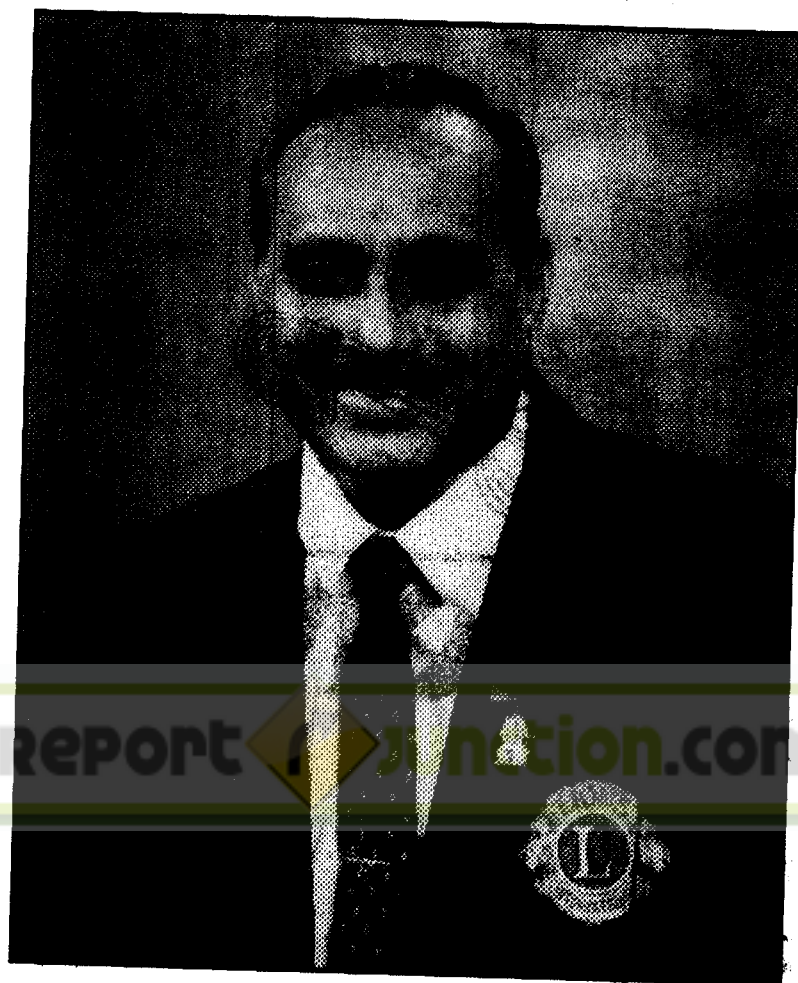


VEENA TEXTILES LIMITED

KOMARAPALAYAM - 638 183.



**35th ANNUAL REPORT
2001 - 2002**



Shri. S.S.M. SOUNDAPPAN
Chairman & Managing Director

VEENA TEXTILES LIMITED

KOMARAPALAYAM - 638 183

BOARD OF DIRECTORS

Shri S.S.M.Soundappan
 Shri M.S.Elavarasan
 Shri A.Balasubramanian
 Shri K.P.Rajahraman
 Shri M.Jayabalan

Chairman and Managing Director
 Managing Director
 Director
 Director
 Director

Company Secretary

Mr.D.Sundararajan

Bankers

State Bank of India
 Bhavani and Erode

Audit Committee

Shri M.S.Elavarasan
 Shri A.Balasubramanian
 Shri K.P.Rajahraman

Finance Committee

Shri M.S.Elavarasan
 Shri K.P.Rajahraman

Share Transfer Committee

Shri S.S.M.Soundappan
 Shri M.S.Elavarasan

Investors Grievances Committee

Shri S.S.M.Soundappan
 Shri M.S.Elavarasan

Marketing Committee

Shri M.S.Elavarasan
 Shri K.P.Rajahraman

Auditors

M/s. V.N.G.Nath Associates
 Chartered Accountants
 Chennai - 600 034.

Registered Office

309, Salem Main Road
 Komarapalayam - 638 183.
 Namakkal District.

