

# Redefining **benchmarks!**

Sutlej Textiles and Industries Limited | Annual Report 2010-11



## Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to know our product portfolio, business logic and direction and comprehend our prospects. This report and other statements – written and oral – that we periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘plan’, ‘project’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe that we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. If known or unknown risks or uncertainties materialise, or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated or projected. Readers may bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



Late Dr. K.K. Birla  
(1918-2008)

Our source of inspiration

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From a single product to  
multiple categories.

From commodities to  
value-added yarns  
and textile products.

From India to  
over 50 countries.

From standalone manufacture to  
complete integration.

From market-driven to  
market-driving.

From volatility  
towards sustainability.

One of India's leading textile producers, with a value-chain extending from yarns to fabrics to garments to home textiles.



Sutlej Textiles and Industries Limited is one of India's foremost textiles companies. It is also one of the largest exporters of value-added synthetic and blended spun yarn with a presence in more than 50 countries.

Total employee strength of  
**11531**  
 as on March 31, 2011.

## Heritage

Flagship textiles company of the illustrious K. K. Birla Group.

## Identity

One of India's leading textile producers, with a value-chain extending from yarns to fabrics to garments to home textiles.

## Clientele

Raymonds, Harry's Collection, Digjam, Marks & Spencer, JC Penney, Next, ASDA, Grasim, Donear, Siyaram's, Arrow, Sears, Kohls, Arvind and John Miller, among others.

## Globalised

Argentina, Bangladesh, Belarus, Belgium, Brazil, Cyprus, Canada, Chile, China, Columbia, Egypt, England, France, Germany, Greece, Hong Kong, Indonesia, Italy, Iran, Israel, Japan, Jordon, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, Pakistan, Panama, the Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Spain, Singapore, Syria, Sri Lanka, Switzerland, South Africa, South Korea, Taiwan, Tanzania, Tunisia, Turkey, Thailand, the United States of America, the United Arab Emirates (UAE) and Vietnam, among others.

## Certifications

Status of trading house certificate (conferred by the Government of India) with ISO-9001 quality certification.

## People

Total employee strength of 11531 as on March 31, 2011.

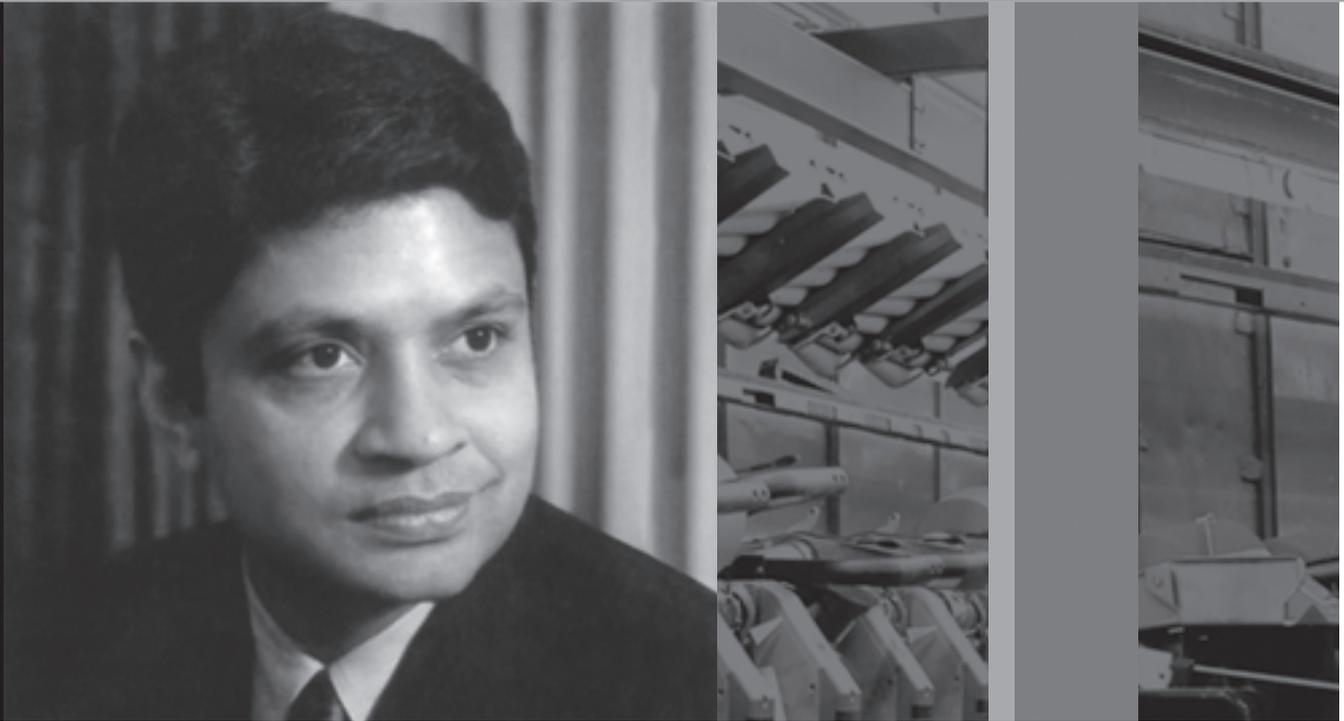
## Market capitalisation

Growth of 107.17 percent from Rs. 121.23 crore (as on March 31, 2010) to Rs. 251.15 crore (as on 31 March 2011).

## Assets

Units	Location	Products	Capacities
Rajasthan Textile Mills	Bhawanimandi, Rajasthan	Cotton yarn and manmade fibre yarn	82384 spindles 336 rotors
Chenab Textile Mills	Kathua, Jammu and Kashmir	Cotton yarn and manmade fibre yarn	170616 spindles
Damanganga Fabrics	Daheli, Gujarat	Fabrics	4.9 million metres per annum (60 looms)
		Processed fabrics	20 million metres per annum
Damanganga Garments	Daheli, Gujarat	Garments	1.6 million trousers per annum
Damanganga Home Textiles	Daheli, Gujarat	Home textiles furnishing	2 million metres per annum (24 shuttleless looms)

## Interaction with the Chairman



“We ended 2010-11 with the highest revenues and profit after tax, which is a reflection of our ability to capitalise effectively on the rebound in the textiles sector.”

Mr. C.S. Nopany, Chairman, Sutlej Textiles and Industries Limited, appraises the performance of the Company in 2010-11 and explains why Sutlej will continue to remain on a sustainable growth trajectory

The long overdue correction in the textile industry had arrived which resulted in our revenues increasing by 37% and record profits for Sutlej in 2010-11 as we are able to maximize the upturn in a cyclical business.

**Q. How would you describe the Company's performance in 2010-11?**

**A.** At Sutlej, we have created an excellence-driven culture reflected in disciplined financial and operational processes to help us manage risk through industry cycles. During 2010-11, these disciplines served us well: we achieved record revenues and earnings capitalising on our sector's rebound.

The year 2010-11 was exceptionally good for the textile industry, especially the spinning sector. There was a strong bullish trend in both prices of yarn as well as fibre coupled with unprecedented demand. The long overdue correction in the textile industry had arrived which resulted in our revenues increasing by 37% and record profits for Sutlej in 2010-11 as we are able to maximize the upturn in a cyclical business.

**Q. What events resulted in this record performance?**

**A.** By virtue of a rich eight-decade presence, we have acquired a deep understanding of the textiles sector and created a flexible business model that adapts to the changing external business environments. By the virtue of

being integrated with our customers, we converted market signals into business opportunities faster than the rest. Despite sluggish conditions over the past few years we continued to invest in technology upgradation, capacity expansion and product mix enrichment. As a result, we achieved strong volume-driven growth in our yarn and fabric segments. We were successful in achieving a complete pass-through of raw material costs when cotton and other fibre prices shot up in 2010-11. We tightened our working capital management: interest costs as a percentage of sales declined from 4.61 percent in 2009-10 to 3.62 percent in 2010-11 and the working capital cycle was maintained at minimum levels.

**Q. What were some of the significant highlights of 2010-11?**

**A.** It is a pleasure for me to note that Rajasthan Textile Mills (Bhawanimandi) received certification of SA 8000, a globally-recognised International workplace quality standard based on the concept of social accountability. It is based on the principles of core International Labour Organisation (ILO) conventions, UN conventions and the

Universal Declaration of Human Rights.

Also, with the opening of the global trade, we have embarked upon steps to increase our exports markets across geographies by increasing activity of merchant export of yarns. The success of this initiative is reflected in the fact that our gross turnover increased from Rs. 1175.01 crore in 2009-10 to Rs. 1623.66 crore in 2010-11, showing an increase of 38.18 percent.

**Q. What was the Company's average capacity utilisation in 2010-11?**

**A.** Sutlej reported the highest-ever capacity utilisation at 95 percent in its yarn segment in 2010-11. However weaving and garmenting capacity utilisations were lower on account of a slower-than-anticipated realisations pick-up in fabric and garments. The sluggish realisations growth was on account of the typical lag between yarn and end-product prices. However, for the home textiles segment, our in-house made-up unit was established, resulting in our ability to cater to customers requiring final products adhering to the highest quality standards.

With nearly 12.29 percent of our

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Utilisations were higher at

**95%**

in its yarn segment in 2010-11

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253,000 spindles capacity being added in 2009-10, we were largely in consolidation mode during the year under review with a strong focus on maximising productivity (especially in our new capacity), streamlining overheads and marketing products to geographies that fetched us the highest realisations.

**Q. What new markets did the Company enter?**

A. In the yarns segment, we commenced exports to Panama, Romania and Taiwan in 2010-11. In the home textiles segment, we started exports to Thailand, Mexico, Greece, Malaysia, Singapore and Kuwait. In the garments division, we launched a premium trousers brand called Club Milano. We received an encouraging response from customers in the U.K. from brands like Next, Burton etc. We are now looking to access the markets of Italy, France and Germany as well.

**Q. What was the proportion of value-added products in 2010-11? How does the Company plan to increase its proportion of value-added products?**

A. At Sutlej, all our business units are equipped with captive research teams that enable the development of value-added products that strengthen our

customer's competitiveness. Strong focus on research and development, coupled with state-of-the-art machinery, allows us to focus on innovative value-added products. Today, we have emerged as one of the largest manufacturers of value-added dyed yarns in India. We are the largest among five privileged Indian licensed producers of the yarn varieties through the consumption of Modal, a special fibre from Lenzing, Austria. We are also prominent manufacturers of cotton and cotton-blended dyed yarns and other specialty products like Melange yarn. With growing end-product requirements, we will continue to focus on the manufacture of specialty yarns that fetch us the highest realisations.

**Q. Did the Company face any challenge in raw material procurement?**

A. At Sutlej, our manufacturing facilities are strategically located within Indian regions for easy accessibility and uninterrupted as well as the cost-effective supply of raw material resources. We are in close proximity to our markets as well. The Company produces yarns customized to the needs of its clients.

The principal raw materials used by

Sutlej in the manufacture of products comprise cotton and man-made fibres including polyester staple fibre (PSF), viscose staple fibre (VSF), acrylic staple fibre (ASF) and other specialty fibres. While cotton is procured indigenously from Punjab, Haryana, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra, viscose staple fibre is sourced from Grasim Industries, polyester staple fibre mainly from Reliance Industries, and acrylic staple fibre is secured from Indian Acrylics and Pashupati Polytex. Modal/Lyocell staple fibre is imported from Lenzing, Austria. For the fabric division, the main raw materials required for manufacture of blended fabrics are polyester viscose blended yarn, which are largely manufactured in-house. Wool yarns are also outsourced.

Our excellent relationship and most preferred customer status amongst our suppliers have paid us dividends in years of short supply. Prices are normally controlled by the prevailing demand-supply position and the cost of intermediates. Our prudent raw material management practices are reflected in the fact that material cost as a proportion of sales declined from 59.60% in 2008-09 to 57.11% in 2010-11.

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The result was that we reported record profitability of

Rs. **114.34** cr

in 2010-11

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**Q. What are the emerging industry trends in the yarn segment? How well is the Company prepared to meet these challenges?**

**A.** 2010-11 saw extreme volatility in the prices of fibre as well as yarn with yarn prices soaring to new heights. Unfortunately, fabric manufacturers were unable to absorb the high costs. The Government of India on the other hand banned exports from 1st December 2010 till 31st March 2011 in an effort to control the increase in cotton yarn prices. Again, the year witnessed sharp increase in prices of synthetic fibre and yarn. The year 2011-12 is expected to see a downward correction and we are quite hopeful that Sutlej being a large, integrated and composite company, will be able to withstand these challenges. Sutlej has also been able to widen its market reach by penetrating new markets like Brazil, Egypt, South Africa, Canada and Japan to overcome its dependence on exports to the European Union and the United States.

**Q. What developments does the Company foresee in 2011-12? What are the short and long-term goals?**

**A.** Raw material and yarn prices which reached all time high in 2010-11 have witnessed a correction and we hope that they will stabilize at sustainable

levels. India is expected to increase its share in the world trade of textiles. It is interesting to note that in the international markets, China is becoming uncompetitive due to increases in labour and other costs. On the other hand, India's share in the global synthetic, blended and cotton yarn markets is expected to increase.

**Q. How does the Company ensure the quality of its work strength? What HR initiatives are undertaken by the Company to further enhance the skills of its people?**

**A.** The textiles sector is one of the more labour intensive sectors in manufacturing. Sutlej recognizes that its human resources are its true assets and represent its future growth and accordingly maximum focus is given to developing the best available talents. Sutlej continuously invests in several training programmes and fosters better relationships and job satisfaction amongst its employees. The total manpower strength of Sutlej as on 31st March 2011 was slightly above 11,500 with excellent relationships with the management. I wish to express my sincere appreciation to the commitment, competence and dedication showed by the employees at all levels.

Our prudent raw material management practices are reflected in the fact that material cost as a proportion of sales declined from 59.60% in 2008-09 to 57.11% in 2010-11.

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The total manpower strength of Sutlej as on 31st March 2011 was slightly above 11,500 with excellent relationships with the management.

# directors' report

*Dear members*

1. Your Directors are pleased to present their Sixth Annual Report on the business and operations of your Company for the year ended 31st March, 2011.

## Financial results

(Rs. in lakhs)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Gross sales	158546.19	114816.21
<b>Gross Profit</b>	<b>21566.64</b>	<b>10123.05</b>
Less: Depreciation	6786.20	6690.94
Taxation:		
– Current	2951.10	580.00
– MAT Credit entitlement	(2625.65)	–
– Earlier years (net)	(2.33)	2.07
– Deferred (net)	3023.11	218.62
<b>Net Profit</b>	<b>11434.21</b>	<b>2631.42</b>
Add: Balance brought forward from the previous year	4421.45	2408.43
Profit available for appropriation	15855.66	5039.85
<b>Appropriations:</b>		
Proposed dividend	819.14	273.05
Corporate dividend tax	132.89	45.35
Transfer to the general reserve	1200.00	300.00
Balance in profit and loss a/c carried to balance sheet	13703.63	4421.45
<b>Total</b>	<b>15855.66</b>	<b>5039.85</b>

Your Directors are pleased to recommend dividend of Rs. 5 per share and a one time special dividend of Rs. 2.50 per share for the year ended 31st March, 2011, subject to shareholders' approval at the forthcoming Annual General Meeting.

### **Dividend**

2. Your Directors are pleased to recommend dividend of Rs. 5 per share and a one time special dividend of Rs. 2.50 per share for the year ended 31st March, 2011, subject to shareholders' approval at the forthcoming Annual General Meeting. The total amount of dividend to be paid to the shareholders will be Rs. 952.03 lakhs (inclusive of dividend tax).

### **Capital Projects**

3. The Company invested Rs. 37 Crore during the year for capital projects and intends to further invest Rs. 38 Crore in FY 2011-12 and Rs. 50 Crore in FY 2012-13 for modernization, upgradation and balancing capital equipments.

To reinforce its existing competitive edge, your Company is exploring various opportunities for expansion and growth.

If undertaken, the expansion will be financed through internal accruals as well as loans from Banks under TUF Scheme of the Ministry of Textiles, Government of India, under which an interest subsidy of 4% is provided by the government.

### **Fixed Deposits**

4. At the end of the financial year under review, fixed deposits from the public, shareholders and employees amounted to Rs. 1377.30 lakhs; deposits amounting to Rs. 0.15 lakh remained unclaimed as on 31st March, 2011.

### **Particulars of Employees**

5. Information in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure-I, which forms part of this report.

### **Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo**

6. The requisite information with regard to conservation of

energy, technology absorption and foreign exchange earnings and outgo, in terms of the Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-II, annexed hereto, and forms part of this report.

### **Management Discussion and Analysis Report**

7. The detailed review of the operations, performance and outlook of the Company is given separately in the Management Discussion and Analysis Report as required under Clause 49 of the Listing Agreement, by way of Annexure-III to this report.

### **Corporate Governance**

8. Your Company is committed to maintain the highest standards of ethics and governance, resulting in enhanced transparency for the benefit of all stakeholders. As per the revised Clause 49 of the Listing Agreement with stock exchanges, and the requirements set out by the Securities and Exchange Board of India's Corporate Governance Practices, the Company has implemented all the stipulations prescribed. The Company has adopted a code of conduct applicable to the Board and senior management. The Company fully complies with the governance practices as enunciated in the Listing Agreement. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreements forms part of this report.

9. The requisite Certificate from the Statutory Auditors of the Company, M/s Singhi & Co., Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report by way of Annexure IV.

### **Compliance of Accounting Standards**

10. As per requirement of the Listing Agreement with Stock Exchanges and Accounting Standards of the Institute of Chartered Accountants of India your Company has made

disclosure in respect of Related Party Transactions and Deferred Taxation. The Company has duly adopted all the Accounting Standards in pursuance to the provision of Section 211 (3A) of the Companies Act, 1956.

### **Directors' Responsibility Statement**

11. As required under Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm:

(i) That in the preparation of the annual accounts, the applicable accounting standards relating to material departures, if any, were followed along with proper explanations and the Notes in the Auditors' Report in this regard are self-explanatory;

(ii) That such accounting policies were selected and applied consistently and judgements and estimates were made that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for the year ended 31st March, 2011

(iii) That proper and sufficient care were taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

(iv) That the annual accounts were prepared on a going concern basis.

### **Directors**

12. Pursuant to section 256 of the Companies Act, 1956, read with Article 139 of the Articles of Association of the Company, Mr. Rajan A. Dalal, Mr. Ashok Mittal and Mr. Rajiv K. Podar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

### **Auditors' Report**

13. The Notes on accounts and the observations of the Auditors in their Report on the Accounts of the Company are self-explanatory and in the opinion of the Directors, do not call for any further clarifications.

### **Auditors**

14. M/s. Singhi & Co., Auditors and M/s. S.R. Batliboi & Co., Branch Auditors retire at the conclusion of Annual General Meeting and are eligible for re-appointment. Certificate from the Auditors have been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. Further they also hold a valid certificate issued by the Peer Review Board of the ICAI as required under revised clause 41 of listing agreement.

### **Acknowledgements**

15. Your Directors would like to express their sincere appreciation for assistance and co-operation received from the various stake holders including financial institutions and banks, Governmental authorities and other business associates who have extended their valuable support and encouragement during the year under review. Your Directors take the opportunity to place on record their deep appreciation of the committed services rendered by the employees at all levels of the Company, who have contributed significantly towards Company's performance and for enhancing its inherent strength.

For and on behalf of the Board

Place: New Delhi

Dated: May 13, 2011

**C. S. Nopany**

*Chairman*

# annexure- I to the directors' report

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

(1) Employed throughout the year and were in receipt of remuneration aggregating not less than Rs. 60,00,000/- per annum.

Name & Designation of the Employee	Remuneration received (Rs.)	Qualifications & Experience	Nature of Employment	Nature of duties	Date of commencement of employment	Age (Yrs.)	Last Employment held before joining the Company
Mr.S.K.Khandelia President	1,55,30,976	B.Com., FCA 35 years.	Regular	Overall management	1.7.2005	60	Sutlej Industries Ltd.

(2) Employed for part of the year and were in receipt of remuneration aggregating not less than Rs. 5,00,000/- per month: Nil

**Notes :**

1. Other Terms & Conditions: As per Company's Rules and Regulations.
2. Remuneration received includes Salary, Reward, Encashment of Leave, Medical Expenses, Premium on Personal Accident Policy, Perquisites and Company's contribution to Provident Fund and Superannuation Fund; but excludes Gratuity.
3. Above employee is not a relative of any Director of the Company.
4. Percentage of shares held: NIL

# annexure- II to the directors' report

## ANNEXURE – II A

Disclosure of particulars under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988:

### A) Conservation of Energy

#### (1) Energy conservation measures taken :

The Company has given due attention towards conservation of energy. It not only reduces the cost of production but also helps in conservation of natural resources which are depleting very fast. The Company is constantly looking for savings of energy and trying to conserve energy continuously by modifications or trying alternate means and continuously upgrading technology and work practices. Steps are being taken to conserve energy on a continuous basis.

Besides continuing the measures taken in earlier years, following steps were taken during the year 2010-11 with a view to reduce the cost of energy and consequently the cost of production.

#### (i) Bhawanimandi Unit

- a) Re-engineering of compressed air distribution network resulting in annual saving of Rs. 65.56 lakhs.
- b) Modification in waste recovery system resulting in annual saving of Rs. 5.48 lakhs

#### (ii) Kathua Unit

- a) Replacement of 38 Nos. old Supply Air Fan and Return Air Fan by Energy efficient FRP Fans resulting in annual saving of Rs. 12.30 lakhs.
- b) Replacement of 2 Nos. old small capacity and low efficiency Air Compressors with high efficiency Air Compressor resulting in annual saving of Rs. 11 lakhs.

