

ANNUAL REPORT 1999-2000



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VANASPATI TEXTILE INDUSTRIES LTD.



BOARD OF DIRECTORS

Shri G. L. Khemani
Shri Rajesh Modi
Shri S. P. Chadha
Shri Praveen Deva
Shri B. P. Saxena
Shri S. S. Verma
Shri Sanjay Kr. Khaitan
Shri Philip Lush
Shri V. P. Kataria
Shri R.C. Razdan

Chairman
Managing Director
Joint Managing Director
Whole Time Director
Whole Time Director
Director
Director
Director
Nominee Director (IFCI)
Nominee Director (IDBI)

FINANCIAL CONTROLLER AND COMPANY SECRETARY

Shri Yogesh Gupta

AUDITORS

M/s P. K. Soni & Co.
Chartered Accountants,
CC-29, Nehru Enclave,
New Delhi 110 019.

BANKERS

Allahabad Bank
Federal Bank
Oriental Bank of Commerce
State Bank of Bikaner & Jaipur

WORKS & REGISTERED OFFICE

F-3-5, RIICO Industrial Complex,
Vigyan Nagar, Shahjahanpur-301 706
District Alwar (Rajasthan)

HEAD OFFICE & SHARE DEPARTMENT

E-67, Greater Kailash Enclave-I,
New Delhi 110 048

**NOTICE**

NOTICE is hereby given that the Nineth Annual General Meeting of the members of the company is to be held on Tuesday the 5th day of September 2000 at 11.00 A.M. at F-3-5, RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur-301 706. Distt. Alwar (Rajasthan), the registered office of the company, to transact the following businesses as:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet of the company as on 31st March 2000 and the profit and loss account for the year ended on that date together with the reports of the Board of Directors and Auditors' thereon.
2. To appoint a director in place of Shri S.P. Chadha, who retires by rotation, and being eligible offers himself for the reappointment.
3. To appoint a director in place of Shri Rajesh Modi, who retires by rotation, and being eligible offers himself for the reappointment.
4. To appoint a director in place of Shri Philip Lush, who retires by rotation, and being eligible offers himself for the reappointment.
5. To appoint statutory auditors of the company and to fix their remuneration:

To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to Section 224(1) of the Companies Act, 1956 M/s P.K. Soni & Co., Chartered Accountants, be and is hereby, reappointed as the auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company at such a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, out of pocket, travelling and living expenses.

SPECIAL BUSINESS

6. To consider and if thought fit to pass, with or without modifications, the following as Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act 1956, the Articles of Association of the Company be and are hereby altered to the extent and in the manner set out hereunder:

- i. After Article 15, the following new Articles 15A and 15B be inserted under the heading "Dematerialisation of Securities":

15A Definitions

For the purpose of this Article:

Beneficial Owner : "Beneficial Owner" shall have the meaning assigned thereto in Section 2 of the Depositories Act 1996.

Depositories Act : "Depositories Act" shall mean the Depositories Act 1996 and includes any statutory modification or re-enactment thereof for the time being in force.

Depository : "Depository" shall mean a Depository as defined in the Depositories Act 1996.

SEBI : "SEBI" means the Securities & Exchange Board of India.

Member : "Member" means a duly registered holder from time to time of the shares of the Company and also one whose name is entered as beneficial owner in the records of a Depository in the case of shares held in a Depository.

Security : "Securities" means Shares, Debentures or other securities as may be specified by Central Government, SEBI or any other concerned authorities from time to time.

15B.**1. Dematerialisation of Securities**

Notwithstanding anything to the contrary contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in dematerialised form pursuant to the Depositories Act 1996.

2. Option to hold securities in Physical Form or with Depository

Every person holding securities of the Company through allotment or otherwise shall have the option to receive and hold the same in the form of security certificates or to receive and hold the same in the dematerialised form with a depository.

3. Beneficial owner may opt out of a Depository

Every person holding securities of the Company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provided under the provisions of the Depositories Act and the rules, if any, prescribed thereunder and on fulfilment of the conditions prescribed by the Company from time to time, the Company shall issue the relevant security certificates to the beneficial owner thereof.

4. Securities in Depositories to be in fungible form

All securities held by a depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B and 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.



5. Rights of Depositories and Beneficial Owners

- (i) A depository shall be deemed to be the registered owner for the purposes of effecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights or any other rights in respect of the securities held by it.
- (ii) Every person holding securities of the Company and whose names is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

6. Service of Documents

The Depository shall furnish to the Company the information of transfer of securities and the records of beneficial ownership at such intervals and in such manner as may be stipulated under the provisions of the Depositories Act.

