

**RISHAB
SPECIAL
YARNS
LIMITED
JAIPUR**

16th *Annual Report*

reportjunction.com
2003-2004

BOARD OF DIRECTORS
SHRI NATHMALL HIRAWAT
SHRI AMITABH HIRAWAT
SMT. PADAM DEVI HIRAWAT
SHRI K. CHANDRASHEKHAR
SHRI CHANDRA MOHAN KHANDELWAL

AUDITORS
M/S. R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

BANKERS
STATE BANK OF BIKANER & JAIPUR
PUNJAB NATIONAL BANK

REGISTERD OFFICE
2070, RASTA BARA GANGORE
JAIPUR - 302003

WORKS :

UNIT - 1 : E-38-39, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026
UNIT - 2 : B-130, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026
UNIT - 3 : GALA No. 35-38, MAUJI KHONI, BHIWANDI, THANE

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the company will be held on Thursday, the 30th September, 2004 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, 2004 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 Shri Nathmall Hirawat, who retires by rotation and is eligible for reappointment.
3. To appoint auditors and fix their remuneration.

Registered Office :

2070, Rasta Bara Gangore,
JAIPUR - 302 003

Dated : 12.8.2004

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, 2004 to 30th September, 2004 (both days inclusive).
3. All documents referred to in Notice 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.
4. The members are requested to notify change of their addresses, if any, at the registered office of the company at an early date.
5. 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.

As required under clause 49(vi) of the listing Agreement, brief resume including experience, other Directorship and committee membership of the person proposed for reappointment as director is given below :

Shri Nathmall Hirawat (Born on 11.02.1930)

Education : 9th
Experience : 55 years
Other Directorship : 3
Committee Membership : 3

DIRECTOR'S REPORT

To
The Members of
RISHAB SPECIAL YARNS LIMITED
JAIPUR

Your directors have pleasure in presenting the Sixteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended on 31 st March, 2004.

| | Amount in rupees | |
|---|------------------|------------|
| | 2004 | 2003 |
| FINANCIAL RESULTS | | |
| Profit/(loss) before depreciation, misc. expenses w/off & taxes | (27132408) | (17636394) |
| less : Depreciation | 7834526 | 7753423 |
| less : Misc. Exp. W /off | 651616 | 777332 |
| Provision for Taxation | — | — |
| Profit/(loss) after tax | (35618550) | (26167149) |
| Balance Brought forward from the last year | (30928030) | (4760881) |
| Balance Carried to Balance Sheet | (66579183) | (30928030) |

PERFORMANCE

The company's performance in the year 2003-04 has been extremely poor. The company has suffered cash loss in last two years. The Net Worth of the company has not only completely eroded but comes in the negative zone during the year. The sales dropped very steeply by around 43% and the bottom line has gone down almost by 36%. 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 equipments available. The company has become Sick Industrial Company under section 3 (1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985, as 100% net worth of the company has been eroded.

FUTURE PROSPECTS

Following the union budget of year 2004, a new beginning in the Textile Industry has been made. Every manufacturer whether from the power loom or composite mill sector has been allowed to choose between a complete exemption from payment of excise duty or adopting the cenvat route, although the cenvat route has been made optional, 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 the company did not pay interest and principal to the IDBI and banks, the debt burden has increased tremendously. The Directors have approached IDBI and both the bankers for negotiated settlement and shifting of certain plants and machinery to a more viable location viz. Silvassa and Bhiwandi for reducing cost and improving the assets utilization. The Finance Minister, recognizing the problem of Textile Industry and shows interest to further rationalise the tax structure of the industry in the next budget so as to make our industry competitive with the world industry after dismantling of quota regime at 31.12.2004. 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 lightly order 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 during the year.

DEPOSITORY SYSTEM

The company's shares are not tradable compulsorily in electronic form. Although, the company has appointed Share Transfer Agent, but the formalities of dematerialisation are yet to be completed. As soon as this is done trading of company's shares shall commence in demat form.

DIRECTORS

Shri Nathmall Hirawat, Director of the company retires by rotation pursuant to section 256 of the Companies Act, 1956 and being eligible, offered himself 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.

16th Annual Report**2003-2004****DIRECTORS' 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 judgements 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 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. 2400000/- or more per annum, if employed for whole of the year or Rs. 200000/- or more per month, if employed for part of the year.

ACKNOWLEDGMENT

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

Place : JAIPUR

Dated : August 12, 2004

For & on behalf of the Board of Directors
(Nathmall Hirawat)
Chairman

ANNEXURE-I**CORPORATE GOVERNANCE REPORT**

Corporate Governance as required by clause 49 of Listing Agreement with Stock Exchanges.

Company's Philosophy on Corporate Governance :

Company's Philosophy in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and comply with various laws and regulations. Emphasis therefore is on adding value to its shareholder, investors, employees, suppliers, customers and other community.

Board of Directors :

The Board of Directors consists of 5 Directors (One Non-Executive Chairman, One Managing Director and three Non-Executive Director out of which two are independent Directors). None of the Directors on the Board is member of more than 10 committees and Chairman of more than 5 Committees across all the companies in which they are Directors.

