RISHAB SPECIAL YARNS LIMITED

15 teenth

Annual Report

2002-2003

BOARD OF DIRECTORS
SHRI NATHMALL HIRAWAT
SHRI AMITABH HIRAWAT
SMT. PADAM DEVI HIRAWAT
SHRI K. CHANDRASHEKHAR
SHRI CHANDRA MOHAN KHANDELWAL

BANKERS
STATE BANK OF BIKANER & JAIPUR
PUNJAB NATIONAL BANK

REGISTERED OFFICE
2070, RASTA BARA GANGORE
JAIPUR - 302 003

AUDITORS
M/S. R. MOHNOT & CO.
Chartered Accountants

WORKS :
UNIT-1 : E-38-39, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026
UNIT-2 : B-130-A, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the company will be held on Tuesday, the 30th September, 2003 at 12.00 Noon at the registered office of the company at 2070, Rasta Bara Gangore, Jaipur-302 003 (Rajasthan) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date, alongwith the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Padam Devi Hirawat, who retires by rotation and is eligible for re-appointment.
3. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS :

4. To appoint a director in place of Mr. Chandra Mohan Khandelwal, who holds office as additional director upto the date of ensuing annual general meeting and in whose favour a notice under section 257 proposing his candidature as director of the company has been received from a member.
5. To appoint a director in place of Mr. K. Chandrashekhar, who holds office as additional director upto the date of ensuing annual general meeting and in whose favour a notice under section 257 proposing his candidature as director of the company has been received from a member.
6. To consider and pass with or without modification, if any, the following resolution as special resolution :
   "RESOLVED THAT pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, consent of the company, be and is hereby given for delisting all the equity shares of the company from Stock Exchanges at Delhi and Jaipur with immediate effect and the Board is hereby authorised to take all such steps and other necessary actions as may be thought fit and required to give effect to this resolution subject to such approval, permission and / or sanction as may be prescribed for the purposes under the said Guidelines and concerned Stcok Exchange."

Registered Office :
2070, Rasta Bara Gangore,
Jaipur - 302 003
Dated : 13.8.2003

By Order of the Board

(AMITABH HIRAWAT)
Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. The proxy should be deposited with the company's registered office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer books of the company will remain closed from 25th September, 2003 to 30th September, 2003 (both days inclusive).
3. An explanatory statement under provisions of section 173 of the Companies Act, 1956, in respect of items 4, 5 and 6 above, is annexed herewith.
4. All documents referred to in Notice and Explanatory Statement are open for inspection at the registered office of company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of annual general meeting.
5. The members are requested to notify change of their addresses if any at the registered office of the company at an early date.
6. The work of share trasfers is presently done by the company itself at its registered office. Although the company appointed M/s. Systems Support Services, 209, Shivai Industrial Estate, Near Parks-Davis, 89, Andheri Kurla Road, Saki Naka, Andheri East, Mumbai, but the formalities of dematerialisation are yet to be completed due to pending connectivity of the agent with CDSL.

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 OF THE COMPANIES ACT, 1956 :

ITEMS NO. 4 AND NO. 5 :

Mr. Chandra Mohan Khandelwal and Mr. K. Chandrashekhar, who were appointed as additional directors on the Board of company w.e.f. 5th October, 2002, hold their offices as such upto the date of ensuing annual general meeting. The company has received notices pursuant to provisions of section 257 of Companies Act, 1956 from members proposing their chandidatures for election as directors of the company. Further, a deposit of Rs. 500 from each of them has been received under the said provisions. They have very good experience in industry and business and their presence on the Board shall be helpful to the company. The said resolutions are for approval by the members of the company.

None of the directors (except the appointee himself) is in any manner interested in said respective resolution.

ITEM NO. 6 :

Presently, the company's equity shares are listed on stock exchanges at Jaipur, Delhi and Mumbai (BSE). Except Mumbai, trading of company's equity shares is Nil at other stock exchanges during preceding serveral years. With the extensive networking of the Stock Exchange, Mumbai (BSE) and extension of terminals to other cities in India, investors have access to online dealings in company's shares across the country. The trading of company's shares has not yet commenced in dematerialised form due to delay in connectivity of the share transfer agent with the CDSL. However, as soon as the connectivity in electronic system is established by the share transfer agent, trading of company's shares would give benefits to the investors for on line trading through out the country. The listing continued with stock exchanges at Jaipur and Delhi would not be beneficial to the investors commensurate with the cost incurred by the company.

The SEBI (Delisting of Securities) Guidelines, 2003, provided voluntarily delisting of shares from the stock exchanges (including Regional) without obtaining buy-back to the shareholders, provided the securities have been listed for a minimum period of three years and public announcement in prescribed manner is published.

The shareholders approval is sought by way of special resolution for delisting of company's equity shares from Jaipur and Delhi. Your directors recommend the special resolution for approval by shareholders.

None of the directors is in any way interested in the said resolution.

Registered Office :
2070, Rasta Bara Gangore,
Jaipur - 302 003
Dated : 13.8.2003

By Order of the Board

(AMITABH HIRAWAT)
Managing Director

As required under clause 49 (vi) of the Listing Agreement, brief resume including experience, other directorship and committee membership of the persons proposed for appointment as directors, are given below :

Mrs. Padam Devi Hirawat : (born on 07.08.1939)	Mr. Chandra Mohan Khandelwal : (born on 14.11.1956)	Mr. K. Chandrashekhar : (born on 12.06.1958)
Education : 7th Class Pass	Education : B.Com., LLB	Education : BSC, MBA
Experience : 30 years	Experience : More than 20 yrs. in business	Experience : 24 yrs. in Textile Industry
Other directorships : 1	Other directorships : 1	Other directorships : 2
Committee membership : NIL	Committee membership: 3	Committee membership: 2

DIRECTOR'S REPORT

To,
The members of
RISHAB SPECIAL YARNS LIMITED
JAIPUR

Your Directors have pleasure in presenting the Fifteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended on 31st March, 2003.

FINANCIAL RESULTS	Year Ended 31.03.2003 (Rs.)	Year Ended 31.03.2002 (Rs.)
Profit (Loss) before depreciation, misc. expenses w/off & taxes	(17,636,394)	7,46,199
Less : Depreciation	7,753,423	76,09,684
Less : Misc. Expenses w/off	777,332	10,91,974
Provision for Taxation	–	–
Profit/ (Loss) after tax	(26,167,149)	(79,55,459)
Balance brought forward from the last year	(4,760,881)	31,94,578
Balance Carried to Balance Sheet	**(30,928,030)**	**(47,60,881)**

PERFORMANCE

The Company's performance in the year 2002-03 has been extremely poor. It is for the first time in its history that the company suffered cash losses. While the sales dropped by around 10%, the bottom line has taken a severe dip. Main reason for this has been the reducing margins of low value added varieties due to competition and increasing cost of inputs forcing the company to discontinue certain products. This, in turn has reduced the utilization of certain fixed assets while expenses continued to remain at high levels. The company was able to continue production of value added products within the confines of equipment available. The company has become a potentially sick Industrial Companies in terms of provisions of Sick Industrial Companies (Special Provisions) Act, 1985 as more than 50% net worth of the company has been eroded.

