Sustaining growth and resilience

Sutlej Textiles and Industries Limited | Annual Report 2013-14

sutlej
textiles and industries limited

Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

CONTENTS

At Sutlej, resilience is derived from the ability to understand customer needs, create differentiated products, invest in enduring relationships, reduce costs and enhance quality – across geographies, downstream users and industry cycles.

The result is reflected in our financials. A 12% revenue growth and a 71% profit growth in 2013-14, considerably larger than a number of sectoral peers.

Sutlej **at a glance**

Legacy

The Company was incorporated in 2005 out of a corporate restructuring exercise in which the textiles division of Sutlej Industries Ltd (SIL) and Damanganga Processors Ltd were demerged to create a single company. A flagship unit of the multi-business conglomerate promoted by Dr. K. K. Birla, Sutlej is among India's leading textile producers with a value-chain extending from yarns and fabrics to home textiles.

Presence

The Company is headquartered in Mumbai with four manufacturing units located in Jammu and Kashmir, Rajasthan and Gujarat.

The Company exports products to Australia, Argentina, Bangladesh, Belgium, Bahrain, Botswana, Brazil, Costa Rica, Canada, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Germany, Greece, Hong Kong, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mauritius, Mexico, Morocco, New Zealand, Oman, Pakistan, Panama, Peru, the Philippines, Poland, Portugal, Russia, Saudi Arabia, Singapore, Syria, Sri Lanka, South Africa, South Korea, Taiwan, Tanzania, the Netherlands, Tunisia, Turkey, Thailand, the UAE, the US, the UK, Venezuela and Vietnam.

Certifications

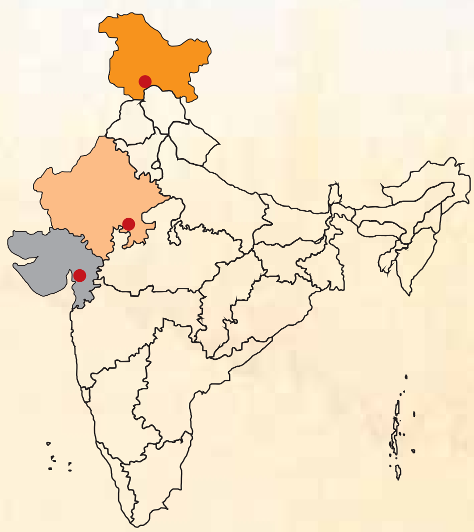
The Company possesses a Trading House Certificate (conferred by the Government of India) with IS/ISO-9001:2008 quality certification and Usterised License (conferred by Uster, Switzerland). Further the Company's products has been certified Organic Content Standard (OCS-IN), Global Organic Textiles Standard (GOTS-IN) and Oeko-Tex Standard 100 wherein the dyed yarn and cotton mélange yarn meet stringent human-ecological requirements.

Listing

The Company's market capitalisation stood around ₹360 crore with a promoter's holding of 63.83% as on 31st March, 2014.

Manufacturing units

Chenab Textile Mills	**Location:** Kathua (Jammu and Kashmir) **Product:** Cotton mélange yarns and man-made fibre yarns **Capacity:** 1,71,288 spindles
Rajasthan Textiles Mills	**Location:** Bhawanimandi (Rajasthan) **Product:** Cotton yarns and man-made fibre yarns **Capacity:** 90,448 spindles; 336 rotors
Damanganga Fabrics	**Location:** Daheli (Gujarat) **Product:** Fabrics and processed fabrics **Capacity:** 4.9 million metres (fabric) (60 looms) and 20 million metres (processed fabric) per annum
Damanganga Home Textiles	**Location:** Daheli (Gujarat) **Product:** Home textiles furnishing **Capacity:** 2.5 million metres per annum (32 shuttle-less looms)



2013-14 in retrospect

500 bps
ROCE growth
23% in 2012-13 to 28% in 2013-14
The result of optimum performance

600 bps
ROE growth
22% in 2012-13 to 28% in 2013-14
The result of accruals-driven investment in the business

71%
EPS growth
₹47 in 2012-13 to ₹80 in 2013-14
The result of rising profits on an unchanged equity base

0.6
Debt-equity ratio as on 31st March, 2014
1.0 as on 31st March, 2013
The result of enhanced accruals and debt optimisation

IND A+
with 'Stable Outlook'
Credit rating of the Company improved from CARE BBB in 2012-13 to IND A+ with 'Stable Outlook' by India Ratings & Research Pvt. Ltd. (Fitch Group)
The result of sustained growth and resilience

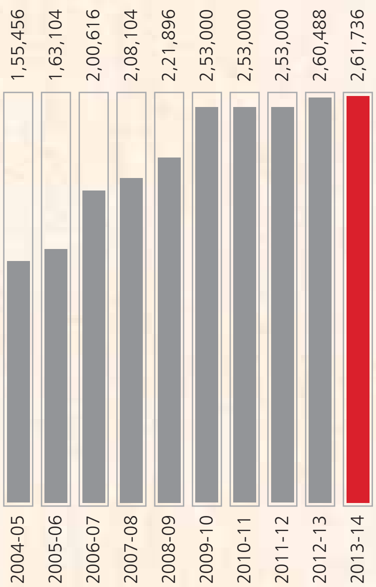
12%
Revenue growth
₹1,680.24 crore in 2012-13 to ₹1,880.62 crore in 2013-14
The result of higher realisations and higher volume sales

30%
EBIDTA growth
₹234.31 crore in 2012-13 to ₹305.62 crore in 2013-14
The result of value-addition and cost optimisation

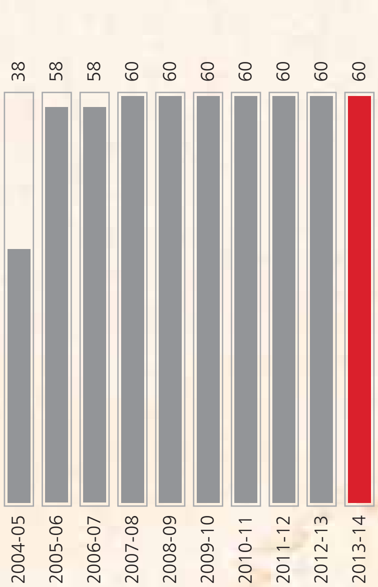
71%
Net profit growth
₹76.97 crore in 2012-13 to ₹131.38 crore in 2013-14
The result of a margins-accretive business model

Consistent capacity **growth**

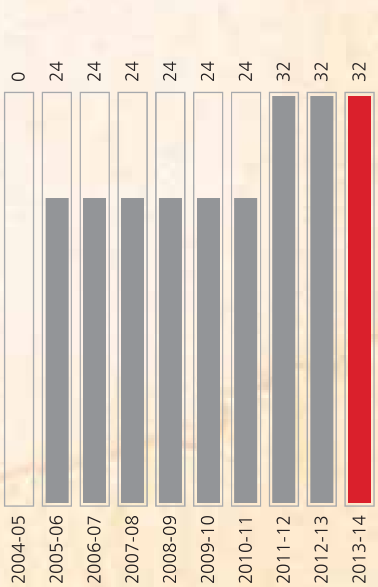
Number of spindles



Number of looms (fabrics)



Number of shuttle-less looms (home textiles furnishing)



1,36,840
Spindles added in the decade leading to 2013-14

336
Number of rotors as on 31st March, 2014

69%
Spindleage (%) less than a decade old

4.9
Fabric capacity (million metres per annum)

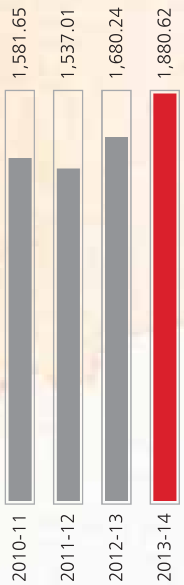
20
Processed fabric capacity (million metres per annum)

2.5
Home textiles capacity (million metres per annum)

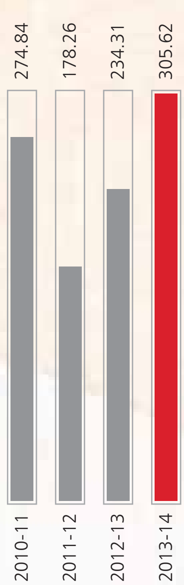
₹ 960 crore
Gross block addition in the decade leading to 2013-14

Key performance **highlights**

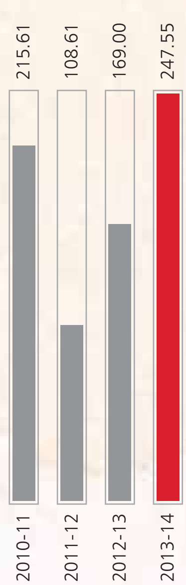
Net revenue from operations (₹ crore)



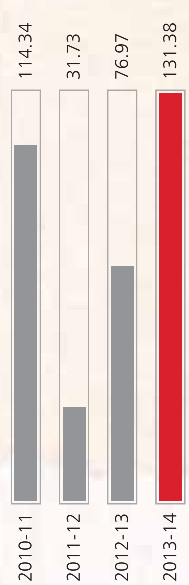
EBIDTA (₹ crore)



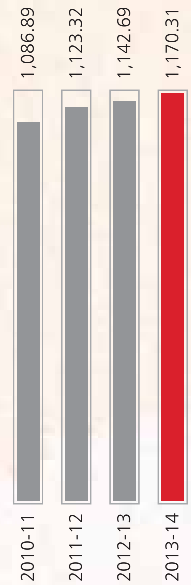
Cash profit/PBDT (₹ crore)



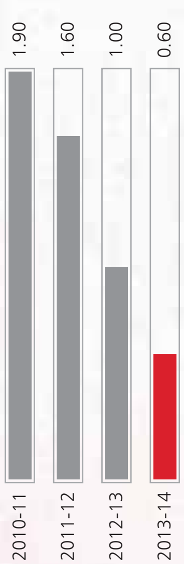
Profit after tax (₹ crore)



Gross block (₹ crore)



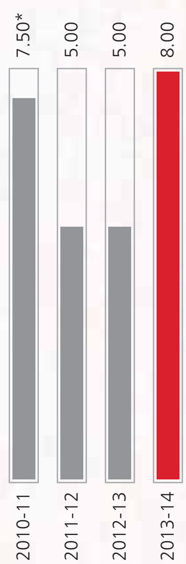
Debt-equity ratio



Earnings per share* (₹)

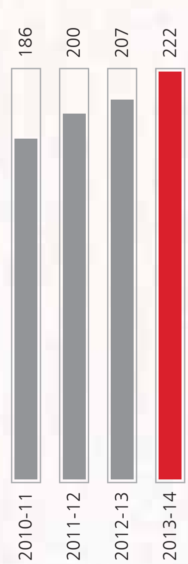
*Adjusted figure post incorporating bonus effect of 1:2 in 2013-14.

Dividend per share (₹)

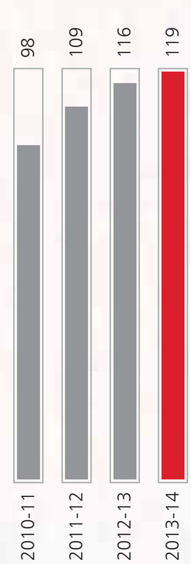


*Includes special dividend of ₹2.50 per share

Average yarn realisations (₹/kg)

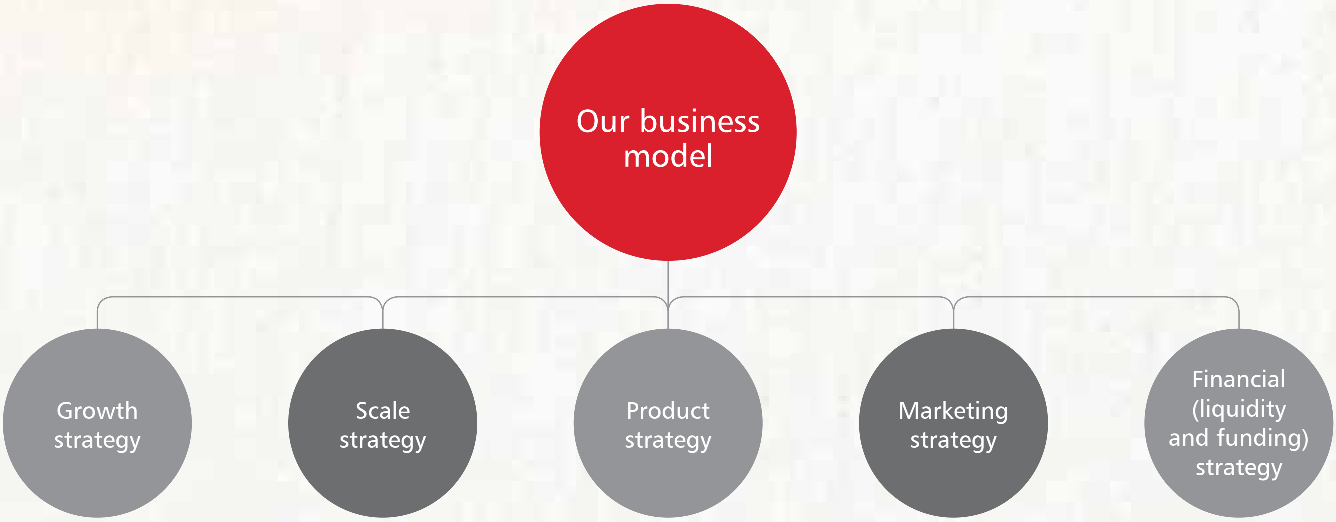


Average fabric realisations (₹/metre)



Business model

Results through resilience. **Countering industry cyclicality**



The Company enhanced its spun-dyed yarn capacity by 110% over the decade **leading to an average daily yarn production of over 199 tonnes.**

Growth strategy

- As a forward-looking organisation, Sutlej has consistently invested in cutting-edge assets and technology upgradation, reflected in enhanced automation (material handling to processing) and related efficiencies;
- Over the decade leading to 2013-14, the Company has invested around ₹960 crore in expansion, modernisation and cutting-edge technology; these assets constituted 82% of the Company's gross block as on 31st March, 2014

Scale strategy

- Sutlej is India's largest producer of spun-dyed yarns;
- The Company enhanced its spun-dyed yarn capacity by 110% over the decade leading to an average daily yarn production of over 199 tonnes, translating into economies-of-scale and the ability to service requirements on demand;
- The Company is expanding its capacity by 30,672 spindles (to be commissioned by October 2014) with the objective to manufacture specialised cotton mélange yarn and increasing its total capacity from 2,61,736 spindles to 2,92,408 spindles.

Product strategy

- Sutlej has extended from being a standalone grey yarn manufacture to a one-stop-shop for all kinds of spun yarn from natural or manmade fibres across any blend - grey, dyed or mixture in the count range of 6^{s}- 50^{s};
- Sutlej possesses one of the largest product portfolios including spun-dyed and mélange yarns;
- Sutlej is an integrated textile manufacturer with a presence across the value chain – from yarn to fabric to home textiles.

Marketing strategy

- Sutlej has invested in deepening relationships with marquee corporate customers and the development of multiple products across multiple grades;
- The Company selects to market products in the early stage of their life cycle, helping strengthen the business of its downstream customers;
- The Company enjoys enduring relationships with an extensive network of agents and dealers in India and abroad;
- The Company enjoys a marketing presence in around 60 countries; exports accounted for 25% of 2013-14 revenues compared to 20% in 2012-13.

Financial strategy

- Over the years, Sutlej has developed a reputation centred around credibility; on account of its on-time payments to lenders and suppliers;
- A conservative debt policy and aggressive accruals strategy has strengthened the Company's gearing to 0.6 in 2013-14, making it possible to borrow at lower costs;
- Sutlej leverages its direct procurement of inputs (raw materials and equipment), product consistency and soundness of its Balance Sheet to negotiate effectively with vendors.

The Company enjoys enduring relationships with an extensive network of agents and dealers in India and abroad.

The power of **resilience**

High interest rate environment. **But Sutlej reported a lower borrowing cost.**

The Company's fiscal discipline is reflected in the fact that it has never defaulted on repayments of principal or interest, **strengthening its credibility among bankers.**

At Sutlej, the objective is to stretch every resource and every rupee.

One of the ways in which we have successfully lowered cost is through a growing reliance on accruals over debt, helping deleverage our Balance Sheet and use the most cost-competitive funds to grow our business. The result of this Balance Sheet strengthening measure is that we have been able to lower borrowing costs in a high interest rate environment.

The Company's fiscal discipline is reflected in the fact that it has never defaulted on repayments of principal or interest, strengthening its credibility among bankers. The Company's credit rating improved from CARE BBB to IND A+ with 'Stable Outlook' for long-term borrowings and from CARE A3+ to IND A1 for short-term borrowings.

Going ahead, the Company intends to substitute the use of working capital loans with other low-cost structured instruments, helping optimise working capital costs in a working capital-driven business.

In 2013-14, the Company moderated its working capital debt cost by 50 bps and term loan cost by 70 bps, the impact of which will be reflected from 2014-15 onwards.

The power of **resilience**

Diverse strategies are used by textile players. **At Sutlej, 'consolidation + conservation' has worked well.**

Even as the Company expects to mobilise additional debt for its expansion, it will repay a significant amount of debt as well, **strengthening its financial structure.**

At Sutlej, sustainability is derived from the ability to protect the Company from industry downturns and capitalise on sectoral upturns.

At Sutlej, we selected to moderate major capital expansions in the last four years and consolidate our previous expansions. There was a stronger focus on enhancing capacity utilisation. The result was that not only our revenues grew but also our profit deployment towards debt repayment increased, strengthening the Company's business model.

Sutlej has responded to industry downturn with selective expansions like:

- The Company is adding additional 30,672 spindles dedicated to value-added cotton mélange yarns, a margins-accretive product segment;
- The Company has budgeted internal accruals worth ₹44 crore for an expansion project of 30,672 spindles entailing a capital expenditure of ₹175 crore;
- Sutlej expects to commission a ₹31 crore modernisation programme (term loan of ₹20 crore and balance through internal accruals) during 2014-15. Further, Sutlej will undertake modernisation programmes amounting to ₹66 crore in 2014-15, the financing of which will be through a mix of term loans and internal accruals. Over 26% of its investments in the three years leading to 2013-14 were funded by internal accruals;
- During the financial year under review, Sutlej achieved financial closure following its expansion, underlining bankers' confidence in the Company;

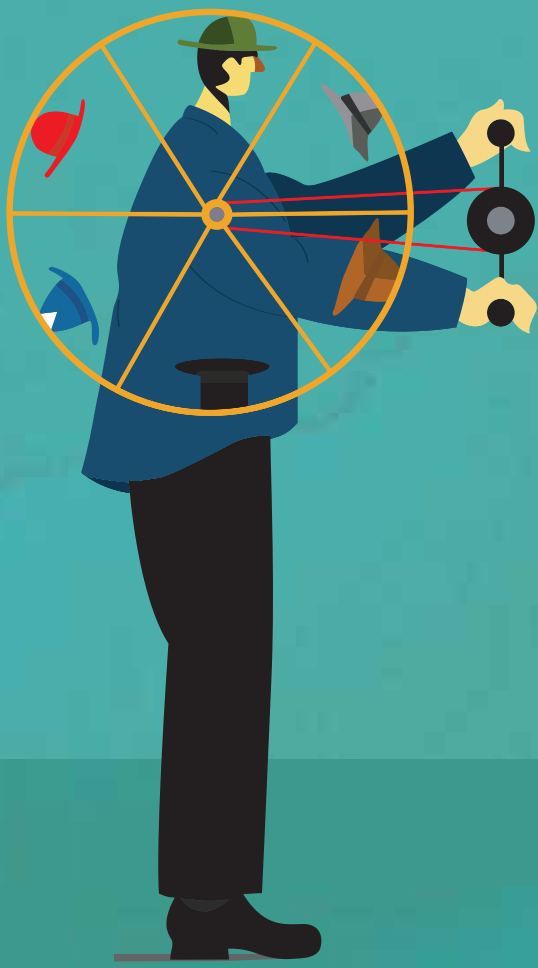
The Company's decision to repay ₹249 crore in debt in the last three years has helped save ₹20 crore in annual interest outflow. Repayments from internal accruals are expected to increase from ₹85 crore repaid in 2013-14 to ₹93 crore in 2014-15;

- Even as the Company expects to mobilise additional debt for its expansion, it will repay a significant amont of debt as well, strengthening its financial structure.

The Company strengthened its gearing from a peak of 3.5, four years ago to 0.6 in 2013-14, derived from a focused product approach on the one hand and disciplined fiscal strategy on the other.

The power of **resilience**

Most select to buy different products from different stops. **Sutlej provides diverse yarns at one stop.**



The Company's ability to manufacture different varieties is derived from its production flexibility. **This ability is synchronised with changes in schedules and quantities marked by negligible batch changeover.**

At Sutlej, we have emerged as a one-stop-shop addressing the comprehensive needs of its yarn customers.

- The Company made a successful transition from predominant cotton yarn manufacture to a one-stop-shop for all yarn needs;
- The Company strengthened its capability to manufacture any yarn shade on one hand and diverse fibres on the other;
- This competence has been reinforced by world-class equipments, laboratories and professionals. The Company possesses state-of-the-art development centres facilitating new product development. During the year under report, the Company also established a synthetic yarn development centre in addition to an existing mélange development centre;
- The Company enhanced capacity utilisation in its yarn division from 94.41% to 95.52% during the year under review, leading to a 2.63% higher output;
- The Company's ability to manufacture different varieties is derived from its production flexibility. This ability is synchronised with changes in schedules and quantities marked by negligible batch changeover.

Result: Over the decade, the Company's yarn capacity increased by 110% - from 1,24,896 spindles in 2003-04 to 2,61,736 spindles in 2013-14 while 30,672 new spindles (12% of the spinning capacity) will be added in 2014-15, enhancing economies-of-scale.

Sutlej is among few Indian companies to have developed modal, lycra, tencel, coolmax and other value-added yarns.

The power of **resilience**

Most focused on material arbitrage. **Sutlej leveraged financial economies instead.**

Sutlej extended from a focus on profit growth to cash flow maximisation, **which helped moderate working capital outlay and debt.**

At Sutlej, we reinforced the benefits of product innovation with financial control through various initiatives.

- Sutlej grew its gross block continuously – ₹363 crore in 2003-04 to ₹1,170 crore in 2013-14 - allowing it to provide material virtually on demand;
- Sutlej extended from a focus on profit growth to cash flow maximisation, which helped moderate working capital outlay and debt, utilising only 61% of the working capital limits in 2013-14;
- Sutlej sourced raw materials directly from reputed manufacturers; substituted raw materials with lower cost alternatives without compromising quality.

The result of these initiatives was a 12% increase in revenues in 2013-14.

The Company increased its average daily yarn production by 2.63% over the previous year to reach 199 tonnes; consequently EBIDTA margin improved by 200 bps to 16%.

