

# INSIDE OUT!

Sutlej textiles and industries limited | Annual report, 2009-10



Late Dr. K.K. Birla  
(1918-2008)  
Our source of inspiration



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WHEN YOU NEED TO APPRAISE A GARMENT,  
YOU TURN IT INSIDE OUT. CHECK THE DESIGN.  
YARN STRENGTH. FALL. FIT.

THE SAME IS TRUE OF THE COMPANY THAT  
MAKES THESE PRODUCTS.

SUTLEJ, FOR INSTANCE. LOOKS WITHIN TO  
NOTICE THE VARIED 'THREADS OF  
EXCELLENCE'.

BECAUSE LOOKING FROM THE OUTSIDE INTO  
THE INSIDE IS REALLY SEEING HOW THINGS ON  
THE INSIDE INFLUENCE THE OUTSIDE.

SUTLEJ TEXTILES AND  
INDUSTRIES LIMITED  
MAKES VALUE-ADDED YARNS AND  
TEXTILE PRODUCTS IN INDIA.  
BUT SERVICES CUSTOMER NEEDS  
ACROSS 60 COUNTRIES.



## Legacy

Flagship textile 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, B.H.S., ASDA, Carrefour, Grasim, Donear, Siyaram, Arrow, Sears, Kohls, Arvind and John Miller, to name a few

## International presence

Australia, Argentina, Bangladesh, Belgium, Brazil, Cyprus, Canada, Chile, Columbia, Egypt, England, Ecuador, France,

Finland, Germany, Ghana, Greece, Holland, Italy, Iran, Israel, Ireland, Japan, Jordan, Kenya, Korea, Lebanon, Mauritius, the Philippines, Nepal, New Zealand, Russia, Spain, Singapore, Syria, Sri Lanka, Switzerland, South Africa, Slovenia, Sweden, Tunisia, Turkey, the United States of America, the United Arab Emirates (UAE), Uruguay, Yugoslavia and Yemen, among others

## Certifications

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

## People

Total employee strength of 11,852 as on March 31, 2010

## Market capitalisation

Grew 280.75 percent from Rs 31.84 cr (as on March 31, 2009) to Rs 121.23 cr (as on March 31, 2010)

## Assets

Units	Location	Products	Capacities
Rajasthan Textile Mills	Bhawanimandi (Rajasthan)	Cotton yarn and manmade fibre yarn	82,384 spindles 672 rotors
Chenab Textile Mills	Kathua, Jammu and Kashmir	Cotton yarn and manmade fibre yarn	170,616 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)



“TIMELY SPINDLE EXPANSION AND RECORD YARN REALISATIONS TRANSLATED INTO ONE OF OUR BEST-EVER PERFORMANCES IN 2009-10.”

Sutlej textiles and industries limited reported a record performance in 2009-10. Revenues rose 35 percent to a record Rs 1,176.74 cr and earnings per share increased 187 percent to Rs 24.09. Chairman Mr C. S. Nopany provides the overview

## Q. What was the reason behind the Company's superior performance in 2009-10?

**A.** Our spindleage expansion in 2009-10 coincided with superior yarn realisations. Two things transpired as a result: revenues crossed Rs 1,000 cr and what was a Rs 30.15 cr net loss in 2008-09 transformed to a Rs 26.31 cr net profit during the period under report. Two other developments catalysed our record performance: one, there was an immediate cost pass-through from cotton to yarn; two, the combination of record yarn prices, additional 43,776 spindles and value-addition (dedicated to mélange and other value-added yarns during a full year's working) had a near direct bottomline implication. Besides, a lag in price movement, from yarns to fabrics and apparels is generally witnessed over a three-to-four month cycle, and I am optimistic that even with yarn prices continuing to remain strong, our fabric, garment and home textile divisions should be able to report better results in 2010-11, reinforcing our overall profitability.

## Q. What was the principal development witnessed during the period under report?

**A.** We commercialised our 12-MW thermal power plant at our Bhawanimandi unit. This investment will ensure a steady supply of quality power

in an energy-intensive industry. Although energy costs from this unit might be relatively higher than our purchased electricity, our thermal power plant investment must be appraised in the light of the opportunity lost in maximising plant utilisation when power supply from the state electricity board is erratic or the cost of resuming production high.

## Q. What were some of the other highlights of 2009-10?

**A:** Our Company reported the following developments:

- Reported the highest ever yarn capacity utilisation
- Enhanced capacity utilisations across all downstream product divisions
- Enhanced the proportion of value-added premium products
- Invested Rs 343.06 cr in our gross block over the last three years
- Initiated yarn trading to broaden our product basket
- Appointed marketing consultants to help us tap emerging markets like Turkey
- Reduced our product inventory cycle to an average 25 days (32 days in 2008-09), reducing working capital needs
- Strengthened labour welfare to enhance motivation
- Complied with sectoral safety, health and environment standards

## Q. What were some of the challenges that the Company faced?

**A.** An appreciating Rupee, whose value increased 11.40 percent against the Dollar in 2009-10. However, hedging policies adopted by a dedicated forex management team ensured that our bottomline was largely protected. With Rs 562.66 cr debt (as on 31 March 2010), our gearing was 3.37. However, increase in cash flow and timely repayment of debt are expected to impact the gearing positively.

## Q. What is the importance of the textiles sector in India's economy?

**A.** The Indian textile industry enjoys a significant presence in the country's economic life. Apart from providing one of the basic necessities of life, the industry also makes a pivotal contribution to industrial output, employment generation and export. Currently, the domestic textiles industry (estimated size USD 57 billion) contributes about 14 percent to industrial production, four percent to gross domestic product (GDP) and 12 percent to the country's exports.

Interestingly, the textile sector remains the second largest employer after agriculture, directly employing over 35 million people, including a substantial number of backward classes and women. The cotton/man-made fibre textile industry is the largest Indian organised industry in terms of

The hospitality industry is expected to strengthen the home furnishings market by 25 percent. In a space hitherto dominated by indigenous players, international players are now entering.

employment (nearly a million workers) and number of units. Besides, multiple ancillary industries depend on this sector, including manufacturing machinery, stores, dyes and chemicals. The integrated development of this industry strengthens our national economy.

India's textile and clothing industry is also one of the largest contributing sectors of exports (nearly 12 percent share). In value terms, India's textile and apparel exports surged from USD 13.5 billion in 2003-04 to over USD 20.94 billion in 2008-09 and around USD 27 billion in 2009-10. India's exports could have grown faster in line with the growth rates of Bangladesh and Vietnam but for infrastructure constraints, high power and transaction costs, incidence of state level cess and duties and a lack of warehousing, research and development.

### Q. The large-scale growth and adoption of BT cotton can be a game changer for India's textile sector.

**A.** Absolutely. Cotton is one of India's principal crops and a key raw material resource for the textile sector. It engages around six million farmers, while another 40 to 50 million people depend on activities relating to cotton cultivation, trade and processing.

Interestingly, India has brought about a qualitative and quantitative transformation in the production of cotton, ranking first in the world's cotton growing areas (around 9.37 million hectares, representing 25 percent of the total global land area under cotton). It also enjoys the distinction of being the world's second largest cotton producer (after China) and the only one to grow all four cotton types.

India's cotton acreage increased continuously across the last four years. However, in productivity terms, India's cotton production (567 kg per hectare) is far behind USA's 912 kg per hectare, China's 1,251 kg per hectare or even the world average of 766 kg per hectare. This is because a high 65 percent of Indian's cotton growing area is dependent on rains and the penetration of Bt Cotton is lower than in other countries. However, this is now changing: acreage under Bt cotton increased from 67 percent of the total acreage of 9.44 million hectare in 2007-08 to around 73 percent in 2008-09. With a higher use of Bt/hybrid seeds, the Country's cotton yield per hectare is expected to increase to 700 kg by the end of the Eleventh Five Year Plan (2007-2012) while cotton production is estimated to increase from around 295 lakh bales in 2009-10 to 390 lakh bales within the same period.

### Q. What are some of the visible and significant trends transpiring across the textile industry in general and the downstream textile sector in particular?

**A:** These are some of the visible trends:

- The Indian textile sector attracted FDI of mere USD 200 million, a meagre 0.6 percent of the overall FDI of USD 33 billion in 2008. With a USD 6 billion FDI target for the domestic textiles industry by 2015, the idea is to tap foreign capital towards establishing greenfield units in textile machinery, fabric, garment and technical textiles.
- The government's interest subsidy under TUF will modernise the industry, counter market challenges and enable it to stay competitive in quality and price.
- The Indian home furnishing industry is influenced by traditional designs, fused with some international styling (use of lace, minimalism, etc). Such designs appeal to customers attracted by fused concepts.
- Natural fibres gained popularity following an interest in eco-friendliness. The home textile market witnessed an increase in the use of organic fabrics, textures and weaves that focus on natural fibres.
- After a brief lull in 2009, the home

furnishing market is expected to recover, propelled by middle-class income growth and an expansion in home-specific organised retailing chains.

- The hospitality industry is expected to strengthen the home furnishing market by 25 percent. In a space hitherto dominated by indigenous players, international players are entering.

### Q. What are some of the initiatives the Company expects to undertake in 2010-11?

**A.** We expect to undertake the following initiatives in 2010-11:

- Maximise production across all our manufacturing facilities (yarns to fabrics to garments and home textiles), corresponding to 90–95 percent capacity utilisation
- Optimise our downstream capacities (fabrics, garments and home textiles) through operational control (optimised energy consumption and maximised per person productivity), value-addition and sales point selection

- Penetrate deeper into existing markets and tap the demand emerging out of new ones

- Strengthen recoveries from our raw materials and minimise wastages

- Liquidate low-cost cotton stocks accumulated over 2009-10 and convert into products that fetch the highest realisations

- Spend around Rs 54 cr across 2010-11 and 2011-12 for plant modernisation and upgradation activities

### Q. How does the Company expect to strengthen shareholder value?

**A.** The fundamentals of our business remain strong for some important reasons:

- One, India's per capita textile consumption is low; a study indicated that if the per capita consumption were to increase by 1 metre, an additional 1.5 million spindles would be required

- Two, with the Technology Upgradation Fund expiring in 2012,

low-cost funds will be difficult to acquire, slowing fresh capacity creation; the ensuing demand-supply mismatch is expected to strengthen yarns and apparel prices

- Three, with the expiry of the Multi-Fibres Agreement, Indian cotton prices are strongly integrated with international prices, which are, in turn, linked to global end products demand; with most global economies on the path of recovery, textile demand is bound to rise

- Four, the National Rural Employment Guarantee Act and the implementation of the Sixth Pay Commission enhanced suburban and rural disposable incomes

With our swing-back to profits, we are proposing a Rs 2.5 per share dividend for 2009-10. Going forward, our focus on channelising our resources to products that fetch us the highest margins, our cost control, focus on scale economies and our initiatives to strengthen fiscal, forex and working capital management will help us report an even better performance.

# Directors' Report

*Dear Shareholders,*

1. Your Directors are pleased to present their Fifth Annual Report on the business and operations of your Company for the year ended March 31, 2010.

## Financial results

(Rs in lakhs)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Gross sales	114816.21	85165.25
<b>Gross Profit</b>	<b>10123.05</b>	<b>1245.63</b>
Less: Depreciation	6690.94	5433.65
Taxation:		
– Current	580.00	5.33
– Earlier years (net)	2.07	–
– Deferred (net)	218.62	(1221.50)
– Fringe Benefit tax	–	42.70
<b>Net profit / (loss)</b>	<b>2631.42</b>	<b>(3014.55)</b>
Add: Balance brought forward from the previous year	2408.43	5550.76
<b>Profit available for appropriation</b>	<b>5039.85</b>	<b>2536.21</b>
<b>Appropriations:</b>		
Proposed dividend	273.05	109.22
Corporate dividend tax	45.35	18.56
Transfer to the general reserve	300.00	–
Balance in profit and loss a/c. carried to balance sheet	4421.45	2408.43
<b>Total</b>	<b>5039.85</b>	<b>2536.21</b>

## Dividend

2. Your Directors are pleased to recommend a dividend of 2.50 per share for the year ended March 31, 2010, subject to shareholders' approval at the forthcoming Annual General Meeting. The total amount of dividend to be paid to the shareholders will be Rs.318.40 lacs (inclusive of dividend tax).

## Capital Projects

3. During the year your company has completed expansion and modernization initiatives which were undertaken in order to be able to compete effectively in a highly quality conscious and competitive business environment.

4. During the year, the Company has successfully completed various expansion, modernization and other capital projects across its various units.

- The expansion at Kathua unit by 31104 spindles to manufacture cotton melange and cotton blended dyed yarn was completed and commercial production commenced from May 1, 2009.

- At Bhawanimandi, a 12 MW power plant was commissioned w.e.f. January 1, 2010 and work on power build up of further capacity for 6MW is deferred for the time being.

- At Bhilad, Daheli, a 3 MW power plant was commissioned during the second quarter of FY09-10.

5. The company invested Rs.32 Crore during the year for capital projects and intends to further invest Rs.35 Crore in FY 2010-11 for modernization, upgradation and balancing capital equipments.

6. The capital projects are financed by internal accruals and loans from banks under the Technology Up-gradation Fund Scheme, under which interest subsidy of 5% (4% for projects approved after 1.4.2007) is provided by the Textile Ministry, Government of India.

## Fixed Deposits

7. At the end of the financial year under review, fixed deposits from the public, shareholders and employees amounted to

Rs. 16,23,60,000/-; deposits amounting to Rs. 1,90,000/- remained unclaimed as on March 31, 2010.

## Particulars of Employees

8. 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

9. 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 The Companies (Disclosure 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

10. The detail 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

11. 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.

12. 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.

### **Compliance of Accounting Standards**

13. As per requirement of the Listing Agreement with Stock Exchanges and Accounting Standards of the Institute of Chartered Accountant 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**

14. 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 have been followed along with proper explanations relating to material departures, if any;
- (ii) That such accounting policies have been selected and consistently applied; and judgements and estimates made, that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year 2009-10.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

### **Directors**

15. Pursuant to section 256 of the Companies Act, 1956, read with Article 139 of the Articles of Association of the Company,

Mr. C. S. Nopany, Mr. S. M. Agarwal and Mr. J. S. Varshneya, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

### **Auditors' Report**

16. 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**

17. M/s. Singhi & Co., Statutory 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**

18. 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 14, 2010

**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. 24,00,000/- 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	1,16,82,545	B.Com., FCA, 34 years.	Regular Contractual*	Overall management	1.7.2005	59	Sutlej Industries Ltd.
Mr. K. C. Agarwal, Executive President (Marketing)	26,84,538	M.B.A. 28 years	Regular	Marketing	1.7.2005	50	Sutlej Industries Ltd.

\* As Wholetime Director upto 22.07.2009.

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

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. N. M. Gupta, Adviser	1,27,80,916	B.Com 55 years	Contractual*	Adviser	1.7.2005	81	Sutlej Industries Ltd.

\* Previously Regular, designated as President upto 31.03.2009. As Adviser w.e.f. 01.04.2009. Employment ceased w.e.f. 01.11.2009.

## Notes :

- Other Terms & Conditions: As per Company's Rules and Regulations.
- 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.
- None of these employees is a relative of any Director of the Company.

# 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 2009-10 with a view to reduce the cost of energy and consequently the cost of production.

#### (i) Bhawanimandi Unit

- a) Optimised working of 110 Nos. Overhead Cleaners resulting in annual saving of Rs. 56.57 lacs.
- b) Maintained optimum voltage resulting in annual saving of Rs. 6.86 lacs
- c) Replaced 20 H.P. Blowroom Filters with new and modified 7.5 H.P. Filters, replaced Filters in Carding and Combers and provided timer in centralized waste collection system resulting in annual saving of Rs.13.53 lacs.
- d) Optimised use of lighting resulting in annual saving of Rs. 7.10 lacs.
- e) Rearranged machines in cotton Blowroom line resulting in annual saving of Rs. 3 lacs.

#### (ii) Kathua Unit

- a) Replacement of 17 Nos. old Prerna TFO with new Vijay Lakshmi TFO Machines resulting in saving of 422280 units i.e. Rs. 9.50 lacs per annum.
- b) Replacement of 12 Nos. old pumps by back pull type pumps with inverter and RH sensor in existing Air Washer Humidity plants resulting in saving of 90000 units i.e. Rs. 2 lacs per annum.