FUTURE PROSPECTS

Following the union budget of year 2003, a new beginning in the Textile Industry has been made. With large part of weaving sector brought within the ambit of Excise Modvat Scheme, the chronic problem of excise evasion has been curbed to a large extent. This shall provide relief to your company, which had been unable to compete with unethical competition from certain segments of yarn industry.

At the same time, the company is burdened with the losses incurred during the year and in the past and continuous high rate of interest being charged by the Banks and Financial Institutions. The Finance Minister, recognizing the problem of high interest rates being faced by old Textile Units, has in his budget speech promised to come out with relief to the Textile Industry. The scheme is still awaited and shall be crucial for the company to regain its profitability.

The company has in the past made efforts to export some material but due to its location and slightly older generation of machinery finds its unremunerative to pursue exports.

CORPORATE GOVERNANCE

The company has complied with all the mandatory requirements of the Corporate Governance specified by Securities & Exchange Board of India in terms of clause 49 of the listing agreement. As required by the said clause a separate report on corporate governance forms part of the Annual Report As **Annexure-I**. A report from the Statutory Auditors of the Company regarding compliance of conditions of corporate governance is part of this report as **Annexure-II.**

MANAGEMENT DISCUSSION & ANALYSIS

This has been included as a separate **Annexure-IV** to this Report.

DIVIDEND

In view of losses, your directors are unable to declare any dividend.

FIXED DEPOSITS

The company has not accepted any fixed deposit from the public in contravention of Section 58-A of Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.

DEPOSITORY SYSTEM

The company's shares are not tradable compulsorily in electronic form. The company has appointed Share Transfer Agent, who has yet to complete the formalities for connectivity with CDSL. As soon as this is done trading of company's shares shall commence in demat form.

DIRECTORS

Smt. Padam Devi Hirawat, Director of the company retires by rotation pursuant to section 256 of the Companies Act, 1956 and being eligible, offers hereself for reappointment.

Sh. K. Chandrashekar and Sh. Chandra Mohan Khandelwal who were appointed as Additional Directors on the Board w.e.f. 5.10.2002, being eligible, have offered themselves for reappointment.

AUDITORS

M/s. R. Mohnot & Co., Chartered Accountants, Jaipur retire at the ensuing Annual General Meeting and have given their consent for reappointment.

AUDITORS OBSERVATIONS

Replies to the Auditor's Observations in their Report are given at **Annexure-III** hereto.

DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance of section 217 (2AA) of the Companies Act, 1956, your directors confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent as to give a true and fair view of the state of the affairs of the company at the end of financial year and of the loss of the company for that period;
3. the directors have been taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

Information in accordance with 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 are set out in **Annexure-V** forming part of the Report.

EMPLOYEES

None of the employees of the company is in receipt of remuneration of Rs. 24,00,000/- or more per annum, if employed for whole of the year or Rs. 2,00,000/- or more per month, if employed for part of the year.

ACKNOWLEDGEMENT

The Board gratefully acknowledges the co-operation and support given by the Financial Institutions, Company's Bankers, Auditors, shareholders and Employees.

For and on behalf of the Board of Directors

Place : JAIPUR

Dated : August 13, 2003

NATHMALL HIRAWAT

Chairman

ANNEXURE-I

CORPORATE GOVERNANCE - CLAUSE 49 OF THE LISTING AGREEMENT

Company's Philosophy on Code of Governance

The Board of Directors of the company fully subscribe to the framework for Corporate governance as prescribed by the Code. The Corporate Governance system ensures transparency, control, accountability and responsibility in all areas of operations. The Board strongly believe that Company should develop the desired minimum framework by adopting the best Governance Practices, so as to protect and achieve enhanced value for all its stakeholders i.e. shareholders, customers, creditors, employees and society in general.

Board of Directors

The Board of Directors monitor company performance, approves and reviews policies/strategies and evaluates management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

The Board of Directors comprises 5 directors out of which 4 are non executive directors (80% of the Board strength), and 2 are independent directors (40% of the Board strength). The Chairman is a non executive one. Hence, the composition of the Board complies with the requirements of the Corporate Governance Code.

The table below provide the details of Board Meetings, Composition of the Board and other related informations :

During the financial year ended 31st March, 2003, the Board held 12 meetings detailed below :

Date on which Meeting was held	No. of Directors Present
29th April, 2002	3
13th May, 2002	3
9th July, 2002	3
29th July, 2002	3
10th August, 2002	3
14th August, 2002	3
24th September, 2002	5
5th October, 2002	5
29th October, 2002	4
16th December, 2002	5
30th January, 2003	4
24th March, 2003	5

The constitution of the Board as on 31st March, 2003 is as follows :

Name of Directors	Designation and category	No. of other Directorship Held	No. of other Board Committees of which Member/ Chairman	Board meetings attended	Attendance at the last AGM
Sh. Nathmal Hirawat	Non Executive	3	3	12	yes
Sh. Amitabh Hirawat	Managing Director	3	-	12	yes
Smt. Padam Devi Hirawat	Non Executive Director	1	-	10	No.
Sh. K. Chnadra Shekhar•	Non Executive Independent Director	2	2	5	yes
Sh. Chandra Mohan Khandelwal•	Non Executive Independent Director	1	3	5	Yes

Notes :

1. •Appointed as additional Directors with effect from 24.9.2002 and having ceased to be directors on 28.9.2002, they were re-appointed as additional directors on 5.10.2002.
2. As required by the Companies Act, 1956 and clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of Board Committees, (audit/remuneration/investor's grievance committees) in excess of 10 and Chairmanship of board committees as aforesaid in excess of 5.

Audit Committee

The audit committee was first constituted on 5th October, 2002. The composition of the audit committee and details of meetings attended by members thereof are as follows :

Name of Directors	Category of Directorship & Designation	Qualification	No. of Meeting Attended
Sh. Chandra Mohan Khandelwal	Independent, Non Executive Chairman of the Committee	B. Com. LLB	3
Sh. K. Chandrashekhar	Independent, Non Executive Member of the Committee	BSC MBA	3
Sh. Nathmall Hirawat	Non Executive Member of the Committee	9th	3

The committee meetings were also attended by the Managing Director, Statutory Auditors.

During the year 2002-03, three meetings of committee were held on 29th October 2002, 30th January 2003 and 24th March, 2003.

The Chairman of the audit committee along with other members attended the last Annual General Meeting of the company held on 28.9.2002.