From the Chairman's **desk**

"Sutlej's strategic stability and response speed resulted in 2013-14 turning out to be one of **our finest years ever.**"

Dear Shareholders,

The financial year 2013-14 was perhaps one of the most challenging years for the Indian economy, which expanded at a rate of 4.7 per cent, a shade better than the 4.5 per cent growth during 2012-13. This is the second consecutive year that the economy has recorded sub-five per cent growth. Manufacturing shrank by 0.7 per cent in 2013-14 against 1.1 percent growth in the previous financial year.

The current account deficit (CAD) narrowed sharply to 1.7 per cent the GDP in FY 2013-14 primarily on account of a decline in gold imports, although other non-oil imports also contracted with the weakening of domestic demand both for consumption and investment. The fiscal deficit was reined at 4.47 per cent of the GDP in 2013-14 which was 4.9 per cent in 2012-13.

The decisive election result brings in a new government with high expectations of ushering in an era of economic growth and good governance to create a conducive environment for rapid economic development. Comprehensive policy actions together with an improved sentiment should help in the revival of aggregate demand as well as new investments during the course of the current year.

Risks in the form of sub-normal/delayed monsoon on account of possible 'El Nino' effects, geo-political tensions and their impact on fuel prices and uncertainties surrounding the setting of administered prices appear at this stage to be balanced by the possibility of stronger governmental action on food supply and better fiscal consolidation as well as the pass through of recent exchange rate appreciation.

On the textile front, the Indian Textile industry, second largest in the world after China, is expected to grow to USD 220 billion by year 2020. As against growth of 5 per cent in global textile exports from USD 738 billion in 2012 to USD 773 in 2013, India achieved a growth of 21 per cent in 2013 from USD 33 billion in 2012 to USD 40 billion in 2013. However, India's share in world trade is only 5.2 per cent as against nearly 36 per cent share of China at USD 274 billion in 2013. With a strong support from the government and balanced exchange rates, the future of this industry looks promising, buoyed by both strong domestic consumption as well as export demand.

Our performance

At Sutlej, the year 2013-14 was characterised by the highest ever capacity utilisation and production, stronger efficiencies and higher average realisations. The result is that the Company reported a 12 per cent increase in revenues to reach ₹1,880.62 crore and 71 per cent increase in profit after tax to ₹131.38 crore in 2013-14. It is indeed satisfying that this performance was achieved during a phase marked by decelerated GDP growth, rising inflation and fluctuating exchange rates.

India's spinning industry is characterised by cyclicality, fragmentation and high capital intensity. The Indian textile industry has been bogged down by several challenges in the recent past including fluctuating prices of raw-materials and finished goods, volatile exchange rates and infrastructural bottlenecks. In order to overcome these challenges, Sutlej followed a multi-pronged strategy.

One, a volume-led business, success is derived from economies of scale coupled with efficiency. Over the years, Sutlej has invested consistently in its production assets to emerge as India's largest spun-dyed yarn manufacturer (2,61,736 spindles) of value-added and specialty yarns across multiple production lines. Investments in capital assets have been mediated around efficiency enhancement and power savings. Sutlej has been managing to moderate its power costs following the replacement of legacy power equipment with modern energy-efficient alternatives.

Two, a business marked by diverse consumer needs an ever changing customer preferences, growth is derived from the ability to address a wide range of customer requirements. At Sutlej, we consistently widened our product mix to manufacture yarn of any fibre - synthetic, natural or blended, in grey, dyed or mixture across counts, thereby positioning ourselves as a one-stop-shop for most spun yarns. The Company's extensive marketing network (India and abroad) worked closely with global and domestic customers for product development and responded to market trends in real time.

Three, optimal mix of domestic and global presence is imperative to minimise concentration risk. Sutlej now has an international presence in around 60 countries which accounts for approximately 25 per cent of our total revenues in 2013-14. The effectiveness of the Company's marketing initiatives reflected in the enduring relationships with marquee customers with most of the clients being longstanding ones.

Four, a business marked by cyclicality of raw material prices, it is essential to procure the raw materials at the most competitive prices. Sutlej successfully moderated raw material costs through a combination of vigilant monitoring and timely procurements. The Company has been focusing on research-led development of raw material substitutes and optimising costs.

Five, in any textile company, employees account for the second largest cost element. At Sutlej, our focus has been honing the skills of our employees across all levels. Subsequently, substantial investments were made in training to enhance productivity and efficiency.

Road ahead

The global recovery is gaining traction led by the strengthening of the US and UK economy. However, global recovery is still uneven and remains subdued in the Eurozone and Japan. Uncertainty continues to surround the prospects for some emerging economies, with domestic fragilities getting steadily accentuated. Structural constraints continue to impede growth prospects in emerging market economies (EMEs), with concerns about the slowdown in China as its economy re-balances. Financial markets across the world still remain vulnerable to news about the impending normalisation of interest rates in some developed economies, even as some valuations appear frothy.

Nevertheless, the Company expects to sustain growth from within India by paying close attention to changing lifestyles, cashing in on rising incomes and manufacturing products which are at par with the best in the world. Now with international economies reviving, the Company expects increased export demand. The Company expects to enhance the production of specialty and value-added yarns following capacity expansion, catalysing growth in terms of revenues and profitability. The Company expects to leverage the liquidity with it to drive expansion (organic and inorganic) and maintain its position of sectoral superiority.

I am optimistic that we will continue to scale new heights and I would like to thank all the stakeholders for their continuing support.

With best regards,

C.S. Nopany
Chairman

> Over the years, Sutlej has invested consistently in its production assets to emerge as India's largest **spun-dyed yarn manufacturer of value-added and specialty yarns across multiple production lines.**

Business segment **review**

Yarn

Overview

Sutlej is one of India's largest exporters and manufacturers of value-added synthetic and blended spun dyed yarn. The Company also manufactures cotton and cotton-blended dyed and mélange yarn. It is also among the few exclusive spinners of specialty yarns like modal, lyocell, lycra and tencel.

	2013-14	2012-13
Net sales (₹ crore)	1,789.14	1,587.88
EBIDTA (₹ crore)	302.01	234.19
Profit before tax (₹ crore)	199.22	124.25
Installed capacity (spindles)	2,61,736	2,60,488
Capacity utilisation (%)	95.52	94.41
Contribution to total revenue (%)	93.92	93.21

The Company is capable of manufacturing almost every grade across different yarn varieties (cotton, synthetic and blended) comprising single-ply, double-ply and multiply grindle, roving grindle, core spun, slub and other fancy yarns. It is also one of the few fibre-dyed yarn manufacturers with the ability to provide virtually any shade.

As a result, the Company has emerged as a one-stop-shop for all types of spun yarns.

Products offered	**Regular qualities:** ■ 100% polyester ■ 100% viscose ■ 100% acrylic ■ 100% modal and tencel ■ 100% cotton mélange and cone-dyed ■ Polyester/Viscose ■ Polyester/Cotton ■ Acrylic/Cotton ■ Polyester/Acrylic ■ Modal/Cotton ■ Modal/Polyester ■ Viscose/Cotton ■ Bamboo/Cotton among others.
	Premium qualities: ■ Micro-polyester (soft touch) ■ Micro-acrylic (for chenille) ■ Micro-modal (super-soft silky) ■ Hamel covered yarns (stretch) ■ Low piling yarns ■ Carpet backing and pile yarns ■ Yarns on ready-to-dye package ■ Cationic dyeable yarns ■ Tencel ■ Yarns from soy milk fibre ■ 100% bamboo
Installed capacity	■ 1,71,288 spindles at Chenab Textile Mills ■ 90,448 spindles at Rajasthan Textile Mills
Spinning units	■ Chenab Textile Mills in Kathua, Jammu and Kashmir ■ Rajasthan Textile Mills in Bhawanimandi, Rajasthan

Competencies

Raw materials: The Company procures raw materials from select manufacturers. An optimum raw material inventory is maintained at all times.

State-of-the-art: The Company invested ₹830 crore in cutting-edge technology across 10 years; nearly 69% of its spindleage is less than a decade old.

Quality: The Company's manufacturing units are IS/ISO 9001:2008-certified. These units also comprise quality testing equipment (HVI spectrum, AFIS Pro UT-5, Tensojet and Classimat, among others). Uster Technologies AG Switzerland extended to the Company the rights to use the 'Usterised' trademark following a detailed examination of its quality assurance systems.

Customer relationship: The Company evolved from a vendor to a partner to a solutions provider with the ability to convert ongoing trends into tangible products that address customer needs with speed and surety.

Distribution network: The Company's wide network comprises branches/ depots and agents located across India. The Company also possesses a network of export agents, which helps track in real time demand and emerging trends, across major markets.

Brand: The Company is one of the largest Indian exporters of polyester-viscose blended yarn. Yarn exports accounted for 22.62% of the Company's revenues in 2013-14. The Company exported yarn to around 45 countries including Australia, Argentina, Bangladesh, Belgium, Botswana, Brazil, Canada, Chile, Colombia, the Dominican Republic, Eritrea, Egypt, Germany, Greece, Hong Kong, Iran Israel, Italy, Jordan, Lebanon, Mauritius, Mexico, Morocco, Pakistan, the Philippines, Poland, Portugal, Syria, Sri Lanka, South Africa, South Korea, Tanzania, Thailand, Turkey, the US and the UK, among others.

Licensed: The Company is among the few privileged Indian licensed producers of yarn varieties through the consumption of modal, a specialty fibre from Lenzing, Austria.

Review, 2013-14

- Average yarns realisations increased from ₹207 per kg in 2012-13 to ₹222 per kg;
- Yarn volumes grew by 2.63% from 69.71 million kg in 2012-13 to 71.54 million kg;
- Average spindle utilisation was 95.52% as compared to 94.41% in the previous year 2012-13;
- Operational efficiencies strengthened, increasing EBIDTA margins from 15% in 2012-13 to 17% in 2013-14;
- Yarn exports increased by 47.25% and stood at 19.53 million kg, valued at ₹425.43 crore. Domestic volumes stood at 60.14 million kg in 2013-14; domestic realisations improved by 8% to ₹223 per kg;
- Yarn was exported to new markets like Australia, Mauritius, Jordan, among others taking the number of export locations to around 45 countries;
- The Company's state-of-the-art mélange yarn development centre facilitated new product development; the Company also established a synthetic yarn development centre during the year.

Roadmap, 2014-15

The Company is in the process of adding 30,672 spindles (expected to be operational in October 2014) to produce value-added cotton mélange yarns. The Company intends to capitalise on the growing opportunity resulting from this expansion.

The Company invested ₹830 crore in cutting-edge technology across 10 years; **nearly 69% of its spindleage is less than a decade old.**

Business segment **review**

2

Fabrics

Overview

The Company embarked on fabric manufacture in 2000-01 as an initiative directed towards forward integration. The Company's fabric unit, Damanganga Fabrics, is located in Bhilad (Gujarat) and equipped with cutting-edge equipment and a skilled workforce, translating into the manufacture of quality fabric. The Company's in-house design studio conducts continous research regarding latest trends, cuts, shapes and colours.

	2013-14	2012-13
Net sales (₹ crore)	77.10	75.54
EBIDTA (₹ crore)	1.88	(0.82)
Profit before tax (₹ crore)	(11.88)	(13.60)
Installed capacity (million metres p.a)	4.90	4.90
Capacity utilisation (%)	79.35	81.34
Contribution to total revenue (%)	4.05	4.43

Products offered	**Premium blends:** ■ Polyviscose ■ Polyviscose lycra ■ Poly wool ■ Pure wool ■ Poly wool lycra
	Exotic blends: ■ Poly modal ■ Poly tencel ■ Polyviscose linen ■ Polyviscose cotton ■ Poly silk ■ Linen cotton ■ Pure linen
	Finishes: ■ Advanced dual action teflon ■ Repel teflon ■ Release teflon ■ Teflon HPR ■ Ultra release teflon ■ Enzyme wash ■ Wrinkle-free ■ Aroma finish ■ Anti-microbial ■ Ice touch ■ Chemical stretch ■ Temperature control ■ Insect repellent ■ UV-resistant ■ Malodour-resistant
Installed capacity	■ 4.9 million metres for woven fabrics ■ 20 million metres for processed fabrics
Fabric unit	Damanganga unit at Daheli, Gujarat

Competencies

Product range: The division possesses a diversified product portfolio, de-risking it from an overt dependence on a single product. The division also possesses the capability to innovate a variety of shades, colours, blends, texture and finishes. The Company is among the few to produce specialised fabric like teflon coated, insect-repellent, malodour resistant, polywool, lycra, polywool lycra, teflon finish, WR fabrics, 100% wool fabrics.

Quality: The Company controlled quality variations through detailed production inspections and empowerment to factory teams to initiate corrective measures in the event of deviations.

Review, 2013-14

- The division achieved sales volume of 5.09 million metres;
- Average realisations improved from ₹116 per metre in 2012-13 to ₹119 per metre in 2013-14.

Roadmap, 2014-15

Going ahead, the division intends to increase the contribution of fabrics business to the total revenue, through the introduction of new varieties.

> The division also possesses the capability to innovate a variety of shades, colours, blends, texture and finishes. **The Company is among the few to produce specialised fabric**.

Business segment **review**

Home textiles

Overview

The Company entered the home textiles segment in 2006 through Damanganga Home Textiles. The plant is equipped with state-of-the-art equipment to produce furnishing fabrics and made-ups. This segment represents a value-added extension of the Company's product mix. It also possesses a world-class design facility and outsources cutting-edge international designs.

The Company ventured into the home textiles segment to address a growing market of premium home textiles. The division is equipped with a world-class design facility comprising cutting-edge German design software. The facilities also comprise a full-fledged testing laboratory with the latest equipment for testing yarns and fabrics. The home textiles division accounted for 2.03% of the Company's revenues in 2013-14.

	2013-14	2012-13
Net sales (₹ crore)	38.77	33.79
EBIDTA (₹ crore)	1.99	2.73
Profit before tax (₹ crore)	(5.04)	(3.75)
Installed capacity (million metres per annum)	2.5	2.5
Capacity utilisation (%)	80.54	77.36
Contribution to total revenue (%)	2.03	1.98

Review, 2013-14

- Home textiles sales grew by 14.74% from ₹33.79 crore in 2012-13 to ₹38.77 crore;
- Exports increased by 20.13%; export volumes stood at 0.7 million metres aggregating ₹14.74 crore;
- Exports went to the UK, the US, the Middle East, Canada and South Africa among others;
- New designs were introduced to cater to a widening market;
- Capacity utilisation increased from 77.36% in 2012-13 to 80.54% in 2013-14.

Roadmap, 2014-15

The Company intends to enhance the capacity of the home textiles furnishing segment in due course of time.

Products offered	Product range comprises furnishing fabrics and made-ups of jacquard and dobby weaves using cotton, polyester, rayon blends, chenille, flax, silk, jute, linen and other blends.
	■ Curtain fabric ■ Upholstery fabric for sofa sets/seats and seat covers ■ Fabrics for automobile seats ■ Mattress covers ■ Readymade curtains ■ Shams ■ Duvets ■ Throws ■ Wall hangings and decorations ■ Bed spreads and bed covers ■ Quilts and quilting materials ■ Chenille items ■ Baby bedding
	Finishes: ■ Fire-retardant ■ Bio-finish ■ Aroma finish ■ Other add-on finishes as per the buyer's requirements
Installed capacity	2.5 million metres per annum
Home textile unit	Damanganga unit at Daheli, Gujarat

De-risking at **Sutlej**

A downturn in the Indian textiles industry can affect the Company's growth

1

Sutlej's response to industry risks:

- The global textile and apparel trade is expected to increase from USD 480 billion in 2005 to USD 805 billion in 2015 representing fair de-risking;
- India's apparel industry is expected to grow at a 13% CAGR from ₹2,026 billion in FY12 to ₹2,746 billion in FY16;
- Indian apparel exports will be driven by an increasing shift of the apparel industry from developed economies (traditional destinations) to non-traditional markets owing to abundant raw material availability, integrated industrial set-ups and superior design capabilities.

Result: The Indian textile and clothing industry is expected to strengthen, owing to stronger consumption.

In a competitive industry, strategic errors could impact market share and profitability

2

Sutlej's response to strategic risks:

- The Company focused on value-addition as opposed to mere capacity addition, positioning itself among the few companies in India to produce an increasing output of specialty dyed yarns, boosting profitability;
- It has emerged among the largest exporters of value-added synthetic and blended spun dyed yarn in India;
- It enjoys a presence across around 60 countries with a proposed entry into new geographies to cater to larger consumer requirements;
- It enjoys longstanding relationships with marquee clients, whereby most of the clients are repeat in nature.

Result: 240 bps increase in net margins to 7% in 2013-14 validates the Company's strategic direction.

Rising production costs can affect competitiveness

3

Sutlej's response to increasing costs risks:

- Sutlej focuses on economies-of-scale leading to increased margins. The Company is India's largest spun-dyed yarn manufacturer (aggregate spindle capacity of 261,736 units). The Company is adding 30,672 spindles in 2014-15;
- The Company has invested in cutting-edge technology, capacity and cost control, moderating production costs;
- The major raw materials consumed for the manufacture of yarn comprise polyester, viscose, acrylic and cotton. The Company's centralised purchase department demonstrated fiscal prudence by providing superior discounts against larger quantities;
- The Company's robust earnings were invested in debt reduction, enabling it to negotiate competitive interest rates;
- The Company's cutting-edge equipment and procedural discipline strengthened its input-output ratio.

Result: The Company reported an attractive ROE of 28% as against 22% in 2012-13, even as input costs increased.

Any quality non-conformance could affect the brand and customer loyalty

4

Sutlej's response to quality risks:

- Extensive checks were conducted on raw materials, materials-in-process and finished products. The Company's quality commitment was reinforced via globally-benchmarked quality assurance protocols;
- The Company possesses state-of-the-art, high speed equipment; the proportion of equipment less than a decade old comprised around 69% of total spindles;
- The Company was certified for IS/ ISO 9001:2008 across all units;
- The Company's units were equipped with advanced quality-testing equipment, comprising HVI spectrum, AFIS Pro UT-5, Tensojet and Classimat among others;
- Uster Technologies AG Switzerland granted the Company the right to use the 'Usterised' trademark following a detailed examination of its quality assurance systems.

Result: The Company's negligible rejection rate validated its strong product quality.

In a business where exports constituted 25% of revenues, any adverse currency fluctuation can affect profitability

5

Sutlej's response to foreign currency fluctuation risks:

- The Company possesses a competent in-house forex team to track global currency movements;
- The Company enjoys a natural hedge through the import of raw materials and export of finished products to around 60 countries;
- A majority of the Company's exports are pre-sold in dollar terms, protecting it from rupee fluctuations.

Result: Foreign currency loss on account of a depreciating INR stood at ₹1.98 crore in 2013-14 against a gain of ₹2.40 crore in the previous year.

High cost debt could affect expansion plans

6

Sutlej's response to financial risks:

- The Company has never defaulted on its interest and principal servicing obligations;
- The Company's credit rating was upgraded to IND A+ from CARE BBB with 'stable outlook' for long-term bank borrowings and to IND A1 from CARE A3+ for short-term bank borrowings;
- The Company's prudent debt-equity ratio of 0.6 showcased a strong Balance Sheet.

Result: The Company's credibility facilitated the additional debt mobilisation of ₹131 crore at a rate lower than the industry benchmark.

Statutory **section**

Directors' Report

Dear Shareholders

1. Your Directors are pleased to present their Ninth Annual Report on the business and operations of your Company for the year ended 31st March, 2014.

Financial results

(₹ in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
Revenue from Operations (Gross)	188,390.37	169,036.95
Gross Profit	**24,754.98**	**16,899.52**
Less: Depreciation, Impairment and Amortisation Expenses	7,518.62	7,014.67
Exceptional Item	63.73	605.84
Taxation:		
- Current	3,589.00	1,921.00
- MAT Credit (entitlement)/ Utilised	766.00	(100.00)
- Earlier years (net)	(7.68)	5.33
- Deferred (net)	(312.50)	(244.07)
Net Profit	**13,137.81**	**7,696.75**
Add: Balance brought forward from the previous year	22,100.16	15,842.31
Profit available for appropriation	**35,237.97**	**23,539.06**
Appropriations:		
Proposed dividend	1,310.63	546.10
Corporate dividend tax	222.74	92.80
Transfer to the general reserve	1,400.00	800.00
Balance in statement of profit and loss	32,304.60	22,100.16
TOTAL	**35,237.97**	**23,539.06**

Dividend

2. Your Directors are pleased to recommend dividend of ₹8 per share for the year ended 31st March, 2014, subject to shareholders' approval at the forthcoming Annual General Meeting. The total amount of dividend to be paid to the shareholders will be ₹1,533.37 lakhs (inclusive of dividend tax).

Share Capital

3. 1. Your Company has issued and allotted 54,60,954 Bonus Shares to its Shareholders during the FY 2013-14 in the ratio of 1 (One) Bonus Equity Share for every 2 (Two) existing Equity Shares, after capitalising a sum of ₹5,46,09,540 (Rupees Five Crore Forty Six Lakh Nine Thousand Five Hundred Forty Only) from the Capital Reserve and General Reserve. The total paid up share capital of the Company after the Bonus Issue stands at 16,382,862 shares of ₹10 each.

3.2. The Company, vide a resolution passed in the 8th Annual General Meeting of the shareholders, has reclassified and increased its Authorised Share Capital from ₹30 Crore (Rupees Thirty Crore Only) to ₹50 Crore (Rupees Fifty Crore Only) divided into 5,00,00,000 Equity Shares of ₹10 each.

Capital Projects

4.1 The Company is in the process of implementing a major expansion project of 30,672 spindles at its Kathua Unit for manufacturing Cotton Melange and Cotton Blended Dyed yarn involving a capital outlay of about ₹175 Crore. The Company has spent approximately ₹54 Crore on this project during the year. Further, the Company has spent ₹55 Crore on modernisation and balancing capital equipments at all its units. The capital purchases were financed by internal accruals and loans from Banks.

4.2 The Company further intends to invest on modernisation and balancing capital equipments to the tune of ₹119 Crore during 2014-15, which will be financed by internal accruals and loans from banks.

Fixed Deposits

5.1 At the end of the financial year under review, fixed deposits from the public, shareholders and employees amounted to ₹2,553.10 lakhs and deposits amounting to nil remained unclaimed as on 31st March, 2014.

5.2 In compliance with Chapter V of the Companies Act, 2013 relating to Acceptance of Deposits by Companies and Companies (Acceptance of Deposits) Rules, 2014, your Company has decided to repay/pre-pay outstanding deposits along with the accrued interest either on due dates or within one year from the commencement of the revised Rules, whichever is earlier.

Particulars of Employees

6. 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

7. The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo, in terms of the Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-II, to this report.

