

**39<sup>th</sup>**  
**Annual Report**  
**2008-2009**

**SWADESHI POLYTEX LIMITED**

# SWADESHI POLYTEX LIMITED

## BOARD OF DIRECTORS AS ON DATE

Shri K. Ramachandran Pillai	<i>Chairman</i>
Shri Gaurav Swarup	<i>Director</i>
Shri Hartaj Sewa Singh	<i>Director</i>
Shri R. K. Sharma	<i>Director</i>
Shri Atul Seksaria	<i>Director</i>
Shri Tejinder Singh Brar	<i>Director</i>
Shri N. K. Gupta	<i>Director</i>
Shri S.S. Madan	<i>Director</i>
Shri Naveen Aggarwal	<i>Director</i>
Shri K. Subramanian	<i>Director</i>
Shri H. K. Sharma	<i>Director</i>
Shri B. R. Verma	<i>Director</i>

## REGISTERED OFFICE

**Registered Office:** New Kavi Nagar,  
Industrial Area Ghaziabad - 201002 (U.P.)

<b>Contents</b>	<b>Page No.</b>
Notice .....	1
Directors' Report .....	2
Auditors' Report .....	4
Balance Sheet .....	7
Profit & Loss Account .....	8
Notes to the Accounts .....	9

# SWADESHI POLYTEX LIMITED

## NOTICE

Notice is hereby given that 39th Annual General Meeting of the members of Swadeshi Polytex Limited will be held at the Registered Office of the Company at New Kavi Nagar, Industrial Area, Ghaziabad - 201002 (Uttar Pradesh) on 30th September 2009 at 12 noon to transact the followings business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 and the Profit and Loss Account of the Company ended as on that date and the Report of the Directors' and Auditors thereon.
2. To appoint a Director in Place of Shri Gaurav Swarup, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K.Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri B.R.Verma, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and for that purpose to pass the following Resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to section 224A and other applicable provisions of the Companies Act 1956, if any M/S Suresh Bansal & Co. Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General meeting to the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.35000/- (plus service tax and out of pocket expenses for actual traveling and other expenses in connection with the company's audit)"

By order of the Board

Place : New Delhi  
Dated : 26th August 2009

(R.K.Sharma)  
(Director)

(H.S.Singh)  
(Director)

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his behalf and on a poll to vote on his behalf and that the proxy need not be a member of the Company. Proxies in order to be effective must be signed, stamped and deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. Blank proxy form is annexed hereto.
2. In case of joint holding only that joint holder who is highest in order of the names as per Company's record shall be entitled to vote.
3. The register of members and share transfer books of the Company will remain closed from 15th September 2009 to 30th September 2009 (both days inclusive).
4. The abridged Balance Sheet and Profit and Loss Account is enclosed, the full copy of the Balance Sheet shall be available for inspection at the registered office of the Company from 10.a.m to 5 p.m from 1st September 2009 to 30th September 2009.
5. The Company shall provide the copy of the full Balance Sheet immediately on receipt of the request from a member.

By order of the Board

Place : New Delhi  
Dated : 26th August 2009

(R.K.Sharma)  
(Director)

(H.S.Singh)  
(Director)

**DIRECTORS' REPORT**

Dear Members,

Your directors have pleasure in presenting the 39th Annual Report along with Audited Accounts and annexure attached thereto for the year ended 31st March 2009.

**HIGHLIGHTS**

The factory of the company located at Ghaziabad is closed since 1998. Since there were no production activities during the year, the Company has not made any manufacturing profit during the year.

The Company is exploring the various business opportunities available to it and is in the process of determining the optimum future course of business. Its efforts however are severally limited by its acute financial condition to overcome which a deep financial and asset restructuring exercise will be required.

