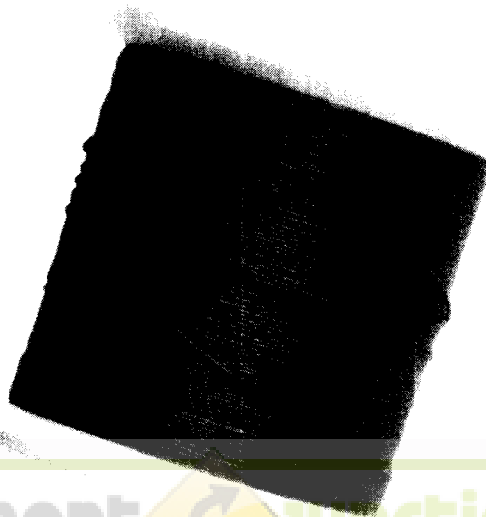
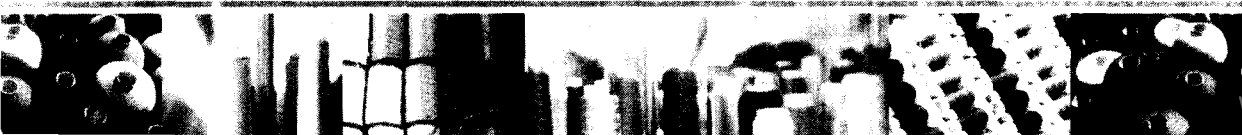


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21st Annual Report 2005-2006





Twenty First Annual Report

VYAPAR INDUSTRIES LIMITED

ANNUAL REPORT (2005-2006)

BOARD OF DIRECTORS

Abbas A Rassai	-	Chairman
Hussain A Rassai	-	Executive Director
Sakina A. Rassai	-	Executive Director
Ramesh Lalwaney	-	Director
M. Bharmal	-	Director
Parvez Master	-	Director

AUDITORS

Kantawala & Co.
Chartered Accountants, Mumbai

EQUITY SHARES ARE LISTED ON

Bombay Stock Exchange

REGISTER AND SHARE TRANSFER AGENT

BIGSHARE SERVICES PRIVATE LIMITED.

A, 2/3 Ansa Industrial Estate,
Sakivihar, Sakinaka,
Andheri (East), Mumbai – 400 072.
Phone : 022-28470652 / 53

DATE OF AGM

September 30, 2006

DAY

Saturday

TIME

3.00 p.m


VYAPAR INDUSTRIES LIMITED
NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the members of VYAPAR INDUSTRIES LIMITED will be held at 145, S.V. Road, Khar (West), Mumbai - 400 052 on Saturday, September 30, 2006 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Report.
2. To consider and approve dividend on equity shares.
3. To appoint a Director in place of Mr. Abbas Rassai who retires by rotation and being eligible to offers himself for reappointment.
4. To appoint a Director in place of Mrs. Sakina A. Rassai who retires by rotation and being eligible to offer herself for reappointment.
5. To appoint auditors to hold office from the conclusion on this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. **Authority to borrow in excess of paid-up capital and free reserves :**

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that in suprecession of the resolution passed at the Annual General Meeting of the Company held on August 01, 2002 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company borrowing from time to time any sum or sums of money not exceeding at any time the sum of Rs. 100 Crores (Rupees One Hundred Crores) on such terms and conditions as the Board may deem fit, notwithstanding that the monies to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of Business) will exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

7. **Creation of Charge:**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary resolution:

"RESOLVED that in suprecession of the resolution passed at the Annual General Meeting of the Company held on August 01, 2002 and pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company (herein referred to as "the Board" which expression shall also include a Committee thereof) to create such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company, on such moveable and immoveable properties, both present and future, and in such manner as



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the Board may deem fit, together with the power to take over the management and concern of the Company in certain events, to or in favour of all or any of the financial institutions/Banks/ other investing agencies/ trustees for the holders of debentures/bonds/other instruments which may be issued from to or subscribed by way of private placement or otherwise, to secure rupee/ foreign currency loans, debentures, bonds or other instruments (herein collectively referred to as "Loans") provided that the total amount of loans together with interest thereon at the respective agreed rates , additional interest ,compound interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, cost, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the Agreements / Agreements entered into /to be entered into by the Company in respect of the said loans, shall not at any time, exceed the limit of Rs. 100 Crores.

"FURTHER RESOLVED that the Board be and is hereby authorized to do all such acts, deeds and things and to execute all such documents, instruments and writings as may be required."