Management Discussion and Analysis Report

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

Corporate Governance

9. 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 the Stock Exchanges, and the requirements set out by the Securities and Exchange Board of India, the Company has implemented all the stipulations prescribed. The Company has adopted a Code of Conduct, which is applicable to the Board members and senior management, in accordance with the recently enacted statutory changes. 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 a part of this report as Annexure-IV.

10. 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 the Report on Corporate Governance.

11. The General Shareholders Information annexed to the Report forms a part of the Report.

Compliance of Accounting Standards

12. As per requirement of the Listing Agreement with Stock Exchanges and Accounting Standards of the Institute of Chartered Accountants of India, your Company has made disclosures in respect of Related Party Transactions and Deferred Taxation. The applicable Accounting Standards Rules have been duly adopted by the Company in pursuance to the provision of Section 211 (3A) of the Companies Act, 1956.

Directors' Responsibility Statement

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

(i) That in the preparation of the annual accounts for the year ended 31st March, 2014, the applicable Accounting Standards Rules relating to material departures, if any, were followed along with proper explanations; and the Notes in the Auditors' Report in this regard are self-explanatory;

(ii) That such accounting policies were selected and applied consistently and judgements and estimates were made that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for the year ended 31st March, 2014;

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

(iv) That the annual accounts have been prepared on a going concern basis for the financial year ended 31st March, 2014.

Directors

14.1. Pursuant to Section 152 of the Companies Act, 2013, read with Article 139 of the Articles of Association of the Company, Mr. Sukhvir Singh, a Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for reappointment.

14.2. As required under section 149(10) and (11) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement, the following Directors of the Company namely Shri U.K.Khaitan, Amit Dalal, Rajan Dalal, Rajiv Podar and Dr. Mahmoodur Rahman, who held office as Independent Directors shall require reappointment at the Annual General Meeting. Being eligible, each of the Directors has offered himself for reappointment. Members are requested to appoint them for tenure of 5 years as Independent Directors (not liable to retire by rotation).

Auditors' Report

15. 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

16. M/s. Singhi & Co., Auditors (registration no. 302049E) and M/s. S.R. Batliboi & Co. LLP., Branch Auditors (registration no. 301003E) retire at the conclusion of Annual General Meeting and are eligible for reappointment. Requisite Consent and Certificates from the Auditors have been received to the effect that their reappointment, if made, would be within the limits prescribed under Chapter X of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 under the said Act. 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.

Cost Auditors

17. In accordance with the directive of the Central Government and pursuant to Section 148 of the Companies Act, 2013, M/s. K. G. Goyal & Associates, Jaipur, Cost Accountants, have been appointed as Cost Auditors to audit the cost accounting records relating to Company's units Rajasthan Textile Mills, Chenab Textiles Mills, Damanganga Fabrics and Damanganga Home Textiles for the financial year 2014-15. The appointment is subject to the approval of the Central government.

18. Cost Audit Reports for all the applicable products for the year ended 31.03.2013 were filed in the requisite revised format with the Cost Audit Cell of the Ministry of Corporate Affairs on 5.9.2013, that is, within the permitted due date.

Acknowledgements

19. 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 all other stakeholders 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. Your Directors also acknowledge with gratitude the encouragement and support extended by our valued shareholders.

For and on behalf of the Board

Place: Mumbai
Dated: 13.05.2014

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 ₹60,00,000 per annum.

Name and designation of the employee	Remuneration received (₹)	Qualification and 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	2,58,95,822	B.Com., FCA, 38 years	Regular	Overall management	July 01, 2005	63	Sutlej Industries Ltd.

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

Notes:

1. Other terms and conditions: As per Company's rules and regulations.
2. Remuneration received includes salary, reward, encashment of leave, medical expenses, premium on personal accident policy, perquisites and Company's contribution to provident fund and superannuation fund; but excludes gratuity.
3. Above employee is not a relative of any Director of the Company.
4. Percentage of shares held: Nil

Annexure-II to the **Directors' Report**

Disclosure of particulars with respect to conservation of energy, technology absorption, and foreign exchange earnings and outgo as required 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:

Annexure – II A

A) Conservation of Energy

(1) Energy conservation measures taken:

Conservation of energy is an essential step towards overcoming energy crisis, environmental degradation and global competitiveness. It not only reduces the cost of production but also helps in conservation of natural resources which are depleting very fast.

The Company has given due importance to conservation of energy. It is making continuous efforts to conserve energy by affecting process and machinery modifications, implementation of technological advancements, development of newer methods, energy audit, proper maintenance and waste heat recovery among others. These measures have resulted in savings in terms of energy, money and time.

Besides continuing the measures taken in earlier years, following additional steps were taken during the year 2013-14, with a view to reduce the cost of energy and consequently the cost of production.

(i) Rajasthan Textile Mills, Bhawanimandi Unit

a) Installed 44 Inverters in various departments which resulted in energy savings of 3,18,000 KWH units equal to ₹19.08 lakhs p.a.

b) Replacement of 53 old motors by energy-efficient motors on machines in various departments which resulted in saving of 1,88,760 KWH p.a. amounting to ₹11.33 lakhs.

c) Replacement of 20 old pumps and motors by energy-efficient pumps with motors in Humidification department which resulted in saving of 36,000 KWH p.a. amounting to ₹2.16 lakhs.

d) Energy saving by installation of CRS (Condensate Recovery System) at dye house for boiler which resulted in saving of 14,520 KWH p.a. amounting to ₹0.87 lakh.

e) Installation of coal feeding optimisation system with boiler automation system in Thermax boiler resulting in savings of ₹7.26 lakhs p.a.

f) Replacement of 20 old fans by energy-efficient fans in Humidification plants resulting in saving of 36,000 KWH p.a. amounting to ₹2.16 lakhs.

(ii) Chenab Textile Mills, Kathua Unit

a) Replacement of 16 supply air fan and return air fan by energy-efficient fans in Humidification plant resulting in saving of 97,756 units amounting to ₹3.26 lakhs p.a.

b) Replacement of 23 old pumps with energy-efficient auto-control pumps, inverters and humidity controllers with sensors in Humidification plant resulting in saving of 1,83,762 units amounting to ₹6.12 lakhs p.a.

c) Replacement of 2,000 ordinary tube lights with LED lights resulting in savings of 1,95,000 units amounting to ₹6.50 lakhs p.a.

(iii) Damanganga Units, Bhilad

a) Replaced old outdated stents with new fuller automatic PLC based stents resulting in savings of 72,000 KWH units and 360 tons of fuel per annum both amounting to ₹20.85 lakhs p.a.

b) Installation of low and high pressure steam line resulting in saving of 600 tons of fuel amounting to ₹27 lakhs p.a.

FORM - A

(A) Power and Fuel Consumption:

	2013-2014	2012-2013
1. Electricity:		
(a) Purchased:		
Units (in lakhs)	2,608.91	2,591.32
Total cost (₹ in lakhs)	9,790.55	9,297.16
Rate/Unit (₹)	3.75	3.59
(b) Own Generation:		
(i) Through diesel generators		
Units (in lakhs)	9.37	13.92
Units per liter of diesel oil (KWH/Ltr)	3.39	3.55
Cost/Unit (₹)	15.52	11.44
(ii) Through furnace oil generators		
Units (in lakhs)	4.11	3.47
Units per litre of Furnace Oil	3.68	3.57
Cost/Unit (₹)	11.28	11.65
(iii) Through thermal power plant		
Units (in lakhs)	425.39	385.87
Units per MT of coal	877.08	800.18
Cost/Unit (₹)	3.76	4.49
2. Coal		
(a) Steam coal		
Quantity (tonnes)	19,027.97	16,045.58
Total cost (₹ in lakhs)	775.56	708.83
Average rate (₹)/tonne	4,075.87	4,417.62
(b) Pet coke		
Quantity (tonnes)	9,817.00	7,865.05
Total cost (₹ in lakhs)	1,019.45	786.25
Average rate (₹)/tonne	10,384.58	9,996.80
3. Furnace oil		
Quantity (kilolitres)	111.78	97.17
Total cost (₹ in lakhs)	46.42	40.40
Average rate (₹ per kilolitre)	41,528.00	41,576.62
4. Others:		
Rice Husk (tonnes)	-	3,937.31
Total cost (₹ in lakhs)	-	181.64
Average rate (₹)	-	4,613.30

(B) Consumption per unit of production:

	2013-2014	2012-2013
Production :		
Electricity per tonne of yarn production (units)	4,104	4,138
Coal per tonne of yarn production (tonnes)	0.262	0.227
Rice husk per tonne of yarn production (tonnes)	-	0.083
Pet coke per tonne of yarn production (tonnes)	0.210	0.171
Electricity per thousand metres of grey fabrics (units)	543	607
Electricity per thousand metres of processed fabrics (units)	277	224
Electricity per thousand metres of home furnishings (units)	1,197	1,050
Electricity per thousand pieces of trousers (units)	-	6,556
Coal per thousand metres of processed fabrics (tonnes)	0.70	0.57

(2) Additional investment and proposals, if any being implemented for reduction of consumption of energy:

The Company has following proposals to save energy consumption during the year 2014-15:

(i) Rajasthan Textile Mills

a) Replacement of 1,200 FTLs by LED lights at a cost of ₹13.80 lakhs which is expected to result in annual savings worth ₹7.02 lakhs.

b) To install 31 inverters at a capital cost of ₹21.00 lakhs resulting in expected annual saving of ₹12.66 lakhs.

c) Replacement of 40 motors with energy-efficient motors IE3/IE4 at a capital cost of ₹20 lakhs which is expected to result in annual saving of ₹8.42 lakhs.

(ii) Chenab Textile Mills

a) To replace 20 energy-efficient fans of waste recovery system at a cost of ₹100 lakhs which will save about 961,000 units i.e. ₹32 lakhs per annum.

b) Replacement of 2 nos. old, small capacity and low-efficiency Air Compressors of 310 cfm with 1 no. 820 cfm high-efficiency Air Compressor at a cost of ₹20 lakhs which will save about 180,000 units i.e. ₹6 lakhs per annum.

c) Replacement of 18,000 existing ordinary tube lights with LED lights at a cost of ₹230 lakhs which will result in savings worth about 17,56,000 units i.e. ₹58 lakhs per annum.

d) To save steam by modification in Heat Recovery Unit (HRU) at a cost of ₹42 lakhs this will result in saving of about ₹20 lakhs per annum.

(iii) Damanganga Units

To install new 7.5 ton boiler in place of old outdated boiler at an approximate cost of ₹70 lakhs which will save 720 tonnes of fuel equivalent to ₹32 lakhs.

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

The estimated savings are mentioned against each item in (1) and (2) above.

FORM - B

Disclosure of particulars with respect to technology absorption (to the extent possible)

B) Technology Absorption

1) Research and development

a) **Specified areas in which R&D initiatives were carried out by the Company and future plan of action:**

The division has well-equipped and state-of-the-art quality testing and development equipments, managed by a committed team of highly qualified and experienced professionals. Latest technological equipments like Evenness testers, HVI Spectrum, Tenso Jet-4, AFISPRO LMNT, Yarn Classimate, Online monitoring system, Lab expert system-all from Uster, Auto dispenser, Beaker Dyeing Machine among others. All required tests on fibre, yarn and process material are being carried out. New varieties of yarn are being developed on regular basis having different blends, shades, twists among others. During the year, the division has made capital expenditure on Auto Lab dispensing system, IR Beaker Dyeing Machine, Colour matching Cabinet Spectra light III and other quality testing equipments amounting to ₹34.20 lakhs.

The division has a separate mélange development centre having machines from blowroom to finishing with 768 spindles and knitting machines for quick preparation of samples in Knitted form and a PV development centre with 384 spindles and other machines for development of synthetic blended yarn. The division is also having ISO 9001-2000, Usterised, Oeko-Tex and GOTS/EKO and Organic Exchange certifications.

b) **Benefits derived as a result of above R&D initiatives**

These measures have helped in production of new value-added products, reduction of costs among others. Besides various studies and experiments are undertaken to save energy, improve productivity and quality, control costs among others.

c) **Future plan of action**

The Company plans:

1. To set up a new mélange development centre having machines from Blow room to finishing with 864 spindles, sample dyeing machines and quality testing equipments for lab dip matching to develop the samples of new varieties of fancy yarn with a capital outlay of ₹5 crore, which is expected to be operational before close of financial year 2014-15.
2. To purchase modern Fibre/yarn testing instruments i.e. Vibroskop 400, Vibrodyn 400, Evness Tester, Micro Dust Trash Analyser, Light Fastness Tester, Electronic Crock Meter, Lab Model Carding, and Semi-Automatic Chemical Dispenser among others for fibre/yarn sample testing, development of samples with a capital outlay of around ₹185 lakhs.
3. To set up an advanced Fibre Information System 'Uster AFIS Pro-2' for improving the process control and testing of various characteristic of cotton fibre with Nep Module, L&M and Trash Module.
4. To install 1 new Tenso rapid for testing RKM and elongation parameter of single yarn.
5. Installed a sample jet dying machine in DGF.

d) **Expenditure incurred towards R&D**

(₹ in lakhs)

i. Capital	41.51
ii. Recurring	179.74
iii. Total	221.25
iv. Total R&D expenditure as a percentage of total turnover	0.119%

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 equipment are less than 10 years old. The Company has been continuously resorting to technology absorption, adaptation and innovation. Following state-of-the-art machines and equipment were installed and modifications/additions were made in existing machines.

i) **Bhawanimandi Unit**

For improving productivity and quality of product:

1. One blowroom line with chute feed system.
2. One Rieter make 'D-22' Draw Frame with twin delivery.
3. Two 'LR 60A' Ring Frames.
4. Four Autoconer Savio Polar with Uster Quantum-3 EYC.
5. Two P.S. Schlafhosrt versa Cone Winding Machines.

(ii) **Kathua Unit**

The Division is having latest and state-of-the-art plant and machinery and plan for continuous modernisation and updating of machines of most modern technology.

For improving productivity and quality of our product:

1. 1 no. blowroom line.
2. 13 nos. LC-300A cards.
3. 3 nos. LDA1 /2 Drawframe.
4. 2 nos. RSB-851 Drawframe.
5. 3 nos. LF-4200A Simplex Frame.
6. 5 nos Polar-M Savio Autoconers.
7. 2 nos. Slub Attachment on Ring Frames.
8. 10 nos. Joint Splicers with Mingling Chamber.
9. 3 nos. retrofit Autodoffers on Ring Frames.
10. Dye House Laboratory equipments among others.

(iii) **Bhilad Units**

1) Installed 2 nos. jet dying machines.

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 costs.

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 satisfactory export performance. The 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 (₹ in lakhs)

i) Total foreign exchange earned	42974.64
ii) Total foreign exchange used	3108.72

Annexure – II B

Corporate Social Responsibility

Sutlej believes in inclusive growth to facilitate creation of a value-based empowered society through continuous and purposeful engagement of all partners in the development process. It strives to achieve sustained development in all spheres of life including education, healthcare, women and child development, community development, disaster relief and the environment.

Education

Sutlej has established and promoted schools and training centres, including facilities for the physically challenged near its manufacturing plants. Besides the Company conducts training the government-sponsored schemes such as 'train to gain' by providing training to the local youth for their eventual employment in skilled jobs.

Community Welfare

Sutlej undertook a number of initiatives for the upliftment of the community in the areas adjoining to its plant locations. The Company has been providing financial assistance for upgradation of facilities at popular religious shrines and organizes religious and social activities in the vicinity of its plants. The Company has constructed drinking water huts outside the factory main gate for drinking water to benefit the general public.

Sutlej extends financial help and assistance for the development of residents surrounding its manufacturing plants. It is responsible for disbursing financial assistance to deserving and needy students and wards of workers. It has also contributed to National Relief Fund in response to natural disasters and calamities such as Uttarakhand floods in 2013.

Healthcare

Sutlej closely associates itself with healthcare institutions proximate to its manufacturing locations. The Company caters to the diverse needs of these institutions and provides assistance to patients. Along with voluntary organisations, the Company organised free medical camps for the benefit of residents around the vicinity of its plants.

Sports

Financial assistance was extended through the local administration and the local community for organising sports events to encourage sportsmen at the local level. The Company also gives contribution for promotion of sports and has sponsored sports events such as 4th Police Martyrs North Zone T-20 Cricket Tournament at Kathua.

Environment

Sutlej's commitment to a cleaner world is reflected in important realities-consistent investments in environment-friendly technologies and continuous improvement in operations that minimise consumption of natural resources and effluent generation. To make the environment clean and healthy, the Company keeps its campuses as green as possible. The Company has planted trees in large numbers in and around all its premises and maintained the green cover. All plants of the Company conform to environment-friendly technologies. The staff clubs of the production units organise an annual Plantation Day where saplings of various species of trees are planted in and around the campus. The Company gave an added fillip to these environment-friendly efforts by organising plantation of trees from Hatlimore to Kathua City.

Water management

Since Sutlej's Plant-I is in the state of Rajasthan, the Company continually undertakes various initiatives at its shop floors aimed at conserving water and maintaining environmental sustainability. The Company operates a reverse osmosis plant at all its units. The sophisticated water sprinkling and drip systems help in conserving water used for gardening.

Energy management

Shop floor team continuously strives to minimise energy consumption while minimising product output. Each year, the Company undertakes a number of measures towards energy conservation which include replacing motors with superior variants, altering plant lighting systems, introducing waste heat recovery systems among others.

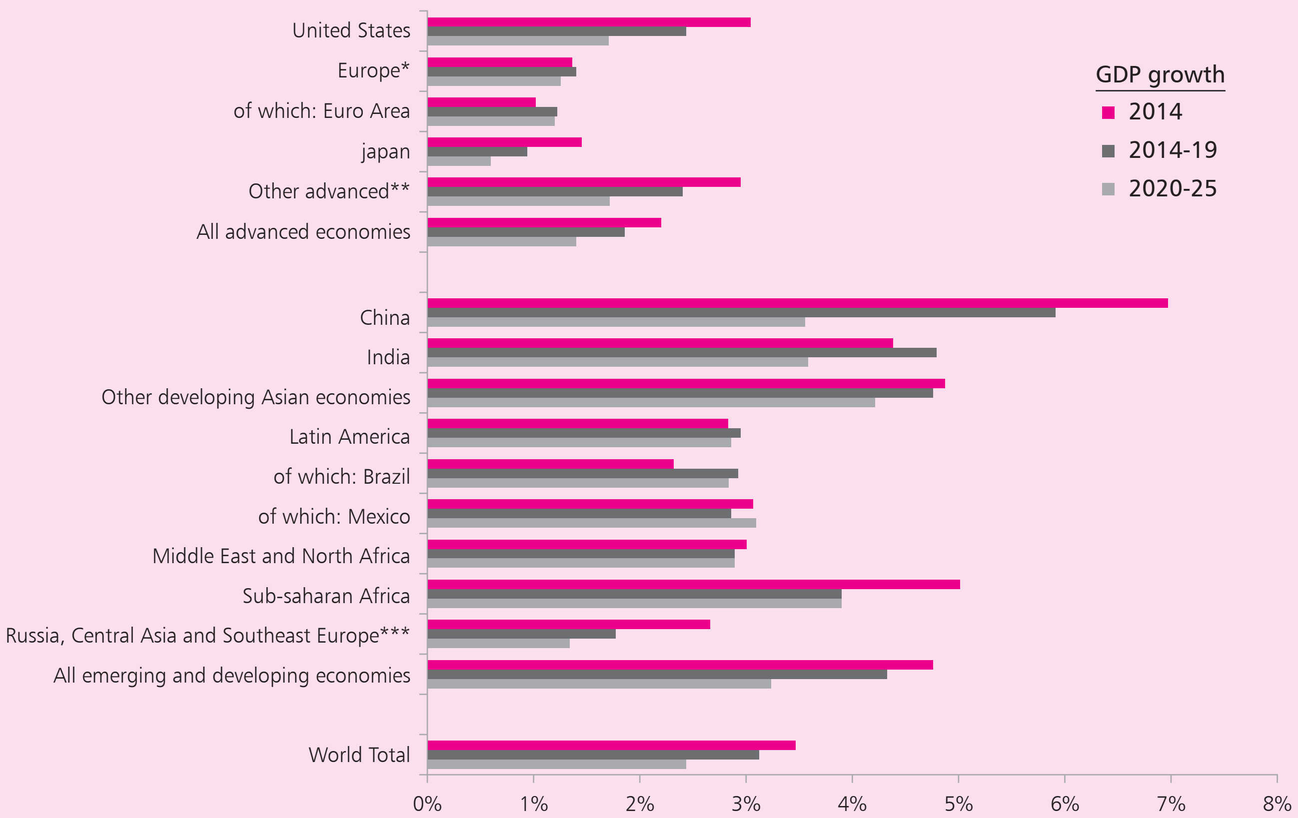
Management **discussion and analysis**

Economic overview

Global economic overview

Global GDP, which expanded at 2.9% during 2013 is expected to do better as the economies around the globe have started showing signs of revival. The growth will be primarily led by an improvement in matured economies of the eurozone and the United States of America. The growth rate in the eurozone region is expected to turn positive after contracting by 0.3% last year; whereas the US economy is expected to show further signs of strengthening by expanding at 3% next year, against a growth of 1.9% delivered during the previous year. While the developed economies are expected to increase at a brisk pace, the developing economies are expected to improve marginally to 4.8% during 2014. The tepid growth will be on account of an expected slow down in the Chinese economy from 7.5% during 2013 to 7% during 2014. Among other emerging economies, India and Latin America are expected to witness marginal growth during 2014. The culmination of the above factors is expected to result in the expansion of global GDP to 3.5% during 2014.

Global outlook for GDP growth, 2014-2025



Indian economic overview

For 2013-14, the economy grew by 4.7%, against a projected 4.9% in the advance estimates, as a result of a below par performance from the manufacturing, mining, construction and logistics sectors. The performance for 2013-14 is better than the 4.5% growth for 2012-13, a 10-year low. This is the second consecutive year that the economy has recorded sub-five percent growth.

Though growth in the agriculture sector improved to 4.7% in 2013-14 from 1.4% in the previous financial year, this failed to boost overall economic growth. Manufacturing, the biggest constituent of Indian industry, shrank 0.7% in 2013-14, against 1.1% growth in the previous financial year. With industry not providing considerable returns on investments, people preferred to keep their money in financial products. The financing, insurance and real estate sectors grew 12.9%, against 10.9% in 2012-13. This was the only sector that reported double-digit growth in 2012-13 and 2013-14.

The mining sector continued to decline; 2013-14 saw contraction of 1.4%, an improvement compared to the 2.2% contraction in 2012-13. At 1.6%, the construction space grew more in 2013-14, against 1.1% in 2012-13, as interest rates remained high.

