



*Annual Report*  
2012-2013

# **Vanasthali Textile Industries Limited**



---

---

**VANASTHALI TEXTILE INDUSTRIES LIMITED**

---

---

**BOARD OF DIRECTORS**

Mr. Nikhil Poddar  
Mr. David Soans  
Mr. Panna Lal Goswami

**AUDITORS**

JAIN RAJ ASSOCIATES  
Chartered Accountants

**BANKERS**

Allahabad Bank  
Oriental Bank of Commerce  
State Bank of Bikaner & Jaipur  
IDBI Bank Limited  
Federal Bank  
Syndicate Bank

**REGISTERED OFFICE**

F-3-5 RIICO Industrial Complex,  
Vigyan Nagar, Shahjahanpur  
Distt - Alwar, Rajasthan

**REGISTRAR AND  
TRANSFER AGENT**

BEETAL FINANACIAL & COMPUTER SERVICES (P) LTD.  
BEETAL HOUSE, 3rd FLOOR,  
99, Madangir, Behind Local Shopping Centre,  
Near Dada Harsukh Dass Mandir,  
New Delhi - 110062

<b>CONTENTS</b>	
1. Notice	1
2. Directors' Report	4
3. Management Discussion	10
4. Corporate Governance Report	12
5. Auditors' Report	23
6. Balance Sheet	29
7. Statement of Profit & Loss	30
8. Cash Flow Statement	31
9. Significant Accounting Policies and Notes on Accounts	32
10. Consolidated Annual Accounts	47
11. Statement pursuant to section 212	67
12. Accounts of Subsidiary Company	68

---

---

**VANASTHALI TEXTILE INDUSTRIES LIMITED**

---

---

**NOTICE**

**NOTICE** is hereby given that the Twenty Second Annual General Meeting of the members of the Company will be held on Saturday, the 28th September, 2013 at 11:00 A.M. at F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt. Alwar, 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, 2013 and the profit and loss account for the year ended on that date together with the report of Auditor and of the Board of Directors 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 travelling expenses.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** in pursuance of section 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions if any of the Company act, 1956 (Including any modifications, amendments, re-enactments thereon, from time to time) and the enabling provisions of articles of Association of the company, subject to the approval and such conditions/modifications as may be imposed by the authorities in granting such approval. By Central Govt./Company Law Board, if any. As may be required, Mr. Nikhil Poddar be and is hereby appointed as Managing Director of the Company for a period of 3 years w.e.f 01/08/2012 retrospectively without any remuneration, subject to retirement by rotation under applicable provisions of companies act, 1956.

**"RESOLVED FURTHER THAT** be and is hereby authorised to do all such acts and deeds to give effect to the resolution and right to vary/amend the terms of the appointment (Subject to section 268 of the Companies act, 1956) whenever it deems fit"

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

**"RESOLVED THAT** Mr. Pannalal Goswami, who has been appointed as an director of the company under section 260 of the companies act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the companies act, 1956, from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by Rotation."

By order of the Board  
For **Vanasthali Textile Industries Limited**

Sd/-  
(Amit Gupta)  
Company Secretary

**Date :** 14/08/2013  
**Place :** Shahjahanpur, Alwar, Rajasthan

**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 23rd September, 2013 to 28th September, 2013 (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 attending 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.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

The Members of the Company at their Meeting held on 30th July, 2009, appointed Mr. Nikhil Poddar as Director of the Company and the Board of Directors at their Meeting held on 30th July, 2009, appointed Mr. Nikhil Poddar as Managing Director of the Company w.e.f. July 30, 2009, for a period of three (3) years at nil remuneration subject to the approval of Members and Central Government.

But Due to some circumstances the approval from Central Government could not be applied as the company witnessed financial setbacks and so his term is extended for further 3 years w.e.f. 01/08/2012 subject to Central Government approval.

Mr. Nikhil Poddar, a US based NRI, was born in Delhi. He did his schooling from Delhi and then shifted to US from where he completed his Computer Engineering. He started his own business in USA in the year 1990, by the name and style of NIKI International INC., (NIKI) an importers and wholesalers of Home Textiles in USA. He is also the promoter of M/s. Millennium Holdings Ltd., a Mauritius based Company.

Mr. Nikhil Poddar is not disqualified from being appointed as Managing Director under Section 274(1)(g) of the Companies Act, 1956.

