

VEENA TEXTILES LIMITED

KOMARAPALAYAM - 638 183.



36th ANNUAL REPORT
2002 - 2003

VEENA TEXTILES LIMITED

KOMARAPALAYAM - 638 183

BOARD OF DIRECTORS *

Shri K.S.Elavarashen

Shri M.Jayabalan

Shri R.Velmurugan

Shri S.K.Natesan

Managing Director

Director

Director

Director

Company Secretary

Shri. K.S.Lakshmanan

Bankers

State Bank of India

Bhavani and Erode

Audit Committee

Shri M.Jayabalan - Chairman

Shri R.Velmurugan

Shri S.K.Natesan

Finance Committee

Shri K.S.Elavarashen - Chairman

Shri S.K.Natesan

Share Transfer Committee

Shri R.Velmurugan - Chairman

Shri M.Jayabalan

Investors Grievances Committee

Shri M.Jayabalan - Chairman

Shri K.S.Elavarashen

Marketing Committee

Shri K.S.Elavarashen - Chairman

Shri R.Velmurugan

Auditors

M/s. V.N.G.Nath Associates

Chartered Accountants

Chennai - 600 034.

Remuneration Committee

Shri R.Velmurugan - Chairman

Shri M.Jayabalan

Registered Office

309, Salem Main Road

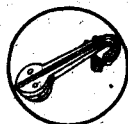
Komarapalayam - 638 183.

Namakkal District.

* as on 25-08-2003

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**36th ANNUAL REPORT
2002 - 2003**



VEENA TEXTILES LIMITED

Veena

NOTICE TO SHAREHOLDERS

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 36th Annual General Meeting of the Members of VEENA TEXTILES LIMITED will be held on Monday the 29th September, 2003 at 11 A.M. at 11-F, GANDHIPURAM, KOMARAPALAYAM - 638 183 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2003, 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 Shri R. Velmurugan 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, signifying his intention to move the following resolution as an ordinary resolution:
"RESOLVED that Shri.R.Velmurugan be and is hereby appointed as a Director of the Company,"
4. To consider, and if deemed fit to appoint Shri S.K.Natesan 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, signifying his intention to move the following resolution as an ordinary resolution:
"RESOLVED that Shri.S.K.Natesan be and is hereby appointed as a Director of the Company."

By order of the Board

Komarapalayam
25th August 2003

K.S. Lakshmanan
Company Secretary

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

Item No.3 Shri R. Velmurugan, experienced in Cotton and Textile trade in Theni has been co-opted as an additional Director on 30th September 2002, who holds the office till the date of this Annual General Meeting and his name has been proposed by a member for his directorship.

Shri. R. Velmurugan's association as Director in the Company will be of immense use and his candidature is recommended by the Board.

Item No.4 Shri. S.K.Natesan, experienced in Cotton and Textile trade in Theni has been co-opted as an additional Director on 31st July 2003, who holds the office till the date of this Annual General Meeting and his name has been proposed by a member for his directorship.

Shri.S.K.Natesan's association as Director in the Company will be of immense use and his candidature is recommended by the Board.

Details Pursuant to clause 49 - (Refer Annexure A)

Komarapalayam
25th August 2003

By order of the Board
K.S. Lakshmanan
Company Secretary

Details Pursuant to clause 49 of the listing agreement with regard to Shri R. Velmurugan & Shri S.K.Natesan

Name of the Director	Shri.R.Velmurugan	Shri.S.K.Natesan
Date of Birth	06.06.1950	18.08.1954
Date of Appointment	30-09-2002	31-07-2003
Qualification	PUC	10th Std
Expertise in specific functional Area	Having 20 Years experience in Cotton and Textile Trade	Having 25 Years experience in Cotton and Textile Trade
Details of other Directorships	NIL	NIL
Details of the Committee and Membership Status	4	2

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 19th September, 2003 to 29th September 2003 (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 at least 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.
9. No Gifts will be distributed at the meeting.

By order of the Board

Komarapalayam
25th August 2003

K.S. Lakshmanan
Company Secretary



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Members,

Your Directors present the 36th Annual Report and Audited Statement of Accounts for the year ended 31st March 2003.

