

M H Mills
and
Industries Ltd.

2012



ANNUAL

REPORT

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of **M H MILLS AND INDUSTRIES LIMITED** will be held at the registered office of the Company at Saraspur, Opp Ambedkar Hall, Ahmedabad-380018 on 29th September, 2012 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Profit & Loss Account for the period ended on 31st March, 2012 and the Balance Sheet as on the said date together with the Auditors' and Directors' Report thereon.
2. To appoint a director in place of Mr. Sunny Chatwani, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors M/s. Saurabh C. Choksi & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

By order of the Board

Date: 27/08/2012
Place: Ahmedabad

Chairman

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. THE REGISTER OF MEMBERS AND THE SHARE TRANSFER REGISTER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 22ND SEPTEMBER, 2012 TO 29TH SEPTEMBER, 2012 (BOTH DAYS INCLUSIVE).

DIRECTORS' REPORT

**To
The Members,**

We have pleasure in presenting the Annual General Meeting of the Company along with the audited statements of Accounts for the year ended 31st March, 2012.

FINANCIAL PERFORMANCE:

	(Rs. in Lacs)	
Financial Results	2011-12	2010-11
Profit/Loss before Financial Expenses, Depreciation	(96.57)	567.05
Financial Expenses	-	-
Profit/(Loss) Before Depreciation & Taxation	(96.57)	567.05
Less: Depreciation	320.75	(320.66)
Profit/(Loss) Before Taxation	(417.32)	2463.38
Extra ordinary Item from Continuing Operations	-	-
Profit/(Loss) from Continuing Operations	-	-
Provision for Taxation including Deferred Tax	-	-
Net Profit/(Loss) After Tax	(417.32)	246.38

REVIEW OF OPERATIONS

During the year 2011-12 Company was unable to generate income and incurred losses of Rs 417.32 Lacs as compared to total income Rs. 576.22 lacs and profit Rs 246.38 lacs during the previous year.

DIVIDEND

In view of losses of the Company, your Directors do not recommend dividend for the year under review.

FIXED DEPOSITS

The Company has not accepted/renewed any public deposits during the year under review.

“SICK UNIT” UNDER BIFR

Your Company has been declared “SICK UNIT” under section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company is in process of Rehabilitation Scheme in consultation with operation agency.

MANGEMENT DISCUSSION AND ANALYSIS:

Indian Textile Sector

The Indian textiles industry is extremely varied, with the hand-spun and handwoven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized powerlooms / hosiery and knitting sector form the largest section of the Textiles Sector. The close linkage of the Industry to agriculture and the ancient culture, and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

(Source: Ministry of textile Annual Report 2011-12)

Insurance

Adequate insurance cover has been taken for both the movable and the immovable properties of the Company including Buildings, Plant & Machineries, Stocks etc.

Human Resources

Human capital has continued to be the key engine for our growth and aspirations. The Company has been constantly reviewing its HR policies and practices to keep abreast with the market changes and has embarked upon several initiatives to focus on creating a positive work environment that provides employees with ample growth and development opportunities as well as ensuring high levels of motivation and engagement. The employee relations of the Company continue to be cordial. The active co-operation of employees is an important contributory factor for the cordial relations. The company firmly believes that intellectual capital and human resources is the backbone of the company's success.

Internal Control System:

The company has proper and adequate system of internal controls. Regular Internal Audits and Checks carried out and also management reviews the internal control systems and procedures to ensure orderly and efficient conduct of business and to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorised, recorded and reported correctly. The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board. Gaps, if any, under the existing system are being examined and the mitigation measures for the same are being devised.

DIRECTORS

At the ensuing Annual General Meeting Mr. Sunny Chatwani, who retires by rotation and being eligible to offers himself for re-appointment.

There being no other change in the directorship of the company during the year under review.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, which requires company to give a Directors Responsibility Statement, your directors hereby confirm –

- that in preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- that Company has selected Mercantile 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 that period.
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for the safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- that the directors had prepared the Annual accounts on a going concern basis for the year ending on 31st March, 2012.

AUDITORS

M/s. Saurabh C. Choksi & Co., Chartered Accountants beand is hereby reappointed as a Statutory Auditors of the Company to carry out the Audit for the financial year 2011-12 of the Company.. The Auditors have confirmed that if appointed their appointment would be within the limit stated in Section 224 of the Companies Act, 1956.

COMMENT ON AUDITORS REPORT

- a) Note No 2 & 3 of schedule 18 relating to non provision of depreciation under section 205(2)(b) of the Companies Act, 1956 resulting in the reserve and surplus and the net block of fixed asset being higher by the amount of Ra. 68981768/-.
- b) Note No 1 of the Schedule 19 relating to non provision of present liability of future liability relating to gratuity as per the last years actuarial valuation due to Balance Sheet and profit & Loss A/C is understated by Rs. 7,70,00182/-. In current reporting period it was not possible to make actuarial valuation because of inherent limitations.

- c) Note No IX of Schedule 3 relating to non provision of Current year Municipality outstanding dues amounting to Rs. 15.08/- lacs to which loss for the period understated by Rs 15.08/- Lacs, provisions are understated by Rs 15.08/- lacs accumulated debit balance of P&L is under stated by Rs 49.88/- lacs.
- d) Note No IX of Schedule 3 relating to non-provision of penal interest liability amounting to Rs 260.98/- Lacs on overdue installments to ARCIL and other lenders due to which loss for the period is understated by Rs 260.98/- lacs. Provisions are understated by Rs 333.30/- lacs. Accumulated debit balance of P&L is under stated by Rs 477.01/- lacs and provisions are understated by Rs 477.01/-Lacs.

REPLY OF COMMENT ON AUDITORS REPORT.

Answer to (a): MH Mills & Industries limited is a SICK UNIT as declared by BIFR on 7th December,2005. The Company's operation was totally suspended from 29thSeptember,2009 due to disconnection of power supply. Thereafter plant and machinery and unit was not operative hence company has not provided for depreciation.