- c) Installation of 12 Nos. Invertors for Dyeing Machines resulting in annual saving Rs. 13 lakhs.
- d) Replacement of 19 old Pumps in Humidification Plants with new Pumps of latest technology resulting in annual saving of Rs. 8.20 lakhs.
- e) Installation of Inverters on 54 Ring Frame Pneumafils resulting in annual saving of Rs. 7 lakhs.
- f) Energy saving by improving power factor by installation of power capacitors, resulting in annual saving of Rs. 9.90 lakhs.
- g) Use of Local coal in place of Pet Coke in Boiler and improvement in steam distribution net work resulting in annual saving of Rs. 112 lakhs.

#### (iii) Bhilad Unit

- a) Air pre heater of boiler was replaced and steps taken to increase feed water temperature resulting in annual saving of fuel consumption by 680 Tonnes.
- b) Up gradation of Humidification System resulting in annual saving of Rs. 5.04 lakhs.
- c) Recycling of cooling water of Singeing machine resulting in water saving by 21600 KL/Annum.
- d) Optimization of operation of water supply pumps resulting in annual saving of Rs. 4.03 lakhs, besides reduction in water consumption by 36000 KL/Annum.
- e) VFD installed on compressor resulting in annual saving of Rs. 3.64 lakhs.
- f) Installed VFD on ID Fan of Boiler resulting in annual saving of Rs. 1.61 lakhs.

## FORM - A

### (A) Power and Fuel Consumption:

	Current Year	Previous Year
<b>1. Electricity:</b>		
<b>(a) Purchased:</b>		
Units(in lakhs)	2592.56	2422.25
Total Cost (Rs. in lakhs)	7779.81	6358.97
Rate/Unit (Rs.)	3.00	2.63
<b>(b) Own Generation:</b>		
<b>(i) Through Diesel Generators</b>		
Units (in lakhs)	18.06	26.64
Units per litre of Diesel Oil	3.61	3.89
Cost/Unit (Rs.)	10.00	8.47
<b>(ii) Through Furnace Oil Generators</b>		
Units (in lakhs)	13.17	54.61
Units per litre of Furnace Oil	3.80	4.02
Cost/Unit (Rs.)	6.27	5.32
<b>(iii) Through Thermal Power Plant</b>		
Units (in lakhs)	249.15	454.44
Units per MT of Coal	970.68	880.37
Cost/Unit (Rs.)	4.16	4.35
<b>2. Coal</b>		
Quantity(Tonnes)	16687.00	14894.00
Total Cost (Rs. in lakhs)	814.96	708.53
Average Rate(Rs.)/ Tonne	4883.71	4756.94
<b>3. Furnace Oil</b>		
Quantity (Kilo Litres)	346.72	1359.13
Total Cost (Rs. in lakhs)	82.65	290.40
Average Rate (Rs. Per Kilo Litre)	23837.68	21366.61
<b>4. Others:</b>		
Rice Husk(Tonnes)	15092.00	16057.00
Total Cost (Rs.in lakhs)	556.95	597.73
Average Rate(Rs.)	3690.18	3722.53

**(B) Consumption per unit of production Standards:**

	Current Year	Previous Year
<b>Production</b>		
Electricity Per Tonne of yarn Production (Units)	4106	4402
Coal per Tonne of yarn Production (Tonnes)	0.127	0.113
Rice husk per tonne of production (Tonnes)	0.323	0.357
Electricity per thousand metres of Grey fabrics(units)	700	740
Electricity per thousand metres of Processed fabrics(units)	228	299
Electricity per thousand metres of Home Furnishings (units)	980	1003
Electricity per thousand pcs. of Trousers (units)	2428	2013
Coal per thousand metres of processed fabrics (Tonnes)	0.450	0.480

**2) Additional Investment & Proposals, if any being implemented for reduction of consumption of energy:**

Company has following proposals to save energy during the year 2011-12:

**(i) Rajasthan Textile Mills**

- a) Replacement of 100 old Motors with energy efficient motors at a capital cost of Rs. 25 lakhs which is expected to result in annual saving of Rs. 12.22 lakhs.
- b) Replacement of 60 old supply air and return air fans with new FRP Fans at a capital cost of Rs. 30 lakhs resulting in expected saving of Rs. 13.92 lakhs.
- c) Replacement of 30 old Pumps with energy efficient pumps at a capital cost of Rs. 15 lakhs expected to result in annual saving of Rs. 13.80 lakhs.

**(ii) Chenab Textile Mills**

- a) To replace 2 Nos. old small capacity and low efficiency Air Compressors with high efficiency Air Compressor which will save about 470000 units i.e. Rs. 12 lakhs per annum.
- b) To replace 43 Nos. Invertors on Ring Frame Pneumafan Units

which will save about 220000 units i.e Rs. 5.60 lakhs per annum.

- c) To replace 164 nos. old Supply Air Fan and Return Air Fan by Energy efficient FRP Fans which is expected to result in saving of 332000 units i.e. Rs. 8.50 lakhs per annum.
- d) To Install 20 Nos. Invertors on Dyeing Machines and, Hydro extractors, which will save 247000 units i.e. Rs. 6.30 lakhs per annum.
- e) Pump modification in Humidification which will save about 174000 units i.e.Rs.4.45 lakhs per annum.

**(iii) Damanganga Units**

- a) Installation of high bay lights 12 no to improve light & conserve energy.
- b) Installation of transparent sheets to reduce electricity during day time.

**3) Impact of the measures at (1) & (2) for reduction of energy consumption and consequent impact on the cost of the production of goods.**

The estimated saving is mentioned against each item in (1) & (2) above.

## FORM - B

### B) Technology Absorption

#### 1) Research & Development

##### a) Specified areas in which Research and Development carried out by the Company and future plan of action:

The Company undertakes various research and development activity on a continuous basis for development of new products, reduction in production cost and improvement in quality and productivity. To carry out these activities, the Company has development and design centers and labs across its units, having well equipped, most modern and state of the art testing and development equipments and managed by committed team of highly qualified and experienced professionals. The Company has latest technological equipments like Evenness Testers, HVI Spectrum, Tenso Jet-4, AFISPRO LMNT, Yarn Classimate, Online monitoring system, Lab Expert system all from Uster, Auto dispenser, Beaker Dyeing Machine yarn and fibre sample dyeing machines, computerized color matching systems with sophisticated light boxes, simple end warping machine, design computers with latest software etc.

##### b) Benefits derived as a result of above Research and Development

Wider product mix having value added products at less cost with better quality helped us in improving our volumes and per unit realization.

##### c) Future Plan of Action

1. Company plans to replace old Evenness Tester with latest model Evenness Tester from Uster, one each at its Kathua & Bhawanimandi Units at a total cost of Rs. 150 lakhs.
2. The Company plans to add testing and shade matching equipments at Kathua Unit at a Capital Cost of Rs. 65 lakhs.
3. The Company plans to add Classifault-II operating system at Kathua Unit at a Capital cost of Rs. 16 lakhs.
4. It is also proposed to install two Sample Looms for development of new samples in Damanganga Fabrics at a capital cost of Rs. 30 lakhs.

##### d) Expenditure incurred on Research and development

(Rs. in lakhs)	
i) Capital :	64.23
ii) Recurring :	157.31
iii) Total	221.54
iv) Total R&D Expenditure as a Percentage of total turnover	0.14%

#### 2) Technology Absorption, Adaptation and Innovation

##### a) Efforts in brief, made towards technology absorption, adaptation and innovation

All units of the Company have most modern and state of the art plant and machinery. Almost all machines and equipments are not more than 10 years old. Company has been continuously resorting to Technology absorption, adaptation and innovation.

Following state of the art machines and equipments were installed and modification/ additions were made in existing machines during the year. Company also took various measures for Technology Absorption, Adaptation and Innovation.

##### Bhawanimandi Unit

1. Installed four "Autoconers of latest technology to replace old outdated Autoconers.
2. Installed three LF 1660 V speed Frame to replace outdated speed frames.
3. Installed one "D-221 twin delivery Reiter Drawframe with Autoleveller for improving productivity and quality of product.
4. Installed one "Pinter Slub Equipment" on Ring frame for producing value added fancy yarn.
5. Installed One cone to cone rewinding machine for consistency in quality of rewinding.
6. Installed two LD-2 Draw Frame to replace outdated draw frames.
7. Various other additions and alterations were made in various machines for improvement in productivity and quality.

##### Kathua Unit

1. Installed four Auto corners of latest technology.
2. 6 Nos. LC-300A V3 Cards were installed to increase the productivity.
3. Two no. LFS-1660 V Simplex Frame installed to replace outdated simplex frames.
4. One no. Heavy cone winding machine with 64 drums installed to increase the productivity and making heavy packages.

5. One no. RSB-851 Draw Frame with autoleveller for increasing productivity.
6. Replaced Peyer 551 gauges with Uster Quantum Clearers in 2 Auto coners for improvement in quality.
7. 328 Nos. EYC Gauges installed on manual cone winding machines to improve yarn quality.
8. Various other additions and alterations were made in various machines to improve productivity and quality.

#### **Bhilad Units**

- 1) Installed new Drying Range to improve drying capacity with energy efficient & latest technology.
- 2) Old decatizing machine replaced by new machine with latest technology.
- 3) Installed new shiner to improve productivity.
- 4) Installed two Fully automatic long tube jet dyeing machines.
- 5) 2 no rolling cum inspection machines with auto stop & weighing attachments were installed in export folding.
- 6) 4 no rolling cum inspection machines were upgraded with auto stop & weighing attachments resulting in reduction in man power & increased output.
- 7) One no new rolling machine installed in Home textile unit.

8) Various other additions and alterations were made in various machines for improvement in productivity and quality.

#### **b) Benefit derived as a result of the above efforts.**

Above efforts have resulted in significant improvement in quality and productivity, besides reduction in production cost.

#### **c) In case of recently imported technology, the requisite information in brief :**

The Company has not imported any technology

#### **C) Foreign Exchange Earnings and Outgo**

##### **a) Activities relating to Exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:**

The Company has taken effective steps for exports. During the year, the Company achieved good export performance. Company is conscious of the challenges posed by the international market and will continue to take steps towards developing exports and concentrate on products with the widest acceptability in the export market.

##### **b) Total Foreign Exchange earned and used**

(Rs. in lakhs)

i) Total foreign exchange earned	51301.32
ii) Total foreign exchange used	3787.69

## **ANNEXURE – II B**

### **Corporate Social Responsibility**

Company is very conscious about its social responsibilities and always remains in forefront to discharge the same.

#### **Health**

■ Your Company provides reimbursement of medical expenses to the employees as per Company rules. Kathua unit also organized free medical camp for the benefit of all residents in the area.

#### **Sports**

■ Extended financial assistance through the local administration & the local community in organizing sports events to encourage

sportsmen at the local level. Company also gives contribution for promotion of sports & has sponsored sports events.

#### **Social and Religious Events**

■ Your Company has been providing financial assistance in organizing religious and social activities in the vicinity of its plants.

#### **Environment**

■ To make the environment clean & healthy, the Company has planted trees in large numbers in and around all its premises and maintained the green cover. All plants of the Company conform to environment friendly technologies.

# management discussion and analysis

## ANNEXURE – III to the Directors' Report

Sutlej's management is pleased to present its sixth annual report covering the 12 months' working from 01.04.2010 to 31.03.2011. The Company's strong presence in the Indian textile industry further strengthened and it continued to retain its leading position with an integrated textiles value chain, strong brand image, quality products and customer loyalty.

### Business overview

Sutlej emerged as an integrated player in the textiles industry with its value chain extending from yarn to fabrics to garments to home textiles, enabling it to make its presence in every segment.

Units	Location	Products	Capacities
Rajasthan Textile Mills (RTM)	Bhawanimandi, Rajasthan	Cotton yarns and man-made fibres yarns	82384 spindles 336 rotors
Chenab Textile Mills (CTM)	Kathua, J&K	Cotton yarns and man-made fibres yarns	170616 spindles
Damanganga Fabrics (DGF)	Bhilad, Gujarat	Fabrics	4.9 mn metres p.a. (60 looms)
		Processed fabrics	20 mn metres p.a.
Damanganga Garments	Bhilad, Gujarat	Garments	1.60 mn trousers p.a.
Damanganga Home Textiles	Bhilad, Gujarat	Home textile furnishings	2 mn metres p.a. (24 shuttleless looms)

### Global Economic Scenario

The global economy is on the path to growth supported by recovery in the international and domestic financial flows and higher commodity prices. The spare capacity in developing countries during the crisis has been reabsorbed triggering the economic growth.

The real global GDP growth rate in 2010 was 3.9%. Restructuring and right-sizing in the banking and construction sectors, combined with necessary fiscal and household consolidation, will continue to drag the economic growth in many high income economies and developing Europe and Central Asian countries. Thus, the GDP growth in 2011 is expected to be 3.3%. Whereas in 2012 the global economy would grow by 3.6% as the drag on restructuring activities in the high income countries eases out.

Most of the growth has been on account of strong growth of domestic demand in the developing nations accounting for about 46% of the global growth in 2010. (Source: World Bank)

### Real GDP growth rates (in %)

Country / Region	2009 Actual	2010 (E)	2011 (F)	2012 (F)
OECD countries	-3.5	2.7	2.3	2.6
Euro area	-4.1	1.7	1.4	2.0
Japan	-6.3	4.4	1.8	2.0
US	-2.6	2.8	2.8	2.9
China	9.1	10.0	8.7	8.4
India	7.7	9.5	8.4	8.7
World	-2.2	3.9	3.3	3.6

(E): Estimated

(F): Forecasted

Source: World Bank

## Indian economic scenario

The Indian economy grew by 8.6% in 2010-11 as against a growth of 7.4% during 2009-10. It is further estimated that its growth would bounce back to 9% during 2011-12. In 2010-11 the manufacturing sector grew by 8.8% with merchandise exports reaching USD 245 bn and imports being USD 362.3 bn. The gross fiscal deficit that stood at 6.3% in 2009-10 reduced to around 5.2% in 2010-11 and it is further estimated to reduce to 4.8% in 2011-12.

The investment rate in the country is expected to be 37% in 2010-11 and 37.5% in 2011-12. Whereas the net domestic savings rate is likely to be around 34% in 2010-11 and 34.7% in 2011-12. (Source: PMEAC)

## Global textile industry

### Overview

The global textiles and apparels trade increased from USD 510 bn in 2009 to USD 612 bn in 2010. There was some correction in this trade in 2008-09 due to the global economic crisis. However the industry has recovered and is expected to grow with US, Europe and Japan being the biggest consumers of apparel. It is estimated that EU's share is expected to come down to about 10% in next 8-10 years from present share of 30%. On account of lower material and labour costs in countries such as India, China and other Asian countries. (Source: Technopak Analysis)

The replacement of the MFA (Multi-Fibre Agreement) with ATC (Agreement on Textile and Clothing) in 1995 led to the elimination of quotas over four-step transition phase in a period of 10 years, post which the global production base shifted to developing countries and the global trade increased at CAGR of

4.3% from 1995-2004. During this period the global trade increased from USD 310 bn to USD 450 bn and is expected to reach USD 805 bn by 2015. Before 1990s the textile production was primarily from the developed countries likes US, Europe and Japan. But, since then the focus has shifted to Asian countries on account of economies of scale. (Source: Techno Research)

China accounts for about 30-35% share of the Asia's textile market and about 25% market share of the global market compared to India's very low share of around 4.5% share. The recent currency appreciation in Chinese currency has created huge opportunity for Indian textile industry. (Source: The Hindu)

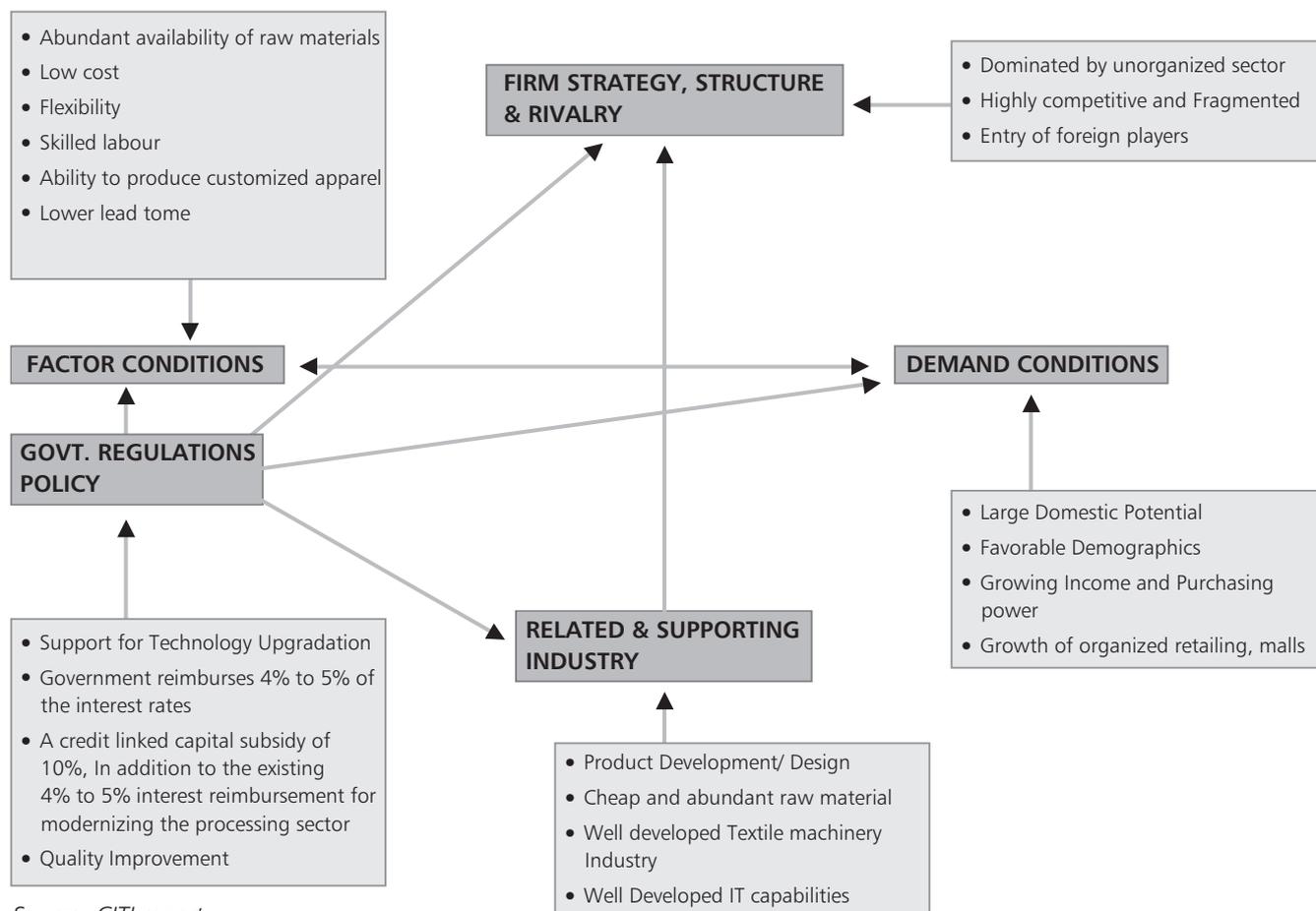
## Indian textile industry

### Overview

The Indian textile and apparel industry is estimated to be worth USD 70 bn in 2010 with almost 65% of the total textile and apparel production being consumed domestically. It accounts for about 14% of India's total industrial production and contributes to nearly 10% of total exports. It provides direct employment to about 35 million people and another 56 million are engaged in allied activities. It accounts for nearly 4% of India's GDP. The Indian textile industry is expected to expand from USD 70 bn to USD 200 bn by 2020.

The industry holds a significant position in India by catering to the most basic its needs – clothing. The Indian textiles industry is integrated in terms of being extensively engaged in the procurement of raw materials right up to the final production of the actual textile product. The sector targets USD 6 billion foreign direct investment (FDI) by 2015 to be invested in greenfield units in textiles machinery, fabric and garment manufacturing, as well as technical textiles. (Source: CITI report)

## Indian textile Industry Porter's Diamond Analysis



Source: CITI report

## Production of man-made fibre, filament yarn, spun yarn and cloth

(Figures in millions)

Period	Manmade fibre	Manmade filament Yarn	Cotton Yarn	Blended & 100% Non Cotton Yarn	Total Spun Yarn	Cloth Mill sector	Decentralized sector				Grand Total (Exc. Khadi, Wool & Silk)
							Hand Loom	Power Loom	Hosiery	Total	
	Kg.	Kg.	Kg.	Kg.	Kg.	Sq. mtr	Sq. mtr	Sq. mtr	Sq. mtr	Sq. mtr	Sq. mtr
2007-08	1244	1509	2948	1055	4003	1781	6947	34725	11804	53476	55257
2008-09	1066	1418	2899	1015	3914	1796	6677	33648	12077	52402	54198
2009-10	1268	1522	3079	1114	4193	2016	6806	36997	13702	57505	59521
2010-11 (P) (Apr-Feb)	1167	1422	3163	1092	4255	2039	6220	34907	13308	54435	56474

Source: Ministry of Textiles

### Textiles and Clothing (T&C) sector IIP data

Description	% growth in 2010-11 (Apr-Feb)
Cotton Textiles	10.3
Wool, Silk and man-made fibre textiles	0.5
Jute and other vegetable fibre textiles (except cotton)	35.8
Textile Products (including Wearing Apparel)	4.9

#### The IIP covers four textile groups –

- Cotton textiles
- Wool, silk and man-made fibre textiles
- Jute and other vegetable fibre textiles (except cotton)
- Textile products (including wearing apparel).

Cotton textiles production grew by 10.3% during April-February 2010-11 as compared to 5.2% during April-February 2009-10. Jute textiles productions have also recovered and grew by 35.8% during April-February 2010-11 as compared to a decline of 23.3% during April-February 2009-10. Textile products grew by 4.9% during April-February 2010-11 as compared to 9.4% during the corresponding months of the previous year. In the wool, silk, and man-made fibres segment of textiles growth has, however, dipped to mere 0.5% during April-February 2010-11 as compared to 9.9% during April-February 2009-10.

