



Annual Report
2012-2013

Vanasthali Textile Industries Limited



VANASTHALI TEXTILE INDUSTRIES LIMITED

BOARD OF DIRECTORS

Mr. Nikhil Poddar
Mr. David Soans
Mr. Panna Lal Goswami

AUDITORS

JAIN RAJ ASSOCIATES
Chartered Accountants

BANKERS

Allahabad Bank
Oriental Bank of Commerce
State Bank of Bikaner & Jaipur
IDBI Bank Limited
Federal Bank
Syndicate Bank

REGISTERED OFFICE

F-3-5 RIICO Industrial Complex,
Vigyan Nagar, Shahjahanpur
Distt - Alwar, Rajasthan

**REGISTRAR AND
TRANSFER AGENT**

BEETAL FINANACIAL & COMPUTER SERVICES (P) LTD.
BEETAL HOUSE, 3rd FLOOR,
99, Madangir, Behind Local Shopping Centre,
Near Dada Harsukh Dass Mandir,
New Delhi - 110062

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VANASTHALI TEXTILE INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of the Company will be held on Saturday, the 28th September, 2013 at 11:00 A.M. at F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt. Alwar, Rajasthan, to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March, 2013 and the profit and loss account for the year ended on that date together with the report of Auditor and of the Board of Directors thereon
2. To appoint a director in place of Mr. David Soans, who retires by rotation, and being eligible offers himself for re-appointment.
3. To consider and re-appoint statutory auditors of the Company and to fix their remuneration and in this connection to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"**RESOLVED THAT** pursuant to the provisions of Section 224(1) of the Companies Act, 1956 M/s. Jain Raj & Associates, Chartered Accountants, (Registration No 007535N) be and is hereby, reappointed as the auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company at a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, out of pocket, and traveling expenses.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

"**RESOLVED THAT** in pursuance of section 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions if any of the Company act, 1956 (Including any modifications, amendments, re-enactments thereon, from time to time) and the enabling provisions of articles of Association of the company, subject to the approval and such conditions/modifications as may be imposed by the authorities in granting such approval. By Central Govt./Company Law Board, if any. As may be required, Mr. Nikhil Poddar be and is hereby appointed as Managing Director of the Company for a period of 3 years w.e.f 01/08/2012 retrospectively without any remuneration, subject to retirement by rotation under applicable provisions of companies act, 1956.

"**RESOLVED FURTHER THAT** be and is hereby authorised to do all such acts and deeds to give effect to the resolution and right to vary/amend the terms of the appointment (Subject to section 268 of the Companies act, 1956) whenever it deems fit"

5. **To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

"**RESOLVED THAT** Mr. Pannalal Goswami, who has been appointed as an director of the company under section 260 of the companies act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the companies act, 1956, from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by Rotation."

By order of the Board
For **Vanasthali Textile Industries Limited**

Sd/-
(Amit Gupta)
Company Secretary

Date : 14/08/2013
Place : Shahjahanpur, Alwar, Rajasthan

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. Members/proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
4. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
5. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.
6. The Register of Members and Share Transfer Books will remain closed from 23rd September, 2013 to 28th September, 2013 (both days inclusive).
7. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
8. The members are requested to bring their copy of the annual Report to the meeting and the Attendance Slip duly filled-in and signed as per the specimen signature recorded with the Company/Depository Participant for attending the meeting.
9. Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agents, Beetal Financial & Computer Services (P) Limited, Beetal House, 3rd Floor, 99, Madangir, Behind Local Shopping Center, Near Dada Mansukh Das Mandir, New Delhi-110062.
10. Members holding shares in physical form are requested to notify immediately any change in their address and bank particulars to the Company or its Share Transfer Agents. In case the shares are held in dematerialized form, this information should be furnished directly, without any delay, to their respective Depository Participants.
11. Members, who hold shares in dematerialized Form, are requested to write their Client ID and DP ID Nos. and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
12. Vanasthali is concerned about the environment and utilizes natural resources in a sustainable way. We request you to update your email address with your depository participant to enable us to send you the quarterly reports via email.
13. The statement regarding General Information shall form part of the Notice.

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

Item No. 4

The Members of the Company at their Meeting held on 30th July, 2009, appointed Mr. Nikhil Poddar as Director of the Company and the Board of Directors at their Meeting held on 30th July, 2009, appointed Mr. Nikhil Poddar as Managing Director of the Company w.e.f. July 30, 2009, for a period of three (3) years at nil remuneration subject to the approval of Members and Central Government.

But Due to some circumstances the approval from Central Government could not be applied as the company witnessed financial setbacks and so his term is extended for further 3 years w.e.f. 01/08/2012 subject to Central Government approval.

Mr. Nikhil Poddar, a US based NRI, was born in Delhi. He did his schooling from Delhi and then shifted to US from where he completed his Computer Engineering. He started his own business in USA in the year 1990, by the name and style of NIKI International INC., (NIKI) an importers and wholesalers of Home Textiles in USA. He is also the promoter of M/s. Millennium Holdings Ltd., a Mauritius based Company.

Mr. Nikhil Poddar is not disqualified from being appointed as Managing Director under Section 274(1)(g) of the Companies Act, 1956.

It is proposed to seek Members' approval for the appointment of Mr. Nikhil Poddar as Managing Director in terms of applicable provisions of Companies Act, 1956. The Board recommends the resolution as set out in item no. 4 for your approval by way of passing Special Resolution.

Except Mr. Nikhil Poddar, no director of the company is, in any way, concerned or interested in this resolution.

Item No. 5

The Board of Directors of the Company at their Meeting held on 14th August 2013 appointed Mr. PANNALAL GOSWAMI as Director of the Company effective from 14th August 2013 without any remuneration.

Mr. Pannalal Goswami has completed his matriculation only but his experience which is vast in nature ranging from construction, textiles etc for over 40 years. has got requisite knowledge, experience and skills required to ensure the Company's success and improvement of its competitive position and limiting the Company's liabilities and protecting the interest of its stakeholders including shareholders, employees.

Mr. Pannalal Goswami is not disqualified from being appointed as Director of the Company under Section 274(1)(g) of the Companies Act, 1956.

It is proposed to seek Members' approval for the appointment of Mr. Pannalal Goswami as Director in terms of applicable provisions of Companies Act, 1956. The Board recommends the resolution as set out in item no. 5 for your approval by way of passing Special Resolution.

By order of the Board
For **Vanasthali Textile Industries Limited**

Sd/-
(Amit Gupta)
Company Secretary

Date: 14/08/2013

Place: Shahjahanpur, Alwar, Rajasthan

DIRECTORS REPORT

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report along with the Audited statement of Accounts for the financial year ended 31st March, 2013.

1. FINANCIAL RESULTS

Your Company's financial performance during the financial year 2012-2013 is summarized below :-

(Rs. In Lacs)

Particulars	For the year ended 31.03.13	For the year ended 31.03.12
Sales (Gross)	1240.35	1469.26
Profit/(loss) before depreciation, Interest & Tax (PBIT)	(242.51)	223.17
Less: Interest	1332.35	764.85
Depreciation	531.72	563.33
Profit/(Loss) before Tax (PBT) from Ordinary Activities	(2106.58)	(1551.35)
Extraordinary Income	-	1336.30
Net Profit/(Loss) before Tax (PBT)	(2106.58)	(2887.66)
Provision for Tax :		
Current-	-	-
Previous Year-	-	-
Deferred-		
Profit/(Loss) after Tax	(2106.58)	(2887.66)
Add: Profit for the earlier years	-	-
Profit/(Loss) available for appropriations	(2106.58)	(2887.66)
Less: Prior Period Expenses	(2106.58)	(2887.66)
Less: Depreciation for Prior Period	-	-
Proposed Dividend	-	-
Add: Transfer from General Reserve	-	-
Balance carried to Balance Sheet	(2106.58)	(2887.66)

2. REVIEW OF OPERATIONS

The year under review (i.e 2012-2013) has not been good like some past years solely due to financial constraints which your company is facing acutely and trying hard to overcome the situation also adding to problems is fluctuation of yarn and cotton prices and as a result highly volatile International Markets due to which profit margins and operating income of the Company continuously suffered a set back. The Management along with M/s. Niki International Inc. strived hard to resolve all the pending issues relating to funding but markets did not improve in last whole year. But in spite of all this facts, the losses of the company decreased to some extent, that can be considered in a positive way.

As of result of above, the Company could not get better realization of its products resulting in a net loss of Rs.2106.58 Lacs as compared to 2887.66 lacs in the previous year though company has made some advancement as compared to last year but due to, falling demand and prices in the international market, global meltdown, and increase in the price of yarn (the Company's major raw material). The turnover of the Company during the year stands at 1240.35 lacs as compared to 1469.26 lacs in the previous year which is decreased by 15.58% approximately.

3. DIVIDEND

Your directors are unable to recommend any dividend for the year ended 31st March, 2013.

4. FUTURE PROSPECTS

The long-term outlook for terry towel market has always been encouraging but the financial pressure and other constraints never allowed company to capitalize it. The Company continued its emphasis on retaining its customers, realizing from debtors, including Product and market development. Its no doubt that your company's product quality is well established and accepted in the international market despite all these hurdles.

The Management is making all the efforts to eliminate liquidity crunch and sustain the production focusing and in talks with financial institutions so that this situation can be successfully sailed through.

5. SUBSIDIARY OF THE COMPANY

The Company has one wholly owned subsidiary Company called V D R Leasing and Credit Company Private Limited. In compliance with the applicable provisions with the Companies Act, 1956, and Listing Agreement Directors' Report, Auditors' Report etc of our subsidiary company along with Consolidated Audited Statements of Accounts is attached with the balance sheet of a holding Company.

6. CONSOLIDATED AUDITED ACCOUNTS

We believe that the Consolidated Audited Statements of Accounts present a more comprehensive picture rather than the standalone Audited Accounts. The Consolidated loss after tax of the Company and its Subsidiary is Rs. 2106.61 Lakhs during the year.

7. INDUSTRIAL RELATIONS

Cordial and harmonious industrial relations prevailed throughout the year.

8. INSURANCE

The properties and insurable interest of the company, like building, plant & machinery, stocks, etc. are properly insured.

9. CORPORATE GOVERNANCE

The Company is strongly committed towards its philosophy of good Corporate Governance. The endeavor of your Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity transparency and overall accountability. A separate Section on Management Discussion & Analysis and Corporate Governance along with certificate on its Compliance from Company Secretary in Practice is enclosed with this Annual Report.

10. GREEN INITIATIVE

As pursuant to the circular no. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India, we are adopting the green initiative option as being the responsible organization we are committed to reduce harmful impact of using more paper on the environment. Towards this end our management has taken the decision that our printed copy of the Annual Report to shareholders would not contain Balance Sheet, Profit & Loss Account of V D R Leasing and Credit Private Limited.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information 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, relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed to this report.

12. PARTICULARS OF EMPLOYEES

There is no employee whose particulars are required to be furnished in the Sec. 217(2A) of the Companies Act, 1956 and rules made there under.

13. DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) OF COMPANIES ACT, 1956

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts for the financial year ended 31st March 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the loss for the year under review;
- (iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the directors have prepared the accounts for the financial year ended 31st March 2013 on a going concern basis.

14. DIRECTORS

During the Year under review, the board of Directors appointed at their meeting, Mr. Nikhil Poddar on 14/08/2013 w.e.f 01/08/2012 as Managing Director of the company, Subject to approval in ensuing AGM and by Central Government, Mr. Pannalal Goswami as Director w.e.f 14/08/2013. Mr. B.R. Mahi nomination was withdrawn by IDBI bank w.e.f 28/05/2012, Mr. S.C. Arya Resigned from the Directorship from 20/04/2013 Mr. Rajesh Swarup's Nomination has been withdrawn by IDBI w.e.f 14/08/2013.

Mr. David Soans, who retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment. The Board places on records its sincere appreciation for the valuable contributions rendered by Mr. B.R. Mahi, Mr. S.C. Arya, and Mr. Rajesh Swarup during their association with the Company.

In Terms of section 260 of the Companies Act, 1956 Mr. Pannalal Goswami shall hold office only upto the date of the ensuing Annual general Meeting. The company has received a notice in writing along with requisite deposit, from a member proposing his candidature for the office of Director liable to retire by rotation.

15. AUDITORS

M/s Jain Raj & Associates, Chartered Accountant, appointed in AGM held on 29-09-2012, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

16. AUDITORS' REPORT

The Auditors' Report is enclosed with the Accounts for the year ended March 31, 2013. There is no adverse qualification(s), and remarks in the audit report except some observations as subject to

- 1) Short contribution of Gratuity and non provision of leave encashment.
- 2) Non Confirmation of some balances and recoverable advances & loan facility with suppliers, creditors, customers and Banks respectively.
- 3) Reference to BIFR, accounts being prepared on Going concern basis and no adjustments are required to the carrying amount of fixed assets on account of impairment as required by AS-28, Auditor express its inability to express their opinion on these matters.
- 4) Default of interest on term loan, TUF Subsidy has not been provided, The accumulated balance is Rs. 316.44 lacs is shown as recoverable under the loans and advances.

The Auditors' Report being self explanatory does not require further comment thereon.

16A- COST AUDITOR REPORT

As per the Section 233B of the Companies act, 1956 and Circular issued by the Ministry of corporate affairs, cost audit branch in the month of June, 2011 and subsequent revisions such as in month of November 2011 and further cost audit is applicable on your company and the cost audit was conducted by Niraj Kumar Vishwakarma & Associates, cost accountants, there is no Adverse qualification(s) in the audit report, the auditor's report being self explanatory does not require any further comment.

17. Clarification on Auditor`s Qualifications.

Your Directors being committed to the principles of Corporate Governance are very much concerned about the auditor`s report and the justifications about the auditor`s findings is as Follows.

1. As you are well aware that your company is facing acute financial crisis and struggling hard to cope up with the demanding situation the statutory obligations also feel the heat of same and sometimes, we despite our best efforts fail to make payments on time, though we acknowledge these are financial obligations and will be regularized as soon as possible.
2. The Situation is same here as well due to financial crunch we fail to make payment on time to our creditors and they in turn did not provide us any confirmation, banks also not responding to our demands as we are failing to make interest payment to them on time.
3. As highlighted earlier matter is sub-judice and as soon as company receives probably favorable order from BIFR, we all hopes that old glorious days will come back.
4. TUF is the scheme under which we are entitled for subsidy but as you are aware that we are facing challenges from everywhere, Availing this facility totally depends upon making interest payment which in current scenario company can not do.

So, availing this facility also has become an challenge for us but we were and are making the provisions as whenever in future we get into position to pay our interest obligation and will claim this subsidy from govt.

18. FIXED DEPOSITS

During the year under review, your company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereto

19. EROSION OF NET WORTH - REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR).

On account of losses incurred during the year under review and also with carried forward losses of past years, the entire net worth of the company has got eroded at the end of the financial year which ended on 31st March, 2011 mentioned in the previous annual report, In the Board of directors meeting held on 24th August 2011 the directors formed an opinion to refer the company to BIFR and on 26-09-2011 the company made a reference u/s 15(1) of sick industrial companies (Spl. Provisions act, 1985).

The Matter is Undergoing with BIFR from then, and also with AAIFR and matter is sub-judice.

ACKNOWLEDGEMENT

Your Directors wish to place on record sincere gratitude for the co-operation and assistance extended by the Government authorities, Financial Institutions, Banks, Suppliers, Agents and Buyers. Your Directors also wish to acknowledge with thanks all stakeholders for their valuable sustained support and encouragement. The Directors wish to place on record their deep sense of appreciation for the commitment and dedication of employees at all levels.

For and on behalf of the Board

Date : 14/08/2013
Place : Delhi

<p>Sd/- (Nikhil Poddar) Chairman and MD (Via Video Conferencing)</p>	<p>Sd/- (David Soans) Director (Via Video Conferencing)</p>
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ANNEXURE A FORMING PART OF DIRECTORS REPORT

Information in accordance with the provisions of 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 and forming part of the directors report.

