RISHAB
SPECIAL
YARNS
LIMITED
JAIPUR

16th Annual Report

2003-2004

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

REGISTERD OFFICE
2070, RASTA BARA GANGORE
JAIPUR - 302003

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, AMBAJI INDUSTRIAL AREA, ABU ROAD - 307 026
UNIT - 3 : GALA No. 35-38, MAUJI KHONI, BHIWANDI, THANE

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the company will be held on Thursday, the 30th September, 2004 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, 2004 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 Shri Nathmall Hirawat, who retires by rotation and is eligible for reappointment.
3. To appoint auditors and fix their remuneration.

Registered Office :
2070, Rasta Bara Gangore,
JAIPUR - 302 003

By order of the Board
(Amitabh Hirawat)
Managing Director

Dated : 12.8.2004

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, 2004 to 30th September, 2004 (both days inclusive).
3. All documents referred to in Notice 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.
4. The members are requested to notify change of their addresses, if any, at the registered office of the company at an early date.
5. The work of share transfers 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.

   As required under clause 49(vi) of the listing Agreement, brief resume including experience, other Directorship and committee membership of the person proposed for reappointment as director is given below :

   Shri Nathmall Hirawat (Born on 11.02.1930)

Education	: 9th
Experience	: 55 years
Other Directorship	: 3
Committee Membership	: 3

DIRECTOR'S REPORT

To
The Members of
RISHAB SPECIAL YARNS LIMITED
JAIPUR

Your directors have pleasure in presenting the Sixteenth Annual Report together with Audited Statement of Accounts of the Company for the year ended on 31 st March, 2004.

	Amount in rupees 2004	2003
FINANCIAL RESULTS		
Profit/(loss) before depreciation, misc. expenses w/off & taxes	(27132408)	(17636394)
less : Depreciation	7834526	7753423
less : Misc. Exp. W /off	651616	777332
Provision for Taxation	--	--
Profit/floss) after tax	(35618550)	(26167149)
Balance Brought forward from the last year	(30928030)	(4760881)
Balance Carried to Balance Sheet	(66579183)	(30928030)

PERFORMANCE
The company's performance in the year 2003-04 has been extremely poor. The company has suffered cash loss in last two years. The Net Worth of the company has not only completely eroded but comes in the negative zone during the year. The sales dropped very steeply by around 43% and the bottom line has gone down almost by 36%. 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 equipments available. The company has become Sick Industrial Company under section 3 (1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985, as 100% net worth of the company has been eroded.

FUTURE PROSPECTS
Following the union budget of year 2004, a new beginning in the Textile Industry has been made. Every manufacturer whether from the power loom or composite mill sector has been allowed to choose between a complete exemption from payment of excise duty or adopting the cenvat route, although the cenvat route has been made optional, 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 burdended with the losses incurred during the year and in the past and the company did not pay interest and principal to the IDBI and banks, the debt burden has increased tremendously. The Directors have approached IDBI and both the bankers for negotiated settlement and shifting of certain plants and machinery to a more viable location viz. Silvasa and Bhiwandi for reducing cost and improving the assets utilization. The Finance Minister, recognizing the problem of Textile Industry and shows interest to further rationalise the tax structure of the industry in the next budget so as to make our industry competitive with the world industry after dismantling of quota regime at 31.12.2004. 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 lightly order generation of machinery finds its unremunerative to pursue exports.

CORPORATE GOVERNANCE
The company has complied with all the mandatory requirements of the Corporate Govenance 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 during the year.

DEPOSITORY SYSTEM
The company's shares are not tradable compulsorily in electronic form. Although, the company has appointed Share Transfer Agent, but the formalities of dematerilisation are yet to be completed. As soon as this is done trading of company's shares shall commence in demat from.

DIRECTORS
Shri Nathmall Hirawat, Director of the company retires by rotation pursuant to section 256 of the Companies Act, 1956 and being eligible, offered himself 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.

DIRECTORS' 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 judgements 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 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. 2400000/- or more per annum. if employed for whole of the year or Rs. 200000/- or more per month. if employed for part of the year.

ACKNOWLEDGMENT

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

For & on behalf of the Board of Directors
(Nathmall Hirawat)
Chairman

Place : JAIPUR
Dated : August 12, 2004

ANNEXURE-I

CORPORATE GOVERNANCE REPORT

Corporate Governance as required by clause 49 of Listing Agreement with Stock Exchanges.

Company's Philosophy on Corporate Governance :

Company's Philosophy in relation to Corporate Governance is to ensure transparency in all it's operations, make disclosures and comply with various laws and regulations. Emphasis therefore is on adding value to it's shareholder, investors, employees, suppliers, customers and other community.

Board of Directors :

The Board of Directors consists of 5 Directors (One Non-Executive Chairman, One Managing Director and three Non-Executive Director out of which two are independent Directors). None of the Directors on the Board is member of more than 10 committees and Chairman of more than 5 Committees across all the companies in which they are Directors.