Description of terms of reference : The terms of reference of the committee are to review and recommend the financial statements and adequacy of internal control systems. The detailed terms of reference of the committee as approved by the Board are given below :

1. Review of internal controls with the management.
2. Overseeing the company's financial reporting / disclosures and review of interim and annual financial statements before submission to board.
3. Recommendation of appointment/removal of statutory auditors and fixation of the fees for audit and other services.
4. Periodic discussions with the statutory auditors of the company (whether before, during or after the audit) on internal control systems, nature and scope of audit, audit observations and areas of concern, if any.
5. Investigate any matter referred to it by the Board of within its terms of reference.
6. Review the findings of internal investigations, if there is material fraud, irregularity and failure of internal control system.
7. Review financial and risk management policies.
8. To look into reasons for substantial defaults, if any, in payments to depositors, debentures-holders, creditors and shareholders. In addition to the above, the committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

Remuneration Committee

This is a non mandatory requirement of Clause 49 of listing agreement. Even though the company has constituted on 24.3.2003 Remuneration Committee consisting of 3 Directors under the Chairmanship of Shri K. Chandrashekhar (independent/Non-excutive Director) and other members are Shri Chandra Mohan Khandelwal (Independent/Non-executive Director) and Shri Nathmall Hirawat (Non-executive Chairman of the company). The committee is appointed with the terms of reference of deciding the remuneration of executive and non-executive directors. No meeting was held during the year.

No sitting fee was paid for the meetings of Board and committee during the financial year.

Details of remuneration paid to Managing Director during the year are as under :

	Rs.	
Salary	180000	
Perquisites	66818	(as per Income Tax Act)
Total	246818	

Shareholders/Investor's Grievance Committee

The Company has constituted Investors Grievance Committee on 16.12.2002 in accordance with the requirements of clause 49 of Listing Agreements. The committee's objective is to attend to investor's complaints pertaining to transfers/transmission of shares, non-receipt of dividend/interest, and any other related matters. It functions under the Chairmanship of Shri Chandra Mohan Khandelwal (Independent/Non-executive Director) and other members are Shri Nathmall Hirawat (Non-executive Chairman of the company) and Shri Amitabh Hirawat (Managing Director of the company).

Compliance Officer

Mr. Vijay Singh Yadav
Finance Executive
Rishab Special Yarns Limited
2070, Rasta Bara Gangore, Jaipur

Status of the shareholders complaint for the period 1st April 2002 to 31st march, 2003 is given in table below

Number of complaints received from the investors comprising of non receipt of securities sent for transfer/non receipt of annual report, non receipt of dividend and complaints received through stock exchange etc.	9
Number of complaints resolved	9
Complaint's pending as at 31st March, 2003	Nil
Shares pending for transfer as at 31st March, 2003*	Nil

Note* : 1400 shares transferred on 31.3.2003, were sent/delivered on or before 9.4.2003.
During the year 12 meetings of Share Transfer Committee/Investors Grievance Committee were held and 8000 shares of 39 shareholders were transferred.

General Body Meetings : Details of the last three Annual General Meetings are as under :-

AGM	Date	Time	Venue	No. of Special Resolution Passed
12th AGM	30.11.2000	12 Noon	Kautilya Hall, Chanakya Restaurant, M. I. Road, Jaipur	2
13thAGM	20.09.2001	12 Noon	Jaipur Business Centre, 3rd Floor, Sangam Tower, Charch Road, Jaipur	-
14thAGM	28.09.2002	12 Noon	2070, Rasta Bara Gangore, Jaipur - 302 003	-

The special Resolution sindicated above were passed by show of hands. The company has not passed any shareholders resolution through postal ballot during the years under reference.

Disclosures
Transactions with related parties are disclosed in detail in schedule 'O' at point 13 on "Related Party Disclosures" annexed to the financial statements for the year. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the company at large.
There were no instances of material non-compliance and no major strictures or penalties imposed on the company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.
Means of Communication : During the year quarterly, half yearly and yearly financial results of the company submitted to the stock exchanges soon after the Board Meeting approved these and were also published in two leading newspapers- The Financial Express (English) & Samachar Jagat (Hindi) results upto 30.09.2003 and in Money Makers (English) & Dainik Mahalaxmi (Hindi) thereafter.
The Management's Discussion and Analysis of Operating Results and Financial Condition based on financial statements for the year forms part of the Annual Report for the year.

General Shareholders' Information :

15th Annual General Meeting :

Date & Time	:	30th September, 2003 at 12.00 Noon.
Venue	:	2070, Rasta Bara Gangore, Jaipur- 302 003.

Financial Calendar for the year 2003-04

Financial year	:	1st April 2003 to 31st March, 2004.
First Quarter Results	:	Fourth Week of July, 2003.
Second Quarter/Half Yearly Results	:	Fourth Week of October, 2003
Third Quarter Results	:	Fourth week of January, 2004.
Fourth Quarter/Yearly results (unaudited)	:	Fourth week of May, 2004

Dates of Book Closure : 25th September, 2003 to 30th September, 2003 (Both days inclusive)
Due to loss during the year, no Dividend is proposed.

List of Stock Exchanges :-
The Stock Exchange, Mumbai
The Delhi Stock Exchange Association Ltd., New Delhi
Jaipur Stock Exchange Limited, Jaipur

The company had paid Annual Listing fees for the year 2003-04

Registrar and Transfer Agents : Presently there is in house Share Transfer System at the Registered Office 2070, Rasta Bara Gangore, Jaipur- 302 003. The company had appointed System Support Services-209, Shivai Industrial Estate, Near Parke-Davis, 89, Andheri Kurla Road, Saki Naka, Andheri East, Mumbai but the formalities of Dematerialisation are yet to be completed due to pending connectivity of the agent with CDSL.

Share Transfer System : Share transfer are generally effected within one month.

Plant Location : Unit I E-38-39, Ambaji Industrial Area, Abu Road-307 026
Unit II B-130 A, Ambaji Industrial Area, Abu Road-307 026

The company is establishing a dying unit of 100 M.T. capcity p.m. at leased premises located at Gala No. 35 to 38, Mauji Khoni, Taluka Bhiwandi, Distt. Thane, Maharastra.

Address for Correspondence :
Rishab Special Yarns Limited
2070, Rasta Bara Gangore, Jaipur

Distribution of Share holding as at 31st March, 2003.

Share holding No.		No. of Shareholders		Shares Held	
From	To	Number	% to Total	No. of Shares Held	% of Shares Holding
1	500	13597	98.03	1647930	46.00
501	1000	162	1.17	139010	3.88
1001	2000	50	0.36	77200	2.15
2001	3000	21	0.15	55200	1.54
3001	4000	2	0.01	7000	0.20
4001	5000	5	0.04	24500	0.68
5001	10000	10	0.07	75550	2.11
10001	Above	23	0.17	1556100	43.44
Total		13870	100.00	3582500	100.00

Market Price Data
There was no trading of shares of the company at any stock exchange during the year 2002-2003.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

ANNEXURE-II

To The shareholders of Rishab Special Yarns Limited

We have examined the compliance of conditions of Corporate Governance by Rishab Special Yarns Limited for the year ended on 31st March, 2003 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit, nor an expression of an opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreements, which was required to be complied with upto 31st March, 2003.

