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ANNUAL

REPORT

2011-2012

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Vanasthali Textile Industries Ltd.

www.viltowels.com

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held on Saturday, the 29th September, 2012 at 11:00 A.M. at F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt, Alwar, and Rajasthan, to transact the following businesses:

ORDINARY BUSINESS

- 1/ To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March, 2012 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 Mr. David Soans, who retires by rotation, and being eligible offers himself for re-appointment.
- 3/ To consider and re- 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 the provisions of Section 224(1) of the Companies Act, 1956 M/s. Jain Raj & Associates, Chartered Accountants, (Registration No 007535N) 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 a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, out of pocket, and traveling expenses.

SPECIAL BUSINESS**4. TO APPOINT MR.S.C.ARYA AS DIRECTOR**

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

"RESOLVED THAT pursuant to provisions of section 198, 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 read with schedule XIII of the said Act or any other modification or re-enactment thereof and pursuant to recommendation of the Remuneration Committee and subject to approval of the Central Government, if required and subject to such terms and conditions as may be imposed by the Central Government while granting such approval, if any, Mr. S C Arya be and is hereby appointed as Additional Director of the company for a period commencing from 28-05-2012"

5. RESOLVED THAT

Mr. S C Arya will be entitled to the following perquisites, allowance and benefits. The Perquisites, allowance and benefits are broadly classified into three categories:-

1. Basic Remuneration: - an amount not exceeding Rs.51, 967 p.m. (i.e. Rs. 6, 23604 /- p.a.) As basic salary.
2. Perquisites, allowance, & benefits: - payment of such other perquisites, allowances and /or benefits as detailed below; however the aggregate value of the all such perquisites, allowances & benefits shall not exceed 100 % of the Basic Remuneration.
3. And Payment of such other bonus, performance incentives and other additional perquisites as may be determined by the Board/Remuneration committee from time to time within the limits provided under Section 198, 269, Schedule XIII of the act, or otherwise approved by the Central Government.

Perquisites, allowances & benefits:-

Mr. S C Arya will be entitled to the following perquisites, allowance and benefits. The Perquisites, allowance and benefits are broadly classified into three categories:-

Part "A"

- (i) Housing:-
Whole Time Director shall be entitled to house rent allowance subject to the ceiling of fifty percent of the basic salary.
- (ii) Medical & other allowances:-
Medical & other allowances shall not exceed Rs. 15,000/- per annum.
- (iii) Conveyance:-

Conveyance shall not exceed Rs. 9,600/- per annum.

(iv) Leave Travel Concession/Allowance:-

Earned Leave and Leave Travel Concession/Allowances for self and family not exceeding Rs. 1,36,000/- per annum.

Part "B"

(i) Gratuity:-

Gratuity payable at a rate not exceeding half a month's salary for each completed years of service.

Any other perquisites, benefits, facilities, allowances and expenses as may be decided by the Board from time to time as per the rules/schemes of the Company as applicable to Board Members.

"RESOLVED FURTHER THAT while computing monetary value of the above said remuneration, the following perquisites shall not be included in the computation of the ceiling on remuneration:-

- A. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the income tax Act, 1961.
- B. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- C. Encashment of leave at the end of the tenure.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the term of additional director, Mr. S C Arya will be paid the remuneration by way of salary, commission, perquisites, allowances & benefits as specified above as minimum remuneration subject to the limits set out in Schedule XIII of the Companies act, 1956, from time to time unless otherwise approved by the central Government.

"RESOLVED FURTHER THAT the appointment may be terminated by either party by giving three months' written notice to other party"

By order of the Board
For Vanasthali Textile Industries Limited

(Amit Kumar Gupta)
Company Secretary

Date: 03/09/2012

Place: New Delhi

NOTES

1.	A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2.	The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3.	Members / proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.
4.	The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
5.	The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.
6.	The Register of Members and Share Transfer Books will remain closed from 24th September, 2012 to 29th September, 2012 (both days inclusive).
7.	A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.

8.	The members are requested to bring their copy of the annual Report to the meeting and the Attendance Slip duly filled-in and signed as per the specimen signature recorded with the Company/Depository Participant for attend the meeting.
9.	Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agents, Beetal Financial & Computer Services (P) Limited, Beetal House, 3rd Floor, 99, Madangir, Behind Local Shopping Center, Near Dada Mansukh Das Mandir, New Delhi-110062
10.	Members holding shares in physical form are requested to notify immediately any change in their address and bank particulars to the Company or its Share Transfer Agents. In case the shares are held in dematerialized form, this information should be furnished directly, without any delay, to their respective Depository Participants
11.	Members, who hold shares in dematerialized Form, are requested to write their Client ID and DP ID Nos. and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting
12.	Vanasthali is concerned about the environment and utilizes natural resources in a sustainable way. We request you to update your email address with your depository participant to enable us to send you the quarterly reports via email.
13.	The statement regarding General Information shall form part of the Notice.

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty First Annual Report along with the Audited statement of Accounts for the financial year ended 31st March, 2012.