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing a proxy in order to be effective, should be duly completed, stamped and signed, and must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
3. Members are requested to bring their copies of the Annual Report to the Meeting. Members/ proxies attending the Meeting should bring the Attendance Slip, duly filled, for handing over at the venue of the meeting.
4. Members are requested to advise immediately change in their address, if any, quoting their Folio number(s) to the company.
5. The Explanatory Statement as required under section 173 (2) of the Companies Act, 1956, in respect of item No. 6 to 7 of the notice convening the Meeting is annexed hereto.
6. The Register of Members and Shares Transfer Books of the Company will remain closed from Thursday, September 21, 2006 to Saturday, September 30, 2006 (both days inclusive)
7. The dividend on equity shares, if declared at the meeting, will be paid on or after September 30, 2006 to those members, whose names will appear on the Register of Members of the Company/ statement of beneficial ownership maintained by the Depositories as on close of business hours on Saturday, September 30, 2006.

For and on behalf of the Board

Abbas A. Rassai
Chairman

Registered Office:

145, S.V. Road, Khar (W),
Mumbai-400 052

Mumbai
July 21, 2006

**VYAPAR INDUSTRIES LIMITED**

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2)
OF THE COMPANIES ACT, 1956.**

ITEM NO. 6 & 7 (Ordinary Resolution)

Under Section 293(1)(d) of the Companies Act, 1956 the Board of Directors of a Company cannot, except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say reserves not set apart for any specific purpose.

At the Extra ordinary general meeting of the Company held on August 01, 2002 the Shareholders had accorded consent to the Board of Directors for creation of charge, mortgages and hypothecations to secure borrowing upto Rs. 15 Crores.

In order to meet the financial requirements for the Company's expansion plans, future projects as also for other Corporate requirements, borrowing limits previously sanctioned by the members are proposed to be increased to Rs.100 Crores. The purpose of this resolution is to seek Member's consent for increase in the borrowing powers as set out in the Resolution.

The proposed borrowing of the Company may, if necessary, be secured by way of mortgages, charge and hypothecations on the Company's movable and immovable properties, present and future, in favour of the financial institutions/banks/other investing agencies/trustees for the holders of the debentures/bonds/other instruments. It is therefore necessary for the Members to pass a resolution under section 293(1)(a) of the Act, for creation of mortgages, charges and hypothecations to secure such borrowings.

None of the Directors is concerned or interested in the Resolutions at item No. 6 and 7 of the Notice.

The Board recommends the resolution at Item Nos. 6 and 7 of the accompanying notice for approval by the Members.

For and on behalf of the Board

Abbas A. Rassai
Chairman

Registered Office:

145, S.V. Road, Khar (W),
Mumbai-400 052

Mumbai
July 21, 2006



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DIRECTORS REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 21st Annual Report of the Company along with the audited statements of accounts for the year ended March 31, 2006.

OPERATING AND FINANCIAL REVIEW

(Amount in Rs.)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Sales	71,28,82,611	30,94,01,591
Other Income	7,98,21,606	7,04,43,734
Total Expenditure	63,17,62,132	31,30,78,066
Depreciation	6,69,866	5,04,228
Profit before Tax	16,02,72,219	6,62,63,031
<u>Provision for Taxes</u>		
Current	16,96,000	20,25,000
Deferred	(19,612)	77,000
Profit after Taxes	15,85,95,831	6,41,61,031
<u>Appropriation</u>		
Bonus Shares	--	47,60,000
General Reserves	8,00,00,000	1,12,00,000
Proposed Dividend	6,12,000	30,60,000
Corporate Dividend Tax	85,833	3,99,880

Note- Sales figures mentioned above are presented after making adjustment in exchange difference.

DIVIDEND

The Board of Directors of the Company have recommended a final dividend of 1% on 61,20,000 Equity shares of Rs. 10/- each for the year 2005-06. The dividend, if approved by the shareholders of the company at the Annual General meeting, would absorb a sum of Rs. 6,12,000/-.

CAPITAL

The company's present paid up capital stands at Rs. 6,12,00,000 comprising of 61,20,000 equity shares of Rs. 10/- each.

OPERATIONS

During the year under review the sales turnover registered a major jump from Rs 30,94,01,591 to Rs. 71,28,82,611 thereby registering a growth of 230 %. This was mainly due to WTO benefits, the removal of quotas and the Company's diversification into the Balloon trading business. The Company's products are very well accepted due to the ISO certification, quality improvement and timely delivery policy. The results of the Company for the year under review bear a witness to the effort of the Board in an environment of healthy competition. The company has concentrated on its goals of consolidating and strengthening its marketing network, delivering quality products and cutting cost wherever possible. All these factors resulted in the Company posting a higher post tax profit as compared to the last year. The Profit after tax for the year was Rs. 15,85,95,831 as compared to Rs. 6,41,61,031 in the previous year.