CONTENTS	Page No.
Notice to Shareholders	2
Directors' Report	3
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Schedules forming part of the Balance Sheet,	12
Profit & Loss Account	16
Notes on Accounts	22
Balance Sheet Abstract & Company's General Profile	23
Cash Flow Statement	24

**35th ANNUAL REPORT
 2001 - 2002**


Veena
NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 35th Annual General Meeting of the Members of VEENA TEXTILES LIMITED will be held on Monday the 30th September, 2002 at 11 A.M. at 11-F, GANDHIPURAM, KOMARAPALAYAM - 638 183 to transact the following business:

By order of the Board

Komarapalayam
30th July, 2002

D.Sundararajan
Company Secretary

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2002, Profit and Loss Account for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To appoint M/s.V.N.G.Nath Associates, Chartered Accountants, Chennai - 34, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

3. To consider, and if deemed fit, to appoint Sri M.Jayabalan as a Director in respect of whom the Company has received a notice pursuant to section 257 of the Companies Act 1956 from a member along with a deposit of Five hundred rupees, signifying his intention to move the following resolution as an ordinary resolution:

"RESOLVED that Mr.M.Jayabalan be and is hereby appointed as a Director of the Company."

By order of the Board

Komarapalayam
30th July, 2002

D.Sundararajan
Company Secretary

**ANNEXURE TO NOTICE
EXPLANATORY STATEMENT UNDER SECTION 173(2)
OF THE COMPANIES ACT, 1956.**

Item No.3

Appointment of Sri M.Jayabalan as Director. Sri M.Jayabalan, a Textile Consultant in Salem has been co-opted as an additional Director on 30th January 2002 and his term of office expires at the close of this Annual General Meeting and his name has been proposed by a member for Directorship and a sum of Rs.500/- also has been deposited with us. Mr.M.Jayabalan association as Director in the Company will be of immense use and his candidature is recommended by the Board.

NOTES FOR MEMBERS' ATTENTION

1. A member entitled to attend and vote, is entitled to appoint a proxy, who need not be a member. The instrument appointing proxy should, however, be deposited at the Registered office of the Company not less than forty eight hours before the commencement of the meeting.
2. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
3. All documents referred to in the accompanying Notice are open for inspection at the registered Office of the Company during office hours on all working days, except holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2002 to 30th September 2002 (both days inclusive)
5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy of Annual Report to the meeting.
6. Members desiring any information regarding accounts are requested to write to the Company atleast seven days before the Meeting so as to enable the Management to keep information ready.
7. Members are requested to sign at the space provided in the enclosed attendance slip and hand over the slip at the entrance of the meeting hall.
8. The Companies(Amendment) Ordinance, 1999 has provided for a nomination facility for the shares held in a Company. The Nomination Form (Form 2B) along with instructions will be provided to the members on request. Interested members are requested to write to the Shares Department at the Registered Office of the Company.

By order of the Board

Komarapalayam
30th July, 2002

D.Sundararajan
Company Secretary



DIRECTORS' REPORT TO THE SHAREHOLDERS

2430 HIGHWAY 101, TROTTEN, SROCTON, INDIA

Dear Members,
Your Directors present the 25th Annual Report and Audited Statement of Accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

(Rupees in lacs)

	2001-2002	2000-2001
Sales	1806.24	2476.24
Other Income	7.03	32.49
Total Expenditure	1649.77	2356.29
Interest	86.56	77.68
Gross Profit/(Loss)		
after Interest before		
Depreciation and Taxation	78.94	74.78
Depreciation	117.73	122.81
Net Profit/(Loss)	(38.79)	(48.03)

DIVIDEND

The Directors regrettably advise that no dividend is feasible this year also, due to continuing losses in trade.

GENERAL REVIEW OF THE YEAR

Recession in America had brought untold miseries in the economic movement of the world and India too suffered heavily as a result. Business in general and export performance in particular had been very badly affected due to the international market situation. Added to this international calamity, the general commercial disturbances in Gujarat lasting for nearly 2 to 3 months which had contributed to the very poor sales in local markets.

On the whole, the period under review had been very difficult indeed, leaving the management to resort to more austere measures like reduction of staff at all levels.

DIRECTORS

During the year M/s R. Sankaranarayanan, V. Thangavel and V. Subramanian have resigned on personal grounds and their resignations had been accepted by the Board with great reluctance. Sri M. Jayabalan, a Textile Consultant had been co-opted on 31.01.2002 as an additional Director.

