

AUDITORS' REPORT

**TO,
THE MEMBERS OF,
GANESH POLYTEX LTD.**

We have audited the attached Balance Sheet of **GANESH POLYTEX LIMITED** as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Contd.....2.....

- (e) On the basis of written representations received from the Directors of the Company, as on 31st March , 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India :-
- (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010 ;
 - (ii) in the case of the Profit & Loss Account, of the Profit for the Year ended on that date ; and
 - (iii) in the case of the Cash Flow Statement, of the Cash flows of the Company for the year ended on that date.

FOR MEHROTRA RAKESH KUMAR & CO.,
Chartered Accountants,
(Registration No. 002978C)

Place: Kanpur
Dated:

(Deepak Seth)
Partner
Membership No. 073081

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF GANESH POLYTEX LIMITED ON THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST MARCH 2010.

- (1)
- (i) The Company has maintained proper records showing full particulars including quantitative details & situation of fixed assets.
 - (ii) As explained to us, the fixed assets have been physically verified by the management during the year under regular program of verification, which in our opinion, is reasonable having regard to the size of the Company & nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
 - (iii) There was no substantial disposal of fixed assets during the year.
- (2)
- (i) As explained to us, inventory has been physically verified by the management at reasonable intervals during the year.
 - (ii) 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 nature of its business.
 - (iii) On the basis of our examination of inventory records, we are of the opinion that the Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
- (3)
- (i) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (a), (b), (c) and (d) of the Order, are not applicable to the Company.
 - (ii) According to the information and explanations given to us, the Company has taken Unsecured loans and fixed deposits from two Companies, four directors and ten other parties covered in the register maintained under section 301 of the Companies Act 1956. During the year Rs. 385.11 lakhs were taken as loan and the maximum amount involved during the year was Rs. 420.12 lakhs and the balance outstanding as on 31st March 2010 is Rs. 211.27 Lakhs.

Contd.....2.....

- (iii) In our opinion and according to the information and explanations given to us, the rate of interest & other terms and conditions of such loans taken by the company, are not prima facie prejudicial to the interest of the Company.
 - (iv) In respect of unsecured loans taken by the Company, principal amount including interest is repayable on demand and there are no stipulations as to the payment of principal amount & interest thereon. In respect of fixed deposits taken by the Company, payment of principal amount & interest are regular.
- (4) In our opinion and according to the information and explanations given to us, 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. We have not observed any major weakness in the internal control system during the course of the audit.
- (5)
- (i) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered in to the register maintained under section 301 have been so entered.
 - (ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (6) In our opinion and according to the information and explanations given to us, the Company has generally complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or any Court or any other Tribunal.
- (7) In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.

Contd.....3.....

- (8) The Central Government has prescribed maintenance of Cost Records under section 209(1) (d) of the Companies Act 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made & maintained. We have not, however made a detailed examination of the same.
- (9)
- (i) According to the information & explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues have been regularly deposited with the appropriate authorities *though there have been a slight delay in a few cases.*
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, value added tax, custom duty, excise duty, cess and other undisputed statutory dues were outstanding, as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (iii) According to the records of the Company and as per the information and explanations given to us, the disputed statutory dues as at 31st March 2010 that have not been deposited on account of matters pending before appropriate authorities are as under:

| Name of the Statute | Nature of the Dues | Amount (Rs. in Lakhs) * | Forum where dispute is pending |
|----------------------------|---------------------------|--------------------------------|---------------------------------------|
| U. P. Trade Tax Act, 1948 | U. P. Trade Tax | 0.58 | Trade Tax Tribunal, Kanpur |
| U. P. Trade Tax Act, 1948 | U. P. Trade Tax | 0.72 | Trade Tax Tribunal, Kanpur |
| U. P. Trade Tax Act, 1948 | U. P. Trade Tax | 0.19 | Trade Tax Tribunal, Kanpur |

Contd.....4.....

| | | | |
|---------------------------|-----------------------|-------|--------------------------------------|
| U. P. Trade Tax Act, 1948 | U. P. Trade Tax | 4.41 | Trade Tax Tribunal, Kanpur |
| U. P. Trade Tax Act, 1948 | Entry Tax | 2.34 | Appeal– Joint Commissioner, Kanpur. |
| U. P. Trade Tax Act, 1948 | Entry Tax | 11.99 | Appeal – Joint Commissioner, Kanpur. |
| U. P. Trade Tax Act, 1948 | Entry Tax | 10.29 | Appeal – Joint Commissioner, Kanpur. |
| Custom Act,1962 | Custom Duty & Penalty | 5.79 | C ESTAT, New Delhi |

* Net of amount deposited under dispute.

- (10) The Company has no accumulated losses at the end of the financial year ended on 31st March, 2010 and it has not incurred any cash losses during the financial year ended on 31st March, 2010 and in the immediately preceding financial year ended on 31st March, 2009.
- (11) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, banks or debenture holders.
- (12) In our opinion and according to the information and explanations given to us the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the Company is not a Chit fund or nidhi / mutual benefit fund / society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (14) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.

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- (15) In our opinion and according to the information & explanations given to us, the Company has not given any guarantee for loans taken by others from Bank or financial institutions. Therefore clause 4(xv) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (16) Based on information and explanations given to us by the management, the term loans were applied for the purpose for which the loans were obtained.
- (17) According to the information & explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.
- (18) During the year, the Company has made preferential allotment of equity shares to the three directors and four other parties covered in the register maintained under section 301 of the Companies Act 1956. In our opinion, prices at which, equity shares have been issued, are not prejudicial to the interest of the Company.
- (19) The Company has not issued any debentures during the year.
- (20) The Company has not raised any money by way of public issue during the year.
- (21) Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and according to the information and explanations given to us by the management, in our opinion, no fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR MEHROTRA RAKESH KUMAR & CO.,
Chartered Accountants,
(Registration No. 002978C)**

**Place: Kanpur
Dated:**

**(Deepak Seth)
Partner
Membership No. 073081**

| GANESH POLYTEX LIMITED | | | | |
|--|--|---|--------------------------------|----------------------------|
| <i>BALANCE SHEET AS AT 31st MARCH 2010</i> | | | | |
| | | SCHEDULES | AS AT 31.03.2010 Rs. | AS AT 31.03.2009 Rs. |
| I. | SOURCES OF FUNDS | | | |
| | 1. Shareholders' Funds | | | |
| | a. | Share Capital | 1 | 168200000 |
| | b. | Equity Share Warrants | | 21000000 |
| | c. | Reserves & Surplus | 2 | 230006791 |
| | | | | 419206791 |
| | 2 Loan Funds | | | |
| | a. | Secured Loans | 3 | 539975636 |
| | b. | Unsecured Loans | 4 | 48533453 |
| | | | | 588509089 |
| | 3. Deferred Tax Liability (Net) | | | |
| | | | | 43234084 |
| | | | | 41441161 |
| | TOTAL | | | 1050949964 |
| | | | | 939767619 |
| II. | APPLICATION OF FUNDS | | | |
| | 1. Fixed Assets | | | |
| | a. | Gross Block | 5 | 885064441 |
| | b. | Less : Depreciation/Amortisation | | 307119170 |
| | c. | Net Block | | 577945271 |
| | d. | Capital Work in Progress including Capital Advances | | 140297729 |
| | | | | 718243000 |
| | 2. Current Assets, Loans & Advances. | | | |
| | a. | Inventories | 6 | 243987083 |
| | b. | Sundry Debtors | 7 | 125521156 |
| | c. | Cash & Bank Balances | 8 | 43360726 |
| | d. | Other Current Assets | 9 | 1279348 |
| | e. | Loans & Advances | 10 | 57207272 |
| | | | | 471355585 |
| | Less: Current Liabilities & Provisions: | | | |
| | | Current Liabilities | 11 | 119209715 |
| | | Provisions | 12 | 19438906 |
| | | | | 138648621 |
| | Net Current Assets | | | 332706964 |
| | | | | 320106918 |
| | TOTAL | | | 1050949964 |
| | | | | 939767619 |
| | NOTES FORMING PART OF THE ACCOUNTS | | 18 | |
| In terms of our annexed report of even date. | | | | |
| For Mehrotra Rakesh Kumar & Co. | | | For and on behalf of the Board | |
| Chartered Accountants | | | | |
| (Deepak Seth) | | | | |
| Partner | | | | |
| Mem.No.073081 | | | | |
| Place : Kanpur | | | | |
| Date : | | | | |

