

**DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present their TWENTY FIRST ANNUAL REPORT and the Audited Statement of Accounts for the year ended March 31, 2010.

**FINANCIAL RESULT**

	<u>2009-10</u>	<u>2008-09</u>
Turnover	2303.10	3246.69
Export Incentives	125.17	254.31
Profit before interest, depreciation and taxation	233.18	434.25
Financial expenses	(162.72)	(161.22)
Profit before depreciation & taxation	70.46	273.03
Depreciation	(150.36)	(226.64)
Provision for Taxation		
- Current Tax	-	(4.80)
- Deferred Tax	(18.27)	(12.45)
- Fringe Benefit Tax	-	(3.25)
Provision for taxes not required	0.59	0.79
Mat paid during earlier	4.47	42.11
Expenses relating to earlier years	1.72	(5.21)
Net profit/(loss) after tax	(98.17)	63.57
Earning per share (Re.)		
- Basic	(0.78)	0.51
- Diluted	(0.78)	0.51

**FUTURE PROSPECTS**

The Board of Directors are pleased to inform that your company have successfully executed the project for manufacturing of Footwear in a state of the art plant at Vill- Singhan, Tehsil-Haroli, Distt. - Una (Himachal Pradesh) with a capacity to produce 4.86 Million Pairs of shoes, sandals and flip flops per annum. The commercial production after stabilization has started. The Company has long term arrangements with Puma to lifting the production. Further, during the year under review the production, sales and profits of terry towel unit was effected due to dispose of old discontinued loom. To enhance the profitability of the terry towel unit, the Company is planning to install ten more Airjet/Rapier looms in the existing terry towel unit.

**DIVIDEND**

In view of the diversification, expansion and future plans, your Directors want to retain the profits and therefore, do not recommend any dividend for the year under review.

**DEPOSITS**

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

**STAFF**

The relationship between the employees and the management continued to remain cordial during the year under review. 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) is attached and forms an integral part of this Report.

**DIRECTORS**

Your Directors inform with heavy heart that Mr S K Duggal, who was associated with the company first as a director and then as chairman, expired on January 23, 2010. Your directors deeply condoled his death and prayed for the peace of departed soul.

Mr. V. K. Dewan resigned from the directorship of the company w.e.f. July 29, 2010. Your directors appreciated the contribution made by Mr. Dewan 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. Y R Kapur, Director (Finance) and Mr. T N Tikko, Director (Works) retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for reappointment.

Further, Mr Shashi Kant and Dr. J.S. Juneja, Who were appointed as Additional Directors w.e.f. June 03, 2010 and August 21, 2010, shall hold office till the date of forthcoming Annual General Meeting. Your Directors have received notices under Section 257 of the Companies Act 1956 from Members alongwith deposit of Rs 500/- in each case recommending their candidature for appointment as directors liable to retire by rotation.

**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 Practicing 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 financial year 2009-10, 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 March 31, 2010 and of the loss of the Company for the year 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 financial year ended on March 31, 2010 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 re-appointment. 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 re-appointed.

**AUDITORS' REPORT**

The Statutory Auditors of the Company have submitted their report on the accounts for the year ended March 31, 2010, which is self-explanatory and needs no comments.

**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.

**ACKNOWLEDGEMENTS**

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: Chandigarh  
Date : August 21, 2010

**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 ten. The Board Comprises of Executive and Non-Executive Directors. Five Directors including the Managing Director, are Whole-time Directors (Executive Directors). There are five Non-Executive Directors, including the Chairman, all of them being 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 24, 2007	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.S.K.Duggal*	Chairman - Non-Executive & Independent	7	YES	N.A.	-	-	-
2.	Mr.B.K.Malhotra	Non-Executive & Independent	2	NO	-	-	-	-
4.	Mr.R.K.Bhandari	Non-Executive & Independent	4	NO	9	-	-	-
5.	Mr.M.M. Puri @	Non-Executive & Independent	2	NO	-	-	-	-
6.	Mr. V. K. Dewan**	Non-Executive & Independent	2	NO	-	-	-	-
7.	Mr.Y.R.Kapur	Whole-time Director	8	YES	1	-	-	-
8.	Mr.T.N.Tikoo	Whole-time Director	8	YES	-	-	-	-
9.	Mr.Amit Mahajan	Whole-time Director	8	YES	-	-	-	-
10.	Mr.Amit Mahajan	Whole-time Director	8	YES	1	-	-	-
11.	Mr.R.C.Mahajan	Managing Director	8	YES	-	-	-	-
12.	Mr. Shashi Kant****	Director	N.A.	N.A.	N.A.	-	-	-
13.	Dr. J.S. Juneja****	Director	N.A.	N.A.	N.A.	-	-	-

\* Expired on January 23, 2010

\*\* Resigned w.e.f. July 29, 2010

\*\*\* Appointed w.e.f. June 3, 2010

\*\*\*\* Appointed w.e.f. August 21, 2010

\*\*\*\*\* 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 was a Chairman of more than five committees of any public limited company.

#### BOARD MEETINGS AND ATTENDANCE

During the year ended March 31, 2010, Eight Board Meetings were held on the following dates –

Date of Meeting	Board Strength	No. of Directors Present
June 30, 2009	10	10
July 17, 2009	10	6
July 31, 2009	10	7
August 11, 2009	10	6
September 5, 2009	10	6
October 31, 2009	10	7
January 22, 2010	10	10
January 29, 2010	9	5

The gap between two Board Meetings did not exceed four months. Further, the information as required under Annexure I-A to the Clause 49(I)(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

No 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 year ended March 31, 2010. 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. Y.R.Kapur

Mr. Y.R.Kapur, is a qualified Chartered Accountant and having 34 years experience in the field of accounts and finance. He is proficient in different areas of business including finance, banking, commercial and general administration. Before his appointment as Whole-time Director on July 30, 2003, Mr. Y.R.Kapur had been in whole-time employment of Company.

Mr. Y.R.Kapur is also a Director (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956) of M/s Zoom Mercantile & Finance Ltd. Presently Mr. Y.R.Kapur holds 400 Equity Shares in the Company.

##### Mr. T.N.Tikoo

Mr. T.N.Tikoo, is a B.Sc. (Tech.) Textile, having 37 years experience in the Textile Industry. Before his appointment as Whole-time Director on July 30, 2003, Mr. T.N.Tikoo had been in whole-time employment of the Company. Mr. T.N.Tikoo does not hold directorship in any other company.

Presently, Mr. T.N.Tikoo holds 200 Equity Shares of the Company.

##### Mr. Shashi Kant

Mr. Shashi Kant is a Mechanical Engineer by profession having over 44 years of experience. He had spent 40 years with Steel Authority India Ltd holding different assignments and responsibilities such as Executive Director

(Safety), General Manager (Projects) and General Manager (Maintenance). As Executive (Safety) he had the fortune of working as a Safety Faculty with SAIL's Management training institute and also as a faculty for training of Senior Executives in addition to the normal corporate functions. He had been presenting papers at National Level Seminars conducted by CII, Institute of Engineers at various Sub centres, Delhi, Chandigarh & Ranchi, National Safety Council and Green tech Foundation and other reputed organizations on subjected related to Safety. Post retirement as a Consultant he had conducted three safety and Fire Training Programmes at NHPC Head Office and sites through a Consultant (PES Society). He had also presented papers at national Safety Council (North Zone Chapter) on Safety Audit and measurement of Safety during the safety Training Programmes and Seminars. He had active Association with Green Tech Foundation as a penalist for deciding green tech safety awards and visiting plants to assess their safety requirements and their implementation. He had been actively associated for safety Audit with Himalayan Express way for the Zirakpur, Parwanoo National Highway Project. As G.M. (Projects) with SAIL, he was associated with the modernization of Bokaro Steel Plant involving investments of over 1500 crores in Hot Strip mill modernization and, Coal dust injection in Blast furnaces.

##### Dr. J. S. Juneja

Dr. J.S. Juneja has a unique experience of over three decades both in the public and private sector managements covering most of the segments of industrial and business development. He is also an international and national consultant, author and has been a visiting professor to the University of Rhode Island, USA and Indian Institute of Technology, New Delhi. An MBA from the University of Oregon, USA, Dr. Juneja was conferred Doctoral Degree by the University of Bombay in Applied Economics (1989).

Dr. J.S. Juneja is the Chairman of the Global Projects & Services (P) Ltd. since November 1995 and has been promoting investments to a number of countries particularly in Africa and Asia facilitating FDIs, joint ventures and technology transfer. He has been representing Mauritius Export Development and Investment Authority (MEDIA), Government of Mauritius and Botswana Export Development and Investment Authority (BEDIA), Government of Botswana. He has provided management consultancy to the Governments of Egypt, Syria, UAE (Dubai), Mauritius, Botswana, Kenya, Switzerland, United Nations, UNDP, UNIDO, Commonwealth Secretariat, ESCAP, ECA and many other countries apart from several institutions in India and abroad.