- c) Providing 7 Nos. inverter on T.F.O to save electricity consumption resulting in saving of 175500 units i.e. Rs. 4 lacs per annum.
- d) Installed Condensate and Flash Steam Recovery System resulting in saving of fuel cost by using hot water in boiler feed amounting about Rs. 55 Lacs per annum.
- e) Steam saving in Dye house by way of stopping bypass arrangement of steam trap and proper maintenance which has resulted in saving of about Rs.106 lacs per annum.
- f) Energy saving by improving power factor from 0.99 to 0.995 by installation of power capacitors, resulting in saving of about Rs. 21 lacs per annum.
- g) Energy saving in operation of tubewell by Auto control with tank level indicator resulting in saving of about Rs. 8 lacs per annum.
- h) Energy saving in Air compressors by reducing air leakages in department and optimisation of air compressors resulting in saving of about Rs. 31lacs per annum.

#### (iii) Bhilad Unit

- a) VFD installed at F. D Fan, MCW pump, Feed pump, CT Fan, PA Fan of Power Plant resulting in reduction in auxiliary consumption by 360000 units per annum.
- b) Trap working, repaired & condensate handling system maintained in Process House resulting in reduction of steam extraction by 10 ton per day.
- c) Recycling and re-use of flushed out RO water from Power plant, resulting in saving of electricity of 12000 units per annum.
- d) Use of carboniser in Power Plant with fuel, resulting in net saving of coal by 540 ton per annum.
- e) VFD installed on Harish stenter blowers & exhaust fans, resulting in electricity saving by 3,65,000 units per annum.
- f) VFD installed at thermopac, resulting in electricity saving by another 32000 units per annum.
- g) Heat insulation system modified on thermopack, resulting in reduction of fuel consumption by 174 ton per annum.
- h) Cleaning conducted regularly in Heat exchangers of Jet

dyeing machines and water line modified. This resulted in improved production by 20%, reducing power consumption per unit.

i) Jigger section water lines were modified to reduce water consumption & thus helped in saving 40000 units per annum. Less pumped water required, resulted in power savings.

j) 60 Nos. reflectors installed to reduce electricity consumption

by 6700 units per annum.

k) Street light timings automatically controlled by installing Auto timer. Resulted saving by 5400 units per annum.

l) Use of CFL lights in domestic area resulted in energy saving by 4800 units per annum.

m) Water harvesting being done in open & bore well.

## FORM - A

### (A) Power and Fuel Consumption:

	Current Year	Previous Year
<b>1. Electricity:</b>		
(a) Purchased:		
Units (in lakhs)	2422.25	2362.27
Total Cost (Rs. in lakhs)	6358.97	6708.63
Rate/Unit (Rs.)	2.63	2.84
(b) Own Generation:		
(i) Through Diesel Generators		
Units (in lakhs)	26.64	16.25
Units per litre of Diesel Oil	3.89	3.53
Cost/Unit (Rs.)	8.47	8.71
(ii) Through Furnace Oil Generators		
Units (in lakhs)	54.61	83.58
Units per litre of Furnace Oil	4.02	4.41
Cost/Unit (Rs.)	5.32	4.09
(iii) Through Thermal Power Plants		
Units (in lakhs)	454.44	18.85
Units per MT of Coal	880.37	605.01
Cost/Unit (Rs.)	4.35	6.34
<b>2. Coal</b>		
Quantity (Tons)	14894.67	15423.14
Total Cost (Rs. in lakhs)	708.53	817.53
Average Rate (Rs.)/ Ton	4756.94	5300.67
<b>3. Furnace Oil</b>		
Quantity (Kilo Litres)	1359.13	1893.98
Total Cost (Rs. in lakhs)	290.40	341.92
Average Rate (Rs. Per Kilo Litre)	21366.61	18053.99
<b>4. Others:</b>		
Rice Husk (Tons)	16057.10	16814.09
Total Cost (Rs. in lakhs)	597.73	580.33
Average Rate (Rs.)	3722.53	3451.45

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

	Current Year	Previous Year
<b>Production</b>		
Electricity Per Ton of Production (Units)	4402	4479
Coal per Ton of Production (Tons)	0.113	0.147
Rice husk per ton of production (Tons)	0.357	0.460
Electricity per thousand metres of Grey fabrics(units)	740	778
Electricity per thousand metres of Processed fabrics (units)	299	331
Electricity per thousand metres of Home Furnishings (units)	1003	1156
Electricity per thousand pcs. of Trousers (units)	2013	3546
Coal per thousand metres of processed fabrics (Tons)	0.480	0.540

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

Company has following proposals to save energy during the year 2010-11:

#### (i) Rajasthan Textile Mills

- Complete overhauling of compressed air system at a capital cost of Rs. 20 lacs which is expected to result in annual saving of Rs. 13.52 lacs.
- Replacement of 150 old motors with energy efficient motors at a capital cost of Rs. 37.50 lacs which is expected to result in an annual saving of Rs.18.33 lacs.
- Replacement of 60 Nos. Humidification Fans at a capital cost of Rs. 30 lacs resulting in an expected saving of Rs.13.92 lacs.
- Replacement of 30 Nos. Old Pumps with energy efficient Pumps at a capital cost of Rs.15 lacs expected to result in an annual saving of Rs.13.80 lacs.

#### (ii) Chenab Textile Mills

- To replace 105 nos. old Supply Air Fan and Return Air Fan by Energy efficient FRP Fans in existing Humidity plants, which is expected to result in saving of 612000 units i.e. Rs.17.95 lacs per annum.
- To replace 2 Nos. old, small capacity and low efficiency Air Compressor of 155 to 310 cfm with 810 cfm high efficiency Air

Compressor which will save about 864000 units i.e. Rs. 20 lacs per annum.

- To Install 12 Nos. Inverter for Staffi Dyeing Machines, which will save 565200 units i.e. Rs.12.50 lacs per annum.
- Energy saving by installation of Pump modification in Humidification plants in unit nos. 2,3 & 6 which will save about 360000 units i.e. Rs. 8 lacs. per annum.
- Further we also propose to replace 8 Nos. Electric Motors with energy saving motors in Dye House, 3 Nos. low efficiency submersible pumps with energy efficient submersible pumps in Tubewell and Power Analyser for energy audit.

#### (iii) Damanganga Units

- Fine tuning of all machines which should save energy.
- Further development of Water harvesting planned. Dyeing machines atomization planned.
- Installation of Helextra roll on stenter to improve productivity.
- Installed new shiner machine.

### 3) Impact of the measures at (A) & (B) for reduction of energy consumption and consequent impact on the cost of production of goods.

The estimated saving is mentioned against each item in (A) & (B) above.

## FORM - B

### B) Technology Absorption

#### 1) Research & Development

##### a) Specified areas in which Research & 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 Classmate, Online monitoring system, Lab Expert system all from Uster, Auto dispenser, Beaker Dyeing Machine yarn and fibre dyeing machines 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 lacs.
2. Besides, Company also plans to add other miscellaneous equipments at its Kathua and Bhawanimandi Units costing about Rs.70 lacs.
3. In Damanganga Fabrics, it is proposed to install 2 Nos. Fabric Rolling-cum-Inspection machines at a capital cost of Rs. 20 lacs.
4. It is also proposed to install one Simplex Loom for development of new samples in Damanganga Fabrics at a capital cost of Rs. 30 lacs.

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

(Rs in lakhs)

i) Capital :	17.41
ii) Recurring :	147.23
iii) Total	164.64
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 less 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

- i) Installed One Autoconer of latest technology to replace old outdated Autoconer machine.
- ii) Installed One RSB 851 Draw Frame having auto leveler for better quality of product.
- iii) Installed One LMW-LFS-1660/5 Model Simplex Frame to replace old model Simplex Frame.
- iv) Various other additions and alterations were made in various machines for improvement in productivity and quality.

##### Kathua Unit

- i) Replaced 17 Nos.outdated Prerna TFO Machines with latest Model VJ-150-M TFO Machines.
- ii) Installed 1 No. Imported Savio Make Automatic Cone Winding of latest Model POLAR-M to increased production.
- iii) Four nos. Hydraulic bailing Press in Dye House and one no. in Unit No. 10 were installed for making bales of loose fibre to reduce manual work, easy transportation and proper stacking.
- iv) Purchased 1 No. Electric Reach Staker for Dye House Godown to systematical stacking of dyed fibre in order to maximize utilisation of the available space.
- v) installed 5 Nos. Digital Slub-O-Generator Attachment on Ring Frames for manufacturing value added yarn.
- vi) 4 Nos. LVSA condensers were installed in Blowroom section resulting in labour saving and quality improvement.

vii) One no. Electric Yarn Conditioning System installed in unit no. 3 having 15 Ton/ day yarn conditioning capacity.

viii) One no. Imported Dettin Make Hydroextractor of latest technology was installed in Dye House for package yarn.

**Bhilad Units**

- i) Installed new shiner machine.
- ii) Installation of new Drying Range is in progress to improve drying capacity with energy efficient & latest technology.
- iii) Brazoli machine converted from manual controlled to fully automatic, controlled by software.
- iv) Planning to go for automation of dyeing machines with latest technology.
- v) 4 nos. Jet Dyeing machines were upgraded & made suitable for dyeing which earlier were used for scouring purpose only.
- vi) Sectional Warping machines upgradation: 1 no. in DGF completed & 1 no. in Home Textiles is under progress to adopt latest technology & software.

**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	30019.01
ii) Total foreign exchange used	2490.59

**ANNEXURE – II B**

**Corporate Social Responsibility**

**Health**

■ Your Company has provided medical & other helps to workers, their families & others.

**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 contributed towards providing financial assistance in organizing religious festivals for the welfare of worker community as well as others in our area of activity.

**Environment**

■ To make the environment clean & healthy, the company has helped in planting trees & have developed gardens in and around Unit’s premises.

# Management Discussion and Analysis

## ANNEXURE – III to the Directors' Report

The management of Sutlej Textiles and Industries Ltd is pleased to present the Company's fifth annual report, covering the 12 months' working from 01.04.09 to 31.03.10. The Company continued to retain its leadership position in the Indian textile Industry with an integrated textiles value chain, strong brand image, quality products and customer loyalty.

### Business overview

The Company emerged as an integrated player in the textiles industry with a 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 (as on March 31, 2010)
Rajasthan Textile Mills (RTM)	Bhawanimandi, Rajasthan	Cotton yarns and Man-made fibres yarns	82384 spindles 672 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	1.6 mn trousers p.a.
Damanganga Home Textiles	Bhilad, Gujarat	Home textile furnishings	2 mn metres p.a. (24 shuttleless looms)

### Global Economic Scenario

Global economic performance improved during the third and fourth quarters of 2009, prompting the IMF to reduce the projected rate of economic contraction in 2009 from 1.1% made in October 2009 to 0.8% in its latest World Economic Outlook (WEO). The IMF has also revised the projection of global growth for 2010 to 3.9% up from 3.1% (Table 1). The IMF expects the growth performance, which will be led by major Asian economies, to vary considerably across countries and regions, reflecting different initial conditions, external shocks, and policy responses:

Table:1 Projected Global GDP Growth (%)

Country / Region	2009	2010
US	(-) 2.5	2.7
UK	(-) 4.8	1.3
Euro Area	(-) 3.9	1.0
Japan	(-) 5.3	1.7
China	8.7	10.0
India	5.6	7.7
Emerging and Developing economies	2.1	6.0
World	(-) 0.8	3.9

Excluding China and India, the remaining developing countries are projected to grow at a 3.3 and 4.0 percent rate in 2010 and 2011, respectively, compared with 5.4 percent growth on average between 2003 and 2008. Countries in developing Europe and Central Asia have been hardest hit by the crisis and are expected to have the least marked recovery, with GDP expanding by only 2.7 percent in 2010 and by 3.6 percent in 2011.

## Indian Economic Review

Indian economy posted a remarkable recovery and is expected to grow at 7.2% in 2009-10 against 6.7% in 2008-09. The Indian GDP is expected to grow around 8.5 +/- 0.25 per cent in 2010-11, with a full recovery, breaching the 9% mark in 2011-12. Manufacturing growth more than doubled to 8.9% in 2009-10 from 3.2 per cent in 2008-09. Per capita income increased by 5.3% in 2009-10 against 3.7% in 2008-09. Gross Fiscal deficit for 2009-10 stands at 6.5% of GDP. Liquidity condition remained comfortable during 2009-10.

Several factors that have emerged from the performance of the economy in the last 12 months augur well for the Indian economy. The gross domestic saving as a percentage of GDP stands at 32% in 2008-09 while the gross domestic capital formation stands at 34.9%. These figures compare favourably with some of the fastest growing economies.

The economy will go back to 9% growth rate in the medium term. This follows the revival in investment and private consumption demand, impressive growth in exports in November 2010 onwards and remarkable turn around in Core infrastructure sector. After a set back, due to sub-normal monsoon, agriculture is gradually getting back to the projected path.

## Textile industry Review:

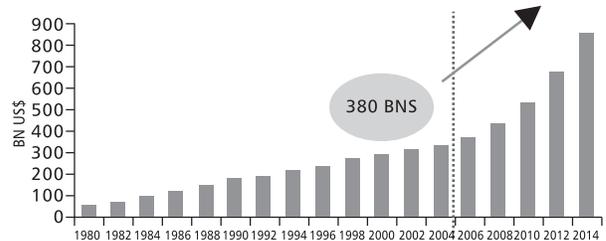
### Global Scene:

The global textile and apparel industry was transformed after the elimination of quotas in 2005 under the Multi Fibre Agreement, enabling new suppliers to enter the market and grasp the trade share. China is representing around 40% of global trade in textiles. Despite significant growth, China's rising cost and perceived risk are creating several opportunities for low cost manufacturing destinations. India is repeatedly expanding

its roll with new capacity built up as a large number of units implement vertical integration. Pakistan, Vietnam, Cambodia and Bangladesh rely on their cheap labour supported low manufacturing cost are creating larger textile capacities and capacities to acquire a larger global share.

Internationally industry consists of players who are multi billion dollar organizations with presence in multiple geographies supported by robust business systems, which has the capability to undertake strains in the short-medium term.

Textile and global clothing trade which was \$380 bn. at the time of elimination of quotas in 2005 has reached a level of \$600 bn and is expected to touch \$800 bn by 2014.



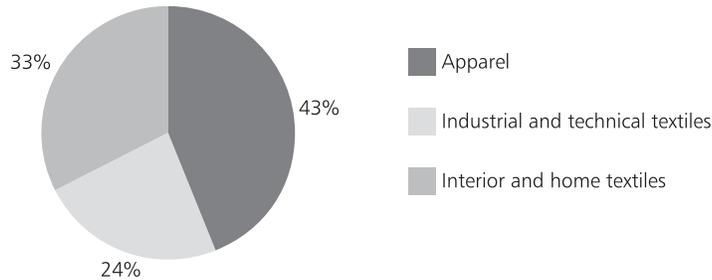
[Source: Teonline industry overview]

The global textile and apparel market is expected to expand owing to the growth of new consumption markets, global extension of modern retail businesses, growth of textile and related production in European Union & Turkey, Middle East, South East Asia, India, China and South America, including Latin America. Strategic partnerships are expected to drive trans-national partnerships. Low cost manufacturing hubs will be catering to demands from fast evolving economies and geographies.