| GANESH POLYTEX LIMITED | | | | |
|--|---|-----------|--------------------------------|--------------------------|
| PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010 | | | | |
| | | SCHEDULES | Year ended 31.03.2010 | Year ended 31.03.2009 |
| | | | Rs. | Rs. |
| INCOME | | | | |
| | Turnover | | 1988834282 | 1353710811 |
| | Other Income | 13 | 3402403 | 2938879 |
| | Increase/ (Decrease) in Stocks | 14 | (95574000) | 67101888 |
| | | | 1896662685 | 1423751578 |
| EXPENDITURE | | | | |
| | Raw Material Consumed | | 1131539368 | 894203502 |
| | Payments to & Provisions for Employees Manufacturing, Administrative and | 15 | 75510405 | 57824287 |
| | Selling Expenses | 16 | 446606166 | 298662968 |
| | Interest & Finance Expenses | 17 | 78536539 | 63950867 |
| | | | 1732192478 | 1314641624 |
| | Profit before Depreciation | | 164470207 | 109109954 |
| | Depreciation /Amortisation | | 69182794 | 56554342 |
| | Profit before Exceptional Item | | 95287413 | 52555612 |
| | Exceptional Item (Refer Note 15) | | 0 | 2099152 |
| | Profit before Taxation | | 95287413 | 50456460 |
| | Provision For Taxation | | | |
| | - Current Tax | | (16194097) | (5612751) |
| | - Fringe Benefit Tax | | 0 | (917616) |
| | - Deferred Tax (Net) | | (1792923) | (6045434) |
| | Mat Credit Available for Set Off | | 12729568 | 5567337 |
| | Profit For the year | | 90029961 | 43447996 |
| | Balance brought forward from previous year | | 112547619 | 74798062 |
| | Mat Credit recognised For Previous Year | | 45414 | 0 |
| | Taxation for Earlier Years (Net) | | (1165604) | (433664) |
| | Profit available for Appropriation | | 201457390 | 117812394 |
| Appropriations: | | | | |
| | Interim Dividend on Preference Shares | (4500000) | | (4500000) |
| | Interim Dividend on Equity Shares | (4927500) | | 0 |
| | Dividend Distribution Tax on Above | (1602204) | (11029704) | (764775) |
| | Proposed Dividend on Preference Shares | (1125000) | | 0 |
| | Proposed Dividend on Equity Shares | (6685000) | | 0 |
| | Dividend Distribution Tax on Above | (1327310) | (9137310) | 0 |
| | Surplus carried to the Balance Sheet | | 181290376 | 112547619 |
| | Earning Per Share of Rs.10/- each including exceptional items | | | |
| | - Basic | | 8.45 | 3.83 |
| | - Diluted | | 8.19 | 3.83 |
| | Earning Per Share of Rs.10/- each excluding exceptional items (net of Tax) | | | |
| | - Basic | | 8.45 | 4.35 |
| | - Diluted | | 8.19 | 4.35 |
| | NOTES FORMING PART OF THE ACCOUNTS | 18 | | |
| In terms of our annexed report of even date. | | | For and on behalf of the Board | |
| For Mehrotra Rakesh Kumar & Co. | | | | |
| Chartered Accountants | | | | |
| | | | | |
| (Deepak Seth) | | | | |
| Partner | | | | |
| Mem.No.073081 | | | | |
| Place : Kanpur | | | | |
| Date : | | | | |

| GANESH POLYTEX LIMITED | | | | |
|---|--------------|------------------------------|--------------|----------------|
| Cash Flow Statement for the Year ended 31st March 2010 | | | | |
| | | 2009-10 | | |
| | | (Rs.) | | |
| | | | | 2008-09 |
| | | | | (Rs.) |
| A: CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit before tax & Exceptional Item | | 95,287,413 | | 52,555,612 |
| <i>as per Profit and Loss Account</i> | | | | |
| Adjusted for : | | | | |
| Net Prior Period Adjustments | 33,210 | | (66,170) | |
| Provision for Doubtful Debts/ Advances | 33,000 | | 1,820,476 | |
| Provision for Doubtful Debts Written Back | (50,000) | | (720,145) | |
| Loss on Fixed Assets Sold/Discarded | 120,685 | | 238,788 | |
| Depreciation/ Amortization | 69,182,794 | | 56,554,342 | |
| Unrealised Exchange Differences | 0 | | 2,656,154 | |
| Interest Expenses (Net) | 71,334,986 | 140,654,675 | 57,211,301 | 117,694,746 |
| Operating Profit before Working Capital Changes | | 235,942,088 | | 170,250,358 |
| Adjusted for : | | | | |
| Trade Receivables | (33,170,726) | | (20,966,598) | |
| Inventories | 53,976,182 | | (67,404,798) | |
| Trade Payable | 10,262,270 | | 37,692,992 | |
| Movement Of Loan & Advances | (6,766,467) | | (6,408,372) | |
| | | 24,301,259 | | (57,086,776) |
| Cash Generated from Operations | | 260,243,347 | | 113,163,582 |
| Net Prior Period Adjustment | | (33,210) | | 66,170 |
| Direct Taxes Paid | | (17,164,567) | | (7,617,045) |
| Net Cash From Operating Activities | | 243,045,570 | | 105,612,707 |
| Deduct: Loss Due To Fire | | 0 | | (2099152.00) |
| Net Cash From Operating Activities after exceptional Items | | 243,045,570 | | 103,513,555 |
| B: CASH FLOW FROM INVESTING ACTIVITIES : | | | | |
| Purchase of Fixed Assets | | (168,847,595) | | (194,293,224) |
| Sale of Fixed Assets | | 961,817 | | 1,893,656 |
| Net Cash Used in Investing Activities | | (167,885,778) | | (192,399,568) |
| C: CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Proceeds from/(Repayment) of Long Term Borrowings (Net) | | (24,167,089) | | 88,432,472 |
| Proceeds from/(Repayment) of Short Term Borrowings (Net) | | (1,483,552) | | 54,997,115 |
| Proceeds from Issue Of Equity Share Capital | | 24,650,000 | | 0 |
| Proceeds from Equity Share Warrants | | 21,000,000 | | 0 |
| Proceeds from Share Premium on issue of Equity Shares | | 20,015,000 | | 0 |
| Interest Paid (Net) | | (71,787,066) | | (55,916,487) |
| Interim Dividend Paid On Preference Shares | | (4,500,000) | | (4,500,000) |
| Interim Dividend Paid On Equity Shares | | (4,927,500) | | 0 |
| Tax Paid On Interim Dividend | | (1,602,204) | | (764,775) |
| Net Cash Used in Financing Activities | | (42,802,411) | | 82,248,325 |
| Net Increase in Cash and Cash Equivalents | | 32,357,381 | | (6,637,688) |
| Opening Balance of Cash and Cash Equivalents | | 11,003,345 | | 17,641,033 |
| Closing Balance of Cash and Cash Equivalents | | 43,360,726 | | 11,003,345 |
| In terms of our annexed Report of even Date | | For & On Behalf of the Board | | |
| For Mehrotra Rakesh Kumar & Co. | | | | |
| Chartered Accountants | | | | |
| (Deepak Seth) | | | | |
| Partner | | | | |
| Mem. No.073081 | | | | |
| Place : Kanpur | | | | |
| Dated : | | | | |