Answer to (b): MH Mills & Industries limited is a SICK UNIT as declared by BIFR on 7th December,2005.The Company's operation was totally suspended from 29thSeptember,2009 due to disconnection of power supply. The Company is a SICK UNIT and Gratuity has been considered and shown as contingent liability of the Company. So Gratuity liability of Rs. 77000182/- understated in Balance Sheet and Profit & loss account

Answer to (c): MH Mills & Industries limited is a SICK UNIT as declared by BIFR on 7th December,2005.The Company's operation was totally suspended from 29thSeptember,2009 due to disconnection of power supply. The Company is a SICK UNIT and Municipality Tax amount is disputed and company has taken measures to rectify the same and during the closure period Municipality tax shall be charged at a lower rate than Normal rate as Unit was closed from 29th September,2009 hence company has not made provision of Municipality tax of Rs.15.08 lacs .

Answer to (d): MH Mills & Industries limited is a SICK UNIT as declared by BIFR on 7th December,2005.The Company's operation was totally suspended from 29thSeptember,2009 due to disconnection of power supply. The Company is a SICK UNIT . The Company is and willing to settle the dues of all the Lenders including ARCIL as per Scheme Sanctioned by the Hon'ble High Court of Gujarat .Company is SICK & CLOSED UNIT hence company has not made any provision of penal interest of Rs.477.01 lacs.

COST AUDIT:

Pursuant to Section 233(1B) of the Companies Act, 1956 your Company has been covered for Mandatory Cost Audit for which with the Approval of the Central Government (Ministry of Corporate Affairs).

PARTICULARS OF EMPLOYEES:

No employee is drawing remuneration more than the specified limit prescribed u/s.217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Hence, the information in terms of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not required to be given.

FOREIGN EXCHANGE EARNINGS

Information as required under section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is set out in the Annexure forming part of this report. There is no foreign exchange earnings and outgo during the year under review.

ACKNOWLEDGMENT :

Your Directors wish to place on record their sincere appreciation to the employees at all levels for their hard work, dedication and commitment. Your Directors would like to express their sincere appreciation for assistance and cooperation received from the vendors and stakeholders including financial institutions, banks, Central & State Government authorities, other business associates, who have extended their valuable sustained support and encouragement during the year under review. Your Directors take this opportunity to place on record their gratitude and appreciation for the committed services of the employees at all levels of the Company.

For and on behalf of the Board of Directors

Date : 27/08/2012
Place: Ahmedabad

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to section 217(1)(e) of the Companies act, 1956 along with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 forming part of Directors' Report for the year ended on 31/03/2012: **NIL**

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures taken: **NIL**

Company is giving high priority to energy conservation and has continued with its policy of energy audit and periodic overhauling of the plant and machinery.

(b) Additional Investments and proposals if any being implemented for reduction of consumption of energy. : **NIL**

Investments in energy saving equipments are under implementation.

(c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods: **NIL**

Reduction in energy consumption leads to reduction in the cost of production and increase in the production efficiency, however the same cannot be quantified.

Total Energy consumption and energy consumption per unit of production

As advised to the management, the present activity of the company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

(a) RESEARCH & DEVELOPMENT (R & D)

1) Specific areas in which R & D carried out by the company: **NIL**
Research & Development efforts were carried out in new product development.

2) Benefit derived as a result of the above R & D: **NIL**

Improvement in the quality of products and reduction in wastage.

3) Future plan of action: **NIL**

R & D efforts are done on continuous basis by the company to reduce cost and improve the overall quality of products.

No separate record of the expenditure incurred is maintained as the majority of expenses incurred are of revenue nature.

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is to conduct its business in a manner, which is ethical and transparent with all stakeholders in the Company, including shareholders, lenders, creditors and employees. The Company and its Board of Directors firmly believe that strong governance, by maintaining a simple and transparent corporate structure, is integral to creating value on a sustainable basis. Good governance is a continuing exercise and the Company reiterates its commitment to pursue the same in all aspects of its operations in the overall interest of all its stakeholders.

BOARD OF DIRECTORS:

Composition of Board of Directors as on 31/03/2012:

Name of the Directors	Category	No of Board meeting held	No. of Board meeting attended	Attendance at Last AGM	No. of other Directorship in Public Ltd. Companies	No. of other Board Committees of which member/ chairman in other Domestic Company
Shri Sunny Bharatkumar Chatwani	Director	7	7	Yes	01	Nil
*Shri Narendra kumar Amratlal Thakkar (Form 11/06/2011)	Director	7	4	Yes	Nil	Nil
Shri Ramesh K. Trivedi	Director	7	7	Yes	Nil	Nil
Shri Girish A Shah,	Executive Director	7	2	Yes	Nil	Nil
**Shri Mafatlal L Patel	Director	7	1	Yes	Nil	Nil

* Shri Girish A Shah resigned w.e.f. 11/06/2011.

**Shri Mafatlal Patel resigned W.e.f. 01/06/2011.

The last Annual General Meeting (AGM) was held on 29.09.2011.

During the year the Company has not paid any sitting fees to its Directors for attending the Board Meeting.

No Remuneration/ Compensation were paid to Non Executive Directors during the year.

Eight (7) board meetings were held during the year. The dates on which the meetings were held are as follows:

30th April, 2011, 1st June, 2011, 11th June, 2011, 30th July, 2011, 26th August, 2011(Annual Accounts reviewed), 29th October, 2011 and 27th January, 2012.

COMPOSITION OF AUDIT COMMITTEE:

During the financial year 2011-12 Five (5) Audit Committee Meetings were held on 30th April, 2011, 30th July, 2011, 26th August, 2011(Annual Accounts reviewed), 29th October, 2011 and 27th January, 2012.