FINANCIAL RESULTS

	(Rupees in lacs)	
	2002-2003	2001-2002
Sales	1218.66	1808.24
Other Income	10.94	7.03
Total Expenditure	1289.26	1649.77
Interest	9.87	86.56
Gross Profit/(Loss)		
after interest before		
Depreciation and Taxation	(69.53)	78.94
Depreciation	115.72	117.73
Net Profit/(Loss)	(185.25)	(38.79)

DIVIDEND

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

GENERAL REVIEW OF THE YEAR

The general trend in the Textile Industry did not change drastically during this year also and the business continues to reel under severe recession. The Central Government has brought the Textile Industry under Cenvat which has drastically affected the Textile Trade. Business in general and export performance in particular had been very badly affected due to the international market situation. On the whole, the period under review had been very difficult indeed, driving the management to resort to more austere measures like reduction of staff at all levels, management and clerical.

DIRECTORS

During the year under review, Shri. A. Balasubramaniam, Director has resigned on personal grounds and his resignation had been accepted by the Board with great reluctance. Shri. R. Velmurugan has been co-opted on 30.9.2002 as an additional Director.

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:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, 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 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;

- (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) that the directors had prepared the accounts for the financial year ended 31st March, 2003 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 the accounts are self explanatory with regard to Auditors comments and therefore, do not call for any further clarification under section 217(3) of the Companies Act, 1956.

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.

The Company always looks for 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.

The following is a report on the status and progress on major aspects of corporate governance.

2. BOARD OF DIRECTORS

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

(a) The composition of the Board of Directors as at 31st March, 2003 and the number of the directorship/committee memberships held by them are as under:



DIRECTORS' REPORT TO THE SHAREHOLDERS

No.	Name of Director	Executive/ Non Executive Independent	Number of other directorship	Membership on other Board Committees
1.	Shri. S.S.M.Soundappan	Executive	1	—
2.	Shri. K.S.Elavarashen	Executive	—	3 of which 2 as chairman
3.	Shri. K.P.Rajahraman	Executive	1	2
4.	Shri. M.Jayabalan	Non-executive & Independent	—	4 of which 2 as Chairman
5.	Shri. R.Velmurugan	Non-executive & Independent	—	4 of which 2 as Chairman

The following changes took place during the year 2002-2003

1. A.Balasubramaniam - Resigned from the Board on 30.09.2002
2. R.Velmurugan - Appointed as an Additional Director on 30.09.2002

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

The Board of Directors met 5 times during the financial year 2002-2003 i.e. on 30/4/02, 30/7/02, 30/9/02, 30/10/02 and 30/1/03. The attendance of each director at each Board Meeting and the Annual General Meeting and remuneration / sitting fees paid was as under

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM	Salary	Other Benefit	Sitting fees
1.	Shri. S.S.M.Soundappan	4	Yes	768000.00	80404.52	-
2.	Shri. K.S.Elavarashen	5	Yes	859874.35	40125.65	-
3.	Shri. K.P.Rajahraman	5	Yes	126000.00	20455.75	-
4.	Shri. A.Balasubramanian	2*	Yes	-	-	2000
5.	Shri. M.Jayabalan	5	Yes	-	-	5000
6.	Shri. R.Velmurugan	2	No	-	-	2000

* Till 30.09.2002

3. COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Overseeing the financial reporting process and direction of financial agenda, review of any change in accounting policies and practices, compliance with accounting standards and reviewing the adequacy of control system as per guidelines under clause 49 of the listing agreements as well as in Section 292A of the Companies Act, 1956.

The committee had four meetings during the year under review.

FINANCE COMMITTEE

The Committee held three meetings during the year and they covered financial problems, general accounts, cost accounts and internal audit and controls.

Shareholders/Investors Grievance Committee

The role is to redress the grievances of shareholders, transfer of shares and dematerialisation. Complaints from shareholders are attended to without delay and are dealt with in a month's time.

The Committee meetings held during the year were smooth and no serious grievance was brought to the notice.

MARKETING COMMITTEE

The role of the committee is to watch competitor's activities and be ever vigilant, so as to channelise our force effectively. Shri K.S.Elavarashen as chairman assisted by Shri K.P.Rajahraman and Shri R.Velmurugan directed the marketing operations.