SCHEDULES TO THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

| | | AS AT | AS AT |
|--|--------------|--------------------|--------------------|
| | | 31.03.2010 | 31.03.2009 |
| | | Rs. | Rs. |
| SCHEDULE 1 : SHARE CAPITAL | | | |
| Authorised | | | |
| 240,00,000 (Previous Year 240,00,000) Equity | | | |
| Shares of Rs. 10 /- each | | 240,000,000 | 240,000,000 |
| 450,000 (Previous Year 4,50,000) Preference Shares | | 45,000,000 | 45,000,000 |
| of Rs.100/- each | | 285,000,000 | 285,000,000 |
| Issued and Subscribed | | | |
| 123,20,000 (Previous Year 9855,000) Equity | | | |
| Shares of Rs. 10/- each | | 123,200,000 | 98,550,000 |
| 4,50,000 (Previous Year 450000) 10% Cumulative Redeemable | | 45,000,000 | 45,000,000 |
| Preference Shares of Rs.100/- each | | 168,200,000 | 143,550,000 |
| Paid up | | | |
| 123,20,000 (Previous Year 9855,000) Equity | | | |
| Shares of Rs. 10/- each fully paid up | | 123,200,000 | 98,550,000 |
| 400000 (Previous Year 400000) 10% Cumulative Redeemable Preference | | | |
| Share of Rs.100/- each fully paid up (Redeemable at Par on 31.07.2012) | | 40,000,000 | 40,000,000 |
| 50,000 (Previous Year 50000) 10% Cumulative Redeemable | | | |
| Preference Shares of Rs.100/- each fully paidup | | 5,000,000 | 5,000,000 |
| (Redeemable at a Premium of Rs.200/- on 30.09.2013) | | | |
| | TOTAL | 168,200,000 | 143,550,000 |
| SCHEDULE 2 : RESERVES AND SURPLUS | | | |
| a. Capital Reserve | | | |
| 1. Central & State Investment Subsidy | | 6,500,000 | 6,500,000 |
| 2. D. G. Set Subsidy | | 210,000 | 210,000 |
| 3. Forfeited Shares Amount | | 978,028 | 978,028 |
| | | 7,688,028 | 7,688,028 |
| b. Share Premium Account : | | | |
| Opening Balance | | 16,444,699 | 16,444,699 |
| Add : Received During The Year | | 20,015,000 | 0 |
| | | 36,459,699 | 16,444,699 |
| c General Reserve : | | | |
| Opening Balance | | 4,568,688 | 4,568,688 |
| | | 4,568,688 | 4,568,688 |
| d Surplus as per Profit & Loss Account | | 181,290,376 | 112,547,619 |
| | TOTAL | 230,006,791 | 141,249,034 |

| SCHEDULE 3 : SECURED LOANS | | | | | | |
|--|-----------|--|-------------|-------------|-------------|-------------|
| | a. | Term Loans: | | | | |
| | | Buyer's Credit From Banks (Foreign currency Loans) | 46,063,558 | | 0 | |
| | | Rupee Term Loans from Banks & Companies | 255,928,309 | 301,991,867 | 302,039,432 | 302,039,432 |
| | b. | Working Capital Loans from Banks: | | | | |
| | | Foreign Currency Loans | 95,472,555 | | 0 | |
| | | Rupee Loans | 142,511,214 | 237,983,769 | 245,031,107 | 245,031,107 |
| | | TOTAL | | 539,975,636 | | 547,070,539 |
| (i) Rupee Term Loans and Buyer's Credit from Banks are secured by joint equitable mortgage/hypothecation of all assets (save and except the assets which are acquired under specific loan Agreements) of the Company, both present & future, ranking pari-passu inter-se subject to prior charges created and/or to be created on specified movable assets for securing the borrowings for the working capital facilities. | | | | | | |
| (ii) Working Capital facilities from Banks are secured by hypothecation of inventories, book debts and other current assets, both present and future, and further secured by way of second charge, ranking pari-passu inter-se, on the fixed assets of the company save and except the assets which are acquired under specific loan agreements with other Companies. | | | | | | |
| (iii) Term Loans taken from other Companies are secured by way of hypothecation of respective assets acquired under the arrangement. | | | | | | |
| SCHEDULE 4 : UNSECURED LOANS | | | | | | |
| | a. | Loan from Companies | | 21,311,885 | | 29,502,208 |
| | b. | Loans from Directors | | 12,176,069 | | 6,474,215 |
| | c. | Fixed Deposits: | | | | |
| | | From Directors | 0 | | 5,440,000 | |
| | | From Others | 15,045,499 | 15,045,499 | 25,040,462 | 30,480,462 |
| | | TOTAL | | 48,533,453 | | 66,456,885 |

