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22nd ANNUAL REPORT
2005 - 2006

VENLON ENTERPRISES LIMITED

(Formerly known as Venlon Polyester Film Limited)

VENLON ENTERPRISES LIMITED (Formerly known as Venlon Polyester Film Limited)**22nd ANNUAL GENERAL MEETING****Board of Directors**

Date : 30th September, 2006

Chand D. Datwani - Chairman & Managing Director

Day : Saturday

Ashok Parashar - Director (upto 24-04-06)

Time : 4.30 pm

Saroj C. Datwani - DirectorVenue : Hotel Dasaprakash Paradise
Yadavagiri, MYSORE - 570 020**K. V. Chitalia** - Director**B.N.S. Rangachar** - Director**S.V. Jain** - Director**Contents****Page**

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Attendance Slip / Proxy Form

Registrar and Transfer AgentsM/s. Computech Sharecap Limited
147, 3rd Floor, M.G. Road
Opp. Jehangir Art Gallery
Fort, Mumbai - 400 023**Registered Office**Plot. No. 26(P)
Belavadi Industrial Area
Hunsur Road
Mysore - 570 018
KARNATAKA



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty second Annual General Meeting of the Members of VENLON ENTERPRISES LIMITED will be held on Saturday the 30th September, 2006 at 4.30 PM at Hotel Dasaprakash Paradise, Yadavagiri, Mysore-570 018 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, audited Profit and Loss account for the year ended as on that date and reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Smt Saroj Datwani who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Shri K.V.Chitalia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION;

"Resolved that pursuant to the provisions of Section 269 and Schedule XIII of the Companies Act, 1956 consent be and is hereby accorded to the reappointment of Shri Chand Datwani as Managing Director for a period of Five years from 30th March 2007 on the following terms:

A) Remuneration Rs.87, 500/- per month.

B) Perquisites:

- a) Contribution to Provident Fund, Superannuation Fund and / 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 the rate not exceeding half a month's salary for each completed year of service, and
- c) Encashment of leave at the end of the tenure.

VENLON ENTERPRISES LIMITED

6. TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION;

Resolved that pursuant to the provisions of Section 269 and Schedule XIII of the Companies Act, 1956 consent be and is hereby accorded to the reappointment of Smt Saroj Datwani as Whole time Director for a period of Five years from 30th March 2007 on the following terms:

A) Remuneration Rs.50, 000/- per month.

B) Perquisites:

- a) Contribution to Provident Fund, Superannuation Fund and / 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 the rate not exceeding half a month's salary for each completed year of service, and
- c) Encashment of leave at the end of the tenure.



Registered Office:
Plot No. 26(P)
Belavadi Industrial Area,
Hunsur Road, Mysore - 570 018.

Date: 24th June 2006

By Order of the Board

CHAND D. DATWANI
Chairman



NOTES:

1. A member entitled to attend and vote in the above meeting is entitled to appoint one or more proxies to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of members and the Share Transfer Books in respect of the equity shares of the company will remain closed from 23/09/2006 to 30/09/2006 (both days inclusive).
3. Members are requested to notify change in address, if any, immediately to M/s Computech Sharecap Ltd., Registrars and Share Transfer Agents situated at 147, 3rd Floor, M.G.Road, Fort, Mumbai - 400 023, quoting folio number / demat particulars.
4. All documents referred to in the above notice are open for inspection at the Registered Office of the Company between 10 a.m. and 1.00 p.m. on all working days upto the day of the Annual General Meeting.
5. Shareholders desiring any information as regards Accounts are requested to write to the Registered Office at an early date so as to enable the Management to keep the information ready.
6. Members / Proxies, should bring the Attendance Slip sent herewith duly filled in for attending the meeting and hand it over at the entrance of the hall.
7. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
8. Provision of Section 192A of the Companies Act, 1956 is complied as and where applicable.
9. The related explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.

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CHAND D.DATWANI
 Chairman

VENLON ENTERPRISES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACTS, 1956:

Item No. 5

Shri Chand Datwani completes his term of five years on 30th March 2007. The resolution is proposed to comply with the provisions contained in Section 269 of the Companies Act 1956. He is Promoter Director.

Smt Saroj Datwani is interested in the Resolution.

Item No. 6

Smt Saroj Datwani completes her term of Five years on 30th March 2007. The resolution is proposed to extend her period of office by five more years. She is looking after administration of the Mumbai office.

Shri Chand Datwani is interested in the Resolution.



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Date: 24th June 2006

By Order of the Board

CHAND D. DATWANI
Chairman



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 22nd Annual Report on the Business and Operations of the Company and Financial Results for the year ended 31st March, 2006.