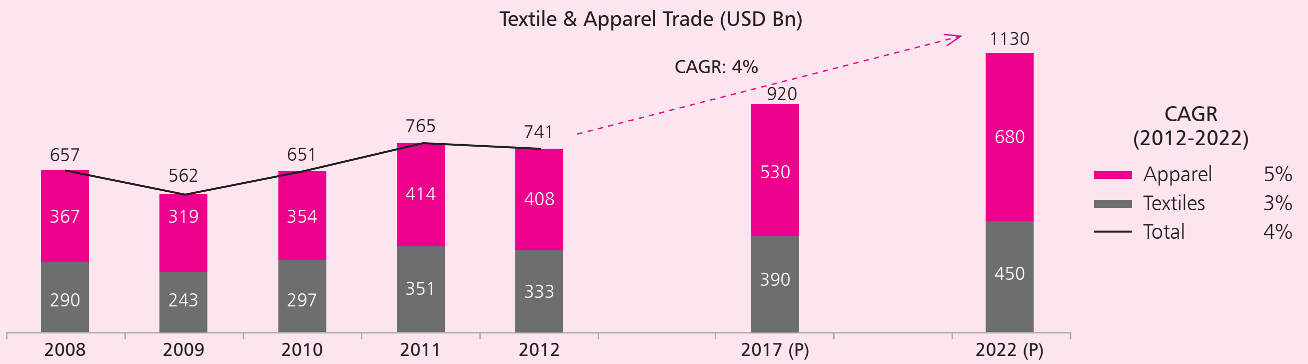
The electricity, gas and water supply segment grew 5.9%, more than double the 2.3% growth in 2012-13. Trade, hotels, transport and communication increased by 3%, against 5.1% in 2012-13.

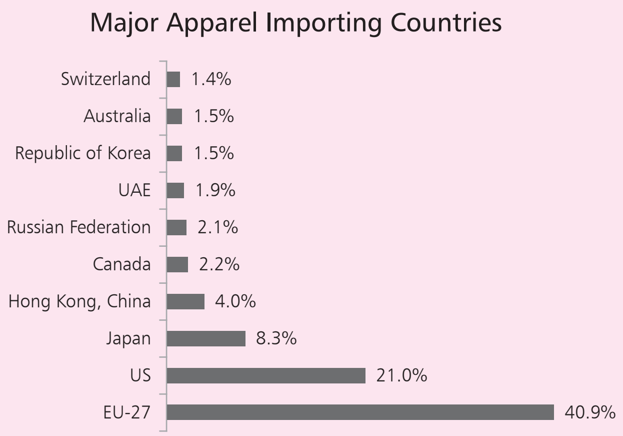
Community, social and personal services, largely supported by the government, grew 5.6%, against 5.3% in 2012-13. This helped the government stay on the fiscal consolidation path. In 2008-09, when the government had stimulated the economy to fight the global financial crisis, these segments had grown 12.5%.

Global textile and apparel industry

The global textile and apparel industry is undergoing sweeping changes resulting in growing usage of textiles in diverse areas. As per the Global Textile and Apparel Industry: Vision 2015, the world textile and apparel trade is expected to reach USD 805 billion by 2015 from USD 480 billion in 2005. It is also expected that the Asian countries will further cement their position in the textile segment due to their lower operational costs compared to countries from Europe and South America.

Global Textile & Clothing Trade





Source: Technopak analysis

As mentioned earlier, the lower cost of operations in the developing Asian economies due to their size and cost of workforce has been one of the catalysts in shifting the hub for producing labour intensive textile and apparel products from developed economies to emerging countries/economies. The same has enabled the latter to gain competitive advantage over the developed economies and emerge as major exporters of textile products. The developed economies on the other hand like the US, the EU and Japan continue to maintain their position as major importers. The three of them accounts for 70% of the imports of the global apparel trade value.

The rising domestic demand for apparels in China, coupled with rising cost of manufacturing, has resulted in most of its international trading partners scouting for other countries to meet their requirement at viable costs. In addition, China at present is also focusing more on high value industries like capital goods and automobiles, among others.

Further, rising labour costs, increasing energy demand and an appreciating currency are expected to impact China's export competitiveness. All the above factors are likely in turn to be positive in the near-term for countries like India, Pakistan, Bangladesh, Vietnam, Sri Lanka, Cambodia. In the long run, Myanmar and East African countries like Ethopia, Kenya, Tanzania and Uganda are expected to emerge as key textile sourcing hubs.

The American textile and apparel market

The American textile and apparel industry showed signs of improvement in the last fiscal, with domestic mills shipments expected to reach USD 55 billion. Similarly for apparels, the shipments were expected to reach USD 16 billion, a double-digit percentage gain over 2010, when the industry touched its nadir. The combined textile and apparel industry is expected to reach USD 71 billion. Moreover, most of its factories are now competing with economies marked by low-cost of operations like China; a further indication of the sector's improvement.

The EU textile and apparel market

Despite a perceptible shift towards Asia in recent decades, Europe continues to have a strong textile and apparel industry. The textile and clothing industry is among the largest industrial segments in the EU with the industry accounting for over 6% of employment in the EU manufacturing sector and 3.2% of total merchandise exports. The EU textile and clothing trade is gradually strengthening following a rather disappointing economic performance and a relatively sluggish first half, with positive growth rates expected to transpire during the third quarter of 2013.

The EU recently permitted Pakistan to export textile duty free, a privilege also enjoyed by Bangladesh. The move is expected to exert pressure on Indian textiles as the same will be subjected to 9% tax in Europe.

China textile and apparel market

According to the Ministry of Industry and Information Technology's 2013 report, China's textile industry is expected to grow steadily during 2014. The Country's textile sector grew by 8.5% year-on-year during the period January to November 2013. Despite the growth in production of yarn, fabrics and apparels by 8.3%, 5.6% and 0.7% on a yearly basis, the increase in production was lower than the one registered during 2012.

However, textile export growth was generally stable. During, the first eleven months of 2013, the textile industry exports grew by 7.2%, which were about 4.7% higher than the growth rate observed last year. For the period January to October 2013, China's textile industry realized profits of 243.9 billion yuan, growth of 18.3% year-on-year.

However, the current difference in the prices of domestic and imported cotton is still large. In addition, labour and other costs are rising fast, which to some extent undermines the international competitive advantage of the Chinese textile industry. In fact, the share of China's textile and garment exports in the EU, the US, Japan and other countries declined in 2013.

Indian textile industry

India is one of the world's largest producers of textiles and garments. Abundant availability of raw materials such as cotton, wool, silk, jute and manmade fibre as well as skilled workforce have made the country a sourcing hub. It is the world's second largest producer of textiles and garments. The Indian textile industry accounts for 24% of the world's spindle capacity and 8% of global rotor capacity. The domestic textiles and apparel market was worth USD 100 billion in 2013 and is expected to reach USD 220 billion by 2020.

The textile industry made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The sector contributes 14% to industrial production, 4% to the gross domestic product (GDP) and 10.1% to the country's export earnings. It provides direct employment to over 45 million people. The textile sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the India's economy.

Globally, Indian textile industry ranks second in terms of production and exports constitutes around 4.5% to the world's total export.

The organised mill sector of the industry comprises spinning mills, involved primarily in spinning activities and composite mills wherein spinning, weaving and processing activities are carried out under the same roof. While on the other hand, the unorganized sector constituting the greater proportion, comprises handlooms, power looms hosiery and knitting, readymade garments, khadi and carpet manufacturing.

Moreover, India is one of the largest producers of cotton yarn and jute, second largest producer of silk and third largest producer of cellulose-based fibre in the world. Although, other type of fabrics have started gaining preference in recent times, cotton textiles continues to feature prominently in the Indian textile industry.

Trends in textiles production

Figures in million

Period	Man-made fibre	Man-made filament yarn	Cotton yarn	Blended & 100% non-cotton yarn	Total spun yarn	Cloth						
						Mill sector	Decentralised sector					Grand total
							Hand loom	Power loom	Hosiery	Khadi, wool and silk	Total	
	kg	kg	kg	kg	kg	sq. mtr	sq. mtr	sq. mtr	sq. mtr	sq. mtr	sq. mtr	sq. mtr
2009-10	1,268	1,522	3,079	1,114	4,193	2,016	6,806	36,997	13,702	812	58,317	60,333
2010-11	1,285	1,550	3,490	1,223	4,713	2,205	6,907	38,015	14,634	798	60,354	62,559
2011-12	1,234	1,463	3,126	1,246	4,373	2,313	6,901	37,445	12,946	848	58,140	60,453
2012-13	1,263	1,371	3,583	1,285	4,868	2,418	6,952	38,038	14,541	843	60,374	62,792
2013-14 (P)	1,316	1,309	3,922	1,372	5,294	2,560	7,116	37,712	15,931	843	61,602	64,162
% Variation	4.2%	-4.5%	9.5%	6.8%	8.8%	5.9%	2.4%	-0.9%	9.6%	0.0%	2.3%	2.2%

(P) – Provisional

- Manmade fibre production has recorded a growth of 4.2% and manmade filament yarn production registered a decline of 4.5% in 2013-14 over the preceding year.
- Cotton yarn production showed an annual growth of 9.5% in the year 2013-14 while blended and 100% non-cotton yarn increased by 6.8%.
- The total cloth production showed an annual growth of 2.2% in the year 2013-14. Hosiery production showed the highest growth of 9.6%. This is followed by mill sector and handloom with a growth rate of 5.9% and 2.4% respectively.
- There was no growth in the production of khadi, wool and silk fabric in 2013-14. Powerloom sector production decreased by 0.9% in 2013-14.

Cotton scenario in India

Cotton yarn production: According to a CARE report, the total cotton yarn production is expected to grow at a CAGR of 12.8% by FY15. The production is likely to increase from 3,583 million kilograms in 2012-13 to 4,542 million kilograms by 2014-15. Robust exports coupled with healthy demand from domestic apparel and home textile industries are expected to be the primary drivers for the growth in production. Furthermore, the rising cotton yarn production is expected due to the growing disparity between the international and Chinese cotton prices. Cotton prices in China have been in the range of 17,200 yuan per tonne whereas international prices are in the range of 11,000-12,000 yuan per tonne, indicating a significant premium, which has led to Chinese players importing cotton yarn.

Cotton spindle capacity: On the supply side, an addition of 5 million spindles is expected over the next two years on top of the 44.2 million spindles capacity at present. The average capacity utilization, which over the last five years (FY08-FY13) stood at 87.5% is also expected to improve to 88% in FY14 and 90% in FY15 due to the anticipated rise in domestic and export demand. Furthermore, strong government support in the form of an extension of the TUF scheme is likely to propel companies in increasing cotton yarn production in the near future.

Demand: Strong domestic demand combined with derived demand (demand from locally produced items intended for export) accounting for around 70% of cotton yarn demand in FY13 is expected to account for a significant share of the overall demand in the near future as well. The domestic demand is expected to remain robust mainly on the assumption of healthy consumption from user industries like apparel and home textiles industries. However, the derived demand is likely to remain subdued as increasing competitiveness from neighbouring countries like Bangladesh and Pakistan will impact derived demand.

Decent cotton crop production this marketing year coupled with strong rupee depreciation has paved the way for Indian textile spinners to improve their margins as they will be able to capture a bigger share of the Chinese cotton yarn imports.

Apparels and home textiles

As a significant portion of the apparel industry is cotton-based, the consumption of apparels and home textile are expected to drive the domestic demand by CAGR of 7.5% from 2,462 million kilograms in FY13 to 2,843 million kilograms in FY15. The growth would primarily be driven by factors like rise in disposable incomes and increased usage of plastic money leading to impulsive purchases among Indian consumers.

Furthermore, the increasing percentage of youth in the country and a rising mall culture will continue to drive growth of the apparel industry. Factors like changing fashion trends, growing consumer and service class, rising urbanisation and increasing retail penetration together will continue to support this growth. Moreover, factors like growing differentiation in the party-wear, office-wear, semi-formals and increasing share of designer-wear will further cement the growth of the apparel industry.

On the other hand, growth in the Indian apparel exports would primarily be driven by the increasing shift of the apparel industry from the developed western nations (traditional export destinations) to other non-traditional markets. Abundant raw material availability, a well-integrated textile industry and strong designing skills are the key attributes that can help India consolidate and grow its position in the global apparel market. However, Indian apparel faces strong competition from other low-cost countries like Bangladesh, Vietnam and Pakistan.

Exports of textiles and apparels from India:

Year	USD Billion	% in total export from India
2003-04	12.20	19.12
2007-08	18.48	11.30
2008-09	19.32	10.40
2009-10	19.14	10.70
2010-11	23.21	9.20
2011-12	27.21	8.90
2012-13	26.36	8.77
2013-14	30.38	9.72

Outlook

The Indian textile industry is set for strong growth, buoyed by strong domestic consumption as well as export demand. The Government of India has also allowed 100% FDI in the Indian textile sector under automatic route. The Indian textile and apparel sector is expected to grow at a CAGR of 13% and reach a market size of USD 220 billion by 2020.

India also possesses the capacity to improve its share in the global textile and apparel trade from 4.5% at present to 8%. Moreover, the country is poised to further strengthen its global stronghold as its share in global polyester production rises to 10% from 8% at present.

Technical textile segment is expected to grow at a brisk pace in the coming years. The segment has been growing at a CAGR of 15% over the past few years on the back of rising demand for specialised fabrics from various sectors of the economy particularly healthcare and infrastructure. Owing to the strong growth drivers, the government has projected a 20% y-o-y growth to USD 36 billion by 2016-17 in the 12th Five Year Plan.

SWOT analysis

Strengths

- Abundant availability of raw material at affordable rate helps the Indian textile industry control costs and thereby reduces the lead time;
- Indian textile industry is self-reliant as the country is rich in resources like jute, cotton, silk, cotton yarn man-made fibre. Moreover, it also possesses different varieties of cotton fibres thereby enabling it to differentiate itself from other countries;
- India enjoys a strong presence across the value chain from fibre to fashion having spinning, weaving, knitting, processing and garmenting;
- India has a flourishing domestic market, which allows producers to mitigate risks and strengthen competitiveness;
- India's performance in the spinning sector has been fairly impressive, thereby enabling it to increase exports of cotton yarn to other countries.

Weaknesses

- The unorganised sector forms a bulk of the industry, thereby making it fragmented and restricting diversification;
- Sub-optimal labour productivity primarily on the back of rigid labour laws;
- Technology obsolescence has resulted in affecting the production capacities of Indian textile industries;
- The domestic textile industries' lengthy and intricate supply chain not only lengthens the cycle time and consequently impacts the delivery time too;
- Expenses like indirect taxes, power and interest cost continue to remain elevated.

Opportunities

- Technical textile segment could be the next catalyst of growth for the Indian textile industry as the demand for the segment is expected to increase manifold in the future;
- The abolition of the quota regime has enabled the widening of the global market;
- Increased disposable income, growing quality consciousness, emergence of mall culture and expansion of retail has led to shift in domestic market towards branded readymade garments;
- Shift in global production base from high cost economies like China.

Threats

- Increased competition from neighboring countries especially China, Pakistan and Bangladesh may affect the country's exports demand in the future;
- Locational benefit for Mexico and China given its proximity to major global markets of the US, Europe and Japan results in lowering of costs and curtailing lead time. Such factors enable our trading partners gain competitive advantage over us.

Our competence drivers

- One stop shop for all types of spun dyed yarns – the Company is proficient in manufacturing all types of spun dyed yarns. The Company is among the handpicked / exclusive player in the segment to produce spun dyed yarns as the majority of 1,800 odd spinning mills in the country are predominantly involved in manufacturing of grey/greige cotton yarn. The Company possesses the ability to manufacture yarn from any fibre (synthetic and natural) in 100% or any blend (1-99%), in any form (grey, dyed and mixture) in a wide count range (6^s-50^s counts);
- The Company is primarily involved in manufacturing high margin niche value-added yarns like cotton melange yarn, polyester cotton dyed yarn, slub yarn, roving grindle yarn, modal yarn, tencel yarn and linen yarn. The Company's revenue generation improves post manufacturing of such products as the same fetch higher realizations than normal grey /greige yarns;
- The Company sources raw material from reputed suppliers capable of delivering customised fibre, thereby enabling us to manufacture specialised yarns;
- The Company leverages its resident knowledge to manufacture new varieties of yarn;
- The Company's endeavor towards attaining optimum asset utilisation, resulted in improving capacity utilisation from 94.41% to 95.52% during the current year;
- The Company possesses a wide marketing network of agents, dealers and customers;
- Large capacity giving economies-of-scale;
- The Company provides world-class products at competitive prices; products possess international quality standards certified by ISO 9001 and Uster quality certifications;

- The Company's commitment towards financial discipline enabled it to improve its gearing from 1.6 in 2011-12 to 1 during 2012-13 and 0.6 in 2013-14;
- The Company's rating improved from CARE BBB to IND A+ with 'stable outlook' for long-term loans;
- The Company's initiative towards constantly upgrading and modernising its assets enabled it to stay ahead of the competition curve. During the past decade, the Company has invested around ₹960 crore in plant upgradation, modernisation and expansion leading it to strengthen its portfolio and productivity.

Policy developments and programmes

Technology Upgradation Fund Scheme (RR - TUFS): The Cabinet Committee on Economic Affairs approved the implementation and continuation of the TUFS during the 12th Five Year Plan period with a total outlay of ₹11,900 crore. The main feature of the scheme includes reduction in interest reimbursement on second hand imported shuttle-less looms from 5% to 2%. Capital subsidy for new shuttle-less looms would be raised from 10% to 15%, interest reimbursement from 5% to 6% and margin money subsidy from 20% to 30% with an increase in the subsidy cap from ₹1 crore to ₹1.5 crore.

Scheme for Integrated Textile Parks (SITP): The Cabinet Committee on Economic Affairs has approved continuation of the Scheme for Integrated Textile Parks (SITP) in the 12th Five Year Plan and has sanctioned new projects for utilising ₹717 crore, which is the balance left in the 12th Five Year Plan allocation, after meeting committed liabilities of the sanctioned 61 parks.

The CCEA also approved an additional grant of ₹10 crore to be given to existing parks for setting-up apparel manufacturing units and has allotted ₹50 crore for this purpose.

National Fibre Policy: Fibre makers are confident of achieving the target under the National Fibre Policy. As a part of the emerging National Fibre Policy and impetus from Central Government via TUF scheme, the textile industry is estimated to invest roughly ₹1.8 lakh crore for the 10-year period of 2010-2020. The textile industry players are planning to enhance fibre capacity in the wake of the government setting aside an estimated of ₹1.88 lakh crore investment under the National Fibre Policy.

Integrated Skill Development Scheme (ISDS): In an attempt to assess the progress made by the ISDS scheme, (operational for three years) in terms of creating skill development and training in the textile sector, the Textile Ministry has sought to undertake a mid-term third-party assessment of the progress in terms of implementation of pilot phase of ISDS. The Textile Ministry wants to bring it on par with other similar schemes as the government is textile exports of USD 60 billion in 2014-15.

Integrated Processing Development Scheme (IPDS): The government has approved the launching of a new Integrated Processing Development Scheme (IPDS) to establish four to six brownfield projects and three to five greenfield projects with a total cost of ₹500 crore to address the environmental issues faced by the textile processing units. The scheme will facilitate the textile industry become globally competitive using environment friendly processing standards and technology and create new processing parks. The scheme parameters envisage governmental support limited to 50% of the project cost with a ceiling limit of ₹75 crore. The scheme will support the upgradation of existing processing clusters/centres specifically in the area of water and waste water management and also encourage research and development work in the textiles processing sector.

Budget highlights, 2014-15: The announcement on reduction of excise duty from 12% to 10% for all capital goods is a positive measure when there has been a slowdown in the investment. The increased budget allocation for the TUFS from ₹1,956.16 crore to ₹2,300 crore is positive for the industry.

Growth enablers

Revival of the American market: Improving US economy coupled with a depreciating Indian rupee is expected to firm up the demand from US customers thereby enabling the Company to garner higher export realisations. The US accounts for 20% of India's readymade garments sector and hence, rising demand in the US markets could ensure solid growth for the domestic textile segment in 2014-15.

Rising income: As the country becomes a USD 1.7 trillion economy, the per capita income is projected to grow in double digits and attain ₹74,920 in 2013-14 from ₹68,747 in 2012-13 and ₹61,564 during 2011-12. Increase in per capita is indicative of the improving standard of living, which translates into greater disposable income for discretionary items like clothes, entertainment and luxury.

Per capita apparel consumption: India's per capita apparel consumption pales in comparison with developed economies like the US, the EU and China. However the growing population indicative of the potential demand is a sign for steady consumption growth. It is expected that the combined size of Chinese and Indian apparel markets will become bigger than that of the US and the EU nations as the per capita spend on apparel in these two developed markets will rise at a much slower rate. It is expected that during 2010-15 the per capita apparel consumption in China would increase by 75% while India would witness 50% growth. The trend is expected to remain firm and continue through 2020 and beyond.

Organised retail: The significance of the retail sector in the country is reflected by its 20% contribution to the nation's GDP. The retail sector is one of the fastest growing in India over the last few years. The Indian retail industry, which comprises organised and unorganised retail, is currently estimated at USD 490 billion. It has experienced high growth over the last decade with a noticeable shift towards organised retailing formats. India's retail market is expected to, expand at a Compounded Annual Growth Rate (CAGR) of 15%. Favourable demographics, increasing urbanisation, nuclear families, purchasing power of consumers, preference for branded products and higher aspirations are some factors, which would drive retail consumption in the country.

Corporate workforce: Historically, the men's apparel market in India has been significantly larger than the women's apparel market. With only 20% of India's urban women in the workforce, women's wardrobes have traditionally been limited to home-wear and items for special occasions. However, the societal development has contributed towards altering the attitude towards women segment thereby resulting in greater contribution of women across spectrum of life. The same has resulted in women workers growing in numbers and has made them more willing to dress differently when they venture beyond the home - to shop, for example, or visit a school or office.

New occasions: As the lifestyle of India's prospering urban consumers has evolved, their clothing needs have broadened, reflecting varied usage occasions. As per the latest Mckinsey study, almost 38% of Indian respondents said they were likely to buy apparel for special events – a significantly higher proportion than in Brazil (5%), Russia (3%) or China (6%). Family celebrations and weddings continue to constitute an enormous share of Indian consumers' clothing budgets.

Age profile: In about seven years, the median age of Indian population is expected to reach from 26.7 years to 29 years. By 2020, India is set to become the world's youngest country with 64% of its population in the working age group. The favorable demographics is expected to pave the way forward for the textile sector as the majority of country's population will comprise youth, which will maintain the growth of its apparel sector.

Financial performance

Below is the brief summary of the financial performance for the year ended 31st March, 2014:

(₹ in crore)

Net revenues from operations	1,880.62
Gross profit	247.55
Depreciation, impairment and amortisation	75.19
Profit before exceptional items and tax	172.36
Profit before tax	171.72
Profit after tax	131.38

Human resources

The Company believes that the human capital is the most valuable asset in its portfolio. As a motivated and efficient work force can help it attain target in an economic way. Taking cognisance of that fact, the Company provides extensive training to its employees in order to develop their skill sets and motivate them. As on 31st March, 2014 it has an employee base of 11,527.