SCHEDULE 5 : FIXED ASSETS

| | GROSS BLOCK | | DEPRECIATION | | NET BLOCK | | | | | |
|------------------------------|------------------|---------------------------|------------------------|------------------|------------------|--------------------------|------------------------|------------------|------------------|------------------|
| | As at 31.03.2009 | Additions during the Year | Deductions/ Adjustment | As at 31.03.2010 | Up to 31.03.2009 | Provided during the Year | Deductions/ Adjustment | Up to 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Tangible Assets (A) | | | | | | | | | | |
| Land & Site Development | 22,831,745 | 4,349,715 | 0 | 27,181,460 | 0 | 0 | 0 | 0 | 27,181,460 | 22,831,745 |
| Leasehold Land | 9817381 | 0 | 0 | 9,817,381 | 398373 | 109082 | 0 | 507,455 | 9,309,926 | 9,419,008 |
| Building | 137,617,615 | 11,054,301 | 0 | 148,671,916 | 31,701,393 | 8,465,089 | 0 | 40,166,482 | 108,505,434 | 105,916,222 |
| Plant & Machinery | 648,122,905 | 13,971,132 | 976,007 | 661,118,030 | 190,333,187 | 56,481,879 | 85,919 | 246,729,147 | 414,388,883 | 457,789,718 |
| Electric Installation | 3,651,194 | 0 | 0 | 3,651,194 | 1,198,364 | 730,239 | 0 | 1,928,603 | 1,722,591 | 2,452,830 |
| Furniture & Fixtures | 6,250,429 | 1,645,874 | 63,709 | 7,832,594 | 3,943,202 | 620,556 | 61,378 | 4,502,380 | 3,330,214 | 2,307,227 |
| Office Equipments | 10,013,467 | 1,390,008 | 0 | 11,403,475 | 3,336,171 | 782,606 | 0 | 4,118,777 | 7,284,698 | 6,677,296 |
| Vehicles | 12,452,525 | 1,448,276 | 764,943 | 13,135,858 | 7,013,534 | 1,548,530 | 574,860 | 7,987,204 | 5,148,654 | 5,438,991 |
| Sub Total (A) | 850,757,261 | 33,859,306 | 1,804,659 | 882,811,908 | 237,924,224 | 68,737,981 | 722,157 | 305,940,048 | 576,871,860 | 612,833,037 |
| Intangible Assets (B) | | | | | | | | | | |
| Technical Knowhow | 1,462,548 | 0 | 0 | 1,462,548 | 632,302 | 292,510 | 0 | 924,812 | 537,736 | 830,246 |
| Computer Software | 683,733 | 106,252 | 0 | 789,985 | 102,007 | 152,303 | 0 | 254,310 | 535,675 | 581,726 |
| Sub Total (B) | 2,146,281 | 106,252 | 0 | 2,252,533 | 734,309 | 444,813 | 0 | 1,179,122 | 1,073,411 | 1,411,972 |
| Total (A + B) | 852,903,542 | 33,965,558 | 1,804,659 | 885,064,441 | 238,658,533 | 69,182,794 | 722,157 | 307,119,170 | 577,945,271 | 614,245,009 |
| Previous Year | 518,922,495 | 339,652,378 | 5,671,331 | 852,903,542 | 185,643,078 | 56,554,342 | 3,538,887 | 238,658,533 | 614,245,009 | 333,279,417 |

| SCHEDULE 6 : INVENTORIES | | | | |
|--|---|-------------|--------------------|--------------------|
| a. | Raw-Materials | | 116,942,427 | 86,147,303 |
| b. | Stores and Spares | | 41,959,658 | 32,216,369 |
| c. | Goods under process | | 41,924,012 | 45,842,228 |
| d. | Finished Goods | | 42,882,416 | 132,951,222 |
| e. | Waste and Scrap | | 278,570 | 806,143 |
| TOTAL | | | 243,987,083 | 297,963,265 |
| SCHEDULE 7 : SUNDRY DEBTORS | | | | |
| (UNSECURED) | | | | |
| a. | Over Six Months - | | | |
| | Considered Good | | 5,890,967 | 6,153,344 |
| | Considered Doubtful | | 3,474,823 | 3,524,823 |
| b. | Other Debts (Considered Good) | | 119,630,189 | 86,147,086 |
| | | | 128,995,979 | 95,825,253 |
| | Less : Provision for Doubtful Debts | | 3,474,823 | 3,524,823 |
| TOTAL | | | 125,521,156 | 92,300,430 |
| SCHEDULE 8 : CASH AND BANK BALANCES | | | | |
| a. | Cash in hand [including Cheques/Drafts in hand of Rs.4217304/- (Previous year Rs.2271353/-)] | | 6,380,136 | 3,400,539 |
| b. | Balances With Scheduled Banks in Current Accounts | | 10,139,533 | 3,530,712 |
| c. | Fixed Deposits With Scheduled Banks (Receipts pledged with Banks) | | 26,841,057 | 4,072,094 |
| TOTAL | | | 43,360,726 | 11,003,345 |
| SCHEDULE 9 : OTHER CURRENT ASSETS | | | | |
| a. | Interest Receivable | | 1,191,791 | 1,065,545 |
| b. | Unamortised premium on Forward Exchange Contracts | | 87,557 | 0 |
| TOTAL | | | 1,279,348 | 1,065,545 |
| SCHEDULE 10 : LOANS & ADVANCES | | | | |
| (Unsecured, Considered good unless otherwise stated) | | | | |
| a. | Advances Recoverable in Cash or in Kind or for Value to be received | 14,292,462 | | 8,830,239 |
| | Less: Considered Doubtful | (587,128) | 13,705,334 | (554,128) |
| b. | Advance Payment Of Taxes | | 107,851 | 1,518,525 |
| c. | Security and other Deposits | | 8,141,200 | 6,074,200 |
| d. | Export Incentive Receivable | | 16,910,568 | 16,450,986 |
| e. | Mat Credit Entitlement | | 18,342,319 | 5,567,337 |
| TOTAL | | | 57,207,272 | 37,887,159 |
| SCHEDULE 11 : CURRENT LIABILITIES | | | | |
| a. | Sundry Creditors for Goods, Expenses and services etc. | | | |
| | - Due to Micro, Small and Medium Enterprises (refer Note No 2) | 0 | | 0 |
| | - Others | 103,104,439 | 103,104,439 | 107,605,027 |
| b. | Deposit from Dealers | | 50,000 | 550,000 |
| c. | Other Liabilities | | 3,412,117 | 2,983,367 |
| d. | Investor Education and Protection Fund - Unclaimed Dividend (not due) | | 548,801 | 0 |
| e. | Forward Contract | | 12,036,500 | 0 |
| f. | Interest accrued but not due on loans | | 57,858 | 0 |
| TOTAL | | | 119,209,715 | 111,138,394 |
| SCHEDULE 12 : PROVISIONS | | | | |
| a. | Provisions for Gratuity & Leave Encashment | | 9,076,351 | 7,969,788 |
| b. | Provision for Income Tax (Net of Advance Tax) | | 1,225,245 | 1,004,644 |
| c. | Proposed Dividend | | 7,810,000 | 0 |
| d. | Provision for Dividend Distribution Tax | | 1,327,310 | 0 |
| TOTAL | | | 19,438,906 | 8,974,432 |