Overall, the production of textile fabrics has increased by 1.9% during April-October 2010- 11. This is a moderate performance when compared with the robust increase of 8.8% during 2009-10. The decline in textile fabrics/cloth during the current financial year has been on account of comparatively lower growth rates in the production of mill, power loom and hosiery segments.

### Policy developments and programmes

There are major policy initiatives taken by the Ministry, comprising the following:

#### Technology Upgradation Fund Scheme and Scheme for Integrated Textile Parks:

The two flagship schemes of the Ministry of Textiles, namely the TUFs and SITP, have been approved for continuation in the Eleventh Five Year Plan. TUFs, which was commissioned on April 1, 1999 with a view to facilitating the modernization and

upgradation of the textile industry by providing credit at reduced rates to entrepreneurs both in the organized and the unorganized sectors, has been fine tuned to induce rapid investments in the targeted segments of the textile industry. Under the scheme, an amount of Rs. 85,091 crore was sanctioned against a project cost of Rs. 207,747 crore of which loans worth Rs. 74,627 crore were disbursed to 28,180 applicants up to 30th June, 2010 (P).

Under the SITP, 40 integrated textiles parks of international standards, covering the weaving, knitting, processing, and garmenting sectors with project proposals worth Rs. 4133.09 crore (of which assistance from the Government is Rs. 1419.69 crore) have been sanctioned. So far, eight textile parks have been inaugurated. When fully functional the Parks would have an investment of Rs. 19,500 crore. (Ministry of Textiles)

#### National Fibre Policy:

The Ministry of Textiles formulated a draft National Fibre Policy incorporating inputs from all the major stakeholders. The Policy has been designed with a decadal perspective (2010-20) and seeks to place India firmly on the world fibre map by strengthening the existing policy framework and providing institutional and technological support for rapid fibre growth in the country in the coming decade.

#### Integrated Skill Development Scheme:

A new scheme, namely the Integrated Skill Development Scheme for the textiles and apparel sector including jute & handicrafts, was launched on 5th August, 2010 with the objective of capacity building of institutions providing skill development and training for workers in the textiles sector. The Scheme envisages an investment of Rs. 272 crore, of which the Government contribution would be Rs. 229 crore during 2010-11 and 2011-12 with a target of 2.56 lakhs persons to be trained. Under this scheme, the Government has envisaged to invest Rs. 2,360 crore over the next five years. (Ministry of Textiles)

### SWOT analysis of the textile industry

#### Strengths

- Indian textile industry is an independent and self-reliant industry
- Abundant raw material availability helps industry to control

costs and reduces the lead-time across the operation. It accounts for about 22% of the global cotton production

- Availability of large varieties of cotton fibre and has a fast growing synthetic fibre industry
- India has a huge growing domestic market and new products are gaining acceptance
- Indian textile industry has a presence throughout the value chain
- India exports 25% of its cotton yarn production
- Industry has manufacturing flexibility that helps to increase the productivity
- More and more buyers have come to trust India as a competent manufacturing country
- India's textile industry is seeing an increase in collaboration between national and international companies

### **Weakness**

- The Indian textiles industry is highly fragmented industry with a huge informal sector
- Lower modernisation focus amongst the small scale players
- Use of outdated manufacturing technology from the low end suppliers leads to lower productivity
- Infrastructural bottlenecks leading to a loss in transportation and transaction time
- Industry is highly dependent on cotton and cotton prices that have risen significantly
- Old and inflexible labour laws
- High incidence of power tariffs, indirect taxes and interest rates
- Small share of organised retail; most Indian retail stores are small (200-300 sq. ft)
- Lack of economies-of-scale and technological development affect the productivity and other activities in the value chain

### **Opportunities**

- Robust retail boom in domestic market owing to favourable consumer demographics and increasing consumption coupled with rising disposable incomes
- Growth rate of the domestic textile industry is a significant 6-8% per annum
- Elimination of quota restriction leads to greater market

developments

- Large, potential domestic and international market still waiting to be tapped
- Availability of greater investment and FDI opportunities
- Emerging retail industry and malls provide significant opportunities for the apparel, handicraft and other segments of the industry as the market is gradually shifting towards branded readymade garments
- Increased per capita income, disposable income and purchasing power of the Indian customer provides huge growth opportunities
- Experts believe that the golden era of Chinese textiles and apparel exports is over and the production base of global textiles is gradually shifting from China away to India and other low-cost destinations
- India's share of the global textile industry is expected to grow from 4.5% in 2010 to 8% by 2020

### **Threats**

- Competition from other countries, especially China, Bangladesh, Cambodia, Indonesia and Vietnam, among others
- There has been an increase in seasons per year which has resulted in shortening of the fashion cycle
- Continuous quality improvement is the need of the hour as there are different demand patterns all over the world
- Volatile raw material prices
- Formation of trading blocks like NAFTA and SAPTA, among others, has resulted in a change in the world trade scenario.
- Existence of bilateral agreements would result in significant disadvantage for Indian exports
- India will have to open its protected domestic market for foreign players thus domestic market will suffer
- The Rupee is becoming stronger compared with the USD over the past 2 years; further strengthening of the Rupee could hamper export revenues

## **SWOT analysis of Sutlej Textiles and Industries Ltd.**

### **Strengths**

- Sutlej has a huge product basket with a presence in the entire textile value chain right from the manufacture of yarns, fabrics,

garments and home textiles

- Large production capacity of yarn, enabling capability to manufacture and deliver all varieties of yarn at any given time
- Modern technology and assets reflected in the fact that most of the plant and machinery is under ten years old
- With years of experience in the yarn manufacturing the Company has developed the skills to develop customised yarns as per customer requirements
- It has the ability to produce diverse varieties of yarns, fabrics and textiles with various types of materials, finishes and quality
- A strong R&D team enables new product development as per the on going trend and customer requirement
- Ability to produce value-added and specialty yarns has enabled it to attract new clients and increase presence in the domestic as well as international markets
- A good reputation in domestic as well as the international markets strengthen customer loyalty

### **Weaknesses**

- Lack of branding and smaller capacities in the fabrics, home textiles and garment segments has resulted in low market penetration
- Inability to increase the in-house use of yarns to achieve higher margins on account of smaller weaving capacity

### **Opportunities**

- TUF scheme enables the Company to undertake expansion activities and increase presence in the domestic and international markets
- Increasing capacities would strengthen economies-of-scale and enhance product mix
- Tie-ups with foreign brands would open up a huge market for garments and home textiles segment
- Catering to the demand of the changing lifestyle and fashion-conscious buyer and supplying to reputed retail chain stores

### **Threats**

- The textile industry is a highly fragmented with a large presence of the unorganised sector resulting in intense competition.

- High risk of losses due to foreign exchange fluctuations
- Anti-dumping duties in many countries increase the cost of products in those markets

## **Outlook**

### **Global**

According to the Clothing Industry Training Authority (CITA) resources would continue to be the keyword for 2011 in the textile and clothing industry. Resource implies the hefty challenges with raw materials and manpower. Since 2010, the prices of raw materials, especially cotton, have been surging to an uncontrollable level. The uncertainty of the raw material issue will linger to 2011 until we have come up with ways to sort it out. Shortage of labor will also be a challenge for 2011 for some Asian countries.

In 2011, emerging Asian countries, namely India, Bangladesh, Vietnam, Cambodia, and Pakistan are believed to steal the spotlight of the global textile industry. According to CITA, the emerging Asian countries will be playing more significant part in the industry in 2011. Their price-competitiveness explains it all. Their governments have given their textile industries enormous support. The historically strong countries like India and Pakistan also grow natural fibers in quantity that can be compared with China (for example cotton).

The global textiles fibre and spun yarn market is expected to reach 93 million tonnes and 47.3 million tonnes respectively by 2015 on account of increasing global textile trade following the expiry of restrictive agreements, continuing shift in production to low cost countries, restoration of consumer confidence, recovery in demand for textiles, and rising market potential in developing regions. (Source: Global Industry Analyst)

The global per capita fibre consumption is expected to grow steadily in the long-term up to 11-12 kg per capita by 2025, which means additional fibre consumption of about 20 million tonnes would be required. It is expected that the global textiles and apparels industry would grow at a CAGR of 6.3% over the next 8-10 years to reach USD 1 trillion by 2020. (Source: Technopak analysis)

### **India**

The Indian textile and clothing industry has tremendous potential to scale new heights in international as well as

domestic markets. A McKinsey Report states that the Indian textile sector will more than triple from USD 70 bn now to USD 220 bn by 2020, recording an annual growth of about 11%. Experts believe that the golden era of the Chinese textiles and clothing exports is over and the production base is gradually shifting from China to India and other low-cost destinations. Besides, India has burgeoning domestic market. Increase in per capita and disposable income coupled with favourable demographics provides huge opportunities to the Indian textiles sector. Thus, there is every reason to be confident about long-term prospects of the Indian textiles industry. (Source: Technopak analysis)

## Review of operations

During the year the Company improved its capacity utilisation in the yarns division from 94% in 2009-10 to 95% in 2010-11.

During the year under report, though raw material prices increased significantly, the Company was able to augment its topline and margins, through an efficient cost-push to the end user. The Company's sales increased 38% from Rs. 1148 crore in 2009-10 to Rs. 1585 crore in 2010-11 with exports constituting 35% of the total sales. The Company's gross profit margin also improved from 8.83% in 2009-10 to 13.64% in 2010-11. The Company managed to increase production volumes and entered into newer regions along with growing presence in the domestic markets.

The Company managed to achieve a spectacular performance through various initiatives like quality improvement, upgradation to modern technology, capacity expansion, identifying the right product mix, identifying the right market and various cost reduction initiatives.

## Segment-wise performance

The following product-wise performance was reported by the Company for the year ended 31.03.2011.

Particulars	Production (Quantity)	Sales Quantity	Sales Value Rs. in crore
Cotton yarn (tonnes)	15191	21720	461.62
Man-made fibre yarns (tonnes)	53238	56404	993.38
Fabrics (thousand metres)	5661	6042	59.13
Trousers (pieces)	277798	288457	11.73
Home furnishing fabrics (thousand metres)	1926	2162	20.94
Job processing (thousand metres)	17622	11086	13.06
Waste (tonnes)	5980	6093	16.14
Job charges			3.56
Others			5.90
<b>Total</b>			<b>1585.46</b>

## Plant-wise performance

Particulars	RTM	CTM
Average spindle utilization (%)	92.55	95.98
Production of yarn (M.T)	21761	46668

### Plant-wise performance (Contd.)

Particulars	RTM	CTM	DGF
Turnover (Rs. in crore)	597.21	879.18	109.07
Export (Rs. in crore)	415.94	94.73	46.20

The Company's financials recorded a satisfying growth with increase in production, sales and improving margins. With continuous growth in export sales and revenues from value-added products, the Company is optimistic of a bright future.

### Financials as on 31.03.2011

Description	Amount (Rs. in crore)
Turnover	1585.46
Gross profit	215.67
Depreciation	67.86
Profit before Tax	147.81
Profit after Tax	114.34

### Human resources

The Company regularly trains its employees for skill development and motivates them to focus on achieving the Company's goals and objectives. It had 11,531 employees on its payroll as on March 31, 2011.

### Ecological social concern

During the year under report, the Company managed to maintain its production of organic cotton yarn at 2,678 tonnes in 2010-11 (2,766 tonnes for 2009-10) with a focus on greater environmental adherence through pollution reduction. The Company also makes effort to increase production of cotton products under fair-trade practices to help socially weaker sections. The Company is also increasing its capabilities to consume re-cycled polyester fibre as a step towards pollution control.

### Internal control system

The large size and nature of the business demands the Company to maintain a proper internal control system. Efforts are made by the management to maintain a sound financial and commercial practice capable of improving the efficiency of the operations and sustainability of the business. The system ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition and that those transactions are authorised, recorded and reported correctly. Operating managers make sure that all the operations within their area are compliant and safeguarded against any risks, whereas the internal auditors carry out random audits to detect flaws in the system. Internal audit reports are prepared on the respective areas/units to create awareness and corrective actions are taken to rectify them. These reports are reviewed by the management team and then by the Audit Committee of the Board for follow-up action.

### Cautionary statement

The statements in this management discussion and analysis report results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, forex markets, economic developments within India and the countries with which the Company conducts business and other incidental factors.

# report on corporate governance

ANNEXURE – IV to the Directors' Report

## A. Company's philosophy

Corporate governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices, which ensure that a company meets its obligations with the objective to optimize shareholder value and fulfill its responsibilities to the community, customers, employees, Government and other societal segments. Sutlej's philosophy is to conduct business at highest ethical standards for growth and prosperity of all the stakeholders on a sustainable basis in keeping with its corporate social responsibilities. This philosophy is built on a rich legacy of fair, transparent and effective governance, and led by strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct.

The Company believes that a sound governance discipline also enables the Board to direct and control the affairs of the Company in an effective manner and maximize stakeholder value, including the society at large. This is an ongoing process with Sutlej; and we continuously endeavor to improve upon our practices in line with the changing demands of the business. Sutlej adopts innovative approaches for leveraging all its resources; and encourages a spirit of conversion of opportunities into achievements. Company's governance structures and systems are the foundation which provides and nurtures ramping up of healthy and sustainable growth of human resources, through empowerment and motivation. In this, your company is guided by its vision, mission and the code on Corporate Governance.

Keeping in view the Company's size, reach and complexity of operations, and corporate tradition, the Corporate Governance framework is based on the following main principles:

- Strategic supervision by the board of Directors which is made up of appropriate size, bouquets of experience, and commitment to discharge their responsibilities;
- Timely and adequate flow of information to the Board and its Committees for meaningful and focused discussion at the meetings;
- Independent verification of company's financial reporting from time to time and on quarterly basis;

- A sound system of internal Controls within the Risk Management framework to mitigate perceived risk factors;
- Timely and balanced disclosure of all material information; and disclosure of all deviations, if any, to all stakeholders;
- Compliance with applicable laws, rules, regulations and guidelines;
- Transparency and defined accountability;
- Equitable and fair treatment to all the stakeholders including employees, customers, vendors, shareholders and investors.

The Board of Directors plays an active role in fulfilling its fiduciary obligation to shareholders by efficiently overseeing management functions to ensure their effectiveness in delivering shareholder value. The Governance framework is made effective through an efficient system of timely disclosures and transparent business practices.

## B. Board of Directors

The Board of Directors which is a body formed to serve and protect the overall interest of all the stakeholders, provides and evaluates the strategic direction of the Company; formulates and reviews management policies and ensures their effectiveness. The Chief Executive Officer of the Company, who is designated as 'President' and the wholetime Director (who is also designated as the CFO), manages the business of the Company with the help of a competent team under the overall superintendence, guidance and control of the Board.

### a. Constitution

The Company's Board of Directors comprises nine members, eight of whom are Non-executive Directors and one Wholtime Director. Cumulatively, they account for more than 85 percent of the Board's strength as against the minimum requirement of 50 percent as per the Listing Agreement. The Non-executive Directors are eminent professionals with a vast experience of industry, finance and law. The Board is headed by Non-executive Chairman and it has more than the required number of Independent Directors. All the directors possess the requisite qualifications and experience in general corporate management,

finance, banking and other allied fields enabling them to contribute effectively in their capacity as Directors of the Company. None of the Directors are inter se related to each other. Except the Wholetime Director, all directors are liable to retire by rotation.

#### **b. Number of Board Meetings**

During the year under review, four Board meetings were held on 14th May, 2010; 22nd July 2010; 28th October, 2010 and 25th January, 2011. The Meetings were held as per the requirements of business; and maximum interval between any two Board Meetings was within the permissible limits. The Board meets at least once in every quarter inter alia, to review the quarterly results and other items on the agenda. The Board is given

presentation covering industry environment, project implementation, project financing and operations of the Company. Additional meetings are held when necessary. Senior executives are invited to provide additional inputs at the Board meeting, as and when necessary.

#### **c. Directors' Attendance at Board Meetings and Details of Directorships / Committee Positions held**

The composition of the Board of Directors, their attendance at the Board meetings during the year and at the last Annual General Meeting and the number of other Directorships/Board level committee positions held by them in other Indian public companies as on 31.3.2011 is as follows:

Name of Director	Category of Director	Number of Board meetings attended	Attendance at last AGM	Number of other Directorship in public Companies	Number of other Companies Board's Committee(s)	
					Chairperson	Member
Mr. C. S. Nopany	NED/PG	4	No	11	1	2
Mr. U. K. Khaitan	I/NED	1	No	11	0	0
Mr. J. S. Varshneya	I/NED	4	No*	3	2	0
Mr. S. M. Agarwal	I/NED	2	No	9	0	2
Mr. Amit Dalal	I/NED	4	No	5	0	2
Mr. Rajan A. Dalal	I/NED	3	No	3	0	0
Mr. Ashok Mittal	I/NED	3	No	0	0	0
Mr. Rajiv K.Podar	I/NED	2	No	2	0	0
Mr. C. Singhania	ED	4	Yes	0	0	0

NED – Non Executive Director, PG – Promoter Group, ED – Executive Director designated as Wholetime Director and I – Independent

None of the Directors of the Company hold any shares of the Company.

\* abstained due to ill health.

#### **d. Information to the Board**

A detailed agenda folder is sent to each director in advance of the Board Meetings. As a policy, all major decisions involving investments and capital expenditure, in addition to matters which statutorily require the approval of the Board are placed before the Board for its consideration and directions. Inter alia, the following information, as may be applicable and required, is provided to the Board as a part of the agenda papers.

- Annual operating plans and budgets
- Capital budget expenditures
- Quarterly, half yearly and annual results of the Company
- Minutes of the Audit and other Committees of the Board
- Information relating to recruitment and remuneration of senior level officers just below the Board level.
- Materially important legal or taxation issues

- Status of financial obligations to and by the Company
- Any significant development in human resources or industrial relations
- Details of risk exposure and steps taken by management to limit or restrain the risk
- Compliance status with any regulatory, statutory or listing agreement related requirements or in relation to any shareholder services

Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliance, if any.

### C. Details of Remuneration paid to Directors

The Wholetime Director receives salary, allowances and perquisites, while all the Non-Executive Directors receive sitting fees and allowances if applicable, and annual commission.

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-Executive Directors during the year.

### i) Remuneration paid to Non-Executive Directors of the Company

The Non-Executive Directors are paid sitting fees for attending each Meeting of the Board of Directors and Committees thereof. The Company also pays to its non-executive directors commission upto 1% of the net profits for all directors put together, with the maximum ceiling of Rs. 2,00,000/- to each director. The total commission payable to all the non-executive directors for the financial year 2010-11 will be Rs. 16,00,000/- for which provision was made in the books of accounts. The commission shall be paid after the adoption of annual accounts of the Company for the year ended 31st March, 2011 by the shareholders at the forthcoming AGM. Commission to all the Non-Executive Directors of the Company is determined after taking into account their valuable guidance for the various business initiatives and decisions at the Board level and also profitability of the Company. The details of commission payable and sitting fees (including for committee meetings) paid to the directors during the year 2010-2011 are as follows:

SL. No.	Name of Director	Commission (Rs.)	Sitting Fees (Rs.)
1.	Mr. C. S. Nopany	2,00,000/-	60,000/-
2.	Mr. U. K. Khaitan	2,00,000/-	15,000/-
3.	Mr. J. S. Varshneya	2,00,000/-	70,000/-
4.	Mr. S. M. Agarwal	2,00,000/-	60,000/-
5.	Mr. Amit Dalal	2,00,000/-	60,000/-
6.	Mr Rajan A. Dalal	2,00,000/-	30,000/-
7.	Mr. Ashok Mittal	2,00,000/-	30,000/-
8.	Mr. Rajiv K. Podar	2,00,000/-	20,000/-

### ii) Remuneration paid/payable to the Executive Director of the Company for the year ended 31st March, 2011, is as under:

(Rs. in lakhs)

Wholetime Director	Salary etc.	Perquisites	Retirement Benefits	Total
Mr. C. Singhania	10.92	2.27	1.31	14.50

## D. Committees of the Board

Pursuant to Clause 49 of the Listing Agreement, the Board of Directors constituted four Committees of the Directors:

- \* Audit Committee
- \* Shareholders' / Investors' Grievance Committee
- \* Remuneration Committee.
- \* Finance & Corporate Affairs Committee.

The details of these committees are as follows:

### I. Audit Committee

#### Composition of Audit Committee

The Audit Committee comprises three Non-executive Directors and is headed by Mr. J.S.Varshneya, an independent Non-executive Director. Mr. J.S.Varshneya has been past Chairman of Punjab National Bank and has vast, diverse and rich experience in financial management, audit & corporate affairs and banking. The other members of the Committee are: Mr. S.M.Agarwal and Mr. Amit Dalal.

#### Terms of Reference

The terms of reference of the Audit Committee comprise the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, reliable and sufficient.
- Reviewing with the management and statutory auditors the quarterly/annual financial statements before submission to the Board, and focusing primarily on :
  - Any changes in the accounting policies and procedures
  - Compliance with accounting standards
  - Adequacy of the internal control system, including

management information system.