SHIFTING OF REGISTERED OFFICE WITHIN THE SAME LOCALITY

Due to operational and administrative convenience, it was decided to shift the Registered Office from 11-F, Gandhi Nagar to 309,

Salem Main Road which is just within a kilometre from existing location.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial year ended 31st March, 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- 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;
- that the directors had prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

AUDITORS

M/s. V.N.G. Nath Associates, Chartered Accountants, Chennai - 34, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1)(b) of the Companies Act, 1956.

Accordingly, the said auditors will be appointed as auditors of the Company at the ensuing Annual General Meeting.

AUDITORS' REPORT

The notes on accounts referred to in the Auditors' Report call for comments under section 217(3) of the Companies Act, 1956.



DIRECTORS' REPORT TO THE SHAREHOLDERS

a. Secured loan :

Royalty payments to be made to the court Receiver, Mumbai High Court have been paid for nine months and balance three months remain unpaid due to paucity of funds.

b. Income tax Liability :

Assessment for subsequent years are under process in which refund amounts are due to the Company. It is proposed to adjust the tax payable against the refund amount due to the Company due to financial crunch.

DEMATERIALIZATION

As from 02.01.2002 the Company has joined the dematerialisation process and M/s. Trident Investment and Portfolio Services (P) Ltd., 4, Fourth Main Road, United India Colony, Kodambakkam, Chennai - 24 have been appointed as our authorised agents for service in this connection and we have been allotted our identity number viz CDSL/INE 728E01010. Members are advised to contact their Depository Participants and get their shares dematerialised early.

COST AUDIT

Sri. R. Krishnan & Co., Cost Accountants are conducting Cost Audit for the year ended March 31, 2002 and their report will be submitted to the Department of Company Affairs, Government of India, as usual.

Pursuant to section 233 B of the Companies Act, 1956, Sri R. Krishnan & Co., Cost Auditors for us during the preceding year, have been appointed for ensuing year also with the approval of Central Government vide letter dated 11.06.2002 to conduct the audit of the Cost accounts for the financial year 2002-2003.

INSURANCE

The Company has insured all its assets adequately covering various risks.

PARTICULARS OF EMPLOYEES

- a) No employee of the Company was in receipt of remuneration during the financial year 2001-2002 in excess of the sum prescribed under section 217(2A)(a) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND 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, is given in the Annexure to the report.

ENVIRONMENT & SAFETY

The Company has taken various steps to attain high level of safety in all its manufacturing units and we are happy to inform that there was no untoward incidents during the year under consideration. Strict measures were taken to keep the environments clean and free from pollution.

ACKNOWLEDGEMENT

Your Directors acknowledge the continued support and co-operation from Financial Institutions, Banks, Customers, Vendors and Dealers. Further your Directors thank the Shareholders for their continued confidence in the Company.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company for its success.

For and on behalf of the Board of Directors
S.S.M.Soundappan

Komarapalayam
30th July 2002

CHAIRMAN &
MANAGING DIRECTOR

ANNEXURE-I TO DIRECTORS' REPORT

The Companies (Particulars of Employees) Rules, 1975.

Statement of Particulars of employees required under Section 217(2A) of the Companies Act, 1956

- (a) Particulars of employees employed throughout the financial year and who are in receipt of remuneration of not less than Rs.6,00,000 in terms of section 217(2A) (a) (i)

NIL

- (b) Particulars of employees employed for part of the year who were in receipt of remuneration at the rate of not less than Rs.1,00,000/- per month in terms of section 217(2A) (a) (ii)

NIL

**DIRECTORS' REPORT TO THE SHAREHOLDERS****ANNEXURE-II TO DIRECTORS' REPORT**

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY AS PRESCRIBED IN FORM A

	2001-2002	2000 - 2001
a. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units	3112136	3832845
Total Amount(Rs.)	14517417	17038916
Rate/Unit(Rs.)	4.66	4.45
(b) Own Generation		
(1) Through diesel generator		
Units	262923	279376
Units per litr. of diesel oil	2.92	2.89
Rate/Unit (Rs.)	7.26	7.45
(2) Through steam turbine generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnance Oil	Nil	Nil
4. Others	Nil	Nil
b. Consumption per unit of Production		
Product: Electricity		
Automatic Looms/Terry Looms(Per Meter)	0.41	0.41
Embroidered Fabrics (Per Meter)	0.24	0.44
Yarn (Per Kilo Gram)	9.07	9.50