Fabric manufacturing is the most important part of the Textile Industry can be divided into three segments, apparel, Home

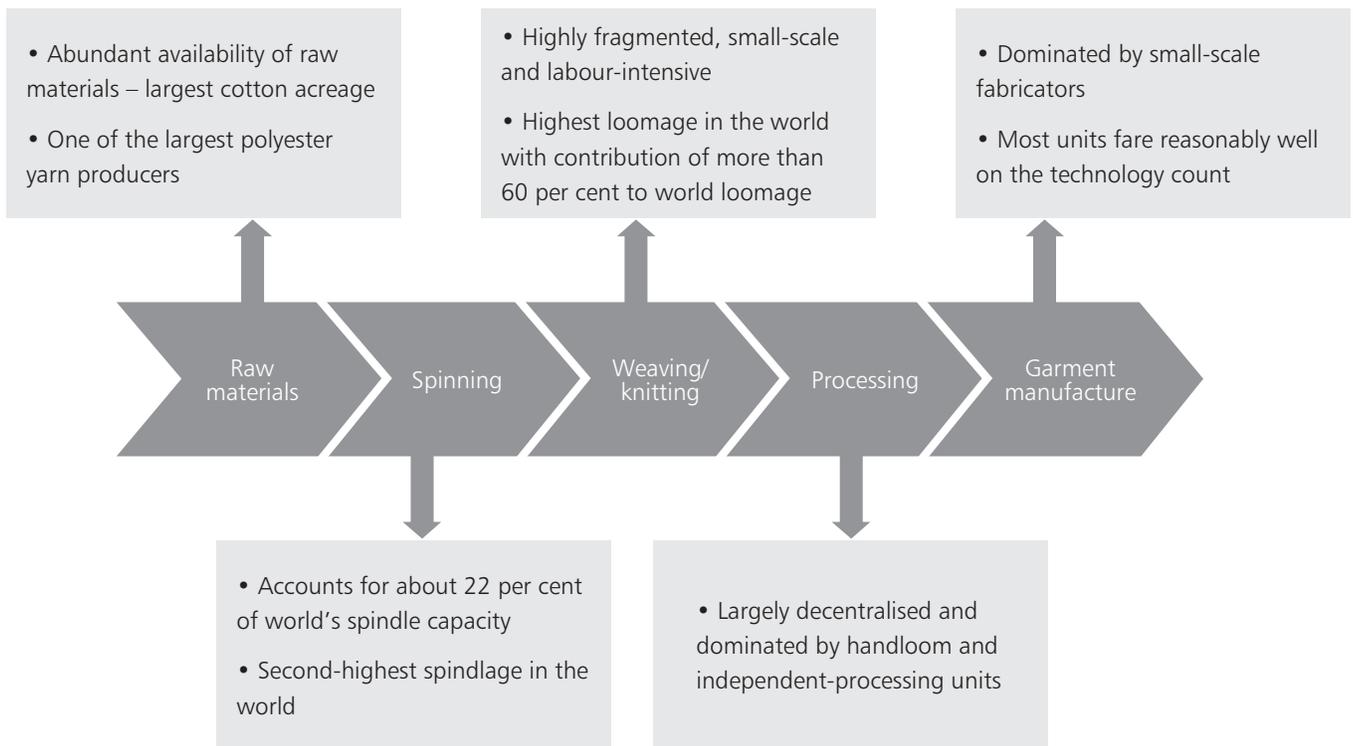
Textiles and Industrial/Technical textiles. The global production ratio of these segments has been shown in the chart below:

**Segment-wise break-up**



**Indian textile Industry Structure and Developments:**

**Industry is dominated by small-scale players across the value chain**



The presence of capabilities across the entire value chain within the country reduces lead time for production and cuts down the intermediate shipping time.

Indian Textiles and Apparel industry is the single largest industry in India contributing about 14% of the industrial production, 12% to the total export earnings, 4% to the GDP and employs 85 million people directly and indirectly which includes a substantial number of people from less privileged sections of society and women.

The Indian textiles and industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive sophisticated mill sector at the other. The decentralized hand looms / power loom, hosiery and knitting sectors form the largest section of the textiles sector. The close linkage of the industry to agriculture and the ancient culture and traditions of the country make the Indian textiles sector unique when compared to the textiles industry of other countries.

India is one of the few countries that encompass the entire supply chain in close proximity, from diverse fibres to a large market. It is capable of delivering packaged products to customers comprising a variety of fibres diverse count sizes, cloth of different weight and weave and panoply of finishes. This permits the supply chain to mix and match variety in different segments to deliver new products and applications. This advantage is further enhanced by diverse traditions in textiles.

Even with a share of 14% in the industrial production and exporting nearly 40% of the total production, the industry has been able to grab only about 4% of the world market. A mismatch between India's fibre consumption pattern and that in the world markets is one of the major reasons for this situation. While manmade fibres account for over 60% of world fibre consumption Indian exports based on these fibres account for less than 20% of total textiles exports. Another mismatch is in the product mix. Over 60% of world trade in textile products, especially in garments is in the high volume segment where India has a limited presence. This segment is dominated by the blends of man-made fibres where we are not competitive. The other more important reason is that mass production items are extremely price sensitive and with the high production cost and low productivity, India is out priced by the other Asian suppliers.

In US Dollar terms, textile exports grew by 15.7% during 2007-08 but declined by 5.5% during 2008-09. Impacted by demand slowdown, exports of textiles, including garment and silk contracted by 4.34 percent to \$14.07 billion in the first nine

months of 2009-10 over the corresponding period last year.

The Indian textile industry is the second largest in the world, next only to China. India is the second largest producer of Cotton, Cotton Yarn, Cellulosic fibre / yarn, Silk and fourth largest producer of Synthetic fibre / yarn besides largest producer of Jute.

Indian textiles and clothing industry is in a resurgent mood and is making vigorous efforts to upgrade its production technology and improve competitiveness in order to face global challenges and opportunities. Owing to increase in size of domestic as well as export market and various policy initiatives by the Government like Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Park (SITP), introduction of credit linked capital subsidy scheme for the power loom sector, introduction of optional CENVAT (except for man made fibre and filament yarn), technology mission on cotton, 100% foreign direct investment under automatic route, de-reservation of ready made garments, hosiery and knitwear from SSI sector, etc., acceleration in investment has been witnessed in past few years.

## **Government support**

### **Technology Upgradation Fund Scheme (TUFS)**

The Technology Upgradation Fund Scheme (TUFS) was commissioned on April 1, 1999, initially for five years, to modernise and upgrade the textiles industry by providing credit at reduced rates to entrepreneurs in the organised and unorganised sectors. The scheme, now been extended up to March 31, 2012, has been fine-tuned to grow investments in the targeted segments of the textile industry. TUFS has helped in the transition from a quantitatively restricted textiles trade to market-driven global merchandise. It has infused an investment climate in the textiles sector and propelled investments of more than Rs 1,86,804 cr. up to September 30, 2009. The modified techno-financial parameters of the scheme will infuse capital investments into the textiles sector and help capitalize on the vibrant and expanding global and domestic markets through technology upgradation, cost effectiveness, quality production, efficiency and global competitiveness. It is estimated that this will ensure 16 percent sectoral growth. The modified structure of TUFS focuses on capacity building, technology absorption and higher segmental assistance (garmenting, technical textiles and processing).

### **National Fibre Policy**

The report of the working group on the textiles and jute industry

for the Eleventh Five-Year Plan recommended consolidating the raw material base including cotton, wool, silk, man-made fibre, technical textiles and jute, to facilitate the industry's growth. Further, a high level committee under the chairmanship of the Prime Minister considered the formulation of a comprehensive fibre policy. The 57:43 fibre consumption ratio between cotton and man-made fibres was in contrast to the 40:60 global ratio. In this background and keeping in view the fact that the market economy and fibre availability are determining forces in the natural selection of production process, the Textiles Ministry announced the creation of a National Fibre Policy in June 2009 to achieve 7–8 percent industry growth. In line with this, a working group on the National Fibre Policy was constituted in July 2009, comprising government organizations, export promotion councils, industry associations and experts in the field drawn from eminent institutions/organizations. As decided in the working group meeting in September 2009, eight sub-groups on various fibres were formed to critically examine the relevant aspects and make recommendations to facilitate the formulation of a comprehensive fibre policy.

### Skill Development

Launch of an extensive skill development programme in the textile and garment sector by leveraging the strength of existing institutions and instruments of the Textile Ministry to train 30 lakh persons over five years.

### Foreign Trade Policy 2009-14

The incentive introduced under the Foreign Trade Policy 2009-14 included extension of incentive schemes by addition of new products and markets, addition of 26 new markets under the Focus Market Scheme (FMS), raising the incentive available under the FMS from 2.5% to 3.0; raising the incentive available under the FPS from 1.25% to 2.0%; expansion of the Market Linked Focus Product Scheme (MLFPS); extension of

MLFPS benefits to export to additional markets for certain products; providing higher allocation for the MDA and MAI Schemes; introduction of the EPCG scheme at zero duty for apparels and textiles among others. Recently, USA and EU were also included under Focus Market Scheme for garments.

### Textile and Clothing (T&C) Sector in IIP Data

All sub sectors of textiles are showing positive growth except 'Jute and other fibres textiles' which constitute less than 5% of weights to calculate overall T&C productions in IIP data. Jute production has been severely affected by union strikes and has been estimated with worst ever index at 9.8 (base1993-94=100) which is with 91% contraction in January 2010 from 108.9 of January 2009. Cotton Textiles Production has increased by 7.4 % in January 2010, whereas Wool, Silk and Man-made fibre textiles have shown by 7.1% over the same month of 2009. Upsurge in retail demands backed on seasoned sales and renewed foreign demand in the last couple of months help the prospects for cotton textile and its products (including apparels) production. In January, textile exports continued to expand, gaining 7.0% year-over-year, suggesting that low inventories across both Europe and the U.S. are currently driving the advance in both textile exports and textile production. In fact, inventories across both regions were recently reported to be at their lowest levels in years, prompting increasing orders from suppliers in order to keep up with current demand. Over the longer term, this is to boost India's textile industry and revitalize the country's cotton textile sector. Textile products (including apparel) which is basically the garment production has registered 11.6% production growth in January 2010 over January 2009. This sector has a robust growth at 14.5% during December 2009 as well. Overall cumulative YoY growth for T&C sector is 7.5% during Apr-Jan 2009-10 which is 25 fold improvement over 0.3% of same months of 2008-09.

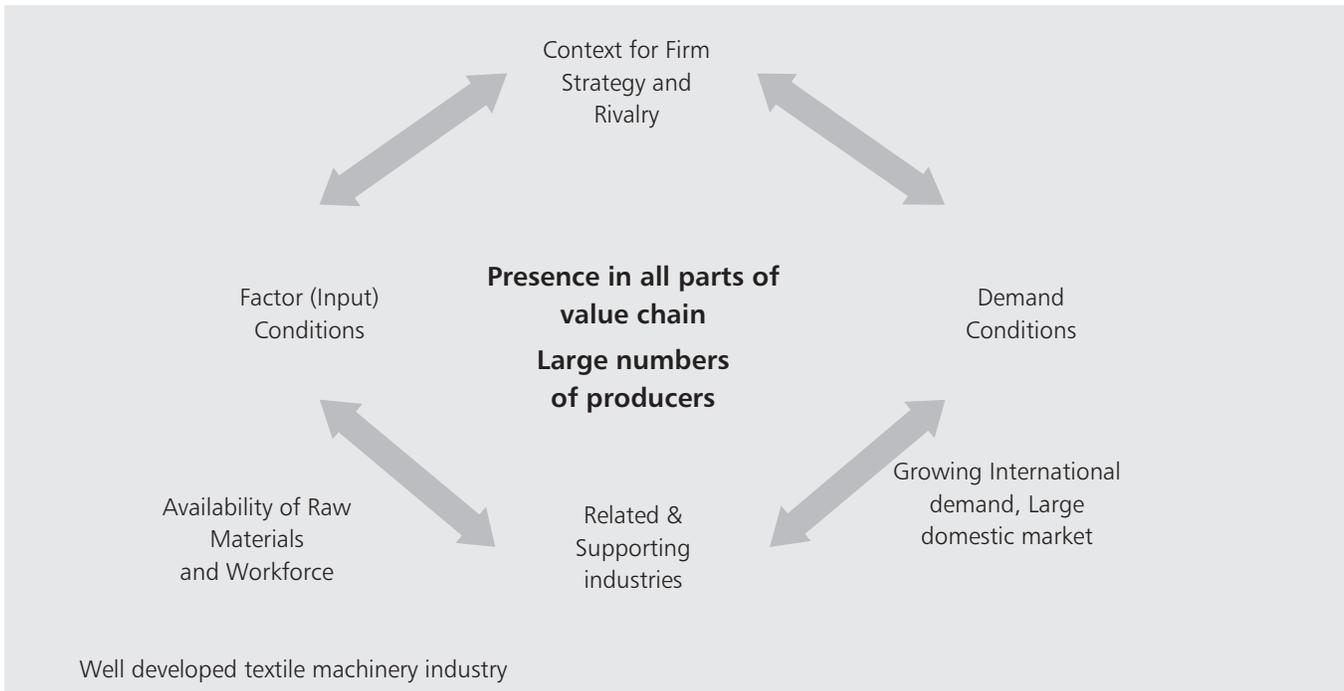
### T&C Production in IIP Data (growth, % YoY)

Period	Weights	Jan-09	Jan-10	Apr-Jan 2008-09	Apr-Jan 2009-10
Manufacturing	74.9	1.0	17.9	3.4	10.0
Cotton Textiles	5.5	-5.8	7.4	-1.6	4.3
Man Made textiles/ Wool/ Silk	2.3	0.5	7.1	-0.1	11.7
Jute and other fibre textiles	0.6	-9.9	-91.0	-11.2	-23.0
Textile Products (including apparel)	2.5	-1.0	11.6	4.1	10.4
<b>Total Textiles Sector</b>	<b>10.9</b>	<b>-2.7</b>	<b>6.0</b>	<b>0.3</b>	<b>7.5</b>

## Strengths

- The Industry structurally has a significant potential to grow

Attributes of Indian Textile Industry which provides structural advantage to grow:



- The Industry has large and diversified segments that provide wide variety of products
- Assured raw material base with abundant cotton and man-made fibre supply
- Availability of relatively inexpensive and skilled manpower
- Large domestic market
- Excellent design and robust R&D capability
- Low manufacturing costs owing to vertical integration and horizontal consolidation
- Growing acceptance of new products in India
- Paradigm shift from commodity-based trading to high value-added fashion garment manufacture
- Increasing collaborations with Europe and US designers, widening the product range
- Production flexibility across smaller lots

## Weaknesses

- Fragmented industry; the informal sector accounts for a larger part of the manufacturing base
- Lower modernization focus among small scale players
- Lower production in various segments
- Larger part of the industry characterized by the absence of standardization and quality control.
- Infrastructural bottlenecks leading to a loss in transportation and transaction time.
- Unfavourable labour laws
- High incidence of power tariffs, indirect taxes and interest rates
- Small share of organized retail; most Indian retail stores are small (200-300 sq. ft)
- Complex Industry Structure as a result of historical policies and regulations

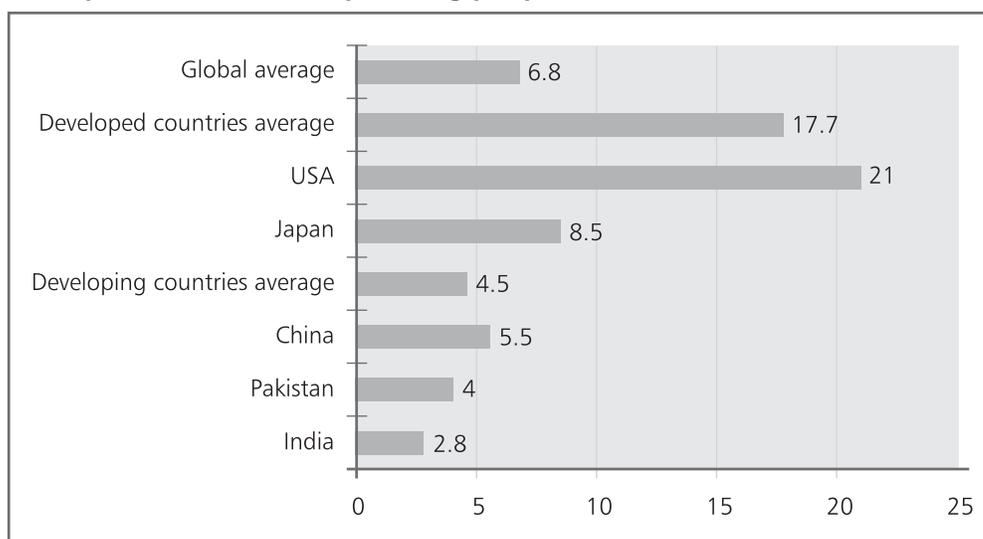
- Elimination of Quota system has led to fluctuations in export demand
- Though Industry has cheap and skilled manpower but they are less productive
- Global Logistic Disadvantage as shipping cost is higher

### Opportunities

- Robust retail boom in domestic market owing to favourable consumer demographics and increasing consumption coupled with rising disposable incomes
- Elimination of quota restrictions, helping India expand its global market

- Shift in domestic market to branded readymade garments
- Gradual shift of the Indian market towards branded products
- Availability of greater investment and FDI opportunities
- The consolidation of textile manufacturing in Asia gives impetus to Indian Textile Industry growth
- The per capita fibre consumption in India is as low as 2.8 kgs against 17.7 kgs in developed countries and global average of 6.8 kgs which envisages a huge potential to grow
- Large scope for growth of technical textiles

**Per capita textiles consumption (Kg per person)**



### Threats

- Rupee volatility to affect the volume and value of exports
- Rising prices of inputs – raw materials
- Western countries conform to certain guidelines of ILO with regard to sensitive issues like the deployment of child labour, unhealthy labour working environment etc.
- Rising ecological and social awareness among consumers in

the west could impact sourcing from India, a country traditionally considered weak in this area

- Industry is facing stiff competition from countries like China, Vietnam, Bangladesh, Cambodia etc.
- Regional trade blocks play a significant role in global trade with member countries enjoying lower tariffs
- Increased global competition in the post-2005 trade regime

## Swot analysis of Sutlej Textiles and Industries Ltd.

### Strengths

- Integrated textile producer with a presence across the textile value chain – from yarn to fabric – garments to 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 less than ten years old
- A versatile producer able to produce every variety of textiles from cotton to synthetics (multi product mix)
- Strong R&D and innovation focus helping in accelerating new design and product
- A good reputation in domestic as well as the international market, enjoying loyalty from customer
- Strong mainly in value added dyed and mélange yarns

### Weaknesses

- Smaller capacities, lack of branding and low market penetration in fabrics, home textiles and garment segments
- Small weaving capacity excludes in house use of yarn to achieve substantial value addition

### Opportunities

- Opportunities of further investment to cater to the large and growing domestic and export markets
- To expand its production capacity to enhance product mix and to reduce production cost in fabrics, home textiles and garments
- To cater the demand of the changing life style and fashion conscious buyer and supply to retail chain stores
- To tie-up with foreign brands for garments and home textiles
- To create capacity to produce Technical Textiles

### Threats

- Presence of many players in the market (domestic and overseas) resulting in intense competition
- Fluctuation in rupee and importing country's currency

- Imposing of anti-dumping duty by many countries to save their domestic industry

### Outlook

The cyclical slowdown in the industrial sector began in 2007-08 got compounded by the twin global shocks in 2008-09. The effects lingered on briefly in the current fiscal; but growth rebound is amply evident. Given the size of the Indian market and the unmet demand for industrial products, coupled with the fact that the overall GDP has started to exhibit growth momentum, there is reasonable hope that demand would not by itself be a constraining factor.