- Compliance with listing agreements with the stock exchanges and conformity with their requirements concerning financial statements.
- Major accounting entries based on the exercise of prudential judgment by management
- Any related party transactions of the Company of a material nature that may cause potential conflict with the interests of the Company
  - Reviewing the Company's financial and risk management policies
  - Recommending the appointment and removal of statutory and internal auditors and determination of the audit fees and also grant approval for payment for any other services.
  - Reviewing the scope and adequacy of the internal audit functions and deciding the scope of work of the Internal Auditors, discussing with internal auditors significant audit findings and follow up actions initiated thereon.
  - Any other matter that may be referred to the Committee from time to time.
  - The Audit Committee also reviews every quarter the Report on Corporate Governance under clause 49 of the Listing Agreement and Secretarial Audit Report of the Practising Company Secretaries

#### Meetings and Attendance

During the year under review, the Audit Committee met four times 13th May, 2010, 21st July, 2010, 27th October, 2010, and 24th January, 2011

### The attendance of the members of the committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. J. S. Varshneya	Chairman	Non-executive Independent	4
Mr. S. M. Agarwal	Member	Non-executive Independent	2
Mr Amit Dalal	Member	Non-executive Independent	4

The constitution of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956. The Committee reviews various aspects of the internal audit control system and financial and risk management policies. The requirements in respect of Clause 49 of the Listing Agreement

and as amended from time to time are also reviewed by the Committee. The management makes a presentation before the Audit Committee on the observations and recommendations of the Statutory and Internal Auditors to strengthen controls and compliance. The internal auditors and statutory auditors are

permanent invitees of the meeting. Mr. Chaturbhuj Singhania, Wholetime Director, being the Chief Financial Officer of the Company is a permanent invitee to the meeting. The Company Secretary is the ex-officio Secretary of the Committee.

## II. Shareholders' / Investors' Grievance Committee Composition

The Shareholders'/Investors' Grievance Committee comprises of two Non-executive Directors and Wholetime Director of the Company. The Committee is headed by Mr. C.S.Nopany, Chairman of the Board. The other members of the Committee are: Mr. S.M.Agarwal and Mr. Chaturbhuj Singhania.

### Terms of Reference

The Committee oversees the redressal of shareholder and investor complaints/ requests for transfer/transmission of shares, subdivision and consolidation of share certificates, the issue of

duplicate share certificates, requests for demat & remat of shares, non-receipt of the declared dividend and non-receipt of the Annual Report. It also recommends measures for improvement in investor services. The Committee also keeps a close watch on the performance of M/s. Sharepro Services (India) Pvt. Ltd., the Registrar & Share Transfer Agents of the Company. The Company Secretary designated as the Compliance Officer of the Company, acts as the Secretary of the Committee. The Committee meets as often as is necessary for resolution of important matters within its mandate. There were no investor complaints pending at the end of the financial year.

### Meetings And Attendance

During the year under review the Committee met two times on 28th October, 2010 and 25th January, 2011. The attendance of the members of the Committee was as follows:

The attendance of the members of the committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. C. S. Nopany	Chairman	Non-executive	2
Mr. S. M. Agarwal	Member	Non-executive/ independent	0
Mr. C. Singhania	Member	Executive	2

Minutes of the meeting of the Shareholders'/Investors' Grievance Committee are approved by the Chairman of the Committee and are noted by the Board at its next meeting.

### Investors' complaints received and resolved during the year

During the year under review the Company received 5 (five) complaints/letters from the shareholders which were duly attended. The average period of redressal of grievances is 7 (seven) days from the date of receipt of letters/complaints. There was no unresolved complaint as on 31st March, 2011.

## III. Remuneration committee Composition

The Remuneration Committee comprises of three Non-executive Directors and is headed by Mr. J.S.Varshneya. The other

members of the Committee are: Mr. U. K. Khaitan and Mr. S.M.Agarwal.

### Terms of reference

The Company has constituted the Remuneration Committee under the Corporate Governance Code as a non-mandatory requirement. The Committee is empowered to determine the compensation package of the President, Executive Presidents, Wholetime Director, Secretary and other senior managerial personnel.

### Meetings and attendance

During the year under review, there was one Meeting of the Committee on 22nd July, 2010. The attendance of the members at the Committee meeting was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. J. S. Varshneya	Chairman	Non-executive / independent	0
Mr. U.K.Khaitan	Member	Non-executive / independent	1
Mr. S.M.Agarwal	Member	Non-executive / independent	1

#### **IV. Finance & Corporate Affairs Committee Composition**

The Finance & Corporate Affairs Committee presently comprises of three Non-executive Directors and Wholetime Director as members and is headed by Mr. C.S.Nopany, Chairman of the Board. Other members of the Committee are Mr. J.S.Varshneya, Mr. S.M.Agarwal and Mr. Chaturbhuj Singhania, Wholetime Director.

#### **Terms of Reference**

The Committee is authorised to decide upon matters relating to borrowing, Inter corporate loans/deposits, opening and closing

of bank accounts and to take appropriate timely action and decide upon various matters related thereto, in terms of the powers delegated to it by the Board. The Committee is also empowered to approve the Unaudited Quarterly Financial results to be submitted to the Stock Exchanges as provided under Clause 41 of the Listing agreement.

#### **Meetings and Attendance**

The Committee met seven times on 16th June, 2010; 22nd July, 2010; 03rd August, 2010, 04th September, 2010, 29th October, 2010; 12th January, 2011 and 25th January, 2011 during the year under review. The attendance of the members of the Committee was as follows:

<b>Name of the member</b>	<b>Status</b>	<b>Category</b>	<b>Number of meetings attended</b>
Mr. C. S. Nopany	Chairman	Non-executive	2
Mr. S.M.Agarwal	Member	Non-executive / independent	5
Mr. J.S.Varshneya	Member	Non-executive / independent	2
Mr. C. Singhania	Member	Executive	5

Minutes of the meeting of the Finance & Corporate Affairs Committee are approved by the Chairman of the Committee and are noted by the Board in the next meeting of the Board.

#### **E. Remuneration policy**

The remuneration of employees comprises of the base remuneration, perquisites, bonus and ex-gratia. The components of the total remuneration vary for the different cadres and are governed by industry patterns, qualifications and experience, responsibilities handled and performance. The remuneration policy aims to motivate superior performance, recognize and reward achievement and promote retention.

#### **F. Management**

##### **Management Discussion and Analysis**

This is given in a separate section and forms a part of the Directors' Report in this Annual Report.

##### **Disclosures**

##### **(i) Materially significant Related Party Transactions**

Details of materially significant related party transactions that is the transactions of a material nature between the Company and the Promoters, Management, Directors or their relatives etc. are disclosed in the Note No. 20 of the Annual Accounts in

compliance with the Accounting Standard relating to "Related Party Disclosures". Details of all such transactions are provided to the Board at the Board Meetings, and the interested Directors neither participate in the discussion, nor vote on such matters.

There is no materially significant Related Party Transaction that may potentially conflict with the interests of the Company at large.

##### **ii) Accounting treatment in preparation of financial statements**

The Company has followed the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

##### **iii) Risk Management**

As required under clause 49 of the Listing Agreement, the Company has established a well documented and robust risk management framework. Under this framework, risks are identified across all business processes of the Company on a continuous basis. Once identified, these risks are classified as strategic risks, business risks or reporting risks. Strategic risks are

those which are associated with the longer term interests of the Company. Reporting risks are associated with incorrect or un-timely financial and non-financial reporting.

The Audit Committee and the Board of Directors review the Risk Management Strategy of the Company to ensure effectiveness of the Risk management policy and procedures. Board of Directors of the Company is regularly apprised on the key risk assessment areas and a mitigation mechanism is recommended.

During the year, the Board has reviewed the risk assessment and a risk minimization procedure commensurate to the risks has been adopted; and is in place.

#### **iv) Corporate Ethics**

As a responsible corporate citizen, the Company consciously follows corporate ethics in business and corporate interactions. Company has framed codes and policies providing guidance for carrying business in ethical manner. Some of these policies are:

Code for prevention of Insider Trading;

Code for Corporate disclosure;

Code of Conduct;

Whistle Blower policy;

Safety, health and environment policy in each of the Units;

The Company has established and implemented a Whistle Blower policy under which none of the Company's personnel has been denied access to the Audit Committee.

#### **v) Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification**

As per the requirement of Clause 41(ii) and 49(V) of the Listing Agreement, a certificate duly signed by CEO and CFO of the Company, regarding the Financial Statements for the year ended 31st March, 2011, was placed at the Board Meeting of the

Company held on 13th May 2011.

## **G. Shareholder Information**

### **(i) Means of communication**

In accordance with Clause 54 of the Listing Agreement, the Company has maintained a functional website at [www.sutlej-textiles.com](http://www.sutlej-textiles.com) containing the basic information about the Company viz. the details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances etc. The contents of the said website are updated from time to time.

The quarterly and annual audited financial results of the Company are sent to the Stock Exchanges immediately after they had been approved by the Board. The results are normally published in Business Standard in English and Rajasthan Patrika/ Dainik Bhaskar in Hindi.

The results are hosted on the website of the Company at [www.sutlej-textiles.com](http://www.sutlej-textiles.com)

A Management Discussion and Analysis Report forms part of this Annual Report.

Further, the Company disseminates to the stock exchanges that is BSE and NSE wherein the equity shares of the Company are listed, all mandatory information and price sensitive /such other information which in its opinion are material and/or have a bearing on its performance /operations and issue press releases wherever necessary for the information the public at large. For the benefit of the shareholders a separate email id has been created for shareholder correspondence viz. [stil.investor\\_grievance@sutlej-rtm.co.in](mailto:stil.investor_grievance@sutlej-rtm.co.in)

## ii) Annual General Body Meetings of the Company

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

AGM	Financial Year	Date	Time	Venue	Special resolution/s If any, passed
5th	2009-2010	August 06, 2010	3.00 P.M	Registered Office: Pachpahar Road Bhawanimandi (Raj)	None
4th	2008-2009	August 28, 2009	3.00 P.M	Registered Office: Pachpahar Road Bhawanimandi (Raj)	None
3rd	2007-2008	September 26, 2008	3.00 P.M.	Registered Office: Pachpahar Road Bhawanimandi (Raj)	Appointment of Mr. S.K.Khandelia as Wholetime Director, inter alia, under Section 269 of the Companies Act, 1956 on certain terms and conditions

The 6th Annual General Meeting of the Company is proposed to be held on 6th August, 2011 at 3.00 P.M. at the Registered Office of the Company.

**Postal Ballot:** Ordinary resolution for empowering Board of Directors for creation of charge over the properties of the Company was passed by way of Postal ballot during the year 2010-11.

### iii) Disclosures regarding Directors seeking re-appointment

Mr. Rajan A. Dalal, Mr. Ashok Mittal and Mr. Rajiv K. Podar, Directors of the Company retire by rotation at this Annual General Meeting and are eligible for re-appointment. Brief particulars of the directors being re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board / Committees, shareholding and relationships between directors inter-se as stipulated under clause 49 of the listing agreement with the stock exchanges in India, are provided in the notes to the notice of the annual general meeting.

### (iv) General Shareholders' information

#### 1) 6th Annual General Meeting:

Date	06/08/2011
Day	Saturday
Time	3.00 p.m.
Venue	At Registered Office Pachpahar Road, Bhawanimandi 326 502 (Raj.)

#### 2) Last date for receipt of Proxies

Thursday, 4th August, 2011 (before 3.00 p.m. at the Registered Office of the Company)

#### 3) Book closure

The register of members and share transfer books of the Company shall remain closed from 4th June, 2011 to 10th June, 2011 (both days inclusive).

#### 4) Tentative financial calendar:

Next financial year	1st April, 2011 to 31st March, 2012
Audited Annual Results (2010-11)	13th May, 2011
Publication of Audited Results (2010-11)	14th May, 2011
Mailing of Annual Report	End June, 2011
First Quarter Results & Limited Review	End July, 2011
Second Quarter Results & Limited Review	End October, 2011
Third Quarter Results & Limited Review	End January, 2012
Audited Annual Results (2011-12)	Mid May, 2012

#### 5) Dividend

Payment date (tentative): 10th August, 2011.

The Board of Directors at their meeting held on 13th May, 2011, have recommended a Dividend of Rs. 5/- per share and a one time special dividend of Rs. 2.50 per share for the year ended 31st March, 2011, subject to shareholders' approval at the forthcoming Annual General Meeting. If approved the dividend will be paid to the shareholders after 6th August, 2011 but within 7 working days from the date of Annual General Meeting. The Company will continue to use NECS/ECS or any

other electronic mode for payment of dividend to the shareholders located in places where in such facilities/system is in existence.

#### 6) Listing on Stock Exchanges and stock codes:

The names of the Stock Exchanges on which the Company's equity shares are listed with the respective stock codes are as under:

SL. No.	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Ltd., Mumbai	532782
2.	National Stock Exchange of India Ltd., Mumbai	SUTLEJTEX

Listing fees for the year 2011-12 have been paid to the Stock Exchanges within the stipulated time.

#### 7) Corporate Identification Number

Corporate Identification Number of the Company allotted by the Ministry of Corporate Affairs Government of India is L17124RJ2005PLC020927.

#### 8) Market price data

High/low market price of the Company's equity share traded on stock exchanges where the Company's shares are listed during the last financial year are as follows:

Month	Bombay Stock Exchange Limited, Mumbai		National Stock Exchange of India Limited, Mumbai	
	High	Low	High	Low
April, 2010	133.00	112.15	130.80	109.65
May, 2010	150.10	110.60	149.70	104.00
June, 2010	170.00	127.60	169.70	125.20
July, 2010	193.90	152.05	193.90	153.00
August, 2010	266.90	187.05	268.75	185.50
September, 2010	274.90	234.10	274.90	236.00
October, 2010	371.70	242.00	378.00	242.00
November, 2010	360.15	263.05	360.90	261.00
December, 2010	316.40	235.00	315.80	230.10
January, 2011	318.00	246.50	311.00	251.60
February, 2011	278.45	212.05	284.00	201.30
March, 2011	254.00	224.20	267.95	216.00

### 9) Distribution of shareholding:

The distribution of shareholding as on 31st March, 2011 was as follows:

Sl. No.	Number of equity shares	Number of shareholders	% of total shareholders	Number of shares held	% of total shares
1.	Up to 100	2574	57.01	118589	1.09
2.	101 to 500	1344	29.77	352840	3.23
3.	501 to 1000	278	6.16	208969	1.91
4.	1001 to 5000	246	5.45	559902	5.13
5.	5001 to 10000	24	0.53	174040	1.59
6.	10001 to 100000	34	0.75	857858	7.85
7.	100001 to 500000	9	0.20	1951533	17.87
8.	500001 to above	6	0.13	6698177	61.33
	<b>TOTAL</b>	<b>4515</b>	<b>100.00</b>	<b>10921908</b>	<b>100.00</b>

### 10) Details of shareholding as on 31st March, 2011 was as under:

Sl. No.	Category	Number of folios	% of Folios	Number of Shares held	% of share-Holding
1.	Promoters	13	0.31	6971235	63.83
2.	Financial institutions, Banks and mutual funds	3	0.07	2687	0.02
3.	Private corporate bodies/ associates	273	6.04	2117833	19.39
4.	Indian Public	4086	90.48	1768662	16.20
5.	FIs	–	–	–	–
6.	NRI, Foreign Nationals and OCBs	140	3.10	61491	0.56
	<b>Total</b>	<b>4515</b>	<b>100.00</b>	<b>10921908</b>	<b>100.00</b>

### 11) Dematerialisation of shares and liquidity:

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company entered into an agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd. As a result, 96.35% of the total equity share capital of the Company was held in a dematerialised form with NSDL and CDSL as on 31st March, 2011.

The Company has paid the requisite fees to all these authorities for the year 2011-12

### 12) Share transfer system

Share transfers were registered and returned normally within 15 days from the date of receipt if the documents were clear in all respects. The Secretary of the Company was authorised to

approve the transfer of shares in addition to the Shareholders' / Investors Grievance Committee.

### 13) Address for Shareholders' Correspondence

Shareholders are requested to correspond with the Registrar and Share Transfer Agents at the below given address on all matters relating to transfers, dematerialization of shares, payment of dividend and any other query relating to the equity shares of the Company.

### 14) Registrar and Transfer Agent

The Company appointed M/s. Sharepro Services (India) Pvt.Ltd. as its Registrar & Share Transfer Agent (RTA) for handling share registry (physical and electronic modes). Accordingly, all correspondence, shares for transfer, transmission, demat/ remat

requests and other communication in relation thereto should be mailed/hand delivered to the said RTA directly at the following address:

Sharepro Services (India) Pvt.Ltd.  
Samhita Complex,  
Gala No. 52 to 56, Building No. 13A-B  
Near Sakinaka Telephone Exchange,  
Andheri – Kurla Road, Sakinaka,  
Mumbai 400072  
Tel. 022-67720300/400; Fax: 022-28591568

#### **15) Compliance Officer's Details:**

Mr. D.R.Prabhu  
Company Secretary & Compliance Officer  
Seated at Corporate Office at:  
Sutlej Textiles and Industries Limited  
Solaris-1, D Wing, 4th Floor,  
Opp L&T Gate No-6, Saki Vihar Road,  
Powai, Andheri-East, Mumbai-400 068  
Tel : 022-4219 8800 / 4219 8824  
Fax : 022-4219 8830/31  
E-mail ID: prabhu@sutlejttextiles.com

#### **16) Investor Relations:**

In order to facilitate investor servicing, the Company has designated an e-mail id- stil.investor\_grievance@sutlej-rtm.co.in mainly for registering complaints by investors.

## **H. Compliance**

### **(i) Statutory Compliance, Penalties and Strictures**

The Company has continued to comply with the requirements of the stock exchanges, SEBI, and other statutory authorities on all matters relating to the capital market during the last three years. There were no cases of penalties or strictures imposed on the Company by any Stock Exchange or SEBI or any other statutory authorities for any violation related to the Capital market during the last three years.

### **(ii) Listing Agreement Compliance**

The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of the clause 49 of the Agreement.

### **(iii) Insider trading**

The Company adopted the code of internal procedures and

conduct framed under the SEBI (Prohibition of Insider Trading) Regulation, 1992 which, inter alia, prohibited the trading in shares by an 'insider' when in possession of unpublished price sensitive information.

### **(iv) Code of conduct and ethics**

The Company laid down a Code of Conduct for the entire Board of Directors and senior management to avoid a conflict of interest. The Directors and senior management have affirmed compliance with Code of Conduct for the year 2010-2011. A declaration to this effect is attached to this report. The Code of Conduct is available on the Company's website www.sutlej-textiles.com.

There was no material, financial and commercial transactions in which the senior management had a personal interest, leading to a potential conflict of interest during the year under review.

### **(v) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

As on date there are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ADR.

### **(vi) Adoption of Non-Mandatory requirements**

The Company has not adopted any non-mandatory requirements except relating to the maintenance of the office of the Non-executive Chairman by sharing the common expenses with other entities and constitution of the Remuneration Committee.

### **(vii) Auditors' Certificate on Corporate Governance**

The Company has obtained a Certificate from its Statutory Auditors regarding compliance of the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement, which together with this Report on Corporate Governance is annexed to the Director's Report and shall be sent to all the shareholders of the Company and the Stock Exchanges along with the Annual Report of the Company.

### **(viii) Disclosure Under Clause 53 of the Listing Agreement Regarding Certain Agreements With the Media Companies.**

Pursuant to the requirement of Clause 53 of the Listing Agreement, the Company would like to inform that no agreement(s) have been entered into with media companies and

/or their associates which has resulted in/will result in any kind of shareholding in the Company and consequently any other related disclosures viz. details of nominee(s) of the media companies on the Board of the Company, any management control or potential conflict of interest arising out of such agreements, etc. are not applicable. The Company did not enter into any other back to back treaties/contracts/ agreements/MoUs or similar instruments with media companies and/or their associates.

## I. Investor Safeguards and other Information

### (i) Dematerialization of Shares

Shareholders are requested to convert their physical holdings to demat/electronic form through any of the registered Depository Participants (DPs) to avoid the hassles involved in dealing in physical shares such as possibility of loss, mutilation, etc and also to ensure safe and speedy transaction in respect of the shares held.

### (ii) National Electronic Clearing Services (NECS)/ Electronic Clearing Services (ECS) mandate

NECS/ECS facility ensures timely remittance of dividend without possible loss/delay in postal transit. Shareholders/Members holding shares in electronic form may register their NECS/ECS

details with the respective DPs and Shareholders/Members holding shares in physical form may register their NECS/ECS details with Registrar and Share Transfer Agents to receive dividends, if declared, via the NECS/ECS mode.

### (iii) Timely Encashment of Dividends

In respect of the shareholders who have either not opted for NECS/ECS mandate or do not have such a facility with their banker, are requested to encash dividends promptly to avoid the inconvenience of writing to Company's Share Transfer Agents thereafter for revalidation of dividend warrants and failing their encashment for a period of seven years, they stand to lose the right to claim such dividends owing to transfer of unclaimed dividends beyond seven years to Investor Education and Protection Fund.

### (iv) Transfer of unclaimed dividend to Investor Education and Protection Fund (IEPF)

Under the Companies Act, 1956, dividends which remain unclaimed for a period of seven years are required to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government. Dates of declaration of dividends since 2005-2006 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government, are given in the table below:

Financial Year ended	Date of Declaration of Dividend	Amount remaining unclaimed /unpaid as on 31/03/2011 (Rs.)	Last date for claiming unpaid Dividend amount (on or before)	Last date for transfer to IEPF
31.03.2006	19.09.2006	667424.00	18.09.2013	18.10.2013
31.03.2007	26.09.2007	480438.00	25.09.2014	25.10.2014
31.03.2008	26.09.2008	174386.00	25.09.2015	25.10.2015
31.03.2009	28.08.2009	217239.00	27.08.2016	27.09.2016
31.03.2010	06.08.2010	424330.00	05.08.2017	05.09.2017

Members are once again requested to utilize this opportunity and get in touch with Company's Registrar and Share transfer Agents M/s Sharepro Services (India) Pvt. Ltd. at their communication address for encashing the unclaimed dividends standing to the credit of their account.

Members are further requested to note that after completion of 7 years, no claims shall lie against the said funds or Company

for the amounts of dividend so transferred, nor shall any payment be made in respect of such claim.

### (v) Update Address/Bank Details

To receive all communications/corporate actions promptly, shareholders holding shares in dematerialised form are requested to please update their address/bank details with the respective DPs and in case of physical shares, the update details

have to be intimated to the Registrar and Share Transfer Agents.

