

18th Annual Report
2009 - 2010

Going Beyond Tomorrow...

SPENTEX INDUSTRIES LIMITED



CLCTM

BOARD OF DIRECTORS

Ajay Kumar Choudhary	- Chairman
Mukund Choudhary	- Managing Director
Kapil Choudhary	- Deputy Managing Director
Amrit Agrawal	- Director Finance
Sitaram Parthasarathy	- Director Works
Deepak Diwan	- Non-Executive Director
Prem Malik	- Non-Executive Director
Ram Kumar Thapliyal	- Non-Executive Director
Shyamal Ghosh	- Non-Executive Director
Dhananjaya Prasad Singh	- Non-Executive Director
Rajeev Kalra	- Nominee CVC1

SECRETARY

Vivek Kumar

AUDITORS

J.C. Bhalla & Company

REGISTERED & CORPORATE OFFICE

A-60, Okhla Industrial Area
Phase-II, New Delhi-110020
Ph.: 011-26387738, 41614999
Fax : 011-26385181

PLANTS

B-1, MIDC, Chincholi - Kondi
Dist. - Solapur, Maharashtra - 413255 (India)

D-48, MIDC, Baramati, Dist. Pune
Maharashtra - 413133 (India)

51-A, Industrial Area, Sector-III, Pithampur
Distt. Dhar, Madhya Pradesh - 454774 (India)

31-A, MIDC Industrial Area, Butibori
Nagpur - 441122, Maharashtra (India)

2A, Zie Said Street, Tashkent City - 100042
(Republic of Uzbekistan)

2, Tashkent Yuli Street, Toytepa, Urta-chirchik
District, Tashkent Region - 102 300
(Republic of Uzbekistan)

H. 440B Margilan Street, Fergana Region,
Margilan City (Republic of Uzbekistan)

Nadrazni 557 436 57, Litvinov, Czech Republic

BANKERS / INSTITUTIONS

Indian :

State Bank of India
ING Vysya Bank
Bank of Baroda
Indusind Bank
State Bank of Indore
Canara Bank
Indian Bank
Yes bank Ltd.
ICICI Bank Ltd.
Industrial Development Bank of India
Axis Bank Ltd.
Oriental Bank of Commerce

International :

National bank of Uzbekistan, Republic of Uzbekistan
Raiffeisen Bank a.s., Czech Republic
Uni Credit Bank, Czech Republic

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NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Spentex Industries Limited will be held on Thursday the 30th day of September, 2010 at 09.30 A.M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Ajay Kumar Choudhary, who retires by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri Kapil Choudhary, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in place of Shri Sitaram Parthasarathy, who retires by rotation and being eligible, offer himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Rajeev Kalra, an Additional Director who holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of director be and is hereby appointed as Non-Retiring Nominee Director of the Company."
7. To consider and, if thought fit, to pass with or without modifications the following resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") as amended or re-enacted from time to time, read with Schedule XIII to the Companies Act, 1956, approval of the Company be and is hereby accorded for re-appointment of Shri Amrit Agrawal as Director Finance of the company for a period of three years with effect from 28/04/2010 on the terms and conditions including remuneration as set out in the explanatory statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said appointment and / or remuneration, in such manner as may be agreed to between the Board and Mr. Agrawal."

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things & execute all such documents, instruments and writings and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board
For **Spentex Industries Limited**

Vivek Kumar
Company Secretary

Place: New Delhi
Date : August 13, 2010

NOTES:

- A. Explanatory Statement setting out all material facts regarding Special Business contained in Item Nos. 6 to 7 as required under Section 173 (2) of the Companies Act, 1956, is annexed hereto.
- B. A MEMBER ENTITLED TO ATTEND AND VOTE 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. PROXY SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday the 25th day of September, 2010 to Thursday the 30th day of September, 2010 (both days inclusive).
- D. All documents referred in the notice are open for inspection at the Registered Office of the Company between 10.00 A.M. to 1.00 P.M. on any working day till the date of Annual General Meeting and also at the meeting.
- E. Members are requested to intimate the change, if any, in their registered address immediately.
- F. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
- G. It will be appreciated that queries, if any, on accounts and operations of the Company are sent to the Registered Office of the company ten days in advance of the meeting so that the information may be made readily available.
- H. As per provisions of the Companies Act, 1956, facility for making nomination is now available to the members in respect of the shares held by them.
- I. For any queries on the Depository System, members may contact any depository participant or the Share Department at the Registered Office of the Company.
- J. In terms of Clause 49 of the Listing Agreement, a brief resume of directors who are proposed to be appointed/re-appointed at this meeting is given in Corporate Governance.
- K. Securities and Exchange Board of India (SEBI) made it mandatory for the transferees to furnish copy of PAN card to the Company/RTA for registration of transfer/transmission of shares held in Physical Form.
- L. Members are requested to send queries to E-mail ID secretarial@clciindia.com which is being used exclusively for the purpose of redressing the compliant(s) of the investors.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

It is to inform to the members of the Company that M/s. Citigroup Venture Capital International Growth Partnership Mauritius Ltd. vide its letter dated 2nd June, 2010 informed to induct Shri Rajeev Kalra as its Nominee Director on the Board of the Company in place of Shri Vivek Chhachhi who has resigned on 12th May, 2010 as Director of the Company.

Shri Rajeev Kalra, born on 26-12-1968, Chartered Accountant & CFA having about 18 years rich experience in Financial Services and Private Equity Investment management. At present he is Director of Delhi & NCR division of M/s. Citigroup Venture Capital International Growth Partnership Mauritius Ltd.

Shri Rajeev Kalra was appointed as an Additional Director with effect from June 10, 2010 in terms of Section 260 of the Companies Act, 1956. Shri Rajeev Kalra holds office as Director until this Annual General Meeting and is eligible for re-appointment. The Company has received a notice in writing from a member signifying his intension to propose Shri Kalra's appointment as Director and the Members' approval is sought for the said proposal vide Resolution at item No. 6.

None of the Directors of the Company, except Shri Rajeev Kalra, is deemed to be interested in the resolution placed before the meeting directly or indirectly.

ITEM NO. 7

The members of the company at their meeting held on 21st August, 2007 approved the appointment of Shri Amrit Agrawal as Director Finance for a period of 3 years w.e.f. 28th April, 2007. The current term of Shri Amrit Agrawal as Director Finance ceased on 27th April, 2010. The Board of Directors, subject to approval of members and other requisite approvals as may be necessitate from time to time, re-appointed him as Director Finance for another term of three years w.e.f. 28th April, 2010 on the terms as set out below pursuant to the recommendation of the Remuneration Committee.

In accordance with the provision of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII the remuneration payable to Chairman, Managing Director, Directors in a financial year does not exceed 5% of the annual net profit of the Company for one such managerial person and subject to further to the overall limit of 10% of the annual net profit of the Company for all of them together.

SPENTEX INDUSTRIES LIMITED

- I. Tenure of Agreement: April 28, 2010 to April 27, 2013
- II. Remuneration:
Salary : Rs. 3,50,000 per month, and
Variable incentive remuneration based on certain performance criteria laid down by the Board.
- III. Perquisites and Allowance:

Shri Amrit Agrawal shall be entitled to the following perquisites in addition to salary:

- A.
 - i) The Company shall provide Car(s) with chauffeur(s) or alternatively the Company shall maintain personal car and provide him chauffeur. The monetary value in respect to the private use of Car shall be evaluated in accordance with the applicable Income Tax Rules.
 - ii) Mobile/Telephone expenses as per rules of the Company.
 - iii) Medical Benefits: Reimbursement of medical expenses for himself and his family actually incurred during the continuance of his employment, as per rules of the Company up to a limit of Rs. 15000/- in a year.
 - iv) Club Fees: Fees of Clubs, subject to a maximum of two clubs.
 - v) Personal Accident Insurance: As per Company's policy.
 - vi) Other allowances as per rules of the Company.
- B. **The following shall not be included in the above said limit of perquisites:**
 - i) Company's contribution to Provident Fund, Superannuation Fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - ii) Leave Encashment: Encashment of un-availed leave at the end of his tenure or in accordance with the rules specified by the Company.
 - iii) Gratuity payable at a rate not exceeding half a month's Salary for each completed year of service.

OTHER TERMS

1. He shall not be paid any sitting fees for attending meetings of Board of Directors/committee of the Board. .
2. He shall also be entitled to reimbursement of expenses actually incurred by him for the business of the Company.
3. He shall be retiring by rotation.
4. Normal annual increment as per policy of the Company will be granted to him by the Managing Director, from time to time.

MINIMUM REMUNERATION

In the absence/inadequacy of profits in any financial year, the remuneration as set out above will be payable as the minimum remuneration to Shri Amrit Agrawal, Director-Finance provided that the total remuneration by way of salary, commission and perquisites shall not exceed Rs. 48,00,000/- per annum or Rs. 4,00,000/- per month as provided in Part II, Section II of Schedule XIII of the Companies act, 1956.

Pursuant to the provision of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members is required to be obtained with regard to the appointment of Shri Amrit Agrawal as Director - Finance and payment of remuneration as above.

As required under Schedule XIII to the Companies Act, 1956, the relevant details to be sent along with the notice calling the General Meeting are as under:

I. General Information

1. Nature of Industry – Textiles Industry
2. Date or expected date of commencement of commercial production: The Company was incorporated on 25.11.1991 and already commenced commercial production thereafter.
3. In case of new Companies, Expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable.
4. Financial performance based on given indicators (as per audited financial statements for the year ended 31.03.2010)

Particulars	Rs. In Crores
Sales and other Income	779.96
EBIDTA	81.86
Net Profit/(Loss)	(22.36)
5. Export performance and net foreign exchange collaborations (as per audited financial statements for the year ended 31.03.2010)
Earnings in foreign exchange by exports (FOB value): Rs. 486.25 Crores
6. Foreign investments or collaborations, if any : Not applicable.

II. Information about the appointee:

1. Background details:

1. Shri Amrit Agrawal aged 42 years, is a Fellow member of ICAI & ICSI having about 20 years of experience in Finance, Corporate Secretarial and Legal Industry. He is instrumental in the growth of the Spentex group. His overall strategic vision and value addition and his in-depth knowledge of operations, tough negotiation besides Corporate Governance, HRA, Working Capital Management, funds syndication, acquisitions in the context of strategy and advising leadership in building the organization, make him uniquely qualified to be re-appointed as Director Finance. The Board of Directors, subject to approval of members of the Company has re-appointed Shri Amrit Agrawal as Director Finance.
2. Past remuneration: Rs. 3,50,000 p.m. plus perks
3. Job profile and his responsibility:
He is overall incharge of Finance, Accounts, Secretarial, Legal and Logistics functions of the Company.
4. Remuneration proposed: As mentioned herein above.
5. Comparative profile with respect to industry, size of the Company, profile of the position and person:
Considering the size of the Company, the profile of the Director Finance, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed is commensurate with the remuneration paid to similar appointees in other Companies.
6. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:
Besides the remuneration proposed to Shri Amrit Agrawal, does not have any pecuniary relationship with the Company and its managerial personnel except as general shareholder of the Company.
The material documents pertaining to the remuneration payable to the aforesaid Director are available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day between 10.00 a.m. to 1.00 p.m. (excluding Saturday).
None of Directors of the Company except Shri Amrit Agrawal is interested in the resolution placed before the meeting directly or indirectly.
The above explanatory statement also sets out an abstract of material terms of the employment of Shri Amrit Agrawal and hence the same may be treated as an abstract of memorandum of interest in accordance with Section 302 of the Companies Act, 1956.
The Board recommends the resolution at Item Nos. 7 for your approval.

By Order of the Board
For **Spentex Industries Limited**

Vivek Kumar
Company Secretary

Place: New Delhi
Date : August 13, 2010

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the 18th Annual Report together with the Audited Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

The highlights of the financial results are as under:

(₹ in Crores)

Particulars	2009-2010		2008-2009	
	Consolidated	Standalone	Consolidated	Standalone
Net Sales (Turnover)	1223.38	732.22	1216.92	681.80
Other Income	61.04	47.74	26.49	26.56
EBIDTA	78.38	81.86	(44.87)	31.52
Financial charges	80.19	69.16	97.93	69.23
Depreciation	75.29	35.04	78.93	39.31
Exceptional items	-	-	12.72	-
Extra Ordinary Items	32.04	-	-	-
Profit/(Loss) before tax (PBT)	(45.06)	(22.34)	(234.45)	(77.02)
Provision for current tax	-	-	0.07	-
Provision for deferred tax	-	-	8.28	-
Fringe benefit tax	0.02	0.02	0.39	0.37
Profit/(Loss) after tax (PAT) but before Minority Int.	(45.08)	(22.36)	(243.19)	(77.39)
Minority Interest	-	-	7.01	-
Net Profit/(Loss)	(45.08)	(22.36)	(236.18)	(77.39)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

World economy has shown initial indications of recovery after a severe spell of recession and is expected to grow by 4.2 percent in 2010 and projected to maintain the growth momentum in the next 5 years. However, the consumer confidence in major importing countries like USA and EU has been lagging behind economic growth projections and may take some more time before showing any convincing revival. The timely policy response from the Indian Government and the resilience of the Indian economy led to a smooth and consistent recovery, in spite of the uncertainty over sub normal monsoon. The resurgence has been broad-based with both Services and Manufacturing sector growing at high rates. All leading indicators including IIP growth, credit growth, continuous surge in imports and exports since November 2009 and the growth in all industry groups point towards a sustainable recovery. Though inflation and currency appreciation may pose challenges in the short term, RBI's timely monetary initiatives, including the calibrated exit from the accommodative stance, will ensure that India's growth remains unhindered. The year has proved that though the Indian economy is interlinked with the global economy, its focus on domestic markets and the Government's prudent policies will help maintain a high growth trajectory.

The Textile Industry plays a very important role in our Country's Economy since it came into existence in India. It contributes about 14 per cent to industrial production, 4 per cent to the country's gross domestic product (GDP) and 17 per cent to the country's export earnings. Moreover, total textile exports have been increased to US\$ 18.6 billion during April'09-January'10, from US\$ 17.7 billion during the corresponding period of the previous year, registering an increase of 4.95 per cent in rupee terms. Further, the share of textile exports in total exports has been increased to 12.36 per cent during April'09-January'10, according to the Ministry of Textile and is the second largest employment providers after agriculture i.e. direct employment to more than 35 million people. The Indian textile industry is one of the largest in the world with a massive raw materials and textile-manufacturing base and also currently India has attained the position of having second highest spindleage in the world after China.

The spun yarn production is expected to increase at about 4200 mn kg in 2009-10 and is likely grow by about 8% to 4500 mn kg in 2010-11. The domestic deliveries of spun yarn have also been growing consistently showing increased activities in the entire textile value chain. There are some areas of concerns also, which need to be stated here. Along-with recovery, the textile industry is also facing increase in input prices in sync with the global trends. In addition to appreciating rupee, free export of cotton followed by withdrawal of duty refund on cotton yarn are also causing concerns for the sustained recovery in the textile industry

Spentex has utilized the opportunity offered by the global recession for introspection to identify areas of improvement i.e. fine tuning supply chain management and resource optimization to strengthen our competitiveness by offering more value to customers in terms of high value added products. It is a matter of pleasure to note that such initiatives have paid us well, enhanced our learning, strengthen our resolve and increase our capabilities to overcome such events in future. We have a firm faith in the bright future of textile industry in India.

FINANCIAL ANALYSIS AND PERFORMANCE REVIEW

The performance of the Company in fiscal year 2009-10 has significantly improved as compared to the performance in fiscal 2008-09. This significant improvement is attributed to increase in total sales value and volumes, better fund flow management coupled with successfully implemented Corporate Debt Restructuring Scheme and Enhanced usage of ERP – SAP to bring efficiencies in business.

The financial performance of Spentex industries Limited is discussed in two parts:

- (i) Spentex Industries Limited (Standalone) which excludes the performance of subsidiaries and step-down subsidiaries of Spentex Industries Limited.
- (ii) Spentex Industries Limited (Consolidated) which includes the performance of subsidiaries and step-down subsidiaries of Spentex Industries Limited. The Consolidated Financial Statements bring out comprehensively the performance of Spentex Group of companies and are more relevant for understanding the overall performance of Spentex Group.

Your Company has made a strong comeback. It has been able to achieve much better operational performance in terms of achieving higher sales value and overall efficient operations which led to reduction in consolidated net loss from Rs. 236.18 Crores to Rs. 45.11 Crores i.e. down by 81% and in reduction in standalone net loss from Rs. 77.39 Crores to Rs. 22.36 Crores i.e. down by 71% respectively.

SEGMENT-WISE PERFORMANCE**Yarn Manufacturing**

During the year under review, your Company on standalone basis has manufactured 56,652MT of yarn as compared to 52,255MT of yarn produced during the previous year and on consolidated basis has manufactured 92,608 MT of yarn as compared to 91,971MT of yarn produced during the previous year which reflects an increase of 8.41% on standalone basis and 0.69 % on consolidated basis.

PERFORMANCE OF SUBSIDIARIES

The Company had eight subsidiaries at the beginning of the year. The turnover and overall performance of material subsidiary companies are as under:

Amit Spinning Industries Ltd., India: During the year its production of yarn has been increased by 165.37% and sales turnover increased by 57% as compared to previous year. The Company has its manufacturing facilities at Kolhapur, Maharashtra with a capacity of 30,672 spindles.

Spentex Tashkent Toytepa LLC, Uzbekistan: During the year its production of yarn has been increased by 9.98% and sales turnover increased by 23.93% as compared to previous year. The Company has two manufacturing units situated at Tashkent and Toytepa with a capacity of 220,000 spindles and 236 Air jet looms.

Schoeller Litvinov K.S., Czech Republic: During the year its production of yarn has been decreased by 54.65% and sales turnover decreased by 63.49% as compared to previous year. The Company has manufacturing unit situated at Czech Republic with a capacity of 59,000 spindles.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has appropriate internal control systems for business processes, with regards to efficiency of operations, financial reporting and controls, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibilities down the line for all managerial positions have also been institutionalized. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

MANAGEMENT PERCEPTION ON OPPORTUNITIES, RISKS, CONCERN & OUTLOOK

One of the major challenges to the textile industry is the continued appreciation in the Indian rupee against US dollar, which has serious implication on textile exports. Being highly competitive industry, increase in the external value of rupee would cripple the competitiveness of the industry. Another important issue is availability, quality and the price of power. The availability of good quality power at reasonable prices is critical for sustainability of the industry. However, the cost of power has been continuously increasing, adding to the input cost pressure in the industry. We hope that power situation will improve in the coming year. The differentiated treatment for different sectors of textile industry in government policy is also a serious development. The proposal to withdraw duty refund on cotton yarn exports can be seen in this respect. An integrated approach is required for the growth of the industry in the country. We are making all efforts to cope up with the challenges through continuous cost reduction, process improvements and improved customer services to mitigate the growing cost pressure.

On the other side, encouraging factors in favor of spinning sector are the rise in domestic and export demand which resulted into rise on volumes over last corresponding period.

In view of these measures and initiatives, it is expected that Indian textile industry would continue to grow at an impressive rate. The textile industry is anticipated to generate 12 million new jobs.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

During the period of recession and global turmoil when every company was in process of laying off their employees to reduce cost, your company systematically nurtured its greatest resource—human resource. Consequently, the employee turnover was negligible. The Company and its management value the talent, commitment and dedication of its employees and acknowledge their contribution. Everyone in the Company is working as a team and is integral part of a family, welcoming the idea of making Spentex, a globally admired company. Management of your Company believes that it is the integration of human resources and business strategy that has culminated in its success. High performance orientation is the pivot of the HR philosophy of the Company and all the HR policies and strategies are centered on the same.

Industrial Relations remained cordial and not a single day's work was lost due to any industrial dispute during the year.

SUBSIDIARIES

The Company had eight subsidiaries at the beginning of the year. The Ministry of Corporate Affairs, Government of India, vide order No.47/80/2010-CL-III dated March 15th 2010 has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet and Profit & Loss Account and other documents of subsidiary companies are not being attached with the Balance Sheet of the Company. Financial Information of the subsidiary companies, as required by the said order, is disclosed in the Annual Report. The Company will make available the Annual Accounts and related details upon request by any member of the Company. These documents will also be available for inspection at the registered office of the Company during business hours. The Consolidated Financial Statements presented by the Company includes financial results of its subsidiary companies.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

INFORMATION TECHNOLOGY

Information Technology continues to be an integral part of Spentex's business strategy. The Company is working on SAP platform integrating all units located at different places, which will integrate business processes, financial parameters, and customer transactions and people effectively.

DIVIDEND

During the year the Company has no distributable profits hence your Directors do not recommend any dividend.

ISSUE OF CONVERTIBLE SHARE WARRANTS

During the year under review, your Company has issued and allotted 1,18,00,000 share warrants at a price of Rs.16.95 (including premium of Rs. 6.95) to CLC Technologies Private Limited, a promoter group company. Out of above, the Company has allotted 2,261,000 equity shares on 31st March, 2010 pursuant to option exercised by the share warrant holder to convert 2,261,000 share warrants in equal number of fully paid up equity shares. Accordingly, the paid-up capital of the Company has been increased from Rs. 714,720,350/- to Rs. 737,330,350/- consisting 73,733,035 equity shares of Rs. 10/- each.

TRANSFER OF UNPAID/UNCLAIMED DIVIDEND INTO INVESTOR EDUCATION & PROTECTION FUND

The Company informs herewith all its shareholders whose dividends are unclaimed for the year 2002-03 (declared by erstwhile Indo Rama Textiles Limited, which has been amalgamated with the Company) that pursuant to Section 205A of the Companies Act, 1956, the Company is required to transfer unpaid and unclaimed dividend to Investor Education & Protection Fund on completion of 7 years of transferring into unpaid dividend account and shall ensure that they receive their rightful dues. Company is taking appropriate steps in this regard.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

As stipulated under Clause 49 of the Listing Agreement entered into with Stock Exchanges, a report on Corporate Governance is attached separately as a part of the Annual Report and the Management Discussion and Analysis (MD & A) is included in this report so that duplication and overlap between Directors' Report and a separate MD & A is avoided and the entire information is provided in a composite and comprehensive manner.

DIRECTORS

Shri Ajay Kumar Choudhary, Shri Kapil Choudhary and Shri Sitaram Parthasarathy retire by rotation in the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment. During the year Shri Pankaj Sharma has resigned from

the Board of Directors with effect from close of business on 1st May, 2009, your Directors would like to record their appreciation of the services rendered by Shri Sharma.

During the year, the three year term of Shri Amrit Agrawal, Director Finance ceased on 27th April, 2010. The Remuneration Committee and Board of Directors, subject to requisite approvals, re-appointed him for another term of 3 years w.e.f. 28th April, 2010.

In terms of Section 260 of the Companies Act, 1956, Shri Rajeev Kalra has been appointed as Additional Director, consequent to his nomination by Citigroup Venture Capital International Growth Partnership Mauritius Ltd. on the Board w.e.f. 10th June, 2010 in place of Shri Vivek Chhachhi who has tendered his resignation w.e.f. 12-5-2010. Directors appreciated the services rendered by Shri Vivek Chhachhi during his tenure as director of the company.

Brief resume of the Directors proposed to be appointed/re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/chairmanships of Board Committees, as stipulated under Clause 49 of the listing agreement with stock exchanges in India, is provided in the Report of Corporate Governance forming part of Annual Report.

AUDITORS

During the year, the members in their Extra Ordinary General Meeting held on 19th January, 2010 appointed M/s. J C Bhalla & Company, Chartered Accountants as Statutory Auditors of the Company for the year 2009-10 in place of M/s. Price Waterhouse, Chartered Accountants, who have tendered resignation as Statutory Auditors of the Company.

M/s. J C Bhalla & Company, Chartered Accountants who are the Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

DIRECTORS' VIEW ON AUDITORS OBSERVATIONS

Directors' response to the various observations of the auditors even though explained wherever necessary through appropriate notes to accounts, is reproduced hereunder in compliance with the relevant legal requirements.

Reference Para 4(a) of the Auditors Report

The Company has an investment of Rs 204,469,921 in Amit Spinning Industries Limited (ASIL), a subsidiary, as on March 31, 2010. The accumulated losses in ASIL, at the year end exceeded its net worth. There is also a reduction in market value of these investments as at the year end by Rs.162,297,956 (Previous Year Rs. 171,949,252). In the opinion of the directors, the above diminution in this long term investment is due to adverse business conditions and is not ultimately expected to continue in future. Based on recent performance and trends of ASIL and overall industry outlook, there is an increase in average selling prices of yarn, consistent increase in production level and reduction in procurement costs of raw materials. Consequent to such developments, ASIL has started generating EBIDTA and cash profits.

In view of these developments, directors' believes in future financial viability of this subsidiary and accordingly, provision for the diminution in the value of this long term investment is not considered necessary at this stage.

Regarding the loans, advances, and interest due on the loan amounting to Rs. 440,528,019, Rs. 17,726,208, and Rs.60,414,121 respectively, amount Rs.170,400,000 related to Loan has been subsequently received and for remaining balances, directors believe that the such amounts would be realized within a reasonable period of time . Accordingly, no provision is considered necessary at this stage. (Note 9(a) of Notes to Accounts in Schedule XXI of Accounts Annexed).

Reference Para 4(b) of the Auditors Report

Schoeller Litvinov k.s. (SLKS), the Czech step-down subsidiary of the Company, had registered losses during the year and earlier financial years due to economic slowdown. This step down subsidiary had submitted a re-organization plan seeking deferment of payment to Secured creditors, and proportionate waiver of unsecured liabilities which has now been approved by the court. The directors believe that the reorganization plan, considering improvement in the global textile market, will turn around this subsidiary, so as to make good its losses in a foreseeable period of time and will also place this subsidiary in a position to repay the liabilities in due course. Accounts and other receivables Rs. 468,986,120 is due from SLKS as at March 31, 2010. Accordingly, provision against these Accounts and other receivables is not considered necessary at this stage. (Note 9(b) of Notes to Accounts in Schedule XXI of Accounts Annexed).

