

19<sup>th</sup> Annual Report  
2010 - 2011

Going Beyond Tomorrow...

# SPENTEX INDUSTRIES LIMITED



**CLC**<sup>TM</sup>

## 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

## SR. VICE PRESIDENT CORPORATE & LEGAL AFFAIRS AND COMPANY SECRETARY

Ranjan Mangtani

## 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 19th Annual General Meeting of the Members of Spentex Industries Limited will be held on Thursday the 30th day of June, 2011 at 10.30 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, 2011, 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 R K Thapliyal, who retires by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri Prem Malik, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in place of Shri Shyamal Ghosh, 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 modifications the following resolution as a **Special Resolution**:  
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII, the consent of the Company be and is hereby accorded for re-appointment of Shri Ajay Kumar Choudhary as Chairman of the Company for a period of three years with effect from 02/12/2010 on the terms and conditions including remuneration as set out in the explanatory statement annexed to the Notice convening this Meeting, subject to requisite approvals as may be required from time to time and with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration, subject to maximum limits specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof or in accordance with the approval of Central Government."  
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."
  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, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII, the consent of the Company be and is hereby accorded for re-appointment of Shri Kapil Choudhary as Deputy Managing Director of the Company for a period of three years with effect from 02/12/2010 on the terms and conditions including remuneration as set out in the explanatory statement annexed to the Notice convening this Meeting, subject to requisite approvals as may be required from time to time and with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration, subject to maximum limits specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof or in accordance with the approval of Central Government."  
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."
  8. 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, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII, the consent of the Company be and is hereby accorded for re-appointment of Shri Sitaram Parthasarathy as Director Works of the Company for a period of three years with effect from 02/12/2010 on the terms and conditions including remuneration as set out in the explanatory statement annexed to the Notice convening this Meeting, subject to requisite approvals as may be required from time to time and with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or remuneration, subject to maximum limits specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof or in accordance with the approval of Central Government."  
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."
  9. To consider and, if thought fit, to pass with or without modifications the following resolution as a **Special Resolution**:  
"RESOLVED THAT subject to Central Government approval and requisite approvals as may be necessitated from time to time, in partial modification of Resolution No. 6 passed at the 17th Annual General Meeting of the Company held on 30th September, 2009 and pursuant to Section 198, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 read with approval granted by Central Government on 11th January, 2010, the consent of the Company be and is hereby accorded for revision in the maximum limit of remuneration including variable salary and other terms fixed by the Board of Directors payable to Shri Mukund Choudhary, Managing Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appoint) with liberty to Board of Directors or a committee thereof fix his remuneration including variable salary etc. within such maximum limit specified in Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof or in accordance with approval of Central Government, with effect from 1st April, 2010 for the remaining tenure of his office as set out in the explanatory statement annexed to the notice convening this meeting."  
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."
  10. To consider and, if thought fit, to pass with or without modifications the following resolution as a **Special Resolution**:  
"RESOLVED THAT subject to Central Government approval and requisite approvals as may be necessitated from time to time, in partial modification of Resolution No. 7 passed at the 18th Annual General Meeting of the Company held on 30th September, 2010 and pursuant to Section 198, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for revision in the maximum limit of remuneration including variable salary and other terms fixed by the Board of Directors payable to Shri Amrit Agrawal, Director Finance of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appoint) with liberty to Board of Directors or a committee thereof fix his remuneration including variable salary etc. within such maximum limit specified in Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof or in accordance with approval of Central Government, with effect from 1st April, 2010 for the remaining tenure of his office as set out in the explanatory statement annexed to the notice convening this meeting."
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# SPENTEX INDUSTRIES LIMITED

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts, deeds, matters and things 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**

**Ranjan Mangtani**  
**Sr. V P Corporate and Legal Affairs &**  
**Company Secretary**

Place: New Delhi  
Date : May 12, 2011

## NOTES:

- A. Explanatory Statement setting out all material facts regarding Special Business contained in Item Nos. 6 to 10 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 AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 27th day of June, 2011 to Thursday the 30th day of June, 2011 (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 shares held in Physical Form.
- L. Members are requested to send queries to E-mail ID [secretarial@clcindia.com](mailto:secretarial@clcindia.com) which is being used exclusively for the purpose of redressing the complaint(s) of the investors.
- M. The Green Initiative introduced by the Ministry of Corporate Affairs vide its circular No. 18/2011 dated 29th April, 2011, members are requested to intimate e-mail address to facilitate to send Annual Report and other reports/notices through e-mail.

## ANNEXURE TO THE NOTICE

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

#### ITEM NO. 6, 7 & 8

The members of the Company at their meeting held on 31st December, 2005 approved the appointment of Shri Ajay Kumar Choudhary as Chairman, Shri Kapil Choudhary as Dy. Managing Director and Shri Sitaram Parthasarathy as Director Works for a period of 5 years w.e.f. 02nd December, 2005. The current term of Shri Ajay Kumar Choudhary as Chairman, Shri Kapil Choudhary, as Deputy Managing Director and Shri Sitaram Parthasarathy as Director Works ceased on 1st December, 2010. The members of Remuneration Committee and Board of Directors, subject to approval of members and other requisite approvals as may be necessitate from time to time, re-appointed them as whole time directors designated as Chairman, Deputy Managing Director and Director Works respectively for another term of three years w.e.f. 02nd December, 2010.

#### OVERALL REMUNERATION

Subject to the provision of Section 198, 269, 309, 310 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 shall 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, without the prior approval of Central Government.

Notwithstanding anything contrary herein contained, where in any financial year during the currency of tenure of the aforesaid Directors, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, commission and perquisites as provided herein below subject to the approval of Central Government, if required, as minimum remuneration.

The terms of appointment and remuneration as approved by the Board pursuant to the recommendation of the Remuneration Committee includes:

Sl.No.	Description	Sh. Ajay Kumar Choudhary	Sh. Kapil Choudhary	Sh. Sitaram Parthasarathy
1.	Tenure of Agreement	02/12/2010 to 01/12/2013	02/12/2010 to 01/12/2013	02/12/2010 to 01/12/2013
2.	Salary up to (Rs.) 2010-11 2011-12 on wards Unless the terms altered/ varied	5,50,000 per month 6,50,000 per month	6,50,000 per month 6,50,000 per month	6,50,000 per month 6,50,000 per month
3.	Perks/Perquisites	In addition to the above proposed salary, they shall also be eligible to avail the following perks : a) Company Car(s) with Chauffeur(s), b) Mobile, Data Card, Land line & Fax connection with Internet facility at residence. c) Club Fee subject to maximum of two clubs. d) Personal Accident Insurance, Mediclaim Insurance as per Company policy.		

		<p>e) Company's contribution to Provident Fund, Superannuation Fund or Annuity fund as per rules thereof.</p> <p>f) Leave encashment/ encashment of un-availed leave accordance with rules specified by the Company.</p> <p>g) Gratuity as per rules thereof.</p>
4.	Other Terms	<p>a) No sitting fees shall be paid to them for attending meetings of Board of Directors/ Committee of the Board.</p> <p>b) Reimbursement of all entertainment, travelling, hotel and other expenses actually incurred by them in connection with the business of the Company.</p> <p>c) They shall be retires by rotation.</p> <p>d) Normal annual Increment as per company policy from time to time will be granted by the Managing Director in case of Deputy Managing Director &amp; Director Works and Board of Directors will be granted in case of Chairman.</p>

The Board of Directors or Members of Remuneration Committee vary/alter remuneration within overall limit of maximum remuneration payable by way of salary/commission/choice pay as per the limits set out in section 198,269,309,310 and other applicable provisions of the Companies Act, 1956.

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

**I. General Information**

- Nature of Industry – Textiles Industry
- Date or expected date of commencement of commercial production: The Company was incorporated on 25.11.1991 and already commenced commercial production thereafter.
- In case of new Companies, Expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable.
- Financial performance based on given indicators (as per audited financial statements for the year ended 31.03.2011)

Particulars	Rs. In Crores
Sales and other Income	1078.74
EBIDTA	151.63
Net Profit/(Loss)	37.50

- Export performance and net foreign exchange collaborations (as per audited financial statements for the year ended 31.03.2011)  
Earnings in foreign exchange by exports (FOB value): Rs. 775.59 Crores.
- Foreign investments or collaborations, if any: Not applicable

**II Information about the appointee:**

Sl.No.	Description	Sh. Ajay Kumar Choudhary	Sh. Kapil Choudhary	Sh. Sitaram Parthasarathy
1.	Background details	Shri Ajay Kumar Choudhary (63) is Chairman of the Company since 5th May, 2004. He is a Commerce Graduate and having about 41 years of experience in textile industry.	Shri Kapil Choudhary (38) 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.	Shri Sitaram Parthasarathy (50) 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 (27) years of operational experience both in spinning and weaving businesses with an impressive track record in successful implementation of textile projects.
2.	Past remuneration (Rs.)	4,00,000 per month	4,00,000 per month	4,00,000 per month
3.	Job profile and his responsibility	He provides Overall supervision to the Company and looking day to day activities of the Company.	He is in charge of entire operations including marketing in India and abroad	Define and provide directions in achieving overall efficiency in all manufacturing plants in India and Abroad.
4.	Remuneration proposed up to (Rs.) 2010-11 2011-12 onwards Unless the terms altered/varied	5,50,000 per month 6,50,000 per month	5,50,000 per month 6,50,000 per month	5,50,000 per month 6,50,000 per month
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 Chairman, Deputy Managing Director and Director Works the responsibilities shouldered by them 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	Does not have any pecuniary relationship with the Company. However, he is having pecuniary relationship with the Managing Director and Dy. Managing Director of the Company.	Does not have any pecuniary relationship with the Company. However, he is having pecuniary relationship with the Chairman and Managing Director of the Company.	Does not have any pecuniary relationship with the Company and its managerial personnel.

# SPENTEX INDUSTRIES LIMITED

None of Directors of the Company except Shri Ajay Kumar Choudhary, Shri Kapil Choudhary and Shri Sitaram Parthasarathy are interested in the resolution placed before the meeting directly or indirectly.

In compliance with the provisions of sections 198,269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the re-appointment of Shri Ajay Kumar Choudhary as Chairman, Shri Kapil Choudhary as Deputy Managing Director and Shri Sitaram Parthasarathy as Director Works as specified above are now being placed before the members for their approval.

The above particulars may be treated as an abstract of the draft agreement between the Company and Shri Ajay Kumar Choudhary, Shri Kapil Choudhary and Shri Sitaram Parthasarathy under Section 302 of Companies Act, 1956.

## ITEM NO. 9 & 10

The members of the Company at their 17th Annual General Meeting held on 30th September, 2009 approved the appointment of Shri Mukund Choudhary as Managing Director for a period of 5 years w.e.f. 21st June, 2009 and at their 18th Annual General Meeting held on 30th September, 2010 approved the appointment of Shri Amrit Agrawal as Director Finance for a period of 3 years w.e.f. 28th April, 2010. The Company did not increase the remuneration and continued with the same remunerations to Shri Mukund Choudhary and Shri Amrit Agrawal, which were prevailing since April 2007. Members of Remuneration Committee and Board of Directors have recommended to increase the salary based on improved performance of company due to their efforts, for the year 2010-11.

The Company has turned into its Net Profits to Rs. 3750 lacs in the year 2010-11 as against the net loss of Rs 2236 lacs during the previous year on standalone basis and Net Profit of Rs. 175 lacs against the net loss of Rs. 4508 lacs in the previous year on consolidated basis.

In view of services rendered by Shri Mukund Choudhary as Managing Director and Shri Amrit Agrawal as Director Finance vis a vis and considering Industry Benchmarks, current inflation, and responsibilities shouldered by them providing their able leadership in steering the organization in the crucial period in the Company, subject to approval of shareholders/Central Government Company will pay remuneration by way of salary/variable salary, commission/ choice pay and perquisites as provided herein below

Description	Shri Mukund Choudhary	Shri Amrit Agrawal
Salary up to (Rs.) 2010-11 2011-12 onwards Unless the terms are altered/varied	5,50,000 per month 6,50,000 per month	4,50,000 per month 6,50,000 per month
Perks/Perquisites	In addition to the above proposed salary, they shall also be eligible to avail the following perks : a) Company Car(s) with Chauffeur(s), b) Mobile, Data Card, Land line & Fax connection with Internet facility at residence. c) Club Fee subject to maximum of two clubs. d) Personal Accident Insurance, Mediciam Insurance as per Company policy. e) Company's contribution to Provident Fund, Superannuation Fund or Annuity fund as per rules thereof. f) Leave encashment/ encashment of un-availed leave accordance with rules specified by the Company. g) Gratuity as per rules thereof.	
Other Terms	a) No sitting fees shall be paid to them for attending meetings of Board of Directors/ Committee of the Board. b) Reimbursement of all entertainment, travelling, hotel and other expenses actually incurred by them in connection with the business of the Company. c) Shri Amrit Agrawal shall be retires by rotation and Shri Mukund Choudhary shall not be retiring by rotation. d) Normal annual Increment as per company policy from time to time will be granted by the Managing Director in case of Deputy Managing Director & Director Works and Board of Directors will be granted in case of Chairman.	

The Board/Committee of Directors, is further authorized to alter or vary the remuneration of Shri Mukund Choudhary and Shri Amrit Agrawal for normal increments as per policy of the Company which may be granted by the Board of Directors from time to time for the year 2012-13 and onwards.

In compliance with the provisions of sections 198,269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the revised terms of remuneration of Shri Mukund Choudhary and Shri Amrit Agrawal as specified above are now being placed before the members for their approval.

None of Directors of the Company except for Shri Amrit Agrawal and Shri Mukund Choudhary are interested in the resolution placed before the meeting directly or indirectly.

The above particulars may be treated as an abstract of the draft agreement between the Company and Shri Amrit Agrawal and Shri Mukund Choudhary respectively under Section 302 of Companies Act, 1956.

By Order of the Board  
For Spentex Industries Limited

Ranjan Mangtani  
Sr. V P Corporate and Legal Affairs &  
Company Secretary

Place: New Delhi  
Date : May 12, 2011

## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 19th Annual Report together with the Audited Accounts for the year ended March 31, 2011.

## FINANCIAL RESULTS

The highlights of the financial results for the year ended 31st March, 2011 are as under:

(` in Crores)

Particulars	2010-2011		2009-2010	
	Consolidated	Standalone	Consolidated	Standalone
Net Sales (Turnover)	1604.32	1027.00	1223.38	732.22
Other Income	64.44	51.74	61.04	47.74
<b>EBIDTA</b>	<b>210.29</b>	<b>151.63</b>	<b>109.72</b>	<b>81.86</b>
Financial charges	93.24	80.05	80.19	69.16
Depreciation	74.24	34.08	75.29	35.04
Extra Ordinary Items (Income)	-	-	32.04	-
<b>Profit/(Loss) before tax (PBT)</b>	<b>42.82</b>	<b>37.50</b>	<b>(45.06)</b>	<b>(22.34)</b>
Fringe benefit tax	-	-	0.02	0.02
<b>Net Profit from Operations</b>	<b>42.82</b>	<b>37.50</b>	<b>(45.08)</b>	<b>(22.36)</b>
Impairment loss @ Fixed Assets	41.07	-	-	-
<b>Net Profit/(Loss)</b>	<b>1.75</b>	<b>37.50</b>	<b>(45.08)</b>	<b>(22.36)</b>
<b>EPS</b>	<b>0.23</b>	<b>4.87</b>	<b>(10.79)</b>	<b>(3.13)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

Notwithstanding signs of recovery from the previous financial crisis, the textile and apparel industry went through a tough year struggling with the surging and fluctuating prices of raw materials in year 2010 and early 2011. Since 2010, the prices of raw materials, especially cotton, have been surging to an uncontrollable level. The uncertainty of the raw material issue is expected to continue in 2011.

The Indian textile industry 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, according to the Annual Report 2009-10 of the Ministry of Textiles. It provides direct employment to over 35 million people and is the second largest provider of employment after agriculture. Cotton textiles have registered a growth of 10.8 per cent during April-January 2010-11, while textile products including wearing apparel have registered a growth of 4.3 per cent, as per the Index of Industrial Production (IIP) data released by the Central Statistical Organisation (CSO).

Government is promoting investment under the Technology Upgradation Fund Schemes (TUFS) for tapping the growth potential of this sector. Further, Government has taken initiative for setting up of textiles parks with world class infrastructure facilities and allowing 100 per cent foreign direct investment (FDI) under the automatic route. The Government has launched the Integrated Skill Development Scheme for the Textiles & Apparel Sector, including Jute & Handicrafts, with an objective of capacity building of Institutions providing skill development & training in Textiles Sector.

India's domestic market has grown significantly in the past registering a Compounded Annual Growth Rate (CAGR) of 13%. Despite the demand slump, the domestic market is expected to grow by around 9-10% in the next 5 years. The Indian apparel market is moving away from the traditional segmentation to a much deeper and wider segmentation based on consumer needs. Also India's textile industry is seeing an increase in collaboration between national and international companies like Hugo Boss, Liz Claiborne, Diesel.