7. Transfer of Securities

Transfer of Securities held in a Depository will be governed by the provisions of the Depositories Act. Nothing contained in Section 108 of the Act or these Articles, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

8. Allotment of Securities dealt with in Depository

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a dematerialised form with a depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

9. Distinctive numbers of Securities held in a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

10. Register and Index of Beneficial Owners.

The Register and Index of beneficial owners maintained by a depository under the Depositories Act, shall be deemed to be the Register and Index of Members and Security Holders for the purposes of these Articles.

11. Other Matters

Notwithstanding anything contained in these Articles the provisions of Depositories Act, relating to dematerialisation of securities, (including any modification or re-enactment thereof and Rules/Regulations made thereunder) shall prevail and apply accordingly.

II. RESOLVED that

After the existing Article 143, the following Articles number 143A and 143B be inserted:

Unpaid or Unclaimed Dividend etc.

143A The Company shall comply with the provisions of Section 205A and 205B read with Section 205C of the Act in respect of any dividend remaining unpaid or unclaimed with the Company.

143B The Company shall comply with the provisions of Section 205C of the Act in respect of any money remaining unpaid with the Company in the nature of (i) application moneys received by the Company for allotment of any securities and due for refund; (ii) deposits received by the Company and due for repayment; (iii) debentures issued by the Company and matured for redemption; and (iv) the interest, if any, accrued on the amounts referred at items (i), (ii) and (iii) respectively.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 260 of the Companies Act, 1956, the enabling provisions of the Articles of Association of the Company and all other laws applicable for the time being in force, Shri B. P. Saxena, be and is hereby appointed as the Additional Director of the Company and he shall hold the office only upto the date of the next annual general meeting of the company."

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any modification, amendments, re-enactments thereof, from time to time) and the enabling provisions of the Articles of Association of the Company Shri B. P. Saxena, be and is hereby appointed as the whole time director of the company with immediate effect, for a term not exceeding five years, subject to the retirement by rotation under the applicable provisions of the Companies Act, 1956, at a remuneration payable in the manner and to the extent set out hereinbelow:

Basic Salary of Rs. 22,500/- per month.

House Rent Allowance Rs. 7,500/- per month.

and the Board of Directors will have liberty and power to fix, alter and vary the remuneration so payable in such manner as the Board may deem fit and are acceptable to him within the limits specified in Schedule XIII of the Companies Act, 1956."

MINIMUM REMUNERATION

In the event of loss or absence of adequate profits, the remuneration aforesaid shall be the minimum



remuneration. Any excess over the limits prescribed under the Companies Act, 1956 shall become payable with the approval of the Central Government wherever so required.

On order of the Board
For **VANASTHALI TEXTILE IND. LTD.**

YOGESH GUPTA
FINANCE CONTROLLER &
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING MAY APPOINT ANY PERSON AS HIS/HER PROXY TO ATTEND AND VOTE ON POLL AT THIS ANNUAL GENERAL MEETING ON HIS/HER BEHALF AND THE PROXY SO APPOINTED NEED NOT BE THE MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 1st day of September 2000 to Tuesday, the 5th day of September 2000 (both days inclusive).
3. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 with respect to the special business is annexed herewith.
4. The members are requested to bring their copy of the Annual Report to the meeting as the additional copies would not be available at the venue of the meeting.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

Item No. 6

With the introduction of Depositories Act 1996 and Depository System, some of the provisions of the Companies Act 1956 in relation to the issue, holding, transfer and transmission of shares, debentures and other securities have been amended to facilitate the implementation of the new system. The Depository System is safe and convenient method to hold the trade in the securities of the Company. The system will eliminate several problems experienced in the scrip based system such as bad deliveries, fraudulent transfers and transmission, theft in postal transit, time taken in registration of transfer, maintenance of Share Certificate etc. The system also offers several cost advantages such as no postage expenses, exemption from stamp duty on transfers etc. Your Company has already initiated steps to introduce depository system in the Company.

It is proposed to amend the Articles of Association of the Company suitably incorporating therein necessary provisions relating to the implementation of the Depository System in conformity with the Depositories Act 1996 and the Companies Act 1956 as amended from time to time. Opportunity is also being availed to make certain other alterations in the Articles of Association to bring it in conformity with the provisions of the Companies Act 1956 and Depositories Act 1996 respectively.

The Resolutions are accordingly recommended for approval of the Members by means of Special Resolutions as required under Section 31 of the Companies Act 1956.