Reference Para 4(c) of the Auditors Report

Sundry Debtors and Advances include amounts aggregating Rs. 17,408,913 and Rs. 22,473,335 respectively due from certain customers where payments are not forthcoming. Of the above, the Company has filed a suit for recovery of Rs. 17,408,913 against two of the customers. Further, in respect of the advances of Rs. 22,473,335 the Company is making efforts to recover the same and

expects to reduce them significantly. Based on outcome of the legal suit coupled with further negotiations with these parties, the directors are of the opinion that ultimately there would be no losses against these old balances and hence no provision is considered necessary at this stage. (Note 10 of Notes to Accounts in Schedule XXI of Accounts Annexed).

COST AUDITORS

The Central Government had directed an audit of the cost accounts maintained by the Company in respect of textile business. The Central Government has approved the appointment of Shri Rajesh Goyal, Cost Accountant of M/s. K G Goyal & Associates, Cost Accountants to conduct the audit of the Cost Accounts of the Company for the financial year ending 31st March, 2010 for the product "Textile".

FIXED DEPOSITS

Your Company has not accepted any deposits during the year within the meaning of Section 58A of the Companies Act, 1956 and rules made there under.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgment 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 Loss of the Company for that period;
- c) the Directors have 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; and
- d) the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

In terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956 the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure – I to the Directors' Report.

INDUSTRIAL RELATIONS

The industrial relations during the year under review remained harmonious and cordial. Your Directors wish to place on record their appreciation for the wholehearted co-operation received from all the employees at various units/divisions of the Company.

CONCLUSION

Your Company enjoys a leadership position in domestic market with strong competitive advantage in export segment. The Company now stands at the cusp of the next phase of growth. We will continue to make investments and progress to further consolidate our leadership position.

ACKNOWLEDGMENTS

Your Directors take this opportunity to thank the Financial Institutions, Banks, Central and State Governments authorities, Regulatory authorities, Stock Exchanges, stakeholders, customers and vendors for their continued support and co-operation, and also thank them for the trust reposed in the Management. Your Director also wishes to thank all the employees of the Company for their commitment and contributions.

For and on behalf of **Board of Directors**

Place: New Delhi
Dated: August 13, 2010

Ajay Kumar Choudhary
Chairman

Annexure – I to the Directors' Report

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2010.

A. CONSERVATION OF ENERGY

During the year under review further efforts were made to ensure optimum utilization of fuel and electricity.

a. Energy conservation measures taken:

The Company is continuously taking efforts in energy conservation, energy saving tubes and electronic ballasts are continuously being installed in a phased manner for this purpose. Old and less efficient motors were replaced with energy efficient motors. The company has installed variable frequency drive for waste suction fans, digital humidity controller for reducing the pump operations and smooth humidity control in production and taken measures for cooling drinking water through air washers without using electric water cooler at Baramati Unit as a result of which the unit has saved about 338,000 units p.a.

Relevant data in respect of energy consumption is as below:

Electricity	Current year	Previous year
Purchased		
Total Units consumed (KWH)	155,885,851	148,231,572
Total Amount (Rs. in Lacs)	6,721	6,001
Rate per Unit (Rs.)	4.31	4.05
Own Generation through Generator Set		
Units (KWH)	Nil	45,723
Units per liter of Diesel/Furnace Oil	Nil	3.25
Cost / Unit (Rs.)	Nil	7.42
Electricity Consumption (Units)		
Per Kg. of Production of yarn	2.75	2.84

B. TECHNOLOGY ABSORPTION**RESEARCH & DEVELOPMENT (R&D)****1. Specific areas in which R&D has been carried out by the Company:**

Continue in identifying areas of improvements in the processes through properly documented systems to strengthen yarn quality, improvement in productivity as well as energy conservation and effective maintenance.

2. Benefits derived as result of the above R & D:

Improvement in effective utilization of resources and fulfillment of customers' requirements.

3. Future plan of action:

Identifying measures to further improve productivity and increase contribution per unit of production.

4. Expenditure on R & D:

a) Capital	₹ 23.60 Lacs
b) Revenue	₹ 4.95 Lacs
c) Total	₹ 28.55 Lacs
d) Total R & D Expenditure as percentage of total turnover	0.04%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts: Upgrading machines with technologically advanced accessories and spares.

b) Benefits: Higher output and improved quality of products.

c) Technology imported during the last 5 years: None

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) **Efforts** : In spite of Stiff Global Competition and reduced margins the Company is continuing to put its best efforts in earning foreign exchange contributing to the national exchequer.

b) **Earnings and Outgo** : Particulars with regard to foreign exchange earnings and outgo appear in Schedule XXI of annual accounts.

For and on behalf of **Board of Directors**

Place: New Delhi
Dated: August 13, 2010

Ajay Kumar Choudhary
Chairman

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10

(As required under Clause 49 of the Listing Agreement entered into with Stock Exchanges)

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages greater accountability, transparency, responsibility, fairness and commitment to values in all spectrums of business through continual assessment of internal control mechanism vis-à-vis proactive risk management system for upholding ethos of corporate citizenship. The Company is committed to attend best-in-class higher levels disclosures to board and shareholders & society at large. The Company has a strong desire to enhance long-term shareholder value and respect minority rights in addition to complying with all complex and statutory requirements for Corporate Governance.

2. Board of Directors

The Company has 11 Directors, with an Executive Chairman. Of the 11 Directors, 5 (i.e. 45.45%) are Executive Directors and 6 (i.e. 54.55%) are Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreement entered into with Stock Exchanges and exceeds the percentages prescribed in the said Agreement.

During the year 5 Board Meetings were held and the interval between any two meetings did not exceed four months (as stipulated by law in force). The respective dates on which Board Meetings were held are 30thApril' 2009, 29thJune' 2009, 30thJuly' 2009, 30thOctober' 2009 and 30thJanuary' 2010.

The names and category of the Directors on the Board, their attendance at the Board Meetings and last Annual General Meeting and number of Directorships and Committees Chairmanships/Memberships of each Director in other companies are as follows:

Directors	No. of Board Meetings Attended	No. of Directorship(s) and Chairmanship(s)/ Membership(s) of Board / Committees of other companies			Attendance at the last AGM
		Directorship*	Member**	Chairperson**	
Executive Directors:					Yes/No
Shri Ajay Kumar Choudhary (Chairman)	5	1	-	-	No
Shri Mukund Choudhary (Managing Director)	5	4 ***	1	-	No
Shri Kapil Choudhary (Deputy Managing Director)	5	3	-	-	No
Shri Sitaram Parthasarathy (Director – Works)	5	-	-	-	No
Shri Amrit Agrawal (Director – Finance)	5	3 ***	1	1	Yes
Non Executive/Independent Directors:					
Shri Deepak Diwan	4	1	-	-	No
Shri Prem Malik	4	3	1	-	No
Shri Ram Kumar Thapliyal	4	1	1	-	Yes
Shri Shyamal Ghosh	5	5	3	-	No
Shri Dhananjaya Prasad Singh	4	-	-	-	-
Shri Vivek Chhachhi	5	2	-	-	No
Shri Pankaj Sharma #	1	2	-	-	No

* The Directorship(s) held by Directors do not include Alternate Directorships and Directorships of Foreign Companies, Private Limited Companies and Section 25 Companies.

** In accordance with Clause 49, Memberships/Chairmanships of only Audit Committees and Shareholders'/Investors' Grievance Committees of all Public Limited Companies (excluding Spentex Industries Limited) have been considered.

*** One company has been converted into a Private Limited Company w.e.f 07-07-2010.

Resigned as Director of the Company w.e.f. 01-05-2009

Details of shares held by the Non-Executive/Independent Directors as on 31st March 2010

Name	No. of shares held	Name	No. of shares held
Shri Deepak Diwan	NIL	Shri Prem Malik	15,500
Shri Ram Kumar Thapliyal	NIL	Shri Shyamal Ghosh	NIL
Shri Vivek Chhachhi	NIL	Shri Dhananjaya Prasad Singh	NIL

Board Agenda

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are circulated at least seven working days prior to the Board meeting.

Information supplied to the Board

1. Annual operating plans of business, Capital budget and updates.
2. Quarterly results of the Company and its operating divisions/manufacturing units, subsidiary and step-down subsidiary companies and business segments.
3. Performance of manufacturing units and functioning of key executives.
4. Performance of Quality Standards and platform for decision making on quality.
5. Image and credibility of the Company in the eyes of domestic and international customers by consistent disclosure and transparency.
6. Minutes of meetings of audit committee and other committees of the board, and also resolutions passed by circulation.
7. The information on recruitment and remuneration of senior officials next to the Board of Directors, including appointment or removal of the Company Secretary.
8. Details of joint venture or collaboration agreements entered into.
9. Borrowing Term Loans and Investment of surplus funds as and when happened.
10. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
11. Notices like show cause, demand, penalty which are materially important / effluent and material default in financial obligations to and by the company and also non-receipt of payments for goods sold by the Company.
12. Significant development in Human Resources, Labour Problems and their proposed solutions, signing of Wage Agreements etc.
13. Investments in subsidiaries, foreign exchange exposures and steps taken by the management on exchange rate movement and adverse exchange ratio etc.
14. Sale of material nature, of investment/subsidiaries/assets, which is not in normal course of business.
15. Fulfillment of various statutory compliances/listing requirements. All other matters required to be placed before the Board for its review / information / approval under the statutes, including Clause 49 of the Listing Agreement.

Post-meeting follow-up system

The Governance processes in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board and Committees.

Disclosure of Appointment/Re-appointment of Directors at the Annual General Meeting

In terms of Articles of Association, one-third of the Directors retires by rotation and, if eligible, seeks re-appointment at the Annual General Meeting of Shareholders. Shri Ajay Kumar Choudhary, Shri Kapil Choudhary and Shri Sitaram Parthasarathy will retire at the ensuing Annual General Meeting and being eligible they seek their re-appointment.

Shri Rajeev Kalra has been appointed as Additional Director to act on behalf of Citigroup Venture Capital International Growth Partnership Mauritius Limited w.e.f 10th June, 2010 on the Board of the Company in place of Shri Vivek Chhachhi who has tendered his resignation on 12th May, 2010. As an additional Director, terms of Shri Rajeev Kalra comes to an end at the conclusion of ensuing annual General Meeting, and a Shareholder has already proposed for his appointment as a Director.

The current term of Shri Amrit Agrawal as Director – Finance has ceased on 27th April, 2010. The Board of Directors, subject to approval of members and other requisite approvals as may be necessitate from time to time, re-appointed him as Director - Finance designated as Executive Director of the Company for another term of 3 years w.e.f. 28th April, 2010.

The Board has recommended the re-appointment/appointment of aforesaid retiring and newly appointed Directors. As per Clause 49 of the Listing Agreement, the brief details of the aforesaid directors are indicated herein below:

a) Shri Amrit Agrawal (42) is a Director of the Company since April 28, 2007. He is a Fellow Member of the Institute of Chartered Accountants of India and Fellow Member of the Institute of Company Secretaries of India. He has an outstanding academic record – rank holder in Chartered Accountants and having about 20 year experience in Finance, Corporate Secretarial & Legal. He is Director in Himalayan Crest Power Ltd, CLC Power Ltd. and Multiflex Lami Print Ltd. He is a Chairman of Audit Committee of Himalayan Crest Power Ltd and a member of Audit Committee of Multiflex Lami Prints Ltd.

Shri Agrawal is Member of the Audit Committee and Banking Committee of the Company.

Shri Agrawal holds 56,649 equity shares of the Company in his name as on 31st March, 2010.

b) Shri Ajay Kumar Choudhary (62) is Chairman of the Company since 5th May, 2004. He is a Commerce Graduate and having about 40 years of experience in textile industry. He is director in CLC & Sons Private Limited and CLC Enterprises Limited.

Shri Ajay Choudhary holds 80,66,051 equity shares of the Company in his name as on 31st March, 2010.

c) **Shri Kapil Choudhary** (37) is a Director of the Company since 5th May, 2004. He is a Commerce Graduate and having rich experience in operations and marketing aspects. He has developed a very strong marketing network all over the world. He is Managing Director of Schoeller Textile Netherlands B.V., a foreign step down subsidiary of the Company. He is director in CLC & Sons Private Limited, CLC Enterprises Limited, CLC Power Limited, CLC Textile Park Private Limited, Tarini Hydro Electric Power Limited and Spentex (Mauritius) Private Limited.

Shri Kapil Choudhary holds 84,74,869 equity shares of the Company in his name as on 31st March, 2010.

d) **Shri Sitaram Parthasarathy** (49) is a Director of the Company since 12th May, 2004. He has a sound academic background and did B. Sc. (Hons) and B. Tech (Textiles). He is having about 25 years of operational experience both in spinning and weaving businesses with an impressive track record in successful implementation of textile projects.

Shri Parthasarathy holds 68,150 equity shares of the Company in his name as on 31st March, 2010.

e) **Shri Rajeev Kalra** (41) is a Director of the Company since 10th June, 2010. He graduated in B.Com (Hons) and has several academic distinctions to his credit. He is a professionally qualified CA and CFA. He is associated with Citigroup Venture Capital International Growth Partnership Mauritius office in Delhi NCR and focuses on private equity investments in India. He is having about 18 years of experience in the financial services industry. He was a key member and Managing Director at AIF Capital's India office with similar responsibilities. And earlier as the head of the India office of HSBC Private Equity at Mumbai, he focused on identifying and evaluating private equity investment opportunities as well as strengthening the operations of portfolio companies. He started his career with SBI Capital Markets and handled a range of investment banking and corporate finance assignments. He is Director in Jai Balaji Industries Limited and K.S. Oils Limited. He is a member of Audit Committee, Remuneration Committee, Shareholders' Grievance Committee and Management (Finance) Committee of Jai Balaji Industries Limited.

Shri Rajeev Kalra does not hold any share of the Company.

3. Audit Committee

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations, both domestic and overseas;
- safeguarding of assets and adequacy of provisions for all liabilities;
- reliability of financial and other management information and adequacy of disclosures;
- compliance with all relevant statutes.

The Audit Committee of the Board consists of two Non-Executive Independent Directors viz. Shri Ram Kumar Thapliyal and Shri Prem Malik and one Executive Director, Shri Amrit Agrawal, respectively. These members have the requisite accounting and financial management expertise. Statutory Auditors and Internal Auditor are invitees at the meetings of Audit Committee. The Company Secretary acts as Secretary to the Audit Committee.

The Composition of Audit Committee meets the requirements of Section 292A and Clause 49 of the Listing Agreement.

The terms of reference / powers of the Audit Committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Review and recommend the Revenue budgets and Capital budgets follows by updates from time to time.
3. Recommending to the Board, the appointment/re-appointment of the Statutory Auditors, Cost Auditor and the fixation of audit fees.
4. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
5. Reviewing the efficiency and effectiveness of internal audit function, adequacy of the internal control systems and other services rendered by the statutory auditors.
6. Reviewing the functioning and weaknesses, if any, observed by the internal auditors, management opinion on such weaknesses and solutions from time to time.
7. Reviewing, with the management, the annual financial statements i.e. directors responsibility statement under Section 217(2AA) of the Companies Act, 1956, accounting policies and practices, compliances with listing and other legal requirements, disclosure of related party transactions, implementation of the Accounting Standards as notified u/s 211(3C) of the Companies Act, 1956 and Draft Audit Report before submission to the Board for approval.
8. Reviewing, with the management, the quarterly financial results before submitting it to the Board for approval.
9. To look into the reasons for any default/delay, if any, in the payment to the Lenders/Bankers/Financial Institutions, Debenture holder, Creditors and Shareholders (in case of dividend declaration).
10. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

During the year, 6 Audit Committee Meetings were held on 30th April, 2009, 29th June, 2009, 30th July, 2009, 30th October, 2009, 22nd December, 2009 and 30th January, 2010. Shri Amrit Agrawal attended all 6 meetings, Shri R K Thapliyal & Shri Prem

Malik attended 5 meetings each and Shri Deepak Diwan & Shri Shyamal Ghosh attended one meeting each.

The requisite quorum, was not present for the Audit Committee Meeting held on 29th June, 2009 at 1:00 P.M, the same was adjourned for want of quorum and the Board of Directors of the Company at their meeting held on 29th June, 2009 at 3:00 P.M reconstituted the Audit Committee by inducting two more Independent Directors Shri Deepak Diwan and Shri Shyamal Ghosh and gave directions to hold the Audit Committee Meeting on 29th June, 2009 at 3.30 P.M to review and consider the audited financial results and audited annual accounts for the year ended 31st March, 2009. Thereafter, on conclusion of the Audit Committee Meeting on 29th June, 2009 at 3.30 P.M, Shri Deepak Diwan & Shri Shyamal Ghosh expressed their inability to continue in the Audit Committee, the Board of Directors of the Company at their meeting held on 29th June, 2009 at 4:30 P.M reconstituted the Audit Committee and after reconstitution, Audit Committee consist of Shri Ram Kumar Thapliyal, Shri Prem Malik and Shri Amrit Agrawal.

4. Remuneration Committee

The Remuneration Committee of the Board, inter alia, recommends to the Board the compensation and terms of Executive Directors and the senior most level of management immediately below the Executive Directors. The Remuneration Committee comprises of Shri Prem Malik, (Chairman), Shri Ram Kumar Thapliyal and Shri Deepak Diwan, (Members) all are Non-executive/Independent Directors. During the year one Committee Meeting was held on 30th April, 2009, all the members of the Committee attended the meeting.

The Remuneration of Chairman, Managing Director, Deputy Managing Director, Director-Works and Director-Finance are in accordance with Schedule XIII of the Companies Act, 1956 and approved by members of the Company.

Details of remuneration paid to Directors for the financial year 2009-10 are as under:

(₹ in lacs)

Name of Director	Sitting Fee for Board Meeting(s)	Sitting Fee for Remuneration Committee Meeting(s)	Sitting Fee for Audit Committee Meeting(s)	Salaries and Perquisites p.a.	Total
Executive Directors					
Shri Ajay Kumar Choudhary	-	-	-	48.00	48.00
Shri Mukund Choudhary	-	-	-	48.00	48.00
Shri Kapil Choudhary	-	-	-	48.00	48.00
Shri Sitaram Parthasarathy	-	-	-	47.62	47.62
Shri Amrit Agrawal	-	-	-	42.43	42.43
Non Executive/Independent Directors					
Shri Deepak Diwan	0.44	0.11	0.11	-	0.66
Shri Prem Malik	0.44	0.11	0.55	-	1.10
Shri Ram Kumar Thapliyal	0.44	0.11	0.55	-	1.10
Shri Pankaj Sharma*	0.11	-	-	-	0.11
Shri Shyamal Ghosh	0.55	-	0.11	-	0.66
Shri D P Singh	0.44	-	-	-	0.44
Shri Vivek Chhachhi ***	-	-	-	-	-

* Resigned as Director of the Company w.e.f. 01-05-2009

*** Citigroup Venture Capital International Growth Partnership Mauritius Ltd., is not claiming any sitting fee for attending any Board or Committee meetings by their nominees, accordingly the Company is not paying sitting fee to its nominee.

5. Share Transfer & Shareholders/Investors Grievance Committee:

During the year, the Share Transfer & Shareholders'/Investors Grievance Committee was reconstituted in view of resignation of Shri Pankaj Sharma, Director of the Company. The Share Transfer & Shareholders'/Investors Grievance Committee comprises of three members viz. Shri Deepak Diwan (Chairman), Non-executive/Independent Director, Shri Mukund Choudhary and Shri Kapil Choudhary (Members), Executive – Directors of the Company.

The Committee members meet from time to time, inter alia, approve issue of duplicate share certificates and oversees and reviews all matters connected with the transfer of securities. The Committee also reviews the performance of the Registrar and Transfer Agents, besides supervising the mechanism of investor grievance redressal to ensure cordial investor relation.

The committee also reviews all investors' complaints and their grievances. During the year the Company has received 13 complaints from the investors and has responded to their fullest satisfaction and 5 complaints were received from SEBI/Stock Exchanges, which were duly replied / redressed. There was no complaint outstanding as on 31st March 2010.

Shri Vivek Kumar, Company Secretary is also the compliance officer for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

During the year, 4 committee meeting were held on 2nd April, 2009, 3rd July, 2009, 3rd October, 2009 and 4th January, 2010. Shri Mukund Choudhary & Shri Kapil Choudhary attended all 4 meetings each, Shri Deepak Diwan attended 3 meetings and Shri Pankaj Sharma attended one meeting.

6. Investment Committee

The Investment Committee of the Board, inter alia, recommends to the Board on various opportunities to set-up/acquire/establish textile business outside India besides its present expansion and acquisition plans in India and to execute various documents/agreements from time to time and to form subsidiary companies and fellow subsidiary companies. No Investment Committee meeting was held during the year.

7. Banking Committee

The Banking Committee of the Board, inter alia, authorizes company officials to execute/sign various documents/cheques for availing various credit facilities/term loan provided by the Banks from time to time. The Board of Directors had taken note on various credit facilities sanctioned/restructured by Banks under CDR Package.

During the year, the Banking Committee was reconstituted in view of resignation of Shri Pankaj Sharma.

The Committee comprises of Shri Mukund Choudhary, Managing Director, Shri Kapil Choudhary, Deputy Managing Director, Shri Amrit Agrawal, Director-Finance and Shri Deepak Diwan, Non-executive/ Independent Director. During the year, 5 Committee meetings were held on 30th April, 2009, 30th June, 2009, 12th September, 2009, 6th November, 2009 and 30th March, 2010. Shri Kapil Choudhary & Shri Amrit Agrawal attended all five meetings each, Shri Mukund Choudhary & Shri Deepak Diwan* attended 4 meetings each and Shri Pankaj Sharma attended one meeting.

* Appointed as Member of the Committee w.e.f. 29-06-2009

8. General Body Meetings

(A) Annual General Meetings:

Details of last three Annual General Meetings (AGM) and two Extra Ordinary General Meetings (EGM) of the Company are as under:

AGM	LOCATION	DATE & TIME	Special Resolutions passed
15th AGM	Banarsidas Chandiwala Sewa Smarak Trust Guest House Auditorium, Chandiwala Estate, Maa Anandmai Ashram Marg, Kalkaji, New Delhi - 110019	21st August, 2007 at 11.00 A.M.	1. To approve the appointment of Shri Amrit Agarwal as the Executive Director of the Company. 2. To approve the amendment in Articles of Association of the Company in respect of increase in number of Directors from 12 to 15.
16th AGM	-do -	19th September, 2008 at 10.00 A.M.	None
17th AGM	Lok Kala Manch, 20, Lodhi Institutional Area, Lodhi Road, New Delhi – 110003	30th September, 2009 at 9:30 A.M	1. To approve the Re-appointment of Shri Mukund Choudhary as Managing Director of the Company for a period of 5 years and his remuneration.
EGM	D-48, MIDC, Baramati, Dist. Pune, Maharashtra – 413133	27th November, 2009 at 9:30 A.M	1. To approve the issuance of 2 Crore warrants convertible into equity shares to Promoter/promoter group & strategic investors on preferential basis.
EGM	D-48, MIDC, Baramati, Dist. Pune, Maharashtra – 413133	19th January, 2010 at 9:30 A.M	1. To approve the deletion of Article 207.1 of Articles of Association of the Company relating to appointment of Statutory Auditors of the Company.

(B) Postal Ballot

No special resolution was passed through Postal Ballot during 2009-10.

9. Code of Conduct

The Board of Directors has adopted the Code of Conduct and ethics for Directors, Senior Management and the designated employees who have affirmed the compliance with the Code. The Code of Conduct has also been posted on the company's website www.spentex.net. The declaration in compliance with Clause 49 I (D) (ii) of the Listing Agreement is given below:

To The Shareholders of Spentex Industries Limited

Sub : Compliance with Code of Conduct in terms of Clause 49 I (D) (ii) of the Listing Agreement

I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the code of conduct as adopted by the Board of Directors for the year ended 31st March, 2010 in terms of Clause 49 I (D) (ii) of the Listing Agreement entered into with the Stock Exchange.

Place: New Delhi
Date: August 13, 2010

Mukund Choudhary
Managing Director

10. Compliance

a. Mandatory Requirements:

The Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

b. Adoption of Non-Mandatory Requirements:

Although it is not mandatory, three Committees of Board, namely Remuneration Committee, Banking Committee and Investment Committee are in place. Details of all the above mentioned committees have been provided in this report.

11. Disclosures

- The disclosure relating to transactions of material nature with the related parties are disclosed in the financial statements.
- Company has fulfilled all Statutory Compliances and there were no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to Capital Markets, during the last three years.
- Company has issued circular in connection with Whistle Blower Policy and no employee was denied to access to the Audit Committee.
- Pursuant to Clause 47(f) of the Listing Agreement, the Company has created E-mail ID **secretarial@clcindia.com** exclusively for the purpose of registering complaints by investors.

12. Means of Communication

- The quarterly/half yearly/annual financial results and press releases on significant developments in the Company are submitted to the Stock Exchanges immediately after Board approves the same to enable stock exchanges to put the results on their websites and communicate to their members.
- The quarterly/half-yearly/annual financial results are published in English (The Financial Express/Pioneer) and Hindi (Jansatta/Veer Arjun/Hari Bhoomi) newspapers and the same are also displayed on the Company's website **www.spentex.net**. The Company's website also displays all official news releases.
- The Management Discussions and Analysis is included in Directors' Report.
- Pursuant to Clause 51 of the Listing Agreement (relating to Electronic Data Information filing and Retrieval EDIFAR), the Company has regularly filed the specific documents/ statements/information on website **www.sebidifar.nic.in** till March 31, 2010. SEBI has discontinued EDIFAR site w.e.f April 1, 2010 vide SEBI Circular No.CIR/CFD/DCR/3/2010, hence information/filing for the quarter/year ended 31st March, 2010 could not be filed with SEBI EDIFAR. However, members can view the same at BSE & NSE website on which the same has been posted by their officials.