**FINANCIAL REPORT**

The financial results of the Company for the year 2008-2009 are summarized below:

	<b>Year Ended on 31.03.2009</b>	<b>Year Ended on 31.03.2008</b>
Net Loss before tax	<b>14,28,82,125</b>	17,49,91,728
Loss After Tax	<b>14,28,82,125</b>	17,47,41,728
Balance in Loss Account brought forward from last Year	<b>46,99,87,165</b>	29,49,95,438

**DIVIDEND**

Your directors do not recommend any dividend for the year under review, due to brought forward losses in the Company.

**FIXED DEPOSIT**

Unclaimed Deposits which had matured for a total amount of Rs 4.74/- Lac could not be paid as not claimed by the deposit holders. The same as per the requirement of the Companies Act 1956, shall be deposited with Investor Protection Fund of the Central Government.

**PARTICULARS OF EMPLOYEES**

There are no employees who are in receipt of remuneration for which particulars are required to be disclosed as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUT-GOING**

In the absence of any manufacturing activities during the year under review, no steps were required to be taken for conservation of energy, technology absorption and research & development and as such the information relating thereto may be taken as nil. There were no foreign exchange earnings and outgo during the year under review.

**COMMENTS ON AUDITORS' REPORT**

The auditors' comments and remarks have been adequately explained by the management in the "Notes to Accounts".

# **SWADESHI POLYTEX LIMITED**

---

## **DIRECTORS**

Mr. Gaurav Swarup, Mr. R. K. Sharma & Mr. B. R. Verma retire by rotation and being eligible, have offered themselves for re-appointment.

## **LISTING OF SHARES**

The shares of the Company are listed in all major stock Exchanges of the Country. However due to the critical financial condition of the Company and non accessibility of the files and records, the Company was unable to comply with some of the listing requirements. Your Company is making all efforts to de-list the shares from the regional stock exchanges and to get the shares listed for trading in the Mumbai Stock Exchange.

## **AUDITORS**

M/S Suresh Bansal & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the forthcoming Annual General Meeting. A letter has been received from Suresh Bansal & Co. Chartered Accountants confirming that their appointment, if made, will be in conformity with the provisions of Section 224 (1-B) of the Companies Act, 1956. As per section 224A of the Companies Act 1956, members are requested to pass the special resolution.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

(As per section 217 (2AA) of the Companies Act 1956)

The Directors hereby confirm:

- i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii) That the directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the directors had prepared the Annual Accounts on a going concern basis.

## **ACKNOWLEDGEMENT**

Your directors wish to convey their sincere thanks to all the shareholders for the trust they have reposed in the Company and its board.

For and on behalf of the Board

Place : New Delhi  
Date : 26th August 2009

(R. K. Sharma)  
Director

(H. S. Singh)  
Director

# SWADESHI POLYTEX LIMITED

## AUDITORS' REPORT

To,  
The Members,  
Swadeshi Polytex Limited  
Ghaziabad

1. We have audited the attached Balance Sheet of **Swadeshi Polytex Limited** as at 31st March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and 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) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give our comments in the annexure on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of written representation received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) *We have relied upon the management representation in respect of the following matters in view of the pending availability / verification of relevant documents and records.*
    - a) *Balance confirmation in respect of inoperative Bank Accounts, debtors, creditors and other parties (Refer note no. B- 8 of Schedule 11)*
    - b) *Status of assessment/ cases relating to Income tax, Sales Tax, excise duty, custom duty and other matters (Refer note no B-1 of Schedule 11)*
    - c) *Sundry debtors outstanding for long being considered good and not provided for (Amount Rs. 450.49 lacs previous year Rs.515.69 Lacs, being net of provision already made of Rs. 36.93 Lacs)*
    - d) *Recognition of value of assets and liabilities in view of the discontinued operations (Refer note No B-3 of Schedule 11)*
    - e) *Provisions of interest on secured loans taken from bodies corporate. (Refer note No B-9 of Schedule 11)*

In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our comments in para 4(vi) above, impact on Balance Sheet and Profit & Loss Accounts for the year ended 31st March 2009, amount unascertained, read together with the Notes to Accounts given in Schedule 11 give the information required by Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
- (b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Suresh Bansal & Co.**  
Chartered Accountants  
Sd/-

**S. K. BANSAL**  
Partner

Membership No. : 82242

Place : Faridabad  
Date : 26th August 2009  
Camp : Ghaziabad

## SWADESHI POLYTEX LIMITED

Annexure referred to in paragraph 3 of our report of even date to the shareholders of Swadeshi Polytex Limited on the accounts for the year ended 31st March, 2009.)