4. GENERAL BODY MEETING

The location and time of last three annual general meetings are given below :

Financial year	Date	Time	Location
1999-2000	28.09.2000	11.30 a.m.	11-F, Gandhipuram Komarapalayam
2000-2001	28.09.2001	11.00 a.m.	11-F, Gandhipuram Komarapalayam
2001-2002	30.09.2002	11.00 a.m.	11-F, Gandhipuram Komarapalayam

*No special resolution was put through ballot at the last AGM

Postal Ballot : An ordinary resolution under section 293(1) (a) of the Companies Act 1956 was passed through postal ballot for obtaining shareholders consent to sell, lease or otherwise dispose of the spinning division of the Company.

5. OTHER DISCLOSURES Except for general slackness in trade due to overall general economic recession, there was nothing untoward or abnormal.

This year was a tough one for everyone and the industry which went through anxious spells as to how economy would swing had a real hard time.

The Company has not paid the listing fees to the Stock Exchanges of Mumbai, Ahmedabad, Madras and Coimbatore due to financial constraint.

6. MEANS OF COMMUNICATION

The quarterly/half-yearly unaudited financial results and the annual audited financial results together with the relative notices are published in News Today and Makkal Kural. As enjoined by the stock exchange listing agreements, immediate transmission of data are also arranged to stock ex-changes.



DIRECTORS' REPORT TO THE SHAREHOLDERS

General Shareholder Information:

- a) Annual General Meeting
Date & Time : 29th September 2003, at 11 A.M.
Venue : 11F, Gandhipuram main Road,
Komarapalayam - 638 183
- b) Financial Calender (Tentative)
Annual General Meeting : 29th September 2003
Results for Q.E. 30.06.2003 : 31st July 2003
Results for Q.E. 30.09.2003 : Last Week of October 2003
Results for Q.E. 31.12.2003 : Last Week of January 2004
Results for Q.E. 31.03.2004 : Last Week of April 2004
- c) Book Closure Date : 19.09.03 to 29.09.03 (Both days inclusive)
- d) Dividend Payment Date : Not Applicable
- e) Listing of Equity Shares on Stock Exchanges at : Mumbai, Ahmedabad, Chennai & Colmbatore.
- f) (a) Demat ISIN No : INE 728 E 01010
(b) Mumbai stock Exchange code : 21028
- g) Stock Market Data : Shares were not traded in any of the Stock Exchanges.
- h) Registrar & Transfer Agents : Trident Investment and Port folio Services P Ltd,
7, Fourth Main Road, United India Colony,
Kodambakkam, Chennai - 600 024
Phone : 4844204/4844217
FAX : 91-44-4800884 Email. tipsin@vsnl.com
- i) Share Transfer Systems : Presently share transfers which are recorded in physical form are processed within 21 days from the date of receipt subject to the documents being valid and complete in all respects. In respect of demat, the same is done within 30 days from the date of demat request.
- j) (a) Share holding pattern as on 31-03-2003
- | | No. Shares | Percentage |
|---|------------|------------|
| 01. Promoters | 2846720 | 35.43 |
| 02. Indian Financial Institutions
Banks & Mutual Funds | 1117500 | 13.90 |
| 03. Foreign Institutional Investors/NRIS | 36000 | 0.45 |
| 04. Others | 4035080 | 50.22 |
- (b) Distribution of Share holding as on 31-03-2003

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Share holding
1-500	13793	93.03	2589100	32.22
501 - 1,000	665	4.49	509100	6.34
1,001 - 10,000	349	2.35	656900	8.18
10,001 - 1,00,000	7	0.05	147800	1.84
Above 1,00,000	12	0.08	4132400	51.42
	14826	100.00	8035300	100.00



DIRECTORS' REPORT TO THE SHAREHOLDERS

k) Dematerialisation of Shares :

The shares of the company are available for demat and 5500 shares were Demated as on 31-03-2003, and the shares are not traded in any of the Stock Exchanges during the year under review.

- | | | |
|--|---|---|
| l) Plant Location | : | All the Plants are located in Komarapalayam except spinning Division which is located in Katheri village near Komarapalayam |
| m) Investor Correspondence | : | Secretarial Department
Veena Textiles Ltd., 309 Salem Main Road,
Komarapalayam - 638 183 Tel : 04288 - 261564
Fax : 04288 - 261982 E.mail : Veenatex@yahoo.com |
| n) Complaint Officer | : | Shri. K.S. Lakshmanan, Secretary
309, Salem Main Road, Komarapalayam - 638 183. |
| o) i) No. of complaints received from shareholders | : | 24 |
| ii) No. of Complaints Not solved | : | Nil |
| iii) No. of Pending transfers | : | Nil |

MANAGEMENT DISCUSSION AND ANALYSIS

A. Industry Structure & Development :

The Textile Industry in India plays a vital role in the economy. It contributes around 14 % to the industrial Production. Provides direct and indirect employment to 30 million people. The export of textile goods constitute around 27 % of the country's exports. Veena textiles Ltd continues to enjoy strong presence in Dhoby and Plain fabric market.