A. Conservation of energy:-

a) Energy conservation measures taken:

The Company is making all around efforts for the conservation of energy. Following are the key areas where steps have been taken and substantial energy savings have been obtained:

Previously, we were running the coal fired boiler having capacity of 18MT. It was generating the steam in excess of the quantity actually required hence there was no proper utilization of steam and increasing the cost as well as fuel consumption. It was decided to run the 10MT boiler instead of 18MT. As a result 40-45 % coal consumption was reduced.

In addition, the company reduced the load of power supply by using the machines periodically by the technique of departmental rotation. This has reduced the energy consumption and bills substantially as decided by the management in last Annual General Meeting.

Steps are being taken to save the compressed air, by reorganizing the supply lines, and starting the smaller capacity compressors for the Dye House.

The impact of the above measures will be felt during the current year.

- | | |
|--|---------------|
| b) Additional Investment and proposals, If any being implemented for reduction of consumption of energy. | Nil |
| c) Impact of the measures at (1) and (2) Above for reduction of energy consumption and consequent impact on the cost of production of goods. | Nil |
| d) Total Energy consumption and per unit of Production. | As per Form A |

B. Technology Absorption : - As per Form B.

C. Foreign Exchange Earnings and Outgo:-

The foreign exchange earning/outgo during the year are as under:

	Rs./Lacs	
	Current Year	Previous Year
Foreign Exchange Earning	425.44	442.13
Foreign Exchange Outgo	4.69	1.88

FORM A

(Form for disclosure of particulars with respect to conservation of energy)

A. Power and Fuel Consumption:	2012-13	2011 - 2012
Electricity		
1. a) Purchased		
Unit (Kwh)	2,597,130	3,998,340
Total Amount (Rs.)	17,906,808	23,190,372
Rate/Unit (Rs.)	6.89	6.00
b) Own Generation		
Through D.G.Unit (Kwh) Diesel		13375
Through D.G.Unit(Kwh)Furnace Oil	NIL	NIL
Unit/Ltr. of Diesel Oil (Kwh)		2.5
Unit/Ltr. of Furnace Oil (Kwh)	NIL	
Cost/Unit (Rs.)		15.96
2. Coal (For Boiler)		
Quantity (Tonnes)	777	1439.45
Total Cost (Rs.)	66,45034	11055029.8
Average Rate (Rs. Per Kg)	8.55	7.68
3. Husk (For Boiler) / Rice husk / Ground Nut		
Quantity (Tonnes)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Kg)	NIL	NIL
4. Diesel (For Boiler)		
Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	NIL
5. Furnace Oil (For Boiler)		
Quantity (Litres)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs. Per Litre)	NIL	NIL
6. Consumption/unit of production Products: Terry Towels		
- Electricity (Kwh/Kg)	3.46	2.8

FORM B

Disclosure of Particulars with respect to technology absorption research and Development (R&D):

1. Specific areas in which R&D carried out by the Company:

The Company has no specific Research & Development activities. However, the Company has well equipped quality control department to check the quality of product manufactured.

2. Benefits derived as a result of the above R&D:

The Company has taken regular in house efforts to improve the quality of the product due to this; the Company has been able to produce softer towels with latest designs.

Better quantity and quality products are achieved.

3. Future Plan of action: Increase production capacity with latest designs and advanced technology and sell and market Company's products to domestic as well as international market.

4. Expenditure on R&D

- a. Capital : NIL
- b. Recurring : NIL
- c. Total : NIL
- d. Total R&D expenditure as a percentage of total sales. : NIL

Technology absorption, adoption and innovation:

- 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. : NIL
- 2. Benefits derived as a result of efforts e.g. product improvement, cost reduction, product development, import substitution, etc. : NIL

MANAGEMENT DISCUSSION & ANALYSIS REPORT**INDUSTRY STRUCTURE & DEVELOPMENTS**

The Indian textile Industry has always been a major contributor to the manufacturing sector of Indian Economy. The year 2012-13 was not a good year for the textile Industry and particularly for your company due to financial constraints.

The textile industry as a whole is going through a challenge due to the recession in major markets, rising raw materials prices and unfavorable economic environment across the world and in region we are not therefore very hopeful in the current year as well. The revival that started in the year has picked up the momentum continuously but due to global meltdown, the textile Industry suffered drastically. The Global Market demand for towels products has increased and it is likely to continue in the coming financial years. Further the Company will now try its best to again revive the industry which has gone sick by putting up intensive and aggressive marketing approach and extending customer base both domestic as well as international market.

GOVERNMENT INITIATIVES

The Textile Industry in India is on a comeback track aided by favorable Government policies.

- 1. Textile parks are being established to enhance manufacturing capacity and increase the industry' shares in market.
- 2. With the removal of quantitative restrictions from 2005 onwards incentives for increasing capacity and up gradation has been taken, India's share of the global textile industry is expected to grow significantly accompanied by attractive value-addition products & higher volumes.
- 3. The dismantling of the quota regime has had mixed results for the textile sector as protection has been withdrawn and competition has intensified and in such a scenario, the industry trend is likely to move to enhanced economies of scale, production integration and efficiencies, cost reduction, shrinking delivery schedules and aggressive marketing.

OPPORTUNITIES, THREATS, RISKS & CONCERNS

Elimination of export quotas coupled with removal of quantitative restrictions has provided an opportunity to the textile sector to export freely to the U.S, European Union and other countries. High hidden infrastructure costs like indirect taxes, poor roads, erratic power & water supply, low economies of scale compared to neighboring countries, historic government policies that continue to impede global competitiveness remain a cause of concern.

The strong client base, quality product, good track record in terms of client servicing and on time delivery is a key strength of the company.

The present recession in the economy and ever raising competition from neighboring countries may cause the reason of threat to the company.

OUTLOOK

The textile industry is a self-reliant industry from the production of raw materials to the delivery of final products with considerable value addition at each stage of processing.

The demand for textile products has picked up with the global economy pulling out of recession. This has led us to believe that the industry will continue to show better performance in the coming years.

As before, your Company will continue its thrust towards product and market development, better consumer services and technology up gradation, cost reduction and improve production efficiency.

INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

Commensurate with the size and nature of business, the Company has adequate system of internal control procedures. Detailed procedural manuals are in place to ensure that all assets are safeguarded, protected against loss and all transactions are authorized, recorded and reported correctly. The internal control systems of the Company are monitored and evaluated by external auditors and their internal Audit Report is periodically placed and reviewed by the Audit Committee of the Board of Directors.

The introduction of comprehensive Risk Management System and Internal Control Mechanism has been set under the requirement of Clause 49 as a condition for continued listing on Stock Exchange. CEO/CFO certification on the effectiveness of control is surely a step further towards a system compliant organization. The entire financial and business cycle has been mapped to improve the systems and controls.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

Beyond the Balance Sheet lies Company's singly biggest Asset - Human Resource. The human resource assets of the Company comprise of people of diverse educational and technical backgrounds. The Company has a strong process to evaluate and recruit employees from all over India. The Company considers training and development of its employees as crucial, to enable to develop their skills and to meet its dynamic business needs. The company has inbuilt systems to ensure that employee are continuously updated with the needs of the changing technology. The industrial relations have continued to remain cordial during the year.

CAUTIONARY STATEMENT

As stated in the beginning, this Report to the Shareholders is in compliance with the Corporate Governance Standard incorporated in the Listing Agreement with the Stock Exchange and as such cannot be construed as holding out for any forecasts, projections, expectations, invitations, offers, etc. within the meaning of applicable Securities Laws and Regulations. This Report basically seeks to furnish information, as laid down within the different heading provided under the sub-head Management Discussions and Analysis to meet the listing Agreement requirements.

The foregoing discussion and analysis sets out the management perception of the industry/Company's operational environments, in the coming months, which, by their nature are uncertain and may undergo substantial changes in view of events taking place later. Thus the Company should and need not be held responsible, if, which is not unlikely, the future turns to be something quite different, even materially. Subject to this management disclaimer, this discussion and analysis should be pursued.

EROSION OF NET WORTH - REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR).

On account of losses incurred during the year under review and also with carried forward losses of past years, the entire net worth of the company has got eroded at the end of the financial year which ended on 31st March, 2011 mentioned in the previous annual report, In the Board of directors meeting held on 24th August 2011 the directors formed an opinion to refer the company to BIFR and on 26-09-2011 the company made a reference u/s 15(1) of sick industrial companies (Spl. Provisions act, 1985).

The Matter is Undergoing with BIFR from then, and also with AAIFR and matter is sub-judice.

(b) Details of sitting fees, commission and remuneration paid/payable to Directors:

Name of the Director	Remuneration paid/payable for the year 2012-2013 (All figures in Rupees)		
	Sitting Fee	Salary/Perquisites (out of pocket expenses)	Total
Mr. Rajesh Swarup	Rs.6000	Rs.2535	Rs.8535
Mr. B.R.Mahi	Rs.2000		Rs.2000
TOTAL			Rs.10,535

(c) Board Meetings and attendance of Directors:

(i) The members of the Board have been provided with the requisite information mentioned in the Listing Agreement well before the Board Meetings.

(ii) Five Meetings of the Board of Directors were held during the year ended March 31, 2013. These were held on :-

(1) 23rd May, 2012 (2) 3rd September, 2012 (3) 29th September, 2012

(4) 12th November, 2012 (5) 12th February, 2013

The attendance recorded for each of the Directors at the Board Meetings during the year ended on March 31, 2013 and of the last Annual General Meeting is as under:-

Directors	No. of Board Meetings attended	Attendance at the last AGM
Mr. Nikhil Poddar	2	No
Mr. David Soans	3	No
Mr. Rajesh Swarup	4	No
Mr. S.C.Arya	4	Yes
Mr. B.R.Mahi	1	No

(d) Code of Conduct:

The Company has framed a code of conduct for the members of the Board of Directors of the Company. The declaration by Mr. Nikhil Poddar, Chairman and Managing Director of the Company regarding compliance by the Board members with the said code of conduct is given as Annexure I to this report.

In compliance with requirements of Clause 49(iv) (e) (v), the shareholding of the Non- Executive Director in the Company as on 31st March 2013 are as follows:

Sl.no.	Name Of The Director	No. of Shares Held
1.	Mr. David Soans	Nil
2.	Mr. S.C.Arya	Nil
3.	Mr. Rajesh Swarup	Nil
4.	Mr. B.R.Mahi	Nil

All information requested to be disclosed as per Clause 49 of the Listing agreement with the Stock Exchange have been placed.

III. AUDIT COMMITTEE

(a) Composition of the Committee:

(i) The Audit Committee comprise of 2 Non- Executive Directors as on 31st March, 2013 due to resignation tendered by directors your company is on minimum thresh hold limit of directors in a public company i.e 3 Directors, therefore following was the composition till 31st March, 2013.

(1) Mr. David Soans (2) Mr. Rajesh Swarup

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Your company being a responsible company is committed to the principles of good Corporate Governance as it is crucial and essential to the very existence of the company in modern times and ever evolving legislations, it builds confidence and trust, which eventually leads to a more stable and sustained resources flows and long term partnership with its investors and stakeholders. Further it results in the control of the company in a regulated manner, aiming to achieve transparent, accountable and fair management. The detailed report on implementation by the company, of the revised code as incorporation in Clause 49 of the Listing Agreement with Stock Exchange, for the financial year 2012-13 is set out below:-

I. THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:-

Vanasthali's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices, despite the financial constraints which we are facing we have tried our very best to keep all the good practices in place even before they were mandated by the Govt. and regulating bodies by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. As a global organisation the Corporate Governance practices followed by your Company and its subsidiary are compatible with international standards and best practices. Through the Governance mechanism in the Company, the Board along with its Committees undertake its fiduciary responsibilities to all its stakeholders by ensuring transparency, fair play and independence in its decision making.

II. BOARD OF DIRECTORS

(a) Composition of the Board:

The Board of Directors along with its Committees provide essential leadership and guidance to the Company's management and directors, supervises and controls the performance of the Company. The Board of Directors currently comprises three members consisting of two Non-executive Directors who account for more than fifty per cent of the Board's strength as per the Listing Agreement. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies. The Non-executive Directors are eminent professionals and having rich amount of experience necessary for the industry, drawn from amongst persons with experience in business & industry, finance, law & public enterprises. The composition is as under:-

Name of the Directors	Category of Directors	No. of Directorships held in other Companies#		No. of other Board Committee(s) of which he is a member(@)	No of Other Board Committee(s) of which he is a Chairman	No. of Shares held in the Company as at 31.03.2013
		Public	Private			
Mr. Nikhil Poddar	Executive Director		2	2		
Mr. David Soans	Independent Director		2	2		
Mr. Rajesh Swarup	Nominee Director					
Mr. S.C.Arya	Executive Director		1			
Mr. Panna Lal Goswami	Additional Director					

Note:

Excluding Directorships in Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

@ Committee positions only of the Board Committee in Private Companies have been considered.

No Director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956. Memberships of the Directors in various Committees are within the permissible limits of the listing agreement.

(b) Complaints

During the year under review, a total of NIL complaints were received and resolved.

The Committee comprises of Mr. David Soans, Independent Director and Mr. Amit Gupta, Company Secretary, is the Compliance officer of the company for this purpose as on 31-03-2013.

The Shareholders can e-mail their queries at "grievances@viltowels.com/amit.kumar@viltowels.com".

V. GENERAL BODY MEETING

(a) **The details of Annual General Meetings held in last three years are as under:-**

Financial Year	AGM/EGM	Date & Time	Venue
2009-2010	19th, AGM	September 30, 2010 at 11:00 AM	F-3-5 RIICO Industrial Complex Vigyan Nagar, Shahjahanpur Distt. Alwar (Rajasthan)
2010-2011	20th,AGM	September 29, 2011 at 11.00 AM	F-3-5 RIICO Industrial Complex Vigyan Nagar, Shahjahanpur Distt. Alwar (Rajasthan)
2011-2012	21st AGM	September 29, 2012 at 11.00 AM	F-3-5 RIICO Industrial Complex Vigyan Nagar, Shahjahanpur Distt. Alwar (Rajasthan)

(b) **Special Resolution:**No Special resolutions had been passed in the previous AGM of the company.

(c) **Postal Ballot Resolution:**No resolution has been passed through this mechanism during the year 2012-2013.

DISCLOSURES

1. There has been no materially significant related party transaction that might have potentially conflict with the interests of the company at large.
2. The Company has complied with various rules and regulations prescribed by stock exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last 3 years. No penalties or strictures have been imposed by them on the Company.
3. The company does not have any Whistle Blower Policy as of now but no personnel has been denied access to the Audit Committee.
4. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.
5. The company has complied with all the mandatory requirements of Clause 49. As regards the non-mandatory requirements, the extent of compliance has been in this report against each of them.

V. DISCLOSURE FOR APPOINTMENT/RE-APPOINTMENT

④ Name of the Director	Mr. David Soans
④ Date of Birth	03.02.1965
④ Date of Appointment	11.06.2009
④ Expertise in specific areas	Management, Marketing, Finance and Administration.
④ Directorship in other Companies	i) VDR leasing and Credit Company Private Limited. ii) Nile Suez Spinning & Weaving Co. SAE
④ Committee Memberships/ Chairmanships in other companies	Nil

VANASTHALI TEXTILE INDUSTRIES LIMITED

⑥ Name of the Director	Mr. Nikhil Poddar
⑥ Date of Birth	15.01.1973
⑥ Date of Appointment	12.08.2009
⑥ Expertise in specific areas	Management, Production and Finance.
⑥ Directorship in other Companies	i) VDR leasing and Credit Company Private Limited. ii) Nile Suez Spinning & Weaving Co. SAE
⑥ Committee Memberships/ Chairmanships in other companies	Nil

⑥ Name of the Director	Mr. Pannalal Goswami
⑥ Date of Birth	01/01/1949
⑥ Date of Appointment	14.08.2013
⑥ Expertise in specific areas	Construction and Administration
⑥ Directorship in other Companies	Nil
⑥ Committee Memberships/ Chairmanships in other companies	Nil

In Compliance with the schedule XIII of the Companies Act, 1956 and Listing agreement the company has not paid any remuneration except Mr. S.C.Arya.

