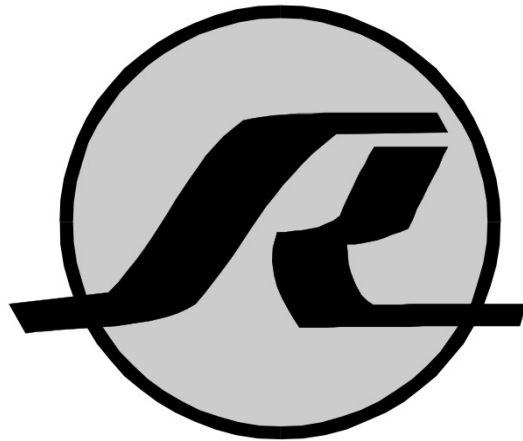


**Twenty Third Annual Report
2011 – 12**



S. R. INDUSTRIES LIMITED

BOARD OF DIRECTORS

Chairman

Mr. R. K. Bhandari

Managing Director

Mr. R.C.Mahajan

Whole-time Directors

Mr. Amit Mahajan Director (Commercial)

Mr. Amit Mahajan Director (Operations)

Mr. Y. R. Kapur Director (Finance)

Directors

Mr. M. M. Puri

Mr. T. N. Tikoo

Auditors

M/s. Kansal Singla & Associates

Bankers

State Bank of Patiala

UCO Bank

Regd. Office

F-110, Industrial Area Phase VII

Mohali - 160055

Works

Village Singan, Tehsil Haroli,

Distt. Una (H.P.)

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Proxy Form & Attendance Slip

NOTE

1. Members intending to require information about accounts to be explained at the Annual General Meeting are requested to inform the Company at least 7 days in advance of the date of meeting.
2. Members are requested to bring their copy of the Annual Report with them at the Annual General Meeting.

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their TWENTY THIRD ANNUAL REPORT and the Audited Statement of Accounts for the fifteen months period ended June 30, 2012.

FINANCIAL RESULT

	(Rs./lacs)	
	2011-12	2010-11
	15 Months	12 Months
Turnover	4341.71	3863.79
Export Incentive	31.23	74.30
Loss before interest, depreciation and taxation	(385.17)	(277.57)
Financial expenses	(917.62)	(512.94)
Loss before depreciation & taxation	(1302.79)	(790.51)
Depreciation	(335.05)	(304.55)
Provision for Taxation		
-Deferred Tax	-	256.08
Expenses relating to earlier years	21.74	(22.43)
Net loss after tax	(1616.10)	(861.41)
Earning per share (Rs.)		
- Basic/Diluted	(12.81)	(6.85)

FUTURE PROSPECTS

The Board of Directors are pleased to inform that the Footwear Division had produced 1.66 million pairs of shoes, sandals and other footwear during the current period of fifteen months. The company has long term arrangements with Puma Sports India Pvt Ltd., and also negotiating with other MNCs for producing sports & other footwear on their behalf. Further, the Terry Towels Division (TTD) has been hived off after the necessary approval from the shareholders and all the bank dues against the TTD has been paid off.

DIVIDEND

In view of the losses your Directors do not recommend any dividend for the period under review.

DEPOSITS

The Company has not accepted any deposits from the public during the period under review.

STAFF

The Directors hereby place on record their appreciation for the efficient and dedicated services rendered by the employees at all levels.

The information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) may be taken as nil as no employee received remuneration in excess of limits prescribed under the said section.

DIRECTORS

Mr. Shashi Kant resigned from the directorship of the company w.e.f. August 01, 2012. Your directors appreciated the contribution made by him during his tenure. In accordance with the provisions of the Companies Act, 1956 and Article 74 of the Articles of Association of the Company Mr. Amit Mahajan and Mr. Amit Mahajan retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for reappointment.

Mr. T N Tikoo ceased to be Director (Works) consequent upon the withdrawal of powers from him w.e.f. September 1, 2011. Mr. Amit Mahajan, Director (Commercial) and Mr. Amit Mahajan, Director (Operations) resigned from their respective offices w.e.f. February 29, 2012 and were again reappointed w.e.f. July 01, 2012 on the same positions.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required under the Listing Agreement with the Bombay Stock Exchange Ltd. (BSE), Mumbai is annexed to this report. The Certificate issued by Practising Company Secretary, in pursuance of Clause 49 of the Listing Agreement in compliance of Corporate Governance, is also annexed with this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors report -

- i. that in the preparation of the annual accounts for the fifteen months period ended June 30, 2012 the applicable accounting standards had been followed along with proper explanations relating to material departures,
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2012 and of the loss of the Company for the fifteen months period ended on that date,
- iii. that the Directors had taken proper and sufficient care for the

maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,

- iv. that the Directors had prepared the annual accounts for the fifteen months period ended on June 30, 2012 on a Going Concern basis.

AUDITORS

M/s Kansal Singla & Associates, Statutory Auditors, hold office until the conclusion of the ensuing annual general meeting and being eligible, offer themselves for reappointment. They have confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956 and willingness to accept the office of the Statutory Auditors, if reappointed.

AUDITORS' REPORT

The Statutory Auditors of the Company have submitted their report on the accounts for the fifteen months period ended June 30, 2012. The replies to the Auditors comments are as under:-

1. The Company due to liquidity constraints has not been able to deposit the PF dues outstanding as on June 30, 2012. Necessary arrangements are being made to deposit outstanding dues in the coming months.
2. The company has paid bank overdue interest and installments of loans as on June 30, 2012 by August 17, 2012.
3. The company had sold off the Terry Towel Division (TTD) after the approval from the shareholders and the loss is due to adjustment of total proceeds received against the assets of the TTD.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation to State Bank of Patiala, UCO Bank, Central/State Government Agencies, Customers and Business Associates for their continued cooperation and support.

The Board of Directors also takes this opportunity to acknowledge the dedicated efforts made by workers, staff and officers and their contribution to the success achieved by the Company.

Above all, the Directors express their gratitude towards the members of the Company for their continuing support and for the confidence reposed in the Management.

For and on behalf of the Board

Place: Mohali
Date : January 29, 2013

R.K. BHANDARI
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in abiding by the Code of Corporate Governance so as to be a responsible corporate citizen and to serve the best interest of all the stakeholders and the society at large. The Company seeks to achieve this goal by being transparent in its business dealings, by disclosure of all relevant information in an easily understood manner and by being fair to all stakeholders and by ensuring that the Company's activities are managed by a professionally competent Board of Directors. The Company has over the years followed the best practices of Corporate Governance by adhering to the practices laid down by the Management. The most important part of Corporate Governance is the best business principles and leadership. The Company has also followed the implementation schedule of Corporate Governance Code as mentioned in Clause 49 of the Listing Agreement. The Directors are pleased to report the same as under -

BOARD OF DIRECTORS

The present strength of the Board is seven. The Board Comprises of Executive and Non-Executive Directors. Four Directors including the Managing Director, are Whole-time Directors (Executive Directors). There are three Non-Executive Directors, including the Chairman, all of them being Non Executive Independent Directors.

The composition of Board, number of Directorships & Committee positions held by each of the Directors are given hereunder -

Sl. No	Name of Director	Category	No. of Board Meeting(s) attended	Attendance at Previous AGM held on September 30, 2011	No. of Outside Directorship(s) held (***)		No. of Membership(s)/ Chairmanship(s) in other Committees (****)	
					As Director	As Chairman	As Member	As Chairman
1.	Mr.R.K.Bhandari	Non-Executive & Independent	12	YES	-	-	-	-
2.	Mr.M.M. Puri	Non-Executive & Independent	12	NO	-	-	-	-
3.	Mr.T.N.Tikoo	Non-Executive & Independent	-	YES	-	-	-	-
4.	Mr..Y.R. Kapur	Whole-time Director	12	YES	1	-	-	-
5.	Mr.Amit Mahajan	Whole-time Director	12	YES	-	-	-	-
6.	Mr.Amit Mahajan	Whole-time Director	12	YES	1	-	-	-
7.	Mr.R.C.Mahajan	Managing Director	12	YES	-	-	-	-
8.	Mr. Shashi Kant*	Non-Executive & Independent	-	NO.	-	-	-	-

* Resigned w.e.f. August 01, 2012

**Excludes directorship held in private limited companies, foreign companies, companies under section 25 of the Companies Act, 1956 and memberships of Managing Committees of other Chambers/Institutions/Boards.

*** Includes Membership/Chairmanship of Audit Committee and Shareholders Grievances Committee only.

During the year none of the Directors was either a member of more than ten committees or Chairman of more than five committees of any public limited company.

BOARD MEETINGS AND ATTENDANCE

During the fifteen months period ended June 30, 2012, 12 Board Meetings were held on the following dates –

Date of Meeting	Board Strength	No. of Directors Present
May 30, 2011	8	6
June 17, 2011	8	6
August 12, 2011	8	6
August 31, 2011	8	6
September 27, 2011	8	6
October 14, 2011	8	6
October 22, 2011	8	6
November 22, 2011	8	6
December 21, 2011	8	6
February 15, 2012	8	6
May 15, 2012	8	6
June 15, 2012	8	6

The gap between two Board Meetings did not exceed four months. Further, the information as required under Annexure I-A to the Clause 49(II)(C)(i) of the Listing Agreement is made available to the Board. The Agenda and other papers having adequate information for consideration of the Board are circulated well in advance. Further, the compliance report of statutory requirements is placed before the Board on quarterly basis.

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Mr. T N Tikoo holds 200 shares in the company. No other Non-Executive Director holds any equity share of the Company

CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.srtowels.com. All Board Members and Senior Management have confirmed compliance with the Code for the fifteen months period ended June 30, 2012. The Annual Report contains a declaration to this effect signed by the Managing Director who is also the Chief Executive Officer.

RESUME OF THE DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Mr. Amit Mahajan

Mr. Amit Mahajan, who is retiring by rotation and being eligible offers himself for reappointment at the forthcoming Annual General Meeting ia a Whole Time Director. Mr. Amit Mahajan is a B.Sc (Economics) from University of Pennsylvania and has more than seventeen years experience in handling commercial activities.

Mr. Amit Mahajan is also a Director of (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956) Gulmohar Investment & Holdings Ltd Presently, Mr. Amit Mahajan holds 17,15,500 Equity Shares of the company.

Mr. Amit Mahajan

Mr. Amit Mahajan who is retiring by rotation and being eligible offers himself for reappointments at the forthcoming Annual General Meeting, is a Whole Time Director. Mr. Amit Mahajan is a B.E. and has experience in production quality control, procurement and factory administration and is involved in the production planning and development. Presently he is the head of the production team.

Mr. Amit Mahajan is not a Chairman / Member of the Board of Director of any company (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956)

Presently, Mr. Amit Mahajan holds 4,11,450 Equity Shares of the Company.

BOARD COMMITTEES

Pursuant to Clause 49 of the Listing Agreement, the Board has constituted the following Committees with necessary delegation for smooth and efficient working -

AUDIT COMMITTEE

The Audit Committee of the Company has such powers as are detailed under Section 292A of the Companies Act, 1956 and also Clause 49 of the Listing Agreement.

The scope of Audit Committee includes, inter-alia, reviewing the systems, compliance of statutory and legal requirements, recommending appointment & re-appointment of statutory auditors, fixation of their remuneration and reviewing internal/statutory audit reports. It also includes the reviewing annual budgets, budgeted vs actual performance and quarterly/annual financial results, before submitting the same to the Board. As and when required, senior management personnel, statutory auditors and other professionals are also invited to attend the Audit Committee meetings.

The powers & role of Audit Committee is in agreement with Clause 49(II)(C)/

(D) of the Listing Agreement. Further, the Audit Committee periodically reviews the information required under Clause 49(II)(E) of the Listing Agreement.

The Board of Directors reconstituted the Audit Committee on January 29, 2009. Presently, the Audit Committee consists of the following three Directors -

1. Mr.R.K.Bhandari-Chairman
2. Mr.M.M.Puri-Member
3. Mr.Y.R.Kapur-Member

Mr. R.K.Bhandari and Mr. M.M.Puri are non-executive and independent directors, whereas Mr. Y.R.Kapur is an executive director. The members of the Committee are qualified, experienced and professional having knowledge in industry, finance, project monitoring, company law and other related matters. The quorum of the Audit Committee Meeting is two members, but there should be a minimum of two independent directors present.

