

**30th ANNUAL REPORT**



**2010**

**ADINATH TEXTILES LIMITED**

**BOARD OF DIRECTORS**

Sh. Rajneesh Oswal	Executive Director
Sh. Raman Marwaha	Director
Sh. R.P. Gupta	Director
Sh. S.K. Sekhri	Director

**AUDITORS :**

M/s. Dass Khanna & Co.  
Chartered Accountants  
Ludhiana.

**REGISTERED OFFICE & WORKS**

Village Bholapur, P.O. Sahabana  
Chandigarh Road, Ludhiana - 141 123

**BRANCHES / OFFICES**

1. 4-J & E, Gopala Tower,  
25, Rajendra Place  
New Delhi - 110 008.
2. 302, Raheja Chambers,  
Nariman Point,  
Mumbai - 400 021.

<b>CONTENTS</b>	<b>Page No.</b>
NOTICE.....	3
DIRECTORS' REPORT.....	4
CORPORATE GOVERNANCE REPORT	5
AUDITORS' REPORT.....	10
BALANCE SHEET.....	13
PROFIT & LOSS ACCOUNT.....	14
CASH FLOW STATEMENT.....	15
SCHEDULES TO ACCOUNTS.....	21
SIGNIFICANT ACCOUNTING POLICIES	
BALANCE SHEET ABSTRACT.....	26

**Registrar & Transfer Agents**

Skyline Financial Services (p) Limited  
D-153/A, 1st Floor,  
Okhla Industrial Area, Phase - 1,  
New Delhi - 110020.

**Addendum to the Annual Report****MANAGEMENT DISCUSSIONS AND ANALYSIS****OVERVIEW OF INDUSTRY**

The overall performance of textile industry is badly affected due to lower realization both in export and domestic market. Disturbed power supply and skilled labor shortage in the region has worsened the position.

The company primarily operates in spinning of worsted and spun yarn. The company has manufacturing set up base in Ludhiana in the state of Punjab and Corporate Office is located in Ludhiana in Punjab. Presently the company has devoted major part of its production capacity to Job works. In addition company has taken up the trading activities to avail off the available opportunities.

**OPPORTUNITY, RISK AND CONCERN**

The company is dependent upon the orders for the job work for its manufacturing facilities. Ludhiana being a hosiery cluster, company does not foresee any problem for its activities. Further management feels that the opportunity for the company lies in increasing the income in trading activities of textile goods. Your company is actively working for these opportunities.

**SEGMENTWISE –PRODUCTWISE PERFORMANCE**

The company has only one segment i.e manufacturing and sale/ trading of Acrylic and worsted yarn.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your Company has a proper and adequate internal control system to safeguard and protect against loss from unauthorized use or disposition and to ensure that all transactions are authorized, recorded correctly and adequately. Internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets.

The internal audit report, plans, significant audit findings and compliance with accounting standards is in turn reviewed by the Company's Audit Committee to ensure proper audit coverage and adequate consideration along with execution of the auditors' recommendations.

**FINANCIAL STATEMENT**

Financial statements of the company have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles in India. There are no material departures from the prescribed accounting standards in the adoption of accounting standards. The management of the Company accepts responsibility for the integrity and objectivity of these financial statements, as well as various estimates and judgments used therein. However, any unforeseen and uncontrollable external factors may alter these judgments.

**HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS**

The human resources development function of the Company is guided by a strong set of values and policies. Your company maintains a work environment that is free from any harassment.

**CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Your company actively participates with number of NGOs for holding medical check-up camps, sports events and other social activities.

**Addendum to the Annual Report****CEO Certification under Clause 49 of Listing Agreement**

I, Rajneesh Oswal, Executive Director of Adinath Textiles Limited hereby certify that;

- a) I have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March 2010 and that to the best of our knowledge and belief;
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the financial year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) I have indicated to the Auditors and the Audit committee that;
  - i) there are no significant changes in internal control over financial reporting during the year; and
  - ii) there have been no significant changes in accounting policies during the year which are required to be disclosed in the notes to the financial statements; and
  - iii) there have been no instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ludhiana : 14-08-2010

**Rajneesh Oswal**  
Executive Director

**NOTICE**

Notice is hereby given that the 30th Annual General Meeting of the members of the Company will be held on Tuesday, the 28<sup>th</sup> day of September, 2010 at 11.30 A.M. at the Registered Office of the Company at Village Bholapur, P.O. Sahabana, Chandigarh Road, Ludhiana to transact the following business.

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh S K Sekhri, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

**NOTES:**

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

1. The Register of Members and Share Transfer books of the Company shall remain closed from Saturday 25<sup>th</sup> day of September, 2010 to Tuesday the 28<sup>th</sup> day of September, 2010 (both days inclusive), for the purpose of AGM, for both physical and electronic segments.

2. Members/proxies are requested to bring their copy of Annual Report to the Meeting.

3. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their question in writing to the Company, so as to reach at the registered office of the Company at least 10 days before the date of the meeting so that information required may be made available at the time of the Meeting.

4. Members are requested to :

- (I) Quote their folio number/Client ID & DP-ID in all correspondence with the company or its Registrar.
- (II) Notify immediately to the company or its Registrar, any change in their address/ mandate, if any.

5. Shares of the Company are available for De-Materialization under ISIN INE207C01019. Members who have not opted for De-Materialization are requested to do so in their own interest.

6. Shareholders/ Proxy holders are requested to produce at the entrance, the attached admission slip duly completed and signed, for admission to the Meeting Hall.

7. Please note that the meeting is for members or their proxies only. Please avoid being accompanied by non-members and children.

By order of the Board  
For Adinath Textile Ltd  
Sd/-

Place : Ludhiana  
Dated : 14 August 2010

Rajneesh Oswal  
(Executive Director)

**DETAILS OF DIRECTOR RETIRING BY ROTATION AND SEEKING REAPPOINTMENT ( AS PER CLAUSE 49 OF THE COMPANIES ACT, 1956)**

Sh S K Sekhri is a Fellow Member of the Institute of Chartered Accountant of India. He has experience of more than three decades to his credit in the field of Finance & Internal Control. Mr S K Sekhri was first appointed as additional director of the company on 29.06.2004 & thereafter was appointed as director liable to retire by rotation. Mr S K Sekhri is the member of audit Committee of the Board. He is also a director in M/s Noble Share Trading Pvt Ltd.

