

NIWAS SPINNING MILLS LIMITED

TWENTY SEVENTH ANNUAL REPORT AND ACCOUNTS 2010-2011

BOARD OF DIRECTORS

Shri. R. J. Jaju : Chairman
Shri. V. R. Jaju : Managing Director
Shri. A. V. Jaju : Director

REGD. & ADMN. OFFICE

406/A, West Mangalwar Peth
Chatti Galli, Solapur-413002.

AUDITORS

B. M. Gattani & Co.
Chartered Accountants
B-702, Om Sai Shravan
Opp. Shimpoli Telephone Exchange
Near Linking Road, Shimpoli
Borivali (West), Mumbai - 400 092.

FACTORIES

| | |
|-----------------------|-------------------|
| Unit - I | Unit - II |
| B-2/2 & B-5, M.I.D.C. | A5 & A8, M.I.D.C. |
| Akkalkot Road | Chincholi |
| Solapur-413006. | Solapur-413255. |

BANKERS

Bank of India
Vikas Sahakari Bank Ltd.
IDBI Bank

NOTICE

NOTICE is hereby given that the TWENTY SEVENTH ANNUAL GENERAL MEETING of the shareholders of NIWAS SPINNING MILLS LIMITED will be held at B-5, M.I.D.C., Akkalkot Road, Solapur - 413 006 on Friday, the 30th day of September, 2011 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2011, the Profit & Loss Account of the Company for the year ended 31st March, 2011 and the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of Mr. R. J. Jaju who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors and authorize Board to fix their remuneration.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of himself/herself. A Proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not later than forty eight hours before the commencement of the Meeting.
2. The Register of Members and Transfer Books of the Company will remain closed from 27-09-2011 to 29-09-2011 (both days inclusive).
3. Shareholders intending to acquire any information to be explained in the Meeting are requested to inform the Company at least 7 days in advance in order to enable the Company to make available the required information, with the permission of the Chairman of the Meeting.
4. Members are requested to intimate any change in their address to the Company at the earliest, quoting their Folio Numbers.
5. Members are requested to bring the copy of Annual Report sent to them.

PLACE: SOLAPUR

DATE: 27-08-2011

By Order of the Board of Directors
For NIWAS SPINNING MILLS LTD.,

(V. R. Jaju)
Managing Director

NIWAS SPINNING MILLS LIMITED

DIRECTORS REPORT

To the members,

The Directors of the Company have pleasure in presenting the TWENTY SEVENTH Annual Report together with the Audited Statements of accounts for the Company's financial year ended on 31st March 2011.

OPERATIONAL RESULTS/CURRENT WORKING :

During the year under report, the Gross Sale is on higher side as compared to previous financial year due to the impact of efforts made by the management, though there were adverse factors like Hike in Cotton Prices, Shortage of Cotton, Electricity Load Shedding and also non availability of skilled workers / technicians. The Company is confident of achieving good production levels in the Current Year.

Due to continuous efforts, scheme of settlement / restructuring of dues is already arrived at with most of the major lenders and implementation of it is duly started.

DIVIDEND :

In view of the operating losses, Company regrets its inability to declare the dividend.

AUDITOR'S REPORT :

With regard to Auditors' observations/remarks in para 2 (v) & (vi) of their Report, and note 2 of part B of Schedule 'K', the Board states that the Company is a sick company, registered with the BIFR. The necessary steps / actions are being taken to approve the Rehabilitation Scheme. As per the settlements with lenders are already made, no interest is provided on Secured Loans. The Directors are taking appropriate steps for obtaining formal de-listing letters from Ahmedabad & Pune Stock Exchanges. The Company has already made an application to NSDL & CDSL for dematerialization of Company's listed securities. However CDSL rejected Company's request for Dematerialization and NSDL did not convey their consent or dissent for the same.

The other comments, if any of Auditors are dealt with by the notes on accounts which are self-explanatory. Wherever required, the explanation is given in the notes on accounts.

DIRECTORS :

Mr. R. J. Jaju, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.

PARTICULARS OF EMPLOYEES :

There are no employees drawing such remuneration as requiring disclosure under section 217 (2A), as amended, of the Companies Act,

1956 read with Companies (Particulars of employees) Rules, 1975.

FIXED DEPOSITS :

The Company has not raised any deposits from the public.