Internal control system

Given the magnitude and nature of its business, the Company needs to maintain sound and commercial practice with an effective internal control system. The system ensures that all transactions are authorised, recorded and reported correctly to safeguard assets and protect them from any loss due to unauthorised use or disposition. The operating managers make sure that all operations within their area are compliant and safeguarded against all risks whereas on the other, auditors carry out random audits to detect flaws in the system, which makes it effective and efficient. Internal audit reports are prepared to create awareness and to take corrective actions on the respective units or areas, which need rectification. These reports are then reviewed by the management team and the Audit Committee for follow-up action.

Cautionary statement

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

Annexure-IV to the Directors' Report

Report on Corporate Governance

A. Corporate Governance Philosophy

Corporate governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices, which ensure that a corporate meets its objectives – enhance value for the stakeholders and fulfill its responsibilities to the community, customers, employees, government and other societal segments. Sutlej's philosophy is to conduct business at the highest ethical standards thereby ensuring growth and prosperity of all the stakeholders sustainably, in line with its corporate social responsibilities. This philosophy is built on a rich legacy of fair, transparent and effective governance practices, and led by a 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 maximise value not just for the stakeholders but also for the society at large. This is an ongoing process with Sutlej; and there is a constant endeavour to improve upon established practices in line with the changing demands of the business. Sutlej adopts innovative approaches for leveraging all its resources; and encourages a spirit of conversion of opportunities into achievements. The Company's governance structure and systems provides a nurturing atmosphere for the ramping up of healthy and sustainable growth of human resources, through empowerment and motivation. In this, the Company is guided by its vision, mission and the code on Corporate Governance.

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

- Strategic supervision by the Board of Directors which is of appropriate size, adequately experienced and committed 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 a 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;
- Complete transparency and defined accountability;
- Equitable and fair treatment to all the stakeholders including employees, customers, vendors, shareholders and investors.

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

B. Board of Directors

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

(a) Constitution

The Company's Board of Directors comprises eight members, seven of whom are Non-executive Directors and one Wholetime Director. Cumulatively, they account for more than 87 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 a Non-executive Chairman and it has more than the required number of Independent Directors. All the Directors possess the requisite qualifications and experience in general corporate management, finance, banking and other allied fields enabling them to contribute effectively in their capacity as Directors of the Company. None of the Directors are related to each other. Except the Wholetime Director and Independent Directors, all Directors are liable to retire by rotation.

(b) Number of Board Meetings

During the year under review, four Board meetings were held on 8th May, 2013; 31st July, 2013; 30th October, 2013 and 28th January, 2014. 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 views routine presentations on industry environment, project implementation, project financing and operations of the Company. Additional meetings are held when necessary. Senior executives are invited to provide additional inputs at the Board meeting, as and when necessary.

(c) Directors' Attendance at Board Meetings and Details of Directorships / Committee Positions Held

The composition of the Board of Directors, their attendance at the Board meetings during the year and at the last Annual General Meeting and the number of other Directorships/Board-level committee positions held by them in other Indian public companies as on 31.03.2014 is as follows:

Name of Director	Category of Director	Number of Board meetings attended	Attendance at last AGM	Number of other directorships in public companies	Number of other Companies' Board Committee(s)	
					Chairperson	Member
Mr. C. S. Nopany	NED/PG	4	No	8	2	1
Mr. U. K. Khaitan	I/NED	3	No	8	1	3
Mr. Amit Dalal	I/NED	3	No	6	0	5
Mr. Rajan Dalal	I/NED	2	Yes	1	0	0
Mr. Ashok Mittal@	I/NED	3	No	0	0	0
Mr. Rajiv K.Podar	I/NED	1	No	2	0	0
Dr. M.H. Rahman	I/NED	4	No	0	0	0
Mr. Sukhvir Singh$	NED	1	No	0	0	0
Mr. C. Singhania#	ED	1	NA	0	0	0
Mr. Dilip Ghorawat*	ED	0	NA	0	0	0

NED – Non Executive Director; PG – Promoter Group; ED – Executive Director; I – Independent; NA - Not Applicable

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

@ Ceased to be Director w.e.f 28th January, 2014 due to resignation.

$ Appointed w.e.f 17th July, 2013

 # Retired due to non reappointment w.e.f 20th July, 2013

** Appointment w.e.f.28th January, 2014*

(d) Information to the Board

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

- Annual operating plans and revenue budgets
- Capital budget expenditures
- Quarterly, half-yearly and annual results of the Company
- Minutes of the Audit and other Committees of the Board
- Information relating to recruitment and remuneration of senior- level officers just below the Board-level.
- Materially important legal or taxation issues
- Status of financial obligations to and by the Company
- Any significant development in human resources or industrial relations
- Details of risk exposure and steps taken by management to limit or restrain the risk
- Compliance status with any regulatory, statutory or Listing Agreement-related requirements or in relation to any shareholder services

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

C. Details of remuneration paid to Directors

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

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

i) Remuneration paid to Non-Executive Directors of the company

The Non-Executive Directors are paid sitting fees for attending each Meeting of the Board of Directors and Committees thereof. The Company also pays to its Non-executive Directors' commission up to 1% of the net profits for all Directors put together, with the maximum ceiling* of ₹2,00,000 to each director. The total commission payable to all the Non-executive Directors for the financial year 2013-14 will be ₹88,06,849 for which provision was made in the books of accounts. The commission shall be paid after the adoption of annual accounts of the Company for the year ended 31st March, 2014 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 2013-2014 are as follows:

Sl. No.	Name of Director	Commission (₹)	Sitting fees (₹)
1.	Mr. C. S. Nopany	75,00,000*	80,000
2.	Mr. U. K. Khaitan	200,000	90,000
3	Mr.Amit Dalal	200,000	150,000
4.	Mr Rajan A. Dalal	200,000	140,000
5.	Mr. Ashok Mittal@	165,479	130,000
6.	Mr. Rajiv K.Podar	200,000	130,000
7.	Mr Mahmoodur Rahman	200,000	120,000
8.	Mr. Sukhvir Singh#	141,370	40,000

** The Non-executive Chairman is entitled to a higher commission, subject to a ceiling of ₹75 lakhs.*

@ Ceased to be Director w.e.f 28th January, 2014 due to resignation.

 # Appointment w.e.f. 17th July, 2013

ii) Remuneration paid/payable to the Wholetime Director of the Company for the year ended 31st March, 2014, is as under:-

(Amount ₹ in lakhs)

Wholetime Director	Salary, among others	Perquisites	Retirement benefits	Total
Mr. C.Singhania*	4.62	6.19	0.55	11.36
Mr. Dilip Kumar Ghorawat**	5.51	3.98	0.66	10.15

** Retired w.e.f 20th July, 2013*

*** Appointed w.e.f.28th January,2014*

D. Committees of the Board

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

- Audit Committee
- Stakeholders' Relationship Committee (previously known as Shareholders' / Investors' Grievance Committee)
- Nomination and Remuneration Committee (previously known as 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 four Non-executive Directors and is headed by Mr. Rajan A. Dalal, an independent Non-executive Director. Mr. Rajan A. Dalal, is B.Sc., SME Management from IIM-Ahmedabad, having experience in marketing of textiles and other field like investment banking, creating dealer networks in domestic and international markets, wealth management, investment in equity and debt market, capital raising, mergers and acquisitions among others. The other members of the Committee are: Mr. Amit Dalal, Mr. Rajiv K.Podar, and Dr. M.H.Rahman.

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 be in 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 practicing Company Secretaries.

Meetings and Attendance

During the year under review, the Audit Committee met four times 7th May, 2013, 29th July, 2013, 29th October, 2013, and 27th January, 2014. The attendance of the members of the committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. Ranjan A.Dalal	Chairman	Non-executive Independent	3
Mr. Amit Dalal	Member	Non-executive Independent	4
Mr. Rajiv K.Podar	Member	Non-executive Independent	1
Mr. M.H.Rahman	Member	Non-executive Independent	4
Mr. C. Singhania@	Member	Executive Director	1

@ Ceased to be Member of the Committee w.e.f. 20th July, 2013.

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. The Company Secretary is the ex officio Secretary of the Committee.

II. Stakeholders' Relationship Committee (Previously known as Shareholders' / Investors' Grievance Committee)

Composition

The Shareholders'/Investors' Grievance Committee constituted as a mandatory committee of the Board, presently comprises of two Non-executive Directors and one Executive Director of the Company. The Committee is headed by Mr. Amit Dalal. The other members of the Committee are: Mr. Rajiv K. Podar and Mr. Dilip Ghorawat. The Committee was renamed as 'Stakeholders Relationship Committee' w.e.f 13-05-2014 as required under revised Clause 49 of the Listing Agreement.

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

Meetings and Attendance

During the year under review the Committee met five times as on 10th May, 2013, 17th June, 2013, 1st July, 2013, 29th October, 2013, and 13th January, 2014. The attendance of the members of the Committee was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. Amit Dalal	Chairman	Non-executive/Independent	5
Mr. Ashok Mittal @	Member	Non-executive/Independent	5
Mr. Rajiv K.Podar	Member	Non-executive/Independent	4
Mr. Dilip Kumar Ghorawat	Member	Non-executive/Independent	0

@ Ceased to be Member of the Committee w.e.f.28th January, 2014

Minutes of the meeting of the Stakeholders' Relationship 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 16 complaints/letters from the shareholders which were duly addressed. The average period of redressal of grievances is 7 (seven) days from the date of receipt of letters/complaints. There were no unresolved complaints as on 31st March, 2014.

III. Nomination & Remuneration Committee (Previously known as Remuneration Committee)

Composition

The Remuneration Committee of the Company was constituted under the Corporate Governance code as a non-mandatory requirement. The Committee was renamed as 'Stakeholders Relationship Committee' w.e.f 13-05-2014 as required under revised Clause 49 of the Listing Agreement. The Committee comprises of three Non-executive Directors, namely, Mr. U.K.Khaitan, Mr. Rajan Dalal and Mr. Sukhvir Singh. The Committee is headed by Mr. U.K.Khaitan.

Terms of Reference

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

Meetings and Attendance

During the year under review, there were three Meetings of the Committee on 25th July, 2013, 8th September, 2013 and 24th January, 2014. The attendance of the members at the Committee meeting was as follows:

Name of the member	Status	Category	Number of meetings attended
Mr. U.K.Khaitan	Chairman	Non-executive Independent	3
Mr. Rajan A. Dalal	Member	Non-executive Independent	1
Mr. Sukhvir Singh#	Member	Non-executive Independent	2

 # Appointed as Member of the Committee w.e.f.31.07.2013

IV. Finance & Corporate Affairs Committee

Composition

The Finance & Corporate Affairs Committee (FCAC) 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. Rajan A. Dalal, Mr. Rajiv K. Podar and Mr. Dilip Ghorawat, Wholetime Director.

Terms of Reference

The Committee is authorised to decide upon matters relating to borrowing, inter-corporate loans/deposits, opening and closing of bank accounts and to take appropriate timely action and decide upon various matters related thereto, in terms of the powers delegated to it by the Board. The Committee is also empowered to approve the unaudited quarterly financial results to be submitted to the Stock Exchanges as provided under Clause 41 of the Listing Agreement.

Meetings and Attendance

The Committee met six times on 1st April, 2013, 10th May, 2013, 24th June, 2013, 20th August, 2013, 30th October, 2013 and 28th February, 2014 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	0
Mr. Rajan A. Dalal	Member	Non-executive / Independent	6
Mr. Rajiv K.Podar	Member	Non-executive / Independent	6
Mr. Ashok Mittal @	Member	Non-executive / Independent	2
Mr. C. Singhania*	Member	Executive	0
Mr. Dilip Ghorawat#	Member	Executive	1

@ Ceased to be Member of the Committee w.e.f. 28th January, 2014
** Ceased to be Member of the Committee w.e.f. 20th July, 2013*
 # Appointed w.e.f. 28th January, 2014

Since 28.01.2014, the FCAC was entrusted with the work of overseeing the operations of the treasury division of the Company. Minutes of the meeting of the Finance & Corporate Affairs Committee are approved by the Chairman of the Committee and placed before the next meeting of the Board for noting and approval.

E. Remuneration Policy

The remuneration of employees comprises of the base remuneration, perquisites, and 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, recognise and reward achievement and promote retention.

F. Management

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

G. Disclosures

Vide General Circular No. 08/2014 dated 04-04-2014, the Ministry of Corporate Affairs have clarified that the financial statements (documents required to be attached thereto), auditors report and Board's report for the financial year 2013-14 shall be governed by the relevant provisions/schedules/rules of the Companies Act, 1956. Disclosures in the Accounting Statements Reports for the FY 2013-14 are therefore made accordingly.

(a) Materially significant related party transactions

Details of materially significant related party transactions i.e. the transactions of a material nature between the Company and the Promoters, Management, Directors or their relatives among others are disclosed in the Note No. 31.07 of the annual accounts in accordance with compliance with the accounting standards relating to 'Related Party Disclosures'. Details of all such transactions are provided to the Board at the Board Meetings, and the interested Directors neither participate in the discussion, nor vote on such matters.

There were no materially significant related party transactions which were in potential conflict with the interests of the Company at large.

(i) Accounting treatment in preparation of financial statements

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

(ii) Risk management

As required under clause 49 of the Listing Agreement, the Company has established a well documented and robust risk management framework. Under this framework, risks are identified across all business processes of the Company on a continuous basis. Once identified, these risks are classified as strategic risks, business risks or reporting risks. Strategic risks are those which are associated with the long-term interests of the Company. Reporting risks are associated with incorrect or un-timely financial and non-financial reporting.

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

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

(iii) Corporate ethics

As a responsible corporate citizen, the Company consciously conducts business and corporate interactions in an ethical manner. As a means to this end, the 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 of Conduct;

c) **Whistleblower policy** - The Company has established and implemented a whistleblower policy under which none of the Company's personnel have been denied access to the Audit Committee.

d) Code for corporate disclosure;

e) **Safety, health and environment policy in each of the units;**
In conformity with the recent statutory changes, the codes have been revised accordingly.

(iv) Chief Executive Officer (CEO) and Chief Financial Officer

(CFO) Certification

As per the requirement of Clause 41(ii) and 49(V) of the Listing Agreement, a certificate duly signed by CEO and CFO of the Company, regarding the financial statements for the year ended 31st March, 2014, was placed at the Board Meeting of the Company held on 13th May, 2014.

H. Shareholder Information

(i) Means of communication

In accordance with Clause 54 of the Listing Agreement, the Company has maintained a functional website at www.sutlejtextiles.com containing the basic information about the Company viz. the details of its business, financial information, shareholding pattern, compliance with Corporate Governance norms, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances issues among others. The contents of the said website are updated from time to time.

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

The results are hosted on the website of the Company at - www.sutlej-textiles.com

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

Further, the Company disseminates to the Stock Exchanges i.e. the BSE and the NSE wherein the Equity Shares of the Company are listed, all mandatory information and price-sensitive /such other information which in its opinion are material and/or have a bearing on its performance /operations and issue press releases wherever necessary for the information the public at large. For the benefit of the shareholders a separate email-id has been created for shareholder correspondence viz. stil.investor_grievance@sutlej-rtm.co.in

(ii) Annual General Body Meetings of the Company

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

AGM	Financial Year	Date	Time	Venue	Special business/s If any, passed
8th	2012-2013	August 10, 2013	3.00 p.m	Registered Office: Pachpahar Road Bhawanimandi (Raj)	1. Appointment of Mr.Sukhvir Singh as Director, who retires by rotation under section 257 of the Companies Act, 1956. 2. Increase in and reclassification of authorised share capital to ₹50 crore divided to 5 crore Equity Shares of ₹10 each. 3. Alteration of the Memorandum of Association with respect to authorised share capital.
7th	2011-2012	August 11, 2012	3.00 p.m	Registered Office: Pachpahar Road Bhawanimandi (Raj)	1. Re-appointment of Mr.C.Singhania as Whole time Director, Inter alia, under Section 269 of the Companies Act, 1956.on certain terms and conditions. 2. Appointment of Mr.M.H.Rahman as Director, who retires by rotation under Section 257 of the Companies Act, 1956.

AGM	Financial Year	Date	Time	Venue	Special business/s If any, passed
6th	2010-2011	August 06, 2011	3.00 p.m	Registered Office: Pachpahar Road Bhawanimandi (Raj)	Payment of commission up to 1% of the net profit of the Company, over and above the usual sitting fees to all the Directors put together, during each of the five financial years commencing from 1st April 2011

The 9th Annual General Meeting of the company is proposed to be held on Saturday, 23rd August, 2014 at 3.00 P.M. at the registered office of the Company.

Postal ballot: Ordinary resolution for issue of bonus shares in proportion of one (1) bonus Equity Share of ₹10 each for every two (2) fully paid-up Equity Shares of ₹10 each held was passed via postal ballot mechanism during the year 2013-14.

(iii) Disclosures regarding Directors seeking re-appointment

Mr. Sukhvir Singh, a Director of the Company retires by rotation at this Annual General Meeting and is eligible for reappointment.

As required under Section 149(10) and (11) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement, the following Directors of the Company viz., Mr. U.K.Khaitan, Amit Dalal, Rajan Dalal, Rajiv Podar and Dr. Mahmoodur Rahman, who held offices as Independent Directors shall require reappointment at the Annual General Meeting. Being eligible, each of the directors has offered himself for reappointment.

Members are requested to appoint them for tenure of five years as Independent Directors (not liable to retire by rotation).

Brief particulars of the Directors being reappointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board Committees, shareholding and relationships between Directors inter se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the notes to the notice of the Annual General Meeting.

(iv) General Shareholders' information

(i) 9th Annual General Meeting:

Date	23/08/2014
Day	Saturday
Time	3.00 p.m.
Venue	At registered office Pachpahar Road, Bhawanimandi 326 502 (Raj)

(ii) Last date for receipt of proxies

Thursday, 21st August, 2014 (before 3.00 p.m at the registered office of the Company)

(iii) Record date

12th July, 2014 for entitlement of dividend.

(iv) Book closure

The register of members and share transfer books of the Company shall remain closed from Saturday 16th August, 2014 to Saturday 23rd August, 2014 (both days inclusive) for the purpose of the AGM.

(v) Tentative financial calendar:

Next financial year	1st April, 2014 to 31st March, 2015
Audited annual results (2013-14)	13th May, 2014
Publication of audited results (2013-14)	14th May, 2014
Mailing of Annual Report	end-June, 2014
First quarter results and limited review	end-July, 2014
Second quarter results and limited review	end-October, 2014
Third quarter results and limited review	end-January, 2015
Audited annual results (2014-15)	mid-May, 2015

(vi) Dividend

Payment date (tentative): 27th August, 2014.

The Board of Directors at their meeting held on 13th May, 2014, have recommended a dividend of ₹8 per share for the year ended 31st March, 2014, subject to shareholders' approval at the forthcoming Annual General Meeting. If approved the dividend will be paid to the shareholders after 23rd August, 2014 but within 30 working days from the date of Annual General Meeting. The Company will continue to use NECS/ECS or any other electronic mode for payment of dividend to the shareholders located in places where in such facilities/system is in existence.

(vii) Listing on Stock Exchanges and stock codes:

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

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

Listing fees for the year 2014-15 have been paid to the Stock Exchanges within the stipulated time.

(vii) Corporate Identification Number

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

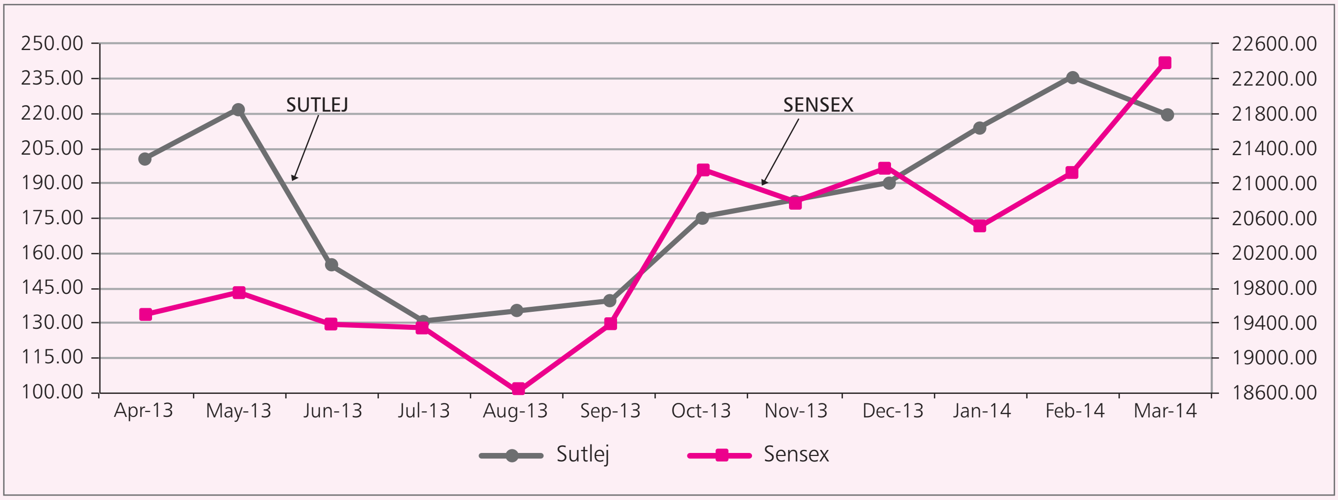
(viii) Market price data

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 Ltd., Mumbai		National Stock Exchange of India Limited, Mumbai	
	High	Low	High	Low
April, 2013	218.00	186.60	224.90	192.00
May, 2013	243.00	203.00	243.75	202.10
June, 2013	229.00	149.95*	234.85	154.00*
July, 2013	154.70	131.00	163.20	134.00
August, 2013	143.80	131.45	142.00	134.00
September, 2013	147.90	135.60	147.00	134.00
October, 2013	175.55	137.80	175.55	142.00
November, 2013	200.00	169.50	198.00	170.80
December, 2013	191.90	178.15	194.90	179.55
January, 2014	231.00	182.00	231.00	181.70
February, 2014	245.15	192.50	244.00	200.10
March, 2014	265.85	207.95	238.80	207.50

** Ex Bonus price*

Sutlej share price and BSE Sensex movement



(ix) Distribution of shareholding:

The distribution of shareholding as on 31st March, 2014 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	1,966	44.14	76,265	0.47
2.	101 to 500	1,624	36.46	3,83,263	2.34
3.	501 to 1,000	408	9.16	2,90,500	1.77
4.	1,001 to 5,000	339	7.61	7,12,229	4.35
5.	5,001 to 10,000	60	1.35	3,99,115	2.44
6.	10,001 to 100,000	41	0.92	12,79,639	7.81
7.	100,001 to 500,000	8	0.18	15,75,398	9.61
8.	500,001 to above	8	0.18	1,16,66,453	71.21
	TOTAL	4,454	100.00	1,63,82,862	100.00

(x) Details of shareholding as on 31st March, 2014 was as under:

The distribution of shareholding as on 31st March, 2014 was as follows:

Sl. No.	Category	Number of folios	% of folios	Number of shares held	% of shareholding
1.	Promoters	13	0.29	1,04,56,851	63.83
2.	Financial institutions, banks and mutual funds	3	0.07	4,030	0.02
3.	Private corporate bodies/associates	235	5.28	30,75,432	18.77
4.	Indian public	4,079	91.58	28,15,651	17.19
5.	FIIs	0	0	0	0
6.	NRIs, foreign nationals and OCBs	124	2.78	30,898	0.19
	TOTAL	4,454	100	1,63,82,862	100

(xi) 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, 97.12% of the total equity share capital of the Company was held in a dematerialised form with NSDL and CDSL as on 31.03.2014.