During the year Board Meeting were held on 30th April 2003, 18th June 2003, 30th July 2003, 13th August 2003, 19th September 2003, 30th October 2003 and 31st January 2004. The Board was presented with the relevant and necessary information at it's meetings. The attendance of each Directors at the Board Meeting during the year and at the last Annual General Meeting & Extra Ordinary General Meeting and also the number of other companies and committees where he is a director/member is tabulated below :

Name of Directors	Category	Attendance Particulars		No. of Other Directorship and Committee Member/Chairmanship		
		Board Meeting	Last AGM/EOGM	Other Directorship	Committee Membership	Committee Chairmanship
Sh. Nathmall Hirawat	Non Executive Chairman	7	Yes	3	3	-
Sh. Amitabh Hirawat	Managing Director	7	Yes	2	1	-
Smt. Padam Devi Hirawat	Non Executive Director	3	Yes	1	-	-
Sh. K. Chandrashekhar	Non Executive Independent Dir.	7	Yes	2	1	1
Sh. Chandra Mohan Khandelwal	Non Executive Independent Director	7	Yes	1	1	2

Audit Committee

The audit committee functions in accordance with the terms of reference set out under Clause 49 of the Listing Agreement. Apart from considering unaudited and/or audited financial results for the relevant quarter, half year and the year before adoption/approval by the board, the committee focused its attention on key areas impacting the overall performance of the company, financial reporting system, internal control and procedure and ensuing compliance with regulatory guidelines.

The composition of the audit committee and details of meeting 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., LL.B.	5
Sh. K. Chandrashekhar	Independent, Non Executive Member of the Committee	B.Sc. M.B.A.	5
Sh. Nathmall Hirawat	Non-Executive Member of the Committee	9th	5

During the year under review, the audit committee met 5 times and it's meeting were also attended by the Managing Director and the statutory Auditors.

The Chairman of the audit committee alongwith other members attended the last Annual General Meeting and Extra Ordinary General Meeting of the company held on 30.9.2003 and 27.11.2003 respectively.

Remuneration Committee :

The company had constituted a remuneration committee consisting of Shri K. Chandrashekhar (Independent/Non-Executive Director) Chairman of the Committee, Shri Chandra Mohan Khandelwal (Independent/Non-Executive Director) and Shri Nathmall Hirawat (Non-Executive Chairman of the Company) as members of the Committee.

The Company does not pay any remuneration to the Non-Executive Directors for the Company. The company has not issued stock options to any of it's Director. The details of remuneration to Managing Director during the year under review is given below :

Salary	Rs. 180000
Contribution to EPF&FPF	Rs. 21600
Perquisites	Rs. 102697 (as per Income Tax Act)
Total	Rs. 304297

Share Holders/Investors Grievances

The share holders/investors grievance committee consist of Shri Chandra Mohan Khandelwal (Independent/Non- Executive Director) as Chairman and other members are Shri Nathmall Hirawat (Non-Executive Chairman of the Company) and Shri Amitabh Hirawat (Managing Director of the Company). The committee's objectives is to attend to investors complained pertaining to transfer/transmission of shares, non receipt of dividend and other related matters.

Besides seeking general information like status of Company, listing of shares of the Company, Price of the Share quoted at Stock Exchanges, reasons of non trading of Companies Shares, position of dematerilisation of company shares, total 14 complained were received. These complaints related to non receipt of annual report & non receipt of shares after transfer/endorsement/name correction. The complaints were resolved to the satisfaction of the share holders and no complaint was pending as on 31 .03.2004.

During the year 11 meetings of share transfer committee/investor's grievance committee were held and 7700 shares of 47 share holders were transferred.

Compliance Officer

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

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

AGM/EOGM	Date	Time	Venue	No. of Special Resolution Passed
13th AGM	20.09.2001	12 Noon	Jaipur Business Centre, 3rd Floor, Sangam Tower, Church Road, Jaipur	–
14th AGM	28.09.2002	12 Noon	2070, Rasta Bora Gangore, Jaipur - 3	–
EOGM	27.11.2003	12 Noon	2070, Rasta Bara Gangore, Jaipur - 3	–
15th AGM	30.09.2003	12 Noon	2070, Rasta Bara Gangore, Jaipur - 3	1

The special Resolution indicated above was 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 '0' at point 14 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 – Money Makers (English) & Dainik Mahalaxmi Bhagyodaya (Hindi).

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 :

16th Annual General Meeting :

Date & Time	:	30th September, 2004 at 12.00 Noon
Venue	:	2070, Rasta Bara Gangore. Jaipur-302003.

Financial Calendar for the year 2004-05

Financial year	:	1st April 2004 to 31st March 2005.
First Quarter Results	:	Fourth Week of July, 2004
Second Quarter/ Half yearly Results	:	Fourth Week of October, 2004
Third Quarter Results	:	Fourth week of January, 2005
Fourth quarter/Yearly results (unaudited)	:	Fourth Week of May, 2005

Dates of Book Closure : 25th September, 2004 to 30th September, 2004 (Both days inclusive)

Due to heavy cash 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 of the Stock Exchange, Mumbai only and not to other stock exchanges for the year 2004-05.
Registrar and Transfer Agents : Presently there is in house Share Transfer System at the Registered Office 2070, Rasta Bara Gangore. Jaipur - 302003. 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.
Share Transfer System : Share transfers are generally effected within one month.
Plant Location :
Unit I E - 38 & 39, Ambaji Industrial Area, ABU ROAD.
Unit II B-130 A, Ambaji Industrial Area, ABU ROAD.
Unit III Gala No. 35-38, Mauji Khoni, Taluka Bhiwandi, Thane.
The company has decided to close unit I & II at Abu Road, because of high power cost, transportation & other fixed cost these units are not viable.
The company has established a dying unit of 100 M.T. capacity 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 Shareholding as at 31st March, 2004.