| SCHEDULE 16 : MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES | | | | | |
|---|--|----------------------|--------------------|------------|--------------------|
| A. | Manufacturing Expenses : | | | | |
| | Purchase of goods | | 15,909,491 | | 7,700,516 |
| | Processing Charges | | 42,087,388 | | 1,920,938 |
| | Stores and Spares consumed | | 74,688,810 | | 36,721,708 |
| | Power and Fuel | | 161,521,035 | | 119,980,749 |
| | Repairs and Maintenance: | | | | |
| | - Machinery | 16,875,301 | | 8,033,022 | |
| | - Building | 4,470,856 | | 2,930,363 | |
| | - Others | 978,608 | 22,324,765 | 622,945 | 11,586,330 |
| | | | | | |
| | | TOTAL (A) | 316,531,489 | | 177,910,241 |
| B. | ADMINISTRATIVE EXPENSES : | | | | |
| | Rent | | 1,564,736 | | 1,288,545 |
| | Insurance | | 2,761,884 | | 1,793,932 |
| | Rates and Taxes | | 557,921 | | 516,604 |
| | Travelling and Conveyance [Including for Directors Rs.269998/- (Previous year Rs.289483/-)] | | 4,637,148 | | 3,964,226 |
| | Printing and Stationery | | 1,661,796 | | 1,123,616 |
| | Postage and Telephones | | 3,924,993 | | 3,251,163 |
| | Auditors' Remuneration: | | | | |
| | - Audit Fee | | 137,875 | | 110,300 |
| | - For Tax/Vat Audit | | 44,122 | | 18,530 |
| | - For Certification | | 46,555 | | 21,100 |
| | - For Expenses | | 4,412 | | 4,000 |
| | Managerial Remuneration | | 6,782,940 | | 6,418,387 |
| | Cost Auditors' Remuneration: | | | | |
| | - Audit Fee | | 16,545 | | 16,545 |
| | - For Expenses | | 3,000 | | 3,000 |
| | Listing Fees | | 30,695 | | 86,806 |
| | Directors' Sitting Fee | | 120,000 | | 135,000 |
| | Vehicle Running and Maintenance | | 4,125,943 | | 3,523,178 |
| | Legal and Professional Charges | | 2,005,565 | | 1,419,978 |
| | Filing Fees | | 8,786 | | 19,543 |
| | Miscellaneous Expenses | | 2,786,854 | | 1,791,913 |
| | Premium on Forward Exchange Contract amortised | | 2,296,943 | | 938,092 |
| | Loss on Fixed Assets Sold / Discarded (Net) | | 120,685 | | 238,788 |
| | Prior period items (Net) | | 33,210 | | -66,170 |
| | Provision for Doubtful Debts / Advances | | 33,000 | | 1,820,476 |
| | Provision for Doubtful Debts Written back | | (50,000) | | (720,145) |
| | Exchange Rate Differences (Net) | | (2,431,237) | | 24,648,897 |
| | Lease Rent | | 84,381 | | 86,744 |
| | | TOTAL (B) | 31,308,752 | | 52,453,048 |
| C. | SELLING EXPENSES : | | | | |
| | Commission & Brokerage | | 10,133,728 | | 3,843,860 |
| | Freight and Forwarding charges | | 88,102,459 | | 63,668,471 |
| | Other Selling Expenses | | 529,738 | | 787,348 |
| | | | | | |
| | | TOTAL (C) | 98,765,925 | | 68,299,679 |
| | | | | | |
| | | TOTAL (A+B+C) | 446,606,166 | | 298,662,968 |
| SCHEDULE 17 : INTEREST AND FINANCE EXPENSES | | | | | |
| | Interest : | | | | |
| | On Fixed Loans | 31,824,892 | | 18,489,298 | |
| | On Others (Net) | 39,510,094 | | 38,722,003 | |
| | | | 71,334,986 | | 57,211,301 |
| | Other Financial Expenses | | 7,201,553 | | 6,739,566 |
| | | | | | |
| | | TOTAL | 78,536,539 | | 63,950,867 |

SCHEDULE 18: NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. System of Accounting:

The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, as adopted consistently by the company.

The company, generally, follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis except those with significant uncertainties.

b. Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In case of sale of goods, revenue is recognized, net of Value Added Tax, when the significant risks and rewards of ownership of goods have been passed to the buyer, which generally coincides with delivery.

Benefits on account of entitlement to import goods free of duty are accounted for in the year of exports made and are included in Sales.

c. Fixed Assets:

Fixed assets are stated at cost comprising of its purchase price and directly attributable cost of bringing the asset to working condition for its intended use less accumulated depreciation and amortization.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess if they are recorded in excess of their recoverable amounts and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Revenue expenses incurred in connection with project implementation and expansion of existing units in so far as such expenses (net of income) relate to the period prior to the commencement of commercial production are treated as project cost and allocated to the relevant fixed assets on a pro-rata basis.

d. Intangible Assets:

Intangible assets are stated at cost less accumulated amortization. Technical Know how and Computer Softwares are amortized over a period of five years. Amortization is done on straight line basis.

e. Depreciation/Amortization:

Depreciation on fixed assets is provided on straight line method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except: in respect of

vehicles at Kanpur Unit where depreciation is provided on written down value method (WDV); in respect of fixed assets of Rudrapur and Bilaspur Units where depreciation is provided on written down value method (WDV); in respect of power line payments made to Electricity Authorities, useful life has been estimated as five years. Continuous process plants as defined therein have been taken on technical assessment and depreciation is provided accordingly. Individual assets, whose actual cost does not exceed Rs. 5000, are depreciated fully within the year of acquisition. Cost of Leasehold land is amortized over the period of the Lease.

f. Valuation of Inventories:

Inventories are valued at lower of cost, computed on a weighted average basis, and net realizable value. Finished goods and Goods-in-process include cost of conversion and other costs (full absorption cost) in bringing the inventories to their present location and condition. Waste & Scrap are valued at net realizable value.

g. Lease Rentals:

Rental charges in respect of assets acquired under finance leases prior to 1st April 2001 are amortized over the useful economic life of the asset and excess of lease rentals paid over the amount accrued are treated as prepaid lease rentals. No leased assets, except leasehold land, were acquired on or after 1st April 2001.

h. Foreign Currency Transactions: - Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

Exchange differences arising on foreign exchange transactions settled during the period are recognized in the Profit & Loss account of the period.

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end and not covered by forward contracts, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the Profit & Loss Account. Non-monetary foreign currency items are carried at cost.

In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the forward exchange contracts is recognized as income/expense over the life of the contract. Exchange differences on forward exchange contracts are recognized as income or expense along with the exchange differences on the underlying assets/liabilities. Profit or loss on cancellations/renewals of forward contracts is recognized during the year.

i. Employee Benefits:

Short Term Employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost. Long term employee benefits (benefits which are payable after the end of twelve months from the end of the month in which the employee render service) and post employment benefits (Benefits which are payable

after completion of employment) are measured on a discounted benefits by the Projected Unit Credit method on the basis of annual third party actuarial valuations.

Contribution to Provident Fund, Family Pension Fund and Employee's State Insurance, a defined contribution plan are made to the funds administered by the Govt. of India, and are recognized as an expense when employees have rendered service entitling them to the contributions. The cost of providing leave encashment and gratuity, defined benefit plans, are determined using the Projected Unit Credit Method, on the basis of actuarial valuation carried out by third party actuaries at each balance sheet date. Actuarial gains and losses are recognized immediately in the profit and loss account.

j. Borrowing Costs:

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

k. Taxation:

Tax expense comprises Current, Deferred and Fringe Benefit Tax.

Current Income Tax and Fringe Benefit Tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act 1961.

Deferred tax charge or credit resulting from timing difference is recognized using current tax rates and tax laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that these assets can be realized in future.

Deferred tax assets/liabilities are reviewed at each Balance Sheet date.

l. Provisions and Contingent Liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes.

2. There are no dues to Micro, Small and Medium Enterprises as at 31st March 2010 (Previous year Nil). This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified based on the information available with the Company.