The spun yarn production is expected to be flat level for 2011-12 in view of increased pipeline of finished goods. Although, the domestic demand of spun yarn have shown signals of improvements showing increased activities at local level, however there are some areas of concerns also. Along-with overall blurred demand forecasts, the textile industry is also facing increase in input prices in sync with the global trends. In addition to appreciating rupee, restricted export of cotton and cotton yarn followed by withdrawal of duty draw back on cotton yarn are causing concerns for the sustained recovery in the textile industry.

Spentex has utilized the opportunity offered in 2010-11 by building teams for any challenge ahead 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 2010-11 has significantly improved as compared to the performance in fiscal 2009-10. This significant improvement is attributed to increase in total sales value and volumes, better fund flow management coupled with effective raw material buying.

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

Spentex Industries Limited (Standalone) which excludes the performance of subsidiaries and step-down subsidiaries of Spentex Industries Limited.

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.

Company's relentless efforts made your Company to comeback strongly and register profits of Rs. 1.75 crores for the year 2010-11 against the loss of Rs. 45.08 crores in the year 2009-10 on consolidated basis and Rs. 37.50 crores profit on standalone basis in the year 2010-11 against the loss of Rs. 22.36 crores in the fiscal 2009-10.

#### **SEGMENT-WISE PERFORMANCE**

##### **Yarn Manufacturing**

During the year under review, your Company on standalone basis has manufactured 58544.22 MT of yarn as compared to 56604 MT of yarn produced during the previous year.

#### **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 under review its production of yarn has increased by 4.45% and sales turnover increased by 49.16% 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 under review, its sales turnover increased by 20.84% 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 ended 31st March, 2011 its sales turnover increased by 30.52% 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 to ensure that responsibilities are executed effectively are carried out. 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**

Erratic demand, uncertain raw materials prices, foreign currency fluctuations vis a vis Indian rupee would certainly affect growth and profitability of the sector in short and long term. Another important issue is availability of quality cotton 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 need correction. Raw Material security and demand creation in the domestic sector is a must. The 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 address reducing margin and working capital pressures.

India has seen a significant growth in domestic demand with its apparel market shifting from traditional segmentation to multi-layered one with varied consumer needs. Besides, its textile industry is collaborating more frequently with international companies. Meanwhile, Indian government is making an effort to boost its textile industry.

The Indian textile sector is growing at an estimated rate of 10% per annum and it is expected to reach \$ 110 billion by the year 2015 with an export of \$ 45 billion. To sustain its growth, Indian textile industry requires an investment of \$ 24 billion by 2015.

#### **HUMAN RESOURCES/INDUSTRIAL RELATIONS**

The Company and its management value the talent, commitment and dedication of its employees and acknowledge their contribution. Consequently, the employee turnover is negligible. Everyone in the Company is working as a team and is integral part of a family, sharing their ideas through Town Hall meeting, using intranet across the units and are instrumental in 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 scenario at all units continues to be healthy.

#### **CONSOLIDATED FINANCIAL STATEMENTS IN RESPECT TO SUBSIDIARIES**

The Company had eight subsidiaries at the beginning of the year. The Ministry of Corporate Affairs, Government of India vide its Circular No. 2/2011 dated 08.02.2011 has granted General exemption, hence Approval of Central Government/ exemption under



Section 212 of the Companies Act, is no more required for seeking exemption to attach various documents in respect of subsidiary companies, as set out in Sub-section (1) of Section 212 of the Companies Act, 1956. It has further advised to disclose the financial information of the subsidiary companies in the Annual Report, the same has been disclosed in the Annual Report. 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. 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 integrates business processes, financial parameters, 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 EQUITY SHARES ON CONVERSION OF SHARE WARRANTS**

During the year under review, your Company has issued and allotted 75,89,000 equity shares on 13th August, 2010 and 31st March, 2011 to CLC Technologies Private Limited, a promoters group Company in respect to option exercised by warrant holder to convert same number of share warrants at a price of Rs.16.95 (including premium of Rs. 6.95). Accordingly, the paid-up capital of the Company has been increased from Rs. 737,330,350/- to Rs. 813,220,350/- consisting 81,322,035 equity shares of Rs. 10/- each.

#### **TRANSFER OF INVESTOR EDUCATION & PROTECTION FUND**

The Company informs herewith all its shareholders whose dividends are unclaimed for the year 2003-04 (declared by erstwhile Indo Rama Textiles Limited, which has since 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 with the 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 also 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 R K Thapliyal, Shri Prem Malik and Shri Shyamal Ghosh are retiring by rotation in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. During the year, the five year term of Shri Ajay Kumar Choudhary, Chairman, Shri Kapil Choudhary, Deputy Managing Director and Shri Sitaram Parthasarathy, Director Works ceased on 1st December, 2010. The Remuneration Committee and Board of Directors, subject to requisite approvals, re-appointed them for another term of 3 years w.e.f. 2nd December, 2010.

Brief resume of the Directors proposed to be 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**

M/s. J C Bhalla, 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 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 since 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 and will also place this subsidiary in a position to repay the liabilities in due course. Accounts and other receivables Rs. 327,965,283 (Previous Year 468,986,120) is due from SLKS as at March 31, 2011. Accordingly, provision against these Accounts and other receivables is not considered necessary at this stage.

In view of developments, Company believes in future with the financial viability of this subsidiary such amounts would be realized within a reasonable period of time.

**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, a 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, 2011 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:

- i) in preparing the Annual Accounts for the year ended 31st March 2011 all the applicable Accounting Standards have been followed,
- ii) accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2011,
- iii) 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 / detecting fraud and irregularities has been taken and
- iv) the Annual Accounts have been prepared 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.

**ACKNOWLEDGEMENTS**

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: May 12, 2011

**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, 2011.

### 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.

Relevant data in respect of energy consumption is as below:

Electricity	Current year	Previous year
<b>Purchased</b>		
Total Units consumed (KHW)	164,171,026	155,885,851
Total Amount (Rs. in Lacs)	7,590.18	6,721
Rate per Unit (Rs.)	4.62	4.31
<b>Own Generation through Generator Set</b>		
Units (KHW)	Nil	Nil
Units per liter of Diesel/Furnace Oil	Nil	Nil
Cost/ Unit (Rs.)	Nil	Nil
<b>Electricity Consumption (Units)</b>		
Per Kg. of Production of yarn	2.80	2.75

### B. TECHNOLOGY ABSORPTION

#### RESEARCH & DEVELOPMENT (R&D)

##### 1. Specific areas in which R&D has been carried out by the Company:

Company continues 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	` 50.13 Lacs
b) Revenue	` 28.98 Lacs
c) Total	` 79.11 Lacs
d) Total R & D Expenditure as percentage of total turnover	0.08%

#### 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: May 12, 2011

**Ajay Kumar Choudhary**  
Chairman

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-11**

(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 4 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 12th May, 2010, 13th August, 2010, 28th October, 2010, and 27th January, 2011.

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 last AGM
		Directorship*	Member**	Chairperson**	Yes/No
<b>Promoter/Executive Directors</b>					
Shri Ajay Kumar Choudhary (Chairman)	4	1	-	-	No
Shri Mukund Choudhary (Managing Director)	4	3	-	-	No
Shri Kapil Choudhary (Deputy Managing Director)	4	2	-	-	No
<b>Executive Directors</b>					
Shri Sitaram Parthasarathy (Director – Works)	3	-	-	-	No
Shri Amrit Agrawal (Director – Finance)	4	2	-	-	Yes
<b>Non Executive/Independent Directors :</b>					
Shri Deepak Diwan	2	-	-	-	No
Shri Prem Malik	4	3	1	-	No
Shri Ram Kumar Thapliyal	4	1	1	-	Yes
Shri Shyamal Ghosh	4	6	3	2	No
Shri D P Singh	3	-	-	-	-
Shri Rajeev Kalra*** (Nominee of CVCI)	3	1	1	-	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.

\*\*\* Appointed as Nominee Director on behalf of Citigroup Venture Capital International Growth Partnership Mauritius Ltd. (CVCI), on 10th June, 2010 in place of Shri Vivek Chhachhi. Shri Vivek Chhachhi has attended Board Meeting on 12th May, 2010.

**Details of shares held by the Non-Executive/Independent Directors as on 31st March 2011**

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 Dhananjaya Prasad Singh	NIL	Shri Rajeev Kalra	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 agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda items 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 Ram Kumar Thapliyal, Shri Prem Malik and Shri Shyamal Ghosh will retire at the ensuing Annual General Meeting and being eligible they seek their re-appointment.

The current term of Shri Ajay Kumar Choudhary, Chairman, Shri Kapil Choudhary, Deputy Managing Director and Shri Sitaram Parthasarathy, Director-Works expired on 1st December, 2010. The Board of Directors, subject to approval of members and other requisite approvals as may be necessitated from time to time, re-appointed them as Chairman, Deputy Managing Director and Director Works respectively for another term of 3 years w.e.f. 2nd December, 2010.

The Board has recommended the re-appointment/appointment of aforesaid Directors. Pursuant to Clause 49 of the Listing Agreement, the brief details of the aforesaid directors are mentioned herein below:

- a) Shri Prem Malik** (69) is a Director of the Company since 31st December, 2005. He is a Post Graduate and has rich experience of more than 44 years in Textiles & Clothing Companies and established his name in the textile industry. He is also instrumental in various tie ups and joint ventures in textiles businesses. Shri Prem Malik is Chairman of Bombay Textiles Research Association, Vice-Chairman of Confederation of Indian Textile Industries and Chairman-cum-Managing Director of CLC Textile Park Private Limited. He is Director in GTN Textiles Ltd, Indo Count Industries Ltd, Gyscoal Alloys Ltd, Alder Trading Company Private Ltd, Smilesville Care Private Ltd, The Synthetic Rayon Textile Export Promotion Council and Cotton Association of India. Shri Malik is Member of the Audit Committee of GTN Textiles Limited.

Shri Malik is Member of Audit Committee and Remuneration Committee of the Company and holding 15,500 equity shares of the Company in his name as on 31st March, 2011.

- b) Shri Ram Kumar Thapliyal** (67) is a Director of the Company since 31st December, 2005. He holds Master's Degree in Economics. He joined as a Probationary Officer in State Bank of India in the year 1968 and retired as Chief General Manager with more than 38 years experience in various departments of the Bank. He is a Director of ABC Genomics (India) Private Limited and IDBI Federal Life Insurance Co. Ltd. Shri Thapliyal is Member of the Audit Committee of IDBI Federal Life Insurance Co. Limited.

Shri Thapliyal is Chairman of Audit Committee and member of Remuneration Committee of the Company and does not hold any share of the Company as on 31st March, 2011.

- c) Shri Shyamal Ghosh** (69) is a Director of the Company since 30th June, 2006. He holds Master's Degree in Economics and a retired IAS officer and former Secretary to Government of India. He is Director of Span Diagnostics Ltd, Burn Standard Co Ltd, Quippo Telecom Infrastructure Ltd, IDBI Intech Ltd, West Bengal State Electricity Distribution Co. Ltd (WBSEDL), National Multi Commodity Exchange Ltd (NMCE), Data Security Council of India, Indo-German Social Service Organisation and Sesame Street Trust India.

Shri Ghosh is Chairman of Audit Committee & Remuneration Committee of Span Diagnostics Ltd and member of Audit Committee of Burn Standard Co. Ltd, WBSEDL and NMCE. He is also member of Remuneration Committee of WBSEDL and NMCE.

Shri Ghosh does not hold any share of the Company as on 31st March, 2011.

- d) Shri Ajay Kumar Choudhary** (63) is a director of the Company since 5th May, 2004 and appointed as Chairman of the Company on 2nd December, 2005. 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, 2011.

- e) Shri Kapil Choudhary** (38) is a Director of the Company since 5th May, 2004 and appointed as Deputy Managing Director on 28th April, 2007. He is a Commerce Graduate and having 17 years 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 also director in CLC & Sons Private Limited, CLC Enterprises Limited, CLC Power Limited, CLC Textile Park Private 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, 2011.

- f) Shri Sitaram Parthasarathy** (50) 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 27 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, 2011.

### 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 (Chairman) Shri Prem Malik (Member) and one Executive Director, Shri Amrit Agrawal (Member) respectively. The members have the requisite accounting and financial management expertise. Statutory Auditors and Internal Auditor are inviting to the meetings of Audit Committee and presenting their periodical reports. 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 followed 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, 4 Audit Committee Meetings were held on 12th May, 2010, 13th August, 2010, 28th October, 2010, and 27th January, 2011 with full attendance.

#### 4. Remuneration Committee

The Remuneration Committee of the Board, inter alia, reviews/recommends to the Board the remuneration package of Executive Directors and the senior most level of management immediately below the Executive Directors based on performance and defined criteria/HR Policies. 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 13th August, 2010 with full attendance.

The Remuneration of Chairman, Managing Director, Deputy Managing Director, Director-Works and Director-Finance was 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 2010-11 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 (`)
<b>Executive Directors</b>					
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
<b>Non Executive/Independent Directors</b>					
Shri Deepak Diwan	0.22	0.11	-	-	0.33
Shri Prem Malik	0.44	0.11	0.44	-	0.99
Shri Ram Kumar Thapliyal	0.44	0.11	0.44	-	0.99
Shri Shyamal Ghosh	0.44	-	-	-	0.44
Shri D P Singh	0.33	-	-	-	0.33
Shri Rajeev Kalra ***	-	-	-	-	-

\*\*\* 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:

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, to approve issue of duplicate share certificates and oversee 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 relationship.

The committee also reviews all investors' complaints and their grievances. During the year the Company has received 11 complaints from the investors and has responded to their fullest satisfaction and 21 complaints were received through SEBI/Stock Exchanges, which were duly replied / redressed. There was no complaint outstanding as on 31st March 2011.

Shri B V R Murthy, Sr. Manager-Secretarial is also the compliance officer for complying in accordance with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

During the year, 4 committee meetings were held on 2nd April, 2010, 1st July, 2010, 7th October, 2010 and 5th January, 2011. All the members of the Committee attended the meetings.

#### 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. The Committee comprises of three members viz. Shri Mukund Choudhary, Shri Kapil Choudhary, Executive – Directors and Shri Rajeev Kalra, Nominee Director (on behalf of CVCI) of the Company. 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.

The Committee comprises of one Non-Executive Director and three Executive Directors comprises Shri Deepak Diwan, Independent Director, Shri Mukund Choudhary, Managing Director, Shri Kapil Choudhary, Deputy Managing Director and Shri Amrit Agrawal, Director-Finance. During the year, 3 Committee meetings were held on 24th September, 2010, 24th November, 2010 and 7th February, 2011. Shri Mukund Choudhary, Shri Kapil Choudhary & Shri Amrit Agrawal attended all three meetings individually, & Shri Deepak Diwan did not attend any meeting.

#### 8. General Body Meetings

##### (A) Annual General Meetings:

Details of last three Annual General Meetings of the Company held at

AGM	LOCATION	DATE & TIME	Special Resolutions passed
16th AGM	Banarsidas Chandiwala Sewa Smarak Trust Guest House Auditorium, Chandiwala Estate, Maa Anandmai Ashram Marg, Kalkaji, New Delhi - 110019	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.
18th AGM	Bipin Chandra Pal Memorial Bhavan, A – 81, Chittaranjan Park, New Delhi - 110019	30th September, 2010 at 9:30 A.M	1. To approve the Re-appointment of Shri Amrit Agrawal as Director – Finance of the Company for a period of 3 years and his remuneration.

##### (B) Postal Ballot

No special resolution was passed through Postal Ballot during 2010-11.

#### 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 has also been posted on the company's website [www.spentex.net](http://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, 2011 in terms of Clause 49 I (D) (ii) of the Listing Agreement entered into with the Stock Exchange.

Place: New Delhi  
Date: May 12, 2011

**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.
- Green Initiative introduced by the Ministry of Corporate Affairs vide its circular No. 18/2011 dated 29th April, 2011, members are requested to intimate e-mail address to facilitate to send Annual Report and other reports/notices through e-mail.

**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 (Business Standard/The Financial Express) and Hindi (Business Standard/Jansatta) newspapers and the same are also displayed on the Company's website [www.spentex.net](http://www.spentex.net). The Company's website also displays all official news releases.
- The Management Discussions and Analysis is included in Directors' Report.