**DIRECTORS' REPORT**

The Directors of your company are pleased to present the 30<sup>th</sup> Annual Report together with the Audited Accounts of the company for the year ended 31.03.2010.

**FINANCIAL RESULTS**

	2009-10	(Rs. in lacs) 2008-09
Income from Operations	1307.04	1273.23
Other Income	12.92	51.60
Profit/(Loss) before interest and depreciation	181.54	220.17
Less interest	0.09	0.24
Gross Profit/(Loss)	181.45	219.93
Depreciation	12.08	14.83
Net Profit/(Loss) Before Tax	169.37	205.10
Provision for Taxation	0.02	0.33
Net Profit/(Loss) after Tax	169.35	204.77

During the year under consideration the turnover of the company is Rs. 1307.04 Lacs against Rs. 1273.23 lacs in the last Financial Year. In addition company had also carried the job work to the extent of Rs. 35.84 Lacs in comparison to Rs. 54.65 Lacs in previous year.

As reported earlier that the company has been declared as Sick by the BIFR. The management of the company has submitted its Detailed Rehabilitation Scheme (DRS) to the BIFR through the operating agency appointed by the BIFR and is hopeful to get the approval of revival scheme submitted.

**DIVIDEND**

Due to accumulated losses of the previous years, your Directors are unable to recommend any dividend for the year under review.

**DIRECTORS**

Sh. S.K.Sekhri is retiring by rotation and is eligible for re-appointment as director of the company.

**DEPOSITS**

During the year under review the company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

**AUDITORS**

Auditors of the Company M/s Dass Khanna & Co., Chartered Accountants, Ludhiana retire at the ensuing Annual General Meeting of the company and are eligible for reappointment.

**COST AUDITORS**

Mr. Vipin Maini, Cost Accountant, New Delhi, has been appointed as Cost Auditors for the year 2009-10. He will submit his report in due course.

**AUDITORS REPORT**

The Auditors Report on accounts of the company for the year under review is self explanatory and require no comments. As for their comments regarding realization of old outstanding, management has taken effective steps, including the filing of legal cases, and is hopeful to recover the old outstanding. Company had appointed Mr. Robin Vijan as its secretary to meet out the requirement of Section 383A of the Companies Act, 1956. However, Mr. Robin Vijan did not stay with the company for long time.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956**

(A) Subsection (1)(e)

(i) Conservation of Energy - All efforts are being made to conserve energy.

(ii) Technology Absorption-- Nil.

(iii) Foreign Exchange Earnings and Outgo

Earnings: Nil

Outgo : Rs. Nil/-

B) Subsection 2A

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

**(C) Subsection 2 AA**

Your Directors state:

1. That in the preparation of the annual accounts, the applicable accounting standards had been followed by the Company along with proper explanation relating to material departures;
2. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period ;
3. 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;
4. That the directors had prepared the annual accounts on a going concern basis.

**ACKNOWLEDGMENTS**

Your Directors wish to place on record their appreciation for the dedicated work and co-operation extended by all the employees.

Your Directors also wish to record their gratitude to the shareholders, Customers and Suppliers for their valuable support.

**ON BEHALF OF THE BOARD  
for ADINATH TEXTILES LIMITED**

Sd/-

**RAJNEESH OSWAL  
(Chairman)**

Place : Ludhiana

Date : 14th August, 2010

## REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the roadmap which guides and directs the Board of Directors of the company to govern the affairs of the company in a manner that fulfill its obligations to all stakeholders.

The Company is in compliance with requirements of the guidelines on corporate governance stipulated under clause 49 of the Listing Agreement. The status with regard to the various aspects of the corporate governance is given below.

The company has adopted a Code of Conduct for members of the Board and senior management. All directors have affirmed in writing their adherence to the above code.

**Board of Directors**

**(I) Composition:**

The Board of Directors of the Company comprises of a One Executive Director, and three Independent and Non Executive Directors with professional expertise and experience in their respective field.

The Board of Directors met five times during the year 2009-10 on 30th April, 2009, 31st July, 2009, 21st August 2009, 31st October, 2009 and 28th January, 2010.

The name of Board members, their attendance at Board Meetings and the number of other Directorships and Board Committee memberships held by them as on March 31, 2010 are given in the following table:

Name of the Director	Board meetings attended during the year	Attendance at last AGM (30.09.09)	No. of other Directorship held	Membership of the Committees of other Companies
<b>EXECUTIVE DIRECTOR</b>				
Sh. Rajneesh Oswal	4	Present	5	2
<b>NON EXECUTIVE DIRECTORS</b>				
Sh. Raman Marwaha	5	Present	----	----
Sh. R. P. Gupta	5	Present	1	----
Sh. S. K. Sekhri	1	Not Present	1	----

### Audit Committee

The Audit Committee comprises of the three independent directors and is chaired by Sh. Raman Marwaha. The terms of reference of Audit Committee have been reviewed from time to time. Presently, these confirm to the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. There were five meetings of the committee during the year. The details of composition of committee and attendance at its meetings are given in the following table:

Name of Member	Meetings Held	Meetings Attended
Sh. Raman Marwaha	5	5
Sh. R.P.Gupta	5	5
Sh.S.K.Sekhri	5	2

### Share Transfer-cum-Investor Grievance Committee

The Board has formed an investors' Grievance Committee named as Share Transfer-cum-Investor Grievance Committee to specifically look into the redressal of investors' complaint like transfer of shares, non receipt of balance sheet or non receipt of credit of shares into the De mat account etc. The committee also approves issue of duplicate share certificate(s) and overseas and reviews all matters connected with the share transfer.

The Share Transfer cum Investor Grievance Committee is headed by a Non-Executive Director and met twelve times during the year 2009-10. The detail of members and their attendance are given in the table

Name of Member	Meetings Held	Meetings Attended
Sh. R.P.Gupta(Chairman)	12	12
Sh. Rajneesh Oswal	12	10
Sh. Raman Marwaha	12	12

The company has designated the e.mail id "[cs@shreyansgroup.com](mailto:cs@shreyansgroup.com)" for the purpose of registering complaints by investors electronically. This e.mail id is displayed on the company's website.

