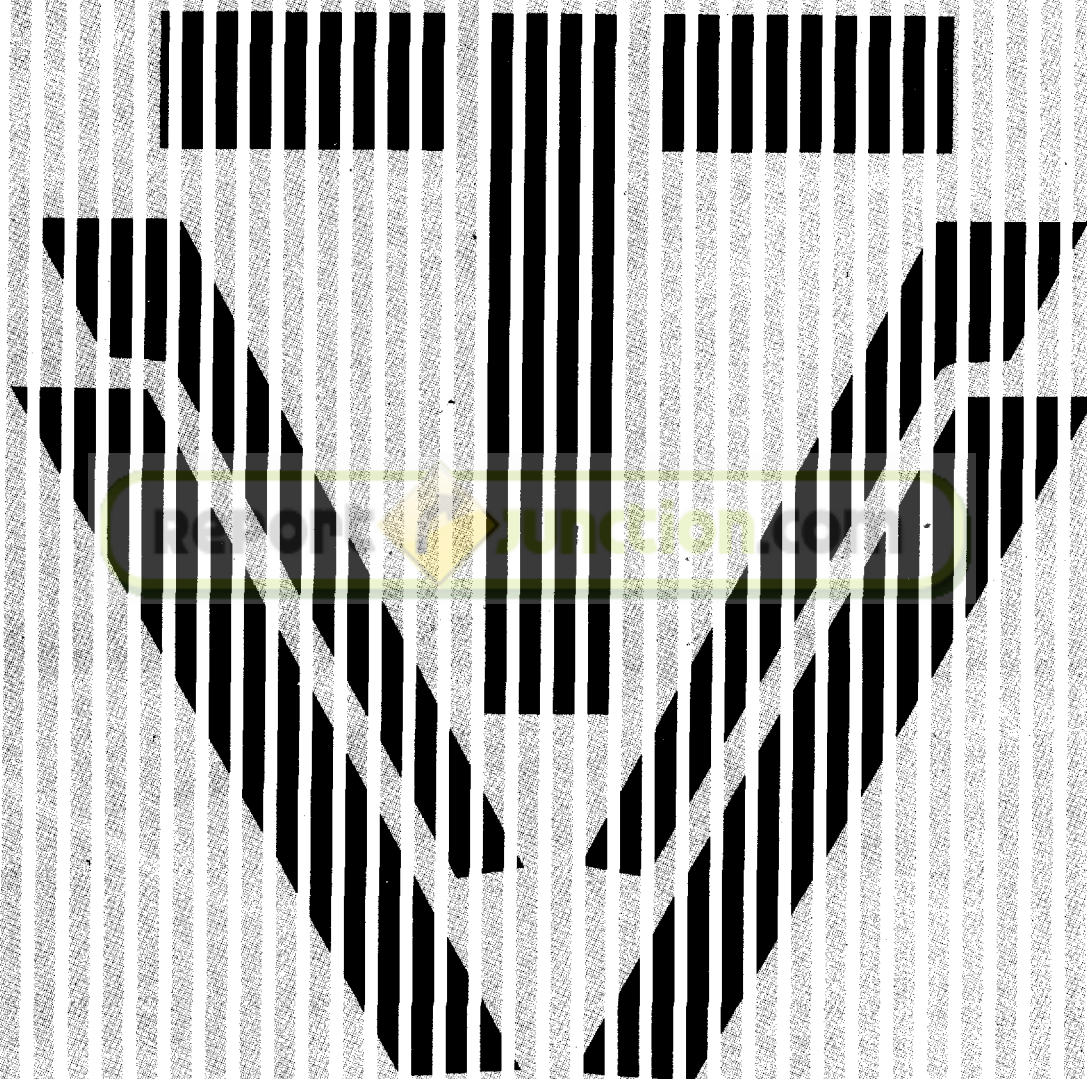


# Annual Report 2003-2004



**Vanasthali Textile Industries Ltd.**



## BOARD OF DIRECTORS

Shri Rajesh Modi  
Shri S. P. Chadha  
Shri Praveen Deva  
Shri B. P. Saxena  
Shri Sanjay Kr. Khaitan  
Shri K.M. Mathur  
Shri Hemant Mansinghka

*Managing Director*  
*Director*  
*Whole Time Director*  
*Whole Time Director*  
*Director*  
*Nominee Director (IDBI)*  
*Director*

## AUDITORS

M/s P. K. Soni & Co.  
Chartered Accountants,  
B-86A, IInd Floor, 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



VANASTHALI TEXTILE INDUSTRIES LIMITED

**NOTICE**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the members of the company is to be held on Saturday, the 25th September, 2004 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:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited balance sheet of the company as on 31st March 2004 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 Rajesh Modi who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a director in place of Shri Praveen Deva, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint statutory auditors of the company and to fix their remuneration and in this connection 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.