3. a) The Profit & Loss Account includes payment to & provisions for Managerial remuneration (excluding sitting Fees) payable to Executive & Non Executive Directors as under:-

| | <u>2009-10</u> | <u>2008-09</u> |
|--|----------------|----------------|
| | Rs. | Rs. |
| Salary & Allowances | 4620000 | 3495000 |
| Perquisites | 540000 | 540000 |
| Performance linked remuneration to Executive Directors | 600000 | 1216407 |
| Commission to Managing Director | -- | 583490 |
| Commission to Non Executive Directors | 1022940 | 583490 |
| | ----- | ----- |
| Total | 6782940 | 6418387 |
| | ----- | ----- |

b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956:

| | <u>2009-10</u> | <u>2008-09</u> |
|--|------------------|-----------------|
| | Rs. | Rs. |
| Profit before Taxation | 95287413 | 50456460 |
| Add: Depreciation as per accounts | 69182794 | 56554342 |
| Loss on Fixed Assets sold/ discarded (net) | 120685 | 238788 |
| Managerial Remuneration | 5760000 | 5834897 |
| Commission to Non Executive Directors | 1022940 | 583490 |
| Directors' Sitting Fees | 120000 | 135000 |
| Provisions for Doubtful debts & advances | 33000 | 1820476 |
| | ----- | ----- |
| | 171526832 | 115623453 |
| Less: Depreciation as per Section 350 of Companies Act, 1956 | 69182794 | 56554342 |
| Excess Provision for Doubtful Debts written back | 50000 | 720145 |
| Net Profit for the year | 102294038 | 58348966 |
| | ----- | ----- |

| | | |
|--|-----------|-----------|
| Eligible remuneration to the Executive Directors @ 10% on above profits | 10229404 | 5834897 |
| Out of the above: | | |
| a) Salary, Allowances & Perquisites paid to Executive Directors | 51,60,000 | 40,35,000 |
| b) Commission payable to Managing Director (@ 1% of above Profits) | - | 5,83,490 |
| c) Performance Linked Remuneration as determined by the Board of Directors | 6,00,000 | 12,16,407 |
| Commission payable to Non Executive Directors (@ 1% on above Profits) | 10,22,940 | 5,83,490 |

4. Financial & Derivatives Instruments:

Nominal value of Forward Contracts (USD/INR & EURO/INR) entered into by the Company for hedging Currency Risks and outstanding as on 31st March, 2010 amounting to Rs.1239.30 lacs. (Previous Year Rs. Nil)

Un-hedged Foreign Currency exposure that are not hedged by derivative instruments or Forward Contracts as at 31st March, 2010 amounting to Rs. 334.16 lacs (Previous Year Rs. 114.75 Lacs).

5. Related Party Disclosures:

I. Names of related parties & description of relationship:

A. Key Management Personnel:

| | |
|-----------------------------|--------------------------------|
| Shri Shyam S. Sharma | Chairman cum Managing Director |
| Shri Vishnu Dutt Khandelwal | Executive Vice Chairman |
| Shri Sharad Sharma | Joint Managing Director |
| Shri Rajesh Sharma | Executive Director |

B. Relatives of Key Management Personnel:

| | |
|----------------------------|-------------------------------------|
| 1. Smt. Vimal Sharma | Wife of Shri Shyam S. Sharma |
| 2. Smt. Nirmal Khandelwal | Wife of Shri Vishnu Dutt Khandelwal |
| 3. Smt. Seema Sharma | Wife of Shri Sharad Sharma |
| 4. Smt. Ratna Sharma | Wife of Shri Rajesh Sharma |
| 5. Shri Sandeep Khandelwal | Son of Shri Vishnu Dutt Khandelwal |

C. Companies & Concerns Controlled by Key Management Personnel/Relatives:

1. Sandeep Yarns Pvt. Ltd.
2. GPL Finance Limited.

II. SUMMARY OF TRANSACTIONS:

(Rs. in Lacs)

| PARTICULARS | Key Management Personnel | Relatives of Key Management Personnel | Companies Controlled by Key Management Personnel/Relatives |
|--|--------------------------|---------------------------------------|--|
| i) Transactions during the year | | | |
| Managerial Remuneration | 57.60 (58.35) | -- (--) | -- (--) |
| Salary | -- (--) | 5.40 (6.49) | -- (--) |
| Reimbursement of Expenses | 1.98 (1.76) | 0.52 (0.44) | -- (--) |
| Directors' Sitting Fee | -- (--) | -- (0.05) | -- (--) |

| | | | |
|--|--------------------|-----------------|-----------------|
| Interest | 12.95 (4.72) | 1.66 (0.49) | 0.85 (0.17) |
| Unsecured Loan/Fixed Deposit Accepted | 276.75 (134.40) | 4.52 (19.40) | 93.58 (8.92) |
| Unsecured Loan/Fixed Deposit Repaid | 275.51 (80.39) | 19.20 (0.45) | 64.55 (2.16) |
| Receipt of Application money on Equity Warrants/ Shares and Allotment money on Equity Share Capital issued | 52.25 (--) | 61.00 (--) | 33.25 (--) |
| Share Premium amount received | 52.25 (--) | 14.65 (--) | 33.25 (--) |
| Receipt of Equity Share Warrants Money | 115.50 (--) | 21.00 (--) | 73.50 (--) |
| ii) Amount Outstanding at Balance Sheet date | | | |
| Unsecured Loan/Fixed Deposit Outstanding | 119.34 (118.10) | 5.97 (20.65) | 37.95 (8.92) |
| Amounts Payable | 8.50 (4.75) | 0.85 (0.48) | 0.07 (0.10) |

Notes:

1. No amount has been written off or written back during the Year in respect of debts due from or to related parties. (Previous Year Nil).
2. The Company has not given/provided any guarantee/collaterals for and on behalf of the aforementioned related parties.

6. Deferred Taxation:

(i) Deferred Tax (net) for the Current Financial Year of Rs. 17.93 Lacs (Previous Year Rs. 60.45 Lacs) has been charged to the Profit & Loss Account.

(ii) Breakup of Deferred Tax Assets & Liabilities is as under - (Rs.in Lacs)

| | As at 31.03.10 | As at 31.03.09 |
|---|------------------------|------------------------|
| a) Deferred Tax Liabilities | | |
| Related to Fixed Assets | (484.36) | (479.73) |
| b) Deferred Tax Assets | | |
| -Expenditure allowable on actual payment | 37.28 | 4.23 |
| -Unabsorbed loss & Depreciation | 0.93 | 18.71 |
| -Others | 13.81 | 42.38 |
| Net Deferred Tax (Liability)/Asset | <u>(432.34)</u> | <u>(414.41)</u> |

7. Segment Information:

a) Primary Segment (by Business Segment):

Based on the guiding principles given in the Accounting Standard on Segment Reporting (AS-17), Company is primarily in the business of manufacture and sale of Polyester Staple Fibre and Polyester Yarn which mainly have similar risks and returns. Since Company's business activity falls within a single geographical and business segment (Synthetic textile), hence it has no other primary reportable segments.

b) Secondary Segment (by Geographical demarcation):

(Rs. in Lacs)

| Segment Revenue | 2009-10 | 2008-09 |
|-------------------------|----------|----------|
| Turnover: | 19888.34 | 13537.11 |
| Domestic (within India) | 16662.05 | 9859.67 |
| Export | 3226.29 | 3677.44 |

