RISHAB
SPECIAL
YARNS
LIMITED
JAIPUR

17th Annual Report

2004-2005

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

AUDITORS
M/S R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

BANKERS
STATE BANK OF BIKANER & JAIPUR
PUNJAB NATIONAL BANK

REGISTERED OFFICE
2070, RASTA BARA GANGORE
JAIPUR-302 003

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 Seventeenth Annual General Meeting of the Company will be held on Thursday, the 15th December, 2005 at 12.00 Noon at the Registered Office of the Company at 2070, Rasta Bara Gangour, Johri Bazar, Jaipur-302 003 (Rajasthan) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt audited Balance Sheet as at 31st March 2005 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 Chandra Mohan Khandelwal, who retires by rotation and is eligible for reappointment.
3. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT pursuant to provisions of Section 198, 269, 309 read with the Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for the re-appointment of Mr. Amitabh Hirawat, Managing Director of the Company for a period of 5 years w.e.f. 1st February 2006 and on the terms and conditions as regard to remuneration and perquisites set out in the explanatory statement and with further discretion to the Board of Directors to alter from time to time the said terms in such manner as it may deem fit in the best interest of the Company with limitations in that behalf contained in Schedule XIII of the said Act."

5. To consider and if though ft to pass the following resolution with or without modification as an Ordinary Resolution :

   "RESOLVED THAT Shri Sushil Kumar Jalan, who was appointed as an additional Director and who holds such office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 108 of the Company's Articles of Association and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as an Independent Director of the Company, liable to retire by rotation."

Registered Office :
2070, Rasta Bara Gangour,
Johri Bazar,
Jaipur-302003
Dated : 01.10.2005

(DILIP KUMAR MORWAL)
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

   The instrument appointing a proxy and the power of attorney, if any, under which it is signed, should be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Annual General Meeting.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under Item No. 4 & 5 set out above is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will remain closed from 10th December, 2005 to 15th December, 2005 (both days inclusive).
4. All documents referred to in Notice are open for inspection at the Registered Office of the Company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date.

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 transfer 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 Park-Davis, 89, Andheri Kurla Road, Saki Naka, Andheri East, Mumbai, but due to the poor economical condition of the Company the formalities of dematerialisation are yet to be completed.
7. 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 :

1. Shri Amitabh Hirawat.(Born on 22.10.1956)

Education	:	B.Sc., M.A. (Eng. Lt.)
Experience	:	More than 20 years in Textile Industry
Other directorships	:	5
Committee membership	:	1

2. Shri Chandra Mohan Khandelwal (Born on 14.11.1956)

Education	:	B.Com., LL.B.
Experience	:	More than 20 years in business
Other directorships	:	1
Committee membership	:	3

3. Shri Sushil Kumar Jalan (Born on 24.08.1964)

Education	:	B.Com. (Hons.), F.C.A.
Experience	:	18 years as partising C.A.
Other directorships	:	Nil
Committee membership	:	2

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

Item No. 4 :

The tenure of Managing Director is ending on 31st January 2006. The Board has considered his services very useful and his re-appointment is being recommended by the Board of Directors for a further period of 5 years w.e.f. 1st February, 2006.

Board of Directors recommends reappointment on the following terms and conditions :

Salary and Perquisites : Mr. Amitabh Hirawat will work honorary and will not avail any salary but certain perquisites as felt necessary shall be provided.

None of the Director, other than Mr. Amitabh Hirawat is concerned or interested in the resolution.

The Board recommends adoption of the resolution as proposed.

Item No. 5 :

The Board of Directors at its meeting held on 29th September 2005 has appointed Shri Sushil Kumar Jalan as an additional director of the Company. In accordance with Section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company, he holds such office upto the date of the ensuring Annual General Meeting. The Company has received a notice in writing alongwith requisite deposit from a member pursuant to Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Shyam Sunder Agarwal for the office of Director.

The Board is of the view that knowledge and experience of Shri Sushil Kumar Jalan will be of immense benefit to the Company and, therefore, recommends the resolution for the approval of the members.

Mr. Shyam Sunder Agarwal will be an independent director for the purpose of Listing Agreement requirements.

Except Mr. Shyam Sunder Agarwal, none of the other Directors of the Company is in anyway concerned or interested in the said resolution.

The Board recommends adoption of the resolution as proposed.