**13. General Shareholder information**

- The 19th 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 June, 2011 at 10:30 A.M.
- Financial Calendar (Tentative) :
 

Financial reporting for the Quarter ending June 30, 2011	:	Friday, August 12, 2011
Financial reporting for the Quarter ending September 30, 2011	:	Friday, November 11, 2011
Financial reporting for the Quarter ending December 31, 2011	:	Monday, February 13, 2012
Financial reporting for the Quarter ending March 31, 2012	:	Friday, May 11, 2012
Alternatively		
Annual Result for the year ended March 31, 2012	:	Friday, May 25, 2012
- Date of Book closure : Monday the 27th June, 2011 to Thursday the 30th June, 2011 (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 (scrip code = SPENTEX).
- ISIN No. INE376C01020
- The Annual Listing Fee has been paid till 31st March, 2012.
- Market Price Data : High/Low during each month in last financial year 2010-11 at BSE & NSE:

Month	April	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>BSE</b>												
High	14.36	13.57	13.76	16.10	19.80	25.00	23.65	28.55	25.05	21.65	19.50	17.75
Low	11.27	10.33	10.12	12.95	15.85	16.80	21.00	20.00	18.20	16.50	15.50	15.75
<b>NSE</b>												
High	14.45	13.65	13.80	16.25	19.90	24.60	23.50	28.75	25.10	21.60	19.55	18.70
Low	11.25	10.60	10.35	12.90	15.95	16.75	20.60	20.00	18.55	15.50	14.40	14.00

- 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](mailto:beetal@rediffmail.com); [beetal\\_99@sify.com](mailto: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 2011:**

No. of Shares	No. of Shareholders	Percentage	No. of Shares	Percentage
1 to 500	36,623	90.68	3,454,303	4.25
501 to 1,000	1,866	4.62	1,583,220	1.95
1,001 to 2,000	882	2.18	1,388,791	1.71
2,001 to 3,000	332	0.82	852,201	1.05
3,001 to 4,000	137	0.34	493,348	0.60
4,001 to 5,000	146	0.36	698,150	0.86
5,001 to 10,000	192	0.48	1,431,155	1.76
10,001 and above	208	0.52	71,420,867	87.82
<b>Total</b>	<b>40,386</b>	<b>100.00</b>	<b>81,322,035</b>	<b>100.00</b>
Physical Mode			49,57,313	6.10
Electronic Mode			7,63,64,722	93.90

**Shareholding Pattern as on 31st March 2011:**

Sl. No.	Particulars	No. of shares	%
1	Promoter & Promoter Group	41,880,560	51.50
2	Bodies Corporate	5,550,212	6.82
3	FIs/Banks/Mutual Funds/UTI	714,505	0.88
4	State Government/Central Government	59,337	0.07
5	Foreign Institutional Investors	19,255,367	23.68
6	Foreign Banks	1,505	0.00
7	Directors Other Than Promoters	140,299	0.17
8	NRIs	316,459	0.39
9	Trust	28,145	0.04
10	Indian Public & Others	13,375,646	16.45
	<b>Total</b>	<b>81,322,035</b>	<b>100.00</b>

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 and allotted 75,89,000 equity shares on 13th August, 2010 and 31st March, 2011 to CLC Technologies Private Limited, a promoters group Company in respect to option exercised by warrant holder to convert same number of share warrants at a price of Rs. 16.95 (including premium of Rs. 6.95). Accordingly, the paid-up capital of the Company has been increased from Rs. 737,330,350/- to 813,220,350/- consisting 81,322,035 equity shares of Rs. 10/- each.

➤ **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. H. 440B, Margilan Street, Fergana Region, Margilan City, Republic of Uzbekistan
4. Nadrazni 557 436 57, Litvinov, Czech Republic

➤ **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](mailto: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](mailto:beetal@rediffmail.com); [beetal\\_99@sify.com](mailto:beetal_99@sify.com)
3. Compliance Officer : Shri B V R Murthy, Sr. Manager Secretarial  
Ph. 011 - 26387738, 46598900, Fax: 011 – 26385181  
Email: [murthy@clcindia.com](mailto:murthy@clcindia.com); [secretarial@clcindia.com](mailto:secretarial@clcindia.com)

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

To,  
The Board of Directors  
Spentex Industries Limited

**Sub: CEO/CFO Certificate**

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 the cash flow statement for the year ended 31st March, 2011 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs, and are in compliance with 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: May 12, 2011

**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, 2011, 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, 2011, no such investor grievances remained unattended/pending as at 31st March, 2011 as per the records maintained by the Share Transfer & Shareholders'/ Investors' 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: May 12, 2011

**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, 2011 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 programme 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 has been physically verified by the management during the year. 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, income tax, service tax, wealth tax, custom duty, excise duty, cess and other statutory dues 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, 2011 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, 2011, 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
<b>Sales Tax</b>				
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	1,420,991 (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	192,160 (including amount paid Rs.17,040)	2004-05	Joint Commissioner of Sales Tax (Appeal), Pune
<b>Income tax</b>				
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	Commissioner of Income Tax (Appeal), New Delhi
<b>Central Excise and Service Tax Act</b>				
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	Customs, Excise & Service Tax Appellate Tribunal, Ahmedabad
The Central Excise Act, 1944	Excise duty-demand of duty on clearance of goods under notification 30/2004 without payment of duty (Butibori unit)	75,085,214 (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. 2,314,143
The Central Excise Act, 1944	Cenvat demand for packing material including penalty (Pithampur unit)	168,012	April, 2000 – March, 2004	Commissioner (Appeals), Central Excise, Indore

## SPENTEX INDUSTRIES LIMITED

The Central Excise Act, 1944	Cenvat demand on packing material / scrap (Butibori unit)	1,545,165 (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. 8,012
				Deputy Commissioner, Central Excise, Nagpur – Rs. 2,02,845 Deputy Commissioner, Central Excise, Nagpur – Rs. 12,39,448
The Central Excise Act, 1944	Cenvat on samples used in quality control (Butibori unit)	203,489 (including amount paid Rs.67,597)	Apr, 2003 to Aug, 2009	Customs, Excise & Service Tax Appellate Tribunal, Nagpur – Rs. 67,597
				Deputy Commissioner, Central Excise, Nagpur – Rs. 74,130
				Assistant Commissioner, Central Excise, Nagpur – Rs. 61,762
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	Assistant Commissioner of Central Excise, Nagpur
Finance Act, 1994	Refund against export services	1,515,368	2006-09	Assistant 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	High Court , Indore
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
<b>Professional Tax</b>				
Professional Tax Act	Interest on Professional Tax	36,433 (including amount Paid Rs. 36,433)	2006-07	Deputy Commissioner (Professional Tax)

- 3.10 The Company has accumulated loss as at March 31, 2011 which, read with comments in para 4 of our report, are more than fifty percent of its net worth. The company has not incurred cash losses in the financial year ended on that date but has incurred cash losses 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 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:**

**Note 8(b) of Schedule XXI, wherein the Company has not charged to Profit and Loss Account a sum of Rs. 210,341,055 due from Schoeller Litvinov k.s. (SLKS), the Czech step down subsidiary of the Company pursuant to reorganization plan approved by the court. Accordingly profit for the year is higher by Rs. 210,341,055 with consequent impact on net assets for the year then ended.**

**We further report that had the observations made by us above been considered, the profit before tax for the year would have been Rs. 164,612,197 (as against the reported figure of Rs 374,953,252 ), Accumulated loss would have been Rs. 1,168,073,547 (as against the reported figure of Rs. 957,732,492 ), Sundry Debtors and Loans and Advances to subsidiary would have been Rs. 849,870,951 & Rs. 458,844,868 respectively (as against the reported figure of Rs. 1,045,722,558 & Rs. 47,334,316 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, 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, 2011 and taken on record by the Board of directors, none of the directors is disqualified as on March 31, 2011 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, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows 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 : May 12, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule	March 31, 2011 Rupees	March 31, 2010 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	I	813,220,350	737,330,350
Application money for Share Warrant (Refer Note 5 on Schedule XXI)		33,052,500	51,678,550
Reserves and Surplus	II	1,332,851,443	1,151,736,941
		<u>2,179,124,293</u>	<u>1,940,745,841</u>
<b>Loan Funds</b>			
Secured Loans	III	4,687,858,664	5,074,134,079
Unsecured Loans	IV	93,032,935	124,340,880
		<u>6,960,015,892</u>	<u>7,139,220,800</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	V	6,455,735,107	6,377,413,550
Less: Depreciation		3,728,250,694	3,412,703,593
<b>Net Block</b>		<u>2,727,484,413</u>	<u>2,964,709,957</u>
Capital Work-in-Progress and Capital Advances		9,124,820	3,854,944
		<u>2,736,609,233</u>	<u>2,968,564,901</u>
Investments	VI	774,926,779	774,973,600
Current Assets, Loans & Advances			
Inventories	VII	1,316,409,427	568,581,401
Sundry Debtors	VIII	1,045,722,558	1,094,210,537
Cash and Bank Balances	IX	38,905,675	72,760,913
Other Current Assets	X	845,433,556	764,998,844
Loans and Advances	XI	810,614,855	1,061,332,323
		<u>4,057,086,071</u>	<u>3,561,884,018</u>
Less: Current liabilities and Provisions			
Liabilities	XII	1,516,174,888	1,325,123,814
Provisions	XIII	50,163,795	45,392,696
Net Current Assets		<u>2,490,747,388</u>	<u>2,191,367,508</u>
Profit and Loss Account (Dr.)		957,732,492	1,204,314,792
		<u>6,960,015,892</u>	<u>7,139,220,800</u>
Statement on Significant Accounting Policies	XX		
Notes to Accounts	XXI		
<b>The Schedules referred to above form an integral part of the Balance Sheet</b>			

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

On behalf of the Board

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

Akhil Bhalla  
Partner  
Membership No : 505002

Mukund Choudhary      Managing Director  
Kapil Choudhary      Deputy Managing Director  
Sitaram Parthasarathy      Director - Works  
Amrit Agrawal      Director - Finance  
Ranjan Mangtani      Sr. Vice President Corporate & Legal  
Affairs and Company Secretary

Place : New Delhi  
Date : May 12, 2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>			
Sales * (Refer Note 6 on Schedule XX)		10,312,278,011	7,358,651,653
Less : Excise Duty		(42,269,130)	(36,443,713)
Net Sales		<b>10,270,008,881</b>	<b>7,322,207,940</b>
*Includes duty drawback on exports Rs. 11,030,364/- ( Previous Year Rs. 23,957,813/-)			
Other Income	XIV	517,392,781	477,414,512
		<b>10,787,401,662</b>	<b>7,799,622,453</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	XV	6,620,951,708	4,562,129,972
Cost of Traded Goods Sold		757,382,485	336,632,934
Salaries, Wages & Benefits	XVI	603,503,700	495,580,379
Manufacturing and Other Costs	XVII	1,951,903,446	1,447,191,804
Depreciation / Amortisation	V	340,783,330	350,448,336
Financial Charges	XVIII	800,525,425	691,603,687
(Increase) / Decrease in Inventories	XIX	(662,601,684)	139,480,055
		<b>10,412,448,410</b>	<b>8,023,067,168</b>
<b>Profit /(loss) before Tax</b>		<b>374,953,252</b>	<b>(223,444,716)</b>
<b>Tax Expense</b>			
Fringe Benefit Tax		-	211,393
		-	211,393
<b>Profit / (loss) after Tax</b>		<b>374,953,252</b>	<b>(223,656,109)</b>
<b>Appropriations</b>			
Debenture Redemption Reserve		128,370,952	-
<b>Profit after appropriations</b>		<b>246,582,300</b>	<b>(223,656,109)</b>
Profit / (loss) brought forward from Previous Year		(1,204,314,792)	(980,658,683)
<b>Balance carried forward to Balance Sheet</b>		<b>(957,732,492)</b>	<b>(1,204,314,792)</b>
Basic Earnings Per Share (Face Value Rs. 10 each)		4.87	(3.13)
Diluted Earnings Per Share (Face Value Rs. 10 each)		4.85	(3.13)
(Refer Note 15 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 Profit and Loss Account referred to in our Report of even date

On behalf of the Board

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

Akhil Bhalla  
Partner  
Membership No : 505002

Mukund Choudhary      Managing Director  
Kapil Choudhary      Deputy Managing Director  
Sitaram Parthasarathy      Director - Works  
Amrit Agrawal      Director - Finance  
Ranjana Mangtani      Sr. Vice President Corporate & Legal  
Affairs and Company Secretary

Place : New Delhi  
Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31, MARCH 2011**

	Year Ended 31st March, 2011 ( ` )	Year Ended 31st March, 2010 ( ` )
Profit/(loss) before Tax	374,953,252	(223,444,715)
Add:		
Depreciation / Amortisation	340,783,330	350,448,336
(Profit) / Loss on Sale of Fixed Asset (net)	(1,991,334)	(156,463)
Provision for Doubtful Debts and Advances	-	3,809,413
Provision for Wealth Tax	52,767	9,666
Temple, land & Building	(18,621,021)	-
Unrealised Exchange Fluctuation (net)	(15,519,641)	7,171,820
Bad Debts and Advances Written off	218,635,932	1,038,137
Liabilities no longer required written back	(5,514,565)	(56,250,723)
Provision for Leave Encashment	472,726	(3,949,652)
Provision for Diminuation in the value of Assets held for sale	-	6,000,000
Loss on sale of assets held for sale.	19,659,578	-
Provision for Gratuity	4,319,490	(8,558,247)
Dividend Income	(4,044)	(3,350)
Interest Income	(44,302,889)	(57,671,807)
Interest Expense	727,795,366	691,603,687
<b>Operating Profit Before Working Capital Changes</b>	<b>1,600,718,947</b>	<b>710,046,102</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Sundry Debtors	(86,387,727)	(181,031,355)
- (Increase)/Decrease in Other Receivables	29,491,587	(252,691,863)
- (Increase)/Decrease in Inventories	(747,828,027)	(74,493,368)
- Increase/(Decrease) in Trade and Other Payables	195,749,105	209,431,531
Direct Taxes Paid ( Net)	-	568,947
<b>A. Cash Flow From Operating Activities</b>	<b>991,743,885</b>	<b>411,829,994</b>
Purchase of Fixed Assets	(43,873,586)	(19,797,922)
Sale proceeds of Fixed Assets	9,291,934	75,359,628
Sale of Investment	46,821	6,000
Dividend Received	4,044	3,350
Interest Received	44,302,889	7,045,796
<b>B. Cash Flow From Investing Activities</b>	<b>9,772,102</b>	<b>62,616,852</b>
Proceeds from Share Capital	57,263,950	90,002,500
Share Premium (net)	52,743,550	-
Repayment of 9% Non-convertible Debenture	(24,663,460)	-
Proceeds from Term Loans	-	1,215,912,111
Repayment of Term Loans	(511,378,905)	(335,047,416)
Proceeds from Working Capital Loans (net)	145,283,603	(651,038,983)
Vehicle Loans (net)	4,483,347	(4,794,658)
Short term advances (net)	(31,307,945)	(58,609,725)
Interest Paid	(727,795,366)	(711,631,307)
Dividend paid	-	-
<b>C. Cash Flow From Financing Activities</b>	<b>(1,035,371,226)</b>	<b>(455,207,478)</b>
<b>Increase/(Decrease) in Cash Equivalents (A+B+C)</b>	<b>(33,855,238)</b>	<b>19,239,372</b>
Cash and Cash Equivalents at the Beginning of the Year	72,760,913	53,521,542
Cash and Cash Equivalents at the End of the Year	38,905,675	72,760,914
<b>Increase / (Decrease) in Cash/Cash Equivalents</b>	<b>(33,855,238)</b>	<b>19,239,372</b>
<b>Notes :-</b>		
Cash and cash equivalents comprise		
Cash and Cheques in hand	1,609,264	1,536,322
In Current Accounts	20,114,791	40,614,977
Cheque in hand	-	12,812,490
In Fixed Deposit Accounts @	15,515,000	16,200,000
In Other Banks	587,483	306,383
In unpaid dividend accounts @	1,079,136	1,290,741
	<b>38,905,674</b>	<b>72,760,913</b>

- # 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.16,594,136 (Previous Year Rs. 17,490,741) 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 Reg. No. 001111N  
Chartered Accountants

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Sitaram Parthasarathy	Director - Works
Amrit Agrawal	Director - Finance
Ranjan Mangtani	Sr. Vice President Corporate & Legal Affairs and Company Secretary

Akhil Bhalla  
Partner  
Membership No: 505002

Place: New Delhi  
Date : May 12, 2011

## SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET

	March 31, 2011 Rupees	March 31, 2010 Rupees
<b>SCHEDULE I : SHARE CAPITAL</b>		
<b>Authorised</b>		
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
	<b>1,210,000,000</b>	<b>1,210,000,000</b>
<b>Issued, Subscribed and Paid up*</b>		
73,733,035 Equity Shares of Rs. 10 each, fully paid up (Previous Year 71,472,035 )	737,330,350	714,720,350
7,589,000 Equity Shares of Rs. 10 each, issued on account of conversion of Share Warrants (Previous year 2,261,000)	75,890,000	22,610,000
	<b>813,220,350</b>	<b>737,330,350</b>
*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 arrangement, 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 arrangement, to the share holder of erstwhile Indo Rama Textiles Limited		
<b>SCHEDULE II : RESERVES AND SURPLUS</b>		
<b>Capital Reserve :</b>		
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
	<b>147,769,543</b>	<b>147,769,543</b>
<b>Securities Premium Account</b>		
At Commencement of year	961,977,772	946,263,822
Add: On conversion of Share Warrants (Refer Note 5 of Schedule XXI)	52,743,550	15,713,950
	<b>1,014,721,322</b>	<b>961,977,772</b>
Debenture Redemption Reserve	41,989,626	41,989,626
Add: transfer from Profit & Loss account	128,370,952	-
	<b>170,360,578</b>	<b>41,989,626</b>
	<b>1,332,851,443</b>	<b>1,151,736,941</b>
<b>SCHEDULE III : SECURED LOANS</b>		
<b>Debentures (Refer Notes 1 and 3(a) below)</b>		
10% Redeemable Non-convertible 500 Debentures Face value of Rs. 1,000,000 each	340,721,155	365,384,615
<b>Loans from Banks (Refer Notes 2, 3(b) and (c) below)</b>		
<b>a) Term Loan</b>		
Rupee Loans (Includes Sub debt of Rs. 414,440,300, Previous Year Rs. 444,400,000)	3,460,954,686	3,972,333,591
<b>b) Working Capital Loan</b>		
Cash Credit Facilities	435,154,039	293,647,633
Export Packing Credit Facilities	440,567,096	436,789,899
<b>c) Other loans</b>		
Vehicle Loans	10,461,688	5,978,341
	<b>4,687,858,664</b>	<b>5,074,134,079</b>

# SPENDEX INDUSTRIES LIMITED

## 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 Debentures are further secured by second pari passu charge on entire current assets, also secured by pledge of promoters' shares (12,378,919 nos.) on pari-passu basis. These debentures are redeemable at par in 32 quarterly installments commencing from June 30, 2010.