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

Sd/-

**YOGESH GUPTA**

CFO &amp; CO. SECRETARY

Date : 30th July 2004

Place : New Delhi

**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 20th September, 2004 to 25th September, 2004 (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.

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

Sd/-

**YOGESH GUPTA**

CFO &amp; CO. SECRETARY

Date : 30th July 2004

Place : New Delhi





## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Thirteenth Annual Report together with the audited statements of accounts for the financial year ended 31st March, 2004.

### FINANCIAL RESULTS

Your Company's financial performance during the financial year 2003-2004 is summarised below:-

(Rs. in lacs)

Particulars	As on 31.3.04	As on 31.3.03
Sales (Gross)	8788.91	6710.88
Profit before Depreciation, Interest & Tax (PBDIT)	990.32	1363.36
Less : Interest	380.97	420.73
Depreciation	573.29	738.45
Profit before Tax (PBT)	36.06	204.18
Provision for Tax:		
Current	6.50	12.00
Previous Year	2.48	—
Deferred	(61.97)	34.53
Profit after Tax	89.05	157.65
Add: Profit for the earlier years	415.40	260.95
Profit available for appropriations	504.45	418.60
Less: Prior Period Expenses	8.19	3.20
Less: Depreciation for Prior Period	168.72	—
Proposed Dividend	—	—
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	327.54	415.40

### OPERATIONS

During the year, despite the prevailing adverse conditions, falling prices in the international market, appreciation of Rupee against dollar, increase in the prices of yarn (the Company's major raw material) and compounded by the rise in the prices of petro-based products, the Company has earned a marginal profit after tax of Rs. 89.04. There was a significant increase in the turnover of Company from Rs. 6710.88 Lacs in the financial year 2002-2003 to Rs. 8788.91 lacs during the current financial year 2003-2004, which is 31% more than the previous financial year. The company has earned a gross profit of Rs. 990.32 lacs for the Year 2003-2004 which is less by 373.04 lacs as against a gross profit of Rs. 1363.36 lacs in the year 2002-2003.

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 2004 in view of inadequate net profits for the year.

### FUTURE PROSPECTS

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

The Company has developed certain value added products such as embroidered terry towels, micro-cotton towels etc. which are fetching higher price realisation. Further the rate of interest on the loans have been reduced substantially. The Company is also planning to expand its 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 listed on three Stock Exchanges v.i.z. Jaipur Stock Exchange (acting as regional stock exchange), Mumbai Stock Exchange and Calcutta Stock Exchange. The listing fee for the year 2003-2004 has been paid to all the above three Stock Exchanges. During the year under review the company received approval for delisting of its securities from Delhi Stock Exchange Association Ltd. and The Ahmedabad Stock Exchange. The approval for delisting from Jaipur Stock Exchange and Calcutta Stock Exchange is yet to be received.

### 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 IDBI withdrew the



nomination of Sh. Razdan from the directorship of the Company vide letter dated 1st July, 2003 and in his place IDBI nominated Sh. K.M. Mathur vide letter dated 28th August, 2003. IFCI also withdrew the nomination of Sh. A.L. Motwani from the directorship of the Company vide letter dated 5th December, 2003. Sh. Philip Lush, Sh. Paul Flamm & Sh. G.S. Rathore also resigned during the year.

The Board placed on record its sincere appreciation for the services rendered by Sh. Razdan, Sh. A.L. Motwani, Sh. Philip Lush, Sh. Paul Flamm & G.S. Rathore. At this Annual General Meeting Sh. Rajesh Modi, Sh. Praveen Deva who retire 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 2004, 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, 2004 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 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, is attached herewith.

#### **AUDITORS AND THEIR OBSERVATIONS**

As Regards the comments made by the Auditors in item no. XIV of their Audit Report dated 30th July, 2004, the Company has approached the financial institutions to reschedule the repayment of term loans to meet the working capital gap. The matter is under active consideration of financial institutions. The other observations made by auditors in their report are self-explanatory.

M/s P.K. Soni & Co., Chartered Accountant, B-86A, IInd Floor, Kalkaji, New Delhi 110 019 hold office upto the conclusion of the ensuing Annual General Meeting being eligible and offer themselves for reappointment.

The Board recommends their 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, 2004.

