

NIWAS SPINNING MILLS LIMITED

THIRTIETH ANNUAL REPORT AND ACCOUNTS 2013-2014

BOARD OF DIRECTORS

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

CIN : L17110PN1984PLC032702

REGD. & ADMN. OFFICE

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

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. |

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.

BANKERS

Bank of India
Vikas Sahakari Bank Ltd.
IDBI Bank

NOTICE

NOTICE is hereby given that the THIRTIETH ANNUAL GENERAL MEETING of the shareholders of NIWAS SPINNING MILLS LIMITED will be held at B-2/2, M.I.D.C., Akkalkot Road, Solapur - 413 006 on Tuesday, the 30th day of September, 2014 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, 2014, the Statement of Profit & Loss of the Company for the year ended 31st March 2014 and the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of A. V. 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 26-09-2014 to 30-09-2014 (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

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

DATE: 28-05-2014

(V. R. Jaju)
Managing Director

NIWAS SPINNING MILLS LIMITED

DIRECTORS' REPORT

To the Members,

The Directors of the Company have pleasure in presenting the THIRTIETH Annual Report together with the Audited Statements of Accounts for the Company's Financial Year ended on 31st March, 2014.

1. OPERATIONAL RESULTS / CURRENT WORKING:

The sale during the year under report is **Rs. 705.10 Lacs**, the profit before interest, depreciation is decreased compared to previous year. It is due to shortage of working capital, adverse impact of un-certain government policies, export policies and international market un-certainty. So also, sudden steady upward / downward revision in cotton prices, disturbed the overall situation of textile industry. However, due to corrective measures taken by the management, the company succeeded to minimize its losses.

FINANCIAL HIGHLIGHTS (Amt. in Lacs)

| | Current Period 2013-14 | Previous Period 2012-13 |
|---|---------------------------|----------------------------|
| Sales | 705.10 | 1416.03 |
| Other Income | 13.18 | 36.82 |
| Total Income | 718.28 | 1452.85 |
| Profit/(Loss) before interest, depreciation, exceptional item & tax | 6.84 | 104.38 |
| Less : * Financial Cost | 85.33 | 69.20 |
| * Depreciation | 82.57 | 97.17 |
| Profit/(Loss) before exceptional items & taxes | (161.06) | (61.99) |
| Less:Exceptional items (Net) | Nil | Nil |
| Profit/(Loss) before tax (A) | (161.06) | (61.99) |
| Tax Provision | Nil | Nil |
| Profit/(Loss) after tax | (161.06) | (61.99) |
| Profit/(Loss) from discontinuing Operations | -- | 5026.73 |
| Tax expense of discontinuing operations | -- | (10.18) |
| Profit/(Loss) from Discontinuing operations (B) | -- | 5016.55 |
| Net Profit/(Loss) for the period (C) = (A)+(B) | (161.06) | 4954.55 |

• Debt Restructuring:

The major debts of the Company are crystallized and settled. Over the year the Company has paid large amount towards past debt liabilities and remaining debts are being paid in accordance with the restructured terms.

2. MANAGEMENT DISCUSSION & ANALYSIS:

• Industry Structure and Business Overview:

The textile industry plays a crucial role in the Indian economy. It has a significant weight in the industrial production. The Company enjoys the excellent relationship with its customers, which has been built over the years by strictly adhering to delivery schedules maintaining consistent quality and providing prompt after sales service.

• Risk Management:

The Company has laid down procedures to inform the members of the board about the risk assessment and minimization procedures which is periodically reviewed by the Board.

• Segment-wise Performance:

The Company is having only one segment i.e. Textile.

• Financial Performance:

The sale during the year under report is **Rs. 705.10 Lacs**, the profit before interest, depreciation is decreased compared to previous year. It is due to shortage of working capital, adverse impact of un-certain government policies, export policies and international market un-certainty. So also, sudden steady upward / downward revision in cotton prices, disturbed the overall situation of textile industry. However, due to corrective measures taken by the management, the company succeeded to minimize its losses.

• Internal Control Systems:

The internal control is supplemented by an extensive internal audit, periodical review by the management and documented policies, guidelines and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

• Human Resources:

The Company continues to lay emphasis on developing and facilitating optimum human performance.

NIWAS SPINNING MILLS LIMITED

• **Health & Safety:**

Your Company provides and maintains, so far as practicable equipment, systems and working conditions which are safe and without risk to the health of all employees, visitors, contractors and public. Management has maintained its strong commitment to a safe environment in its operations throughout the year. The Company is well aware of the relation-ship between the textile production and related environment issues.

