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23rd Annual Report 2007-2008



Twenty Third Annual Report

VYAPAR INDUSTRIES LIMITED
Annual Report (2007-2008)

BOARD OF DIRECTORS

Abbas A Rassai	- Chairman
Hussain A Rassai	- Joint Chairman
Akeel A. Rassai	- Managing Director
Haresh Shah	- Director
Jatin Shah	- Director
Milind Kasodekar	- Director
O.P. Jhunjhunwala	- 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.

Ph: 022-28470652/53, 40430200

Date of AGM

September 30, 2008

DAY

Tuesday

Time

3.00 p.m



VYAPAR INDUSTRIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of the members of VYAPAR INDUSTRIES LIMITED will be held at 145, S.V. Road, Khar (West), Mumbai - 400 052 on Tuesday, September 30, 2008 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, 2008 and Profit & Loss Account for the year ended on that date together with the Auditors' and Directors' Report.
2. To appoint a Director in place of **Mr. Abbas A. Rassai** who retires by rotation and being eligible to offer himself for reappointment.
3. To appoint a Director in place of **Mr. Hussain A. Rassai** who retires by rotation and being eligible to offer himself for reappointment.
4. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and 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 Dr. Haresh Shah who was appointed as an Additional Director at the meeting of the Board of Directors held on April 08, 2008 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Dr. Haresh Shah as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Jatin Shah who was appointed as an Additional Director at the meeting of the Board of Directors held on August 12, 2008 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Jatin Shah as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Milind Kasodekar who was appointed as an Additional Director at the meeting of the Board of Directors held on August 12, 2008 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Milind Kasodekar as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

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"RESOLVED THAT Mr. O.P. Jhunjhunwala who was appointed as an Additional Director at the meeting of the Board of Directors held on August 12, 2008 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. O.P. Jhunjhunwala as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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. 5 to 8 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 Monday, September 22, 2008 to Tuesday, September 30, 2008 (both days inclusive)

For and on behalf of the Board

Abbas A. Rassai
Chairman

Registered Office:

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

August 12, 2008



VYAPAR INDUSTRIES LIMITED

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

ITEM NO. 5 (Ordinary Resolution)

Dr. Haresh Shah was appointed as an additional Director of the Company with effect from April 08, 2008. By virtue of the provisions of Section 260 of the Companies Act, 1956, read with Article 110 of the Articles of Association of the Company, Dr. Haresh Shah would hold office only upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Dr. Haresh Shah as a candidate for the office of Director of the Company.

Dr. Haresh Shah is a founder director of HU GROUP. He is a fellow member of ICAI. His Academic pursuits extends to PhD in Mergers & Acquisitions and LLB. For the last 29 years, he has been serving to Corporate India on various aspects like corporate restructuring, business valuation, taxation, capital markets etc. He is a approved government valuer under the Wealth Tax Act 1957, for valuation of assets like shares and goodwill.

Your Directors commend the resolution at item No. 5 of the Notice for your approval.

Dr. Haresh Shah is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is concerned or interested in the said resolution.

ITEM NO. 6 (Ordinary Resolution)

Mr. Jatin Shah was appointed as an additional Director of the Company with effect from August 12, 2008. By virtue of the provisions of Section 260 of the Companies Act, 1956, read with Article 110 of the Articles of Association of the Company, Mr. Jatin Shah would hold office only upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Jatin Shah as a candidate for the office of Director of the Company.

Mr. Jatin Shah is a practicing Chartered Accountant and has over 10 years experience in the field of Accounts, Audit and Taxation.

Your Directors commend the resolution at item No. 6 of the Notice for your approval.

Mr. Jatin Shah is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is concerned or interested in the said resolution.

ITEM NO. 7 (Ordinary Resolution)

Mr. Milind Kasodekar was appointed as an additional Director of the Company with effect from August 12, 2008. By virtue of the provisions of Section 260 of the Companies Act, 1956, read with Article 110 of the Articles of Association of the Company, Mr. Milind Kasodekar would hold office only upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Milind Kasodekar as a candidate for the office of Director of the Company.

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Mr. Milind Kasodekar is a practicing Company Secretary. His academic pursuits extend to Law Graduate (LLB), Associate Member of the Institute of Cost & Works Accountant of India (AICWA) and Fellow Member of the Institute of Company Secretaries of India (FCS). He has a rich experience of over 4 years in the industry as Cost Accountant and 18 years as a practicing Company Secretary.

Your Directors commend the resolution at item No. 7 of the Notice for your approval.

Mr. Milind Kasodekar is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is concerned or interested in the said resolution.

ITEM NO. 8 (Ordinary Resolution)

Mr. C.P. Jhunjhunwala was appointed as an additional Director of the Company with effect from August 12, 2008. By virtue of the provisions of Section 260 of the Companies Act, 1956, read with Article 110 of the Articles of Association of the Company, Mr. O.P. Jhunjhunwala would hold office only upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. O.P. Jhunjhunwala as a candidate for the office of Director of the Company.