DIRECTOR'S REPORT

To
The Members of
RISHAB SPECIAL YARNS LIMITED
JAIPUR

Your directors herewith in present the Seventeenth Annual Report together with Audited Statement of Accounts of the Company for the year ended on 31st March, 2005.

	Amount in rupees 2005	2004
FINANCIAL RESULTS		
Profit/(Loss) before depreciation misc. expenses w/off & taxes	(11301148)	(27132408)
Less : Depreciation	7842215	7834526
Less : Misc. Exp. W/off	526919	651616
Provision for Taxation	—	—
Profit/(Loss) after tax	(19670282)	(35618550)
Balance Brought forward from the last year	(66579183)	(30928030)
Balance Carried to Balance Sheet	(86249465)	(66579183)

PERFORMANCE

The Company's performance in the year 2004-2005 was not satisfactory The Company is incurring cash losses. As you are aware that the Company has become a Sick Industrial Company, during the year the Company was registered as a Sick Industrial Company with Board of Industrial and Financial Reconstruction (BIFR) under the provisions of SIC (SP) Act, 1985. So far the matter has not been taken up by BIFR.

The Sales dropped very steeply by around 58%. Main reasons for this has been the closure of Company's two main units i.e. unit I and Unit II which are situated at Abu Road.

FUTURE PROSPECTS

The Company has entered in to One Time Settlement Scheme (OTS) with Punjab National Bank for its dues. The one time settlement scheme with IDBI and SBBJ are under consideration and it is hoped that the same will be approved by them. The company shall review the future strategy once the settlement are approved.

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 during the year.

DEPOSITORY SYSTEM

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

DIRECTORS

Shri Chandra Mohan Khandelwal, Director of the Company retired by rotation pursuant to Section 256 of the Companies Act, 1956 and being eligible offers himself for reappointment.

Shri Sushil Kumar Jalan , B.Com. (Hons.), F.C.A. joined the company as an additional director on 29th September, 2005 and now the board wants to appoint him as a regular independent director of the company. Members are requested to give their consent for the matter.

Shri K. Chandrashekhar, Independent Director of the Company has resigns w.e.f. 30.09.2005. The Board express it's sincere thanks & appreciation for his service rendered by him during his tenure.

AUDITORS

M/s. R. Mohnot & Co., Chartered Accountants, Jaipur retire of 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.

ACKNOWLEDGEMENT

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

Jaipur **(Nathmal Hirawat)**

October 29, 2005 Chairman

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, 04, 16th June, 04, 31st July, 04, 12th August, 04 at 2:00 PM, 12th August, 04 at 5:00 PM, 30th October, 2004, 31st January, 2005. 17th February, 2005, 01st March, 2005, 15th March, 2005, 31st March, 2005. 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 and 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 Hirwat	Non Executive Chairman	11	Yes	2	3	—
Sh. Amitabh Hirawat	Managing Director	11	Yes	5	1	—
Smt. Padam Devi Hirawat	Non Executive Director	11	Yes	1	—	—
Sh. K. Chandrashekhar*	Non Executive Independent Director	3	Yes	2	1	1

Sh. Chandra Mohan Khandelwal	Non Executive Independent Director	11	Yes	1	1	2
Sh. Sushil Kumar Jalan**	Non Executive Independent Director	N.A.	N.A.	N.A.	N.A.	N.A.

* Resigned on 30th September, 2005.
** Appointed on 29th September, 2005

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. LLB	7
Sh. K. Chandrashekhar*	Independent, Non Executive Member of the Committee	BSC MBA	7
Sh. Nathmall Hirawal	Non Executive Member of the Committee	9th	7
Sh. Sushil Kumar Jalan**	Non Executive Member of the Committee	B.Com. (Hons.) F.C.A.	N.A.

* Resigned on 30th September, 2005.
** Appointed on 29th September, 2005.

During the year under review, the audit committee met 7 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 of the company held on 30.9.2004.

Remuneration Committee

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

*Resigned on 30th Sept., 2005.
** Appointed on 29th Sept., 2005.

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 :

	Rs.
—Salary	180000
—Contribution to EP&FPF	21600
—Perquisites*	96757 (as per Income Tax Act)
Total	298357

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 pertaining to 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 21 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 31.03.2005.

During the year 10 meetings of share transfer committee/investor's grievance committee were held and 18200 shares of 23 share holders were transferred.