Dr. Juneja has been the Chairman and CEO of India's apex SME development organization – The National Small Industries Corporation (NSIC) – A Government of India Enterprise. He has also been the Past President of All India Management Association (AIMA) - an Apex Indian body in Professional Management. He is presently Chairman SME Committee of All India Management Committee, Chairman International Committee on Africa of PHD Chamber of Commerce and Industry and Advisor to World Association of Small and Medium Enterprises (WASME), Member Expert Committee of Central Vigilance Commission and Task Force of the Department of Public Enterprises, Government of India. Earlier he worked with the Indian Petrochemical Corporation Ltd. (IPCL) for Marketing and Application Development of its products.

Dr. Juneja is an Independent Director on the Boards of Elder Pharmaceuticals Ltd., Elder Health Care Ltd. and Eastman Cast & Forge Ltd. He has served

as a Director on the Boards of a number of public and private sector companies.

Dr. Juneja has served on the Governing Councils of : - Council of Scientific and Industrial Research (CSIR), Laboratories, Indian Institutes of Management (IIM), Kolkata and Calicut, ( Kozhikode ), National Small Industry Extension Training Institute (NSIET) Hyderabad and National Institute of Entrepreneurship & Small Business Development (NIESBD) Founder Executive Director, Ministry of Industry, Government of India New Delhi.

Dr. Juneja was conferred the coveted International Legion of Honour Award for 1993-95 by WASME at Cairo and has been the recipient of 1992, IMM Top Professional Manager of Year Gold Award, Shiromani Award (1987), Udyog Rattan Award (1986) and several other awards.

#### 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 September 22, 2005. 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 year under review, the Audit Committee met four times on June 30, 2009, July 31, 2009, October 31, 2009 and January 22, 2010 respectively. The attendance at the Audit Committees was –

Member	No. of Meetings Held	Attended
Mr. R.K. Bhandari	4	4
Mr. M.M. Puri	4	4
Mr. Y.R. Kapur	4	4

#### REMUNERATION COMMITTEE

The Board of Directors reconstituted the Remuneration Committee of the Company w.e.f. January 29, 2009. Presently, the Remuneration Committee consists of the following three Directors –

- 1) Mr. V.K. Dewan-Chairman
- 2) Mr. R.K. Bhandari-Member
- 3) Mr. B.K. Malhotra-Member

All the three 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 year ended March 31, 2010 are as under –

	Sitting Fees	Salary	Contribution to Provident Fund	Other perquisites & allowances	Total
Mr. S.K. Duggal	20,000/-	-	-	-	20,000/-
Mr. B.K. Malhotra	10,000/-	-	-	-	10,000/-
Mr. R.K. Bhandari	10,000/-	-	-	-	10,000/-
Mr. V.K. Dewan	10,000/-	-	-	-	10,000/-
Mr. M. M. Puri	10,000/-	-	-	-	10,000/-
Mr. Y.R. Kapur	-	5,80,500/-	46,440/-	18,210/-	6,45,150/-
Mr. T.N. Tikoo	-	4,11,000/-	49,320/-	1,88,966/-	6,49,286/-
Mr. Amit Mahajan	-	9,90,000/-	79,200/-	-	10,69,200/-
Mr. Amit Mahajan	-	10,80,000/-	86,400/-	47,551/-	12,13,951/-
Mr. R.C. Mahajan	-	18,00,000/-	1,44,000/-	1,60,118/-	21,04,118/-

#### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of Directors reconstituted the Shareholders/Investors Grievance Committee on September 22, 2005. Presently, the Shareholders/Investors Grievance Committee consists of the following two Directors –

- 1) Mr. B.K. Malhotra - 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/demat/realisation/rematerialisation of shares, dividends and other related issues.

During the year under review 19 (previous year 25) 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/demat/realisation/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/demat/realisation/rematerialisation, the Registrar & Share Transfer Agents and the Compliance Officer have been delegated the powers for share transfer/demat/realisation/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 –

YEAR	VENUE	DATE	TIME	WHETHER ANY SPECIAL RESOLUTION PASSED
2007-08	Village Kuranwala, Banwala Road, Derabassi – 140 507, Distt. Mohal (Punjab)	September 24, 2007	10.00 a.m	NO
2008-09	- do -	September 29, 2008	10.00 a.m	NO
2009-10	- do -	September 30, 2009	10.00 a.m	YES

There was no other general meeting held in the last three years. During the year under review, no resolution was passed/is proposed to be passed through postal ballot as required by the Companies (Passing of the resolution by postal ballot) Rules, 2001 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 non-compliance, 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 August 21, 2010, to approve the Audited Annual Results for the year ended March 31, 2010.

#### 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 Statemen

##### iii) Any website, where displayed

These results are also displayed on the Company's website www.srtowels.com and SEBI's website www.sebidifar.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 : Wednesday, September 30, 2010.  
at 10.00 a.m.

VENUE : Village Kuranwala, Barwala Road,  
Derabassi - 140 507 Distt. Mohali  
(Punjab)

##### ii) Financial Calendar

Results for the Quarter/Year Ending  
- June 30, 2010 : End August 2010  
- September 30, 2010 : End November 2010  
- December 31, 2010 : End February 2011  
- March 31, 2011 : End May 2011.

##### iii) Date of Book Closure

Monday, September 27, 2010 to  
Thursday, September 30, 2010  
(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 BSE. The approval for delisting of Companys' 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 year ended March 31, 2010 is as under –

MONTH	SRIL SHARE		PRICE (Rs.) TOTAL TURNOVER
	HIGH	LOW	
April 2009	4.50	3.44	43,285
May 2009	4.32	3.00	4,53,881
June 2009	5.05	3.90	7,39,900
July 2009	4.79	3.45	2,70,774
August 2009	4.90	3.86	8,78,386
September 2009	7.73	4.00	73,33,624
October 2009	6.84	5.43	11,82,698
November 2009	8.55	5.05	13,39,354
December 2009	7.49	5.85	16,38,123
January 2010	8.30	5.60	33,96,210
February 2010	6.73	5.24	3,67,350
March 2010	7.00	4.93	8,80,782

source : www.bseindia.com

##### viii) Registrar & Share Transfer Agents (RTA)

M/s Link Intime India Pvt. Ltd.  
A-40, 2nd Floor, Naraina Industrial Area Phase – II, Near Batra Banquet,  
New Delhi – 110 028. Tel : 011-41410592-4, Fax : 011-41410591  
E-mail : delhi@intimespectrum.com

##### Compliance Officer

Mr. Y. R. Kapur, Director (Finance)  
Tel. : 01762-506161 Fax : 01762-280409 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 March 31, 2010)

No. of Equity Shares Held	No. of Folios	% age	No. of Shares	% age
Upto 2500	7156	66.64	946563	7.53
2501 – 5000	2164	20.15	933500	7.42
5001 – 10000	773	7.20	684320	5.44
10001 – 20000	307	2.86	498024	3.96
20001 – 30000	93	0.87	242438	1.93
30001 – 40000	41	0.38	148217	1.18
40001 – 50000	49	0.46	239007	1.90
50001 – 100000	65	0.61	489089	3.89
100001 & Above	89	0.83	8392842	66.75
<b>TOTAL</b>	<b>10930</b>	<b>100.00</b>	<b>125740000</b>	<b>100.00</b>

##### Shareholding Pattern (as on March 31, 2010) –

Category	No. of Share	% age
<b>A Promoters' Holding</b>		
<b>1 Promoters</b>		
- Indian Promoters	4314700	34.31
- Foreign Promoters	Nil	Nil
<b>2 Persons acting in concert</b>	Nil	Nil
Sub-Total	4314700	34.31
<b>B Non-Promoters Holding</b>		
<b>3 Institutional Investors</b>		
a. Mutual Funds and UTI	Nil	Nil
b. Banks, Financial Institutions, Insurance Companies	Nil	Nil
c. FIs	Nil	Nil
Sub-Total	Nil	Nil
<b>4 Others</b>		
a. Private Corporate Bodies	2335939	18.58
b. Indian Public	5844374	46.48
c. NRIs/OCBs	78987	0.63
Any other (please specify)	Nil	Nil
Sub-Total	8259300	65.69
<b>Grand Total</b>	<b>12574000</b>	<b>100.00</b>

The sum of foreign promoters, FIs, NRIs/OCBs, foreign banks, foreign national

# S. R. Industries Limited

Annual Report 2009-10

and GDR and ADR holding in the Company is 78987 equity shares.

## Xii) Dematerialisation of share and liquidity

The ISIN No. of the Company is INE329C01011. Upto March 31, 2010, 9659590 (67.28%) equity shares were dematerialised in the two Depositories - NSDL and CDSL.

## Secretarial Audit Report –

The Secretarial Audit 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 March 31, 2010.

