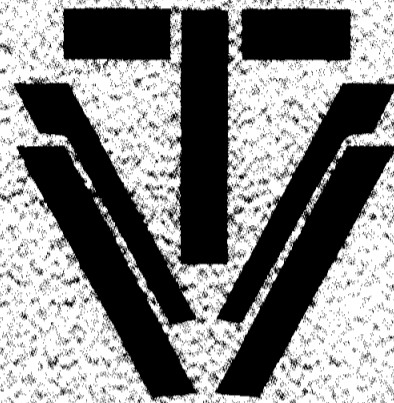


Vanasthali Textile Industries Ltd.



**ANNUAL REPORT
2000-2001**



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 A.L. Motwani
 Shri R.C. Razdan
 Shri Yogesh Gupta

Chairman
Managing Director
Director
Whole Time Director
Whole Time Director
Director
Director
Director
Nominee Director (IFCI)
Nominee Director (IDBI)
Director (Finance) & Company Secretary

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

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F-3-5, KIC Industrial Complex
 Vigyan Nagar, Shahjahanpur-301 006
 District Alwar (Rajasthan)



NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the members of the company is to be held on Friday, 28th September, 2001 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 2001 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 G.L.Khermani who retires by rotation, and being eligible offers himself for the reappointment.
3. To appoint a director in place of Shri S.K.Khaitan, who retires by rotation, and being eligible offers himself for the reappointment.
4. To appoint a director in place of Shri B.P.Saxena, 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 amended by inserting the following clauses:

After Article 77, the following new Articles 77A be inserted under the heading "Passing of Resolution by Postal Ballot":

Passing of Resolution by Postal ballot

77A Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the company by means of a postal ballot and/or other ways as may be prescribed by the Central Government in this behalf in respect of the following matter instead of transacting such business in a general meeting of the company:

- i. Any business that can be transacted by the company in the General Meeting; and
- ii. Particularly resolution relating to such business as the Central government may by notification declares to be conducted only by postal ballot.

The company shall comply with the procedure for such postal ballot and/ or other ways prescribed by the Central Government from time to time.

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 Yogesh Gupta, 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 Yogesh Gupta, be and is hereby appointed as the Director (Finance) 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. 15,300/- per month.

House Rent Allowance Rs. 6,700 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.

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

"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 Managing 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.27,500/- per month. House Rent Allowance Rs.10,000/- 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.

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

Sd/-
YOGESH GUPTA
DIRECTOR (FINANCE) &
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 24-09-2001 to 28-09-2001 (both days inclusive).

3. 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

Insertion of Article No.77A after Article No.77
(77A Passing of Resolution by Postal Ballot)

The Companies (Amendment) Act, 2000 has inserted Section 192A for passing of resolution by postal Ballot. The Central Government by notification in the official gazette shall declare the resolutions, which shall be conducted only by postal ballot. Necessary provision has been made in the Articles of Association of the Company by inserting Article 77A after Article 77 to implement the provision of Section 192A & notification to be issued by the Central Government in the official gazette.

The Directors recommend the proposed resolution for approval of the Shareholders.

None of the directors of the company is in any way interested or concerned in this resolution.

Item No. 7

Consequent to the resignation of Shri Rajesh Modi from the office of the Managing Director it is felt necessary and expedient that an experienced person having exposure to Finance, Legal, Accounts & Administration should be included in the Board and should take care of the day to day activities carried out in the company. Shri Yogesh Gupta has been working as Financial Controller and Company Secretary of the Company and is looking after the Finance, Accounts and Legal activities of the company.

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 23rd June 2001 in the interest of the Company.

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

Except Mr. Yogesh Gupta himself, no other Director is deemed to be interested in the resolution.

Item No. 8

Mr. Rajesh Modi has been the Managing Director of the



Company for the last more than 8 years and the Company has progressed very well during his tenure. Now the Company has stabilized its operations and all the operations are being carried out smoothly. We have a good team of professionals in all the fields and they are fully geared up to shoulder the additional responsibilities to be bestowed upon them. Since he had been involved very exhaustively in all activities and departments of the company and spent most of his time in building up the company it is now right time for decentralisation and delegation of power to functional heads so that Mr. Rajesh Modi can devote time to think exclusively for future growth of the Company for further expansion and other policy matters.

Mr. B.P. Saxena, presently working as Director (Operations) is performing exceedingly well and has been able to take control of the entire production activities very efficiently. He has built up very strong team in plant and production efficiency has reached at its zenith during the current year 2000-2001.

In view of the sterling performance shown by Sh. B.P.Saxena, Sh Rajesh Modi proposed to resign from the post of Managing Director (Although he will continue as Director) and appoint Shri B.P. Saxena in his place as Managing Director,

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.