Compliance Officer

Mr. Dilip Kumar Morwal
Company Secretary,
Rishab Special Yarns Limited
2070, Rasta Bara Gangore, Jaipur

Shri Vijay Yadav, Finance Executive was the compliance officer upto 28th February, 2005. As Shri Vijay Yadav resigned on 28th Feb., 2005, w.e.f. 1st March, 2005, Shri Dilip Kumar Morwal, Company Secretary has been appointed as Compliance Officer of the Company.

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

AGM/EOGM	Date	Time	Venue	No. of Special
14th AGM	28.09.2002	12 Noon	2070, Rasta Bara Gangore, Jaipur-302 003	—
EOGM	27.11.2003	12 Noon	2070, Rasta Bara Gangore, Jaipur-302 003	—
15th AGM	30.09.2003	12 Noon	2070, Rasta Bara Gangore, Jaipur-302 003	1
16th AGM	30.09.2004	12 Noon	2070, Rasta Bara Gangore, Jaipur-302 003	—
EOGM	29.11.2004	12 Noon	2070, Rasta Bara Gangore, Jaipur-302 003	—

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 'O' at point 14 on "Related Part, 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 structures 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 :

17th Annual General Meeting :

Date & Time	:	15th December, 2005 at 12.00 Noon
Venue	:	2070, Rasta Bara Gangore, Jaipur-302003.
Financial Calendar for the year 2005-06		
Financial Year	:	1st April 2005 to 31st March, 2006.
First Quarter Results	:	Fourth Week of July, 2005
Second Quarter/Half yearly Results	:	Fourth Week of October, 2005
Third Quarter Results	:	Fourth Week of January, 2006
Fourth quarter/Yearly results (unaudited)	:	Fourth Week of May, 2006

Dates of Book Closure : 10th December, 2005 to 15th December, 2005 (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 2005-06.

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 of receiving the transfer application.

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 decided to close Unit-III situated at Gala No. 35-38, Mauji Khoni, Taluka Bhiwandi, Thane, because of high power cost and high transportation and some technical problems.

Address for Correspondence :

Rishab Special Yarns Limited
2070, Rasta Bara Gangore, Jaipur

Distribution of Shareholding as at 31st March, 2005.

Shareholding No.		No. of Shareholders		Shares Held	
From	**To**	**Number**	**% of Total**	**No. of Shares**	**% of Shares**
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 2004-2005.

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 31st March, 2005 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 on 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, 2005.

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 : 29.10.2005

ANNEXURE-III

S.No.	Observations of Auditors		Board's Reply
1.	The company has not provided interest amounting to Rs. 253.08 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 updating 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 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 2005 a sum of Rs. 0.36 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.
4.	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. 826.90 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. 366.93 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 the active consideration of IDBI and SBBJ, PNB has agreed to settle their dues for Rs. 80.00 lacs.

(Nathmall Hirawat)
Chairman

ANNEXURE-IV

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

Polyester filament yarn is a derivative of petroleum following the route from petroleum to Neptha 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 a 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 the certain low value added qualities.

Weakness :

1. High cost of power at Abu 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 utilisation of capacity is very erratic and seasonal.

Opportunities :

Utilisation 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 utilise 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 finance 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 authorised, 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 fulfil 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	31.03.2005	30.03.2004
(a) Purchased Unit	247060	148116
Total Amount	1068120	819530
Average Rate/Unit (Rs.)	4.32	5.53
(b) Own Generation		
Through Diesel Generator Set (Units)	14968	2854053
Diesel Consumed (Ltrs.)	28769	578073
Unit/Ltrs. of Diesel	4.90	4.94

	Total Cost of Diesel/LDO & Others (Rs.)	596790	10180236
	Average Cost/Unit	4.23	3.57
2.	Coal : Quantity (Kg.)	62572	768575
	Cost (Rs.)	81803	1661593
	Average Rate (Rs. per Kg.)	1.31	2.16
B.	**CONSUMPTION PER UNIT (KILOGRAM(OF PRODUCTION**		
	Production (Kgs.)	451398	899372
	Electricity Units	4.05	4.03
	Diesel/Furnace Oil	3.35	3.31
	Coal (Kg.)	0.14	0.85
	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.