Shareholding No.		No. of Shareholders		Shares Held	
From	To	Number	% of Total	No. of Shares Held	% of Shares Holding
1	500	13596	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	75560	2.11
10001	Above	23	0.17	1556100	43.44
TOTAL		13869	100.00	3582500	100.00

Market Price Data
There was no trading of shares of the company at any stock exchange during the year 2003-2004.

ANNEXURE-II

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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 31 st March, 2004 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 ensuing 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 31 st March, 2004 .

We further state that such compliance is neither an assurance as to the future viability of the company, nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

FOR R. MOHNOT & CO.,
CHARTERED ACCOUNTANTS
(NARENDRA MITTAL)
PARTNER

PLACE : JAIPUR
DATED: 12.08.2004

Annexure III

S. No.	Observation of Auditors		Board's Reply
1.	The company has not provided interest amounting to Rs. 113.49 lacs during the year on secured loan of IDBI comprising of Term Loan and Non-Convertible Debentures. The loss during the year and secured loans are understated to that extent.,	:	The company has incurred cash losses during last two years which resulted in erosion of Net Working Capital and Net Worth of the company. Being unable to arrange the required funds the company has neither paid interest to IDBI on its Term Loan and Non Convertible Debentures nor is it in a position to pay the same. The company has submitted a proposal for Negotiated Settlement to IDBI under which waiver of interest has been sought for, the same is under their active consideration and company expects to have favourable decision.

2. The proper records of fixed assets showing full particulars including quantitative details and location of fixed assets are under updation and compilation.	:	Owing to serious liquidity problem, the staff engaged for the work assigned has left. Subsequently, the main unit has come to complete halt. As there is an employee shortage presently, the same could not be completed. But we are arranging some one who can complete the same on assignment basis.
3. The company has not accepted any public deposits in contravention of section 58 A and 58 AA of the Companies Act, 1956 and the Companies (Acceptance of Deposit Rules, 1975) except for an interest free loan of Rs. 3.44 lacs accepted from HUF of Managing Director.	:	The funds provided by the HUF of Managing Director are the funds provided 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. However, the company has repaid the sum of Rs. 3.44 lacs to HUF of Managing Director on 21.05.2004.
4. The company had not been regular in depositing undisputed statutory dues in respect of provident fund, employees state insurance, income tax (TDS), professional tax and sales tax. As at 31st March, 2004 a sum of Rs. 0.77 lacs in respect of provident fund and professional tax, was in arrear for a period exceeding six months from the date they become payable, which has been paid subsequently.	:	Due to liquidity problems and financial crunch the payment could not take place on due time but the same has been paid as soon as the company could arrange the funds.
5. The company has defaulted in repayment of dues to Industrial Development Bank of India and they have recalled their entire dues. The total amount due to IDBI is Rs. 784.67 lacs towards principal, interest and liquidated damages till the end of the current financial year, further working capital facilities availed by the company from Punjab National Bank and State Bank of Bikaner & Jaipur have become NPA and the banks have also recalled their entire dues. The total amount due to banks is Rs. 378.44 lacs towards principal and interest till the end of the current financial year.	:	As the company has been incurring cash losses during last two years, it resulted into defaults in repayment of principal amount of loan, interest and liquidated damages thereon due to IDBI, PNB and SBBJ. The company has approached all the three institutions for Negotiated Settlement of all their dues and the same is under their active consideration.

(Nathmall Hirawat)
Chairman

Annexure IV

REPORT ON MANAGEMENT DISCUSSIONS AND ANALYSIS

Polyester filament yarn is a derivative of petroleum following the route from petroleum to Naptha to PTA to yarn and hence its fortune is dependant to quiet an extant on the course of petroleum prices. Also important are the other cost component of which power and capital play an important role.

With all most components moving up in the domestic market, the industry has come under tremendous pressure to maintain its margins. These factors play crucial role in determining the performance of the company.

PERFORMANCE

The company continues to fare badly and has suffered heavy losses during the year under review. The sales have decreased substantially and the cash losses have mounted.

The main reasons is the company's inability to match the cost structure of other units which enjoy lower capital costs, cheap power and higher productivity due to new generation equipments and favourable locations.

The situation requires continuous analysis in terms of strength and weaknesses of the company. The same can be identified as below :

Strength

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 atABu Road, ruling out 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

Utilization of certain equipment if located at a more cost effective location.

Abolition of quota regime under Multi Fibre Agreement from 01.01.2005, the demand of Indian textile product in the world market should improve the overall market demand.

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.

Due to weakening position of the company, it is becoming more difficult to turn around the operations. Only ray of hope is to restructure the entire finances by using the available assets to settle the dues of institutions and banks and reviving the operations using the remaining equipments and machineries

Internal Control System :

The company has adequate system of internal controls and necessary checks and balances are introduced/strengthened so as to ensure

a) that its assets are safeguarded;

b) that transactions are authorized, recorded and reported properly; and

c) that the accounting records are properly maintained and its financial statements are reliable.

Discussion on Financial Performance : The company has suffered very high cash losses due to operations becoming unsuitable in the present format. A turnaround is becoming increasingly difficult.

Human Resources : The company has over the years developed a well knit team which perform to fulfill the objective of the company to produce highly respected quality material.