- (i) (a) The Company has maintained records showing full particulars including quantitative details and situation of fixed assets *but the same are pending for updation since 31st March, 1998*, after which we have been explained there have been no major additions.
- (b) We have been explained that the management has taken the stock of the status of various fixed assets after taking over the possession of the Plant last year and based on the assessment and technical evaluation by an independent agency has scrapped off the Plant & Machinery under the head 'Plant & machinery held for disposal'. The reconciliation between the physical and book records is also being carried out. Hence discrepancies, if any, between the physical and book records could not be ascertained and adjusted in the books of accounts.
- (c) During the year the Company has disposed off part of the scrapped Plant & Machinery kept under the head 'Plant & Machinery held for disposal' as stated above. The company has discontinued its operations of manufacturing of Polyester fibers and chips, as is also referred in note no. B- 3 of Schedule 11. As informed, the company is continuously trying to explore other avenues of business activity and has also carried out some trading activity during the year. In view of the informed intention of the company to continue the business in the future, we are of the opinion that the going concern assumption will not be affected due to the disposal of the aforesaid Plant & Machinery.
- (ii) (a) After taking the possession, the management had similarly engaged an external agency to carry out the physical verification and technical evaluation of the entire inventory comprising of finished goods, stores, spares parts and raw materials.
- (b) In our opinion, the action taken and procedures followed by the management for physical verification of inventory were generally reasonable and adequate.
- (c) Based on the assessment and report of the aforesaid external agency, the entire inventory has been treated as non usable and transferred under the head inventory held for disposal considering the valuation by such agency. The adjustment in the said value, if any would get adjusted at the time of final disposal of such inventory.
- (iii) (a) We are explained that the Company has not granted any loans secured or unsecured to any Company, firm or other party required to be listed in the register maintained under Section 301 of the Companies Act 1956. In view of clause (iii) (a) above, the clauses (iii)(b), (iii)(c) and (iii)(d) are not applicable.
- (e) During the year company has taken additional interest free unsecured loan of Rs. 169.73 Lacs from a body corporate apart from the outstanding secured and interest free unsecured loans from two body corporates listed in the register maintained under Section 301 of the Companies Act 1956. The maximum amount involved during the year was Rs. 1350 for Secured Loan and Rs. 562.56 Lacs for unsecured loans and the year end balance of the said loans was Rs. 1350 lacs and Rs 522.98 Lac respectively.
- (f) In our opinion, the other terms and conditions of the aforesaid loans taken by the company are prima facie not prejudicial to the interest of the company;
- (g) We are explained that the above loans are repayable on demand. We are informed that demanded loan portion had been paid during the year and therefore we are unable to comment upon the regularity of payment or otherwise of the balance amount.
- (iv) In our opinion, given the nature, size and scale of the activity carried out by the company during the year, there is adequate internal control system with respect to Trading activities and disposal of Scrapped Plant & Inventory. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weakness in the aforesaid internal control procedures
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered .
- (b) In our opinion and according to the information and explanations given to us company has not entered into any transactions exceeding the aggregate amount of Rs. five lacs in respect of aforesaid parties during the year except the transactions under loan accounts. Accordingly this clause has not been commented upon.
- (vi) In view of the fact that during the year no new deposits are received by the Company from the public and pending deposition of unclaimed deposits with Investor protection fund, we are of the opinion that there are no pending deposits for which company has to comply with the provisions of section 58A and 58AA of the Companies Act, 1956 and relevant rules framed there under:

# SWADESHI POLYTEX LIMITED

Further, we have been explained that no order has been passed by the Company Law Board or the National Company Law Tribunal or any Court or any other Tribunal.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We are informed that the Company had not maintained the cost accounting records as required u/s 209 (1) (d) of the Companies Act 1956 since no manufacturing activities were carried out by the company during the year under report.
- (ix) (a) According to the information and explanation given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues applicable to it with the appropriate authorities except the following undisputed amounts, which are in arrears, as at 31st March, 2009 to the extent provided in the books of accounts and separately identifiable for a period of more than six months from the date they become payable:

Name of Statute	Nature of Dues	Amount (in Rs.)
Income Tax Act, 1961	Fringe Benefit Tax	2,50,000
Investor Education and Protection Fund	Unclaimed Dividend	3,16,212
Investor Education and Protection Fund	Matured Public Deposits	4,73,760

- (b) *In the absence of complete availability of latest orders and other documentary evidences, we are unable to comment whether any dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, and Cess as applicable, were not deposited on account of any dispute.*
- (x) At the end of the current financial year, company's accumulated losses were more than 50% of its net worth. The company had incurred cash losses during the current financial year as well as in the immediately preceding financial year.
- (xi) According to the information and explanation given to us, we are explained that the company had not borrowed any money from any Bank or any Financial Institution and had not issued debentures during the year under report.
- (xii) We are informed that the company had not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to it.
- (xiv) On the basis of examination of books of accounts and according to information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other Investments.
- (xv) According to the information and explanation given to us by the Management, the Company had not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) We are informed that the Company had not obtained any term loans during the current financial year.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the company had not raised any funds on short-term basis.
- (xviii) According to the information and explanation given to us, the company had not made any preferential allotment of shares to parties or companies covered in register maintained under Section 301 of the Act.
- (xix) The company had not issued any debentures, consequently the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to it.
- (xx) The company had not raised any money by means of public issue.
- (xxi) 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, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the Management.

For **Suresh Bansal & Co.**

Chartered Accountants

Sd/-

**S. K. BANSAL**

Partner

Membership No. : 82242

Place : Faridabad  
Date : 26th August 2009  
Camp : Ghaziabad



# SWADESHI POLYTEX LIMITED

## ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 2009

Particulars	As At		As At	
	31st March, 2009		31st March, 2008	
<b>I. SOURCES OF FUNDS</b>				
<b>Shareholders Funds</b>				
Share Capital		39,000,000		39,000,000
Reserves and Surplus				
i) Capital Reserve	5,06,250		5,06,250	
ii) Capital Redemption Reserve	84,26,200		86,39,263	
iii) Revaluation Reserve	1,09,75,000	1,99,07,450	1,09,75,000	2,01,20,513
<b>Loan Funds</b>				
Secured Loan		355,111,462		275,000,000
Unsecured Loans		52,771,357		39,756,696
<b>TOTAL</b>		<b>466,790,269</b>		<b>373,877,209</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	46,966,953		513,239,812	
Less : Depreciation	32,581,479		484,172,223	
Net Block	14,385,474		29,067,589	
Plant & Machinery Held for Disposal	26,818,104			
Capital Work in Progress	—	41,203,578	44,874,769	73,942,358
<b>Investments</b>		5,400		5,400
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	16,915,934		24,607,352	
Sundry Debtors	49,658,931		51,569,496	
Cash & Bank Balances	17,116,865		31,307,641	
Loans & Advances	11,188,815		11,510,617	
Other Current Assets	435,858		21,965	
	95,316,402		119,017,071	
Less : Current Liabilities & Provisions				
Liabilities	112,386,394		128,749,395	
Provisions	10,562,032		669,415	
	122,948,426		129,418,810	
<b>Net Current Assets</b>		(27,632,025)		(10,401,739)
<b>Profit &amp; Loss Account</b>	612,869,291		469,987,165	
<b>Less : General Reserve</b>	(159,655,975)	453,213,316	(159,655,975)	310,331,190
<b>TOTAL</b>		<b>466,790,269</b>		<b>373,877,209</b>