The Composition and attendance detail of Committee are as under:

Name	Status	No. of Meeting Attended
Shri Sunny Bharatkumar Chatwani	Chairman	5
Shri Narendrabhai Thakkar (From 11/06/2011)	Member	4
*Shri Girish A Shah	Member	1
**Shri Mafatlal L Patel	Member	1
Shri Ramesh K. Trivedi	Member	5

* Shri Girish Shah resigned w.e.f. 11/06/2011

** Shri Mafatlal Patel resigned w.e.f 01/06/2011

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Terms of Reference:

The remuneration committee of the Company looks to the remuneration of senior persons and Managing Director.

The committee met on 26th August, 2011.

The Composition and attendance detail of Committee are as under:

Name	Status	No. of Meeting Attended
Shri Sunny Bharatkumar Chatwani	Chairman	1
Shri Narendrabhai Thakkar (From 11/06/2011)	Member	1
*Shri Girish A Shah	Member	0
**Shri Mafatlal L Patel	Member	0
Shri Ramesh K. Trivedi	Member	1

* Shri Girish Shah resigned w.e.f. 11/06/2011

** Shri Mafatlal Patel resigned w.e.f 01/06/2011

No complaint was pending as on the date of this report.

ANNUAL GENERAL MEETINGS (AGM)

The details of the last three years AGM are given as under:

Financial Year	Venue	Day	Date	Time
2010-11	Saraspur, Opp Ambedkar Hall, Ahmedabad-380018	Friday	29/09/2011	11:30 A.M.
2009-10	Saraspur, Opp Ambedkar Hall, Ahmedabad-380018	Thursday	30/09/2010	11:00 A.M.
2008-09	Saraspur, Opp Ambedkar Hall, Ahmedabad-380018	Wednesday	30/09/2009	11.00 A.M.

There were no resolutions put through postal ballot in the last Three Annual General Meeting. There is no business at the ensuing AGM requiring implementation of the postal ballot under the applicable rules.

DISCLOSURES

1. Related Party Transaction

The related party Transaction made by the Company are disclosed in the notes to Financial Statements.

2. Compliance Report

The Board periodically reviews the Compliance of all applicable laws and gives appropriate directions, wherever necessary.

3. Means of Communication

Company is generally providing a detailed Annual Report on the working of the Company, consisting of Directors' Report (containing management discussion analysis and annual accounts)

SHAREHOLDER'S INFORMATION

a. Annual General Meeting to be held

Date and Time : Saturday, 29th September, 2012 at 11.30 A.M.
Venue : Opp. Ambedkar Hall, Sarspur, Ahmedabad-380018
Financial Year : 1st April, 2011 to 31st March, 2012
Date of Book Closure : 22/09/2012 to 29/09/2012(Both day inclusive)

b. Registrar and Transfer Agents

Sharepro Services (India) Pvt. Ltd.

13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Lane, Off. Andheri – Kurla Road, Andheri (East), Mumbai – 400 072.

c. Financial Calendar [Tentative]

Financial Year	:	April-March
First Quarter Results	:	End July, 2012
Half yearly Results	:	End October, 2012
Third Quarter Results	:	End January, 2013
Result for the year ending March 31, 2013:	:	End April/ May, 2013

d. Exchange on which listed

Name Stock Exchange	Stock Code	ISIN No.
Bombay Stock Exchange Limited INE698F01020	514242	

e. Market Price Data

High-Low prices of the Company's shares and volume of trading is not available as the trading of the securities of the Company has been suspended. Hence no trading of shares is made during the period.

f. Share Transfer System

Application for transfers, transmission and transposition are received by the Company at its registered address or at the office Registrar and Transfer Agent.

The shares of the Company which are in dematerialised form, the transfers are duly processed by NSDL/CDSL in electronic form through the respective Depository Participants. Shares which are in physical form are processed by the Registrar and Share Transfer Agent.

SHARE HOLDING PATTERN AS ON 31/03/2012:

Category	No. of Shares Held	Percentage of Shares
(A) Promoter and Promoter Group		
(1) Indian		
Individuals / Hindu Undivided Family	0	0.00
Bodies Corporate	5568613	33.86
Sub Total	5568613	33.86
(2) Foreign		
Total Promoter and Promoter Group (A)	5568613	33.86
(B) Public Shareholding		
(1) Institutions		
Financial Institutions / Banks	2537000	15.42
Insurance Companies	288299	1.75
Sub Total	2825299	17.17
(2) Non-Institutions		
Bodies Corporate	5008393	30.45
Individuals		
Individual shareholders holding nominal share capital up to Rs. 1 lakh	1259732	7.66
Any Others (Specify)	1778388	10.82
Non Resident Indians	6410	0.04
Sub Total	8052953	48.97
Total Public shareholding (B)	10878222	66.14
Total (A)+(B)	16446835	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012

No. of Equity Shares held	No. of Shareholders	% of share holders	No. of Shares held	% of Holding
1 – 5000	12158	93.83	891299	5.42
5001 – 10000	350	2.70	286068	1.73
10001 – 20000	175	1.35	263009	1.60
20001 – 30000	71	0.55	182618	1.12
30001 – 40000	37	0.28	135027	0.82
40001 – 50000	33	0.26	157692	0.96
50001 – 100000	58	0.45	431019	2.62
100001 and above	76	0.58	14100103	85.73
Total →	12958	100	16446835	100

SAURABH C. CHOKSI & CO.

Chartered Accountants

CA. Saurabh C. Choksi

M.Com., LL.M., DTP, DLP, FCA, Ph.D

25/26, 1st Floor, National Chambers,

Nr. City Gold Cinema,

Ashram Road,

Ahmedabad-380009

AUDITORS' REPORT

TO THE MEMBERS OF

M H MILLS AND INDUSTRIES LIMITED

- 1 We have audited the attached Balance Sheet of M H MILLS AND INDUSTRIES LIMITED as at 31st March, 2012 and also the Profit and loss Account for the year ended on that date annexed thereto. 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 and not of expressing an opinion on the effectiveness of the entity's internal control.
- 2 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 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.
- 3 As required by the companies (Auditor's Report) Order, 2003 issued by the Central Government of India, in terms of sub-section(4A) of section 227 of the Companies Act, 1956; we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 4 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 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 dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; except for Accounting Standard-6 on "Depreciation Accounting" read with Note No. 2 of Schedule 19, and Accounting Standard 15 on "Accounting for Employee benefits" read with Note No. 1 of Schedule 19.