• **Cautionary Statement:**

This annual report and accounts contains certain statements with respect to the financial condition, results, operations and businesses. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

• **Reference to BIFR and it's registration:**

The Company is registered with BIFR. Hon'ble Board has declared the Company as a Sick Industrial Company in terms of section 3(1) (o) of SICA and appointed Bank of India as the Operating Agency. Preparation of Draft Rehabilitation Scheme (DRS) is under process.

3. DIVIDEND:

The Directors not recommended any dividend for the period ended 31st March, 2014.

4. AUDITOR'S REPORT:

The Board states that the Company is a sick company. The necessary steps / actions are being taken to approve the Rehabilitation Scheme. As 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 response yet to come from CDSL / NSDL for Dematerialization.

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.

5. DIRECTORS:

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

• **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, 2014, 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 31-03-2014 on a "on-going concern" basis.

6. 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.

7. 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.

8. INSURANCE:

The Company has taken adequate insurance cover the assets.

9. FIXED DEPOSITS:

The Company has not raised any deposits from the public.

10. 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.

11. 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.

NIWAS SPINNING MILLS LIMITED

Corporate Governance Report for the year 2013-2014

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

In view of Company's heavy losses, Company being a Sick Company 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 27.09.2013 Attended (Yes/ No) |
|------------|--|--------------------------|----------------------------|----------------------|----------|--|
| | | | | Members | Chairmen | |
| R. J. Jaju | Director Non-Executive Chairman | 5 | Nil | -- | 2 | Yes |
| V. R. Jaju | Managing Director Executive | 5 | Nil | 1 | 2 | Yes |
| A. V. Jaju | Director Non Executive | 5 | Nil | 1 | -- | Yes |

12. COST AUDITORS:

As directed by the Audit Branch, Ministry of Law, Justice & Company Affairs, New Delhi vide its order 52/26/CAB/2010 dated 24/01/2012 and in pursuance of clause (d), sub clause (i) of Section 29 of the Companies Act, 1956, M/s T. M. Rathi of Mumbai was appointed as the Cost Auditor to conduct the Cost Audit for the year 2013-14.

The Company has appointed M/s T. M. Rathi, Mumbai as Cost Auditors for the financial year 2014-15.

13. ACKNOWLEDGEMENT:

The Directors 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 for their continued co-operation and support.

For & on behalf of the Board,

PLACE : SOLAPUR

DATED : 28-05-2014

(R. J. Jaju)
Chairman

ANNEXURE TO DIRECTORS REPORT 2013-2014 DISCLOSURE U/S. 217(1)(e) OF THE COMPANIES ACT, 1956 CONSERVATION OF ENERGY FORM-A

| | CURRENT YEAR | PREVIOUS YEAR |
|---|-----------------|-----------------|
| a) POWER & FUEL CONSUMPTION | | |
| 1. ELECTRICITY | | |
| a) Purchased Unit | 12,04,697 | 38,60,964 |
| Total Amount | 90,07,049 | 2,79,13,273 |
| Rate / Unit | Rs. 7.48 | Rs. 7.22 |
| b) Own Generation | Nil | Nil |
| 2. COAL (Specify Quality & Where used) | Nil | Nil |
| 3. FURNACE OIL | Nil | Nil |
| 4. OTHER GENERATORS | Nil | Nil |
| b) CONSUMPTION PER UNIT OF PRODUCTION STANDARDS (IF ANY) | | |
| Products (Yarn & Towel) | 0.24 Kg | 0.20 Kg |
| Electricity | 12,04,697 Units | 38,60,964 Units |
| Furnace Oil/Coal/Others | -- | -- |

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

a) **Technology Absorption** : Technology absorption and R & D efforts are not applicable to the Company.

b) Foreign Exchange Earnings and Outgo

- 1) Foreign Exchange used Value of
 - Direct Import on CIF basis; Rs. Nil
 - 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

NIWAS SPINNING MILLS LIMITED

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

None of the Directors is paid Sitting Fees.

During the year 2013-2014 the Board met 5 times (as against the minimum requirement of 4 meetings) on the following dates:

- 30-04-2013
- 30-05-2013
- 30-07-2013
- 30-10-2013
- 30-01-2014

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 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 Appointment:

At the ensuing Annual General Meeting, Shri. Aditya V. 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 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 | Shri A. V. Jaju |
| Age | 24 Years |
| Date of Appointment | 25-08-2009 |
| Experience | 5 Years |
| No. of Shares held in the Company | Nil |
| Qualification | B.Com. |
| List of other Directorships (excluding Private Limited Companies) | Nil |
| Membership/ Chairman of Committees of the other Companies | Nil |
| Relationship between Director inter se (As per section 6 and schedule 1A of the Companies Act, 1956) | Son of Managing Director Mr. V.R. Jaju |

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 are 4 meetings of audit committee during the year 2013-2014 (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 and 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 5 times. 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.