

**RISHAB  
SPECIAL  
YARNS  
LIMITED**

**15** <sup>teenth</sup>  
**Annual Report**

**2002-2003**

**BOARD OF DIRECTORS**

SHRI NATHMALL HIRAWAT  
SHRI AMITABH HIRAWAT  
SMT. PADAM DEVI HIRAWAT  
SHRI K. CHANDRASHEKHAR  
SHRI CHANDRA MOHAN KHANDLWAL

**BANKERS**

STATE BANK OF BIKANER & JAIPUR  
PUNJAB NATIONAL BANK

**AUDITORS**

**M/S. R. MOHNOT & CO.**  
Chartered Accountants

**REGISTERED OFFICE**

2070, RASTA BARA GANGORE  
JAIPUR - 302 003

**WORKS :**

**UNIT-1 : E-38-39, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026**  
**UNIT-2 : B-130-A, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026**

## NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the company will be held on Tuesday, the 30th September, 2003 at 12.00 Noon at the registered office of the company at 2070, Rasta Bara Gangore, Jaipur-302 003 (Rajasthan) to transact the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date, alongwith the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Padam Devi Hirawat, who retires by rotation and is eligible for re-appointment.
3. To appoint auditors and fix their remuneration.

**SPECIAL BUSINESS :**

4. To appoint a director in place of Mr. Chandra Mohan Khandelwal, who holds office as additional director upto the date of ensuing annual general meeting and in whose favour a notice under section 257 proposing his candidature as director of the company has been received from a member.
5. To appoint a director in place of Mr. K. Chandrashekhar, who holds office as additional director upto the date of ensuing annual general meeting and in whose favour a notice under section 257 proposing his candidature as director of the company has been received from a member.
6. To consider and pass with or without modification, if any, the following resolution as special resolution :  
"RESOLVED THAT pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, consent of the company, be and is hereby given for delisting all the equity shares of the company from Stock Exchanges at Delhi and Jaipur with immediate effect and the Board is hereby authorised to take all such steps and other necessary actions as may be thought fit and required to give effect to this resolution subject to such approval, permission and / or sanction as may be prescribed for the purposes under the said Guidelines and concerned Stock Exchange."

Registered Office :  
2070, Rasta Bara Gangore,  
Jaipur - 302 003  
Dated : 13.8.2003

By Order of the Board

(AMITABH HIRAWAT)  
Managing Director

**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. The proxy should be deposited with the company's registered office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer books of the company will remain closed from 25th September, 2003 to 30th September, 2003 (both days inclusive).
3. An explanatory statement under provisions of section 173 of the Companies Act, 1956, in respect of items 4, 5 and 6 above, is annexed herewith.
4. All documents referred to in Notice and Explanatory Statement are open for inspection at the registered office of company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of annual general meeting.
5. The members are requested to notify change of their addresses if any at the registered office of the company at an early date.
6. The work of share transfers is presently done by the company itself at its registered office. Although the company appointed M/s. Systems Support Services, 209, Shivai Industrial Estate, Near Parks-Davis, 89, Andheri Kurla Road, Saki Naka, Andheri East, Mumbai, but the formalities of dematerialisation are yet to be completed due to pending connectivity of the agent with CDSL.

**EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 OF THE COMPANIES ACT, 1956 :****ITEMS NO. 4 AND NO. 5 :**

Mr. Chandra Mohan Khandelwal and Mr. K. Chandrashekhar, who were appointed as additional directors on the Board of company w.e.f. 5th October, 2002, hold their offices as such upto the date of ensuing annual general meeting. The company has received notices pursuant to provisions of section 257 of Companies Act, 1956 from members proposing their candidatures for election as directors of the company. Further, a deposit of Rs. 500 from each of them has been received under the said provisions. They have very good experience in industry and business and their presence on the Board shall be helpful to the company. The said resolutions are for approval by the members of the company. None of the directors (except the appointee himself) is in any manner interested in said respective resolution.