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

Sd/-
YOGESH GUPTA
DIRECTOR (FINANCE) &
COMPANY SECRETARY

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DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Tenth Annual Report together with the audited statements of accounts for the financial year ended 31st March, 2001.

FINANCIAL RESULTS

(Rs. in lacs)

Particulars	As on 31.3.01	As on 31.3.00
Profit before Depreciation and Interest	1410.10	484.81
Less : Interest	763.09	477.86
Depreciation	674.62	599.82
Profit for the year	(27.51)	(592.87)
Add: Profit for the earlier years	312.75	905.63
Profit available for appropriation	285.25	312.76
Less: Prior Period Expenses	30.05	—
Proposed Dividend	—	—
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	255.20	312.76

OPERATIONS

The company has achieved a higher turnover of Rs. 7428.06 lacs during the financial year 2000-2001 as compared to the turnover of Rs. 6287.37 lacs during the financial year 1999-2000, which is 18.14% increase over the previous financial year. The company has earned a gross profit of Rs. 1410.10 lacs for the Year 2000-2001 up by 290.85% as against a gross profit of Rs. 484.81 lacs in the year 1999-2000. The net loss has also been reduced substantially to Rs.27.51 lacs during the current year as against a net loss of Rs. 592.87 lacs during the previous year. The price realisation per kg has improved significantly by about 8.19% from Rs. 305 in the previous year to Rs. 330 in the current year. The overall recession in the current Indian scenario and high provisions for interest and depreciation has affected the company's bottomline adversely.

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 2001 in view of the losses during the year 2000-2001.

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 enjoy 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.

LISTING

The equity shares of your company are currently being listed on five stock exchanges v.i.z. Jaipur Stock Exchange (acting as regional stock exchange), Delhi Stock Exchange, Bombay Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange. The listing fee for the year 2001-2002 has been paid to all the above five stock exchanges.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year under review.

DIRECTORS

During the year under review IFCI Ltd. vide its letter no. IFCI/NDC-1/2000-14050 dated 19/12/2000 has nominated Shri. A.L.Motwani as its Nominee Director in place of Shri V.P.Kataria on the Board of Directors of the Company.

Shri Rajesh Modi has resigned from the post of Managing Director and Shri B.P. Saxena, who was the Director(Operation) of the company has been appointed as the Managing Director of the Company.

Shri Yogesh Gupta, who was the Financial Controller and Company Secretary has been appointed as the Director (Finance) of the company.



Shri G.L. Khemani, Shri S.K.Khaitan and Shri B.P.Saxena, Directors, who retires at this annual general meeting, being eligible offer themselves for reappointment. The Board recommends their reappointment.

DEBENTURE

During the year 2000-2001 the company has issued Non-Convertible Debentures of Rs. 50 million to IFCI Ltd. on private placement basis.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF COMPANIES ACT, 1956

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the Profit and Loss Account for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors had prepared the accounts for the financial year ended 31st March 2001 on a going concern basis.

PARTICULARS OF EMPLOYEES

None of the employees of the company were drawing emoluments more than what has been specified under section 217(2A) of the Companies Act, 1956 read with the newly amended Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s P.K. Soni & Co., Chartered Accountant, CC-29, Nehru Enclave, New Delhi 110 019 hold office upto the conclusion of the ensuing Annual General Meeting and

being eligible and available offer themselves for reappointment.

AUDIT COMMITTEE

There exists a qualified and independent audit committee comprised of Shri A.L.Motwani, Shri S.K.Khaitan and Shri B.P.Saxena. The Committee appoints one amongst themselves as Chairman for the Meeting. The terms of reference for the Audit Committee are specified in writing by the Board of Directors.

The Committee oversees, inter alia the financial reporting system, disclosure requirement etc. The Committee also reviews periodically financial accounts, internal control system, financial and risk management policies of the company.

The committee met on 23rd June 2001 and all the members of the committee were present at the meeting. The Director Finance, the head of Internal Audit and representative of statutory auditors were also present at this meeting.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure & Particulars in the report of board of directors) Rules, 1988, relating to conservation of energy and technology, absorption are given by way of Annexure to this report. As regards to the information in respect of foreign exchange earnings and outgo, the same has been given in the notes to accounts forming part of the Accounts for the year ended 31st March 2001.

ACKNOWLEDGEMENTS

Your Directors wish to place on record sincere gratitude for the co-operation and assistance extended by the Government authorities, Financial Institutions, Banks, Suppliers, Agents and Buyers.

Your Directors also wish to place on record their deep sense of appreciation for the sincere and dedicated services rendered by the employees of the company.

For and on behalf of the
Board of Directors

Place : New Delhi
Date : 23.06.2001

Sd/-
G.L. KHEMANI
(CHAIRMAN)