**xiv) Plant Location** Terry Towel plant at Village Kuranwala, Barwala Road, Derabassi – 140507, Distt. Mohali (Punjab) & Footwear Plant at Village Singan, Tehsil - Haroli, Distt. Una (H.P.)

## xiv) Address for Correspondence

S.R.Industries Ltd.  
Village Kuranwala, Barwala Road, Derabassi – 140 507  
Distt. Mohali (Punjab)

For and on behalf of the Board

Place: Chandigarh  
Date : August 21, 2010

**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

#### ICONSERVATION 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.

-Ordering of the Boiler and related pipeline etc is in progress.

##### 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	2009-10	2008-09
1.ELECTRICITY :		
a) Purchased :Units (in Lacs)	23.04	24.95
Total Amount (Rs./Lacs)	115.37	111.40
Average Rate/Unit (Rs.)	5.01	4.46
b) Own Generation :		
Through Diesel Generator:		
Unit (in Lacs)	3.97	6.30
Unit/Ltr. Of Diesel Oil	3.24	3.30
Average Cost/Unit (Rs.)	9.75	9.91
2. HUSK/PET COKE		
Husk/Pet Coke (M.T.)	1741	2128
Total Amount (Rs./Lacs)	202.23	177.66
Average Rate (Rs./M.T.)	11616	8348
B)CONSUMPTION PER UNIT OF PRODUCTION		
Terry Towels (M.T.)	854	1186
Electricity (KwH/Tonne)	2698	2104
Diesel (Ltr./Tonne)	143	161
Husk/Pet Coke (M.T.)	2.04	1.79

## Form B:

### II.

#### TECHNOLOGY ABSORPTION

##### A. Research & Development (R & D)

###### a) Specific area in which R & D is carried out by the Company

-Research is going on for the recycling of the used water in order to reduce the loading of the effluent Treatment plant and also significantly reduce the drawing of the ground water.

###### b) Benefits derived as a Result of R & D

- Effective saving in the Costs.

###### c) Future Plan of Action

- Upgradation of quality control laboratory by installation of state-of-the-art equipments.

###### d) Expenditure on R & D

- Research & Development being an integral part of production process is carried out in a continuous manner as applied Research & Development

Programme. No separate record on the expenditure incurred on R & D is therefore maintained.

#### B. Technology absorption, adaptation and innovation

- Efforts are being made on continuous basis to improve the shades, feel, absorbency and colour fastness of the finished terry towels for better quality.

#### 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. After the abolition of quota regime efforts are being made to consolidate and tap additional export market in developed countries.

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

	2009-19	2008-09
(i) Foreign exchange earned (including from deemed exports)	1523.31	2992.47
(ii) Foreign exchange used	1104.98	113.82
Net foreign exchange earned	418.33	2878.65

For and on behalf of the Board

Place: Dera Bassi  
Date : August 21, 2010

**R.K.BHANDARI**  
Chairman

#### ANNEXURE TO DIRECTOR'S REPORT

Particulars of employees as required u/s 217 (2A) of Companies Act, 1956 read with the Companies (particulars of employee) Rules, 1975

**Name** : Wilson O Abella Jr.

**Age** : 46 Years

**Designation** : Vice President

**Remuneration** : 2941897/-

**Qualification** : B.Sc in Chemistry, Bachelor Deg. in Miltree Science

**Experience** : 21 years

**Date of commencement of Employment** : 17.08.2009

**Particulars of Previous Employment** : Business Head (Rubber Plant Sports Station India Pvt. Ltd, Sonipat)

**The above is a contractual employment.**

For and on behalf of the Board

Place: Chandigarh  
Date : August 21, 2010

**R.K.BHANDARI**  
Chairman

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

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

I have examined the compliance of conditions of Corporate Governance of S.R.Industries Ltd for the year ended on March 31, 2010 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.

Place: Chandigarh  
Date : August 16,2010

**SANJIV K GOEL**  
CP No. 1248

#### 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 for the year ended on March 31, 2010.

For S.R.Industries Limited

Place : Dera Bassi  
Date : August 16,2010

**R.C.MAHAJAN**  
Managing Director

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Overview**

#### **i) Industry Structure and Developments**

##### **TERRY TOWEL**

Terry towels form an integral part of the home-textile segment. The demand for terry towels varies across countries, depending upon various factors like population, demographics, living style, economic status and its climatic conditions. The annual world demand for cotton terry towels is estimated at three million MT and growing @ 5 % p.a.

Historically, there was significant production of terry towels in developed countries like U.S.A, Australia, Japan and Europe, etc. However, during the last few years, the production of terry towels in the developed countries is steadily declining. These countries are increasingly outsourcing their requirement of home textiles (especially terry towels) from the developing countries. This is predominantly on account of lower input as well as labour cost. USA is the largest growth driver in the past years, but Europe, Japan, Australia, New Zealand, Latin America, Canada and South Africa are now emerging as other major markets for Indian companies.

Indian terry towel producers are performing exceedingly well and SRIL is no exception. In addition to the advantage of cheaper labour, India also has an edge over its competitors on account of having adequate availability of the principle raw material-yarn. Furthermore, the investment of Indian companies on product development and quality are also paying off. The future demand for terry towels from India is likely to grow further, both for domestic and world markets.

##### **FOOTWEAR**

There are two kinds of sports shoes-cold cemented and injection moulded. The global business of sports shoes is dominated by the cold cemented variety. The sports shoes being retailed by Nike, Reebok, Adidas etc. is essentially of cold 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**

##### **TERRY TOWEL**

The Indian terry towel industry has been able to establish its position in the global market as a reliable supplier of high quality towels. As a result, it is increasingly being viewed as an alternative source for replacing the local production in the developed world. Most major retailers in the world, including Wal-Mart, K-Mart, J C Penney, Carrefour, Ikea etc. are sourcing a large part of their terry towel requirements from India. The terry towels industry in India presently has around 1500 looms installed capable of manufacturing 100000 MT per annum. There is still a large gap between the demand and supply which offers big scope for further growth in the coming years. Their multiplier effect on demand can be seen from January 2005 onwards after the abolition of quantitative restrictions (quota). This will allow Indian manufacturers to further increase their share in the global textile trade from current levels. In the post quota regime, developed countries are looking for major outsourcing from India for home textile items. The industry will grow further as most of the units have upgraded/expanded their production facilities and take the benefit of 5 % interest subsidy under the Textile Up-gradation Fund Scheme (TUFS) from Government of India.

The domestic market for terry towels, which was till now dominated by low price, low quality products from the unorganised sector, has also been picking up with the emergence of growing segment of consumers looking for high quality products. The per capita consumption of Home Textile products in India is very low compared to the developed countries; this is also

expected to improve with the strong economic growth being witnessed in India.

We firmly believe in providing best quality products to its customers at the most affordable "value for money" proposition. The terry towels manufactured by the company are well accepted by the customers worldwide and are known for its quality, competitive pricing and on-time delivery. SRIL has been able to generate good response for its product by maintaining good quality and timely supplies. SRIL has customers in Europe, U.S.A., Australia, New Zealand and Middle East and is receiving repeat orders from its buyers.

Overall it is noted that textile industry, including terry towels, in India is passing through boom period. The favourable Government policies are expected to further accelerate the growth in the post quota period. This has spurred fresh investment for modernization and expansion of existing facilities by all the terry towel manufacturers.

##### **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, Hoorachies, 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 Govt. 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 is planning to enter domestic market.

#### **iii) Segment-wise or product-wise performance**

Presently, the Company has two segments of activity namely – Terry Towels and 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 Company is planning to increase the number of looms. The present order book position of the Company is excellent and we are booked for next four months production.

#### **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.

**AUDITORS' REPORT**

**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 for the year decreased from Rs. 3246.69 lacs in 2008-09 to Rs. 2303.10 lacs in 2009-10. The Company during the year sold 892 MT terry towel as against 1232 MT during the last year. The production during the year was 854 MT as against 1186 MT during the last year.

The Miscellaneous Income which includes duty drawback of Rs. 125.17 lacs on account of duty drawback decreased from Rs. 274.20 lacs to Rs. 224.16 lacs. Further rigorous monitoring of operating overheads assured that these remained under control.

Profit before depreciation, interest and taxation (PBDIT) decreased from Rs. 434.24 lacs to Rs.233.18 lacs. The depreciation for the year was at Rs. 150.36 lacs as against Rs. 226.64lacs. The financial expenses increased from Rs. 161.22 lacs to Rs. 162.72 lacs due to increase borrowing for footwear project

The Profit before tax (PBT) decreased from profit of Rs.46.39 lacs to loss Rs. 86.68 lacs .

The Earning Per Share (EPS) decreased from Re.0.51 to Re. (0.78). The diluted EPS of Rs. (0.78) was arrived at by considering the weighted average no. of shares that may be issued on conversion of Convertible Warrants on account of requirements of the Accounting Standards.