Cautionary Statement :

Statements in this report on management discussion and analysis describing the company's policy, strategy, projections, estimation and expectations may be "forward looking statements" within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could materially differ from those expressly mentioned in this Report or implied. Factors that could affect the Company's operations, inter alia, include the vagaries of weather, demand and supply of the products, fluctuations in currencies, government regulations and policies relating to the products, its import and export, cost of raw material, wages etc. It is expressly made clear that the Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of subsequent developments, information or events.

ANNEXURE - V

STATEMENT PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

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

FORM 'A'
(See Rule 2)

Particulars with respect to conservation of energy

A.	**POWER AND FUEL CONSUMPTION**		
1.	**Electricity**	31 .03.2004	31.03.2003
(a)	**Purchased Unit**	148116	Nil
	Total Amount	819530	Nil
	Average Rate/Unit/*Rs.)*	5.53	N.A.
(b)	**Own Generation**		
	Through Diesel Generator Set (Units)	2854053	5037658
	Diesel Consumed (Ltrs.)	578073	1576039
	Unit/Ltrs. Of Diesel	4.94	3.19
	Total Cost of Diesel/LDO & Others (Rs.)	10180236	19523689
	Average Cost/Unit	3.57	3.87
2.	**Coal : Quantity (Kg.)**	768575	767221
	Cost (Rs.)	1661593	1609275
	Average Rate /*Rs.* Per Kg.	2.16	2.10
B.	**CONSUMPTION PER UNIT (KILOGRAM) OF PRODUCTION**		
	Production (Kgs.)	899372	1574451
	Electricity Units	4.03	Nil
	Diesel/Furnace Oil	3.31	3.19
	Coal (Kg.)	0.85	0.48
	Others	Nil	Nil

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNING AND OUTGO

i. Activities relating to export initiative taken to increase exports and development of new export markets for products and services. : Company explore all possibilities to export its product, however, presently the products being manufactured by the company are not being exported owing to unfavourable circumstances and fierce competition.

	31.03.2004	31.03.2003
ii. Earnings	Rs. NiL	Rs. NiL
iii. Outgo (Rs. In Lacs) (CIF value of Imports)	Rs. 3.10	Rs. 3.34

AUDITORS' REPORT

To the Members
Rishab Special Yarns Limited, Jaipur

We have audited the attached balance sheet of Rishab Special Yarns Limited as at 31st March, 2004 and also the Profit & 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. Those Standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

1. Further to our comments in the annexure referred to in the paragraph (1) above:

   (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 account as required by the law have been maintained by the company so far as appears from our examination of such books.

   (c) The balance sheet, the profit & loss Account and cash flow statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the balance sheet, the 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) The company has not provided interest amounting to Rs.113.49 lacs during the year on secured loan of IDBI comprising of term loan and non-convertible debentures.The loss during the year and secured loans are understated to that extent.

   (g) in our opinion and to the best of our information and according to the 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 and subject to paragraph (f) of our report, 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, 2004; and

   ii. in the case of profit and loss account, of the loss for the 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

Jaipur
August 12, 2004

NARENDER MITTAL
PARTNER
M.No. 72715

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph 3 of our report of even date)

i. a) As informed by the management, the proper records of fixed assets showing full particulars including quantitative details and location of fixed assets are under updation and compilation.

b) As explained to us, the fixed assets have been physically verified by the management during the year at regular intervals, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were notice on such physical verification.

c) The company has not disposed of any fixed assets during the year. Accordingly, the going concern status of the company, on account of disposal of fixed assets, is not affected.

ii. a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

b) in our opinion and according to information and explanation given to us, the procedures of physical verification of the company are reasonable and adequate having regard to the size of the company and nature of its business.

c) in our opinion and according to the information and explanation given to us, the company is maintaining proper records of inventory. The discrepancies noticed on such verification between physical stocks and book records were not material and have been properly dealt with in the books of accounts.

iii. a. The company has taken interest-free unsecured loans, repayable on demand, from six parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.16264808/- and the year end balance of loans taken from such parties was Rs. 15388808/-. The Company has not granted any loans to such parties. Accordingly, sub-clause (b), (c) and (d) are not applicable.

iv. In our opinion and according to the information and explanation give to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.

v. a. According to the information and explanations given to us, we are of the opinion that the transactions that are needed to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

b. In our opinion and according to the information and explanations given to us, the transactions exceeding Rs.5,00,000 /- in value in respect of each party, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices of such goods and services at the relevant time.

vi. In our opinion and according to the information and explanations given to us, the company has not accepted any public deposits in contravention of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 except for an interest free unsecured loan of Rs. 3.44 lacs accepted from HUF of Managing Director. As informed to us , no order has been passed by the Company Law Board.

vii. As explained to us, the company has reasonable internal audit system commensurate with size and nature of the business.

viii. 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.

ix. a. The company had not been regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, income tax (TDS), professional tax and sales tax. As at 31st March, 2004, a sum of Rs. 0.77 lac in respect of provident fund and professional tax was in arrear for a period exceeding six months from the date they became payable, which has been paid subsequently.

b. As per records of the company and in accordance with the information and explanation given to us, there are no dues of income tax, custom duty, wealth tax, and excise duty which have not been deposited on account of any dispute. However, in the case of Sales Tax and Cess the particulars on account of dispute are reported herein below :