During the period under review, the Audit Committee met six times on May 30, 2011, August 12, 2011, August 31, 2011, November 22, 2011, February 15, 2012 and May 15, 2012 respectively. The attendance at the Audit Committees was -

Member	No. of Meetings held	Attended
Mr. R.K.Bhandari	6	6
Mr. M.M. Puri	6	6
Mr. Y.R.Kapur	6	6

REMUNERATION COMMITTEE

The Board of Directors reconstituted the Remuneration Committee of the Company w.e.f. November 22, 2010. Presently, the Remuneration Committee consists of the following two Directors -

1. Mr. M.M.Puri - Chairman
2. Mr. R.K.Bhandari - Member

Both the members are independent directors. The scope of Remuneration Committee includes the determination of remuneration packages for the Executive and Non-Executive Directors including remuneration policy, pension rights and any compensation payable as stock options, etc.

REMUNERATION POLICY

The Remuneration Policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis. The Board/Remuneration Committee within the ceiling fixed by the shareholders decides the remuneration of the Directors.

A) Managing Director & Whole-time Directors

The remuneration paid to the Managing Director and Whole-time Directors is subject to the limits laid down under Section 198, 309/310 and Schedule XIII to the Companies Act, 1956 and in accordance with the terms of their respective appointment approved by the shareholders of the Company. Their remuneration consists of salary, company's contribution to provident fund & gratuity, house rent allowance/rent free accommodation, medical reimbursement, leave travel concession, club fees, personal accident insurance, books, magazines & periodicals, telephone and car and other perquisite and allowances in accordance with Company's Rules, as applicable from time to time. In addition to this, the Managing Director is also eligible for commission @ 1% of the net profits of the Company.

The Managing Director and Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The appointment of Managing Director is for a period of 5 years whereas the appointment of Whole-time Directors is for normal period of retirement. No notice period has been specifically provided for the appointment of Managing/Whole-time Director(s).

Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

B) Non-Executive Directors

The Non-Executive Directors are not paid any compensation except sitting fees for attending the Board and Audit Committee Meetings, which is within the limits prescribed under the Companies Act, 1956.

DETAILS OF REMUNERATION TO DIRECTORS

The details of the remuneration (excluding contribution to gratuity fund and provision for leave encashment but including perquisite/allowances and contribution to the Provident Fund) and sitting fees paid to the Directors during the fifteen months period ended June 30, 2012 are as under -

	Sitting Fees	Salary	Contribution to Provident Fund	Other perquisites & allowances	Total
Mr. R.K.Bhandari	25,000/-	-	-	-	25,000/-
Mr. M.M.Puri	20,000/-	-	-	-	20,000/-
Mr. Y.R.Kapur	-	10,35,000/-	82,800/-	-	11,17,800/-
Mr. T.N.Tikoo	-	2,40,000/-	28,800/-	90,750/-	3,59,550/-
Mr. Amit Mahajan	-	9,07,500/-	72,600/-	-	9,80,100/-
Mr. Amit Mahajan	-	9,90,000/-	79,200/-	1,12,739/-	11,81,939/-
Mr. R.C.Mahajan	-	22,50,000/-	60,000/-	1,45,826/-	24,55,826/-

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of Directors reconstituted the Shareholders/Investors Grievance Committee on January 29, 2009. Presently, the Shareholders/Investors Grievance Committee consists of the following three Directors -

1. Mr. M M Puri - Chairman
2. Mr. T.N.Tikoo - Member
3. Mr. Y.R.Kapur - Member

The scope of Shareholders/Investors Grievance Committee includes the

redressal of investors' complaints pertaining to transfer/transmission/dematerialisation/rematerialisation of shares, dividends and other related issues.

During the fifteen months period under review 13 (previous year 21) complaints were received, which were promptly attended by the Company and resolved to the satisfaction of the shareholders. Normally all complaints/queries are disposed off within one week of the receipt. The Company had no complaint was pending at the close of the year under review.

SHARE TRANSFER AND DEMAT COMMITTEE

The Share Transfer & Demat Committee was reconstituted on January 29, 2009 by the Board of Directors. Presently, the Share Transfer & Demat Committee consists of the following three Directors -

1. Mr.M.M.Puri - Chairman
2. Mr.T.N.Tikoo - Member
3. Mr.Y.R.Kapur - Member

Mr. M.M.Puri, Chairman of the Committee is a Non-Executive and Independent Director. The scope of Share Transfer and Demat Committee includes transfer/transmission/dematerialisation/rematerialisation of shares, replacement of lost/stolen/mutilated share certificates, splitting/consolidation of share certificates and other related issues.

To expedite the process of share transfers / transmission / dematerialisation / rematerialisation, the Registrar & Share Transfer Agents and the Compliance Officer have been delegated the powers for share transfer/dematerialisation/rematerialisation. They meet every fortnight to carry out the same.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary company.

GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as under -

GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as under -

YEAR	VENUE	DATE	TIME	WHETHER ANY SPECIAL RESOLUTION PASSED
2009-10	Village Kuranwala, Barwala Road, Derabassi - 140 507, Distt. Mohali (Punjab)	September 30, 2010	10.00 a.m	YES
2010-11	- do -	September 30, 2011	10.00 a.m	YES
2011-12	F-110, Industrial Area Phase VII, Mohali (Punjab)	February 28, 2013	9.15 a.m	YES

There was no other general meeting held in the last three years. During the financial year under review, two resolution were passed through postal ballot as required by the Companies (Passing of the resolution by postal ballot) Rules, 2011 and Clause 49 of the Listing Agreement.

DISCLOSURES

i) Related Party Transactions

The details of the materially significant related party transactions have been annexed to the Balance Sheet given elsewhere in this report. None of such transaction(s) has potential conflict with the interest of the Company at large. The details of the material individual transaction with related parties are periodically placed before the Audit Committee/Board together with the Management's justification for the same.

There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.

ii) Compliances by the Company

The Company continued to comply with the requirements of the Listing Agreement, SEBI and other Statutory Authorities. During the last three years, there has not been any noncompliance, penalties and strictures

imposed on the Company for any matter relating to the capital markets by any of the Stock Exchanges, SEBI or any other statutory authorities.

iii) Whistle Blower Policy

The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also meet directly with the Managing Director and express their grievances/concerns. There are safeguards to ensure that all employees grievances/concerns receive due consideration.

The Code of Conduct for Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavor to promote ethical behavior and to provide an opportunity to employees to report violations of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employee in good faith.

No employee has been denied access to the Audit Committee.

iv) Details of compliance with mandatory requirements and adoption of non-mandatory requirements

All the mandatory requirements of Clause 49 of the Listing Agreement have been complied with as stated in this report on Corporate Governance. The non-mandatory requirements as stipulated in Annexure I-D of Clause 49 of the Listing Agreement on the Code of Corporate Governance have been adopted to the extent and in the manner as stated under the appropriate headings in the Report of Corporate Governance.

CEO/CFO Certification –

A certification from the CEO and the CFO in terms of Clause 49(V) of the Listing Agreement was placed before the Board at its meeting held on December 04, 2012, to approve the Audited Accounts for the period ended June 30, 2012.

MEANS OF COMMUNICATION

i) Quarterly Results

The quarterly, half yearly and annual results of the Company are published in accordance with the requirements of the Listing Agreement.

ii) Newspaper in which results are normally published

Financial Express – All India Editions and Spokesman

iii) Any website, where displayed

These results are also displayed on the Company's website www.srtowels.com and SEBI's website www.sebiedifair.nic.in.

iv) Whether it also displays official news releases; and presentation made to institutional investors or to the analysts

The relevant information is displayed in the Company's website.

As the financial results of the Company are published in the newspaper and also displayed on the Company's website, a separate half yearly declaration of the financial performance of the Company is not sent to each household of shareholders.

GENERAL SHAREHOLDERS' INFORMATION

i) Annual General Meeting

DAY, DATE & TIME : Thursday, February 28, 2013.
at 9.15 a.m.

VENUE : F – 110, Industrial Area
Phase VII,
Mohali (Punjab) - 160055

ii) Financial Calendar July to March
Results for the Quarter/ nine months ending -
- September 30, 2012 : Mid November 2012
- December 31, 2012 : Mid February 2013
- March 31, 2013 : End May 2013.

iii) Date of Book Closure : Friday, February 22, 2013
to Thursday, February 28, 2013
(Both days inclusive)

iv) Dividend Payment Date

No dividend has been recommended.

v) Listing on Stock Exchange(s)

The equity shares of the Company are listed at the Bombay Stock Exchange Ltd. (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.

The Company is regular and has paid upto date listing fee to Bombay Stock Exchange Ltd. The approval for delisting of Company's shares from The Calcutta Stock Exchange Association Ltd. is awaited.

vi) Stock Code

Bombay Stock Exchange Ltd. (BSE) 513515

vii) Market Price Data and Stock Performance

Monthly high and low price of equity shares of the Company at BSE & the stock performance in comparison to broad based indices BSE Sensex during the period ended June 30, 2012 is as under –

MONTH	SRIL SHARE PRICE		TOTAL TURNOVER NO. OF SHARES
	HIGH (Rs.)	LOW (Rs.)	
April 2011	6.80	5.38	6,11,343
May 2011	6.60	4.61	48,220
June 2011	6.45	5.00	3,95,342
July 2011	5.91	4.62	48,725
August 2011	5.12	3.89	26,347
September 2011	5.44	3.93	2,59,184
October 2011	5.98	4.23	3,10,366
November 2011	6.19	4.31	2,47,111
December 2011	6.49	3.66	2,89,613
January 2012	6.31	4.34	5,50,294
February 2012	6.14	4.73	74,427
March 2012	5.60	4.00	2,72,586
April 2012	5.92	4.10	5,06,900
May 2012	5.27	3.67	6,17,154
June 2012	5.35	3.91	5,99,057

source : www.bseindia.com

viii) Registrar & Share Transfer Agents (RTA)

M/s Link Intime India Pvt. Ltd.
44, Community Centre 2nd Floor, Naraina Industrial Area Phase – I,
Near PVR, Naraina, New Delhi – 110 028. Tel : 011-41410592-94, Fax :
011-41410591

E-mail : delhi@linkintime.co.in

Compliance Officer

Mr. Y. R. Kapur, Director (Finance)

Tel. : 0172-4602888

E-mail : kapur@srtowels.com

x) Share Transfer System

The transfer of shares in physical form is done by the RTA - M/s Link Intime India Pvt. Ltd. and returned within a period of 15 days from the date of receipt of document complete in all respect. The particulars of movement of shares in dematerialised more are also placed before the Share Transfer & Demat Committee.

xi) Distribution of Shareholding (as on June 30, 2012)

No. of Equity Shares Held	No. of Folios	% age	No. of Shares	% age
Upto 2500	6998	67.09	917178	6.93
2501 – 5000	2043	19.59	879370	6.65
5001 – 10000	752	7.21	666516	5.04
10001 – 20000	287	2.75	464623	3.51
20001 – 30000	91	0.87	238138	1.80
30001 – 40000	39	0.37	141608	1.07
40001 – 50000	60	0.58	293308	2.22
50001 – 100000	68	0.65	519522	3.92
100001 & Above	93	0.89	9111737	68.86
Total	10431	100.00	13232000	100.00

Shareholding Pattern (as on June 30, 2012) –

Category	No. of Share	% age
A Promoters' Holding		
1 Promoters		
- Indian Promoters	4470375	33.78
- Foreign Promoters	Nil	Nil
2 Persons acting in concert	Nil	Nil
Sub-Total	4470375	33.78
B Non-Promoters Holding		
3 Institutional Investors		
a. Mutual Funds and UTI	Nil	Nil
b. Banks, Financial Institutions, Insurance Companies	Nil	Nil
c. FIs	Nil	Nil
Sub-Total	Nil	Nil
4 Others		
a. Private Corporate Bodies	1735095	13.11
b. Indian Public	6954174	52.56
c. NRIs/OCBs	72356	0.55
Any other (please specify)	Nil	Nil
Sub-Total	8761625	66.22
Grand Total	13232000	100.00

The sum of foreign promoters, FIs, NRIs/OCBs, foreign banks, foreign national and GDR and ADR holding in the Company is 72356 shares

xii.) Dematerialisation of share and liquidity

The ISIN No. of the Company is INE329C01011. Upto June 30, 2012, 10712490 (80.96%) equity shares were dematerialised in the two Depositories - NSDL and CDSL.