The end of textiles import quota regime in the industrial countries offers India a huge opportunity to expand textiles and garment exports. Textiles and clothes exports are expected to grow by 10% in FY 11. Besides, the growing number of domestic consumers, with increasing per capita consumption of textiles would call for greater manufacturing activities in textiles and garment industry.

Indian Textile industry will be one of the major beneficiaries of a consumption boom in the country due to robust GDP growth, strong demographic, organized retailing, improvement in living standards and high disposable incomes.

As per Vision – 2015 document prepared by FICCI, if we are able to achieve 20% growth in our textiles exports per annum and 15% growth per annum in domestic production, then our domestic textile market size would be USD 106 billion by 2015 and exports would be around \$ 66 billion. Given the long term growth of 7% in world trade in textiles, India's share would be around 6.6% in 2015 at a growth of 20% per annum, which would be almost double of India's current share of 3.4%.

### Review of operations

During the year under review, we achieved capacity utilization close to 94% in our yarn division as against 90% in previous year. Despite intense competition, Company achieved highest ever sales and exports. Company's sales increased by 35% from Rs. 852 crores to Rs.1148 crores and exports increased by 62% from Rs.204 crores to Rs. 332 crores. The Company entered new geographies and increased its volumes in the existing markets.

This spectacular performance could be achieved due to

initiatives taken towards capacity expansion, modernization, better quality control, judicious product mix and continuous modernization coupled with several cost reduction measures and sustained emphasis on product quality.

## Segment-wise performance

The Company reported the following product-wise performance for the year ended March 31, 2010.

Particulars	Production (Quantity)	Sales Quantity	Sales Value Rs. in Crs
Cotton yarn ( tons)*	16239	19672	305.72
Man-made fibre yarns ( tons)	49952	52301	753.12
Fabrics ( thousand mts)	5703	5497	47.56
Trousers (pieces)	305573	300789	8.44
Home furnishing fabrics (thousand mts)	1105	1356	9.54
Job processing (thousand mts) #	16013	9637	11.18
Waste (tons)\$	6437	6186	15.72
Job Charges			3.80

\*Including trial run production of 506 tons and trial run sales of cotton yarn 610 tons Rs.6.48 crores.

# Including in-house process of 6376 thousand meters.

\$ Including trial run production of 162 tons & trial run sales of 162 tons Rs.0.43 crore.

	RTM	CTM
Average spindle utilisation (%)	89.30	96.26
Production of yarn (M.T.)	20708	45483*

\*Including trial run production of 506 tons.

	RTM	CTM	DGF
Turnover (Rs. in Crore) #	394.85	672.77	80.54
Export (Rs. in Crore)	239.63	59.83	32.58

# Excluding inter unit sales.

The Company witnessed attractive growth in production, turnover and exports and with continuous revenue increase from value added products, it is looking at a bright future.

### Financials as on March 31, 2010

Particulars	Amount (Rs in crore)
Turnover	1148.16
Gross profit	101.23
Depreciation	66.91
PBT	34.32
PAT	26.31

### Human Resource

In 2009-10, the Company continued to train people and improve upon the employees' morale to effectively deal with the progress. It had 11852 employees on its payroll as on March 31, 2010.

### Ecological Social concern

Sutlej produced organic cotton yarn 2766 tons during the year to reduce pollution. Besides, efforts are on to produce fair-trade cotton products to help socially weak sections of the society. Company is also using re-cycled polyester fibre to reduce pollution.

### **Internal control system**

The Company has adequate internal control systems, commensurate with its size and nature of business. Sound financial and commercial practices remain integral to its business. The controls are set to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly. While operating managers ensure compliance within their areas, internal auditors carried out audits on the random selected samples and report on non-compliance/weakness, if any, through internal audit reports of the respective units/areas. These reports are reviewed by the

management 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. Company'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 shareholder value. At the highest level, the company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, ramping up a healthy growth of human resources through empowerment and motivation and fostering the spirit of conversion of opportunities into achievements. In view of this, your company is guided by its vision, mission and the code on Corporate Governance.

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

- Strategic supervision by the Board of Directors made up of appropriate size, experience bouquets, 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.

### 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 President, and the Wholtime Director (who is also designated as the CFO), manage the business of the company with the help of a competent team, under the overall superintendence, guidance and control of the Board.

#### 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 per cent 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.

#### Board Meetings

During the year under review, four Board meetings were held on 15th May, 2009, 21st July, 2009, 28th October, 2009, and 27th January, 2010. 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.

## Composition and Attendance

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 in Indian public companies are as follows:

Name of Director	Attendance at last AGM	Number of Board meetings attended	Category of Director	Other Directorships	Number of other Companies	
					Board's Chairperson	Committee(s) Member
Mr. C. S. Nopany	No	3	NED/PG	11	1	2
Mr. U. K. Khaitan	No	3	I/NED	13	1	3
Mr. J. S. Varshneya	Yes	4	I/NED	6	1	1
Mr. S. M. Agarwal	No	3	I/NED	9	-	2
Mr. Amit Dalal	No	2	I/NED	4	-	2
Mr. Rajan A. Dalal	No	3	I/NED	-	-	-
Mr. Ashok Mittal *	No	2	I/NED			
Mr. Rajiv K. Podar #	No	1	I/NED	4	-	-
Mr. C. Singhanian #	Yes	2	WTD	-	-	-
Mr. S. K. Khandelia##	No	2	WTD	-	-	-
Mr. K. R. Podar @	No	-	I/NED	-	-	-

\*Inducted to the Board on 15.05.2009 #Inducted to the Board on 21.07.2009 ## Ceased to be WTD/Director w.e.f. 22.07.2009 @ Ceased to be Director w.e.f. 21.07.2009

NED – Non Executive Director; PG – Promoter Group, WTD – Wholetime Director, I – Independent,

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

## C. 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 14th May, 2009, 21st July, 2009, 27th October, 2009, and 27th January, 2010

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	3
Mr. Amit Dalal	Member	Non-executive Independent	2

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

The Committee met two times on 27th January, 2010 & 30th March, 2010. 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	1
Mr. C. Singhania *	Member	Executive	2
Mr. S. K. Khandelia @	Member	Executive	–

\* Inducted as a Member of the Committee on 21.07.2009 @ Ceased to be a Member w.e.f. 21.07.2009

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 13 complaints/letters from the shareholders which were duly attended. The average period of redressal of grievances is 7 days from the date of receipt of letters/complaints. There was no unresolved complaint as on 31st March, 2010.

## 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

The Committee met twice on 11th April, 2009 and 21st July, 2009 during the year under review. 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	2
Mr. U. K. Khaitan	Member	Non-executive	1
Mr. S. M. Agarwal	Member	Non-executive	2

## 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, Whole time 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 15th July, 2009, 28th August, 2009, 25th September, 2009, 28th October, 2009, 23rd November, 2009, 10th March, 2010 and 30th March, 2010 during the year under review. 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	–
Mr. S. M. Agarwal	Member	Independent Non-executive	4
Mr. J. S. Varshneya	Member	Independent Non-executive	3
Mr. C. Singhania *	Member	Executive	6
Mr. S. K. Khandelia@	Member	Executive	1

\* - Inducted as Member of the Committee on 21.07.2009

@ - Ceased to be Member of the Committee w.e.f. 21.07.2009

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.

## D. Details of remuneration paid to Directors

### a) 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.100,000 to each director. The total commission payable to all the non-executive directors for the financial year 2009-10 will be Rs. 787,945/- for which provisions were 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, 2010 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 2009-2010 are as follows:

Sl. No.	Name of Director	Commission (Rs)	Sitting Fees (Rs)
1.	Mr. C. S. Nopany	1,00,000/-	40,000/-
2.	Mr. U. K. Khaitan	1,00,000/-	35,000/-
3.	Mr. J. S. Varshneya	1,00,000/-	85,000/-
4.	Mr. S. M. Agarwal	1,00,000/-	80,000/-
5.	Mr. Amit Dalal	1,00,000/-	30,000/-
6.	Mr. Rajan Dalal	1,00,000/-	30,000/-
7.	Mr. Ashok Mittal	87,945/-	20,000/-
8.	Mr. Rajiv K. Podar	69,589/-	10,000/-
9.	Mr. K. R. Podar	30,411/-	NIL

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

b) Remuneration paid/payable to the Executive Directors of the company for the year ended 31st March, 2010, is as under:-

(Amount Rs. in lakhs)

Wholetime Director	Salary etc.	Perquisites	Retirement Benefits	Total
Mr. C. Singhanian *	6.50	1.27	0.78	8.55
Mr. S. K. Khandelia@	18.73	1.71	4.21	24.65

\* Inducted to the Board w.e.f. 21/07/2009

@ Ceased to be the Director w.e.f 22/07/2009

## E. Remuneration policy

The remuneration of employees largely comprises 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, recognition, retention and reward.

## F. General Body Meeting

(a) 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
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
2nd	2006-2007	September 26,2007	3.00 P.M.	Registered Office: Pachpahar Road Bhawanimandi (Raj)	None

b) The 5th Annual General Meeting of the company is proposed to be held on 6th August, 2010 at 3:00 P.M. at the Registered Office of the company.

c) No resolution by way of Postal ballot was passed during the year 2009-10.

d) The Company proposes to hold a postal ballot to pass Ordinary resolution under section 293 (1)(a) of the Companies Act, 1956 (the Act), which is required to be passed under The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. The business through the postal ballot is in consequence of enhancing the borrowing powers of the Board under section 293 (1)(d) of the Act, the details of which are covered in the Explanatory Statement to Notice for the Fifth Annual General Meeting of the Company.

e) The business to be transacted by postal ballot alongwith necessary resolution and detailed procedure thereof is being sent to the shareholders separately.

f) Mr. J. S. Varshneya, Chairman of the Audit Committee was present in the Annual General Meeting to reply to the shareholders' queries.

## **G. Disclosures**

### **1) Materially significant Related Party Transactions**

The transactions between the company and the Management, Directors or their relatives are disclosed in the Note No 20 of the Annual Accounts in compliance with the Accounting Standard relating to "Related Party Disclosures". There is no materially significant Related Party Transaction that may have potential conflict with the interest of the company at large.

### **2) 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.

### **3) 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:

- a) Code for prevention of Insider Trading;
- b) Code for Corporate disclosure;
- c) Code of Conduct;
- d) Whistle Blower policy;
- e) Safety, health and environment policy in each of the Units;
- f) Risk Management Policy.

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.

### **4) 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.

### **5) Risk Management**

The Audit Committee and the Board of Directors regularly review the Risk Management Strategy of the company to ensure effectiveness of the Risk management policy and procedures. As required under clause 49 of the Listing Agreement, the company has set up a procedure to apprise the Board of Directors of the company on the key risk assessment areas and suggest risk mitigation mechanism.

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

As per the requirement of Clause 49 of the Listing Agreement, a certificate duly signed by CEO and CFO of the company, was placed at the Board Meeting of the company held on May 14, 2010.

## **H. Means of communication**

i) 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.

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

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

## I. General Shareholders' information

### i) 5th Annual General Meeting:

Date: 06/08/2010

Time: 3:00 P.M.

Venue: Registered Office at Pachpahar Road,  
Bhawanimandi 326 502(Raj.)

### ii) Tentative financial calendar:

Next financial year	April 01, 2010 to March, 2011
Audited Annual Results (2009-10)	14th May, 2010
Publication of Audited Results (2009-10)	15th May, 2010
Mailing of Annual Report	End June, 2010
First Quarter Results & Limited Review	End July, 2010
Second Quarter Results & Limited Review	End Oct., 2010
Third Quarter Results & Limited Review	End January, 2011
Audited Annual Results (2010-11)	Mid May, 2011

### iii) Book closure

The register of members and share transfer books of the company shall remain closed from 5th June, 2010 to 11th June, 2010 (both days inclusive).

### iv) Dividend payment date (tentative): 10th August, 2010.

### v) Listing on stock exchanges and stock codes:

The names of the stock exchanges on which the company's equity shares were listed with the respective stock codes were:

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 2010-11 have been paid to the Stock Exchanges in the month of April, 2010 that is within the stipulated time.

### vi) 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, 2009	40.50	29.00	40.80	29.00
May, 2009	53.25	35.00	53.75	34.45
June, 2009	65.85	53.15	65.55	55.60
July, 2009	63.00	51.65	66.00	52.00
August, 2009	84.00	57.05	86.95	57.00
September, 2009	92.95	73.05	87.10	74.10
October, 2009	97.55	80.00	92.00	78.90
November, 2009	101.90	82.55	104.25	84.00
December, 2009	119.10	97.35	115.90	96.80
January, 2010	156.95	110.00	161.45	111.60
February, 2010	123.70	100.00	122.00	99.10
March, 2010	116.90	100.00	115.90	99.15

**vii) Registrar and transfer agents**

The company appointed M/s. Sharepro Services (India) Pvt.Ltd. as its Registrar & Share Transfer Agents (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 400 072  
Tel. 022-67720300/400; Fax: 022-28591568

**viii) Compliance officer's Details:**

**Mr. D. R. Prabhu**

*Company Secretary*

**Seated at Corporate Office:**

**Sutlej Textiles and Industries Limited**

Solaris-1, D Wing, 4th Floor, Opp L&T Gate No-6,  
Saki Vihar Road, Powai, Andheri-East, Mumbai-400 072

Tel : 022-4219 8800 / 4219 8824

Fax : 022-4219 8830/31

E-mail id : prabhu@rtmyarn.com

**ix) 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'.

**x) 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.

**xi) Distribution of shareholding:**

The distribution of shareholding as on March 31, 2010 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	2219	52.86	112523	1.03
2.	101 to 500	1374	32.73	362671	3.32
3.	501 to 1000	291	6.93	219634	2.01
4.	1001 to 5000	246	5.86	539204	4.94
5.	5001 to 10000	29	0.69	219804	2.01
6.	10001 to 100000	23	0.55	619989	5.68
7.	100001 to 500000	10	0.24	2130892	19.51
8.	500001 to above	6	0.14	6717191	61.50
	<b>Total</b>	<b>4198</b>	<b>100.00</b>	<b>10921908</b>	<b>100.00</b>

**xii) Details of shareholding as on March 31, 2010 was as under:**

Sl. No.	Category	Number of folios	% of Folios	Number of Shares held	% of share-Holding
1.	Promoters	14	0.33	6974208	63.86
2.	Financial institutions, Banks and mutual funds	4	0.10	182046	1.66
3.	Private corporate bodies/ associates	229	5.46	1898360	17.38
4.	Indian Public	3852	91.76	1847969	16.92
5.	FII's	1	0.02	1000	0.01
6.	NRI, Foreign Nationals and OCBs	98	2.33	18325	0.17
	Total	4198	100.00	10921908	100.00

**xiii) 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, 96.16% of the total equity share capital of the company was held in a dematerialised form with NSDL and CDSL as on 31.03.2010.

The company has paid the requisite fees to all these authorities for the year 2010-11

**xiv) 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 2009-2010. 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](http://www.sutlej-textiles.com).