Further to our comments above, your attention is invited to :

a) Note No. 2 & 3 of schedule 18 relating to non provision of depreciation under section 205(2)(b) of the company's Act 1956 resulting in the reserve and surplus and the net block of fixed asset being higher by the amount of Rs. 6,89,81,768/-.

b) Note No. 1 of the Schedule 19 relating to non-provision of present liability of future liability relating to Gratuity as per the last years actuarial valuation due to Balancesheet and profit & Loss A/c is understated by Rs. 7,70,00,182/-. In current reporting period it was not possible to make actuarial valuation because of inherent limitations.

c) Note No. IX of Schedule 3 relating to non-provision of current year Municipality outstanding dues amounting to Rs.15.08/- Lacs to which loss for the period is understated by Rs.15.08/- Lacs, provisions are understated by Rs. 15.08/- Lacs. accumulated debit balance of P & L is understated by Rs. 49.88/- Lacs.

d) Note No. XI of Schedule 3 relating to non-provision of penal interest liability amounting to Rs.260.98/- Lacs on overdue installments to ARCIL and other lenders due to which loss for the period is understated by Rs.260.98/- Lacs, provisions are understated by Rs. 260.98/- Lacs. accumulated debit balance of P&L is understated by Rs. 477.01/- Lacs and provisions are understated by Rs. 477.01/- Lacs.

v) On the basis of the written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon 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, 2012 and;

b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

c) In the case of Cash flow Statement, of the cashflow for the year ended on the date.

For Saurabh C. Choksi & Co.
Chartered Accountants

CA. Saurabh C. Choksi
Proprietor

Place: Ahmedabad
Date : 27-08-2012

M. No. 035744
Firm Reg No. 109351W

SAURABH C. CHOKSI & CO.

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ANNEXURE TO AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even dates.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However, in the case of transferor company namely The Maneklal Harilal Mills Limited such records have been maintained in respect of fixed assets purchased after 31-12-1955, in respect of assets acquired prior to 01-01-1956 these records are not maintained.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off any major part of the Fixed Assets.
- (ii) The inventory has not been physically verified during the year by the management.
- (iii) The Company has not granted any loans secured or unsecured to/from companies, firms or other parties in the register maintained under section 301 of the Act. Hence the provisions of the clause (a), (b), (c) and (d) are not applicable to the company, (e) The Company has not taken any loans secured or unsecured to/from companies, firms or other parties in the register maintained under section 301 of the Act. Hence the provisions of the clause (f), (g) and (h) are not applicable to the company.
- (iv) Because of its inherent limitations, It is not possible for us to verify whether the internal control system been adequate during the financial reporting period. Also, projections of any evaluation of effectiveness to future periods are subject to the risk.
- v) The audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions covered under section 301 of the companies Act, 1956. Hence the provision of this clause (a) and (b) is not applicable to the company.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from the public during the period covered by our audit and hence the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 are not applicable to the company.
- (vii) In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- (viii) The Central Government has prescribed maintenance of Cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of manufacturing activities of the company. Because of its inherent limitations, It is not possible for us to verify whether the company has maintained adequate cost records during the financial reporting period.

- (ix) (a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues applicable to it. According to the information and explanations given to us, It is not possible for us to verify whether is there any statutory dues are outstanding as at 30th September, 2012 for a period of more than six months from the date they become payable except the following,

Nature of statute	Nature of dues	Amt O/s Rs.	Period to which Amt. relates	Due date
Ahmedabad Muni. Corporation	Municipal Tax	1,12,70,594/-	April 05 to March 10	At the end of the year
Govt. of India Committee	Textile	11,52,182/-	January'99 to May'07	At the end of year
Govt. of Gujarat	Sales tax	2,80,20,284/-	For'99 to'03	At the end of year

(b) According to the records of the company, there is a demand of Rs.2,24,62,528/- for A.Y 2006-07, and liquidation charges of Rs. 4,87,45,990/- is pending for assessment with sales ax department, which have not been deposited on account of dispute.

- (x) The accumulated losses of the company are more than fifty percent of its net worth. The Company has incurred cash loss of Rs, 96,46,463/- during the financial year covered by current audit. The Company has not incurred any cash loss in immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has defaulted in repayment of dues to a financial institution or banks. As per scheme of arrangement the company was required to make the payment of restructured debts to ARCIL/other lenders in 10 equal quarterly installments of Rs. 82.30 Lacs. Company has not paid outstanding dues of Rs. 781.82/- Lacs. **The company has also defaulted in payment of penal interest of Rs.260.98 /- lacs (Previous year Rs. 216.03 Lacs) and due to this the loss for the period is understated by Rs. Rs. 260.98/- Lacs (Previous year Rs. 216.03/- Lacs) and provisions is understated by Rs. 260.98/- Lacs (Previous year Rs. 216.03/- Lacs) and debit balance of accumulated loss is understated by Rs. 477.01/- Lacs.**

Nature of Default	Amount in Default (Rs. in Lacs)	Period of Default
Loan Installment to Financial Institutions and Bank	41.12	31/12/2006
Loan Installment to Financial Institutions and Bank	82.30	31/03/2007
Loan Installment to Financial Institutions and Bank	82.30	30/06/2007
Loan Installment to Financial Institutions and Bank	82.30	30/09/2007
Loan Installment to Financial Institutions and Bank	82.30	31/12/2007
Loan Installment to Financial Institutions and Bank	82.30	31/03/2008
Loan Installment to Financial Institutions and Bank	82.30	30/06/2008