Secretarial Audit Report -

The Reconciliation of Share Capital Report of the Company prepared in terms of SEBI Circular No. D&CC/FITTC/CIR-16/2002 dated December 31, 2002 reconciling the shares dematerialised in both the Depositories - NSDL & CDSL and physical form with the total issued/paid-up capital of the Company for every quarter is placed before the Board of Directors and also submitted to BSE and two depositories - NSDL & CDSL.

xiii.) Outstanding GDRs/ADRs/Warrants or any Convertible instruments

The company has no outstanding GDR/ADRs/Warrants or any Convertible Instruments as on June 30, 2012

xiv) Plant Location Footwear Plant

at Village Singan, Tehsil - Haroli, Distt. Una (H.P.)

xiv) Address for Correspondence

S.R. Industries Ltd.
F – 110, Industrial Area Phase VII, Mohali – 160055

For and on behalf of the Board

Place: Mohali
Date : January 29, 2013

R.K.BHANDARI
Chairman

ANNEXURE 'A'

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

I CONSERVATION OF ENERGY –

a) Energy Conservation Measures Taken

-Equipments required for prudent use of energy, keeping in view the ecological requirements, have been identified. Follow up steps have been put in place for speedy implementation.

b) Additional investment and proposals, if any, being implemented for saving of energy.

-Measures taken will have a dual effect of reduction in the consumption of energy and increase in production.

c) Impact of the measures for reduction of energy consumption and conservation impact on the cost of production of goods.

Installation of energy -saving equipments will reduce the energy consumption and cost of product.

d) Total energy consumption and energy consumption per unit of production as per Form "A"

Form A: Form for disclosure of particulars with respect to conservation of energy

A) POWER AND FUEL CONSUMPTION 2011-12 2010-11
15 MONTHS 12 MONTHS

1) ELECTRICITY

i) Terry Towel Unit		
Purchased :Units (in Lacs)	11.42	17.26
Total Amount (Rs./Lacs)	70.87	90.53
Average Rate/Unit (Rs.)	6.21	5.25

ii) Footwear Unit

Purchased :Units (in Lacs)	17.13	12.57
Total Amount (Rs./Lacs)	101.58	64.27
Average Rate/Unit (Rs.)	5.93	5.11

2) Own Generation

i) Terry Towel Unit

Through Diesel Generator:		
Unit (in Lacs)	0.27	1.43
Unit/Ltr. Of Diesel Oil	2.84	2.97
Average Cost/Unit (Rs.)	13.79	12.05

ii) Footwear Unit

Through Diesel Generator:		
Unit (in Lacs)	0.81	1.02
Unit/Ltr. Of Diesel Oil	3.05	3.09
Average Cost/Unit (Rs.)	13.26	12.21

3. PET COKE/ WOOD

i) Terry Towel Unit

Pet Coke/ Wood (M.T.)	1504	1407
Total Amount (Rs./Lacs)	69.29	114.77
Average Rate (Rs./M.T.)	4607	8157

ii) Footwear Unit

Pet Coke/ Wood (M.T.)	743	181
Total Amount (Rs./Lacs)	37.02	19.08
Average Rate (Rs./M.T.)	4.98	10542

B) CONSUMPTION PER UNIT OF PRODUCTION

i) Terry Towel Unit

Terry Towels (M.T.)	368	512
Electricity (Kwh/Tonne)	3105	3371
Diesel (Ltr./Tonne)	24.66	94.10
Pet Coke/Wood (M.T.)	4.09	2.75

ii) Footwear Unit

Footwear (Million Pairs)	1.66	1.05
Electricity (Kwh/Pairs)	1.03	1.20
Diesel (Ltr./Pairs)	0.016	0.03
Pet Coke/Wood (M.T./Pairs)	0.001	0.17

Form B:

II.

TECHNOLOGY ABSORPTION

II.TECHNOLOGY ABSORPTION

A.Research & Development (R & D)

a. Specific area in which R & D is carried out by the company

The company is constantly working towards creating formulation of Rubber involving fewer chemicals. It is also working towards usage of water based adhesives in the manufacturing of Footwear to reduce consumption & cost and is also environment friendly.

b.Benefits derived as a Result of R & D

Benefits derived are towards effective saving in costs. In addition, with the usage of lesser chemicals and solvent based adhesive, the company is aiming to reduce the effective Carbon Footprint

c.Future Plan of Action

The company is planning to upgrade the facilities in the Rubber Moulding section to achieve higher productivity with lower overhead costs

d.Expenditure on R & D

Research and Development being an integral part of production process is carried out in a continuous manner. No separate expenses are hereby maintained for Research & Development costs.

B. Technology absorption, adaptation and innovation

The sports footwear technology is relatively new in India and especially in the area where the unit is located. In the past 2 years, we have been able to transfer the technology from ex-pats to local people. There is always a constant effort towards innovation of new ideas and methods to improve productivity and lower cost by keeping the same or higher quality standards.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports, initiatives taken to increase exports, Development of new export market for products and export plans.

- The Company is continuously expanding its overseas market base and by adding new customers.

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

	2011-12 <u>15 Months</u>	(Rs./Lacs) 2010-11 <u>12 Months</u>
(i) Foreign exchange earned (including from deemed exports)	441.56	1035.52
(ii) Foreigners exchange used	295.82	156.70
Net foreign exchange earned	<u>145.74</u>	<u>878.82</u>

For and on behalf of the Board
R.K.BHANDARI
Chairman

Place: Mohali
Date : January 29, 2013

CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The Members
S.R.Industries Ltd., Mohali

I have examined the compliance of conditions of Corporate Governance of S.R.Industries Ltd for the fifteen month period ended on June 30, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Ltd., Mumbai.

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

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

I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

I 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.

SANJIV K GOEL
CP No. 1248

Place : Chandigarh
Date : January 25, 2013

DECLARATION

As provided under Clause 49(I)(D) of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and Senior Management during the fifteen months period ended on June 30, 2012.

For **S.R.Industries Limited**
R.C.MAHAJAN
Managing Director

Place : Mohali
Date : January 25, 2013

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

i) Industry Structure and Developments

FOOTWEAR

There are two kinds of sports shoes cemented and injection moulded. The global business of sports shoes is dominated by the cemented variety. The sports shoes being retailed by Nike, Reebok, Adidas etc. is essentially of cemented kind. Till late 1980's, this industry was dominated by South Korea and to a lesser extent Taiwan. Busan, a port town on the southern tip of Korea was the manufacturing hub. There were companies in Korea with manufacturing capacity in excess of 60 million pairs. The large manufacturers had sales turnover varying between US\$ 150 and US\$ 600 million. The exodus of this industry from Korea started in early 90's and the major beneficiaries of this flight of capital have been China, Indonesia, Vietnam and Thailand. China is the leading destination for sourcing of sports shoes. It is this semi-monopolistic position of China as the leading manufacturer of sports shoes which has compelled leading international sports shoes companies like Nike, Reebok, Adidas, Converse etc. to develop an alternative to China. India, with its large reservoir of skilled labour can emerge as an alternative to China. Currently, a large quantity of the sports shoes sold in India are being sourced in CKD Kits from countries like China, Vietnam and Indonesia, and there is a huge opportunity for creating an integrated manufacturing facility which can serve the domestic requirements of these international brands.

ii) Opportunities and threats

FOOTWEAR

The footwear sector is a very significant segment of the Leather Industry in India. Footwear is the engine of growth for the entire Indian leather industry and India is the second largest global producer of footwear after China, accounting for 14% of global footwear production of 14.52 billion Pairs. India Produces 2065 million pairs of different categories of footwear (Leather Footwear 909 million pairs, Leather Shoe uppers 100 million pairs and Non-leather footwear 1056 million pairs) India exports about 115 million pairs. Thus, nearly 95% of its production goes to meet its own domestic demand. The major production centers in India are Chennai, Ranipet, Ambur in Tamil Nadu, Mumbai in Maharashtra, Kanpur in U.P., Jalandhar in Punjab, Agra, Delhi, Karnal, Ludhiana, Sonapat, Faridabad, Pune, Kolkata, Calicut and Ernakulam. Footwear exported from India are Dress Shoes, Casuals, Moccasins, Sport Shoes, Horrachies, Sandals, Ballerinas, Boots, Sandals and Chappals made of rubber, plastic, P.V.C. and other materials.

The Company has implemented footwear project at Una, Himachal Pradesh where the unit will get Central Government. incentives like excise duty concession, tax holiday for five years etc. Initially the Unit will go for Contract manufacturing for reputed MNC sports brand. At present the domestic requirement of these brands are being sourced in CKD (Completely Knocked Down) kits from countries like China, Vietnam and Indonesia. Therefore the Company feels that there is good opportunity for creating an integrated manufacturing facility which can serve the domestic requirements of these international brands to a large extent. Further, company has entered the domestic market.

iii) Segment-wise or product-wise performance

Presently, the Company has one segments of activity namely – Footwears, in accordance with the definition of "Segment" as per the Accounting Standard 17 issued by "The Institute of Chartered Accountants of India". The performance of the Company is discussed separately in this report.

iv) Outlook

The outlook for the Company remains positive. The present order book position of the Company is excellent.

v) Risks and concerns

Macro-economic factors like subdued demand, political uncertainty, vagaries of monsoon and other natural calamities may affect the Company

and industry at large.

No business is risk free. Proactive recognition of the risks, assessing their influence and initiating action to mitigate their impact becomes critical.

The Company has classified broad risk areas for its business – statutory compliances, economy, financial, government policies, market, operational, product related and technology.

With increasing competitive pressure, the challenge is to increase sales and the customer base, to successfully address changing customer preferences and to produce the right product at right time and at a competitive price. Technology is a critical area to be focused upon.

The challenges arising out of forex fluctuations could be cause of concern especially when the Company exports its major production in global market.

The Company has not been significantly impacted by these factors due to its proper monitoring mechanism and proactive actions against anticipated hindrances.

vi) Internal control systems and their adequacy

The Company has established control system to ensure that –

- a) assets are adequately protected.
- b) transactions are authorised, recorded and reported correctly , and
- c) operations are conducted in an efficient and cost effective manner complying with the applicable laws.

A qualified independent Audit Committee of the Board of Directors also reviews the internal audit and adequacy of internal controls.

VII) Discussion on financial performance with respect to operational performance.

The gross turnover during 2011-12 for the fifteen months period increased to Rs.4341.71 as against Rs. 3863.79 lacs for twelve months in 2010-11 . The Company during the fifteen months period sold 213 MT terry towel & 1.71 Million pairs footwear as against 510 MT Terry Towels & 0.98 million pairs footwears during twelve months last year. The production during the fifteen months period was 368 MT Terry Towels (including 183 MT of job work for third party) and 1.66 Million pairs footwears as against 512 MT Terry Towel & 1.05 million pairs footwears during twelve months last year i.e. 2010-11.

The duty drawback decreased to Rs. 31.23 lacs during the fifteen months period as against Rs. 74.30 lacs during the twelve months period last year due to less exports. Further rigorous monitoring of operating overhead that these remained under control.

Loss before depreciation, interest and taxation during fifteen months period increased to Rs. 1302.79 lacs as compared to loss before depreciation, interest and taxation (PBDIT) of Rs. 790.51 lacs during 2010-11 (twelve months). The depreciation for the fifteen months period was at Rs.335.05 lacs as against Rs. 304.55 lacs during twelve months last year. The financial expenses during the fifteen months period 2011-12 increased from Rs. 512.94 lacs to Rs. 917.62 lacs due to increased borrowing for footwear project.

The loss before tax during the fifteen months period increased from Rs. 1095.06 lacs to Rs. 1637.84 lacs.