13. General Shareholder information

- The 18th Annual General Meeting will be held at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi – 110 019, on Thursday, the 30th day of September, 2010 at 9.30A.M.
- Financial Calendar (Tentative):

Financial reporting for the Quarter ending June 30, 2010	: August 13, 2010
Financial reporting for the Quarter ending September 30, 2010	: October 29, 2010
Financial reporting for the Quarter ending December 31, 2010	: January 28, 2011
Financial reporting for the Quarter ending March 31, 2011	: May 13, 2011

 Alternatively
 Annual Result for the year ended March 31, 2011 : May 27 2011
- Date of Book closure : Saturday the 25th September, 2010 to Thursday the 30th September, 2010 (both days inclusive)
- Dividend Payment Date : Not Applicable
- Listing of Equity Shares on Stock Exchanges: The Bombay Stock Exchange Ltd., Mumbai (scrip code = 521082) and National Stock Exchange of India Ltd. Mumbai (script code = SPENTEX).
- ISIN No. INE376C01020
- The Annual Listing Fee has been paid till 31st March, 2011.
- Market Price Data : High/Low during each month in last financial year 2009-10 at BSE & NSE:

Month	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
BSE												
High	6.97	11.67	11.80	9.67	10.16	11.19	10.75	12.67	15.18	15.90	13.45	12.97
Low	4.51	5.40	8.55	7.80	8.00	9.38	8.70	9.35	11.55	11.92	10.01	9.76
NSE												
High	7.00	11.80	11.55	9.80	10.25	11.35	10.65	12.90	14.85	15.80	13.30	13.00
Low	4.40	6.00	8.65	8.00	8.10	9.45	8.80	9.45	11.50	12.25	10.00	9.70

- Registrars and Transfer Agents: M/s. Beetal Financial & Computer Services (P) Ltd., 99, Beetal House, Madangir, Near Dada Harsukh Dass Mandir, Behind Local Shopping Complex, New Delhi 110 062 Ph. No. 011 - 2996 1281 and 011 - 2996 1282 and Fax No. 011 - 2996 1284, E-mail **beetal@rediffmail.com**; **beetal_99@sify.com**
- Share Transfer System: The Company's shares are compulsorily traded in dematerialised mode. Share in physical mode lodged for transfer are processed and returned to the shareholders within the stipulated time.

➤ **Distribution of shareholding as on 31st March 2010:**

No. of Shares	No. of Shareholders	Percentage	No. of Shares	Percentage
1 to 500	38,604	89.72	37,62,100	5.10
501 to 1000	2,171	5.05	18,32,685	2.49
1001 to 2000	1,077	2.50	16,98,583	2.30
2001 to 3000	393	0.91	10,17,504	1.38
3001 to 4000	157	0.37	5,64,669	0.77
4001 to 5000	176	0.41	8,42,278	1.14
5001 to 10000	225	0.52	16,73,276	2.27
10001 and above	223	0.52	6,23,41,940	84.55
TOTAL	43,026	100.00	7,37,33,035	100.00
Physical Mode			35,39,961	4.80
Electronic Mode			7,01,93,074	95.20

➤ **Shareholding Pattern as on 31st March 2010:**

Sl. No.	Particulars	No. of shares	%
1	Promoter & Promoter Group	34,292,562	46.51
2	Bodies Corporate	4,369,587	5.93
3	Mutual Funds/FI's/Banks	749,505	1.02
4	State Governments/Government Company	59,337	0.08
5	Foreign Institutional Investors	19,255,428	26.11
6	Foreign Banks	1,494	0.00
7	Directors Other Than Promoters	140,299	0.19
8	NRIs	306,544	0.41
9	Trust	28,145	0.04
10	Indian Public & Others	14,530,134	19.71
	Total	73,733,035	100.00

The equity shares of the Company are frequently traded on The Bombay Stock Exchange Ltd., Mumbai (BSE) and National Stock Exchange of India Ltd., Mumbai (NSE)

➤ During the year, the Company has issued 1,18,00,000 convertible warrants to M/s CLC Technologies Private Limited, a promoter group company on preferential basis on 12th December, 2009. Out of these 22,61,000 warrants have been converted into same number of equity shares on 31st March, 2010 on exercise of option by warrant holder in first tranche thereafter company has obtained listing approval from NSE & BSE for said shares and said shares are listed w.e.f. 23-6-2010 & 24-6-2010 respectively. 95,39,000 warrants are pending for conversion into same number of equity shares.

➤ **Plant Location(s):**

In India

1. D-48, MIDC, Baramati, District. Pune, Maharashtra 413 133
2. B-1, MIDC, Chincholi – Kondi, Distt. Solapur, Maharashtra 413 255
3. 31-A, MIDC Industrial Area, Butibori, Nagpur, Maharashtra 441 122
4. 51-A, Industrial Area, Sector III, Pithampur, Madhya Pradesh 454 774

Out side India

1. 2A, Zie Said Street, Tashkent City – 100042 Republic of Uzbekistan
2. 2 Tashkent Yuli Street, Toypeta, Urta-Chirchik District, Tashkent Region 102300, Republic of Uzbekistan.
3. Nadrazni 557 436 57, Litvinov, Czech Republic
4. H. 44-B, Margilan Street, Fergana Region, Margilan City, Republic of Uzbekistan

➤ **Address for Correspondence :**

1. Registered Office Address : A-60, Okhla Industrial Area, Phase II, New Delhi 110 020
Ph. 011 - 2638 7738, 4161 4999, Fax: 011 – 2638 5181.
Email: secretarial@clcindia.com
2. Registrars & Transfer Agents : M/s. Beetal Financial & Computer Services (P) Ltd
99, Beetal House, Madangir, Near Dada Harsukh Dass Mandir,
Behind Local Shopping Complex, New Delhi 110 062
Ph. No. 011 - 29961281 and 011-29961282 and Fax No. 011- 2996 1284.
E-mail : beetal@rediffmail.com; beetal_99@sify.com
3. Compliance Officer : Shri Vivek Kumar, Company Secretary
Ph. 011 - 2638 7738, 4161 4999, Fax: 011 – 2638 5181.
Email: vivekkumar@clcindia.com; secretarial@clcindia.com

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Mukund Choudhary, Managing Director and Amrit Agrawal, Director-Finance, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2010 and 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 the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditor and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee;
 - i) significant changes in internal controls over financial reporting, during the year.
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
 - iii) instances of significant fraud of which we have become aware, if any, and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Place: New Delhi
Date: August 13, 2010

Mukund Choudhary
Managing Director

Amrit Agrawal
Director - Finance

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Spentex Industries Limited

We have examined the compliance of conditions of Corporate Governance by **SPENTEX INDUSTRIES LIMITED**, having its Registered Office at A-60, Okhla Industrial Area, Phase-II, New Delhi-110 020 for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the concerned Stock Exchanges in India.

The Compliance of conditions of corporate governance is the responsibility of the management. Our examination is 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 our opinion and to the best of our information and according to the explanations 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 state that in respect of the investor grievances received for the year ended 31st March, 2009, no such investor grievances remained unattended/pending as at 31st March, 2010 as per the records maintained by the Shareholders/ Investor Grievance Committee.

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

For **Balraj Sharma & Associates**
Company Secretaries

(Balraj Sharma)
FCS-1605
CP-824

Place: New Delhi
Date: August 13, 2010

AUDITORS' REPORT TO THE MEMBERS OF SPENTEX INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Spentex Industries Limited, as at March 31, 2010 and the related profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards required 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(Auditor's Report) Order, 2003 as amended by the Companies(Auditor's Report) (Amendment) Order, 2004, issued by the Central government of India in terms of sub-section(4A) of Section 227 of The Companies Act, 1956 of India(the Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
 - 3.1 (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programmed designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the books records and physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
 - 3.2 (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
 - 3.3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraph 4(iii)(b), 4(iii)(c), 4(iii)(d) of the order are not applicable.
 - (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraph 4(iii) (f) and 4(iii) (g) of the order are not applicable.
 - 3.4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
 - 3.5 (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of Rupees Five Lakhs or more in respect of any party during the year other than those reported in para 3.18 below pursuant to paragraph 4 (xviii) of the Companies (Auditor's Report) Order, 2003.
 - 3.6 The Company has not accepted any deposits from the public within the meaning of Section 58A and Section 58AA of the Act and the rules framed there under.
 - 3.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
 - 3.8 We have broadly reviewed the books of account, maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 - 3.9 (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues and is *generally* regular in depositing undisputed statutory dues in respect of income tax and service tax applicable to it. According to the information and explanation given to us, no undisputed amounts payable in

respect of aforesaid dues were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, entry tax, service tax and excise duty at March 31, 2010, which have not been deposited on account of dispute, are as follows:

Name of the statute	Nature of dues	Amount(₹)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax				
The M.P. Commercial Tax Act, 1994	Penalty - Purchase tax demand	164,195 (including amount paid Rs.128,195)	2004-05	First Appellate Authority
The M.P. Commercial Tax Act, 1994	Sales tax demand on sale of DEPB licenses	3,154,447 (including amount paid Rs.2,855,900)	2001-03 2009-10	Deputy Commissioner (Appeals), Indore - Rs.369,057 Assessing Authority Rs.2,785,390
Entry Tax Act, 1976	Entry tax demand	1,738,138 (including amount paid Rs.414,844)	1992-2008	The M.P. High Court – Rs.567,816 Deputy Commissioner (Appeals), Indore - Rs.371,076 Assessing Authority – Rs.799,246
Maharashtra Sales Tax Act, 1975	BST Sales Tax dues	178,493 (including amount paid Rs.17,040)	2003-04	Joint Commissioner of Sales Tax (Appeal), Pune
Income tax				
Income Tax Act, 1961	Disallowance u/s 80 HHC on export incentives	31,061,929 (including amount paid Rs.5,541,674)	A.Y. 2000-01 to A.Y. 2004-05	Income Tax Tribunal Delhi Bench - Rs.11,207,472 Commissioner of Income Tax (Appeal), New Delhi – Rs.19,854,457
Income Tax Act, 1961	Disallowance of goodwill amortisation & other expenses	10,875,657 (including amount paid Rs.3,981,354)	A.Y. 2001-02 A.Y. 2003-04	Income Tax Tribunal Delhi Bench - Rs. 3,981,354 High Court - Rs. 6,894,303
The Income Tax Act, 1961	Disallowances of various expenses viz. sales tax subsidy, etc.	27,095,747 (including amount paid Rs.2,000,000)	A.Y. 2003-04 A.Y. 2005-06 A.Y. 2006-07	Income Tax Tribunal Delhi Bench – Rs.8,315,813 Commissioner of Income Tax (Appeal), New Delhi – Rs.18,779,934
Central Excise and Service Tax Act				
Central Excise Act, 1944	Excise duty demands (Baramati unit)	10,806,176	June 1999 to Dec 2001	Customs, Excise & Service Tax Appellate Tribunal, Mumbai
Central Excise Act, 1944	Excise duty demands (Ahmedabad unit)	27,861,240	Apr-00 to Sept-01 and Feb-01 to Dec-01	Customs, Excise & Service Tax Appellate Tribunal, Ahmedabad
Central Excise Act, 1944	Excise duty demands (Ahmedabad unit)	1,565,015 (including amount paid Rs.1,565,015)	Feb-04	Joint Commissioner -Central Excise
The Central Excise Act, 1944	Excise duty-demand of duty on clearance of goods under notification 30/2004 without payment of duty (Butibori unit)	75,185,214 (including amount paid Rs.2,314,143)	Aug, 2004 to Apr, 2007	Deputy Commissioner of Central Excise, Nagpur – Rs. 77,371 Commissioner, Central Excise Nagpur – Rs.72,187,903 Additional Commissioner of Central Excise, Nagpur – Rs.505,797 Customs, Excise & Service Tax Appellate Tribunal, New Delhi – Rs. 2,414,143
The Central Excise Act, 1944	Cenvat demand for packing material including penalty (Pithampur unit)	168,012	April, 2000 – March, 2004	Customs, Excise & Service Tax Appellate Tribunal, New Delhi

The Central Excise Act, 1944	Cenvat demand on packing material / scrap (Butibori unit)	1,103,017 (including amount paid Rs.35,536)	April, 2003 – November, 2009	Customs, Excise & Service Tax Appellate Tribunal, New Delhi Rs.94,860
				Commissioner(Appeals), Nagpur– Assistant Commissioner – Rs.4,006
				Deputy Commissioner, Central Excise, Nagpur – Rs. 1,004,151
The Central Excise Act, 1944	Cenvat on samples used in quality control (Butibori unit)	213,846 (including amount paid Rs.67,597)	Apr, 2003 to Aug, 2009	Customs, Excise & Service Tax Appellate Tribunal, Nagpur – Rs.117,762
				Deputy Commissioner, Central Excise, Nagpur – Rs. 74,130
				Assistant Commissioner, Central Excise, Nagpur – Rs. 21,954
The Central Excise Act, 1944	Demand for Cenvat reversal of furnace oil used in generation of electricity on job-work (Butibori unit)	31,855,017	Apr, 2003 to Aug, 2006	Deputy Commissioner of Central Excise, Nagpur – Rs. 694,852
				Customs, Excise & Service Tax Appellate Tribunal – Rs.20,822,518
				Additional Commissioner of Central Excise, Nagpur – Rs.10,337,647
The Central Excise Act, 1944	Refund of cenvat on inputs under Rule 18 (Pithampur unit)	60,216,366	Oct, 2004 to Jan, 2006	Commissioner (Appeals), Central Excise, Indore
The Central Excise Act, 1944	Rejection export claims	1,793,732	Jun, 2006 to Jan,2007	Additional Commissioner of Central Excise, Nagpur
Finance Act, 1994	Refund against export services	1,262,396	2006-09	Additional Commissioner of Central Excise, Nagpur
The Central Excise Act, 1944	Excise duty–demand of duty on clearance of goods under notification 30/2004 without payment of duty (Pithampur unit)	53,291,002 (including amount paid Rs.13,322,751)	March, 2004 to Feb, 2007	Customs, Excise & Service Tax Appellate Tribunal
The Central Excise Act, 1944	Duty on Yarn	41,871	2006	Commissioner (Appeals), Central Excise, Indore
The Central Excise Act, 1944	Cenvat on Capital Goods	2,570,898	2002-2003	Additional Commissioner of Central Excise, Nagpur

- 3.10 The Company has accumulated loss as at March 31, 2010 which is more than fifty percent of its net worth and read with comments in para 4(b) of our report, the company has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanation given to us, based on our audit procedures, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund/ Nidhi/ mutual benefit fund/ Societies are not applicable to the Company.
- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- 3.16 In our opinion, and according to the information and explanations given to us, no new term loan has been obtained during the year.
- 3.17 On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long-term investment.
- 3.18 According to the information and explanations given to us, the company has made preferential allotment of shares to a

company covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.

- 3.19 The Company has created security or charge in respect of debentures issued and outstanding at the year end.
 - 3.20 The Company has not raised any money by public issue during the year.
 - 3.21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. We draw attention to:
- (a) **Note 9(a) on Schedule XXI, wherein we are unable to determine the extent of provision that may be required for diminution in the value of long term investment amounting to Rs. 20,44,69,921 in Amit Spinning Industries Limited subsidiary of the company. Further, uncertainties exist in relation to the recoverability of loans amounting to Rs.270,128,019 (net of Amount received subsequently Rs. 170,400,000,) interest accrued thereon amounting to Rs.60,414,121 and advances amounting to Rs.17,726,208 due from the above subsidiary.**
 - (b) **Note 9(b) on Schedule XXI, wherein the Company has not charged to Profit and Loss Account a sum of Rs.329,563,767 due from Schoeller Litvinov k.s. (SLKS), the Czech step down subsidiary of the Company pursuant to reorganization plan approved by the court. Accordingly loss for the year is lower by Rs.329,563,767 with consequent impact on net assets for the year then ended.**
 - (c) **Note 10 on Schedule XXI, wherein we are unable to comment on the amounts recoverable relating to certain debtor and advance balances aggregating to Rs.17,408,913 and Rs.22,473,335, respectively, for which no provision has been made in the books of account.**

We further report that, without considering the impact of paragraphs 4(a) and 4(c) above the effect of which could not be determined, had the observations made by us in paragraph 4(b) above been considered, the loss before tax for the year would have been Rs. 55,30,08,482 (as against the reported figure of Rs 22,34,44,715), Accumulated loss would have been Rs. 1,53,38,78,558 (as against the reported figure of Rs.1,20,43,14,791), Sundry Debtors and Loans and Advances to subsidiary would have been Rs.77,91,36,218 & Rs. 59,79,62,210 respectively (as against the reported figure of Rs. 1,09,42,10,537 & Rs. 61,24,51,658 respectively) .

5. Further to our comments in paragraphs 4 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, subject to our remarks in paragraph 4(b) above, 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 Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of directors, 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 Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and subject to our remarks in paragraph 4 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For J.C. Bhalla & Company
Chartered Accountants
Firm Regn. No. 001111-N**

**(Akhil Bhalla)
Partner
Membership No.505002**

Place : New Delhi
Dated : August 13, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	I	737,330,350	714,720,350
Application money for Share Warrant (Refer Note 5 on Schedule XXI)		51,678,550	
Reserves and Surplus	II	1,151,736,941	1,136,022,991
		1,940,745,841	1,850,743,341
Loan Funds			
Secured Loans	III	5,074,134,079	4,882,029,120
Unsecured Loans	IV	124,340,880	182,950,605
		7,139,220,800	6,915,723,066
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	6,377,413,550	6,362,105,188
Less: Depreciation		3,412,703,593	3,089,625,645
Net Block		2,964,709,957	3,272,479,543
Capital Work-in-Progress and Capital Advances		3,854,944	586,381
		2,968,564,901	3,273,065,924
Investments	VI	774,973,600	774,979,600
Current Assets, Loans & Advances			
Inventories	VII	568,581,401	494,088,033
Sundry Debtors	VIII	1,094,210,537	964,556,903
Cash and Bank Balances	IX	72,760,913	53,521,542
Other Current Assets	X	764,998,844	732,223,078
Loans and Advances	XI	1,061,332,323	896,114,454
		3,561,884,018	3,140,504,010
Less : Current Liabilities and Provisions			
Liabilities	XII	1,325,123,814	1,195,594,239
Provisions	XIII	45,392,696	57,890,912
Net Current Assets		2,191,367,508	1,887,018,859
Profit and Loss Account (Dr.)		1,204,314,791	980,658,683
		7,139,220,800	6,915,723,066
Statement on Significant Accounting Policies	XX		
Notes to Accounts	XXI		

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Amrit Agrawal	Director - Finance
Vivek Kumar	Company Secretary

Akhil Bhalla
Partner
Membership No : 505002

Place : New Delhi
Date : August 13, 2010

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

	Schedule	2009-2010 Rupees	2008-2009 Rupees
INCOME			
Sales * (Refer Note 6 on Schedule XX)		7,358,651,653	6,846,470,016
Less : Excise Duty		(36,443,713)	(28,463,668)
Net Sales		7,322,207,940	6,818,006,348
*Includes duty drawback on exports Rs. 23,957,813/- (Previous Year Rs. 206,218,841/-)			
Other Income	XIV	477,414,512	265,685,370
		7,799,622,452	7,083,691,718
EXPENDITURE			
Raw Materials Consumed	XV	4,562,129,972	4,369,842,258
Cost of Traded Goods Sold		336,632,934	306,133,813
Salaries, Wages & Benefits	XVI	495,580,379	467,177,909
Manufacturing and Other costs	XVII	1,447,191,804	1,407,531,230
Depreciation / Amortisation	V	350,448,336	393,065,658
Financial Charges	XVIII	691,603,687	692,364,104
(Increase) / Decrease in Inventories	XIX	139,480,055	217,808,833
		8,023,067,167	7,853,923,805
Profit /(loss) before Tax		(223,444,715)	(770,232,087)
Tax Expense			
Fringe Benefit Tax (of earlier year Rs. 211,393, Previous Year Nil)		211,393	3,724,900
		211,393	3,724,900
Profit / (loss) after Tax		(223,656,108)	(773,956,987)
Profit / (loss) brought forward from Previous Year		(980,658,683)	(206,701,696)
Balance carried forward to Balance Sheet		(1,204,314,791)	(980,658,683)
Basic and Diluted Earnings per Share (Face Value Rs. 10 each) (Refer Note 17 on Schedule XXI)		(3.13)	(10.83)
Statement on Significant Accounting Policies	XX		
Notes to Accounts	XXI		

The Schedules referred to above form an integral part of the Profit & Loss Account

This is the Profit and Loss Account referred
to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary Managing Director
Kapil Choudhary Deputy Managing Director
Amrit Agrawal Director - Finance
Vivek Kumar Company Secretary

Akhil Bhalla
Partner
Membership No : 505002

Place : New Delhi
Date : August 13, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31, MARCH 2010

	Year Ended 31st March, 2010 (₹)	Year Ended 31st March, 2009 (₹)
Profit /(loss) before Tax	(223,444,715)	(770,232,087)
Add:		
Depreciation / Amortisation	350,448,336	393,065,658
(Profit) / Loss on Sale of Fixed Asset (net)	(156,463)	(95,771,292)
Provision for Doubtful Debts and Advances	3,809,413	1,949,868
Provision for Wealth Tax	9,666	3,766
Loss on assets held for disposal	-	1,298,000
Unrealised Exchange Fluctuation (net)	7,171,820	(14,437,735)
Bad Debts and Advances Written off	1,038,137	4,378,969
Liabilities no longer required written back	(56,250,723)	(24,530,977)
Provision for Leave Encashment	(3,949,652)	(5,306,724)
Provision for Diminution in the value of Assets held for sale	6,000,000	-
Provision for Gratuity	(8,558,247)	(8,333,400)
Dividend Income	(3,350)	(2,009)
Interest Income	(57,671,807)	(48,559,378)
Interest Expense	691,603,687	692,364,104
Operating Profit Before Working Capital Changes	710,046,103	125,886,763
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	(181,031,355)	(51,037,229)
- (Increase)/Decrease in Other Receivables	(252,691,863)	(50,912,190)
- (Increase)/Decrease in Inventories	(74,493,368)	667,604,308
- Increase/(Decrease) in Trade and Other Payables	209,431,531	(187,560,545)
Direct Taxes Paid (Net)	568,947	3,609,076
A. Cash Flow From Operating Activities	411,829,997	507,590,183
Purchase of Fixed Assets	(19,797,922)	(11,814,756)
Sale proceeds of Fixed Assets	75,359,628	371,208,448
Sale of Investment	6,000	-
Dividend Received	3,350	2,009
Interest Received	7,045,796	64,038,574
B. Cash Flow From Investing Activities	62,616,853	423,434,275
Proceeds from Share Capital	90,002,500	-
Payment of 9% Non-convertible Debenture	-	(19,230,770)
Proceeds from Term Loans	1,215,912,111	98,121,213
Repayment of Term Loans	(335,047,416)	-
Proceeds from Working Capital Loans (net)	(651,038,983)	(294,731,777)
Vehicle Loans (net)	(4,794,658)	(4,254,269)
Short term advances (net)	(58,609,725)	(1,027,889)
Interest Paid	(711,631,307)	(674,247,999)
Dividend paid	-	(10,479)
C. Cash Flow From Financing Activities	(455,207,478)	(895,381,970)
Increase in Cash Equivalents {A+B+C}	19,239,372	35,642,488
Cash and Cash Equivalents at the Beginning of the Year	53,521,542	17,879,054
Cash and Cash Equivalents at the End of the Year	72,760,913	53,521,542
Increase in Cash and Cash Equivalents	19,239,371	35,642,488
Notes :-		
Cash and Cash Equivalents comprise		
Cash and Cheques in hand	1,536,322	565,306
In Current Accounts	40,614,977	42,273,423
Cheque in hand	12,812,490	-
In Fixed Deposit Accounts @	16,200,000	3,000,000
In Margin Money Account @	-	6,332,219
In Other Banks	306,383	54,309
In unpaid dividend accounts @	1,290,741	1,296,285
	72,760,913	53,521,542

- # 1 The above Cash flow statement has been prepared under the Indirect method set out in Accounting Standard 3 notified under section 211(3C) of the Companies Act, 1956.
2 Figures in brackets indicate cash outgo.
3 @ Includes Margin Money Account, Unpaid Dividend Accounts and Fixed Deposit Accounts aggregating Rs. 17,490,741 (Previous Year Rs. 10,628,504) which are not available for use by the Company. (Refer Schedule IX in the accounts)

Statement on Significant Accounting Policies XX
Notes to Accounts XXI

The Schedules referred to above form an integral part of the Cash Flow Statement

This is the Cash Flow Statement referred to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Amrit Agrawal	Director - Finance
Vivek Kumar	Company Secretary

Akhil Bhalla
Partner
Membership No: 505002

Place: New Delhi
Date : August 13, 2010

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET

	<u>March 31, 2010</u> Rupees	<u>March 31, 2009</u> Rupees
SCHEDULE I : SHARE CAPITAL		
Authorised		
114,000,000 Equity Shares of Rs 10 each	1,140,000,000	1,140,000,000
7,000,000 Redeemable Preference Shares of Rs. 10 each	70,000,000	70,000,000
	<u>1,210,000,000</u>	<u>1,210,000,000</u>
Issued, Subscribed and Paid up*		
71,472,035 Equity Shares of Rs. 10 each, fully paid up (Previous Year 71,472,035)	714,720,350	714,720,350
2,261,000 Equity Shares of Rs. 10 each, issued on account of conversion of Share Warrants (Previous year NIL)	22,610,000	-
	<u>737,330,350</u>	<u>714,720,350</u>
*8,274,465 Equity Share of Rs. 10/- each fully paid issued, pursuant to scheme of arrangement, to the share holder of erstwhile CLC Corporation Limited		
*17,824,591 Equity Share of Rs. 10/- each fully paid issued, pursuant to scheme of amalgamation, to the share holder of erstwhile CLC Global Limited		
*4,487,844 Equity Share of Rs. 10/- each fully paid issued, pursuant to scheme of amalgamation, to the share holder of erstwhile Indo Rama Textiles Limited		
SCHEDULE II : RESERVES AND SURPLUS		
Capital Reserve :		
Capital Reserve	138,231,706	138,231,706
Share Forfeiture Reserve	7,179,250	7,179,250
Profit on Restructure	2,358,587	2,358,587
	<u>147,769,543</u>	<u>147,769,543</u>
Securities Premium Account		
At Commencement of year	946,263,822	946,263,822
Add: Premium received on conversion of Share Warrants	15,713,950	-
	<u>961,977,772</u>	<u>946,263,822</u>
Debenture Redemption Reserve	41,989,626	41,989,626
	<u>1,151,736,941</u>	<u>1,136,022,991</u>
SCHEDULE III : SECURED LOANS		
Debentures (Refer Notes 1 and 3(a) below)		
10% 500 Redeemable Non-convertible Debentures (Face value Rs. 1,000,000 each)	365,384,615	365,384,615
Loans from Banks (Refer Notes 2, 3(b) and 3(c) below)		
a) Term Loan		
Rupee Loans (Includes Sub debt of Rs. 444,400,000, Previous Year Rs. 444,400,000)	3,972,333,591	3,013,714,648
Foreign Currency Loan	-	118,470,484
b) Working Capital Loan		
Cash Credit Facilities	293,647,633	529,473,656
Export Packing Credit Facilities	436,789,899	852,002,858
c) Other loans		
Vehicle Loans	5,978,341	2,982,859
	<u>5,074,134,079</u>	<u>4,882,029,120</u>

Notes :**1 Debentures**

10% Redeemable Non-Convertible Debentures issued to Axis Bank Ltd. are secured by first pari-passu charge on all the fixed assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire

current assets and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis. These debentures are redeemable at par in 32 quarterly installments commencing from June 30, 2010.