ADDITIONAL INFORMATION :

Additional information required to be disclosed in terms of Notification No. 1029 dated 31/12/88 issued by the Department of Company Affairs is annexed hereto about Conservation of Energy etc. There are no foreign exchange earnings and outgo during the year.

CORPORATE GOVERNANCE :

The Report on Corporate Governance and Management's Discussion & Analysis Report, in terms of Clause 49 of the Listing Agreement, are annexed and form part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed;

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, 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 judgments and estimates that were 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 year under review;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the accounts for the financial year ended 31-03-2011 on a "going concern" basis.

AUDITORS :

The retiring auditors M/s. B. M. Gattani & Co., Chartered Accountants, Mumbai, are eligible for re-appointment. You are requested to appoint the Auditors of the Company.

COST AUDITORS:

The Central Government has directed cost audit of the Company for the year ending 31-03-2011

NIWAS SPINNING MILLS LIMITED

and accordingly M/s T M Rathi, Cost Accountant has been appointed as Cost Auditors of the Company.

ACKNOWLEDGEMENT :

The Director wish to place on record their sincere appreciation to the Company's employees at all levels for their dedication & hard-work and also to the Bankers/Institutions who have actively lent their support to the Company. The Director also express their gratitude to the Shareholders and Debenture holders for their continued co-operation and support.

PLACE : SOLAPUR For & on behalf of the Board

DATED : 27/08/2011 (R. J. Jaju)
Chairman

ANNEXURE TO DIRECTORS REPORT 2010-2011 DISCLOSURE U/S. 217(1)(e) OF THE COMPANIES ACT, 1956 CONSERVATION OF ENERGY FORM-A

| | CURRENT YEAR | PREVIOUS YEAR |
|--|-----------------|------------------|
| (a) POWER & FUEL CONSUMPTION | | |
| ELECTRICITY | | |
| a) Purchased Unit | 50,97,277 | 53,86,712 |
| Total Amount | 2,72,05,737 | 2,57,76,685 |
| Rate / Unit | Rs. 5.33 | Rs. 4.78 |
| b) Own Generation | | |
| COAL (Specify Quality & Where used) | Nil | Nil |
| FURNACE OIL | Nil | Nil |
| OTHER GENERATORS | Nil | Nil |
| (b) CONSUMPTION PER UNIT OF | | |
| PRODUCTION STANDARDS (IF ANY) | | |
| Products (Yarn) | 0.21 Kg | 0.21 Kg |
| Electricity | 50,97,277 Units | 53,86,712 Units |
| Furnace Oil/Coal/Others | — | — |

B. OTHER INFORMATIONS ABOUT TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

a) Foreign Exchange Earnings and Outgo

- 1) Foreign Exchange used Value of
 - Direct Import on CIF basis;
 - Capital goods, Stores & Spare parts Rs. Nil
 - Travelling Expenses Rs. Nil
- 2) Earning in Foreign Exchange
 - i) Direct Export Rs. Nil
 - ii) Indirect Export Rs. Nil

Corporate Governance Report for the year 2010-2011

(As required under clause 49 of the Listing Agreements entered into with the Stock Exchanges)

In view of Company's heavy losses, Company being under BIFR and suspension of trading of the Company's securities on Stock Exchange, few of the provisions of Corporate Governance made applicable w.e.f. 01/01/2006 and subsequent amendments thereto, are yet under process. The Company is taking necessary steps to comply the same.

CORPORATE GOVERNANCE DISCLOSURE:

In Compliance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Company submits the Report on the matters mentioned in the said Clause and practice as followed by the Company.

1. Company's Philosophy on Code of Governance :

Company's Philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity in all facts of its operations and in all interactions with its stakeholders including inter alia Shareholders, Government and lenders. Company is committed to achieve the highest standards of corporate governance. Company believes that all its operations & actions must serve the underlying goal of enhancing overall corporate value.

2. Board of Directors :

The details of Board of Directors as required under Clause 49 of the Listing Agreement are given below:

| Name | Designation (Executive, Non-Executive, Independent/Promoter) | No. of Meetings attended | No. of Directorships held* | Members of Committee | | Whether Last AGM held on 30.09.2010 Attended (Yes/ No) |
|------------|---|--------------------------|----------------------------|----------------------|-----------|--|
| | | | | Members | Chairmans | |
| R. J. Jaju | Director Non-Executive Chairman | 5 | Nil | 5 | -- | Yes |
| V. R. Jaju | Managing Director Executive | 5 | Nil | 6 | 2 | Yes |
| A. V. Jaju | Director Non-Executive | 5 | Nil | 5 | -- | Yes |

* Excludes Private Companies, Section 25 Companies, Foreign Companies and Alternate Directorships.