The Earning Per Share (EPS) basic/diluted during fifteen months period was Rs. (12.81) as compared to Rs.(6.85) las year (twelve months). The diluted EPS of Rs. (12.81) was arrived at by including the weighted average no. of shares allotted on preferential basis as per requirements of the Accounting Standards.

The Company has posted a net loss after Tax of Rs. 1616.10 lacs during the fifteen months period as against Net Loss after Tax 861.41 lacs during twelve month period 2010-11.

vii) Material development in human resources/industrial relations front, including number of people employed.

The relationship between the employees and the management continued to remain cordial during the year under reviews.

Cautionary Statement – Statement in this Management Discussion an Analysis report describing Company's objectives, estimates, projections and expectations may be treated as "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ from materially from those expressed or implied therein.

AUDITORS' REPORT

The Members of
S.R. INDUSTRIES LIMITED,
Mohali.

Dear Members,

1. We have audited the attached Balance Sheet of S.R. Industries Limited as at 30th June, 2012, Statement of Profit & Loss Account and Cash Flow Statement for the fifteen months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order (Amendment), 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (The Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (iii) the Balance Sheet, Statement of Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Statement of Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of The Act.
 - (v) on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 30th June, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of The Act.
 - (vi) **in our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to sub notes (vii) & (viii) of Note 21 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 30th June, 2012,
 - b. In the case of the Statement of Profit and Loss account, of the Loss for the fifteen months period ended on that date and
 - c. In the case of Cash Flow Statement of the Cash Flows for the fifteen months period ended on that date.

FOR KANSAL SINGLA & ASSOCIATES
Chartered Accountants

C.A. S.K. Kansal
Partner
M.No.080632
FRN No. 03897N

Place: Chandigarh
Date: December 04, 2013

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF
S.R. INDUSTRIES LIMITED ON THE ANNUAL ACCOUNTS FOR THE
FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2012.**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per information given and records produced before us, all the assets have been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not significant in nature and have been properly dealt with.
- (c) During the period, the Company has disposed off its terry towel division at Derabassi, however, it does not affect the going concern status of the Company as footwear division at Village Singha Distt. Una(H.P.) is in operation.
- (ii) (a) As per information given and records produced before us, the inventories except small items of stores and spares has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its business. As regards Stores and Spares, there are numerous small items, total value of which is insignificant as compared to total inventories.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. As explained to us, no material discrepancies were noticed on physical verification, however minor discrepancies noticed on verification between the physical and book stock has been properly adjusted.
- (iii) (a) As per information given and records produced before us, the Company has not given any advance to the Companies/Parties covered in the Register maintained under Section 301 of The Act.
- (b) As per information given and records produced before us, the Company has taken unsecured loans and intercorporate deposits from Directors and Companies covered in the Register maintained under Section 301 of The Act. Balance outstanding as at 30th June, 2012 from these parties amounts to Rs 621.69 lacs and maximum amount outstanding during the period was Rs 1544.05 lacs.
- (c) As explained to us, the terms & conditions on which such loans were accepted are not prejudicial to the interest of the Company.
- (d) No stipulation has been specified for the repayment of these loans.
- (iv) In our opinion and according to the information and explanations given to us, it appears to be an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventories, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under Section 301 of The Act have been so entered.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted the Deposits covered as per the provisions of Sections 58A and 58AA or any other provisions of The Act, and The Companies (Acceptance of Deposits) Rules, 1975. However, the company has accepted unsecured loans from directors and intercorporate loans from companies which are within exempted category of the said section.
- (vii) In our opinion, the Company has in house internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed the maintenance of cost records under Section 209 (1) (d) of The Act. We have broadly

reviewed these records maintained by the Company and are of the opinion that, prima-facie, the prescribed records seems to have been maintained.

- (ix) (a) **The Company is not regular in depositing with appropriate authorities undisputed statutory dues such as Income Tax, Sales Tax, Service Tax, Excise Duty, Provident fund, ESI and other material statutory dues applicable.**
- (b) **According to the information and explanations given to us, Rs 23.38 lacs payable in respect of provident fund were in arrears, as at 30th June, 2012.**
- (c) According to the information and explanations given to us, the disputed demand of excise duty against the Company amounting to Rs. 981.70 Lacs (Previous Year 981.70 Lacs) have not been deposited as appeals are pending with CESTAT for the final adjudication.
- (x) The Company has accumulated loss of Rs.2339.20 lacs at the end of the financial year. Further, the Company has incurred cash loss of Rs.1302.79 lacs during the financial year covered by our audit and Rs 790.51 lacs during the immediately preceding financial year.
- (xi) **In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to banks amounting to Rs.69.91 lacs as at 30th June, 2012, However the same has been paid by 17th August, 2012.**
- (xii) 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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/ society.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the term loans raised during the period have been utilized for the purposes for which the same were taken.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has made preferential allotment of equity shares to parties covered in the Register maintained under Section 301 of The Act. The price at which such shares are allotted is not prejudicial to the interest of the Company.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, during the period covered by our audit report, the Company has not raised any money by public issue of equity shares, however the Company has issued preferential equity shares, convertible share warrants & non cumulative preference shares.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR KANSAL SINGLA & ASSOCIATES
Chartered Accountants

C.A. S.K. Kansal
Partner
M.No.080632
FRN No. 03897N

Place: Chandigarh
Date: December 04, 2012

BALANCE SHEET AS AT JUNE 30, 2012

	Note No.	As at 30.06.2012 (Rs.)	As at 31.03.2011 (Rs.)
I EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
Share Capital	2	238,882,000	125,462,000
Reserves & Surplus	3	(217,400,727)	(55,790,442)
(2) Non-Current Liabilities			
Long Term Borrowings	4	304,283,623	429,755,615
(3) Current Liabilities			
Short Term Borrowings	5	77,002,205	143,819,004
Trade Payables	6	92,194,925	83,456,908
Other Current Liabilities	7	29,509,567	39,863,453
Short Term Provisions	8	2,356,417	2,487,857
Term of Liabilities		526,828,010	769,054,395
II ASSETS			
(1) Non-Current Assets			
Fixed Assets	9		
Tangible Assets		276,893,852	470,032,896
Capital work in Progress		2,821,090	1,878,999
(2) CURRENT ASSETS			
Inventories	10	76,136,486	194,550,742
Trade Receivables	11	138,433,392	63,874,139
Cash & Bank Balances	12	3,641,836	4,362,091
Short-term loans and advances	13	28,901,354	34,355,528
Total of Assets		526,828,010	769,054,395

Significant Accounting Policies 1
Notes on Accounts 2 to 20

For and on behalf of the Board

Y.R. KAPUR	AMIT MAHAJAN	R.C. MAHAJAN
Director-Finance	Director-Commercial	Managing Director

In terms of our separate report of even date annexed
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.
Date : December 04, 2012

S.K. KANSAL
Partner
Membership No. 080632
FRN 003897N

**S. R. Industries
L i m i t e d**

Annual Report 2011-12

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM APRIL 1, 2011 TO JUNE 30, 2012

	Note No.	2011-12 (15 Months) (Rs.)	2010-11 (12 Months) (Rs.)
I Revenue from Operations (Gross)	14	434,170,607	386,378,790
Less :- Excise Duty		344,754	157,521
Revenue from Operations (Net)		433,825,853	386,221,269
II Other Income	15	21,637,584	7,816,411
III Total Revenue (I + II)		455,463,437	394,037,680
IV Expenses			
Cost of Material Consumed	16	241,155,559	321,118,389
Changes in Inventories of Finished Goods and Stock-In Process	17	110,366,998	(32,085,743)
Personnel Expenses	18	67,083,131	64,734,178
Financial Expenses	19	91,762,083	51,293,755
Depreciation	9	33,504,676	30,455,219
Other Expenses	20	70,311,362	68,027,824
Provision for Doubtful Debts		5,063,560	-
Total Expenses (IV)		619,247,369	503,543,622
V Loss before exceptional and extraordinary items and Tax (III - IV)		(163,783,932)	(109,505,942)
VI (Add)/ Less :- Extraordinary items(Prior Period)		2,173,647	(2,243,276)
VII Loss before tax		(161,610,285)	(111,749,218)
VIII Tax Expense:			
Provision for Deferred Tax		-	25,608,000
IX Loss for the period/year		(161,610,285)	(86,141,218)
X Earning per equity share (Diluted and Basic)		(12.81)	(6.85)

For and on behalf of the Board

Y.R. KAPUR **AMIT MAHAJAN** **R.C. MAHAJAN**
Director-Finance Director-Commercial Managing Director

In terms of our separate report of even date annexed
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.
Date : December 04, 2012

S.K. KANSAL
Partner
Membership No. 080632
FRN 003897N

S. R. Industries
L i m i t e d
Annual Report 2011-12

CASH FLOW STATEMENT FOR FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2012

(Rs./Lacs)

	Current Year (15 Months)	Previous Year (12 Months)
Cash Flow from Operating Activities		
Net Loss before tax & extraordinary items	(1,637.84)	(1,095.06)
Adjustment for :-		
Depreciation	335.05	304.55
(Profit)/loss on sale of assets	(31.75)	4.26
Financial expenses	<u>917.62</u>	<u>512.94</u>
Operating Profit before working capital changes	(416.92)	(273.31)
(Increase)/Decrease in Inventories	1184.14	(449.10)
Increase in Trade and other receivables	(693.57)	(296.65)
Increase/(Decrease) in Trade Payables and other Current Liabilities	<u>(16.16)</u>	<u>518.98</u>
Cash Generated from Operations	57.49	(500.08)
Taxes Paid	2.52	0.30
Prior Period income/(expense)	21.74	(22.43)
Provision for staff benefits	<u>(1.31)</u>	<u>(0.96)</u>
Net Cash from Operating activities 'A'	80.44	(523.17)
Cash Flow from Investing Activities		
Purchase of fixed assets	(58.99)	(161.42)
Sale of fixed assets	1,597.66	7.49
Sale of investments	-	10.00
Net Cash used in Investing Activities 'B'	1538.67	(143.93)
Cash Flow from Financing Activities		
Increase in share capital	1134.20	-
Proceeds from government grants/subsidy	80.00	-
Increase/(Deacreate) in unsecured loans(net)	(773.39)	253.32
Increase/ (Decrease) in long term loans (net)	(796.75)	285.69
Increase/(Decrease) in short term borrowings	(668.17)	583.67
Financial expenses paid	<u>(602.20)</u>	<u>(465.90)</u>
Net Cash from Financing Activities 'C'	(1,626.31)	656.78
Net Increase in Cash & Cash Equivalent (A+B+C)	(7.20)	(10.32)
Cash & Cash Equivalent at the beginning of period	43.62	53.94
Cash & Cash Equivalent at the end of period	36.42	43.62

For and on behalf of the Board

Y.R. KAPUR Director-Finance	AMIT MAHAJAN Director-Commercial	R.C. MAHAJAN Managing Director
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In terms of our separate report of even date annexed
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.
Date : December 04, 2012

S.K. KANSAL
Partner
Membership No. 080632
FRN 003897N

NOTE 1

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPERATION OF FINANCIAL STATEMENTS

- a) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. Accounting policies not specifically referred to are consistent with generally accepted accounting policies.
- b) The company generally follows mercantile system of accounting and recognizes significant item of Income & Expenditure on accrual basis.

2. FIXED ASSETS

The fixed assets are recorded at the cost which includes freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for their intended use. Adjustments arising from exchange rate fluctuations relating to outstanding liabilities attributable to the fixed assets are capitalized/ adjusted.

3. INVENTORIES

Inventories are valued on FIFO Method

- Raw materials- at lower of cost or net realizable value.
- Packing materials, consumable stores and spares-at cost.
- Stock-in-process- Material cost plus appropriate share of production overheads.
- Finished goods- at lower of cost or net realizable value.

4. EXPENDITURE ON EXPANSION

Expenditure directly relating to constructions/substantial expansion activity is capitalized. Indirect expenditure incurred during construction period is capitalized as a part of indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned for during construction period is deducted from the total of indirect expenditure.

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

5. DEPRECIATION

Depreciation is provided on Straight Line Method on pro-rata basis on all the fixed assets at the rates prescribed in Schedule XIV of the Companies Act, 1956.