2 Loans From Banks

- i) Rupee Term Loans including Working Capital Loan from Banks, other than mentioned in note no. (ii) below, are secured by first pari-passu charge on all the fixed assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire current assets and personal guarantee of the promoters. These loans, except for the ICICI Bank Term Loan, are also secured by pledge of promoters' shares (6,062,334 nos.) on pari-passu basis. The term loan from ICICI Bank is further secured by pledge of promoters' shares (20,647,140 nos.), on an exclusive basis.
- ii) Sub-debt from ICICI Bank of Rs. 444,400,000 is secured by third charge on all the movable and immovable assets of the Company and personal guarantee of the promoters.
- iii) Foreign Currency Term Loan from State Bank of India is secured by a first pari-passu charge over entire fixed assets of the Company, both present and future. This loan is further secured by second pari-passu charge over current assets of the Company, personal guarantee of promoters and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis.
- iv) Cash Credit and Export Packing Credit facilities from Banks are secured by first pari-passu charge on all the current assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire fixed assets, personal guarantee of the promoters and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis.
- v) Vehicle loans are secured by hypothecation of Motor cars.

3 Repayment Terms

- a) Debentures aggregating Rs. 24,665,000 (Previous Year Rs. 36,538,400) are repayable within one year.
- b) Term Loans aggregating Rs. 438,233,713 (Previous Year Rs. 310,000,335) are repayable within one year.
- c) Vehicle Loans aggregating Rs. 1,795,589 (Previous Year Rs. 2,319,471) are repayable within one year.

4 Repayment terms and finance costs pertaining to term loans, working capital loan and debentures, mentioned above, were restructured pursuant to Corporate Debt Restructuring Scheme of Reserve Bank of India and the charges were amended accordingly.

	March 31, 2010 Rupees	March 31, 2009 Rupees
From Others*	6,215,880	8,575,605
Deferred Purchase Payments**	118,125,000	174,375,000
	124,340,880	182,950,605

SCHEDULE IV : UNSECURED LOANS

Short-term loans and advances

From Others*

Deferred Purchase Payments**

* Repayable on demand

**Repayable to Bombay Dyeing Manufacturing Company Limited, due within one year Rs. 56,250,000 (Previous Year Rs. 56,250,000)

SCHEDULE V - FIXED ASSETS

(Refer Notes 3, 4, 10 and 13 on Schedule XX)

(Amount in ₹)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	Cost as at 01.04.2009	Additions for the year*	Deletions/ Adjustments	Cost as at 31.03.2010	Upto 01.04.2009	For the year	Deletions/ Adjustments	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
INTANGIBLE ASSETS										
Goodwill	108,910,417	-	-	108,910,417	94,455,212	10,891,042	-	105,346,254	3,564,163	14,455,205
Softwares	34,083,867	-	-	34,083,867	6,850,480	6,816,773	-	13,667,253	20,416,614	27,233,387
Total A	142,994,284	-	-	142,994,284	101,305,692	17,707,815	-	119,013,507	23,980,777	41,688,592
TANGIBLE ASSETS										
Land										
- Freehold Land	3,890,357	-	-	3,890,357	-	-	-	-	3,890,357	3,890,357
- Leasehold Land	53,944,536	-	-	53,944,536	9,427,863	2,508,173	-	11,936,036	42,008,500	44,516,673
Building	1,153,877,856	1,227,083	714,621	1,154,390,318	244,361,509	41,512,846	280,150	285,594,205	868,796,113	909,516,347
Plant & Machinery	4,870,864,684	30,935,400	25,389,804	4,876,410,280	2,652,378,344	276,097,217	24,706,303	2,903,769,258	1,972,641,023	2,218,486,340
Furniture & Fixtures and Office Equipments	111,056,173	4,698,669	897,072	114,857,770	67,577,717	9,123,365	371,522	76,329,561	38,528,209	43,478,456
Vehicle	25,477,298	7,790,140	2,341,433	30,926,005	14,574,520	3,498,920	2,012,413	16,061,026	14,864,978	10,902,778
Total B	6,219,110,904	44,651,292	29,342,930	6,234,419,266	2,988,319,953	332,740,521	27,370,388	3,293,690,086	2,940,729,180	3,230,790,951
Grand Total (A+B)	6,362,105,188	44,651,292	29,342,930	6,377,413,550	3,089,625,645	350,448,336	27,370,388	3,412,703,593	2,964,709,957	3,272,479,543
Capital Work -in-Progress									3,751,044	586,381
Capital Advances									103,900	-
									3,854,944	586,381
									2,968,564,901	3,273,065,924
Previous Year	6,447,619,786	37,279,180	122,793,778	6,362,105,188	2,773,956,950	393,065,658	77,396,963	3,089,625,645	3,272,479,543	-

* Addition in Plant & Machinery includes Rs.20,331,794 transferred from fixed assets held for sale

		March 31, 2010 Rupees		March 31, 2009 Rupees
SCHEDULE VI : INVESTMENTS (Long Term at Cost)				
(Refer Note 7 on Schedule XX)				
I) Trade - Quoted	Nos		Nos	
In Subsidiaries				
Amit Spinning Industries Limited	20,981,077	204,469,921	20,981,077	204,469,921
(Equity shares of Rs. 5/- each, fully paid up)				
Aggregate Market Value of Quoted Investments				
Rs. 42,171,965 (Previous Year Rs. 32,520,669)				
II) Trade - Unquoted				
In Subsidiaries				
Spentex Mauritius P Ltd	2	90	2	90
(Equity Shares of US Dollar 1/- each, fully paid up)				
Spentex Netherlands B .V.	18200	561,011,339	18200	561,011,339
(Equity Shares of Euro 1/- each, fully paid up)				
Spentex Tashkent Toytepa LLC #		9,323,779		9,323,779
III) Other Than Trade - Quoted				
In Fully Paid-up equity shares of Rs. 10/- each :-				
CHI Investment Ltd.***	25	1,431	-	-
Ceat Limited***	75	4,293	100	5,724
CFL Capital Financial Services Limited	100	1,985	100	1,985
CESC Limited	100	5,553	100	5,553
Harrisons Malayalam Limited	100	3,744	100	3,744
KEC International Limited**	144	9,011	100	6,909
Phillips Carbon Black Limited	100	5,653	100	5,653
RPG Cables Limited	170	5,382	170	5,382
Summit Securities Limited**	100	4,777	-	-
Octav Investments Limited**	8	382	-	-
RPG Transmission Limited**	-	-	100	7,261
Saregama India Limited	100	1,322	100	1,322
In Fully Paid-up equity shares of Rs. 8/- each :-				
RPG Life Sciences Limited	100	8065	100	8065
IV) Other Than Trade - Unquoted				
The Baramati Co-operative Bank Limited	1300	26,000	1300	26,000
(Equity Shares Rs.20/- each, fully paid up)				
The Sadguru Jangli Maharaj Co-operative Bank Ltd.	1000	50,000	1000	50,000
(Equity Share of Rs.50/- each, fully paid up)				
Spencer & Co. Limited	200	7,563	200	7,563
(Equity Share of Rs.10/- each, fully paid up)				
National Saving Certificates *		33,310		39,310
		774,973,600		774,979,600
Aggregate amount of Quoted Investments		204,521,519		204,521,519
Aggregate amount of Unquoted Investments		570,452,081		570,458,081
Market value of Quoted Investments		42,360,245		32,624,002

Notes:-

The Company has participating interest of 0.82% in Charter Capital of Spentex Tashkent Toytepa, LLC

* Pledged with sales tax authorities

** RPG Transmission Ltd. has been amalgamated into KEC International. In view of merger, company received 44 no. equity shares of KEC International Limited, 100 no. equity share of Summit Securities Limited and 8 no. equity shares of Octav Investment Limited.

Pursuant to Scheme of Arrangement approved by Hon'ble High Court, Mumbai vide order dated 18th December, 2009, M/s. Octav Investments Ltd., M/s. CHI Investments Ltd. and M/s. Summit Securities Ltd. has been amalgamated with RPG Itochu Finance Ltd. thereafter RPG Itochu name has been changed to M/s. Summit Securities Ltd. In respect to scheme, Summit Securities has issued NIL shares against 8 no. equity shares of Octav Investment, 4 no. equity shares issued against 25 no. equity shares of CHI Investment and 6 equity shares issued against 100 no. equity shares of erstwhile Summit Securities.

*** Further to demerger of CEAT Ltd., 75 nos and 25 nos. equity shares of CEAT Ltd. and CHI investment respectively were allotted.

	March 31, 2010	March 31, 2009
	Rupees	Rupees
SCHEDULE VII : INVENTORIES		
(Refer Note 5 on Schedule XX)		
Stores, Spares & Packing Materials (including stock in transit Rs. Nil, Previous Year Rs. 2,589,150/-)	32,219,993	42,245,895
Raw Materials (including stock in transit Rs Nil, Previous Year Rs. 6,964,890/-)	384,335,166	165,521,492
Work-in-process	101,400,177	77,897,543
Finished goods		
Manufactured 40,360,690 (including stock in transit Rs.Nil, Previous Year Rs. 8,569,969/-)	204,363,440	
Traded (including stock in transit Rs.8,286,089, Previous Year Rs. Nil) 8,687,855	49,048,545	2,080,711
Waste	1,577,520	1,978,952
	568,581,401	494,088,033
SCHEDULE VIII : SUNDRY DEBTORS		
(Refer Note 8 on Schedule XX)		
Unsecured		
Outstanding for a period exceeding six months		
Considered Good	569,259,743	586,912,922
Considered Doubtful	3,321,589	2,827,183
	572,581,332	589,740,105
Other Debts		
Considered Good	524,950,794	377,643,981
	1,097,532,126	967,384,086
Less : Provision for doubtful debts	3,321,589	2,827,183
	1,094,210,537	964,556,903
SCHEDULE IX : CASH & BANK BALANCES		
Cash in hand	1,536,322	565,306
Cheques in hand	12,812,490	-
Balances with Scheduled Banks :		
In Current Accounts	40,614,977	42,273,423
In Fixed Deposit Accounts*	16,200,000	3,000,000
In Margin Money Account **	-	6,332,219
In Unpaid dividend accounts	1,290,741	1,296,285
Balances with other Banks.		
In Current Accounts		
- Baramati Sahakari Bank (Maximum amount outstanding 2,072,787/- during the year)	304,008	51,934
- Shree Sadguru Jangli Maharaj Bank (Maximum amount outstanding 2,375/- during the year)	2,375	2,375
	72,760,913	53,521,542
* Fixed deposits pledged with sales tax and other government authorities		
** Under lien with Banks		
SCHEDULE X : Other Current Assets		
Interest accrued on deposits (including interest accrued on loan to a subsidiary Rs.60,414,121, Previous Year Rs. 10,028,062.)	61,563,673	10,640,236
Claims and other receivables	501,469,476	413,328,171
Security Deposits	46,340,507	53,067,065
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	155,625,188	255,187,606
	764,998,844	732,223,078

	March 31, 2010 Rupees	March 31, 2009 Rupees
SCHEDULE XI : LOANS AND ADVANCES		
(Unsecured, Considered Good unless otherwise stated)		
Loans and advances to subsidiaries	612,451,658	598,242,184
Amounts recoverable in cash or in kind or for value to be received		
Considered good	342,728,742	200,025,741
Considered doubtful	3,112,897	684,253
	958,293,297	798,952,178
Less : Provision for Doubtful Advances	3,112,897	684,253
	955,180,400	798,267,925
Balance with Customs , Excise, Govt Authorities, etc.	29,642,652	22,415,024
Advance Income Tax/Tax Deducted at Source*	40,686,925	39,609,159
MAT credit entitlement	35,822,346	35,822,346
	1,061,332,323	896,114,454

*Net after adjustment for Provision for Taxation of Rs. 6,706,656 (Previous Year Rs. 14,675,837)

SCHEDULE XII : CURRENT LIABILITIES

(Refer Note 3 on Schedule XXI)

Sundry Creditors

Total outstanding dues of micro enterprises and small enterprises*	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises @	1,214,567,836	1,103,365,437
Advances from customers	34,241,942	13,132,220
Unclaimed Dividend **	1,290,741	1,296,285
Other Liabilities	73,318,182	53,614,727
Interest accrued but not due on loans and debentures	1,705,113	24,185,570
	1,325,123,814	1,195,594,239

Notes :

* As certified by the Management based on available information

** Not due to be credited to Investor Education and Protection Fund

@ Includes payable to Amit Spinning Industries Limited (a subsidiary company) Rs. 32,564,454, (Previous Year Rs. 2,064,121)

SCHEDULE XIII: PROVISIONS

(Refer Notes 9 on Schedule XX and Note 18 on Schedule XXI)

For Wealth Tax	73,884	64,201
For Leave Encashment	14,254,039	18,203,691
For Gratuity	31,064,773	39,623,020
	45,392,696	57,890,912

SCHEDULE XIV : OTHER INCOME

(Refer Note 6 on Schedule XX)

	2009-2010 (Rs.)	2008-2009 (Rs.)
Dividend from long term investments (Other than Trade)	3,350	2,009
Commission (gross)	34,359	3,890,205
(Tax Deducted at Source Rs. NIL, Previous Year Rs. 905,274)		
Interest on a loan to a subsidiary (Gross)	50,386,059	42,443,103
(Tax Deducted at Source Rs. Nil, Previous Year Rs.9,617,607)		
Interest on deposits (gross)	7,285,748	6,116,275
(Tax Deducted at Source Rs. 297,426, Previous Year Rs. 608,676)		
Rent Income	1,020,946	10,237,526
Liabilities / Provisions no longer required written back	56,250,723	24,530,977
Profit on Sale of Fixed Assets (net)	156,463	95,771,292
Export Incentives	291,226,164	42,020,666
Foreign Exchange Fluctuation Gain (net)	28,810,442	-
Miscellaneous Income	42,240,258	40,673,317
	477,414,512	265,685,370

	2009-2010 Rupees	2008-2009 Rupees
SCHEDULE XV : RAW MATERIALS CONSUMED		
(Refer Note 6 on Schedule XXI)		
Opening Stock	165,521,492	541,558,439
Add : Purchases	4,780,943,646	3,993,805,311
Less : Closing Stock	384,335,166	165,521,492
Raw Materials Consumed	4,562,129,972	4,369,842,258
SCHEDULE XVI : SALARY, WAGES AND BENEFITS		
(Refer Note 8 and 15 on Schedule XXI)		
Salaries, Wages and Bonus	430,831,969	410,025,387
Contributions to Provident and Other Funds	34,384,349	32,593,480
Employees Welfare Expenses	34,277,261	28,498,198
Less: Salaries, Wages and Benefits charged to a subsidiary	(3,913,200)	(3,939,156)
	495,580,379	467,177,909
SCHEDULE XVII : MANUFACTURING AND OTHER COSTS		
(Refer Notes 8 and 14 on Schedule XXI)		
Stores, Spares and Packing Materials Consumed (net)	249,713,332	213,584,023
Sub-contracting Charges	19,693,975	7,885,061
Power, Fuel & Water	680,254,208	606,120,738
Rent	5,678,491	6,455,290
Rates & Taxes	2,303,332	3,595,136
Repairs & Maintenance :		
Plant & Machinery	10,865,054	10,877,970
Building	1,944,330	1,048,133
Others	6,460,216	6,062,888
Insurance	7,315,379	9,266,152
Communication Expenses	9,875,958	10,429,950
Traveling and Conveyance	42,969,636	40,911,358
Legal and Professional charges	52,364,134	26,831,376
Commission	69,826,748	54,186,886
Freight Outward and Clearing Charges	191,444,803	248,433,607
Loss on sale of assets	-	1,298,000
Loss on Sale of Raw Materials	6,649,361	22,308,030
Donation and Contribution (other than to political parties)	270,901	64,300
Provision for doubtful debts and Advances	3,809,413	1,949,868
Diminution in the value of Assets held for Sale	6,000,000	-
Bad Debts Written Off	1,038,137	4,378,969
Foreign Exchange Fluctuation Loss (net)	-	46,542,573
Director Sitting Fees	396,000	363,000
Selling and Other Expenses	35,997,338	36,848,106
Miscellaneous Expenses	58,537,579	67,054,762
Less: Expenses charged to subsidiaries	(16,216,521)	(18,964,946)
	1,447,191,804	1,407,531,230
SCHEDULE XVIII: FINANCIAL CHARGES		
(Refer Note 10 on Schedule XX)		
Interest - Non Convertible Debentures	37,939,306	36,494,292
Interest		
- Fixed Loans	353,434,711	302,340,002
- Others	219,422,614	266,379,290
Bank Charges	80,807,056	87,150,520
	691,603,687	692,364,104

	2009-2010 Rupees	2008-2009 Rupees
SCHEDULE XIX : (INCREASE) / DECREASE IN INVENTORIES		
Opening Stock :		
Finished goods	204,363,440	460,768,018
Work in process	77,897,543	95,060,420
Waste	1,978,952	4,733,438
	284,239,935	560,561,876
Less: Transfer to Trial Production Expenses in Previous Year (net of from Capital Work in Progress)	-	52,136,139
Sub Total	284,239,935	508,425,737
Closing Stock :		
Finished goods	40,360,690	204,363,440
Work in process	101,400,177	77,897,543
Waste	1,577,520	1,978,952
	143,338,387	284,239,935
Sub Total	140,901,548	224,185,802
Excise duty on (Increase) / Decrease in inventories	(1,421,493)	(6,376,969)
(Increase) / Decrease in Inventories	139,480,055	217,808,833

SCHEDULE XX : STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES
1. Basis of Accounting

These Financial Statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

2. Use of Estimates

The preparation of the financial statements in conformity with Indian Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

3. Fixed Assets

Fixed Assets are stated at their original cost including freight, duties (net of CENVAT), taxes and other incidental expenses relating to acquisition and installation.

4. Depreciation / Amortization

Depreciation on all fixed assets situated at manufacturing locations is provided on the straight line method on a pro-rata basis at the rates determined on the basis of useful lives of the respective assets. Management estimates the useful lives for the various fixed assets situated at manufacturing locations as follows

Description – Manufacturing locations	Useful lives(in years)
Factory Building	17-29
Building (Other than factory building)	58
Plant and Machinery	2-18
Office Equipments	10-20
Computers	1-6
Furniture and Fixtures	2-15
Vehicles	10-12

The rates derived from the above useful lives are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956 ('Act'). Depreciation for all fixed assets at locations other than at manufacturing locations is provided on the written down value method at the rates specified in Schedule XIV to the Act.

Leasehold land is amortized over the lease period on a straight line basis.

Capitalised enterprise resource planning software (SAP) is amortised over a period of five years on straight line basis.

Acquired goodwill is amortized using the straight-line method over a period of 10 years.

5. Inventories

Inventories have been valued at lower of cost and net realizable value.

The cost in respect of raw materials is determined under the Specific identification of cost method.

Cost includes customs duty, wherever paid, and are net of credit under CENVAT scheme, wherever applicable.

The cost in respect of work-in-progress, finished goods and stores and spares is determined using the weighted average cost method

and includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, where applicable.

Waste is valued at estimated net realizable value.

6. Revenue recognition

Sale of goods: Revenue on sale of goods is recognized on transfer of significant risk and rewards of ownership to the buyer and on reasonable certainty of the ultimate collection. Sales are inclusive of excise duty and net off sales tax, trade discounts and sales returns.

Interest: Income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rates.

Commission and Insurance claim: Income is recognized when no significant uncertainty as to measurability or recoverability exists.

7. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

8. Foreign currency transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. All monetary items denominated in foreign currency are translated at year end rates. Exchange differences arising on such transactions and also exchange differences arising on the settlement of such transactions are adjusted in the Profit and Loss Account.

In case of forward contracts, the premium or discount on all such contracts arising at the inception of each contract is recognized / amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of such contracts is recognized as income or expense for the period.

In respect of foreign branch, all revenues, expenses, monetary assets/liabilities and fixed assets are accounted at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are restated at the year end rates and resultant gains or losses are recognized in the Profit and Loss Account.

9. Employee benefits

The Company's contributions to recognized Provident Funds are charged to revenue on an accrual basis.

The Company has Defined Benefit plans namely Leave Encashment and Gratuity for all employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. Gratuity Fund (for other than Synthetic division) is administered through Life Insurance Corporation of India. Short term compensated absences are recognized at the undiscounted amount of benefit for services rendered during the year

Termination benefits are recognized as an expense immediately. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

10. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

11. Taxation

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the year.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent it is reasonably / virtually certain that future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

12. Leases

Assets acquired under long term finance lease are capitalised and depreciated in accordance with Company's policy for assets situated at manufacturing and other locations. The associated obligations are included in other loans under "Secured Loans".

The company has taken premises on lease. Lease rental in respect of operating lease arrangement are charged to Profit and Loss Account.

13. Impairment of Assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and where carrying amount of the asset exceeds such recoverable amount, an impairment loss is recognized in the profit and loss account to the extent the carrying amount exceeds recoverable amount. Where there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased, the Company books a reversal of the impairment loss not exceeding the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior accounting periods.

14. Government Grants

Recognition

Government grants are recognized where:

- i) There is reasonable assurance of complying with the conditions attached to the grant.
- ii) Such grant / benefit has been earned and it is reasonably certain that the ultimate collection will be made.

Presentation in Financial Statement:

- i) Government grants relating to specific fixed assets are adjusted with the value of the fixed assets.
- ii) Government grants in the nature of promoters' contribution, i.e. which have reference to the total investment in an undertaking or by way of contribution towards total capital outlay, are credited to capital reserve.
- iii) Government grants related to revenue items are either adjusted with the related expenditure / revenue or shown under "Other Income", in case direct linkage with cost / income is not determinable.

15. Provisions and contingencies

The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

Schedule XXI - Notes to Accounts
1 Contingent Liabilities not provided for in respect of :
(Amount in ₹)

Description	This Year	Previous Year
a) Demands from Income Tax Authorities under appeal	62,139,030	62,139,030
b) Demands from Sales Tax Authorities under appeal	3,265,040	20,102,976
c) Show cause notices/demands raised by Excise / Customs Department (including applicable penalties), not acknowledged as debts	179,856,196	277,080,377
d) Show cause notices/demands raised by MP Government / MPEB Department , not acknowledged as debts	117,856,000	117,856,000
e) Claims against the Company not acknowledged as debts	3,130,151	13,298,670
f) Guarantees and Letters of credit issued on behalf of the Company, outstanding at the year end	248,797,962	271,958,521
g) Bills Discounted with Banks on behalf of the Company, outstanding at the year end	832,402,925	642,380,891
h) Corporate Guarantee given to IREDA for Loan to M/s Himalayan Crest Power Limited	268,306,862	266,222,000
i) Corporate Guarantee given to AXIS Bank Ltd.& UCO Bank for Loan to M/s Amit Spinning Industries Limited	428,568,149	419,201,873
j) Corporate Guarantee given to Tashkent Toytepa Textil for deferred payment of purchase consideration on behalf of Spentex Tashkent Toytepa LLC Current Year USD 44,800,000 (Previous Year USD 48,600,000)	2,007,040,000	2,457,216,000
k) Corporate Guarantee given to CVCI for investment in Spentex (Netherlands) B.V.Current Year USD 20,00,000 (Previous Year USD 20,00,000)	89,600,000	101,120,000
l) Corporate Guarantee given to SBI - Tokyo Branch for loan to Spentex (Netherlands) B.V Current Year USD 21,849,122 (Previous Year USD 21,650,704)*	978,840,666	1,094,659,594

* The Company has been legally advised that the corporate guarantee given to Lehman Brothers is no longer valid as Lehman Brothers did not comply with the terms and conditions of the loan agreement based on which the guarantee was given . Accordingly ,the figure for the current year and previous year do not include the portion of the guarantee relating to the loan from Lehman Brothers.