The details regarding the investor's complaints are as under

	No. of Complaints
Pending as on 01.04.2009	NIL
Received during the year	16
Resolved during the year	16
Pending as on 31.03.2010	NIL

### REMUNERATION PAID TO DIRECTORS

Company has not paid any remuneration to its Executive Director. Sitting fee was paid to the Non Executive Directors during the year under consideration as per detail given below.

Name	Category	Sitting Fees for Board Meetings
Sh. R.P. Gupta	Independent Director	3750/-
Sh. Raman Marwaha	Independent Director	3750/-
Sh. S.K. Sekhri	Independent Director	1500/-

### General Body Meetings

The last three Annual General Meetings were held as under :

Financial Year	Date of A.G.M	Time	Venue
2008 - 2009	30th September, 2009	11.30 AM.	Regd. Office of the Company at Vill. Bholapur, P.O. Shabana, Chandigarh Road Ludhiana- 141123
2007 - 2008	27th September, 2008	3.00 PM.	---Do---
2006 - 2007	29th September, 2007	10.30 AM.	---Do---



There was no occasion to pass Special Resolutions through postal ballot on any of the matters as required under the rules for passing of resolution through Postal Ballot.

Further no such proposal is proposed to be placed for the shareholders' approval in the forthcoming Annual General Meeting.

#### Disclosures

A) The related party transactions are placed before Audit Committee. For the year 2009-10, there were no transactions of material nature with related parties which are not in the normal course of business. The related party transactions are disclosed in the Notes on Account to the Balance Sheet.

B) There are no pecuniary relationships or transactions of non executive directors vis-à-vis company that have a potential conflict with the interests of the company.

C) The company has complied with requirements of the stock exchanges as well as the Regulations and Guidelines prescribed by the Securities & Exchange Board of India. There were no penalties or strictures imposed on the company by Stock exchanges or SEBI, any statutory authority on any matter related to capital markets during last three years.

Up to date listing fee has been paid to the Bombay Stock Exchange. However BSE has suspended the trading in equity shares of the listed company. Company has taken steps for restoring the trading. Company has also made applications for the voluntary delisting from the stock exchanges at Ludhiana, Delhi, Chennai, Kolkata and Ahmdabad, which are pending for decision at end of respective stock Exchange. Company has not paid listing fee to these stock exchanges in view of poor financial position.

D) The company has complied with all mandatory requirements of clause 49 of listing agreement on corporate governance and the non mandatory requirement to the extent detailed above.

E) As on 31<sup>st</sup> March, 2010 none of the non executive directors, is holding any equity shares of the company.

F) The company has a Whistle Blower Policy in place and it has not denied access to any personnel to approach the Management or the Audit Committee on any issue.

G) No director of the company is having any relationship with each other.

#### Means of Communication

The Quarterly / Half-Yearly/ Annual Audited Results of the Company are sent to the Stock Exchanges after they were approved by the Board of Directors and communicated to the investors through publication in News Papers.

#### General Share Holders Information

##### (i) Annual General Meeting

Date & Time: Tuesday, the 28<sup>th</sup> day of September, 2010 at 11.30 A.M.

Place: Regd. office of the Company at Vill. Bholapur, P.O. Sahabana, Chandigarh Road, Ludhiana - 141 123.

##### (ii) Financial Year

The company's Financial Year starts from 1st April every year and conclude on 31st March, next year.

(iii) **Book Closure:** From Saturday, the 25th day of September, 2010 to Tuesday, the 28<sup>th</sup> day of September, 2010 (both days inclusive)

(iv) Company has not declared any dividend during the year 2009-10.

##### (v) Listing Details:

The Equity shares of the Company are listed on

(i) The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana - 141 001

(ii) The Delhi Stock Exchange Association Limited, DSE House, Asaf Ali Road, New Delhi - 110 002

(iii) The Stock Exchange, Mumbai, Pheroze Jeejeebhoy Towers, 25th floor, Dalal street, Mumbai - 400 001

(iv) The Calcutta Stock Exchange Association Limited,

(v) The Madras Stock Exchange Limited, Post Bag No. 183, 11 Second Line Beach, Chennai - 600 001

(vi) The Ahmdabad Stock Exchange,

Stock Code : BSE Code : 514113

(vi) Depositories for Equity Shares : National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)

ISIN No. for the Companies Equity Shares : INE207C01019

(vii) Registrar and Share Transfer Agent.

The details of Registrar & Transfer Agents are as under

Name : Skyline Financial Services (P) Ltd.  
 Address : D-153/A1\* Floor, Okhla Industrial Area, Phase -1, New Delhi - 110020  
 Phone No. : 011-26292680, 82,83, and 84  
 Fax No. : 011-26292681  
 Contact Person : Mr. Subhash Aggarwal, Director.

(viii) The distribution of Company's shareholding is as follows :

NO OF SHARES From To		PHYSICAL FORM			D-MAT FORM		
		NO. OF SHARE HOLDERS	NO. OF SHARES HELD	PERCENTAGE OF SHARE CAPITAL HELD \$	NO. OF SHARE HOLDERS	NO. OF SHARES HELD	PERCENTAGE OF SHARE CAPITAL HELD \$
1	500	19921	2443550	35.88	2973	455640	6.69
501	1000	319	247280	3.63	146	117455	1.72
1001	2000	89	124920	1.83	63	90922	1.33
2001	3000	18	43150	0.63	20	49113	0.72
3001	4000	6	20050	0.29	7	24800	0.36
4001	5000	3	13200	0.19	3	14550	0.21
5001	10000	4	24470	0.35	8	53143	0.78
10001	above 10001	14	2947220	43.26	5	144887	2.13
<b>TOTAL</b>		<b>20374</b>	<b>5863840</b>	<b>86.06</b>	<b>3225</b>	<b>950510</b>	<b>13.94</b>

\$ The above percentage is after excluding the shares forfeited but not re-allotted

(ix) Share Transfer System:

The Board has delegated the power of approving re-materialisation of shares, transfer and transmission cases, splitting-consolidation of share certificates and issue of duplicate share certificates etc. to the Share Transfer cum Investor Grievances Committee. A list of valid transfers prepared by Transfer Agent in respect of transfers received by them and objections, if any, are placed before the committee for approval/ confirmation. The shares are accepted for registration of transfer at the Registered Office of the Company in addition to the office of Registrar & Transfer Agent, M/s Skyline Financial Services Private Ltd., New Delhi.