**(vi) Consolidate Multiple Holdings (in respect of physical holdings)**

Members are requested to consolidate their shareholdings under multiple folios to eliminate receipt of multiple communications and this would ensure that future correspondence / corporate benefits could be sent to consolidated folio.

**(vii) Register email address**

As you all may be aware, Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing Circulars 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011, whereby Companies are permitted to send Notice/ documents including Annual Report comprising Balance Sheet, Profit and Loss Account, Directors Report, Auditors Report etc in electronic mode (hereinafter 'documents'), provided the Company has obtained email address of its members for sending these documents through email by giving an advance opportunity to every shareholder to register their email addresses and changes therein from time to time with the Company.

Accordingly, shareholders holding shares in physical form are requested to register their email addresses and changes therein from time to time, by directly sending the relevant email

addresses along with the details such as name, address, folio no, no of shares held to the Registrar and Share transfer Agents, M/s Sharepro Services (India) Pvt Ltd.

In respect of shares held in electronic form, the email address along with DP ID/Client ID and other shareholder details as mentioned above, should be registered by the shareholders with their respective Depository Participants. Upon registration of the email address, the Company proposes to send notices and documents, in electronic form to such shareholders.

**(viii) Addresses for correspondence:**

**Sutlej Textiles and Industries Limited**

Pachpahar Road  
Bhawanimandi-326 502 (Rajasthan)  
Telephones: 07433-222052/222082/222090  
Fax: 07433-222354  
E-mail:hoffice@sutlej-rtm.co.in;  
stil.investor\_grievance@sutlej-rtm.co.in

**Sharepro Services (India) Pvt.Ltd.**

Samhita Complex,  
Gala No. 52 to 56, Building No. 13A-B  
Near Sakinaka Telephone Exchange,  
Andheri – Kurla Road, Sakinaka, Mumbai 400 072  
Tel. 022-67720300/400; Fax: 022-28591568

**(ix) Location of the Plants:**

Units	Location	Products
Rajasthan Textile Mills	Pachpahar Road, Bhawanimandi 326 502 (Rajasthan)	Cotton yarn and Manmade fibre yarn
Chenab Textile Mills	Kathua 184 102 (Jammu & Kashmir)	Cotton yarn and Manmade fibre yarn
Damanganga Fabrics & Processing	Village Daheli, Near Bhilad, Umbergaon, District: Valsad (Gujarat) 396 105	Fabrics
Damanganga Garments	Village Daheli, Near Bhilad, Umbergaon, District: Valsad (Gujarat) 396 105	Garments
Damanganga Home Textiles	Village Daheli, Near Bhilad, Umbergaon, District: Valsad (Gujarat) 396 105	Home textiles furnishing

# declaration by the wholetime director under clause 49 of the listing agreement

To,

**The Members of Sutlej Textiles and Industries Limited**

"I hereby confirm that all the Members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March, 2011."

Place: Bhawanimandi

Dated: April 30, 2011

Sd/-

**C. Singhania**

*Wholetime Director & CFO*

# auditors' certificate

To,

**The Members of Sutlej Textiles and Industries Limited**

We have examined the compliance of conditions of corporate governance by Sutlej Textiles and Industries Limited for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **Singhi & Co.**

*Chartered Accountants*

Firm Reg. No. 302049E

Place: New Delhi

Dated: May 13, 2011

**B. K. Sipani**

*Partner*

Membership No. 88926

## Auditors' Report

To,  
The Shareholders

1. We have audited the attached Balance Sheet of SUTLEJ TEXTILES AND INDUSTRIES LIMITED, as at 31st March, 2011 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating, the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the 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;
  - 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 and proper returns adequate for the purpose of our audit, have been received from the branches/depots not visited by us. The report on the account of branch audited by other auditor has been forwarded to us and has been appropriately dealt by us in preparing our report;
  - iii. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account and with the returns from the branches/depots;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account 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;
  - v. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011, from being appointed as directors in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956, 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 31st March, 2011.
    - b) In the case of the Profit and Loss account, of the profit of the Company for the year ended on that date and
    - c) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Singhi & Co.**  
*Chartered Accountants*  
Firm Reg. No. 302049E

**B. K. Sipani**  
*Partner*

Place: New Delhi  
Dated: May 13, 2011

Membership No. 88926

## Annexure referred to in paragraph 3 of our report of even date to the shareholders

- (i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. Fixed Assets of the Company's units at Bhawanimandi and Daheli (Near Bhilad) have been physically verified by the Management during the year and in respect of Kathua unit, the Unit is carrying out physical verification of fixed assets by covering physical verification of all fixed assets over a period of three years, accordingly part of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c. There was no substantial disposal of fixed assets during the year.
- (ii) a. As explained to us inventories (except stock lying with third parties, confirmation for which has been obtained and in-transit) were 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 inventory 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 according to the information and explanation given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification, wherever done.
- (iii) a. The Company has granted loan to two Bodies Corporates covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4500 lakhs and the year-end balance of loans granted to such parties was nil.
- b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- c. In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
- d. As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in internal control system.
- (v) a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA of the Companies Act, 1956 and rules framed there under with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) a. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, services tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities. There was no undisputed outstanding statutory dues as at the year end for a period of more than six months from the date they became payable.
- b. According to the records of the Company, there are no dues outstanding of sales tax, income tax, service tax, custom duty, wealth tax, excise duty and cess on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Amount (Rs. in lakhs)	Forum where Dispute is Pending	Related Period
<b>(A) Bhawanimandi unit</b>				
Central Excise Act, 1944	Penalty on Service Tax on GTA	13.17	CESTAT, New Delhi	Jan.,05 to Sept., 05
Central Excise Act, 1944	Disallowance & Penalty for Cenvat on Service Tax	33.80	Commissioner (Appeals)	Oct., 05 to Mar., 06
Central Excise Act, 1944	Demand & Penalty for Service Tax	23.91	CESTAT, New Delhi	Dec.,05 to Oct.,06
Central Excise Act, 1944	Reversal of Cenvat Credit, Interest & Penalty on Excise Duty	25.50	Rajasthan High Court, Jaipur	May,99 to Feb.,2002
Rajasthan Tax on Entry of Goods into Local Areas Act, 1999	Entry Tax and Interest	91.37	Rajasthan High Court, Jodhpur	Apr' 06 to Mar' 11
<b>(B) Kathua Unit</b>				
Central Excise Act, 1944	Excise duty on Textile Committee Cess and penalty thereon	17.64	Central Excise & Service Tax Appellate Tribunal, New Delhi	2000-2005
Central Excise Act, 1944	Excise duty on Clearance of Yarn at Single Stage	23.66	Central Excise & Service Tax Appellate Tribunal, New Delhi	1995-1996
<b>(C) Daheli unit</b>				
Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2001	Entry Tax, Penalty and Interest thereon	626.04	Commercial Tax Officer	Apr' 06 to Mar'11

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash loss in the current year.
- (xi) 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 financial institutions and banks. We have been informed that the Company has not issued any debenture during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced 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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order,2003 (as amended), are not applicable to the Company.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other securities except that it has investments in shares / units and these are held in the name of the Company.
- (xv) According to the information and explanations given to us, the Company has not given any corporate guarantees in favour of financial institution/bank for loans taken by others.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which loans were obtained.
- (xvii) According to the information and explanation given to us, on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based on our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practice in India and according to the information and explanations given to us, no fraud on or by the Company, noticed or reported during the year.

For Singhi & Co.  
Chartered Accountants  
Firm Reg. No. 302049E

B. K. Sipani  
Partner

Place: New Delhi  
Dated: May 13, 2011

Membership No. 88926

## Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	Schedule	31.03.2011	31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	1092.19	1092.19
Reserves and Surplus	2	23955.69	13473.51
		25047.88	14565.70
<b>Deferred Government Subsidies</b>	3	135.75	178.18
<b>Loan Funds:</b>			
Secured Loans	4	77231.58	85103.15
Unsecured Loans	5	4298.11	2876.75
		81529.69	87979.90
<b>Deferred Tax Liabilities (Net) (Refer Note No.22 (c) - Schedule 22)</b>		4989.96	1966.85
<b>Total</b>		<b>111703.28</b>	<b>104690.63</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	6	108688.54	106418.78
Less: Depreciation		48147.26	42084.08
Net Block		60541.28	64334.70
Capital Work-in-Progress		926.08	401.75
		61467.36	64736.45
<b>Investments</b>	7	165.07	45.07
<b>Current Assets, Loans and Advances:</b>			
Inventories	8	34201.07	28414.97
Sundry Debtors	9	13264.91	9581.64
Cash and Bank Balances	10	464.41	674.78
Other Current Assets	11	5716.38	5457.29
Loans and Advances	12	4778.26	1990.01
		58425.03	46118.69
<b>Less: Current Liabilities &amp; Provisions:</b>			
Current Liabilities	13	6336.87	5274.94
Provisions	14	2017.31	934.64
		8354.18	6209.58
<b>Net Current Assets</b>		50070.85	39909.11
<b>Net Assets of Okara Mills(Pakistan) (Refer Note No.6 - Schedule 22)</b>		-	-
<b>Total</b>		<b>111703.28</b>	<b>104690.63</b>
Notes on Accounts	22		

The schedules referred to above including notes to accounts form an integral part of the Balance Sheet.

In terms of our Report of even date attached.

For **Singhi & Co.**

Chartered Accountants

Firm Reg. No. 302049E

**B. K. Sipani**

Partner

Membership No. 88926

**C. S. Nopany**

Chairman

**J. S. Varshneya**

S. M. Agarwal

U. K. Khaitan

Amit Dalal

Rajan A. Dalal

Ashok Mittal

Rajiv K. Podar

Directors

New Delhi

Dated: May 13, 2011

**D. R. Prabhu**

Secretary

**C. Singhania**

Wholtime Director & CFO

## Profit and Loss Account For the Year ended March 31, 2011

(Rupees in lakhs)

	Schedule	31.03.2011	31.03.2010
<b>INCOME</b>			
Turnover (Gross)		162366.37	117500.73
Less: Inter Unit Transfers		3820.18	2684.52
Turnover		158546.19	114816.21
Less: Excise Duty		381.45	124.72
Turnover (Net)		158164.74	114691.49
Other Income	15	3330.16	2982.70
		<b>161494.90</b>	<b>117674.19</b>
<b>EXPENDITURE</b>			
Raw materials consumed	16	77924.88	59907.25
Goods purchase for resale		19581.84	8961.49
Personnel expenses	17	10738.99	9823.29
Operating and other expenses	18	28330.10	25476.62
(Increase)/ Decrease in inventories	19	(2389.65)	(1915.20)
Interest	20	5722.65	5286.51
Directors' Fees and Commission	21	19.45	11.18
		<b>139928.26</b>	<b>107551.14</b>
<b>Profit before Depreciation and Tax</b>		<b>21566.64</b>	<b>10123.05</b>
Depreciation		6786.20	6690.94
<b>Profit before Tax</b>		<b>14780.44</b>	<b>3432.11</b>
<b>Provision for Taxation</b>			
Current		2951.10	580.00
MAT credit entitlement (Refer Note No.13- Schedule 22)		(2625.65)	–
Earlier years (Net)		(2.33)	2.07
Deferred (Net)		3023.11	218.62
<b>Profit after Tax</b>		<b>11434.21</b>	<b>2631.42</b>
Add: Balance Brought Forward		4421.45	2408.43
<b>Profit available for Appropriation</b>		<b>15855.66</b>	<b>5039.85</b>
Transfer to General Reserve		1200.00	300.00
Proposed Dividend		819.14	273.05
Corporate Dividend Tax		132.89	45.35
<b>Balance carried to Balance Sheet</b>		<b>13703.63</b>	<b>4421.45</b>
Basic Earnings Per Share (of Rs. 10 each) (Rs.) (Refer Note No.21-Schedule 22)		104.69	24.09
Notes on Accounts	22		

The schedules referred to above including notes to accounts form an integral part of the Profit and Loss Account.

In terms of our Report of even date attached.

For **Singhi & Co.**

Chartered Accountants

Firm Reg. No. 302049E

**B. K. Sipani**

Partner

Membership No. 88926

**C. S. Nopany**

Chairman

**J. S. Varshneya**

S. M. Agarwal

U. K. Khaitan

Amit Dalal

Rajan A. Dalal

Ashok Mittal

Rajiv K. Podar

Directors

New Delhi

Dated: May 13, 2011

**D. R. Prabhu**

Secretary

**C. Singhania**

Wholtime Director & CFO

## Schedules forming part of the Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 Equity Shares of Rs. 10/- each	2500.00	2500.00
50,00,000 Preference Shares of Rs. 10/- each	500.00	500.00
	<b>3000.00</b>	<b>3000.00</b>
<b>Issued and Subscribed</b>		
1,09,21,908 Equity Shares of Rs. 10/- each fully paid-up	1092.19	1092.19
	<b>1092.19</b>	<b>1092.19</b>

### SCHEDULE 2 RESERVES AND SURPLUS

(Rupees in lakhs)

	Balance as at March 31, 2010	Additions during the year	Deductions/ Adjustments during the	Balance as at March 31, 2011
Capital Reserve	530.49	–	–	530.49
General Reserve	8521.57	1200.00	–	9721.57
		(a)		
Profit & Loss Account - Balance	4421.45	13703.63	4421.45	13703.63
		(a)	( b)	
<b>Total</b>	<b>13473.51</b>	<b>14903.63</b>	<b>4421.45</b>	<b>23955.69</b>
Previous Year	11160.49	4721.45	2408.43	13473.51

(a) Transferred from Profit & Loss account.

(b) Transferred to Profit & Loss account.

(Rupees in lakhs)

	31.03.2011		31.03.2010	
<b>SCHEDULE 3 DEFERRED GOVERNMENT SUBSIDIES</b>				
(i) Capital Subsidy sanctioned by The Jammu & Kashmir State Government on specific Fixed Assets				
As per last account	48.92		64.25	
Less: Transferred to Profit & Loss account	10.86	38.06	15.33	48.92
(ii) Capital Subsidy sanctioned by Ministry of Textiles under TUFs on specific Fixed Assets				
As per last account	129.26		75.97	
Add: Sanctioned during the year	–		82.94	
	129.26		158.91	
Less : Transferred to Profit & Loss account	22.32		29.65	
Less: Short recovery of subsidy	9.25	97.69	–	129.26
		<b>135.75</b>		<b>178.18</b>

## Schedules forming part of the Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 4 SECURED LOANS</b>		
<b>A Term Loans from Scheduled Banks/Financial Institution</b>		
Term Loans are secured/to be secured by first equitable mortgage ranking pari- passu over the Company's Immovable Properties situated at Bhawanimandi (Rajasthan), Kathua (Jammu & Kashmir) and Daheli (Gujarat) and moveable assets (save and except book debts) both present and future, subject to prior charges created/to be created in favour of Bankers on moveables including book debts for securing Working Capital Borrowings.	51430.42	56266.23
Interest accrued and due on above	466.14	450.94
<b>B Working Capital Facilities</b>		
<b>(a) From Scheduled Banks - Cash Credit &amp; Export Credit Accounts</b>		
Working Capital Facilities for respective units are secured/to be secured by hypothecation of moveables including book debts, both present and future, of the unit, ranking pari-passu inter se.	23261.80	24341.33
<b>(b) Short Term Loan from Scheduled Bank</b>		
Secured by subservient charge over moveable fixed assets and current assets of the Company	2000.00	4000.00
Interest accrued and due on above	71.95	43.44
<b>(c) From Co-operative Bank - Cash Credit Account</b>		
The Jhalawar Nagrik Sahkari Bank Ltd.	1.27	1.21
Represents Cash Credit Limit allocated through Scheduled Bank out of its sanctioned limits.		
For Security, refer (B)(a), being carved out from Scheduled Bank Limits.		
	<b>77231.58</b>	<b>85103.15</b>

<b>SCHEDULE 5 UNSECURED LOANS</b>		
Trade Deposits	193.92	246.44
Fixed Deposits	1377.30	1623.60
Buyer's Credit from Banks (Guaranteed by the Company's bankers)	176.89	806.71
Short Term Loan from a Scheduled Bank	2500.00	—
Intercompany Loan from Bodies Corporate	50.00	200.00
	<b>4298.11</b>	<b>2876.75</b>

## Schedules forming part of the Balance Sheet As at March 31, 2011

### SCHEDULE 6 FIXED ASSETS

(Rupees in lakhs)

Description	Gross Block Cost/Book Value				Depreciation			Net Block		
	As at March 31, 2010	Additions	Deductions	As at March 31, 2011	As at March 31, 2010	For the year ended March 31, 2011	Deductions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
<b>Tangible Assets</b>										
Land	751.30	35.40	–	786.70	32.94	4.34	–	# 37.28	749.42	718.36
Buildings	20809.80	303.04	4.39	21108.45	2814.73	531.01	1.48	3344.26	17764.19	17995.07
Plant & Machinery	82051.49	2426.85	698.84	83779.50	37783.72	*5971.77	658.10	43097.39	40682.11	44267.77
Vehicles	578.95	165.30	76.27	667.98	251.13	55.53	44.84	261.82	406.16	327.82
Furniture & Office Equipments	1703.90	135.93	23.12	1816.71	987.70	119.39	18.60	1088.49	728.22	716.20
<b>Intangible Assets</b>										
Designing rights	31.81	5.86	–	37.67	18.25	5.85	–	24.10	13.57	13.56
Software	491.53	–	–	491.53	195.61	98.31	–	293.92	197.61	295.92
<b>Total</b>	<b>106418.78</b>	<b>3072.38</b>	<b>802.62</b>	<b>108688.54</b>	<b>42084.08</b>	<b>6786.20</b>	<b>723.02</b>	<b>48147.26</b>	<b>60541.28</b>	<b>64334.70</b>
Capital Work-in-Progress (at Cost)									926.08	401.75
<b>Total</b>	<b>106418.78</b>	<b>3072.38</b>	<b>802.62</b>	<b>108688.54</b>	<b>42084.08</b>	<b>6786.20</b>	<b>723.02</b>	<b>48147.26</b>	<b>61467.36</b>	<b>64736.45</b>
Previous Year	82497.08	24566.38	644.68	106418.78	35961.92	6690.94	568.78	42084.08	64736.45	68529.16

#### Notes:

- Land includes Freehold Land of Rs. 513.50 lakhs (Previous year Rs. 478.10 lakhs) and Leasehold Land of Rs. 273.20 lakhs (Previous year Rs. 273.20 lakhs).  
In case of Kathua unit Leasehold Land for Rs. 258.37 lakhs (Previous year Rs. 222.97 lakhs) are pending for registration in the name of the unit.
  - Fixed Assets includes share of the Company in a Holiday Home at Haridwar jointly owned with other Bodies Corporates.
  - Capital Work-in-Progress includes advances for Capital Expenditure (Unsecured considered good) Rs. 578.51 lakhs (Previous Year Rs. 248.35 lakhs)
  - Additions/ Capital work-in-progress includes Borrowing cost Nil (Previous Year Rs. 420.75 lakhs).
  - Expenditure on New Projects, substantial expansion allocated to fixed assets amounting to Nil ( Previous Year Rs. 2924.70 lakhs)
  - Plant & Machinery (including Capital work-in-progress) purchased under EPCG Scheme is net of Terminal Excise duty refund received/ receivable amounting to Rs.59.49 lakhs (Previous Year Rs. 31.57 lakhs).
  - Depreciation for the year is net of depreciation written back Nil (Previous year Rs. 30.74 lakhs) related to earlier year.
- \* Includes depreciation relating to previous year Rs. 0.93 lakh.  
# Represents Amortisation of Lease Rent.