### 2 Loans From Banks

- Rupee Term Loans from Banks, other than mentioned in note no. (ii) and (iii) 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 (12,378,919 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.
- Working Capital Loan from Banks are secured by first pari-passu charge on all the current assets of the Company. These loans are further secured by second pari passu charge on entire fixed assets, both present and future and personal guarantee of the promoters. These loan, are also secured by pledge of promoters' shares (8,536,918 nos.) on pari-passu basis.
- Sub-debt from ICICI Bank of Rs. 414,440,300 is secured by third charge on all the movable and immovable assets of the Company and personal guarantee of the promoters
- 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 (12,378,919 nos.) on pari-passu basis.
- Vehicle loans are secured by hypothecation of Motor cars.

### 3 Repayment Terms

- Debentures aggregating Rs. 31,972,500 ( Previous Year Rs. 24,665,000 ) are repayable within one year.
- Term Loans aggregating Rs. 580,445,447 ( Previous Year Rs. 438,233,713 ) are repayable within one year.
- Vehicle Loans aggregating Rs. 4,360,450 ( Previous Year Rs. 2,297,885 ) are repayable within one year.

	March 31, 2011 Rupees	March 31, 2010 Rupees
From Others*	4,863,033	6,215,880
Deferred Purchase Payments**	88,169,902	118,125,000
	<b>93,032,935</b>	<b>124,340,880</b>

\* Repayable on demand

\*\*Repayable to Bombay Dying Manufacturing Company Limited, due within one year Rs. 88,169,902 (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 01.04.2010	Additions for the year*	Deletions/ Adjustments	Cost as at 31.03.2011	Upto 01.04.2010	For the year	Deletions/ Adjustments	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>INTANGIBLE ASSETS</b>										
Goodwill	108,910,417	-	-	108,910,417	105,346,254	891,043	-	106,237,297	2,673,120	3,564,163
Software	34,083,867	-	-	34,083,867	13,667,253	6,816,771	-	20,484,024	13,599,843	20,416,614
<b>Total A</b>	<b>142,994,284</b>	<b>-</b>	<b>-</b>	<b>142,994,284</b>	<b>119,013,507</b>	<b>7,707,814</b>	<b>-</b>	<b>126,721,321</b>	<b>16,272,963</b>	<b>23,980,777</b>
<b>TANGIBLE ASSETS</b>										
Land										
- Freehold Land	3,890,357	354,707	-	4,245,064	-	-	-	-	4,245,064	3,890,357
- Leasehold Land	53,944,536	-	-	53,944,536	11,936,036	2,989,182	-	14,925,218	39,019,318	42,008,500
Building	1,154,390,318	18,266,314	467,681	1,172,188,951	285,594,205	43,211,879	124,030	328,682,055	843,506,896	868,796,113
Plant & Machinery*	4,876,410,280	74,061,876	26,036,021	4,924,436,135	2,903,769,258	273,470,508	20,816,601	3,156,423,165	1,768,012,970	1,972,641,022
Furniture & Fixtures and Office equipment	114,857,770	8,715,045	1,323,333	122,249,482	76,329,561	8,900,836	1,010,900	84,219,497	38,029,985	38,528,209
Vehicle	30,926,005	9,460,445	4,709,795	35,676,655	16,061,026	4,503,111	3,284,698	17,279,439	18,397,216	14,864,979
<b>Total B</b>	<b>6,234,419,266</b>	<b>110,858,387</b>	<b>32,536,830</b>	<b>6,312,740,823</b>	<b>3,293,690,086</b>	<b>333,075,516</b>	<b>25,236,227</b>	<b>3,601,529,373</b>	<b>2,711,211,450</b>	<b>2,940,729,180</b>
<b>Grand Total</b>	<b>6,377,413,550</b>	<b>110,858,387</b>	<b>32,536,830</b>	<b>6,455,735,107</b>	<b>3,412,703,593</b>	<b>340,783,330</b>	<b>25,236,227</b>	<b>3,728,250,694</b>	<b>2,727,484,413</b>	<b>2,964,709,957</b>

Capital Work -in-Progress

Capital Advances

9,124,820

3,751,044

-

103,900

9,124,820

3,854,944

2,736,609,233

2,968,564,901

Previous Year 6,363,105,188 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

\* Addition includes Rs. 58,723,533 (Previous year 20,331,794) transfer from fixed assets held for sale to plant & machinery.

	Nos.	March 31, 2011 Rupees	Nos.	March 31, 2010 Rupees
<b>SCHEDULE VI : INVESTMENTS (Long Term at Cost)</b>				
(Refer Note 7 on Schedule XX)				
<b>I) Trade - Quoted</b>				
In Subsidiaries (Long Term Investments)				
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. 74,063,202 (Previous Year Rs. 42,171,965)				
<b>II) Trade - Unquoted</b>				
In Subsidiaries - (Long Term Investments)				
Spentex Mauritius P Ltd	2	90	2	90
(Face value US Dollar 1/- each, fully paid up)				
Spentex Netherlands B .V.	18200	561,011,339	18200	561,011,339
(Face value Euro 1/- each, fully paid up)				
Spentex Tashkent Toytepa LLC #	-	9,323,779	-	9,323,779
<b>III) Non Trade - Quoted</b>				
In Fully Paid-up equity shares of Rs. 10/- each :				
CHI Investment Ltd.	-	-	25	1,431
Ceat Limited	-	-	75	4,293
CFL Capital Financial Services Limited	-	-	100	1,985
CESC Limited	-	-	100	5,553
Harrisons Malayalam Limited	-	-	100	3,744
KEC International Limited	-	-	144	9,011
Phillips Carbon Black Limited	-	-	100	5,653
RPG Cables Limited	-	-	170	5,382
Summit Securities Limited	10	-	100	4,777
Sentinel Tea and Exports Limited	100	4,777	-	-
Octav Investments Limited	-	-	8	382
Saregama India Limited	-	-	100	1,322
<b>(In Fully Paid-up equity shares of Rs. 8/- each)</b>				
RPG Life Sciences Limited	-	-	100	8,065
<b>IV) Non trade - Unquoted</b>				
The Baramati Co-operative Bank Limited	1300	26,000	1,300	26,000
(Face value Rs.20/- each, fully paid up)				
The Sadguru Jangli Maharaj Co-operative Bank Ltd.	1000	50,000	1,000	50,000
(Face value Rs.50/- each, fully paid up)				
Spencer & Co. Limited	200	7,563	200	7,563
National Saving Certificates *		33,310		33,310
		<b>774,926,779</b>		<b>774,973,600</b>
Aggregate amount of Quoted Investments		204,474,698		204,521,519
Aggregate amount of Unquoted Investments		570,452,081		570,452,081
Market value of Quoted Investment		74,066,082		42,360,245

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

\* Pledged with sales tax authorities

	<u>March 31, 2011</u> Rupees	<u>March 31, 2010</u> Rupees
<b>SCHEDULE VII : INVENTORIES</b>		
(Refer Note 5 on Schedule XX)		
Stores, Spares & Packing Materials	37,559,243	32,219,993
Raw Materials ( including stock in transit Rs 28,421,124/-, Previous Year Rs. Nil)	425,707,011	384,335,166
Work-in-process	147,654,046	101,400,177
<b>Finished goods</b>		
Manufactured	635,108,990	40,360,690
Traded (including stock in transit Rs. 10,757,500/-, Previous Year Rs. 8,286,089/-)	<u>44,702,324</u>	<u>8,687,855</u>
Waste	25,677,813	1,577,520
	<b><u>1,316,409,427</u></b>	<b><u>568,581,401</u></b>
<b>SCHEDULE VIII : SUNDRY DEBTORS</b>		
(Refer Note 8 on Schedule XX)		
<b>Unsecured</b>		
Outstanding for a period exceeding six months		
Considered Good	390,505,589	569,259,743
Considered Doubtful	<u>3,321,589</u>	<u>3,321,589</u>
	<b><u>393,827,178</u></b>	<b><u>572,581,332</u></b>
Other Debts		
Considered Good	<u>655,216,969</u>	<u>524,950,794</u>
	<b><u>1,049,044,147</u></b>	<b><u>1,097,532,126</u></b>
Less : Provision for doubtful debts	<u>3,321,589</u>	<u>3,321,589</u>
	<b><u>1,045,722,558</u></b>	<b><u>1,094,210,537</u></b>
<b>SCHEDULE IX : CASH &amp; BANK BALANCES</b>		
Cash in hand	1,609,264	1,536,322
Cheques in hand	-	12,812,490
<b>Balances with Scheduled Banks :</b>		
- In Current accounts	20,114,791	40,614,977
- In Fixed Deposit Accounts*	15,515,000	16,200,000
- In Unpaid dividend accounts	1,079,136	1,290,741
<b>Balances with other Banks.</b>		
In Current Accounts		
- Baramati Sahakari Bank (Maximum amount o/s Rs.2,768,209/-)	585,109	304,008
- Shree Sadguru Jangli Maharaj Bank (Maximum amount o/s Rs. 2,375/-)	2,375	2,375
	<b><u>38,905,675</u></b>	<b><u>72,760,913</u></b>
* Fixed deposits pledged with sales tax and other government authorities		
<b>SCHEDULE X : Other Current Assets</b>		
Interest accrued on deposits (including interest accrued on loan to a subsidiary Rs.62,939,382, Previous Year Rs. 60,414,121)	65,672,636	61,563,673
Claims and other receivables	686,607,041	501,469,476
Security Deposits	50,092,882	46,340,507
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower )	43,060,997	155,625,188
	<b><u>845,433,556</u></b>	<b><u>764,998,844</u></b>

	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE XI : LOANS AND ADVANCES</b>		
(Unsecured, Considered Good unless otherwise stated)		
Loans and advances to subsidiaries	473,334,316	612,451,658
Amounts recoverable in cash or in kind or for value to be received		
Considered good	222,194,666	314,816,981
Considered doubtful	3,112,897	3,112,897
	<b>698,641,879</b>	<b>930,381,536</b>
Less : Provision for Doubtful Advances	3,112,897	3,112,897
	<b>695,528,982</b>	<b>927,268,639</b>
Balance with Customs , Excise, Govt Authorities, etc.	54,242,603	57,554,413
Advance Income Tax/Tax Deducted at Source*	25,020,924	40,686,925
MAT credit entitlement	35,822,346	35,822,346
	<b>810,614,855</b>	<b>1,061,332,323</b>

\*Net after adjustment for Provision for Taxation of Rs. 6,576,926 (Previous Year Rs. 6,706,656)

**SCHEDULE XII : CURRENT LIABILITIES**

(Refer Note 3 on Schedule XXI)

**Sundry Creditors**

- total outstanding dues of micro enterprises and small enterprises and*	917,627	-
- total outstanding dues of creditors other than micro enterprises and small enterprises @	1,405,948,611	1,214,567,836
Advances from Customers	11,104,546	34,241,942
Unclaimed Dividend**	1,079,136	1,290,741
Other Liabilities	95,763,915	73,318,182
Interest accrued but not due on loans and debentures	1,361,053	1,705,113
	<b>1,516,174,888</b>	<b>1,325,123,814</b>

**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. Nil (Previous Year Rs. 32,564,454)

**SCHEDULE XIII: PROVISIONS**

(Refer Notes 9 on Schedule XX and Note 16 on Schedule XXI)

For Wealth Tax	52,767	73,884
For Leave Encashment	14,726,765	14,254,039
For Gratuity	35,384,263	31,064,773
	<b>50,163,795</b>	<b>45,392,696</b>

**SCHEDULE XIV : OTHER INCOME**

(Refer Note 6 on Schedule XX)

	<b>2010-2011 ( )</b>	<b>2009-2010 ( )</b>
Dividend from long term investments	4,044	3,350
Commission (gross)	960,670	34,359
Interest from Others	38,258,736	50,386,059
(Tax Deducted at Source Rs. 63,874/- Previous Year Rs. NIL)		
Interest on deposits (gross)	6,044,153	7,285,748
(Tax Deducted at Source Rs. 189,110/- Previous Year Rs. 297,426/-)		
Rent Income	66,000	1,020,946
Profit on sale of shares	143,822	-
Liabilities no longer required written back	5,514,565	56,250,723
Profit on Sale of Fixed Assets (net)*	1,991,334	156,463
Export Incentives	332,945,322	291,226,164
Foreign Exchange Fluctuation Gain (net)	106,903,985	28,810,442
Miscellaneous Income	24,560,150	42,240,258
	<b>517,392,781</b>	<b>477,414,512</b>

\* Net off assets write off Rs.37,83,253/- (Previous Year Nil)

	2010-2011 Rupees	2009-2010 Rupees
<b>SCHEDULE XV : RAW MATERIALS CONSUMED</b>		
Opening Stock	384,335,167	165,521,492
Add : Purchases	6,662,323,552	4,780,943,646
Less : Closing Stock	425,707,011	384,335,166
Raw Materials Consumed	<b>6,620,951,708</b>	<b>4,562,129,972</b>
<b>SCHEDULE XVI : SALARY, WAGES AND BENEFITS</b> (Refer Note 13 on Schedule XXI)		
Salaries, Wages and Bonus	499,900,450	426,918,769
Contributions to Provident and Other Funds	42,045,634	34,384,349
Employees Welfare Expenses	61,557,616	34,277,261
	<b>603,503,700</b>	<b>495,580,379</b>
<b>SCHEDULE XVII : MANUFACTURING AND OTHER COSTS</b> (Refer Notes 12 on Schedule XXI)		
Stores, Spares and Packing Materials Consumed (net)	285,693,048	249,713,332
Sub-contracting Charges	33,656,358	19,693,975
Power, Fuel & Water	771,959,827	680,254,208
Rent	7,882,329	5,678,491
Rates & Taxes	3,608,033	2,303,332
<b>Repairs &amp; Maintenance :</b>		
Plant & Machinery	11,293,258	10,865,054
Building	1,686,859	1,944,330
Others	6,294,637	6,460,216
Insurance	5,678,265	7,315,379
Communication Expenses	8,750,785	9,875,958
Traveling and Conveyance	45,749,329	42,969,636
Legal and Professional charges	48,837,071	52,364,134
Commission	151,270,505	69,826,748
Freight Outward and Clearing Charges (net of recoveries)	252,899,538	191,444,803
Loss on assets held for disposal	19,659,578	-
Loss on Sale of Raw Materials	189,460	6,649,361
Donation and Contribution (other than to political parties)	35,100	270,901
Provision for doubtful debts and advances	-	3,809,413
Provision for loss on assets held for sale	2,456,079	6,000,000
Bad Debts Written Off	218,635,932	1,038,137
Directors Sitting Fees	308,000	396,000
Selling and Other Expenses	39,957,141	35,997,338
Miscellaneous Expenses	35,402,314	58,537,579
Expenses charged to subsidiaries	-	(16,216,521)
	<b>1,951,903,446</b>	<b>1,447,191,804</b>
<b>SCHEDULE XVIII: FINANCIAL CHARGES</b> (Refer Note 10 on Schedule XX)		
Interest - Non Convertible Debentures	41,802,328	37,939,306
Interest		
- Fixed Loans	402,002,256	353,434,711
- Others*	283,990,781	219,422,614
Bank Charges*	72,730,060	80,807,056
	<b>800,525,425</b>	<b>691,603,687</b>

\*Includes interest & bank charges on Export sales Rs. 107,173,692 (PY 6,87,53,084), on Domestic sales Rs. 1,215,797 (PY Rs. 4,15,204), on Raw Materials Rs. 148,280,778 (PY Rs. 127,182,691), on working capital Rs. 80,943,139 (PY Rs. 74,966,840.59) and other bank charges Rs. 19,107,219 (PY Rs. 25,174,821)



	<u>2010-2011</u> Rupees	<u>2009-2010</u> Rupees
<b>SCHEDULE XIX : (INCREASE) / DECREASE IN INVENTORIES</b>		
<b>Opening Stock :</b>		
Finished goods	40,360,690	204,363,440
Work in process	101,400,177	77,897,543
Waste	1,577,520	1,978,952
	<b>143,338,387</b>	<b>284,239,935</b>
<b>Closing Stock :</b>		
Finished goods	635,108,990	40,360,690
Work in process	147,654,046	101,400,177
Waste	25,677,813	1,577,520
	<b>808,440,849</b>	<b>143,338,387</b>
<b>Sub Total</b>	<b>(665,102,462)</b>	<b>140,901,548</b>
Excise duty on (Increase) / Decrease in inventories	2,500,778	(1,421,493)
<b>(Increase) / Decrease in Inventories</b>	<b>(662,601,684)</b>	<b>139,480,055</b>

**SCHEDULE XX : 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	2,961,560	3,265,040
c) Show cause notices/demands raised by Excise / Customs Department (including applicable penalties), not acknowledged as debts	180,853,192	179,856,196
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	3,130,151
f) Guarantees and Letters of credit issued on behalf of the Company, outstanding at the year end	300,966,085	248,797,962
g) Bills Discounted with Banks on behalf of the Company, outstanding at the year end	1,175,803,012	832,402,925
h) Corporate Guarantee given to IREDA for Loan to M/s Himalayan Crest Power Limited	248,313,698	268,306,862
i) Corporate Guarantee given to AXIS Bank Ltd.& UCO Bank for Loan to M/s Amit Spinning Industries Limited	399,799,476	428,568,149
j) Corporate Guarantee given to Tashkent Toytepa Textil for deferred payment of purchase consideration on behalf of Spentex Tashkent Toytepa LLC Current Year USD 43,250,000 (Previous Year USD 44,800,000)	1,928,517,500	2,007,040,000
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)	89,180,000	89,600,000
l) Corporate Guarantee given to SBI - Tokyo Branch for loan to Spentex (Netherlands) B.V Current Year USD 19,593,318 (Previous Year USD 21,849,122)	873,666,050	978,840,666

\* The Company believed 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)	8,640,175	1,434,489

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	917,627	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 During the year, out of the Share Warrants money received, the Company has allotted 7,589,000 equity shares pursuant to option exercised by the share warrant holder to convert 7,589,000 share warrants in equal number of fully paid up equity shares and the balance consideration of 75% amounting to Rs. 96,475,163 has been received on 7,589,000 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 Carrying value of Temple Land and Building at Pitampur unit amounting Rs. 183.66 Lacs has been restored back in books of account, as the Company is having possession and control of this Temple since acquisition.
- 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 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.