Particulars		Mr.S.C.Arya	
Salary (In Rs/-)	51,957	For 11 Months (Up to Feb.)	
Perquisites and allowances	25,983	80,000*11 =	8,80,000
Commission	800	For March =	20,645
Medical	1,250		
TOTAL	80,000	Total	9,00,645

Notes : Only Audit committee and shareholder's Grievance committee are considered for the purpose of committee positions as per listing agreement

Disclosures

1. There has been no materially significant related party transaction that might have potential conflict with the interests of the company at large.
2. There has been no non-compliance, penalties/ strictures imposed on the company by the stock exchange (s) or SEBI or any other statutory authority, on any matter related to the capital markets during the last three years.
3. The Company does not have any whistle blower policy as of now but no personnel are being denied access to the audit committee.
4. the company has complied with all the mandatory requirements of clause 49. As regards the non-mandatory requirements, the extent of compliance has been stated in this report against each of them.

Code of conduct - The company has adopted a code of conduct for all board members and senior management of the company. The code of conduct has already been posted on the website of the company for general viewing. All board members and senior management personnel have affirmed compliance with code on annual basis and the managing director certificate to the board of directors contains on the declaration to this effect.

VI. MEANS OF COMMUNICATION

The Quarterly, Half Yearly and Annual results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are generally published in Financial Express and Dainik Lokmatt (Delhi and Jaipur). The information regarding the performance of the company is shared with the shareholders on every quarter and half year communication and the Annual Report. The official news releases including on the quarterly and annual results and presentations made to institutional investors analysts are also posted on the company's website www.viltowels.com. The 'Investors' section on the company's website keeps the investors updated on material developments in the company by providing key and timely information like Financial Results, Annual Reports, Shareholding Pattern, presentations made to Analysts etc. A brief profile of Directors is also on the Company's website. Members also have the facility of raising their queries/complaints on share related matters through a facility provided on the company's website. The Annual Report, Quarterly Results, Shareholding Pattern of the Company is posted through Corporate Filing and Dissemination System (CFDS), a portal which is a single source to view information filed by listed companies. Hard copies of the said disclosures and correspondence are also filed with the Stock Exchanges.

Exclusive Designated e-mail id

The Company has designated a dedicated email id "grievances@viltowels.com" exclusively for investors' servicing for faster registration of their queries and/or grievances. All investors are requested to avail this facility.

VII. GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting to be held:

Day	: Saturday
Date	: 28/09/2013
Time	: 11.00 A.M
Venue	: F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt - Alwar, Rajasthan

(b) Financial Calendar (Tentative) :

First Quarterly Results	: On or before 12th August, 2013
Second Quarterly Results	: Second week of Nov, 2013
Third Quarterly Results	: Second week of Feb, 2014
Audited Yearly Results for the Year ended 31st March, 2014	: On or before 30th May, 2014

(c) Dates of Book Closure

: 23rd September, 2013 (Monday) to 28th September, 2013 (Saturday), Both Days Inclusive.

(d) Dividend payment date

: Not applicable since no dividend has been recommended

(e) Listing on Stock Exchanges

: The Equity Shares of the Company are listed at the following Stock Exchanges.

Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers,
"Exchange Plaza", Bandra Kurla Complex, Dalal Street,
Mumbai - 400 001.

Note: Listing fees have been paid to the Indian Stock Exchanges for the year 2012-2013.

VANASTHALI TEXTILE INDUSTRIES LIMITED

- (f) **Stock/Company/Security/Common Code** : The scrip code of our equity share is:
Bombay Stock Exchange Ltd. - 521046
- The Dematerialization International Security Identification Number in NSDL & CDSL for Equity Shares : INE 698C01019
- (g) **Depository Connectivity** : NSDL and CDSL market price data at Stock Exchanges where the security of the company listed is as follows:
Name of the Stock Exchange : Bombay Stock Exchange Ltd.
- (h) **Common Agency for Share Transfers and Electronic connectivity**
- Name : BEETAL FINANACIAL & COMPUTER SERVICER (P) LTD.
- Address : BEETAL HOUSE, 3rd FLOOR,
99, Madangir,
Behind Local Shopping Centre,
Near Dada Harsukh Dass Mandir,
New Delhi - 110062

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.

(i) **Distribution of shareholding:**

The shareholding distribution of equity shares of face value of Rs.10/- each as at March 31, 2013 is given below:-

SHARE HOLDING OF NOMINAL VALUE OF (RS.10)	NUMBER OF SHARE HOLDERS	% TO TOTAL	NO. OF SHARES	AMOUNT IN (Rs.)	% TO TOTAL
Up to 5000	8,373	92.42	9,92,434	99,24,340	5.0091
5001 TO 10000	288	3.18	2,43,937	24,39,370	1.2312
10001 TO 20000	163	1.80	2,67,024	26,70,240	1.3478
20001 TO 30000	64	0.71	1,64,923	16,49,230	0.8324
30001 TO 40000	27	0.30	96,918	9,69,180	0.4892
40001 TO 50000	23	0.25	1,06,833	10,68,330	0.5392
50001 TO 100000	56	0.62	4,36,435	43,64,350	2.2028
100001 AND ABOVE	66	0.73	1,75,03,996	17,50,39,960	88.3482
TOTAL	9,060	100.00	1,98,12,500	19,81,25,000	100.0000

(j) Share holding pattern as at March 31, 2013

S.No.	Categories	No. of share held	% of Shareholding
A.	Promoter's holding		
1	Promoters		
a.	Indian Promoters	19,80,980	10.00
b.	Foreign		
2	Persons acting in concert	1,10,58,825	55.82
	Total	1,30,39,805	65.82
B.	Non-Promoters Holding		
3	Institutional Investors		
a.	Mutual funds and UTI		
b.	Banks, financial Institution, Insurance Co. (Centre, state Govt. Institutional/Non-Govt. Institutions)		
c.	Foreign Institutional Investors		
	Sub-Total		
4	OTHER		
a.	Private Corporate bodies	3,41,822	1.73
b.	Indian Public	62,34,402	31.46
c.	NRI/OBCs	13734	0.07
d.	HUFs	181737	0.92
e.	Trusts	1000	0.01
d.	Any Other		
	Total	67,72,695	34.18
	Grand Total	1,98,12,500	100.00
	Total Foreign Shareholding	1,10,58,825	55.82

(k) Particulars of shares held by the shareholders as of March 31, 2013 are as under:

	No. of shares	% shareholding
Physical	1272920	6.425%
NSDL	17300117	87.319%
CDSL	1239463	6.256%

(l) Factory Location

The company has its plant at the following address:-

F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt. Alwar, Rajasthan- 301706

(m) Address for correspondence:

Vanasthali Textile Industries Limited

F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur Distt. Alwar, Rajasthan- 301706

(n) Compliance Officer

The name and designation of the Compliance Officer is

Mr. Amit Gupta, Company Secretary

Phone: 01494235209 Email: amit.kumar@vtiltowels.com

The shareholders can get in touch with the Compliance Officer on all Legal and Secretarial matters relating to the Company.

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

In accordance with clause 49 of the Listing Agreement with the Stock Exchange, I, Managing Director of the Company, hereby declare that the Board Members and Senior Management Personnel have affirmed compliance with the said code of Conduct for the year ended March 31, 2013.

For VANASTHALI TEXTILE INDUSTRIES LTD.

(Nikhil Poddar)
Managing Director

MD CERTIFICATION

To the Board of Directors of VANASTHALI TEXTILE INDUSTRIES LTD.

I, Nikhil Poddar, Managing Director, to the best of our knowledge and belief, certify that :-

1. I have reviewed Balance sheet, Profit and loss account and all its schedules and notes to accounts as well as financial statements and the cash flow statement for the year ended 31st March 2013.
 - (i) These statements do not contain any material untrue statement or omit any material fact or contain statements that might be misleading.
 - (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. Based on my knowledge and belief, No Transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of Conduct.
3. I accept responsibility for establishing and maintaining internal controls for financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. I have indicated to the auditors and the Audit committee
 - (i) significant changes in internal control over financial reporting during the year.
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements: and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For VANASTHALI TEXTILE INDUSTRIES LTD.

Sd/-
(Nikhil Poddar)
Managing Director

VANASTHALI TEXTILE INDUSTRIES LIMITED

Certificate Of Compliance With The Conditions Of Corporate Governance Under Clause 49 Of Listing Agreement by Practising Comapny Secretary

Registration Number Of The Company : 008831
Nominal Capital Of The Company : 252,500,000.00/-

CERTIFICATE ON CORPORATE GOVERANCE

To the Members of
VANASTHALI TEXTILE INDUSTRIES LIMITED
F-3-5, RIICO Industrial Complex
Vigvan Nagar, Shajahanpur
Alwar, Rajasthan-301706

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according tu the explanations given to us, and the representation made by directors and the management, we certify that the company has compiled with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

For Sakshi Mittal & Associates
Company Secretaries

Place : Ghaziabad
Date : 14th August, 2013

Sd/-
Sakshi Mittal
M.No. A25515
CP.No.9460

FORM-II
FORM OF THE COST AUDIT REPORT
[See rule 2 and rule 6]

We NIRAJ KUMAR VISHWAKARMA & ASSOCIATES, Cost Accountants, having been appointed as Cost Auditors under Section 233B of the Companies Act, 1956 of **VANASTHALI TEXTILE INDUSTRIES LTD.** having its registered office at **F-3-5, RIICO INDUSTRIAL COMPLEX, VIGYAN NAGAR, SHAHJAHNPUR, ALWAR, RAJASTHAN 301706**, have audited the books of account prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records in respect of Textiles products for the year 2011-12 maintained by the company and report, in addition to our observations and suggestions in Para 2.

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of this audit.
- (ii) In our opinion, proper cost records, as per Companies (Cost Audit Report) Rules, 2011 prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have been maintained by the company so as to give a true and fair view of the cost of production/operation, cost of sales and margin of the product/activity groups under reference.
- (iii) In our opinion, proper returns adequate for the purpose of the Cost Audit have been received from the branch of the Company.
- (iv) In our opinion and to the best of our information, the said books and records give the information required by the Companies Act, 1956, in the manner so required.
- (v) In our opinion, the said books and records are in conformity with the Cost Accounting Standards issued by The Institute of Cost Accountants of India, to the extent these are found to be relevant and applicable.
- (vi) In our opinion, company has adequate system of internal audit of cost records which to our opinion is commensurate to its nature and size of its business.
- (vii) Detailed unit-wise and product/activity-wise cost statements and schedules thereto in respect of the product groups/activities under reference of the company duly audited and certified by us are kept in the company.
- (viii) As required under the provisions of The Companies (Cost Audit Report) Rules, 2011, we have furnished Performance Appraisal Report, to the company, on the prescribed form.
- (ix) Observations and suggestions, if any, of the Cost Auditor, relevant to the cost audit- NIL

For NIRAJ KUMAR VISHWAKARMA & ASSOCIATES
COST ACCOUNTANTS

Sd/-

NIRAJ KUMAR VISHWAKARMA
M-32700

Date- 26/02/2013

INDEPENDENT AUDITORS REPORT

To the Members of VANASTHALI TEXTILE INDUSTRIES LIMITED,

Report on the Financial Statement.

We have audited the accompanying financial statements of Vanasthali Textile Industries Limited which comprises the balance sheet as at 31st March 2013 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement.

Management is responsible for the preparation of these financial statements that give a true & fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standard referred to in sub-section (3C) of section 211 of the Companies act, 1956 of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read together with notes to accounts give a true and fair view in conformity with the accounting principles generally accepted in India :-

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
- (b) In the case of Statement of Profit and Loss, of the losses for the period ended on that date;
- (c) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

1. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (collectively the Order) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of books and records of the company as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act and Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and found them to be satisfactory;

- ii. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
- iii. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 Subject to:
 - a) *Attention of the members is invited to **Note no. 23.11 of notes to accounts regarding short contribution of gratuity and non provision of leave encashment as required by revised AS-15 on employee benefits.***
 - b) *Refer **Note no. 23.4 of notes to accounts regarding non confirmation of balances with suppliers, customers, other creditors, recoverable advances and loan facility from IDBI & balance with HDFC & SBBJ banks which have been taken as per books, and are subject to confirmation/reconciliation. The consequential impact of such confirmation & reconciliation thereof, if any, on the accounts remain unascertained.***
 - c) *Attention of the members is invited to **Note no. 23.6 of Notes to Accounts wherein the company has filed its reference with BIFR and in expectancy of relief's and concessions in the form of financial restructuring of loan liabilities and interest waivers on settlement of such loans, the management is of the view that company's financial position will improve, the accounts have been prepared on **going concern** basis & no adjustments are required to the carrying amount of fixed assets on account of **impairment as required by AS-28. We are unable to express our opinion on these matters.*****
 - d) *Attention of the members is invited to **Note no. 23.7 of Notes to Accounts, where in view of the continuous default of Interest on Term loan, the subsidy has not been provided for the current period whereas the accumulated balance of Rs316.44 lacs is still recoverable under the loans & advances, the recovery of which is doubtful. In the opinion of the management the same shall be adjusted in case the waiver of interest under the scheme of rehabilitation.***
- v. On the basis of the written representations received from the directors as on March 31, 2013, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of Section 274(1)(g) of the Act.
- vi. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Jain Raj Associates
FRN. 007535N
Chartered Accountants

Sd/-
CA P K JAIN
Proprietor
M.No:086396
New Delhi, June 28, 2013

Annexure to the Auditors Report

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Physical verification of fixed assets was carried out during the year by the management in accordance with the companies' policy of verifying the assets once in three years. In our opinion the frequency of verification is at reasonable intervals. No material discrepancies were noticed between the records and physical verification.
 - (c) During the period, the Company has not disposed off any substantial part of Fixed Assets and hence, does not affect the going concern assumption to that extent.
- (ii) In respect of its inventories:
 - (a) The inventory of finished goods, semi finished, raw materials, stores and spare parts have been physically verified during the period by the Management except defective goods which have been valued at Net realizable value.
 - (b) The procedures of physical verification of inventories except defective goods followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) (a) According to the information and explanation given to us, the Company has not granted any loans secured or unsecured to companies/parties covered in the register maintained under section 301 of the Companies Act'1956.
 - (b) Clause 'b' is not applicable.
 - (c) Clause 'c' is not applicable.
 - (d) Clause'd' is not applicable.
 - (e) According to the information and explanation given to us, the Company has taken Rs.732.29 (on account Supply of Plant and Machinery- CWIP) from Millenium Holding Limited, Rs. 152.71 Lacs (on account of promoter's fund) during the year & Rs. 564.16 Lacs (on account of supply of Plant & Machinery) of previous year, from companies/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (f) As informed to us no interest is payable on the above stated loan, hence it is not prime facie prejudicial to the interest of the company.
 - (g) As informed to us the lender has not demanded the repayment of this loan which may be part of Capital Subscription from Promoters during financial restructuring.
- (iv) As per the information and explanations given to us, certain contracts of job work & sale of goods are of specialized nature for which comparable prices are not available. Read with above in our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods. Further, on the basis of our examination of the books of records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of major weaknesses in the aforesaid internal control procedures.
- (v) (a) According to the information and explanations given to us, we are of the opinion that during the period, the transactions that were required to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

VANASTHALI TEXTILE INDUSTRIES LIMITED

- (b) In our opinion and according to the information and explanations given to us, having regards to the comments in (v)(a) above, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of the five lakh rupees entered into during the Financial Year, because of specialized nature of items involved & absence of any comparable prices, we are unable to comment, whether the transactions were made at prevailing market prices at the relevant time.
- (vi) As per information and explanation given to us, the Company has not accepted any deposits during the year from public to which the provisions of Section 58A, 58AA of the Companies Act, 1956 and Rules framed thereunder apply.
- (vii) The company has an internal audit system which needs to be strengthened.
- (viii) As per the information and explanations given to us, cost records prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 are being maintained. However, we have not carried our detailed verification of these records.
- (ix) In respect of Statutory Dues
- (a) As per the books and records examined by us and information & explanations given to us, the company has not been regular in depositing Provident Fund, Income-Tax, Sales-Tax, and other statutory dues, wherever applicable, with the appropriate authorities during the period.