For R. Mohnot & Co.,
Chartered Accountants

Place : Jaipur
Dated : 13.08.2003

(Narendra Mittal)
Partner

Annexure : III

S. No. Observation of Auditors		Board's Reply
1. The company is in the process of maintaining proper records showing full particulars including quantitative details and location of fixed assets.	:	The requisite records shall be completed during the current year.
2. The Company has not accepted public deposits in contravention of Section 58-A of the Companies Act, 1956 read with Companies(Acceptance of Deposit) Rules, 1975 except amounting to Rs. 49.39 lacs taken from Managing Director of the Company and his HUF.	:	The funds provided by Managing Director and his HUF are the funds provided by promoters under stipulation made by the Banks in their consortium meeting to tide over the acute financial position so as to allow day to day working operations. Necessary compliance as may be required is being made.

(Nathmal Hirawat)
Chairman

ANNEXURE - IV

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

CAVEAT

This section of the Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders and Readers are cautioned that in the case of data and information external to the company, though the same are based on sources believed to be reliable, no representation is made on its accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the Management herein contain its perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinion expressed by the Management may contain certain forward-looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein.

Readers are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no obligation to publicly update or revise any of the opinions of forward-looking statements expressed in this report, consequent to new information, future event or otherwise.

OVERVIEW

The Polyester Filament Yarn industry is a mature segment of Textile Industry. Over the years the product has been more and more shifting to low cost based location. Thus, India and China are expected to contribute a higher share of production in the coming times. The dismantling of quota regime and WTO provisions coming in force over the time, shall further strengthen the share of these two countries, subject to the local policies and pricing structures.

Interest and power costs are two major components of Filament Yarn Processing Industry, whereas labor and other components are much lower in comparison. Hence cost of interest and power shall always determine the viability and profitability of the yarn processing segment of Polyester Filament Yarn Industry.

The company is operating mainly in the domestic market, where these factors play a dominating role and shall determine the performance of the company.

PERFORMANCE

The company's performance in the year 2002-03 has been extremely poor. It is for the first time in it's history that the company suffered cash losses. While the sales dropped by around 10%, the bottom line has taken a severe dip. Main reason for this has been the reducing margins of low value added varieties due to competition and increasing cost of inputs, forcing the company to discontinue certain products. This, in turn has reduced the utilization of certain fixed assets while expenses continued to remain at high levels. The company was able to continue production of value added products within the confines of equipment's available.

The situation require a deep analysis in terms of strengths and weaknesses of the company. The same can be indetified as below :

Strengths

1. Plant capable of handling diversified product mix.
2. An established wide marketing network.
3. Acceptance of Company's products across all markets.
4. Capability to increase production of certain low value added qualities.

Weakness

1. High cost of power, hitting particularly the viability of low value addition qualities.
2. High interest burden due to loans contracted during the high interest regime.
3. Highly inconvenient location of Abu Road where it is the only unit of its kind.
4. Due to company's presence in high value added niche products, the utilization of capacity is very erratic and seasonal.
5. Eroding working capital.

Opportunities

1. The recent coverage of Excise Madvat Scheeme has opened opportunities for the company to reenter certain high consumption markets of value added products. The establishing of a yarn dying unit at Bhiwandi is aimed at taking advantage of this opportunity.
2. Relocation of Plant at a more suitable location would improve the utilization of assets and consequently improve the profitability. The company is pursuing such option.

Threats

1. Weakening Financial, of the Company.
2. Large loan repayment liability.
3. Failure to utilize the strengths and opportunities as mentioned above quickly and efficiently.

Risk and Management Perception

As emanated above, if the company is unable to use its strengths and utilize the opportunities very quickly, it shall become very difficult for the company to remain viable. On the other hand, the time is ripe for the company to turn new leaf and look forward to a bright future. Together with the efforts on the part of management it would require ample support from the Banks and financial institutions as in the past.

ANNEXURE V

Statement pursuant to section 217 (1)(e) of the Companies Act. 1956 read with the Companies (Disclosure of particulars in report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The Company is making continuous efforts to conserve energy wherever practicable and to economise the use of Power and Electricity in the factory and office. The total energy consumption as per prescribed form 'A' is as under :

FROM 'A'
(See Rule 2)

Particulars with respect to conservation of energy

		31.03.2003	31.03.200
A.	**POWER AND FUEL CONSUMPTION**		
1.	**Electricity**		
(a)	**Purchased Units**	Nil	Ni
	Total Amount	Nil	Ni
	Average Rate / Unit (Rs.)	N.A.	N.A
(b)	**Own Generation**		
	Through Diesel Generator Set (units)	5037658	595360
	Diesel Consumed (Ltrs.)	1576039	157828
	Unit /Ltr. Of Diese/LDO	3.19	3.7
	Total cost of Diesel/LDO & Others (Rs.)	19523689	2429665
	Average cost/Unit.	3.87	4.0
2.	**Coal : Quantity (Kg.)**	767221	45118
	Cost (Rs.)	1609275	90533
	Average Rate	2.10	2.0
B.	**CONSUMPTION PER UNIT (KILOGRAM) OF PRODUCTION**		
	Production (Kgs.)	1574451	192751
	Electricity Units	3.19	3.0
	Fumace Oil	Nil	N
	Coal (Kg.)	0.48	0.2
	Others	Nil	N

B. TECHNOLOGY ABSORPTION

Company is in constant touch with the Machinery Suppliers and Technical Institutions regarding the possibility of an change/modifications etc. to achieve better working & quality. Priority is being given to improve the quality of the product and increasing productivity through effective measures.

C. FOREIGH EXCHANGE EARNING AND OUTGO

i. Activites relating to export initiative taken to increase exports and development of new export markets for products and services. : Comapny explore all possibilties to export its proeduc however, presently the products being manufactured b the company are not being exported owning to unfavourabl circumstances and fierce competition.

		31.03.2002	31.03.200
(ii)	Earnings	Nil	N
(iii)	Outgo (Rs. in lacs) (CIF value of Imports)	3.34	N

AUDITOR'S REPORT

To the members of
RISHAB SPECIAL YARNS LIMITED
JAIPUR.