(x.) Market Price data: The monthly high and low stock quotations for the shares of the company at the Stock Exchange, Mumbai, during the last financial year are not available.

(xi.) The Company has not issued any GDR's / ADR's and there are no warrants or any convertible warrants.

(xii.) Location of Plant:

Adinath Textiles Ltd., Vill. Bholapur, P.O. Shabana, Chandigarh Road, Ludhiana

(xiii.) Address for Correspondence :

Adinath Textiles Limited, Vill. Bholapur, P.O. Sahabana, Chandigarh Road, Ludhiana (India) - 141 123  
 Ph. (0161) 2685271, 2685272 Fax. 91-161-2685270  
 Email : atf@shreyansgroup.com Website : www.shreyansgroup.com

**DECLARATION**

To  
The Members  
Adinath Textiles Limited, Ludhiana

**DECLARATION UNDER CLAUSE 49(1D) OF THE LISTING AGREEMENT**

I hereby confirm that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Directors and Senior Management Personnel as approved by the Board, for the Financial Year ended 31st March, 2010 in terms of clause 49 (1)(D)(ii) of the the Listing Agreement entered with the stock Exchanges

Place : Ludhiana  
Dated : 14-10-2010

**Rajneesh Oswal**  
Executive Director

**Certificate on Compliance with the condition of Corporate Governance under Clause 49 of the Listing Agreement**

To  
The Members  
Adinath Textiles Limited

We have examined the compliance of conditions of Corporate Governance by Adinath Textiles Limited for the year ended on March 31st, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the further viability of the company nor the efficiency or effectiveness with which neither management has conducted the affairs of the company.

**For P.S. Bathla & Associates**

Place : Ludhiana  
Date : 14-10-2010

**P.S. Bathla**  
(C. D. No. 2585)

## AUDITORS REPORT

To,  
The Members  
ADINATH TEXTILES LIMITED

a) We have audited the attached balance sheet of ADINATH TEXTILES LIMITED, as at 31<sup>st</sup> March, 2010, the profit and 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.

b) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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.

c) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

d) Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books.
- (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account. Though the net worth of the company has become negative (also refer to Note no. 9 of Annexure-M), and the company have been declared as a Sick by BIFR and the draft rehabilitation package, as submitted through SBI (OA), is pending before the Honb'le BIFR.
- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representation received from directors on 31 March, 2010 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31 March, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of

section 274 of Companies Act, 1956.

(vi) We report that :-

1. We are unable to express our opinion regarding realization of sundry debtors amounting Rs.12102399/- (Previous year Rs.12216509/-) which are due for more than three years. However in the opinion of the management the said amounts is recoverable, hence no provision has been made against the same.

2. Company is not having any whole time Company Secretary.

We further report:

In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to above and read together with notes on accounts as per Annexure 'M' there on 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 31<sup>st</sup> March, 2010.
- b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- c) in case of the cash flow statement, of the cash flows for the year ended on that date.

**FORDASS KHANNA & CO.**  
**CHARTERED ACCOUNTANTS**

**PLACE : LUDHIANA**  
**DATED : 14-08-10**

**(RAKESH SONI)**  
**PARTNER**  
**M.NO. 83142**

(REFERRED TO IN PARAGRAPH (3) OF OUR REPORT EVEN DATE ON THE STATEMENT OF ACCOUNTS FOR ADINATH TEXTILES LIMITED AS AT AND FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010.)

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) 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. No material discrepancies were noticed on such verification.

(c) During the year, the company has not disposed off a major part of the plant and machinery, which affected the going concern status of the company.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company is maintaining proper records of inventory. No discrepancies noticed on verification between the physical stocks and the book records.

(iii) (a) The company had taken loan from 3 parties listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 80.55 lacs and the year end balance of loans taken was Rs. 33.06 lacs.

The company has not granted loans secured or unsecured to the parties listed in the register maintained under section 301 of the Companies Act, 1956.

(b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 of the companies Act, 1956 are not, prima facie, prejudicial to the interests of the company.

(c) The company is regular in repaying the principal amounts as stipulated.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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 the sale of goods and services. During the course, of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) According to the information and explanations given to us, we are of the opinion that there was no contract or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

(vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public during the year within the meaning of section 58A, 58AA or any other provisions of the Act and the Companies Act, 1956 and the ruled framed there under.

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

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The company is regular in depositing with appropriate authorities undisputed, However company is irregular in depositing sales tax, House Tax. The extent of arrear outstanding as at 31<sup>st</sup> March 2010 for a period of more than six month from the date they become payable are as under-

Nature of Dues	Amount in (Rs.)
Sales Tax	2277956
Entry Tax	237798
Intt. on PF/ESI / Sale Tax	1342158

(a) According to the records of the company, the disputed statutory dues aggregating to Rs. 16,95,001/- that have not been deposited on account of matters pending before the appellate authorities in respect of custom duty and excise duty are as follow:

Forum where dispute is pending	Nature of Dues	Disputed Amount (Rs.)
Adl. Commissioner of Customs	Duty, Interest & Penalty	1,95,001
Commissioner Central Excise & Customs, Chandigarh	Penalty	15,00,000**

\*\* Note: However Rs. 500000/- has been deposited under protest.

(x) The accumulated losses of the company are more than of its net worth.

(xi) In our opinion and according to the information and explanations given to us, there is no default w.r.t to debenture holders.

(xii) According to the information and explanations given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The company is not a chit fund or a Nidhi /Mutual benefit fund/ society.

(xiv) The company is not dealing in or trading in shares, securities, debentures and other investment.

(xv) According to the information and explanations given to us the company has not given any guarantees for loans taken by others from banks or financial institutions.

(xvi) During the year company has not raised any term loan.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.

(xviii) According to the information and explanations given to us, during the year company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

(xix) According to the information and explanations given to us, the company has not issued any debentures during the year under audit.

(xx) The company has not raised any money by way of public issue during the year.