Loan Installment to Financial Institutions and Bank	82.30	30/09/2008
Loan Installment to Financial Institutions and Bank	82.30	31/12/2008
Loan Installment to Financial Institutions and Bank	82.30	31/03/2009
Interest @15% on overdue installments of Rs. 781.82 lacs	477.01	31/12/2006 to 31/03/2009

- (xii) The company has not granted any loans against security by way of pledge of shares, debentures and other securities during the year under audit.
- (xiii) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and explanations given to us the company has not given any guarantee during the year for loans taken by others from financial institutions or banks. However in the past the company had given guarantees for loans taken by others from financial institution and the terms and conditions thereof are not prima-facie prejudicial to the interest of the Company.
- (xvi) The term loans have been applied for the purpose for which they were raised.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.
- (xviii) company has not made preferential allotment of shares to the parties and companies covered under section 301 of the Companies Act.
- (xix) During the period covered by our audit report, the company has not issued any debentures.
- (xx) The company has not raised any money out of public issue.
- (xxi) We report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Saurabh C. Choksi & Co.
Chartered Accountants

CA. Saurabh C. Choksi
Proprietor
M. No. 035744
Firm Reg No. 109351W

Place: Ahmedabad
Date : 27-08-2012

M H MILLS AND INDUSTRIES LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2012**

(Rupees)

Particulars	Note No.	As at 31-03-2012	As at 31-03-2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	217,523,858	217,523,858
Reserves and surplus	2	(517,181,636)	(475,449,177)
		(299,657,778)	(257,925,319)
Non current liabilities			
Long term borrowings	3	213,330,295	214,830,295
		213,330,295	214,830,295
Current liabilities			
Short term borrowings	4	99,773,558	89,842,900
Trade payables	5	113,190,301	112,373,515
		212,963,859	202,216,415
Total		126,636,376	159,121,391
ASSETS			
Non Current Assets			
Fixed Assets			
Tangible assets	6	59,493,618	91,478,277
Non current investments	7	1,157,905	1,157,905
Long term loans and advances	8	7,131,428	6,104,818
Other non current assets	9	-	90,100
		67,782,951	98,831,100
Current Assets			
Current investments		-	-
Inventories	10	25,100,000	25,100,000
Trade receivables	11	32,392,029	32,392,030
Cash and cash equivalents	12	1,361,396	1,343,802
Other current assets	13	-	1,454,459
		58,853,425	60,290,291
TOTAL		126,636,376	159,121,391
See accompanying notes to the financial statements	18		

M H MILLS AND INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2012

As per our report attached

For Saurabh C. Choksi & Co.

Chartered Accountants

CA. Saurabh C. Choksi

Proprietor

M. No. 035744

Firm Reg No. 109351W

Place: Ahmedabad

Date : 27-08-2012

For and on behalf of the Board

SUNNY CHATWANI

Director

NARENDRA THAKKAR

Director

Place: Ahmedabad

Date : 27-08-2012

M H MILLS AND INDUSTRIES LIMITED
PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(Rupees)

Particulars	Note No.	Year Ended 2011-12	Year Ended 2010-11
Revenue from operations	14	-	57,622,629
Other income		-	-
Total Revenue		-	57,622,629
Expenses:			
Employee benefits expenses	15	2,052,005	-
Depreciation and amortisation expenses	16	32,074,759	32,156,460
Other expenses	17	7,605,694	827,440
Total expenses		41,732,458	32,983,900
Profit/(Loss) for the period		(41,732,458)	24,638,729
Earnings per equity share:			
Basic and diluted	18	(2.54)	1.50
See accompanying notes to the financial statements	19		

As per our report attached to balance sheet

For Saurabh C. Choksi & Co.
Chartered Accountants

For and on behalf of the Board

CA. Saurabh C. Choksi
Proprietor
M. No. 035744
Firm Reg No. 109351W

SUNNY CHATWANI
Director

NARENDRA THAKKAR
Director

Place: Ahmedabad
Date : 27-08-2012

Place: Ahmedabad
Date : 27-08-2012

M H MILLS AND INDUSTRIES LIMITED

Cash Flow Statement for the year ended 31st March, 2012

Particulars	(Amount in Rs.)	
	As at 31-03-2012	As at 31-03-2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	(41,732,458)	24,638,729
Adjustments for:		
Depreciation	31,984,659	32,066,364
Deferred Revenue Expense	90,100	90,096
Interest paid to bank and others	-	-
Operating profit before working capital changes	(9,657,699)	56,795,189
Adjustments for:		
(Increase)/ decrease in trade and other receivables		1,279,035
Increase/ (decrease) in trade payables and other payables	816,786	(73,627,642)
(Increase)/ decrease in inventories	-	-
(Increase)/ decrease in short term advances	1,454,459	
Cash generated from operations	(7,386,454)	(15,553,418)
Direct taxes paid	-	-
Cash flow before extraordinary items	(7,386,454)	(15,553,418)
Extraordinary items	-	-
Net cash from operating activities	(7,386,454)	(15,553,418)
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/ Decrease in long term deposits	(1,026,610)	
Increase in investment	-	-
Rental income	-	-
Net cash used in investing activities	(1,026,610)	-
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net increase/ (decrease) in other borrowings	8,430,658	15,287,900
Interest paid to bank and others	-	-
Loan Processing Exp	-	-
Loan stamping Exp	-	-
Net cash used in financing activities	8,430,658	15,287,900
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	17,594	(265,518)

M H MILLS AND INDUSTRIES LIMITED

Cash Flow Statement for the year ended 31st March, 2012

Particulars	(Amount in Rs.)	
	As at 31-03-2012	As at 31-03-2011
Cash and cash equivalents as at beginning (Opening balance)	1,343,802	1,609,320
Cash and cash equivalents as at end of the year (Closing balance)	1,361,396	1,343,802
Net increase/ (decrease)	17,594	(265,518)

For Saurabh C. Choksi & Co.
Chartered Accountants

For and on behalf of the Board

SUNNY CHATWANI
Director

CA. Saurabh C. Choksi
Proprietor

NARENDRA THAKKAR
Director

Place: Ahmedabad
Date: 27-08-2012

Place : Ahmedabad
Date: 27-08-2012

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of MH Mills and Industries Limited derived from the audited annual financial statements for the year ended 31st March, 2012 and found the same to be in accordance therewith.