- 8 (a) The company has an investment of Rs 204,469,921 in and has advance loan including interest accrued amounting to Rs. 383,067,401 Amit Spinning Industries Limited (ASIL), a subsidiary, as on March 31, 2011. The accumulated losses of ASIL, at the year end exceeded its net worth. There is also reduction in market value of the investment at the year end by Rs. 130,406,719. In the opinion of the management, diminution in this long term investment is due to adverse business conditions in the past. ASIL has started generating EBIDTA and cash profits. In view of these developments, management believes that diminution in the value of investment is of temporary nature. Further ASIL has refunded amount of Rs. 156,095,401 during the year and for remaining balances, management believes that the balance amount would be realised within a reasonable period of time. Accordingly no provision considered necessary in the value of investment held and loan advanced to ASIL
- (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. 327,965,283 (Previous Year 468,986,120) is due from SLKS as at March 31, 2011. Accordingly, provision against these Accounts and other receivables is not considered necessary at this stage.
- 9 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 31.03.2011	Maximum amount due during the Year
1	Loans & Advances to a Subsidiary - Amit Spinning Industries Limited	440,889,153	580,706,924
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.

10 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, 2011, 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.

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

	This Year ( ` )	Previous Year ( ` )
Not later than one year	4,360,450	2,297,885
Later than one year but not later than five years	7,852,282	4,769,004
Later than five years	Nil	Nil
<b>Total Minimum lease payments</b>	<b>12,212,732</b>	<b>7,066,889</b>
Less : Future finance charges on finance leases	1,751,044	1,088,548
<b>Present value of finance lease liabilities</b>	<b>10,461,688</b>	<b>5,978,341</b>
Representing lease liabilities:		
Current	3,499,434	1,795,589
Non current	6,962,254	4,182,752
<b>Total</b>	<b>10,461,688</b>	<b>5,978,341</b>
The present value of finance lease liabilities may be analysed as follows :		
Not later than one year	3,499,434	1,795,589
Later than one year but not later than five years	6,962,254	4,182,752
Later than five years	Nil	Nil
<b>Total</b>	<b>10,461,688</b>	<b>5,978,341</b>

12 **Payment to Auditors\*\*:**

	This Year( ` )	Previous Year( ` )
a) As auditor (*)	1,500,000	2,000,000
b) As adviser (*)		
(i) Taxation Matters	Nil	Nil
(ii) Company Law Matter	Nil	Nil
(iii) Management services	Nil	Nil
c) In any manner (*)	Nil	Nil
d) Out of pocket expenses (*)	108,341	83,748
* excluding Service Tax.	<b>1,608,341</b>	<b>2,083,748</b>

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

13. **Remuneration to Managerial personnel**

	This Year( ` )	Previous Year( ` )
a) Salary and Allowances	29,985,492	21,541,545
b) Contributions to Provident Fund and Superannuation Fund	3,214,494	1,266,367
c) Estimated value of Perquisites	144,000	597,730
<b>Total</b>	<b>33,343,986</b>	<b>23,405,642</b>
Directors' Sitting Fees	308,000	396,000

**Foot Note:**

- I) 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.
- II) The Company has charged a sum of Rs 61,38,492 in excess of the limit prescribed under Section 309 of Companies Act 1956 for its managerial personnel and will be applying for necessary approval of the Central Government.

**14. Taxation**

Deferred Tax

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

	This Year( )	Previous Year( )
<b>Deferred Tax Liability arising on account of timing difference</b>		
Tax Impact of difference in net book value of fixed assets as per Accounts and Tax	331,844,741	356,397,854
<b>Total Deferred Tax Liability [A]</b>	<b>331,844,741</b>	<b>356,397,854</b>
Deferred tax assets recognised on account of timing difference		
Tax Impact of unabsorbed depreciation and brought forward losses:		
Unabsorbed Depreciation	487,760,608	513,975,199
Brought Forward Loss		169,898,870
Tax impact of disallowances under section 43B of the Income tax Act,1961	11,003,566	22,810,169
Tax impact of provision for doubtful debts and advances	1,077,690	1,103,432
Tax impact on others	-	186,906
Tax impact of amount inadmissible under sec.40 (a) of IT Act 1961	12,960,877	-
<b>Total Deferred Tax Assets [B]</b>	<b>512,802,741</b>	<b>707,974,577</b>
<b>Deferred Tax Assets / (Deferred Tax Liability) [ B - A ]</b>	<b>180,958,000</b>	<b>351,576,723</b>
<b>Charge to profit and loss account</b>	-	-
<b>Net Deferred Tax Assets / (Deferred Tax Liability)</b>	<b>180,958,000</b>	<b>351,576,723</b>

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

**15. 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	374,953,252	(223,656,109)
<b>Weighted Average Shares outstanding</b>		
Weighted average shares outstanding	76,973,940	71,478,230
Effect of Dilutive Securities	286,563	-
Diluted weighted average shares outstanding	77,260,503	71,478,230
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share (Rs.)	4.87	(3.13)
Diluted Earnings per share (Rs.)	4.85	(3.13)

**16. 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.

	2010-11 (Amount in `)		2009-10 (Amount in `)		2008-09 (Amount in `)		2007-08 (Amount in `)	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
<b>A. Components of Employer Expense</b>								
1 Current Service Cost	5,501,927	2,748,138	4,809,336	2,655,476	5,316,439	4,061,052	5,773,869	4,349,681
2 Interest Cost	4,086,731	1,168,725	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	(1,679,507)	-	(1,218,684)	-	(810,269)	-	(370,200)	-
6 Past Service Cost	-	-	-	-	-	-	-	-
7 Actuarial Losses/(Gains)	5,590,003	2,129,924	(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	13,499,154	6,046,787	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, 2011.**

1 Present Value of DBO at the Beginning of Year	49,672,221	14,205,289	50,550,669	18,203,691	56,054,644	16,492,300	45,133,764	14,353,543
2 Current Service Cost	5,501,927	2,748,138	4,809,336	2,655,476	5,316,439	4,061,052	5,773,869	4,349,681
3 Interest Cost	4,086,731	1,168,725	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	5,590,003	2,129,924	(3,778,117)	(2,645,159)	(8,690,999)	2,827,508	8,002,740	2,443,084
9 Benefits Paid	(7,762,925)	(5,525,311)	(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	57,087,957	14,726,765	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, 2011.**

1 Present Value of Defined Benefit Obligation	57,087,957	14,726,765	46,972,221	14,254,039	50,550,669	18,203,691	56,054,644	16,492,300
2 Fair Value on Plan Assets	21,703,694	-	18,607,448	-	10,927,649	-	6,960,104	-
3 Status [Surplus/(Deficit)]	(35,384,263)	(14,726,765)	(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	(35,384,263)	(14,726,765)	(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	57,087,957	14,726,765	49,672,221	14,254,039	50,550,669	18,203,691	56,054,644	16,492,300
2 Fair Value on Plan Assets	21,703,694	-	18,607,448	-	10,927,649	-	6,960,104	-
3 Status [Surplus/(Deficit)]	(35,384,263)	(14,726,765)	(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)	5,119,790	1,824,298	2,611,096	(1,162,307)	(2,957,968)	(952,579)	-	-
5 Experience adjustment on plan Assets Loss / (gain)	12,235	-	(57,121)	-	(80,904)	-	-	-

**E. Change in Fair Value of Assets during the year ended March 31, 2011**

1 Plan Assets at the Beginning of Year	18,607,448	-	10,927,649	-	6,960,104	-	3,486,199	-
2 Acquisition Adjustment for Plan Assets	-	-	-	-	1,926,884	-	-	-
3 Expected Return on Plan Assets	1,679,507	-	1,218,684	-	810,269	-	313,758	-
4 Actuarial Gains/(Losses)	-	-	-	-	(45,848)	-	56,442	-
5 Actual Company Contribution	4,377,701	-	8,794,228	-	3,648,962	-	3,433,614	-
6 Benefits Paid	(2,960,962)	-	(2,333,113)	-	(2,372,722)	-	(329,909)	-
7 Plan Assets at the End of Year	21,703,694	-	18,607,448	-	10,927,649	-	6,960,104	-

F. Actuarial Assumptions	Percentage		Percentage		Percentage		Percentage	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
1 Discount Rate (%) at March 31, 2011	8.00%	8.00%	8.00%	8.00%	7.00%	7.00%	8.00%	8.00%
2 Expected Return on Plan Assets at March 31, 2011	8.00%	N.A.	8.00%	N.A.	9.00%	N.A.	9.00%	N.A.
3 Annual increase in salary cost	3-5%	3-5%	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.

**17 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 Private 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 Textile Verwaltungs GMBH
- i) M/s. Schoeller Textile GMBH & Co. KG
- j) M/s. Botekos Plus s.r.o.



17(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 application money	Investments	Outstanding Balances at year end			
											Loans Given#	Trade & Other Payables	Guarantees Outstanding	Trade & Other Receivable
1	M/s Amit Spinning Industries Limited	245,535,487 (5,789,187)	526,629,260 (226,678,685)	38,258,736 (50,386,059)	- (-)	- (14,304,599)	- (-)	- (-)	- (-)	204,469,921 (204,469,921)	383,067,401 (500,942,140)	399,799,476 (428,568,149)	57,821,752 (50,290,662)	
2	Himalayan Crest Power Private Limited	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	75,890,000 (38,323,950)	110,007,500 (51,678,550)	- (-)	- (-)	248,313,698** (268,306,862)	- (-)	
3	CLC Technologies Private Limited	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
4	M/s Spentex Tashkent Toytepa LLC	19,661,623 (9,069,215)	- (-)	- (-)	- (-)	- (-)	(5,825,122)	- (-)	- (-)	9,323,779 (9,323,779)	- (-)	1,928,517,500 (2,007,040,000)	61,226,724 (75,896,688)	
5	M/s Spentex Netherland B.V	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	561,011,339 (561,011,339)	- (-)	962,846,050 (1,068,440,666)	95,070,902 (95,070,902)	
6	M/s Spentex Mauritius P Ltd	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	90 (90)	1,816,903 (1,816,903)	- (-)	- (-)	
7	M/s Spentex (Cyprus) P Ltd	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	711,741 (711,741)	- (-)	- (-)	
8	M/s Schoeller Luminov k.s.	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	327,965,278 (468,986,120)	
9	Mr. Ajay Kumar Choudhary	- (-)	- (-)	- (-)	6,948,000 (4,800,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
10	Mr. Mukund Choudhary	- (-)	- (-)	- (-)	6,948,000 (4,800,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
11	Mr. Kapil Choudhary	- (-)	- (-)	- (-)	6,948,000 (4,800,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
12	Mr. Amit Agrawal	- (-)	- (-)	- (-)	5,949,996 (4,243,506)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
13	Mr. Sitaram Parthasarathy	- (-)	- (-)	- (-)	6,549,990 (4,759,793)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	
Total		265,197,110 (14,858,402)	526,629,260 (226,678,685)	38,258,736 (50,386,059)	33,343,986 (23,405,642)	(14,304,599)	(5,825,122)	75,890,000 (38,323,950)	110,007,500 (51,678,550)	774,805,129 (774,805,129)	385,595,045 (603,470,704)	3,539,476,724 (3,772,355,637)	542,084,656 (690,244,372)	
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 previous year.

# includes interest on loan.

**18. 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
<b>Segment Revenue</b>				
Total Revenue	9,478,785,893	1,261,235,828	19,661,623	10,759,683,344
	(6,972,665,171)	(612,787,831)	(9,069,215)	(7,594,522,217)
Inter - segment sales	489,674,463	-	-	489,674,463
	(272,314,277)	(-)	(-)	(272,314,277)
<b>External Sales</b>	8,989,111,430	1,261,235,828	19,661,623	10,270,008,881
	(6,700,350,894)	(612,787,831)	(9,069,215)	(7,322,207,940)
<b>Segment Results</b>	1,366,693,191	487,592	-305,699	1,366,875,082
	(524,230,533)	(-976,080)	(-1,018,978)	(522,235,475)
Unallocated corporate expense (Net)	-	-	-	235,703,338
	(-)	(-)	(-)	(111,751,659)
<b>Operating Profit</b>	-	-	-	1,131,171,743
	(-)	(-)	(-)	(410,483,816)
Finance Charges	-	-	-	800,525,425
	(-)	(-)	(-)	(691,603,687)
Interest income	-	-	-	44,302,889
	(-)	(-)	(-)	(57,671,807)
Dividend income	-	-	-	4,044
	(-)	(-)	(-)	(3,350)
<b>Profit/(Loss) before Prior period items and Tax</b>	-	-	-	<b>374,953,252</b>
	(-)	(-)	(-)	(-223,444,715)
Income Tax	-	-	-	-
	(-)	(-)	(-)	(-)
Deferred Tax	-	-	-	-
	(-)	(-)	(-)	(-)
Fringe Benefit Tax	-	-	-	-
	(-)	(-)	(-)	(211,393)
<b>Profit/(Loss) after tax</b>	-	-	-	374,953,252
	(-)	(-)	(-)	(-223,656,108)
<b>OTHER INFORMATION</b>				
<b>Segment Assets</b>	5,617,426,659	277,953,396	79,674,857	5,975,054,911
	(5,288,118,613)	(202,360,310)	(72,687,463)	(5,563,166,386)
<b>Unallocated corporate assets</b>	-	-	-	1,593,567,172
	(-)	(-)	(-)	(1,742,256,133)
<b>Total Assets</b>	-	-	-	7,568,622,083
	(-)	(-)	(-)	(7,305,422,519)
Segment liabilities	1,479,708,659	37,654,554	-	1,517,363,213
	(1,286,694,987)	(26,322,442)	-	(1,313,017,429)
Unallocated corporate liabilities	-	-	-	4,829,867,069
	(-)	(-)	(-)	(5,255,974,039)
<b>Total Liabilities</b>	-	-	-	6,347,230,282
	(-)	(-)	(-)	(6,568,991,468)
Capital expenditure incurred during the year	-	-	-	38,887,609
	(-)	(-)	(-)	(40,313,866)
Depreciation and Amortisation for the year	-	-	-	340,783,330
	(-)	(-)	(-)	(350,448,336)
Non - Cash Expenses other than Depreciation and amortisation	-	-	-	2,456,079
	(-)	(-)	(-)	(6,000,000)

**B) GEOGRAPHICAL SEGMENT REPORTING :**

DESCRIPTION	REVENUE ( ` )	ASSETS ( ` )
Domestic	2,775,325,634	6,656,280,072
	(2,326,609,544)	(6,365,915,552)
Outside India	7,494,683,247	912,342,011
	(4,995,598,396)	(939,506,967)
Current Year	10,270,008,881	7,568,622,083
Previous Year	(7,322,207,940)	(7,305,422,519)

**19. 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	101,467	8,508,674	2,587,516	280,446,369	2,623,507	262,494,015	65,476	14,373,276
		(366)	(16,544)	(1,365,235)	(102,226,269)	(1,264,134)	(101,821,865)	(101,467)	(8,508,675)
Cotton Yarn	Kgs	-	-	5,216,523	1,007,560,691	5,129,282	1,004,062,743	87,241	19,453,089
		(22,015)	(2,048,227)	(4,340,563)	(504,810,573)	(4,362,578)	(542,399,860)	-	-
PSF	Kgs	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
VSF	Kgs	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Cotton Waste	Pcs	-	-	364,842	24,605,106	364,842	25,355,018	-	-
		-	-	-	-	-	-	-	-
Machinery Spare-Parts	Pcs	-	179,180	-	22,786,231	-	19,661,623	-	10,875,960
		-	(15,940)	-	(8,517,512)	-	(9,069,215)	-	(179,180)
Total		-	8,687,854	-	1,335,398,397	-	1,311,573,398	-	44,702,325
		-	(2,080,711)	-	(615,554,354)	-	(653,290,940)	-	(8,687,855)