	31.03.2005 Rs.	**31.03.2004 Rs.**
ii. Earnings	Nil	Nil
iii. Outgo (Rs. in lacs) (CIF value of imports)	Nil	3.10

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, 2005, 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, an 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. 253.08 lacs during the year on secured loan of IDBI and Banks. The loss 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, 2005; 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
(Narender Mittal)
Partner
M.No. 72715

Jaipur
October 29, 2005

ANNEXURE TO THE AUDITOR'S REPORT

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

To the Members of
Rishab Special Yarns Limited
Jaipur

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 substantial point of 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 not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence the provisions relating to rate of interest and other terms and conditions, regularity of receipt of principal and interest, and overdues in excess of Rupee One Lakh, are not applicable.

b) The company has taken interest-free unsecured loans, repayable on demand from three parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 20473068/- and the year end balance of loans taken from such parties was Rs. 16230889/-. As the loans are interest free and repayable on demand, sub clause (f) and (g) 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 and services. 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 particulars of contracts or arrangements referred to in 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 deposits from the public. Hence the provisions of Section 58A, 58AA or any other relevant provisions of the

Companies Act, 1956, and the Rules framed there under are not applicable. In company's case, no order has been passed by the Company Law Board or National Company Law Tribunal or any court or any other tribunal. 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, 2005, a sum of Rs. 0.36 lac in respect of Income Tax (TDS) and Professional Tax, was in arrear for a period exceeding six months from the date they became payable.

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 immediately preceding financial year.

xi. The company has defaulted in repayment of dues to Industrial Development Bank of India and they have recalled their entire dues. 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 company has not provided any interest on these loans, it has approached to IDBI/Banks for one time settlement and waiver of interest.

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/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. During the year the company has not taken any further term loan.

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 sued for long-term investments.

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
(Narender Mittal)
Partner
M.No. 72715

Jaipur
October 29, 2005

BALANCE SHEET AS ON 31ST MARCH, 2005

	Schedule No.	As on 31.03.2005 Amount (Rs.)	As on 31.03.2004 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	108033684	108033397
b) Unsecured Loans		16230889	15388808
GRAND TOTAL		173913657	173071289
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	D	162751511	163210207
b) Less Depreciation		83795152	76296922
c) Net Block		78956359	86913285
d) Capital Work in Process		120000	120000
2. INVESTMENTS	E	7500	12500
3. CURRENT ASSETS, LOANS & ADVANCES	F		
a) Inventories		7570995	14110867
b) Sundry Debtors		6079487	13990706
c) Cash and Bank Balances		403366	349650
d) Loans and Advances		3220048	3654766
e) Inter Branch Balance		—	—
		17273896	32105989
4. LESS : CURRENT LIABILITIES & PROVISIONS	G	10432253	14925277
5. NET CURRENT ASSETS		6841643	17180712
6. MISC. EXPENDITURE	H	1738690	2265609
7. PROFIT & LOSS ACCOUNT		86249465	66579183
GRAND TOTAL		173913657	173071289
8. NOTES ON ACCOUNTS	O		

AS PER OUR REPORT OF EVEN DATE
FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

(NARENDER MITTAL)
PARTNER

FOR & ON BEHALF OF BOARD OF DIRECTORS

NATHMAL HIRAWAT CHAIRMAN

AMITABH HIRAWAT MANAGING DIRECTOR

DILIP KUMAR MORWAL COMPANY SECRETARY

Jaipur
October 29, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule No.	As on 31.03.2005 Amount (Rs.)	As on 31.03.2004 Amount (Rs.)
INCOME			
Sales & Other Income	I	56769127	126234800
Increase/(Decrease) in Stock	J	(4663687)	(17665084)
	TOTAL	52105440	108569716
EXPENDITURE			
Raw Material Consumption		38336268	61818301
Excise Duty		1623070	22782520
employee Remuneration and Benefits		2581192	5492793
Manufacturing Expenses	K	14535793	31144804
Administrative and Other Expenses	L	1644920	2410985
Selling and Distribution Expenses	M	4201346	3589393
Financial Expenses	N	91591	8463328
Miscellaneous Expenditure Written off		526919	651616
Depreciation		7842215	7834526
Loss on Sales of Fixed Assets		392408	—
	TOTAL	71775722	144188266
Profit/(Loss) for the year before tax		(19670282)	(35618550)
Profit/(Loss) after Tax		(19670282)	(35618550)
Income Tax of earlier year		—	(32603)
Balance brought forward from last year		(66579183)	(30928030)
Balance Carried to Balance Sheet		(86249465)	(66579183)
NOTES ON ACCOUNTS			

AS PER OUR REPORT OF EVEN DATE
FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