We have audited the attached Balance Sheet of Rishab Special Yarns Limited as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

(1) Further to our comments in the annexure referred to above, we report that :
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of accounts as required by law have been maintained by the Company so far as appears from our examination of such books.
- (c) The balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and cash Flow Statement dealt with by this report have been prepared in compliance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) Based on representations made by all the Directors of the Company and the information and explanation as made available, directors of the company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) In the case of Balance Sheet, of the State of Affairs as at 31st March, 2003; and
  - (ii) In the case of Profit & Loss Account, of the Loss for year ended on that date.
  - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **R. MOHNOT & Co.**
Chartered Accountants

Place : JAIPUR
Date : August 13, 2003

NARENDER MITTAL
PARTNER

ANNEXURE TO THE AUDITOR'S REPORT
(REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE)

1. The company is in the process of maintaining proper records showing full particulars including quantitative details and location of fixed assets. As informed to us, the fixed assets of the company have been physically verified by the management during the year and no significant discrepancies were noticed on such verification.
2. None of the fixed assets of the company have been revalued during the year.
3. As explained to us, physical verification of stocks of finished and semi-finished goods, raw materials, stores, spares and consumables has been conducted by the management at reasonable intervals during the year.
4. In our opinion and according to explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. The discrepancies noticed on verification between physical stocks and book records were not material in relation to the operations of the company and the same have been properly dealt with in the books of accounts.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on same basis as in the preceding year.
7. The company has taken unsecured loans from parties listed in the register maintained under section 301 of the Companies Act, 1956, the rates of interest and other terms and conditions thereof, are not, primafacie, prejudicial to the interest of the company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are no longer applicable to a company since 31st October, 1998.
8. The company has not granted any loans to the companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are no longer applicable to a company since 31st October, 1998.
9. The company has given interest free advances in the nature of loans to its employees, which are generally being repaid regularly.
10. In our opinion and according to the information and explanations given to us, the company has adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. The transactions of purchase of goods and materials and sale of goods, material and services made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which transaction for similar goods or materials have been made with other parties.
12. As explained to us, the unserviceable or damaged stores and raw materials are determined by the management in accordance to the Company's procedures and adequate provisions for loss, wherever necessary has been made.
13. The company has not accepted public deposits in contravention of Section 58-A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975 except amounting to Rs. 49.39 lacs taken from Managing Director of the Company and his HUF.
14. In our opinion, reasonable records have been maintained by the company for the sale and disposal of realizable scrap/ waste. There is no by-product.
15. As explained to us, the company has reasonable internal audit system commensurate with the size and nature of the business.
16. On the basis of records produced before us, we are of the opinion that prima facie, the cost records and accounts prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 have been made and maintained by the Company. However, in our opinion we are not required to carry out and we have not carried out any detailed examination of such accounts and records.
17. The company has generally been regular in depositing its Provident Fund and ESI dues.
18. According to the information and explanations given to us, there is no undisputed amount payable in respect on income-tax, wealth-tax, sales-tax custom duty and excise duty, which has remained outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and records of the company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.The directors have also confirmed that no personal expenses have been charged to revenue account.
20. The company is not a sick industrial company within the meaning of clause (O) of the sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **R. MOHNOT & Co.**
Chartered Accountants

Place : JAIPUR
Date : August 13, 2003

NARENDER MITTAL
PARTNER

BALANCE SHEET AS ON 31ST MARCH, 2003

		SCHEDULE No.	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
I.	**SOURCES OF FUNDS**			
1.	**SHARE HOLDERS FUNDS**			
	a) Share Capital	A	35697500	35697500
	b) Share Application Money		9050000	9050000
	c) Reserves & Surplus	B	13951584	13951584
2.	**LOAN FUNDS**			
	a) Secured Loans	C	107103284	107980798
	b) Unsecured Loans		4938808	3300554
	GRAND TOTAL		**170741176**	**169980436**
II.	**APPLICATION OF FUNDS**			
1.	**FIXED ASSETS**			
	a) Gross Block	D	161336680	156055636
	b) Less Depreciation		68462396	60708973
	c) Net Block		92874284	95346663
	d) Capital Work in Process		120000	260993
2.	**INVESTMENTS**	E	53800	53800
3.	**CURRENT ASSETS, LOANS & ADVANCES**	F		
	a) Investories		35466344	40365440
	b) Sundry Debtors		23895240	31470230
	c) Cash and Bank Balances		2468175	3952416
	d) Loans and Advances		5670109	3744480
			67499868	79532566
4.	**LESS : CURRENT LIABILITIES & PROVISIONS**	G	23652031	13669024
5.	**NET CURRENT ASSETS**		43847837	65863542
6.	**MISC. EXPENDITURE**	H	2917225	3694557
7.	**PROFIT & LOSS ACCOUNT**		30928030	4760881
	GRAND TOTAL		**170741176**	**169980436**
8.	**NOTES ON ACCOUNTS**	O		

As per our report of even date

For and on behalf of Board of Directors

For **R. MOHNOT & Co.**
Chartered Accountants

NATHMALL HIRAWAT
Chairman

AMITABH HIRAWAT
Managing Director

NARENDER MITTAL
Partner
Place : JAIPUR
Dated : August 13, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	SCHEDULE Nos.	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
INCOME			
Sales & Other Income	I	220487892	243554841
Increase/(Decrease) in Stock	J	(6295465)	(1166800)
	TOTAL	**214192427**	**242388041**
EXPENDITURE			
Raw Material Consumption		123640815	135218330
Excise Duty		18842252	13741103
Employee Remuneration and Benefits		7262172	5147218
Manufacturing Expenses	K	51829128	53028232
Administrative and Other Expenses	L	2665660	2903040
Selling and Distribution Expenses	M	8993364	10411629
Financial Expenses	N	18595430	21192290
Miscellaneous Expenditure Written off		777332	1091974
Depreciation		7753423	7609684
	TOTAL	**240359576**	**250343500**
Profit/(Loss) for the year before tax		(26167149)	(7955459)
Provision for Taxation		0	0
Profit/(Loss) after Tax		(26167149)	(7955459)
Balance brought forward from last year		(4760881)	3194578
Balance Carried to Balance Sheet		(30928030)	(4760881)
NOTES ON ACCOUNTS	O		

As per our report of even date

For and on behalf of Board of Directors

For **R. MOHNOT & Co.**
Chartered Accountants

NATHMALL HIRAWAT
Chairman

AMITABH HIRAWAT
Managing Director

NARENDER MITTAL
Partner
Place : JAIPUR
Dated : August 13, 2003

	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
SCHEDULE-A : SHARE CAPITAL		
AUTHORISED CAPITAL		
60,00,000 Equity Shares of Rs. 10/- each	60000000	60000000
	60000000	**60000000**
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
35,60,700 Equity Shares of Rs.10/- each	35607000	35607000
Less : Allotment money in arrears	(18500)	(18500)
Add : Shares Forefeited	109000	109000
TOTAL	**35697500**	**35697500**
SCHEDULE - B : RESERVES & SURPLUS		
General Reserve	9451584	9451584
Debenture Redemption Reserve	4500000	4500000
TOTAL	**13951584**	**13951584**
SCHEDULE - C : SECURED LOANS		
1. Term Loans		
From Industrial Development Bank of India	11630000	11630000
Deferred Payment Loan from RIICO	3794	11124
2. Debentures		
Non Convertible Debentures placed with IDBI	43800000	43800000
3. Deferred Interest Loan of IDBI	13183076	13183076
4. Interest Accrued & Due	2607117	–
5. Working Capital Loans		
From State Bank of Bikaner & Jaipur	17609107	18195192
Form Punjab National Bank	18270190	21161406
TOTAL	**107103284**	**107980798**

1. Term Loans and Non Convertible Debentures of IDBI are secured by first pari-passu mortgage and charge in favour of the trustees/lenders on the company's immovable and movable properties, both present and future.
2. Deferred payment loan from RIICO is secured against assets acquired on deferred payment basis.
3. Working Capital Loans from banks are secured by hypothecation of present and future stock-in-trade, raw material, stock in process, finished goods, stores & spares, outstanding moneys, receivables and book debts and further secured by second charge on fixed assets of the company.