The amount shown in the items (a) to (e) represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes. The amount shown in items (f) to (l) represent guarantees given and bills discounted in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of beneficiaries fulfilling their ordinary commercial obligations

Description	This Year(₹)	Previous Year(₹)
Estimated value of contracts remaining to be executed on capital account (net of advances)	1,434,489	778,239

3 Based on intimation received by the Company from its supplier regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the relevent information is provided below:-

Sl. No.	Particulars	This Year (₹)	Previous Year (₹)
1	Amount due to Micro and Small Enterprises as on		
	i) Principal amount	Nil	Nil
	ii) Interest due on above	Nil	Nil
2	i) Principal amount paid after due date or appointed day during the year	Nil	Nil
	ii) Interest paid during the year on (i) above	Nil	Nil
3	Interest due & Payable (but not paid) on principal amounts paid during the year after the due date or appointed day.	Nil	Nil
4	Total interest accrued and remaining unpaid as on	Nil	Nil
5	Further interest in respect of defaults of earlier year due and payable in current year upto the date when actually paid	Nil	Nil

- 4 In accordance with the current industry practice, plant and machinery of the Company has been treated as "Continuous Process Plant" as defined under Schedule XIV to the Companies Act, 1956.
- 5 Pursuant to special resolution passed by the Members of the Company in their Extra-ordinary General Meeting held on 27th November, 2009, the Company has issued 11,800,000 share warrants on a preferential basis to CLC Technologies Private Limited, promoters group company, each convertible into one equity share at share subscription price of Rs. 16.95 per warrant. The Company has received an advance of 25% of share subscription price amounting to Rs. 50,002,500, as per the guidelines issued by Securities and Exchange Board of India under Securities and Exchange Board of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009 for Preferential Allotment
- Out of the above, the Company has allotted 2,261,000 equity shares on 31st March, 2010 pursuant to option exercised by the share warrant holder to convert 2,261,000 share warrants in equal number of fully paid up equity shares and the balance consideration of 75% amounting to Rs. 28,742,963 has been received on 2,261,000 warrants at the time of conversion into equity shares at the agreed price of Rs. 16.95 per equity share (including premium of Rs. 6.95 per equity share).
- 6 In the current year, the Company has changed its method of valuing raw materials at Synthetic division from the Weighted Average method to the Specific identification of cost method based on peculiarities of condition existing in the business and prevalent industry practices. The Specific identification of cost method results in a better presentation of the carrying value of raw material inventory in the financial statements.
- Had the Company continued to use the earlier basis of valuing Raw Materials, closing stock of Raw Materials would have been lower by Rs. 43,27,747 with consequential impact on net current assets and loss for the year.
- 7 The Butibori Unit of the Synthetic Division had been exporting its goods under Rule 18 of the Central Excise Rules 2002 and claiming rebate on both input and output stage of duty. The Central Excise Department disallowed the rebate on Input Stage of duty at Butibori unit. The Synthetic Division has filed a revision petition with the Joint Secretary, Government of India who allowed rebate for both the stages of duty
- However, the Department appealed in the Hon'ble High Court of Mumbai which was upheld by the Hon'ble High Court. The Synthetic Division has now filed a Special Leave Petition before the Hon'ble Supreme Court of India for quashing the Hon'ble High Court Order and allowing the rebate on input stage of duty.
- Pending the decision in the matter by the Hon'ble Supreme Court, the Synthetic Division has not yet reversed the rebate receivable on input duty aggregating to Rs 52,879,724 (including Rs 2,826,621 at its Pithampur Unit).
- Further, relying on the judgment of the Hon'ble High Court of Mumbai for the Butibori unit, a demand has been raised by the Department on the Pithampur unit of the Synthetic Division against the refund already given of the rebate on input stage of duty amounting to Rs 60,216,366 along with interest. Also, pending claims for the input stage of duty amounting to Rs 2,826,621 have been disallowed during 2006-07. The Pithampur unit has gone into appeal against the said demand / disallowance. The Commissioner (Appeals) has rejected the appeal of the Synthetic Division for the pending claim, while the decision has been kept pending against the demand till the final order is received from the higher authority (Revision Authority).
- While the company is hopeful of the decision of the case in its favour, it is also reasonably confident of the liquidation / utilization of these cenvat balances of Rs. 113,096,090.
- 8 During the year company has charged Rs 14,304,599 to Amit Spinning Industries Limited, (Previous Year Rs 22,904,102 to Amit Spinning Industries Limited and Schoeller Litvinov, k.s). in respect of expenses borne by it which are allocable to these subsidiaries. These amounts have been offset against the respective expense heads
- 9 (a) The Company has an investment of Rs 204,469,921 in Amit Spinning Industries Limited (ASIL), a subsidiary, as on March 31, 2010, The accumulated losses in ASIL, at the year end exceeded its net worth. There is also a reduction in market value of these investments as at the year end by Rs.162,297,956 (Previous Year Rs. 171,949,252). In the opinion of the management, the above diminution in this long term investment is due to adverse business conditions and is not ultimately expected to continue in future. Based on recent performance and trends of ASIL and overall industry outlook, there is an increase in average selling prices of yarn, consistent increase in production level and reduction in procurement costs of raw materials. Consequent to such developments, ASIL has started generating EBIDTA and cash profits. In view of these developments, management believes in future financial viability of this subsidiary and accordingly, provision for the diminution in the value of this long term investment is not considered necessary at this stage.
- Regarding the loans, advances, and interest due on the loan amounting to Rs. 440,528,019, Rs. 17,726,208, and Rs.60,414,121 respectively, amount Rs.170,400,000 related to Loan has been subsequently received and for remaining balances, management believes that the such amounts would be realized within a reasonable period of time . Accordingly, no provision is considered necessary at this stage.
- 9 (b) Schoeller Litvinov k.s. (SLKS), the Czech step-down subsidiary of the Company, had registered losses during the year and earlier financial years due to economic slowdown. This step down subsidiary had submitted a re-organization plan seeking deferment of payment to Secured creditors, and proportionate waiver of unsecured liabilities which has now been approved by the court. The Company believes that the reorganization plan, considering improvement in the global textile market, will turn around this subsidiary, so as to make good its losses in a foreseeable period of time and will also place this subsidiary in a position to repay the liabilities in due course. Accounts and other receivables Rs. 468,986,120 is due from SLKS as at March 31, 2010. Accordingly, provision against these Accounts and other receivables is not considered necessary at this stage.

- 10 Sundry Debtors and Advances include amounts aggregating Rs. 17,408,913 and Rs. 22,473,335 respectively due from certain customers where payments are not forthcoming. Of the above, the Company has filed a suit for recovery of Rs. 17,408,913 against two of the customers. Further, in respect of the advances of Rs. 22,473,335 the Company is making efforts to recover the same and expects to reduce them significantly. Based on outcome of the legal suit coupled with further negotiations with these parties, the management is of the opinion that ultimately there would be no losses against these old balances and hence no provision is considered necessary at this stage
- 11 Pursuant to compliance of clause 32 of the Listing Agreement, on disclosure of Loans / Advances in the nature of loans, the relevant information is provided hereunder:

Sl. No.	Particulars	As on 31.03.2010	Maximum amount due during the Year
1	Loans & Advances to a Subsidiary - Amit Spinning Industries Limited	500,942,140	502,668,590
2	Loans & Advances to Associate	Nil	Nil
3	Loans & Advances to firms / companies in which directors are interested	Nil	Nil

Note :

- 1 There are no repayment schedule for the loans and advances to subsidiary as mentioned above.
 - 2 Loans to employees as per Company's policy are not considered.
- 12 The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulation for computing the taxable income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing of Return of Income. For the year ended March 31, 2010, the Company has initiated the process of compliance with the said transfer pricing regulations for which the prescribed certificate of the accountant will be obtained and the Company does not envisage any tax liability.
- 13 **Leased Assets included in vehicles where the Company is a lessee under finance leases are :**

	This Year (₹)	Previous Year (₹)
Not later than one year	2,297,885	2,511,711
Later than one year but not later than five years	4,769,004	744,108
Later than five years	Nil	Nil
Total Minimum lease payments	7,066,889	3,255,819
Less : Future finance charges on finance leases	1,088,548	272,960
Present value of finance lease liabilities	5,978,341	2,982,859
Representing lease liabilities:		
Current	1,795,589	2,319,471
Non current	4,182,752	663,388
Total	5,978,341	2,982,859
The present value of finance lease liabilities may be analysed as follows :		
Not later than one year	1,795,589	2,319,471
Later than one year but not later than five years	4,182,752	663,388
Later than five years	Nil	Nil
Total	5,978,341	2,982,859

- 14 **Payment to Auditors**:**

	This Year (₹)	Previous Year (₹)
a) As auditor (*)	2,000,000	3,000,000
b) As adviser (*)		
(i) Taxation Matters	Nil	Nil
(ii) Company Law Matter	Nil	Nil
(iii) Management services	Nil	Nil
c) In any manner (*)	Nil	300,000
d) Out of pocket expenses (*)	83,748	151,309
*excluding Service Tax.	2,083,748	3,451,309

** Included in legal & professional expenses under schedule XVII Manufacturing and other costs.

15. Remuneration to Managerial personnel

	This Year(₹)	Previous Year(₹)
a) Salary and Allowances	21,541,545	21,564,876
b) Contributions to Provident Fund and Superannuation Fund	1,266,367	1,266,367
c) Estimated value of Perquisites	597,730	572,056
Total	23,405,642	23,403,299
Directors' Sitting Fees	396,000	363,000

Foot Note:

The contribution to Gratuity Fund and leave encashment have been made on group basis and separate figures applicable to an individual employee are not available and have, therefore, not been taken into account in the above computation.

16. Taxation

Deferred Tax

Break-up of Deferred Tax Assets and Liabilities

	This Year(₹)	Previous Year(₹)
Deferred Tax Liability arising on account of timing difference		
Tax impact of difference in net book value of fixed assets as per Accounts and Tax	356,397,854	403,433,214
Total Deferred Tax Liability (A)	356,397,854	403,433,214
Deferred tax assets recognised on account of timing difference		
Tax Impact of unabsorbed depreciation and brought forward losses :		
Unabsorbed Depreciation	513,975,199	495,951,555
Brought Forward loss	169,898,870	173,836,924
Tax Impact of disallowance under section 43B of Income Tax Act, 1961	22,810,169	25,339,707
Tax Impact of Provision for doubtful Debts and Advances	1,103,432	960,960
Others	186,906	382,477
Total Deferred Tax Assets (B)	707,974,577	696,471,622
Deferred Tax Assets / (Deferred Tax Liability) (B - A)	351,576,723	293,038,408
Charge to profit and loss account	-	-
Net Deferred Tax Assets / (Deferred Tax Liability)	351,576,723	293,038,408

Note : The company has not recognized above Deferred Tax Asset on account of prudence.

17. Earnings Per Share (EPS):

The following table reconciles the numerators and denominators used to calculate basic and diluted EPS for the year

	This Year(₹)	Previous Year(₹)
Net profit / (loss) attributable to Equity Shareholders	(223,656,108)	(773,956,987)
Weighted Average Shares outstanding		
Weighted average shares outstanding	71,478,230	71,472,035
Effect of Dilutive Securities	*	*
Diluted weighted average shares outstanding	71,478,230	71,472,035
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.)	(3.13)	(10.83)
Diluted Earnings per share (Rs.)	(3.13)	(10.83)

* There are no potential dilutive securities

18. Employee Benefits**(i) Post Retirement Employee Benefits****(a) Defined Contribution Plans:**

The Company has Defined Contribution plans for post retirement employment benefits' namely Provident Fund and Employee State Insurance Scheme. Expense for the same is being charged to Profit and Loss account for the year.

(b) Defined Benefit Plans:

The liability for gratuity is determined on the basis of an actuarial valuation at the end of the year. Gains and losses arising out of actuarial valuations are recognised in the Profit and Loss Account for the year.

(ii) Other employee benefits

Other employee benefits are accounted for on accrual basis. Liabilities for Compensated absences which is a defined benefit plan are determined based on independent year end actuarial valuation and the resulting charge is being accounted in Profit and Loss Account.

	2009-10 (Amount in ₹)		2008-09 (Amount in ₹)		2007-08 (Amount in ₹)	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
A. Components of Employer Expense						
1 Current Service Cost	4,809,336	2,655,476	5,316,439	4,061,052	5,773,869	4,349,681
2 Interest Cost	4,032,973	1,410,097	3,913,075	1,151,299	3,620,592	1,151,429
3 Curtailment Cost/(Credit)	-	-	-	-	-	-
4 Settlement Cost/(Credit)	-	-	-	-	-	-
5 Return on Plan Assets	(1,218,684)	-	(810,269)	-	(370,200)	-
6 Past Service Cost	-	-	-	-	-	-
7 Actuarial Losses/(Gains)	(3,778,117)	(2,645,159)	(8,690,999)	2,827,508	8,002,740	2,443,084
Total expense recognised in the Statement of Profit & Loss Account	3,845,508	1,420,414	(271,754)	8,039,859	17,027,001	7,944,194
The Gratuity and Leave Encashment Expenses have been recognised in "Salaries, Wages and Bonus" under Schedule XVI						
B. Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2010.						
1 Present Value of DBO at the Beginning of Year	50,550,669	18,203,691	56,054,644	16,492,300	45,133,764	14,353,543
2 Current Service Cost	4,809,336	2,655,476	5,316,439	4,061,052	5,773,869	4,349,681
3 Interest Cost	4,032,973	1,410,097	3,913,075	1,151,299	3,620,592	1,151,429
4 Curtailment Cost/(Credit)	-	-	-	-	-	-
5 Settlement Cost/(Credit)	-	-	-	-	-	-
6 Plan Amendments	-	-	-	-	-	-
7 Acquisitions	-	-	-	-	-	-
8 Actuarial (Gains)/Losses	(3,778,117)	(2,645,159)	(8,690,999)	2,827,508	8,002,740	2,443,084
9 Benefits Paid	(5,942,640)	(5,370,066)	(6,042,490)	(6,328,468)	(6,476,321)	(5,805,437)
10 Present Value of DBO at the End of Year	49,672,221	14,254,039	50,550,669	18,203,691	56,054,644	16,492,300
C. Net Asset / (Liability) recognised in Balance Sheet as at March 31, 2010						
1 Present Value of Defined Benefit Obligation	49,672,221	14,254,039	50,550,669	18,203,691	56,054,644	16,492,300
2 Fair Value on Plan Assets	18,607,448	-	10,927,649	-	6,960,104	-
3 Status [Surplus/(Deficit)]	(31,064,773)	(14,254,039)	(39,623,020)	(18,203,691)	(49,094,540)	(16,492,300)
4 Unrecognised Past Service Cost	-	-	-	-	-	-
Net Asset/(Liability) recognised in Balance Sheet	(31,064,773)	(14,254,039)	(39,623,020)	(18,203,691)	(49,094,540)	(16,492,300)
D. Experience Adjustment						
1 Present Value of Defined Benefit Obligation	49,672,221	14,254,039	50,550,669	18,203,691	56,054,644	16,492,300
2 Fair Value on Plan Assets	18,607,448	-	10,927,649	-	6,960,104	-
3 Status [Surplus/(Deficit)]	(31,064,773)	(14,254,039)	(39,623,020)	(18,203,691)	(49,094,540)	(16,492,300)
4 Experience adjustment on plan Liabilities Loss / (gain)	2,611,096	(1,162,307)	(2,957,968)	(952,579)	-	-
5 Experience adjustment on plan Assets Loss / (gain)	(57,121)	-	(80,904)	-	-	-

E. Change in Fair Value of Assets during the year ended March 31, 2010.						
1 Plan Assets at the Beginning of Year	10,927,649	-	6,960,104	-	3,486,199	-
2 Acquisition Adjustment for Plan Assets	-	-	1,926,884	-	-	-
3 Expected Return on Plan Assets	1,218,684	-	810,269	-	313,758	-
4 Actuarial Gains/(Losses)	-	-	(45,848)	-	56,442	-
5 Actual Company Contribution	8,794,228	-	3,648,962	-	3,433,614	-
6 Benefits Paid	(2,333,113)	-	(2,372,722)	-	(329,909)	-
7 Plan Assets at the End of Year	18,607,448	-	10,927,649	-	6,960,104	-
F. Actuarial Assumptions						
	Percentage		Percentage		Percentage	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
1 Discount Rate (%) at March 31, 2010	8.00%	8.00%	7.00%	7.00%	8.00%	8.00%
2 Expected Return on Plan Assets at March 31, 2010	8.00%	N.A.	9.00%	N.A.	9.00%	N.A.
3 Annual increase in salary cost	3.00%	3.00%	3.00%	3.00%	5.50%	5.50%

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

G. Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

19. Related Party Disclosures

A) In accordance with the requirements of Accounting Standard (AS) - 18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management, are :

i) Enterprises under significant influence:

- a) Himalayan Crest Power Limited.
- b) CLC & Sons (P) Limited
- c) CLC Technologies Private Limited

ii) Key Management Personnel

- | | |
|------------------------------|--------------------------------|
| a) Mr. Ajay Kumar Choudhary | Chairman & Whole time Director |
| b) Mr. Mukund Choudhary | Managing Director |
| c) Mr. Kapil Choudhary | Deputy Managing Director |
| d) Mr. Amrit Agrawal | Director - Finance |
| e) Mr. Sitaram Parthasarathy | Director - Works |

iii) Subsidiaries / Step-down subsidiaries

- a) M/s Amit Spinning Industries Limited
- b) M/s Spentex Tashkent Toytepa LLC
- c) M/s Spentex Netherlands B.V
- d) M/s Spentex Mauritius P Ltd
- e) M/s Spentex (Cyprus) P Ltd
- f) M/s. Schoeller Litvinov k.s.
- g) M/s. Schoeller Textile Netherlands B.V.
- h) M/s. Schoeller Textil Verwaltungs GMBH
- i) M/s. Schoeller Textil GMBH & Co. KG
- j) M/s. Botekos Plus s.r.o.

19.B) Description of Transactions with the Related Parties in the ordinary course of business.

(All amounts in ₹)

Sl No.	Name of the Party	Sale of goods	Purchase of goods	Interest Income	Remuneration Paid	Corporate Charges	Reimbursement of Expenses	Allotment of equity Shares	Share Warrant of application money	Loans Given#	Advance Given	Outstanding Balances at year end				
												Investments	Loans Given#	Trade & Other Payables	Guarantees Outstanding*	Trade & Other Receivable
1	M/s Amit Spinning Industries Limited	5,789,187 (11,078,258)	226,678,685 (131,005,094)	50,386,059 (42,443,103)	- (-)	14,304,599 (14,304,502)	- (462,491)	- (-)	- (-)	- (345,875,338)	- (-)	204,469,921 (204,469,921)	500,942,140# (454,950,687)	32,564,454 (2,064,121)	428,568,149 (419,201,874)	50,290,662 (44,177,975)
2	Himalayan Crest Power Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	268,306,862**	-
3	CLC Technologies Private Limited	-	-	-	-	-	-	38,323,950	51,678,550	-	-	-	-	-	(266,222,000)	-
4	M/s Spentex Tashkent Toytepa LLC	9,069,215 (20,380,154)	- (9,065,310)	- (-)	- (-)	- (-)	5,825,122 (-)	- (-)	- (-)	- (-)	- (3,392,175)	9,323,779 (9,323,779)	- (-)	- (-)	2,007,040,000 (2,457,216,000)	75,896,688 (80,822,618)
5	M/s Spentex Netherland B.V	-	-	-	-	-	-	-	-	-	-	561,011,339 (561,011,339)	- (-)	- (-)	1,068,440,666 (1,195,779,594)	95,070,902 (95,070,902)
6	M/s Spentex Mauritius P Ltd	-	-	-	-	-	-	-	-	-	-	90 (90)	1,816,903*** (1,635,957)	- (-)	- (-)	- (-)
7	M/s Spentex (Cyrus) P Ltd	-	-	-	-	-	-	-	-	-	-	-	711,741 (711,741)	- (-)	- (-)	- (-)
8	M/s Schoeller Lvmnov k.s.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	468,986,120 (515,605,259)
9	Mr. Ajay Kumar Choudhary	-	-	-	4,800,000	-	-	-	-	-	-	-	-	-	-	-
10	Mr. Mukund Choudhary	-	-	-	(4,800,000)	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	4,800,000	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	(4,800,000)	-	-	-	-	-	-	-	-	-	-	-
11	Mr. Kapil Choudhary	-	-	-	4,800,000	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	(4,800,000)	-	-	-	-	-	-	-	-	-	-	-
12	Mr. Amrit Agrawal	-	-	-	4,243,607	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	(4,243,506)	-	-	-	-	-	-	-	-	-	-	-
13	Mr. Sitaran Parthasarathy	-	-	-	4,762,035	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	(4,759,793)	-	-	-	-	-	-	-	-	-	-	-
Total		14,858,402 (352,224,104)	226,678,685 (140,910,404)	50,386,059 (42,443,103)	23,405,642 (23,403,289)	14,304,599 (23,904,102)	5,825,122 (462,491)	38,323,950 (-)	51,678,550 (-)	(347,047,116) (-)	(71,175,394) (-)	774,805,129 (774,805,129)	503,470,784 (456,398,385)	32,564,454 (2,064,121)	3,772,395,677 (4,338,419,468)	690,244,372 (735,670,754)
Previous Year																

* Guarantees outstanding excludes personal guarantee given by Directors to Banks / Financial institutions for facilitation of business.

** Based on legal counsel opinion, the management is of the view that guarantee given on behalf of Himalayan Crest Power Limited does not result in non-compliance of Section 295 of the Companies Act, 1956.

*** Provision for doubtful advance has been made during the year.

includes interest on loan.

20. Segment Disclosure

In accordance with Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified three business segments viz. Textile Manufacturing, Textile Trading and Other Trading. Further, two geographical segments by location of customers have been considered as secondary segments viz, Within India and Outside India. The segment wise disclosure are as follows :

A. Business Segment Reporting

(Amount in ₹)

DESCRIPTION	TEXTILE-MANUFACTURING	TEXTILE-TRADING	OTHER TRADING	TOTAL
Segment Revenue				
Total Revenue	6,972,665,171	612,787,831	9,069,215	7,594,522,217
	(6,487,135,762)	(436,038,489)	(22,844,561)	(6,946,018,811)
Inter - Segment Sales	272,314,277	-	-	272,314,277
	(128,012,463)	(-)	(-)	(128,012,463)
External Sales	6,700,350,894	612,787,831	9,069,215	7,322,207,940
	(6,359,123,299)	(436,038,489)	(22,844,561)	(6,818,006,348)
Segment Results	524,230,533	(976,080)	(1,018,978)	522,235,475
	(128,494,390)	(32,008,236)	(14,553,509)	(-81,932,645)
Unallocated corporate expense (Net)	-	-	-	111,751,659
	(-)	(-)	(-)	(44,496,924)
Operating Profit	-	-	-	410,483,816
	(-)	(-)	(-)	(-126,429,569)
Finance Charges	-	-	-	691,603,687
	(-)	(-)	(-)	(692,364,104)
Interest income	-	-	-	57,671,807
	(-)	(-)	(-)	(48,559,378)
Dividend income	-	-	-	3,350
	(-)	(-)	(-)	(2,009)
Profit/(Loss) before Prior period items and Tax	-	-	-	(223,444,715)
	(-)	(-)	(-)	(-770,232,086)
Income Tax	-	-	-	-
	(-)	(-)	(-)	-
Deferred Tax	-	-	-	-
	(-)	(-)	(-)	-
Fringe Benefit Tax	-	-	-	211,393
	(-)	(-)	(-)	(3,724,900)
Profit/(Loss) after tax	-	-	-	(223,656,108)
	(-)	(-)	(-)	(-773,956,987)
OTHER INFORMATION				
Segment Assets	5,288,118,613	202,360,310	72,687,463	5,563,166,386
	(5,260,270,791)	(194,535,378)	(82,124,971)	(5,536,931,140)
Unallocated corporate assets	-	-	-	1,748,962,791
	(-)	(-)	(-)	(1,666,294,231)
Total Assets	-	-	-	7,312,129,177
	(-)	(-)	(-)	(7,203,225,371)
Segment liabilities	1,286,694,987	26,322,442	-	1,313,017,429
	(1,157,624,555)	(39,555,375)	(-)	(1,197,179,930)
Unallocated corporate liabilities	-	-	-	5,262,680,696
	(-)	(-)	(-)	(5,135,960,791)
Total Liabilities	-	-	-	6,575,698,126
	(-)	(-)	(-)	(6,333,140,721)
Capital expenditure incurred during the year	-	-	-	40,313,866
	(-)	(-)	(-)	(11,814,755)
Depreciation and Amortisation for the year	-	-	-	350,448,336
	(-)	(-)	(-)	(393,065,658)
Non - Cash Expenses other than Depreciation and amortisation	-	-	-	6,000,000
	(-)	(-)	(-)	(-)

B) GEOGRAPHICAL SEGMENT REPORTING :

DESCRIPTION	REVENUE (₹)	ASSETS (₹)
Domestic	2,326,609,544	6,372,622,210
	(2,533,061,837)	(6,465,901,930)
Outside India	4,995,598,396	939,506,967
	(4,284,944,511)	(737,323,441)
Current Year	7,322,207,940	7,312,129,177
Previous Year	(6,818,006,348)	(7,203,225,371)

21. Information regarding Capacity, Production, Purchases, Sales and Closing Stocks:
a) Licence Capacity

Particulars	Current Year	Previous Year
Licence capacity	N.A	N.A.

b) Production Capacity*

Product	Unit	Current year Installed	Previous Year Installed
Cotton Yarn	Spindles	91,440	91,440
Synthetic Yarn	Spindles	122,976	122,796
Knitting Textile Products	MT	214	214