(xxi) In our opinion and 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 DASS KHANNA & Co.,  
CHARTED ACCOUNTANTS**

**PLACE : LUDHIANA  
DATED : 14-08-10**

**(RAKESH SONI)  
PARTNER  
M.NO. 83142**

## BALANCE SHEET AS AT 31ST MARCH 2010

Particulars	Annexures	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDER'S FUNDS</b>			
(a) Capital	A	70,143,500	70,143,500
(b) Reserves & Surplus	B	69,519,250	69,519,250
		<u>139,662,750</u>	<u>139,662,750</u>
<b>LOAN FUNDS</b>			
(a) Unsecured Loans	C	7,305,621	10,855,621
		<u>7,305,621</u>	<u>10,855,621</u>
<b>TOTAL :-</b>		<u>146,968,371</u>	<u>150,518,371</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
(a) Gross Block	D	98,482,585	98,719,786
(b) Less : Depreciation		75,356,488	74,148,401
(c) Net Block		<u>23,126,097</u>	<u>24,571,385</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
(a) Inventories	E	2,476,966	1,818,691
(b) Sundry Debtors		50,681,163	28,332,558
(c) Cash and Bank Balances		525,376	580,523
(d) Loans and Advances		3,765,827	3,766,087
		<u>57,449,332</u>	<u>34,497,859</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
(a) Liabilities	F	86,292,080	7,81,71,384
<b>NET CURRENT ASSETS</b>		<u>(28,842,748)</u>	<u>(4,36,73,525)</u>
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)			
<b>PROFIT &amp; LOSS ACCOUNT</b>		<u>152,685,021</u>	<u>169,620,510</u>
<b>Total :-</b>		<u>146,968,371</u>	<u>150,518,371</u>

### NOTES ON ACCOUNTS

This is the Balance Sheet referred to in our report of even date. For Dass Khanna & Co. Chartered Accountants

(RAKESH SONI)  
Partner

(RAJESH KUMAR)  
AM (A/c)

(R.P. GUPTA)  
Director

(RAJNEESH OSWAL)  
Executive Director

PLACE : LUDHIANA  
DATED : 14.08.2010

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

Particulars	Annexures	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>INCOME</b>			
Sale		127,120,250	122,163,360
Other Income	G	4,876,439	10,625,331
<b>TOTAL</b>		<b>131,996,689</b>	<b>132,788,691</b>
<b>EXPENDITURE</b>			
Material Consumed	H	104,186,341	101,802,800
Manufacturing Expenses	I	4,136,706	4,239,470
Personnel Expenses	J	3,634,283	3,243,367
Administration and other Expenses	K	1,805,806	1,368,469
Financial Expenses	L	8,868	23,605
Selling Expenses	M	79,116	117,472
Depreciation		1,208,087	1,483,502
<b>TOTAL</b>		<b>115,059,207</b>	<b>112,278,685</b>
<b>PROFIT/(LOSS) AFTER DEPRECIATION</b>		<b>16,937,482</b>	<b>20,510,006</b>
Provision for Fringe Benefit Tax		0	33,250
Advance Tax		(8,000)	----
Excess Provision Written Back (FBT)		6,006	----
Balance B/F from Previous Year		(169,620,510)	(190,097,266)
<b>Balance Carried to Balance Sheet</b>		<b>(152,685,021)</b>	<b>(169,620,510)</b>
Earning Per Share-Basic		<b>2.49</b>	3.01

### NOTES ON ACCOUNTS

This is the Profit and Loss A/c referred to in our report of even date.

N

For Dass Khanna & Co.  
Chartered Accountants

**(RAKESH SONI)**  
Partner

**(RAJESH KUMAR)**  
AM (A/c)

**(R.P. GUPTA)**  
Director

**(RAJNEESH OSWAL)**  
Executive Director

PLACE : LUDHIANA  
DATED : 14.08.2010



## CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2010

A. CASH FLOW FROM OPERATIONS	(Rs. In Thousand)	
	2009-2010	2008-2009
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	16937.48	20510.01
Adjustment for :		
Depreciation	1208.09	1483.50
Interest Paid	2.10	4.16
Gain on Sale of Fixed Assets Sold	----	(177.27)
<b>Operating Profit Before Working Capital Changes</b>	<b>18147.67</b>	<b>21820.40</b>
Adjustment for :		
Trade & Other Receivables	(22348.34)	(4656.42)
Inventory	(658.28)	190.64
Trade Payables	12388.81	6505.83
Others	(4268.11)	(5604.95)
<b>Cash Generated from Operations</b>	<b>3261.75</b>	<b>18255.49</b>
Interest Paid	(2.10)	(4.16)
Direct Taxes Paid	(1.99)	(33.25)
<b>Net Cash from Operating Activities</b>	<b>3257.65</b>	<b>18218.08</b>
 <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	---	---
Sale of Fixed Assets	237.20	305.00
<b>Net Cash From Investing Activities</b>	<b>237.20</b>	<b>305.00</b>
 <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of Long Term Borrowings	---	---
Increase in Unsecured Loans	(3550.00)	(19038.48)
<b>Net Cash From Financing Activities</b>	<b>(3550.00)</b>	<b>(19038.48)</b>
Net Increase In cash and cash Equivalents	(55.15)	(515.40)
Opening Cash & Equivalents	580.62	1095.92
<b>Closing &amp; Cash &amp; Cash Equivalents</b>	<b>525.38</b>	<b>580.52</b>

This is the cash flow statement referred to in our report of even date.

**For Dass Khanna & Co.**  
Chartered Accountants

**(RAKESH SONI)**  
Partner

**(RAJESH KUMAR)**  
AM (A/c)

**(R.P. GUPTA)**  
Director

**(RAJNEESH OSWAL)**  
Executive Director

PLACE : LUDHIANA  
DATED : 14.08.2010

## SHARE CAPITAL

## ANNEXURE 'A'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>AUTHORISED</b>		
99,00,000 Equity Shares of Rs. 10/- each	99,000,000	99,000,000
10,000 11% Redeemable Non-Cumulative Preference Shares of Rs. 100/- each	1,000,000	1,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
<b>ISSUED AND SUBSCRIBED</b>		
86,16,800 Equity Shares of Rs. 10/- each	86,168,000	86,168,000
2,000 11% Redeemable Non-Cumulative Preference Shares of Rs. 100/- each	200,000	200,000
	<u>86,368,000</u>	<u>86,368,000</u>
<b>PAID UP CAPITAL</b>		
6814350 Equity Shares of Rs. 10/- each	68,143,500	68,143,500
2,000 11% Redeemable Non-Cumulative Preference Shares of Rs. 100/- each	200,000	200,000
	<u>68,343,500</u>	<u>68,343,500</u>
<b>ADD FORFEITED SHARES</b> (Amount Originally Paid up)	1,800,000	1,800,000
<b>TOTAL</b>	<u>70,143,500</u>	<u>70,143,500</u>