SCHEDULE-D : FIXED ASSETS AMOUNT (RS.)

S. No.	Particulars	Gross Block				Depreciation				Net Block	
		As at 01.04.02	Additions during the Year	Deductions during the Year	Total As at 31.03.03	As at 01.04.02	During the Year	Written Back	Total As at 31.30.03	As at 31.03.03	As at 31.03.02
1.	Lease Hold Land	2870729	0	0	2870729	0	0	0	0	2870729	2870729
2.	Land (Silvassa)	4281347	0	0	4281347	0	0	0	0	4281347	4281347
3.	Land Residential	490056	0	0	490056	0	0	0	0	490056	490056
4.	Building	16960207	1446675	0	18406882	4022923	586460	0	4609383	13797499	12937284
5.	Plant & Machinery	114533588	3707999	0	118241587	50056224	6147272	0	56203496	62038091	64477364
6.	Electrical Installation	4741228	0	0	4741228	1891202	250337	0	2141539	2599689	2850026
7.	D.G. Sets	3399026	0	0	3399026	1196653	179469	0	1376122	2022904	2202373
8.	Weighing Scale	187605	0	0	187605	66305	8912	0	75217	112388	121300
9.	Lab Equipments	140943	0	0	140943	82109	6695	0	88804	52139	58834
10.	Fire Fighting Equipments	25397	0	0	25397	11257	1206	0	12463	12934	14140
11.	Furniture & Fixtures	553613	0	0	553613	270633	35044	0	305677	247936	282980
12.	Office Equipments	476969	106300	0	583269	183605	26171	0	209776	373493	293364
13.	Vehicles	636650	0	0	636650	359166	60482	0	419648	217002	277484
14.	Boiler	4263829	0	0	4263829	1592261	225130	0	1817391	2446438	2671568
15.	Misc. Fixed Assets	1579670	0	0	1579670	301364	75035	0	376399	1203271	1278306
16.	Computers	914779	20070	0	934849	675271	151210	0	826481	108368	239508
	TOTAL	**156055636**	**5281044**	**0**	**161336680**	**60708973**	**7753423**	**0**	**68462396**	**92874284**	**95346663**
	Previous Year	**155651714**	**403922**	**0**	**156055636**	**53099289**	**7609684**	**0**	**60708973**	**95346663**	**102552425**

		As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
SCHEDULE-E : INVESTMENTS			
Long Term (Non-Trade)			
A. National Saving Certificate		2500	2500
(Pledged with sales tax authorities)			
B. Quoted Shares (At cost)		51300	51300
95 Share of State Bank of Bikaner & Jaipur			
Market value of quoted shares Rs. 49400/-			
(Previous Year Rs. 31963/-)			
	TOTAL	**53800**	**53800**
SCHEDULE-F : CURRENT ASSETS, LOANS & ADVENCES			
1. CURRENT ASSETS			
a) INVENTORIES			
(As taken, valued and certified by the management)			
Raw Material		2024203	1798816
Finished Goods		13373525	20257644
Work in Process		15697816	15109162
Stores & consumables		4370800	3199818
		35466344	**40365440**
b) SUNDRY DEBTORS			
(Unsecured considered good)			
Outstanding over six months		6346509	8669141
Others		17548731	22801089
		23895240	**31470230**
c) CASH & BANK BALANCES			
Cash in hand		352879	889632
Balance with Scheduled Banks in :			
-- Current Accounts		2115296	2842784
-- Fixed Deposits		–	220000
		2468175	**3952416**
2. LOANS AND ADVANCES			
(Unsecured and considered good)			
(Recoverable in cash or in kind or for value to be received)			
Advances		4789474	2678724
Advance Income Tax/TDS		312447	152942
Deposit with Government Authorities		286100	258500
Deposit with others		147150	144000
Income/Claims receivables		–	379174
Prepaid Expenses		134938	131140
		5670109	3744480
	TOTAL	**67499868**	**79532566**
SCHEDULE-G : CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors		6224818	1674972
Outstanding Expenses		1312920	1202180
Interest accrued but not due		2620921	2467565
Other Liabilities		12240533	8324307
		22399192	**13669024**
PROVISIONS			
Provision for Taxation		–	–
Provision for Gratuity		1252839	–
	TOTAL	**23652031**	**13669024**
SCHEDULE - H : MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		90340	118129
Debenture Issue Expenses-I		66397	95909
Debenture Issue Expenses-II		418000	474500
Preoperative Expenses (Silvassa)		814554	814554
Up Front Fees-IDBI		1527934	2191465
	TOTAL	**2917225**	**3694557**

		As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
SCHEDULE-I : SALES & OTHER INCOME			
Yarn Sales		212330773	233762601
Job Work Income		7605171	8622967
Claims & Discount received		160157	36003
Interest received (Net)		5339	793720
Misc. Sales		382652	336225
Dividend Income		3800	3325
	TOTAL	**220487892**	**243554841**
SCHEDULE-J : INCREASE/(DECREASE) IN STOCKS			
Opening Stock			
Finished Goods		20257644	19403507
Work in process		15109162	17130099
		35366806	36533606
Less : Closing Stock			
Finished Goods		13373525	20257644
Work in process		15697816	15109162
		29071341	35366806
Increase/(Decrease) in stocks		(6295465)	(1166800)
SCHEDULE-K : MANUFACTURING EXPENSES			
Consumption of Antistatic Oil		3552377	5001943
Consumption of Stores & Spares		2701159	2616698
Consumption of Paper Tubes & Cones		3268769	3024431
Power & Fuel		21132964	25201985
Consumption of Dyes and Chemicals		8434416	7010845
Packing Material		3335767	2438889
Repairs & Maintenance-Plant & Machinery & Others		993400	231143
D. G. Set Hire Charges		1713937	3387357
Insurance Premium		559772	469561
Employee Welfare Expenses		149035	229279
Job Work Expenses		1525518	1072933
Water Charges		1074833	423168
Lease Rent		1920000	1920000
Material Handling/Shifting		512525	504580
Entry Tax		954656	–
	TOTAL	**51829128**	**53532812**
SCHEDULE-L : ADMINISTRATIVE AND OTHER EXPENSES			
Printing and Stationery Expenses		127580	133098
Travelling & Conveyance		671080	652046
Professional & Legal Fee		199232	203178
Auditors Remuneration		52500	52500
Misc. Expenses		558576	477712
Rent, Rates & Taxes		187375	172300
Telephone and Telex Expenses		435543	578858
Postage & Courier Expenses		127045	100106
Electricity and Water Charges		104249	69116
Directors Remuneration		180000	430000
Repairs and Maintenance (Vehicle)		22480	34126
	TOTAL	**2665660**	**2903040**
SCHEDULE-M : SELLING & DISTRIBUTION EXPENSES			
Commission on Sales		1347498	1907437
Transportation Charges		4303602	3687579
Rebate and discount on Sales		425905	282893
Sales Tax		2506917	3304877
Quantity Discount		409442	724263
	TOTAL	**8993364**	**9907049**
SCHEDULE-N : FINANCIAL EXPENSES			
Cash Discount		1995249	3897388
Interest on Secured Loans		15343853	15842175
Bank Commission and Charges		469476	738082
Interest to Others		786852	714645
	TOTAL	**18595430**	**21192290**