M H MILLS AND INDUSTRIES LIMITED

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH 2012

18 Significant accounting policies:

a Basis of accounting :

The financial statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, The provisions of Companies Act, 1956 and the applicable Accounting Standards notified under the Companies (Accounting Standard) Rules,2006.

b Use of Estimates

The presentation of the Financial Statements in conformity with the Generally Accepted Accounting policies requires, the management to make estimates and assumptions that affect the reported amount of Assets and Liabilities, Revenues and Expenses and disclosure of contingent liabilities. Such estimation and assumptions are based on management's evaluation of relevant facts and circumstances as on date of Financial Statements Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

c Inventories

Inventories are valued as follows:

- (a) Finished Goods : At cost or net realisable value whichever is lower.
- (b) Work in process : At Cost

d Revenue recognition:

All other income and expenditure having material bearing on the financial statement are recognised and accounted for on accrual basis.

e Fixed assets:

Tangible fixed assets acquired by the company are reported at acquisition value, with deductions for accumulated depreciation and impairment losses, if any.

The acquisition values includes the purchase price (excluding refundable taxes), and expenses directly attributable to asset to bring it to the factory and in the working condition its intended use. Where the construction or redevelopment of any such asset requiring a substantial period of time to set up for its intended use, is funded by borrowing if any, the correspondence borrowing costs are capitalised up to the date when the asset is ready for use.

Expenses incurred for transferring and commissioning of assets transferred from Divisions / Units of the company are capitalised.

Foreign exchange rates variations arising from translation of foreign currency liability for acquisition of fixed assets has been given effect as per Accounting Standard 11 effect of changes of foreign exchange rates and charged to P & L a/c.

f Depreciation:

Depreciation has been provided in the accounts for the twelve months ended on 31st March 2012 on the following basics,

Depreciation is calculated on straight line method for the machineries acquired after 31-12-1960 and written down value method for all other assets and machineries acquired before 01-01-1961 for textile division of the company

Depreciation in respect of additions to machineries made during the period 01-01-1968 to 31-12-1986 is provided without considering extra shift working for calculating depreciation under section 205(2)(b) of the Companies Act,1956 for Textile Division of the company. However, during the years 1989-1990 and 1990-1991 extra shift working was taken into consideration.

Depreciation is provided on straight line method at the rates specified in schedule XIV of the Companies Act, 1956 on Plant & Machinery. Depreciations on other assets is provided on WDV method.

Depreciation method is provided after giving necessary effects of additions / deletion arising from transaction of Foreign Currency Liability for acquisition of asset.

g Investments:

Investments are stated at cost. Provision of diminution in the value of Long Term Investments is made only if such a decline is other than temporary, in nature In the opinion of the management.

h Employee benefits:

(a) Short Term

Short Term employee benefits are recognized as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees of the company

(b) Long Term

The Company has both defined contribution and defined benefit plans, of which some have assets in approved funds. These plans are financed by the Company in the case of defined contribution plans.

(c) Defined Contribution Plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to Employees Provident Fund. The Company's payments to the defined contribution plans are reported as expenses during the period In which the employee performs the services that the payment covers. Company has independently constituted trusts for the Company and the provident fund contribution is paid regularly to trusts and charged to revenue. Company has taken a policy from Life Insurance Corporation of India and all contributions are paid and charged to revenue.

Expenses for defined benefit gratuity payment plans are calculated as at the balance sheet date by independent actuaries in the manner that distributes expenses over the employees working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discounted rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government Bonds with a remaining term i.e. almost equivalent to the average balance working period of employees. However, the company accounts for gratuity expense on payment basis

(e) Other Employee Benefit

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in a financial year immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid.

i Earnings per share

Particulars of Earnings Per Share (EPS): Earning per share computed in accordance with Accounting Standard 20 issued under the Companies (Accounting Standard) Rules, 2006 is as under :

Particulars	As at 31-3-12	As at 31-3-11
a) Net profit / (loss) after tax	(41,732,458)	24,638,729
b) Total weighted average	16,446,835	16,446,835
c) Basic and diluted earning per share in rupees	(2.54)	1.50

j Impairment of Assets:

The carrying value of assets of the Company's cash generating units are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

k Provisions and Contingencies :

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding Long term benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current estimates. Contingent liabilities are not recognised but are disclosed in the notes to the Financial Statements. Contingent asset is neither recognised nor disclosed.

1 General:

Accounting policies not specifically referred to above are consistent with generally accepted accounting

19 Notes to accounts**a Contingent Liabilities :**

	As at 31.03.2012	As at 31.03.2011
Corporate Guarantee given as collateral security to The Pradeshiya Industrial And Investment Corporation of UP Ltd. (PICUP) for term loan of Rs.500 Lacs sanctioned Jayna Mefa (India) Ltd. as collateral security.	37,278,548	37,278,548
The present liability for future payment of gratuity to employees in accordance with the payment of Gratuity Act, 1972 provided aggregating to.	77,000,182	77,000,182
There is a demand of Rs.2,24,62,528/- for A.Y 2006-07, and liquidation charges of Rs. 4,87,45,990/- is pending for assessment with sales ax department, which have not been deposited on account of dispute.	71,208,518	71,208,518

b Based on the Legal Opinion the depreciation in respect of addition to Plant & Machinery of Textile Division during the period 01-01-1968 to 31-12-1986 has been provided without considering the extra shift working as provided under section 205(2) (b) of Companies Act, 1956. Accordingly, the Net Fixed Assets and Reserves and Surplus as on 31-03-2012 are overstated by Rs. 54,08,581/-. (Previous Year Rs. 54,08,581/-)

c The company has not provided the Depreciation in the Books of accounts during the period from 1st October,1999 to 31st March. 2001 for Rs.6,50,72,115/-. Accordingly, the Net Fixed Assets and Reserve and Surplus are over stated by Rs. 6,50,72,115/-. (Previous Year Rs.6,50,72,115/-)