## RESERVES AND SURPLUS

## ANNEXURE 'B'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>CAPITAL RESERVE</b>	12,000	12,000
<b>SECURITIES PREMIUM ACCOUNT</b>	69,428,050	69,428,050
<b>PREMIUM ON SHARES ALREADY FORFEITED</b>	79,200	79,200
<b>TOTAL</b>	<u>69,519,250</u>	<u>69,519,250</u>

**UNSECURED LOANS**

**ANNEXURE 'C'**

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Other Loan	7,305,621	10,855,621
<b>TOTAL :-</b>	<b>7,305,621</b>	<b>10,855,621</b>

**FIXED ASSETS**

**ANNEXURE 'D'**

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01/04/2009 Rs.	Addition during the year Rs.	Sale/ Adjustment during the year Rs.	As at 31/03/2010 Rs.	As at 1/04/2009 Rs.	Adjustment during the year Rs.	Provided for the year Rs.	As at 31/03/2010 Rs.	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Land	868,977	---	---	868,977	---	---	---	868,977	868,977	868,977
Building	33,478,206	---	---	33,478,206	14,018,281	---	840,029	14,858,310	18,619,896	19,459,924
Plant & Machinery	59,942,209	---	237,201	59,705,008	56,448,084	---	252,832	56,700,916	3,004,093	3,494,126
Furniture, Fixture & Other Equipment	4,004,090	---	---	4,004,090	3,564,089	---	74,727	3,638,816	366,274	440,001
Vehicles	426,304	---	---	426,304	117,946	---	40,499	168,446	267,853	308,358
<b>Total</b>	<b>98,719,786</b>	<b>---</b>	<b>237,201</b>	<b>98,482,586</b>	<b>74,148,401</b>	<b>---</b>	<b>1,208,087</b>	<b>76,366,468</b>	<b>23,126,097</b>	<b>24,571,385</b>
Previous Year	100,980,559	---	2,260,773	98,719,786	74,797,946	2,133,048	1,483,502	74,148,400	24,671,396	

## CURRENT ASSETS, LOANS AND ADVANCES

## ANNEXURE 'E'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>A) CURRENT ASSETS</b>		
1) Inventories (Taken as Valued by the management)		
Stores & Spares	1,688,961	1,764,636
Machinery Scraps	187,400	54,055
Raw Material	600,605	0
2) SUNDRY DEBTORS		
a) Debts outstanding for a period exceeding 6 months		
i) Considered Good	11,551,215	12,621,190
ii) Considered Doubtful	5,289,509	15,711,368
b) Other debts	33,840,438	
3) CASH AND BANK BALANCES		
Cash in hand including imprest	389,576	453,962
Balance with Scheduled Banks in Current Accounts	135,800	126,561
<b>B) LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Securities	486,084	486,084
Advances and other recoverable in cash or in kind or for value to be received	3,279,743	3,280,003
<b>TOTAL :-</b>	<b>57,449,332</b>	<b>34,497,859</b>

## CURRENT LIABILITIES AND PROVISIONS

## ANNEXURE 'F'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>A) CURRENT LIABILITIES</b>		
Sundry Creditors		
- O/S Due to Micro Enterprises and small Entrepreneur	---	---
- Others	77,196,224	65,110,995
Trade Deposits and Advances	651,470	347,890
Other Liabilities	8,444,386	12,712,498
<b>TOTAL :-</b>	<b>86,292,080</b>	<b>78,171,384</b>

## OTHER INCOME

## ANNEXURE 'G'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Job Charges Received (Current Year TDS 11489/-) (Previous Year TDS 27393/-)	3,584,410	5,465,455
Interest Received	15,297	---
Miscellaneous Income	301,303	524,692
Insurance Claim Received	4,855	---
Sundry Balance Written Back	787,273	41,879
Sale of Machinery scrap	183,301	43,79,500
Profit on sale of fixed Assets	---	1,77,275
Excess Provision Written Back	---	36,529
<b>TOTAL :-</b>	<b>4,876,439</b>	<b>10,625,331</b>

**MATERIAL CONSUMED****ANNEXURE 'H'**

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
<b>(A) RAW MATERIAL CONSUMED</b>		
Opening Stock	0	0
Add : Purchases	4734226	0
Less : Closing Stock	600605	0
	<u>4133621</u>	
<b>(B) PURCHASES OF TRADED GOODS</b>		
Opening Stock	0	0
Add : Purchases	100052720	101802800
Less : Closing Stock	0	0
	<u>100052720</u>	
	<u>104,186,341</u>	<u>101,802,800</u>

**MANUFACTURING EXPENSES****ANNEXURE 'I'**

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Stores & Spares Consumed	403811	692960
Machinery Repair	192667	217300
Power & Fuel	3430794	3315099
Electric Repair & Maintenance	29502	14111
Commission Spng. Charges Paid	79932	----
<b>TOTAL :-</b>	<u>4,136,706</u>	<u>4,239,470</u>

**PERSONNEL EXPENSES****ANNEXURE 'J'**

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Wages, Salaries and Other allowances	3212618	2875919
Contribution to Provident Fund and Other Fund	286637	252311
Workmen & Staff Welfare	51671	21048
Gratuity	83357	94089
<b>TOTAL :-</b>	<u>3,634,283</u>	<u>3,243,367</u>

## ADMINISTRATIVE AND OTHER EXPENSES

## ANNEXURE 'K'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Rates & Taxes	259364	293241
Travelling & Conveyance	149967	126055
Director Sitting Fees	9000	0
Statutory Auditor's Remuneration		
-----Audit Fee	15000	15000
----- Service Tax	1545	1545
Legal and Professional Expenses	513150	444944
Insurance	60663	80578
General Repair	3538	4133
Printing & Stationery	29666	33915
Postage, Telegram and Telephones	113013	135320
Canteen Expenses	52661	52669
Office Expenses	15134	1913
Building Repair	12837	12017
Rent	10000	10000
Vehicle Expenses	73301	71265
General Expenses	155	2470
Listing Fee	78791	76193
Demat Charges	95151	0
Charity & Donation	5010	7212
Sundry Balance W/off	307861	0
<b>TOTAL :-</b>	<b>1,805,806</b>	<b>1,368,469</b>