(NARENDER MITTAL)
PARTNER

FOR & ON BEHALF OF BOARD OF DIRECTORS

NATHMAL HIRAWAT — CHAIRMAN

AMITABH HIRAWAT — MANAGING DIRECTOR

DILIP KUMAR MORWAL — COMPANY SECRETARY

Jaipur
October 29, 2005

	As on 31.03.2005 Amount (Rs.)	As on 31.03.2004 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	11630000
Deferred Payment Loan from RIICO	—	449
2. Debentures		
Non Convertible Debentures placed with IDBI	43800000	43800000
3. Deferred Interest Loan of IDBI	13183076	13183076
4. Interest Accrued & Due	2727667	2727667
5. Working Capital Loans		
From State Bank of Bikaner & Jaipur	17871838	17924088
From Punjab National Bank	18821102	18768117
TOTAL	108033684	108033397

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. Working Capital Loans from banks aré 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 01.04.04	Additions during the Year	Deductions/ Transfer during the Yr.	Total As at 31.03.05	As at 01.04.04	During the Year	Written Back/ Transfer	Total As at 31.03.05	As at 31.03.05	As at 31.03.04
1.	Lease Hold Land	2870729	—	—	2870729	—	—	—	—	2870729	2870729
2.	Land (Silvassa)	4281347	—	—	4281347	—	—	—	—	4281347	4281347
3.	Land Residential	562443	—	562443	—	—	—	—	—	—	562443
4.	Building	18406882	—	—	18406882	5224173	614790	—	5838963	12567919	13182709
5.	Plant & Machinery	120030177	1014640	—	121044817	62482635	6338033	—	68820668	52224149	57547542
6.	Electrical Installation	4741228	—	—	4741228	2391876	250337	—	2642213	2099015	2349352
7.	D.G. Sets	3399026	—	—	3399026	1555591	179469	—	1735060	1663966	1843435
8.	Weighing Scale	187605	—	—	187605	84129	8912	—	93041	94564	103476
9.	Lab Equipments	140943	—	—	140943	95499	6695	—	102194	38749	45444
10.	Fire Fighting Equipments	25397	—	—	25397	13669	1206	—	14875	10522	11728
11.	Furniture & Fixtures	553613	—	—	553613	340721	35044	—	375765	177848	212892
12.	Office Equipments	586519	—	—	586519	237602	27860	—	265462	321057	348917
13.	Vehicles	636650	—	205000	431650	480130	48623	134017	394736	36914	156520
14.	Boiler	4263829	—	—	4263829	2042521	225130	—	2267651	1996178	2221308
15.	Misc. Fixed Assets	1579670	—	705893	873777	451434	58909	209968	300375	573402	1128236
16.	Computers	944149	—	—	944149	896942	47207	—	944149	—	47207
	Total	163210207	1014640	1473336	162751511	76296922	7842215	343985	83795152	78956359	86913285
	Previous Year	161336680	1873527	—	163210207	68462396	7834526	—	76296922	86913285	—
17.	Capital WIP									120000	120000

	As on 31.03.2005 Amount (Rs.)		As on 31.03.2004 Amount (Rs.)
SCHEDULE-E : INVESTMENTS			
Long Term (Non-Trade)			
National Saving Certificates	7500		12500
(Pledged with sales tax authorities)			
TOTAL	7500		12500
SCHEDULE-F : CURRENT ASSETS, LOANS & ADVANCES			
a) INVENTORIES			
(As taken, valued and certified by the management)			
Raw Material	—		231638
Finished Goods	3735061		6736816
Work in Process	3007509		4669441
Stores & Consumables	828425		2472972
	7570995		14110867
b) SUNDRY DEBTORS			
Considered good			
–Outstanding over six months	—		812000
–Others	1175822		6462802
Considered Doubtful (outstanding six months)	9807331		8954539
Less : Provision for Doubtful Debts	(4903666)		(2238635)
TOTAL	6079487		13990706
c) CASH & BANK BALANCES			
Cash in hand	304332		902597
Balance with Scheduled Banks in :			
–Current Accounts	99034		(552947)
	403366		349650
2. LOANS AND ADVANCES			
(Recoverable in cash or in kind or for value to be received)			
Advances	2672788		—
–Considered Good	—		2834091
–Considered Doubtful	—	370000	—
Less : Provision for Doubtful Advances	—	(92500)	277500
Advance Income Tax/TDS	99812		63928
Deposit with Government Authorities	288100		283100
Deposit with others	72150		62150
Prepaid Expenses	87198		133997
	3220048		3654766
TOTAL	17273896		32105989
SCHEDULE-G : CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors	6722453		6095597
Outstanding Expenses	1607849		2503027
Interest accrued but not due	—		18
Other Liabilities	1258318		5028009
	9588620		13626651
PROVISIONS			
Provisions for Gratuity	843633		1298626
TOTAL	10432253		14925277