SCHEDULE 'O' : NOTES ON ACCOUNTS

1. ACCOUNTING CONVENTIONS

i) **Basis of Accounting :** The financial statements are prepared under the historical cost convention on accrual basis and are generally in accordance with the requirements of the Companies Act, 1956. The accounting policies not specifically mentioned are consistent with generally accepted accounting principles.

ii) **Revenue Recognition :** The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis as a going concern.

iii) **Investments :** Investments are stated at cost.

iv) **Fixed Assets :** Fixed assets are stated at cost less depreciation. Cost of acquisitiion, fabrication or construction is inclusive of freight, duties and others incidental expenses during construction period but excludes the modvat credit available on the capital goods.

v) **Depreciation :** The Company is providing depreciation on straight line method as per rates given in Schedule XIV of the Companies Act, 1956 on pro rata basis.

vi) **Excise Duty :** The refunds of excise in the form of Modvat credit available on inputs of materials as per Excise Laws are deducted from the cost of the materials and accordingly closing stock of input materials are valued.

vii) **Treatment of Expenditure during Construction Period :** Incidental Expenditure incurred during construction period/trial production period is allocated to the respective fixed assets on completion of construction period/on date of commissioning.

viii) **Amortisation of Miscellaneous Expenditure :** (a) Preliminary, Public Issue and Debenture issue expenses are being amoritised in equal instalments in 10 years. (b) Up front fee paid to IDBI towards reduction in rate of interest is being amortised over the period for which the interest rate has been reduced.

ix) **Valuation of inventory :** Inventories are valued at the lower of the cost and estimated realizatable value. Cost of inventories is computed on a weighted average/FIFO basis. Finished goods and work-in-progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

x) **Retirement Banefits :** Regular contributions are made to provident funds. Liability in respect of gratuity is calculated by management at Rs. 12.53 lacs for periods upto 31.3.2003 and provided in books accordingly.

xi) **Borrowing Cost :** Borrowing Costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset upto the date when such assets is ready for its intended use. Other borrowing costs are charged to the Profit & Loss Account.

xii) **Foreign Currency Transaction :** Foreign currency transactions are accounted at current exchange rates. Gain and losses on foreign exchange transactions other than those related to fixed assets are recognized in the profit and loss account on realization/payment.

xiii) **Taxes on income :** In view of losses, the company is not liable to pay taxes. In accorance with AS-22 "Accounting for taxes on Income", the company has not recognised the Deferred Tax Asset on carried forward depreciation, losses and other items as there is no reasonable certainty that these would be realised in future.

2. CONTINGENT LIABILITIES

		AMOUNT (Rs. In Lacs) 31.03.2003	31.03.2002
(a)	In respect of sales tax demand not accepted by the Company (Deposited under Protest Rs. 20,000) (Case decided in favour of the company but department has preferred to file appeal in High Court)	0.88	–
(b)	In respect of demand for sales tax penalty at Belgaon deposited under Protest and against which appeal has been filed.	0.17	–
(c)	In respect of cess demanded by Textile Committee under the Textile Committee (Cess) Rules, 1975, for the period from 1989 to 1997, against which company has filed an appeal with Hon'ble Tribunal, Textile Committee for holding the levy of Cess and for setting aside the demand (Rs. 150000/- deposited under protest included in Loans & Advances)	8.27	8.27

3. **Segment Reporting :** The company is engaged in manufacturing of texturised, twisted & dyed yarns and there is only one business segment. Hence, no separate disclosure as required by AS-17 "SEGMENT REPORTING" is given.

4. **Due to SSI Units :** Sundry Creditors include amount dut to small scale undertakings Rs. 1221313/-. The names of small scale undertakings, to whom the company owes a sum which is outstanding for more than 30 days as at balance sheet date, are : Blueton Paper Product Udaipur, Marudhara Pack Products Daman, Omega Paper Pack Pvt.Ltd. Silvassa, Shanti Patra Plastic Pvt. Ltd. Mumbai, Spiro Pack industries Silvassa and Rajasthan Tube Mfg. Co. Ltd. Abu Road, The above information as provided by the Management, has been relied upon by the auditor.

5. Balances of Sundry Debtors, Creditors and Loans and Advances are subject to confirmtion.

6. In the opinion of management, sundry debtors, loans and advances are approximately of the value stated, if realised in the ordinary course of business unless and otherwise stated. The provisions of all liabilities are adequate and not in excess of the amount reasonably necessary.

7. AUDITORS REMUNERATION

	31.03.2003	31.03.2002
i. Audit Fee	42000	42000
ii. Tax Audit Fee	10000	10000
iii. Out of Pocket Expenses	5000	10000
	57000	62000

8. REMUNERATION PAID TO DIRECTORS

Remuneration	180000	430000
Value of perquisites	67000	47000

9. Additional information pursuant to the provisions of paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956.

A) Licenced capacity (No. of Spindles)*		
Texturising Yarn	1296	1080
Twisting Yarn	2848	2848
Installed capacity (No. of Spindles)*		
Texturising Yarn	1296	1080
Twisting Yarn	2848	2848

*As certified by a director and relied upon by the auditors, it being a technical matter.

B) **Production, Turnover and Stocks (Yarn)**

	(Unit)	31.03.2003 Qty.	31.03.2003 Amount (Rs.)	31.03.2002 Qty.	31.03.2002 Amount (Rs.)
Opening Stock	(In Kg.)	124442.637	20,257,644	124618.989	19,403,507
Production	(In Kg.)	1574450.726	–	1927509.971	–
Sales	(in Kg.)	1621788.657	2,12,330,773	1927686.323	2,33,762,601
Closing Stock	(In Kg.)	77104.706	13,373,525	124442.637	20,257,644
C) **Details of Work in Process**					
Opening Stock		126714.285	15,109,162	126183.950	17,130,099
Closing Stock		93330.533	15,697,816	126714.285	15,109,162
D) **Raw Material Consumed**		1543640.312	1,23,640,815	1930042.975	1,35,218,330

	31.03.2003	31.03.2002
10. **C. I. F. Value of Imports**	Rs. 3.34 Lacs	Nil
11. **F. O. B. value of exports**	Nil	Nil
12. **Expenditure in foreign currency**	Nil	Nil

13. Disclosure as required by Accounting Standard- 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are as follows :

A. Relationships :

(i) Key Management Personnel
Mr. Amitabh Hirawat (Managing Director)