There were 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. In terms of clause 49 of the Listing Agreement a declaration signed by the Wholetime Director is stated hereunder:

"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, 2010."

sd/-

Place: Mumbai

**C. Singhania**

Date: May 3, 2010.

*Wholetime Director*

**xv) 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.

**xvi) 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.

**xvii) Location of the plants:**

- Units 1. Rajasthan Textile Mills  
Pachpahar Road  
Bhawanimandi 326 502 (Rajasthan)
2. Chenab Textile Mills  
Kathua 184 102 (Jammu & Kashmir)
3. Damanganga Fabrics & Processing  
Village Daheli  
Near Bhilad, Umbergaon  
District Valsad (Gujarat) 396 105

4. Damanganga Garments  
Village Daheli  
Near Bhilad, Umbergaon  
District Valsad (Gujarat) 396 105
5. Damanganga Home Textiles  
Village- Daheli  
Near Bhilad, Umbergaon  
District Valsad (Gujarat) 396 105

**xviii) 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

**J. Re-appointment of Directors**

Mr. C. S. Nopany, Mr. S. M. Agarwal & Mr. J. S. Varshneya, 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.

**K. Non-mandatory requirements**

The company has not adopted 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.

# 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, 2010 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 14, 2010

**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 March 31, 2010 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 March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010, 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 March 31, 2010.
    - 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 14, 2010

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. 3000 lacs 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 account 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>				
Custom Act, 1962	Custom classification and applicable rate of custom duty	10.84	Kolkata High Court	1982-83
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
Rajasthan Tax on Entry of Goods into Local Areas Act, 1999	Entry Tax*	91.85	Rajasthan High Court, Jodhpur	Apr' 06 to Mar' 10
Rajasthan Value Added Tax Act, 2003	VAT/CST & interest thereon	71.76	Deputy Commissioner (Appeals), Kota	Apr' 07 to Mar' 08
<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	101.61	Commercial Tax Officer	Apr' 06 to Mar'09

\*Refer Note- 4(e) of Schedule 22.

- (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 14, 2010

Membership No. 88926

## Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	Schedule	31.03.2010	31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	1092.19	1092.19
Reserves and Surplus	2	13473.51	11160.49
		14565.70	12252.68
<b>Deferred Government Subsidies</b>	3	178.18	140.22
<b>Loan Funds:</b>			
Secured Loans	4	85103.15	79398.90
Unsecured Loans	5	2876.75	6208.69
		87979.90	85607.59
<b>Deferred Tax Liabilities (Net)</b> (Refer Note No.22 (c) - Schedule 22 )		1966.85	1748.23
<b>Total</b>		<b>104690.63</b>	<b>99748.72</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	6	106418.78	82497.08
Less: Depreciation		42084.08	35961.92
Net Block		64334.70	46535.16
Capital Work-in-Progress		401.75	21724.00
		64736.45	68259.16
<b>Investments</b>	7	45.07	42.34
<b>Current Assets, Loans and Advances:</b>			
Inventories	8	28414.97	20173.83
Sundry Debtors	9	9581.64	7159.11
Cash and Bank Balances	10	674.78	857.68
Other Current Assets	11	5457.29	5628.09
Loans and Advances	12	1990.01	3158.31
		46118.69	36977.02
<b>Less: Current Liabilities &amp; Provisions:</b>			
Current Liabilities	13	5274.94	4757.55
Provisions	14	934.64	772.25
		6209.58	5529.80
<b>Net Current Assets</b>		<b>39909.11</b>	<b>31447.22</b>
<b>Net Assets of Okara Mills (Pakistan)</b> (Refer Note No.6 - Schedule 22)		<b>-</b>	<b>-</b>
<b>Total</b>		<b>104690.63</b>	<b>99748.72</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*

**B. K. Sipani**

*Partner*

Membership No. 88926

New Delhi

Dated: May 14, 2010

**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*

## Profit and Loss Account For the Year ended March 31, 2010

(Rupees in lakhs)

	Schedule	31.03.2010	31.03.2009
<b>INCOME</b>			
Turnover (Gross)		117500.73	86006.38
Less: Inter Unit Transfers		2684.52	841.13
Turnover		114816.21	85165.25
Less: Excise Duty		124.72	62.62
Turnover (Net)		114691.49	85102.63
Other Income	15	2982.70	2209.30
		<b>117674.19</b>	<b>87311.93</b>
<b>EXPENDITURE</b>			
Raw materials consumed	16	59907.25	47499.39
Goods purchase for resale		8961.49	1581.75
Personnel expenses	17	9823.29	7391.23
Operating and other expenses	18	25476.62	22293.13
(Increase)/ Decrease in inventories	19	(1915.20)	2976.30
Interest	20	5286.51	4319.80
Directors' Fees and Commission	21	11.18	4.70
		<b>107551.14</b>	<b>86066.30</b>
<b>Profit before Depreciation and Tax</b>		<b>10123.05</b>	<b>1245.63</b>
Depreciation		6690.94	5433.65
<b>Profit/(Loss) before Tax</b>		<b>3432.11</b>	<b>(4188.02)</b>
<b>Provision for Taxation</b>			
Current		580.00	5.33
Earlier years ( Net)		2.07	-
Fringe Benefit Tax		-	42.70
Deferred (Net)		218.62	(1221.50)
<b>Profit/(Loss) after Tax</b>		<b>2631.42</b>	<b>(3014.55)</b>
Add: Balance Brought Forward		2408.43	5550.76
<b>Profit available for Appropriation</b>		<b>5039.85</b>	<b>2536.21</b>
Transfer to General Reserve		300.00	-
Proposed Dividend		273.05	109.22
Corporate Dividend Tax		45.35	18.56
<b>Balance carried to Balance Sheet</b>		<b>4421.45</b>	<b>2408.43</b>
Basic Earnings Per Share (of Rs. 10 each) (Rs.) (Refer Note No.21 -Schedule 22 )		24.09	(27.60)
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

**B. K. Sipani**

Partner

Membership No. 88926

New Delhi

Dated: May 14, 2010

**D. R. Prabhu**

Secretary

**C. S. Nopany**

Chairman

**C. Singhania**

Wholtime Director & CFO

**J. S. Varshneya**

S. M. Agarwal

U. K. Khaitan

Amit Dalal

Rajan A. Dalal

Ashok Mittal

Rajiv K. Podar

Directors

## Schedules forming part of the Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<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>

	Balance as at March 31, 2009	Additions during the year	Deductions/ Adjustments during the year	Balance as at March 31, 2010
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>				
Capital Reserve	530.49	-	-	530.49
General Reserve	8221.57	300.00	-	8521.57
		(a)		
Profit & Loss Account - Balance	2408.43	4421.45	2408.43	4421.45
		(a)	(b)	
<b>Total</b>	<b>11160.49</b>	<b>4721.45</b>	<b>2408.43</b>	<b>13473.51</b>
Previous Year	14302.82	2408.43	5550.76	11160.49

(a) Transferred from Profit & Loss account.

(b) Transferred to Profit & Loss account.

(Rupees in lakhs)

	31.03.2010	31.03.2009
<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	72.19	79.58
Add: Sanctioned during the year	-	13.74
	72.19	93.32
Less : Transferred to Profit & Loss account	16.75	21.13
		72.19
(ii) Capital Subsidy sanctioned by Ministry of Textiles under TUFs on specific Fixed Assets		
As per last account	68.03	80.35
Add: Sanctioned during the year	82.94	-
	150.97	80.35
Less : Transferred to Profit & Loss account	28.23	12.32
	<b>178.18</b>	<b>140.22</b>

## Schedules forming part of the Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<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.	56266.23	58050.59
Interest accrued and due on above	450.94	394.97
<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.	24341.33	18349.47
<b>(b) Short Term Loan from Scheduled Bank</b>		
Secured by subservient charge over moveable fixed assets and current assets of the Company	4000.00	2500.00
Interest accrued and due on above	43.44	65.15
<b>(c) From Co-operative Bank - Cash Credit Account</b>		
The Jhalawar Nagrik Sahkari Bank Ltd.	1.21	38.72
Represents Cash Credit Limit allocated through Scheduled Bank out of its sanctioned limits. For Security, refer (B)(a) above, being carved out from Scheduled Bank Limits.		
	<b>85103.15</b>	<b>79398.90</b>

<b>SCHEDULE 5 UNSECURED LOANS</b>		
Trade Deposits	246.44	157.88
Fixed Deposits	1623.60	1088.20
Short Term Loan from a Scheduled Bank	-	4000.00
Buyer's Credit from Banks (Guaranteed by the Company's bankers)	806.71	537.61
Intercorporate Loan from Bodies Corporate	200.00	425.00
	<b>2876.75</b>	<b>6208.69</b>

## Schedules forming part of the Balance Sheet As at March 31, 2010

### SCHEDULE 6 FIXED ASSETS

(Rupees in lakhs)

Description	Gross Block Cost/Book Value			Depreciation			Net Block			
	As at March 31, 2009	Additions	Deductions	As at March 31, 2010	As at March 31, 2009	For the year ended March 31, 2010	Deductions	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>										
Land	510.86	240.44	–	751.30	28.85	4.09	–	# 32.94	718.36	482.01
Buildings	14703.67	6107.95	1.82	20809.80	2347.85	468.44	1.56	2814.73	17995.07	12355.82
Plant & Machinery	64589.06	17976.42	513.99	82051.49	32346.80	5937.21	500.29	37783.72	44267.77	32242.26
Vehicles	596.51	70.87	88.43	578.95	241.65	54.02	44.54	251.13	327.82	354.86
Furniture & Office Equipments	1583.28	161.06	40.44	1703.90	886.67	123.42	22.39	987.70	716.20	696.61
<b>Intangible Assets</b>										
Designing rights	22.17	9.64	–	31.81	12.80	5.45	–	18.25	13.56	9.37
Software	491.53	–	–	491.53	97.30	98.31	–	195.61	295.92	394.23
<b>Total</b>	<b>82497.08</b>	<b>24566.38</b>	<b>644.68</b>	<b>106418.78</b>	<b>35961.92</b>	<b>6690.94</b>	<b>568.78</b>	<b>42084.08</b>	<b>64334.70</b>	<b>46535.16</b>
Capital Work-in-Progress (at Cost)									401.75	21724.00
<b>Total</b>	<b>82497.08</b>	<b>24566.38</b>	<b>644.68</b>	<b>106418.78</b>	<b>35961.92</b>	<b>6690.94</b>	<b>568.78</b>	<b>42084.08</b>	<b>64736.45</b>	<b>68259.16</b>
Previous Year	77231.51	5723.88	458.31	82497.08	30832.10	5433.65	303.83	35961.92	68259.16	60130.72

#### Notes:

- Land includes Freehold Land of Rs. 395.22 lakhs (Previous year Rs. 178.87 lakhs) and Leasehold Land of Rs. 356.08 lakhs (Previous year Rs. 331.99 lakhs). In case of Kathua unit Leasehold Land for Rs. 222.97 lakhs (Previous year Rs. 198.88 lakhs) are pending for registration in the name of the unit.
  - Fixed Assets includes share of the Company in Holiday Homes at Haridwar and Dehradun and Fixed Assets of Guest House at New Delhi, jointly owned with other Bodies Corporate.
  - Capital Work-in-Progress includes advances for Capital Expenditure (Unsecured considered good) Rs. 248.35 lakhs (Previous Year Rs. 504.12 lakhs)
  - Additions/ Capital work-in-progress includes Borrowing cost Rs. 420.75 lakhs (Previous Year Rs. 1582.32 lakhs).
  - Expenditure on New Projects, substantial expansion allocated to fixed assets amounting to Rs. 2924.70 lakhs (Previous Year Rs. 385.27 lakhs) (Refer Note No.14 of Schedule-22)
  - Plant & Machinery (including Capital work -in -progress) purchased under EPCG Scheme is net of Terminal Excise duty refund received/ receivable amounting to Rs.31.57 lakhs (Previous Year Rs. 1104.16 lakhs).
  - Depreciation for the year is net of depreciation written back Rs. 30.74 lakhs (Previous year Rs. 3.78 lakhs) related to earlier year.
- # Represents Amortisation of Lease Rent.

(Rupees in lakhs)

	Shares/Units (Nos.)	Face Value Shares/Units (Rs.)	31.03.2010	31.03.2009
<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-Fixed Term Income Fund Series-V-VII-Growth Plan	405198.14	10	-	42.28
UTI-MIS-Advantage - Growth-Plan	241714.56	10	45.00	-
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	0.01
<b>Aggregate Value of Investments</b>			<b>45.07</b>	<b>42.34</b>
Aggregate of unquoted investments:				
The Jhalawar Nagrik Sahkari Bank Ltd., Bhawanimandi			0.05	0.05
UTI-Fixed Term Income Fund Series-V-VII -Growth Plan			-	42.28
UTI-MIS-Advantage-Growth-Plan			45.00	-
National Saving Certificates (VIII Issue)			0.02	0.01
			<b>45.07</b>	<b>42.34</b>

## Schedules forming part of the Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<b>SCHEDULE 8 INVENTORIES*</b>		
(As certified by the Management)		
Stores and Spare-parts, etc.	1337.63	1259.24
Raw Materials (includes own produced goods)	15208.79	8964.14
Work-in-Progress	3964.81	2673.54
Finished Goods	7803.86	7233.66
Waste	99.88	43.25
	<b>28414.97</b>	<b>20173.83</b>

\*Previous year includes trial run Stock :

(i) Work-in-Progress	128.66
(ii) Finished Goods	106.73
<b>Total</b>	<b>235.39</b>

### SCHEDULE 9 SUNDRY DEBTORS

(Unsecured, Considered Good unless otherwise stated)

(a) Outstanding for more than six months		
Considered Good	39.04	287.15
Considered Doubtful	172.92	60.84
	211.96	347.99
Less: Provision for Doubtful	172.92	60.84
	39.04	287.15
(b) Other Debts	9542.60	6871.96
	<b>9581.64</b>	<b>7159.11</b>

### SCHEDULE 10 CASH AND BANK BALANCES

Cash Balance on Hand (Including Stamps in Hand)	21.94	16.58
Demand Drafts in Hand	54.29	58.75
<b>With Scheduled Banks in:</b>		
Current Accounts	420.33	118.00
Unpaid Dividend Account	15.41	13.13
Cash Credit accounts (debit balance)	0.10	-
Fixed Deposit Accounts	105.95	575.20
{Including Rs.103 lakhs (Previous year Rs.122 lakhs) Earmarked in compliance with the provisions of Companies (Acceptance of Deposits) Rules, 1975 and Rs.2.95 lakhs (Previous year Rs. 453.30 lakhs) lodged as Security Deposit}		
Employees Security Deposit Accounts	56.74	76.00
Deposit in Post Office Saving Bank Accounts (lodged as Security Deposit)	0.02	0.02
	<b>674.78</b>	<b>857.68</b>

## Schedules forming part of the Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	31.03.2010		31.03.2009	
<b>SCHEDULE 11 OTHER CURRENT ASSETS</b>				
(Unsecured, Considered Good unless otherwise stated)				
Interest accrued on Fixed Deposits		15.11		41.35
<b>Government Subsidies Receivable</b>				
Considered Good	3115.63		3078.92	
Considered Doubtful	-		30.42	
	3115.63		3109.34	
Less: Provision for Doubtful receivable	-	3115.63	30.42	3078.92
<b>Export Benefits/ Claims Receivable</b>				
Considered Good	2326.55		2507.82	
Considered Doubtful	57.34		40.46	
	2383.89		2548.28	
Less: Provision for Doubtful receivable	57.34	2326.55	40.46	2507.82
Others, Considered Doubtful	42.49		42.49	
(Refer Note No.13 - Schedule 22)				
Less: Provision for Doubtful recoveries	42.49	-	42.49	-
		5457.29		5628.09

<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	1153.66		1535.50	
Considered Doubtful	15.87		15.87	
	1169.53		1551.37	
Less: Provision for doubtful	15.87	1153.66	15.87	1535.50
Income Tax Refund Receivable		5.65		5.65
Advances Tax (Net of provision for taxation)		69.93		424.88
Balances with Excise and Custom Department				
Considered Good	356.39		641.84	
Considered Doubtful	137.12		137.12	
	493.51		778.96	
Less: Provision for non-usable Cenvat credit	137.12	356.39	137.12	641.84
Sundry Deposits		404.38		550.44
		1990.01		3158.31

## Schedules forming part of the Balance Sheet As at March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<b>SCHEDULE 13 CURRENT LIABILITIES</b>		
Sundry Creditors and Other Liabilities*		
Acceptance	127.52	-
For Goods and services	4231.89	3914.52
For Capital Goods	231.24	267.04
For Other Finances	227.36	247.55
Credit balance & advances received from Customers	313.92	227.78
Investor Education and Protection Fund shall be credited on following account#		
(a) Unpaid Matured Deposit	1.90	1.20
(b) Interest accrued on Unpaid Matured Deposit	0.54	0.39
(c) Unpaid Dividend	15.41	13.13
Interest accrued but not due on Loans/Deposits	112.00	64.29
Income Tax Payable	13.16	21.65
	<b>5274.94</b>	<b>4757.55</b>

\*Refer Note No.5 -Schedule 22.