\* Purchase of yarn include 2,683,604 Kgs (Previous Year 2,031,655 Kgs) amounting to Rs 489,674,463 (Previous year Rs 272,314,277) on account of inter unit transfer

# The above sales figures do not include the export incentives - Duty Drawback of Rs 769,368 (Previous Year Rs 24,259) (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	Value ( ` )	Qty	Value( ` )
Man Made Fibre Yarn	Kgs.	58,760	7,122,722	8,583,731	8,403,974	1,168,205,664	238,517	30,922,597
		(549,964)	(53,695,491)	(15,071,948)	(15,563,152)	(1,737,011,889)	(58,760)	(7,122,722)
Polyester Cotton Yarn	Kgs.	97,035	9,933,430	25,782,234	25,242,508	3,802,935,406	636,761	85,876,911
		(686,810)	(63,161,053)	(22,178,095)	(22,767,870)	(2,372,582,821)	(97,035)	(9,933,300)

# SPENTEX INDUSTRIES LIMITED

Cotton Yarn	Kgs.	122,258	22,311,122	19,873,384	17,614,881	3,315,122,129	2,380,761	495,743,980
		(423,146)	(72,444,591)	(19,058,621)	(19,359,509)	(2,332,390,601)	(122,258)	(22,311,132)
Viscose / Cotton	Kgs.	3,004	356,154	-	2,959	383,164	45	6,392
		(107,208)	(12,654,038)	(69,765)	(173,969)	(20,592,669)	(3,004)	(356,164)
Others (Prev. Grouped with PC)	Kgs.	4,987	637,371	4,336,530	4,168,334	648,030,609	173,183	22,559,110
		(17,847)	(2,408,267)	(295,048)	(307,908)	(59,066,307)	(4,987)	(637,372)
Waste	Kgs.	55,350	1,577,520	11,538,515	11,298,195	544,671,743	309,773	25,677,814
		(69,453)	(1,978,953)	(10,800,559)	(10,814,662)	(432,072,891)	(55,350)	(1,577,520)
Total		341,394	41,938,319	70,114,357	66,730,814	9,479,348,715	3,739,040	660,786,803
		(1,854,428)	(206,342,393)	(67,474,036)	(68,987,070)	(6,953,717,178)	(341,394)	(41,938,210)

\* Sale of yarn include 2,683,604 Kgs (Previous Year 2,031,655 Kgs) amounting to Rs 489,674,463 (Previous year Rs 272,314,277) on account of inter unit transfer

# The above sales figures do not include the export incentives - Duty Drawback of Rs 10,260,996 (Previous Year Rs. 23,933,554)

\$ The above sales is inclusive of excise duty paid on Synthetic yarn sale amounting to Rs 42,269,130 ( Previous Year Rs 36,443,713)

(figures in brackets are for the previous year.)

## 20. Raw Materials and Components consumed :

Description	Current Year		Previous Year	
	Kgs.	Value ( ` )	Kgs.	Value ( ` )
Cotton	43,611,328	4,130,977,527	39,513,993	2,503,805,482
Polyester Staple Fiber	23,715,385	1,903,503,519	23,051,610	1,437,304,948
Viscose Staple Fiber	4,458,719	557,425,333	5,533,429	592,194,608
Single Yarn	-	-	-	-
Others (*)	266,682	29,045,329	240,111	28,824,934
	<b>72,052,114</b>	<b>6,620,951,708</b>	<b>68,339,143</b>	<b>4,562,129,972</b>

\* 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

## 21. 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	11.36	752,221,470	9.76	445,057,303
Indigenous	88.64	5,868,730,238	90.24	4,117,072,669
	<b>100.00</b>	<b>6,620,951,708</b>	<b>100.00</b>	<b>4,562,129,972</b>

### b) Store, Spare and Packing Materials Consumed:

	Current Year		Previous Year	
	%	Value( ` )	%	Value( ` )
Imported	55.93	159,774,874	18.61	46,479,476
Indigenous	44.07	125,918,174	81.39	203,233,856
	<b>100.00</b>	<b>285,693,048</b>	<b>100.00</b>	<b>249,713,332</b>

## 22. C I F Value of Imports :

	Current Year ( ` )	Previous Year( ` )
Raw Materials	119,581,215	13,885,245
Stores and Spares & Components	47,788,074	46,960,628
Capital Goods	6,739,350	665,000
	<b>174,108,639</b>	<b>61,510,873</b>

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

	<b>Current Year( ` )</b>	<b>Previous Year( ` )</b>
Traveling	7,546,958	4,268,363
Commission	144,849,779	41,605,762
Claim Paid on Export Sales	18,263,360	5,783,575
Legal & Professional	23,747,993	14,149,132
Other Expenses	4,039,445	-
	<b>198,447,535</b>	<b>65,806,832</b>

**24. Earning in Foreign Exchange (On accrual basis)**

	<b>Current Year( ` )</b>	<b>Previous Year( ` )</b>
FOB Value of Exports	7,755,888,344	4,862,487,479
	<b>7,755,888,344</b>	<b>4,862,487,479</b>

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

Signatures to Schedules I to XXI

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

Akhil Bhalla  
Partner  
Membership No : 505002

On behalf of the Board

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Sitaram Parthasarathy	Director - Works
Amrit Agrawal	Director - Finance
Ranjan Mangtani	Sr. Vice President Corporate & Legal Affairs and Company Secretary

Place : New Delhi  
Date : May 12, 2011

**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, 2011, 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. 7,128,132,319/- as at March 31, 2011 and total revenues of Rs. 6,684,290,534/- 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 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 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, 2011;
  - 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: May 12, 2011

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	March 31, 2011 Rupees	March 31, 2010 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	I	813,220,350	737,330,350
Preference Share Application Money Pending Allotment (Refer Note 4 on Schedule XXI)		668,850,000	672,000,000
Application money for Share Warrant (Refer Note 8 on Schedule XXI)		33,052,500	51,678,550
Reserves and Surplus	II	<u>2,824,694,690</u>	<u>2,554,351,689</u>
		<b>4,339,817,540</b>	<b>4,015,360,589</b>
<b>Loan Funds</b>			
Secured Loans	III	7,337,691,704	7,903,154,815
Unsecured Loans	IV	2,117,274,980	2,099,424,250
		<u>13,794,784,224</u>	<u>14,017,939,654</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	V	15,924,102,799	15,942,397,122
Less : Depreciation		<u>8,320,755,931</u>	<u>7,773,517,765</u>
Net Block		<b>7,603,346,868</b>	<b>8,168,879,357</b>
Capital Work-in-Progress and Capital Advances		<u>303,982,178</u>	<u>292,484,887</u>
		<b>7,907,329,046</b>	<b>8,461,364,244</b>
Investments	VI	144,881	191,702
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	VII	2,351,916,603	1,266,678,212
Sundry Debtors	VIII	780,475,110	641,989,845
Cash and Bank Balances	IX	204,869,639	262,008,319
Other Current Assets	X	782,901,070	704,978,379
Loans and Advances	XI	1,290,110,398	2,024,401,230
		<u>5,410,272,820</u>	<u>4,900,055,985</u>
<b>Less : Current liabilities and Provisions</b>			
Liabilities	XII	2,528,374,470	2,173,399,577
Provisions	XIII	58,157,964	51,954,250
		<u>2,823,740,386</u>	<u>2,674,702,158</u>
<b>Net Current Assets</b>		<b>2,823,740,386</b>	<b>2,674,702,158</b>
Misc. Expenditure		21,982	21,050
Profit and Loss Account (Dr.)		<u>3,063,547,929</u>	<u>2,881,660,500</u>
		<b>13,794,784,224</b>	<b>14,017,939,654</b>
<b>Statement on Significant Accounting Policies</b>	<b>XX</b>		
<b>Notes to Accounts</b>	<b>XXI</b>		

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 Reg. No. 001111N  
Chartered Accountants

Akhil Bhalla  
Partner  
Membership No : 505002

Mukund Choudhary      Managing Director  
Kapil Choudhary      Deputy Managing Director  
Sitaram Parthasarathy      Director - Works  
Amrit Agrawal      Director - Finance  
Ranjan Mangtani      Sr. Vice President Corporate & Legal  
   Affairs and Company Secretary

Place : New Delhi  
Date : May 12, 2011

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>			
Sales* (Refer Note 6 on Schedule XX)		16,085,449,821	12,270,207,047
Less Excise Duty		(42,269,130)	(36,443,715)
Net Sales		<b>16,043,180,691</b>	<b>12,233,763,332</b>
* Includes duty drawback on exports Rs. 11,030,364/- ( Previous Year Rs. 23,957,813/-)			
Other Income	XIV	644,364,840	610,432,479
		<b>16,687,545,531</b>	<b>12,844,195,811</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	XV	10,867,981,380	7,294,440,296
Cost of Traded Goods Sold		231,297,593	205,281,291
Salaries, Wages & Benefits	XVI	1,214,110,145	1,199,863,605
Manufacturing and Other costs	XVII	3,589,164,866	2,970,736,397
Depreciation / Amortisation		742,362,934	752,902,593
Financial Charges	XVIII	932,380,984	801,897,331
(Increase) / Decrease in Stocks	XIX	(907,249,336)	390,078,047
		<b>16,670,048,566</b>	<b>13,615,199,560</b>
Profit before Tax and Exceptional items		17,496,965	(771,003,749)
Extraordinary Items (income)		-	320,446,903
Profit/ (loss) before Tax		17,496,965	(450,556,846)
Tax Expense (Refer Note 11 on Schedule XX)			
Fringe Benefit Tax		-	211,393
(Excess)/ Short Provision for Tax		150	(9,015)
		<b>150</b>	<b>202,378</b>
<b>Profit/(Loss) after Tax and Minority Interest</b>		<b>17,496,815</b>	<b>(450,759,224)</b>
<b>Appropriation</b>			
Debenture Redemption Reserve		128,370,952	-
Balance Brought forward from Previous Year		(2,881,660,500)	(2,288,244,184)
Balance carried forward to Balance Sheet		<b>(2,992,534,637)</b>	<b>(2,739,003,408)</b>
Profit/ (Loss) on foreign currency translation on restatement of Profit brought forward (Refer Note 5 on Schedule XXI)		(71,013,292)	(142,657,092)
Balance carried forward to Balance Sheet		<b>(3,063,547,929)</b>	<b>(2,881,660,500)</b>
Basic Earnings per Share (Face Value Rs. 10 each)		0.23	(10.79)
Diluted Earning per share ( Face Value Rs.10 each ) (Refer Note on Schedule XXI)		0.23	(6.31)
<b>Statement on Significant Accounting Policies</b>	<b>XX</b>		
<b>Notes to Accounts</b>	<b>XXI</b>		

**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

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

Akhil Bhalla  
Partner  
Membership No : 505002

Place : New Delhi  
Date : May 12, 2011

On behalf of the Board

Mukund Choudhary	Managing Director
Kapil Choudhary	Deputy Managing Director
Sitaram Parthasarathy	Director - Works
Amrit Agrawal	Director - Finance
Ranjan Mangtani	Sr. Vice President Corporate & Legal Affairs and Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	Year ended 31-03-2011 Rupees	Year ended 31-03-2010 Rupees
Profit /(loss) before Tax	17,496,965	(771,003,748)
<b>Add:</b>		
Depreciation / Amortisation	742,362,934	752,902,592
(Profit) / Loss on Sale of Fixed Asset (net)	91,895,820	(2,839,483)
Provision for Doubtful Debts and Advances	-	3,809,413
Provision for Wealth Tax	52,767	9,683
Temple land & Building	(18,621,021)	-
Loss on assets held for disposal	19,659,578	-
Impairment Loss	410,720,720	-
Unrealised Exchange Fluctuation (net)	(447,032,241)	1,510,143,183
Bad Debts and Advances Written off	84,702,109	46,326,889
Liabilities no longer required written back	(15,715,292)	(58,366,553)
Provision for Leave Encashment	916,593	(3,850,660)
Profit on sale of Share	(143,822)	-
Provision for Loss on asset held for sale	2,456,079	6,000,000
Provision for Gratuity	5,308,238	(8,340,125)
Misc. Expenditure to be written off	(931)	(21,056)
Dividend Income	(8,004)	(7,685)
Interest Income	(8,110,910)	(7,837,905)
Interest Expense	932,380,984	801,897,331
<b>Operating Profit Before Working Capital Changes</b>	<b>1,818,320,568</b>	<b>2,268,821,875</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Sundry Debtors	(204,646,615)	57,180,499
- (Increase)/Decrease in Other Receivables	708,139,318	(1,100,578,352)
- (Increase)/Decrease in Inventories	(1,085,238,392)	289,530,812
- Increase/(Decrease) in Trade and Other Payables	340,155,149	(6,457,248)
Direct Taxes Paid ( Net)	(19,049,258)	(9,266,482)
<b>A. Cash Flow From Operating Activities</b>	<b>1,557,680,770</b>	<b>1,499,231,104</b>
Purchase of Fixed Assets	(434,999,099)	(57,168,126)
Sale proceeds of Fixed Assets	148,737,161	80,259,569
Sale of Investment	190,643	6,000
Dividend Received	8,004	7,685
Interest Received	6,716,318	7,572,073
<b>B. Cash Flow From Investing Activities</b>	<b>(279,346,973)</b>	<b>30,677,201</b>
Proceeds from Share Capital	57,263,950	74,288,550
Share Premium (net)	52,743,550	15,713,950
Repayment of 9% Non-convertible Debenture	(24,663,460)	-
Proceeds from Term Loans	-	427,523,663
Repayment of Term Loans	(622,499,083)	(1,023,843,145)
Proceeds from Working Capital Loans (net)	77,216,084	(260,806,370)
Vehicle Loans (net)	4,483,347	-
Short term advances (net)	17,850,731	2,995,482
Interest Paid	(896,639,431)	(811,017,009)
<b>C. Cash Flow From Financing Activities</b>	<b>(1,334,244,313)</b>	<b>(1,575,144,879)</b>
<b>Increase/(Decrease) in Cash Equivalents (A+B+C)</b>	<b>(55,910,516)</b>	<b>(45,236,574)</b>
Cash and Cash Equivalents at the Beginning of the Year	262,008,319	346,747,807
Add: Exchange difference on translation of foreign currency	(1,228,164)	(39,502,915)
Cash and Cash Equivalents at the End of the Year	204,869,639	262,008,319
<b>Increase / (Decrease) in Cash/Cash Equivalents</b>	<b>(55,910,516)</b>	<b>(45,236,574)</b>
<b>Notes :-</b>		
<b>Cash and cash equivalents comprise</b>		
Cash and Cheques in hand	2,877,914	15,739,712
In Current Accounts	34,724,170	41,934,305
In Fixed Deposit Accounts @	15,515,000	16,200,000
In Margin Money Account @	3,528,361	3,524,424
In Other Banks	147,145,057	183,319,137
In unpaid dividend accounts @	1,079,136	1,290,741
	<b>204,869,639</b>	<b>262,008,319</b>

# 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 and Unpaid Dividend Accounts aggregating Rs.20,122,497 (Previous Year Rs. 21,015,165) 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 Consolidated Cash Flow Statement referred to in our Report of even date

On behalf of the Board

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

Mukund Choudhary      Managing Director  
Kapil Choudhary      Deputy Managing Director  
Sitaram Parthasarathy      Director - Works  
Amrit Agrawal      Director - Finance  
Ranjan Mangtani      Sr. Vice President Corporate & Legal  
Affairs and Company Secretary

Akhil Bhalla  
Partner  
Membership No : 505002

Place : New Delhi  
Date : May 12, 2011



	AS AT March 31, 2011 Rupees	AS AT March 31, 2010 Rupees
<b>SCHEDULE I : CAPITAL</b>		
<b>Authorised</b>		
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>
<b>Issued, Subscribed and Paid up</b>		
73,733,035 Equity Shares of Rs. 10 each, fully paid up (Previous Year 71,472,035 nos.)	737,330,350	714,720,350
<b>Add:</b>		
7,589,000 Equity Shares of Rs. 10/- issued on account of conversion of Share Warrants (Previous Year 2,261,000)	75,890,000	22,610,000
	<u>813,220,350</u>	<u>737,330,350</u>
<b>SCHEDULE II : RESERVES AND SURPLUS</b> (Refer Note 8 on Schedule XX)		
<b>Capital Reserve :</b>		
At commencement of the year	735,259,357	
Add : Exchange fluctuation on restatement of opening balance	25,881,673	761,141,030
Share Forfeiture Reserve	7,179,250	7,179,250
Profit on Restructure	2,358,587	2,358,587
	<u>770,678,867</u>	<u>744,797,191</u>
<b>Securities Premium Account</b>		
At Commencement of the year	961,977,772	
Add: Conversion of Share Warrants	52,743,550	1,014,721,322
	<u>1,014,721,322</u>	961,977,772
<b>Debenture Redemption Reserve</b>		
At Commencement of the year	41,989,626	
Add: Transferred during the year	128,370,952	170,360,578
	<u>170,360,578</u>	41,989,626
<b>Foreign Currency Translation Reserve (FCTR)</b>		
At Commencement of the year	805,587,100	
Add: Transferred during the year	63,346,823	868,933,923
	<u>868,933,923</u>	805,587,100
	<u>2,824,694,690</u>	<u>2,554,351,689</u>
<b>SCHEDULE III : SECURED LOANS</b>		
<b>Debentures (Refer Notes 1 and 4(a) below)</b>		
10% Redeemable Non-convertible Debentures	340,721,155	365,384,615
<b>Loans from Banks (Refer Notes 2 and 4(b) and (c) below)</b>		
<b>a) Long Term</b>		
Rupee Term Loans	3,766,054,535	4,278,916,502
Foreign Currency Loan	873,666,050	978,840,666
<b>b) Short Term</b>		
Cash Credit Facilities	958,683,680	858,404,127
Export Packing Credit Facilities	440,567,096	463,630,564
<b>c) Other loans</b>		
Vehicle Loans	10,461,688	5,978,341
Term Loan from others		
Foreign Currency Loan (Refer Note 3)	947,537,500	952,000,000
	<u>7,337,691,704</u>	<u>7,903,154,815</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 Debentures are further secured by second pari passu charge on entire current assets, also secured by pledge of promoters' shares (12,378,919 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 from Banks, other than mentioned in note no. (ii) and (iii) 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 (12,378,919 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) Working Capital Loan from Banks are secured by first pari-passu charge on all the current assets of the Company. These loans are further secured by second pari passu charge on entire fixed assets, both present and future and personal guarantee of the promoters. These loan, are also secured by pledge of promoters' shares (8,536,918 nos.) on pari-passu basis.
- iii) Sub-debt from ICICI Bank of Rs. 414,440,300 is secured by third charge on all the movable and immovable assets of the Company and personal guarantee of the promoters.
- 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 all plant and machinery relating to the Tashkent Spinning Plant of STTL.
- v) 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 (12,378,919 nos.) on pari-passu basis.
- vi) 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 relating to the Tashkent Spinning Plant of STTL.