## FINANCIAL EXPENSES

## ANNEXURE 'L'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Interest Others	2100	4164
Bank Charges & Commission	6768	19441
<b>TOTAL :-</b>	<b>8,868</b>	<b>23,605</b>

## SELLING EXPENSES

## ANNEXURE 'M'

Particulars	As at 31/03/2010 Rs.	As at 31/03/2009 Rs.
Advertisement	39271	28233
Selling Agents Commission	39320	87000
Carriage & Cartage	525	2239
<b>TOTAL :-</b>	<b>79,116</b>	<b>117,472</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

## 1) SIGNIFICANT ACCOUNTING POLICIES

## ANNEXURE 'M'

## a) Basis of preparation of accounts

i) These accounts are prepared under the historical cost convention in accordance with generally accepted accounting principles and provisions of the Companies Act 1956 as applied consistently by the Company.

ii) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

## b) Revenue Recognition

Sale revenue is recognised on dispatch of goods, net of trade discount & sale tax.

## c) Inventories

Inventories are valued at lower of cost or net realisable value except waste produced which is valued at realisable value. Cost of store and spares is calculated at weighted average of cost plus direct expenses.

## d) Depreciation

Depreciation has been provided on Straight Line basis in term of Schedule XIV to the Companies Act 1956. Assets costing Rs. 5000/- or less acquired during the year are depreciated at 100%.

## e) Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition.

## f) Accounting for Taxes on income

Deferred Tax is recognized subject to the consideration of Prudence on timing differences, being the difference between Taxable Income and Accounting Income that originate in one period and are capable of reversal on one or more subsequent periods. Deferred Tax Assets are not recognised on unabsorbed depreciation and carry forwards of Losses unless there is virtual certainty that sufficient future Taxable income will be available against which such deferred Tax Assets can be realised.

## g) Employee Benefits :

i) Gratuity : The liability for gratuity is provided on the basis of actuarial valuation as at the close of year.

ii) Provident Fund : Contribution to The provident fund is provided in accordance with the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and recognized as expense in the Profit & Loss A/c.

iii) Leave Encashment: Provision for leave encashment is made on the basis of actuarial valuation as at close of the year.

2) The Company is a single segment company engaged in manufacturing of blended acrylic yarn. Accordingly the disclosure requirement as prescribed in the Accounting Standard (AS) -17 on Segment Reporting issued by the institution of Chartered Accountants of India is not applicable.

3) 11% Non-cumulative Preference Shares will be redeemed with in the period specified under section 80 of the Company Act, 1956 as amended from the date of allotment i.e.29.11.1998 or earlier at the discretion of Board of Directors.

4) As the allotment money on 480 Fully convertible Debentures, out of 3,80,880 Fully convertible Debentures issued during 1989-91 has not been received as on 31.3.2010, the same have not been converted into equity shares.

5) Sundry Debtors exceeding six month includes Rs.17540404- which are outstanding for more than three years, however the company has filed suits against some of the debtors whose outstanding amount as on 31.03.2010 is Rs.5289509/-

## 6) CONTINGENT LIABILITIES NOT PROVIDED FOR:

a) Outstanding Custom Duty (include Interest & Penalty) of Rs. 195001/-

b) Outstanding Excise Duty (Penalty) of Rs. 1500000/-\*\*.

\*\* Note: The amount includes Rs.500000/- has been deposited under protest.

7) In the opinion of the directors and best of their information and belief, all the current assets and loan advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.

8) In other liability, cheques issued but not presented include cheques amounting to Rs.2 lacs issued for redemption of preference shares.

9) Since the Company has become sick and has been registered with the Board for Industrial and Financial Reconstruction

10) As per Accounting Standard (AS)-28 on "Impairment of Assets", the company has assessed on the balance sheet date whether there are any indication with regards to the impairment of any of the assets. Based on such assessment, it has been ascertained that no potential loss is present and therefore formal estimate of recoverable amount has not been made. Accordingly no impairment loss has been provided in the books of account.

- 11) The position of Deferred Tax & Deferred Tax liability as at 31<sup>st</sup> March 2010 is as under:

Deferred Tax assets arising on a account of :	Rs. In Lacs
On account of una bsorbed depreciation and b/f losses	142.09
Less DTL: On account of Timing Diff. of depreciation	36.18
Deferred Tax assets (Net)	105.91

The deferred tax asset has not been recognized in the books of accounts in view of there being no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

- 12) Earning Per Share (EPS) -

	Year Ended 31.03.2010	Year Ended 31.03.2009
-Profit/(Loss) attributable to Equity Shareholder (A)	16937482	20510006
-Basic / Weighted average no. of Equity Share outstanding during the year (B)	6814350	6814350
-Nominal value of Equity Share	Rs. 10/-	Rs. 10/-
-Basic / Diluted EPS (A/B)	2.49	Rs. 3.01

- 13) Employee Benefits (AS 15).

The summarized position of employee benefits recognized in the Profit and loss Account and the amount recognized in the balance sheet for the gratuity and Leave Encashment plan are as under:

### 1. CHANGES IN THE PRESENT VALUE OF OBLIGATION

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value of obligation at the beginning of the period	247888	214426	153799	135735
Interest cost	21070	17649	11535	9919
Current service cost	77812	92575	72898	110332
Benefits paid	---	(13574)	---	(6975)
Actuarial (Gain)/Loss on obligation	15525	(66971)	9656	(34585)
Present Value of obligation at the end of period	331245	244105	247888	214426

### 2. CHANGES IN THE PRESENT VALUE OF PLAN ASSETS

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Fair value of plan assets at the beginning of the period	----	----	----	----
Actual return on plan assets	----	----	----	----
Contribution	----	----	----	----
Withdrawals/ Benefits Paid	----	(13574)	----	(6975)
Fair value of plan assets at the end of the period	----	----	----	----
Present value of obligation at the end of the period	331245	244105	247888	214426
Funded status	(331245)	(244105)	(247888)	(214426)