The Company has posted a Net loss after Tax of Rs. 98.17 lacs as against netprofit after tax Rs. 63.57 lacs during 2008-09.

**viii)Material developments 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 review.

Cautionary Statement – Statement in this Management Discussion and 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.i**

The Members

S.R. Industries Limited, Derabassi.

Dear Members,

1. We have audited the attached Balance Sheet of M/s S.R. Industries Limited as at March 31, 2010, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanations given to us, 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 purposes of our audit;
  - (ii) in our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the Balance Sheet, 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, 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 Companies Act, 1956;
  - (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 on March 31, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
    - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF  
S.R.INDUSTRIES LIMITED ON THE ANNUAL ACCOUNTS FOR THE  
YEAR ENDED MARCH 31, 2010**

(Referred to in paragraph 3 of our report of even date)

- (i) (a)The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) According to the information and explanations given to us, all the assets have not been physically verified by the Management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the

nature of its assets. As explained to us, no material discrepancies were noticed on such verifications.

- (c) According to information and explanations given to us, during the year, the Company has disposed off a part of old obsolete plant and machinery which do not effect the going concern status of the Company as production has reduced marginally.
- (ii) (a) According to information and explanations given to us, the inventory have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, 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 inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loan to the parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) According to the information and explanations given to us, the Company has taken unsecured loans from four directors and two companies covered in the register maintained under Section 301 of the Companies Act, 1956 and an amount of Rs. 1138.86 lacs is outstanding as on March 31, 2010. The maximum amount outstanding during the year was Rs. 1141.58 lacs. In our opinion, the terms and conditions on which these loans have been taken are not prejudicial to the interest of the Company.  
(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.  
(v) According to the information and explanations given to us, we are of the opinion that the particulars of transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 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 Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.  
(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.  
(viii) According to the information and explanations given to us, the maintenance of cost records have been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 which are maintained by the Company. However, we have not made detailed scrutiny of these records.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, service tax, cess and other material statutory dues applicable to it with appropriate authorities.  
Further, since the Central Government has not yet prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were in arrears, as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.  
(c) According to the information and explanations given to us, the disputed demands of excise duty against the Company amounting to Rs. 981.70 lacs (previous year Rs. 981.70 lacs) have not been deposited as appeals are pending with CESTAT for final adjudication.
- (x) The Company does not have any accumulated losses at the end of the financial year. Also, the company has not incurred any cash losses

during the current financial year covered by our audit and in the immediately preceding financial year.

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the banks and has not issued any debentures.  
(xii) According to the information and explanations given to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.  
(xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, Clause 4(xiii) of the said Order is not applicable to the Company.  
(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, Clause 4(xiv) of the said Order is not applicable to the Company  
(xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.  
(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.  
(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 no funds raised on short-term basis have been used to finance long-term investments. No long-term funds have been used to finance short-term investments except permanent working capital requirements.  
(xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to Parties and Companies in the register maintained under Section 301 of the Companies Act, 1956.  
(xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.  
(xx) According to the information and explanation given to us, during the year covered by our audit report, the Company has not raised any money by public issue.  
(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

**S.K.KANSAL**

Partner

Membership No. 080632

FRN 003897N

Place : Chandigarh

Date : July 7, 2010



**BALANCE SHEET AS AT MARCH 31, 2010**

SCHEDULE			AS AT 31.03.2010 (Rs.)		AS AT 31.03.2009 (Rs.)
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS FUND</b>					
<b>SHARE CAPITAL</b>	<b>A</b>	<b>125,462,000</b>		125,462,000	
<b>RESERVES &amp; SURPLUS</b>	<b>B</b>	<b>30,350,776</b>	<b>155,812,776</b>	<u>40,168,246</u>	165,630,246
<b>LOANS FUND</b>					
<b>SECURED LOANS</b>	<b>C</b>	<b>335,947,368</b>		152,712,830	
<b>UNSECURED LOANS</b>	<b>D</b>	<b>120,633,484</b>	<b>4,56,580,852</b>	<u>35,600,000</u>	1,88,312,830
<b>DEFERRED TAX LIABILITY</b>			<b>25,608,000</b>		<u>23,781,000</u>
<b>TOTAL</b>			<b><u>638,001,628</u></b>		<b><u>377,240,76</u></b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	<b>E</b>	<b>696,457,071</b>		490,110,192	
Less : Depreciation		<u>207,104,727</u>		<u>285,787,839</u>	
Net Block		<b>489,352,344</b>		204,322,353	
Capital Work in Progress (including Advances for Capital Expenditure)		<u>10,195,197</u>	<b>499,547,541</b>	<u>27,928,570</u>	232,250,923
<b>INVESTMENTS (at Costs)</b>	<b>F</b>		<b>1,000,000</b>		-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	<b>G</b>	<b>141,593,893</b>		130,648,524	
Sundry Debtors		<b>35,040,610</b>		29,307,140	
Cash & Bank Balances		<b>5,353,695</b>		4,331,894	
Loans & Advances		<u>29,454,153</u>		<u>26,924,893</u>	
		<b>211,482,351</b>		191,212,451	
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>	<b>H</b>				
Current Liabilities		<b>71,444,014</b>		42,334,272	
Provisions		<u>25,844,250</u>		<u>3,405,026</u>	
<b>NET CURRENT ASSETS</b>			<b>137,454,087</b>		145,473,153
<b>TOTAL</b>			<b><u>638,001,628</u></b>		<b><u>377,724,076</u></b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	<b>P</b>				

For & on behalf of the Board

<b>VIKAS GOYAL</b> Company Secretary	<b>Y.R. KAPUR</b> Director-Finance	<b>AMIT MAHAJAN</b> Director-Commercial	<b>R.C. MAHAJAN</b> Managing Director
---	---------------------------------------	--	--

As per our report attached to the Balance Sheet  
For KANSAL SINGLA & ASSOCIATES  
Chartered Accountants

Place : Chandigarh.  
Date : July 7, 2010

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

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

	SCHEDULE	2009-10 (Rs.)	2008-09 (Rs.)
<b>INCOME</b>			
SALES	I	230,309,921	324,698,956
OTHER INCOMES	J	22,415,967	27,419,860
DECREASE IN STOCKS		(6,025,931)	(2,041,784)
	<b>TOTAL</b>	<b>246,699,957</b>	<b>350,047,032</b>
<b>EXPENDITURE</b>			
CONSUMPTION OF RAW MATERIALS		105,748,230	155,103,618
MANUFACTURING EXPENSES	K	83,583,887	109,349,772
SALARIES, WAGES & BENEFITS	L	18,072,367	19,643,800
FINANCIAL EXPENSES	M	16,271,893	16,122,377
SELLING EXPENSES	N	9,414,323	15,281,765
ADMINISTRATIVE AND OTHER EXPENSES	O	7,240,875	7,242,632
DEPRECIATION	E	15,036,362	22,664,285
	<b>TOTAL</b>	<b>253,367,937</b>	<b>345,408,249</b>
PROFIT/(LOSS) BEFORE TAXES		(8,667,980)	4,638,783
PROVISION FOR TAXATION			
- CURRENT TAX		0	(480,000)
- DEFERRED TAX		(1,827,000)	(1,245,000)
- FRINGE BENEFIT TAX		0	(325,000)
PROVISION FOR TAXES NOT REQUIRED		58,632	79,301
MAT PAID DURING EARLIER YEARS		446,955	4,210,679
EXPENSES RELATING TO PREVIOUS YEARS		171,923	(5,21,357)
PROFIT / (LOSS) AFTER TAX		(9,817,470)	6,357,406
PROFIT BROUGHT FORWARD FROM LAST YEAR		23,649,346	17,291,940
PROFIT CARRIED TO BALANCE SHEET		<u>13,831,876</u>	<u>23,649,346</u>
EARNING PER SHARE (FACE VALUE Rs. 10) (Re)			
- BASIC		(0.78)	0.51
- DILUTED		(0.78)	0.51

SIGNIFICANT ACCOUNTING POLICIES  
AND NOTES ON ACCOUNTS

p

For & on behalf of the Board

**VIKAS GOYAL**  
Company Secretary

**Y.R. KAPUR**  
Director-Finance

**AMIT MAHAJAN**  
Director-Commercial

**R.C. MAHAJAN**  
Managing Director

As per our report attached to the Balance Sheet  
For KANSAL SINGLA & ASSOCIATES  
Chartered Accountants