6. FOREIGN CURRENCY TRANSACTIONS

Export sales are accounted for at exchange rate prevailing on the date the documents are negotiated/ realized with/ through bank. In case of direct remittance from buyers the difference between the exchange rates on the dispatch date and actual exchange rate of foreign currency on receipt of payment is booked in sales.

The assets and liabilities at the year end are translated at the closing exchange rate and the difference between the transactions is taken into profit and loss account.

The foreign currency transactions in respect of payment towards cost of fixed assets, spares, traveling, commissions etc. are accounted for at the exchange rates prevailing on the date of transaction/ remittance.

7. BORROWING COST

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

8. TAXES ON INCOME

Tax expenses comprises of current, deferred income tax and fringe benefit tax. Provision for current income tax and fringe benefits tax is made for the amount of tax payable in respect of taxable income for the year under The Income Tax Act, 1961. Deferred tax is recognized subject to the consideration of prudence, on timing difference, being the difference between the book profits and tax profits that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax assets and liabilities are measured using the tax rates and tax loss that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient further taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only where virtual certainty that such deferred tax assets can be realized against further taxable profits. Unrecognized deferred tax assets of earlier years are reassessed and recognized to the extent that it has become reasonably certain that further taxable income will be available against which such deferred tax assets can be realized.

9. RETIREMENT BENEFITS

The liability on account of Gratuity is covered by the Group Gratuity Policy taken from Life Insurance Corporation of India. Contribution to the Gratuity fund is charged to revenue. The liability of Leave Encashment is provided on actuarial basis. The contribution to the Provident Fund is made as per the provisions of The Employees Provident Fund and Miscellaneous Provisions Act, 1952.

10. USE OF ESTIMATES

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

11. EARNING PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividend & taxes) by the weighted average number of equity shares outstanding

during the financial year. Equity shares that are partly paid up are treated as a fraction of an equity share to the extent they entitled to participate in dividends. The weighted average numbers of equity shares outstanding during the year are adjusted for events such as bonus issue, bonus element in a right issue to the existing shareholders, share split and consolidation of shares.

For the purpose of calculating diluted EPS, the net profit or loss attributable to equity share holders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

12. INTANGIBLE ASSETS

An Intangible Asset is recognized if and only if

- a) It is probable that the future economic benefits that attributable to the assets will flow to the enterprises
- b) The cost of assets can be measured reliably.

An intangible asset is measured initially at cost.

The amortization method will be used to reflect the pattern in which asset's economic benefits are consumed by the enterprise. If that pattern cannot be determined reliably, the straight line method will be used.

13. IMPAIRMENT OF ASSETS

An asset is treated as impaired, when carrying cost of assets exceeds its recoverable amount. An impaired loss is charged to Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 outflow of resources. Provisions are determined based on the best estimates required to fulfill the obligation on the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

15. SEGMENT REPORTING

- a). Segment accounting policies are in line with the accounting policies of the company. In addition, the following specific accounting policies have been followed for segment reporting.
 - (1). Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter segment sales.

- (2) Expenses that are directly identifiable with/allocable to segment are considered for determining the segment result. Expenses which relate to the Company as a whole and not allocable to segment are included under un-allocable corporate expenditure.
- (3) Income which relates to the company as a whole and not allocable to segments is included in un-allocable corporate income.
- (4) Segment assets and liabilities include those directly identifiable with the respective segments. Un-allocable corporate assets and liabilities represent the assets and liabilities that relate to company as a whole and not allocable to any segment. Un-allocable assets mainly comprise corporate head office assets, investments and tax deposited with the Income Tax authorities. Un-allocable liabilities include mainly unsecured loans and tax payable to Income Tax Authorities.
 - b). Inter Segment transfer pricing
Segment revenue resulting from transactions with other business segments is accounted on the basis of cost of production.

16. GOVERNMENT GRANTS AND SUBSIDIES

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis the cost, which it is intended to compensate. Where grant/subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset against which grant/subsidy has been received and further where the grant/subsidy is in the nature of promoters contribution the amount of grant/subsidy is accounted for as a capital reserve.

	<u>As at</u> <u>30.06.2012</u> <u>(Rs.)</u>	<u>Aa at</u> <u>31.03.2011</u> <u>(Rs.)</u>
Note 2 : Share Capital		
AUTHORISED CAPITAL		
1,000,000 8% Non Com. Preference Shares of Rs. 100/- each (Previous Year Nil)	100,000,000	-
20,000,000 (Previous Year 30,000,000) Equity Shares of Rs. 10/- each	<u>200,000,000</u>	<u>300,000,000</u>
	<u>300,000,000</u>	<u>300,000,000</u>
ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
1,000,000 8% Non Com. Preference Shares of Rs. 100/- each (Previous Year Nil)	100,000,000	-
13,232,000 Equity Share of Rs. 10/- each (Previous year 12,574,000 Equity Shares)	132,320,000	125,740,000
Less : Allotment Money Unpaid	<u>278,000</u>	<u>278,000</u>
	132,042,000	125,462,000
Convertible Share Warrants 684000 Convertible Share Warrants of Rs. 10/- each (Previous year Nil)	6,840,000	-
Total	<u>238,882,000</u>	<u>125,462,000</u>

Note 2A : Recconciliation of Share Capital

Equity Shares with Voting Rights :

<u>Particular</u>	<u>Opening Balance</u>	<u>Fresh Issue</u>	<u>Closing Balance</u>
Year Ended 30.06.2012			
- Number of Shares	12,574,000	658,000	13,232,000
- Amount (Rs.)	125,740,000	6,580,000	132,320,000
8% Non-Com. Preference Shares			
- Number of Shares		1,000,000	1,000,000
- Amount (Rs.)		100,000,000	100,000,000

Note 2B : Detail of shares held by each share holder holding more than 5% shares.

<u>Name of Shareholder</u>	<u>As at 30 June, 2012</u>		<u>As at 31st March, 2011</u>	
	<u>No. of shares held</u>	<u>% holding in that class of shares</u>	<u>No. of shares held</u>	<u>% holding in that class of shares</u>
Amit Mahajan	1,715,500	12.96	1,102,000	8.76

684,000 Convertible Share Warrants of Rs. 10/- each have been issued with an entitlement to convert into Equity Shares after April 01, 2012 but before March 31, 2013

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	As at 30.06.2012 (Rs.)	As at 31.03.2011 (Rs.)
Note 3 : Reserve & Surplus		
1 Capital Reserve	1,713,900	1,713,900
2 State Investment Subsidy	3,000,000	3,000,000
3 Share Premium	11,805,000	11,805,000
4 Surplus of Statement of Profit & Loss :		
Opening Balance	(72,309,342)	13,831,876
Add : Loss during the period/year	(161,610,285)	(86,141,218)
Closing Balance	(233,919,627)	(72,309,342)
Total	(217,400,727)	(55,790,442)
Note 4 : Long Term Borrowings		
1 Secured Loans*		
- From Banks	232,060,224	266,019,710
- Inter Corporate Loans	-	11,870,573
2 Vehicle Loans**	3,596,528	5,899,515
3 Unsecured loans		
- Inter-corporate Loans	7,732,514	65,852,993
- Directors	60,894,357	80,112,824
Total	304,283,623	429,755,615
* Term loans from banks are secured by way of first pari-passu charge on the fixed assets and second pari-passu charge on the current assets of the company. These loans are further secured by personal guarantees of the directors.		
** Vehicle Loans are secured against hypothecation of vehicles.		
Note 5 : Short Term Borrowings		
1 Working capital Facilities ***		
- From Banks	77,002,205	143,819,004
Total	77,002,205	143,819,004
*** Working capital loans from banks are secured by way of first pari-passu charge on the current assets and second pari-passu charge on the fixed assets of the Company. These loans are further secured by the personal guarantees of the directors.		
Note 6 : Trade Payables		
1 For Current Supplies	88,958,778	77,790,777
2 For Capital Goods	3,236,147	5,666,131
Total	92,194,925	83,456,908
Note 7 : Other Current Liabilities		
1 Creditors for Expenses	28,994,064	23,922,015
2 Advances From Customers	515,503	15,941,438
Total	29,509,567	39,863,453
Note 8 : Short Term Provisions		
1 Provision for Employee Benefits	2,356,417	2,487,857
Total	2,356,417	2,487,857

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Note 9 : Fixed Assets

Particulars	Gross Block (At cost)				D e p r e c i a t i o n				N e t B l o c k	
	As at	Additions	Sales/ Transfer	Total	As at	During the	Adjstments	Total	As at	As at
	31.03.2011			30.06.2012	31.03.2011	Period		30.06.2012	30.06.2012	31.03.2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Freehold Land	18,264,030	-	5,754,641	12,509,389	-	-	-	-	12,509,389	18,264,030
Buildings	140,964,964	-	51,147,020	89,817,944	23,038,260	5,456,155	21,866,922	6,627,493	83,190,451	117,926,704
Plant & Machinery	483,502,236	529,934	315,505,593	168,526,577	188,137,067	22,524,866	192,056,519	18,605,414	149,921,163	295,365,169
Electrical Installations	20,687,903	49,170	9,448,885	11,288,188	8,100,901	1,489,268	8,047,791	1,542,378	9,745,810	12,587,002
D G Sets	5,368,204	-	2,095,140	3,273,064	1,602,526	459,827	1,600,916	461,437	2,811,627	3,765,678
Laboratory Equipments	1,514,564	-	316,928	1,197,636	379,257	94,711	316,928	157,040	1,040,596	1,135,307
Furniture, Fixture &										
Office Equipments	22,986,884	1,069,570	11,309,870	12,746,584	10,790,978	2,138,327	10,592,789	2,336,516	10,410,068	12,195,906
Vehicles	13,630,679	3,308,253	6,018,183	10,920,749	4,837,579	1,341,522	2,523,100	3,656,001	7,264,748	8,793,100
Tangible Assets	706,919,464	4,956,927	401,596,260	310,280,131	236,886,568	33,504,676	237,004,965	33,386,279	276,893,852	470,032,896
Previous Year	688,404,316	20,357,512	1,842,364	706,919,464	207,098,440	30,455,219	667,091	236,886,568	470,032,896	481,305,876
Capital Work capital in progress									2,821,090	1,878,999

	As at 30.06.2012 (Rs.)	As at 31.03.2011 (Rs.)
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Note 10 : Inventories (Valued at lower of cost or net realisation value)

1 Raw Material	22,698,557	4,088,297
2 Finished Goods	5,062,735	19,799,609
3 Goods in Transit	-	4,931,997
4 Stock-in-Process	15,642,102	111,272,226
5 Consumable Stores	16,667,365	31,811,145
6 Packing Materials	7,854,233	5,611,160
7 Fuel	581,541	3,025,178
8 Stores & Spares	7,629,953	14,011,130
Total	76,136,486	194,550,742

Note 11 : Trade Receivables

Unsecured

1 Outstanding for period exceeding six months from date they became due considered good except doubtful	59,832,548	2,838,435
Less : Provision for doubtful debts	(2,769,983)	-
	57,062,565	2,838,435
2 Others Considered Good	81,370,827	61,035,704
Total	138,433,392	63,874,139

Note 12 : Cash & Cash Equivalents

1 Cash-in-Hand

Cash Balance	1,028,275	2,335,125
DDs In hand	-	29,814
Sub Total (A)	1,028,275	2,364,939

2 Bank Balance

In Current Accounts	63,581	271,624
In Deposit Accounts*	2,549,980	1,725,528
Sub Total (B)	2,613,561	1,997,152

Total [A + B]	3,641,836	4,362,091
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* Fixed deposits with banks are pledged against bank guarantees/letters of credit/Sales Tax Authorities.