*As certified by the Management

c) Purchases, Sales and Stocks - Traded Goods

Product	UOM	Opening Stock		Purchases		Sales		Closing Stock	
		Qty.	Value (₹)	Qty.	Value (₹)	Qty.	Value (₹)	Qty.	Value (₹)
Cloths-Mt	Mtrs	366	16,544	1,365,235	102,226,269	1,264,134	101,821,865	101,467	8,508,675
		(31,873)	(2,280,998)	(1,595,914)	(108,290,667)	(1,627,420)	(137,844,752)	(366)	(16,544)
Cotton Yarn	Kgs	22,015	2,048,227	4,340,563	504,810,573	4,362,578	542,399,860	-	-
		(46,590)	(4,729,119)	(2,138,788)	(263,123,419)	(2,163,363)	(261,104,729)	(22,015)	(2,048,227)
PSF	Kgs	-	-	-	-	-	-	-	-
		(-)	(-)	(559,446)	(32,862,400)	(559,446)	(31,164,829)	(-)	(-)
VSF	Kgs	-	-	-	-	-	-	-	-
		(-)	(-)	(16,742)	(2,095,823)	(16,742)	(2,194,488)	(-)	(-)
Machinery Spare-Parts	Pcs	-	15,940	-	8,517,512	-	9,069,215	-	179,180
		(-)	(319,411)	(-)	(22,525,150)	(-)	(22,844,561)	(-)	(15,940)
Total			2,080,711		615,554,354		653,290,940		8,687,855
			(7,329,528)		(428,897,459)		(455,153,359)		(2,080,711)

* Purchase of yarn include 2,031,655 Kgs (Previous Year 1,101,473 Kgs) amounting to Rs 272,314,277 (Previous year Rs 128,012,463) on account of inter unit transfer

The above sales figures do not include the export incentives - Duty Drawback of Rs 24,259 (Previous Year Rs 14,961,279) (figures in brackets are for the previous year.)

d) Production, Sales and Stocks - Manufactured Goods

Product	UOM	Opening Stocks		Production	Sales		Closing Stocks	
		Qty	Value (₹)	Qty	Qty	Value (₹)	Qty	Value (₹)
Man Made Fibre Yarn	Kgs.	549,964	53,695,491	15,071,948	15,563,152	1,737,011,889	58,760	7,122,722
		(1,404,823)	(146,178,812)	(15,302,745)	(16,157,604)	(1,691,186,320)	(549,964)	(53,695,491)
Polyester Cotton Yarn	Kgs.	686,810	63,161,053	22,178,095	22,767,870	2,372,582,821	97,035	9,933,300
		(1,438,704)	(125,250,420)	(17,318,198)	(18,070,092)	(1,828,242,465)	(686,810)	(63,161,053)
Cotton Yarn	Kgs.	423,146	72,444,591	19,036,606	19,359,509	2,332,390,601	100,243	22,311,132
		(1,616,672)	(179,098,172)	(18,891,037)	(20,084,563)	(2,362,536,233)	(423,146)	(72,444,591)

Viscose / Cotton	Kgs.	107,208	12,654,038	69,765	173,969	20,592,669	3,004	356,164
		(74,868)	(10,235,708)	(408,430)	(376,090)	(52,711,080)	(107,208)	(12,654,038)
Others (Prev. Grouped with PC)	Kgs.	17,847	2,408,267	295,048	307,908	59,066,307	4,987	637,372
		(70)	(4,906)	(334,282)	(316,506)	(53,100,362)	(17,847)	(2,408,267)
Waste	Kgs.	69,453	1,978,953	10,800,559	10,814,662	432,072,891	55,350	1,577,520
		(141,288)	(4,733,438)	(9,760,115)	(9,831,950)	(403,441,234)	(69,453)	(1,978,953)
Total		1,854,428	206,342,393	67,452,021	68,987,070	6,953,717,178	319,379	41,938,210
		(4,676,425)	(465,501,456)	(62,014,807)	(64,836,805)	(6,391,217,694)	(1,854,428)	(206,342,393)

* Sale of Yarn Includes 2,031,655 Kgs (Previous Year 1,101,473 Kgs), amounting to Rs 272,314,277 (Previous Year Rs 128,012,463) on account of Inter Unit Transfer

The above sales figures do not include the export incentives - Duty Drawback of Rs 23,933,554 (Previous Year Rs. 191,257,562)

\$ The above sales is inclusive of excise duty paid on Synthetic yarn sale amounting to Rs 36,443,713 (Previous Year Rs 28,463,668)

@ # Above figures includes Opening stock of trial production of Nil (Previous year 454,570 Kgs) amounting to Rs Nil (Previous year 45,780,423), Current year production Nil (Previous year 301,633 Kg), sales of trial production of Nil (Previous year 756,203 Kgs) amounting to Rs. Nil (Previous year Rs 78,107,442).

(figures in brackets are for the previous year.)

22. Raw Materials and Components consumed :

Description	Current Year		Previous Year	
	Kgs.	Value (₹)	Kgs.	Value (₹)
Cotton	39,513,993	2,503,805,482	36,059,104	2,504,919,649
Polyester Staple Fiber	23,051,610	1,437,304,948	21,193,479	1,373,197,278
Viscose Staple Fiber	5,533,429	592,194,608	4,585,934	476,400,777
Single Yarn	-	-	18,982	2,026,549
Others (*)	240,111	28,824,934	121,176	13,298,005
	68,339,143	4,562,129,972	61,978,675	4,369,842,258

* It is not practicable to furnish quantitative information of other raw materials and components consumed in view of the large number of items which differ in size and nature, each being less than 10% in value of the total

23. Value of Imported and Indigenous Raw Material, Components Stores, Spares and Packing Materials Consumed :

a) Raw Material and Components

	Current Year		Previous Year	
	%	Value(₹)	%	Value(₹)
Imported	9.76	445,057,303	4.82	210,416,094
Indigenous	90.24	4,117,072,669	95.18	4,159,426,164
	100.00	4,562,129,972	100.00	4,369,842,258

b) Store, Spare and Packing Materials Consumed:

	Current Year		Previous Year	
	%	Value(₹)	%	Value(₹)
Imported	18.61	46,479,476	13.37	28,555,137
Indigenous	81.39	203,233,856	86.63	185,028,886
	100.00	249,713,332	100.00	213,584,023

24. C I F Value of Imports :

	Current Year (₹)	Previous Year(₹)
Raw Materials	13,885,245	118,433,047
Stores and Spares & Components	46,960,628	30,515,401
Capital Goods	665,000	-
	61,510,873	148,948,448

25. Expenditure in Foreign Currency (On accrual basis-net of tax)

	Current Year(₹)	Previous Year(₹)
Traveling	4,268,363	7,479,209
Commission	41,605,762	41,583,338
Claim Paid on Export Sales	5,783,575	2,695,284
Legal & Professional	14,149,132	-
	65,806,832	51,757,831

26. Earning in Foreign Exchange (On accrual basis)

	Current Year(₹)	Previous Year(₹)
FOB Value of Exports	4,862,487,479	3,886,804,094
	4,862,487,479	3,886,804,094

27. Previous year's figures have been regrouped / recasted wherever necessary to conform to current year's classification.

Signatures to Schedules I to XXI

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Akhil Bhalla
Partner
Membership No : 505002

Place : New Delhi
Date : August 13, 2010

On behalf of the Board

Mukund Choudhary Managing Director
Kapil Choudhary Deputy Managing Director
Amrit Agrawal Director - Finance
Vivek Kumar Company Secretary

Auditors' Report on The Consolidated Financial Statements to The Board of Directors of Spentex Industries Limited

- We have audited the attached consolidated Balance Sheet of Spentex Industries Limited ('the Company') and its subsidiaries ('the Group') as at March 31, 2010, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with 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 misstatements. 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.
- We did not audit the financial statements of certain subsidiaries namely Amit Spinning Industries Limited, Schoeller Litvinov, ks. and Spentex Tashkent Toytepa LLC whose financial statements reflect the total assets of Rs. 8,01,88,01,534 as at March 31, 2010 and total revenues of Rs. 5,37,47,57,779 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
- We draw attention to:
Note 14 of Schedule XXI, wherein we are unable to comment on the amounts recoverable relating to certain debtor and advance balances aggregating Rs.174,08,913 and Rs.22,473,334, respectively, for which no provision has been made in the books of account. The impact of our remarks in the paragraph above cannot be presently ascertained due to the nature of the uncertainties.
- We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified u/s 211(3C) of the Companies Act, 1956.
- On the basis of the information and explanations given to us and on consideration of the Separate audit reports on individual audited financial statements of Spentex Industries Limited and its aforesaid subsidiaries, in our opinion, subject to our remarks in paragraph 4 above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - In the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2010;
 - In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year then ended on that date; and
 - In the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year then ended on that date.

For J.C. Bhalla & Company
Chartered Accountants
Firm Regn. No. 001111-N

(Akhil Bhalla)
Partner

Membership No.505002

Place : New Delhi
Dated: August 13, 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Schedule	March 31, 2010 Rupees	March 31, 2009 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	I	737,330,350	714,720,350
Preference Share Application Money Pending Allotment (Refer Note 4 on Schedule XXI)		672,000,000	758,400,000
Application money for Share Warrant (Refer Note 8 on Schedule XXI)		51,678,550	-
Reserves and Surplus	II	<u>2,554,351,689</u>	<u>1,755,371,076</u>
		4,015,360,589	3,228,491,426
Loan Funds			
Secured Loans	III	7,903,154,815	8,219,410,915
Unsecured Loans	IV	<u>2,099,424,250</u>	<u>2,640,166,598</u>
		14,017,939,654	14,088,068,939
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	15,942,397,122	16,580,296,897
Less: Depreciation		<u>7,773,517,765</u>	<u>7,193,192,533</u>
Net Block		8,168,879,357	9,387,104,364
Capital Work-in-Progress and Capital Advances		<u>292,484,887</u>	<u>293,958,594</u>
		8,461,364,244	9,681,062,958
Investments	VI	191,702	197,702
Current Assets, Loans & Advances			
Inventories	VII	1,266,678,212	1,556,201,140
Sundry Debtors	VIII	641,989,845	803,230,576
Cash and Bank Balances	IX	262,008,319	346,747,807
Other Current Assets	X	704,978,379	730,065,890
Loans and Advances	XI	<u>2,024,401,230</u>	<u>989,240,037</u>
		4,900,055,985	4,425,485,450
Less: Current liabilities and Provisions			
Liabilities	XII	2,173,399,577	2,242,786,003
Provisions	XIII	<u>51,954,250</u>	<u>64,135,352</u>
Net Current Assets		2,674,702,158	2,118,564,095
Misc. Expenditure		21,050	-
Profit and Loss Account (Dr.)		<u>2,881,660,500</u>	<u>2,288,244,184</u>
		14,017,939,654	14,088,068,939
Statement on Significant Accounting Policies	XX		
Notes to Accounts	XXI		

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Consolidated Balance Sheet referred to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Amrit Agrawal	Director - Finance
Vivek Kumar	Company Secretary

Akhil Bhalla
Partner
Membership No: 505002

Place: New Delhi
Date: August 13, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule	2009-2010 Rupees	2008-2009 Rupees
INCOME			
Sales * (Refer Note 6 on Schedule XX)		12,270,207,047	12,197,670,480
Less Excise Duty		(36,443,715)	(28,463,668)
Net Sales		<u>12,233,763,332</u>	<u>12,169,206,812</u>
* Includes duty drawback on exports Rs. 23,957,813, (Previous Year Rs. 228,887,509)			
Other Income	XIV	610,432,479	249,131,056
		<u>12,844,195,811</u>	<u>12,418,337,868</u>
EXPENDITURE			
Raw Materials Consumed	XV	7,294,440,296	7,388,751,036
Cost of Traded Goods Sold		205,281,291	221,941,087
Salaries, Wages & Benefits	XVI	1,199,863,605	1,344,432,058
Manufacturing and Other costs	XVII	2,970,736,397	3,279,687,761
Depreciation / Amortisation		752,902,593	789,317,271
Financial Charges	XVIII	801,897,331	979,325,125
(Increase) / Decrease in Inventories	XIX	390,078,047	632,244,393
		<u>13,615,199,560</u>	<u>14,635,698,731</u>
Profit / (Loss) before Tax and Exceptional items		(771,003,749)	(2,217,360,863)
Exceptional Items (expenses) (Refer Note 11 (b) on Schedule XXI)		-	127,190,873
Profit/ (loss) before Extraordinary Items		(771,003,749)	(2,344,551,736)
Extraordinary Items (income) (Refer Note 11 (a) on Schedule XXI)		320,446,903	-
Profit/ (loss) before Tax		(450,556,846)	(2,344,551,736)
Tax Expense (Refer Note 11 on Schedule XX)			
Current Tax		-	689,063
Deferred Tax (net) (Refer Note 15 on Schedule XXI)		-	82,875,466
Fringe Benefit Tax (Of earlier years Rs. 211,393, previous year nil)		211,393	3,855,231
(Excess)/ Short Provision for Tax		(9,015)	-
		<u>202,378</u>	<u>87,419,760</u>
Profit / (Loss) after Tax but before Minority Interest		(450,759,224)	(2,431,971,496)
Minority Interest (to the extent of available balance)		-	(70,153,279)
Profit / (Loss) after Tax and Minority Interest		(450,759,224)	(2,361,818,217)
Balance Brought forward from Previous Year		(2,288,244,184)	(26,034,914)
		<u>(2,739,003,408)</u>	<u>(2,387,853,131)</u>
Profit/ (Loss) on foreign currency translation on restatement of Profit brought forward (Refer Note 5 on Schedule XXI)		(142,657,092)	99,608,947
Balance carried forward to Balance Sheet		(2,881,660,500)	(2,288,244,184)
Basic Earnings per Share before Extraordinary items (Face Value Rs. 10 each)		(10.79)	(33.05)
Basic Earnings per Share after Extraordinary items (Face Value Rs. 10 each)		(6.31)	(33.05)
Diluted Earnings per Share before Extraordinary items (Face Value Rs. 10 each)		(10.79)	(33.05)
Diluted Earning per share after Extraordinary items (Face Value Rs.10 each)		(6.31)	(33.05)
(Refer Note 16 on Schedule XXI)			
Statement on Significant Accounting Policies	XX		
Notes to Accounts	XXI		
The Schedules referred to above form an integral part of the Profit & Loss Account			

This is the Consolidated Profit & Loss Account referred to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary Managing Director
Kapil Choudhary Deputy Managing Director
Amrit Agrawal Director - Finance
Vivek Kumar Company Secretary

Akhil Bhalla
Partner
Membership No: 505002

Place: New Delhi
Date: August 13, 2010

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

	Year ended 31-03-2010 Rupees	Year ended 31-03-2009 Rupees
A. CASH FROM OPERATING ACTIVITIES:		
Profit/(loss) before Tax and Extra-ordinary items	(771,003,748)	(2,344,551,736)
Adjustment for Non-cash and Non-operating Items		
Add / (Less):		
Depreciation / Amortisation	752,902,592	789,317,271
(Profit) / Loss on Sale of Fixed Asset (net)	(2,839,483)	(80,177,952)
Provision for Doubtful Debts and Advances	3,809,413	1,949,868
Provision for Wealth Tax	9,683	3,766
Loss on assets held for disposal (net)	-	6,810,122
Inventory written off	-	708,000
Unrealised Exchange Fluctuation (net)*	1,510,143,183	1,244,720,511
Provision For Diminution in the value of assets held for sale	6,000,000	-
Bad Debts and Advances Written off	46,326,889	40,447,984
Liabilities no longer required written back	(58,366,553)	(25,630,139)
Provision for Leave Encashment	(3,850,660)	(15,947,863)
Misc. Exp.	(21,056)	-
Provision for Gratuity	(8,340,125)	(8,552,557)
Government Grant	-	(46,779,736)
Dividend Income	(7,685)	(6,344)
Interest Income	(7,837,905)	(30,021,151)
Interest Expense	801,897,331	979,325,125
Operating Profit Before Working Capital Changes	2,268,821,876	511,615,169
Adjustments for changes in working capital :		
Add / (Less):		
(Increase)/Decrease in Sundry Debtors	57,180,499	512,711,879
(Increase)/Decrease in Other Receivables	(1,100,578,352)	170,333,931
(Increase)/Decrease in Inventories	289,530,812	1,316,947,875
Increase/(Decrease) in Trade and Other Payables	(6,457,248)	(537,159,115)
Cash Generated From Operating Activities	1,508,497,587	1,974,449,739
Direct Taxes Paid (net)	(9,266,482)	(14,933,927)
Net Cash Flow From Operating Activities After Tax & Extra Ordinary Items	1,499,231,105	1,959,515,812
B. CASH FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets / CWIP	(57,168,126)	(1,045,660,408)
Sale proceeds of Fixed Assets	80,259,569	564,635,187
Sale of Investment	6,000	-
Dividend Received	7,685	6,344
Interest Received	7,572,073	29,063,429
Net Cash Flow From Investing Activities	30,677,201	(451,955,448)
C. CASH FROM FINANCING ACTIVITIES:		
Proceeds from Share Capital	74,288,550	-
Premium received on conversion of Share Warrants	15,713,950	-
Repayment of Preference Shares	-	(19,230,770)
Repayment of 9% Non-convertible Debentures	-	344,859,337
Proceeds from/ (Repayment of) Term Loans	427,523,663	583,369,305
Proceeds from/ (Repayment of) Working Capital Loans (net)	(1,023,843,145)	(83,660,922)
Proceeds from/ (Repayment of) Short Term Loans (net)	(260,806,370)	(4,291,371)
Vehicle Loans (net)	2,995,482	-
Government Grant Received	-	8,575,604
Proceeds from/ (Repayment of) Short Term advances (net)	-	(943,916,894)
Finance Charges (Interest Paid)	(811,017,009)	(10,478)
Dividend paid	-	-
Net Cash Flow From Financing Activities	(1,575,144,879)	(1,281,044,799)
Net Increase/(Decrease) in Cash Equivalents (A+B+C)	(45,236,573)	226,515,565
Add: Cash and Cash Equivalents at the Beginning of the Year	346,747,807	122,286,951
Exchange difference on translation of foreign currency cash and cash equivalents	(39,502,915)	(2,054,709)
Cash and Cash Equivalents at the End of the Year	262,008,319	346,747,807
Notes :-		
Cash and cash equivalents comprise		
Cash and Cheques in hand	15,739,712	5,882,595
In Current Accounts	41,934,305	42,332,072
In Fixed Deposit Accounts @	16,200,000	3,000,000
In Margin Money Account @	3,524,424	7,591,759
In Other Banks	183,319,137	286,254,874
In unpaid interest on debenture accounts @	-	390,222
In unpaid dividend accounts @	1,290,741	1,296,285
	262,008,319	346,747,807

1 The above Cash flow statement has been prepared under the Indirect method set out in Accounting Standard 3 notified under section 211(3C) of the Companies Act, 1956.

2 Figures in brackets indicate cash outgo.

3 @ Includes Margin Money Account, Unpaid Dividend Account, Unpaid Interest on debenture account and Fixed Deposit Accounts aggregates Rs 21,015,165 (Previous year Rs 12,278,266) which are not available for use by the Company. (Refer Schedule IX in the accounts)

Statement on Significant Accounting Policies

Notes to Accounts

XX
XXI

The Schedules referred to above form an integral part of the Cash Flow Statement

This is the Consolidated Cash Flow Statement referred to in our Report of even date

On behalf of the Board

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Mukund Choudhary
Kapil Choudhary
Amrit Agrawal
Vivek Kumar
Managing Director
Deputy Managing Director
Director - Finance
Company Secretary

Akhil Bhalla
Partner
Membership No: 505002

Place: New Delhi
Date: August 13, 2010

	AS AT	AS AT
	March 31, 2010	March 31, 2009
	Rupees	Rupees
SCHEDULE I : CAPITAL		
Authorised		
114,000,000 Equity Shares of Rs 10 each (Previous Year 114,000,000 Equity Shares of Rs. 10 each)	1,140,000,000	1,140,000,000
7,000,000 Redeemable Preference Shares of Rs. 10/- each	70,000,000	70,000,000
	<u>1,210,000,000</u>	<u>1,210,000,000</u>
Issued, Subscribed and Paid up		
71,472,035 Equity Shares of Rs. 10 each, fully paid up (Previous Year 71,472,035 nos.)	714,720,350	714,720,350
2,261,000 Equity Shares of Rs. 10/- issued on account of conversion of Share Warrants (Previous year NIL)	22,610,000	-
	<u>737,330,350</u>	<u>714,720,350</u>
SCHEDULE II : RESERVES AND SURPLUS (Refer Note 8 On Schedule XX)		
a) Capital Reserve		
At commencement of the year	742,496,765	
Less : Exchange fluctuation on restatement of opening balance	(7,237,411)	742,496,765
	<u>735,259,354</u>	742,496,765
b) Share Forfeiture Reserve	7,179,250	7,179,250
c) Profit on Restructure	2,358,587	2,358,587
	<u>744,797,191</u>	<u>752,034,602</u>
Securities Premium Account		
At Commencement of the year	946,263,822	
Add: Premium received on conversion of Share Warrants	15,713,950	946,263,822
Debenture Redemption Reserve	41,989,626	41,989,627
Foreign Currency Translation Reserve (FCTR)		
At Commencement of the year	15,083,025	
Add: Transferred during the year	790,504,075	15,083,025
	<u>2,554,351,689</u>	<u>1,755,371,076</u>
SCHEDULE III : SECURED LOANS		
Debentures (Refer Notes 1 and 4(a) below)		
500, 10% Redeemable Non-convertible Debentures	365,384,615	365,384,615
Loans from Banks (Refer Notes 2, 4(b) and 5 below)		
a) Long Term		
Rupees Loans (includes sub debts of Rs. 444,400,000, previous year Rs. 444,400,000)	4,305,757,168	3,310,879,257
Foreign Currency Loan	978,840,666	2,159,830,484
b) Short Term		
Cash Credit Facilities	858,404,127	1,385,699,140
Export Packing Credit Facilities	436,789,899	852,002,858
Others	-	35,191,702
Other loans (Refer Notes 2 (vii) and 4(c) below)		
Vehicle Loans	5,978,341	2,982,859
Term Loan from others		
Foreign Currency Loan (Refer notes 3)	952,000,000	107,440,000
	<u>7,903,154,816</u>	<u>8,219,410,915</u>

Notes :

1 Debentures

10% Redeemable Non-Convertible Debentures issued to Axis Bank Ltd. are secured by first pari-passu charge on all the fixed assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire current assets and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis. These debentures are redeemable at par in 32 quarterly installments commencing from June 30, 2010.

2 Loans From Banks

- i) Rupee Term Loans including Working Capital Loan from Banks, other than mentioned in note no. (ii) below, are secured by first pari-passu charge on all the fixed assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire current assets and personal guarantee of the promoters. These loans, except for the ICICI Bank Term Loan, are also secured by pledge of promoters' shares (6,062,334 nos.) on pari-passu basis. The term loan from ICICI Bank is further secured by pledge of promoters' shares (20,647,140 nos.), on an exclusive basis.
- ii) Sub-debt from ICICI Bank of Rs. 444,400,000 is secured by third charge on all the movable and immovable assets of the Company and personal guarantee of the promoters.
- iii) Foreign Currency Term Loan from State Bank of India is secured by a first pari-passu charge over entire fixed assets of the Company, both present and future. This loan is further secured by second pari-passu charge over current assets of the Company, personal guarantee of promoters and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis.
- iv) Foreign Currency Term Loan from State Bank of India is secured by pledge of Interest Reserve Bank Account maintained with Deutsche Bank AG, Amsterdam, assignment of SPV Credit Agreement (between Schoeller Textile Netherlands B.V. (STNBV) and Spentex Netherlands B.V.(SNBV)), assignment of Intergroup Credit agreement (between SNBV and Spentex Tashkent Toytepa LLC (STTL)), pledge of 18200 nos. SNBV's shares and pledge of 180 nos. of STNBV's shares. The loan is further secured by plant and machinery of Tashkent spinning plant of STTL.
- v) Short Term-Others - Secured by pledge of all assets of the Schoeller Litvinov k.s.
- vi) Cash Credit and Export Packing Credit facilities from Banks are secured by first pari-passu charge on all the current assets of the Company, both present and future. These loans are further secured by second pari passu charge on entire fixed assets, personal guarantee of the promoters and pledge of promoters' shares (6,062,334 nos.) on pari-passu basis.
- vii) Vehicle loans are secured by hypothecation of Motor cars.

3 Other Term Loans

Foreign Currency Term Loan from Lehman Brothers Commercial Corporation Asia Limited is secured by pledge of Interest Reserve Bank Account maintained with Deutsche Bank AG, Amsterdam, assignment of SPV Credit Agreement (between Schoeller Textile Netherlands B.V. (STNBV) and Spentex Netherlands B.V.(SNBV)), assignment of Intergroup Credit agreement (between SNBV and Spentex Tashkent Toytepa LLC (STTL)), pledge of 18200 nos. SNBV's shares and pledge of 180 nos. of STNBV's shares. The loan is further secured by all plant and machinery of relating to the Tashkent Spinning Plant of STTL.

4 Repayment Terms

- a) Debentures aggregating Rs. 24,665,000 (Previous Year Rs. 36,538,400) are repayable within one year.
 - b) Term Loans aggregating Rs. 551,713,713 (Previous Year Rs. 315,720,335) are repayable within one year.
 - c) Vehicle Loans aggregating Rs. 1,795,589 (Previous Year Rs. 2,319,471) are repayable within one year.
- 5) Repayment terms and finance costs pertaining to term loans, working capital loan and debentures, mentioned above, were restructured pursuant to Corporate Debt Restructuring Scheme of Reserve Bank of India and the charges were amended accordingly.