Name of statute	Nature of dues	Period to which the amount relates	Amount (Rs.)	Forum where dispute is pending
Sales Tax Act	Sales Tax	2000 - 2001	0.88 Lacs	High Court
Sales Tax Act	Sales Tax	2002 - 2003	0.17 Lacs	Appellate Authorities
Textile Committee (Cess), Rules	Textile Committee Cess	1989 - 1997	8.27 Lacs	Tribunal, Textile Committee

x. The accumulated losses of the company at the end of the financial year are more than 50% of the net worth of the company and the company has incurred cash losses during the year and also in the financial year immediately preceding the current financial year.

xi. The company has defaulted in repayment of dues to Industrial Development Bank of India and they have recalled their entire dues. The total amount due to IDBI is Rs.784.67 lacs towards principal. interest and liquidated damages till the end of the current financial year. Further, working capital facilities availed by the company from Punjab National Bank and State Bank of Bikaner & Jaipur have become NP A and the banks have also recalled their entire dues. The total amount due to banks is RS.378.44 lacs towards principal and interest till the end of the current financial year.

xii. The company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xiv. During the year, the company has not done any dealing and trading in shares, securities, debentures and other investments.

xv. According to the information and explanation given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.

xvi. In our opinion, the company has not taken any further term Loan during the year.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments. No long term funds have been used to finance short term assets except permanent working capital.

xviii. During the year, the company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix. During the year, the company has not issued any debentures.

xx. During the year, the company has not raised any money by way of public issue.

xxi. In our opinion, on the basis of audit conducted by us and in accordance with the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For R. Mohnot & Co.
Chartered Accountants

JAIPUR
August 12, 2004

(NARENDER MITTAL)
Partner M. No : 72715

BALANCE SHEET AS ON 31ST MARCH, 2004

		SCHEDULE NO.	As on 31.03.2004 AMOUNT (RS.)	As on 31.03.2003 AMOUNT (RS.)
I.	SOURCES OF FUNDS			
1.	SHARE HOLDERS FUNDS			
	a) Share Capital	A	35697500	35697500
	b) Reserves & Surplus	B	13951584	13951584
2.	LOAN FUNDS			
	a) Secured Loans	C	108033397	107103284
	b) Unsecured Loans		15388808	13988808
	GRAND TOTAL		173071289	170741176
II.	APPLICATION OF FUNDS			
	1. FIXED ASSETS			
	a) Gross Block	D	163210207	161336680
	b) Less Depreciation		76296922	68462396
	c) Net Block		86913285	92874284
	d) Capital Work in Process		120000	120000
2.	INVESTMENTS	E	12500	53800
3.	CURRENT ASSETS. LOANS & ADVANCES	F		
	a) Inventories		14110867	35466344
	b) Sundry Debtors		13990706	23895240
	c) Cash and Bank Balances		349650	2468175
	d) Loans and Advances		3654766	5670109
			32105989	67499868
4.	LESS : CURRENT LIABILITIES & PROVISIONS	G	14925277	23652031
5.	NET CURRENT ASSETS		17180712	43847837
6.	MISC. EXPENDITURE	H	2265609	2917225
7.	PROFIT & LOSS ACCOUNT		66579183	30928030
	GRAND TOTAL		173071289	170741176
8.	NOTES ON ACCOUNTS	O		

IN TERMS OF OUR REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD OF DIRECTORS

FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

NATHMALL HIRAWAT
CHAIRMAN

AMITABH HIRAWAT
MANAGING DIRECTOR

NARENDER MITTAL
PARTNER

Jaipur
August 12, 2004

PROFIT AND lOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH, 2004

	SCHEDULE Nos.	As on 31.03.2004 AMOUNT (Rs.)	As on 31.03.2003 AMOUNT (Rs.)
INCOME			
Sales & Other Income	I	126234800	220487892
Increase/(Decrease) in Stock	J	(17665084)	(6295465)
TOTAL		108569716	214192427
EXPENDITURE			
Raw Material Consumption		61818301	123640815
Excise Duty		22782520	18842252
Employee Remuneration and Benefits		5492793	7262172
Manufacturing Expenses	K	31144804	51829128
Administrative and Other Expenses	I	2410985	2665660
Selling and Distribution Expenses	M	3589393	8993364
Financial Expenses	N	8463328	18595430
Miscellaneous Expenditure Written off		651616	777332
Depreciation		7834526	7753423
TOTAL		144188266	240359576
Profit/(loss) for the year before tax		(35618550)	(26167149)
Provision for Taxation		0	0
Profit/(loss) after Tax		(35618550)	(26167149)
Income Tax of earlier years		(32603)	–
Balance brought forward from last year		(30928030)	(4760881)
Balance Carried to Balance Sheet		(66579183)	(30928030)
Earning per share (Basic & Diluted) (Face Value Rs. 10/- per share)		(10.00)	(7.35)
NOTES ON ACCOUNTS	O		

IN TERMS OF OUR REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD OF DIRECTORS

FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

NATHMALL HIRAWAT
CHAIRMAN

AMITABH HIRAWAT
MANAGING DIRECTOR

NARENDER MITTAL
PARTNER

Jaipur
August 12, 2004

		As on 31.03.2004 AMOUNT (Rs.)	As on 31.03.2003 AMOUNT (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 Forfeited		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	11 630000
Deferred Payment Loan from RIICO		449	3794
2. Debentures			
Non Convertible Debentures placed with IDBI		43800000	43800000
3. Deferred Interest Loan of IDBI		13183076	13183076
4. Interest Accrued & Due		2727667	2607117
5. Working Capital Loans			
From State Bank of Bikaner & Jaipur		17924088	17609107
From Punjab National Bank		18768117	18270190
	TOTAL	**108033397**	**107103284**