#Not due as on Balance Sheet date.

<b>SCHEDULE 14 PROVISIONS</b>		
Proposed Dividend	273.05	109.22
Corporate Dividend Tax	45.35	18.56
Retirement Benefits	334.86	345.79
Loss on Forward Contract	10.59	89.13
Others - Contingencies (Refer Note No.16 -Schedule 22)	265.95	202.02
Fringe Benefit Tax (Net)	-	2.74
Wealth Tax	4.84	4.79
	<b>934.64</b>	<b>772.25</b>

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2010

*(Rupees in lakhs)*

	31.03.2010	31.03.2009
<b>SCHEDULE 15 OTHER INCOME</b>		
Dividend from Long Term Investment (Non-Trade) (Gross) (TDS Nil, Previous year Nil)	-	0.01
Interest on Long term Investment (Non-Trade) (Gross) (TDS Nil, Previous year Nil)	3.82	3.43
Interest from Bank Deposits (Gross) (TDS Rs. 9.68 lakhs, Previous year Rs. 8.50 lakhs)	24.49	67.79
Interest from Inter-Corporate Deposits (Gross) (TDS Rs. 22.26 lakhs, Previous year Rs. 52.86 lakhs)	255.50	305.17
Interest from others (Gross) (TDS Rs. 112.45 lakhs, Previous year Rs. 150.98 lakhs)	609.26	652.49
Miscellaneous Income*	994.58	638.61
Excess Provisions and Unspent Liabilities Written Back	160.40	319.12
Adjustment Relating to previous year(Net)	-	14.16
Provision for Doubtful advances Written Back	-	11.30
Sundry Credit Balances written back	199.13	115.96
Insurance Claims	28.97	34.56
Deferred Government Subsidies	44.98	33.45
Profit on sale/discard of Fixed Assets (Net)	-	13.25
Foreign Exchange Fluctuation Gain (Net) (Refer Note No.24 -Schedule 22) (including Gain on Cancellation of Forward Contract of Rs. 17.37 lakhs)	661.57	-
	<b>2982.70</b>	<b>2209.30</b>

\* Includes Rs. 75.75 lakhs (Previous Year Rs. 44.64 lakhs) on account of Interest subsidy under Rajasthan Investment Promotion Scheme (RIPS), Rs. 355.19 lakhs (Previous Year Rs. 336.54 lakhs) being 3% Central interest subsidy received on working capital loans and Rs. 337.81 lakhs (Previous year Nil) Insurance Subsidy received under Central Government scheme.

<b>SCHEDULE 16 RAW MATERIALS CONSUMED</b>		
Inventories as at March 31, 2009	8964.14	10172.74
Add: Purchases (net of sale)	66151.90	46290.79
Less: Inventories as at March 31, 2010	15208.79	8964.14
	<b>59907.25</b>	<b>47499.39</b>

<b>SCHEDULE 17 PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	8634.70	6357.57
Contribution to gratuity fund	193.19	186.19
Contribution to provident and other funds	752.64	639.02
Workmen and staff welfare expenses (Net)	242.76	208.45
	<b>9823.29</b>	<b>7391.23</b>

<b>SCHEDULE 18 OPERATING AND OTHER EXPENSES</b>		
Processing and Job Charges	1402.26	997.72
Stores & Spares Consumed	2210.58	1660.93
Packing Material Consumed	1706.81	1328.90
Dyes & Chemical Consumed	3048.76	2661.69
Power, Fuel and Water Charges	10013.09	8671.53
Rent [Net of Rent Received Rs. 12.58 lakhs (Previous year Rs. 6.58 lakhs)]	104.61	106.91
Insurance (Net) @	69.38	101.55
Rates and Taxes *	34.68	25.09

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<b>SCHEDULE 18 OPERATING AND OTHER EXPENSES (Contd.)</b>		
<b>Repairs and Maintenance:</b>		
Buildings	247.36	189.35
Machinery	1164.42	888.82
Others	96.83	86.88
Freight & Forwarding Expenses etc.	2430.23	1895.68
[Net of recovery of Rs. 312.08 lakhs (Previous year Rs. 252.74 lakhs)]		
Rebates, Compensation and Cash Discounts	418.79	331.10
Selling Commission (other than Sole Selling Agents)	924.52	551.96
Selling Brokerage	149.86	130.28
Miscellaneous Expenses \$	1261.40	1122.17
<b>Auditors Remuneration:</b>		
<b>Statutory Auditors: #</b>		
As Auditors	9.54	7.94
In other Capacity, for		
Certifications and other matters	2.33	4.95
Tax Audit	2.07	2.08
Travelling and other out of pocket expenses	1.58	2.70
<b>Branch Auditors:</b>		
As Auditors	12.00	9.00
Travelling and other out of pocket expenses	1.12	1.20
<b>Cost Auditors: #</b>		
As Auditors	1.28	1.14
Travelling and other out of pocket expenses	0.32	0.29
Adjustment Relating to previous year (Net)	6.38	-
Loss on sale/discard of Fixed Assets (Net)	14.93	-
Bad Debts written off	2.16	-
Foreign Exchange Fluctuation Loss (Net) (Refer Note No.24 -Schedule 22)	-	1400.70
(Previous year including Loss on Cancellation of Forward Contract of Rs. 324.30 lakhs)		
Charity and Donations (Net)	10.37	31.59
Provision for unusable/unrecoverable Cenvat credit	-	20.00
Government Subsidies receivable written off	30.42	
Less: Provision for Government Subsidies	(30.42)	-
Provision for Doubtful Debts/ Advances	128.96	60.98
	<b>25476.62</b>	<b>22293.13</b>

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

\* Includes excise duty on increase/(decrease) of finished goods stock Rs. 9.05 lakhs (Previous year Rs. 1.31 lakhs).

\$ Amount is net of credit of Rs. 121.52 lakhs (Previous year Rs. 117.28 lakhs) for Sharing of Common Expenses with a other body corporate.

# Including service tax wherever applicable.

## Schedules forming part of the Profit and Loss Account For the Year ended March 31, 2010

(Rupees in lakhs)

	31.03.2010	31.03.2009
<b>SCHEDULE 19 (INCREASE)/DECREASE IN INVENTORIES</b>		
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
Inventories as at March 31, 2009		
Work-in-Progress	2544.88	3311.27
Finished Goods	7126.93	9347.14
Waste	43.25	32.95
	9715.06	12691.36
	(2153.49)	2976.30
Add: Inventories transferred from trial run production on April 30, 2009 :		
- Work-in-Progress	146.47	-
- Finished Goods	91.82	-
	238.29	-
	(1915.20)	2976.30

<b>SCHEDULE 20 INTEREST</b>		
On Deposits	154.06	109.77
On Term Loans	3142.52	2424.67
To Banks and Others	1989.93	1785.36
	5286.51	4319.80

<b>SCHEDULE 21 DIRECTORS' FEES AND COMMISSION</b>		
Computation of Net Profits under section 309(5) of the Companies Act, 1956:		
Net Profit/(Loss) as per Profit & Loss Account	3432.11	(4188.02)
Add:		
Wholtime Directors' Remuneration	33.20	54.79
Directors' Fees	3.30	4.70
Directors' Commission	7.88	-
Loss on sale/discard of Fixed Assets (Net)	14.93	59.31
	3491.42	(4128.53)
Less:		
Profit on sale/discard of Fixed Assets (Net)	-	13.25
Net Profit/(Loss) under section 309(5) for the year	3491.42	(4141.78)
Maximum ceiling Rs.1 lakh p.a. per Non Working Director	7.88	7.33
Directors' Commission @ 1% of the above Net Profit or Rs. 7.88 lakhs, whichever is lower	7.88	-
Directors' Fees	3.30	4.70
	11.18	4.70

## 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

- 1 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.
- 2 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.
- 3 Gratuity liability 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.

#### (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.

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

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

#### (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 (including borrowing costs) 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)

	31.03.2010	31.03.2009
3) Estimated amount of Contracts remaining to be executed on Capital Account [Net of Advances Rs. 175.99 lakhs (Previous Year Rs. 504.12 lakhs)] and not provided for	208.00	262.04
4) <b>Contingent Liabilities (Not provided for) in respect of:</b>		
a) Bills Discounted with Bankers (Since Realised Rs. 1745.72 lakhs, Previous year Rs. 990.60 lakhs)	4113.29	2505.36
b) Labour Matters, except for which the liability is unascertainable*	89.88	95.75
c) Demand raised by Excise Department for various matters*	66.65	66.28
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	34.01
- Daheli unit (stay granted by the Tribunal)*	163.73	-
f) Sales tax Demand under dispute*	64.80	-
g) Demand raised by Electricity Department and contested by the Company [Deposit Nil (Previous year Rs. 3.82 lakhs)]	-	7.65
h) Income Tax Demands against which Company has preferred Appeals	-	8.10
(i) Bank Guarantee given to J&K Electricity Board	800.00	-

\* 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.

# The Company has challenged the constitutional validity of Entry of Goods into Local Area Act, 1999 in the Hon'ble Rajasthan High Court, Jodhpur and accordingly Hon'ble Rajasthan High Court, Jodhpur has granted stay against the demand for the year 2006-07. As stay has been granted against payment of Entry Tax, the Company has not accounted for the Entry Tax from accounting year 2007-08 to 2009-10.

## 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 Rs.1 lakh (Previous year Rs.1 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. 2529.56 lakhs (Previous year Rs. 1948.12 lakhs).

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

Particulars	31.03.2010	31.03.2009
<b>A</b> Paid to Shri R.N. Laddha (upto 31.08.08)		
Salary, Allowances etc.	-	5.49
Contribution to Provident Fund and Superannuation Fund	-	0.91
Monetary value of Other Perquisites	-	0.14
Gratuity paid	-	3.50
	-	<b>10.04</b>
<b>B</b> Paid to Shri S.K. Khandelia (upto 22.07.09) (Previous year w.e.f. 30.08.08)		
Salary, Allowances etc.	18.73	33.19
Contribution to Provident Fund and Superannuation Fund	4.21	7.99
Monetary value of Other Perquisites	1.71	3.57
	<b>24.65</b>	<b>44.75</b>
<b>C</b> Paid to Shri C. Singhanian (w.e.f. 21.07.09)		
Salary, Allowances etc.	6.50	-
Contribution to Provident Fund	0.78	-
Monetary value of Other Perquisites	1.27	-
	<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. 4871.89 lakhs (Previous year Rs. 3232.98 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.

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

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

- 13) In respect of Daheli unit of the Company, a fraud was committed in earlier year by employees (by drawing money from the bank account through forged cheques and cash embezzlement), the matter is still under investigation & litigation and outcome is awaited. However, on the basis of the legal advice available with the Company, the Company is hopeful of recovery of the amount involved. Still as a matter of abundant caution, an amount of Rs. 42.49 lakhs (net of recoveries/ credits) was provided for in earlier year.
- 14) 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 year), 31104 spindles project at Kathua (capitalised during the year) and 3 MW Thermal power plant project at Daheli (capitalised during the year), (Previous year's figures also includes 12672 spindles project capitalised at Bhawanimandi).

(Rupees in lakhs)

Particulars	2009-10	2008-09
<b>Pre-operative and trial run expenses</b>		
Opening Balance as on 01.04.2009	2185.25	678.40
Raw materials consumed	447.37	2026.14
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus	50.70	395.25
Contribution to Provident and Other Funds	4.92	29.92
Workmen & Staff Welfare Expenses	4.56	17.64
<b>Operating and Other Expenses</b>		
Stores and spare parts consumed	52.78	92.48
Power and fuel	152.24	291.01
Coal Consumption	1104.23	157.95
Insurance Premium	18.85	6.77
Repair and Maintenance	0.22	0.93
Freight outwards	7.71	48.11
Selling commission and brokerage (other than sole selling agents)	4.90	23.11
Cash Discount	-	3.95
Miscellaneous Expenses	130.78	71.42
<b>Interest</b>		
On Term loans	261.24	895.15
To Banks & Others	159.51	687.17
	4585.26	5425.40
Less:		
Yarn Sales (net of excise duty-Nil)	647.97	2305.63
Waste Sales (net of excise duty-Nil)	43.40	213.21
Interunit Power & Steam Sale	966.29	100.65
<b>Increase in Inventories:</b>		
<b>Inventories as at April 30, 2009</b>		
Work-in-progress	146.47	128.66
Finished goods	91.82	106.73
	238.29	
<b>Inventories as at March 31, 2009</b>		
Work-in-progress	128.66	
Finished goods	106.73	
	235.39	2.90
	2924.70	2570.52
Less: Allocated to Fixed Assets during the year	2924.70	385.27
<b>Balance carried forward pending for allocation</b>	-	2185.25

## 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 March 31, 2010, the Company is contingently liable to pay differential custom duty Rs. 6880.12 lakhs (Previous year Rs. 8905.64 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	202.02	-	202.02
	(334.61)	(-)	(334.61)
Addition	66.30	-	66.30
	(32.82)	(-)	(32.82)
Utilisation	-	-	-
	(-)	(-)	(-)
Reversal	2.37	-	2.37
	(165.41)	(-)	(165.41)
Closing Balance	265.95	-	265.95
	(202.02)	(-)	(202.02)

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. 2795.19 lakhs (Previous year Rs. 2590.32 lakhs) and Interest paid to banks and others is net of interest subvention on export credit facilities amounting to Rs. 168.27 lakhs (Previous year Rs. 96.40 lakhs).

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

Particulars	31.03.2010	31.03.2009
<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 Rs. 2.91 lakhs [Previous year Rs. 14.37 lakhs])	527.05	376.35
Contribution to Superannuation Fund [Net of Capitalisation Nil (Previous year Rs. 0.44 lakh)]	22.19	28.94
<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 as on April 1, 2009	1159.68	1026.09
Current Service Cost	146.86	118.24
Interest cost	86.97	71.83
Contribution by planned participants Actuarial (gain)/loss	88.76	57.15
Benefits paid	(90.45)	(113.63)
Closing DBO as on March 31, 2010	1391.82	1159.68

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

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

(Rupees in lakhs)

Particulars	31.03.2010	31.03.2009
(b) A reconciliation of opening and closing balances of the fair value of plan assets:		
Opening fair value of plan assets	1159.68	1026.09
Expected return	127.33	54.07
Actuarial gain/(loss)	0.06	0.09
Contribution by the employer	195.20	193.06
Benefits paid	(90.45)	(113.63)
Closing fair value of plan assets	1391.82	1159.68
(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	1391.82	1159.68
Fair value of the plan assets at the end of the year	1391.82	1159.68
Liability recognized in the balance sheet	-	-
(d) The total expense recognised in the profit and loss account:		
Current service cost	146.86	118.24
Interest cost	86.97	71.83
Expected return on plan assets	(127.33)	(54.07)
Actuarial (gains)/loss	88.70	57.07
Net Gratuity cost [Net of Capitalisation Rs. 2.01 lakhs (Previous year Rs. 6.87 lakhs)]	193.19	186.19
(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	23	22
Corporate Bond/Fixed Deposit	27	25
Special Deposit Scheme	29	34
HDFC Group Unit Linked Plan - Option B	20	19
Other investments- UTI Master Shares	1	-
(f) Actual return on plan assets	10.98%	5.27%
(g) Following are the Principal Actuarial Assumptions used as at the balance sheet date:		
Discount rate	7.50%	7%
Expected rates of return on any plan assets	10.98%	5.27%
Average Salary escalation rate	5%	4%
Average remaining working life of the employees(years)	24.77	24.58
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 31.03.2010.