Place : Chandigarh.  
Date : July 7, 2010

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

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010**

	YEAR ENDED 31.03.2009 (Rs./Lacs)	YEAR ENDED 31.03.2008 (Rs./Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax	46.39	46.40
Adjustments for		
Depreciation	226.64	338.16
Provision for leave encashment	1.27	(0.78)
Profit/Loss on sale of fixed assets	(5.65)	2.52
Financial expenses	161.22	168.97
Operating profit before working capital changes	<u>429.87</u>	<u>555.27</u>
Adjustments for :		
Trade and other receivables	(145.37)	(87.42)
Inventories	(36.68)	(196.08)
Trade payables & other liabilities	148.25	51.70
<b>Cash flow from Operating Activities</b>	<u>463.67</u>	<u>323.47</u>
Direct taxes paid	(9.48)	(9.19)
Expenses relating to previous years	(5.21)	(1.08)
<b>Net Cash Flow from Operating Activities</b>	<u>448.98</u>	<u>313.20</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(447.25)	(42.67)
Sale of fixed assets	16.34	2.15
<b>Net Cash Used in Investing Activities</b>	<u>(430.91)</u>	<u>(40.52)</u>
<b>C. CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Increase in unsecured loans	208.35	90.00
Increase in bank borrowings	(24.96)	(3.03)
Proceed/(Repayment) of long term loans (net)	(39.29)	(147.45)
Financial expenses paid	(162.12)	(170.31)
<b>Net Cash from/(used in) Financing Activities</b>	<u>(18.02)</u>	<u>(230.79)</u>
<b>Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)</b>	5.87	41.89
<b>Cash and Cash equivalents as at 1st April (Opening Balance)</b>	49.19	7.30
<b>Cash and Cash equivalents as at 31st March (Closing Balance)</b>	43.32	49.19

For & on behalf of the Board

<b>VIKAS GOYAL</b> Company Secretary	<b>Y.R. KAPUR</b> Director-Finance	<b>AMIT MAHAJAN</b> Director-Commercial	<b>R.C. MAHAJAN</b> Managing Director
---	---------------------------------------	--	--

As per our report attached to the Balance Sheet  
For KANSAL SINGLA & ASSOCIATES  
Chartered Accountants

Place : Chandigarh.  
Date : July 7, 2010

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

**SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010**

	<b>AS AT</b>	<b>AS AT</b>
	<b>31.03.2010</b>	<b>31.03.2009</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE A : SHARE CAPITAL</b>		
<b>Authorised</b>		
16,500,000 Equity Shares of Rs.10/- each	<b>165,000,000</b>	<b>165,000,000</b>
<b>Issued, Subscribed &amp; Paid-up</b>		
12,574,000 Equity Shares		
of Rs.10/- each	<b>125,740,000</b>	125,740,000
Less: Allotment Money Unpaid	<u><b>278,000</b></u>	<u>278,000</u>
Out of above 1,734,000	<b>125,462,000</b>	125,462,000
were issued on Preferential Allotment basis		
<b>TOTAL</b>	<u><u><b>125,462,000</b></u></u>	<u><u><b>125,462,000</b></u></u>
<b>SCHEDULE B : RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
As per last balance sheet	<b>1,713,900</b>	1,713,900
<b>State Investment Subsidy</b>		
As per last Balance Sheet	<b>3,000,000</b>	3,000,000
<b>Share Premium</b>		
As per last Balance Sheet	<b>11,805,000</b>	11,805,000
<b>Profit &amp; Loss Account</b>		
	<b>13,131,876</b>	23,649,346
<b>TOTAL</b>	<u><u><b>30,350,776</b></u></u>	<u><u><b>40,168,246</b></u></u>
<b>SCHEDULE C : SECURED LOANS</b>		
<b>TERM LIABILITIES</b>		
- From Banks	<b>230,379,949</b>	62,720,748
- Inter Corporate Loans	<b>12,455,163</b>	-
<b>VEHICLE LOANS</b>	<b>7,659,993</b>	6,568,218
<b>WORKING CAPITAL FACILITIES</b>		
From Banks	<b>85,452,263</b>	83,423,864
<b>TOTAL</b>	<u><u><b>335,947,368</b></u></u>	<u><u><b>152,712,830</b></u></u>
Term Loan and Working Capital		
<b>SCHEDULE D : UNSECURED LOANS</b>		
Inter-corporate Loans	<b>59,747,294</b>	15,100,000
From Directors	<b>60,886,190</b>	20,500,000
<b>TOTAL</b>	<u><u><b>120,633,484</b></u></u>	<u><u><b>35,600,000</b></u></u>



**S. R. Industries**  
**L i m i t e d**  
Annual Report 2009-10

**SCHEDULE H: CURRENT LIABILITES AND PROVISIONS**

	<u>AS AT</u> <u>31.03.2010</u> <u>(Rs.)</u>	<u>AS AT</u> <u>31.03.2009</u> <u>(Rs.)</u>
<b>Current Liabilities</b>		
Sundry Creditors		
- Small Scale Industrial Undertaking	4,938,064	4,846,448
- Other than Small Scale Industrial Undertaking	<u>39,630,006</u>	<u>27,913,470</u>
Creditors for Capital Goods	11,462,000	-
Advances from Customers	864,786	3,679,300
Creditors for Expenses	<u>14549158</u>	<u>5,895,054</u>
<b>TOTAL</b>	<u><u>71,444,014</u></u>	<u><u>42,334,272</u></u>
<b>Provisions</b>		
- For Taxation (including Current Taxes and FBT)	-	805,000
- For Staff Benefits	<u>2,584,250</u>	<u>2,600,026</u>
<b>TOTAL</b>	<u><u>2,584,250</u></u>	<u><u>3,405,026</u></u>
	<u>2008-09</u> <u>(Rs.)</u>	<u>2007-08</u> <u>(Rs.)</u>
<b>SCHEDULE I : SALES</b>		
Sale - Export	152,267,766	294,423,090
Sale - Local	<u>78,042,155</u>	<u>30,145,866</u>
<b>TOTAL</b>	<u><u>230,309,921</u></u>	<u><u>324,668,956</u></u>
<b>SCHEDULE J : OTHER INCOME</b>		
Export Incentive	12,516,548	25,430,810
Interest on FDR	633,333	141,258
Job Charges	6,021,030	1,159,758
Profit on sale of assets	3,155,814	565,490
Miscellaneous Income	89,242	122,544
<b>TOTAL</b>	<u><u>22,415,967</u></u>	<u><u>27,419,860</u></u>
<b>SCHEDULE K : MANUFACTURING EXPENSES</b>		
Consumption of Stores	25,287,191	39,661,821
Packing Materials	12,497,376	14,070,373
Power	11,537,321	11,139,875
Fuel	17,209,916	24,197,701
Labour Charges	10,330,659	14,215,729
Repair & Maintenance - Plant & Machinery	6,600,225	5,975,368
- Building	121,199	88,905
<b>TOTAL</b>	<u><u>83,583,887</u></u>	<u><u>109,349,772</u></u>
<b>SCHEDULE L : SALARIES, WAGES &amp; BENEFITS</b>		
Remuneration & Perks to Directors	3,995,795	5,481,668
Salary, Allowances & Perks to Employees	12,494,733	12,255,079
Staff Welfare	249,814	288,966
Contribution Towards Funds	<u>1,332,025</u>	<u>1,618,087</u>
<b>TOTAL</b>	<u><u>18,072,367</u></u>	<u><u>19,643,800</u></u>

**S. R. Industries**  
**L i m i t e d**  
Annual Report 2009-10

	<u>2009-10</u> <u>(Rs.)</u>	<u>2008-09</u> <u>(Rs.)</u>
<b>SCHEDULE M: FINANCIAL EXPENSES</b>		
Interest on long term loans	5,385,385	5,812,405
Interest on short term loans	8,117,232	7,837,851
Bank Charges	2,769,276	2,472,121
<b>TOTAL</b>	<b><u>16,271,893</u></b>	<b><u>16,122,377</u></b>
 <b>SCHEDULE N: SELLING EXPENSES</b>		
Freight Outward	9,130,856	13,180,350
Commission & Discount	50,000	1,435,106
Business Promotion Expenses	233,467	666,309
<b>TOTAL</b>	<b><u>9,414,323</u></b>	<b><u>15,281,765</u></b>
 <b>SCHEDULE O: ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent, Rates & Taxes	323,531	476,238
Fees & Subscription	177,578	234,327
Legal & Professional Charges	732,055	281,125
Travelling Expenses		
- Directors	425,895	1,173,816
- Others	306,128	37,680
Vehicles Running & Maintenance	1,467,943	1,419,515
Postage, Telegram & Telephones	831,605	1,020,335
Security Charges	657,295	513,488
Advertisement Expenses	200,030	191,500
Directors' Sitting Fees	60,000	50,000
Printing & Stationery	358,327	360,974
Insurance	602,967	775,352
Auditors' Remuneration	93,755	93,755
Office Repair & Maintenance	182,479	164,528
Exchange Rate Variation	201,269	-
Factory Maintenance	350,285	320,965
Miscellaneous Expenses	269,733	129,034
<b>TOTAL</b>	<b><u>7,240,875</u></b>	<b><u>7,242,632</u></b>

**SCHEDULE P : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**1) BASIS OF PREPARATION 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 recognises significant items of income and 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 intended use. Adjustments arising from exchange rate fluctuations relating to outstanding liabilities attributable to the fixed assets are capitalised/adjusted.