Mr. O.P. Jhunjhunwala is a practicing Chartered Accountant and has over 25 years experience in the field of Accounts, Audit and Taxation.

Your Directors commend the resolution at item No. 8 of the Notice for your approval.

Mr. O.P. Jhunjhunwala is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is concerned or interested in the said resolution.

For and on behalf of the Board

Abbas A. Rassai
Chairman

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

August 12, 2008


VYAPAR INDUSTRIES LIMITED
DIRECTORS REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 23rd Annual Report of the Company along with the audited statements of accounts for the year ended March 31, 2008.

OPERATING AND FINANCIAL REVIEW

(Amount in Rs.)

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Sales	8,93,57,948	59,61,59,069
Other Income	3,60,74,334	(1,02,37,097)
Total Expenditure	14,31,88,444	52,43,30,576
Depreciation	5,76,271	9,90,187
Profit before Tax	(1,83,32,433)	6,06,01,209
<u>Provision for Taxes</u>		
Current	10,28,000	-
Deferred	(1,90,000)	-
Fringe Benefit	1,21,000	100000
Profit after Taxes	(1,92,91,433)	6,05,01,209
Opening Balance (Surplus)	15,86,81,499	12,87,01,685
<u>Appropriation</u>		
General Reserves	-	3,00,00,000
Proposed Dividend	-	3,06,000
Corporate Dividend Tax	-	52,005
Provision for FBT of Prev. Yr.	-	94,000
Deferred Tax Assets Reserved	4,885	-
Prov. For Tax (Short Provision)	29,670	69,390

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

DIVIDEND

The Board of Directors of the Company have not recommended any dividend for the year 2007-08.

CAPITAL

The company's present paid up capital stands at Rs. 10,89,00,000 comprising of 1,08,90,000 equity shares of Rs. 10/- each, includes 47,70,000 Equity shares of Rs. 10/- each issued as underlying securities to Foreign Depository against 19100000 GDR issued during the year.

OPERATIONS

During the year under review the sales turnover registered a fall from Rs 59,61,59,069 to Rs. 8,93,57,948 due to various reasons including recession in foreign markets. The existing business has also been effected badly due to the foreign exchange fluctuations and the overall performance of the textile and balloon industry globally. The cost of production, transport, and logistics has drastically gone up in India and from the export market perspective the foreign buyers generally are crunching on the price as Chinese suppliers are supplying similar products at very competitive prices. Again there are other logistic issues like port strikes, dock congestion, etc which delays the shipment from India which buyers are not willing to accept making it a major concern for the Company. The export buyers are also asking for extended credit for more than 360 days which results in the Company getting into



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business of financing rather than business of supplying of textiles and balloon. The Company is in the process of closing down its unprofitable line of business i.e Toy Balloon business and Hot fix stone business. All these factors resulted in the Company posting a loss of Rs. 1,83,32,433/- during the year.

During the year your Company intends to diversify into the business of Property & Real Estate Development and has acquire 49% stake in Rassai Properties & Industries Limited, a Company owning land and having the necessary permission from the Government for setting up a Special Economic Zone (SEZ)

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 on account of diversification plans.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Bombay Stock Exchange and the listing fee for the year 2008-09 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 Mr. Hussain A. Rassai, Director of the Company retire at the ensuing Annual General meeting and being eligible offers themselves for reappointment.

Mrs. Sakina A. Rassai, Executive Director of the Company has resigned from the Board of Directors of the Company with effect from March 30, 2008 and Mr. Parvez Master has resigned from the Board of Directors of the Company with effect from April 08, 2008 due to preoccupation. The Board desires to place on record their appreciation for the efforts put in by them during their tenure as a Director of the Company.

Mr. Jatin Shah, Mr. Milind Kasodekar, Mr. O.P. Jhunjunwala were appointed as additional Directors, by the Board at its meeting held on August 08, 2008 and Dr. Haresh Shah was appointed additional Director by the Board at its meeting held on 08th April, 2008. They hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices from the members signifying their intention to propose Dr. Haresh Shah, Mr. Jatin Shah, Mr. Milind Kasodekar and Mr. O.P. Jhunjunwala as candidates for the office of Director.

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, 2008 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 the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.



VYAPAR INDUSTRIES LIMITED

SUBSIDIARIES

With a vision to generate inclusive growth of the Company and its shareholders, your Company has on 2nd July, 2008 acquired 100% shareholding of Esoteric Realty Private Limited, thus making it a 100 % subsidiary of Vyapar Industries Ltd.

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 except to the requirement to the composition of Board of Directors was not met during the year with the appointment of Managing Director, however the Company has complied with the same before the year end of the financial year and the Company does not have a Whole Time Company Secretary although all necessary endeavors such as advertisement appeared in the Institute of Company Secretaries of India have been made by the Company to recruit one. 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, 2008.

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. 3,35,98,834/-

Foreign exchange expenditure incurred during year amounted to Rs. 8,38,14,139/-

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 un-stinted 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

Dated: August 12, 2008
Place: Mumbai



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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

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 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.