#### Information about Business Segment - Primary

(Rupees in lakhs)

Reportable Segments	Yarn		Fabrics and Apparels		Total	
	For the Year ended March 31, 2010	For the Year ended March 31, 2009	For the Year ended March 31, 2010	For the Year ended March 31, 2009	For the Year ended March 31, 2010	For the Year ended March 31, 2009
<b>Revenue</b>						
Sales and other Income	108610.97	80241.50	8170.15	6028.29	116781.12	86269.79
Inter Segment Sales	2100.48	794.82			2100.48	794.82
<b>Total Revenue</b>	<b>110711.45</b>	<b>81036.32</b>	<b>8170.15</b>	<b>6028.29</b>	<b>118881.60</b>	<b>87064.61</b>
<b>Result</b>						
Segment Result	9176.20	1507.60	(1322.07)	(2349.66)	7854.13	(842.06)
Unallocated Corporate Income (Net)					864.49	973.84
Interest					5286.51	4319.80
<b>Profit/(Loss) before Tax</b>					<b>3432.11</b>	<b>(4188.02)</b>
Less: Provision for Taxation - Current					580.00	5.33
- Earlier years					2.07	-
- Fringe Benefit Tax					-	42.70
- Deferred Tax					218.62	(1221.50)
<b>Profit/(Loss) after Tax</b>					<b>2631.42</b>	<b>(3014.55)</b>
<b>Other Information</b>						
Segment Assets	97705.09	91172.14	12784.92	12891.62	110490.01	104063.76
Unallocated Corporate Assets					410.20	1214.76
<b>Total Assets</b>					<b>110900.21</b>	<b>105278.52</b>
Segment Liabilities	4497.53	4150.99	1238.71	1142.83	5736.24	5293.82
Unallocated Corporate Liabilities					2440.18	1984.21
[Including Deferred Tax Liabilities Rs. 1966.85 lakhs (Previous year Rs. 1748.23 lakhs)]						
<b>Total Liabilities</b>					<b>8176.42</b>	<b>7278.03</b>
Capital Expenditure	3142.27	13311.43	101.87	405.13	3244.14	13716.56
Depreciation	5897.92	4729.17	793.02	704.48	6690.94	5433.65
Non-cash expenditure other than Depreciation & Amortisation					131.12	80.98

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

(Rupees in lakhs)

Reportable Segments	Domestic		Export		Total	
	For the Year ended March 31, 2010	For the Year ended March 31, 2009	For the Year ended March 31, 2010	For the Year ended March 31, 2009	For the Year ended March 31, 2010	For the Year ended March 31, 2009
<b>Revenue</b>	<b>85678.22</b>	<b>66614.26</b>	<b>33203.38</b>	<b>20450.35</b>	<b>118881.60</b>	<b>87064.61</b>

#### Other Information:

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

#### Notes:

- 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 Wrosted/ 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	31.03.2010	31.03.2009
Sales	112161.93	83154.51
Export Incentives	2529.56	1948.12
Other income identifiable to segment	2089.63	1167.16
<b>Segment Sales &amp; Other income</b>	<b>116781.12</b>	<b>86269.79</b>
Add: Unallocated income	893.07	1042.14
<b>Total Revenue of the Company</b>	<b>117674.19</b>	<b>87311.93</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	Shri S.K. Khandelia [President w.e.f. 01.04.09 and Wholetime Director (from 30.08.08 to 22.07.09 )]
	Smt. Manju Khandelia (wife), Smt. Indra Devi Khandelia (mother),
	Shri Ashish Khandelia (son) & Shri Anurag Khandelia (son)
	Shri C. Singhania (Wholetime Director) (w.e.f. 21.07.09)
	Shri K.C. Agarwal (Joint Executive President, Daheli Unit) (w.e.f. 25.10.08)
	Smt Savita Agarwal (wife) , Ms. Sweta Agarwal (daughter), Smt Indra Devi Agarwal (mother) & Radhey Shyam Agarwal HUF
	Shri N.M. Gupta (President upto 31.03.2009)
	Smt. Sushila Devi Gupta (wife), Shri Pradeep Kumar Gupta (son),
	Smt. Prabha Mundra (daughter), Smt. Asha Biyani (daughter),
	Pradeep Kumar Gupta & Sons HUF and N.M. Gupta & Sons
	Shri R.N. Laddha (Wholetime Director) (upto 31.08.08)
	Smt.Kamla Laddha (wife), Shri Manoj Kumar Maheshwari (son),
	Shri Kalpesh Kumar Maheshwari (son), Smt. Snehlata Maheshwari (daughter), R.N. Laddha HUF & Manoj Kumar Laddha HUF
Shri A.K. Sharma (Executive President, Daheli Unit) (upto 25.12.08)	
(b) Enterprises over which key Management personnel are able to exercise significant influence	SIL Investments Ltd (Upto 31.03.09)
	Modern DiaGen Services Ltd (Upto 31.03.09)
	The Jhalawar Nagrik Sahkari Bank Ltd.(JNSB) (Upto 31.03.09)
	Shreeji Trading Company (Upto 31.03.09)
	Laxmi Poly Fab (Upto 31.03.09)
	Sarweshwar Enterprises (Upto 31.03.09)

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

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

(c) Transactions with Related Parties during the year:

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
1 Interest on security deposit to Shreeji Trading Company			- (0.10)
2 Interest paid on Inter Corporate Loan from:			
SIL Investments Ltd.			- (37.50)
Modern DiaGen Services Ltd.			- (10.37)
3 Fixed Deposits Received:			
Shri N.M. Gupta	- (67.70)		
Smt. Sushila Devi Gupta		- (3.30)	
Smt. Asha Biyani		- (0.30)	
Pradeep Kumar Gupta & Sons HUF		- (2.20)	
Shri Pradeep Kumar Gupta		- (110.40)	
N.M.Gupta & Sons		- (22.20)	
Smt.Kamla Laddha		- (0.50)	
Shri Manoj Kumar Maheshwari		- (0.50)	
Manoj Kumar Laddha HUF		- (0.20)	
Shri Kalpesh Kumar Maheshwari		- (1.10)	
R. N. Laddha HUF		- (0.50)	
Shri R. N. Laddha	- (0.20)		
Smt.Snehlata Maheshwari		- (0.20)	
Shri S.K. Khandelia	26.50 (-)		
Smt. Indra Devi Khandelia		3.90 (1.60)	
Smt.Manju Khandelia		104.70 (4.60)	
Shri Ashish Khandelia		20.40 (5.30)	
Shri Anurag Khandelia		128.70 (51.10)	

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

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

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

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
Smt. Indra Devi Agarwal		6.00	
		(-)	
Ms. Sweta Agarwal		0.50	
		(-)	
Radhey Shyam Agarwal HUF		4.00	
		(-)	
Smt. Savita Agarwal		1.50	
		(-)	
4 Fixed Deposits Repaid:			
Smt. Sushila Devi Gupta		-	
		(15.00)	
Shri N. M. Gupta	-		
	(100.00)		
Smt. Kamla Laddha		-	
		(12.00)	
Shri Manoj Kumar Maheshwari		-	
		(17.50)	
Manoj Kumar Laddha HUF		-	
		(5.40)	
Shri Kalpesh Kumar Maheshwari		-	
		(26.40)	
R. N. Laddha HUF		-	
		(10.50)	
Shri R. N. Laddha	-		
	(4.10)		
Smt. Snehlata Maheshwari		-	
		(5.90)	
Shri Ashish Khandelua		-	
		(95.00)	
Smt. Indra Devi Agarwal		-	
		(6.00)	
Ms. Sweta Agarwal		-	
		(0.50)	
Smt. Savita Agarwal		-	
		(1.50)	
5 Interest on Fixed Deposits:			
Shri N. M. Gupta	-		
	(12.74)		
Smt. Sushila Devi Gupta		-	
		(3.06)	
Smt. Prabha Mundra		-	
		(0.04)	
Smt. Asha Biyani		-	
		(0.59)	

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

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

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

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
Pradeep Kumar Gupta & Sons HUF		-	
		(0.45)	
Shri Pradeep Kumar Gupta		-	
		(4.43)	
N.M. Gupta & Sons		-	
		(1.58)	
Smt.Kamla Laddha		-	
		(0.03)	
Shri Manoj Kumar Maheshwari		-	
		(0.94)	
Manoj Kumar Laddha HUF		-	
		(0.02)	
Shri Kalpesh Kumar Maheshwari		-	
		(0.36)	
R. N. Laddha HUF		-	
		(0.03)	
Shri R. N. Laddha	-		
	(0.01)		
Smt.Snehlata Maheshwari		-	
		(0.02)	
Shri S.K. Khandelia	2.88		
	(-)		
Smt. Indra Devi Khandelia		4.89	
		(4.67)	
Smt.Manju Khandelia		11.17	
		(4.87)	
Shri. Ashish Khandelia		1.26	
		(0.58)	
Shri Anurag Khandelia		12.45	
		(1.23)	
Smt. Indra Devi Agarwal		0.25	
		(0.32)	
Ms. Sweta Agarwal		0.02	
		(0.03)	
Radhey Shyam Agarwal HUF		0.17	
		(-)	
Smt. Savita Agarwal		0.06	
		(0.08)	
6 Rent paid:			
Smt. Sushila Devi Gupta		-	
		(7.26)	
Shreeji Trading Company			-
			(7.17)

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

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

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

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
Laxmi Poly fab			-
			(7.56)
SIL Investments Ltd.			-
			(17.84)
Pradeep Kumar Gupta & Sons HUF			-
			(4.29)
7 Goods sale:			
Shri N.M. Gupta	-		
	(0.07)		
Shri K.C. Agarwal	-		
	(0.03)		
Shri A.K. Sharma	-		
	(0.06)		
8 Rent Received from JNSB			-
			(1.44)
9 Availment of Cash Credit Limit from JNSB*			-
			(40.00)
10 Remuneration**:			
Shri N.M. Gupta	-		
	(171.34)		
Shri S.K. Khandelia #	116.83		
	(92.92)		
Shri R.N. Laddha	-		
	(10.04)		
Shri K.C. Agarwal	26.85		
	(9.97)		
Shri C. Singhania	8.55		
	(-)		
Shri A.K. Sharma	-		
	(12.15)		
11 Service Charges paid to Sarweshwar Enterprises			-
			(5.92)
12 Assets sale:			
Smt Savita Agarwal		4.75	
		(-)	

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

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

(d) Balance outstanding as at the year end:

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
1 Intercorporate Loan payable to:			
SIL Investments Ltd.			
Loan			-
			(250.00)
Interest			-
			(0.43)
Modern DiaGen Services Ltd			
Loan			-
			(75.00)
2 Fixed Deposits Payable to:			
Shri N. M. Gupta	-		
	(111.50)		
Smt. Sushila Devi Gupta		-	
		(21.10)	
Smt. Prabha Mundra		-	
		(0.40)	
Smt. Asha Biyani		-	
		(5.30)	
Pradeep Kumar Gupta & Sons HUF		-	
		(5.40)	
Shri Pradeep Kumar Gupta		-	
		(114.20)	
N.M. Gupta & Sons		-	
		(31.00)	
Shri S.K. Khandelia	41.50		
	(15.00)		
Smt. Indra Devi Khandelia		45.50	
		(41.60)	
Smt. Manju Khandelia		149.30	
		(44.60)	
Shri. Ashish Khandelia		25.70	
		(5.30)	
Shri Anurag Khandelia		189.80	
		(61.10)	
Smt. Indra Devi Agarwal		6.00	
		(-)	
Ms. Sweta Agarwal		0.50	
		(-)	
Radhey Shyam Agarwal HUF		4.00	
		(-)	
Smt. Savita Agarwal		1.50	
		(-)	

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

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

(d) Balance outstanding as at the year end: (Contd.)

(Rupees in lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Enterprises over which key management personnel are able to exercise significant influence
3 Outstanding security deposit receivable:			
Smt. Sushila Devi Gupta		-	
		(1.60)	
Shreeji Trading Company			-
			(6.57)
Laxmi Poly fab			-
			(6.93)
4 Outstanding payable to Shreeji Trading Company			-
			(1.35)
5 Outstanding Balance of Cash Credit Limits availed from JNSB			-
			(38.72)
6 Effective outstanding Corporate Guarantee given by SIL Investments Ltd.			-
			(3.58)
7 Other Payables:			
Sarweshwar Enterprises			-
			(1.18)
Shri K.C. Agarwal	-		
	(0.05)		

\* The Company avails services provided by Bank in normal course of banking business.

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

# 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.

### 21) Earnings per Share (EPS)

Earnings per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	For the year ended March 31, 2010	For the year ended March 31, 2009
Profit/(Loss) attributable to the Equity Shareholders (A) (Rs. in lakhs)	2631.42	(3014.55)
Number of Equity Shares (B)	10921908	10921908
Nominal value of Equity Shares (Rs.)	10	10
Basic and Diluted Earnings per Share (Rs.)-A/B	24.09	(27.60)

### 22) Taxation

a) Provision for Current Tax includes Wealth Tax Rs. 5.00 lakhs (Previous Year Rs. 5.33 lakhs).

b) 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 subsequent ten assessment years as per the provisions of the Income Tax Act, 1961.

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

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

c) Deferred Taxation:

i) In accordance with Accounting Standard-22, Deferred Tax liabilities amounting to Rs. 218.62 lakhs (Net of Rs. 820.46 lakhs deferred tax assets) has been accounted for.

ii) Major Components of Deferred Tax Liabilities & Assets are as follows: (Rupees in lakhs)

Particulars	As at 01.04.2009	Net Charge/ (Credit) during the year	As at 31.03.2010
<b>Deferred Tax Liability on account of:</b>			
Depreciation	4073.57	1039.08	5112.65
	4073.57	1039.08	5112.65
<b>Deferred Tax Assets on account of:</b>			
(i) Amount disallowed u/s.43-B & Provision for Leave Salary & Wages	235.27	(20.33)	214.94
(ii) Deferred Government Subsidies	31.52	14.79	46.31
(iii) Unabsorbed Depreciation	1972.20	837.05	2809.25
(iv) Others	86.35	(11.05)	75.30
	2325.34	820.46	3145.80
<b>Net Deferred Tax Liability/(Assets)</b>	<b>1748.23</b>	<b>218.62</b>	<b>1966.85</b>

**Note :** Deferred Tax Assets on unabsorbed depreciation has been recognised within the deferred tax liability provided on timing difference on depreciation, the reversal of which will result in sufficient income in future.

23) a) Outstanding Forward Covers in respect of foreign currencies for Hedging purposes are as follows:

Particulars	As at March 31, 2010	
	Loans/Other Liabilities under deferred payments	For Export Sales
<b>Bhawanimandi Unit</b>		
USD	845459	16366825
	(-)	(3661055)
Euro	-	660698
	(-)	(38766)
Euro (Euro Vs USD)	-	750000
	(-)	(-)
<b>Kathua Unit</b>		
USD	-	4524716
	(-)	(715298)
Euro	-	39000
	(-)	(-)
<b>Daheli Unit</b>		
USD	-	1690635
	(-)	(946416)
Euro	-	206717
	(-)	(-)
GBP	-	50500
	(-)	(-)

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

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

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

	As on March 31, 2010		
	Sundry Creditors for Goods, Services and Expenses	Loans/Other Liabilities under deferred payments	Loans & Advances
<b>Bhawanimandi Unit</b>			
USD	1033374	956188	-
	(612595)	(858286)	(-)
Euro	44277	-	-
	(35326)	(-)	(-)
CHF	2475	-	-
	(2916)	(-)	(-)
JPY	2500	-	-
	(87500)	(-)	(-)
<b>Kathua Unit</b>			
USD	-	-	5748
	(-)	(-)	(-)
Euro	-	-	1670
	(-)	(-)	(-)
CHF	72000	-	17250
	(-)	(-)	(-)
JPY	-	-	144000
	(-)	(-)	(-)
<b>Daheli Unit</b>			
USD	31972	-	-
	(67309)	(-)	(-)
Euro	9271	-	-
	(9022)	(-)	(-)
GBP	3923	-	-
	(1063)	(-)	(-)
CHF	3171	-	-
	(-)	(-)	(-)

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

24) 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. 10.59 lakhs is net off with "Foreign exchange fluctuation gain" under Schedule -15-Other Income. (Previous year Rs. 89.13 lakhs has been provided under the head "Foreign Exchange Fluctuation loss" in Schedule-18-Operating and Other Expenses).

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

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

#### 25) Capacity

	2010	2009
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.)	672	672
<b>Kathua Unit :</b>		
- Spindles (Nos.)	170616	139512
- Spindles (Nos.) (under trial run)	-	31104
<b>Daheli Unit :</b>		
(a) Damanganga Fabrics		
- Looms (Nos.)	60	60
- Fabric process (Mtrs.)	20000000	20000000
(b) Damanganga Garment #		
- Trousers (Nos.)	527000	527000
(c) Damanganga Home Furnishing		
- Home textile furnishings ( Mtrs.)	1976010	1976010

#Capacity work out on single shift basis.