During the year, your company expanded its project activities with formation of a subsidiary M/s



VYAPAR INDUSTRIES LIMITED

Hindupur Vyapar Apparel Park Ltd. (HVAP) in Andhra Pradesh which will concentrate on setting a Textile Apparel Park in Hindupur, Andhra Pradesh. Your company has also acquired land in Hindupur Dist. Ananthapur (Andhra Pradesh) for this Innovative Scheme of Integrated Textile Cum Apparel Park in Public-Private Partnership with the Ministry of Textiles Government of India project, to be implemented by the subsidiary HVAP.

The decision to set up a Textile Apparel Park comes in line with the overall economic environment in the country which continues to remain buoyant. This is equally true for the infrastructure and real estate sectors. The realisation that impetus to the infrastructure sector, including of course real estate, an important component of this vital sector, can catalyse economic development in the country in an all pervasive manner could not have come at a better time. The buoyancy in the real estate can be seen across the length and breadth of the country.

The promulgation of the SEZ Act has induced developers and industrial houses to establish SEZ's across industries and regions. The Board of Approval has approved approximately 140 such proposals. Implementation of these projects will provide a further boost to the real estate sector in particular and the economy in general.

Various organization development initiatives were undertaken during the year. These are expected to help create a robust organization based on strong values, uniform and systematic business processes and people empowerment. Your company will shortly be undertaking major marketing initiatives to create a differentiated brand identity which will provide customers the requisite value and comfort that they seek and which they have come to be very profoundly associated with the 'Vyapar' brand.

The Management Discussion and Analysis Report deals with the operations of your Company in detail and forms part of this Annual Report.

Your directors are hopeful of better results for the company in the current year.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Bombay Stock Exchange and the listing fee for the year 2006-07 has been paid.

PUBLIC DEPOSITS

The Company has not invited and / or accepted any deposits, during the year.

CASH FLOW STATEMENT

Cash flow statement pursuant to Clause 32 of the listing agreement is attached herewith

DIRECTORS

Mr. Abbas A. Rassai and Mrs. Sakina A. Rassai, Director of the Company retires at the ensuing Annual General meeting and being eligible offers themselves for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the statutory auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made 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) 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 safeguarding the assets of



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- the Company and for preventing and detecting fraud and other irregularities;
iv) the annual accounts have been prepared on a going concern basis.

SUBSIDIARIES

During the year, your company on December 20, 2005 incorporated a subsidiary M/s Hindupur Vyapar Apparel Park Ltd. (HVAP) in Andhra Pradesh for setting up a Textile Apparel Park in Hindupur, Andhra Pradesh.

CORPORATE GOVERNANCE

Your Company being a professionally run company, has always believed in transparency and accountability. Your Company is fully compliant with the revised Clause 49 of the Listing Agreement. A report on Corporate Governance is attached to this report.

AUDITORS AND THEIR OBSERVATIONS

Messrs. Kantawala & Co., Chartered Accountants retire as Auditors at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members will be required to appoint Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained written certificate from the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

With regard to the Auditors observations, the same have been duly explained in the notes, hence does not require any further clarifications.

PARTICULARS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

This information is required as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2006.

Since the Company's operations involve low consumption of energy, the Company has no comments to offer as far as (a) conservation of energy and (b) Technology absorptions are concerned.

FOREIGN EXCHANGE

Foreign exchange earned during the period under consideration was Rs. 60,01,49,566/-

Foreign exchange expenditure incurred during year amounted to Rs.52,86,88,032/-

PARTICULARS OF EMPLOYEES

Particulars of the employees under the provision of section 217 (2A) of the Companies Act, 1956 are not given as no employees was in receipt of remuneration exceeding Rs. 24,00,000/- p.a. if employed for the full year or Rs.2,00,000/—p.m. if employed for part of the year.

ACKNOWLEDGEMENTS

The Directors would like to thank all clients, Bankers and Government of Andhra Pradesh for the unstinted support received from them during the year.

The Directors would also like to place on record their appreciation for the dedicated efforts and services put in by the employees of the Company.

For and on behalf of the Board

Abbas A. Rassai
Chairman

Mumbai
July 21, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

A INDUSTRY OVERVIEW

India –Heritage in Textiles

1. Indian textiles have a legendary heritage through the ages. Some of the best attires of Greeks & Romans were draped with Indian textiles. European settlers exchanged silver & gold for Indian textiles, which became the fashion statement of the period. Calico, Pajamas, Gingham, Dungaree, Chintz & Khaki – these apparel names are Indian contributions to the English language.