	March 31, 2010 Rupees	March 31, 2009 Rupees
SCHEDULE IV : UNSECURED LOANS		
Short-term loans and advances		
From Others (Refer Note 1 below)	6,215,880	8,575,604
Deferred Purchase Payments (Refer Notes 2 below)	2,093,208,370	2,631,590,994
	<u>2,099,424,250</u>	<u>2,640,166,598</u>

Notes:

- 1) Repayable on demand
- 2) Deferred Purchase Payment Liability aggregating to Rs. 196,250,000 (Previous year Rs. 1,284,857,997) are repayable within one year

SCHEDULE V - FIXED ASSETS

(Refer Notes 3, 4, 10, and 13 on Schedule XX)

(Amount in ₹)

PARTICULARS	Gross Block				Depreciation / Amortisation				Net Block	
	Cost as at 01.04.2009	Additions for the year*	Deletions/ Adjustments @	Cost as at 31.03.2010	Up to 01.04.2009	For The Year	Deletions/ Adjustments	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
INTANGIBLE ASSETS										
Goodwill on Consolidation	582,286,677	-	66,336,457	515,950,220	-	-	-	-	515,950,220	582,286,677
Goodwill	108,910,417	-	-	108,910,417	94,455,212	10,891,042	-	105,346,254	3,564,163	14,455,205
Software	48,684,887	-	451,029	48,233,858	20,745,266	7,000,235	405,864	27,339,637	20,894,221	27,939,621
Total A	739,881,981	-	66,787,486	673,094,495	115,200,478	17,891,277	405,864	132,685,891	540,408,604	624,681,503
TANGIBLE ASSETS										
Land										
- Freehold Land	33,530,368	-	700,853	32,829,515	-	-	-	-	32,829,515	33,530,368
- Leasehold Land	53,944,536	-	-	53,944,536	9,427,863	2,508,173	-	11,936,036	42,008,500	44,516,673
Building	3,372,665,818	1,227,083	124,394,203	3,249,498,698	682,179,458	116,184,660	17,257,247	781,106,871	2,468,391,827	2,690,486,360
Plant & Machinery	11,528,498,968	42,768,718	432,292,141	11,138,975,545	6,105,024,181	574,214,486	143,766,696	6,535,471,971	4,603,503,574	5,423,474,787
Furniture & Fixtures and Office Equipments	793,015,862	6,126,772	66,575,549	732,567,085	255,209,739	36,061,329	8,624,777	282,646,291	449,920,794	537,806,124
Vehicles	58,759,364	8,519,260	5,791,376	61,487,248	26,150,814	6,042,667	2,522,776	29,670,705	31,816,543	32,608,549
Total B	15,840,414,916	58,641,833	629,754,122	15,269,302,627	7,077,992,955	735,011,315	172,171,496	7,640,831,874	7,628,470,753	8,762,422,861
Grand Total (A+B)	16,580,296,897	58,641,833	696,541,608	15,942,397,122	7,193,192,533	752,902,592	172,577,360	7,773,517,765	8,168,879,357	9,387,104,364
Capital Work -in-Progress									292,380,986	293,958,594
Capital Advances									103,901	-
									292,484,887	293,958,594
									8,461,364,244	9,681,062,958
Previous Year	15,908,314,206	129,910,496	(542,072,195)	16,580,296,897	6,470,535,710	789,317,271	66,660,448	7,193,192,533	9,387,104,364	-

Notes :

@ Deletions/Adjustments to fixed assets under Gross Block and Depreciation/Amortisation include Rs. 663,628,281 (Previous Year Rs. 876,262,722) and Rs.143,280,488 (Previous Year Rs.55,101,718) respectively, on account of restatement at the closing exchange rate.

* Addition in Plant & Machinery includes Rs.20,331,794 transferred from fixed assets held for sale

SCHEDULE VI : INVESTMENTS

(Refer Note 7 On Schedule XX)

	Nos.	Value (₹)	March 31, 2010		March 31, 2009	
			Rupees	Rupees		
In Fully Paid-up equity shares of Rs. 10/- each :						
CHI Investment Ltd.***	25	1,431	1,431	-	-	
Ceat Limited***	75	4,293	4,293	100	5,724	
CFL Capital Financial Services Limited	100	1,985	1,985	100	1,985	
CESC Limited	100	5,553	5,553	100	5,553	
Harrisons Malayalam Limited	100	3,744	3,744	100	3,744	
KEC International Limited**	144	9,011	9,011	100	6,909	
Phillips Carbon Black Limited	100	5,653	5,653	100	5,653	
RPG Cables Limited	170	5,382	5,382	170	5,382	
Summit Securities Limited**	100	4,777	4,777	-	-	
Octav Investments Limited**	8	382	382	-	-	
RPG Transmission Limited**	-	-	-	100	7,26	
Saregama India Limited	100	1,322	1,322	100	1,322	
In Fully Paid-up equity shares of Rs. 8/- each :						
RPG Life Sciences Limited	100	8,065	8,065	100	8,065	
Aggregate Market Value of Quoted Investments Rs.188,280 (Previous Year Rs. 103,333)			51,598		51,598	
II) Other than Trade - Unquoted (at cost)						
The Baramati Co-operative Bank Limited (Face value Rs.20/- each, fully paid up)	1,300	26,000	26,000	1,300	26,000	
The Sadguru Jangli Maharaj Co-operative Bank Ltd. (Face value Rs.50/- each, fully paid up)	1,000	50,000	50,000	1,000	50,000	
Shamrao Vithal Co-op Bank Ltd (Face Value Rs.10/- each, fully paid up)	250	2,500	2,500	250	2,500	
United Yarn (Face Value Rs.31/- each, fully paid up)	1	31	31	1	31	

Share of Lotus House Prem. Co-Op Hsg. Soc.	1,500	1,500	1,500	1,500	1,500
Datta Nagari Patsanstha (Face Value Rs.10/- each ,fully paid up)	500	5,000	5,000	500	5,000
Saraswat Co-op bank Ltd (Face Value Rs.10/- each ,fully paid up)	1,420	14,200	14,200	1,420	14,200
Spencer & Co. Limited (Equity Share of rs. 10/- each, fully paid up)	200	7,563	7,563	200	7,563
National Saving Certificates			33,310		39,310
Add: Additions consequent to amalgamation (Pledged with sales Tax Authorities)					
			<u>140,104</u>		<u>146,104</u>
			<u>191,702</u>		<u>197,702</u>

Notes:-

** RPG Transmission Ltd. has been amalgamated into KEC International. In view of merger, company received 44 no. equity shares of KEC International Limited, 100 no. equity share of Summit Securities Limited and 8 no. equity shares of Octav Investment Limited.

Pursuant to Scheme of Arrangement approved by Hon'ble High Court, Mumbai vide order dated 18th December, 2009, M/s. Octav Investments Ltd., M/s. CHI Investments Ltd. and M/s. Summit Securities Ltd. has been amalgamated with RPG Itochu Finance Ltd. thereafter RPG Itochu name has been changed to M/s. Summit Securities Ltd. In respect to scheme, Summit Securities has issued NIL shares against 8 no. equity shares of Octav Investment, 4 no. equity shares issued against 25 no. equity shares of CHI Investment and 6 equity shares issued against 100 no. equity shares of erstwhile Summit Securities.

*** Further to demerger of CEAT Ltd., 75 nos and 25 nos. equity shares of CEAT Ltd. and CHI investment respectively were allotted.

March 31, 2010
Rupees

March 31, 2009
Rupees

SCHEDULE VII : INVENTORIES

(Refer Note 5 on Schedule XX)

Stores, Spares & Packing Materials (including stock in transit Rs. Nil, Previous Year Rs. 2,589,150/-)	169,239,121		226,889,246
Raw Materials (including stock in transit Rs. Nil, Previous Year Rs. 6,964,890/-)	638,761,803		433,869,733
Work-in-process	196,209,032		189,404,820
Finished goods			
Manufactured (including stock in transit Rs.Nil, Previous Year Rs. 8,569,969/-)	247,524,353	645,706,944	
Traded (including stock in transit Rs.8,286,089, Previous Year Rs. Nil)	<u>12,677,814</u>	<u>260,202,167</u>	<u>703,650,089</u>
Waste		<u>2,266,089</u>	<u>2,387,252</u>
		<u>1,266,678,212</u>	<u>1,556,201,140</u>

SCHEDULE VIII : SUNDRY DEBTORS

Unsecured

Outstanding for a period over six months

Considered Good	262,589,378	668,184,888
Considered Doubtful	<u>34,729,717</u>	<u>34,235,311</u>
	297,319,095	702,420,199

Other Debts

Considered Good	379,400,467	135,045,688
Considered Doubtful	<u>407,099,856</u>	-
	1,083,819,418	837,465,887

Less : Provision for doubtful debts

	<u>441,829,573</u>	<u>34,235,311</u>
	<u>641,989,845</u>	<u>803,230,576</u>

	March 31, 2010 Rupees	March 31, 2009 Rupees
SCHEDULE IX : CASH & BANK BALANCES		
Cash balance on hand	2,927,222	5,882,595
In Cheque in hands	12,812,490	-
Balances with Scheduled Banks :		
In Current Accounts	41,934,305	42,332,072
In Fixed Deposit Accounts*	16,200,000	3,000,000
In Margin Money Account **	3,363,323	7,591,759
In unpaid dividend accounts	1,290,741	1,296,285
Balances with other Banks :		
In Current Accounts	183,319,137	286,254,874
In Margin Money Account	161,101	-
Restricted cash (Interest reserve account)	-	390,222
	<u>262,008,319</u>	<u>346,747,807</u>
* Fixed deposits pledged with sales tax and others government authorities		
** Under lien with Banks		
SCHEDULE X : Other Current Assets		
Interest accrued on deposit and others	1,149,552	586,294
Claims and other receivables	501,469,476	420,831,269
Deposits	46,734,163	53,460,721
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	155,625,188	255,187,606
	<u>704,978,379</u>	<u>730,065,890</u>
SCHEDULE XI : LOANS AND ADVANCES		
Amounts recoverable in cash or in kind or for value to be received		
Considered good	1,875,718,502	729,964,489
Considered doubtful	12,347,897	9,919,253
	<u>1,888,066,399</u>	<u>739,883,742</u>
Less : Provision for Doubtful Advances	12,347,897	9,919,253
	<u>1,875,718,502</u>	<u>729,964,489</u>
Balance with Customs , Excise, Govt Authorities, etc.	64,545,657	174,552,448
Advance Income Tax/Tax Deducted at Source*	48,314,725	48,900,754
MAT credit entitlement	35,822,346	35,822,346
	<u>2,024,401,230</u>	<u>989,240,037</u>
*Net after adjustment for Provision for Taxation of Rs. 6,980,546, (Previous Year Rs.15,161,195)		
SCHEDULE XII : CURRENT LIABILITIES (Refer Note 6 On Schedule XXI)		
Sundry Creditors		
total outstanding dues of micro enterprises and small enterprises and*	-	145,209
total outstanding dues of creditors other than micro enterprises and small enterprises	1,950,300,922	2,019,247,904
Advance received from customers	34,241,942	-
Unpaid Dividend **	1,290,741	1,296,285
Other Liabilities	134,433,729	157,391,847
Interest accrued but not due on loans and debentures	53,132,243	64,704,758
	<u>2,173,399,577</u>	<u>2,242,786,003</u>
* As certified by the Management based on available information		
** Not due to be credited to Investor Education and Protection Fund		
SCHEDULE XIII: PROVISIONS (Refer Notes 9 and 15 of Schedule XX and Notes 15 and 17 on Schedule XXI)		
For Wealth Tax	73,884	64,201
For Leave Encashment	15,446,105	19,296,765
For Gratuity	36,434,261	44,774,386
	<u>51,954,250</u>	<u>64,135,352</u>

	2009-2010 Rupees	2008-2009 Rupees
SCHEDULE XIV : OTHER INCOME		
(Refer Note 6 and 8 on Schedule XX)		
Dividend from long term investments (Other Than Trade)	7,685	6,344
Commission (gross)	34,359	3,890,205
(Tax Deducted at Source Rs. Nil, Previous Year Rs. 905,274)		
Interest on deposits (gross)	7,837,905	30,021,151
(Tax Deducted at Source Rs.297,426, Previous Year Rs. 884,668)		
Rent Income	1,020,946	10,237,526
Liabilities / Provision no longer required written back	58,366,553	25,630,139
Profit on Sale of Fixed Assets (net)	2,839,483	80,177,952
Export Incentives	291,284,084	42,020,666
Foreign Exchange Fluctuation Gain (net)	196,582,384	-
Miscellaneous Income	52,459,080	57,147,073
	610,432,479	249,131,056
SCHEDULE XV : RAW MATERIALS CONSUMED		
Opening Stock	433,869,733	803,585,651
Add : Purchases	7,499,332,366	7,019,035,118
Less : Closing Stock	638,761,803	433,869,733
Raw Materials Consumed	7,294,440,296	7,388,751,036
SCHEDULE XVI : SALARY, WAGES AND BENEFITS		
(Refer Notes 9 on Schedule XX and 17 on Schedule XXI)		
Salaries, Wages and Bonus	1,007,428,235	1,074,828,200
Contributions to Provident and Other Funds	98,706,171	192,347,069
Employees Welfare Expenses	93,729,199	77,256,789
	1,199,863,605	1,344,432,058
SCHEDULE XVII : MANUFACTURING AND OTHER COSTS		
Stores, Spares and Packing Materials Consumed (net)	531,143,440	499,611,504
Sub-contracting Charges	24,514,903	9,995,810
Power, Fuel & Water	1,082,815,153	1,062,088,340
Rent, Rates & Taxes	186,677,420	136,179,316
Repairs & Maintenance :		
Plant & Machinery	16,823,600	12,326,057
Building	2,217,743	1,181,486
Others	6,695,896	6,227,564
	25,737,239	19,735,107
Insurance	20,079,789	65,604,543
Communication Expenses	12,884,682	18,079,032
Traveling and Conveyance	42,217,958	50,573,956
Legal and Professional charges	81,108,540	94,291,026
Commission	73,686,917	55,631,310
Freight Outward and Clearing Charges	406,908,590	532,272,923
Loss on assets held for disposal	-	6,810,122
Loss on sale of raw materials	6,649,361	22,308,030
Investment Written off	-	708,000
Donation and Contribution (other than to political parties)	270,901	64,300
Provision for Doubtful Debts	3,809,413	1,949,868
Provision for Loss of Assets held for Sale	6,000,000	-
Bad debts and Advances written off	46,326,889	40,447,984
Sitting Fees	407,200	363,000
Cost of outsourcing activities	19,466,782	30,433,322
Selling and Other Expenses	101,965,381	37,785,324
Foreign Exchange Fluctuation Loss (net)	-	400,484,718
Miscellaneous Expenses	298,065,839	194,270,226
	2,970,736,397	3,279,687,761

	2009-2010 Rupees	2008-2009 Rupees
SCHEDULE XVIII: FINANCIAL CHARGES		
(Refer Note 10 On Schedule XX)		
Interest - Non Convertible Debentures	37,939,306	36,494,292
Interest		
- Fixed Loans	443,061,540	449,282,353
- Others	210,194,192	431,503,985
Bank Charges	110,702,293	62,044,495
	801,897,331	979,325,125
SCHEDULE XIX : (INCREASE) / DECREASE IN INVENTORIES		
Opening Stock :		
Finished goods	645,706,944	1,255,145,445
Work in process	189,404,820	267,581,901
Waste	2,387,252	5,529,171
	837,499,016	1,528,256,517
Less: Transfer to Trial Production Expenses in Previous Year (included in Capital Work in Progress)	-	52,136,139
	837,499,016	1,476,120,378
Closing Stock :		
Finished goods	247,524,355	645,706,944
Work in process	196,209,032	189,404,820
Waste	2,266,089	2,387,252
	445,999,476	837,499,016
	391,499,540	638,621,362
Profit/(Loss) on fluctuation	-	-
Excise duty on (Increase) / Decrease in Inventories	(1,421,493)	6,376,969
(Increase) / Decrease in Inventories	390,078,047	632,244,393

SCHEDULE XX : STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES
1. Basis for preparation of consolidated financial statements:

The consolidated financial statement of the group have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting generally accepted in India and comply with the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956.

The financial statement of the Parent Company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions as per Accounting Standard 21 on Consolidated Financial Statements.

2. Use of Estimates

The preparation of the financial statements in conformity with Indian Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

3. Fixed Assets

Fixed Assets are stated at their original cost including freight, duties (net of CENVAT), taxes and other incidental expenses relating to acquisition and installation.

Expenditure incurred during the period of construction are carried forward as capital work-in-progress and on completion, the costs are allocated to the respective fixed assets.

4. Depreciation / Amortization

Depreciation on all fixed assets situated at manufacturing locations is provided on the straight line method on a pro-rata basis at the rates determined on the basis of useful lives of the respective assets. Management estimates the useful lives for the various fixed assets situated at manufacturing locations as follows

Description – Manufacturing locations	Useful lives(in years)
Factory Building	17-29
Building (Other than factory building)	58
Plant and Machinery	2-18
Office Equipments	10-20
Computers	1-6
Furniture and Fixtures	2-15
Vehicles	10-12

rates derived from the above useful lives are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956 ('Act').

Depreciation for all fixed assets at locations other than at manufacturing locations is provided on the written down value method at the rates specified in Schedule XIV to the Act.

Leasehold land is amortized over the lease period on a straight line basis.

Capitalized enterprise resource planning software (SAP) is amortised over a period of five years on straight line basis.

Acquired goodwill is amortized using the straight-line method over a period of 10 years.

Goodwill on Consolidation is stated at cost, and where applicable, impairment is recognized.

5. Inventories

Inventories have been valued at lower of cost and net realizable value.

The cost in respect of raw materials is determined under the Specific identification of cost method in India and weighted average method for outside India.

Cost includes customs duty, wherever paid, and are net of credit under CENVAT scheme, wherever applicable.

The cost in respect of work-in-progress, finished goods and stores and spares is determined using the weighted average cost method and includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, where applicable.

Waste is valued at estimated net realizable value.

6. Revenue recognition

Sale of goods: Revenue on sale of goods is recognized on transfer of significant risk and rewards of ownership to the buyer and on reasonable certainty of the ultimate collection. Sales are inclusive of excise duty and net off sales tax, trade discounts and sales returns.

Interest: Income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rates.

Commission and Insurance claim: Income is recognized when no significant uncertainty as to measurability or recoverability exists.

7. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments.

All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

8. Foreign currency transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. All monetary items denominated in foreign currency are translated at year end rates. Exchange differences arising on such transactions and also exchange differences arising on the settlement of such transactions are adjusted in the Profit and Loss Account.

In case of forward contracts, the premium or discount on all such contracts arising at the inception of each contract is recognized / amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of such contracts is recognized as income or expense for the period.

In respect of foreign branch, all revenues, expenses, monetary assets/liabilities and fixed assets are accounted at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are restated at the year end rates and resultant gains or losses are recognized in the Profit and Loss Account.

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expenses accounts using an appropriate weighted average exchange rate. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

9. Employee benefits

a) In case of Parent Company and its Indian subsidiary

The Company's contributions to recognized Provident Funds are charged to revenue on an accrual basis.

The Company has Defined Benefit plans namely Leave Encashment and Gratuity for all employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. Gratuity Fund (for other than Synthetic division) is administered through Life Insurance Corporation of India. Short term compensated absences are recognized at the undiscounted amount of benefit for services rendered during the year. Termination benefits are recognized as an expense immediately. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

b) In case of a foreign subsidiary in Uzbekistan

Pension arrangements are as per the Pension scheme of the Republic of Uzbekistan, which requires contributions by the employer calculated as a percentage of current gross salaries. The subsidiary's State Pension scheme contribution amounts to 24 percent of employees' gross salaries and 0.7 percent of turnover, and is expenses as incurred.

10. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

11. Taxation

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the year.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent it is reasonably / virtually certain that future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

12. Leases

Assets acquired under long term finance lease are capitalised and depreciated in accordance with Group's policy for assets situated at manufacturing and other locations. The associated obligations are included in other loans under "Secured Loans".

The Group has taken premises on lease. Lease rental in respect of operating lease arrangement are charged to Profit and Loss Account.

13. Impairment of Assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and where carrying amount of the asset exceeds such recoverable amount, an impairment loss is recognized in the profit and loss account to the extent the carrying amount exceeds recoverable amount. Where there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased, the Company books a reversal of the impairment loss not exceeding the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior accounting periods.

14. Provisions and contingencies

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

**SCHEDULE XXI : Consolidated Notes to Accounts
GROUP COMPANIES**

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements" notified under section 211(3c) of the Companies Act, 1956. The Financial Statements of the following subsidiaries, drawn upto March 31, 2010, alongwith Spentex Industries Limited, the Parent, constituting the group, are considered in preparation of the consolidated Financial Statements :-

Name of Company	Relationship	Country of Incorporation	Percentage of ownership interest as on March 31, 2010	Percentage of ownership interest as on March 31, 2009
Spentex (Netherlands), B.V.(100 % held by the Company and its nominees)	Subsidiary	Netherlands	100.00%	100.00%
Spentex Tashkent Toytepa LLC (STTL)(99.18% held by Spentex (Netherlands), B.V. and 0.82% held by Spentex Industries Limited)	Subsidiary	Uzbekistan	100.00%	100.00%
Spentex (Mauritius) Pvt. Ltd. (a 100% subsidiary of the Company.)	Subsidiary	Mauritius	100.00%	100.00%
Spentex (Cyprus) Pvt. Ltd. (a 100% subsidiary of Spentex Mauritius Pvt. Ltd.)	Subsidiary	Cyprus	100.00%	100.00%
Schoeller Textile (Netherlands), B.V. (a 100% subsidiary of Spentex (Netherlands), B.V.)	Subsidiary	Netherlands	100.00%	100.00%
Schoeller Litvinov K.S. #(25 % with Schoeller Textile (Netherlands), B.V. (limited partnership) and 75% with Schoeller Textil, GmbH & Co. KG (unlimited partnership))	Subsidiary	Czech Republic	100.00%	100.00%
Schoeller Textil GmbH & Co. KG #(100 % limited partnership Interest of Schoeller Textile (Netherlands), B.V. and unlimited partnership interest of Schoeller Textil Verwaltungs, GmbH)	Subsidiary	Germany	100.00%	100.00%
Schoeller Textil Verwaltungs GmbH (a 100% subsidiary of Schoeller Textile (Netherlands), B.V)	Subsidiary	Germany	100.00%	100.00%
M/s. Botekos Plus s.r.o.(90% of Schoeller Textile (Netherlands), B.V and 10% Spentex (Netherlands), B.V.)	Subsidiary	Czech Republic	100.00%	100.00%
Amit Spinning Industries Limited (ASIL)	Subsidiary	India	50.96%	50.96%

Note :

These are partnership firms which have been considered for the purpose of consolidation as per AS -21

2 Contingent Liabilities

(Amount in ₹)

Description	This Year	Previous Year
a) Demands from Income Tax Authorities under appeal	62,139,030	62,139,030
b) Demands from Sales Tax Authorities under appeal	4,284,685	20,102,976
c) Show cause notices/demands raised by Excise / Customs Department (including applicable penalties), not acknowledged as debts	187,710,845	284,935,026
d) Show cause notices/demands raised by MP Government / MPEB Department , not acknowledged as debts	132,211,000	132,211,000
e) Claims against the Company not acknowledged as debts	3,130,151	13,298,670
f) Guarantees and Letters of credit issued on behalf of the Company, outstanding at the year end	250,187,962	579,377,321
g) Bills Discounted with Banks on behalf of the Company, outstanding at the year end	832,402,925	642,380,891
h) Corporate Guarantee given to IREDA for Loan to M/s Himalayan Crest Power Limited	268,306,862	266,222,000
i) Corporate Guarantee given to AXIS Bank Ltd. & UCO Bank for Loan to M/s Amit Spinning Industries Limited	428,568,149	419,201,873
j) Corporate Guarantee given to Tashkent Toytepa Textil for deferred payment of purchase consideration on behalf of Spentex Tashkent Toytepa LLC Current Year USD 44,800,000 (Previous Year USD 48,600,000)	2,007,040,000	2,457,215,994
k) Corporate Guarantee given to CVCI for investment in Spentex (Netherlands) B.V. Current Year USD 20,00,000 (Previous Year USD 20,00,000)	89,600,000	101,120,000
l) Corporate Guarantee given to SBI - Tokyo Branch for loan to Spentex (Netherlands) B.V *Current Year USD 32,275,704 (Previous Year USD 32,275,704)	1,464,774,916	1,565,859,594

*The company has been legally advised that the corporate guarantee given to Lehman Brothers is no longer valid as Lehman Brothers did not comply with the terms and conditions of the loan agreement based on which the guarantee was given . Accordingly, the figure for the current year do not include the portion of the guarantee relating to the loan from Lehman Brothers.