		As on 31.03.2005 Amount (Rs.)	As on 31.03.2004 Amount (Rs.)
SCHEDULE-H : MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		34762	62551
Debenture Issue Expenses-I		7373	36885
Debenture Issue Expenses-II		305000	361500
Preoperative Expenses (Silvassa)		814554	814554
Up Front Fees-IDBI		577001	990119
	TOTAL	1738690	2265609
SCHEDULE-I : SALES & OTHER INCOME			
Yarn Sales		51123078	120544248
Job Work Income		3924108	5114370
Claims & Discount received		111275	115823
Misc. Sales		22091	403071
Misc. Income		1585725	—
Dividend Income		2850	4750
Profit on Sale of Shares		—	52538
	TOTAL	56769127	126234800
SCHEDULE-J : INCREASE/(DECREASE) IN STOCKS			
Opening Stock			
Finished Goods		6736816	13373525
Work in Process		4669441	15697816
		11406257	29071341
Less : **Closing Stock**			
Finished Goods		3735061	6736816
Work in Process		3007509	4669441
		6742570	11406257
Increase/(Decrease) in Stocks		(4663687)	(17665084)

SCHEDULE 'O' : NOTE 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 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 acquisition, fabrication or construction is inclusive of freight, duties and other 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 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 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 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 for 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 recognised 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 certainly that these would be realised in future.

2. The company has not provided overdue interest amounting to Rs. 253.08 Lacs (Previous Year Rs. 113.49 Lacs) on secured loans of IDBI and Banks. **The loss and secured loans are understated to that extent.** In view of continuous losses, the company has approached to IDBI/Banks for one time settlement of its entire dues and waiver of interest. The company's proposal is under active consideration in IDBI/Banks and the company is hopeful of getting waiver of interest.

3. **Contingent Liability** **Amount (Rs. in Lacs)**

		31.03.2005	31.03.2004
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. 10714/- 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 : 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.

	2005 Rs.	2004 Rs.
8. **Auditors Remuneration**		
i. Audit fee	10,000	43,200
ii. Tax Audit Fee	6,530	10,800
iii. Out of Pocket Expenses	8,376	10,474
	24,906	**64,474**
9. **Remuneration paid to Directors**		
Remuneration	1,80,000	1,80,000
Value of perquisites	1,18,357	1,02,697
	2,98,357	2,82,697

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

	2005	2004
A. Licensed capacity (No. of Spindles)*		
Texturising Yarn	1,296	1,296
Twisting Yarn	2,848	2,848
Installed Capacity (No. of Spindles)*		
Texturising Yarn	1,296	1,296
Twisting Yarn	2,848	2,848

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

	Unit	2005 Qty. Rs.	2005 Amount	2004 Qty. Rs.	2004 Amount
B. **Production, Turnover and Stocks (Yarn)**					
Opening Stock	(in Kg.)	55992.845	6736816	77104.706	13373525
Production	(In Kg.)	451398.394	—	899372.438	—
Sales	(In Kg.)	474248.567	51123078	920484.299	120544248
Closing Stock	(In Kg.)	33142.672	3735061	55992.845	6736816
C. **Details of Work in Process**					
Opening Stock	(In Kg.)	37362.778	4669441	93330.533	15697816
Closing Stock	(In Kg.)	30914.996	3007509	37362.778	4669441
D. **Raw Material Consumed**	(in Kg.)	448646.160	38336268	871289.844	61818301
11. C.I.F. Value of Imports			Nil		Rs. 3.10 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 & their related
        Mr. Amitabh Hirawat (Managing Director)
        Mr. Nathmal Hirawat, Chairman
        Smt. Padam Devi Hirawat

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

        Padamawati 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(i) above	Referred in a(ii) above
Sales		
Goods & Materials	—	—
Expenses		
Job Charges Paid		453727
Remuneration & perquisites	298357	—
Income		
Job Charges Received	—	235360
Finance		
Unsecured loan taken	15181000	—
Unsecured loan repaid	5288919	—
Outstanding		
Payable	—	—
Receivable	—	3824536
Unsecured loans	16230889	—