During the year Board Meeting were held on 30th April 2003, 18th June 2003, 30th July 2003, 13th August 2003, 19th September 2003, 30th October 2003 and 31st January 2004. The Board was presented with the relevant and necessary information at its meetings. The attendance of each Directors at the Board Meeting during the year and at the last Annual General Meeting & Extra Ordinary General Meeting and also the number of other companies and committees where he is a director/member is tabulated below :

| Name of Directors | Category | Attendance Particulars | | No. of Other Directorship and Committee Member/Chairmanship | | |
|------------------------------|------------------------------------|------------------------|---------------|---|----------------------|------------------------|
| | | Board Meeting | Last AGM/EOGM | Other Directorship | Committee Membership | Committee Chairmanship |
| Sh. Nathmall Hirawat | Non Executive Chairman | 7 | Yes | 3 | 3 | - |
| Sh. Amitabh Hirawat | Managing Director | 7 | Yes | 2 | 1 | - |
| Smt. Padam Devi Hirawat | Non Executive Director | 3 | Yes | 1 | - | - |
| Sh. K. Chandrashekhar | Non Executive Independent Dir. | 7 | Yes | 2 | 1 | 1 |
| Sh. Chandra Mohan Khandelwal | Non Executive Independent Director | 7 | Yes | 1 | 1 | 2 |

Audit Committee

The audit committee functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement. Apart from considering unaudited and/or audited financial results for the relevant quarter, half year and the year before adoption/approval by the board, the committee focused its attention on key areas impacting the overall performance of the company, financial reporting system, internal control and procedure and ensuing compliance with regulatory guidelines.

The composition of the audit committee and details of meeting 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., LL.B. | 5 |
| Sh. K. Chandrashekhar | Independent, Non Executive Member of the Committee | B.Sc. M.B.A. | 5 |
| Sh. Nathmall Hirawat | Non-Executive Member of the Committee | 9th | 5 |

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During the year under review, the audit committee met 5 times and it's meeting were also attended by the Managing Director and the statutory Auditors.

The Chairman of the audit committee alongwith other members attended the last Annual General Meeting and Extra Ordinary General Meeting of the company held on 30.9.2003 and 27.11.2003 respectively.

Remuneration Committee :

The company had constituted a remuneration committee consisting of Shri K. Chandrashekhar (Independent/Non-Executive Director) Chairman of the Committee, Shri Chandra Mohan Khandelwal (Independent/Non-Executive Director) and Shri Nathmall Hirawat (Non-Executive Chairman of the Company) as members of the Committee.

The Company does not pay any remuneration to the Non-Executive Directors for the Company. The company has not issued stock options to any of it's Director. The details of remuneration to Managing Director during the year under review is given below :

| | |
|-------------------------|------------------------------------|
| Salary | Rs. 180000 |
| Contribution to EPF&FPF | Rs. 21600 |
| Perquisites | Rs. 102697 (as per Income Tax Act) |
| Total | Rs. 304297 |

Share Holders/Investors Grievances

The share holders/investors grievance committee consist of Shri Chandra Mohan Khandelwal (Independent/Non- Executive Director) as Chairman and other members are Shri Nathmall Hirawat (Non-Executive Chairman of the Company) and Shri Amitabh Hirawat (Managing Director of the Company). The committee's objectives is to attend to investors complained pertaining to transfer/transmission of shares, non receipt of dividend and other related matters.

Besides seeking general information like status of Company, listing of shares of the Company, Price of the Share quoted at Stock Exchanges, reasons of non trading of Companies Shares, position of dematerialisation of company shares, total 14 complained were received. These complaints related to non receipt of annual report & non receipt of shares after transfer/endorsement/name correction. The complaints were resolved to the satisfaction of the share holders and no complaint was pending as on 31.03.2004.

During the year 11 meetings of share transfer committee/investor's grievance committee were held and 7700 shares of 47 share holders were transferred.

Compliance Officer

Mr. Vijay Singh Yadav

Finance Executive

Rishab Special Yarns Limited

2070, Rasta Bara Gangore, Jaipur.

General Body Meetings : Details of the last three Annual General Meetings are as under :

| AGM/EOGM | Date | Time | Venue | No. of Special Resolution Passed |
|----------|------------|---------|--|----------------------------------|
| 13th AGM | 20.09.2001 | 12 Noon | Jaipur Business Centre, 3rd Floor, Sangam Tower, Church Road, Jaipur | - |
| 14th AGM | 28.09.2002 | 12 Noon | 2070, Rasta Bora Gangore, Jaipur - 3 | - |
| EOGM | 27.11.2003 | 12 Noon | 2070, Rasta Bara Gangore, Jaipur - 3 | - |
| 15th AGM | 30.09.2003 | 12 Noon | 2070, Rasta Bara Gangore, Jaipur - 3 | 1 |

The special Resolution indicated above was passed by show of hands. The company has not passed any shareholders resolution through postal ballot during the years under reference.

Disclosures

Transactions with related parties are disclosed in detail in schedule 'O' at point 14 on "Related Party Disclosures" annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the company at large.

There were no instances of material non-compliance and no major strictures or penalties imposed on the company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

Means of Communication : During the year quarterly, half yearly and yearly financial results of the company submitted to the stock exchanges soon after the Board Meeting approved these and were also published in two leading newspapers - Money Makers (English) & Dainik Mahalaxmi Bhagyodaya (Hindi).

The Management's Discussion and Analysis of Operating Results and Financial Condition based on financial statements for the year forms part of the Annual Report for the year.

General Shareholders' Information :**16th Annual General Meeting :**

| | | |
|-------------|---|--|
| Date & Time | : | 30th September, 2004 at 12.00 Noon |
| Venue | : | 2070, Rasta Bara Gangore, Jaipur-302003. |

Financial Calendar for the year 2004-05

| | | |
|--|---|------------------------------------|
| Financial year | : | 1st April 2004 to 31st March 2005. |
| First Quarter Results | : | Fourth Week of July, 2004 |
| Second Quarter/ Half yearly Results | : | Fourth Week of October, 2004 |
| Third Quarter Results | : | Fourth week of January, 2005 |
| Fourth quarter/ Yearly results (unaudited) | : | Fourth Week of May, 2005 |

Dates of Book Closure : 25th September, 2004 to 30th September, 2004 (Both days inclusive)

Due to heavy cash loss during the year, no Dividend is proposed.