### 4 Repayment Terms

- a) Debentures aggregating Rs. 31,972,500 ( Previous Year Rs. 24,665,000) are repayable within one year.
- b) Term Loans aggregating Rs. 682,160,186 (Previous Year Rs. 551,713,713) are repayable within one year.
- c) Vehicle Loans aggregating Rs. 4,360,450 (Previous Year Rs. 1,795,589) are repayable within one year.

	<b>March 31, 2011 Rupees</b>	<b>March 31, 2010 Rupees</b>
<b>SCHEDULE IV : UNSECURED LOANS</b>		
Short-term loans		
From Others (Refer Note 1)	4,863,033	6,215,880
Deferred Purchase Payments (Refer Notes 2)	<u>2,112,411,947</u>	<u>2,093,208,370</u>
	<b><u>2,117,274,980</u></b>	<b><u>2,099,424,250</u></b>

#### Notes;

- 1) Repayable on demand
- 2) Deferred Payment Liability aggregating to Rs. 389,152,402, (Previous year Rs. 196,250,000) 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 01.04.2010	Additions for the year*	Deletions/ Adjustments @	Cost as at 31.03.2011	Up to 01.04.2010	For The Year	Deletions/ Adjustments	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>INTANGIBLE ASSETS</b>										
Goodwill on Consolidation	515,950,220	-	2,418,517	513,531,703	-	-	-	-	513,531,703	515,950,220
Goodwill	108,910,417	-	-	108,910,417	105,346,254	891,042	-	106,237,296	2,673,121	3,564,163
Software	48,233,858	-	(1,104,115)	49,337,973	27,339,637	6,939,931	(1,073,663)	35,353,231	13,984,742	20,894,221
<b>Total A</b>	<b>673,094,495</b>	<b>-</b>	<b>1,314,402</b>	<b>671,780,093</b>	<b>132,685,891</b>	<b>7,830,973</b>	<b>(1,073,663)</b>	<b>141,590,527</b>	<b>530,189,566</b>	<b>540,408,604</b>
<b>TANGIBLE ASSETS</b>										
Land										
- Freehold Land	32,829,515	354,707	(1,918,810)	35,103,032	-	-	-	-	35,103,032	32,829,515
- Leasehold Land	53,944,536	-	-	53,944,536	11,936,036	2,989,182	-	14,925,218	39,019,318	42,008,500
Building	3,249,498,698	18,266,314	(97,918,269)	3,365,683,281	781,106,871	114,056,056	(24,187,250)	919,350,177	2,446,333,104	2,468,391,827
Plant & Machinery	11,138,975,545	463,531,259	615,439,341	10,987,067,463	6,535,471,971	553,629,418	219,976,086	6,869,125,304	4,117,942,159	4,603,503,574
Furniture & Fixtures and Office equipment	732,567,085	9,233,640	(3,282,749)	745,083,474	282,646,291	56,942,161	(3,719,677)	343,308,129	401,775,345	449,920,794
Vehicle	61,487,248	9,460,445	5,506,773	65,440,920	29,670,705	6,915,142	4,129,271	32,456,577	32,984,343	31,816,543
<b>Total B</b>	<b>15,269,302,627</b>	<b>500,846,365</b>	<b>517,826,286</b>	<b>15,252,322,706</b>	<b>7,640,831,874</b>	<b>734,531,961</b>	<b>196,198,429</b>	<b>8,179,165,405</b>	<b>7,073,157,302</b>	<b>7,628,470,753</b>
<b>Grand Total</b>	<b>15,942,397,122</b>	<b>500,846,365</b>	<b>519,140,688</b>	<b>15,924,102,799</b>	<b>7,773,517,765</b>	<b>742,362,934</b>	<b>195,124,766</b>	<b>8,320,755,931</b>	<b>7,603,346,867</b>	<b>8,168,879,357</b>
Capital Work -in-Progress									303,982,178	292,380,986
Capital Advances									-	103,901
									303,982,178	292,484,887
									7,907,329,045	8,461,364,244
Previous Year	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

Notes :

@ Deletions/Adjustments to fixed assets under Gross Block and Depreciation /Amortisation include Rs. -333,870,940 (Previous Year Rs. 663,628,281) and Rs. -208,455,943 (Previous Year 143,280,488) respectively, on account of restatement at the closing exchange rate.

\* Addition includes Rs. 58,723,533 (Previous Year 20,331,794) transfer from fixed assets held for sale to plant & machinery.

**SCHEDULE VI : INVESTMENTS**

(Refer Note 7 on Schedule XX)

	March 31, 2011		March 31, 2010	
	Nos.	Value (`)	Nos.	Value (`)
<b>I) In Fully Paid-up equity shares of Rs. 10/- each :</b>				
CHI Investment Ltd.	-	-	2	1,431
Ceat Limited	-	-	75	4,293
CFL Capital Financial Services Limited	-	-	100	1,985
CESC Limited	-	-	100	5,553
Harrisons Malayalam Limited	-	-	100	3,744
KEC International Limited	-	-	144	9,011
Phillips Carbon Black Limited	-	-	100	5,653
RPG Cables Limited	-	-	170	5,382
Summit Securities Limited	10	-	100	4,777
Sentinel Tea and Exports Limited	100	4,777	-	-
Octav Investments Limited	-	-	8	382
RPG Life Sciences Limited	-	-	100	8,065
Saregama India Limited	-	-	100	1,322
<b>Aggregate Market Value of Quoted Investments Rs.2,880 (Previous year Rs. 188,280)</b>		<b>4,777</b>		<b>51,598</b>
<b>II) Non Trade - Unquoted (At Cost)</b>				
Others				
The Baramati Co-operative Bank Limited (Face value Rs.20/- each, fully paid up)	1,300	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	1,000	50,000
Shamrao Vithal Co-op Bank Ltd ( Face Value Rs.10/- each, fully paid up )	250	2,500	250	2,500
United Yarn ( Face Value Rs.31/- each, fully paid up )	1	31	1	31

# SPENDEX INDUSTRIES LIMITED

Share of Lotus House Prem. Co-Op housing Society.	1,500	1,500	1,500	1,500
Datta Nagari Patsanstha ( Face Value Rs.10/- each ,fully paid up )	500	5,000	500	5,000
Saraswat Co-op bank Ltd ( Face Value Rs.10/- each ,fully paid up )	1,420	14,200	1,420	14,200
Spencer & Co. Limited	200	7,563	200	7,563
National Saving Certificates		33,310		33,310
Add: Additions consequent to amalgamation ( Pledged with sales Tax Authorities )				
		<u>140,104</u>		<u>140,104</u>
		<u>144,881</u>		<u>191,702</u>

**March 31, 2011**  
**Rupees**

**March 31, 2010**  
**Rupees**

## SCHEDULE VII : INVENTORIES

( Refer Note 5 of Schedule XX)

Stores, Spares & Packing Materials		168,245,137		169,239,121
Raw Materials ( including stock in transit Rs. 34,231,713, Previous Year Nil)		779,428,512		638,761,803
Work-in-process		346,574,892		196,209,032
Finished goods				
- Manufactured ( including stock in transit Rs.Nil, Previous Year Rs. 8,569,969 )	973,831,832		247,524,353	
- Traded (including stock in transit Rs.10,757,500, Previous Year Rs. 8,286,089 )	<u>48,493,366</u>	1,022,325,198	<u>12,677,814</u>	260,202,167
Waste		35,342,864		2,266,089
		<u>2,351,916,603</u>		<u>1,266,678,212</u>

## SCHEDULE VIII : SUNDRY DEBTORS

### Unsecured

Outstanding for a period over six months

Considered Good		225,679,663		262,589,378
Considered Doubtful		34,729,717		34,729,717
		<u>260,409,380</u>		<u>297,319,095</u>
Other Debts				
Considered Good		554,795,447		379,400,467
		<u>815,204,827</u>		<u>676,719,562</u>
Less : Provision for doubtful debts		34,729,717		34,729,717
		<u>780,475,110</u>		<u>641,989,845</u>

## SCHEDULE IX : CASH & BANK BALANCES

Cash balance in hand		2,877,914		2,927,222
In Cheque in hands		-		12,812,490
<b>Balances with Scheduled Banks :</b>				
In Current Accounts		34,724,170		41,934,305
In Fixed Deposit Accounts*		15,515,000		16,200,000
In Margin Money Account **		3,528,361		3,363,323
In unpaid dividend accounts		1,079,136		1,290,741
<b>Balances with other Banks :</b>				
In Current Account		146,397,228		183,012,755
Baramati Sahakari Bank		585,109		304,007
Shree Sadguru Jangli Maharaj Bank		2,375		2,375
In Margin Money Account		160,346		161,101
		<u>204,869,639</u>		<u>262,008,319</u>

\*Fixed deposit pledged with sales tax and other Government authorities

\*\*Under lien with Banks

	<b>March 31, 2011</b>	<b>March 31, 2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE X : Other Current Assets</b>		
Interest accrued on deposit and others	2,733,254	1,149,552
Claims and other receivables	686,607,041	501,469,476
Security Deposits	50,499,778	46,734,163
Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)	43,060,997	155,625,188
	<b>782,901,070</b>	<b>704,978,378</b>
<b>SCHEDULE XI : LOANS AND ADVANCES</b>		
Amounts recoverable in cash or in kind or for value to be received		
Considered good	1,113,100,639	1,875,718,502
Considered doubtful	12,347,897	12,347,897
	<b>1,125,448,536</b>	<b>1,888,066,399</b>
Less : Provision for Doubtful Advances	12,347,897	12,347,897
	<b>1,113,100,639</b>	<b>1,875,718,502</b>
Balance with Customs , Excise, Govt Authorities, etc.	111,921,796	64,545,657
Advance Income Tax/Tax Deducted at Source	29,265,617	48,314,725
MAT credit entitlement	35,822,346	35,822,346
	<b>1,290,110,398</b>	<b>2,024,401,230</b>
Net after adjustment for Provision for Taxation of Rs.6,698,242, (Previous Year Rs.6,980,546)		
<b>SCHEDULE XII : CURRENT LIABILITIES</b>		
( Refer Note 6 on Schedule XXI)		
Sundry Creditors		
total outstanding dues of micro enterprises and small enterprises and*	1,298,668	-
total outstanding dues of creditors other than micro enterprises and small enterprises	2,194,415,470	1,950,300,922
Advance received from customers	11,104,546	34,241,942
Unpaid Dividend **	1,079,136	1,290,741
Other Liabilities	236,883,254	134,433,729
Interest accrued but not due on loans and debentures	83,593,396	53,132,243
	<b>2,528,374,470</b>	<b>2,173,399,577</b>
* As certified by the Management based on available information		
** Not due to be credited to Investor Education and Protection Fund		
<b>SCHEDULE XIII: PROVISIONS</b>		
(Refer Note 9 and 11 on Schedule XX and Notes 13 and 15 on Schedule XXI)		
For Wealth Tax	52,767	73,884
For Leave Encashment	16,362,698	15,446,105
For Gratuity	41,742,499	36,434,261
	<b>58,157,964</b>	<b>51,954,250</b>
	<b>2010-2011</b>	<b>2009-2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE XIV : OTHER INCOME</b>		
Dividend from long term investments	8,004	7,685
Commission (gross)	960,670	34,359
Interest on deposits (gross)	8,110,910	7,837,905
(Tax Deducted at Source Rs.189,110/- , Previous Year Rs. 297,426/- )		
Rent Income	66,000	1,020,946
Profit on sale of shares	143,822	-
Liabilities no longer required written back	15,715,292	58,366,553
Profit on Sale of Fixed Assets (net)	91,895,820	2,839,483
Export Incentives	333,757,117	291,284,084
Foreign Exchange Fluctuation Gain (net)	159,018,369	196,582,384
Miscellaneous Income	34,688,836	52,459,080
	<b>644,364,840</b>	<b>610,432,479</b>

	2010-2011 Rupees	2009-2010 Rupees
<b>SCHEDULE XV : RAW MATERIALS CONSUMED</b>		
Opening Stock	638,761,804	433,869,733
Add : Purchases	11,008,648,088	7,499,332,366
Closing Stock	779,428,512	638,761,803
	<b>10,867,981,380</b>	<b>7,294,440,296</b>
<b>SCHEDULE XVI : SALARY, WAGES AND BENEFITS</b> ( Refer Note 9 on Schedule XX and 15 on Schedule XXI )		
Salaries, Wages and Bonus	1,019,240,679	1,007,428,235
Contributions to Provident and Other Funds	98,918,570	98,706,171
Employees Welfare Expenses	95,950,896	93,729,199
	<b>1,214,110,145</b>	<b>1,199,863,605</b>
<b>SCHEDULE XVII : MANUFACTURING AND OTHER COSTS</b>		
Stores, Spares and Packing Materials Consumed (net)	467,010,816	531,143,440
Sub-contracting Charges	39,791,398	24,514,903
Power, Fuel & Water	1,140,741,256	1,082,815,153
Rent	178,907,109	170,210,798
Rates & Taxes	4,143,144	16,466,622
<b>Repairs &amp; Maintenance :</b>		
Plant & Machinery	47,937,043	16,823,600
Building	1,871,826	2,217,743
Others	6,484,030	6,695,896
	<b>56,292,899</b>	<b>25,737,238</b>
Insurance	24,099,213	20,079,789
Communication Expenses	12,689,572	12,884,682
Traveling and Conveyance	47,258,507	42,217,958
Legal and Professional charges	104,967,614	81,108,540
Commission	159,501,740	73,686,917
Freight Outward and Clearing Charges (net of recoveries)	448,458,197	406,908,590
Loss on sale of assets held for disposal	19,659,578	-
Loss on sale of raw materials	189,460	6,649,361
Impairment loss	410,720,720	-
Donation and Contribution (other than to political parties )	35,100	270,901
Provision for Doubtful Debts	-	3,809,413
Provision for Loss of Assets held for sale	2,456,079	6,000,000
Bad debts and Advances written off	84,702,109	46,326,889
Sitting Fees	322,700	407,200
Cost of outsourcing activities	37,658,273	19,466,782
Selling and Other Expenses	84,558,955	101,965,381
Miscellaneous Expenses	265,000,427	298,065,839
	<b>3,589,164,866</b>	<b>2,970,736,397</b>
<b>SCHEDULE XVIII: FINANCIAL CHARGES</b> ( Refer Note 10 on Schedule XX)		
Interest - Non Convertible Debentures	41,802,328	37,939,306
Interest		
- Fixed Loans	503,138,897	443,061,540
- Others	288,338,111	210,194,192
Bank Charges	99,101,648	110,702,293
	<b>932,380,984</b>	<b>801,897,331</b>

	2010-2011 Rupees	2009-2010 Rupees
<b>SCHEDULE XIX : (INCREASE) / DECREASE IN INVENTORIES</b>		
<b>Opening Stock :</b>		
Finished goods	247,524,353	645,706,942
Work in process	196,209,032	189,404,820
Waste	2,266,089	2,387,252
	<b>445,999,474</b>	<b>837,499,014</b>
<b>Closing Stock :</b>		
Finished goods	973,831,832	247,524,353
Work in process	346,574,892	196,209,032
Waste	35,342,864	2,266,089
	<b>1,355,749,588</b>	<b>445,999,474</b>
<b>Sub Total</b>	<b>(909,750,114)</b>	<b>391,499,540</b>
Excise duty on (Increase) / Decrease in Stocks	2,500,778	(1,421,493)
<b>(Increase) / Decrease in Stocks</b>	<b>(907,249,336)</b>	<b>390,078,047</b>

**SCHEDULE XX : 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

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.

