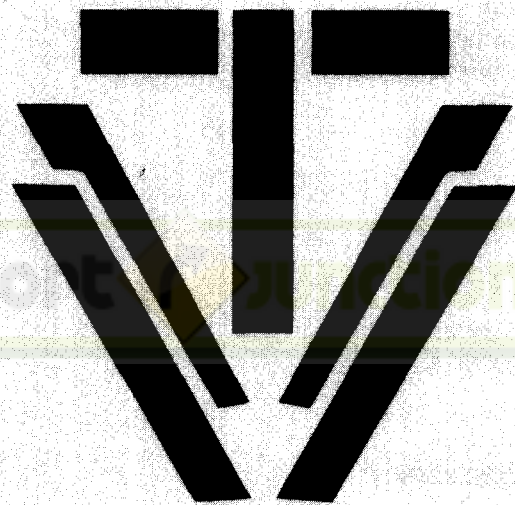


# Annual Report



REPORTJUNCTION.COM

2002-2003

**Vanasthali 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 G. S. Rathore  
Shri Sanjay Kr. Khaifan  
Shri Philip Lush  
Shri Paul Flamm  
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,  
C-50A, Lower Basement Kalkaji,  
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

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

## REGISTERAR AND SHARE TRANSFER AGENT

Beetal Financial & Computer Services (P) Limited  
321-S Chirag Delhi,  
New Delhi 110 017

**NOTICE**

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of the company is to be held on Saturday, the 30th August, 2003 at 11:00 A.M. at F-3-5, RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur-301706. Distt. Alwar (Rajasthan), the registered office of the company, to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited balance sheet of the company as on 31st March 2003 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 Sanjay Kumar Khaifan who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a director in place of Shri B.P. Saxena, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri G.L. Khemani, who retires by rotation, and being eligible offers himself for reappointment.
5. To appoint statutory auditors of the company and to fix their remuneration:
6. 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.
7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a SPECIAL RESOLUTION :  
"RESOLVED THAT in pursuance to Clause 5 of Security Exchange Board Of India (Delisting Of Securities) Guidelines-2003 regarding voluntary delisting of the shares from Stock Exchanges and subject to the approval of SEBI, the concerned Stock Exchanges and other regulatory authorities, if any, the consent of the Company be and is hereby accorded to delist the equity shares of the Company from DELHI STOCK EXCHANGE, JAIPUR STOCK EXCHANGE, AHMEDABAD STOCK EXCHANGE and CALCUTTA STOCK EXCHANGE with effect from 31st March, 2004 and the Board is hereby authorised to do all acts, deeds and things necessary and expedient while complying with the said guidelines and any other regulatory requirements if any, for delisting of the equity shares from the above said Stock Exchanges."
8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :  
"RESOLVED THAT Shri Hemant Mansinshka, for whom the notice has been received under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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 28th August, 2003 to 30th August, 2003 (both days inclusive).
3. 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.
4. Pursuant to the provisions of section 205A (5) of the Companies Act, 1956, dividend for the financial year ended 31st March 1996, which remained unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the Investor Education and Protection Fund established by the Central Government under section 205 (C) of the Companies Act, 1956. Shareholders who have not encashed their dividend warrant(s) so far for the financial year ended as on 31st March, 1996 are requested to make their claim to the R&T Agent of the Company. According to the provisions of the Act, no claims shall lie against the said Fund or the Company for the amount of dividend so transferred nor shall any payment be made in respect of such claims.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 7**

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, Mumbai Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange. In view of phenomenal increase in penetration of Mumbai Stock Exchange all over India and no trading of the securities of the Company at Jaipur Stock Exchange, Delhi Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange, the management of your Company has proposed to delist the securities from these Stock Exchanges.

Yours directors recommend the resolution for the approval of the members.

**ITEM NO. 8**

Shri Hemant Mansinshka was appointed as an Additional Director at the meeting of the Board of Directors held on 12th July 2003 as per the provisions of Section 260 of the Companies Act, 1956, holds Office upto the date of 12th Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956, from a member signifying the intention to propose the name of Shri Hemant Mansinshka as a Director, along with deposit of Rs. 500/-.

The Board of Directors recommends the Resolution for approval by the members.

Except Mr. Hemant Mansinshka 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

DATE : 12/07/2003  
PLACE : NEW DELHI



## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twelveth Annual Report together with the audited statements of accounts for the financial year ended 31st March, 2003.