B. Opportunities, Threats & Risks and Concerns :

Indian Companies are facing intense competition from unorganised sector with in the Country and from other Countries like Pakistan, China, Indonesia and Egypt.

C. Outlook :

The Company continues to be significant player in the Plain and Dhoby market and continuously innovating new value added products to maintain its trade name 'Veena'.

D. Internal Control System and their adequacy :

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

E. Financial and operational Performance :

Please refer the Board of Directors report on Financial Results.

F. Material Developments in Human Resources / Industrial Relations front :

The Company recognises the importance and contribution of its Human Resources for its growth and development and committed to the development of its People.

G. Cautionary Statement :

Statements in the Managements Discussion and Analysis describing company's projections, estimates, expectations or predictions may be "forward looking predictions" within the meaning of Securities laws and

regulations. Actual results may differ from such estimates, Projections etc. whether expressed or implied.

8. COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The Company has complied with all the mandatory requirements of Corporate Governance norms as enumerated in Clause 49 of the Listing Agreement with Stock Exchanges.

DEMATERIALISATION

As from 02.01.2002, the Company has joined the dematerialisation process and Trident Investment and Portfolio Services (P) Ltd., 4, Fourth Main Road, United India Colony, Kodambakkam, Chennai - 24 have been appointed as our authorised agents of service in this connection and we have been allotted our identity no viz CDSL/INE 728 E01010. 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, 2003 and their report will be submitted to the Department of Company Affairs, Government of India.

Pursuant to section 233 (B) of the Companies Act 1956, S.Subbaraman, Cost Auditor, has been appointed for the ensuing year with the approval of Central Government vide letter date 19.06.2003 to conduct the audit of the Cost accounts for the financial year 2003-2004.

LISTING

Owing to severe financial crunch, there had been some out standing in the listing fees to four Stock Exchanges i.e., Mumbai, Coimbatore, Madras & Ahmedabad and we have explained the circumstances to the various Stock Exchanges.

INSURANCE

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



DIRECTORS' REPORT TO THE SHAREHOLDERS

HIVING OFF SPINNING DIVISION

Last year, consent to the resolution in this context was obtained through postal ballot. Steps towards this are in progress and the outcome will be known shortly.

PARTICULARS OF EMPLOYEES

a) No employees of the Company was in receipt of remuneration during the financial year 2002-2003 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 and on behalf of the Board of Directors

Komarapalayam
25th August, 2003

K.S. Elavarashen
Managing Director

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

A. CONSERVATION OF ENERGY AS PRESCRIBED IN FORM A

2002-2003 2001-2002

a. Power and Fuel Consumption

1. Electricity

(a) Purchased Units	2088279	3112136
Total Amount (Rs.)	10499766	14517417
Rate/Unit (Rs.)	5.03	4.66

(b) Own Generation

(1) Through diesel generator Units	350688	262923
Units per ltr. of diesel oil	3.06	2.92
Rate/Unit (Rs.)	6.90	7.26

(2) Through steam turbine generator	Nil	Nil
-------------------------------------	-----	-----

2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil
	Rs. Ps	Rs. Ps

(b) Consumption per unit of Production

Product: Electricity		
Automatic Looms/Terry Looms (Per Meter)	0.41	0.41
Embroidered Fabrics (Per Meter)	0.09	0.24
Yarn (Per Kilo Gram)	5.91	9.07

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	Improved & R & D Consistent quality in Yarn & Fabrics.
(c) Future plan of action	Plan to install fabric testing.

(d) Expenditure on R & D

(i) Capital	Nil
(ii) Recurring	Rs. Nil
(iii) Total	Rs. 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

Rs. (in '000)

(a) Earnings

I. Export Sales	189.62
II. Freight & Insurance	6.76
Total	196.38

(b) Expenditure Spares & Accessories purchased	350.75
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