The Company has paid the requisite fees to all these authorities for the year 2014-15.

(xii) 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 Stakeholders' Relationship Committee.

(xiii) Address for Shareholders' Correspondence

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

(xiv) Registrar and Transfer Agent

The company appointed M/s. Sharepro Services (India) Pvt. Ltd. as its Registrar & Share Transfer Agent (RTA) for handling share registry (physical and electronic modes). Accordingly, all correspondence, shares for transfer, transmission, demat/ remat requests and other communication in relation thereto should be mailed/hand delivered to the said RTA directly at the following address:

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

(xv) Compliance Officer's Details:

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

(xvi) 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.

I. Compliance

(i) Statutory compliance, penalties and strictures

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

(ii) Listing Agreement compliance

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

(iii) Insider trading

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

(iv) Code of conduct and ethics

The Company laid down a Code of Conduct for the entire Board of Directors and senior management to avoid a conflict of interest. The Directors and senior management have affirmed compliance with Code of Conduct for the year 2013-2014. A declaration to this effect is attached to this report. The Code of Conduct is available on the Company's website www.sutlej-textiles.com.

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

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

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

(vi) Adoption of non-mandatory requirements

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

(vii) Auditors' Certificate on Corporate Governance

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

(viii) Disclosure under Clause 53 Of the Listing Agreement regarding certain agreements with media companies.

Pursuant to the requirement of Clause 53 of the Listing Agreement, the Company would like to inform that no agreement(s) have been entered into with media companies and /or their associates which has resulted in/will result in any kind of shareholding in the Company and consequently any other related disclosures viz. details of nominee(s) of the media companies on the Board of the Company, any management control or potential conflict of interest arising out of such agreements, among others are not applicable nor has the Company entered into any other back to back treaties/ contracts/agreements/ MoUs or similar instruments with media companies and/or their associates.

J. Investor Safeguards and other Information

(i) Dematerialisation of shares

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

(ii) National Electronic Clearing Services (NESC)/ Electronic Clearing Services (ECS) mandate

NECS/ECS facility ensures timely remittance of dividend without possible loss/delay in postal transit. Shareholders/Members holding shares in electronic form may register their NECS/ ECS details with the respective DPs and shareholders/members holding shares in physical form may register their NECS/ECS details with the Registrar and Share Transfer Agents to receive dividends, if declared, via the NECS/ECS mode.

(iii) Timely encashment of dividends

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

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

Under the Companies Act, 1956, dividends which remain unclaimed for a period of seven years are required to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government. Dates of declaration of dividends since 2006-2007 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government, are given in the table below:

Financial year ended	Date of declaration of dividend	Amount remaining unclaimed /unpaid as on 31/03/2014 (₹)	Last date for claiming unpaid dividend amount (on or before)	Last date for transfer to IEPF
31.03.2007	26.09.2007	468,589.00	25.09.2014	25.10.2014
31.03.2008	26.09.2008	170,959.00	25.09.2015	25.10.2015
31.03.2009	28.08.2009	213,657.00	27.08.2016	27.09.2016
31.03.2010	06.08.2010	408,905.00	05.08.2017	05.09.2017
31.03.2011	06.08.2011	16,722,90.00	05.08.2018	05.09.2018
31.03.2012	11.08.2012	10,185,65.00	10.08.2019	10.09.2019
31.03.2013	10.08.2013	949,580.00	09.08.2020	09.09.2020

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

Members are further requested to note that after completion of seven years, no claims shall lie against the said funds or Company for the amounts of dividend so transferred, nor shall any payment be made in respect of such claim.

(v) Update address/bank details

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

(vi) Consolidated multiple holdings (in respect of physical holdings)

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

(vii) Registered email address

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

Accordingly, shareholders holding shares in physical form are requested to register their email addresses and changes therein from time to time, by directly sending the relevant email addresses along with the details such as name, address, folio no, no of shares held to the Registrar and Share transfer Agents, M/s Sharepro Services (India) Pvt Ltd.

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

(viii) Addresses for correspondence:

Sutlej Textiles and Industries Limited
Pachpahar Road, Bhawanimandi-326 502 (Rajasthan)
Telephones: 07433-222052/222082/222090
Fax: 07433-222354
E-mail: hoffice@sutlej-rtm.co.in;
stil.investor_grievance@sutlej-rtm.co.in

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

(ix) Location of the plants:

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

DECLARATION BY THE WHOLETIME DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

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

"I hereby confirm that all the Members of the Board and the 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, 2014."

Place: Bhawanimandi
Date: 26th April, 2014

Dilip Ghorawat
Wholetime Director

Auditors' **Certificate**

To

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

We have examined the compliance of the conditions of Corporate Governance by M/s Sutlej Textiles and Industries Limited for the year ended on 31st March, 2014 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 a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. 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 and the representations made by directors and the management, we certify that the Company has complied, in all material respect, with the conditions of Corporate Governance as stipulated in Clause 49 of 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

Camp: Mumbai
Dated: 13th May, 2014

B. K. Sipani
Partner
Membership No.88926

Independent Auditor's Report

To

The Members of Sutlej Textiles and Industries Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Sutlej Textiles and Industries Limited, ("the company") which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on the financial statements of Chenab Textiles Mills as noted below, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

b. In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and

c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of Chenab Textile Mills, whose financial statements reflect total assets (net) of ₹70026.05 lakhs as at 31st March,2014, total revenues(net) of ₹115544.33 lakhs and net cash outflow amounting to ₹115.51 lakhs for the year then ended. These financial statements have been audited by other auditor whose reports have been furnished to us, and our opinion is based solely on the report of the other auditor. Our opinion is not qualified in respect of this matter.

Report on the other legal and regulatory requirements

1. The report on the accounts of Chenab Textile Mills audited under section 228 of the Act by other auditor has been forwarded to us as required by clause(c) of sub-section 228 of the Act and have been dealt with in preparing our report in the manner considered necessary by us.
2. As required by the Companies (Auditor's Report) order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statements on the matters specified in the paragraphs 4 and 5 of the Order.
3. As required by section 227(3) of the Act, we report that,
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from depots not visited by us;
   c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from depots not visited by us;
   d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   e. On the basis of written representations received from the directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For SINGHI & CO.
Chartered Accountants
Firm Reg. No.302049E
B.K. Sipani
Partner
Membership No. 88926

Camp: Mumbai
Date: 13th May, 2014

Annexure referred to in paragraph 1 of our report of even date on the other legal and regulatory requirements (Re: Sutlej Textiles and Industries Limited)

(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 has been physically verified by the management during the year and in respect of Kathua and Bhilad units, all fixed assets have not been physically verified by the management during the year but there is a regular programme of verification. 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 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.

(iii) a. The Company has granted loan to two bodies corporate covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹10950 lakhs and the year-end balance 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. Repayment of the principal amount is as stipulated and payment of interest has 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. Accordingly the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to the company.

(iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that purchases of certain items of inventories and fixed assets are of proprietary nature for which alternative sources are not available to obtain comparative quotations, there is an 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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(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 or any other relevant provisions of the Companies Act, 1956 and rules framed there under to the extent applicable, with regard to the deposits accepted from the public. We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court, or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(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, Service 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 followings:

Name of the statute	Nature of dues	Amount (₹ in lakhs)	Forum where dispute is pending	Related period
The Central Excise Act, 1944	Disallowances & Penalty on Cenvat on Service Tax	36.05	Commissioner (Appeals), Jaipur	Oct., 05 to Mar., 06
The Central Excise Act, 1944	Demand & Penalty for Service Tax	23.91	Central Excise & Service Tax Appellate Tribunal, New Delhi	Dec.,05 to Oct.,06
The Central Excise Act, 1944	Penalty against non-reversal of Cenvat credit on exempted goods	8.50	Rajasthan High Court, Jaipur	May,99 to Feb.,02
The Central Excise Act, 1944	Demand of rebate erroneously granted and paid by Department	138.35	Additional Commissioner of Central Excise, Jammu	2008-2012
The Central Excise Act, 1944	Demand towards excise duty on Textile Committee cess	17.64	Central Excise & Service Tax Appellate Tribunal, New Delhi	2000– 2005
The Central Excise Act, 1944	Excise duty on Clearance of Yarn at Single Stage	23.66	High Court of Jammu and Kashmir, Jammu	1995 – 1996
The Central Excise Act, 1944	Excise Duty on Clearance of Capital goods and Scrap Sales, interest and penalty thereon	22.40	Additional Commissioner of Central Excise, Jammu & Kashmir	2009-2012
Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2001	Entry Tax, Penalty and Interest thereon	1051.95	Commercial Tax Officer, Vapi	Apr, 06 to Mar, 14
Rajasthan Tax on Entry of Goods into Local Areas Act, 1999	Entry Tax and Interest	116.61	Rajasthan High Court, Jodhpur	Apr, 06 to Mar, 14

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 and immediately preceding financial year.

(xi) Based on our audit procedures and on the basis of 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 did not have any debenture outstanding 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. Accordingly, the clause 4 (xiii) of the Order is not applicable.

(xiv) The Company does not deal or trade in shares, securities, debentures and other securities except that it has investments in shares and units in mutual funds 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 guarantees in favour of financial institution or bank for loans taken by others.

(xvi) According to the information and explanations given to us, term loans obtained during the year were applied 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.

(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. Accordingly, clause 4 (xix) of the Order is not applicable.

(xx) The Company has not raised any money through a public issue during the year. Accordingly, clause 4 (xx) of the Order is not applicable.

(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 has been noticed or reported during the year.

For SINGHI & CO.
Chartered Accountants
Firm Reg. No.302049E

B.K. Sipani
Partner
Membership No. 88926

Camp: Mumbai
Date: 13th May, 2014

Balance Sheet as at 31st March, 2014

(₹ in lakhs)

Particulars	Note No.	As at 31st March, 2014	As at 31st March, 2013
EQUITY AND LIABILITIES			
Shareholders' Funds :			
Share Capital	1	1638.29	1092.19
Reserves and Surplus	2	44610.56	33552.22
		46248.85	**34644.41**
Deferred Government Subsidies	3	**171.97**	**209.29**
Non-Current Liabilities :			
Long-term Borrowings	4	26667.09	33766.58
Deferred Tax Liabilities (Net)	5	4158.46	4470.96
Other Long-term Liabilities	6	388.64	339.65
Long-term Provisions	7	420.50	345.42
		31634.69	**38922.61**
Current Liabilities :			
Short-term Borrowings	8	24534.12	20875.63
Trade Payables	9	5337.07	4024.32
Other Current Liabilities	10	16451.14	14533.74
Short-term Provisions	7	2916.60	1706.46
		49238.93	**41140.15**
TOTAL		127294.44	114916.46
ASSETS			
Non-Current Assets :			
Fixed Assets :			
Tangible Assets	11.1	50650.71	53964.11
Intangible Assets	11.2	56.64	71.79
		50707.35	54035.90
Capital Work-in-Progress		5609.89	481.15
		56317.24	54517.05
Non-Current Investments	12	5000.06	5000.07
Long-term Loans and Advances	13	4181.94	3699.02
Trade Receivables	14	-	-
Other Non-Current Assets	15	-	-
		65499.24	**63216.14**
Current Assets :			
Current Investments	16	334.07	254.00
Inventories	17	38360.39	31321.96
Trade Receivables	14	15425.57	14259.13
Cash and Bank balances	18	389.74	475.69
Short-term Loans and Advances	13	2822.61	1870.33
Other Current Assets	15	4462.82	3519.21
		61795.20	**51700.32**
Net Assets of Okara Mills(Pakistan) (Refer Note No. 31.03)		-	-
TOTAL		127294.44	114916.46
Contingent Liabilities and Commitments	19		
Summary of significant accounting policies and other notes on accounts	31		

The accompanying notes are an integral part of the financial statements.
In terms of our Report of even date attached.

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

B. K. Sipani
Partner
Membership No. 88926

Place : Mumbai
Dated : 13th May, 2014

D. R. Prabhu
Secretary

C. S. Nopany
Chairman

Dilip Kumar Ghorawat
Wholetime Director & CFO

U. K. Khaitan
Amit Dalal
Rajan A. Dalal
Rajiv K. Podar
Dr. M. H. Rahman
Sukhvir Singh
Directors

Statement of Profit and Loss for the year ended 31st March, 2014

(₹ in lakhs)

Particulars	Note No.	For the year ended 31st March, 2014	For the year ended 31st March, 2013
REVENUE:			
Revenue from Operations	20	188390.37	169036.95
Less: Excise Duty		328.06	1012.83
Revenue from Operations(Net)		188062.31	168024.12
Other Income	21	3904.23	3774.15
Total Revenue		**191966.54**	**171798.27**
EXPENSES:			
Cost of Materials Consumed	22	100283.41	94772.85
Purchase of Traded Goods	23	16039.60	11216.01
Changes in Inventories of Finished Goods,	24	(1451.15)	574.43
Work-in-Progress and Traded Goods			
Employee Benefits Expense	25	15801.33	13470.43
Other Expenses	26	30731.27	28333.42
Total		**161404.46**	**148367.14**
Profit before finance costs, depreciation, impairment &		**30562.08**	**23431.13**
amortisation, exceptional item and tax			
Finance Costs	27	5807.10	6531.61
Depreciation, Impairment and Amortisation Expenses	28	7518.62	7014.67
Profit before exceptional item and tax		**17236.36**	**9884.85**
Exceptional Item	29	63.73	605.84
Profit before tax		**17172.63**	**9279.01**
Tax Expenses :			
Current Tax	30	4347.32	1826.33
Deferred Tax		(312.50)	(244.07)
Profit after tax		**13137.81**	**7696.75**
Basic & Diluted Earnings Per Equity Share (of ₹10 each) (₹)	31.08	80.19	46.98
Summary of significant accounting policies and other notes on accounts	31		

The accompanying notes are an integral part of the financial statements.
In terms of our Report of even date attached.

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

B. K. Sipani
Partner
Membership No. 88926

Place : Mumbai
Dated : 13th May, 2014

D. R. Prabhu
Secretary

C. S. Nopany
Chairman

Dilip Kumar Ghorawat
Wholetime Director & CFO

U. K. Khaitan
Amit Dalal
Rajan A. Dalal
Rajiv K. Podar
Dr. M. H. Rahman
Sukhvir Singh
Directors

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 1: SHARE CAPITAL

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Authorised		
5,00,00,000 (Previous year 2,50,00,000) Equity Shares of ₹10 each	5000.00	2500.00
- (Previous year 50,00,000) Preference Shares of ₹10 each	-	500.00
	5000.00	**3000.00**
Issued, subscribed and fully paid-up		
1,63,82,862 (Previous year 1,09,21,908) Equity Shares of ₹10/-	1638.29	1092.19
each fully paid-up		
	1638.29	**1092.19**

Terms/ Rights attached to Equity Shares:

Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. There is no restriction on distribution of dividend. However, same is subject to the approval of the shareholders in the Annual General Meeting.

Reconciliation of the number of Equity Shares outstanding:

Particulars	As at 31st March, 2014	As at 31st March, 2013
Equity Shares outstanding at the beginning of the year	10921908	10921908
Add : Issue of Bonus Shares #	5460954	-
Equity Shares outstanding at the end the of the year	16382862	10921908

Pursuant to the resolution passed by the Shareholders through Postal Ballot concluded on 17th June, 2013, the Company has allotted 54,60,954 Equity Shares of ₹10/- each as fully paid-up Bonus Shares in the Ratio of 1(one) Bonus Share for every 2 (two) existing Equity Share held by the Shareholders as on the Record Date i.e., 28th June, 2013 and date of allotment is 1st July, 2013.

Shareholders holding more than 5 percent Equity Shares of the Company:

S. No.	Name of shareholder	As at 31st March, 2014		As at 31st March, 2013	
		No. of Shares held	% of holding	No. of Shares held	% of holding
1	Uttar Pradesh Trading Co.Ltd.	3041697	18.57	2027798	18.57
2	Hargaon Investment & Trading Co. Ltd.	1711396	10.45	1140931	10.45
3	New India Retailing and Investment Ltd.	1706304	10.42	1137536	10.42
4	Yashovardhan Investment & Trading Co. Ltd.	1486836	9.08	991224	9.08
5	Birla Institute of Technology and Science	1128658	6.89	752439	6.89
6	Earthstone Holding (Two) Private Limited	980369	5.98	-	-
7	Ronson Traders Ltd.	972373	5.94	648249	5.94

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 2: RESERVES AND SURPLUS

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(i) Capital Reserve		
Balance as per last financial statement	530.49	530.49
Less : Utilised during the year for issuing Bonus Shares	530.49	-
Closing Balance	**-**	**530.49**
(ii) General Reserve		
Balance as per last financial statement	10921.57	10121.57
Less : Utilised during the year for issuing Bonus Shares	15.61	-
Add: Additions during the year	1400.00	800.00
Closing Balance	**12305.96**	**10921.57**
(iii) Statement of Profit & Loss - Balance		
Balance as per last financial statement	22100.16	15842.31
Add: Profit for the year	13137.81	7696.75
	35237.97	**23539.06**
Less: Allocation and appropriation :		
Proposed Dividend #	1310.63	546.10
Corporate Dividend Tax	222.74	92.80
Transfer to General Reserve	1400.00	800.00
Total	**2933.37**	**1438.90**
Closing Balance	**32304.60**	**22100.16**
Total Reserves and Surplus (i to iii)	**44610.56**	**33552.22**

The Board of Directors has recommended dividend of ₹8 per Equity Share (Previous year ₹5 per Equity Share) of ₹10 each for the year ended 31st March, 2014. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Note 3: DEFERRED GOVERNMENT SUBSIDIES

(₹ in lakhs)

Particulars	As at 31st March, 2014		As at 31st March, 2013	
(i) Capital Subsidy sanctioned by The Jammu & Kashmir State Government on specific Fixed Assets				
As per last financial statements	27.79		37.15	
Less : Transferred to Statement of Profit & Loss	7.07	20.72	9.36	27.79
(ii) Capital Subsidy sanctioned by Ministry of Textiles under TUFS on specific Fixed Assets				
As per last financial statements	181.50		65.94	
Add: Sanctioned during the year	-		151.25	
	181.50		217.19	
Less : Transferred to Statement of Profit & Loss	30.25	151.25	35.69	181.50
		171.97		209.29

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 4: LONG-TERM BORROWINGS

(₹ in lakhs)

Particulars	Non-current		Current maturities	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
(i) Secured :				
Term loans from Banks (a)	26667.09	33626.18	9272.73	8428.03
Total (i)	**26667.09**	**33626.18**	**9272.73**	**8428.03**
(ii) Unsecured :				
Fixed Deposits (b)	-	140.40	2553.10	2094.50
Total (ii)	**-**	**140.40**	**2553.10**	**2094.50**
Total (i)+ (ii)	**26667.09**	**33766.58**	**11825.83**	**10522.53**
(iii) Amount disclosed under the head "Other current liabilities"			(11825.83)	(10522.53)
(Refer Note No. 10)				
Total (i)+ (ii)-(iii)	**26667.09**	**33766.58**	-	-

(a) (i) Securities :

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.

(ii) Terms of repayments of non- current portion :

- Current Year:

As at 31st March, 2014	Rate of Interest	Repayments	
(₹ in lakhs)		No. of Installments	Periodicity
12071.83	11.25% to 12.00% linked with Base Rate	8-26	Quarterly Equal
188.35	8.00% fixed	3	Quarterly Graded
14406.91	11.25% to 12.30% linked with Base Rate	1-27	Quarterly Graded
26667.09			

- Previous year:

As at 31st March, 2013	Rate of Interest	Repayments	
(₹ in lakhs)		No. of Installments	Periodicity
13519.94	11.75% to 13.00% linked with Base Rate	12-30	Quarterly Equal
961.48	8.00% fixed	1-7	Quarterly Graded
19144.76	11.25% to 12.15% linked with Base Rate	1-31	Quarterly Graded
33626.18			

(b) (i) Previous year Fixed deposit from public carries rate of interest @ 9% to 10% p.a. and are repayable after 2 to 3 years from the date of acceptance of Deposits.

(ii) Current maturities of fixed deposits includes amount accepted from related parties ₹1015.60 lakhs (Previous year ₹768.80 lakhs).

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 5: DEFERRED TAX LIABILITIES (NET)

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Deferred Tax Liability on account of:		
Depreciation	5112.59	5317.55
	5112.59	**5317.55**
Deferred Tax Assets on account of:		
(i) Accrued expenses deductible on payment basis	826.23	664.73
(ii) Others	127.90	181.86
	954.13	**846.59**
Deferred Tax Liability/(Assets)(Net)	**4158.46**	**4470.96**

Note 6: OTHER LONG-TERM LIABILITIES

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Trade Deposits	382.66	319.41
Interest accrued but not due on Fixed Deposit	-	13.74
Employee Security Deposits	5.98	6.50
	388.64	**339.65**

Note 7: PROVISIONS

(₹ in lakhs)

Particulars	Long-term		Short-term	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
Employee Benefits	420.50	345.42	131.54	143.52
Loss on Forward Contracts	-	-	0.19	3.62
Income Tax (Net)	-	-	338.43	191.46
Others - Contingencies #	-	-	913.07	728.96
Proposed Dividend	-	-	1310.63	546.10
Corporate Dividend Tax	-	-	222.74	92.80
	420.50	**345.42**	**2916.60**	**1706.46**

 # Disclosure of provisions and contingencies as per Accounting Standard-29

(₹ in lakhs)

Particulars	Disputed Statutory Matters	Other Obligation	Total
Opening Balance	728.96	-	728.96
	(544.88)	(-)	(544.88)
Addition	216.96	-	216.96
	(212.85)	(-)	(212.85)
Utilisation	-	-	-
	(-)	(-)	(-)
Reversal/ Paid	32.85	-	32.85
	(28.77)	(-)	(28.77)
Closing Balance	913.07	-	913.07
	(728.96)	(-)	(728.96)

(i) Provision for disputed statutory matters have been made, where the Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flow will be determined by the relevant authorities on settlement of cases.

