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VASUNDHARA RASAYANS LIMITED

Annual Report 2005-06

BOARD OF DIRECTORS

| | |
|-----------------------------|------------------------------|
| Mr. PRAKASH CHAND JAIN | CHAIRMAN & MANAGING DIRECTOR |
| Mr. RAJESH POKERNA | DIRECTOR |
| Mr. SUNIL KUMAR JAIN | DIRECTOR |
| Mr. SANJAY KUMAR JAIN | DIRECTOR |
| Mr. RAJESH KUMAR JAIN | DIRECTOR |
| Mr. PRAVIN P.MAJMUMDAR | DIRECTOR |
| Mr. RAJIV PRITIDAS KAKODKAR | DIRECTOR |
| Dr. PARAG ASHOK SHARMA | DIRECTOR |

BANKERS

STATE BANK OF INDIA
Dadar Branch, Mumbai.

AUDITORS

M/s. Agarwal Gupta Nokari &
Rustagi Associates
12, Waterloo Street
KOLKATA - 700 069

REGISTERED OFFICE

SHED NO.42, PHASE II, IDA,
MALLAPUR,
HYDERABAD - 500 076.

FACTORY

C-104, MIDC Industrial Area
Mahad, (Dist. Raigad)
MAHARASHTRA.

REGISTRAR & SHARE TRANSFER AGENT

CIL SECURITIES LTD
214 Raghavaratna Towers
Chirag Ali Lane, Abids
HYDERABAD-500 001.

NOTICE

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Members of VASUNDHARA RASAYANS LIMITED will be held at the Lions Bhavan, 1-8-179, Lakshpat Building, Behind LIC, Near Paradise Circle, Secunderabad - 500 003 on Friday 29th day of September, 2006 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint Auditors to hold the Office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

3. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution
"RESOLVED that Shri. Prakash Chand Jain who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 07.10.2005 be and is hereby appointed as a Director on the Board of the Company."
4. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
"RESOLVED that Shri. Sunil Kumar Jain who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 07.10.2005 be and is hereby appointed as a Director on the Board of the Company."
5. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
"RESOLVED that Shri. Rajesh Pokerna who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 07.10.2005 be and is hereby appointed as a Director on the Board of the Company."
6. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
"RESOLVED that Dr. Parag Ashok Sharma who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 12.12.2005 be and is hereby appointed as a Director on the Board of the Company."
7. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
"RESOLVED that Shri. Pravin P. Majmumdar who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 12.12.2005 be and is hereby appointed as a Director on the Board of the Company."
8. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
"RESOLVED that Shri. Rajesh Kumar Jain who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 12.12.2005 be and is hereby appointed as a Director on the Board of the Company."

9. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolution:
- "RESOLVED that Shri. Sanjay Kumar Jain who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 12.12.2005 be and is hereby appointed as a Director on the Board of the Company."
10. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolutions:
- "RESOLVED that Shri. Rajiv Pritidas Kakodkar who was appointed as Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 at the Board Meeting held on 30.01.2006 be and is hereby appointed as a Director on the Board of the Company."
11. To consider and if thought fit, to pass with or without modification(s), the following ordinary resolutions:
- "RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, consent of the Company be and is hereby accorded to the appointment of Shri. Prakash Chand Jain as Managing Director for a period of 5(Five) years with effect from 20.03.2006 and payment of remuneration to him on the terms and conditions as set out in the Explanatory Statement.

Terms and Conditions

1. Salary: In the scale of Rs. 6,000/- p.m.
2. Perquisites: Nil

In the event of loss or inadequacy of profit, he will entitled to the above remuneration as minimum remuneration. Shri. Prakash Chand Jain, shall not be entitled to receive any fees for attending any meeting of the Board or Committee there of as long as he functions as Managing Director of the Company."

**BY ORDER OF THE
BOARD OF DIRECTORS**

**(PRAKASH CHAND JAIN)
Chairman & Managing Director**

Place: Secunderabad
Date: 29.07.2006

REGISTERED OFFICE:

Shed No.42, Phase II, IDA,
Mallapur,
Hyderabad - 500 076,
Andhra Pradesh.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote instead of himself and a proxy need not be a member of the Company. The proxies in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. The register of members and share transfer book of the Company will remain closed from 26.09.2006 to 29.09.2006(both days inclusive).

3. Members are requested to:

- i) Intimate change, if any, in their registered addresses at an early date.
- ii) Quote Investor Registration No./Counter Receipt No./Regd.Folio No. in all their correspondence.
- iii) Bring their copies of the Annual Reports and the Attendance Slips with them at the Annual General Meeting.
- iv) Write to the Company's Registrars & Share Transfer Agents, M/s Intime Spectrum Registry Limited enclosing their share certificates for consolidation into one folio for better services, if they have more than one folio in identical order of name(s).

ANNEXURE TO NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956.