Details of Undisputed Statutory dues are given below:-

PARTICULARS	AMOUNT (In Rs)
Contribution in PF	18,22,516
TDS	2,82,475
Contribution in ESI	8,08,317
Central Sales Tax	3,01,419
Service Tax Payable	2,05,514
TCS Payable	36,327
TOTAL	34,56,568

Detail of the dues of Sales Tax/ Income Tax/ Service Tax/ Excise duty/ cess/ Custom which has not been deposited on account of dispute are given below:

Name of the Statue	Forum where case is pending	Nature of Dues	Period of Dispute	Amount (Rs.)
Central Excise Act,1944	CESTAT	Excise Duty	2002-03	1,45,831
Central Excise Act,1944	CESTAT	Excise Duty	2003-04	2,25,998
Central Excise Act,1944	CESTAT	Excise Duty	2003-04/2004-05	2,16,000
Central Excise Act,1944	CESTAT	Excise Duty	2004-05	3,15,628
Central Excise Act,1944	J.T. Comm., JPR	Excise Duty	2005-06	5,92,000
Central Excise Act,1944	CESTAT	Excise Duty	2006-07	28,29,218
Central Excise Act,1944	CESTAT	Excise Duty	2007-08	4,28,817
Central Excise Act,1944	Comm.(A), JPR	Excise Duty	2007-08	35,68,937
Central Excise Act,1944	CESTAT	Excise Duty	2008-09	19,16,54,243
Central Excise Act,1944	D C Customs, Tirupur	Excise Duty	2008-09	25,98,918
Central Excise Act,1944	Raj. High Court	Excise Duty	2008-09	18,36,992
				20,44,12,582

VANASTHALI TEXTILE INDUSTRIES LIMITED

Service Tax				
Finance Act 1994 (Chapter V)	CESTAT	Service Tax	2005-06,2006-07	4,12,673
Finance Act 1994 (Chapter V)	CESTAT	Service Tax	2006-07	5,53,656
Finance Act 1994 (Chapter V)	CESTAT	Service Tax	2007-08	9,22,118
				18,88,447
Income Tax				
Income Tax 1961	High Court, Delhi	Income Tax	2005-06	25,10,000
Income Tax 1961	Appeal to CIT(A)	Income Tax	2007-08	2,31,92,319
Income Tax 1961	Appeal to CIT(A)	Income Tax	2008-09	2,73,33,723
				5,30,36,042
Sales Tax/Entry Tax				
RET Act, 1999	D.C.Appeal,Alwar	Entry Tax	2006-07	7,04,835
RET Act, 1999	Raj.High Court(Stay)	Entry Tax	2007-08 to 2012-13	14,92,735
RVAT Act, 2006	CTO,SJPR	C-Form Demand	2010-11	84,330
RVAT Act, 2006	CTO,SJPR	Demand Restored	1999-2000	71,205
				23,53,105

- (x) The Company's accumulated losses at the end of the financial year exceed 50% of Net Worth. Further the company has incurred cash losses during this financial year and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has defaulted in the repayment of dues to Financial Institutions or Banks further the company is on default from last three years and the amount of default is Rs.95,45,65,963/-.

Name of Borrower	Amount (INR)	Default Date
Term Loan		
Federal Bank	8,41,79,658	31-03-2011
Oriental Bank of Commerce	13,47,03,122	31-03-2011
Syndicate Bank	1,05,31,482	31-03-2011
IDBI	27,36,25,847	31-03-2011
Working Capital		
Crystallized Bills	36,48,915	31-03-2011
Federal Bank-Foreign Bill Purchase	2,33,32,365	31-03-2011
Federal Bank-Packing Credit	2,51,16,812	31-03-2011
ABIB-Packing Credit	5,51,01,226	31-03-2011
Oriental Bank of Commerce	9,31,49,154	31-03-2011
SBBJ	2,36,95,592	31-03-2011
Bank Overdraft		
Oriental Bank of Commerce & Others	22,74,81,789	31-03-2011

- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Society are not applicable to the Company.

- (xiv) According to the information and explanations given to us, and according the records as produced, in our opinion, the company has maintained proper records of transactions and contracts relating to dealing and trading in shares and timely entries have been made therein. Further the investments wherever made have been held in the name of the company only.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) We are informed that company has not obtained any new term loan during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of Balance Sheet of the Company, we report that no new funds raised on Short-Term basis have been used for Long-Term investment.
- (xviii) The company has not made any preferential allotment of shares during the year.
- (xix) The company has not made issued any debentures during the year.
- (xx) There were no public issues during the year.
- (xxi) During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of such case by the management.

For Jain Raj Associates
FRN. 007535N
Chartered Accountants

Sd/-
CA P K JAIN
Proprietor
M.No:086396
New Delhi, Dated: June 28, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Balance Sheet as at 31st March 2013**

	Note No.	As at 31.03.2013 Amt (Rs.)	As at 31.03.2012 Amt (Rs.)
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	1	198,125,000	198,125,000
Reserves and surplus	2	(704,874,845)	(494,215,978)
Non-current liabilities			
Long-term borrowings	3		463,361,813
Long- term provisions	4	911,563	765,834
Current liabilities			
Short-term borrowings	5	1,026,272,393	415,663,742
Trade payables	6	141,041,548	67,791,949
Other current liabilities	7	93,669,398	83,108,792
Short-term provisions	8	5,975,200	5,998,818
TOTAL		<u>761,120,257</u>	<u>740,599,970</u>
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	9	336,153,589	389,211,813
(ii) Capital work-in-progress	9	127,754,039	46,628,473
Non-current investments	10	148,600	148,600
Long-term loans and advances	11	7,934,316	7,977,714
Current assets			
Inventories	12	31,807,256	73,072,235
Trade receivables	13	185,319,634	156,659,452
Cash and cash equivalents	14	12,511,052	17,211,251
Short Term Loans & Advances	15	59,491,771	49,690,431
TOTAL		<u>761,120,257</u>	<u>740,599,970</u>
Significant Accounting Policies			
Notes on Financial Statements	1 to 23		

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Statement of Profit & Loss for the year ended on 31st March 2013**

Particulars	Refer Note No.	31/Mar/13 Amt (Rs.)	31/Mar/12 Amt (Rs.)
INCOME			
Revenue from operations	16	124,035,484	146,926,116
Other income	17	17,482,962	25,224,488
Total Revenue		141,518,446	172,150,604
EXPENDITURE			
Cost of materials consumed	18	47,458,229	61,021,818
Purchases of Stock-in-Trade			
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	19	42,793,273	35,342,006
Employee benefits expense	20	32,236,156	34,605,620
Finance costs	21	133,235,618	76,485,427
Depreciation and amortization expense	9	53,172,560	56,333,651
Other expenses	22	43,281,477	63,497,874
Total expenses		352,177,313	327,286,396
Profit before tax & Extraordinary Items		(210,658,866)	(155,135,792)
Extraordinary Items			133,630,540
Profit before tax		(210,658,866)	(288,766,332)
Tax expense:			
Profit (Loss) after tax		(210,658,866)	(288,766,332)
Earnings per equity share:			
(1) Basic		(10.63)	(14.57)
(2) Diluted			
Significant Accounting Policies			
Notes to Financial Statements	1 to 23		

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Cash Flow Statement for the year ended 31st March 2013**

(Amt In Rs)

S.No. Particulars	As at 31.3.13	As at 31.3.12
A. Cash Flow from Operating Activities		
Profit for the Year	(210,658,866)	(288,766,332)
Adjustment for :		
Depreciation	53,172,560	56,333,651
Finance Cost	133,235,618	76,485,427
Interest Received	(660,261)	(874,821)
Operating Profit before Working Capital Charges	(24,910,950)	(156,822,075)
Adjustment for :		
Trade and other Receivables	(28,660,182)	32,690,150
Inventories	41,264,979	175,046,154
Other Current Assets	(9,757,942)	149,194,696
Trade Payables	73,249,599	17,093,052
Other Current Liabilities	10,682,717	(65,992,908)
Working Capital Borrowing	(85,686,324)	8,734,202
Interest Paid	(133,235,618)	(76,485,427)
Direct Tax Paid		
Net Cash from Operating Activities : (A)	(157,053,720)	83,457,843
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Net)	(114,336)	(34,813,453)
Increase/Decrease in CWIP	(81,125,566)	32,025,405
Increase in Investment		
Interest Received	660,261	874,821
Net Cash used in Investing Activities : (B)	(80,579,641)	(1,913,227)
C. Cash Flow from Financial Activities		
Proceeds from Loan (Including Interest)	696,294,975	(163,969,493)
Proceeds from/Repayment of Term Borrowings (including Interest)	(463,361,813)	80,674,157
Net Cash from Financial Activities : (C)	232,933,162	(83,295,336)
Net Increase in Cash & Cash Equivalent (A+B+C)	(4,700,199)	(1,750,720)
Cash & Cash Equivalents at the beginning of the year	17,211,251	18,961,971
Cash & Cash Equivalents at the end of the year	12,511,052	17,211,251

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

Significant Accounting Policies and Notes on Accounts for the year ended 31st March, 2013

» SIGNIFICANT ACCOUNTING POLICIES

1. Preparation & disclosure of financial statements

The Company continues to adopt revised schedule VI for preparation and presentation of its Financial Statements and where ever required, re-grouping has been done.

2. General

Except where otherwise stated, the financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

3. Use of Estimates

The preparation of financial statement requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reported period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

4. Fixed Assets

Fixed Assets are stated at cost net of CENVAT / Value added tax less accumulated depreciation and impairment loss, if any.

5. Depreciation

Depreciation on fixed assets has been provided on written down value method (WDV) at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956 over their useful life.

6. Translation of Foreign Currency Items

Transactions denominated in foreign currencies are recorded at exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit & loss account.

7. Inventories

- a) Raw Material, Stores & Spares and Consumables, Fuel and Packing Materials are valued at lower of cost or net realizable value.
- b) Finished goods & Stock in process are valued at lower of cost or net realizable value.

8. Investments

Current Investments are valued at cost or market price whichever is lower. Non Current investments (Long Term Investments) are valued at cost. Provision for diminution in the value of Long Term Investments is made only if such a decline is other than temporary.

9. Revenue Recognition

- a) Local Sales: Sales represent amount billed for goods sold, inclusive of excise duty net of all discounts, returns and allowances.
- b) Export Sales: Sales represent FOB value of exports. Export Sales are accounted for at the time of shipment from the factory.
- c) Job Work Income is recognized on accrual basis.

10. Benefits on Exports

Refund of DEPB and duty drawback on Export is accounted for on accrual basis.

11. Employee Retirement Benefits :

Defined Contribution Plan

Company's contribution paid / payable during the year towards Provident Fund Scheme & Employee State Insurance Scheme are recognized in the Profit & Loss account.

Defined Benefit Plan

Employee Gratuity Fund Scheme is managed by LIC, using the Projected Unit Credit Method. Other Long Term Benefits such as Leave Encashment and other retirement benefits are accounted for on payment basis.

12. Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and is capable of reversal in one or more subsequent periods. Deferred tax assets in respect of carry forward of un-absorbed depreciation and the losses are recognized to the extent there is virtual certainty of their realization against future profit.

13. Interest under TUF scheme

The term loan of the company has been sanctioned under the TUF scheme of the Govt. of India. Under this scheme, interest subsidy @ 5% p.a. is given by the Government on the interest paid by the company on its term loan which is refunded quarterly after TUF claim is lodged. This refund is accounted for on mercantile basis and is treated as revenue receipt.

14. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets prior to commencement of commercial production are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

15. Events occurring after balance sheet date

Significant events occurring after the balance sheet date have been considered in the preparation of financial statement.

16. Impairment of Fixed Assets

At the end of each year the company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with the Accounting Standard- 28 on Impairment of Assets issued by the Institute of Chartered Accountants of India. An impairment loss is charged to profit & loss A/c in the year in which an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

17. Accounting for Provisions, Contingent Liabilities & Contingent Assets.

Provisions are recognized in terms of Accounting Standard 29-'Provisions, Contingent Liabilities & Contingent Assets (AS-29), notified by the Companies (Accounting Standards) Rules, 2006. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

VANASTHALI TEXTILE INDUSTRIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

NOTE - 1 : SHARE CAPITAL

(Amt In Rs)

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Authorised		
2,52,50,000 (Previous Year 2,52,50,000 Equity Shares) Equity Shares of Rs. 10/- each	<u>252,500,000</u>	<u>252,500,000</u>
Issued, Subscribed & Paid Up		
1,98,12,500 (Previous Year 1,98,12,500 Equity Shares) Equity Shares of Rs. 10/- each, fully paid up	<u>198,125,000</u>	<u>198,125,000</u>
TOTAL	<u>198,125,000</u>	<u>198,125,000</u>

(ii) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Number	Equity Shares ₹
Equity Shares at the beginning of the year	198,125,000	1,981,250,000
Shares Issued during the year		
Shares bought back during the year		
Equity Shares at the end of the year	198,125,000	1,981,250,000

(iii) Shares held by Other Companies

Shares held by	As at 31 March 2013		As at 31 March 2012	
	Number	₹	Number	₹
HOLDING COMPANY				
- Millennium Holding Limited	11,058,825	110,588,250	11,058,825	110,588,250
	<u>11,058,825</u>	<u>110,588,250</u>	<u>11,058,825</u>	<u>110,588,250</u>

(iv) Detail of shareholders holding more than 5% shares

Name of Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of shares	% of Holding	No. of shares	% of Holding
Equity Shares :				
Vishal Goenka	1,700,000	8.58%	1,700,000	8.58%
Rajendra Goenka	1,980,980	10.00%	1,980,980	10.00%
Millenium Holdings Limited	11,058,825	55.81%	11,058,825	55.81%
TOTAL	<u>14,739,805</u>	<u>74.39%</u>	<u>14,739,805</u>	<u>74.39%</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 2 : RESERVES AND SURPLUS		
Capital Reserve		
Balance as per the last Financial Statements	4,387,519	4,387,519
Add : Addition during the year		
Less:General Reserve transfer to Profit & Loss account		
Closing Balance	<u>4,387,519</u>	<u>4,387,519</u>
I. Surplus		
Opening balance	(498,603,497)	(209,837,165)
(+) Net Profit/(Net Loss) For the current year	(210,658,866)	(288,766,332)
Closing Balance	<u>(709,262,364)</u>	<u>(498,603,497)</u>
Total Balance Carried to Balance Sheet	<u>(704,874,845)</u>	<u>(494,215,978)</u>

NOTE 3 : LONG-TERM BORROWINGS

SECURED LOANS

Term Loans :

From Banks

374,199,653

Interest Accured & Due On Borrowings

89,162,160

TOTAL

463,361,813

3.1 All the Long-Term Loans has been transferred to Short-Term Loans, since all the Lender Banks & Instituion has Recalled their respective Loan.

NOTE 4 : LONG TERM PROVISIONS

Provision for Gratuity

911,563

765,834

TOTAL

911,563

765,834

4.1 The Company has taken group gratuity scheme of Life Insurance Corporation of India and has made contribution to the funds maintained by them. At the year end balance of such fund is Rs.10.84 lacs against the total liability ascertained by Actuary of Rs.26.52 lacs leaving a short fall in Plan Assets of Rs.15.68 lacs for which provision has been made in thebalance sheet under long term & short term liab of Rs 9.11 lac and 6.56 lac respectively.