- d In absence of the complete information regarding the status of the suppliers as micro small or medium enterprise as per the Micro, Small and Medium Enterprise Development Act, 2006, the information regarding the amount due to such parties as on the balance sheet date and provision for interest, if any required by the provisions of said act is not been made.
- e In view of Notification No 29/ 2004 and No 30/2004 dated 9th July 2004 an option was given to avail CENVAT credit and pay duty or do not avail CENVAT credit on inputs and capital goods and the clearance of final products without payment of excise duty. Consequently effective from 25th June 2005 the company has followed the practice of not availing CENVAT credit in any inputs and capital goods and clearance of final product, without payment of excise duty. Hence no provision is required on the valuation of finished goods inventory.
- f In view of the losses in the current year from operating activities and the accumulated losses brought forward of the previous years, the company has not made any Provision for Taxes in the Books of Accounts including deferred tax and the company does not envisage any Tax liability in the near future.
- g The Company has filed fresh reference on the basis of Financial Accounts for the year 2002-2003 and the said fresh reference was registered with BIFR vide case no. 262/2003. The hearing of the case has been held on 05.12.2005 and BIFR has declared unit as a "Sick-Unit" under provision of Section 3(1)(0) of the sick industrial Companies Act. 1985.
- h The Company's Scheme of Arrangement and Debt Restructuring, filed under Section 391 and 394 of the Companies Act 1956, has been approved by Hon'ble High Court of Gujarat on 01-07-2006. Certified copy of the said order has been given on 11-08-2006. The Company has filed Form No 21 with the Registrar of Companies on 21-08-2006.
- i **The salient features and its compliance of the Scheme are as follows**
- The Packaging Division of the Company has been demerged and vested into separate company i.e. M H Packaging (India) Ltd. (MHPL) and the assets liabilities pertaining to the said division has been transferred to this separate company. The debts of the MHPL has been restructured as per Appendix D Option 1 and Appendix E of the Scheme of Arrangement approved by Hon'ble High Court of Gujarat. This division is to be disposed off on or before March 31,2007. The ARCIL has advertised for sale of Packaging Division being a separate company on account of demerger of division and in response to that no proposal has been received and hence the matter is still pending for its disposal.
- As a result of the demerger and transfer of Packaging Division of the Company to MHPL, the existing paid up Equity Share Capital of the MH Mill & Industries Ltd. has been written down by 50% in number of shares i.e. existing 1,21,33,669 equity shares has been written down to 60,66,834 equity shares of Rs.10/- each by fixing Record Date ,i.e., 19/09/2006 and the thereby effect of the same in the books of accounts has been given on 29/09/06. Thus, share capital of the company has been reduced by Rs.6.07 Crs. The reduced capital is listed on BSE on 24th August 2007.

The Principal Retained debt of Rs 30.43 Crores of the First Charge holders in M H Mills (70.86 %) and Rs 12.51 Crores in MHPL (29.14%) has been allocated as detailed in Appendix D Option 1 of the Scheme. As per Appendix E of the Scheme the Retained debt of Second charge holders in Parent company is Rs 24.22 Crores and in MHPL is Rs 9.96 Crores. The Principal Debts of MH Mills & Industries Ltd. has been restructured as under consequent to the Scheme of Arrangement becoming effective. The effect of the same is given in the previous years financial statements.

Particulars	Rs. In Crs.
Conversion of Debt into Equity	6.88
Conversion of Debt into 0.01% Optionally Convertible Preference	5.27
Retained as Debt	27.52
Principal Waiver	14.98
Total	54.65

Equity share of Rs. 6.80 Crs. (Face value of Rs. 10/- each) and 0.01% Optionally Convertible Preference Shares of Rs. 5.27 Crs. (Face value of Rs. 100/- each) have been allotted to Financial Institutions and Banks consequent to approval of Scheme of Arrangement by Hon'ble High Court of Gujarat. The details of the same are as under:

(i) Conversion of Secured Debt into Equity Shares:

Particulars	Conversion of Secured Debt with first charge Into Equity	Conversion of Secured Debt with second charge into Equity	Conversion of Secured Debt with first and second charge into Equity
Asset Reconstruction			
Company India Ltd.	2.15	1.66	3.81
Stressed Assets Stabilisation Fund	1.09	-	1.09
Bank of Baroda	0.99	0.28	1.27
IIBI Limited *	0.18	-	0.18
Life Insurance Corporation of India	0.11	-	0.11
UTI Asset Management Company Pvt. Ltd.	0.15	-	0.15
General Insurance Corporation of India	0.01	-	0.01
United India Assurance Company Ltd.	0.01	-	0.01
The New India Assurance Company Ltd.	0.01	-	0.01
PCD Holders	-	0.24	0.24
Total	4.70	2.18	6.88

Conversion of Secured Debt into 0.01% Optionally Convertible Preference Shares (OCPRS):