1. FINANCIAL RESULTS

Your Company's financial performance during the financial year 2011-2012 is summarized below: -

Particulars	(Rs. In Lacs)	
	For the year ended 31.03.12	For the year ended 31.03.11
Sales (Gross)	1469.26	8324.02
Profit/(loss) before depreciation, Interest & Tax (PBIT)	(223.17)	1140.67
Less: Interest	764.85	611.56
Depreciation	563.33	656.80
Profit/(Loss) before Tax (PBT) from Ordinary Activities	(1551.35)	---
Extraordinary Income	(1336.30)	---
Net Profit/(Loss) before Tax (PBT)	(2887.66)	(127.69)
Provision for Tax :		
Current-	---	---
Previous Year-	---	---
Deferred-		
Profit/(Loss) after Tax	(2887.66)	(127.69)
Add: Profit for the earlier years	(2098.37)	(1970.68)
Profit/(Loss) available for appropriations		---
Less: Prior Period Expenses		(2098.37)
Less: Depreciation for Prior Period	---	---
Proposed Dividend	---	---
Add: Transfer from General Reserve		---
Balance carried to Balance Sheet	(4986.03)	(2098.37)

2. REVIEW OF OPERATIONS

The year under review has not been good due to fluctuation of yarn and cotton prices and highly volatile International market, which resulted into lower profit margins and operating income of the Company. The Management strived hard to resolve all the pending issues but markets did not improve in last year. The Loss of the Company therefore increased contrary to the transformation promised by the management last year

The Company could not get better realization of its products resulting in a net loss of Rs.2887.66 Lacs as compared to 127.69 Lacs in the previous year due to falling demand and prices in the international market, global meltdown, and increase in the price of yarn (the Company's major raw material). The turnover of the Company during the year stands at 1469.26 lacs as compared to 8324.02 lacs in the previous year.

3. DIVIDEND

Your directors are unable to recommend any dividend for the year ended 31st March, 2012.

4. FUTURE PROSPECTS

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

Consequent upon Change in Management, the prospects of the company will be good as the new management having rich experience in marketing of the products which is the biggest challenge as of now due to global meltdown resulting in shrinking of markets all over the world.

The Company is focusing on Value added products such as embroidered terry towels, micro-cotton towels, tufted towels etc.

5. SUBSIDIARY OF THE COMPANY

The Company has one wholly owned subsidiary Company called V D R Leasing and Credit Company Private Limited. In compliance with the applicable provisions with the Companies Act, 1956, and Listing Agreement, a copy of Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report etc of our subsidiary company along with Consolidated Audited Statements of Accounts is attached with the balance sheet of a holding Company.

6. CONSOLIDATED AUDITED ACCOUNTS

We believe that the Consolidated Audited Statements of Accounts present a more comprehensive picture rather than the standalone Audited Accounts. The Consolidated loss after tax of the Company and its Subsidiary is Rs.2887.86 Lakhs during the year.

7. INDUSTRIAL RELATIONS

Cordial and harmonious industrial relations prevailed throughout the year.

8. INSURANCE

The properties and insurable interest of the company, like building, plant & machinery, stocks, etc. are properly insured.

9. CORPORATE GOVERNANCE

The Company is strongly committed towards its philosophy of good Corporate Governance. The endeavor of your Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity transparency and overall accountability. A separate Section on Management Discussion & Analysis and Corporate Governance along with certificate on its Compliance from Company Secretary in Practice is enclosed with this Annual Report.

10. GREEN INITIATIVE

As pursuant to the circular no. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India, we are adopting the green initiative option as being the responsible organization we are committed to reduce harmful impact of using more paper on the environment. Towards this end our management has taken the decision that our printed copy

of the Annual Report to shareholders would not contain Balance Sheet, Profit & Loss Account and Auditors Report of V D R Leasing and Credit Private Limited.

11. 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 of Particulars in the report of board of directors) Rules, 1988, relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed to this report.

12. PARTICULARS OF EMPLOYEES

There is no employee whose particulars are required to be furnished in the Sec. 217(2A) of the Companies Act, 1956 and rules made there under.

13. 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 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the directors have 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 loss 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) That the directors have prepared the accounts for the financial year ended 31st March 2012 on a going concern basis.

14. DIRECTORS

Mr. David Soans, who retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment.

The Board places on records its sincere appreciation for the valuable contributions rendered by Mr. Abhinav Rath and Mr. S. K. Sharma during their association with the Company.

15. AUDITORS

M/s Jain Raj & Associates, Chartered Accountant, appointed in EGM held on 12-03-2012 is to be confirmed in the AGM and being eligible, offer them for re-appointment.

16. AUDITORS' REPORT

The Auditors' Report is enclosed with the Accounts for the year ended March 31, 2012. There is following qualification(s).

- 1) Non-Provision of leave encashment
- 2) Reference to BIFR
- 3) Recognition of subsidiary under TUF for Rs 124.65 lacs for the year & accumulated balances of Rs 316.44lacs, in spite of default in payment of interest to banks.

17. 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.

ACKNOWLEDGEMENT

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 acknowledge with thanks all stakeholders for their valuable sustained support and encouragement. The Directors wish to place on record their deep sense of appreciation for the commitment and dedication of employees at all levels.