FINANCIAL RESULTS (Rs. In Lacs)

	Current Year 31.03.2006	Previous Year 31.03.2005
Net Sales	5688.44	7786.02
Profit before interest & financial charges & depreciation	247.34	501.70
Interest & financial charges	242.32	247.32
Profit before depreciation	5.02	254.38
Depreciation	194.21	229.34
Net Profit	(189.19)	25.04
Provision for Current Tax		1.95
Provision for Deferred Tax		7.17
Profit after Tax	(189.19)	15.92

DIVIDEND:

To conserve the financial resources, the Directors have not recommend any dividend for the year.

PROFITABILITY:

The Film market globally has undergone major oversupply situation forcing domestic players to dump their stocks at high discounts locally causing a slide in operational results. As inventories have been liquidated by the players the industry is gradually reverting to stable conditions.

FINANCE AND TAXATION:

Existing working capital limits with State Bank of India and Corporation Bank are operative during the current year. The working capital limits sanctioned by the aforesaid banks are adequate.

Income tax assessment for the assessment years 2003-04 and 2004-05 are completed.

CURRENT OPERATIONS:

Production and turnover has been curtailed due to adverse global market conditions in the polyester film industry.

FUTURE PLANS:

The management is envisaging to modernise the existing formaldehyde plant whereby the production capacity of the plant is likely to be enhanced considerably with nominal investment. This will bring down the operating cost of the plant. This will also enhance our market share by being competitive.

VENLON ENTERPRISES LIMITED

PARAFORMALDEHYDE

Paraformaldehyde Plant was installed successfully without cost overrun. Trial production commenced during January 2006. The products are being analysed for improvements based on the feedback received from the customers and market requirements. The current users are enthusiastic and happy with the quality of the initial trial quantities being supplied and consumed by them.

INSURANCE:

The Company has adequately insured all its movable and immovable assets.

FIXED DEPOSITS:

During the year under review, the Company has not accepted any Fixed Deposits from the Public.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

As required by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are given in the annexure forming part of this Report.

INDUSTRIAL RELATIONS:

Your Directors are pleased to record the appreciation and sense of commitment shown by our employees at all levels and acknowledge their contribution towards sustained progress of the Company. The relations between Management and Employees are good.

DIRECTORS:

The Board deeply regrets to inform the shareholders the sad and untimely demise of Ashok Parashar who was the Executive Director of the Company. He was 56 years. The Board recorded his valuable contribution in all spheres of the operation of the company and more particularly at the time of the formation of the company.

In order to comply with the provisions of Section 256 of the Companies Act, 1956, Smt. Saroj C. Datwani and Shri K. V. Chitalia Directors retire by rotation and are eligible for reappointment.

The Board consists of Five directors of whom Three are independent directors as per clause 49 of the Listing agreement.

LISTING AGREEMENT WITH STOCK EXCHANGES:

Listing agreement with Bangalore Stock Exchange Ltd., Bangalore and The Stock Exchange, Mumbai continue to be listed and the Company has been regular in paying requisite fees to them.



COMPANY SECRETARY:

The Company advertised for a suitable candidate in a leading english news paper in Mysore on 19.06.2003. Only one candidate appeared for the interview, but he was not possessing the requisite qualification. Continuous efforts are being made in this respect to identify a suitable candidate.

AUDITORS:

M/s Rau & Nathan, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:

The particulars are furnished in Annexure B and forms part of Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956 (this act), it is hereby declared:

- (i) That in the preparation of the annual accounts, the applicable accounting standards has 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 are 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 loss of the company for that period;
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the directors have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS

A) Industry structure and development:

Polyester Film industry is a well-developed industry in India. Despite the fact that the Company is a small player the built in structure is stable and steady. The company has over a period identified new product lines as detailed below and has implemented them. The management is in the process of identifying other lines of activities.

B) Outlook for the Company:

With implementation of diversified product lines added by general growth in the demand for the existing products, it is expected that, the outlook for the company will be positive.

VENLON ENTERPRISES LIMITED

C) Segment-wise or product wise performance:

The Company has the following major segments:

- Film
- Formaldehyde
- Wind Mill

The summarised performance of the above segments is as under:

			Rs.in.lacs
	Film	Formaldehyde	Wind Mill
Turnover Net of excise duty	4411	741	270
Net profit before interest	-289	131	211
And tax after depreciation			

The Film segment includes, Polyester Chips, Polyester Film and Metalised Film activities.

D) Risks and concerns:

Since the Plants are steady, the Company foresees no threats.

E) Internal Control systems and their adequacy:

The external auditors in their report have been observing as under:

In our opinion and according to the information and explanation given to us there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

F) Discussion on financial performance with respect to operational performance:

The company's sales have fallen by 26.31%. The Company has incurred a loss of Rs. 189.19 lacs.

G) Material developments in Human Resources/ Industrial Relations front, including number of people employed:

The Company continues to give thrust for human resource development, team building and skill development.

A full-fledged personnel department is functioning under Assistant General Manager (HR). There is a weekly manager's meet to co-ordinate the activity.

Number of employees: 131 permanent.