NOTE 5 : SHORT-TERM BORROWINGS

SECURED LOANS

Term Loans (5.1) to (5.5) :

From Banks

374,199,653

Interest Accured & Due On Borrowings

128,840,457

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 5 : SHORT-TERM BORROWINGS (Contd.....)		
LOANS REPAYABLE ON DEMAND		
Bank Overdraft (Secured against FDR & Stock) (5.6)	227,481,789	42,631,258
WORKING CAPITAL LIMITS		
From Banks		
Export Bill Discounted (5.7)	26,981,280	115,110,923
Packing Credit & PCFC (5.7)	197,062,785	194,619,465
Other loans and advances		
Vehicle Loan (5.8)	18,840	75,353
UNSECURED		
From Bank - Overdraft (5.9)		6,810,242
From Body Corporate	71,687,590	56,416,500
TOTAL	1,026,272,393	415,663,742

- 5.1 Secured by way of mortgage and first charge on all the immovable & movable assets, present and future on pari passu basis with existing charge holder (subject to the prior charge on all the specified movables created/ to be created in favour of the bankers by way of security for borrowings for working capital) and irrevocable and unconditional personal guarantee of a promoter director and pledge of 43.50 lacs equity shares of the company held by promoter director/associates.
- 5.2 Secured by way of first charge on pari passu basis with other term lenders over the entire fixed assets (Present & Future) of the company, first pari passu charge on land & building of VDR Leasing & Credit Co. Pvt. Ltd. and corporate guarantee of VDR Leasing & Credit Co. Pvt. Ltd., equitable mortgage of factory Land & building situated at B-2, RIICO Industrial Complex, Vigyan Nagar, Shahjhanpur Distt. Alwar, Rajasthan standing in the name of M/S VDR Leasing and Credit Company Pvt. Ltd., personal guarantee of a promoter director.
- 5.3 Loan balance of Rs.273,625,847/- from IDBI is subject to confirmation & recocilation thereof.
- 5.4 Company has defaulted in the repayment of all the term loan from last four years resulting into classification as NPA by Lenders.
- 5.5 All the above loan facilities are under default and during the year these loans has been recalled by Lenders, therefore the outstanding balances has been re-classified under Short-Term Loan.
- 5.6 During the year one of the Lender Bank i.e. Oriental Bank of Commerce has merged all his loan Accounts into one single account, total balance of which is Rs.422,272,020/- out of which Rs.134,703,123/- has been shown under the head of Term-Loan, Rs.93,149,005/- has been merged under the head of Packing Credit & remaining balance of Rs.194,419,893/- has been shown under the head of Bank Overdraft.
- 5.7 Secured by way of hypothecation of stock of raw material, work in progress, finished goods and receivables pertaining to export and second charge over fixed assets, personal guarantee of a promoter director and pledge of 23.60 lacs equity shares of the company held by the promoter director's associates.
- 5.8 Loans from banks and non banking financial companies secured by first charge over vehicles.
- 5.9 Previous year figures has been reclassified as under :-
Rs.2,30,524 classified under other payables which is subject to confrmation, Rs 76,38,343 Classified under Packing Credit.
- 5.10 During the year Company has received Rs.15271090/- as promoter contribution from Niki International Inc. (Associates Enterprise).
- 5.11 Company has defaulted in repayment of Bank loans amounting to Rs 954,565,963/-

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
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NOTE 6 : TRADE PAYABLES

Micro, Small and Medium Enterprises)
Others

	141,041,548	67,791,949
TOTAL	141,041,548	67,791,949

6.1 The company does not have any information regarding the status of suppliers under the Micro, Small & Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid/payable as required under the said Act have not been provided.

NOTE 7 : OTHER CURRENT LIABILITIES

Advance from Customer
Statutory Dues
Other payable
Provision for Gratuity

	8,545,403	16,776,119
	4,366,131	3,214,611
	80,101,706	62,868,405
	656,158	249,657
TOTAL	93,669,398	83,108,792

NOTE 8 : Short-Term Provisions

Provision for employee benefits

	5,975,200	5,998,818
TOTAL	5,975,200	5,998,818

NOTE 9 : FIXED ASSETS

Particulars	Rate (%)	Gross Block				Depreciation				Net Block	
		As on 01/04/12	Addition during the Year	Sale adjustment	As on 31/03/13	As on 31/03/12	For the Year	Adjustment on Sale	As on 31/3/13	As on 31/3/13	As on 31/3/12
Lease Hold Land Free	-	1,604,911	-	-	1,604,911	-	-	-	-	1,604,911	1,604,911
Factory Building	10%	200,725,653	-	-	200,725,653	128,332,229	7,239,342	-	135,571,571	65,154,082	72,393,424
Non Factory Building	5%	14,027,469	-	-	14,027,469	7,869,529	307,897	-	8,177,426	5,850,044	6,157,941
Plant & Machinery	15.33%	1,106,400,252	108,936	-	1,106,509,188	827,185,319	42,807,309	-	869,992,628	236,516,560	279,214,933
Electrical Fittings	15.33%	35,372,677	-	-	35,372,677	22,403,834	1,988,124	-	24,391,958	10,980,718	12,968,842
Furniture & Fixture	18.10%	8,489,532	-	-	8,489,532	6,947,186	279,165	-	7,226,351	1,263,181	1,542,346
Vehicles	25.89%	5,081,341	-	-	5,081,341	4,194,000	229,733	-	4,423,733	657,608	887,341
Office Equipment	13.91%	8,678,885	-	-	8,678,885	6,679,315	278,140	-	6,957,455	1,721,430	1,999,570
Computer	40%	655,469	5,400	-	660,869	548,643	42,850	-	591,493	69,376	106,826
Total		1,393,371,868	114,336	-	1,393,486,204	1,004,160,055	53,172,560	-	1,057,332,615	336,153,589	389,211,813
Previous Year		1,358,558,415	34,813,453	-	1,393,371,868	947,826,403	56,333,651	-	1,004,160,054	389,211,814	410,732,012
Capital Work in Progress		46,628,473	81,125,566	-	127,754,039	-	-	-	-	127,754,039	46,628,473

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 10 : NON-CURRENT INVESTMENTS		
(Unquoted)		
6 Year National Saving Certificates (10.1) (Pledged with Govt. Deptt. as Security Deposit)	41,600	41,600
VDR Leasing & Credit Co. Pvt. Ltd. (10,000 equity shares of Rs. 10.70 each fully paid up) (A wholly Owned Subsidiary)	107,000	107,000
	<u>148,600</u>	<u>148,600</u>
10.1 Company has an investment in National Saving Certificates for which no document has been provided.		
NOTE 11 : LONG-TERM LOANS & ADVANCES		
(Unsecured & considered good)		
Security Deposits (11.1)	7,934,316	7,977,714
TOTAL	<u>7,934,316</u>	<u>7,977,714</u>
11.1 No details has been provided to us of Security Deposit of Rs.7,934,316/-		
NOTE 12 : INVENTORIES		
(As taken, valued and certified by the Management)		
Raw Material	8,191,380	6,528,692
Stores, Spares & Consumables	1,516,633	1,515,817
Packing Material	38,485	41,845
Fuel	13,158	145,008
Work-in-Progress	10,182,780	7,570,642
Finished Goods	11,864,820	190,900,771
GROSS TOTAL	<u>31,807,256</u>	<u>206,702,775</u>
Provision of Diminuation in Value of Inventory (Op.)	133,630,540.00	
Less:- written off	<u>133,630,540.00</u>	133,630,540
NET TOTAL	<u>31,807,256</u>	<u>73,072,235</u>
NOTE 13 : TRADE RECEIVABLES		
(Unsecured and Considered Good)		
- Outstanding for a period exceeding six months	185,319,634	156,659,452
- Other		
TOTAL	<u>185,319,634</u>	<u>156,659,452</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 14 : CASH & CASH EQUIVALENTS		
Cash in Hand	379,230	219,845
Balance with Scheduled Banks		
In Current Accounts (14.1)	1,412,544	692,383
In Margin Money Account (Under Bank Lien) (14.2)	10,719,278	16,299,023
TOTAL	<u>12,511,052</u>	<u>17,211,251</u>
14.1 Balance of Rs.21,376/- with HDFC & Rs.207,000/- with SBBJ are subject to confirmation & reconciliation.		
14.2 Margin Money Account include Rs.68,90,559/- from OBC & Rs.16,02,382/- from Allahabad, are subject to confirmation & reconciliation.		
NOTE 15 : SHORT-TERM LOANS & ADVANCES		
(Unsecured & Considered Good)		
Other loans and advances		
CST / Duty Drawback Claim Receivable	5,292,175	4,053,337
Balances with /recoverable From Govtt. Authorities	39,917,591	39,813,064
TDS Refundable	3,480,685	2,779,184
Other Advances Recoverable	1,316,945	968,824
Insurance Claim Receivable		
Advances Recoverable in Cash or in Kind or for value to be received	9,484,374	2,076,022
TOTAL	<u>59,491,771</u>	<u>49,690,431</u>
NOTE 16 : REVENUE FROM OPERATIONS		
Export	47,527,454	44,049,023
Domestic	45,276,171	31,637,015
Job work	31,231,858	71,240,078
TOTAL	<u>124,035,484</u>	<u>146,926,116</u>
NOTE 17 : OTHER INCOME		
CST/Duty drawback Claim	2,945,890	3,013,418
Interest from FDR	660,261	874,821
Miscellaneous Receipts	1,760,871	1,867,368
Provision for Foreign Currency Fluctuation (net)	11,437,153	14,597,485
Foreign Exchange Fluctuations	678,787	4,122,264
Focus Market Scheem-Sale		749,132
TOTAL	<u>17,482,962</u>	<u>25,224,488</u>
NOTE 18 : COST OF MATERIAL CONSUMED		
Yarn	35,118,197	38,396,759
Dyes & Chemicals	9,715,989	20,369,755
Packing Material	2,624,043	2,255,305
TOTAL	<u>47,458,229</u>	<u>61,021,818</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 19 : INCREASE / (DECREASE) IN STOCK		
Opening stock		
Work in process	7,570,642	4,810,452
Finished Goods	57,270,231	229,002,967
	<u>64,840,873</u>	<u>233,813,419</u>
Closing Stock		
Work in process	10,182,780	7,570,642
Finished Goods	11,864,820	190,900,771
	<u>22,047,600</u>	<u>198,471,413</u>
Increase/(Decrease) in Stock	<u>(42,793,273)</u>	<u>(35,342,006)</u>
NOTE 20 : EMPLOYEE BENEFITS		
Salaries, Wages & Bonus	29,538,206	32,341,497
Contribution to Provident and Other Funds	2,375,215	1,837,179
Staff Welfare Expenses	322,735	426,944
TOTAL	<u>32,236,156</u>	<u>34,605,620</u>
NOTE 21 : FINANCE COST		
Interest on Term Loan	108,900,058	39,112,593
Interest on Working Capital Loan	24,202,709	35,970,972
Bank Charges	130,504	1,299,381
Interest Others	2,347	102,481
TOTAL	<u>133,235,618</u>	<u>76,485,427</u>
NOTE 22 : OTHER EXPENSES		
MANUFACTURING EXPENSES		
Stores & Spares	505,494	2,413,122
Power & Fuel	24,368,411	34,213,896
Insurance	500,670	490,367
Repairs & Maintenance		
- Plant & Machinery	3,004,971	3,042,307
- Building	277,585	601,235
Cartage & Freight Inwards	967,063	1,561,103
Other Manufacturing Charges	4,064,593	8,062,142
TOTAL	<u>33,688,787</u>	<u>50,384,172</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 22 : OTHER EXPENSES (Contd....)		
ADMINISTRATION EXPENSES		
Rent	373,824	481,000
Director's Remuneration/board meeting fee	8,535	10,000
Rate,Fees & Taxes	861,159	699,233
Communication Expenses	704,240	602,191
Travelling & Conveyance	372,657	902,243
Postage & Telegram	71,661	62,686
Repairs & Maintenance - Others	561,467	2,238,262
Vehicle Running & Maintenance	599,023	665,589
Legal & Professional Charges	2,055,520	3,180,523
Insurance	195,170	50,265
Miscellaneous Expenses	718,406	385,653
Auditor's Remuneration - For Statutory Audit	280,900	446,350
Internal audit fee		
Printing & Stationary	162,131	216,945
Annual & General Maintenance A/c	70,906	249,426
Loss on Sale of Fixed Assets (Net)		
Commission on Rent Paid		
TOTAL	7,035,599	10,190,366
SELLING & DISTRIBUTION EXPENSES		
Freight Outward	564,838	1,382,187
Advertisement	417,120	247,443
Sampling Expenses	13,239	45,959
Insurance	12,617	38,071
ECGC Premium	931,000	567,833
Clearing & Forwarding	578,538	379,540
Export Claim Selling		5,229
Courier Charges	39,739	257,074
Commission		
TOTAL	2,557,091	2,923,336
GRAND TOTAL	43,281,477	63,497,874

NOTE: 23 NOTES ON ACCOUNTS

23.1 Contingent Liabilities:

Contingent Liabilities not provided for in respect of:

Particulars*	(Rs. In lacs) 2012-13	(Rs. In lacs) 2011-12
Guarantees given by banks for which counter guarantee has been given by the company	16.50	16.50
Bonds executed in favour of the Excise Department	1607.77	1607.77
Excise Duty Cases	2044.13	1116.33
Service Tax	18.88	100.51
Income Tax	530.36	530.36
Sales Tax/Entry Tax	23.53	23.53

*The information given above is certified by the management & relied upon by the auditors.

23.2 Auditors' Remuneration :

a) Audit Fees	3.93	4.46
b) Taxation matters	2.93	1.33

23.3 Status of Income Tax Cases

- a) In respect of assessment year 2007-08, the Assessing Officer had disallowed certain expenses on account of Commission, Exhibition, Duty drawback & Sales income and made an addition of Rs.5,81,20,640/- against which the company has filed an appeal before Commissioner of Income Tax(Appeals)and the same is pending for hearing.
- b) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain expenses on account of Commission, Exhibition, Stock Loss and Rent against which the company has filed an appeal before Commissioner of Income Tax (Appeals) and the same is pending for hearing.
- c) In respect of assessment year 2009-10, the Assessing Officer has assessed the income at NIL, whereas company has claimed a loss of Rs. 14,28,63,830/- against which the company has filed an appeal before Commissioner of Income Tax (Appeals) and the same is pending for hearing.

23.4 Balances with customers, suppliers, other creditors, recoverable advances and loan facility from IDBI & balance with HDFC & SBBJ banks which have been taken as appearing in the books, and are subject to confirmation/reconciliation.

23.5 Since, the company is exclusively engaged in the business of textile products which consists of only Terry Towel, and has a single composite manufacturing unit. Therefore business of the company is considered to constitute single primary reportable segment in the context of Accounting Standard 17 on "**Segment Reporting**".

23.6 a) Based on the accounts for the period ended 31st March 2011, the company has filed a reference with Hon'ble Board of industrial and financial restructuring (BIFR) u/s 15(1) of Sick Industrial Companies (special provisions) Act'1985 for measures to be adopted with respect to the rehabilitation of the company. The reference so filed has been registered vide reference no.55/2011 and the process for declaration of sickness still in progress.

VANASTHALI TEXTILE INDUSTRIES LIMITED

Transactions	Subsidiary	Key Managerial Personnel & their relatives	Enterprises owned or significantly controlled by Key Management Personnel or their relatives
Sale of Goods to NIKI International Inc.	-- --	--	3,98,01,737 (4,03,27,526)
Rent Paid	60,000 (60,000)	--	--
Purchase of Capital Goods - Millenium Holding Ltd.	--	--	7,32,29,572
Corporate Guarantee	VDR Leasing Pvt. Ltd.	--	--
Balance Receivable			
Nikki International INC. on account of sales			9,99,90,724 (7,21,69,898)
Sawan Textiles International Private Limited			99,675 (85,675)
Balance Payable			
VDR Leasing & Credit Pvt. Ltd.	1,18,540 (74,940)		
Nikki International (LOAN A/c)			5,64,16,500 (5,64,16,500)
Nikki International Promoter contribution A/C			1,52,71,090 NIL
Nikki International Inc. (Advance Received)			7,11,50,580 (5,75,05,640)
Millenium Holding Ltd.			7,32,29,572 NIL

(Figures in Bracket represent previous year figures)

23.11 Defined Benefit Plan-

A) Gratuity Table as per actuarial valuation are as under :

The following table sets out the status of the gratuity as at March 31, 2013.