Significant Accounting Policies & Practices and Notes on Accounts is enclosed 11

For Suresh Bansal & Co.  
Chartered Accountants

Sd/-  
S. K. Bansal  
Partner

Sd/-  
(R. K. Sharma)  
Director

Sd/-  
(H. S. Singh)  
Director

Place : Faridabad  
Camp : Ghaziabad  
Date : 26.08.2009

# SWADESHI POLYTEX LIMITED

## ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Current Year	Previous Year
<b>INCOME</b>		
Sales	3,499,685	—
Other Income	4,273,267	2,490,137
<b>TOTAL</b>	<u>7,772,952</u>	<u>2,490,137</u>
<b>EXPENDITURE</b>		
Cost of Traded Items sold	3,359,954	—
One Time Settlement with employees	—	160,717,792
Administrative, Legal & Other Expenses	60,575,512	14,336,265
Financial Expenses	86,007,636	26,933
<b>TOTAL</b>	<u>149,943,102</u>	<u>175,080,990</u>
<b>LOSS BEFORE DEPRECIATION</b>	142,170,150	172,590,853
Depreciation	925,038	2,363,938
Less: Charged from Revaluation Reserve	<u>(213,063)</u>	<u>(213,063)</u>
<b>LOSS AFTER DEPRECIATION</b>	142,882,125	174,741,728
Tax Expenses		
— Fringe benefit tax		
— Fringe Benefit	—	250,000
<b>LOSS AFTER TAX FOR THE YEAR</b>	<u>142,882,125</u>	<u>174,991,728</u>
Loss brought forward from previous year	<u>469,987,165</u>	<u>294,995,438</u>
<b>Balance carried forward to Balance Sheet</b>	<u>612,869,291</u>	<u>469,987,165</u>
<b>BASIC &amp; DILUTED EARNING PER SHARE (IN RS.)</b>	(36.64)	(44.87)
(Equity Shares of Rs. 10 each)		

### Significant Accounting Policies & Practices and Notes on Accounts is enclosed

For Suresh Bansal & Co.  
Chartered Accountants

Sd/-  
S. K. Bansal  
Partner

Sd/-  
(R. K. Sharma)  
Director

Sd/-  
(H. S. Singh)  
Director

Place : Faridabad  
Camp : Ghaziabad  
Date : 26.08.2009

# SWADESHI POLYTEX LIMITED

## ACCOUNTING POLICIES & PRACTICES AND NOTES TO ACCOUNTS

### A SIGNIFICANT ACCOUNTING POLICIES & PRACTICES

#### 1 (a) ACCOUNTING CONCEPTS

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountant of India, as applicable and the relevant provisions, rules and disclosure requirements of the Companies Act, 1956. Further the accounts have been prepared on a going concern basis.

#### (b) USE OF ESTIMATES

In preparing the financial statements in conformity with the generally accepted accounting principles management is required to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the amount of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

#### 2. FIXED ASSETS, REVALUATION OF ASSETS AND DEPRECIATION

- (a) Fixed assets are stated at their original cost of acquisition including cost of installation. MODVAT/CENVAT availed has been deducted from the cost of respective asset.
- (b) Projects under Commissioning and other Capital Works-in-Progress are carried at cost, comprising direct cost and related incidental expenses.
- (c) In case of Revaluation of Fixed Assets, the concerned asset is stated at revalued amount with the creation of Revaluation Reserve. Consequent depreciation on revalued portion of fixed assets based on the remaining useful life is being withdrawn from Revaluation reserve crediting the Profit & Loss Account.
- (d) Depreciation on Plant & Machinery and Buildings is being provided on Straight Line Method, other assets except leasehold land is provided on written down value method at the rates specified in Schedule XIV (as amended) to the Companies Act, 1956.
- (e) Premium on leasehold land is amortized over the period of lease and booked as depreciation.