**3) INVENTORIES**

Inventories are valued on FIFO method

- Raw materials - at lower of cost or net realisable value.
- Packing materials, consumables and stores & spares - at cost
- Stock-in-process - material cost plus appropriate share of production overheads.
- Finished goods - at lower of cost or net realisable value.

**4) EXPENDITURE ON EXPANSIONS**

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

As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its 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 to the Companies Act, 1956.

**6) FOREIGN CURRENCY TRANSACTIONS**

Export sales are accounted for at exchange rates prevailing on the date the documents are negotiated/realised with/through Bank. In case of direct remittance from buyers the difference between the exchange rates on the despatch 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 transaction is taken into profit and loss account.

The foreign currency transactions in respect of payments towards cost of fixed assets, spares, travelling, commission, 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 or construction of qualifying assets are capitalised 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 and fringe benefit tax. Provision for current income tax and fringe benefit 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 recognised subject to the consideration of prudence, on timing difference, being the difference between book profit and tax profit that originate in one period and are capable of reversal in one or more subsequent periods.

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 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 if there is 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 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 recognised in the period in which the results are known/materialised.

**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 taxes by the weighted average number of equity shares outstanding during the 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 number 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 are attributable to the asset will flow to the enterprise, and
  - b) the cost of the asset can be measured reliably

An intangible asset is measured initially at cost. The amortization method will be used to reflect the pattern in which the assets 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 asset 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 recognised 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 recognised 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 recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.



# S. R. Industries Limited

Annual Report 2009-10

## II. NOTES ON ACCOUNTS

- 1) Contingent liabilities :-
- a) Export/Domestic Bills drawn on customers against letters of credit and discounted with bank are Rs. 59.19 lacs (Previous year Rs. 49.47 lacs).
- b) Central Excise Authorities have gone in appeal against the order of Commissioner (Appeals) which was decided in favour of the Company for the demand of Rs. 258.70 lacs (Previous year Rs. 258.70 lacs). The Company has refuted the liability based on the advice received from the legal experts and accordingly has not made any provision in the Books of Account. The requisite provision, if any, will be made in the year in which any demand is finally established.
- c) The Central Excise Authorities, Mumbai have imposed a 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 provision, if any, will be made in the year in which any demand is finally established.
- d) The company has given counter guarantee to the bank for Rs. 13.00 Lac (Previous year 1.00 Lac) in respect of the guarantee issued by the bank on behalf of the company.
- 2) Purchase Tax/Sales Tax liability has been provided based on the returns filed with the Sales Tax Authorities. The Sales Tax assessments have been completed upto the financial year 2005-06.
- 3) Income Tax assessments have been completed upto the Assessment Year 2006-07.
- 4) In the opinion of the Management, the current assets, loans and advances have a value which on realisation in the ordinary course of business would be at least equal to that at which these have been stated in the books of account.
- 5) The turnover includes Rs.1.28 lacs (Previous year 4.54 Lacs) on account of realisation/entitlement of DEPB Licence.
- 6) The term loans from the State bank of Patiala and Uco Bank are secured by way of first parri passu charge on the fixed assets and second parri passu charge on current assets of the company. Further, the working capital facilities from State Bank of Patiala and UCO Bank are secured by way of first parri passu charge on the current assets and second parri passu charge on the fixed assets of the company. The term loans and working capital facilities are further secured by the personal guarantee of three Directors. Further, the loan from Religare Finvest Limited is secured by first charge on the land at Village - Bhagwanpur, Dera Bassi
- 7) The company after stabilisation started its commercial production at its footwear unit in Una & Gurgaon on March 26, 2010. The expenditure net of sales upto that date have been capitalised.
- 8) There are no claim from suppliers under Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993. Sundry creditors include Rs.35.54 lacs (Previous year Rs. 40.69 lacs) due to small scale industrial undertakings to whom the Company owes sum exceeding Rs. one lac and which are outstanding for more than 30 days. These units are Creative Arts, Jai Balaji Labels, MapsIndia Ltd., RSA Industries Pvt. Ltd., Vaibhav International, Vee Emm Industries, Lace India Company, Tex 'n' Nets , SMG International and Enkay HWS India Ltd. The above has been furnished on the basis of information regarding the status of supplier available with the Company.
- 9) The company has opted for the exemption under Notification No. 30/2004 dated July 9, 2004 issued by the Central Board of Excise & Customs and therefore no excise duty is payable on the goods manufactured/despatched by it.
- 10) Capital Reserve has arisen from the Capital profit on forfeiture of 10% upfront payment on 5,91,000 Convertible Warrants at a price of Rs. 29/- each issued during 2005-06.
- 11) Managerial remuneration including all benefits but excluding provision for leave encashment and gratuity.

	(Rs./lacs)	
	2009-10	2008-09
Salary	48.62	48.62
Provident Fund Contribution	4.05	4.05
Perks	4.15	6.20
	<u>56.82</u>	<u>58.87</u>

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

### 10) Installed Capacity & Production (As certified by the management)

	2009-10		2008-09	
	QTY (M.T.)	VALUE (Rs./Lacs)	QTY (M.T.)	VALUE (Rs./Lacs)
Licensed Capacity (Terry Towels)	NA		N A	
Licensed Capacity (Footwears)	NA		N A	
Installed Capacity				
– Terry Towel (MT)	1080		2134	
– Footwear (Million Pairs)	1.5		0	
Opening Stocks				
– Terry Towel (MT)	64	157.19	110	219.68
Production				
– Terry Towels (MT)	854		1186	
– Footwear (Pairs)	9799			
Sales				
– Terry Towels (MT)	892	2,291.06	1232	3,219.95
– Dyed Yarn (MT)		1.83		12.26
– DEPB Licence		1.28		4.54
– Scrap		8.93		9.94
Closing Stocks				
– Terry Towels (MT)	26	73.30	64	157.19
– Footwear (Pairs)	14,600	20.16		
11) Consumption of raw material (*)				
– Yarn (MT)	989	1043.84	1220	1235.90
– Unfinished Towels (MT)	5	8.12	234	315.14
– EVA, Rubber, Leather	8	5.52		
		<b>2009-10</b>		<b>(Rs./Lacs) 2008-09</b>
12) CIF value of Imports				
- Capital Goods		1039.34		67.24
- Stores & Spares		5.15		21.96
- Raw Material & Consumable Stores		52.90		
13) Expenditure in Foreign Currency				
- Travelling		2.92		10.38
- Commission		0.00		4.54
- Discount		0.00		7.60
- Sale Promotion		0.00		3.78
- Others		4.67		0.06
14) Earnings in Foreign Exchange				
- FOB Value of Exports		1495.04		2992.47
- Others		26.26		0.00
15) Statutory Auditors' Remuneration (including applicable service tax)				
- Service Tax		85,000		85,000
		10,404		10,404
- Audit Fee (Rs.)		93,755		93,755

### 16) Value of Consumable Stores, Stores and Spares consumed during the year

Particulars	2009-10		2008-09	
	Imported	Indigenous	Imported	Indigenous
Consumable Stores				
- Value	-	252.87	-	396.62
- Percentage	-	100.00	-	100.00
Stores & Spares				
- Value	6.31	49.23	8.78	40.54
- Percentage	11.36	88.64	17.80	82.20

# S. R. Industries Limited

Annual Report 2009-10

## 17) SEGMENT REPORTING

Based 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 considers and maintains that the manufacture of "Terry Towels" & "Footwears" are the only business segments of the Company (Rs./Lacs).

	31.3.10	31.3.09	31.3.10	31.3.09	31.3.10	31.3.09
<b>Revenue</b>						
(a) External sales	2303.10	3246.69	-	-	2303.10	3246.69
(b) Inter Segment Sales	-	-	-	-	-	-
<b>Total</b>	<b>2303.10</b>	<b>3246.69</b>	<b>-</b>	<b>-</b>	<b>2303.10</b>	<b>3246.69</b>
<b>Result</b>						
Segment Result	(305.23)	(227.81)	(5.61)	-	(310.84)	(227.81)
Extraordinary Income	223.27	272.79	-	-	223.27	272.79
Interest	0.89	1.41	-	-	0.89	1.41
Profit before Tax	(81.07)	46.39	(5.61)	-	(86.68)	46.39
Provision of Current Tax	-	-	-	-	0.00	8.05
Provision for Deferred Tax	-	-	-	-	(18.27)	12.45
Adjustments	-	-	-	-	6.78	37.69
Profit after Tax	(79.92)	63.57	(5.61)	-	(85.53)	63.58
<b>Other Information</b>						
Segment Assets						
- Own Assets	3677.55	3961.26	3442.74	273.37	7120.29	4234.63
- Inter Unit Assets	1373.91	273.37	(1373.91)	(273.37)	0.00	-
Total Assets	5051.46	4234.63	2068.83	-	7120.29	4234.63
Segment Liabilities						
- Own Liabilities	469.25	457.39	271.03	-	740.28	457.39
- Inter Unit	-	-	-	-	-	-
Liabilities	469.25	457.39	271.03	-	740.28	457.39
Capital	23.88	179.80	2841.53	273.37	2865.41	453.17
Expenditure						
Depreciation	148.15	226.64	2.21	-	150.36	226.64
Non Cash Expenses	-	-	-	-	-	-

## 18) IMPAIRMENT OF ASSETS

In the opinion of the Board, there is no material impairment in the value of overall assets.