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Note 13: Short Term Loans and Advances

	As at <u>30.06.2012</u> (Rs.)	As at <u>31.03.2011</u> (Rs.)
Unsecured, Considered Good :		
1 Advances recoverable in cash or in kind for value to be received	13,715,504	13,136,455
2 Duty Drawback Receivable	607,999	1,406,713
3 Interest Subsidy Receivable	373,590	3,124,502
4 Advance Taxes	6,491,644	6,239,691
5 Security Deposits	1,258,169	2,258,016
6 CST/VAT Refund Receivable	8,748,025	8,190,151
Less: Provision for Doubtful Debts	<u>(2,293,577)</u>	<u>-</u>
Total	<u>28,901,354</u>	<u>34,355,528</u>

	2011-12 (15 Months) (Rs.)	2010-11 (12 Months) (Rs.)
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Note 14: Revenue from Operations

1 Sale of products		
Export	45,086,482	105,537,533
Domestic	389,084,125	280,841,257
Total	<u>434,170,607</u>	<u>386,378,790</u>

Note 15: OTHER INCOME

1 Interest Income		
Intt.on FDR	183,405	176,539
2 Other Receipts		
Export Incentives	3,123,410	7,429,528
Profit on Sale of Terry Towel Division Fixed Assets	4,578,790	-
Misc. Income	2,116,265	210,344
Job Charges	11,635,714	-
Total	<u>21,637,584</u>	<u>7,816,411</u>

Note 16: Cost of Material Consumed

1 Raw Material & Goods in Transit		
Opening Stock		
Raw Material	4,088,297	10,217,112
Goods In Transit	4,931,997	-
Purchase During the Year	147,804,251	249,902,406
Less:- Closing Stock		
Raw Material	22,698,557	4,088,297
Goods In Transit	-	4,931,997
Raw Material Consumed	<u>134,125,988</u>	<u>251,099,224</u>
2 Consumable Stores Consumed		
Opening Stock	31,811,145	18,267,545
Purchase During the Year	48,933,044	44,735,461
Less:- Closing Stock	16,667,365	31,811,145
Consumable Stores Consumed	<u>64,076,824</u>	<u>31,191,861</u>
3 Packing Material		
Opening Stock	5,611,160	5,401,672
Purchase During the Year	33,061,003	22,658,233
Less:- Closing Stock	7,854,233	5,611,160
Packing Material Consumed	<u>30,817,930</u>	<u>22,448,745</u>
4 Fuel Consumed		
Opening Stock	3,025,178	1,757,599
Purchase During the Year	9,691,180	17,646,138
Less:- Closing Stock	581,541	3,025,178
Fuel Consumed	<u>12,134,817</u>	<u>16,378,559</u>
Total Material Consumed	<u>241,155,559</u>	<u>321,118,389</u>

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	<u>2011-12</u> <u>(15 Months)</u> <u>(Rs.)</u>	<u>2011-12</u> <u>(12 Months)</u> <u>(Rs.)</u>
Note 17 : Change in Inventories of Finished Goods and Stock in Process		
1. Finished Goods		
Opening Stock	19,799,609	9,445,357
Closing Stock	5,062,735	19,799,609
Total (increase)/decrease in Finished Goods	14,736,874	(10,354,252)
2. Stock - in- Process		
Opening Stock	111,272,226	89,540,735
Closing Stock	15,642,102	111,272,226
Total (increase)/decrease in Stock-in-Process	95,630,124	(21,731,491)
Total	<u>110,366,998</u>	<u>(32,085,743)</u>
Note 18 : Personnel Expenses		
1. Remuneration & Perks to Directors	5,771,815	5,593,249
2. Salary, Allowances & Perks to Employees	53,896,519	52,504,785
3. Staff Welfare Expenses	2,943,773	469,348
4. Contribution Towards Funds	4,471,024	6,166,796
Total	<u>67,083,131</u>	<u>64,734,178</u>
Note 19 : Financial Expenses		
1. Interest on Long Term Loans	62,896,459	33,959,244
2. Interest on Working Capital Loans	26,406,903	13,378,381
3. Bank Charges	2,458,721	3,956,130
Total	<u>91,762,083</u>	<u>51,293,755</u>
Note 20 : Other Expenses		
1. Power	17,585,289	15,594,731
2. Labour Charges	13,346,273	10,139,155
3. Consumption of Moulds & Dies	7,546,252	6,910,299
4. Repairs to Plant & Machinery	6,388,506	6,826,504
5. Repairs to Buildings	234,327	132,527
6. Freight Outward	3,397,068	8,433,439
7. Commission & Discount	4,278,779	3,327,426
8. Business Promotion Expenses	1,192,754	1,396,518
9. Insurance	1,059,420	931,326
10. Rent Rates & Taxes	1,957,329	1,555,505
11. Vehicle Running & Maintainance	2,656,318	3,181,230
12. Postage Telegram & Telephone	1,091,636	1,634,405
13. Security Expenses	1,913,254	1,302,652
14. Traveling Expenses		
- Directors	239,143	332,926
-Others	958,717	1,733,655
15. Auditors' Remineration:-		
- Audit fees	119,385	93,500
-Taxation Matters	182,798	-
16. Security Deposit W/off	904,847	-
17. Loss on Sale of Vehicles	1,403,976	425,965
18. Miscellaneous Administrative Expenses	3,855,291	4,076,061
Total	<u>70,311,362</u>	<u>68,027,824</u>

NOTE 21 NOTES ON ACCOUNTS

I. CONTINGENT LIABILITIES:-

- a) Central Excise Authorities have gone in appeal against the order of Commissioner (Appeals) which was decided in favor of the Company against the demand of Rs. 258.70 Lacs (Previous Year Rs.258.70). The company has refuted the liability based on the advice received from the legal experts and accordingly has not made any provisions in the books of account. The requisite provision, if any, will be made in the year of decision.
 - b) The Central Excise Authorities, Mumbai had imposed duty and penalty aggregating to Rs. 723.00 Lacs(Previous Year Rs. 723.00 Lacs) for purchase of certain items against CT-3 forms without payment of duty. The Company has disputed the said demand and filed an appeal to set aside the said orders. The requisite provisions, if any, will be made in the year decision.
 - c) The company has given counter guarantees to banks of Rs.6.00 Lacs(Previous Year Rs. 15.00 Lacs) in respect of the guarantees issued by the banks on behalf of the Company.
- II. The accounts have been drawn for the fifteen months period from April 01, 2011 to June 30, 2012.
 - III. Purchase Tax/ Sales Tax liability have been provided based on the returns filed with Sales Tax Authorities. The Sales Tax assessments have been completed up to the Financial Year 2005-06.
 - IV. Income Tax assessments have been completed upto Assessment Year 2010-11 and no demand is pending.
 - V. The Capital Reserve represents forfeiture of 10% upfront payment received on Convertible Warrants issued during 2005-06.
 - VI. Turnover includes Rs. 2.09 Lacs (Previous Year 3.37 Lacs) on realization/entitlement of DEPB License.
 - VII. During the year the Company has sold its Land & Building, Plant & Machinery, Electric installation, D.G. Set and Laboratory Equipments of its Terry Towel Division at Derabassi. All the fixed assets except vehicles have been transferred. The stocks lying in the factory on the date of transfer of unit had no realizable value and therefore its value has been taken as nil. Consequently, the loss on sale of terry towel division has been Rs.1019.49 lacs. Inter Corporate Loan from Religare Finvest Limited which was secured by first charge on the land has been classified as unsecured loan consequent upon the sale of the land.
 - VIII. The advances of the Terry Towel Division amounting to Rs.78.46 lacs are shown as considered good and receivable except to the extent provision made. The management is of the opinion the same will be realized in the coming years.
 - IX. The Company during the current financial year has received Rs. 30 lacs under Central Capital Investment Subsidy Scheme, 2003 and Rs. 50 lacs as grant/subsidy of assistance under Integrated Development of Leather Sector Scheme of Government of India. The amounts received have been

reduced from the cost of Plant and Machinery as per the requirement of Accounting Standard AS-12.

- X. In the opinion of the Board of Directors all the Current Assets, Loans and Advances except to the extent of provision of Rs 50.64 Lacs for doubtful, if realized in the ordinary course of business, have a value at least equal to the amount at which these are stated in the Balance Sheet.
- XI In view of insufficient information from the suppliers regarding their status as Small, Micro & Medium Enterprises, amount overdue to such undertakings can not be ascertained. However, the Company has not received any claim from any supplier in respect of interest.

XII. Managerial remuneration including all benefits. (Rs./Lacs)

PARTICULARS	Current Year	Previous Year
Salary and Perks	54.23	51.02
Provident Fund contribution	3.23	4.28
Gratuity	3.49	4.91
Total	60.95	60.21

The above does not include contribution to LIC Group Gratuity Fund and provision for Leave Encashment as such contribution/provision is made on the global basis and the employee-wise breakup is not available.

XIII. CIF Value of Imports, Earnings & Expenditure in foreign Currency

(Rs./ Lacs)

PARTICULARS	Current Year	Previous Year
a) CIF Value of Imports		
Capital Goods	-	5.63
Raw Material, Consumable Stores, Stores & Spares	287.71	131.35
b) Expenditure in Foreign Currency		
Interest	-	12.18
Traveling	0.30	2.46
Discount	7.78	4.60
Others	0.03	0.48
c) Earnings In Foreign Exchange		
FOB Value of Exports	441.56	1035.30
Others	-	0.22

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XIV. SEGMENT REPORTING:-

Base on the guiding principles given in the Accounting Standard 17 "Segment Reporting" issued by "The Institute of Chartered Accountants of India" the Board of Directors consider and maintains that the manufacture of "Terry Towels" and "Footwears" are the only business segments of the Company.
(Rs./Lacs)

Description	Footwear		Terry Towel		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	30.6.12	31.3.11	30.6.12	31.3.11	30.6.12	31.3.11
Revenue						
(a) External sales	3535.97	1339.35	802.29	2522.86	4338.26	3862.21
(b) Inter Segment Sales	-	-	-	-	-	-
(c) Export Incentive	-	-	31.23	74.30	31.23	74.30
Total	3535.97	1339.35	833.52	2597.16	4369.49	3936.51
Result						
Segment Result	(458.32)	(561.07)	(1181.35)	(535.76)	(1639.67)	(1096.83)
Interest Income	-	-	-	-	1.83	1.77
Loss before Tax	-	-	-	-	(1637.84)	(1095.06)
Provision for Deferred Tax	-	-	-	-	-	256.08
Adjustments	-	-	-	-	21.74	(22.43)
Loss after Tax					(1616.10)	(861.41)
Segment Assets						
- Assets	4933.48	2940.04	334.80	4750.50	5268.28	7690.54
Segment Liabilities						
- Liabilities	840.58	525.84	400.03	732.24	1240.61	1258.08
Depreciation	170.88	138.22	164.17	166.33	335.05	304.55
Capital Expenditure	49.57	193.15	-	10.43	49.57	203.58

XV. RELATED PARTY DISCLOSURES:-

Disclosures as required by the Accounting Standard -18 "Related Party Disclosures" issued by the ICAI are given below:
-Associate Companies

1. Universal Cyber Infoway Pvt. Ltd.
2. Pride Properties Pvt. Ltd.
3. Susamg mac Pvt. Ltd.
4. S.R. Footwears Pvt. Ltd.
5. Zoom Merchantile & Finance Ltd.
6. Gulmohar Investments & Holdings. Ltd.

-Key Management Personnel:

1. Mr. R.C. Mahajan- Managing Director
2. Mr. Amit Mahajan- Director Commercial
3. Mr. T.N. Tikoo- Director Works
4. Mr. Y.R. Kapur-Director Finance
5. Mr. Amit Mahajan- Director Operations

b) TRANSACTIONS WITH RELATED PARTIES (Rs./Lacs)

Particulars	Associates		Key Mngt Personnel	
	Current Year	Previous Year	Current Year	Previous Year
Loan Accepted	26.50	62.90	296.46	244.98
Preferential equity shares/warrants	67.20	Nil	67.20	Nil
Loans repaid & allotment of preference shares	602.65	4.00	486.64	52.71
Payment of interest	Nil	Nil	Nil	3.10
Remuneration & perks	N.A.	N.A.	68.65	60.21

XVI EARNING PER SHARE:

As per As-20 Earning per share issued by ICAI EPS is as follows:-

Basic/Diluted -	Current Year	Previous Year
Net Profit as per Accounts (Rs./Lacs)	A (1616.10)	(861.41)
Weighted average no. of shares	B 12,611,662	12,574,000
Earing Per Share Basic/Diluted (Rs./AB)	(12.81)	(6.85)

XVII DEFERRED TAX

Break up of deferred tax assets/liabilities of current year deferred tax changed:-

Particulars	Current Year	During the Previous Year	Rs./Lacs
A. Deferred Tax Liability			
- Difference between carrying amount of fixed assets in the financial statements and the income tax returns.	1553.84	236.05	1317.79
Total A	1553.84	236.05	1317.79
B. Deferred Tax Assets			
- Unabsorbed Depreciation/business loss as per income tax returns	2961.20	1182.09	1779.11
- Expenses charged in the financial statements but allowable as deduction under Income Tax Act in subsequent years.	371.17	348.17	23.00
Total B	3332.37	1530.26	1802.11
Net Deferred Tax (Liability)/Asset (B - A)	(1778.53)	(1294.21)	(484.32)
Tax Impact	(577.04)	(427.39)	(149.65)

As a matter of prudence deferred tax asset has not been recognized in the balance sheet.