Item No.11

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2)

Shri. Prakash Chand Jain, B.Com, LL.B has wide experience in this industry and was appointed as Additional Director and further Managing Director of the Company with effect from 20.03.2006 for a period of 5(Five) years by the Board of Directors at the Board meeting held on 20.03.2006 but subject to the approval of the members in the ensuing Annual General Meeting.

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DIRECTOR'S REPORT

Your Directors have pleasure in presenting the Nineteenth Annual Report and Audited Accounts of your Company for the year ended 31st March 2006.

1. YOUR COMPANY'S SUMMARISED FINANCIAL RESULTS ARE AS UNDER:

(Rupees in thousands)

| | CURRENT YEAR ENDED 31.03.2006 | PREVIOUS YEAR ENDED 31.3.2005 |
|---|--|--|
| Turnover | 79410 | 60268 |
| Other Income | 96 | 1516 |
| Gross Profit/(Loss) before interest, depreciation & taxation | 7133 | 3167 |
| Interest | 1716 | 1200 |
| Profit before Depreciation & taxation | 5417 | 1967 |
| Depreciation | 4381 | 4005 |
| Profit/(Loss) before Taxation | 1036 | (2038) |
| Prior period Adjustments | — | — |
| Provision for Taxation (Including Provision for Deferred Tax Previous Year) | 802 | 732 |
| Net Profit after Taxation | 234 | (1306) |

2. OPERATIONS

During the year under review the turnover of the Company has increased to Rs.794.10 Lacs in comparison to the previous year's figure at Rs. 602.68 Lacs due to demand for it's finish products in international and domestic market and excellent growth was recorded in the both segments of domestic as well as export sales.

The company has achieved operating profit after interest and deprecation as well as net profit after provision for income tax, which is reported at Rs 10.36 lacs & Rs 2.34 lacs respectively in comparison to loss of Rs 20.38 lacs and Rs 13.06 lacs respectively in the previous year. Thus the company has been trying hard to reduce the interest and other costs and to get more profits. In future after adopting all cost cutting measures and by improving it's overall sales the company is hopeful of performing much better and improve its profitability accordingly.

3. DIVIDEND

Your Directors are unable to propose any dividend during the year.

4. FINANCIAL ACTIVITIES

Even though the company needs more working capital to meet with the production and supply against orders in hand, the company is managing with its present level of Rs 120 lacs.

5. DIRECTORS

Mr. PRAKASH CHAND JAIN, Mr. SUNIL KUMAR JAIN and Mr. RAJESH POKERNA has been inducted as additional Directors on the Board of Directors of your company to hold office upto this Annual General Meeting, having received the notice proposing his candidature as required under section 260 of the Companies Act, 1956, their appointment as Directors of the Company are recommended.

Mr. SANJAY KUMAR JAIN, Dr. PARAG ASHOK SHARMA, Mr. PRAVIN P MAJUMDAR and Mr. RAJESH KUMAR JAIN has been inducted as additional Directors on the Board of Directors of your company to hold office upto this Annual General Meeting, having received the notice proposing his candidature as required under section 260 of the Companies Act, 1956, their appointment as Directors of the Company are recommended.

Mr. RAJIV PRITIDAS KAKODKAR has been inducted as additional Director on the Board of Directors of your company to hold office upto this Annual General Meeting, having received the notice proposing his candidature as required under section of 260 of the Companies Act, 1956, his appointment as Directors of the Company is recommended.

Mrs. RENU AGRAWALL, Dr. J.K. LALLA, Mr. D.Y. SATHAYE, Mr. K.C. GUPTA and Mr. SHAILENDRA SINGHVI directors of the Company resigned from the Board w.e.f 12th December 2005. The Board of Directors wish to place on record their sincere appreciation for guidance and assistance provided by them.

Mr. M.P. AGRAWALL, Mr. PAWAN KUMAR AGRAWALL and Mr. BIMAL KUMAR KEDIA directors of the Company resigned from the Board w.e.f 20th March 2006. The Board of Directors wish to place on record their sincere appreciation for guidance and assistance provided by them.

6. AUDITORS

M/s Agarwal Gupta Nokari & Rustagi Associates, Chartered Accountants, Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting. The Auditors have furnished a certificate, under section 224(1) of the Companies Act, 1956, of their eligibility for reappointment, therefore Your Directors recommend M/s Agarwal Gupta Nokari & Rustagi Associates, Chartered Accountants for appointment as your Company's Statutory Auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

7. CORPORATE GOVERNANCE

Your Company is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board of Directors support high standards in corporate governance. A separate report on Corporate Governance along with the certificate of the Auditors, M/s Agarwal, Gupta, Nokari & Rustagi Associates, confirming compliance of the conditions of corporate governance, as stipulated under clause 49 of Listing Agreements entered into with the Stock Exchanges is annexed.