15. **Earning Per Share (Accounting Standard-20)**	**31.03.2005 Rs.**	**31.03.2004 Rs.**
Profit/(Loss) after tax as per Profit & Loss A/c	(19670282)	(35618550)
Weighted Average number of Equity Shares outstanding (Nos.)	3560700	3560700
Basic and Diluted Earning per share	(5.52)	(10.00)
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	31.03.2005		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	Total Assets
1,73,914	1,73,914
Sources of Funds	
Paid up Capital	Reserves & Surplus
35,698	13,951
Share Application Money	Deferred Tax Liability
Nil	Nil
Secured Loans	Unsecured Loans
1,08,034	16,231
Application of Funds	
Net Fixed Assets	Investments
79,076	8

Net Current Assets	Misc. Expenditure
6,842	1,739
Accumulated Losses	
86,249	

4. Performance of Company (Amount in Rs. Thousands) :

Turnover & other income	Total Expenditure
56,769	76,532
Profit/(Loss) Before Taxes	Profit/(Loss) After Taxes
(19670)	(19670)
Earning per share (Rs.) (5.52)	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 'O'

IN TERMS OUR REPORT OF EVEN DATE
FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

(NARENDER MITTAL)
PARTNER

FOR & ON BEHALF OF BOARD OF DIRECTORS

NATHMAL HIRAWAT CHAIRMAN

AMITABH HIRAWAT MANAGING DIRECTOR

DILIP KUMAR MORWAL COMPANY SECRETARY

Jaipur
October 29, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

		Year Ended 31.03.2005 Amount(Rs.)	Year Ended 31.03.2004 Amount (Rs.)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) Before tax & Extraordinary items	(19670282)	(35618550)
	Add/(Deduct)		
	Depreciation	7842215	7834526
	Misc. Expenditure Written Off	526919	651616
	Prior Period Adjustments (Income tax)	0	(32603)
	Interest Paid	48981	5236134
	Interest received	0	(16349)
	Capital Gain on sale of Fixed Assets	(356531)	0
	Profit on sale of investments	0	(52538)
	Loss on sale of Fixed Assets	392408	—
	Opening Profit Before working Capital Changes	(11216290)	(21997764)
	Add/(Deduct)		
	Inventories	6539872	21355477
	Sundry Debtors	7911219	9904534
	Loans & Advances	434718	2015343
	Current Liabilities	(4493024)	(8726754)
	Cash Generated from Operations	(823505)	2550836
	Interest Paid	(48981)	(5236134)
	Net Cash from Operating Activities	(872486)	(2685298)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investment in Fixed Assets	(1014640)	(1873527)
	Net realisation from Investments	5000	93838
	Net realisation from Fixed Assets	1093474	—
	Interest Received	0	16349
	Net Cash used in Investing Activities	83834	(1763340)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Borrowings (Net)	(449)	117205
	Increase in Unsecured Loans	842081	1400000
	Increase/(Decrease) in Working Capital Loans	736	812908
	Net Cash in the course of Financing Activities	842368	2330113
	Net Changes in Cash and Cash Equivalents (A+B+C)	53716	(2118525)
	Cash and Cash Equivalents As at 1st April, 2004 (Opening Balance)	349650	2468175
	Cash and Cash Equivalents as at 31st March, 2005 (Closing Balance)	403366	349650

IN TERMS OUR REPORT OF EVEN DATE
FOR R. MOHNOT & CO.
CHARTERED ACCOUNTANTS

(NARENDER MITTAL)
PARTNER
Jaipur, October 29, 2005

FOR & ON BEHALF OF BOARD OF DIRECTORS
NATHMAL HIRAWAT CHAIRMAN

AMITABH HIRAWAT MANAGING DIRECTOR

DILIP KUMAR MORWAL COMPANY SECRETARY

TEAR HERE

RISHAB SPECIAL YARNS LIMITED
JAIPUR

L.F. No.
No. of Shares held

ATTENDANCE CARD

We hereby record my/our presence at the seventeenth Annual General Meeting of the Company held at 2070, Rasta Bara Gangore, Jaipur-302 003 on Thursday, 15th December, 2005 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, theproxy mustbe 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 referenceat 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 15th day of December, 2005 and at any adjournment thereof.

Signed on the .... day of .... 2005.

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.