**3. ACTUARIAL GAIN/ (LOSS) RECOGNIZED**

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Actuarial gain/(loss) on obligation	15525	66971	(9656)	34585
Actuarial gain/(loss) on plan assets	---	---	---	---
Total (gain)/loss	(15525)	(66971)	9656	(34585)
Actuarial (gain)/loss recognized in the period	(15525)	(66971)	9656	(34585)
Unrecognized actuarial (gain)/loss at the end of the period	---	---	---	---

**4. AMOUNT TO BE RECOGNIZED IN THE BALANCE SHEET**

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value obligation at the end of the period	331245	244105	247888	214426
Fair value of plan assets at the end of the period	---	---	---	---
Funded status	(331245)	(244105)	(247888)	(214426)
Unrecognized actuarial (gain)/loss at the end of the period	---	---	---	---
Net assets/(liability) recognized in the balance sheet	331245	244105	247888	214426

**5. EXPENSES RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS**

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Current service cost	77812	92575	72898	110332
Interest cost	21070	17649	11535	9919
Expected return on plan assets	---	---	---	---
Actuarial (gain)/loss recognized on the period	(15525)	(66971)	9656	(34585)
Expenses recognized in the statement of profit and loss	83357	43253	94089	85666

**6. Principal Actuarial Assumptions at the Balance Sheet date**

	As on 31.03.2010		As on 31.03.2009	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Imputed rate of interest	8.50%	8.50%	7.50%	7.50%
Future salary rise	6.00%	6.00%	8.00%	8.00%
Remaining working life	19.12 Years	19.12 Years	19.24 Years	19.24 Years
Method of Valuation	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

14) Related Party Disclosure as per Accounting Standard-18 prescribed by the Companies Accounting Standards Rules 2006. are given below:

**A. KEY MANAGEMENT PERSONNEL**

1. Sh.Rajneesh Oswal (Executive Director)

**B. RELATIVES OF KEY MANAGEMENT PERSONNEL**

1. Mr. Vishal Oswal (Brother)
2. Mr. Kunal Oswal (Brother)
3. Mrs.Priti Oswal (Wife)
4. Mrs.Nirmal Oswal (Mother)

**C. ENTITIES OVER WHICH KEY MANAGEMENT PERSONNEL AND RELATIVES OF SUCH PERSONELS ARE ABLE TO EXERCISE SIGNIFICANT INFLUENCE:-**

1. Ojasvi Investment & Mercantile co.
2. Achin Investment & Mercantile co.
3. Virat Investment & Mercantile co.
4. Levina Investment & Mercantile co.
5. Adeep Investment co.
6. Jagvallabh Prashanath Capital Investment (P) Ltd
7. Oasis Share Trading (P) Ltd.

**D. ASSOCIATES**

1. Shreyans Industries Ltd.

**E. THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS.**

PARTICULARS	(Rs. IN LACS)		
	KEY MANAGEMENT PERSONNELS	RELATIVE OF KEY MANAGEMENT PERSONNELS	OTHER RELATED PARTIES
Loans Received	Nil	----	----
Loans Repaid	16.50	----	16.50
Amount Payable as on 31.03.2010	33.06	----	----

15) Under Micro, Small and Medium Enterprises Development Act 2006, which come into force in October 2006, certain disclosures are required to be made related to micro, small and medium enterprises. The Company is in the process of compiling the relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available in books, no disclosure has been made in Accounts.

**16) ADDITIONAL INFORMATION AS PER PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956  
Components & Spare Parts.**

A. CAPACITY	LICENSED CAPACITY		INSTALLED CAPACITY	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
WORSTED SPINDLES	11440	11440	4800	4800
WOOL TOPS	772600	772600	Nil	Nil

Installed capacity is certified by the management and being a technical matter not verified by the Auditors.

B. Actual Production	CURRENT YEAR	PREVIOUS YEAR
*Acrylic/Blended Yarn	-----	-----

C. Gross Income Derived From Services Rendered	CURRENT YEAR VALUE (Rs.)	PREVIOUS YEAR VALUE (Rs.)
Job Charges	3584410	5465455

**D. VALUE OF RAW MATERIAL, STORES AND SPARES CONSUMED**

	INDIGENOUS		PERCENTAGE	
	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)	CURRENT YEAR % AGE	PREVIOUS YEAR % AGE
Raw Materials	-----	-----	----	----
Store, Spares & Components	829567	448270	----	----

	IMPORTED		PERCENTAGE	
	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)	CURRENT YEAR % AGE	PREVIOUS YEAR % AGE
Raw Materials	-----	-----	----	----
Store, Spares & Components	859394	165750	----	----

14) Related Party Disclosure as per Accounting Standard-18 prescribed by the Companies Accounting Standards Rules 2006. are given below:

**A. KEY MANAGEMENT PERSONNEL**

1. Sh.Rajneesh Oswal (Executive Director)

**B. RELATIVES OF KEY MANAGEMENT PERSONNEL**

1. Mr. Vishal Oswal (Brother)
2. Mr. Kunal Oswal (Brother)
3. Mrs. Priti Oswal (Wife)
4. Mrs. Nirmal Oswal (Mother)

**C. ENTITIES OVER WHICH KEY MANAGEMENT PERSONNEL AND RELATIVES OF SUCH PERSONNELS ARE ABLE TO EXERCISE SIGNIFICANT INFLUENCE:-**

1. Ojasvi Investment & Mercantile co.
2. Achin Investment & Mercantile co.
3. Virat Investment & Mercantile co.
4. Levina Investment & Mercantile co.
5. Adeep Investment co.
6. Jagvallabh Prashanath Capital Investment (P) Ltd
7. Oasis Share Trading (P) Ltd.

**D. ASSOCIATES**

1. Shreyans Industries Ltd.

**E. THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS.**

PARTICULARS	(Rs. IN LACS)		
	KEY MANAGEMENT PERSONNELS	RELATIVE OF KEY MANAGEMENT PERSONNELS	OTHER RELATED PARTIES
Loans Received	Nil	---	---
Loans Repaid	16.50	---	16.50
Amount Payable as on 31.03.2010	33.06	---	---

15) Under Micro, Small and Medium Enterprises Development Act 2006, which come into force in October 2006, certain disclosures are required to be made related to micro, small and medium enterprises. The Company is in the process of compiling the relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available in books, no disclosure has been made in Accounts.