2. India – Today

2. India today, is a fast emerging economic super power. With a population of a strong 300 million and the world's largest middle class population, it unleashes the latent strength of popular consumerism while reshaping both business & the way of life. With the surging trend in all sectors, International Trade Journals have rightly billed India as one of the fastest growing economies in the world.

3. Indian Textile Industry – An overview

- 3.1 The Textile & Clothing industry is equally sharing the trends in this economic uptrend. T & C sector, accounts for nearly 4% of the Gross Domestic Product, 14% of the country's industrial production and 27% of the export earnings. Being the world's largest producer of silk, India's ranking in cotton crop production is a significant 15% of the global yield. Would you ever imagine that Textiles & Clothing is next only to Agriculture in terms of market-reach? The T & C sector has been at the forefront of socio-economic development while providing employment to nearly 35 million Indians amongst which include a substantial number of women.
- 3.2 Thanks to the fast growing consumer class and increasing disposable incomes, per capita domestic consumption of textiles & apparels is expected to have a volume growth from about 20 meters to 32 meters and value growth from 25 billion US Dollars to 45 billion US dollars by the year 2010.
- 3.3 India's cotton textile & garment industry has immense export potential. Cost competitiveness backed by international quality is driving the penetration of Indian basic yarns and grey fabrics in global commodity market, as a result of which apparels can be manufactured in relatively small batch lots. This flexibility offers larger variety of casual wear and leisure garments at cost effective levels.
- 3.4 With a projected two fold increase in the size of the global textile market in the next 4 years, the National Textile Policy has targeted India's export revenues to 50 billion US dollars by the year 2010.
- 3.5 Besides natural fibers like cotton, jute & silk, synthetic raw material products such as polyester staple fiber, polyester filament yarn, acrylic fiber and viscose fiber are produced in a mass scale. That presents the wide canvas of the Indian textile scene with wider opportunities.

The Polyester/ Viscose industry is one of the key industries in the Indian economy and India is today one of the leading countries in the world as far as trade is concerned. Though



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new opportunities are rapidly emerging India's future position will largely depend on how effectively the Industry and Government are able to resolve core issues and take advantage of an increasingly fragmented industry structure. The Industry, which is one of the oldest in existence, has promoted economic development even in far-flung areas of the country, both urban and rural. Two of the highly developed metropolises of Modern India like Mumbai and Ahmedabad grown over the years have the main business base of textile industry.

BALLOON INDUSTRY

Balloon business is the second thrust area of the Company. The Company imports toy rubber Balloons under the Vyapar Brand and thereafter sold in the local and international market after necessary repacking and printing. The work of repacking of toy rubber balloons are carried out at Vyapar's SEZ unit as per order of the overseas buyers.

B. INDUSTRY STRUCTURE AND DEVELOPMENT:

Great changes are taking place in the global industry, and as the company has established its position in the Indian Economy and also restructuring itself to fit in the competitive market. Despite the market conditions, the company performance during the year is satisfactory as in this year the company is totally involved in the trading work.

The export scenario for the year under review continued to be fiercely competitive and the domestic industry witnessed moderate increase in demand. Despite the market conditions, the Company's performance during the year under review was satisfactory.

C. FUTURE PROSPECT / BUSINESS PLANS OF THE COMPANY

The company currently imports the yarn from China, Russia, Brazil, and Germany. It also buys yarn from the local market from companies like Indian Rayon and Century Rayon & exports it to various countries in Europe North America, North Africa, South East Asia & the Middle East.

The company may adopt one or more processes before it is being sold. The company also sells the goods in wholesale Market to a chain of wholesalers who buys it from them, and ultimately sell it on a retail basis. The margin on wholesale is relatively thinner compared to margins in retail sale. The margin in retail trade is as high as 20 to 25%. Considering the huge retail market and high profit margins and the past experience of the management in retail trade the company has entered into the foray of retail trade. The management originally had long experience in retail trade and now intends to consolidate and grow their existing business by supplying it directly to the consumer. This will remove the middleman cost which would enhance the profit margin by 20 to 25%. To start the retail business the company has started setting up godowns and retail shops at all centers over India where there is good demand for the company's products, though most of the processing would be outsourced however certain specialized processing for lubrication & rewinding would be done in house.

The company has already started three unit / godowns in Mumbai, Surat and Varanasi

The result of the units is already seen in the form of higher sales. Thus the company is very optimistic that given its marketing expertise of the past they will be able to achieve much higher sales, profits and enhance the shareholders wealth.

The scope of selling in the local markets catering to export oriented & Export Processing Zone unit is tremendous due to the opening of the textile export quotas in the beginning of 2005.