#### **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

Sd/-

**B.P. SAXENA**

Joint Managing Director

Place : New Delhi

Date : 30.07.2004



## 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)

#### A. Power and Fuel Consumption :

##### 1. Electricity

	2003-2004	2002-2003
a) Purchased		
Unit (kwh)	177455	172886
Total Amount (Rs.)	893648	888836
Rate/Unit (Rs.)	5.40	5.14
b) Own Generation		
i) Through Diesel Generator		
Unit (kwh)	10080668	8979181
Unit/Ltr. of Diesel Oil (kwh)	3.77	3.83
Cost/Unit (Rs.)	3.31	3.06

##### 2. Coal

Quantity (Tonnes)	3026.61	NIL
Total Cost (Rs.)	7544710	NIL
Average Rate (Rs. Per-Tonne)	2.49	NIL

##### 2A. Husk

Quantity (Tonnes)	3361.12	NIL
Total Cost (Rs.)	6988546	NIL
Average Rate (Rs. Per-Tonne)	3.07	NIL

##### 3. Diesel (For Boiler)

Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	NIL

##### 4. Furnace Oil (For Boiler)

Quantity (Litres)	456317	2532776
Total Cost (Rs.)	5230928	24411228
Average Rate (Rs. Per Litre)	11.46	9.64

#### B. Consumption per unit of production

Products : Terry Towels

— Electricity (Kwh/Kg)	3.36	4.26
— Furnace Oil (Litre/Kg)	0.15	1.18

### 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

: The Company has taken regular in house efforts to improve the quality of the product. The company has installed a coal fired boiler for steam generation.

##### 2. Benefits derived as a result of the above

: Better quality and quantity of the product are achieved. The installation of new boiler has resulted in huge cost savings.

##### 3. Imported technology

: No technology has been imported except for technologically advanced equipments.



## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

Corporate Governance is crucial to the very existence of the Company as it builds confidence and trust, which eventually leads to a more stable and sustained resource flows and long-term partnership with its investors and other stakeholders. The Company is committed to achieve these objectives within regulatory framework through transparency in dealings and lays emphasis on integrity, regulatory compliance, improvement in quality of life and meeting social responsibility. 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 2003-2004 is set out below :-

### A. CORPORATE GOVERNANCE - PHILOSOPHY

Corporate Governance envisages a combination of business practice that result in 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. As a responsible corporate citizen, it is the earnest endeavour of the Company to improve its focus on Corporate Governance by increasing accountability and transparency to its Shareholders, bankers and customers.

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

The Board of Directors of the Company consists of persons with considerable professional expertise and experience in the field of business, industry, finance, management, legal and marketing. The Board of Directors of Vanasthali Textile Industries Limited as on 31.03.2004 comprises of 8 directors, of which three are executive and five are non-executive which meets the requirements of Clause 49 (1)(A) of the Listing Agreement. The board has constituted four committees viz. Audit Committee, Remuneration Committee, Shareholders Grievance Committee & Share Transfer Committee. The Board functions either as a full Board or through Committees. The Board and Committee meet at regular intervals. There is no pecuniary relationship or transaction of the non executive directors with the Company.

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. (30th August 2003)	No. of Directorship in other Companies#	No. of Membership/ Chairmanship held in Other Companies	
						Member	Chairman
1. Mr. G.L. Khemani*	Promoter/ Chairman/ Executive	2	2	Absent	1	—	—
2. Mr. Rajesh Modi	Promoter/ Managing Director/ Executive	5	5	Absent	—	—	—
3. Mr. B.P. Saxena	Joint Mg. Director/ Executive	5	4	Present	—	—	—
4. Mr. Parveen Deva	Executive	5	3	Absent	—	—	—
5. Mr. Yogesh Gupta*	Executive	1	1	Present	—	—	—
6. Mr. S.P. Chadha	Non-executive/ Independent	5	5	Absent	—	—	—
7. Mr. Sanjay Kumar Khaitan	Non-executive/ Independent	5	3	Absent	4	—	—
8. Mr. Philip Lush*	Non-executive/ Independent	4	1	Absent	2	—	—



Directors	Category	Meetings held during the tenure of Director	Meetings attended	Attendance at the last A.G.M. (30th August 2003)	No. of Directorship in other Companies#	No. of Membership/ Chairmanship held in Other Companies	
						Member	Chairman
9. Mr. Paul Flamm*	Non-executive/ Independent	4	0	Absent	2	—	—
10. Mr. G.S. Rathore	Non-executive/ Independent	5	3	Absent	—	—	—
11. Mr. Hemant Mansinghka**	Non-executive/ Independent	4	3	Absent	—	—	—
12. Mr. R.C. Razdan*	Nominee Director (IDBI)	2	2	Absent	—	—	—
13. Mr. A.L. Motwani*	Nominee Director (IFCI)	4	2	Absent	1	—	—
14. Mr. K.M. Mathur**	Nominee Director (IDBI)	3	2	Absent	—	—	—