The amount shown in the items (a) to (e) represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes. The amount shown in items (f) to (l) represent guarantees given and bills discounted in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of beneficiaries fulfilling their ordinary commercial obligations

Description	This Year (₹)	Previous Year (₹)
3. Estimated value of contracts remaining to be executed on capital account (net of advances)	1,434,489	1,025,390

- 4 During the year 2006-07, Spentex (Netherlands) B.V received USD 15,000,000 from Citigroup Venture Capital International Growth Partnership Mauritius Ltd. (CVC) for issue of Preference Share Capital which is still pending allotment at the year end.
- 5 Gain/(Loss) on foreign currency translation on restatement of balance brought forward from previous year represents foreign currency fluctuation on restatement of profit brought forward in respect of foreign subsidiaries.
- 6 Based on intimation received by the Company from its supplier regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the relevant information is provided below:-

S.No.	Particulars	This Year (₹)	Previous Year (₹)
1	Amount due to Micro and Small Enterprises as on		
	i) Principal amount	Nil	145,209
	ii) Interest due on above	Nil	Nil
2	i) Principal amount paid after due date or appointed day during the year	Nil	Nil
	ii) Interest paid during the year on (i) above	Nil	Nil
3	Interest due & Payable (but not paid) on principal amounts paid during the year after the due date or appointed day.	Nil	Nil
4	Total interest accrued and remaining unpaid as on	Nil	Nil
5	Further interest in respect of defaults of earlier year due and payable in current year upto the date when actually paid	Nil	Nil

- 7 In accordance with the current industry practice, plant and machinery of the Company has been treated as "Continuous Process Plant" as defined under Schedule XIV to the Companies Act, 1956.
- 8 Pursuant to special resolution passed by the Members of the Company in their Extra-ordinary General Meeting held on 27th November, 2009, the Company has issued 11,800,000 share warrants on a preferential basis to CLC Technologies Private Limited, promoters group company, each convertible into one equity share at share subscription price of Rs. 16.95 per warrant. The Company has received an advance of 25% of share subscription price amounting to Rs. 50,002,500, as per the guidelines issued by Securities and Exchange Board of India under Securities and Exchange Board of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009 for Preferential Allotment.
- Out of the above, the Company has allotted 2,261,000 equity shares on 31st March, 2010 pursuant to option exercised by the share warrant holder to convert 2,261,000 share warrants in equal number of fully paid up equity shares and the balance consideration of 75% amounting to Rs. 28,742,963 has been received on 2,261,000 warrants at the time of conversion into equity shares at the agreed price of Rs. 16.95 per equity share (including premium of Rs. 6.95 per equity share).
- 9 In the current year, the Synthetic division of the Company has changed its method of valuing raw materials at Synthetic division from the Weighted Average method to the Specific identification of cost method based on peculiarities of condition existing in the business and prevalent industry practices. The Specific identification of cost method results in a better presentation of the carrying value of raw material inventory in the financial statements.
- Had the Company continued to use the earlier basis of valuing Raw Materials, closing stock of Raw Materials would have been lower by Rs. 43,27,747 with consequential impact on net current assets and loss for the year.
- 10 The Butibori Unit of the Synthetic Division had been exporting its goods under Rule 18 of the Central Excise Rules 2002 and claiming rebate on both input and output stage of duty. The Central Excise Department disallowed the rebate on Input Stage of duty at Butibori unit. The Synthetic Division has filed a revision petition with the Joint Secretary, Government of India who allowed rebate for both the stages of duty.
- However, the Department appealed in the Hon'ble High Court of Mumbai which was upheld by the Hon'ble High Court. The Synthetic Division has now filed a Special Leave Petition before the Hon'ble Supreme Court of India for quashing the Hon'ble High Court Order and allowing the rebate on input stage of duty.
- Pending the decision in the matter by the Hon'ble Supreme Court, the Synthetic Division has not yet reversed the rebate receivable on input duty aggregating to Rs 52,879,724 (including Rs 2,826,621 at its Pithampur Unit).
- Further, relying on the judgment of the Hon'ble High Court of Mumbai for the Butibori unit, a demand has been raised by the Department on the Pithampur unit of the Synthetic Division against the refund already given of the rebate on input stage of duty amounting to Rs 60,216,366 along with interest. Also, pending claims for the input stage of duty amounting to Rs 2,826,621 have been disallowed during 2006-07. The Pithampur unit has gone into appeal against the said demand / disallowance. The Commissioner (Appeals) has rejected the appeal of the Synthetic Division for the pending claim, while the decision has been kept pending against the demand till the final order is received from the higher authority (Revision Authority)
- While the management is hopeful of the decision of the case in its favour, it is also reasonably confident of the liquidation / utilization of these cenvat balances of Rs. 113,096,090.
- 11 a) Schoeller Litvinov k.s. (SLKS), the Czech step-down subsidiary of the Company, had registered losses during the year and earlier financial years due to economic slowdown and restructuring costs etc. This step down subsidiary had submitted a re-organization plan seeking deferment of payment to Secured creditors, and proportionate waiver of unsecured liabilities which has now been approved by the court. The Company believes that the reorganization plan, considering improvement in the global textile market, will turn around this subsidiary, so as to make good its losses in a foreseeable period of time and will also place this subsidiary in a position to repay the liabilities in due course. Pursuant to this reorganization plan, SLKS has written back payables amounting to Rs. 320,446,903 related to third parties in its books of account.
- 11 b) During last year, Exceptional Item represent write off of goodwill arising on consolidation in respect of one of the subsidiary company (Amit Spinning Industries Limited) amounting to Rs. 127,190,873 as the subsidiary's net worth has been substantially eroded at the year end.
- 12 Sundry Debtors and Advances include amounts aggregating Rs. 17,408,913 and Rs. 22,473,335 respectively due from certain customers where payments are not forthcoming. Of the above, the Company has filed a suit for recovery of Rs. 17,408,913 against two of the customers. Further, in respect of the advances of Rs. 22,473,335 the Company is making efforts to recover the same and expects to reduce them significantly. Based on outcome of the legal suit coupled with further negotiations with these parties, the management is of the opinion that ultimately there would be no losses against these old balances and hence no provision is considered necessary at this stage
- 13 The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulation for computing the taxable income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing of Return of Income. For the year ended March 31, 2010, the company has initiated the process of compliance with the said transfer pricing regulations for which the prescribed certificate of the accountant will be obtained and the Company does not envisage any tax liability.

14 Leased Assets included in vehicles where the Company is a lessee under finance leases are :

	This Year (₹)	Previous Year (₹)
Not later than one year	2,297,885	2,511,711
Later than one year but not later than five years	4,769,004	744,108
Later than five years	Nil	Nil
Total Minimum lease payments	7,066,889	3,255,819
Less : Future finance charges on finance leases	1,088,548	272,960
Present value of finance lease liabilities	5,978,341	2,982,859
Representing lease liabilities		
Current	1,795,589	2,319,471
Non current	4,182,752	663,388
Total	5,978,341	2,982,859
The present value of finance lease liabilities may be analysed as follows :	-	
Not later than one year	1,795,589	2,319,471
Later than one year but not later than five years	4,182,752	663,388
Later than five years	Nil	Nil
Total	5,978,341	2,982,859

15 Taxation**Deferred Tax****Break-up of Deferred Tax Assets and Liabilities**

	This Year(₹)	Previous Year(₹)
Deferred Tax Liability arising on account of timing difference		
Tax impact of difference in net book value of fixed assets as per Accounts and Tax	448,685,799	523,248,440
Tax Impact of others	-	7,510,759
Total Deferred Tax Liability (A)	448,685,799	530,759,199
Deferred tax assets recognised on account of timing difference		
Tax Impact of Provision for doubtful Debts and Advances	13,540,229	960,960
Tax Impact of disallowances under section 43B of Income Tax Act, 1961	25,115,909	25,339,707
Tax Impact of unabsorbed depreciation and brought forward losses	849,244,144	962,865,416
Others	186,906	382,477
Total Deferred Tax Assets (B)	888,087,188	989,548,560
Deferred Tax Assets / (Deferred Tax Liability) (B - A)	439,401,389	458,789,361
Charge to profit and loss account	-	82,875,466
Net Deferred Tax Assets / (Deferred Tax Liability)	439,401,389	375,913,895

Note: The company has not recognized above Deferred Tax asset on account of prudence.

16 Earnings Per Share (EPS):

The following table reconciles the numerators and denominators used to calculate Basic and Diluted EPS for the Year:

	This Year (₹)	Previous Year (₹)
Net profit / (loss) before Extraordinary items attributable to Equity Shareholders	(771,206,126)	(2,361,818,217)
Net profit / (loss) attributable to Equity Shareholders after Extraordinary items and Taxes	(450,759,224)	(2,361,818,217)
Weighted Average Shares outstanding		
Weighted average Shares outstanding	71,478,230	71,472,035
Effect of Dilutive Securities	*	*
Diluted weighted average shares outstanding	71,478,230	71,472,035
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share before Extraordinary items (Rs.)	(10.79)	(33.05)
Basic Earnings per Share after Extraordinary items (Rs.)	(6.31)	(33.05)
Diluted Earning per share before Extraordinary items (Rs.)	(10.79)	(33.05)
Diluted Earning per share after Extraordinary items (Rs.)	(6.31)	(33.05)

* There are no potential dilutive securities

17. Employee Benefits
(i) Post Retirement Employee Benefits
(a) Defined Contribution Plans:

The Company has Defined Contribution plans for post retirement employment benefits' namely Provident Fund and Employee State Insurance Scheme. Expense for the same is being charged to Profit and Loss account for the year.

(b) Defined Benefit Plans:

The liability for gratuity is determined on the basis of an actuarial valuation at the end of the year. Gains and losses arising out of actuarial valuations are recognised in the Profit and Loss Account for the year.

(ii) Other employee benefits

Other employee benefits are accounted for on accrual basis. Liabilities for Compensated absences which is a defined benefit plan are determined based on independent year end actuarial valuation and the resulting charge is being accounted in Profit and Loss Account.

	2009-10 (Amount in ₹)		2008-09 (Amount in ₹)		2007-08 (Amount in ₹)	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
A. Components of Employer Expense						
1 Current Service Cost	5,564,435	2,761,308	6,113,294	4,176,672	6,626,020	4,578,482
2 Interest Cost	4,739,215	1,497,303	4,497,650	1,264,370	4,158,211	1,253,045
3 Curtailment Cost/(Credit)	-	-	-	-	-	-
4 Settlement Cost/(Credit)	-	-	-	-	-	-
5 Return on Plan Assets	(1,520,879)	-	(1,085,089)	-	(589,471)	-
6 Past Service Cost	-	-	-	-	-	-
7 Actuarial Losses/(Gains)	(4,719,141)	(2,739,205)	(9,219,921)	2,425,749	8,689,907	2,550,817
Total expense recognised in the Statement of Profit & Loss Account	4,063,630	1,519,406	305,934	7,866,791	18,884,667	8,382,344
The Gratuity and Leave Encashment Expenses have been recognised in "Salaries, Wages and Bonus" under Schedule XVI						
B. Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2010.						
1 Present Value of DBO at the Beginning of Year	59,402,946	19,296,765	64,428,663	18,112,034	51,835,636	15,620,264
2 Current Service Cost	5,564,435	2,761,308	6,113,294	4,176,672	6,626,020	4,578,482
3 Interest Cost	4,739,215	1,497,303	4,497,650	1,264,370	4,158,211	1,253,045
4 Curtailment Cost/(Credit)	-	-	-	-	-	-
5 Settlement Cost/(Credit)	-	-	-	-	-	-
6 Plan Amendments	-	-	-	-	-	-
7 Acquisitions	-	-	-	-	-	-
8 Actuarial (Gains)/Losses	(4,719,141)	(2,739,205)	(9,219,921)	2,425,749	8,689,907	2,550,817
9 Benefits Paid	(6,371,370)	(5,370,066)	(6,416,740)	(6,682,060)	(6,881,111)	(5,890,574)
10 Present Value of DBO at the End of Year	58,616,085	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034

C. Net Asset / (Liability) recognised in Balance Sheet as at March 31, 2010						
1 Present Value of Defined Benefit Obligation	59,494,533	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034
2 Fair Value on Plan Assets	22,181,824	-	14,628,560	-	9,963,600	-
3 Status [Surplus/(Deficit)]	(36,434,261)	(15,446,105)	(44,774,386)	(19,296,765)	(54,465,063)	(18,112,034)
4 Unrecognised Past Service Cost	-	-	-	-	-	-
Net Asset/(Liability) recognised in Balance Sheet	(36,434,261)	(15,446,105)	(44,774,386)	(19,296,765)	(54,465,063)	(18,112,034)
D. Experience Adjustment						
1 Present Value of Defined Benefit Obligation	59,494,533	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034
2 Fair Value on Plan Assets	22,181,824	-	14,628,560	-	9,963,600	-
3 Status [Surplus/(Deficit)]	(36,434,261)	(15,446,105)	(44,774,386)	(19,296,765)	(54,465,063)	(18,112,034)
4 Experience adjustment on plan Liabilities Loss / (gain)	2,611,096	(1,162,307)	(2,957,968)	(952,579)	-	-
5 Experience adjustment on plan Assets Loss / (gain)	(57,121)	-	(80,904)	-	-	-
E. Change in Fair Value of Assets during the year ended March 31, 2010.						
1 Plan Assets at the Beginning of Year	14,628,560	-	9,963,600	-	5,922,543	-
2 Acquisition Adjustment	-	-	1,926,884	-	-	-
3 Expected Return on Plan Assets	1,520,879	-	1,085,089	-	533,029	-
4 Actuarial Gains/(Losses)	-	-	(60,031)	-	43,602	-
5 Actual Company Contribution	8,794,228	-	4,459,990	-	4,199,125	-
6 Benefits Paid	(2,761,843)	-	(2,746,972)	-	(734,699)	-
7 Plan Assets at the End of Year	22,181,824	-	14,628,560	-	9,963,600	-
F. Actuarial Assumptions						
	Percentage		Percentage		Percentage	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
1 Discount Rate (%) at March 31, 2010	8.00%	8.00%	7.00%	7.00%	8.00%	8.00%
2 Expected Return on Plan Assets at March 31, 2010	8.00%	N.A.	9.00%	N.A.	8%-9%	N.A.
3 Annual increase in salary cost	3.00%	3.00%	3.00%	3.00%	5.50%	5.00%

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

G. Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

18. In accordance with Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified three business segments viz. Textile Manufacturing, Textile Trading and Other Trading. Further, two geographical segments by location of customers have been considered as secondary segments viz. Within India and Outside India. The segment wise disclosure are as follows :

A. Business Segment Reporting

(Amount in ₹)

DESCRIPTION	TEXTILE-MANUFACTURING	TEXTILE-TRADING	OTHER TRADING	TOTAL
Segment Revenue				
Total Revenue	12,021,812,909	716,732,573	9,069,215	12,747,614,697
	(11,929,059,310)	(859,132,216)	(22,844,561)	(12,811,036,087)
Inter - segment sales	513,851,365	-	-	513,851,365
	(618,847,572)	(22,981,704)	(-)	(641,829,276)
External Sales	11,507,961,545	716,732,573	9,069,215	12,233,763,332
	(11,310,211,738)	(836,150,512)	(22,844,561)	(12,169,206,811)
Segment Results	(450,627,238)	(2,465,886)	(1,018,978)	(454,112,102)
	(-1,005,238,702)	(27,283,110)	(14,553,509)	(-963,402,081)
Unallocated corporate expense (Net)	-	-	-	(482,829,069)
	(-)	(-)	(-)	(-304,654,807)
Operating Profit	-	-	-	28,716,967
	(-)	(-)	(-)	(-1,268,056,888)
Finance Charges	-	-	-	801,897,331
	(-)	(-)	(-)	(979,325,127)
Interest income	-	-	-	2,176,616
	(-)	(-)	(-)	(30,021,152)
Exceptional Item	-	-	-	-
	(-)	(-)	(-)	(127,190,873)
Profit/(Loss) before Prior period items and Tax	-	-	-	(771,003,748)
	(-)	(-)	(-)	(-2,344,551,736)
Income Tax	-	-	-	-
	(-)	(-)	(-)	(689,063)
Deferred Tax	-	-	-	-
	(-)	(-)	(-)	(82,875,466)
Fringe Benefit Tax	-	-	-	202,378
	(-)	(-)	(-)	(3,855,231)
Extra ordinary Item	-	-	-	(320,446,903)
	(-)	(-)	(-)	(-)
Profit/(Loss) after tax	-	-	-	(450,759,224)
	(-)	(-)	(-)	(-2,431,971,496)
OTHER INFORMATION				
Segment Assets	13,379,649,986	206,350,270	72,687,463	13,658,687,719
	(14,129,136,557)	(250,397,812)	(82,124,931)	(14,461,659,300)
Unallocated corporate assets	-	-	-	(297,054,733)
	(-)	(-)	(-)	(-354,913,190)
Total Assets	-	-	-	13,361,632,986
	(-)	(-)	(-)	(14,106,746,110)
Segment liabilities	2,807,120,116	26,322,442	-	2,833,442,558
	(2,857,368,834)	(39,555,335)	(-)	(2,896,924,168)
Unallocated corporate liabilities	-	-	-	9,394,490,336
	(-)	(-)	(-)	(10,269,574,700)
Total Liabilities	-	-	-	12,227,932,894
	(-)	(-)	(-)	(13,166,498,868)
Capital expenditure incurred during the year	-	-	-	57,064,225
	(-)	(-)	(-)	(104,446,074)
Depreciation and Amortisation for the year	-	-	-	752,902,593
	(-)	(-)	(-)	(789,317,271)

B) GEOGRAPHICAL SEGMENT REPORTING:

(Amount in ₹)

DESCRIPTION	REVENUE	ASSETS
With in India	2,805,572,261	6,070,222,338
	(2,488,289,561)	(5,953,122,710)
Outside India	9,428,191,071	7,291,410,649
	(9,680,917,250)	(8,153,623,400)
Current Year	12,233,763,332	13,361,632,987
Previous Year	(12,169,206,811)	(14,106,746,110)

19 Related Party Disclosures :

A) In accordance with the requirements of Accounting Standard (AS) - 18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management, are :

i) Enterprises / entities under significant influence:

- a) Himalayan Crest Power Limited.
- b) CLC & Sons (P) Limited
- c) CLC Technologies Private Limited

ii) Key Management Personnel and their Relatives

- | | |
|------------------------------|--------------------------------|
| a) Mr. Ajay Kumar Choudhary | Chairman & Whole Time Director |
| b) Mr. Mukund Choudhary | Managing Director |
| c) Mr. Kapil Choudhary | Deputy Managing Director |
| d) Mr. Amrit Agrawal | Director - Finance |
| e) Mr. Sitaram Parthasarathy | Director - Works |

19 B) Description of Transactions with the Related Parties in the ordinary course of business.

(Amount in ₹)

Sl No.	Name of the Party	Remuneration Paid	Allotment of equity Shares	Share Warrant application money	Outstanding Balance at Year end
					Guarantees Outstanding *
1	Himalayan Crest Power Limited	-	-	-	268,306,862**
		(-)	(-)	(-)	(266,222,000)
2	CLC & Technologies Private Limited	-	38,323,950	51,678,550	-
		(-)	(-)	(-)	(-)
3	Mr. Ajay Kumar Choudhary	4,800,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
4	Mr. Mukund Choudhary	4,800,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
5	Mr. Kapil Choudhary	4,800,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
6	Mr. Amrit Agrawal	4,243,607	-	-	-
		(4,243,506)	(-)	(-)	(-)
7	Mr. Sitaram Parthasarathy	4,762,035	-	-	-
		(4,759,793)	(-)	(-)	(-)
	Total	23,405,642	38,323,950	51,678,550	268,306,862
	Previous Year	(23,403,299)	(-)	(-)	(266,222,000)

* Guarantees outstanding excludes personal guarantee given by Directors to Banks / Financial institutions for facilitation of business.

** Based on legal counsel opinion, the management is of the view that guarantee given on behalf of Himalayan Crest Power Limited does not result in non-compliance of Section 295 of the Companies Act. 1956.

20. Pursuant to the exemption granted by the Department of Company affairs, Government of India, the Parent Company is publishing the consolidated and standalone financial statements of Spentex Industries Limited and its subsidiaries. The financial statements and auditors' report of the individual subsidiaries are available for inspection by the shareholders at the registered office. However, the information in aggregate on capital, reserves, total assets, total liabilities, details of investments turnover, profit before taxation, provision for taxation, profit/(loss) after taxation and proposed dividend for each subsidiary follows:

(Amount in ₹)

Sl. No.	Name of Subsidiary	Amit Spinning Industries Ltd.	Schoeller Textile (Netherlands) B.V.	Spentex Tashkent Toytepa, LLC	Schoeller Textil Verwaltungs GmbH	Spentex (Netherlands) B.V.	Spentex (Mauritius) Pvt. Ltd.	Botekos Plus s.r.o.	Spentex Cyprus Pvt. Ltd.
1	Share Capital (including share application money)	205,848,335	1,089,446	878,976,432	1,513,120	673,204,314	90	459,928	103,130
		(205,848,335)	(1,205,856)	(1,070,582,155)	(1,674,800)	(759,735,492)	(101)	(-)	(116,389)
2	Reserves and Surplus	(291,143,518)	(898,169,754)	39,553,817	(240,465)	302,566,026	(1,710,763)	-	(819,930)
		(-201,159,510)	(10,383,894)	(83,232,582)	(266,159)	(394,507,643)	-2,220,427	(-)	(-1,048,210)
3	Total Assets (Fixed Assets + Incidental Expenditure Pending Capitalisation + current assets + Deferred Tax Asset + Miscellaneous Expenditure)	1,020,497,308	25,784	4,099,079,366	1,272,655	1,480,129,101	-	459,928	-
		(943,683,610)	(1,003,578,010)	(4,567,145,823)	(1,408,641)	(1,679,695,068)	(1,820)	(-)	(-)
4	Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	1,105,815,721	1,072,443,834	3,180,549,099	-	2,111,467,187	1,813,803	-	716,800
		(939,018,016)	(1,185,566,535)	(3,413,331,086)	(-)	(2,336,556,754)	(2,338,535)	(-)	(931,821)
5	Investment	23,231	175,337,683	-	-	1,607,108,398	103,130	-	-
		(23,231)	(193,578,274)	(-)	(-)	(1,811,104,821)	(116,389)	(-)	(-)
6	Turnover	727,777,006	-	3,486,962,159	-	-	-	-	-
		(330,352,619)	(-)	(3,032,238,991)	(-)	(-)	(-)	(-)	(-)
7	Profit/(loss) before Taxation	(89,993,023)	984,320,242	(115,826,850)	-	(49,629,717)	-	-	-
		(-147,130,846)	(14,684,969)	(-297,366,332)	(-56,472)	(-254,678,711)	(-760,471)	(-)	(-315,517)
8	Provision for Taxation (Deferred Tax)	(9,015)	-	-	-	-	-	-	-
		(-4,129,906)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
9	Profit/(loss) after Taxation	(89,984,008)	984,320,242	(115,826,850)	-	(49,629,717)	-	-	-
		(-143,000,940)	(14,684,969)	(-297,366,332)	(56,472)	(-254,678,711)	(-760,471)	(-)	(-315,517)
10	Proposed Dividend	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Figures shown in brackets represents previous year figures.

21. Previous year's figures have been regrouped / recasted wherever necessary to conform to current year's classification.

Signatures to Schedules I to XXI

For J.C. Bhalla & Company
Firm Regd. No. 001111N
Chartered Accountants

Akhil Bhalla
Partner
Membership No : 505002

Place : New Delhi
Date : August 13, 2010

On behalf of the Board

Mukund Choudhary Managing Director
Kapil Choudhary Deputy Managing Director
Amrit Agrawal Director - Finance
Vivek Kumar Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :

Registration No. 138153 State Code 55
 CIN L74899DL1991PLC138153
 Balance Sheet Date 31-03-2010

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement/Scheme of Amalgamation	22610

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	7139221	Total Assets	7139221
SOURCES OF FUNDS :			
Paid up Capital	737330	Reserves and Surplus	1151737
Share Application Money	51679	Unsecured Loans	124341
Secured Loans	5074134		

APPLICATION OF FUNDS

Net Fixed Assets	2968565	Investments	774974
Net Current Assets	2191367	Miscellaneous Expenditure	NIL
Accumulated Loss	1204315		

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover (Including Other Income)	7799622	Total Expenditure	8023067
Profit before tax	-223445	Profit after tax	-223656
Earning per Share in Rs.	-3.13	Dividend rate	NIL

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As Per Monetary Terms)

Item Code NO. (ITC Code)	52051110
Product Description	COTTON YARN
Item Code NO. (ITC Code)	55095300
Product Description	POLYESTER COTTON YARN
Item Code NO. (ITC Code)	55091100
Product Description	MAN MADE FIBRE YARN

SPENTEX INDUSTRIES LIMITED

Regd. Office: A-60, Okhla Industrial Area, Phase II, New Delhi 110 020

ATTENDANCE SLIP

DP ID

Regd. Folio No.

Client ID

No. of Shares held

I certify that I am a registered Member/Proxy for the registered member of the Company. I hereby record my presence at the 18th Annual General Meeting of the Company on Thursday the 30th September, 2010 at 09.30 A.M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019

.....
Name of the Member/Proxy (in BLOCK LETTERS)

.....
Signature of Member/Proxy

Note: Please complete this attendance slip and hand it over at the Entrance of the Meeting Hall

SPENTEX INDUSTRIES LIMITED

Regd. Office: A-60, Okhla Industrial Area, Phase II, New Delhi 110 020

PROXY FORM

I/We of being a member/members of the above named Company hereby appoint Mr./Mrs./Ms. or failing of as my/our Proxy to attend and vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held on Thursday the 30th September, 2010 at 09.30 A.M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019.

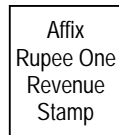
Signed this day of 2010.

Signature

DPID & Client ID No.

Folio No.

No of Shares held



Note : THIS FORM DULY COMPLETED MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.

SPENTEX INDUSTRIES LTD.-BARAMATI



CIMMCO SPINNERS. SOLAPUR



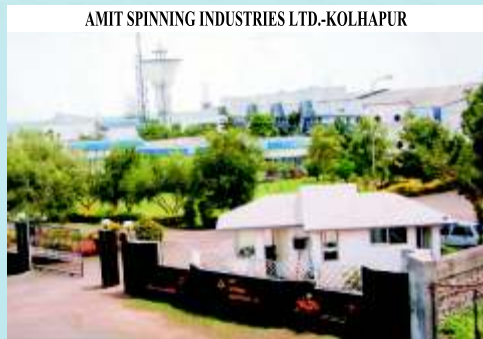
SPENTEX INDUSTRIES LTD.-PITHAMPUR



SPENTEX INDUSTRIES LTD.-BUTIBORI



AMIT SPINNING INDUSTRIES LTD.-KOLHAPUR



SPENTEX TASHKENT TOYTEPA LLC-TASHKENT



SPENTEX INDUSTRIES LTD. - CZECH REPUBLIC



SPENTEX TASHKENT TOYTEPA LLC-TOYTEPA