8. EARNING PER SHARE:

(Rs. in Lacs)

| | <u>2009-10</u> | <u>2008-09</u> |
|--|----------------|----------------|
| Profit attributable to Equity Shareholders for Basic & Diluted EPS | 855.30 | 389.48 |
| Less: Tax for Earlier Years | 11.65 | 4.34 |
| Tax paid on Preference Dividend (Interim) | 7.65 | 7.65 |
| Add: MAT credit recognized for previous year | 0.45 | -- |
| | ----- | ----- |
| Net profit including Exceptional/Prior Period items | 836.45 | 377.49 |
| Exceptional/Prior period Items (net of taxes) | -- | 50.79 |
| Net profit excluding Exceptional/Prior Period items (net of taxes) | 836.45 | 428.28 |
| Weighted average number of Equity Shares for Basic Earning per share (EPS) | 9902274 | 9855000 |
| Add: Potential Equity Shares on conversion of Warrants | 306637 | - |
| Weighted average number of Equity Shares for Diluted Earning per share (EPS) | 10208911 | 9855000 |
| Nominal Value per Equity Share (Rs.) | 10.00 | 10.00 |
| Earning Per Share (Rs.): | | |
| - Basic | 8.45 | 3.83 |
| - Diluted | 8.19 | 3.83 |
| | | |
| Earning (before exceptional/Prior Period Items) Per Share (Rs.): | | |
| - Basic | 8.45 | 4.35 |
| - Diluted | 8.19 | 4.35 |

9. Preoperative Expenses:

(In respect of Projects up to 31st March 2010, included under the head Capital Work in Progress)

| Particulars | | 2009-10 (Rs.) | | 2008-09 (Rs.) |
|--|---------|------------------|------------|------------------|
| Opening Balance | | 32439 | | 15781853 |
| Add: Expenditure during construction period: | | | | |
| (a) Raw Material Consumed | 1485552 | | 208320142 | |
| (b) Payments to & Provision for Employees | 611051 | | 13473013 | |
| (c) Manufacturing, Administrative & Selling Expenses | 2595971 | | 52561844 | |
| (d) Interest & Finance Expenses | 2610010 | 7302584 | 23546317 | 297901316 |
| | | 7335023 | | 313683169 |
| Less: | | | | |
| (a) Sale of Finished Goods | 815631 | | 257788643* | |
| (b) Stock of Finished Goods | 1059405 | | 20898144 | |
| | | 1875036 | | 278686787 |
| | | | | 34996382 |
| Less: Allocation to Fixed Assets | | 32439 | | 34963943 |
| Closing Balance | | 5427548 | | 32439 |

* include inter-unit transfer of Rs. Nil (Previous Year Rs.1,58,47,215).

10- Disclosures in accordance with Accounting Standard-15 on Employee Benefits

a) Defined Contribution Plans

The Company has recognized an expense of Rs. 39.00 lacs (Previous year Rs. 27.98 lacs) towards the defined contribution plans.

b) Defined benefit Plans (all figures are in Rs.)

As per Actuarial Valuation on 31st March, 2010

i) Expenses recognized in Profit & Loss A/c for the year ended 31st March 2010:

| Particulars | Gratuity | | Leave Encashment | |
|---|----------|---------|------------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| 1. Current Service Cost | 1230349 | 1144538 | 217772 | 288051 |
| 2. Interest Cost | 496768 | 491050 | 69087 | 72116 |
| 3. Expected Return on Plan Assets | - | - | - | - |
| 4. Net Actuarial (Gain)/Losses recognized | (497912) | 491044 | 102801 | (150454) |
| 5. Past Service Cost | - | - | - | - |
| 6. Curtailment cost/Settlement Cost | - | - | - | - |
| 7. Total Expense | 1229205 | 2126632 | 389660 | 209713 |

ii. Net Asset/(Liability) recognized in Balance Sheet as at 31st March 2010

| Particulars | Gratuity | | Leave Encashment | |
|--|-----------|-----------|------------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| 1. Present value of Defined Benefit Obligation on 31.03.2010 | 7776826 | 6996735 | 1299525 | 973053 |
| 2. Fair value of Plan Assets on 31.03.2010 | - | - | - | - |
| 3. Funded Status [Surplus/(Deficit)] | (7776826) | (6996735) | (1299525) | (973053) |
| 4. Net Asset/(Liability) recognized in Balance Sheet on 31.03.2010 | 7776826 | 6996735 | 1299525 | 973053 |

iii. Change in Present value of Obligation during the year ended 31st March 2010

| Particulars | Gratuity | | Leave Encashment | |
|---|----------|-----------|------------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| 1. Present value of obligation at the beginning of the year | 6996735 | 6138130 | 973053 | 901445 |
| 2. Interest cost | 496768 | 491050 | 69087 | 72116 |
| 3. Past Service Cost | - | - | - | - |
| 4. Current Service Cost | 1230349 | 1144538 | 217772 | 288051 |
| 5. Curtailment/settlement cost | - | - | - | - |
| 6. Benefit payments | (449114) | (1268027) | (63188) | (138105) |
| 7. Actuarial (Gain)/Loss on obligation | (497912) | 491044 | 102801 | (150454) |
| 8. Present value of obligation at the end of the year | 7776826 | 6996735 | 1299525 | 973053 |

iv. Fair value & changes in fair value of Plan Assets during the year ended 31st March 2010:
Gratuity & Leave encashment obligations are not funded.

| v. <u>Actuarial Assumption</u> | <u>As on 31st March 10</u> | <u>As on 31st March 09</u> |
|--|---------------------------------------|---------------------------------------|
| Discount Rate | 7.50% | 7.10% |
| Salary Escalation Rate | 5% | 5% |
| Expected Rate of Return on Plan Assets | - | - |
| Mortality | LIC(1994-96) Mortality Tables | LIC(1994-96) Mortality Tables |
| Withdrawal Rate | 15% p.a. | 15% p.a. |

c. Employee benefits in the form of defined contribution plans and defined benefit plans (Gratuity & Leave Encashment) are not payable to the Executive Directors of the Company.

- d. The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

11. Contingent Liability not provided for in respect of:

(Rs. in Lacs)

| | Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--------|---|---------------------|---------------------|
| (i) | Bills discounted with Banks & remaining outstanding | Nil | 420.48 |
| (ii) | Bills negotiated under Letter of Credit and outstanding | 630.71 | 543.19 |
| (iii) | Claims against the company not acknowledged as debts | 14.70 | 15.81 |
| (iv) | Disputed Tax matters under appeal: | | |
| | - Customs Duty demand | 7.79 | 7.79 |
| | - Sales Tax/ Trade Tax Liabilities | 6.06 | 6.06 |
| | - Entry Tax Liability | 27.88 | 27.88 |
| | -RTO Tax liability in respect of company's old vehicle | 5.53 | Nil |
| (v) | Arrear of Dividend payable on 10 % Cumulative Redeemable Preference Shares | Nil | 11.25 |
| (vi) | Appeal filed against the Company before Hon'ble Supreme Court by the opposite party in respect of amount received by the Company under an award decided in favour of the Company. | 80.98 | 80.98 |
| (vii) | Service tax refund, once received by the Company under an appeal, disputed by the Service Tax Department in CEGAT | 2.28 | 2.28 |
| (viii) | Differential amount of custom duty in respect of imports made under EPCG Scheme (net of obligations fulfilled) | 253.97 | 48.97 |

12. Estimated amount of Contracts remaining to be executed on capital accounts and not provided for Rs. Nil (Previous Year Rs. Nil).