It is proposed to seek Members' approval for the appointment of Mr. Nikhil Poddar as Managing Director in terms of applicable provisions of Companies Act, 1956. The Board recommends the resolution as set out in item no. 4 for your approval by way of passing Special Resolution.

Except Mr. Nikhil Poddar, no director of the company is, in any way, concerned or interested in this resolution.

**Item No. 5**

The Board of Directors of the Company at their Meeting held on 14th August 2013 appointed Mr. PANNALAL GOSWAMI as Director of the Company effective from 14th August 2013 without any remuneration.

Mr. Pannalal Goswami has completed his matriculation only but his experience which is vast in nature ranging from construction, textiles etc for over 40 years. has got requisite knowledge, experience and skills required to ensure the Company's success and improvement of its competitive position and limiting the Company's liabilities and protecting the interest of its stakeholders including shareholders, employees.

Mr. Pannalal Goswami is not disqualified from being appointed as Director of the Company under Section 274(1)(g) of the Companies Act, 1956.

It is proposed to seek Members' approval for the appointment of Mr. Pannalal Goswami as Director in terms of applicable provisions of Companies Act, 1956. The Board recommends the resolution as set out in item no. 5 for your approval by way of passing Special Resolution.

By order of the Board  
For **Vanasthali Textile Industries Limited**

Sd/-  
**(Amit Gupta)**  
Company Secretary

**Date:** 14/08/2013

**Place:** Shahjahanpur, Alwar, Rajasthan

**DIRECTORS REPORT**

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report along with the Audited statement of Accounts for the financial year ended 31st March, 2013.

**1. FINANCIAL RESULTS**

Your Company's financial performance during the financial year 2012-2013 is summarized below :-

(Rs. In Lacs)

Particulars	For the year ended 31.03.13	For the year ended 31.03.12
Sales (Gross)	1240.35	1469.26
Profit/(loss) before depreciation, Interest & Tax (PBIT)	(242.51)	223.17
Less: Interest	1332.35	764.85
Depreciation	531.72	563.33
Profit/(Loss) before Tax (PBT) from Ordinary Activities	(2106.58)	(1551.35)
Extraordinary Income	—	1336.30
Net Profit/(Loss) before Tax (PBT)	(2106.58)	(2887.66)
Provision for Tax :		
Current-	—	—
Previous Year-	—	—
Deferred-		
Profit/(Loss) after Tax	(2106.58)	(2887.66)
Add: Profit for the earlier years	—	—
Profit/(Loss) available for appropriations	(2106.58)	(2887.66)
Less: Prior Period Expenses	(2106.58)	(2887.66)
Less: Depreciation for Prior Period	—	—
Proposed Dividend	—	—
Add: Transfer from General Reserve	—	—
Balance carried to Balance Sheet	(2106.58)	(2887.66)

**2. REVIEW OF OPERATIONS**

The year under review (i.e 2012-2013) has not been good like some past years solely due to financial constraints which your company is facing acutely and trying hard to overcome the situation also adding to problems is fluctuation of yarn and cotton prices and as a result highly volatile International Markets due to which profit margins and operating income of the Company continuously suffered a set back. The Management along with M/s. Niki International Inc. strived hard to resolve all the pending issues relating to funding but markets did not improve in last whole year. But in spite of all this facts, the losses of the company decreased to some extent, that can be considered in a positive way.

As of result of above, the Company could not get better realization of its products resulting in a net loss of Rs.2106.58 Lacs as compared to 2887.66 lacs in the previous year though company has made some advancement as compared to last year but 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 1240.35 lacs as compared to 1469.26 lacs in the previous year which is decreased by 15.58% approximately.

**3. DIVIDEND**

Your directors are unable to recommend any dividend for the year ended 31st March, 2013.

#### **4. FUTURE PROSPECTS**

The long-term outlook for terry towel market has always been encouraging but the financial pressure and other constraints never allowed company to capitalize it. The Company continued its emphasis on retaining its customers, realizing from debtors, including Product and market development. Its no doubt that your company's product quality is well established and accepted in the international market despite all these hurdles.

The Management is making all the efforts to eliminate liquidity crunch and sustain the production focusing and in talks with financial institutions so that this situation can be successfully sailed through.

#### **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 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. 2106.61 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 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 2013, 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 2013 on a going concern basis.