#### 3. REVENUE

Sales is recognized on dispatch of goods and includes excise duty but excludes sales tax, rebate & discount allowed, as applicable and is net of return/rejections. Certain Incomes the accrual of which is ab-initio not agreed/disputed upon by the parties is not accounted for till such time is agreed / received. Similarly Interest on receivables are accounted only on the receipt or settlement of the same, which ever is earlier.

#### 4. INVENTORIES

Valuation of stocks is done as mentioned below:

Raw Material and Stores & Spares	: At lower of cost or Net relisable value
Work-in-Process	: At cost of material included therein or net realisable value whichever is lower.
Finished Goods	: At lower of cost or net realisable value
Saleable Waste and bye products	: At Net estimated relisable value

Finished products to the extent the Company has an export of obligation is valued at cost or export price whichever is lower, provided adequate orders are in hand.

- (a) Cost is arrived at using monthly weighted average method.
- (b) Cost of Finished Goods is inclusive of Excise Duty.

#### 5. TAXATION

##### i) Current Tax

- (a) Provision for Taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of Income Tax Act, 1961. However, where the tax is computed in accordance with the provision of Section 115 JB of the Income Tax Act, 1961, as Minimum Alternate Tax (MAT), it is charged off to the Profit & Loss Account of the relevant year.

## SWADESHI POLYTEX LIMITED

(b) Advance Income Tax is finally adjusted against the provision made for tax liability on final completion of all matters relating to that assessment year.

### ii) Deferred Tax

Deferred Income Tax is recognized, subject to the consideration of prudence, as the tax effect of timing difference between the taxable income and accounting income computed for the current accounting year and reversal of earlier years' timing differences.

Deferred Tax assets are recognized and carried forward to the extent there is reasonable certainty, except arising from unabsorbed depreciation and carry forward losses which are recognized to the extent of deferred tax liabilities or there is virtual certainty, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 6. Refunds of Taxes and Duties

Refund claims arising out of monies paid under protest or under appeals and charged to Revenue are accounted for at the time of receipt of orders or actual refunds whichever is earlier.

### 7. Contingent Liabilities

Disputed liabilities and claims against the company including claims raised by fiscal authorities (e.g. Sales Tax, Income Tax, Excise etc.) except frivolous claims for which no reliable estimate can be made of the amount of the obligation or which are remotely poised for crystallization are not provided for in accounts but disclosed in notes to accounts. However, present obligation as a result of past event with possibility of outflow of resources, when reliably estimable, is recognized in accounts.

## B. NOTES TO ACCOUNTS

### 1. Contingent Liabilities not provided for in respect of:

Claims against the Company not acknowledged as debts including excise, sales tax, Income Tax, Labour Disputes, Legal and other Disputes Rs. 1929 lacs (Previous year Rs. 445 lacs).

### 2. Information pursuant to AS 29, "Provisions, Contingent Liabilities and Contingent Assets issued by ICAI: Brief particulars of provisions on disputed liabilities :-

Particular of Provisions	Opening	Made during the year	used during the year	Closing
Provision for Contingencies	Nil	10000000	Nil	10000000

(i) Resulting outflows against above contingencies on account of various disputed cases pending before various forums, if matured, are expected to be in succeeding financial year.

(ii) Provisions are made herein for medium risk oriented issues as a measure of abundant precaution.

(iii) Company presumes remote risk possibility of further cash outflow pertaining to contingent liabilities listed in para 1 above.

### 3. In view of the Economic/Financial non-viability and ongoing labour problems etc., the Company had discontinued its operations of manufacturing of Polyester Fibres and Chips, the resumption of which seems to be very unlikely. The Management to the extent possible has considered necessary provisions and do not anticipate any significant change in the value of its current assets and liabilities which have been shown in the Balance Sheet. During the year the management has also initiated the process to explore the other avenues of business opportunities and has also carried out some trading activity. Keeping this in view the accounts of the company has been prepared on a assumption of going concern basis.