(Rupees in lakhs)

	Shares/Units (Nos.)	Face Value Share/Unit (Rs.)	31.03.2011	31.03.2010
<b>SCHEDULE 7 INVESTMENTS</b>				
<b>Long Term Investment (Non-Trade)</b>				
<b>UNQUOTED (Fully paid-up)</b>				
<b>A) In Equity Shares of Co-operative Bank :</b>				
The Jhalawar Nagrik Sahkari Bank Ltd., Bhawanimandi	50	100	0.05	0.05
<b>B) Units of Unit Trust of India :</b>				
UTI-MIS-Advantage Plan Growth Plan	241714.562	10	45.00	45.00
UTI-Fixed Term Income Fund Series VII-III-Growth Plan	1200000	10	120.00	–
Earmarked in compliance with the provisions of Companies (Acceptance of Deposits) Rules, 1975				
<b>C) National Saving Certificates (VIII Issue)</b>				
(Lodged as Security Deposit)			0.02	0.02
<b>Aggregate Value of Investments</b>			<b>165.07</b>	<b>45.07</b>
Aggregate of unquoted investments:				
The Jhalawar Nagrik Sahkari Bank Ltd., Bhawanimandi			0.05	0.05
UTI-MIS-Advantage Plan Growth Plan			45.00	45.00
UTI-Fixed Term Income Fund VII-III-Growth Plan			120.00	–
National Saving Certificates (VIII Issue)			0.02	0.02
			<b>165.07</b>	<b>45.07</b>

## Schedules forming part of the Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 8 INVENTORIES</b>		
(As certified by the Management)		
Stores and Spare-parts, etc.	1279.79	1337.63
Raw Materials ( includes own produced goods)	18663.08	15208.79
Work-in-Progress	3866.39	3964.81
Finished Goods	10243.79	7803.86
Waste	148.02	99.88
	<b>34201.07</b>	<b>28414.97</b>

<b>SCHEDULE 9 SUNDRY DEBTORS</b>		
(Unsecured, Considered Good unless otherwise stated)		
(a) Outstanding for more than six months		
Considered Good	138.50	39.04
Considered Doubtful	153.01	172.92
	291.51	211.96
Less: Provision for Doubtful	153.01	172.92
	138.50	39.04
(b) Other Debts	13126.41	9542.60
	<b>13264.91</b>	<b>9581.64</b>

<b>SCHEDULE 10 CASH AND BANK BALANCES</b>		
Cash Balance on Hand (Including Stamps in Hand)	24.40	21.94
Demand Drafts in Hand	12.40	54.29
<b>With Scheduled Banks in:</b>		
Current Accounts	377.39	420.33
Unpaid Dividend Account	19.64	15.41
Cash Credit accounts (debit balance)	0.10	0.10
Fixed Deposit Accounts {Including Nil (Previous year Rs. 103.00 lakhs) Earmarked in compliance with the provisions of Companies (Acceptance of Deposits) Rules, 1975 and Rs. 3.17 lakhs (Previous year Rs. 2.95 lakhs) lodged as Security Deposit}	3.17	105.95
Employees Security Deposit Accounts	27.29	56.74
Deposit in Post Office Saving Bank Accounts (lodged as Security Deposit)	0.02	0.02
	<b>464.41</b>	<b>674.78</b>

## Schedules forming part of the Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	31.03.2011		31.03.2010	
<b>SCHEDULE 11 OTHER CURRENT ASSETS</b>				
(Unsecured, Considered Good unless otherwise stated)				
Interest accrued on Fixed Deposits		7.88		15.11
<b>Government Subsidies Receivable</b>				
Considered Good		3136.63		3115.63
<b>Export Benefits/ Claims Receivable</b>				
Considered Good	2571.87		2326.55	
Considered Doubtful	46.60		57.34	
	2618.47		2383.89	
Less: Provision for Doubtful receivable	46.60	2571.87	57.34	2326.55
Others, Considered Doubtful	42.49		42.49	
Less: Provision for Doubtful recoveries	42.49	–	42.49	–
		<b>5716.38</b>		<b>5457.29</b>

<b>SCHEDULE 12 LOANS AND ADVANCES</b>				
(Unsecured, Considered Good unless otherwise stated)				
Advances Recoverable in Cash or in Kind or for Value to be received				
Considered Good	1320.78		1153.66	
Considered Doubtful	12.06		15.87	
	1332.84		1169.53	
Less: Provision for doubtful	12.06	1320.78	15.87	1153.66
Income Tax Refund Receivable		75.74		5.65
Advances Tax (Net of provision for taxation)		–		69.93
MAT credit entitlement (Refer Note No.13- Schedule 22)		2625.65		–
Balances with Excise and Custom Department				
Considered Good	343.35		356.39	
Considered Doubtful	137.12		137.12	
	480.47		493.51	
Less: Provision for non-usable Cenvat credit	137.12	343.35	137.12	356.39
Sundry Deposits		412.74		404.38
		<b>4778.26</b>		<b>1990.01</b>

## Schedules forming part of the Balance Sheet As at March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 13 CURRENT LIABILITIES</b>		
Sundry Creditors and Other Liabilities *		
Acceptance	324.05	127.52
For Goods and services	4976.97	4231.89
For Capital Goods	129.30	231.24
For Other Finances	228.56	227.36
Credit balance & advances received from Customers	562.03	313.92
Investor Education and Protection Fund shall be credited on following account #		
(a) Unpaid Matured Deposit	0.15	1.90
(b) Interest accrued on Unpaid Matured Deposit	–	0.54
(c) Unpaid Dividend	19.64	15.41
Interest accrued but not due on Loans/Deposits	88.98	112.00
Income Tax Payable	7.19	13.16
	<b>6336.87</b>	<b>5274.94</b>

\* Refer Note No.5 -Schedule 22.

# Not due as on Balance Sheet date.

<b>SCHEDULE 14 PROVISIONS</b>		
Proposed Dividend	819.14	273.05
Corporate Dividend Tax	132.89	45.35
Retirement Benefits	407.04	334.86
Loss on Forward Contract	3.90	10.59
Others - Contingencies (Refer Note No.16 -Schedule 22)	544.63	265.95
Provision for Tax (Net)	103.64	–
Wealth Tax	6.07	4.84
	<b>2017.31</b>	<b>934.64</b>

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 15 OTHER INCOME</b>		
Dividend from Long Term Investment (Non-Trade) (Gross) (TDS Nil, Previous year Nil)	0.02	–
Interest on Long Term Investment (Non-Trade) (Gross) (TDS Nil, Previous year Nil)	–	3.82
Interest from Bank Deposits (Gross) (TDS Rs. 0.41 lakh, Previous year Rs. 9.68 lakhs)	2.71	24.49
Interest from Inter-Corporate Deposits (Gross) (TDS Rs. 58.67 lakhs, Previous year Rs. 22.26 lakhs)	586.75	255.50
Interest from others (Gross) (TDS Rs. 85.48 lakhs, Previous year Rs. 112.45 lakhs)	696.91	609.26
Miscellaneous Income *	714.12	968.35
Excess provisions and unspent liabilities written back	423.97	160.40
Provision for doubtful advances written back	13.47	–
Sundry credit balances written back (net)	55.93	199.13
Insurance Claims	70.99	55.20
Deferred Government Subsidies	33.18	44.98
Bad Debts Recovered	5.00	–
Profit on sale/discard of Fixed Assets (Net)	20.62	–
Foreign Exchange Fluctuation Gain (Net) (Refer Note No.23 (a) -Schedule 22) {including Gain on Cancellation of Forward Contract of Rs. 40.25 lakhs (Previous year Rs. 17.37 lakhs)}	706.49	661.57
	<b>3330.16</b>	<b>2982.70</b>

\*Includes Rs. 106.13 lakhs (Previous Year Rs. 75.75 lakhs) on account of Interest subsidy under Rajasthan Investment Promotion Scheme (RIPS), Rs. 361.16 lakhs (Previous Year Rs. 355.19 lakhs) being 3% Central interest subsidy received on working capital loans and Nil (Previous year Rs. 337.81 lakhs) related to earlier period Insurance Subsidy received under Central Government scheme.

<b>SCHEDULE 16 RAW MATERIALS CONSUMED</b>		
Inventories as at March 31, 2010	15208.79	8964.14
Add: Purchases (net of sale)	81379.17	66151.90
Less: Inventories as at March 31, 2011	18663.08	15208.79
	<b>77924.88</b>	<b>59907.25</b>

<b>SCHEDULE 17 PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	9316.34	8634.70
Contribution to gratuity fund	355.27	193.19
Contribution to provident and other funds	843.81	752.64
Workmen and staff welfare expenses (Net)	223.57	242.76
	<b>10738.99</b>	<b>9823.29</b>

<b>SCHEDULE 18 OPERATING AND OTHER EXPENSES</b>		
Processing and Job Charges	1133.89	1402.26
Stores & Spares Consumed \$\$	2294.11	2210.58
Packing Material Consumed	1917.27	1706.81
Dyes & Chemical Consumed	3437.93	3076.10
Power, Fuel and Water Charges \$\$	10598.05	10013.09
Rent [Net of Rent Received Rs. 13.43 lakhs (Previous year Rs. 12.58 lakhs)]	108.97	104.61
Insurance(Net) @	89.16	69.38
Rates and Taxes *	48.22	34.68

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 18 OPERATING AND OTHER EXPENSES (Contd.)</b>		
<b>Repairs and Maintenance:</b>		
Buildings	227.84	247.36
Machinery	1437.31	1164.42
Others	98.51	96.83
Freight & Forwarding Expenses etc.	3262.89	2447.18
[Net of recovery of Rs. 333.68 lakhs ( Previous year Rs. 312.08 lakhs)]		
Rebates, Compensation and Cash Discounts	473.19	418.79
Selling Commission (other than Sole Selling Agents)	1449.52	924.52
Selling Brokerage	177.58	149.86
Miscellaneous Expenses \$, \$\$	1501.40	1217.11
<b>Auditors Remuneration:</b>		
<b>Statutory Auditors: #</b>		
As Auditors	10.59	9.54
In other Capacity, for		
Certifications and other matters	3.14	2.33
Tax Audit	2.33	2.07
Travelling and other out of pocket expenses	1.56	1.58
<b>Branch Auditors:</b>		
As Auditors	13.25	12.00
Travelling and other out of pocket expenses	0.60	1.12
<b>Cost Auditors: #</b>		
As Auditors	1.29	1.28
Travelling and other out of pocket expenses	0.26	0.32
Adjustment Relating to previous year(Net)	21.24	6.38
Loss on sale/discard of Fixed Assets (Net)	–	14.93
Bad Debts	11.30	2.16
Less: Provision for Bad Debts	(11.30)	–
Charity and Donations (Net)	20.00	10.37
Government Subsidies receivable written off	–	30.42
Less: Provision for Government Subsidies	–	(30.42)
Provision for Doubtful Debts/ Advances		- 128.96
	<b>28330.10</b>	<b>25476.62</b>

@ Amount is net of Rs. 42.72 lakhs (Previous year Rs. 40.65 lakhs) Insurance Subsidy received under Central Government Scheme.

\* Includes excise duty on increase/(decrease) of finished goods stock Rs. 6.17 lakhs (Previous year Rs. 9.05 lakhs).

\$ Amount is net of credit of Rs. 209.46 lakhs (Previous year Rs. 121.52 lakhs) for Sharing of Common Expenses with a other body corporate.

# Including service tax wherever applicable.

\$\$ Includes related to earlier years in Stores & Spares Consumed Rs. 9.57 lakhs , Power, Fuel and Water Charges Rs. 44.07 lakhs and Miscellaneous Expenses Rs. 8.50 lakhs.

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2011

(Rupees in lakhs)

	31.03.2011	31.03.2010
<b>SCHEDULE 19 (INCREASE)/DECREASE IN INVENTORIES</b>		
Inventories as at March 31, 2011		
Work-in-Progress	3866.39	3964.81
Finished Goods	10243.79	7803.86
Waste	148.02	99.88
	14258.20	11868.55
Inventories as at March 31, 2010		
Work-in-Progress	3964.81	2544.88
Finished Goods	7803.86	7126.93
Waste	99.88	43.25
	11868.55	9715.06
	(2389.65)	(2153.49)
Add: Inventories transferred from trial run production on April 30, 2009 :		
– Work-in-Progress	–	146.47
– Finished Goods	–	91.82
	–	238.29
<b>(Increase)/ Decrease in Stock</b>	<b>(2389.65)</b>	<b>(1915.20)</b>

### SCHEDULE 20 INTEREST

On Deposits	140.47	154.06
On Term Loans	3311.60	3142.52
To Banks and Others \$	2270.58	1989.93
	5722.65	5286.51

\$ Includes related to earlier years Rs. 83.64 lakhs.

### SCHEDULE 21 DIRECTORS' FEES AND COMMISSION

Computation of Net Profits under section 309(5) of the Companies Act, 1956:				
Net Profit/(Loss) as per Profit & Loss Account		14780.44		3432.11
Add:				
Wholetime Directors' Remuneration	14.50		33.20	
Directors' Fees	3.45		3.30	
Directors' Commission	16.00		7.88	
Loss on sale/discard of Fixed Assets (Net)	–	33.95	14.93	59.31
		14814.39		3491.42
Less:				
Profit on sale/discard of Fixed Assets (Net)		20.62		–
Net Profit/(Loss) under section 309(5) for the year		14793.77		3491.42
Maximum ceiling Rs. 2.00 lakhs p.a. per Non Working Director		16.00		7.88
Directors' Commission @ 1% of the above Net Profit or Rs.16 lakhs whichever is lower		16.00		7.88
Directors' Fees		3.45		3.30
		19.45		11.18

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS

#### 1) Nature of Operations

The Company is a manufacturer of Synthetic Staple Fibres Yarn, Man made Fibres blended yarn & Cotton Yarn and Fabrics. It has two spinning units viz. Rajasthan Textile Mills, Bhawanimandi (Raj) & Chenab Textile Mills, Kathua (J & K), one weaving & processing unit viz. Damanganga Fabrics, one Garments unit viz. Damanganga Garments and one Home Textiles unit viz. Damanganga Home Textiles at Village Daheli, near Bhilad (Gujarat) .

#### 2) Accounting Policies

##### (A) Basis of Accounting

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued under the Accounting Standard Rules, 2006 notified by the Central Government and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis except in case of claims lodged with Insurance Companies but not settled and interest on overdue debts from customers which are accounted for on receipt basis on account of uncertainties.

##### (B) Use of Estimates

The preparation of financial statements 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 reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/ materialised.

##### (C) Revenue Recognition

- (i) Revenue from sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery.
- (ii) Revenue (other than sale) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- (iii) Revenue from process of fabrics are recognised on delivery of the goods to customers/when the goods are ready for delivery. When goods are partly processed, the expenses so incurred is shown as work- in- progress.

##### (D) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. The carrying amounts are reviewed at each balance sheet date, if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing, value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

##### (E) Depreciation

Depreciation on Fixed Assets installed upto 31.3.1992 continues to be provided at written down value method and depreciation on assets installed on or after 1.4.1992 has been charged at straight line method as per the rates and manner prescribed in the Schedule XIV of the Companies Act, 1956. Depreciation on additions due to Machinery spares is provided retrospectively from the date the related assets are put to use. Depreciation on additions to or on disposal of assets is calculated on pro-rata basis. Leasehold land is being amortised over the period of lease tenure. Additions on rented premises are being amortised over the period of rent agreement. Software and Designing Rights being Intangible Assets are depreciated over five years.

##### (F) Foreign Currencies

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Monetary items related to Foreign Currencies transactions are restated at year end exchange rates. All exchange differences arising from such conversion including gain or loss on cancellation of foreign currency forward covers are included in the Profit & Loss Account. Premium/Discount on Forward Covers is recognised over the length of the contract.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### (G) Inventories

- i) Inventories are valued as follows:

Raw materials, stores and spares	Lower of cost and net realisable value. Cost is determined on a weighted average basis. Materials and other items held for use in the production of inventories are not written down below costs, if finished goods in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress and finished goods	Lower of cost and net realisable value. Cost includes direct materials, labour and a proportion of manufacturing overheads. Cost of finished goods includes excise duty, wherever applicable. Also refer Note No. 2 (C) (iii) above.
Waste	At net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

- ii) Finished Goods and Work-in-progress have been valued as per the principles and basis as in the previous year/consistently followed.
- iii) Provision for obsolete/old inventories is made, wherever required.
- iv) Inter unit transfers of material for further processing is being made at market rate prevailing at the time of such transfers and inventories of such "transfers" if any, is also valued accordingly as same could not be identified separately and in the opinion of the management such valuation have no material impact on inventory valuation. Such stock at the year end are shown as part of raw materials inventory.
- v) In view of substantially large number of items in work-in-progress, it is not feasible to maintain the status of movement of each item at shop floor on perpetual basis. The Company, however, physically verifies such stocks at the end of every month/quarter and valuation is made on the basis of such physical verification.

#### (H) Retirement and other employee benefits

- Retirement benefits in the form of Provident Fund and Superannuation Scheme, which are defined contribution plans, are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- Gratuity and Leave encashment which are defined benefits, are accrued based on actuarial valuation at the balance sheet date carried out by an independent actuary using the projected unit credit method.
- Gratuity liability is being contributed to the gratuity fund formed by the Company.

#### (I) Excise Duty

Excise duty is paid on clearance of processed fabrics (for work done on job basis for outside parties). No provision for excise duty is made in the accounts for fabrics processed (for work done on job basis for outside parties) and lying in factory premises at the end of the year as the same is recoverable from the parties.

#### (J) Investments

Long Term Investments are stated at cost. The Company provides for diminution other than temporary in the value of Long Term Investments. Current Investments are valued at lower of cost or fair value.

#### (K) Taxation

Current tax is measured at the amount expected to be paid to the revenue authorities, using the applicable tax rates and laws. Deferred tax for timing differences between the book and taxable Income for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred Tax Assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future and the same is reviewed at each Balance Sheet date.

MAT Credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternate Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### (L) Government Grants and Subsidies

Grants and Subsidies from the government are recognised when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is recognised as income or deducted from the relevant expense in the year of sanction of grant or subsidy.

Government Subsidies received/receivable relating to depreciable Fixed Assets are being treated as Deferred Income as required by Accounting Standard - 12, which are recognised in Profit and Loss Account over the useful life of the respective assets.

#### (M) Borrowing Cost

Borrowing Cost attributable to the acquisition or construction of qualifying fixed assets, are capitalised as part of the cost of such assets upto the date of commencement of commercial production/put to use of plant. Other Borrowing costs are charged to revenue.

#### (N) Expenditure on new projects , substantial expansion and during construction period

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure incurred during the construction period, which is not related to the construction activity nor is incidental thereto is charged to the Profit & Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its originally assessed standard of performance.

Expenditure during construction/installation period is included under capital work-in-progress and the same is allocated to respective Fixed Assets on the completion of its construction.

#### (O) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions except those disclosed elsewhere in the notes to the financial statements, are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### (P) Derivatives

Outstanding derivatives contracts, other than those covered under AS-11, at the year end are Marked to Market Rate, and Loss, if any, are accounted for in the Profit & Loss Account. As prudent accounting policy, gain on marked to market at the end of year are not accounted for.

(Rupees in lakhs)

	31.03.2011	31.03.2010
3) Estimated amount of Contracts remaining to be executed on Capital Account [Net of Advances Rs. 575.20 lakhs (Previous Year Rs. 175.99 lakhs)] and not provided for	1249.06	208.00
4) <b>Contingent Liabilities (Not provided for) in respect of:</b>		
a) Bills Discounted with Bankers (Since Realised upto 30.04.2011 Rs. 2037.84 lakhs, Previous year Rs. 1745.72 lakhs)	5696.09	4113.29
b) Labour Matters, except for which the liability is unascertainable*	93.84	89.88
c) Demand raised by Excise Department for various matters*	66.28	66.65
d) Demand for Service Tax, being contested by the Company*	23.91	23.91
e) Demand for Entry Tax (including penalty & interest):		
– Bhawanimandi unit	–	66.34
– Daheli unit (stay granted by the Tribunal)*	317.47	163.73
f) Sales tax Demand under dispute	–	64.80

\* The management believes that the Company has a strong chance of success in above mentioned cases and hence, no provision there against is considered necessary.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 5) The Company has not received any intimation from its suppliers being registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSME). Hence the necessary disclosure required under the schedule VI of the Companies Act, 1956 and MSME Act, 2006 can not be made. However, the Company generally makes payment to all its suppliers within the agreed credit period (generally less than 45 days) and thus the Management is confident that the liability of interest under this act, if any, would not be material.
- 6) In respect of Okara Mills, Pakistan, (Which remained with the Company as a result of transfer of textiles division of Sutlej Industries Limited with the Company) no returns have been received after 31.03.1965. Against Net Assets of Okara Mills, Pakistan amounting to Rs. 232.35 lakhs, the demerged/transferor Company had received adhoc compensation of Rs. 25 lakhs from Government of India in year 1972-73. These Assets now vest in the Custodian of Enemy Property, Pakistan for which claim has been filed with the Custodian of Enemy Property in India. The Company shall continue to pursue its claim for compensation/restoration of assets. Hence, further compensation, if any received, credit for the same will be taken in the year of receipt. In the year 2003-04, net assets of Rs. 207.35 lakhs (net of compensation received) as on 31.03.1965, valued at pre-devaluation Exchange Rate, being diminution in value has been provided for.
- 7) Advances includes to the officer Nil (Previous year Nil). Maximum balance during the year Nil (Previous year Rs. 1.00 lakh) of the officer.
- 8) Proportionate expenses reimbursed for utilising services of establishments maintained by other entities have been included in respective heads of expenses.
- 9) Sales includes Export Incentives/Benefits Rs. 2602.15 lakhs (Previous year Rs. 2529.56 lakhs).

- 10) Details of Remuneration and Perquisites of the Wholetime Directors are as under: (Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
<b>A</b> Paid to Mr. SK Khandelia (Previous year upto 22.07.09)		
Salary, Allowances etc.	–	18.73
Contribution to Provident Fund and Superannuation Fund	–	4.21
Monetary value of Other Perquisites	–	1.71
	–	<b>24.65</b>
<b>B</b> Paid to Mr. C. Singhanian (Previous year w.e.f. 21.07.09)		
Salary, Allowances etc.	10.92	6.50
Contribution to Provident Fund	1.31	0.78
Monetary value of Other Perquisites	2.27	1.27
	<b>14.50</b>	<b>8.55</b>

Above remunerations exclude provision for leave encashment and gratuity, which is actuarially determined for the Company as a whole.

- 11) Installments of Term Loans payable within one year Rs. 6901.36 lakhs (Previous year Rs. 4871.89 lakhs).
- 12) The Excise Department has not allowed simultaneous claim for rebate of duty on input & finished goods for Rs. 108.33 lakhs, hence Company has filed writ petition before the Hon'ble Rajasthan High Court, Jaipur against the order. Pending disposal of appeal by the Hon'ble High Court, above amount has been considered good by the Management and included in Schedule-11 - Other Current Assets.
- 13) The asset of Rs. 2625.65 lakhs (Previous Year Nil) recognized by the Company as 'MAT credit entitlement' under 'Loans and Advances' represents that portion of MAT liability, which can be recovered and set off in subsequent years based on the provisions of Section 115JAA of the Income Tax Act, 1961. The management based on the present trend of profitability and also the future profitability projections, opines that there would be sufficient taxable income in foreseeable future, which will enable the Company to utilize MAT credit assets.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- 14) Previous year Capital work in progress includes pre-operative expenditure during construction period and trial run expenditures related to 12 MW Thermal Power Plant at Bhawanimandi (capitalised during the previous year), 31104 spindles project at Kathua (capitalised during the previous year) and 3 MW Thermal power plant project at Daheli (capitalised during the previous year)

*(Rupees in lakhs)*

Particulars	2010-11	2009-10
<b>Pre-operative and trial run expenses</b>		
Opening Balance as on 01.04.2010	–	2185.25
Raw materials consumed	–	447.37
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus	–	50.70
Contribution to Provident and Other Funds	–	4.92
Workmen & Staff Welfare Expenses	–	4.56
<b>Operating and Other Expenses</b>		
Stores and spare parts consumed	–	52.78
Power and fuel	–	152.24
Coal Consumption	–	1104.23
Insurance Premium	–	18.85
Repair and Maintenance	–	0.22
Freight outwards	–	7.71
Selling commission and brokerage (other than sole selling agents)	–	4.90
Miscellaneous Expenses	–	130.78
<b>Interest:</b>		
On Term loans	–	261.24
To Banks & Others	–	159.51
	–	4585.26
Less:		
Yarn Sales (net of excise duty-Nil)	–	647.97
Waste Sales (net of excise duty-Nil)	–	43.40
Interunit Power & Steam Sale	–	966.29
<b>Increase in Inventories :</b>		
<b>Inventories as at March 31, 2011</b>		
Work-in-progress	–	146.47
Finished goods	–	91.82
	–	238.29
<b>Inventories as at March 31, 2010</b>		
Work-in-progress	–	128.66
Finished goods	–	106.73
	–	235.39
	–	2.90
<b>Allocated to Fixed Assets during the previous year</b>	–	<b>2924.70</b>

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

15) The Company has procured certain capital goods under EPCG Scheme at concessional rate of duty. As on 31st March, 2011, the Company is contingently liable to pay differential custom duty Rs. 4334.58 lakhs (Previous year Rs. 6880.12 lakhs) on such import. In view of past export performance and future projections, the management is hopeful of completing the export obligation within stipulated time, and expect no cash outflow on this account.