B. TECHNOLOGY ABSORPTION AS PRESCRIBED IN FORM B

1. Research and Development (R & D)
 - (a) Specific areas in which R & D carried out by the Company: Cotton & Yarn Test
 - (b) Benefits derived as a result of the above R & D: Improved & Consistent quality in Yarn & Fabrics.
 - (c) Future plan of action: Plan to install fabric testing.
 - (d) Expenditure on R & D

	Rs.
(i) Capital	Nil
(ii) Recurring	Nil
(iii) Total	Nil
 - (iv) Total R&D expenditure percentage to total turnover: Nil

2. Technology Absorption, Adaptation and Innovation.

The Company always keeps itself updated with all latest technological innovations by way of constant communications and consulting experts. Efforts are being made to reduce cost and to improve performance.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Earnings		
I. Export Sales	Rs.	645605.95
II. Freight & Insurance	Rs.	18440.00
	Total	Rs. <u>664045.95</u>
(b) Expenditure		
Spares & Accessories purchased	Rs.	Nil



DIRECTORS' REPORT TO THE SHAREHOLDERS

ANNEXURE - III REPORT ON CORPORATE GOVERNANCE:

1. PHILOSOPHY OF CORPORATE GOVERNANCE

Veena Textiles Limited is well-known for its highest standards of Corporate Governance in all its activities and processes.

Veena Textiles Ltd., always looks to achieving the highest standards in finance for all its shareholders, and for instilling a pride of association to others like employees, Dealers etc. The entire process begins with the functioning of the Board of Directors, men with wide experience on production and sales and a compactness in harvesting the best available resources. Systematic and concerted efforts are nicely blended to achieve its goal in economy and avoiding incompetence.

This year too we had several upheavals like recession following American attack, slumpiness in trade, all falling upon the industry as a whole and more particularly in textile industry.

The following is a report on the status and progress on major aspects of corporate governance as per clause 49 of the listing agreement.

2. BOARD OF DIRECTORS

The Board of Directors comprises a good mix of executives/non-executives and independent directors.

(a) The composition of the Board of Directors as at 31st March, 2002 and the number of the directorship/committee memberships held by them is as under:

Sl. No.	Name of Director	Executive/ Non Executive/ Independent	Number of other directorship	Committee Position No. of membership	Chairman
1.	Sri.S.S.M.Soundappan	Executive as chairman & Managing Director	1	NII	2
2.	Sri M.S.Elavarasan	Executive as Managing Director	—	3	2
3.	Sri A.Balasubramanian	Non-executive & Independent	—	3	0
4.	Sri K.P.Rajahraman	Executive	1	NII	1
5.	Sri M.Jayabalan	Non-executive & Independent	—	NII	NII

The following changes took place during the year 2001-2002: Sri V.Thangavel resigned on 24/8/01 and Sri R.Sankaranarayanan resigned on 30/01/02 and Sri V.Subramonian resigned on 30/04/02. Sri M.Jayabalan has been co-opted as an additional director on 30/01/02.

(b) Board Meetings and Attendance at Board Meetings & Annual General Meeting:

The Board of Directors met 7 times during the financial year 2001-2002 i.e. on 28/4/01, 9/5/01, 30/7/01, 14/8/01, 28/9/01, 31/10/01 and 30/1/2002. The attendance of each director at each Board Meeting and the Annual General Meeting was as under:

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM
1.	Sri S.S.M.Soundappan	7	Yes
2.	Sri M.S.Elavarasan	7	Yes
3.	Sri A.Balasubramanian	2	—
4.	Sri V.Subramonian	1	—
5.	Sri R.Sankaranarayanan	6*	Yes
6.	Sri K.P.Rajahraman	7	Yes
7.	Sri V. Thangavel	4	—
8.	Sri M. Jayabalan	—	—

* Till January, 2002