XVIII) MOVEMENT OF PROVISIONS

Provision	Leave Encashment	(Rs./Lacs)
Opening Balance		24.88
Add : Additions		2.36
Less : Amount used		3.67
Closing Balance		23.57

XIX) Previous year figures have been regrouped and rearranged wherever necessary to make them comparable.

For and on behalf of the Board

Y.R. KAPUR **AMIT MAHAJAN** **R.C. MAHAJAN**
Director-Finance Director-Commercial Managing Director

In terms of our separate report of even date annexed
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.

Date : December 04, 2012

S.K. KANSAL

Partner

Membership No. 080632

FRN 003897N

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="1"/>	State Code	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/>
Date	<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/>		
	Date Month Year		

II CAPITAL RAISED DURING THE YEAR : (RS.IN THOUSANDS)

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placements	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS : (RS.IN THOUSANDS)

Total Liabilities	<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="8"/>	Total Assets	<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="8"/>
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SOURCES OF FUNDS :

Paid-up Capital	<input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="2"/>	Reserves and Surplus	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="1"/>
Secured Loans	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="9"/>	Unsecured Loans	<input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/>
Deferred Tax Liability	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

APPLICATION OF FUNDS :

Net Fixed Assets	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="5"/>	Investment	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Current Assets	<input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/>	Miscellaneous Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Losses	<input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/>		

IV PERFORMANCE OF THE COMPANY (RS.IN THOUSANDS)

Turnover	<input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="1"/>	Total Expenditure	<input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="7"/>
Loss Before Tax	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="6"/>	Profit After Tax	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/>
Earning Per Share (Rs.)	(-) <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="8"/> <input type="text" value="1"/>	Dividend Rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/>
Product Description	100% COTTON TERRY TOWELS	FOOTWEAR

For & on behalf of the Board

Place : Chandigarh
Date : December 04, 2012

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 28th day of February, 2013 at 9.15 a.m. at the Registered Office of the Company at F-110, Industrial Area, Phase VII, Mohali (Pb.) to transact the following business –

ORDINARY BUSINESS –

1. To receive, consider and adopt the Audited Balance Sheet as at June 30, 2012 and the Profit & Loss Account for the fifteen months ended on that date together with the Reports of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Amit Mahajan, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Amit Mahajan, who retires by rotation and is eligible for reappointment.
4. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution : -
"RESOLVED that M/s Kansal Singla & Associates, Chartered Accountants, the retiring Auditors be and are hereby reappointed as Statutory Auditors for the year 2012-13 and that the Audit Committee be and is hereby authorised to fix their remuneration."

SPECIAL BUSINESS –

5. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution : -
"RESOLVED that in accordance with the provisions of Sections 16, 95 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or any re-enactment for the time being in force) the existing Authorised Share Capital of Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs. 10/- (Rupees Ten) each, and 10,00,000 (Ten Lacs) 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each. be and is hereby altered by sub dividing into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 15,00,000 (Fifteen Lacs) 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each and Memorandum of Association of Company be and is hereby altered by substituting the following new clause 'V' for the existing clause 'V' thereof :-
"The Authorised Share Capital of the company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 15,00,000 (Fifteen Lacs) 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a special resolution :-
"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 3 of the Articles of Association of the Company be and is hereby altered by substituting the following new clause :-
"The Authorised Share Capital of the company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 1,60,00,000 (One Crore Sixty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 14,00,000 (Fourteen Lacs) 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each."
7. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution: -

"RESOLVED that pursuant to the provisions of Section 198, 269 and other applications provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Act, and subject to such approvals as may be required, Mr. Ramesh Chander Mahajan, who fulfils the conditions prescribed in Part-1 of the Schedule XIII to the Companies Act, 1956 and being eligible, be and is hereby re-appointed as the Managing Director of the Company for a period of five years w.e.f. December 26, 2011 on the following terms & conditions –

Salary	:	Rs. 1,00,000/-per month
Commission	:	1% of Net Profits of the Company
Perquisites	:	

Category –A

Housing / HRA

- a) Expenditure by the company on hiring accommodation shall be subject to a ceiling of 50 % of basic salary.
- b) If the company does not provide accommodation to him, he shall be paid HRA @50% of the basic salary.

Medical Reimbursement – Actual expenses incurred on self and family members subject to a ceiling of one month's salary in a year or three months salary over a period of 3 years.

Leave Travel Concession – For self and family members, once in a year incurred in accordance with the company rules.

Club Fees – Fees of Clubs subject to a maximum of 2 clubs excluding admission and life membership fees.

Personal Accidental Insurance – Premium not to exceed Rs.4000/- per annum.

Other Perquisites – Reimbursement of water, electricity and gas charges on actual basis.

Category –B

Provident Fund Contribution/Superannuation/Annuity Fund - As per rates prescribed under Employees' Provident Fund and Misc. Provisions Act, 1956.

Gratuity – Not exceeding half a month's salary for each completed year of service.

Leave Encashment - Encashment of leave at the end of tenure.

Category –C

Car – He shall be provided with the company's car with driver for performing his official duties. Use of Company's car for his private purpose shall be billed by company to his account.

Telephone – He shall be provided with Company's telephone at his residence and that all long distance personal call shall be billed by the Company to his account.

Further, based on his performance the Board of Directors / Remuneration Committee of the Company is hereby authorised to increase, from time to time, his basic salary up to Rs.1,25,000/- per month .

8. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution: -

"RESOLVED that pursuant to the provisions of Section 198, 269 and other applications provisions, if any, read with Schedule XIII of the Companies Act, 1956 and Mr. Amit Mahajan, Director, who fulfils the conditions prescribed in Part-1 of the Schedule XIII to the Companies Act, 1956 and being eligible, be and is hereby appointed as Whole time Director to be designated as Director (Commercial) w.e.f. July 01, 2012 on the following terms & conditions –

Salary	:	Rs. 60,000/-per month
Perquisites	:	

Category –A

Housing / HRA

- a) Expenditure by the company on hiring accommodation subject to a ceiling of 50 % of basic salary.
- b) If the company does not provide accommodation to him, he shall be paid HRA @50% of the basic salary.

Medical Reimbursement – As per Company's Rules

Leave Travel Concession - As per Company's Rules.

Club Fees - As per Company's Rules

Personal Accidental Insurance - As per Company's Rules.

Category –B

Provident Fund Contribution- As per rates prescribed under Employees' Provident Fund and Misc. Provisions Act, 1956.

Category –C

Car – He shall be provided with the company's car with driver for performing his official duties. Use of Company's car for his private purpose shall be billed by company to his account.

Telephone – He shall be provided with Company's telephone at his residence and that all long distance personal call shall be billed by the Company to his account.

Further, based on his performance the Board of Directors / Remuneration Committee of the Company is hereby authorised to increase, from time to time, his basic salary up to Rs.1,00,000/- per month .

9. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution: -

“RESOLVED that pursuant to the provisions of Section 198, 269 and other applications provisions, if any, read with Schedule XIII of the Companies Act, 1956 and Mr. Amit Mahajan, Director, who fulfils the conditions prescribed in Part-1of the Schedule XIII to the Companies Act, 1956 and being eligible, be and is hereby appointed as Whole time Director to be designated as Director (Operations) w.e.f. July 01, 2012 on the following terms & conditions –

Salary : Rs. 55000/-per month
Perquisites

Category –A

Housing / HRA

a) Expenditure by the company on hiring accommodation subject to a ceiling of 50 % of basic salary.

b) If the company does not provide accommodation to him, he shall be paid HRA @50% of the basic salary.

Medical Reimbursement – As per Company's Rules

Leave Travel Concession - As per Company's Rules.

Club Fees - As per Company's Rules

Personal Accidental Insurance - As per Company's Rules.

Category –B

Provident Fund Contribution- As per rates prescribed under Employees' Provident Fund and Misc. Provisions Act, 1956.

Category –C

Car – He shall be provided with the company's car with driver for performing his official duties. Use of Company's car for his private purpose shall be billed by company to his account.

Telephone – He shall be provided with Company's telephone at his residence and that all long distance personal call shall be billed by the Company to his account.

Further, based on his performance the Board of Directors / Remuneration Committee of the Company is hereby authorised to increase, from time to time, his basic salary up to Rs.1,00,000/- per month .

10. To consider and if thought fit to pass, with or without modification(s), the following resolution as a special resolution: -

“RESOLVED that in partial modification of the special resolution passed at the Annual General Meeting held on September 30, 2011 and pursuant to the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the provisions of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended, the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the Listing Agreement with the Stock Exchange(s), the Memorandum & Articles of Association of the Company and other applicable provisions, if any, and subject to the necessary approvals of financial institutions, banks and other concerned persons and authorities, if any, consent of the Shareholders

of the Company be and is hereby accorded to confirm the allotment of 658000 equity shares of Rs. 10/- each and 684000 warrants with an entitlement to convert into/exchange with equity shares, at the option of the warrant holder(s), during anytime after September 15, 2013 but before September 14, 2014, at a price to be computed as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations by way of private placement on preferential allotment basis as per the terms and conditions given in the Explanatory Statement annexed to this notice to the following persons who are part of promoter group :-

	Equity Shares	Warrants
M/s Universal Cyber Infoway Pvt. Ltd. <i>a closely held private limited company incorporated under the Companies Act, 1956 and controlled by the Managing Director and his relatives</i>	329000	342000
Mr. Amit Mahajan, Director (Commercial)	329000	342000

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to determine the issue price and quantum to finalise and modify the terms and conditions, period of conversion, pricing, timings and all other matters relating to the issue and allotment of the aforesaid preferential issue of the equity shares and warrants, to agree to such conditions and modifications that may be imposed, required or suggested by the Securities and Exchange Board of India (SEBI), the Stock Exchange(s) or other authorities, or that may otherwise be deemed fit or proper by the Board and to settle all issues, questions or difficulties that may arise with regard to the aforesaid preferential allotment of equity shares and warrants in such manner as it may determine in its absolute discretion and to take such steps and to do all such acts, deeds, matter and things as may be required, necessary, proper or expedient to give effect to this resolution. RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to delegate all or any of the above said mentioned powers/authorities to any Director(s) and/or Officer(s) of the Company.”

For and on Behalf of the Board
R.C.MAHAJAN
Managing Director

Place : Mohali
Date : January 29, 2013
Regd. Office – F-110,
Industrial Area, Phase VII
Mohali (Punjab)-160055

NOTES -

1. Member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and on a poll to vote instead of himself. The proxy need not be a Member of the Company. A blank form of proxy is enclosed and if intended to be used, it should be returned, duly completed, to the Registered Office of the Company, not less than 48 hours before the scheduled time of the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed.
3. The Register of Members and the Share Transfer Books will remain closed from Friday, February 22, 2013 to Thursday, February 28, 2013 (both days inclusive) in terms of provisions of Section 154 of the Companies Act, 1956 and the Listing Agreement with The Stock Exchange, Mumbai.
4. Members holding shares in physical form are requested to notify change in address, if any, to the Company at its Registered Office or to the Registrar & Transfer Agents - M/s Link Intime India Pvt. Limited, 44, Community Centre, 2nd Floor, Naryana Industrial Area Phase - I, Near PVR, Naryana, New Delhi - 110 028.