Gratuity Scheme Funded Plan	As at March 31, 2013 (Amt. in Rs.)	As at March 31, 2012 (Amt. in Rs.)
Change in benefit obligation :		
Present Value of obligation, as at the beginning of the year	20,19,984	25,67,514
Service Cost	3,81,999	3,02,843
Interest Cost	1,73,719	2,02,834
Benefit Paid	(2,77,252)	(3,61,199)
Actuarial (gain)/Loss	3,54,123	(6,92,008)

Present Value of obligation, as at the end of the year	26,52,573	20,19,984
Change in plan Assets :		
Plan assets at the beginning of the year	10,04,493	12,87,178
Expected return on plan assets	80,359	78,514
Contribution by the Company		
Actual benefits paid		(3,61,199)
Actuarial gain/(Loss)	NIL	NIL
Plan assets at the end of year	10,84,852	10,04,493
Expenses recognized in the Profit & Loss Account as at March 31, 2013		
Cost for the period:		
Service Cost	3,81,999	3,02,843
Interest Cost	1,73,719	2,02,834
Return on Plan Asset	(80,539)	(78,514)
Actuarial (Gain)/Loss	3,54,123	(6,92,008)
Actual benefits paid*		
Net cost	8,29,482	(2,64,845)
Liability to be recognized in Balance Sheet as at March 31, 2013		
Present value of obligation as at the end of the year	26,52,573	20,19,984
Fair value of Plan assets as at the end of the year	10,84,852	10,04,493
Net liability recognized in Balance Sheet	(15,67,721)	(10,15,491)
Constitution of plan assets :		
Funds managed by Insurer	100%	100%
Total Plan Assets :		
Main Actuarial Assumptions:		
Discount Rate (%)	7.90%	8.60%
Expected rate of return on plan assets (%)	8.00%	8.00%
Rate of increase in compensation level	7.00%	7.00%

The Group Gratuity scheme of LIC is in-operative as the company is not making its contribution to the fund created there under whereas the company is discharging its liability on by payment to the claimants during the year.

- B)** The company has not made any provision of Leave encashment which is being charged to profit & loss account on payment basis.

23.12 In accordance with Accounting standard 22, Companies (Accounting Standard) Rules, 2006, in view of the fact that the company is incurring huge losses as well as have preferred for financial restructuring under BIFR, hence deferred tax asset has not been accounted for in the books since it is not virtually certain whether the company will be able to take advantage of such items.

23.13 Information regarding Raw Material and Stores & spares

a) Value of Imports on CIF Basis

	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
Stores, Spares & Consumables	4.69	1.88
Capital Goods	732.30	

b) Consumption of Imported and Indigenous Raw Material, Stores & Spares

	Current Year		Previous Year	
	(Rs. In Lacs)	(%)	(Rs. In Lacs)	(%)
Raw Material				
a) Indigenous	474.58	100.00	610.22	100.00
b) Imported	0.00	0.00	0.00	0.00
	474.58	100	610.22	100
Stores & Spares				
a) Imported	4.69	92.50	1.88	7.79
b) Indigenous	0.38	07.50	22.25	92.21
	5.07	100	24.13	100

23.14 Expenditure in Foreign Currency

Particulars	2012-2013 (Rs. In Lacs)	2011-2012 (Rs. In Lacs)
Stores, Spares & Consumables	4.69	1.88
Capital Goods	732.30	

23.15 F.O.B. Value of Exports

425.44 442.13

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

INDEPENDENT AUDITORS REPORT

To the Members of VANASTHALI TEXTILE INDUSTRIES LIMITED,

Report on the Financial Statement.

We have audited the attached Consolidated Balance Sheet of Vanasthali Textile Industries Ltd and its Subsidiary (VDR Leasing & Credit Co. Pvt. Ltd.) as at 31st March 2013, the Statement of Consolidated Profit and Loss and also the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statement.

Management is responsible for the preparation of these financial statements that give a true & fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standard referred to in sub-section (3C) of section 211 of the Companies act, 1956 of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated financial statements read together with notes to accounts

give a true and fair view in conformity with the accounting principles generally accepted in India :-

- (a) In the case of Consolidated Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
- (b) In the case of Consolidated Statement of Profit and Loss, of the losses for the year ended on that date;
- (c) In the case of the Consolidated Cash Flow Statement of the cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of the Subsidiary whose Financial Statement reflect total asset of Rs.28,87,092/- as at 31st March, 2013 and total revenue of Rs.60,000/- for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

We report the consolidated financial statements have been prepared by the company's management in accordance with the requirement of accounting standards 21 consolidated financial statements issued by ICAI.

On the basis of information and explanation given to us and on consideration of separate audit report on individual audited financial statements of the company and its aforesaid subsidiary, in our opinion, the said accounts subject to the non provision of leave encashment as required by revised AS-15 on employee benefits, note no. 23.7 of Notes to Accounts regarding its reference with BIFR and in expectancy of reliefs and concessions in the form of financial restructuring of loan liabilities and interest waivers, the management is of the view that company's financial position will improve, the accounts have been prepared on going concern basis & no adjustments are required to the carrying amount of fixed assets on account of impairment as required by AS-28, note no 23.8 regarding recognition of subsidiary under TUF in spite of continuing default in repayment of interest, note no 23.5 of notes to accounts regarding non confirmation of balances with suppliers, customers other creditors, recoverable advances and loan facility from IDBI & balance with HDFC banks have been taken as per books, and are subject to confirmation/reconciliation.

Our Opinion is not qualified in respect of other matter.

For Jain Raj Associates
Chartered Accountants

Sd/-
CA P K JAIN
Proprietor
M.No:086396
Firm No 007535N

New Delhi, 28TH June, 2013.

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Consolidated Balance Sheet as at 31st March 2013**

	Note No.	As at 31.03.2013 Amt (Rs.)	As at 31.03.2012 Amt (Rs.)
<u>EQUITY AND LIABILITIES</u>			
<u>Shareholders funds</u>			
Share capital	1	198,125,000	198,125,000
Reserves and surplus	2	(704,346,206)	(493,684,964)
Share Application Pending for Allotment		63,100	63,100
<u>Non-current liabilities</u>			
Long-term borrowings	3	5,000	463,366,813
Long- term provisions	4	911,563	765,834
Other Long term liabilities (Security Against Property Leased)		2,053,000	2,053,000
<u>Current liabilities</u>			
Short-term borrowings	5	1,026,272,393	415,663,742
Trade payables	6	140,943,008	67,717,009
Other current liabilities	7	93,735,615	83,149,509
Short-term provisions	8	6,046,336	6,069,954
TOTAL		<u>763,808,809</u>	<u>743,288,997</u>
<u>ASSETS</u>			
<u>Non-current assets</u>			
Fixed assets			
(i) Tangible assets	9	338,880,441	391,938,665
(ii) Capital work-in-progress	9	127,754,039	46,628,473
Non-current investments	10	48,600	48,600
Long-term loans and advances	11	7,934,316	7,977,714
<u>Current assets</u>			
Inventories	12	31,807,256	73,072,235
Trade receivables	13	185,319,634	156,659,452
Cash and cash equivalents	14	12,513,217	17,213,416
Short Term Loans & Advances	15	59,551,306	49,749,966
Other Current Assets - Preliminary Expenses			475
TOTAL		<u>763,808,809</u>	<u>743,288,997</u>
Significant Accounting Policies			
Notes on Financial Statements			
	1 to 23		

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396
New Delhi, June 28, 2013

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Consolidated Statement of Profit & Loss for the year ended on 31st March 2013**

Particulars	Refer Note No.	31/Mar/13 Amt (Rs.)	31/Mar/12 Amt (Rs.)
INCOME			
Revenue from operations	16	124,035,484	146,926,116
Other income	17	17,542,962	25,284,488
Total Revenue		141,578,446	172,210,604
EXPENDITURE			
Cost of materials consumed	18	47,458,229	61,021,818
Purchases of Stock-in-Trade			
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	19	42,793,273	35,342,006
Employee benefits expense	20	32,236,156	34,605,620
Finance costs	21	133,235,618	76,485,427
Depreciation and amortization expense	9	53,172,560	56,333,651
Other expenses	22	43,343,852	63,587,565
Total expenses		352,239,688	327,376,087
Profit before tax & Extraordinary Items		(210,661,241)	(155,165,483)
Extraordinary Items			133,630,540
Profit before tax		(210,661,241)	(288,796,023)
Tax expense :			
Profit (Loss) after tax		(210,661,241)	(288,796,023)
Earnings per equity share :			
(1) Basic		(10.63)	(14.58)
(2) Diluted			
Significant Accounting Policies			
Notes to Financial Statements	1 to 23		

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

**Vanasthali Textile Industries Limited
Cash Flow Statement for the year ended 31st March 2013**

(Amt In Rs)

S.No. Particulars	As at 31.3.13	As at 31.3.12
A. Cash Flow from Operating Activities		
Profit for the Year	(210,661,241)	(288,796,023)
Adjustment for :		
Depreciation	53,172,560	56,333,651
Finance Cost	133,235,618	76,485,427
Interest Received	(660,261)	(874,821)
Operating Profit before Working Capital Charges	(24,913,325)	(156,851,766)
Adjustment for :		
Trade and other Receivables	(28,660,182)	32,690,150
Inventories	41,264,979	175,046,154
Other Current Assets	(9,757,467)	149,194,696
Trade Payables	73,225,999	17,093,052
Other Current Liabilities	10,708,217	(65,992,908)
Working Capital Borrowing	(85,686,324)	8,766,059
Interest Paid	(133,235,618)	(76,485,427)
Direct Tax Paid		
Net Cash from Operating Activities : (A)	(157,053,720)	83,460,008
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Net)	(114,336)	(34,813,453)
Increase/Decrease in CWIP	(81,125,566)	32,025,405
Increase in Investment		
Interest Received	660,261	874,821
Net Cash used in Investing Activities : (B)	(80,579,641)	(1,913,227)
C. Cash Flow from Financial Activities		
Proceeds from Loan (Including Interest)	696,294,975	(163,969,493)
Proceeds from / Repayment of Term Borrowings (including Interest)	(463,361,813)	80,674,157
Net Cash from Financial Activities : (C)	232,933,162	(83,295,336)
Net Increase in Cash & Cash Equivalent (A+B+C)	(4,700,199)	(1,748,555)
Cash & Cash Equivalents at the beginning of the year	17,213,416	18,961,971
Cash & Cash Equivalents at the end of the year	12,513,217	17,213,416

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

Significant Accounting Policies and Notes on Accounts for the year ended 31st March, 2013

» SIGNIFICANT ACCOUNTING POLICIES

1. Preparation & disclosure of financial statements

The Company continues to adopt revised schedule VI for preparation and presentation of its Financial Statements and where ever required, re-grouping has been done.

2. Principles of Consolidations

The consolidated Financial Statements includes the financial statements of Vanasthali textiles Industries Ltd & its subsidiary. The consolidated financial statements of the group have been prepared in accordance with AS-21 issued by ICAI and notified by Companies (Accounting Standard) Rules 2006. The basis is as follows:

- a) The Consolidated Financial statements includes consolidated balance sheet, consolidated statement of profit & loss, consolidated cash flow statement and notes with explanatory statements that form an interegral part thereof.
- b) The Consolidated Financial statements includes the financial statements of its subsidiary of which shares more than 50% owned & controlled as on by Vanasthali Textiles Industries Limited as on 31st March 2013.
- c) The Consolidated Financial statements has been combined on a line by line basis by adding the adding the book values of Assets, liabilities, Income & expenses after eliminating intra group balances and resulting elimination of unrealised profit in full.

3. General

Except where otherwise stated, the financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

4. Use of Estimates

The preparation of financial statement requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reported period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

5. Fixed Assets

Fixed Assets are stated at cost net of CENVAT/Value added tax less accumulated depreciation and impairment loss, if any.

6. Depreciation

Depreciation on fixed assets has been provided on written down value method (WDV) at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956 over their useful life.

7. Translation of Foreign Currency items

Transactions denominated in foreign currencies are recorded at exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year end are restated at the year end rates. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit & loss account.

8. Inventories

- a) Raw Material, Stores & Spares and Consumables, Fuel and Packing Materials are valued at lower of cost or net realizable value.
- b) Finished goods & Stock in process are valued at lower of cost or net realizable value.

9. Investments

Current Investments are valued at cost or market price whichever is lower. Non Current investments (Long Term Investments) are valued at cost. Provision for diminution in the value of Long Term Investments is made only if such a decline is other than temporary.

10. Revenue Recognition

- a) Local Sales: Sales represent amount billed for goods sold, inclusive of excise duty net of all discounts, returns and allowances.
- b) Export Sales: Sales represent FOB value of exports. Export Sales are accounted for at the time of shipment from the factory.
- c) Job Work Income is recognized on accrual basis.

11. Benefits on Exports

Refund of DEPB and duty drawback on Export is accounted for on accrual basis.

12. Employee Retirement Benefits :

Defined Contribution Plan

Company's contribution paid / payable during the year towards Provident Fund Scheme & Employee State Insurance Scheme are recognized in the Profit & Loss account.

Defined Benefit Plan

Employee Gratuity Fund Scheme is managed by LIC, using the Projected Unit Credit Method. Other Long Term Benefits such as Leave Encashment and other retirement benefits are accounted for on payment basis.

13. Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of carry forward of un-absorbed depreciation and the losses are recognized to the extent there is virtual certainty of their realization against future profit.

14. Interest under TUF scheme

The term loan of the company has been sanctioned under the TUF scheme of the Govt. of India. Under this scheme, interest subsidy @ 5% p.a. is given by the Government on the interest paid by the company on its term loan which is refunded quarterly after TUF claim is lodged. This refund is accounted for on mercantile basis and is treated as revenue receipt.

15. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets prior to commencement of commercial production are capitalized as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

16. Events occurring after balance sheet date

Significant events occurring after the balance sheet date have been considered in the preparation of financial statement.

17. Impairment of Fixed Assets

At the end of each year the company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that on impairment loss may have occurred in accordance with the Accounting Standard- 28 on Impairment of Assets issued by the Institute of Chartered Accountants of India. An impairment loss is charged to profit & loss A/c in the year in which an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

18. Accounting for Provisions, Contingent Liabilities & Contingent Assets.

Provisions are recognized in terms of Accounting Standard 29 - 'Provisions, Contingent Liabilities & Contingent Assets (AS-29), notified by the Companies (Accounting Standards) Rules, 2006. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

VANASTHALI TEXTILE INDUSTRIES LIMITED

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

NOTE - 1 : SHARE CAPITAL

(Amt In Rs)

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
Authorised		
2,52,50,000 (Previous Year 2,52,50,000 Equity Shares) Equity Shares of Rs. 10/- each	<u>252,500,000</u>	<u>252,500,000</u>
Issued, Subscribed & Paid Up		
1,98,12,500 (Previous Year 1,98,12,500 Equity Shares) Equity Shares of Rs. 10/- each, fully paid up	<u>198,125,000</u>	<u>198,125,000</u>
TOTAL	<u>198,125,000</u>	<u>198,125,000</u>

(ii) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Number	Equity Shares ₹
Equity Shares at the beginning of the year	198,125,000	1,981,250,000
Shares Issued during the year		
Shares bought back during the year		
Equity Shares at the end of the year	<u>198,125,000</u>	<u>1,981,250,000</u>

(iii) Shares held by Other Companies

Shares held by	As at 31 March 2013		As at 31 March 2012	
	Number	₹	Number	₹
HOLDING COMPANY				
- Millennium Holding Limited	11,058,825	110,588,250	11,058,825	110,588,250
	<u>11,058,825</u>	<u>110,588,250</u>	<u>11,058,825</u>	<u>110,588,250</u>

(iv) Detail of shareholders holding more than 5% shares

Name of Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of shares	% of Holding	No. of shares	% of Holding
Equity Shares :				
Vishal Goenka	1,700,000	8.58%	1,700,000	8.58%
Rajendra Goenka	1,980,980	10.00%	1,980,980	10.00%
Millenium Holdings Limited	11,058,825	55.81%	11,058,825	55.81%
TOTAL	<u>14,739,805</u>	<u>74.39%</u>	<u>14,739,805</u>	<u>74.39%</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 2 : RESERVES AND SURPLUS		
Capital Reserve		
Balance as per the last Financial Statements	4,387,519	4,387,519
Add : Addition during the year		
Less:General Reserve transfer to Profit & Loss account		
Closing Balance	<u>4,387,519</u>	<u>4,387,519</u>
I. Surplus		
Opening balance	(498,072,483)	(209,276,460)
(+) Net Profit/(Net Loss) For the current year	(210,661,241)	(288,796,023)
Closing Balance	<u>(708,733,725)</u>	<u>(498,072,483)</u>
Total Balance Carried to Balance Sheet	<u>(704,346,206)</u>	<u>(493,684,964)</u>

NOTE 3 : LONG-TERM BORROWINGS

SECURED LOANS

Term Loans :

From Banks

374,199,653

Interest Accured & Due On Borrowings

89,162,160

LOAN & ADVANCES FROM RELATED PARTIES

From Directors

5,000

5,000

TOTAL

5,000

463,366,813

3.1 All the Long-Term Loans has been transferred to Short-Term Loans, since all the Lender Banks & Instituion has Recalled their respective Loan.