Particulars	Conversion of Secured Debt with first charge into OCPRS	Conversion of Secured Debt with second charge Into OCPRS	Conversion of Secured Debt with first and second charge into OCPRS
Asset Reconstruction			
Company India Ltd.	1.65	1.27	2.92
Stressed Assets Stabilisation Fund	0.84	0.00	0.84
Bank of Baroda	0.76	0.21	0.97
IIBI Limited	0.13	0.00	0.13
Life Insurance Corporation of India	0.08	0.00	0.08
UTI Asset Management Company Pvt. Ltd.	0.11	0.00	0.11
General Insurance Corporation of India	0.01	0.00	0.01
United India Assurance Company Ltd.	0.01	0.00	0.01
The New India Assurance Company Ltd.	0.01	0.00	0.01
PCD Holders	0.00	0.19	0.19
Total	3.60	1.67	5.27
<p>Interest of Rs.86.44 Cr on secured loan and Rs. 1.06 Cr on unsecured loan have been waived off consequent to the Scheme of Arrangement becoming effective. Total amount of Rs.37.50 Cr has been shown as Extra ordinary item in Profit and Loss Account. The effect for the same is given in previous year financial statements.</p> <p>Principal secured debt of Rs 14.98 Cr and principal unsecured debt of Rs.0.75 Or have been waived off consequent to the scheme of Arrangement becoming effective and transferred to Capital Reserve, The effect for the same is given to previous year financial statements.</p>			

Polymer Division is to be disposed off after inviting bids from interested buyers for consideration of not less than Rs 3.25 Crores. Out of this Rs 1.05 Crores would be utilized to repay the lenders dues as per the Debt Restructuring Scheme and the balance amount would be utilized to meet the Parent company's working capital operations. The lenders have undertaken a valuation of the Polymer Division to facilitate the sale and complete the same in a transparent process. In view of this the ARCIL has advertised for the sale of Polymer division and in response they have received one proposal for a consideration of Rs. 3.25 Crs. The sale of polymer division was finalised in the monitoring committee which was held on 17th January 2007 and sale deed was executed on 22nd February 2007. In pursuance of this the company has received full consideration of Rs 3.25 Crs. Out of which the company has distributed Rs. 1.05 Crs to the ARCIL/lenders as per the scheme of arrangement.

As per the Scheme of Arrangement, the promoters shall infuse Rs.3.50 Crs by way of additional equity i.e. Rs.1.50 Cr on or before 15th July,2006 and Rs.2.00 Cr on or before 30th June,2007. As against this, Promoters have already infused Rs.2.01 as on 15th July ,2006 and company has allotted the shares to the promoters on 29th September 2006 and the balance amount of Rs. 1.49 Crs are infused by promoters on 31st March 2007. The company has allotted the infused promoters contributions by way of shares on 19th June 2007.

The company has called extraordinary general meeting of the shareholders on 12th July 2007 for preferential allotment of equity shares of Rs. 5 Crs to the promoters/ promoters group or such other investors. It was subject to approval of the regulatory authorities i.e. BSE and no-objection from ARCIL/other lenders. The promoters/ promoters group and other investors have already infused Rs 3.62 Crs by 31st March 2008. the company has not received no-objection from Bank of Baroda and BSE. In view of this the company has not allotted shares of Rs. 3.62 Crs and the promoters/ promoters group and other lender further contribution of Rs. 1.38 Crs.

In terms of scheme of arrangement company has to make payment of Statutory and Contingent Liabilities on account of Electricity Duty, duty on generation of power, property tax, land revenue and sales tax deferment to the tune of Rs. 6.09 Crs. The company due to insufficient Cash Accruals has not made payment of said statutory dues and Contingent Liabilities.

j Earning Per Share (EPS) :

Particulars	As at 31-3-12	As at 31-3-11
a) Net profit / (loss) after tax	(41,732,458.12)	24,638,729.00
b) Total weighted average	16446835	16446835
c) Basic and diluted earning per share in rupees	(2.54)	1.50

Anti dilutive effects are not considered in calculating Diluted EPS.

k Related Party Transactions :					
1.1 Holding Company		Not Applicable			
1.2 Subsidiary Company		Not Applicable			
1.3 Fellow Subsidiary		Not Applicable			
1.4 Other related parties with whom transaction have taken place during the year					
Associates		Not Applicable			
1.5 Directors of the company					
Director		Shri Sunny chatwani			
Director		Shri Narendra Thakkar			
Director		Shri Ramesh Trivedi			
(Rs. In Lacs)					
Sr No.	Name of Parties	Sales to and recoveries from	Purchase/ services from	Interest income from	Managerial Remuneration
1	Shresht Udan Travels Ltd.	0.00	0.00	0.00	0.00
2	Navdeep Investments Pvt. Ltd.	0.00	0.00	0.00	0.00
3	Shri Sunny Chatwani	0.00	0.00	0.00	0.00
4	Shri Ramesh Kantilal Trivedi	0.00	0.00	0.00	0.00
5	Shri Narendra Thakkar	0.00	0.00	0.00	1.95
Total		0.00	0.00	0.00	1.95
Sr No.	Name of Parties	Loan/ Deposit taken	Outstanding balance as at 31/03/2012		
1	Shresht Udan Travels Ltd.	0.00	0.00		
2	Navdeep Investments Pvt. Ltd.				
3	Shri Sunny Chatwani	0.00	0.00		
4	Shri Ramesh Kantilal Trivedi	0.00	0.00		
5	Shri Narendra Thakkar	0.00	0.00		
Total		0.00	0.00		
1 In the opinion of the Directors:					
a) The current assets and loans and advances are approximately of the value stated, if realised in the ordinary course of business.					
b) The provision for depreciation and for all known liabilities is adequate and not in excess of the amount					
c) Balances of unsecured loans, sundry creditors, sundry debtors and loans and advances are subject to confirmation.					

m Payment to Auditors:

	2011-12	2010-11
	Rupees	Rupees
a. Audit fee (Service tax - Rs. 11,236/- @ 12.36%)	11236.00	11236.00
	11236.00	11236.00

n Previous year's figures have been regrouped, wherever necessary.

For and on behalf of the Board

For Saurabh C. Choksi & Co.

Chartered Accountants

SUNNY CHATWANI

Director

CA. Saurabh C. Choksi

Proprietor

NARENDRA THAKKAR

M. No. 035744

Director

Place: Ahmedabad

Place: Ahmedabad

Date : 27-08-2012

Date : 27-08-2012