13. Additional Security Deposit demands of Rs. 121.58 lacs raised by Electricity Distribution Authorities of U.P. and Uttarakhand, which were stayed by Hon'ble Allahabad and Nainital High Courts against Writ petitions filed by the Company (Previous year Nil).

14. The Income Tax assessments of the Company have been completed up to Assessment Year 2007-08 and there are no pending demands (Previous year Rs.13.35 Lacs).

15. Exceptional item represents loss of stock of Rs. Nil (Previous Year Rs. 20.99 lacs) due to fire at factory premises.

16. During the year, the Company has allotted 35,15,000 Warrants to 'Promoters & Others' on preferential basis, out of which 5,15,000 Warrants were converted into equal number of Equity Shares of Rs. 10 each at a price of Rs. 11/- per share and 19,50,000 warrants were converted into equal number of Equity Shares of Rs. 10 each at a price of Rs. 20/- per share (pricing determined in accordance with applicable provisions of SEBI (ICDR) Regulations, 2009).

17. Sundry Debtors outstanding for more than six months & considered good include Rs. 11.40 lacs (Previous Year Nil) for which legal action has been taken for recovery. However, the same are classified as good for recovery.

18. Previous Year figures have been reworked, regrouped, reclassified and/or rearranged wherever considered necessary.

| 19. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956 to the extent relevant: | | | | | | | | | | | | |
|--|------|-------------------|------------------------------|--------------------------|-----------------------------|----------------------------|----------------------|----------------------------|----------------------------------|------------------------|-----------------------------|--|
| A. PARTICULARS IN RESPECT OF CAPACITY PRODUCTION, TURNOVER, PURCHASES & STOCKS OF FINISHED GOODS | | | | | | | | | | | | |
| (Including During Trial Run) | | | | | | | | | | | | |
| Class of Goods | Unit | Licensed Capacity | Installed Capacity \$ (P.A.) | Opening Stock Qty. | Value(Rs.) | Production Qty | Purchase Qty | Turnover Qty | Value(Rs.) | Closing Stock Qty | Value(Rs.) | |
| 1. Texturised/ Twisted Grey & Dyed Yarn, & Fibre | Kgs. | N.A. | 2,400,000 (2,400,000) | 98,512 (47,736) | 10,864,282 (5,678,629) | 2,141,010 (2,125,660) | - (-) | 2,174,018 (2,074,884) | 267,979,474 (256,414,510) | 65,504 (98,512) | 7,294,389 (10,864,282) | |
| 2. Spun Yarn | Kgs. | N.A. | N.A. | - (-) | - (-) | * 1436863 (-) | - (-) | 1,370,477 (-) | 132,561,801 (-) | 66,386 (-) | 3,068,487 (-) | |
| 3. Polyester Staple Fibre | Kgs. | N.A. | 57,600,000 (39,600,000) | 2,724,381 (1,023,408) | 122,085,661 (47,862,379) | 28,136,833 (26,391,529) | 156,364 (146,530) | 30,296,339 (24,839,086) | 1,582,290,031 (1,351,005,561) | 721,239 (2,724,381) | 32,519,540 (122,085,661) | |
| 4. Scrap & Waste | Kgs. | N.A. | N.A. | - (-) | 806,143 (241,150) | - (-) | - (-) | - (-) | 3,618,438 (4,079,383) | - (-) | 278,570 (806,143) | |
| 5. Store & Spares | N.A. | N.A. | N.A. | - (-) | - (-) | - (-) | - (-) | - (-) | 3,197,349 (-) | - (-) | - (-) | |
| 6. Non Woven Fabrics | Mtr. | N.A. | N.A. | 2,200 (2,200) | 1,279 (1,279) | - (-) | - (-) | 2,200 (-) | 1,320 (-) | - (2,200) | - (1,279) | |
| 7. Pillows/Cushions & Stuffed products | Nos | N.A. | 4,500,000 (N.A.) | - (-) | - (-) | 50 (-) | - (-) | 50 (-) | 1,500 (-) | - (-) | - (-) | |
| Notes: | | | | | | | | | | | | |
| 1. Excludes 25293.510 Kgs for Rs.624406/- (Previous Year 40475.24 Kgs. for Rs.1136558/-) dyed on Job Basis for outside parties | | | | | | | | | | | | |
| 2. The Quantities include hard waste generated and sold during the year. | | | | | | | | | | | | |
| 3. \$ Installed Capacity is as certified by the Management | | | | | | | | | | | | |
| 4.* Processed by outside party on Job basis. | | | | | | | | | | | | |

B RAW MATERIAL CONSUMED (including Trial Run Consumption)

| Particulars | Qty.(Kgs.) | Value (Rs.) |
|---|----------------------------|------------------------------|
| 1. POY/ Texturised /Twisted Yarn | 1,895,568 (1,827,747) | 176,783,773 (166,142,421) |
| 2. Polyester Waste | 30,602,320 (28,445,600) | 726,508,640 (804,764,350) |
| 3.Fibre & Fibre waste (for Job Spinning) | 1,492,040 (-) | 88,594,459 (-) |
| 4. Colour & Chemical | - (-) | 114,627,974 (106,061,970) |
| 5.Packing Material | - (-) | 26,510,074 (25,554,903) |

**(C) Value of Imported and Indigeneous Raw Material and Stores & Spares Consumed
and Percentage of each to the total consumption**

| | Current Year (Value in Rs.) | % | Previous Year (Value in Rs.) | % |
|---------------------------------------|--|---------------|---|---------------|
| 1. Raw Material | | | | |
| Imported | 26,505,252 | 2.34 | 83,122,512 | 7.54 |
| Indigeneous | 1,106,519,668 | 97.66 | 1,019,401,132 | 92.46 |
| | <u>1,133,024,920</u> | <u>100.00</u> | <u>1,102,523,644</u> | <u>100.00</u> |
| 2. Stores & Spares | | | | |
| Imported | 5,532,477 | 7.41 | 6,365,281 | 14.65 |
| Indigeneous | 69,156,333 | 92.59 | 37,085,434 | 85.35 |
| | <u>74,688,810</u> | <u>100.00</u> | <u>43,450,715</u> | <u>100.00</u> |
| (D) CIF Value of Imports | | | | |
| Raw Materials | 25,265,800 | N.A. | 68,461,907 | N.A. |
| Stores & Spares | 6,266,745 | N.A. | 5,658,487 | N.A. |
| Capital Goods | 92,084,253 | N.A. | 53,687,481 | N.A. |
| (E) Expenditure in Foreign Currency : | | | | |
| > Travelling Expenses | 1,035,103 | N.A. | 613,621 | N.A. |
| > Commission | 654,919 | N.A. | 548,001 | N.A. |
| > Miscellaneous Expenses | 3,576 | N.A. | - | N.A. |
| > Telephone Expenses | - | N.A. | 4,410 | N.A. |
| (F) Earning in Foreign Currency | | | | |
| F.O.B. Value of Exports | 308,068,732 | N.A. | 331,328,126 | N.A. |

Signature to Schedule 1 to 18
In terms of our annexed report of even date.

**For Mehrotra Rakesh Kumar & Co.
Chartered Accountants**

For and on behalf of the Board

(Deepak Seth)

Partner

Member No. 073081

Place : Kanpur

Dated :