### FINANCIAL RESULTS

Your Company's financial performance during the financial year 2002-2003 is summarised below:-

(Rs. in lacs)

Particulars	As on 31.3.03	As on 31.3.02
Sales (Gross)	6710.88	6389.58
Profit before Depreciation, Interest & Tax (PBDIT)	1363.36	1308.24
Less : Interest	420.73	580.06
Depreciation	738.45	707.23
Profit before Tax (PBT)	204.18	20.95
Provision for Tax:		
Current	12.00	—
Deferred	34.53	—
Profit after Tax	157.65	20.95
Add: Profit for the earlier years	260.95	255.20
Profit available for appropriation	418.60	276.15
Less: Prior Period Expenses	3.20	15.20
Proposed Dividend	—	—
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	415.40	260.95

### OPERATIONS

During the year, the Company, inspite of the prevailing adverse conditions, falling prices in the international market, Iraq war, compounded by the rise in the prices of petro-based products and rise in the cost of yarn (the Company's major raw material), performed satisfactorily. The company has achieved a higher turnover of Rs. 6710.88 lacs during the financial year 2002-2003 as compared to the turnover of Rs. 6389.58 lacs during the financial year 2001-2002, which is 5.02% more than the previous financial year. The company has earned a gross profit of Rs. 1363.36 lacs for the Year 2002-2003 up by Rs.55.12 lacs as against a gross profit of Rs.1308.24 lacs in the year 2001-2002.

Company's different varieties of towels namely bath, beach, hand and face towels have been exported to

the countries of Europe, United States, Australia, Chile, New Zealand, Japan, South Africa and Middle East.

### DIVIDEND

Your directors are unable to recommend any dividend for the year ended 31st March 2003 in view of inadequate net profits for the year.

### FUTURE PROSPECTS

The long-term outlook for terry towel is encouraging. The Company continued it's emphasis on technology upgradation, modernization, product and market development. It's quality is well established and accepted in the international market.

Now, the Company is focussing on developing of value added products such as embroidered terry towels, micro-cotton towels etc. which can fetch higher price realisation. Further the rate of interest has gone down substantially. The Company is also planning to expand it's capacity under TUF scheme. The Company's focussed effort on technology advancement, product diversification and cheaper debts will result in improving the bottom line and it is hoped that barring unforeseen circumstances the Company will perform exceedingly well during the Current Financial year.

### 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, Mumbai Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange. The listing fee for the year 2002-2003 has been paid to all the above five stock exchanges. In view of phenomenal increase in penetration of Mumbai Stock Exchange all over India and no trading of the securities of the Company at Jaipur Stock Exchange, Delhi Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange, the management of your Company has proposed to delist the securities from these Stock Exchanges.

### INDUSTRIAL RELATIONS

Cordial and harmonious industrial relations prevailed throughout the year which contributed towards good performance in all the areas of the business of the Company.



## DIRECTORS

During the year under review, the Company has obtained the approval of Department of Company Affairs on 27th November 2002 for the appointment of Sh. G.L.Khemani as Chairman Cum Whole Time Director and Sh. Rajesh Modi as Managing Director for a period not exceeding 5(FIVE) years with effect from 01.04.2002. Further the Company has obtained the approval for appointment of Smt. Shalini Modi under Section 314(1B) of the Companies Act, 1956 on 10th February, 2003.

Sh. S.K. Khaitan, Sh. B.P. Saxena and Sh. G.L. Khemani who retire at this Annual General Meeting by rotation, being eligible offer themselves for reappointment. The Board recommends their reappointment.

## 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 2003, 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 have 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 have prepared the accounts for the financial year ended 31st March, 2003 on a going concern basis.

## PARTICULARS OF EMPLOYEES

None of the employees of the company was 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.

## CORPORATE GOVERNANCE

Your Company continues to follow the principles of good Corporate Governance. The Company has already constituted several committees of directors to assist the Board in good Corporate Governance. The Corporate Governance Report alongwith the Auditors certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange of the Stock Exchange, is attached herewith.

## AUDITORS

M/s P.K. Soni & Co., Chartered Accountant, C-50A, Kalkaji, New Delhi 110019 hold office upto the conclusion of the ensuing Annual General Meeting and being eligible and offer themselves for reappointment.

## 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, 2003.

## ACKNOWLEDGEMENT

Your Directors wish to place on record sincere gratitude to 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 : 12.07.2003

Sd/-  
**G.L. KHEMANI**  
(CHAIRMAN)



## ANNEXURE TO THE DIRECTORS' REPORT

### A. Conservation of energy :

The Company is making all around efforts for the conservation of energy. Additional investment is in process in installation of Coal Fired Boiler, which will save fuel consumption significantly.

The impact of the measures being taken will be felt during the current year.