#### **14. DIRECTORS**

During the Year under review, the board of Directors appointed at their meeting, Mr. Nikhil Poddar on 14/08/2013 w.e.f 01/08/2012 as Managing Director of the company, Subject to approval in ensuing AGM and by Central Government, Mr. Pannalal Goswami as Director w.e.f 14/08/2013. Mr. B.R. Mahi nomination was withdrawn by IDBI bank w.e.f 28/05/2012, Mr. S.C. Arya Resigned from the Directorship from 20/04/2013 Mr. Rajesh Swarup's Nomination has been withdrawn by IDBI w.e.f 14/08/2013.

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. B.R. Mahi, Mr. S.C. Arya, and Mr. Rajesh Swarup during their association with the Company.

In Terms of section 260 of the Companies Act, 1956 Mr. Pannalal Goswami shall hold office only upto the date of the ensuing Annual general Meeting. The company has received a notice in writing along with requisite deposit, from a member proposing his candidature for the office of Director liable to retire by rotation.

#### **15. AUDITORS**

M/s Jain Raj & Associates, Chartered Accountant, appointed in AGM held on 29-09-2012, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

#### **16. AUDITORS' REPORT**

The Auditors' Report is enclosed with the Accounts for the year ended March 31, 2013. There is no adverse qualification(s), and remarks in the audit report except some observations as subject to

- 1) Short contribution of Gratuity and non provision of leave encashment.
- 2) Non Confirmation of some balances and recoverable advances & loan facility with suppliers, creditors, customers and Banks respectively.
- 3) Reference to BIFR, accounts being prepared on Going concern basis and no adjustments are required to the carrying amount of fixed assets on account of impairment as required by AS-28, Auditor express its inability to express their opinion on these matters.
- 4) Default of interest on term loan, TUF Subsidy has not been provided, The accumulated balance is Rs. 316.44 lacs is shown as recoverable under the loans and advances.

The Auditors' Report being self explanatory does not require further comment thereon.

#### **16A- COST AUDITOR REPORT**

As per the Section 233B of the Companies act, 1956 and Circular issued by the Ministry of corporate affairs, cost audit branch in the month of June, 2011 and subsequent revisions such as in month of November 2011 and further cost audit is applicable on your company and the cost audit was conducted by Niraj Kumar Vishwakarma & Associates, cost accountants, there is no Adverse qualification(s) in the audit report, the auditor's report being self explanatory does not require any further comment.



**17. Clarification on Auditor's Qualifications.**

Your Directors being committed to the principles of Corporate Governance are very much concerned about the auditor's report and the justifications about the auditor's findings is as Follows.

1. As you are well aware that your company is facing acute financial crisis and struggling hard to cope up with the demanding situation the statutory obligations also feel the heat of same and sometimes, we despite our best efforts fail to make payments on time, though we acknowledge these are financial obligations and will be regularized as soon as possible.
2. The Situation is same here as well due to financial crunch we fail to make payment on time to our creditors and they in turn did not provide us any confirmation, banks also not responding to our demands as we are failing to make interest payment to them on time.
3. As highlighted earlier matter is sub-judice and as soon as company receives probably favorable order from BIFR, we all hopes that old glorious days will come back.
4. TUF is the scheme under which we are entitled for subsidy but as you are aware that we are facing challenges from everywhere, Availing this facility totally depends upon making interest payment which in current scenario company can not do.

So, availing this facility also has become an challenge for us but we were and are making the provisions as whenever in future we get into position to pay our interest obligation and will claim this subsidy from govt.

**18. 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

**19. EROSION OF NET WORTH - REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR).**

On account of losses incurred during the year under review and also with carried forward losses of past years, the entire net worth of the company has got eroded at the end of the financial year which ended on 31st March, 2011 mentioned in the previous annual report, In the Board of directors meeting held on 24th August 2011 the directors formed an opinion to refer the company to BIFR and on 26-09-2011 the company made a reference u/s 15(1) of sick industrial companies (Spl. Provisions act, 1985).

The Matter is Undergoing with BIFR from then, and also with AAIFR and matter is sub-judice.

**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

**Date :** 14/08/2013  
**Place :** Delhi

Sd/-	Sd/-
<b>(Nikhil Poddar)</b>	<b>(David Soans)</b>
Chairman and MD	Director
(Via Video Conferencing)	(Via Video Conferencing)

### 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:-

The foreign exchange earning/outgo during the year are as under:

Rs./Lacs

	Current Year	Previous Year
Foreign Exchange Earning	425.44	442.13
Foreign Exchange Outgo	4.69	1.88