**ITEM NO. 6 :**

Presently, the company's equity shares are listed on stock exchanges at Jaipur, Delhi and Mumbai (BSE). Except Mumbai, trading of company's equity shares is Nil at other stock exchanges during preceding several years. With the extensive networking of the Stock Exchange, Mumbai (BSE) and extension of terminals to other cities in India, investors have access to online dealings in company's shares across the country. The trading of company's shares has not yet commenced in dematerialised form due to delay in connectivity of the share transfer agent with the CDSL. However, as soon as the connectivity in electronic system is established by the share transfer agent, trading of company's shares would give benefits to the investors for on line trading through out the country. The listing continued with stock exchanges at Jaipur and Delhi would not be beneficial to the investors commensurate with the cost incurred by the company.

The SEBI (Delisting of Securities) Guidelines, 2003, provided voluntarily delisting of shares from the stock exchanges (including Regional) without obtaining buy-back to the shareholders, provided the securities have been listed for a minimum period of three years and public announcement in prescribed manner is published.

The shareholders approval is sought by way of special resolution for delisting of company's equity shares from Jaipur and Delhi. Your directors recommend the special resolution for approval by shareholders.

None of the directors is in any way interested in the said resolution.

Registered Office :  
2070, Rasta Bara Gangore,  
Jaipur - 302 003  
Dated : 13.8.2003

By Order of the Board

(AMITABH HIRAWAT)  
Managing Director

As required under clause 49 (vi) of the Listing Agreement, brief resume including experience, other directorship and committee membership of the persons proposed for appointment as directors, are given below :

Mrs. Padam Devi Hirawat : (born on 07.08.1939)  
Education : 7th Class Pass  
Experience : 30 years  
Other directorships : 1  
Committee membership : NIL

Mr. Chandra Mohan Khandelwal : (born on 14.11.1956)  
Education : B.Com., LLB  
Experience : More than 20 yrs. in business  
Other directorships : 1  
Committee membership : 3

Mr. K. Chandrashekhar : (born on 12.06.1958)  
Education : BSC, MBA  
Experience : 24 yrs. in Textile Industry  
Other directorships : 2  
Committee membership : 2

## DIRECTOR'S REPORT

To,  
The members of  
RISHAB SPECIAL YARNS LIMITED  
JAIPUR

Your Directors have pleasure in presenting the Fifteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended on 31st March, 2003.

	Year Ended 31.03.2003	Year Ended 31.03.2002
	(Rs.)	(Rs.)
<b>FINANCIAL RESULTS</b>		
Profit (Loss) before depreciation, misc. expenses w/off & taxes	(17,636,394)	7,46,199
Less : Depreciation	7,753,423	76,09,684
Less : Misc. Expenses w/off	777,332	10,91,974
Provision for Taxation	-	-
Profit/ (Loss) after tax	(26,167,149)	(79,55,459)
Balance brought forward from the last year	(4,760,881)	31,94,578
Balance Carried to Balance Sheet	<u>(30,928,030)</u>	<u>(47,60,881)</u>

**PERFORMANCE**

The Company's performance in the year 2002-03 has been extremely poor. It is for the first time in its history that the company suffered cash losses. While the sales dropped by around 10%, the bottom line has taken a severe dip. Main reason for this has been the reducing margins of low value added varieties due to competition and increasing cost of inputs forcing the company to discontinue certain products. This, in turn has reduced the utilization of certain fixed assets while expenses continued to remain at high levels. The company was able to continue production of value added products within the confines of equipment available. The company has become a potentially sick Industrial Companies in terms of provisions of Sick Industrial Companies (Special Provisions) Act, 1985 as more than 50% net worth of the company has been eroded.

**FUTURE PROSPECTS**

Following the union budget of year 2003, a new beginning in the Textile Industry has been made. With large part of weaving sector brought within the ambit of Excise Modvat Scheme, the chronic problem of excise evasion has been curbed to a large extent. This shall provide relief to your company, which had been unable to compete with unethical competition from certain segments of yarn industry.

At the same time, the company is burdened with the losses incurred during the year and in the past and continuous high rate of interest being charged by the Banks and Financial Institutions. The Finance Minister, recognizing the problem of high interest rates being faced by old Textile Units, has in his budget speech promised to come out with relief to the Textile Industry. The scheme is still awaited and shall be crucial for the company to regain its profitability.