8. DEPOSITS

During the year under review, your Company has not accepted any deposits.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO

Additional information on conservation of Energy, Technology absorption and foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is set out in Annexure and forms part of this report.

10. PARTICULARS OF EMPLOYEES

None of the employees is drawing remuneration in excess of the ceiling laid down under the provision of Section 217 (2) (A) of the Companies Act, 1956 as amended read with the Companies (particulars of Employees) Rules, 1975.

11. DIRECTORS RESPONSIBILITY STATEMENT

In compliance of recently introduced Section 217 (2AA) in the Companies Act, 1956, your Directors state that:

- i) That in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii) That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company as at 31st March, 2006 and of the Profit of the Company for the year ended on that date;
- iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Annual Accounts have been prepared on a going concern basis.

12. ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere thanks and gratitude to the State Bank of India for their continued assistance and co-operation, and the customers for their continued support and patronage.

For and on behalf of Board of Directors

Place: Secunderabad
Date: 29.07.2006

(PRAKASH CHAND JAIN)
Chairman & Managing Director

ANNEXURE TO THE DIRECTOR'S REPORT

Information under Section 217(i)(e) of Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's Report for the year ended 31st March, 2006.

A. CONSERVATION OF ENERGY

The basic engineering design of the Plant is based on optimum consumption and provision has been made to conserve energy to the maximum possible extent, which would reduce the liability on energy bills.

B. TECHNOLOGY ABSORPTION**i) RESEARCH AND DEVELOPMENT****1. Specific areas in which R&D carried out by the Company:**

Improvement and up gradation in quality, productivity and process efficiency, Development of new applications for utilization of our products and development of new products.

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

Improvement in quality of products, production efficiency and wider application of products manufactured by the Company.

3. R & D Expenditure:

a) Capital : NIL

b) Recurring expenditure : NIL

4. Future plan of action:

Improvement in quality of products and process, production efficiency, better product mix, reduction in power and fuel consumption and wider application of the products manufactured by the Company.

ii) TECHNOLOGY ABSORPTION, ADAPTATION AND INTIMATION

For the Company's existing product line there is no technical collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

Outgo: Rs.57829/-

Earnings: Rs.31639087/-

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Corporate Governance:

Vasundhara Rasayans Limited is committed to business integrity and high ethical values. The Company firmly believes in good corporate governance as implementation of the principles of Corporate Governance would encourage the process of collective thinking and bring about professionalisation of corporate management. It would also partially decentralise the responsibility of decision-making. All stakeholders, including shareholders, employees, creditors, customers, suppliers, Government and public at large will benefit by the transparency in and professionalisation of corporate management.

**2. Board of Directors:
Composition of the Board**

The total strength of the Board is eight.

Directors' Attendance record and directorship

| Sl. No. | Name of the Director | Promoter/ Executive/ Independent/ Nominee | No. of Board meetings during the year | | Attendance at the last AGM | No. of Directorships of other Companies. | Member/ Chairman of committees other than the Company. |
|---------|------------------------------|--|---------------------------------------|----------|----------------------------|--|--|
| | | | Held | Attended | | | |
| 1 | Shri.M.P.Agrawall | P & ED | 10 | 10 | Yes | 18 | - |
| 2 | Shri.B.K.Kedia | P&ED | 10 | 10 | No | 16 | - |
| 3 | Smt.Renu Agrawall | P&NED | 9 | 9 | No | 3 | - |
| 4 | Shri.KC Gupta | N-EID | 9 | 8 | No | - | - |
| 5 | Shri.Pawan Kumar Agrawall | P&NED | 10 | 10 | Yes | 22 | - |
| 6 | Shri.DY Sathaye | N-EID | 9 | 8 | No | - | - |
| 7 | Shri.JK Lalla | N-EID | 9 | 9 | No | - | - |
| 8 | Shri.Shailender Singhvi | N-NED | 9 | 9 | Yes | 1 | - |
| 9 | Shri.Prakash Chand Jain | C & M.D. | 4 | 3 | - | 4 | - |
| 10 | Shri.Rajesh Pokerna | DIRECTOR | 4 | 4 | - | 2 | - |
| 11 | Shri.Sunil Kumar Jain | DIRECTOR | 4 | 4 | - | 3 | - |
| 12 | Shri.Sanjay Kumar Jain | DIRECTOR | 2 | 1 | - | 2 | - |
| 13 | Shri.Rajesh Kumar Jain | DIRECTOR | 2 | 1 | - | 2 | - |
| 14 | Shri.PravinPMajmumdar | DIRECTOR | 2 | 1 | - | - | - |
| 15 | Shri.Rajiv Pritidas Kakodkar | DIRECTOR | 2 | 1 | - | - | - |
| 16 | Dr.Parag Ashok Sharma | DIRECTOR | 2 | 1 | - | - | - |