For and on behalf of the Board

(Nikhil Poddar)

Chairman and MD

(S.C. ARYA)

Director

Date: 03/09/2012

Place: Delhi

ANNEXURE 'A' FORMING PART OF DIRECTORS REPORT

Information in accordance with the provisions of 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 and forming part of the directors report.

A. Conservation of energy:-

a) Energy conservation measures taken:

The Company is making all around efforts for the conservation of energy. Following are the key areas where steps have been taken and substantial energy savings have been obtained:

Previously, we were running the coal fired boiler having capacity of 18MT. It was generating the steam in excess of the quantity actually required hence there was no proper utilization of steam and increasing the cost as well as fuel consumption. It was decided to run the 10MT boiler instead of 18MT. As a result 40-45 % coal consumption was reduced.

In addition, the company reduced the load of power supply by using the machines periodically by the technique of departmental rotation. This has reduced the energy consumption and bills substantially as decided by the management in last Annual General Meeting.

Steps are being taken to save the compressed air, by reorganizing the supply lines, and starting the smaller capacity compressors for the Dye House.

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

- | | |
|--|---------------|
| b) Additional Investment and proposals, If any being implemented for reduction of consumption of energy. | Nil |
| c) Impact of the measures at (1) and (2) Above for reduction of energy consumption and consequent impact on the cost of production of goods. | Nil |
| d) Total Energy consumption and per unit of Production. | As per Form A |

B. Technology Absorption: -

As per Form B.

C. Foreign Exchange Earnings and Outgo:-

Foreign exchange earning/outgo during the year are as under:

Rs./ Lacs

	Current Year	Previous Year
Foreign Exchange Earning	442.13	3896
Foreign Exchange Outgo	1.88	4.36

FORM A

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

A. Power and Fuel Consumption: Electricity	2011-12	2010-11
1. a) Purchased		
Unit (Kwh)	3,998,340	3,876,390
Total Amount (Rs.)	23,190,372	19,882,260
Rate/Unit (Rs.)	6.00	5.13
2. b) Own Generation		
Through D.G.Unit (Kwh) Diesel	13375	-
Through D.G.Unit(Kwh)Furnace Oil	NIL	-
Unit/Ltr. of Diesel Oil (Kwh)	2.5	3.5
Unit/Ltr. of Furnace Oil (Kwh)	-	NIL
Cost/Unit (Rs.)	15.96	-
Coal (For Boiler)		
3. Quantity (Tonnes)	1439.45	1,636
Total Cost (Rs.)	11055029.8	14,186,580
Average Rate (Rs. Per Kg)	7.68	8.66
4. Husk (For Boiler) / Rice husk / Ground Nut		
Quantity (Tonnes)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Kg)	NIL	NIL
5. Diesel (For Boiler)		
Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	-
6. Furnace Oil (For Boiler)		
Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	NIL
7. Consumption / unit of production Products: Terry Towels		
Electricity (Kwh/Kg)	2.8	4.35

FORM B

Disclosure of Particulars with respect to technology absorption research and Development (R&D):

1. Specific areas in which R&D carried out by the Company:

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

2. Benefits derived as a result of the above R&D:

The Company has taken regular in house efforts to improve the quality of the product due to this; the Company has been able to produce softer towels with latest designs.

Better quantity and quality products are achieved.

3. Future Plan of action

: Increase production capacity with latest designs and advanced technology and sell and market Company's products to domestic as well as international market.

4. Expenditure on R&D

a. Capital	:	NIL
b. Recurring	:	NIL
c. Total	:	NIL
d. Total R&D expenditure as a percentage of total sales.	:	NIL

Technology absorption, adoption and innovation :

- | | | |
|---|---|-----|
| 1. Efforts, in brief, made towards technology absorption , adaptation and innovation. | : | NIL |
| 2. Benefits derived as a result of efforts e.g. product improvement, cost reduction, product development, import substitution, etc. | : | NIL |

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Your company is committed to the principles of good Corporate Governance as it is crucial to the very existence of the company it builds confidence and trust, which eventually leads to a more stable and sustained resources flows and long term partnership with its investors and stakeholders. Further it results in the control of the company in a regulated manner, aiming to achieve transparent, accountable and fair management. The detailed report on implementation by the company, of the revised code as incorporation in Clause 49 of the Listing Agreement with Stock Exchange, for the financial year 2011-12 is set out below:-

I. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:-

Vanasthali's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices, many of which were in place even before they were mandated by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. As a global organisation the Corporate Governance practices followed by the Company and its subsidiaries are compatible with international standards and best practices. Through the Governance mechanism in the Company, the Board along with its Committees undertake its fiduciary responsibilities to all its stakeholders by ensuring transparency, fair play and independence in its decision making.

II. BOARD OF DIRECTORS

(a) Composition of the Board:

The Board of Directors along with its Committees provide leadership and guidance to the Company's management and direct, supervises and controls the performance of the Company. The Board of Directors comprises four members consisting of two Non-executive Directors who account for fifty per cent of the Board's strength as per the Listing