The company has in the past made efforts to export some material but due to its location and slightly older generation of machinery finds its unremunerative to pursue exports.

**CORPORATE GOVERNANCE**

The company has complied with all the mandatory requirements of the Corporate Governance specified by Securities & Exchange Board of India in terms of clause 49 of the listing agreement. As required by the said clause a separate report on corporate governance forms part of the Annual Report As **Annexure-I**. A report from the Statutory Auditors of the Company regarding compliance of conditions of corporate governance is part of this report as **Annexure-II**.

**MANAGEMENT DISCUSSION & ANALYSIS**

This has been included as a separate **Annexure-IV** to this Report.

**DIVIDEND**

In view of losses, your directors are unable to declare any dividend.

**FIXED DEPOSITS**

The company has not accepted any fixed deposit from the public in contravention of Section 58-A of Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.

**DEPOSITORY SYSTEM**

The company's shares are not tradable compulsorily in electronic form. The company has appointed Share Transfer Agent, who has yet to complete the formalities for connectivity with CDSL. As soon as this is done trading of company's shares shall commence in demat form.

**DIRECTORS**

Smt. Padam Devi Hirawat, Director of the company retires by rotation pursuant to section 256 of the Companies Act, 1956 and being eligible, offers herself for reappointment.

Sh. K. Chandrashekar and Sh. Chandra Mohan Khandelwal who were appointed as Additional Directors on the Board w.e.f. 5.10.2002, being eligible, have offered themselves for reappointment.

**AUDITORS**

M/s. R. Mohnot & Co., Chartered Accountants, Jaipur retire at the ensuing Annual General Meeting and have given their consent for reappointment.

**AUDITORS OBSERVATIONS**

Replies to the Auditor's Observations in their Report are given at **Annexure-III** hereto.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

In compliance of section 217 (2AA) of the Companies Act, 1956, your directors confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of the affairs of the company at the end of financial year and of the loss of the company for that period;
3. the directors have been taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:**

Information in accordance with 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 are set out in **Annexure-V** forming part of the Report.

**EMPLOYEES**

None of the employees of the company is in receipt of remuneration of Rs. 24,00,000/- or more per annum, if employed for whole of the year or Rs. 2,00,000/- or more per month, if employed for part of the year.

**ACKNOWLEDGEMENT**

The Board gratefully acknowledges the co-operation and support given by the Financial Institutions, Company's Bankers, Auditors, shareholders and Employees.

For and on behalf of the Board of Directors

Place : JAIPUR

Dated : August 13, 2003

**NATHMALL HIRAWAT**

Chairman

**CORPORATE GOVERNANCE - CLAUSE 49 OF THE LISTING AGREEMENT****ANNEXURE-I****Company's Philosophy on Code of Governance**

The Board of Directors of the company fully subscribe to the framework for Corporate governance as prescribed by the Code. The Corporate Governance system ensures transparency, control, accountability and responsibility in all areas of operations. The Board strongly believe that Company should develop the desired minimum framework by adopting the best Governance Practices, so as to protect and achieve enhanced value for all its stakeholders i.e. shareholders, customers, creditors, employees and society in general.

**Board of Directors**

The Board of Directors monitor company performance, approves and reviews policies/strategies and evaluates management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

The Board of Directors comprises 5 directors out of which 4 are non executive directors (80% of the Board strength), and 2 are independent directors (40% of the Board strength). The Chairman is a non executive one. Hence, the composition of the Board complies with the requirements of the Corporate Governance Code.

The table below provide the details of Board Meetings, Composition of the Board and other related informations :

During the financial year ended 31st March, 2003, the Board held 12 meetings detailed below :

Date on which Meeting was held	No. of Directors Present
29th April, 2002	3
13th May, 2002	3
9th July, 2002	3
29th July, 2002	3
10th August, 2002	3
14th August, 2002	3
24th September, 2002	5
5th October, 2002	5
29th October, 2002	4
16th December, 2002	5
30th January, 2003	4
24th March, 2003	5

The constitution of the Board as on 31st March, 2003 is as follows :