Total energy consumption and energy consumption per unit of production as per Form A :

### FORM-A

(Form for disclosure of particulars with respect to conservation of energy)

	2002-2003	2001-2002
<b>A. Power and Fuel Consumption :</b>		
<b>1. Electricity</b>		
a) Purchased		
Unit (kwh)	172886	310880
Total Amount (Rs.)	888836	1537961
Rate/Unit (Rs.)	5.14	4.94
b) Own Generation		
i) Through Diesel Generator		
Unit (kwh)	8979181	8430241
Unit/Ltr. of Diesel Oil (kwh)	3.83	2.87
Cost/Unit (Rs.)	3.06	2.93
<b>2. Coal</b>		
Quantity (Tonnes)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per-Tonne)	NIL	NIL
<b>3. Diesel (For Boiler)</b>		
Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	NIL
<b>4. Furnace Oil (For Boiler)</b>		
Quantity (Litres)	2532774	2334914
Total Cost (Rs.)	24411228	19408961
Average Rate (Rs. Per Litre)	9.64	8.31
<b>B. Consumption per unit of production</b>		
<b>Products : Terry Towels</b>		
— Electricity (Kwh/Kg)	4.26	4.17
— Furnace Oil (Litre/Kg)	1.18	1.11

### FORM B

(Form for disclosure of particulars with respect to absorption)

#### Research and Development (R&D)

: The Company has no specific Research & Development activities. However, the Company has well equipped quality control department to check the quality of the product manufactured.

#### Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology : The Company has taken regular in house efforts to improve the quality of product.
2. Benefits derived as a result of the above : Better quality and quantity of products are achieved.
3. Imported technology : No technology has been imported except for technologically advanced equipments imported.



## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

The Company has put in place the SEBI guidelines pertaining to Corporate Governance effective from the financial year 2001-2002. The detailed report on implementation by the Company, of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange, for the financial year 2002-2003 is set out below :-

### A. CORPORATE GOVERNANCE - PHILOSOPHY

The basic objective of Corporate Governance policies adopted by our Company is to focus on good Corporate Governance which is crucial for the very existence of the Company. The Company has put in place good practice of transparency, empowerment, accountability, and integrity for effective and ethical conduct of business that result in enhancement of the value of the Company to the Shareholders and simultaneously enable the Company to fulfill its obligations to other stakeholders such as customers, employees, vendors, dealers, financiers and to the society at large.

### B. BOARD OF DIRECTORS - COMPOSITION AND CATEGORY

The Board of Directors of Vanasthali Textile Industries Limited as on 31.03.2003 comprises of 12 directors, of which five are Executive and seven are Non - Executive which meets the requirements of Cause 49 (I)(A) of the Listing Agreement. The Non-Executive Directors are professionals, drawn from amongst persons with experience in business, finance, law and corporate management. The board has constituted three committees viz. Audit Committee, Remuneration Committee, Shareholders Grievance Committee. The Board functions either as a full Board or through Committees. The Board and Committee meet at regular intervals.

The composition of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting are stated in the Table below:-

Directors	Category	Meetings held during the tenure of Director	Meetings attended	Attendance at the last A.G.M. (20th Sept. 2002)
1. Mr. G.L. Khemani Chairman	Executive	4	4	Present
2. Mr. Rajesh Modi Managing Director	Executive	4	4	Present
3. Mr. B.P. Saxena Joint Managing Director	Executive	4	2	Present
4. Mr. Praveen Deva Director (Marketing)	Executive	4	2	Absent
5. Mr. Yogesh Gupta Director (Finance) & Company Secy.	Executive	4	4	Present
6. Mr. S.P. Chadha	Non-Executive	4	4	Present
7. Mr. Sanjay Kumar Khaitan	Non-Executive	4	3	Absent
8. Mr. Philip Lush	Non-Executive	4	0	Absent
9. Mr. Paul Flamm	Non-Executive	4	0	Absent
10. Mr. G.S. Rathore	Non-Executive	4	2	Absent
11. Mr. R.C. Razdan IDBI Nominee	Non-Executive	4	3	Absent
12. Mr. A.L. Motwani IFCI Nominee	Non-Executive	4	2	Absent



Board of the Company held as many as four meetings in the previous year. The maximum interval between any two meetings of the Board was 98 days. The Board held its meetings on 20th April 02, 26th July 02, 19th Oct 02 & 18th Jan 03. The agenda and notes were circulated in advance to the members of the board.