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

S. No.	Particulars	Gross Block				Depreciation				Net Block	
		As at 01.04.03	Additions during the Year	Deductios/ Transfers during the Yr.	Total As at 31.03.04	As at 01.04.03	During the Year	Written Back Tranfs.	Total As at 31.03.03	As at 31.03.04	As at 31.03.03
1	Lease Hold Land.	2870729	-	-	2870729	-	-	-	-	2870729	2870729
2	Land (Silvassa)	4281347	-	-	4281347	-	-	-	-	4281347	4281347
3	Land Residential	490056	72387	-	562443	-	-	-	-	562443	490056
4	Building	18406882	-	-	18406882	4609383	614790	-	5224173	13182709	13797499
5	Plant & Machinery	118241587	1788590	-	120030177	56203496	6279139	-	62482635	57547542	62038091
6	Electrical Installation	4741228	-	-	4741228	2141539	250337	-	2391876	2349352	2599689
7	D.G. Sets	3399026	-	-	3399026	1376122	179469	-	1555591	1843435	2022904
8	Weighing Scale	187605	-	-	187605	75217	8912	-	84129	103476	112388
9	Lab Equipments	140943	-	-	140943	88804	6695	-	95499	45444	52139
10	Fire Fighting Equipts.	25397	-	-	25397	12463	1206	-	13669	11728	12934
11	Furniture & Fixtures	553613	-	-	553613	305677	35044	-	340721	212892	247936
12	Office Equipments	583269	3250	-	586519	209776	27826	-	237602	348917	373493
13	Vehicles	636650	-	-	636650	419648	60482	-	480 130	156520	217002
14	Boiler	4263829	-	-	4263829	1817391	225130	-	2042521	2221308	2446438
15	Misc. Fixed Assets	1579670	-	-	1579670	376399	75035	-	451434	11 28236	1203271
16	Computers	934849	9300	-	944149	826481	70461	-	896942	47207	108368
	TOTAL	161336680	1873527	-	163210207	68462396	7834526	-	76296922	86913285	92874284
	Previous Year	156055636	5281044	-	161336680	60708973	7753423	-	68462396	92874284	95346663
17	Capital WIP									120000	120000

		As on 31.03.2004 AMOUNT (Rs.)	As on 31.03.2003 AMOUNT (Rs.)
SCHEDULE-E : INVESTMENTS			
Long Term (Non-Trade)			
A. National Saving Certificates		12500	2500
(Pledged with sales tax authorities)			
B. Quoted Shares (At cost)		-	51300
95 Shares of State Bank of Bikaner & Jaipur			
Market value of quoted share N.A.			
(Previous Year Rs. 49400/-)			
	TOTAL	**12500**	**53800**
SCHEDULE-F: CURRENT ASSETS. LOANS & ADVANCES			
1. CURRENT ASSETS			
a) INVENTORIES			
(As taken. valued and certified by the management)			
Raw Material		231638	2024203
Finished Goods		6736816	13373525
Work in Process		4669441	15697816
Stores & consumables		2472972	4370800
		14110867	**35466344**
b) SUNDRY DEBTORS			
Considered good			
- Outstanding over six months		812000	6346509
- Others		6462802	17548731
Considered Doubtful over six months old		8954539	-
Less: Provision for Doubtful Debts		(2238635)	-
		13990706	**23895240**
c) CASH & BANK BALANCES			
Cash in hand		902597	352879
Balance with Scheduled Banks in :			
Current Accounts		(552947)	2115296
		349650	**2468175**
2. LOANS AND ADVANCES			
(Recoverable in cash or in kind or for value to be received)			
Advances (Unsecured)			
Considered Good		2834091	4789474
Considered Doubtful	370000		
Less : Provision for Doubtful Advances	(92500)	277 500	-
Advance Income Tax/TDS		63928	312447
Deposit with Government Authorities		283100	286100
Deposit with others		62150	147150
Prepaid Expenses		133997	134938
		3654766	5670109
	TOTAL	**32105989**	**67499868**
SCHEDULE - G : CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors		6095597	6224818
Outstanding Expenses		2503027	1312920
Interest accrued but not due		18	2620921
Other Liabilities		5028009	12240533
		13626651	**22399192**
PROVISIONS			
Provision for Taxation		-	-
Provision for Gratuity		1298626	1252839
	TOTAL	**14925277**	**23652031**
SCHEDULE-H : MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		62551	90340
Debenture Issue Expenses-I		36885	66397
Debenture Issue Expenses-II		361500	418000
Preoperative Expenses (Silvasa)		814554	814554
Up Front Fees - IDBI		990119	1527934
	TOTAL	**2265609**	**2917225**