NOTE 4 : LONG TERM PROVISIONS

Provision for Gratuity

911,563

765,834

TOTAL

911,563

765,834

4.1 The Company has taken group gratuity scheme of Life Insurance Corporation of India and has made contribution to the funds maintained by them. At the year end balance of such fund is Rs.10.84 lacs against the total liability ascertained by Actuary of Rs.26.52 lacs leaving a short fall in Plan Assets of Rs.15.68 lacs for which provision has been made in thebalance sheet under long term & short term liab of Rs 9.11lac and 6.56lac respectively.

NOTE 5 : SHORT-TERM BORROWINGS

SECURED LOANS

Term Loans (5.1) to (5.5) :

From Banks

374,199,653

Interest Accured & Due On Borrowings

128,840,457

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 5 : SHORT-TERM BORROWINGS (Contd.....)		
LOANS REPAYABLE ON DEMAND		
Bank Overdraft (Secured against FDR & Stock) (5.6)	227,481,789	42,631,258
WORKING CAPITAL LIMITS		
From Banks		
- Export Bill Discounted (5.7)	26,981,280	115,110,923
- Packing Credit & PCFC (5.7)	197,062,785	194,619,465
Other loans and advances		
- Vehicle Loan (5.8)	18,840	75,353
UNSECURED		
- From Bank - Overdraft (5.9)		6,810,242
- From Body Corporate	71,687,590	56,416,500
TOTAL	1,026,272,393	415,663,742

- 5.1 Secured by way of mortgage and first charge on all the immovable & movable assets, present and future on pari passu basis with existing charge holder (subject to the prior charge on all the specified movables created/ to be created in favour of the bankers by way of security for borrowings for working capital) and irrevocable and unconditional personal guarantee of a promoter director and pledge of 43.50 lacs equity shares of the company held by promoter director/associates.
- 5.2 Secured by way of first charge on pari passu basis with other term lenders over the entire fixed assets (Present & Future) of the company, first pari passu charge on land & building of VDR Leasing & Credit Co. Pvt. Ltd. and corporate guarantee of VDR Leasing & Credit Co. Pvt. Ltd. , equitable mortgage of factory Land & building situated at B-2, RIICO Industrial Complex, Vigyan Nagar, Shahjhanpur Distt. Alwar, Rajasthan standing in the name of M/s VDR Leasing and Credit Company Pvt. Ltd., personal guarantee of a promoter director.
- 5.3 Loan balance of Rs.273,625,847/- from IDBI is subject to confirmation & recocilation thereof.
- 5.4 Company has defaulted in the repayment of all the term loan from last four years resulting into classification as NPA by Lenders.
- 5.5 All the above loan facilities are under default and during the year these loans has been recalled by Lenders, therefore the outstanding balances has been re-classified under Short-Term Loan
- 5.6 During the year one of the Lender Bank i.e. Oriental Bank of Commerce has merged all his loan Accounts into one single account, total balance of which is Rs.422,272,020/- out of which Rs.134,703,123/- has been shown under the head of Term-Loan, Rs.93,149,005/- has been merged under the head of Packing Credit & remaining balance of Rs.194,419,893/- has been shown under the head of Bank Overdraft.
- 5.7 Secured by way of hypothecation of stock of raw material, work in progress, finished goods and receivables pertaining to export and second charge over fixed assets, personal guarantee of a promoter director and pledge of 23.60 lacs equity shares of the company held by the promoter director's associates.
- 5.8 Loans from banks and non banking financial companies secured by first charge over vehicles.
- 5.9 Previous year figures has been reclassified as under :-
Rs.2,30,524 classified under other payables which is subject to confrmation, Rs 76,38,343 Classified under Packing Credit.
- 5.10 During the year Company has received Rs.15271090/- as promoter contribution from Niki International Inc. (Associates Enterprise).
- 5.11 Company has defaulted in repayment of Bank loans amounting to Rs 954,565,963/-

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
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NOTE 6 : TRADE PAYABLES

Micro, Small and Medium Enterprises

Others 140,943,008 67,717,009

TOTAL 140,943,008 67,717,009

6.1 The company does not have any information regarding the status of suppliers under the Micro, Small & Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid/payable as required under the said Act have not been provided.

NOTE 7 : OTHER CURRENT LIABILITIES

Advance from Customer 8,545,403 16,776,119

Statutory Dues 4,366,131 3,214,611

Other payable 80,167,923 62,909,122

Provision for Gratuity 656,158 249,657

TOTAL 93,735,615 83,149,509

NOTE 8 : Short-Term Provisions

Provision for Employee benefits 5,975,200 5,998,818

Provision for Income Tax 71,136 71,136

TOTAL 6,046,336 6,069,954

NOTE 9 : FIXED ASSETS

Particulars	Rate (%)	Gross Block				Depreciation				Net Block	
		As on 01/04/12	Addition during the Year	Sale adjustment	As on 31/03/13	As on 31/03/12	For the Year	Adjustment on Sale	As on 31/3/13	As on 31/3/13	As on 31/3/12
Lease Hold Land	-	1,604,911	-	-	1,604,911	-	-	-	1,604,911	1,604,911	
Land Free Hold Land	-	2,726,852	-	-	2,726,852	-	-	-	2,726,852	2,726,852	
Factory Building	10%	12,335,679	-	-	12,335,679	-	-	-	12,335,679	12,335,679	
Non Factory Building	5%	200,725,653	-	-	200,725,653	128,332,229	7,239,342	-	135,571,571	65,154,082	72,393,424
Plant & Machinery	15.33%	14,027,469	-	-	14,027,469	7,869,529	307,897	-	8,177,426	5,850,044	6,157,941
Electrical Fittings	15.33%	1,106,400,252	108,936	-	1,106,509,188	827,185,319	42,807,309	-	869,992,628	236,516,560	279,214,933
Furniture & Fixture	18.10%	35,372,677	-	-	35,372,677	22,403,834	1,988,124	-	24,391,958	10,980,718	12,968,842
Vehicles	25.89%	8,489,532	-	-	8,489,532	6,947,186	279,165	-	7,226,351	1,263,181	1,542,346
Office Equipment	13.91%	5,081,341	-	-	5,081,341	4,194,000	229,733	-	4,423,733	657,608	887,341
Computer	40%	8,678,885	-	-	8,678,885	6,679,315	278,140	-	6,957,455	1,721,430	1,999,570
		655,469	5,400	-	660,869	548,643	42,850	-	591,493	69,376	106,826
Total		1,396,098,720	114,336	-	1,396,213,056	1,004,160,055	53,172,560	-	1,057,332,615	338,880,441	391,938,665
Previous Year		1,358,558,415	34,813,453	-	1,393,371,868	947,826,403	56,333,651	-	1,004,160,054	389,211,814	410,732,012
Capital Work in Progress		46,628,473	81,125,566	-	127,754,039	-	-	-	-	127,754,039	46,628,473

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 10 : NON-CURRENT INVESTMENTS		
(Unquoted)		
6 Year National Saving Certificates (10.1) (Pledged with Govt. Deptt. as Security Deposit)	41,600	41,600
VDR Leasing & Credit Co. Pvt. Ltd. (10,000 equity shares of Rs. 10.70 each fully paid up) (A wholly Owned Subsidiary)	7,000	7,000
	<u>48,600</u>	<u>48,600</u>
10.1 Company has an investment in National Saving Certificates for which no document has been provided.		
NOTE 11 : LONG-TERM LOANS & ADVANCES		
(Unsecured & considered good)		
Security Deposits (11.1)	7,934,316	7,977,714
TOTAL	<u>7,934,316</u>	<u>7,977,714</u>
11.1 No details has been provided to us of Security Deposit of Rs.7,934,316/-		
NOTE 12 : INVENTORIES		
(As taken, valued and certified by the Management)		
Raw Material	8,191,380	6,528,692
Stores, Spares & Consumables	1,516,633	1,515,817
Packing Material	38,485	41,845
Fuel	13,158	145,008
Work-in-Progress	10,182,780	7,570,642
Finished Goods	11,864,820	190,900,771
GROSS TOTAL	<u>31,807,256</u>	<u>206,702,775</u>
Provision of Diminuation in Value of Inventory (Op.)	133,630,540.00	
Less:- written off	<u>133,630,540.00</u>	133,630,540
NET TOTAL	<u>31,807,256</u>	<u>73,072,235</u>
NOTE 13 : TRADE RECEIVABLES		
(Unsecured and Considered Good)		
- Outstanding for a period exceeding six months	185,319,634	156,659,452
- Other		
TOTAL	<u>185,319,634</u>	<u>156,659,452</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 14 : CASH & CASH EQUIVALENTS		
Cash in Hand	380,053	220,668
Balance with Scheduled Banks		
In Current Accounts (14.1)	1,413,886	693,725
In Margin Money Account (Under Bank Lien) (14.2)	10,719,278	16,299,023
TOTAL	<u>12,513,217</u>	<u>17,213,416</u>
14.1 Balance of Rs.21,376/- with HDFC & Rs.207,000/- with SBBJ are subject to confirmation & reconciliation.		
14.2 Margin Money Account include Rs.68,90,559/- from OBC & Rs.16,02,382/- from Allahabad, are subject to confirmation & reconciliation.		
NOTE 15 : SHORT-TERM LOANS & ADVANCES		
(Unsecured & Considered Good)		
Other loans and advances		
CST / Duty Drawback Claim Receivable	5,292,175	4,053,337
Balances with /recoverable From Govtt. Authorities	39,917,591	39,813,064
TDS Refundable	3,537,895	2,836,394
Other Advances Recoverable	1,316,945	968,824
Advances Recoverable in Cash or in Kind or for value to be received	9,486,699	2,078,347
TOTAL	<u>59,551,306</u>	<u>49,749,966</u>
NOTE 16 : REVENUE FROM OPERATIONS		
Export	47,527,454	44,049,023
Domestic	45,276,171	31,637,015
Job work	31,231,858	71,240,078
TOTAL	<u>124,035,484</u>	<u>146,926,116</u>
NOTE 17 : OTHER INCOME		
CST/Duty drawback Claim	2,945,890	3,013,418
Interest from FDR	660,261	874,821
Miscellaneous Receipts	1,760,871	1,867,368
Provision for Foreign Currency Fluctuation (net)	11,437,153	14,597,485
Foreign Exchange Fluctuations	678,787	4,122,264
Focus Market Scheem-Sale		749,132
Rental Income	60,000	60,000
TOTAL	<u>17,542,962</u>	<u>25,284,488</u>
NOTE 18 : COST OF MATERIAL CONSUMED		
Yarn	35,118,197	38,396,759
Dyes & Chemicals	9,715,989	20,369,755
Packing Material	2,624,043	2,255,305
TOTAL	<u>47,458,229</u>	<u>61,021,818</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 19 : INCREASE / (DECREASE) IN STOCK		
Opening stock		
Work in process	7,570,642	4,810,452
Finished Goods	57,270,231	229,002,967
	<u>64,840,873</u>	<u>233,813,419</u>
Closing Stock		
Work in process	10,182,780	7,570,642
Finished Goods	11,864,820	190,900,771
	<u>22,047,600</u>	<u>198,471,413</u>
Increase/(Decrease) in Stock	<u>(42,793,273)</u>	<u>(35,342,006)</u>
NOTE 20 : EMPLOYEE BENEFITS		
Salaries, Wages & Bonus	29,538,206	32,341,497
Contribution to Provident and Other Funds	2,375,215	1,837,179
Staff Welfare Expenses	322,735	426,944
TOTAL	<u>32,236,156</u>	<u>34,605,620</u>
NOTE 21 : FINANCE COST		
Interest on Term Loan	108,900,058	39,112,593
Interest on Working Capital Loan	24,202,709	35,970,972
Bank Charges	130,504	1,299,381
Interest Others	2,347	102,481
TOTAL	<u>133,235,618</u>	<u>76,485,427</u>
NOTE 22 : OTHER EXPENSES		
MANUFACTURING EXPENSES		
Stores & Spares	505,494	2,413,122
Power & Fuel	24,368,411	34,213,896
Insurance	500,670	490,367
Repairs & Maintenance		
- Plant & Machinery	3,004,971	3,042,307
- Building	277,585	601,235
Cartage & Freight Inwards	967,063	1,561,103
Other Manufacturing Charges	4,064,593	8,062,142
TOTAL	<u>33,688,787</u>	<u>50,384,172</u>

VANASTHALI TEXTILE INDUSTRIES LIMITED

Particulars	As at 31 March 2013 ₹	As at 31 March 2012 ₹
NOTE 22 : OTHER EXPENSES (Contd....)		
ADMINISTRATION EXPENSES		
Rent	373,824	481,000
Director's Remuneration/board meeting fee	8,535	10,000
Rate,Fees & Taxes	868,059	706,208
Communication Expenses	704,240	602,191
Travelling & Conveyance	372,657	902,243
Postage & Telegram	71,661	62,686
Repairs & Maintenance - Others	561,467	2,238,262
Vehicle Running & Maintenance	599,023	665,589
Legal & Professional Charges	2,100,520	3,193,130
Insurance	195,170	50,265
Miscellaneous Expenses	718,406	385,653
Auditor's Remuneration		
- For Statutory Audit	290,900	455,850
Printing & Stationary	162,131	216,945
Annual & General Maintenance A/c	70,906	249,426
Preliminary Expenses written off	475	475
Service Charges and Economic Rent		60,134
TOTAL	7,097,974	10,280,057
SELLING & DISTRIBUTION EXPENSES		
Freight Outward	564,838	1,382,187
Advertisement	417,120	247,443
Sampling Expenses	13,239	45,959
Insurance	12,617	38,071
ECGC Premium	931,000	567,833
Clearing & Forwarding	578,538	379,540
Export Claim Selling		5,229
Courier Charges	39,739	257,074
TOTAL	2,557,091	2,923,336
GRAND TOTAL	43,343,852	63,587,565

NOTE: 23 NOTES ON ACCOUNTS CONSOLIDATED

23.1 Basis of Presentation

The Consolidated financial statements are prepared in accordance with AS-21 on Consolidated Financial Statement issued by the ICAI. The Consolidated Financial Statements of Vanasthali Textile Industries Limited and its following subsidiary:

Name of the Subsidiary	Proportion of Ownership	Remarks
VDR Leasing & Credit Company Pvt. Ltd.	100%	Consolidated

23.2 Contingent Liabilities:

Contingent Liabilities not provided for in respect of:

Particulars*	(Rs. In lacs) 2012-13	(Rs. In lacs) 2011-12
Guarantees given by banks for which counter guarantee has been given by the company	16.50	16.50
Bonds executed in favour of the Excise Department	1607.77	1607.77
Excise Duty Cases	2044.13	1116.33
Service Tax	18.88	100.51
Income Tax	530.36	530.36
Sales Tax/Entry Tax	23.53	23.53

*The information given above is certified by the management & relied upon by the auditors.

23.3 Auditors' Remuneration :

a) Audit Fees	4.03	4.56
b) Taxation matters	2.93	1.33

23.4 Status of Income Tax Cases

- a) In respect of assessment year 2007-08, the Assessing Officer had disallowed certain expenses on account of Commission, Exhibition, Duty drawback & Sales income and made an addition of Rs.5,81,20,640/- against which the company has filed an appeal before Commissioner of Income Tax (Appeals) and the same is pending for hearing.
- b) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain expenses on account of Commission, Exhibition, Stock Loss and Rent against which the company has filed an appeal before Commissioner of Income Tax (Appeals) and the same is pending for hearing.
- c) In respect of assessment year 2009-10, the Assessing Officer has assessed the income at NIL, whereas company has claimed a loss of Rs. 14,28,63,830/- against which the company has filed an appeal before Commissioner of Income Tax (Appeals) and the same is pending for hearing.

23.5 Balances with customers, suppliers, other creditors, recoverable advances and loan facility from IDBI & balance with HDFC & SBBJ banks which have been taken as appearing in the books, and are subject to confirmation/reconciliation.