## 19) RELATED PARTY DISCLOSURE

Disclosures as required by the Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, are given below :-

### a) RELATED PARTIES

**Key Management Personnel** - Mr. R. C. Mahajan, Mr. Amit Mahajan, Mr. T.N.Tikoo, Mr. Y.R.Kapur and Mr. Amit Mahajan

**Associates** - Universal Cyber Infoway (P) Ltd., Susang Mac (P) Ltd and Pride Properties (P) Ltd.

### b) TRANSACTIONS WITH RELATED PARTIES

(Rs./Lacs)

Nature of Transaction	2009-10		2008-09	
	Key Mgmt Personnel	Associates	Key Mgmt Personnel	Associates
Remuneration & Perks	56.82	-	58.87	-
Payment of Interest	3.10	-	0.72	-
Unsecured Loans				
- received	432.07	375.00	205.65	75.00
- repaid/adjusted	28.20	-	13.15	59.15

20) Earning per share ["EPS"] computed in accordance with Accounting Standard 20:

"Earning per Share":

Basic/Diluted -	2009-10	2008-09
Net Profit as per Accounts (Rs./Lacs)	A (98.17)	63.57
Weighted average no. of shares	B 12,574,000	12,574,000
<b>EPS (Re.)</b>	A/B	
- Basic	(0.78)	0.51
- Diluted	(0.78)	0.51

## 21) DEFERRED TAX LIABILITY

Deferred tax assets and liability are being offset as they relate to taxes on income levied by the same governing Taxation Laws. Break up of deferred tax assets/liability and reconciliation of current year deferred tax :-

	As at March 31, 2010	During the year	As at March 31, 2009
A. Deferred Tax Liability			
- Difference between carrying amount of fixed assets in the financial statements and the income tax returns.	1323.49	588.47	735.02
TOTAL	A' 1323.49	588.47	735.02
B. Deferred Tax Assets			
- Unabsorbed Depreciation/business loss as per income tax returns	531.03	531.03	-
- Expenses charged in the financial statements but allowable as deduction under Income Tax Act in subsequent years.	39.07	3.69	35.38
TOTAL	B' 570.10	534.72	35.38
Net Deferred Tax Liability	(B - A) 753.39	53.75	699.64
Tax Impact	256.08	18.27	237.81

## 22) MOVEMENT OF PROVISIONS

(Rs./Lacs)

Provisions	Income-Tax	FBT	Bonus
Opening Balance	4.80	3.32	4.56
Add : Additions	-	-	2.84
Less : Amount used	4.47	2.99	2.85
Less: Unused Amount Reversed	0.33	.26	-
Closing Balance	-	-	4.55

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

For & on behalf of the Board

**Vikas Goyal**      **Y.R.KAPUR**      **AMIT MAHAJAN**      **R.C. MAHAJAN**  
Company Secretary      Director-Finance      Director-Commercial      Managing Director

As per our report attached to the Balance Sheet

For KANSAL SINGLA & ASSOCIATES  
Chartered Accountants

**S.K.KANSAL**

Partner

Membership No. 080632

FRN 003897N

Place : Chandigarh  
Date : July 7, 2010

**NOTICE**

Notice is hereby given that the Twenty First Annual General Meeting of the Shareholders of the Company will be held on , Thursday, the 30th day of September, 2010 at 10.00 AM at the Registered Office of the Company at Village Kuranwala, Barwala Road, Derabassi – 140 507, Distt Mohali to transact the following business –

**ORDINARY BUSINESS –**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Y R Kapur, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. T N Tikoo, who retires by rotation and is eligible for re-appointment.
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 2010-11 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 Mr. Shashi Kant , who was appointed as an Additional Director w.e.f June 03, 2010 and pursuant to the provisions of Section 260 and other applicable provisions, if any, of the Companies Act, 1956 and Article85(i) of the Articles of Association of the Company, who holds office upto the date of forthcoming Annual General Meeting be and is hereby appointed a Director liable to retire by rotation"
6. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution : -  
"RESOLVED that Dr. J. S. Juneja , who was appointed as an Additional Director w.e.f August 21, 2010 and pursuant to the provisions of Section 260 and other applicable provisions, if any, of the Companies Act, 1956 and Article85(i) of the Articles of Association of the Company, who holds office upto the date of forthcoming Annual General Meeting be and is hereby appointed a Director liable to retire by rotation"
7. To consider and if thought fit to pass, with or without modification(s), the following resolutions as an ordinary resolution : -  
"RESOLVED that in accordance with the provisions of Sections 16, 94 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 Authorised Share Capital of the Company be and is hereby increased from Rs. 16,50,00,000/- (Rupees Sixteen Crores and fifty lacs only) divided into 1,65,00,000 (One Crore Sixty five lacs) Equity Shares of Rs. 10/- (Rs.Ten ) each to Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten) each by creation of additional 1,35,00,000 ( One Crore Thirty five lacs ) Equity Shares of Rs. 10/- (Rupees Ten) 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 3,00,00,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten) each."
8. 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 deleted and be substituted by the following new clause :-  
" The Authorised Share Capital of the company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten) each with a power to increase or reduce or modify the said capital".
9. To consider and if thought fit to pass, with or without modification(s), the following resolution as a special resolution: -  
"RESOLVED that in super cession of the Annual General Meeting resolution dated September 30,2009 and in accordance with the provisions of Section 81(1), 81 (1A) of the Companies Ac, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendment in future thereto ) and enabling provisions in the memorandum and articles of Association of the Company and the listing

Agreements entered into by the Company with the Stock Exchange(s) where the shares of the company are listed and subject to the approval of the Financial institutions (FI's), Securities and Exchange board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities, if any, and to the extent necessary and such others permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, sanctions and permissions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the BOARD) and/or a duly authorised committee thereof for the time being exercising the power conferred by the Board, the consent of the Company be and is hereby accorded to the Board to issue, offer and allot Equity Shares and/or convertible Debentures, (fully paid or partly paid) and /or Non-convertible Debentures, all or any of the aforesaid with or without detachable or non detachable warrants and/or warrants of any nature and/or Secured Premium Notes and/or Floating Rate Notes/ Bonds and/or any other financial instrument(s) (hereinafter referred to as securities) as the Board at it's sole discretion may at any time or times hereafter decide for an amount not exceeding Rs. 17,40,00,000/- (Rupees Seventeen Crores Forty Lacs only) or such lower amount as may be decided by the Board from time to time, whether through Public Issue, Right Issue, Private Placement, Preferential Allotment, Exchange of Securities, Conversion of Loans or otherwise and for general corporate purpose including capital expenditure , working capital requirements strategic investments as the Board may deem fit and/or by any one or more or a combination of the above modes/methods or otherwise and in one or more tranches with or without voting rights in General Meeting / Class Meeting of the Company as may be permitted under the then prevailing laws, at such price or prices or in such manner as the Board, or Committee thereof may in its absolute discretion think fit, in consultation with the Lead Managers, Underwriters, Advisors and such others persons and on such terms and conditions including the number of securities to be issued, face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the number of Equity Shares to be allotted on conversion/redemption/extinguishment of debts, exchange of shares and/or warrants and/or any other financial instruments, period of conversion, fixing for Record Date, or Book closure and related or instrumental matters."

"RESOLVED FURTHER that such of these securities to be issued as are not subscribed may be disposed off by the Board/Committee thereof, to such persons and in such manner and on such terms as the Board or Committee may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/Investment Institutions/ Mutual Funds/Foreign Institutional Investors or such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide".

"RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form, terms and timing of the issue(s) including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted, issue price, face value, premium amount on issue/ conversion of Securities / exercise of warrants/ redemption of securities, rate of interest, redemption period, listings on one or more stock exchanges in India and/ or aboard as the Board in its absolute discretion deems fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/ or abroad, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s)."