		As on 31.03.2004 AMOUNT (Rs.)	As on 31.03.2003 AMOUNT (Rs.)
SCHEDULE - I : SALES & OTHER INCOME			
Yarn Sales		120544248	212330773
Job Work Income		5114370	7605171
Claims & Discount received		115823	160157
Interest received		-	5339
Misc. Sales		403071	382652
Dividend Income		4750	3800
Profit on Sale of Shares		52538	-
	TOTAL	**126234800**	**220487892**
SCHEDULE - J : INCREASE/(DECREASE) IN STOCKS			
Opening Stock :			
- Finished Goods		13373525	20257644
- Work in process		15697816	15109162
		29071341	35366806
Less: Closing Stock :			
- Finished Goods		6736816	13373525
- Work in process		4669441	15697816
		11406257	29071341
Increase/(Decrease) in stocks		**(17665084)**	**(6295465)**
SCHEDULE - K : MANUFACTURING EXPENSES			
Consumption of Antistatic Oil		1520024	3552377
Consumption of Stores & Spares		1559211	2701159
Consumption of Paper Tubes & Cones		1683408	3268769
Power & Fuel		13393245	21132964
Consumption of Dyes and Chemicals		6287741	8434416
Packing Material		2180870	3335767
Repairs & Maintenance - Plant & Machinery & Others		693495	993400
D.G. Set Hire Charges		89425	1713937
Insurance Premium		409016	559772
Employee Welfare-Expenses		245244	149035
Job Work Expenses		1197532	1525518
Water Charges		532458	1074833
Lease Rent		540000	1920000
Material Handling/Shifting		502497	512525
Entry Tax		310638	954656
	TOTAL	**31144804**	**51829128**
SCHEDULE - L: ADMINISTRATIVE AND OTHER EXPENSES			
Printing and Stationery Expenses		147705	127580
Travelling & Conveyance		525706	671080
Professional & Legal Fee		315916	199232
Auditors Remuneration		54000	52500
Misc. Expenses		426172	558576
Rent, Rates & Taxes		120611	187375
Telephone and Telex Expenses		383501	435543
Postage & Courier Expenses		157664	127045
Electricity and Water Charges		89841	104249
Directors Remuneration		180000	180000
Repairs and Maintenance (Vehicle)		9869	22480
	TOTAL	**2410985**	**2665660**
SCHEDULE-M : SELLING & DISTRIBUTION EXPENSES			
Provision for Doubtful Debts & Advances		2331135	-
Commission on Sales		148836	1347498
Transportation Charges		675671	4303602
Rebate and discount on Sales		335564	425905
Sales Tax		75537	2506917
Quantity Discount		-	409442
Sales Promotion Expenses		22650	-
	TOTAL	**3589393**	**8993364**
SCHEDULE-N : FINANCIAL EXPENSES			
Cash Discount		-	1995249
Interest on Secured Loans		5236134	15343853
Bank Commission and Charges		157843	469476
Interest to Others		141474	786852
Unrecovered Discount W/off		2927877	-
	TOTAL	**8463328**	**18595430**

SCHEDULE 'O': NOTES TO ACCOUNTS

1. **Accounting Conventions**

i. **Basis of Accounting :** The financial statements are prepared under the historical cost convention on accrual basis and are generally' accordance with the requirements of the Companies Act, 1956. The accounting policies not specially 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 acquisition, fabrication or construction is inclusive of freight, duties and other incidental expenses during construction period but excludes the modvat available on the capital goods.

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

vi. **Excise Duty :** The refunds of excise in the form of Modvat credit available on inputs of materials as per Excise Law 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 amortised in equal installments in 10 years.*

b) Up front fee paid to IDBI towards reduction in rate of interest is being, amortized over the period which the interest rate has been reduced.

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

x. **Retirement Benefits :** Regular contributions are made to provident funds. Liability in respect of gratuity is calculated by management 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 accordance 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. The company has not provided interest amounting to Rs.113.49 lacs during the year on secured loan of IDBI comprising of term loan and non-convertible debentures. **The loss during the year and secured loans are understated to that extent.** In view of continuous losses, the company has approached to IDBI for one time settlement of its entire dues and waiver of interest. *The company's proposal is under active consideration in IDBI and the company is hopeful of getting waiver of interest.*

3. **Contingent Liability**

		AMOUNT (Rs. IN LACS)	
		31.03.2004	**31.03.2003**
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	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	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

4. **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.

5. **Due to SSI Units :** Sundry Creditors include amount due to small scale undertakings Rs.59708/- 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 : Marudhara Pack Products, Daman, Omega Paper Pack Private Limited, Silvassa, Spiro Pack Industries, Silvassa. The above information as provided by the Management, has been relied upon by the auditor.

6. Balances of Sundry Debtors, Creditors and Loans and Advances are subject to confirmation.

7. 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.

		31.03.2004	31.03.2003
8.	**Auditors Remuneration**	Rs.	Rs.
	i. Audit Fee	43,200	42,000
	ii. Tax Audit Fee	10,800	10,000
	iii. Out of Pocket Expenses	10,474	5,000
		64,474	**57,000**
9.	Remuneration paid to Directors		
	Remuneration	1.80,000	1,80,000
	Value of perquisites	1,02,697	47,000
		282,697	**2,27,000**

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

A.	Licensed capacity (No. of Spindles)*		
	Texturising Yarn	1,296	1,080
	Twisting Yarn	2,848	2,848
	Installed Capacity (No. of Spindles)*		
	Texturising Yarn	1,296	1,080
	Twisting Yarn	2,848	2,848

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

			2004		2003	
B.	**Production, Turnover and Stocks (Yarn)**	Unit	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
	Opening Stock	(In Kg.)	77104.706	13373525	124442.637	20257644
	Production	(In Kg.)	899372.438	-	1574450.726	-
	Sales	(In Kg.)	920484.299	120544248	1621788.657	212330773
	Closing Stock	(In Kg.)	55992.845	6736816	77104.706	13373525
C.	**Details of Work in Process**					
	Opening Stock	(In Kg.)	93330.533	1,56,97,816	126714.285	15,109,162
	Closing Stock	(In Kg.)	37362.778	4669441	93330.533	1,56,97,816
D.	**Raw Material Consumed**	(In Kg.)	871289.844	61818301	1543640.312	123640815

11.	**C.I.F Value of Imports**	Rs. 3.10 lacs	Rs. 3.34 lacs
12.	**F.O.B. value of exports**	Nil	Nil
13.	**Expenditure In foreign currency**	Nil	Nil

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

a) Relationship

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

ii. Enterprises owned or significantly influenced by key management personnel or their relatives where transactions have taken place:
Padmawati Textiles Limited
Shashwin Textiles Limited.