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 of 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, if necessary.

**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, 2011, 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, 2011	Percentage of ownership interest as on March 31, 2010
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 (Netherland), 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 Textiles 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	2,961,560	4,284,685
c) Show cause notices/demands raised by Excise / Customs Department (including applicable penalties), not acknowledged as debts	188,707,841	187,710,845
d) Show cause notices/demands raised by MP Government / MPEB Department, not acknowledged as debts	184,674,369	178,359,587
e) Claims against the Company not acknowledged as debts	3,130,151	3,130,151
f) Guarantees and Letters of credit issued on behalf of the Company, outstanding at the year end	302,356,085	250,187,962
g) Bills Discounted with Banks on behalf of the Company, outstanding at the year end	1,175,803,012	832,102,925
h) Corporate Guarantee given to IREDA for Loan to M/s Himalayan Crest Power Limited	248,313,698	268,306,862
i) Corporate Guarantee given to AXIS Bank Ltd. & UCO Bank for Loan to M/s Amit Spinning Industries Limited	399,799,476	428,568,149
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 48,600,000)	1,928,517,500	2,007,040,000
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)	89,180,000	89,600,000
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)	1,356,352,800	1,464,774,916

\* The Company believed 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 ( ` )
3. Estimated value of contracts remaining to be executed on capital account (net of advances)	8,640,174	1,439,489

- 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	1,298,668	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

- 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 During the year, out of the Share Warrants money received, the Company has allotted 7,589,000 equity shares pursuant to option exercised by the share warrant holder to convert 7,589,000 share warrants in equal number of fully paid up equity shares and the balance consideration of 75% amounting to Rs. 96,475,163 has been received on 7,589,000 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 Carrying value of Temple Land and Building at Pitampur unit amounting Rs. 183.66 Lacs has been restored back in books of account, as the Company is having possession and control of this Temple since acquisition.
- 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 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, 2011, 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.

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

	This Year ( ` )	Previous Year ( ` )
Not later than one year	4,360,450	2,297,885
Later than one year but not later than five years	7,852,282	4,769,004
Later than five years	Nil	Nil
<b>Total Minimum lease payments</b>	<b>12,212,732</b>	<b>7,066,889</b>
Less : Future finance charges on finance leases	1,751,044	1,088,548
<b>Present value of finance lease liabilities</b>	<b>10,461,688</b>	<b>5,978,341</b>
Representing lease liabilities:		
Current	3,499,434	1,795,589
Non current	6,962,254	4,182,752
<b>Total</b>	<b>10,461,688</b>	<b>5,978,341</b>
The present value of finance lease liabilities may be analysed as follows :		
Not later than one year	3,499,434	1,795,589
Later than one year but not later than five years	6,962,254	4,182,752
Later than five years	Nil	Nil
<b>Total</b>	<b>10,461,688</b>	<b>5,978,341</b>

**13 Taxation**

Deferred Tax

Break-up of Deferred Tax Assets and Liabilities

	This Year( ` )	Previous Year( ` )
<b>Deferred Tax Liability on account of timing difference</b>		
Tax impact of difference in net book value of fixed assets as per Accounts and Tax	414,739,944	448,685,799
Tax impact of Others (net)	-	-
<b>Total Deferred Tax liabilities [A]</b>	<b>414,739,944</b>	<b>448,685,799</b>
<b>Deferred tax asset recognised on account of timing difference:</b>		
Tax impact of provision for doubtful debts and advances	16,101,180	13,540,229
Tax impact of disallowances under section 43B of the Income tax Act, 1961	14,178,611	25,115,909
Tax impact of unabsorbed depreciation and brought forward losses	714,750,075	849,244,144
Tax impact on Others	-	186,906
	12,960,877	-
<b>Total Deferred Tax Asset [B]</b>	<b>757,990,743</b>	<b>888,087,188</b>
<b>Deferred Tax Assets / (Deferred Tax Liability)</b>	<b>343,250,799</b>	<b>439,401,389</b>
<b>Charge to profit and loss account</b>	<b>-</b>	<b>-</b>
<b>Net Deferred Tax Assets / (Deferred Tax Liability)</b>	<b>343,250,799</b>	<b>439,401,389</b>

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

**14 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	17,496,816	(223,656,108)
Net profit / (loss) attributable to Equity Shareholders after Extraordinary items and Taxes	17,496,816	71,478,230
<b>Weighted Average Shares outstanding</b>		
Weighted average Shares outstanding	76,973,940	71,478,230
Effect of Dilutive Securities	286,563	-
Diluted weighted average shares outstanding	77,260,503	71,472,035
Nominal value of Equity Shares (Rs.)	10	10
Basic Earnings per Share before Extraordinary items (Rs.)	0.23	(3.13)
Basic Earnings per Share after Extraordinary items (Rs.)	0.23	(3.13)
Diluted Earning per share before Extraordinary items (Rs.)	0.23	(3.13)
Diluted Earning per share after Extraordinary items (Rs.)	0.23	(3.13)

**15. 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.

	2010-11 (Amount in `)		2009-10 (Amount in `)		2008-09 (Amount in `)		2007-08 (Amount in `)	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
<b>A. Components of Employer Expense</b>								
1 Current Service Cost	6,331,676	2,932,354	5,564,435	2,761,308	6,113,294	4,176,672	6,626,020	4,578,482
2 Interest Cost	4,822,578	1,266,801	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	(2,015,134)	-	(1,520,879)	-	(1,085,089)	-	(589,471)	-
6 Past Service Cost	-	-	-	-	-	-	-	-
7 Actuarial Losses/(Gains)	6,261,347	2,688,251	(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	15,400,467	6,887,406	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, 2011.**

1 Present Value of DBO at beginning of the year	58,616,085	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034	51,835,636	15,620,264
2 Current Service Cost	6,331,676	2,883,604	5,564,435	2,761,308	6,113,294	4,176,672	6,626,020	4,578,482
3 Interest Cost	4,822,578	1,266,801	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	6,261,347	2,688,251	(4,719,141)	(2,739,205)	(9,219,921)	2,425,749	8,689,907	2,550,817
9 Benefits Paid	(8,659,365)	(5,922,063)	(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	67,372,321	16,362,698	58,616,085	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034

**C. Net Asset / (Liabilities) recognised in balance Sheet as at March 31, 2011.**

1 Present Value of Defined Benefit Obligation	67,372,321	16,362,698	59,494,533	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034
2 Fair Value on Plan Assets	25,629,822	-	22,181,824	-	14,628,560	-	9,963,600	-
3 Status [Surplus/(Deficit)]	(41,742,499)	(16,362,698)	(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	(41,742,499)	(16,362,698)	(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	67,372,321	16,362,698	59,494,533	15,446,105	59,402,946	19,296,765	64,428,663	18,112,034
2 Fair Value on Plan Assets	25,629,822	-	22,181,824	-	14,628,560	-	9,963,600	-
3 Status [Surplus/(Deficit)]	(41,742,499)	(16,362,698)	(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)	5,791,134	2,432,572	(2,611,096)	(1,162,307)	(2,957,968)	(952,579)	-	-
5 Experience adjustment on plan Assets loss / (gain)	12,235	-	(57,121)	-	(80,904)	-	-	-

# SPENDEX INDUSTRIES LIMITED

## E. Change in Fair Value of Assets during the year ended March 31, 2011.

1 Plan Assets at the Beginning of Year	22,181,824	-	14,628,560	-	9,963,600	-	5,922,543
2 Acquisition Adjustment	-	-	-	-	1,926,884	-	-
3 Expected Return on Plan Assets	2,015,134	-	1,520,879	-	1,085,089	-	533,029
4 Actuarial Gains/(Losses)	-	-	-	-	(60,031)	-	43,602
5 Actual Company Contribution	5,290,266	-	8,794,228	-	4,459,990	-	4,199,125
6 Benefits Paid	(3,857,402)	-	(2,761,843)	-	(2,746,972)	-	(734,699)
7 Plan Assets at the End of Year	25,629,822	-	22,181,824	-	14,628,560	-	9,963,600

F. Actuarial Assumptions	Percentage		Percentage		Percentage		Percentage	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
1 Discount Rate (%) at March 31, 2011	8.25%	8.25%	8.00%	8.00%	7.00%	7.00%	8.00%	8.00%
2 Expected Return on Plan Assets at March 31, 2011	8.95%	N.A.	8.00%	0.00%	9.00%	N.A.	8%-9%	N.A.
3 Annual increase in salary cost	3-5%	3-5%	3-5%	0.00%	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.

16. 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
<b>Segment Revenue</b>				
Total Revenue	15,314,010,099	1,501,335,338	19,661,624	16,835,007,061
	(12,021,812,909)	(716,732,573)	(9,069,215)	(12,747,614,697)
Inter - segment sales	791,826,370	-	-	791,826,370
	(513,851,365)	(-)	(-)	(513,851,365)
External Sales	14,522,183,730	1,501,335,338	19,661,624	16,043,180,691
	(11,507,961,544)	(716,732,573)	(9,069,215)	(12,233,763,332)
Segment Results	1,071,331,343	(9,687,478)	(305,699)	1,061,338,166
	(-450,627,238)	(-2,465,886)	(-1,018,978)	(-454,112,102)
Unallocated corporate expense (Net)	-	-	-	113,526,973
	-	-	-	(-482,829,069)
Operating Profit	-	-	-	947,811,193
	-	-	-	(287,116,967)
Finance Charges	-	-	-	932,380,984
	-	-	-	(801,897,331)
Interest income	-	-	-	2,066,756
	-	-	-	(2,176,616)

Exceptional Item	-	-	-	-
	-	-	-	(-)
<b>Profit/(Loss) before Prior period items and Tax</b>	-	-	-	<b>17,496,965</b>
	-	-	-	(-771,003,748)
Income Tax	-	-	-	150
	-	-	-	(-)
Deferred Tax	-	-	-	-
	-	-	-	(-)
Fringe Benefit Tax	-	-	-	-
	-	-	-	(202,378)
Extra ordinary Item	-	-	-	-
	-	-	-	(-320,446,903)
<b>Profit/(Loss) after tax</b>	-	-	-	<b>17,496,815</b>
	-	-	-	(-450,759,224)
<b>OTHER INFORMATION</b>				
Segment Assets	13,304,161,800	281,744,438	79,674,857	13,665,581,095
	(13,379,649,986)	(206,350,270)	(72,687,463)	(13,658,687,719)
Unallocated corporate assets	-	-	-	(347,812,364)
	(-)	(-)	(-)	(-297,054,733)
<b>Total Assets</b>	-	-	-	<b>13,317,768,732</b>
	-	-	-	(13,361,632,986)
Segment liabilities	2,986,047,907	37,654,554	-	3,023,702,461
	(2,807,120,116)	(26,322,442)	(-)	(2,833,442,558)
Unallocated corporate liabilities	-	-	-	9,017,796,657
	-	-	-	(9,394,490,336)
<b>Total Liabilities</b>	-	-	-	<b>12,041,499,118</b>
	-	-	-	(12,227,932,894)
Capital expenditure incurred during the year	-	-	-	434,999,099
	-	-	-	(57,064,225)
Depreciation and Amortisation for the year	-	-	-	742,362,934
	-	-	-	(752,902,593)

**B) GEOGRAPHICAL SEGMENT REPORTING:**

(Amount in `)

DESCRIPTION	REVENUE	ASSETS
With in India	2,217,489,554	5,914,351,227
	(2,805,572,261)	(6,070,222,338)
Outside India	13,825,691,136	7,403,417,505
	(9,428,191,071)	(7,291,410,649)
Current Year	16,043,180,691	13,317,768,732
Previous Year	(12,233,763,332)	(13,361,632,987)

**17 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 Private Limited.
- b) CLC & Sons (P) Limited
- c) CLC Technologies Private Limited

**ii) Key Management Personnel and their Relatives**

- |    |                           |                          |
|----|---------------------------|--------------------------|
| a) | Mr. Ajay Kumar Choudhary  | Chairman                 |
| 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         |

17 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	Outstanding Balance at Year end
					Guarantees Outstanding *
1	Himalayan Crest Power Private Limited	-	-	-	248,313,698 **
		(-)	(-)	(-)	(268,306,862)
2	CLC Technologies Private Limited	-	75,890,000	110,007,500	-
		(-)	(38,323,950)	(51,678,550)	(-)
3	Mr. Ajay Kumar Choudhary	6,948,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
4	Mr. Mukund Choudhary	6,948,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
5	Mr. Kapil Choudhary	6,948,000	-	-	-
		(4,800,000)	(-)	(-)	(-)
6	Mr. Amrit Agrawal	5,949,996	-	-	-
		(4,243,506)	(-)	(-)	(-)
7	Mr. Sitaram Parthasarathy	6,549,990	-	-	-
		(4,759,793)	(-)	(-)	(-)
	Total	33,343,986	75,890,000	110,007,500	248,313,698
	Previous Year	(23,405,642)	(38,323,950)	(51,678,550)	(268,306,862)

\* 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.



18. 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:

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	1,137,313	808,604,468	1,579,601	670,101,641	89	480,135	102,646
		(205,848,335)	(1,089,446)	(878,976,432)	(1,513,120)	(673,204,314)	(90)	(459,928)	(103,130)
2	Reserves and Surplus	(293,402,807)	(938,169,999)	374,335,815	(251,030)	273,096,226	(1,702,744)	-	(816,086)
		(-291,143,518)	(898,169,754)	(39,553,817)	(240,465)	(302,566,026)	(1,710,763)	(-)	(819,930)
3	Total Assets (Fixed Assets + Incidental Expenditure Pending Capitalisation + current assets + Deferred Tax Asset + Miscellaneous Expenditure)	911,057,854	7,393	4,237,558,168	1,328,571	1,467,422,521	-	480,135	-
		(1,020,497,308)	(25,784)	(4,099,079,366)	(1,272,655)	(1,480,129,101)	-	(459,928)	-
4	Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	998,635,557	104,928,329	3,054,617,840	-	2,123,799,717	1,805,301	-	713,440
		(1,105,815,721)	(1,072,443,834)	(3,180,549,099)	-	(2,111,467,187)	(1,813,803)	-	(716,800)
5	Investment	23,231	183,041,355	-	-	1,599,575,078	102,646	-	-
		(23,231)	(175,337,683)	-	-	(1,607,108,398)	(103,130)	-	-
6	Turnover	1,254,964,375	-	4,118,143,120	-	-	-	-	-
		(727,777,006)	-	(3,486,962,159)	-	-	-	-	-
7	Profit/(loss) before Taxation	(2,259,132)	(512,573)	(16,036,202)	-	(28,569,905)	-	-	-
		(-89,993,023)	(984,320,242)	(115,826,850)	-	(49,629,717)	-	-	-
8	Provision for Taxation ( Deferred Tax)	150	-	-	-	-	-	-	-
		(9,015)	-	-	-	-	-	-	-
9	Profit/(loss) after Taxation	(2,259,282)	(512,573)	(16,036,202)	-	(28,569,905)	-	-	-
		(-89,984,008)	(984,320,242)	(115,826,850)	-	(49,629,717)	-	-	-
10	Proposed Dividend	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Figures shown in brackets represents previous year figures.

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

Signatures to Schedules I to XXI

On behalf of the Board

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

Akhil Bhalla  
Partner  
Membership No: 505002

Mukund Choudhary  
Kapil Choudhary  
Sitaram Parthasarathy  
Amrit Agrawal  
Ranjan Mangtani

Managing Director  
Deputy Managing Director  
Director - Works  
Director - Finance  
Sr. Vice President Corporate & Legal  
Affairs and Company Secretary

Place: New Delhi  
Date : May 12, 2011

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

**I. REGISTRATION DETAILS :**

Registration No. 138153 State Code 55  
 CIN L74899DL1991PLC138153  
 Balance Sheet Date 31-03-2011

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

Public Issue NIL Rights Issue NIL  
 Bonus Issue NIL Private Placement/Scheme of Amalgamation 75890

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

Total Liabilities 6960016 Total Assets 6960016  
 SOURCES OF FUNDS :  
 Paid up Capital 813220 Reserves and Surplus 1332851  
 Share Application Money 33053 Secured Loans 4687859 Unsecured Loans 93033

**APPLICATION OF FUNDS**

Net Fixed Assets 2736609 Investments 774927  
 Net Current Assets 2490748 Miscellaneous Expenditure NIL  
 Accumulated Loss 957732

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

Turnover (Including Other Income) 10787402 Total Expenditure 10412448  
 Profit before tax 374953 Profit after tax 374953  
 Earning per Share in Rs. 4.87 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 19th Annual General Meeting of the Company on Thursday the 30th June, 2011 at 10.30 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

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## 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 19th Annual General Meeting of the Company to be held on Thursday the 30th June, 2011 at 10.30 A..M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019.

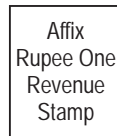
Signed this ..... day of ..... 2011.

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**