(ii) Figures in brackets represents previous year's amounts.

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 8: SHORT-TERM BORROWINGS

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Secured :		
Loan repayable on demand		
Working Capital Facilities from banks are secured/to be secured by hypothecation of moveables including book debts, both present and future, of the unit, ranking pari-passu inter se.	24534.12	20875.63
	24534.12	**20875.63**

Note 9: TRADE PAYABLES *

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Trade payables (including acceptances)	5337.07	4024.32
	5337.07	**4024.32**

* 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 MSME Act, 2006 can not be made. However, the company generally makes payment to its suppliers within 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.

Note 10: OTHER CURRENT LIABILITIES

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Current maturities of long-term debts (Refer Note No.4)	9272.73	8428.03
Current maturities of fixed deposits (Refer Note No.4)	2553.10	2094.50
Interest accrued and due on borrowings	438.66	506.24
Interest accrued but not due on borrowings	160.64	125.63
Credit balance & advances received from customers	544.55	615.82
Unpaid Dividend	49.03	47.03
Unpaid matured deposit & interest accrued thereon	-	0.20
Creditors for capital goods	535.04	231.21
Statutory dues	389.16	268.17
Employees liabilities	2034.40	1734.23
Security Deposits	46.66	35.90
Rebate and Claims	95.72	166.51
Director's Commission	79.26	33.91
Others	252.19	246.36
	16451.14	**14533.74**

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 11.1 & 11.2: FIXED ASSETS

(₹ in lakhs)

Description	Gross Block				Depreciation				Impairment	Net Block	
	Cost/Book Value										
	As at 31.03.2013	Additions	Deductions	As at 31.03.2014	As at 31.03.2013	For the year ended 31.03.2014	Deductions	As at 31.03.2014	For the year ended 31.03.2014	As at 31.03.2014	As at 31.03 2013
Note No. 11.1											
(A) Tangibe Assets								#			
Land	963.39	-	-	963.39	46.83	5.28	-	52.11	-	911.28	916.56
Building	21776.97	480.20	4.36	22252.81	4420.55	555.23	2.78	4973.00	-	17279.81	17356.42
Plant & Equipment	88043.36	3599.62	1390.55	90252.43	53668.88	6058.61	1324.58	58402.91	676.23	31173.29	34374.48
Vehicles	853.91	104.23	80.90	877.24	291.63	80.34	59.69	312.28	-	564.96	562.28
Furniture & Fixtures	1017.06	47.03	7.59	1056.50	655.14	48.13	6.28	696.99	-	359.51	361.92
Office Equipments	1020.54	62.03	47.52	1035.05	628.09	79.66	34.56	673.19	-	361.86	392.45
TOTAL (A)	**113675.23**	**4293.11**	**1530.92**	**116437.42**	**59711.12**	**6827.25**	**1427.89**	**65110.48**	**676.23**	**50650.71**	**53964.11**
Note No.11.2											
(B) Intangible Assets											
Software and Designing rights	37.99	-	0.26	37.73	33.04	3.16	0.26	35.94	-	1.79	4.95
Software IT (ERP)	556.03	-	0.02	556.01	489.19	11.98	0.01	501.16	-	54.85	66.84
TOTAL (B)	**594.02**	**-**	**0.28**	**593.74**	**522.23**	**15.14**	**0.27**	**537.10**	**-**	**56.64**	**71.79**
(C) Capital Work-in- Progress										5609.89	481.15
Total (C)	-	-	-	-	-	-	-	-	-	**5609.89**	**481.15**
Total (A+B+C)	**114269.25**	**4293.11**	**1531.20**	**117031.16**	**60233.35**	**6842.39**	**1428.16**	**65647.58**	**676.23**	**56317.24**	**54517.05**
Previous Year	112331.89	3817.84	1880.48	114269.25	54150.23	7014.67	931.55	60233.35	-	54517.05	-

Notes :
1. Land includes Freehold Land of ₹511.11 lakhs (Previous year ₹511.11 lakhs) and Leasehold Land of ₹452.28 lakhs (Previous year ₹452.28 lakhs). In case of Kathua unit Leasehold Land for ₹306.37 lakhs (Previous year ₹306.37 lakhs) are pending for registration in the name of the unit.
2. Fixed assets includes share of the company in a Holiday Home at Haridwar jointly owned with other Bodies Corporates.
3. Capital work-in-progress includes pre-operative Expenses amounting to ₹193.35 lakhs (Previous Year Nil) . Details of which are as under :

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Salaries, wages and bonus	23.41	-
Finance costs	151.58	-
Insurance	8.94	-
Miscellaneous expenses	9.42	-
Total	**193.35**	-

4. Depreciation including relating to earlier year in Plant & Machinery Nil (Previous year ₹2.92 lakhs).

Represents Amortisation of Lease Rent.

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 12: NON-CURRENT INVESTMENTS

(₹ in lakhs)

Particulars	Shares (Nos.)	Face Value Shares (₹)	As at 31st March, 2014	As at 31st March, 2013
Long Term Investment (Non-Trade)				
Unquoted (Fully paid-up) (at cost)				
(a) In Equity Shares of Co-operative Bank :				
The Jhalawar Nagrik Sahkari Bank Ltd.,	50	100	0.05	0.05
Bhawanimandi				
(b) Investments in Government & Trust Securities :				
National Saving Certificates (VIII Issue)			0.01	0.02
(Lodged as Security Deposit)				
(c) Investment in Preference Shares :				
8.50% Cumulative Redeemable Preference	50000000	10	5000.00	5000.00
Shares fully paid-up in The Oudh Sugar Mills Ltd.				
Aggregate amount of Unquoted Investments			**5000.06**	**5000.07**

Note 13: LOANS AND ADVANCES

(₹ in lakhs)

Particulars	Long-term		Short-term	
(Unsecured, Considered Good unless otherwise stated)	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
(i) Capital Advances	1876.03	404.67	-	-
(ii) Security Deposits	501.24	720.57	26.60	18.04
(iii) Balances with Excise and Custom Department				
Considered Good	-	-	722.81	432.40
Considered Doubtful	-	-	108.11	108.11
	-	-	830.92	540.51
Less: Provision for non-usable Cenvat credit	-	-	(108.11)	(108.11)
	-	-	**722.81**	**432.40**
(iv) Advances Recoverable in Cash or in Kind				
Considered Good	-	-	1948.41	1345.81
Considered Doubtful	-	-	12.06	12.06
	-	-	1960.47	1357.87
Less: Provision for doubtful	-	-	(12.06)	(12.06)
	-	-	**1948.41**	**1345.81**
(v) Other Loans and Advances				
Income Tax Refund Receivable	-	-	4.64	1.15
MAT credit entitlement @	1798.64	2564.64	-	-
Prepaid Expenses	6.03	9.14	120.15	72.93
	1804.67	**2573.78**	**124.79**	**74.08**
TOTAL (i to v)	**4181.94**	**3699.02**	**2822.61**	**1870.33**

@ Represents that portion of MAT liability, which can be recovered and set off in subsequent years based on the provisions of Section 115JAA of the Income Tax Act, 1961. The management, based on the present trend of profitability and also the future profitability projections, opines that there would be sufficient taxable income in future, which will enable the Company to utilize MAT credit entitlement.

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 14: TRADE RECEIVABLES

(₹ in lakhs)

Particulars	Non-Current		Current	
(Unsecured, Considered Good unless otherwise stated)	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
(a) Outstanding for more than six months (from due date)				
Considered Good	-	-	88.84	225.40
Considered Doubtful	-	-	172.59	138.71
	-	-	261.43	364.11
Less: Provision for Doubtful			(172.59)	(138.71)
	-	-	88.84	225.40
(b) Other receivables	-	-	15336.73	14033.73
	-	-	**15425.57**	**14259.13**

Note 15: OTHER ASSETS

(₹ in lakhs)

Particulars	Non-Current		Current	
(Unsecured, Considered Good unless otherwise stated)	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
(i) Export Benefits/ Claims Receivable				
Considered Good #	-	-	2210.34	1086.90
Considered Doubtful	-	-	41.18	41.18
			2251.52	1128.08
Less: Provision for Doubtful	-	-	(41.18)	(41.18)
	-	-	**2210.34**	**1086.90**
(ii) Others, Considered Doubtful	-	-	42.49	42.49
Less: Provision for Doubtful	-	-	(42.49)	(42.49)
	-	-	-	-
(iii) Government Subsidies Receivable				
Considered Good	-	-	2184.70	2116.47
Considered Doubtful	-	-	-	177.19
	-	-	2184.70	2293.66
Less: Provision for Doubtful	-	-	-	(177.19)
	-	-	**2184.70**	**2116.47**
(iv) Fixed Assets held for sale				
Written down value			11.00	862.41
Less: Provision for loss			-	(605.84)
Carrying value of fixed assets held for sale			**11.00**	**256.57**
(At lower of net book value or net realisable value)				
(v) Interest accrued on Deposits	-	-	**56.78**	**59.27**
TOTAL (i to v)	-	-	**4462.82**	**3519.21**

Includes ₹108.33 lakhs (Previous year ₹108.33 lakhs) being not allowed by Excise Department for simultaneous claim for rebate of duty on input & finished goods.The Company has filed Appeals before the Hon'ble Supreme Court of India against order of the Hon'ble Rajasthan High Court, Jaipur Bench challanging both the issues (i.e. re-credit duty in cenvat account as well as simultaneous claim for rebate of duty on Inputs and finished goods). Pending disposal of appeals by the Supreme Court, above amount has been considered good by the Company

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 16: CURRENT INVESTMENTS

(₹ in lakhs)

	Units (Nos.)	Face Value Units (₹)	As at 31st March, 2014	As at 31st March, 2013
Unquoted (Fully paid-up) (Non-Trade)				
Investments in Mutual funds (at cost or fair value whichever is lower)				
UTI-MIS-Advantage Plan -Growth	-	10	-	45.00
	(241714.56)			
UTI-Fixed Term Income Fund series XV-II Growth Plan	2890000	10	289.00	209.00
	(2089990)			
UTI-Fixed Term Income Fund series XV-III Growth Plan	450691.41		45.07	-
Earmarked in compliance with the provisions of Companies (Acceptance of Deposits) Rules, 1975				
Aggregate amount of Unquoted Investments			**334.07**	**254.00**

Note 17: INVENTORIES

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Valued at lower of cost or net realisable value except waste at net realisable value)		
Raw Materials (includes own produced goods)	18177.41	12818.28
Work-in-Progress	5493.72	4990.04
Finished Goods	12337.67	11305.44
Traded Goods	154.58	154.55
Stores and Spare-parts,etc.	2057.46	1829.31
Waste	139.55	224.34
Total	**38360.39**	**31321.96**
Goods in transit included in above inventories are as under :		
Raw Materials	1579.02	378.31
Stores and Spare-parts,etc	57.09	65.46

Note 18: CASH AND BANK BALANCES

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(a) Cash and cash equivalents:		
Cash Balance on hand	29.15	30.89
Cheques/ Drafts in hand	-	15.10
Balance with banks in:		
Current Accounts	276.88	347.67
Cash Credit Accounts(debit balance)	0.39	2.50

Notes annexed to and forming part of Balance Sheet as at 31st March, 2014

Note 18: CASH AND BANK BALANCES *(contd.)*

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
(b) Earmarked balances with banks:		
Unpaid Dividend Account	49.03	47.03
Fixed Deposit Accounts (lodged as Security Deposit}	13.41	15.12
Employees Security Deposit Accounts	20.86	17.36
Deposit in Post Office Saving Bank Accounts (lodged as Security Deposit)	0.02	0.02
	389.74	**475.69**

Note 19: CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
A. Contingent Liabilities (Not provided for) in respect of:		
1 Claim against the Company not acknowledged as debts:		
a) Labour Matters, except for which the liability is unascertainable	69.45	64.60
2 Other matters for which the Company is contingently liable:		
a) Demand raised by Excise Department for various matters	220.95	174.40
b) Demand for Service Tax	23.91	23.91
c) Demand for Entry Tax (penalty & interest)	483.05	420.04
Note: The Company has a strong chance of success in above cases, therefore no provision is considered necessary.		
3 Bills Discounted with Bankers	4683.58	2772.96
(Since Realised upto 30.04.2014 ₹1907.33, Previous year ₹1093.30 lakhs)		

4 The Company has procured certain capital goods under EPCG Scheme at concessional rate of duty. As on 31st March, 2014 the Company is contingently liable to pay differential custom duty ₹354.50 lakhs (Previous year ₹2345.45 lakhs on such procurement. 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.

Particulars	As at 31st March, 2014	As at 31st March, 2013
B. Commitments :		
a) Estimated amount of Contracts remaining to be executed on Capital Account [Net of Advances ₹1876.03 lakhs (Previous Year ₹404.67 lakhs)] and not provided for	9463.00	1759.12

b) The Company has availed certain government subsidies/ grants. As per the terms and conditions, the Company has to continue production for specified number of years failing which amount of subsidies availed alongwith interest, penalty etc. will have to be refunded.

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 20: REVENUE FROM OPERATIONS

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(i) **Sale of Manufactured goods :**		
Cotton Yarn	51295.45	41691.52
Man Made Fibres Yarn	103547.05	100768.13
Fabrics	5450.69	5483.29
Trousers	-	548.89
Home Furnishing Fabrics	3659.85	3218.21
Waste	2517.96	2333.10
Total (i)	**166471.00**	**154043.14**
(ii) **Sale of Traded goods:**		
Cotton Yarn	6590.67	7159.26
Man Made Fibres Yarn	9940.30	4299.34
Fabrics	409.35	404.36
Home Furnishing Fabrics	41.34	-
Total (ii)	**16981.66**	**11862.96**
(iii) **Sale of services :**		
Job Processing	1639.15	1441.28
Others	77.69	179.78
Total (iii)	**1716.84**	**1621.06**
Aggregate sale of goods and services (i to iii) @	**185169.50**	**167527.16**
(iv) **Other Operating Revenue :**		
Export incentives	3220.87	1509.79
Total (iv)	**3220.87**	**1509.79**
Revenue from Operations (Gross) (i to iv)	**188390.37**	**169036.95**
Less: Excise Duty	328.06	1012.83
Revenue from Operations (Net)	**188062.31**	**168024.12**

@ Sales includes Export Sales of ₹44525.13 lakhs (Previous year ₹32574.81 lakhs).

Note 21: OTHER INCOME

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Dividend from Non-current Investment (Non-Trade)	0.01	0.01
Profit on sale of Current Investment	32.56	13.40
Interest from Bank Deposits	2.18	2.69
Interest from Inter-Corporate Deposits	960.19	828.06
Interest from others #	1860.33	1811.57
Profit on sale/discard of Fixed Assets (Net)	13.71	94.47

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 21: OTHER INCOME *(contd.)*

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Miscellaneous Income @	456.22	277.94
Excess provisions and unspent liabilities written back	258.12	159.70
Adjustment relating to previous year (Net)	16.15	-
Net Gain on Foreign Currency transactions and translation	-	240.24
(Including Gain on Cancellation of Forward Contracts ₹2.63 lakhs)		
Provision for Doubtful Subsidy/ Refund/ Debts written back	52.93	147.64
Sundry credit balances written back (Net)	85.51	66.28
Insurance Claims	128.74	87.10
Deferred Government Subsidies	37.32	45.05
Bad Debts Recovered	0.26	-
	3904.23	**3774.15**

Includes ₹88.33 lakhs (Previous Year ₹97.04 lakhs) on account of Interest subsidy under Rajasthan Investment Promotion Scheme (RIPS) and ₹604.14 lakhs (Previous Year ₹750.21 lakhs) being 3% Central interest subsidy received on working capital loans.

@ Includes ₹110.92 lakhs (Previous Year Nil) Insurance Subsidy received under Central Government Scheme.

Note 22: COST OF MATERIALS CONSUMED

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Cotton	24803.35	20506.31
Man Made Fibres	64321.61	64550.08
Yarn	5129.56	4668.64
Grey Fabric	-	101.76
Dyes & Chemicals	6028.89	4845.46
Others	-	100.60
	100283.41	**94772.85**

Note 23: PURCHASE OF TRADED GOODS

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Cotton Yarn	6075.67	6779.22
Man Made Fibres Yarn	9542.80	4078.57
Fabrics	383.55	358.22
Home Furnishing Fabrics	37.58	-
	16039.60	**11216.01**

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 24: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Inventories as at 31st March, 2014		
Work-in-Progress (a)	5493.72	4990.04
Finished Goods (b)	12337.67	11305.44
Traded Goods (c)	154.58	154.55
Waste	139.55	224.34
	18125.52	**16674.37**
Inventories as at 31st March, 2013		
Work-in-Progress (a)	4990.04	4421.57
Finished Goods (b)	11305.44	12557.15
Traded Goods (c)	154.55	156.17
Waste	224.34	113.91
	16674.37	**17248.80**
	(1451.15)	**574.43**
Details of Inventories are given below:		
(a) Work-in-Progress :		
Cotton Yarn	1691.85	1383.72
Man Made Fibres Yarn	2842.39	2861.85
Yarn	155.41	146.72
Fabrics	624.46	463.56
Job work	179.61	134.19
	5493.72	**4990.04**
(b) Finished Goods :		
Cotton Yarn	2359.96	1233.61
Man Made Fibres Yarn	7644.24	7872.21
Fabrics	1107.87	943.74
Home Furnishing Fabrics	1225.60	1255.88
	12337.67	**11305.44**
(c) Traded Goods :		
Cotton Yarn	43.68	100.21
Man Made Fibres Yarn	90.50	45.35
Fabrics	20.40	8.99
	154.58	**154.55**

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 25: EMPLOYEE BENEFITS EXPENSE @

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Salaries, wages and bonus	13663.94	11769.17
Contribution to provident and other funds	1796.03	1404.98
Employee welfare expenses	341.36	296.28
	15801.33	**13470.43**

@ Net of amount capitalised refer Note No. 11.

Note 26: OTHER EXPENSES @

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Processing and Job Charges	660.45	850.17
Consumption of Stores & Spares	2973.78	2778.07
Consumption of Packing Materials	2410.23	2126.70
Power, Fuel and Water Charges	13527.16	13049.36
Rent	175.68	164.95
Insurance(Net)	233.53	145.29
Rates and Taxes *	41.99	24.10
Repairs and Maintenance:		
Buildings	386.34	335.19
Machinery	1820.71	1705.55
Others	122.12	112.84
Freight & Forwarding Expenses, etc .	3560.41	3008.59
[Net of recovery of ₹439.94 lakhs (Previous year ₹547.57 lakhs)]		
Selling Commission & Brokerage	1606.39	1401.47
Rebates, Compensation and Cash Discounts	891.16	810.51
Miscellaneous Expenses $	1792.00	1556.95
Auditors Remuneration: #		
Statutory Auditors:		
As Auditors	13.94	12.87
For Tax Audit	3.11	2.85
For Limited Review	3.13	2.72
In other Capacity, for		
Certifications and other matters	1.82	3.76
Travelling and other out of pocket expenses	2.70	1.97
Branch Auditors:		
As Auditors	17.50	16.25
Travelling and other out of pocket expenses	2.00	2.00

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 26: OTHER EXPENSES *(contd.)*

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
Cost Auditors:				
As Auditors		1.40		1.30
Certification and Advices		0.09		0.20
Travelling and other out of pocket expenses		0.25		0.24
Adjustment relating to previous year (Net)		-		9.02
Charity and Donations		120.94		110.93
Net loss on Foreign Currency transactions and translation ##		197.54		-
(other than considered as finance costs)				
{Net of gain on Cancellation of Forward Contract of ₹18.67 lakhs}				
Bad Debts/ Subsidy	146.44		109.89	
Less: Provision for Bad Debts/ Subsidy	(145.75)	0.69	(109.89)	-
Provision for Doubtful Debts		55.37		43.24
Directors' Commission & Fees		108.84		56.33
		30731.27		**28333.42**

@ Net of amount capitalised refer Note No. 11.

* Includes excise duty on increase/(-)decrease of finished goods stock Nil (Previous year(-)₹7.84 lakhs), Wealth Tax ₹6.62 lakhs (Previous year ₹7.57 lakhs) and Sales tax ₹1.43 lakhs (Previous year ₹3.99 lakhs).

$ Amount is net of credit of ₹246 lakhs (Previous year ₹235.51 lakhs) for Sharing of Common Expenses with a body corporate and includes expenses incurred for increase of Authorised Capital ₹20 lakhs & Bonus Share issue expenses ₹5.48 lakhs.

Including service tax wherever applicable.

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 outstanding derivative contracts not covered by AS-11 by marking them to market rate. Accordingly loss on forward contracts amounting to ₹0.19 lakh is included herein above (Previous year ₹3.62 lakhs net of in Net Gain on Foreign Currency transactions and translation under Note No. 21-Other Income).

Note 27: FINANCE COSTS @

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Interest Expenses #	5790.93	6455.75
Other Borrowing costs	16.17	65.60
Loss on Foreign Currency transactions and translation (considered as finance costs)	-	10.26
	5807.10	**6531.61**

@ Net of amount capitalised refer Note No. 11.

Net of interest subsidies under TUF (Technology Upgradation Fund) scheme amounting to ₹1790.33 lakhs (Previous year ₹2104.87 lakhs).

Notes annexed to and forming part of Statement of Profit and Loss for the year ended 31st March, 2014

Note 28: DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSES

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Depreciation of tangible assets (Refer Note No.11.1)	6827.25	6924.34
Amortisation of intangible assets (Refer Note No.11.2)	15.14	90.33
Impairment (Refer Note No.11.1)#	676.23	-
	7518.62	**7014.67**

Power Plant of Daheli unit has been impaired as a result of uneconomical operation. Accordingly impairment loss has been accounted for based on estimated selling price.

Note 29: EXCEPTIONAL ITEM

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013
Loss on sale of fixed assets held for sale *	669.57		
Less: Provision for loss on fixed assets held for sale	(605.84)	63.73	-
Provision for loss on fixed assets held for sale		-	605.84
		63.73	**605.84**

* In previous year Garment Division of the Company was closed w.e.f. 31.01.2013 and provision for loss on fixed assets held for sale was considered as exceptional item. During the year additional loss incurred on disposal of those fixed assets, has been considered as exceptional item in line with previous year presentation.

Note 30: CURRENT TAX

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Current Tax for the year	3589.00	1921.00
Add/Less: MAT Credit (Entitlement) / Utilised	766.00	(100.00)
	4355.00	1821.00
Current Tax adjustments for earlier years (Net)	(7.68)	5.33
	4347.32	**1826.33**

Note 31: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES ON ACCOUNTS:

31.01 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, and one Home Textiles unit viz. Damanganga Home Textiles at Village Daheli, near Bhilad (Gujarat).

31.02 Summary of significant 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) Classification of Assets and Liabilities as Current and Non Current

All assets and liabilities are classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, 12 months has been considered by the Company for the purpose of current/ non-current classification of assets and liabilities.