16) Disclosure of provisions and contingencies as per Accounting Standard-29 (Rupees in lakhs)

Particulars	Disputed Statutory Matters	Other Obligation	Total
Opening Balance	265.95	–	265.95
	(202.02)	(–)	(202.02)
Addition	310.39	–	310.39
	(66.30)	(–)	(66.30)
Utilisation	–	–	–
	(–)	(–)	(–)
Reversal/ Paid	31.71	–	31.71
	(2.37)	(–)	(2.37)
Closing Balance	544.63	–	544.63
	(265.95)	(–)	(265.95)

Note : Figures in brackets represents previous year's amounts.

17) Interest paid on term loan is net of 4% / 5% interest subsidies received/receivable under TUF (Technology Upgradation Fund) scheme amounting to Rs. 2634.94 lakhs (Previous year Rs. 2795.19 lakhs) and Interest paid to banks and others is net of interest subvention on export credit facilities amounting to Nil (Previous year Rs. 168.27 lakhs).

18) Disclosure as per Accounting Standard - 15 (Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
<b>Define Contribution Plan</b>		
The Company has recognized the following amounts in the Profit and Loss Account for the year:		
Contribution to Employees Provident Fund [Net of Capitalisation Nil (Previous year Rs. 29.01 lakhs)]	590.88	527.05
Contribution to Superannuation Fund	15.63	22.19
<b>Define Benefit Plan</b>		
The following table set out the status of the gratuity plan as required under AS 15 (Revised 2005):		
(a) A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):		
Opening DBO	1391.82	1159.68
Past & Current Service Cost	278.48	146.86
Interest cost	111.34	86.97
Contribution by planned participants Actuarial (gain)/loss	63.46	88.76
Benefits paid	(105.89)	(90.45)
Closing DBO	1739.21	1391.82

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

(Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
(b) A reconciliation of opening and closing balances of the fair value of plan assets:		
Opening fair value of plan assets	1391.82	1159.68
Expected return	98.01	127.33
Actuarial gain/(loss) (Rs.102)		0.06
Contribution by the employer	355.27	195.20
Benefits paid	(105.89)	(90.45)
Closing fair value of plan assets	1739.21	1391.82
(c) A reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets recognized in the balance sheet:		
Present value of defined benefit obligation at the end of the period	1739.21	1391.82
Fair value of the plan assets at the end of the year	1739.21	1391.82
Liability recognized in the balance sheet	-	-
(d) The total expense recognised in the profit and loss account:		
Past & Current service cost	278.48	146.86
Interest cost	111.34	86.97
Expected return on plan assets	(98.01)	(127.33)
Actuarial (gains)/loss	63.46	88.70
Net Gratuity cost [Net of Capitalisation Nil (Previous year Rs. 2.01 lakhs)]	355.27	193.19
(e) For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets:	%	%
State/Govt. of India securities	20	23
Corporate Bond/Fixed Deposit	23	27
Special Deposit Scheme	24	29
HDFC Group unit Linked Plan - Option B	32	20
Other investments- UTI Master Shares	1	1
(f) Actual return on plan assets	7.04%	10.98%
(g) Following are the Principal Actuarial Assumptions used as at the balance sheet date:		
Discount rate	8.00%	7.50%
Expected rates of return on any plan assets	7.04%	10.98%
Average Salary escalation rate	5.50%	5%
Average remaining working life of the employees (years)	24.50	24.77
The estimates of the future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.		

#### 19) Segment Reporting

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

As part of Secondary reporting, revenues are attributed to geographic areas based on the location of the customers.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

The following tables present the revenue, profit, assets and liabilities information relating to the Business/Geographical segment for the year ended 31.03.2011.

#### Information about Business Segment - Primary

(Rupees in lakhs)

Reportable Segments	Yarn		Fabrics and Apparels		Total	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010	For the Year ended March 31, 2011	For the Year ended March 31, 2010	For the Year ended March 31, 2011	For the Year ended March 31, 2010
<b>Revenue</b>						
Sales and other Income	149163.92	108610.97	11023.97	8170.15	160187.89	116781.12
Inter Segment Sales	2367.57	2100.48			2367.57	2100.48
<b>Total Revenue</b>	<b>151531.49</b>	<b>110711.45</b>	<b>11023.97</b>	<b>8170.15</b>	<b>162555.46</b>	<b>118881.60</b>
<b>Result</b>						
Segment Result	19744.67	9176.20	(478.11)	(1322.07)	19266.56	7854.13
Unallocated Corporate Income ( Net )					1236.53	864.49
Interest					5722.65	5286.51
<b>Profit before Tax</b>					<b>14780.44</b>	<b>3432.11</b>
Less: Provision for Taxation – Current					2951.10	580.00
– MAT credit entitlement					(2625.65)	-
– Earlier years					(2.33)	2.07
– Deferred Tax					3023.11	218.62
<b>Profit after Tax</b>					<b>11434.21</b>	<b>2631.42</b>
<b>Other Information</b>						
Segment Assets	104264.44	97705.09	12773.68	12784.92	117038.12	110490.01
Unallocated Corporate Assets					3019.34	410.20
<b>Total Assets</b>					<b>120057.46</b>	<b>110900.21</b>
Segment Liabilities	5550.83	4497.53	1677.89	1238.71	7228.72	5736.24
Unallocated Corporate Liabilities					6115.42	2440.18
(Including Deferred Tax Liabilities Rs. 4989.96 lakhs) (Previous year Rs. 1966.85 lakhs)						
<b>Total Liabilities</b>					<b>13344.14</b>	<b>8176.42</b>
Capital Expenditure	2517.94	3142.27	245.30	101.87	2763.24	3244.14
Depreciation	6117.86	5897.92	668.34	793.02	6786.20	6690.94
Non-cash expenditure other than Depreciation & Amortisation					-	131.12

#### Secondary Segment - Geographical by location of customers

(Rupees in lakhs)

Reportable Segments	Domestic		Export		Total	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010	For the Year ended March 31, 2011	For the Year ended March 31, 2010	For the Year ended March 31, 2011	For the Year ended March 31, 2010
<b>Revenue</b>	<b>106868.11</b>	<b>85678.22</b>	<b>55687.35</b>	<b>33203.38</b>	<b>162555.46</b>	<b>118881.60</b>

#### Other Information:

The Company has common assets for producing goods for domestic market and overseas market.

#### Notes:

- (i) The Company is organised into two main business segments, namely;
  - Yarn comprising of Cotton and Man Made Fibres Yarn;
  - Fabrics and Apparels comprising woven of Worsted/ Synthetic Staple Yarn, Fabric Processing , Home Furnishings and Garments.
 Segments have been identified and reported taking into account, the nature of products, the differing risks and returns, the organisation structure, and the internal financial reporting systems.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

- (ii) Segment revenue in each of the above domestic business segment primarily includes sales, other income and export incentives in the respective segments.

Segment revenue comprises of:

(Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
Sales	155562.59	112161.93
Export Incentives	2602.15	2529.56
Other income identifiable to segment	2023.15	2089.63
<b>Segment Sales &amp; Other income</b>	<b>160187.89</b>	<b>116781.12</b>
Add: Unallocated income	1307.01	893.07
<b>Total Revenue of the Company</b>	<b>161494.90</b>	<b>117674.19</b>

- (iii) The segment revenue in the geographical segments considered for disclosure are as follows:
- Revenue within India includes sales to customers located within India and earnings in India.
  - Revenue outside India includes sales to customers located outside India and earnings outside India and export incentives/benefits.
- (iv) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.
- (v) Previous year figures' have been regrouped to make them comparable with current year figures'.

#### 20) Related Party Disclosure

(a) Key Management Personnel and their relatives	Mr. S.K. Khandelia [President w.e.f. 01.04.09 and Wholetime Director (upto 22.07.09 )]
	Smt. Manju Khandelia (wife), Smt. Indra Devi Khandelia (mother),
	Mr. Ashish Khandelia (son) & Mr. Anurag Khandelia (son)
	Mr. C. Singhania (Wholetime Director) (w.e.f. 21.07.09)
	Mr. K.C. Agarwal ( Joint Executive President, Daheli Unit)
	Smt Savita Agarwal (wife), Ms. Sweta Agarwal (daughter), Smt Indra Devi Agarwal (mother), Mr. Harsul Agarwal (son) & Radhey Shyam Agarwal (father) HUF

## Notes forming part of the Balance Sheet and Profit and Loss Account

**SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)**

(b) Transactions with Related Parties during the year:

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel
<b>1. Fixed Deposits Received</b>		
Mr. S.K. Khandelia	3.70	
	(26.50)	
Smt. Indra Devi Khandelia		2.00
		(3.90)
Smt. Manju Khandelia		15.00
		(104.70)
Mr. Ashish Khandelia		1.90
		(20.40)
Mr. Anurag Khandelia		17.30
		(128.70)
Smt. Indra Devi Agarwal		0.50
		(6.00)
Ms. Sweta Agarwal		–
		(0.50)
Radhey Shyam Agarwal, HUF		0.30
		(4.00)
Smt. Savita Agarwal		0.10
		(1.50)
<b>2. Interest on Fixed Deposits</b>		
Mr. S.K. Khandelia	4.59	
	(2.88)	
Smt. Indra Devi Khandelia		4.94
		(4.89)
Smt. Manju Khandelia		16.65
		(11.17)
Mr. Ashish Khandelia		2.81
		(1.26)
Mr. Anurag Khandelia		20.99
		(12.45)
Smt. Indra Devi Agarwal		0.66
		(0.25)
Ms. Sweta Agarwal		0.05
		(0.02)
Radhey Shyam Agarwal, HUF		0.44
		(0.17)
Smt. Savita Agarwal		0.16
		(0.06)

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

(b) Transactions with Related Parties during the year: (Contd.)

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel
<b>3. Remuneration: \$</b>		
Mr. S.K. Khandelia #	155.31	
	(116.83)	
Mr. K.C. Agarwal	31.43	
	(26.85)	
Mr. C. Singhania	14.50	
	(8.55)	
<b>4. Assets sale</b>		
Smt Savita Agarwal		—
		(4.75)
<b>5. Balance outstanding as at the year end:</b>		
1. Fixed Deposits Payable		
Mr. S.K. Khandelia	45.20	
	(41.50)	
Smt. Indra Devi Khandelia		47.50
		(45.50)
Smt.Manju Khandelia		164.30
		(149.30)
Mr. Ashish Khandelia		27.60
		(25.70)
Mr. Anurag Khandelia		207.10
		(189.80)
Smt. Indra Devi Agarwal		6.50
		(6.00)
Ms. Sweta Agarwal		0.50
		(0.50)
Radhey Shyam Agarwal, HUF		4.30
		(4.00)
Smt. Savita Agarwal		1.60
		(1.50)

\$ Remuneration to Key Managerial personnel do not include provision for leave encashment and contribution to the approved Gratuity Fund of the Company, which are actuarially determined for the Company as a whole.

# Previous year Including remuneration paid in the capacity of Wholetime Director of Rs. 24.65 lakhs.

**Note :** 1. The above information has been identified on the basis of information available with the Company and relied upon by the Auditors.

2. Figures in brackets represents previous year's amounts.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 21) Earnings per Share (EPS)

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit/(Loss) attributable to the Equity		
Shareholders(A) (Rs. in lakhs)	11434.21	2631.42
Number of Equity Shares (B)	10921908	10921908
Nominal value of Equity Shares (Rs.)	10	10
Basic and Diluted Earnings per Share (Rs.)-A/B	104.69	24.09

#### 22) Taxation

- Provision for Current Tax includes Wealth Tax Rs. 6.10 lakhs (Previous Year Rs. 5.00 lakhs).
- The Minimum Alternate Tax (MAT) provided during the year is as per provisions of section 115 JB of the Income Tax Act, 1961 and same is eligible for set off in the specified assessment years as per the provisions of the Income Tax Act, 1961.
- Deferred Taxation:
  - In accordance with Accounting Standard-22, Deferred Tax liabilities amounting to Rs. 3023.11 lakhs [including reversal of deferred tax assets (net) of Rs. 2529.70 lakhs] has been accounted for.
  - Major Components of Deferred Tax Liabilities & Assets are as follows: *(Rupees in lakhs)*

Particulars	As at 01.04.2010	Net Charge/ (Credit) during the year	As at 31.03.2011
<b>Deferred Tax Liability on account of:</b>			
Depreciation	5112.65	493.41	5606.06
	5112.65	493.41	5606.06
<b>Deferred Tax Assets on account of:</b>			
(i) Amount disallowed u/s.43-B & Provision for Leave Salary & Wages	214.94	293.80	508.74
(ii) Deferred Government Subsidies	46.31	(9.00)	37.31
(iii) Unabsorbed Depreciation	2809.25	(2809.25)	-
(iv) Others	75.30	(5.25)	70.05
	3145.80	(2529.70)	616.10
<b>Net Deferred Tax Liability/(Assets)</b>	<b>1966.85</b>	<b>3023.11</b>	<b>4989.96</b>

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

23) a) The Company has complied with the announcement issued by the Institute of Chartered Accountants of India (ICAI) on Accounting for Derivatives' requiring provision for loss on all outstanding derivative contracts by marking them to market rate. Accordingly Loss on Forward Contracts amounting Rs. 3.90 lakhs (Previous year Rs. 10.59 lakhs) is net off with Foreign exchange fluctuation gain under Schedule -15-Other Income.

(b) i) Outstanding Forward Covers in respect of foreign currencies for Hedging purposes are as follows:

Particulars	As at March 31, 2011	
	Loans/Other Liabilities under deferred payments	For Export Sales
USD	6822752	37668175
	(845459)	(22582176)
Euro	-	551079
	(-)	(906415)
Euro (Euro Vs USD)	-	-
	(-)	(750000)
GBP	-	50141
	(-)	(50500)

ii) Foreign currency exposure not hedged by a derivative instrument or otherwise:

	As on March 31, 2011		
	Sundry Creditors for Goods, Services and Expenses	Loans/Other Liabilities under deferred payments	Loans & Advances
USD	934660	724881	74437
	(1162418)	(3395150)	(5748)
Euro	56378	-	322464
	(53548)	(-)	(1670)
CHF	12641	-	103000
	(77646)	(-)	(17250)
JPY	-	-	2535000
	(2500)	(-)	(144000)
GBP	3873	-	-
	(3923)	(-)	(-)

Note : Figures in brackets represents previous year's amounts.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 24) Capacity

	2011	2010
i) Licensed Capacity - Spindles (Nos.) - Rotors (Nos.) - Looms (Nos.)	Delicensed vide Notification no. 477(E) Dated July 27, 1991 of the Ministry of Industry.	
ii) Installed Capacity - (Certified by the management)		
<b>Bhawanimandi Unit :</b>		
- Spindles (Nos.)	82384	82384
- Rotors (Nos.)*	336	672
* 336 rotors discarded during the year.		
<b>Kathua Unit :</b>		
- Spindles (Nos.)	170616	170616
<b>Daheli Unit :</b>		
(a) Damanganga Fabrics and Processing		
- Looms (Nos.)	60	60
- Fabric process (Mtrs.)	20000000	20000000
(b) Damanganga Garments #		
- Trousers (Nos.)	527000	527000
(c) Damanganga Home Textiles		
- Home textile furnishings (Mtrs.)	1976010	1976010

#Capacity work out on single shift basis.

#### 25) Particulars in respect of Sales, Production, Purchases and Stock:

	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Tonnes	(Rs. in lakhs)	Tonnes	(Rs. in lakhs)
<b>Production</b>				
Cotton Yarn ++	15191		16239	
Man Made Fibres Yarn @	53238		49952	
Fabrics (Thousand Mtrs) @	5661		5703	
Waste ++	5980		6437	
Job Processing (Thousand Mtrs.)#	17622		16013	
Trousers (pcs.)+	510829		439702	
Home Furnishing Fabrics (Thousand Mtrs.)	1926		1105	
Home Furnishing Fabrics (Job Production) (Thousand Mtrs.)	67		657	
<b>Purchases*</b>				
Cotton Yarn	6870	11527.15	3620	4582.33
Man Made Fibres Yarn	4653	7375.32	3708	4354.46
Cotton Fabrics	246	531.64	-	-
Fabrics (Thousand Mtrs)	371	86.38	70	17.18
Home Furnishing Fabrics (Thousand Mtrs.)	-	-	5	7.52
Towel (pcs.)	128366	61.35	-	-
		<b>19581.84</b>		<b>8961.49</b>

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Tonnes	(Rs. in lakhs)	Tonnes	(Rs. in lakhs)
<b>Opening Stock</b>				
Cotton Yarn	926	1210.72	739	+++802.71
Man Made Fibres Yarn	4254	5163.07	4198	4927.10
Fabrics (Thousand Mtrs)	739	723.09	856	776.01
Waste	510	99.88	259	43.25
Trousers (pcs.)	56821	169.73	52037	97.11
Home Furnishing Fabrics (Thousand Mtrs.)	610	537.25	856	630.73
		<b>7903.74</b>		<b>7276.91</b>
<b>Closing Stock</b>				
Cotton Yarn	1267	2009.43	926	1210.72
Man Made Fibres Yarn	4514	6917.59	4254	5163.07
Cotton Fabrics	33	77.37	-	-
Fabrics (Thousand Mtrs)	582	622.89	739	723.09
Waste	397	148.02	510	99.88
Trousers ( pcs.)	46162	145.92	56821	169.73
Home Furnishing Fabrics (Thousand Mtrs.)	374	470.59	610	537.25
		<b>10391.81</b>		<b>7903.74</b>
<b>Sales *</b>				
Cotton Yarn	21720	46161.88	19672	30572.38
Man Made Fibres Yarn	56404	99337.52	52301	75311.83
Cotton Fabrics	213	527.90	-	-
Fabrics(Thousand Mtrs.)	6042	5912.98	5497	4755.72
Waste	6093	1613.17	6186	1570.01
Other Waste	-	1.03	-	1.63
Job Processing (Thousand Mtrs.)	11086	1305.55	9637	1118.31
Trousers (pcs.)	288457	1172.87	300789	844.14
Job Work Trousers (pcs.)	236691	330.96	144778	164.15
Home Furnishing Fabrics (Thousand Mtrs.)	2162	2093.85	1356	954.03
Job Work-Home Furnishing Fabrics (Thousand Mtrs.)	70	26.34	720	215.38
Towel (pcs.)	128366	62.14	-	-
		<b>158546.19</b>		<b>115507.58</b>

@ Includes on job basis from outside.

# Including in-house process of 6536 thousand metres (Previous year 6376 thousand metres) .

+ Includes 233031 pcs. (Previous year 134129 pcs.) for outside job work basis.

\* Sales include Export Sales of Rs. 55687.35 lakhs (Previous year Rs. 33203.38 lakhs ), including to Nepal Nil (Previous year Rs. 45.26 lakhs), including trial run sales of Cotton Yarn Nil (Previous year 610 tonnes, Rs. 647.97 lakhs) & Waste Nil (Previous year 162 tonnes, Rs. 43.40 lakhs) but excludes :  
 (i) Inter segment sales 1227 tonnes, Rs. 2367.57 lakhs (Previous year 1300 tonnes, Rs. 2100.48 lakhs);  
 (ii) Inter unit sales 197 tonnes yarn of Rs. 290.99 lakhs (Previous year 155 tonnes yarn of Rs. 215.90 lakhs) and purchase of 197 tonnes yarn of Rs. 290.99 lakhs (Previous year 152 tonnes yarn of Rs. 210.55 lakhs ),& Synthetic Fibre Dyed charges of 1021 tonnes of Rs. 1161.62 lakhs (Previous year 428 tonnes of Rs. 368.14 lakhs) and fabric 147 thousand metres (Previous year 393 thousands metres).

++ Including trial run production of Cotton Yarn Nil (Previous year 506 tonnes) and Waste Nil (Previous year 162 tonnes).

+++ Including trial run stock of Cotton Yarn 104 tonnes, Rs. 106.73 lakhs .

Note 1: Stock of Job work trouser 9193 pcs. (Previous year 12853 pcs.) not included in closing stock and 12853 pcs. (Previous year 23502 pcs.) not included in Opening Stock.

Note 2: Stock of Home Furnishing Fabrics Job work NIL (Previous year 3 thousand metres) not included in closing stock and 3 thousand metres (Previous year 66 thousand metres) not included in Opening Stock.