None of the Directors is paid Sitting Fees.

During the year 2010-2011 the Board met 5 (Five) times (as against the minimum requirement of 4 meetings) on the following dates:

- 30th April, 2010
- 30th July, 2010
- 28th August, 2010
- 30th October, 2010
- 29th January, 2011

The maximum time gap between any two meetings was not more than three months.

The proportionate presentation of Independent Directors on the Board as required under the

NIWAS SPINNING MILLS LIMITED

Clause 49 of the Listing Agreement is yet under execution and Company is on lookout for the same.

CHANGES IN COMPOSITION OF BOARD:

Details of Director seeking re-appointment:

At the ensuing Annual General Meeting, Shri R. J. Jaju, Director, retires by rotation and being eligible, offers him self for re-appointment. The brief resume, experience, functional expertise and membership on various Board and Committees of the Director proposed to be re-appointed at Item No. 2 of the Notice as per Corporate Governance code defined under Clause 49 of the Listing Agreement are furnished below:

| | |
|---|-------------------|
| Name | R. J. Jaju |
| Age | 77 |
| Date of Appointment | 19-04-1984 |
| Experience | 48 Years |
| No. of Shares held in the Company | 30000 |
| Qualification | Civin Engineering |
| List of other Directorships (excluding Private Limited Companies) | Nil |
| Membership/ Chairman of Committees of the other Companies | Nil |

3. Audit Committee :

Composition, Meetings & Attendance:

The Audit Committee of Company consists of two non-executive Directors apart from Managing Director. It consists of all Directors. There was five meeting of audit committee during the year 2010-2011 (the year of implementation of Corporate Governance) and attended by all.

Terms of Reference & Scope of Audit Committee:

The Audit Committee of the Company performs the following functions -

- Oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient & credible;
- Reviewing with management the annual financial statements before submission to the board;
- Discussion with external Auditors before the Audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any changes in accounting policies or practices as compared to last completed financial year and commenting on any deviation from accounting standard;
- Reviewing the Company's financial and risk management policies;

4. Remuneration Committee :

Remuneration policies are laid-down and implemented by the following:

1. Shri. V. R. Jaju, Managing Director
2. Shri. A. V. Kulkarni

Remuneration Committee has been constituted to recommend/ review the remuneration of following codes:

1. Top Management
2. Middle Management
3. Lower Management

During this year the committee has met thrice. The remuneration policy is directed towards rewarding performance based on review of achievements on a periodical basis. This policy is in consonance with the existing industry practice.

5. Shareholder / Investor Grievance Committee :

Name of the Non-Executive Director

heading the Committee : Shri. V. R. Jaju – M.D.

Name and Designation

of Compliance Officer : Shri. A. V. Kulkarni

No. of Shareholders' complaints received

: 14

Nos. not solved to the satisfaction of

: 14

No. of pending

: Nil

The Committee comprises of Shri. V. R. Jaju, Managing Director and is assisted by a qualified Company Secretary and the committee reviews all matters connected with Shareholders complaints, if any, like transfer of shares, Non-receipt of Balance Sheet, non-receipt of dividend etc. The Board of Directors has delegated the power of approving transfer of shares to the Managing Director. During the year it received 14 complaints from the Shareholders and all these are resolved within appropriate period. So also, there were 18 no. of requests for Share Transfer which were duly executed.

6. General Body Meetings :

The last three Annual General Meetings of the Company were held as under :

| Year | Location | Date | Time |
|-----------|-----------------------------------|------------|------------|
| 2007-2008 | Registered office of the Co | 30-09-2008 | 3.30 p.m. |
| 2008-2009 | Registered office of the Co | 29-09-2009 | 3.30 p.m. |
| 2009-2010 | B-5, MIDC, Akkalkot Road, Solapur | 30-09-2010 | 10.00 a.m. |

No Special Resolutions passed in the previous 3 AGMs except Managing Director's re-appointment. No postal ballots were used / invited for voting at these meetings in respect of special resolution passed as there were no such provisions in the Companies Act, 1956.