The details about other Directorships of the Board of Directors or Board Committees on which Director is Member or Chairman is as follows :-

Directors	Number of other Directorship		Committee	
	Listed Companies	Other Companies	Membership	Chairman
1. Mr. G.L. Khemani	—	11	—	—
2. Mr. Rajesh Modi	—	4	—	—
3. Mr. B.P. Saxena	—	1	—	—
4. Mr. Praveen Deva	—	2	—	—
5. Mr. Yogesh Gupta	—	4	—	—
6. Mr. S.P. Chadha	—	—	—	—
7. Mr. Sanjay Kumar Khaitan	—	6	—	—
8. Mr. Philip Lush	—	2	—	—
9. Mr. Paul Flamm	—	—	—	—
10. Mr. G.S. Rathore	—	6	—	—
11. Mr. R.C. Razdan	2	—	—	—
12. Mr. A.L. Motwani	1	—	—	—

### C. AUDIT COMMITTEE

#### (a) Terms of reference and composition, name of members of the committee

The Audit Committee comprises of Mr. G.S. Rathore, Mr. B. P. Saxena, Mr. S. P. Chadha & Mr. A. L. Motwani. Mr. Sanjay K. Khaitan resigned from the membership of the committee at the meeting of the committee held on 19th October 2002 and in his place Mr. S. P. Chadha was appointed as a member. Mr. Yogesh Gupta Director (Finance) & Company Secretary is the secretary of the Committee. The role and terms of reference covers areas mentioned under clause 49 of the Listing Agreement and Section 292-A of the Companies Act, 1956, beside other terms as may be referred by the Board of Directors, which broadly includes :-

To oversee the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of their fees, to review and discuss with the auditors about internal control systems, the scope of Audit including the observations of the Auditors, adequacy of internal audit system, major accounting policies, practices and entries, compliances with accounting standards and Listing Agreement entered into with the Stock Exchange and other legal requirements concerning financial statements and related party transactions, if any, to review the Company's financial and risk management policies and discuss with the Internal Auditor any significant findings for follow-up thereon, to review the Half Yearly and Annual financial statements before they submitted to the Board of Directors.

The minutes of the Committee were placed before the members of the Board, discussed and taken note of.

#### (b) Meeting and attendance during the year

Four meeting of the Audit Committee were held during the financial year 2002-2003 on the following dates: -

20th April 2002, 26th July 2002, 19th Oct 2002 & 18th Jan 2003.





The attendance of each member of the Committee is given below: -

Name of Directors	No. of Meetings attended
Mr. S.K. Khaitan *	3
Mr. G.S. Rathore	2
Mr. B.P. Saxena	2
Mr. S.P. Chadha **	2
Mr. A.L. Motwani	2

\* Ceased to be member at the meeting of the Committee held on 19th Oct 2002.

\*\* Appointed as a member at the meeting of the Committee held on 19th Oct 2002.

#### D. REMUNERATION COMMITTEE

The Remuneration Committee was formed on 20th April 2002. It was constituted to formulate and recommend, the remuneration of Directors. It shall consider the remuneration packages for the executive directors including pension rights and compensation rights.

It consists of Mr. S. K. Khaitan, Mr. G.S. Rathore & Mr. A. L. Motwani, Non - Executive Directors as the members of the Committee. The Committee shall choose one among themselves as the Chairman of the meeting. One meeting of the remuneration Committee was held on 19th October 2002.

Non - Executive Directors at present are not paid commission over and above the sitting fees.

Remuneration paid to directors during 2002-2003

Sl. No	Name	Position	Sitting Fee	Salary/ Perquisites	Commission	Total
1	Mr. G.L. Khemani	Chairman cum Whole Time Director	—	4,80,000	—	4,80,000
2	Mr. Rajesh Modi	Managing Director	—	3,60,000	—	3,60,000
3	Mr. B.P. Saxena	*Joint Managing-Director	—	3,60,000	—	3,60,000
4	Mr. Praveen Deva	Director(Marketing)	—	4,32,000	—	4,32,000
5	Mr. Yogesh Gupta	Director (Finance) & Co. Secy.	—	3,00,000	—	3,00,000
5	Mr. S.P. Chadha	Director	—	—	—	—
7	Mr. S.K. Khaitan	Director	4,000	—	—	4,000
8	Mr. Philip Lush	Director	—	—	—	—
9	Mr. Paul Flamm	Director	—	—	—	—
10	Mr. G.S. Rathore	Director	6,000	—	—	—
11	Mr. R.C. Razdan IDBI Nominee	Director	8,000	—	—	8,000
12	Mr. A.L. Motwani IFCI Nominee	Director	14,000	—	—	14,000

#### E. SHAREHOLDERS GRIEVANCE COMMITTEE

The Board of Directors at their meeting held on 20th April 2002 has constituted Shareholders Grievance Committee. It shall consist of Mr. S. K. Khaitan, Mr. G.S. Rathore & Mr. A. L. Motwani, Non - Executive Directors as the members of the Committee. Mr. S. K. Khaitan shall act as Chairman of the meeting.

It shall look into the redressal of shareholders and investor complaints, transfer/transmission of shares, monitoring expeditious redressal of investors grievance, and such other matters as may be delegated to committee by the Board of Directors.

The Company secretary is the secretary of the Committee and is also the Compliance officer of the Company.