"RESOLVED FURTHER that for the purpose of giving effect to the above resolution the Board and the Committee thereof be and is hereby authorised on behalf of the Company to do all or any of such acts, deeds, matters and things as it may in its discretion deem necessary or desirable for such purpose including but without limitation to enter into under-writing, marketing, depository, custodian and any other arrangements or agreements and to remunerate all other agencies by way of commission, brokerage, fees or the like and also to seek the listing of such securities in any one or more of the Indian/International Stock Exchanges including National Stock Exchange (NSE) with power to act on behalf of the Company and to settle such questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its discretion deem fit."

"RESOLVED FURTHER that the Board be entitled to vary, modify alter any of the foregoing terms and conditions to conform with those as may be approved by SEBI, RBI or any other appropriate authorities and departments."

"RESOLVED FURTHER that for the purpose of giving effect to the above the Board be and is hereby authorised to do all things necessary for the purpose of giving effects to the issue and allotment of said securities/ equity shares and to take such action or give such directions as may be necessary or desirable and to accept any modifications in the proposal and terms of the issue including the price of the equity shares to be so issued or to be issued against or conversion of such securities or the ratio or number in which the new equity shares or securities are to be offered which may result in a change in the total amount of the issue as may be considered necessary by the Board or as may be prescribed in granting approvals to the issue and which may be acceptable to the Board and to decide the basis of allotment and to settle any question or difficulty that may arise in regard to the Issue and allotment of the new equity shares or securities or on conversion of said securities into shares or on issue of shares against such securities."

"RESOLVED FURTHER that the Board be and is hereby authorised to take all necessary actions to give effect to this resolution and to delegate to a Committee of Directors or any one of the Director, all or any of its powers and authorities vested in it in terms of this resolution as may be permitted by Law."

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

"RESOLVED that in partial modification of the General Meeting resolution dated January 22, 1992 and pursuant to the provisions of Section 293(i)(d) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the company be and is hereby accorded to the Board of Directors of the company to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company, not with standing that money to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs 100 Crores over and above the paid up capital and free reserves of the company at any given time"

For and on Behalf of the Board  
**VIKAS GOYAL**  
Company Secretary

Place : Dera Bassi  
Date : August 21, 2010  
Regd. Office - Village Kuranwala,  
Barwala Road, Derabassi - 140 507,  
Distt. Mohali (Punjab)

#### 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 Monday, September 27, 2010 to Thursday, September 30, 2010 (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, A-40, 2nd Floor, Naraina Industrial Area Phase - II, Near Batra Banquet, 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

Mr. Shashi Kant was appointed as an additional director w.e.f June 03, 2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 85(i) of the Articles of Association, he holds office up to the date of forthcoming annual general meeting. Mr Shashi Kant has wide experience in the field of Industry. As required by Section 257 of the Act, a notice alongwith a deposit of Rs. 500/- has been received from a Member signifying his intention to propose Mr. Shashi Kant's candidature for appointment as director liable to retire by rotation.

The Board considers it desirable that the company should continue to avail itself of his services and hence recommends the resolution for approval of the shareholders.

Mr Shashi Kant does not hold any Shares of the company.

The Board recommends the passing of the subject resolution.

None of the Directors except Mr. Shashi Kant himself is interested in this resolution.

##### Item No. 6

Dr. J. S. Juneja was appointed as an additional director w.e.f August 21, 2010. Pursuant to the provisions of section 260 of the Companies Act, 1956 and Article 85(i) of the Articles of Association, he holds office up to the date of forthcoming annual general meeting. Dr. J.S. Juneja has wide experience of over three decades both in the public and private sector managements. As required by Section 257 of the Act, a notice alongwith a deposit of Rs. 500/- has been received from a Member signifying his intention to propose Dr. J.S. Juneja's candidature for appointment as director liable to retire by rotation.

The Board considers it desirable that the company should continue to avail itself of his Services and hence recommends the resolution for approval of the shareholders. Dr. J.S. Juneja does not hold any Shares of the company.

The Board recommends the passing of the subject resolution.

None of the Directors except Dr. J.S. Juneja himself is interested in this resolution.

##### Item No. 7 & 8

In connection with its expansion plan, your company may have to raise further capital as contained in Item Nos. 3 & 4 of the Notice. This proposal would necessitate increase in the Authorised Share Capital of the Company.

At present the Authorised Share Capital of the company is Rs. 16,50,00,000/- divided into 1,65,00,000 Equity Shares of Rs. 10/- each. This is proposed to be enhanced to Rs. 30,00,00,000/- by creation of 1,35,00,000 Equity Shares of Rs. 10/- Each.

The resolution contained in Item No. 7 & 8 is for the purpose of enhancement of Authorised Share Capital of the Company and corresponding alteration required in the Company's Memorandum of Association and Articles of Association respectively

None of the Directors of the company is concerned or interested in these resolutions.

##### Item No. 9

With a view to augment long-term resources, to part finance the Company's modernisation/expansion plans of the company, the Board have considered the proposal and thought it prudent to make further issue of shares by way of rights issue. The Board thereafter decided to raise funds by issuing Shares/Securities as defined in the resolution set out at item No.9 of the notice.

The detailed terms and conditions of the offer will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters Experts and any other Agencies as may be required and in accordance with the terms and conditions of approval, if any, of Government of India (GOI)/Reserve Bank of India (RBI)/ Securities & Exchange Board of India (SEBI) or other authorities as may be applicable.

The Issue price of Securities to be issued will be decided, depending upon and keeping in view, the Capital Market conditions.

The proposed Resolution is enabling Resolution conferring authority on the Board of Directors and/or the Committee thereof in terms of Section 81(1) & 81(1A) of the Companies Act, 1956 to mobilise adequate resources to meet its' object to part finance the modernisation and expansion plans, for expanding its business operations and other corporate requirements/needs including working capital and others.

The proposed Resolution also give adequate flexibility in respect of working out the modalities of issue including finalisation of terms and conditions of issue, listing and timing of issue and other factors as detailed in aforesaid Resolution mentioned at item Nos.9 of the Notice. Section 81 of the Companies Act, 1956, provides inter alia that whenever it is proposed to increase the subscribed capital of the company by allotment of further shares, such further shares shall be offered to the existing shareholders of the company in the manner laid down in the said section unless the shareholders in General Meeting decide otherwise. The Listing Agreements executed by the Company with Stock Exchanges in India where the Company's shares/securities are listed also provide that the Company shall, in the first instance, offer the Securities for subscription pro-rata to the Equity Shareholders unless the shareholders in a General Meeting decide otherwise.

The consent of the Members is therefore sought by the proposed Special Resolution under Section 81(1) and 81(1A) of the said Act and in terms of the Listing Agreements to authorise the Board to issue and allot Shares/Securities to such investors who may or may not be the existing shareholders of the Company in the manner set out in the Resolution at item No. 9.

Your Directors recommend passing of the Special Resolution set out at item No. 9 of this Notice for approval of the Members.

None of the Directors are in any way concerned or interested in the said Resolutions, except to the extent of Securities, if any, that may be subscribed by them and/or by their relatives and/or by the Companies in which they may be deemed to be interested.

The Board recommends the resolution for adoption by the members.

**Item No. 10**

The shareholders of the company in the extra ordinary general meeting held on January 22, 1992 had authorised the board of directors to borrow funds not exceeding the Sum of Rs. 20 Crores over and above the paid up capital and free reserves of the company at any given time.

The Company requires additional loans from banks/financial institutions for funding its expansion/diversification plans. The existing limit of Rs. 20 Crores is insufficient to meet the growing need of funds. The directors therefore recommend increasing the existing limit to Rs. 100 Crores.

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

For and on Behalf of the Board

**VIKAS GOYAL**

Company Secretary

Place : Derabassi

Date : August 21, 2010

Regd. Office -Village Kuranwala, Barwala Road,

Derabassi – 140 507, Distt. Mohali (Punjab)

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I REGISTRATION DETAILS**

Registration No.       State Code

Date           
Date Month Year

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

Public Issue      Rights Issue

Bonus Issue      Private Placements

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

Total Liabilities       Total Assets

**SOURCES OF FUNDS :**

Paid-up Capital       Reserves and Surplus

Secured Loans       Unsecured Loans

Deferred Tax Liability

**APPLICATION OF FUNDS :**

Net Fixed Assets       Investment

Net Current Assets       Miscellaneous Expenditure

Accumulated Losses

**IV PERFORMANCE OF THE COMPANY (RS.IN THOUSANDS)**

Turnover       Total Expenditure

Loss Before Tax       Profit After Tax

Earning Per Share (Re.)      Dividend Rate %

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY**

Item Code No.

Product Description 100% COTTON TERRY TOWELS FOOTWEAR

For & on behalf of the Board

Place : Chandigarh  
Date : JuLY 07, 2010

**VIKAS GOYAL**  
Company Secretary

**Y.R. KAPUR**  
Director-Finance

**AMIT MAHAJAN**  
Director-Commercial

**R.C. MAHAJAN**  
Managing Director