Name of Directors	Designation and category	No. of other Directorship Held	No. of other Board Committees of which Member/ Chairman	Board meetings attended	Attendance at the last AGM
Sh. Nathmal Hirawat	Non Executive	3	3	12	yes
Sh. Amitabh Hirawat	Managing Director	3	-	12	yes
Smt. Padam Devi Hirawat	Non Executive Director	1	-	10	No.
Sh. K. Chandra Shekhar	Non Executive				
	Independent Director	2	2	5	yes
Sh. Chandra	Non Executive	1	3	5	Yes
Mohan Khandelwal	Independent Director				

**15th Annual Report****2002-2003****Notes :**

1. Appointed as additional Directors with effect from 24.9.2002 and having ceased to be directors on 28.9.2002, they were re-appointed as additional directors on 5.10.2002.
2. As required by the Companies Act, 1956 and clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of Board Committees, (audit/remuneration/investor's grievance committees) in excess of 10 and Chairmanship of board committees as aforesaid in excess of 5.

**Audit Committee**

The audit committee was first constituted on 5th October, 2002. The composition of the audit committee and details of meetings attended by members thereof are as follows :

Name of Directors	Category of Directorship & Designation	Qualification	No. of Meeting Attended
Sh. Chandra Mohan Khandelwal	Independent, Non Executive Chairman of the Committee	B. Com. LLB	3
Sh. K. Chandrashekhar	Independent, Non Executive Member of the Committee	BSC MBA	3
Sh. Nathmall Hirawat	Non Executive Member of the Committee	9th	3

The committee meetings were also attended by the Managing Director, Statutory Auditors.

During the year 2002-03, three meetings of committee were held on 29th October 2002, 30th January 2003 and 24th March, 2003.

The Chairman of the audit committee along with other members attended the last Annual General Meeting of the company held on 28.9.2002.

**Description of terms of reference :** The terms of reference of the committee are to review and recommend the financial statements and adequacy of internal control systems. The detailed terms of reference of the committee as approved by the Board are given below :

1. Review of internal controls with the management.
2. Overseeing the company's financial reporting / disclosures and review of interim and annual financial statements before submission to board.
3. Recommendation of appointment/removal of statutory auditors and fixation of the fees for audit and other services.
4. Periodic discussions with the statutory auditors of the company (whether before, during or after the audit) on internal control systems, nature and scope of audit, audit observations and areas of concern, if any.
5. Investigate any matter referred to it by the Board of within its terms of reference.
6. Review the findings of internal investigations, if there is material fraud, irregularity and failure of internal control system.
7. Review financial and risk management policies.
8. To look into reasons for substantial defaults, if any, in payments to depositors, debentures-holders, creditors and shareholders. In addition to the above, the committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

**Remuneration Committee**

This is a non mandatory requirement of Clause 49 of listing agreement. Even though the company has constituted on 24.3.2003 Remuneration Committee consisting of 3 Directors under the Chairmanship of Shri K. Chandrashekhar (Independent/Non-executive Director) and other members are Shri Chandra Mohan Khandelwal (Independent/Non-executive Director) and Shri Nathmall Hirawat (Non-executive Chairman of the company). The committee is appointed with the terms of reference of deciding the remuneration of executive and non-executive directors. No meeting was held during the year.

No sitting fee was paid for the meetings of Board and committee during the financial year.

Details of remuneration paid to Managing Director during the year are as under :

	Rs.	
Salary	180000	
Perquisites	66818	(as per Income Tax Act)
Total	246818	

**Shareholders/investor's Grievance Committee**

The Company has constituted Investors Grievance Committee on 16.12.2002 in accordance with the requirements of clause 49 of Listing Agreements. The committee's objective is to attend to investor's complaints pertaining to transfers/transmission of shares, non-receipt of dividend/interest, and any other related matters. It functions under the Chairmanship of Shri Chandra Mohan Khandelwal (Independent/Non-executive Director) and other members are Shri Nathmall Hirawat (Non-executive Chairman of the company) and Shri Amitabh Hirawat (Managing Director of the company).

**Compliance Officer**

Mr. Vijay Singh Yadav

Finance Executive

Rishab Special Yarns Limited

2070, Rasta Bara Gangore, Jaipur