Note : Related party relationship is as identified by the company & 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 (1) above	Referred in a(ii) above
Sales		
Goods & Materials	-	839649
Expenses		
Job Charges Paid	-	1197532
Remuneration	180000	–
Income		
Job Charges Received	-	2342908
Finance		
Unsecured loan taken	2933000	–
Unsecured loan repaid	1533000	–
Outstanding		
Payable	-	560693
Receivable	–	2260445
Unsecured loans	15388808	–

		Rs.	Rs.
15.	**Earning Per Share (Accounting Standard - 20) :**		
	Profit/(Loss) after tax as per Profit & Loss A/c	(35618550)	(26167149)
	Weighted Average number of Equity Shares outstanding (Nos.)	35,60.700	35,60,700
	Basic and Diluted Earning per share	(10.00)	(7.35)
	Face value of shares	10.00	10.00

16. Figures of 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 PROFILES

1. Registration Details

Registration No.	4067	State Code	17
Balance Sheet Date	31.03.2004		

2. Capital raised during the year (Amount in Rupees thousands)

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

3. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands) :

Total Liabilities
1.73,071

Total Assets
1,73,071

Sources of Funds

Paid up Capital
35.698

Reserves & Surplus
13,952

Share Application Money
Nil

Deferred Tax Liability
NIL

Secured Loans
1,08,033

Unsecured Loans
15389

Application of Funds

Net Fixed Assets
87,033

Investments
13

Net Current Assets
17,181

Misc. Expenditure
2,266

Accumulated Losses
66,579

4. **Performance of Company (Amount In Rs. Thousands):**

Turnover & other income
1,26,235

Total Expenditure
1,61,853

Profit / (Loss) Before Taxes
(35619)

Profit / (Loss) After Taxes
(35619)

Earning per share (Rs.) (10.00)

Dividend Rate(%) Nil

5. **Generic names of principal products/services of the Company**

a.	Item code (ITC Code)	540232
	Product description	Synthetic Filament yarn Texturised
b.	Item code (ITC Code)	540252
	Product description	Synthetic Filament yarn Twisted

Signature to Schedule' A' to '0'

IN TERMS OF OUR REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD OF DIRECTORS

FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

NATHMALL HIRAWAT
CHAIRMAN

AMITABH HIRAWAT
MANAGING DIRECTOR

NARENDER MITTAL
PARTNER

Jaipur
August 12, 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

		YEAR ENDED 31.03.2004 Rs.	YEAR ENDED 31.03.2003 Rs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) Before Tax & Extraordinary items	(35618550)	(26167149)
	Add/(Deduct)		
	Depreciation	7834526	7753423
	Misc. Expenditure Written Off	651616	777332
	Prior Period Adjustments (Income Tax)	(32603)	-
	Interest Paid	5236134	15343853
	Interest received	(16349)	(5339)
	Profit on sale of investments	(52538)	-
	Operating Profit Before Working Capital Changes	(21997764)	(2297880)
	Add/(Deduct)		
	Inventories	21355477	4899096
	Sundry Debtors	9904534	7574990
	Loans & Advances	2015343	(1925629)
	Current Liabilities	(8726754)	9983007
	Cash Generated from Operations	2550836	18233584
	Interest Paid	(5236134)	(15343853)
	Net Cash from Operating Activities	(2685298)	2889731
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investment in Fixed Assets	(1873527)	(5140051)
	Net realisation from Investments	93838	-
	Interest Received	16349	5339
	Net Cash used in Investing Activities	(1763340)	(5134712)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Borrowings (Net)	117205	2599787
	Increase in Unsecured Loans	1400000	1638254
	Increase/(Decrease) in Working Capital Loans	812908	(3477301)
	Net Cash in the course of Financing Activities	2330113	760740
	Net Changes in Cash and Cash Equivalents (A+B+C)	(2118525)	(1484241)
	Cash and Cash Equivalents As at 1st April, 2003 (Opening Balance)	2468175	3952416
	Cash and Cash Equivalents As at 31st March, 2004 (Closing Balance)	349650	2468176

IN TERMS OF OUR REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD OF DIRECTORS

FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS
NARENDER MITTAL
PARTNER
Jaipur, August 12, 2004

NATHMALL HIRAWAT
CHAIRMAN

AMITABH HIRAWAT
MANAGING DIRECTOR

TEAR HERE

RISHAB SPECIAL YARNS LIMITED

JAIPUR

L. F. No.	
No. of Shares held	

ATTENDANCE CARD

We hereby record my/our presence at the Sixteenth Annual General Meeting of the Company held at 2070, Rasta Bara Gangore, Jaipur - 302 003 on Thursday, 30th September, 2004 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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Jaipur - 302 003.

TEAR HERE

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, 2004 and at any adjournment thereof.

Signed on the .... day of .... 2004.

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.