None of the Directors of the Company is deemed to be concerned or interested in the said Resolutions.

Copy of the Memorandum and Articles of association of the Company together with the proposed alterations shall be open for inspection of the shareholders at the Company's Registered Office on any working day upto and inclusive of the date of the Annual General Meeting between 3.00 PM to 5.00 PM.

Item No. 7

Consequent to the resignation of Shri S.P. Chadha from the office of the Joint Managing Director it is felt necessary and expedient that an experienced person should step into the shoes of Mr. S. P. Chadha and should take care of the operations carried out in the factory. Shri B. P. Saxena has been working as President (Operations) of the Company and was looking after the production operations of the entire plant successfully.

Your Directors in their Board Meeting had decided to elevate him to the position of Whole Time Director for a period of five years commencing from 29/10/1999 in the interest of the Company.

Your approval is now sought to approve appointment and remuneration of Mr. B. P. Saxena in compliance with Schedule XIII of the Companies Act, 1956.

Except Mr. B. P. Saxena himself, no other Director is deemed to be interested in the resolution.

On order of the Board
For **VANASTHALI TEXTILE IND. LTD.**

YOGESH GUPTA
FINANCE CONTROLLER &
COMPANY SECRETARY



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Ninth Annual Report together with the audited statements of accounts for the financial year ended 31st March, 2000.

FINANCIAL RESULTS :

(Rs. in lacs)

Particulars	As on 31.3.00	As on 31.3.99
Profit before Depreciation and Interest	484.81	1185.42
Less : Interest	477.86	540.42
Depreciation	599.82	473.50
Profit for the year	(592.87)	171.50
Add: Profit for the earlier years	905.63	734.13
Profit available for appropriation	312.76	905.63
Proposed Dividend	—	—
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	312.76	905.63

OPERATIONS

Although the company has achieved a higher turnover of Rs. 6321.55 lacs during the financial year 1999-2000 as compared to the turnover of Rs. 5591.00 lacs during the financial year 1998-99, which is 13.06% increase over the previous financial year. However, the company has suffered loss of Rs. 592.87 lacs for the financial year 1999-2000 as compared to profit of Rs. 171.50 lacs for the financial year 1998-99. The loss is primarily due to a major fire in one of the processing machine in March, 1999 disrupting the production. Although the production remained disrupted for about 2 months but the company lost some precious order and the company has to make distress sale in domestic & export market resulting in lower value realisation of Rs. 305 per kg. as compared to Rs. 320 per kg. in the last financial year. The overall recession in the current Indian scenario and high provisions for interest and depreciation has also affected the company's operation adversely.

However, during the first three months of the current financial year 2000-2001, the value realisation per kg has improved substantially to Rs. 332/- per kg. With this, we hope to make a turnaround during the current financial year 2000-2001.

Company's different varieties of towels namely bath, beach, hand and face towels have been exported to the countries of Europe, United States, Australia, New Zealand, Japan, South Africa and Middle East.

Company's product has also established a niche in the domestic market and is available in almost every premium showroom under the brand name of "FEATHER TOUCH".

DIVIDEND

Your directors are unable to recommend any dividend for the year ended 31st March 2000 in view of the losses during the year 1999-2000.

EXPANSION

The Company has undertaken the expansion scheme for increasing the capacity from 1140 TPA of Terry Towels to 2700 TPA of Terry Towels. The company was going to commence commercial production on full capacity but unfortunately there was a fire in one of the processing plants which disrupted the entire ongoing expansion in full swing. However, the production has commenced on full capacity w.e.f. 1/2/2000.

FUTURE PROSPECTS

With the growing demand in the developed countries and emerging new markets in the rapidly industrialising developing countries, attractive prospects have crystallised for value added finished products like sheared towels, bath robes, hand gloves etc and significant results have also been achieved in exploring these new markets and obtaining orders on long term basis from leading department chain stores and companies in U.S.A., U.K, Middle East, etc. The products of the company enjoys a strong brand name due to better quality.

With the support of the Government as has been recently extended towards the Textile Sector and especially 100% EOUs, the Company expects to achieve improved results this year following the successful implementation of its expansion project.

FIXED DEPOSITS

During the year under review, your company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereto.

Y2K COMPLIANCE

Your company has taken all the necessary steps to make all its computer systems Y2K compliant. The cost involved to make such systems Y2K compliant do not have much impact on the financial position of the company.

LISTING

The equity shares of your company are currently being listed on five stock exchanges v.i.z. Jaipur Stock