# Excludes directorship held in Private Companies.

\* Following Directors Ceased to be member of the Board of the Company:-

- |                     |  |
|---------------------|--|
| 1. Mr. Yogesh Gupta | 26th April, 2003 (Board Meeting)           |
| 2. Mr. R.C. Razdan  | 15th July, 2003                            |
| 3. Mr. G.L. Khemani | 30th August, 2003 (Annual General Meeting) |
| 4. Mr. A.L. Motwani | 5th December, 2003                         |
| 5. Mr. Philip Lush  | 8th January, 2004                          |
| 6. Mr. Paul Flamm   | 8th January, 2004                          |

\*\* Following persons were appointed as Director on Board of the Company:-

- |                          |                                 |
|--------------------------|---------------------------------|
| 1. Mr. Hemant Mansinghka | 12th July, 2003 (Board Meeting) |
| 2. Mr. K.M. Mathur       | 28th August, 2003               |

Board of the Company held as many as five meetings in the previous year. The meetings were held on 26th April 2003, 12th July 2003, 16th September 2003, 16th October 2003 & 31st January 2004. There has not been a gap in excess of four months between any two meetings of the Board of directors. The Board members are provided with the requisite information which are relevant for review by the Board of Directors and the same substantially complies with the requirements of the Code of Corporate Governance.

## AUDIT COMMITTEE

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

#### Terms of reference

The role and terms of reference covers areas mentioned under clause 49 of the Listing Agreement and Section 292A 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 financial information disclosure to ensure that the financial statements are correct, sufficient & credible, to review with management, the annual financial statement before submission to the Board, external and internal Audit Reports, the adequacy of internal control systems, to review the adequacy and effectiveness of accounting & financial controls of the Company, compliance with the Company's Policies and applicable laws and regulations and recommending the appointment and removal of external auditors, fixation of Audit Terms, 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, looking into the reasons for substantial defaults, if any, in payment to the depositors, debenture holders, shareholders (in case of declared dividends) and creditors and reviewing any other areas which may be specified as role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreements, Companies Act and other Statutes.

### Composition

The Audit Committee comprises of Mr. Hemant Mansinghka, Mr. B.P. Saxena, Mr. S.P. Chadha & Mr. K.M. Mathur, Mr. G.S. Rathore & Mr. A.L. Motwani resigned from the membership of the committee at the meeting of the committee held on 26th April, 2003 & 31st January 2004 respectively and in their place Mr. Hemant Mansinghka & Mr. K.M. Mathur were appointed respectively. Statutory Auditors, Internal Auditors are permanent invitee to the Audit Committee. The Company Secretary acts as the secretary of the Committee.

### Meeting and attendance during the year

Four meetings of the Audit Committee were held during the financial year 2003-2004 on the following dates: - 26th April 2003, 12th July 2003, 16th October 2003 & 31st January 2004.

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

Name of Directors	No. of Meetings attended
Mr. G.S. Rathore*	3
Mr. B.P. Saxena	3
Mr. S.P. Chadha	4
Mr. A.L. Motwani**	1
Mr. Hemant Mansinghka***	2
Mr. K.M. Mathur****	0

\* Ceased to be member at the meeting of the Committee held on 26th April 2003.

\*\* Ceased to be member at the meeting of the Committee held on 31st January 2004.

\*\*\* Appointed as a member at the meeting of the Committee held on 26th April 2003.

\*\*\*\* Appointed as a member at the meeting of the Committee held on 31st January 2004.

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

### REMUNERATION COMMITTEE

The Board has constituted the Remuneration Committee on 20th April 2002. The Committee review the Organizational Changes at the senior level from time to time, implementation of policy in Insider Trading & HR initiatives, increment policy and bonus/ex-gratia employees. 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. S.P. Chadha & Mr. Hemant Mansinghka, Non - Executive Directors as the members of the Committee. Mr. G.S. Rathore, Mr. A.L. Motwani resigned from the membership of the committee at the meeting of the committee held on 31st January 2004 in their place Mr. S.P. Chadha & Mr. Hemant Mansinghka were appointed as member. The Committee shall choose one among themselves as the Chairman of the meeting.

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

Remuneration paid to directors during 2003-2004

Sl. No	Name	Position	Sitting Fee	Salary/ Perquisites	Commission	Total
1	Mr. Rajesh Modi	Managing Director	—	5,68,000	—	5,68,000
2	Mr. B.P. Saxena	Joint Managing-Director	—	3,60,000	—	3,60,000
3	Mr. Yogesh Gupta #	Director (Finance) & Co. Secy.	—	27,500	—	27,500
4	Mr. G.L. Khemani #	Chairman	—	2,00,000	—	2,00,000
5	Mr. Praveen Deva	Director(Marketing)	—	4,32,000	—	4,32,000
6	Mr. Hemant Mansinghka	Director	7,000	—	—	7,000