00	0.00
Total Cost (Rs. in lakhs)	0.00	0.00
Cost/Unit (Rs.)	0.00	0.00
<b>2. Coal</b>		
Quantity in M. Tons	0.00	0.00
Total Cost (Rs. in lakhs)	0.00	0.00
Average Rate (Rs./M.Tons)	0.00	0.00
Other Fuels		
<b>3. Quantity in M. Tons</b>	0.00	0.00
Total Cost (Rs. in lakhs)	0.00	0.00
Average Rate (Rs./M.Tons)	0.00	0.00
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
<b>1. Electricity (Units)</b>		
per kg of yarn	2.94	2.95
per linear metre of fabric	0.00	0.00
<b>2. Fuels (Rs.)</b>		
per kg of yarn	0.00	0.00
per linear metre of fabric	0.00	0.00

## FORM - B

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

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

- i) BLOCK CREELING ON SPEED FRAME & CHANNELISATION OF DRAW FRAME HAS STARTED.
- ii) AUTO LEVELLERS ON DRAW FRAMES ARE MADE MORE EFFECTIVE.

## 2. BENEFIT DERIVED AS A RESULT OF THE ABOVE R &amp; D. PRODUCT DEVELOPMENT / IMPROVEMENT

- i) BLOCK CREELING OF SPEED FRAME HAS IMPROVED QUALITY OF YARN
- ii) THE CHANNELISATION ON DRAW FRAMES HAS MADE YARN MORE EVEN AND REDUCED THE LOAD ON AUTO LEVELLERS

## 3. IMPORT SUBSTITUTION

NIL

## 4. FURTHER PLAN OF ACTION.

- i) WE SHALL IMPROVE QUALITY OF YARN BY IDENTIFYING AND ATTENDING PROCESS PARAMETERS.

## 5. EXPENDITURE ON R &amp; D.

(RS. IN LACS)

a) CAPITAL	NIL
b) RECURRING	2.91
c) TOTAL	2.91
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 REQUIRMENT OF WORKING 100 % COTTON & POLYESTER COTTON BLENDS. ACCORDINGLY MACHINES ARE MODIFIED TO WORK THE SAME.
- ii) NEW TECHNIQUE FOR WORK PRACTICE IS ADOPTED.
- iii) MINOR INNOVATIONS ARE REGULARLY CARRIED OUT TO COUNTER PROBLEMS ENVISAGED DAY TO DAY.

**THE JAMSHRI RANJITSINGHJI SPG. & WVG. MILLS CO. LTD.****AUDITORS' REPORT**

To the Members of

**Jamshri Ranjitsinghji Spinning & Weaving Mills Company Limited**

We have audited the attached Balance Sheet of **Jamshri Ranjitsinghji Spinning & Weaving Mills Company Limited** as at 31 March, 2006 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 Companies (Auditor's Report) Order, 2003, as amended by companies (Auditor's Report) (Amendment) Order 2004 (the Order) 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 referred to in sub-section (3C) of section 211 of the Companies Act, 1956. *Related party* transactions referred to in note no. 9 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 8 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 31<sup>st</sup> March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) Without qualifying our opinion, we draw attention to Note No. 11(D) & 11(E). The amount credited in the profit & loss account of Rs. 713.57 lacs under the head 'Extra-ordinary Items' and the Interest for the period 2003-04 onwards at original applicable rate, on bank demand loan, term loans and other credit facilities given by a bank which has not been provided is based on a compromise settlement. Since the bank has retained the right to revert back to the original dues under the original terms and conditions, in the event of any default or non-compliance of the terms & conditions of the settlement the ultimate outcome of the matter hinges on strict compliance of the compromise settlement.
- (vii) As detailed in note no. 6(A) & 6(B) of the notes to accounts, the Company has been incurring continuing losses upto previous year, resulting in the erosion of its Net-worth. Despite this aspect the accounts of the Company have been prepared on a Going Concern basis.
- (viii) Subject to (vii) above, we report that in our opinion and to the best of our information and according to the explanation 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 31<sup>st</sup> March, 2006;
  - b) in the case of the Profit and Loss Account, of the profit 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 :- 30.06.2006

**For K. S. Aiyar & Co.**  
Chartered Accountants

**P R Sethuraman**  
Partner  
Membership No. 7768



**ANNEXURE TO THE AUDITORS' REPORT****(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)**

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the Fixed Assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. To the best of our knowledge, no material discrepancies were noticed on such verification.
- (c) In our opinion, no substantial part of the fixed assets has been disposed off during the year.
- (ii) (a) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of finished goods.
- (b) 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.
- (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. No material discrepancies have been noticed on physical verification of the stocks as compared to book records.
- (iii) (a) As informed, the company has not taken any loans, secured, and unsecured loan from companies, firms or other parties listed in the register maintained under section 301 except for a temporary unsecured loan from Damani Textile Company amounting to Rs 80 lacs.
- (b) The rates of interest and the term and condition are prima facie not prejudicial to the interest of the company.
- (c) There are no terms for repayment of loan or interest.
- (d) Accordingly, Sub clause (d) is not applicable
- (e) As informed, The company has not granted any loans, secured, or unsecured to companies, firms and other party listed in the register maintained under section 301 of the companies Act, 1956 during the year. Accordingly, sub-clause (f) and (g) are not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA of the Act and the rules framed there under.
- (vii) No internal audit was carried out during the year.
- (viii) The Central Government under Section 209(1)(d) of the Companies Act, 1956, has prescribed the maintenance of cost records. On a prima facie examination, such records are duly maintained.
- (ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, undisputed dues in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth-tax, Service tax, Sales-tax, Customs duty, Excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable are as follows:

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

Name of the Statute	Nature of dues	Amount	Period to which Amount relates	Due date	Date of payment
Maharashtra Value Added Tax	Value Added Tax	2,46,155	April to Sept 2005	Various dates	Not yet paid
Municipal Tax	Talathi Tax	7,00,000	Not determined		Not yet paid

(b) According to the records of the Company, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	Period	Forum where dispute is pending	Amount
Central Excise Act	Interest	Not known	Appellate Tribunal	2,58,044

- (x) The accumulated losses at the end of financial year exceeds the net worth of the company. The company has not incurred cash loss during current year, however, in the immediately preceding year it has incurred cash loss after considering unprovided interest as stated in Note No. 11(E).
- (xi) In our opinion and according to the information and explanations given to us, the company has no dues to financial institution, or debenture holders. With respect to dues to a bank reference is invited to Note No 11.
- (xii) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other similar securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion, and according to the information and explanation given to us, the company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion and as per the information and explanation given to us no fresh term loan has been obtained during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short-term basis amounting to Rs. 569.17 lacs have been used for long-term application.
- (xviii) The company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the question of reporting on whether the price at which such shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year.
- (xx) According to the information and explanations given to us, no public issues have been made during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For K. S. Aiyar & Co.,  
Chartered Accountants  
P R Sethuraman  
Membership No.7768

Mumbai,  
Date : 30.6.2006