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

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

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

31.02 Summary of significant accounting policies *(contd.)*

(F) Investments

Non Current (Long term) investments are stated at cost . The Company provides for diminution other than temporary in the value of Non Current (Long term) investments. Current investments are valued at lower of cost or fair value.

(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, finished goods and traded 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. 31.02 (I) (iii) herein below.
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) Work-in-progress, finished goods and traded goods have been valued as per the principles and basis 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” could not be identified separately. Therefore for the purpose of determining weightage average cost, transfer price has been considered. In the opinion of the management such valuation have no material impact on inventory valuation and 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) 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.

(I) Revenue Recognition

(i) Revenue from sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(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.

(iv) Interest include other than interest on overdue debts from customers, is recognised on time proportion basis.

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

31.02 Summary of significant accounting policies *(contd.)*

(J) 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 relating to depreciable fixed assets are treated as deferred income as per Accounting Standard - 12, which are recognised in Statement of Profit and Loss over the useful life of the respective assets.

(K) Excise Duty on job work

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.

(L) Retirement and other employee benefits

(i) Retirement benefits in the form of provident fund and superannuation scheme, which are defined contribution plans, are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due.

(ii) 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.

(iii) Gratuity liability is being contributed to the gratuity fund formed by the Company.

(M) 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 Statement of Profit and Loss. Premium/Discount on forward contracts covered by AS-11 is recognised over the length of the contract.

(N) 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 Statement of Profit and Loss. As prudent accounting policy, gain on marked to market at the end of year are not accounted for.

(O) Borrowing Costs

Borrowing costs 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.

(P) 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.

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

31.02 Summary of significant accounting policies *(contd.)*

(Q) 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.

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

(R) Segment Reporting

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company.

Primary Segments are identified based on the nature of products and services, the different risks and returns and the internal business reporting system. Revenue, Expense, Assets and Liabilities, which relate to the Company as a whole and could not be allocated to segments on a reasonable basis, have been classified as unallocated.

Secondary segment is identified based on geography by location of customers i.e. in India and outside India.

Inter-segment revenue have been accounted for based on the transaction price agreed to between the segments, which is primarily market based.

31.03 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 ₹232.35 lakhs, the demerged/transferor Company had received adhoc compensation of ₹25 lakhs from Government of India in the 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 ₹207.35 lakhs (net of compensation received) as on 31.03.1965, valued at pre-devaluation exchange rate, has been provided for.

31.04 Proportionate expenses reimbursed for utilising services of establishments maintained by other entities have been included in respective heads of expenses.

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.05: DISCLOSURE AS PER ACCOUNTING STANDARD - 15 (EMPLOYEE BENEFITS)

(₹ in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Define Contribution Plan -		
The Company has recognized the following amounts in the Statement of Profit and Loss for the year		
Contribution to employees provident fund	1056.30	798.32
Contribution to superannuation fund	24.15	22.72
Define Benefit Plan -		
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	2196.70	1901.80
Past & current service cost	260.05	222.11
Interest cost	175.74	152.14
Contribution by planned participants actuarial (gain)/loss	108.98	80.55
Benefits paid	(220.15)	(159.90)
Closing DBO	2521.32	2196.70
(b) A reconciliation of opening and closing balances of the fair value of plan assets:		
Opening fair value of plan assets	2196.70	1901.80
Expected return	151.10	151.89
Actuarial gain/(loss)	23.00	14.04
Contribution by the employer	370.67	288.87
Benefits paid	(220.15)	(159.90)
Closing fair value of plan assets	2521.32	2196.70
(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	2521.32	2196.70
Fair value of the plan assets at the end of the year	2521.32	2196.70
Liability recognized in the balance sheet	-	-
(d) The total expense recognised in the Statement of Profit and Loss:		
Past & Current service cost	260.05	222.11
Interest cost	175.74	152.14
Expected return on plan assets	(151.10)	(151.89)
Actuarial (gains)/loss	85.98	66.51
Net gratuity cost	370.67	288.87

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.05: DISCLOSURE AS PER ACCOUNTING STANDARD - 15 (EMPLOYEE BENEFITS) *(contd.)*

(₹ in lakhs)

	Particulars	As at 31st March, 2014	As at 31st March, 2013
(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	36	31
	Corporate Bond/Fixed Deposit	20	22
	Special Deposit Scheme	16	18
	HDFC group unit linked plan - Option B	25	27
	Other investments- UTI master shares	3	2
(f)	Actual return on plan assets	7.92%	8.73%
(g)	Following are the principal actuarial assumptions used as at the balance sheet date:		
	Discount rate	8.50%	8.00%
	Expected rates of return on any plan assets	7.92%	8.73%
	Average salary escalation rate	6.00%	5.50%
	Average remaining working life of the employees(years)	23.54	23.85
	The estimates of the future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.		

(h) The amounts for the current and previous four periods in respect of gratuity plan are as follows:

(₹ in lakhs)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Defined benefit obligation	2521.32	2196.70	1901.80	1739.21	1391.82
Plan assets	2150.65	1907.83	1740.84	1383.94	1196.62
Surplus / (deficit)	370.67	288.87	160.96	355.27	195.20
Experience adjustment on plan assets- gain/(loss)	7.54	40.24	3.04	(54.81)	66.28
Experience adjustment on plan liabilities - gain/(loss)	(107.42)	(71.04)	43.36	34.58	(33.55)

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.06: SEGMENT REPORTING

The following tables present the revenue, profit, assets and liabilities information relating to the Business/Geographical segment for the year ended 31.03.2014.

Information about Business Segment - Primary

(₹ in lakhs)

Reportable Segments	Yarn		Fabrics and apparels		Total	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue						
Revenue from operations	176474.47	156465.70	11587.84	11558.42	188062.31	168024.12
Inter Segment Revenue	2439.08	2322.23			2439.08	2322.23
Total revenue from operations	**178913.55**	**158787.93**	**11587.84**	**11558.42**	**190501.39**	**170346.35**
Result						
Segment result	21747.37	14932.79	(1111.70)	(833.91)	20635.67	14098.88
Finance costs					5807.10	6531.61
Exceptional items					63.73	605.84
Unallocated corporate income (Net of expenses)					2407.79	2317.58
Profit before tax					**17172.63**	**9279.01**
Less:Provision for taxation - Current tax					4347.32	1826.33
- Deferred tax					(312.50)	(244.07)
Profit after Tax					**13137.81**	**7696.75**
Other Information						
Segment assets	106606.62	92710.54	13205.27	14018.45	119811.89	106728.99
Unallocated corporate assets					7482.55	8187.47
Total assets					**127294.44**	**114916.46**
Segment liabilities	9254.30	6222.20	1809.05	2306.35	11063.35	8528.55
Unallocated corporate liabilities					6183.93	5404.25
Borrowing including interest thereon					63626.34	66129.96
Total Liabilities					**80873.62**	**80062.76**
Capital expenditure	10599.66	2688.25	293.53	429.58	10893.19	3117.83
Depreciation	6056.36	6177.37	786.03	837.30	6842.39	7014.67
Impairment			676.23		676.23	-
Non-cash expenditure other than Depreciation & amortisation					55.37	43.24

Secondary Segment - Geographical by location of customers

(₹ in lakhs)

Reportable Segments	Domestic		Export		Total	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue from operations	142755.39	136261.74	47746.00	34084.61	190501.39	170346.35

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.06: SEGMENT REPORTING *(contd.)*

Other Information:

(i) The Company is organised into two main business segments, namely;

- Yarn comprising of Cotton and Man Made Fibres Yarn;
- Fabrics and apparels comprising woven of Worsted/ Synthetic Staple Yarn, Fabric Processing , Home Furnishings and Garments. However, operations of Garment Division closed w.e.f. 31st January, 2013.

(ii) The segment revenue in the geographical segments considered for disclosure are as follows:

(a) Revenue within India includes sales to customers located within India and earnings in India.

(b) Revenue outside India includes sales to customers located outside India and earnings outside India and export incentives benefits.

(iii) The company has common assets for producing goods for domestic market and overseas market. However, it has export trade receivable ₹3963.06 lakhs (Previous year ₹2998.83 lakhs).

Note 31.07: RELATED PARTY DISCLOSURE

(a) Key Management Personnel and their relatives	**Shri S.K. Khandelia [President]** Smt. Manju Khandelia (wife), Smt. Indra Devi Khandelia (mother), & Shri Anurag Khandelia (son) **Shri Dilip Kumar Ghorawat (Wholetime Director) (w.e.f. 28.01.2014) #** **Shri C. Singhania (Wholetime Director) (upto 20.07.2013)** **Shri K.C. Agarwal (Joint Executive President, Daheli Unit) (upto 11.01.2013)** Smt. Savita Agarwal (wife), Ms. Sweta Agarwal (daughter), Smt. Indra Devi Agarwal (mother), & Radhey Shyam Agarwal (father) HUF

(b) Transactions with Related Parties during the year:

(₹ in lakhs)

Particulars	Key Management Personnel		Relatives of Key Management Personnel	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1. Fixed deposits received				
Shri S.K. Khandelia	40.40	15.40		
Smt. Indra Devi Khandelia			-	16.00
Smt. Manju Khandelia			300.10	24.40
Shri Anurag Khandelia			17.60	48.70
Smt. Savita Agarwal			-	10.00
2. Fixed deposits paid				
Shri Anurag Khandelia			111.30	-
Smt. Indra Devi Agarwal			-	7.10
Ms. Sweta Agarwal			-	0.50
Radhey Shyam Agarwal, HUF			-	4.70
Smt. Savita Agarwal			-	11.60

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.07: RELATED PARTY DISCLOSURE *(contd.)*

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

(₹ in lakhs)

Particulars	Key Management Personnel		Relatives of Key Management Personnel	
	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
3 Interest on fixed deposits (includes in Finance costs)				
Shri S.K. Khandelia	20.17	16.81		
Smt. Indra Devi Khandelia			7.97	8.36
Smt. Manju Khandelia			50.28	27.15
Shri Anurag Khandelia			31.58	37.04
Ms. Sweta Agarwal			-	0.03
Radhey Shyam Agarwal, HUF			-	0.29
Smt. Savita Agarwal			-	0.56
4 Remuneration:(includes in Employee Benefits Expense) $				
Shri S.K. Khandelia	258.96	224.10		
Shri Dilip Kumar Ghorawat	10.15	-		
Shri K.C. Agarwal	-	38.25		
Shri C. Singhania	11.36	21.90		
5 Balance outstanding as at the year end:				
Fixed deposits payable:				
Shri S.K. Khandelia	185.10	144.70		
Smt. Indra Devi Khandelia			71.50	71.50
Smt. Manju Khandelia			534.00	233.90
Shri Anurag Khandelia			225.00	318.70

Subject to approval of Shareholders in the forthcoming Annual General Meeting.

$ Remuneration to Key managerial personnel do not include provision for leave encashment and contribution to the approved gratuity fund of the Company, which are actuarially determined for the Company as a whole.

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

Note 31.08: EARNINGS PER SHARE (EPS)

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

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Profit/(Loss) attributable to the Equity Shareholders(A) (₹ in lakhs)	13137.81	7696.75
Number of Equity Shares (B)	16382862	10921908
Nominal value of Equity Shares (₹)	10	10
Basic and Diluted Earnings per Share (₹)-A/B #	80.19	46.98

Pursuant to the resolution passed by the Shareholders through Postal Ballot Shares of ₹10/- each as fully paid-up Bonus Shares in the Ratio of 1(one) Bonus Share for every 2 (two) existing Equity Share held by the Shareholders as on the Record Date i.e., 28th June, 2013 and date of allotment is 1st July, 2013. Consequently, the number of equity shares of the Company has increased from 10921908 to 16382862 and the Earnings per Share (EPS) has been recomputed for the previous year as per AS-20 (Earnings Per Share).

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.09:

(i) Outstanding forward contracts in respect of foreign currencies for hedging purposes are as follows: (Figures in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
Currency	Buy		Sell	
USD	32.34	1.49	163.00	180.26
EURO	14.10	-	2.88	4.62
GBP	0.13	-	0.31	0.26

Note : Cross currency is INR for above outstanding forward contracts.

ii) Foreign currency exposure not hedged by a derivative instrument or otherwise: (Figures in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Currency	Sundry creditors for goods, services and expenses	
USD	5.40	1.87
INR	326.07	98.09
EURO	0.09	0.43
INR	7.63	29.54
JPY	1.74	-
INR	1.06	-
GBP	0.02	0.02
INR	2.05	1.69

(Figures in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
Currency	Loans & advances		Trade receivable	
USD	0.05	0.09	8.14	6.59
INR	2.89	4.78	489.34	358.31
EURO	0.14	0.25	0.03	0.72
INR	11.47	17.12	2.08	50.28
CHF	0.11	0.18	-	-
INR	7.12	10.51	-	-
JPY	2.02	1.41	-	-
INR	1.19	0.81	-	-
GBP	-	-	0.07	0.46
INR	-	-	6.87	37.89

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.10: VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED AND PERCENTAGE THEREOF

(Value ₹ in lakhs)

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2014	
	Value	%	Value	%
Indigenous	99919.07	99.64	94333.97	99.54
Imported	364.34	0.36	438.88	0.46
	100283.41	100.00	94772.85	100.00

Note 31.11: VALUE OF IMPORTED AND INDIGENOUS STORES , SPARE-PARTS CONSUMED AND PERCENTAGE THEREOF

(Value ₹ in lakhs)

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2014	
	Value	%	Value	%
Indigenous	2622.21	88.18	2390.80	86.06
Imported	351.57	11.82	387.27	13.94
	2973.78	100.00	2778.07	100.00

Note: Excluding charged to Machinery Repairs & Capitalised.

Note 31.12: C.I.F.VALUE OF IMPORTS

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Raw Materials	279.08	304.88
Stores and Spare Parts	617.73	449.93
Capital Goods	1396.92	1111.07
(Taken on the basis of actual receipt in the Mills Premises irrespective of date of payment)		

Note 31.13: EARNING IN FOREIGN EXCHANGE

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Export on F.O.B. Basis	42974.64	31584.70

Note 31.14: EXPENDITURE IN FOREIGN CURRENCY

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(on accrual basis)		
Travelling	78.01	75.92
Export Sale Compensation/claims	21.14	69.02
Commission	499.51	432.11
Interest	9.33	12.16
Legal & Professional Charges	76.04	22.06
Donation	119.38	110.72
Others	20.91	38.40

Notes annexed to and forming part of Balance Sheet and Statement of Profit and Loss

Note 31.15: REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Amount of Dividend related to 2012-13 remitted in		
Foreign Exchange (₹ In lakhs)#	-	-
Number of Non-Resident Shareholders	124	124
Number of Shares held by such Non-Resident Shareholders	30898	30697

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

Note 31.16: Previous year figures have been regrouped/rearranged wherever necessary.

Signatures to Notes 1 to 31.16

In terms of our Report of even date attached.

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

B. K. Sipani
Partner
Membership No. 88926

Place : Mumbai
Dated : 13th May, 2014

D. R. Prabhu
Secretary

C. S. Nopany
Chairman

Dilip Kumar Ghorawat
Wholetime Director & CFO

U. K. Khaitan
Amit Dalal
Rajan A. Dalal
Rajiv K. Podar
Dr. M. H. Rahman
Sukhvir Singh
Directors

sutlej
textiles and industries limited

Cash Flow Statement for the year ended 31st March, 2014

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(A) CASH FLOW FROM OPERATING ACTIVITIES		
a. Net profit before tax	**17172.63**	**9279.01**
Adjustment for :		
Depreciation, Impairment and Amortisation Expenses	7518.62	7014.67
Interest paid (Net of capitalised)	5790.94	6455.75
Interest received	(2822.70)	(2642.32)
Dividend from non-current investment (Non-Trade)	(0.01)	(0.01)
Profit on sale of current investment	(32.56)	(13.40)
Deferred Government subsidies	(37.32)	(45.05)
Profit on sale/discard of Fixed Assets (Net)	(13.71)	(94.47)
Exceptional Item	63.73	605.84
Unrealised exchange rate difference on reinstatement of assets and liabilities	(68.14)	(54.36)
Excess provisions and unspent liabilities written back	(258.12)	(159.70)
Sundry credit balances written back (net)	(85.51)	(66.28)
Bad Debts / Subsidy	0.69	-
Provision for Doubtful Subsidy/ Refund/ Debts written back	(52.93)	(147.64)
Provision for Doubtful Debts	55.37	43.24
b. Operating profit before working capital changes	**27230.98**	**20175.28**
Adjustment for :		
Trade and other receivables	(3009.30)	(2954.03)
Inventories	(7038.42)	(1613.37)
Grants / Subsidy from Government (revenue in nature)	(78.06)	(313.69)
Trade payables & other liabilities	2237.70	775.87
c. Cash generated from operations	**19342.90**	**16070.06**
Direct taxes (paid) / refund (Net)	(3437.85)	(1852.06)
Net cash (used in)/from operating activities (A)	**15905.05**	**14218.00**
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale of fixed assets	303.01	187.57
Dividend from non-current investment (Non-Trade)	0.01	0.01
Interest received	2825.18	2619.36
Grants / subsidy from Government (capital in nature)	-	151.25
Sale / (purchase) of investments (net)	(47.50)	(58.60)
Purchase of fixed assets	(10468.92)	(3073.08)
Movement in fixed deposits	1.71	(0.71)
Net cash (used in)/from Investing Activities (B)	**(7386.51)**	**(174.20)**

Cash Flow Statement for the year ended 31st March, 2014

(₹ in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings (net)	4039.94	134.35
Long term borrowings (net)	(6114.39)	(7305.07)
Dividend paid and tax on distributed profits	(638.90)	(634.69)
Interest paid (net of TUFS subsidy)	(5894.93)	(6158.41)
Net cash (used in)/from Financing Activities (C)	**(8608.28)**	**(13963.82)**
Net increase/(decrease) in cash and cash Equivalents [(A)+(B)+(C)]	**(89.74)**	**79.98**
Cash and cash equivalents (Opening balance)	396.16	316.18
Cash and cash equivalents (Closing balance) *	**306.42**	**396.16**
* Break-up as under :-		
Cash balance on hand (including stamps in hand)	29.15	30.89
Cheques/ Drafts in hand	-	15.10
Cash Credit Accounts (debit balance)	0.39	2.50
With banks in current accounts	276.88	347.67
Total	**306.42**	**396.16**
Other bank balances shown under appropriate activities	83.32	79.53
Cash and bank balances as per Note No.- 18	**389.74**	**475.69**

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

In terms of our Report of even date attached.

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

B. K. Sipani
Partner
Membership No. 88926

Place : Mumbai
Dated: 13th May, 2014

D. R. Prabhu
Secretary

C. S. Nopany
Chairman

Dilip Kumar Ghorawat
Wholetime Director & CFO

U. K. Khaitan
Amit Dalal
Rajan A. Dalal
Rajiv K. Podar
Dr. M. H. Rahman
Sukhvir Singh
Directors

Sutlej Textiles and Industries Limited

Financial Highlights

(₹ in lakhs)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Revenue from Operations	1,88,390	1,69,037	1,54,171	1,58,546	1,14,816
Total Income	1,92,295	1,72,811	1,57,328	1,61,990	1,17,799
Earnings Before Depreciation, Impairment,Finance Cost and Taxes Expenses (EBDIT)	30,562	23,431	17,826	27,484	15,410
Depreciation,Impariment and Amortisation	7,519	7,015	6,900	6,786	6,691
Profit before Tax and Exceptional items	17,236	9,885	3,960	14,775	3,432
Exceptional items	64	606	-	-	-
Profit before Tax	17,173	9,279	3,960	14,775	3,432
Profit after Tax	13,138	7,697	3,173	11,434	2,631
Equity Dividend (%)	80%	50%	50%	75%*	25%
Dividend Payout	1,533	639	635	952	318
Equity Share Capital	1,638	1,092	1,092	1,092	1,092
Reserves and Surplus	44,611	33,552	26,494	23,956	13,474
Networth	46,249	34,644	27,587	25,048	14,566
Gross Fixed Assets	1,22,641	1,14,750	1,13,592	1,09,036	1,06,821
Net Fixed Assets	56,317	54,517	59,442	60,894	64,736
Total Assets	1,27,294	1,14,916	1,14,482	1,19,910	1,11,703
Market Capitalisation	36,042	22,400	17,442	25,115	12,123
Capital Employed	1,10,047	1,00,983	1,01,194	1,06,958	1,02,724
Number of Employees	11,527	11,242	11,198	11,531	11,852

Key Indicators

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Earning Per Share (₹) ^#	80.19	70.47	29.06	104.69	24.09
Book Value Per Share (₹) ^	282.30	317.20	252.58	229.34	133.36
Debt:Equity Ratio	1.31:1	1.82:1	2.56:1	3.18:1	5.86:1
EBDIT/ Gross Turnover %	16.22%	13.86%	11.56%	17.33%	13.42%
Net Profit Margin %	6.97%	4.55%	2.06%	7.21%	2.29%
Return on Networth %	28.41%	22.22%	11.50%	45.65%	18.07%
Return (PBIDT) to Capital Employed %	27.77%	23.20%	17.62%	25.70%	15.00%

* Includes one time special dividend @ 25%

^ Fall in STIL FY 2014 due to issue of Bonus Shares.

Adjusted for issue of Bonus Shares in 2013-14 in the ratio 1:2

NOTES

NOTES

Corporate **Information**

Board of Directors

Mr. C.S. Nopany - *Chairman*
Mr. U.K.Khaitan
Mr. Amit Dalal
Mr. Rajan Dalal
Mr. Ashok Mittal *(Upto 28th January, 2014)*
Mr. Rajiv K. Podar
Mr. (Dr.) Mahmoodur Rahman
Mr. Sukhvir Singh *(From 17th July, 2013)*
Mr. Dilip Kumar Ghorawat *(From 28th January, 2014)*
- Wholetime Director & C.F.O

Executives

Corporate office
Mr. S.K. Khandelia - *President*
Mr. Dilip Kumar Ghorawat - *Wholetime Director & C.F.O*
Mr. D.R. Prabhu - *Company Secretary*

Unit Heads

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

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

Daheli Unit
Mr. R.R. Kankani - *Jt. Executive President*

Auditors

M/s. Singhi & Co.
Chartered Accountants
402 & 403, Pragati House
47-48, Nehru Place
New Delhi 110 019

Branch Auditors

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

Bankers

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

Registered Office

Pachpahar Road
Bhawanimandi 326502
Rajasthan

Manufacturing Units

Rajasthan Textile Mills
Bhawanimandi 326502
Rajasthan

Chenab Textile Mills
Kathua 184102
Jammu & Kashmir

Damanganga Units
(1) Fabrics and Processing
(2) Home Textiles
Village - Daheli
Near Bhilad 396105
Gujarat

sutlej
textiles and industries limited

A TRISYS product • info@trisyscom.com/Printed at Thomson Press