5. Members holding shares in electronic form are requested to notify change in their address, if any, to their Depository Participant.
6. Members/Proxies are requested to bring their copy of this Notice along with duly filled admission slip for attending the meeting.

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

Item No. 5 & 6

The company has received unsecured loans/inter corporate deposits from promoters as well as corporate entities for meeting its long term fund and shortfall in the working capital requirements. The banks funding the financial requirements of the company have stipulated that such unsecured loans/intercorporate deposits received be converted into share capital whether equity/preference. The Board of Directors, therefore, recommend that the unsecured loans/intercorporate deposits so received be converted into preference share capital. Since, the present authorised capital of the company consists of equity share capital only, the Board recommends to sub divide the capital into equity and preference share capital.

None of the directors is interested in the proposed resolutions.

Item No. 7

Mr. R.C.Mahajan, was reappointed as the Managing Director of the Company for a period of five year w.e.f. December 26, 2006 and his present term comes to an end on December 25, 2011. The Board considers it desirable that the Company should continue to avail itself of his services hence have recommended to reappoint Mr. Mahajan as Managing Director for another period of five years on the terms and conditions as detailed the resolution itself. Accordingly the proposed resolution is placed for the approval of the shareholders.

This should also be considered as an abstract of the terms of appointment of Mr. Mahajan and a memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 302 of the Companies Act, 1956

Presently Mr. R.C.Mahajan holds 510800 Equity Shares of the Company. The Board recommends the passing of the subject resolution. None of the Directors except Mr. Mahajan himself and Mr. Amit Mahajan Director (Operations), being his relative is concerned and interested in this resolution.

Item No. 8

Mr. Amit Mahajan, who is B.Sc (Economics) is working with the Company since May, 1997 and is looking after the commercial activities of the Company. During his tenure, he has worked whole heartedly for the progress of the Company. With a view to reward the services rendered by him, the Board of Directors had appointed him as a Whole time Director w.e.f. May 19, 1997 and had designated him as Director (Commercial). However, due to personal reasons, Mr Amit Mahajan resigned from the office of Whole time Director w.e.f. February 29, 2012. But, after making himself again available for the posting, the Board of Directors have appointed him as Director (Commercial) w.e.f. July 01, 2012 on the terms and conditions as detailed the resolution itself, subject to the approval of shareholders.

This should also be considered as an abstract of the terms of appointment of Mr. Amit Mahajan and a memorandum as to the nature of the concern of interest of the Director in said resolution, as required under Section 302 of the Companies Act, 1956.

Presently Mr. Amit Mahajan holds 17,15,500 Equity Shares of the Company. The Board recommends the passing of the subject resolution. None of the Directors except Mr. Mahajan himself is concerned and interested in this resolution.

Item No. 9

Mr. Amit Mahajan, who is a B.E. is working with the Company since April 1, 1995 and is looking after the production and other operational activities of the Company. During his tenure, he has worked whole heartedly for the progress of the Company. With a view to reward the services rendered by him, the Board of Directors had appointed him as

a Whole time Director w.e.f. September 01, 2006 and had designated him as Director (Operations). His appointment was also approved by the shareholders in the Annual General Meeting held in 2006. However, due to personal reasons, Mr Amit Mahajan resigned from the office of Whole time Director w.e.f. February 29, 2012. But, after making himself again available for the posting, the Board of Directors have appointed him as Director (Operations) w.e.f. July 01, 2012 on the terms and conditions as detailed the resolution itself, subject to the approval of shareholders.

This should also be considered as an abstract of the terms of appointment of Mr. Amit Mahajan and a memorandum as to the nature of the concern of interest of the Director in said resolution, as required under Section 302 of the Companies Act, 1956.

Presently Mr. Amit Mahajan holds 4,11,450 Equity Shares of the Company. The Board recommends the passing of the subject resolution. None of the Directors except Mr. Mahajan himself and Mr. R.C.Mahajan, Managing Director, being his relative is concerned and interested in this resolution.

Item No. 10

In the Annual General Meeting held on September 30, 2011, the shareholders of the company had approved the proposal to offer, issue and allot 658000 equity shares and 684000 warrants to the persons belonging to the promoters' group in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Accordingly, the board of directors in their meeting held on October 15, 2011 made the allotment of 658000 equity shares and 684000 convertible warrants to two persons belonging to the promoters' group and approached The Bombay Stock Exchange (BSE) for its approval to the listing of shares / warrants. One of the conditions of SEBI (ICDR) Regulations, 2009 is that all the equity shares, if any, held by the proposed allottee should be held in dematerialized form. Whereas 312000 shares held by Mr. Amit Mahajan – one of the proposed allottee, could not be dematerialized due to regulatory reasons and the BSE vide its letter no. DCS/PREF/BS/GEN/547/2012 dated November 01, 2012 directed the company to seek fresh consent of shareholders and ensure compliance of SEBI (ICDR) Regulations, 2009. Hence, the necessity of the proposed resolution. The other details of the proposed confirmation of allotment are as under:

Your Company had allotted, on preferential basis, equity shares and warrants, with an option to convert into/exchange with equity shares, to strengthen its long term funds.

In terms of the provisions of Section 81(1-A) of the Companies Act, 1956, the consent of the Members by way of special resolution is required to confirm the allotment of shares to the persons other than the existing shareholders. Further, the preferential issue of equity shares and / or convertible warrants, in case of listed companies, is also governed by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The terms & conditions of the proposed preferential issue are as under :-

Issue Price- The Issue Price of the equity shares and the resultants shares on conversion/exchange shall be the price calculated as per the pricing formula prescribed in the SEBI (DIP) Guidelines which shall be not less than the higher of the following :-

the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

OR

the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, the "relevant date" for this purpose shall mean the date 30 days prior to the date on which the meeting of general body of

shareholders is held to consider the proposed issue in terms of Section 81(1-A) of the Companies Act, 1956. However, the "relevant date" in case of issue of confirmation of allotting warrants may, at the option of the issuer Company be either the date 30 days prior to the date on which the meeting of general body of shareholders is held to consider the confirmation of allotment in terms of Section 81(1A) of the Companies Act, 1956 or a date 30 days prior to the date on which the holder of the warrants become entitled to apply for the said shares.

Relevant date – As per the SEBI Guidelines, the 'relevant date' for the purpose of determination of issue price of the equity shares and resultant shares shall be the date thirty days prior to the date of this Annual General Meeting i.e. January 29, 2013.

Lock-in-period - As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, the equity shares issued on preferential basis to the promoter/promoter group shall be subject to a lock-in-period of 3 years from the date of confirmation of allotment. Since allotment of 658000 equity shares, on preferential basis, has already been made on October 15, 2011, the lock in period of 3 years shall start from the date of allotment confirmation by the board of directors. Further, the entire pre-preferential shareholding of the allottees shall be under lock-in from the relevant date upto a period of 6 months from the date of preferential allotment.

Payment / Up-front Payment - The full payment of the issue price of the equity shares and warrants has already been received alongwith the applications.

Conversion of Warrants- The holder of the warrants shall be entitled to convert into/exchange the warrants with equal number of equity shares, at its option, during anytime after September 15, 2013 but before September 14, 2014.

Allottees - The preferential allotment of 658000 equity shares of Rs. 10/- each and 684000 warrants, at a price to the computed as per the SEBI guidelines was made to the following persons who are part of the promoter group in terms of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in the following proportion :-

	Equity Shares	Warrants
M/s Universal Cyber Infoway Pvt. Ltd. <i>a closely held private limited company incorporated under the Companies Act, 1956 and controlled by the Managing Director and his relatives</i>	329000	342000
Mr. Amit Mahajan, Director (Commercial)	329000	342000

Pre-confirmation and Post-confirmation holding of the Allottees -
Assuming 100 % conversion / exchange of the convertible warrants, the pre and post confirmation shareholding of the allottees shall be as under -

Allottee	Pre-Confirmation/ Conversion Shares		Post-Confirmation/ Conversion Shares	
	No.	% age	No.	%age
After confirmation of allotment of 658000 Shares				
- Universal Cyber Infoway Pvt. Ltd.	280100	2.23	609100	4.60
- Mr. Amit Mahajan Director (Commercial)	1386500	11.06	1715500	12.91
After conversion of 684000 warrants				
- Universal Cyber Infoway Pvt. Ltd.	609100	4.60	951100	6.83
- Mr. Amit Mahajan, Director (Commercial)	1715500	12.91	2057500	14.79

None of the above allottees and promoters, has sold any equity share of the company during the six months period prior to the relevant date. Intention of Promoters/Directors/Key Management Persons to Subscribe.

- All the allottees which are part of the Promoter's Group/ Persons acting in concert with the Promoters have subscribed to the preferential issue at a price determined/to be determined as per the SEBI Guidelines.

Pre-Confirmation and Post-Confirmation Shareholder Pattern - Presuming 100 % conversion/exchange the post equity issue/post warrants conversion/ exchange shareholding pattern of the Company shall be as under -

Category	Pre-Confirmation shares		Post Confirmation of allotment of 658000 shares		Assuming entire 684000 Warrants conversion	
	No. of Share	% age	No. of Share	% age	No. of Share	% age
A Promoters' Holding						
1 Promoters	3812375	30.33	4470375	33.78	5154375	37.04
- Indian Promoters	Nil	Nil	Nil	Nil	Nil	Nil
- Foreign Promoters	Nil	Nil	Nil	Nil	Nil	Nil
2 Persons acting in concert	Nil	Nil	Nil	Nil	Nil	Nil
Sub-Total	3812375	30.33	4470375	33.78	5154375	37.04
B Non-Promoters Holding						
3 Institutional Investors						
a. Mutual Funds and UTI	Nil	Nil	Nil	Nil	Nil	Nil
b. Banks, Financial Institutions, Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil
c. FIs	Nil	Nil	Nil	Nil	Nil	Nil
Sub-Total	Nil	Nil	Nil	Nil	Nil	Nil
4 Others						
a. Private Corporate Bodies	1956637	15.56	1958337	14.80	1958337	14.07
b. Indian Public.	6732792	53.55	6732792	50.88	6732792	48.38
c. NRIs/OCBs	Nil	Nil	Nil	Nil	Nil	Nil
Any other (please specify)						
Sub-Total	8761625	69.68	8761625	66.21	8761625	62.96
Grand Total	12574000	100.00	13232000	100.00	13916000	100.00

Purpose of Preferential Issue - The Company has diversified its activities. There is an increase in the requirement of funds to part finance the cost of diversification. The Company has allotted on preferential basis equity shares and warrants to Promoter/Promoter Group to meet the additional requirement of funds / to augment the capital base of the Company for further leveraging.

Time of Allotment - As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended, the confirmation of allotment of equity shares and the warrant pursuant to this resolution will be made within a period of 15 days from the date of passing of the resolution in this Annual General Meeting. However, this shall exclude the time taken in obtaining the necessary approvals, if any, from any regulatory authority or the Central Government, in which case the allotment will be completed within 15 days from the date of such allotment.

Listing - The existing equity shares of the Company are listed on The Bombay Stock Exchange, Mumbai. The preferential issue of equity shares and the resultant equity shares on conversion/exchange of warrants shall also be listed on The Bombay Stock Exchange, Mumbai for which the application shall be made after the approval of the shareholders is obtained.

Auditor's Certificate - The Statutory Auditors of the Company have certified that the present preferential issue of equity shares and warrants on the above terms and conditions, is in accordance with the requirements contained in the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The Auditors' Certificate shall be laid before the Annual General Meeting.

In terms of the provisions of Section 81(1-A) of the Companies Act, 1956, the consent of the shareholders by way of special resolution is required.

Mr. R.C.Mahajan, Managing Director and Mr. Amit Mahajan, Director (Operations) are concerned and interested in the proposed resolution to the extent of equity shares / warrants allotted to M/s Universal cyber Infoway Pvt. Ltd. Further Mr. Amit Mahajan, Director (Commercial) is concerned and interested in the proposed resolution to the extent of equity / warrants allotted to him.

For and on Behalf of the Board
R.C.MAHAJAN
Managing Director

Place : Mohali
Date : January 29, 2013