23.6 Since, the company is exclusively engaged in the business of textile products which consists of only Terry Towel, and has a single composite manufacturing unit. Therefore business of the company is considered to constitute single primary reportable segment in the context of Accounting Standard 17 on "Segment Reporting".

- 23.7 a)** Based on the accounts for the period ended 31st March 2011, the company has filed a reference with Hon'ble Board of industrial and financial restructuring (BIFR) u/s 15(1) of Sick Industrial Companies (special provisions) Act'1985 for measures to be adopted with respect to the rehabilitation of the company. The reference so filed has been registered vide reference no.55/2011 and the process for declaration of sickness still in progress.
- b) Due to continue default in repayment of loan liability, the lenders have issued notice u/s 13(2) of SARFASI Act, 2002. In view of the proceedings in BIFR and conversation between the lenders & company, the management is of the opinion that once the loan liability is settled no adverse impact will be on the operations of the company.
- c) In view of the matter pending before Hon'ble BIFR for restructuring and rehabilitation of the company and in expectancy of relief & con-cessionation in form of restructuring of loan liabilities, waiver of interest etc., the management is of the view that financial position of the company will improve by improvement in assets/liabilities mismatch on one hand and profitability on the other. Therefore the account has been prepared on going concern basis.
- d) Further based on such restructuring of the financial liabilities of the company, the management believes that profits are expected to accrue once the entire capacity of the plant is utilized and hence no adjustment is required in fixed assets on account of impairment of Assets.
- 23.8** In view of continuous default in payment of interest on term loan, company has not accounted for subsidy, for the current period under TUF scheme whereas the management has decided to carry forward the amount of accumulated balance of Rs.316.44 lacs as recoverable under current assets as the same shall be adjusted against full & final settlement of such loan accounts.
- 23.9** In view of non implication of any financial liabilities in various court cases pending against/for the company, no provision has been considered necessary. Liability in future, if any, would be accounted for in the year of demand.
- 23.10** The earnings per share has been calculated as specified in Accounting Standard 20 on "Earning Per Share" issued by ICAI, the related disclosures are as below :

	2012-2013	2011-2012
a) Profit/(Loss) after Tax (Rs. in lacs)	(2106.59)	(2887.96)
b) Weighted average number of equity shares used as the denominator in calculating EPS (Nos. in Lacs)	198.125	198.125
c) Earning/(Loss) Per Shares	(10.63)	(14.58)

- 23.11** Related parties and transactions with them as specified in the Accounting Standard 18 on "**Related Parties Disclosures**" issued by ICAI has been identified and given below on the basis of information available with the Company and the same has been relied upon by the auditors.

(Subsidiary)

VDR Leasing & Credit Company Private Limited.

Enterprises over which Key Management Personnel and their relative having significant influence

Milleneum Holding Ltd.

Nile Suez Spining & Weaving Co.

Nikki International Inc.

Nikki UK.

Sawan Textiles International Private Limited.

Key Managerial Personnel

Mr. Nikhil Poddar

Chairman/Managing Director

Mr. David Soans

Director

VANASTHALI TEXTILE INDUSTRIES LIMITED

Transactions	Subsidiary	Key Managerial Personnel & their relatives	Enterprises owned or significantly controlled by Key Management Personnel or their relatives
Sale of Goods to NIKI International Inc.	-- --	--	3,98,01,737 (4,03,27,526)
Rent Paid	60,000 (60,000)	--	--
Purchase of Capital Goods - Millenium Holding Ltd.	--	--	7,32,29,572
Corporate Guarantee	VDR Leasing Pvt. Ltd.	--	--
Balance Receivable			
Nikki International INC. on account of sales			9,99,90,724 (7,21,69,898)
Sawan Textiles International Private Limited			99,675 (85,675)
Balance Payable			
VDR Leasing & Credit Pvt. Ltd.	1,18,540 (74,940)		
Nikki International (LOAN A/c)			5,64,16,500 (5,64,16,500)
Nikki International Promoter contribution A/C			1,52,71,090 NIL
Nikki International Inc. (Advance Received)			7,11,50,580 (5,75,05,640)
Millenium Holding Ltd.			7,32,29,572 NIL

(Figures in Bracket represent previous year figures)

23.12 Defined Benefit Plan-

A) Gratuity Table as per actuarial valuation are as under :

The following table sets out the status of the gratuity as at March 31, 2013.

Gratuity Scheme Funded Plan	As at March 31, 2013 (Amt. in Rs.)	As at March 31, 2012 (Amt. in Rs.)
Change in benefit obligation :		
Present Value of obligation, as at the beginning of the year	20,19,984	25,67,514
Service Cost	3,81,999	3,02,843
Interest Cost	1,73,719	2,02,834
Benefit Paid	(2,77,252)	(3,61,199)
Actuarial (gain)/Loss	3,54,123	(6,92,008)

Present Value of obligation, as at the end of the year	26,52,573	20,19,984
Change in plan Assets :		
Plan assets at the beginning of the year	10,04,493	12,87,178
Expected return on plan assets	80,359	78,514
Contribution by the Company		
Actual benefits paid		(3,61,199)
Actuarial gain/(Loss)	NIL	NIL
Plan assets at the end of year	10,84,852	10,04,493
Expenses recognized in the Profit & Loss Account as at March 31, 2013		
Cost for the period:		
Service Cost	3,81,999	3,02,843
Interest Cost	1,73,719	2,02,834
Return on Plan Asset	(80,539)	(78,514)
Actuarial (Gain)/Loss	3,54,123	(6,92,008)
Actual benefits paid*		
Net cost	8,29,482	(2,64,845)
Liability to be recognized in Balance Sheet as at March 31, 2013		
Present value of obligation as at the end of the year	26,52,573	20,19,984
Fair value of Plan assets as at the end of the year	10,84,852	10,04,493
Net liability recognized in Balance Sheet	(15,67,721)	(10,15,491)
Constitution of plan assets :		
Funds managed by Insurer	100%	100%
Total Plan Assets :		
Main Actuarial Assumptions:		
Discount Rate (%)	7.90%	8.60%
Expected rate of return on plan assets (%)	8.00%	8.00%
Rate of increase in compensation level	7.00%	7.00%

The Group Gratuity scheme of LIC is in-operative as the company is not making its contribution to the fund created there under whereas the company is discharging its liability on by payment to the claimants during the year.

- B)** The company has not made any provision of Leave encashment which is being charged to profit & loss account on payment basis.

23.13 In accordance with Accounting standard 22, Companies (Accounting Standard) Rules, 2006, in view of the fact that the company is incurring huge losses as well as have preferred for financial restructuring under BIFR, hence deferred tax asset has not been accounted for in the books since it is not virtually certain whether the company will be able to take advantage of such items.

23.14 Information regarding Raw Material and Stores & spares

a) Value of Imports on CIF Basis

	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
Stores, Spares & Consumables	4.69	1.88
Capital Goods	732.30	

b) Consumption of Imported and Indigenous Raw Material, Stores & Spares

	Current Year		Previous Year	
	(Rs. In Lacs)	(%)	(Rs. In Lacs)	(%)
Raw Material				
a) Indigenous	474.58	100.00	610.22	100.00
b) Imported	0.00	0.00	0.00	0.00
	474.58	100	610.22	100
Stores & Spares				
a) Imported	4.69	92.50	1.88	7.79
b) Indigenous	0.38	07.50	22.25	92.21
	5.07	100	24.13	100

23.15 Expenditure in Foreign Currency

Particulars	2012-2013 (Rs. In Lacs)	2011-2012 (Rs. In Lacs)
Stores, Spares & Consumables	4.69	1.88
Capital Goods	732.30	

23.16 F.O.B. Value of Exports

425.44 442.13

As per our report of even date

For **Jain Raj Associates**
Chartered Accountants
FRN : 007535N

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
P K JAIN
Proprietor
M. No. 086396

Sd/-
David Soans
Director

Sd/-
Amit Gupta
Company Secretary

New Delhi, June 28, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

Statement pursuant to section 212 of the Companies Act 1956 relating to Subsidiary Company

1	Subsidiary	V D R Leasing and Credit Company Private Limited	V D R Leasing and Credit Company Private Limited
2	Financial Year of the subsidiary Company ended on	31st March, 2013	31st March, 2012
3	Fully paid up share capital held by Vanasthali Textile Industries Limited in the Subsidiary Company (A) Numbers (B) Percentage of Holding (Equity) (C) Percentage of Holding (Preference)	10,000 Equity Share of Rs.10/- each fully paid up 100% NIL	10,000 Equity Share of Rs.10/- each fully paid up 100% NIL
4	Change in the Interest of the Company or the Subsidiary Company between the end of the financial year of the Subsidiary and 31st March 2013	Company has become wholly Subsidiary w.e.f. 10th April 2009	Company has become wholly Subsidiary w.e.f. 10th April 2009
5	Net aggregate of profit/losses of the Subsidiary Company for its Financial Year so far as it concerns the members of the Holding Company A. Dealt with in the Accounts for the period ended 31.03.2013 B. Not dealt with in the Accounts for the period ended 31.03.2013	NIL 2375.00	NIL 29691.00
6	The net aggregate of profit/losses of the Subsidiary Company for its previous Financial Year since it became a subsidiary so far as it Concerns the members of the Holding Company Dealt with in the Accounts for the Period ended 31.03.2013 Not dealt with in the Accounts for the Period ended 31.03.2013	NIL 29691.00	NIL 23907.00
7	Material changes between the end of the Financial year of the subsidiary Company as the case may be 31st March 2013 a. Fixed Assets b. Investments a. Money Lend by Subsidiary Company b. Money borrowed by the Subsidiary Company other then for meeting Current liabilities.	Does Not arise	Does Not arise

Sd/-
Nikhil Poddar
Chairman & MD

Sd/-
David Soans
Director

New Delhi, June 29, 2013

V.D.R. LEASING & CREDIT CO. PVT. LTD.

DIRECTORS REPORT

TO

THE MEMBERS

Your Directors have pleasure in presenting you the audited statement of accounts of the company for the year ended 31st March 2013 together with the Auditors Report thereon.

FINANCIAL RESULTS

The Profit and Loss Account for current year shows a loss of Rs.2375, whereas in previous year it was 29,691 whereas Provision For Income Tax Rs. NIL amounts to loss of Rs.2375, which your Directors propose to carry forward.

REVIEW OF OPERATIONS

The working of the Company was satisfactory as company reduced past losses due to other expenses reduction pursuant to some cost cutting measures during the period but your director's hopes further improvements during the Current Year.

AUDITORS

M/S. RAHUL R AGRAWAL & CO. Chartered Accountants, New Delhi, Auditors of the Company retires at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNICAL, ABSORPTION, ETC.

Not Applicable.

PARTICULARS OF EMPLOYEES

There is no employee in the Company drawing remuneration more than the prescribed limit under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

During the Year under review, Mr. Nikhil Poddar is acting as Managing Director of the company, Mr. Pannalal Goswami will be appointed as Director in the forthcoming AGM. Mr. S.C. Arya Resigned from the Directorship w.e.f. 14/08/2013

Mr. David Soans, who retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earning/outgo during the year are as under:

	Rs./Lacs	
	Current Year	Previous Year
Foreign Exchange Earning	NIL	NIL
Foreign Exchange Outgo	NIL	NIL

DIRECTORS'S RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956, your Directors inform that:

- (i) Applicable Accounting Standards as specified by The Institute of Chartered Accountants of India have been followed in the preparation of the Annual Accounts.
- (ii) The Accounting Policies have been applied consistently and adjustments and estimates that have been made for preparation of the accounts are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012 and the Profit of the Company for the Period ended on that date.
- (iii) The Company has taken proper and sufficient care for care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and taken steps to safeguard the assets of the Company and to prevent fraud and irregularities.
- (iv) Final accounts have been prepared on going concern basis.

ACKNOWLEDGMENT

Your Directors deeply acknowledge the continued trust and confidence you have placed in the Company.

For V.D.R. LEASING & CREDIT CO. PVT.LTD.

Place: New Delhi
Dated: The 29th day of June, 2013

Sd/-
NIKHIL PODDAR
(DIRECTOR)

Sd/-
DAVID SOANS
(DIRECTOR)

Independent Auditors Report

To the Members of

VDR Leasing and Credit Company Private Limited

We have audited the accompanying financial statements of VDR Leasing and Credit Company Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Profit and Loss Account, of the profit/ loss for the year ended on that date; and

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

VANASTHALI TEXTILE INDUSTRIES LIMITED

- e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Sachin Agrawal & Gupta
Chartered Accountants
FRN:010010C

Sd/-
Rahul Agrawal
(Partner)

Membership No. : 516279

Place : New Delhi
Date : 29th June, 2013

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of VDR Leasing and Credit Company Private Limited on the accounts of the company for the year ended 31st March, 2013.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
(c) In our opinion and according to the information and explanations given to us, no fixed asset has been disposed during the year and therefore does not affect the going concern assumption.
2. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
3. a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
5. a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
b) As per information & explanations given to us and in our opinion, the transaction entered into by the company with parties covered u/s 301 of the Act does not exceeds five lacs rupees in a financial year therefore requirement of reasonableness of transactions does not arises.
6. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.

7. As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
8. As per information & explanation given by the management, maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2012 for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
10. The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. According to information and explanations given to us, the Company is trading in Shares, Mutual funds & other Investments. Proper records & timely entries have been maintained in this regard & further investments specified are held in their own name.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
16. Based on our audit procedures and on the information given by the management, we report that the company has not raised any term loans during the year.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2012, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. The Company has no outstanding debentures during the period under audit.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

For Sachin Agrawal & Gupta
Chartered Accountants
FRN:010010C

Sd/-

Rahul Agrawal
(Partner)

Membership No. : 516279

Place : New Delhi
Date : 29th June, 2013

VANASTHALI TEXTILE INDUSTRIES LIMITED

F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur, Distt. Alwar, Rajasthan

**Venue of Meeting: F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur-301706,
Distt. Alwar, Rajasthan**

FORM FOR PROXY

Date

I/We.....
of..... in the district of
being Member/members of Vanasthali Textile Industries Limited hereby appoint.....
.....
of..... in the district of..... or failing
him.....in the district ofas
my/our proxy to vote for me/us on my/our behalf at the Twenty Second Annual General Meeting of the Company
to be held on Saturday the 28th day of September, 2013 at 11.00 am. and any adjournment thereof.

Folio No.



Signature

Note: The form should be signed across the stamp as per specimen registered with the Company and must be deposited at the Registered Office of the Company F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur, Distt. Alwar, Rajasthan not less than 48 hours before the commencement of the meeting.

VANASTHALI TEXTILE INDUSTRIES LIMITED

F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur, Distt. Alwar, Rajasthan

**Venue of Meeting: F-3-5 RIICO Industrial Complex, Vigyan Nagar, Shahjahanpur-301706,
Distt. Alwar, Rajasthan**

ATTENDANCE SLIP

(to be handed over at the entrance of the meeting hall)

Name of the Member (in Block Letter)

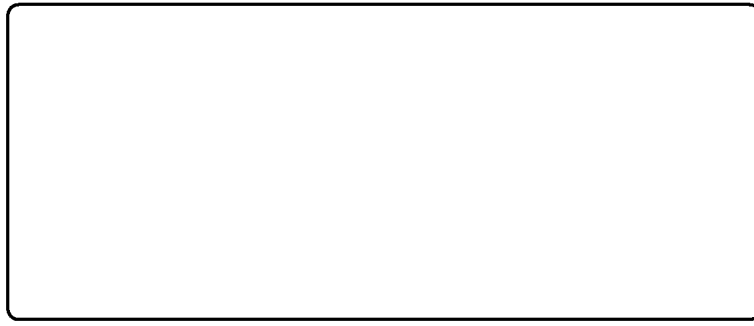
Member Folio No.....

Name of Proxy.....
(in Block Letters to be filled in if the proxy attends instead of the Member)

Numbers of Shares held.....

I hereby record my presence at the Twenty Second Annual General Meeting held on Saturday the 28th day of September, 2013 at 11.00 am. at Venue of Meeting.

BOOK - POST



If Undelivered, please return to :

VANASTHALI TEXTILE INDUSTRIES LIMITED

F-3-5 RIICO Industrial Complex,
Vigyan Nagar, Shahjahanpur - 301706,
Distt. Alwar, Rajasthan