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

	For the year ended March 31, 2010		For the year ended March 31, 2009	
	Tons	(Rs. in lakhs)	Tons	(Rs. in lakhs)
<b>Production</b>				
Cotton Yarn ++,@	16239		10266	
Man Made Fibres Yarn @	49952		47046	
Fabrics (Thousand Mtrs) @	5703		4305	
Fabric Job Production (Thousand Mtrs.)	-		18	
Waste ++	6437		4700	
Job Processing (Thousand Mtrs.)#	16013		14508	
Trousers (pcs.)+	439702		363616	
Home Furnishing Fabrics (Thousand Mtrs.)	1105		968	
Home Furnishing Fabrics (Job Production) (Thousand Mtrs.)	657		245	
<b>Purchases*</b>				
Cotton Yarn	3620	4582.33	-	-
Man Made Fibres Yarn	3708	4354.46	1443	1581.75
Fabrics (Thousand Mtrs)	70	17.18	-	-
Home Furnishing Fabrics (Thousand Mtrs.)	5	7.52	-	-
		<b>8961.49</b>		<b>1581.75</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, 2010		For the year ended March 31, 2009	
	Tons	(Rs. in lakhs)	Tons	(Rs. in lakhs)
<b>Opening Stock</b>				
Cotton Yarn	739	+++802.71	747	809.75
Man Made Fibres Yarn	4198	4927.10	5170	6638.98
Fabrics (Thousand Mtrs)	856	776.01	1054	1114.60
Waste	259	43.25	320	32.95
Trousers (pcs.)	52037	97.11	65590	142.67
Home Furnishing Fabrics (Thousand Mtrs.)	856	630.73	720	641.14
		<b>7276.91</b>		<b>9380.09</b>
<b>Closing 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>Sales *</b>				
Cotton Yarn	19672	30572.38	10274	14164.09
Man Made Fibres Yarn	52301	75311.83	49016	66512.45
Fabrics (Thousand Mtrs.)	5497	4755.72	4370	3808.57
Fabrics Job (Thousand Mtrs.)	-	-	18	2.03
Waste	6186	1571.64	4761	1037.54
Job Processing (Thousand Mtrs.)	9637	1118.31	9013	936.19
Job Charges	-	-	-	11.79
Trousers (pcs.)	300789	844.14	83373	299.02
Job Work Trousers (pcs.)	144778	164.15	310081	330.57
Home Furnishing Fabrics (Thousand Mtrs.)	1356	954.03	832	534.57
Job Work-Home Furnishing Fabrics (Thousand Mtrs.)	720	215.38	179	47.28
		<b>115507.58</b>		<b>87684.10</b>

@ Includes on job basis from outside.

# Including in-house process of 6376 thousand meters (Previous year 5495 thousand meters) .

+ Includes 134129 pcs. (Previous year 293796 pcs.) for Outside job work basis.

\* Sales include Export Sales of Rs. 33203.38 lakhs (Previous year Rs. 20450.36 lakhs ), including to Nepal Rs.45.26 lakhs (Previous year Rs. 27.40 lakhs), including trial run sales of Cotton Yarn 610 tons Rs. 647.97 lakhs (Previous year 2133 tons, Rs. 2305.64 lakhs) & Waste 162 tons Rs. 43.40 lakhs (Previous year 688 tons, Rs. 213.21 lakhs) but excludes:  
(i) Inter segment sales 1300 tons, Rs. 2100.48 lakhs (Previous year 445 tons, Rs. 794.82 lakhs);  
(ii) Inter unit sales 155 tons yarn of Rs. 215.90 lakhs and purchase of 152 tons yarn of Rs. 210.55 lakhs (Previous year sales and purchase 15 tons yarn of Rs. 24.21 lakhs), and fabric 393 thousand meters (Previous year 133 thousands meters).

\$\$ Closing Stock of Trousers included Nil (Previous year 5890 Pcs) of WIP for which value has not been taken.

++ including trial run production of Cotton Yarn 506 tons (Previous year 2237 tons) and Waste 162 tons (Previous year 688 tons).

+++ including trial run stock of Cotton Yarn 104 tons, Rs. 106.73 lakhs .

Note 1: Stock of Job work trouser 12853 Pcs (Previous year 23502 Pcs) not included in closing stock and 23502 Pcs (Previous year 39787 Pcs) not included in Opening Stock.

Note 2: Stock of Home Furnishing Fabrics Job work 4 thousand Meters (Previous year 66 thousand Meters) not included in closing stock and 66 thousand Meters (Previous year Nil) not included in Opening Stock.

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

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

#### 27) Raw Materials Consumed\*

	For the year ended March 31, 2010		For the year ended March 31, 2009	
	Qty.	(Rs. in lakhs)	Qty.	(Rs. in lakhs)
Cotton (Tons)	20663	13829.46	14140	8761.77
Man Made Fibres (Tons) \$	53678	44290.75	48213	38764.39
Yarn (Tons)	1103	2234.42	1080	1934.69
Grey Fabric (Thousand Mtrs.)	-	-	154	64.68
		<b>60354.63</b>		<b>49525.53</b>

\* Including trial run consumption of Cotton Fibre 647 tons Rs. 402.05 lakhs (Previous year 3231 tons, Rs. 2005.35 lakhs) and Man Made Fibre 76 tons Rs. 45.33 lakhs (Previous year 31 tons, Rs. 20.79 lakhs).

\$ Excluding Inter unit purchase of 3 ton yarn of Rs. 5.35 lakhs.

#### 28) Value of Imported and Indigenous Raw Materials consumed and percentage thereof (Value Rupees in lakhs)

	For the year ended March 31, 2010		For the year ended March 31, 2009	
	Value	%	Value	%
Indigenous	58771.40	97.38	48360.23	97.65
Imported	1583.23	2.62	1165.30	2.35
	<b>60354.63</b>	<b>100.00</b>	<b>49525.53</b>	<b>100.00</b>

#### 29) 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, 2010		For the year ended March 31, 2009	
	Value	%	Value	%
Indigenous	6620.77	95.04	5265.35	93.17
Imported	345.38	4.96	386.16	6.83
	<b>6966.15</b>	<b>100.00</b>	<b>5651.51</b>	<b>100.00</b>

Note: Excluding charged to Machinery Repairs & Capitalised.

#### 30) C.I.F. Value of Imports (Rupees in lakhs)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Raw Materials	1263.85	888.31
Stores and Spare Parts	457.66	331.68
Capital Goods	372.45	1310.50
(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.)

#### 31) Earnings in Foreign Exchange

(Rupees in lakhs)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Export on F.O.B. Basis	30019.01	16941.77

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

Travelling	42.42	19.10
Export Sale Compensation/claims	76.55	83.82
Commission	233.92	219.41
Discount on Export Sales	4.51	7.66
Interest	37.92	94.21
Others	39.23	78.26

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

Amount of Dividend related to 2008-09 remitted in Foreign Exchange (Rs.)#	-	-
Number of Non-Resident Shareholders	98	102
Number of Shares held by such Non-Resident Shareholders	18325	19051

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

#### 34) 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

B. K. Sipani

Partner

Membership No. 88926

New Delhi

Dated: May 14, 2010

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, 2010

(Rupees in lakhs)

Particulars	31.03.2010	31.03.2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
a. Net Profit/(Loss) before Tax	3432.11	(4188.02)
Adjustment for :		
Depreciation	6690.94	5433.65
Interest Paid	5286.51	4319.80
Interest Received	(889.25)	(1025.45)
Dividend from Long Term Investment ( Non trade )	-	(0.01)
Interest on long term Investment	(3.82)	(3.43)
Deferred Government Subsidies	(44.98)	(33.45)
Loss / (Profit) on Sale/Discard of Fixed Assets (Net)	14.93	(13.25)
Unrealised Foreign Exchange Fluctuation (Gain)/Loss (Net)	(178.49)	130.33
Excess Provisions and Unspent Liabilities Written Back	(160.40)	(319.12)
Sundry Balances written back (Net)	(199.13)	(115.96)
Provision for Unusable/Unrecoverable Cenvat Credit	-	20.00
Bad-Debts Written Off	2.16	-
Provision for Doubtful Advances Written Back	-	(11.30)
Provision for Doubtful Debts /Advances	128.96	60.98
<b>b. Operating Profit before working capital changes</b>	<b>14079.54</b>	<b>4254.77</b>
Adjustment for :		
Trade and other Receivables	(1509.52)	(215.76)
Inventories	(8241.14)	4212.61
Grants / Subsidy from Government (Revenue in nature)	(434.76)	(381.18)
Trade Payables	847.41	(986.41)
<b>c. Cash Generated from Operations</b>	<b>4741.53</b>	<b>6884.03</b>
Direct Taxes (paid) / Refund (Net)	(238.30)	(289.52)
<b>Net Cash (used in)/from Operating Activities (A)</b>	<b>4503.23</b>	<b>6594.51</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	60.97	167.74
Dividend from Long Term Investment ( Non trade )	-	0.01
Interest Received	919.29	1024.55
Grants / Subsidy from Central/State Government (Capital in nature)	82.94	13.75
Sale / (Purchase) of Investment (Net)	(2.72)	(4.28)
Purchase of Fixed Assets	(2859.18)	(13152.93)
Movement in Fixed Deposits	469.25	(140.54)
<b>Net Cash used in Investing Activities (B)</b>	<b>(1329.45)</b>	<b>(12091.70)</b>

## Cash Flow Statement For the Year ended March 31, 2010 (Contd.)

(Rupees in lakhs)

Particulars	31.03.2010	31.03.2009
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term Borrowings (Net)	4328.27	1644.92
Long term Borrowings (Net)	(1784.36)	10080.99
Dividend paid and Tax on Distributed Profits	(127.78)	(127.78)
Interest Paid	(5286.58)	(5974.05)
<b>Net cash from Financing Activities (C)</b>	<b>(2870.45)</b>	<b>5624.08</b>
<b>Net increase/(decrease) in cash and cash Equivalents [(A)+(B)+(C)]</b>	<b>303.33</b>	<b>126.89</b>
Cash and Cash Equivalents (Opening Balance)	193.33	66.44
<b>Cash and Cash Equivalents (Closing Balance)*</b>	<b>496.66</b>	<b>193.33</b>
*Break-up as under :		
Cash Balance on Hand (Including Stamps in Hand)	21.94	16.58
Demand Drafts in Hand	54.29	58.75
Cash Credit Account ( Debit Balance)	0.10	-
With Scheduled Banks in Current Accounts	420.33	118.00
<b>Total</b>	<b>496.66</b>	<b>193.33</b>
Other Bank Balances shown under appropriate activities	178.12	664.35
<b>Cash and Bank Balances as per schedule - 10</b>	<b>674.78</b>	<b>857.68</b>

**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*

**B. K. Sipani**

*Partner*

Membership No. 88926

New Delhi

Dated: May 14, 2010

**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*



textiles and industries limited

## SUTLEJ TEXTILES AND INDUSTRIES LIMITED

Regd. Office : Pachpahar Road, Bhawanimandi 326 502

### NOTICE

NOTICE is hereby given that the Fifth 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) at 3.00 p.m on Friday, 6th August, 2010 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, 2010 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. C. S. Nopany who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. S. Varshneya who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S. M. Agarwal 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 & Co. 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 & Co. offer themselves for re-appointment.

#### B. AS 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 provisions of Section 293(1)(d) and other applicable provisions, if any, of Companies Act, 1956 the consent of the company be and is hereby accorded to the Board of Directors for borrowing for and on behalf of the Company, from time to time, moneys for the purposes of the Company either in foreign currency and/or in rupee currency, as may be deemed necessary, amounting in the aggregate to a sum not exceeding Rs.1,250 crore (Rupees One thousand two hundred fifty crore) notwithstanding that the monies so borrowed (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up Share Capital of the Company and its Free Reserves, that is to say, Reserves not set apart for any specific purposes.”

By order of the Board

Place: New Delhi

Dated: 14th May, 2010

D. R. Prabhu

Company Secretary

## 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 05.06.2010 to 11.06.2010 (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 2008-09 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 10.08.2010 to those Members or their mandates:

a) Whose names appear as Beneficial Owners at the end of the business hours on 04.06.2010 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 11.06.2010 after giving effect to valid transfer requests, received on or before 04.06.2010.

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 24.07.2010. 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 24.07.2010. 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 24.07.2010.
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 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 in the Company 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. C. S. Nopany	Mr. J. S. Varshneya	Mr. S.M. Agarwal
Date of birth	19.09.1965	08.07.1929	15.07.1920
Date of appointment	01.06.2006	01.06.2006	22.06.2005
Qualification	CA, Masters Degree in Science of Industrial Administration from Carnegie Mellon University, Pittsburgh, USA	M.Com, LL.B., CAIIB	I.T.S.
Expertise in specific functional areas	He is an eminent industrialist having industrial experience in diverse fields like sugar, tea, shipping, textiles, fertilizers and chemicals, etc. He is past President of Indian Chamber of Commerce.	He is having wide experience in Banking and Finance and vast experience of various industries in finance and commercial activities. He is a senior banking professional. He retired as Chairman-cum-Managing Director of Punjab National Bank.	He is a retired government servant and has been ex-Communication Secretary to the Government of India. He has participated in several national and international seminars and conferences on subject communication in India and abroad. He was honoured with Padmashri in the year 1975.
Directorships held in other companies (excluding foreign companies)	The Oudh Sugar Mills Ltd. SIL Investments Ltd. Hargaon Investments & Trading Co. Ltd. New India Retailing & Investment Ltd. Uttar Pradesh Trading Co. Ltd. Chambal Fertilisers & Chemicals Ltd. Upper Ganges Sugar & Industries Ltd. Gobind Sugar Mills Limited Chambal Infrastructure Ventures Ltd. Yashovardhan Investments & Trading Co. Ltd. Modern DiaGen Services Ltd.	Gujarat Ambuja Exports Ltd. Pasupati Fibres Ltd. Shree Lakshmi Cotsyan Ltd. Indian Toners & Developers Ltd. Universal Starch Chem Allied Ltd. Dominant Offset Limited	Hindustan Times Ltd. Shree Services & Trading Co. Ltd. SIL Investments Ltd. Intelecom Ltd. HTL Investment & Trading Co. Ltd. Usha Flowell Ltd. Britex (India) Ltd. H.T.Interactive Media Properties Ltd. H.T.Vision Ltd.
Memberships/ Chairmanships of Committees of other Indian public companies	<b>Chairman</b> Shareholders'/Investors Grievance Committee SIL Investments Ltd. <b>Member</b> Investors' Grievance Committee (i) Upper Ganges Sugar and Industries Ltd. (ii) Gobind Sugar Mills Ltd.	<b>Chairman</b> Audit Committee Universal Starch Chem Allied Ltd <b>Member</b> Audit Committee Gujarat Ambuja Exports Ltd.	<b>Member</b> (i) Audit Committee SIL Investments Ltd. (ii) Shareholders'/Investors' Grievance Committee SIL Investments Ltd.
Number of Shares held in the company	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

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 change of their address and bank particulars to the RTA in case the shares are held in physical form; And
- 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**

Place: New Delhi  
Dated: 14th May, 2010

**D. R. Prabhu**  
*Company Secretary*

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

### Item No. 8

Under Section 231(1)(d) of the Companies Act, 1956, the Board can not borrow (apart from temporary loans obtained from the company's bankers in the ordinary course of business) beyond the aggregate of the paid up capital of the company and its free reserves unless authorized by the members by way of an ordinary resolution. At the extra ordinary general meeting of the company held on 10th December, 2005, the members empowered the Board of Directors to borrow the sums not exceeding Rs. 1000 crore (Rupees One Thousand crore only).

In view of the expanding activities of the company it is considered necessary to approach the members to revise the limit so as to authorize the Board to borrow upto Rs. 1250 Crore (Rupees One thousand Two hundred Fifty Crore only) apart from the temporary loans obtained from the company's bankers in the ordinary course of business.

Accordingly, the Directors recommend the resolution for approval of the Shareholders.

None of the Directors of the Company is concerned or interested in the resolution.







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, 2010 and at any adjournment thereof.

Affix Re. 1/- Revenue Stamp
--------------------------------------

Folio No.....

Signed this..... day of.....2010

**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** (From 15th May, 2009)  
**Mr. Rajiv K. Podar** (From 21st July, 2009)  
**Mr. Chaturbhuj Singhania** -  
Wholetime Director (From 21st July, 2009)

## 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  
Bank of Maharashtra  
HDFC Bank Limited  
IDBI Bank Limited  
State Bank of Bikaner and Jaipur  
State Bank of India  
State Bank of Hyderabad  
The Bank of Rajasthan Limited  
The Jammu & Kashmir Bank Limited  
United Bank of India  
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

## 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.

Sutlej  
textiles and industries limited