(ii.) Enterprises owned or significantly influenced by key Management persoannel or their relatives where transactions have taken place :
Padmawati Textiles Limited
Shashwin Textiles Limited

Note : Related party relationship is as identified by the Company and relied upon by the Auditors :

B. *Transactions carried out with related parties referred in 'A' above, in ordinary course of business :*

Nature of Transactions	Related Parties Referred in A (i) above	Related Parties Referred in A (ii) above
Sales		
Goods & Materials	–	97343
Expenses		
Lease Rent	–	1920000
Job Charges Paid	–	709018
Remuneration	180000	–
Interest Paid	568878	–
Income		
Job Charges Received	–	7605171
Finance		
Unsecured loan taken	3304500	–
Unsecured loan repaid	2180000	–
Outstanding		
Payable	–	3682700
Receivable	–	2169670
Unsecured loans	4938808	–

14. **LEASES (AS PER ACCOUNTING STANDARD - 19)**

As Lessee

(a) The company has taken a yarn twisting plant on operating lease. The lease payments to be made in future are as follows :

Not later than 1 year	:	Rs. 19.20 Lacs
Later than 1 year but not later than 5 years	:	Rs. 62.40 Lacs
Later than 5 years	:	Nil

(b) *Lease expenses recognised in Profit and Loss Account and debited to lease Rent account is Rs. 19.20 Lacs.*

	31.03.2003 Rs.	31.03.2002 Rs.
15. Earning per Share (Accounting Standard - 20)		
Profit/(Loss) after tax as per Profit & Loss A/c	(26167149)	(7955459)
Weighted Average number of Equity Shares outstanding (Nos).	35,60,700	35,60,700
Basic and Diluted Earning per share	(7.35)	(2.23)
Face value of shares	10.00	10.00

16. Figures for the previous year have been regrouped and rearranged to correspond to current year's classification.
17. Figures have been rounded off to the nearest rupee.
18. **Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 :**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

a) **Registration Details**

Registeration No.	4067	State Code	17
Balance Sheet Date	31.03.2003		

b) **Capital raised during the year (Amount in Rupees thousands)**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

c) **Position of Mobilization and Development of Funds (Amount in Rupees thousands)**

Total Liabilities	Total Assets
1,70,741	1,70,741

Source of Funds

Paid up Capital	Reserves & Surplus	*Share Application Money*	*Deferred Tax* Liability	*Secured* Loans	*Unsecred* Loans
35698	13952	9050	NIL	107103	4939

Application of Funds

Net Fixed Assets	Investment	Net Current Assets	Miscellaneous Expenditure	Accumulated Losses
92994	54	43848	2917	30928

d) **Performance of Company (Amount in Rupees thousands)**

Turnover & other income	Total Expenditure	Profit/(Loss) Before Taxes	Profit/(Loss) After Taxes
220488	246655	(26167)	(26167)

Earning per Share (in Rs.)	Dividend Rate (in %)
(7.35)	NIL

e) **Generic Names of Principal Products/Services of the company**

Product Description	Item Code (ITC) Code
Synthetic Filament Yarn Texturised	540232
Synthetic Filament Yarn Twisted	540252

Signature to Schedule 'A' to 'O'

In terms of our report of even date
For **R. MOHNOT & Co.**
Chartered Accountants

NARENDER MITTAL
Partner
Place : JAIPUR
Dated : August 13, 2003

For and on behalf of Board of Directors

NATHMALL HIRAWAT
Chairman

AMITABH HIRAWAT
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

		Year ended 31.03.2003 (Rs.)	Year ended 31.03.2002 (Rs.)
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit/(Loss) Before Tax & Extraordinary items	(26167149)	(7955459)
	Add/(Deduct)		
	Depreciation	7753423	7609684
	Misc. Expenditure Written Off	777332	1091974
	Interest Paid	15343853	15842175
	Interest received	(5339)	(793720)
	Operating Profit Before Working Capital Changes	(2297880)	15794654
	Add/(Dedcut)		
	Inventories	4899096	2702880
	Sundry Debtors	7574990	(7362607)
	Loans & Advances	(1925629)	(1850076)
	Current Liabilities	9983007	4319725
	Cash Generated from Operations	18233584	13604576
	Interest Paid	(15343853)	(15842175)
	Net Cash from Operating Activities	2889731	(2237599)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investment in Fixed Assets	(5140051)	(664915)
	Interest Received	5339	793720
	Deferred Expenditure	0	(225000)
	Net Cash used in investing activities	(5134712)	(96195)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Borrowings (Net)	2599787	3602436
	Increase in Unsecured Loans	1638254	3182264
	Increase/(Decrease) in Working Capital Loans	(3477301)	(2309131)
	Net Cash in the course of Financing Activites	760740	4475569
	Net Changes in cash and cash Equivalents (A+B+C)	(1484241)	2141775
	Cash and cash Equivalents As at 1st Aprii, 2002 (Opening Balance)	3952416	1810640
	Cash and Cash Equivalents As at 31st March, 2003 (Closing Balance)	2468175	3952416

As per our report of even date
Place : JAIPUR
Dated : August 13, 2003

For and on behalf of Board of Directors

NATHMALL HIRAWAT
Chairman

AMITABH HIRAWAT
Managing Director

Place : JAIPUR
Date : August 13, 2003

For **R. MOHNOT & Co.**
Chartered Accountants
NARENDER MITTAL
PARTNER

TEAR HERE

RISHAB SPECIAL YARNS LIMITED
JAIPUR

L. F. No.	
No. of Shares held	

ATTENDANCE CARD

We hereby record my/our presence at the Fifteenth Annual General Meeting of the Company held at 2070, Rasta Bara Gangore, Jaipur - 302 003 on Tuesday, 30th September, 2003 at 12.00 Noon.

NAME OF THE SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER	
NAME OF THE PROXY (IN BLOCK LETTERS)	
SIGNATURE OF THE PROXY	

NOTES :

1. You are requested to sign and hand this over at the entrance.
2. If you intend to appoint a proxy to attend the meeting instead of yourself, the proxy must be deposited at the Registered Office of the Company at 2070, Rasta Bara Gangore, Jaipur - 302 003, not less than 48 hours before the time of holding the meeting.
3. if you are attending the meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you/your proxy for reference at the meeting.

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RISHAB SPECIAL YARNS LIMITED
JAIPUR

L. F. No.	
No of Shares held	

FORM OF PROXY

I/we .... of.. in the district of .... being a member/members of the above named Company hereby appoint .... of .... in the 30th day of Septermber, 2003 and at any adjournment thereof.

Signed on the ....day of............................2003.

NOTES :

1. The Proxy must be deposited at the Registered Office of the Company at 2070, Rasta Bara Gangore, Jaipur - 302 003 not less than 48 hours before the time for holding the meeting.
2. This form is to be used in favour of / Against the resolution. Unless otherwise directed, the Proxy will vote as he thinks fit.
   * Strike out whichever is not applicable.