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 26) Raw Materials Consumed\*

	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Qty.	(Rs. in lakhs)	Qty.	(Rs. in lakhs)
Cotton (Tonnes)	18727	18014.57	20663	13829.46
Man Made Fibres (Tonnes) \$	56327	56561.07	53678	44290.75
Yarn (Tonnes)	1496	2791.07	1103	2073.57
Grey Fabric (Thousand Mtrs.)	202	332.40	–	–
Others	–	225.77	–	160.85
		<b>77924.88</b>		<b>60354.63</b>

\* Including trial run consumption of Cotton Fibre Nil (Previous year 647 tonnes, Rs. 402.05 lakhs) and Man Made Fibre Nil (Previous year 76 tonnes Rs. 45.33 lakhs).

\$ Excluding Inter unit purchase Nil (Previous year 3 tonne yarn of Rs. 5.35 lakhs) & Synthetic Fibre Dyed charges 1021 tonnes of Rs. 1161.62 lakhs.(Previous year 428 tonnes of Rs. 368.14 lakhs).

#### 27) Value of Imported and Indigenous Raw Materials consumed and percentage thereof

(Value Rupees in lakhs)

	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Value	%	Value	%
Indigenous	75970.63	97.49	58771.40	97.38
Imported	1954.25	2.51	1583.23	2.62
	<b>77924.88</b>	<b>100.00</b>	<b>60354.63</b>	<b>100.00</b>

#### 28) Value of Imported and Indigenous Stores, Spare-Parts, Packing Material and Dyes & Chemicals Consumed and percentage thereof

(Value Rupees in lakhs)

	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Value	%	Value	%
Indigenous	7136.99	93.30	6620.77	95.04
Imported	512.32	6.70	345.38	4.96
	<b>7649.31</b>	<b>100.00</b>	<b>6966.15</b>	<b>100.00</b>

Note: Excluding charged to Machinery Repairs & Capitalised.

#### 29) C.I.F. Value of Imports

(Rupees in lakhs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Raw Materials	1733.99	1263.85
Yarn purchase	90.31	–
Stores and Spare Parts	445.74	457.66
Capital Goods	934.30	372.45
(Taken on the basis of actual receipt in the Mills Premises irrespective of date of payment)		

## Notes forming part of the Balance Sheet and Profit and Loss Account

### SCHEDULE 22 NOTES ON ACCOUNTS (Contd.)

#### 30) Earnings in Foreign Exchange

(Rupees in lakhs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Export on F.O.B. Basis	51301.32	30019.01

#### 31) Expenditure in Foreign Currency (on payment basis)

Travelling	51.01	42.42
Export Sale Compensation/claims	49.08	76.55
Commission	367.61	233.92
Discount on Export Sales	2.57	4.51
Interest	50.73	37.92
Legal and professional charges	59.44	-
Others	53.64	39.23

#### 32) Remittance in Foreign Currency on Account of Dividends

Amount of Dividend related to 2009-10 remitted in Foreign Exchange (Rs.)#	-	-
Number of Non-Resident Shareholders	140	98
Number of Shares held by such Non-Resident Shareholders	61491	18325

#Deposited in Indian Rupees in the Bank Accounts maintained by the shareholders in India.

33) Previous year figures have been regrouped/rearranged wherever necessary.

Signatures to Schedules 1 to 22

In terms of our Report of even date attached.

For **Singhi & Co.**

Chartered Accountants

Firm Reg. No. 302049E

**B. K. Sipani**

Partner

Membership No. 88926

New Delhi

Dated: May 13, 2011

**D. R. Prabhu**

Secretary

**C. S. Nopany**

Chairman

**C. Singhania**

Wholetime Director & CFO

**J. S. Varshneya**

S. M. Agarwal

U. K. Khaitan

Amit Dalal

Rajan A. Dalal

Ashok Mittal

Rajiv K. Podar

Directors



## Cash Flow Statement For the Year ended March 31, 2011

(Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>a. Net Profit before Tax</b>	<b>14780.44</b>	<b>3432.11</b>
<b>Adjustment for :</b>		
Depreciation	6786.20	6690.94
Interest Paid	5722.65	5286.51
Interest Received	(1286.37)	(889.25)
Dividend from Long Term Investment ( Non trade )	(0.02)	-
Interest on long term Investment	-	(3.82)
Deferred Government Subsidies	(33.18)	(44.98)
Loss / (Profit) on Sale/Discard of Fixed Assets (Net)	(20.62)	14.93
Unrealised Foreign Exchange Fluctuation Gain (Net)	(228.71)	(178.49)
Excess Provisions and Unspent Liabilities Written Back	(423.97)	(160.40)
Provisions for doubtful advances Written Back	(13.47)	-
Sundry Balances written back (Net)	(55.93)	(199.13)
Bad-Debts Written Off	-	2.16
Provision for Doubtful Debts /Advances	-	128.96
<b>b. Operating Profit before working capital changes</b>	<b>25227.02</b>	<b>14079.54</b>
<b>Adjustment for :</b>		
Trade and other Receivables	(3254.93)	(1509.52)
Inventories	(5786.10)	(8241.14)
Grants / Subsidy from Government (Revenue in nature)	(490.30)	(434.76)
Trade Payables	2027.39	847.41
<b>c. Cash Generated from Operations</b>	<b>17723.08</b>	<b>4741.53</b>
Direct Taxes (paid) / Refund (Net)	(2850.04)	(238.30)
<b>Net Cash (used in)/from Operating Activities (A)</b>	<b>14873.04</b>	<b>4503.23</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	100.22	60.97
Dividend from Long Term Investment ( Non trade )	0.02	-
Interest Received	1293.60	919.29
Grants / Subsidy from Central/State Government (Capital in nature)	-	82.94
Sale / (Purchase) of Investment (Net)	(120.00)	(2.72)
Purchase of Fixed Assets	(3698.64)	(2859.18)
Movement in Fixed Deposits	102.78	469.25
<b>Net Cash used in Investing Activities (B)</b>	<b>(2322.02)</b>	<b>(1329.45)</b>

## Cash Flow Statement For the Year ended March 31, 2011 (Contd.)

(Rupees in lakhs)

Particulars	31.03.2011	31.03.2010
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term Borrowings (Net)	(1493.00)	4328.27
Long term Borrowings (Net)	(4835.81)	(1784.36)
Dividend paid and Tax on Distributed Profits	(318.40)	(127.78)
Interest Paid \$	(5986.18)	(5286.58)
<b>Net cash from Financing Activities (C)</b>	<b>(12633.39)</b>	<b>(2870.45)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents [(A)+(B)+(C)]</b>	<b>(82.37)</b>	<b>303.33</b>
Cash and Cash Equivalents (Opening Balance)	496.66	193.33
<b>Cash and Cash Equivalents (Closing Balance) *</b>	<b>414.29</b>	<b>496.66</b>
* Break-up as under :-		
Cash Balance on Hand (Including Stamps in Hand)	24.40	21.94
Demand Drafts in Hand	12.40	54.29
Cash Credit Account ( Debit Balance)	0.10	0.10
With Scheduled Banks in Current Accounts	377.39	420.33
<b>Total</b>	<b>414.29</b>	<b>496.66</b>
Other Bank Balances shown under appropriate activities	50.12	178.12
<b>Cash and Bank Balances as per schedule - 10</b>	<b>464.41</b>	<b>674.78</b>

\$ Interest paid is net of TUFs Subsidy of Rs. 2348.29 lakhs (previous year Rs. 3146.11 lakhs).

Note : The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard- 3 on "Cash Flow Statement".

In terms of our Report of even date attached.

For **Singhi & Co.**

Chartered Accountants

Firm Reg. No. 302049E

**B. K. Sipani**

Partner

Membership No. 88926

**C. S. Nopany**

Chairman

**J. S. Varshneya**

**S. M. Agarwal**

**U. K. Khaitan**

**Amit Dalal**

**Rajan A. Dalal**

**Ashok Mittal**

**Rajiv K. Podar**

Directors

New Delhi

Dated: May 13, 2011

**D. R. Prabhu**

Secretary

**C. Singhanian**

Wholetime Director & CFO

# Sutlej

textiles and industries limited

## SUTLEJ TEXTILES AND INDUSTRIES LIMITED

Regd.Office :Pachpahar Road, Bhawanimandi 326 502

May 13, 2011

Dear Shareholder,

Subject: **Green Initiative in Corporate Governance.**

As a responsible Corporate Citizen, your Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA) vide its Circular Nos.17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011.

The Green Initiative endeavors to reduce consumption of paper, in turn preventing deforestation and contributes towards a green and clean environment-a cause that we at Sutlej Textiles and Industries Ltd are committed to. This initiative is also aligned to our Mission Statement of demanding that everything we do leads to a clear, healthier, safer environment. In furtherance of these initiatives, the company invites its shareholders to participate in the Green Initiatives to affirm its commitment towards future generations.

Keeping in view the above, your company proposes to send documents like Notice convening Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc in electronic form. For supporting this initiative:-

- 1) If you hold shares in electronic form, kindly intimate your email ID to your Depository Participant (DP). The same will be deemed to be your registered email address for serving notices/documents.
- 2) If you hold shares in physical form, kindly intimate your email ID to the Company's Registrar & Transfer Agent (RTA) at the following address:

Sharepro Services (India) Pvt.Ltd.  
Samhita Complex,  
Gala No. 52 to 56, Building No. 13A-B  
Near Sakinaka Telephone Exchange,  
Andheri – Kurla Road, Sakinaka,  
Mumbai 400 072

The request letter should be signed by the first/sole holder as per the specimen signature recorded with the RTA and should mention your correct folio number. If you do not register your email ID, a physical copy of the Annual Report and other communication/documents will be sent to you free of cost, as per the current practice. These documents will also be available on the Company's website: [www.sutlej-textiles.com](http://www.sutlej-textiles.com).

We strongly urge you to support this 'Green Initiative' and opt for electronic mode of communication by advising your email ID to your DP/Sharepro Services (India) Pvt Ltd.

It may be noted that you will be entitled to be furnished free of cost, with a copy of Annual Report and all other documents required by law upon receipt of a requisition from you, any time, as a member of the Company.

We solicit your support to join in this initiative in reducing the impact on the environment and receive all communications electronically.

Thanking You,

Yours truly,

For Sutlej Textiles and Industries Ltd

Sd/-

**D.R.Prabhu**

*Company Secretary*



textiles and industries limited

## SUTLEJ TEXTILES AND INDUSTRIES LIMITED

Regd. Office : Pachpahar Road, Bhawanimandi 326 502

### NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Shareholders of Sutlej Textiles and Industries Limited, will be held at the Registered Office of the Company at Pachpahar Road, Bhawanimandi 326 502 (Rajasthan) on Saturday, 6th August, 2011, at 3.00 p.m. to transact the following business:-

#### A. AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as on 31st March, 2011 and the Profit and Loss Account for the year ended on that date together with Auditors' Report thereon & Directors' Report.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Rajan A. Dalal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashok Mittal who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Rajiv K. Podar who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s. Singhi & Company, offer themselves for re-appointment.
7. To appoint Branch Auditors to hold office from the conclusion of this Annual general Meeting till the conclusion

of the next Annual General Meeting for auditing the Accounts of Chenab Textile Mills and to fix their remuneration. The retiring Branch Auditors M/s. S.R. Batliboi & Company offer themselves for re-appointment.

#### B. SPECIAL BUSINESS

8. To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 293 of the Companies Act, 1956 (the Act), and any other provisions of the Act, if applicable, and any other law in force for the time being, consent of the Company be and is hereby given to the Board of Directors of the Company to contribute to Charitable and other Funds, not directly related to the business of the Company or the welfare of its employees any amount, the aggregate of which in any financial year of the Company does not exceed Rs. One Crore, or an amount of 5 per cent of the Company's average net profits as determined in accordance with the provisions of Section 349 and 350 of the said Act during the three financial years immediately preceding, whichever is more.

RESOLVED FURTHER THAT the Board of Directors of the Company and/or any of the Committees of the Board may determine, in their absolute discretion, and in the best interests of the Company the Charitable and Other purposes for which, as well as the Charitable and other Funds to which the said contributions may be made by the Company.

RESOLVED FURTHER THAT the said consent is deemed to be given from the financial year 2011-12 and the contributions and donations in accordance herewith be and are hereby approved, confirmed and ratified."

9. To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves and authorizes payment to all the Directors put together, commission upto 1% of the net profits of the Company, over and above the usual sitting fees during each of the five financial years commencing from 1st April, 2011 and that the said commission be divided amongst the Directors in such proportion and in such manner, as may be determined by the Board.

RESOLVED FURTHER THAT within the overall ceiling of 1% of the net profits, the Board of Directors be and is hereby empowered to fix in their discretion, the maximum amount of Commission payable to all Directors put together; or the discrete maximum amount qua each of them. "

By order of the Board

Sd/-

D. R. Prabhu

Company Secretary

Place: New Delhi

Dated: 13th May, 2011

#### Notes

**A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

1. The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting. Proxies submitted on behalf of limited companies, bodies corporate, societies etc. must be supported by appropriate resolution /authority, as applicable. Blank Proxy Form is attached.
2. The Explanatory Statement pursuant to Section 173(2) of

the Companies Act, 1956 in respect of Special Business set out above to be transacted at the Meeting along with required details in terms of Clause 49 of the Listing Agreement is annexed hereto and forms part of this Notice.

3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
4. The Register of Members of the Company will remain closed from 04.06.2011 to 10.06.2011 (both days inclusive) for determining eligibility for payment of Dividend, if declared at the meeting.
5. Pursuant to provisions of Section 205A (5) of the Companies Act, 1956, dividends which remained unclaimed / un-encashed for a period of 7 years are required to be transferred to the Investor Education and Protection Fund of the Central Government established under sub-section (1) of Section 205C of the Act. Therefore, shareholders who have not encashed their dividend for the financial year 2005-06 to 2009-10 should lodge their request for the same to the RTA or the Company.
6. Dividend, if declared at the Meeting, will be paid on or before 10.08.2011 to those Members or their mandates:
  - a) Whose names appear as Beneficial Owners at the end of the business hours on 03.06.2011 in the list of Beneficial Owners to be furnished by Depositories (NSDL & CDSL) in respect of the shares held in electronic form; and
  - b) Whose names appear as Members on the Company's Register of Members on 10.06.2011 after giving effect to valid transfer requests, received on or before 03.06.2011.
7. Shareholders desirous of availing the facility of Electronic Credit of dividend are requested to fill up attached ECS form to this notice and return the same duly filled and signed alongwith a xerox copy of a leaf of their cheque book bearing bank account number, on or before 25.07.2011. The said details in respect of the shares held in electronic form should be sent to their respective Depository Participant with a copy to the Company/RTA for appropriate action before close of work on 25.07.2011. The said details in

respect of the shares held in physical form should be sent to the Company/RTA for appropriate action before close of work on 25.07.2011.

8. The Company's Shares are listed on the following Stock Exchanges:

1. Bombay Stock Exchange Ltd.

Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort, Mumbai 400 001

2. National Stock Exchange of India Ltd.

Exchange Plaza, 5th floor, Plot No. C/1, G-Block,  
Bandra Kurla Complex, Bandra (E), Mumbai 400 051

9. Brief particulars of the Directors being appointed/ re-appointed, nature of their expertise in specific functional areas, names of Indian public limited companies in which they hold directorships and memberships/ Chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are as given below:

Particulars	Mr. Rajan A. Dalal	Mr. Ashok Mittal	Mr. Rajiv K. Podar
Date of birth	18.09.1949	03.03.1965	24.05.1964
Date of appointment	19.11.2008	15.05.2009	21.07.2009
Qualification	B.Sc. SME Management from IIM-Ahmedabad	B.A.(Physics), Post Graduate in Business Management (Finance) from International Management Institute, New Delhi	B.Com
Expertise in specific functional areas	Experience in marketing of textiles and other fields like investment bankers, creating dealer network in domestic and international markets, wealth management, investment in equity and debt market, capital raising, mergers and acquisitions etc	Investment Banking experience in Mergers and Acquisitions, Financing-Equity, Debt & Capital Markets. Loan Syndications, Privatisations, Corporate Restructuring, etc	Involved in the business of K.R.Podar Group and was instrumental in setting up the textile units of the Group. Founder Chairman of the International Business Linkage Forum (IBLF).
Directorships held in other companies (excluding foreign companies)	Nil	Nil	Podar Infotech & Entertainment Ltd Sports Education Development India Ltd
Memberships/ Chairmanships of Committees of other Indian public companies	Nil	Nil	Nil
Number of Shares held in the Company	Nil	Nil	Nil

The Board of Directors of the Company commends their respective re-appointments.

10. Members are requested:

- a) To bring their copies of Annual report and Notice at the Meeting.
- b) To quote their folio number/DP ID and Client Id in all correspondence;
- c) To Notify immediately for change of their address and bank particulars to the RTA in case the shares are held in physical form;

- d) in case the shares are held in dematerialized form, information should be passed on directly to their respective Depository Participant and not to the Company / RTA without any delay.

By order of the Board

Sd/-

D. R. Prabhu

Company Secretary

Place: New Delhi

Dated: 13th May, 2011

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

### Item No. 8

Section 293(1)(e) of the Companies Act, 1956 (the Act), states that except with the consent of the Company in the General Meeting, the Board of Directors of the Company may not contribute to charitable and other funds (contributions), not directly related to the business of the Company or the welfare of its employee, any amounts; the aggregate of which in any financial year shall exceed fifty thousand rupees OR five per cent of the average net profits, during the three financial years immediately preceding, as determined in accordance with the provisions of sections 349 and 350, whichever is higher.

After the emergence of this company as a demerged entity from the erstwhile Sutlej Industries Limited, due to absence of referral period of three years (then), a specific consent of the shareholders was obtained under section 293 of the Act at the Annual General Meeting held on 26th September, 2007. However, under this consent, the shareholders' resolution constrained the upper limit for contributions as not to exceed Rs.1.00 crore for any financial year. It is now proposed that the said figure of Rupees one crore shall be the lower minimum, in the case of insufficiency of profits.

In view of the tradition of your company in supporting social causes and responsibilities which your company is proud of espousing, the Company wishes to obtain the consent of the shareholders to the above resolution in the Annual General Meeting.

The directors commend the resolution for your approval. None of the Directors of the Company is concerned or interested in this resolution.

### Item No. 9

Under Section 309 of the Companies Act, 1956 (the Act), and clause 129 of the Articles of Association of the Company, the Company can make payment of Commission to Directors. Commission can be paid to the Directors with the approval of shareholders by way of a special resolution, which will remain in force for a period not exceeding five years and may be renewed from time to time.

Shareholders had approved payment of commission to the Directors at the Annual General Meeting held on 19.6.2006. Commission is payable to the directors, who are not in the wholetime employment of the Company.

As per the powers vested in the Board, for the years 2006-07 and upto 2009-10, the Board had fixed in its discretion, a ceiling on commission of Rs.1.00 Lakh per Director, which was enhanced to Rs.2.00 Lakhs for the financial year 2010-11.

It is proposed that the Company may be authorized to pay commission to its Directors within the ceilings provided under section 198 and 309 of the Companies Act, with power to the Board in determining the ceiling per director. As the payment of commission shall be within the percentage prescribed in Section 309 (4) of the Companies Act, 1956, approval of the Central Government is not required.

All the Directors to the extent of commission payable to them, are interested in the Resolution.

By order of the Board

Sd/-

D. R. Prabhu

Company Secretary

Place: New Delhi

Dated: 13th May, 2011





textiles and industries limited

**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

Regd.Office: Pachpahar Road, Bhawanimandi-326 502 (Rajasthan)

**PROXY FORM**

I/We.....  
of.....in the District of.....  
being a member / members of the above named Company, hereby appoint.....  
of.....in the District of.....or  
failing him..... of.....  
.....in the District of..... as my / our  
proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at  
Registered Office at Pachpahar Road, Bhawanimandi on 6th August, 2011 and at any adjournment thereof.

Affix a  
Revenue  
Stamp

Folio No..... Signed this.....  
day of.....2011

**Note:** This Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.



# corporate information

## Board of Directors

Mr. C.S. Nopany – Chairman  
Mr. J.S. Varshneya  
Mr. S.M. Agarwal  
Mr. U.K. Khaitan  
Mr. Amit Dalal  
Mr. Rajan A. Dalal  
Mr. Ashok Mittal  
Mr. Rajiv K. Podar  
Mr. Chaturbhuj Singhania - Wholetime Director & C.F.O.

## Executives

Corporate office  
Mr. S. K. Khandelia - President  
Mr. Chaturbhuj Singhania -  
Wholetime Director & Chief Financial Officer  
Mr. D. R. Prabhu - Secretary

## Unit Heads

Bhawanimandi Unit  
Mr. S.S. Maheshwari - Joint Executive President

Kathua Unit  
Mr. K.C. Sharma - Joint Executive President

Daheli Unit  
Mr. K.C. Agarwal - Joint Executive President

## Auditors

M/s. Singhi & Co.  
Chartered Accountants  
401 & 408, Pragati House  
47-48, Nehru Place  
New Delhi 110 019

## Branch Auditors

M/s. S.R. Batliboi & Co.  
Chartered Accountants  
Golf View, Corporate Tower 3  
Sector 42, Sector Road  
Gurgaon 122 002

## Bankers

Punjab National Bank  
The Jammu & Kashmir Bank Limited  
State Bank of Bikaner and Jaipur  
State Bank of India  
State Bank of Hyderabad  
Bank of Maharashtra  
IDBI Bank Limited  
ICICI Bank limited  
United Bank of India  
Axis Bank Limited  
HDFC Bank Limited  
The Jhalawar Nagrik Sahkari Bank Limited

## Registered Office

Pachpahar Road  
Bhawanimandi 326 502  
Rajasthan

## Manufacturing Units

Rajasthan Textile Mills  
Bhawanimandi 326 502  
Rajasthan

## Chenab Textile Mills

Kathua 184 102  
Jammu and Kashmir

## Damanganga Units

(1) Fabrics and Processing  
(2) Garments  
(3) Home Textiles  
Village-Daheli  
Near Bhilad 396 105  
Gujarat