### 4. After successfully taking over the possession of the plant in the previous year, the following two actions have been taken up immediately by the management:

Technical evaluation of the Plant & Machinery and Capital Work In Progress(CWIP) by an independent expert agency, based on which, the entire Plant & Machinery and CWIP block was decided to be scrapped off and converted into Plant & Machinery held for disposal at lower of Net Block or Net realisable value, in accordance with the provisions of AS-10, "Accounting for Fixed Assets". Accordingly, the CWIP of Rs. 2,53,68,233, which

## SWADESHI POLYTEX LIMITED

---

has no realisable value has been charged to revenue in schedule 9 as Capital work In Progress Written off. Physical verification and technical evaluation of the inventory by an independent govt. approved agency, based on which entire Inventory was converted into Inventory held for disposal and accordingly an amount of Rs. 76,91,418 has been written off as loss due to reclassification of inventory.

5. The Company is in the process of obtaining confirmations from the suppliers who have registered themselves under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the information available with the Company, no balance is due to Micro & Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as on 31st March 2009. Further during the year no interest has been paid or payable under the terms of the said Act.
6. During the year company has received Rs. 148.60 Lacs (including Interest Rs. 83.40 Lacs) based on the order of Hon'able National Consumer Disputes Redressal Commission, New Delhi (NCDRC) in respect of ongoing case against a debtor. This amount was released on furnishing of Bank Guarantee and security in the form of company flats at Kavi Nagar. However the matter has since been remanded back by Hon'able Supreme Court to NCDRC for reconsideration. Accordingly, the Interest received has not been recognised and would be recognised on its final disposal.
7. Income Tax and Wealth Tax assessments have been completed upto Assessment year 1998-99 and against some of the orders, appeals are still pending. The Company has claimed losses in the return filed for subsequent years till Assessment years 2002 – 2003 and is of the view that majority of the losses will be available for set off against profits. In view of the aforesaid carried forward losses and unabsorbed depreciation, no provision for tax has been considered necessary in the accounts.
8. Balances appearing for debtors, creditors, loans, advances and all other parties are subject to confirmation, reconciliation and adjustments, if any, by the respective parties.
9. In respect of the secured loans taken from bodies corporate, the provision for interest has been considered in respect of one of the Body Corporate without any Default Interest and penalty. However, in view of the ongoing discussions for one time settlement with the other body corporate, the provision for interest has not been considered necessary by the management. Further Liability, if any would be provided for in the year of settlement.
10. Revaluation of fixed assets (Factory building & Plant and Machinery) was carried out during the year 1986-87 and accordingly increase in values due to revaluation had been credited to Revaluation Reserve. Since then, each year's withdrawal amount has been credited to Profit & Loss Account. During the year Rs. 2.13 Lacs (Previous Year Rs. 2.13 Lacs) has been withdrawn from the Revaluation Reserve and credited to Profit & Loss Account.
11. Related Party disclosure in accordance with the Accounting Standard-18, issued by the Institute of Chartered Accountants of India is given below: (1) Associates : National Textile Corporation Ltd. ( Holding more than 20% shareholding in the company) Nature of Transitions : Outstanding Balance as on 31.03.2009 : Rs. 2,30,21,597 (2) Associates : Paharpur Cooling Towers Ltd. (Holding indirectly more than 20% shareholding in the company) Nature of Transactions : Unsecured Loan taken : Rs. 1,69,72,831 Unsecured Loan repaid : Rs. 39,58,170 Outstanding Balance as on 31.03.2009 Secured Loan : Rs. 13,50,00,000 Unsecured Loan : Rs. 2,92,76,100
12. In accordance with the Accounting Standard-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the company has certain amounts eligible to create Deferred Tax assets (DTA). However, in the absence of virtual certainty with regards to realisation of DTA in the foreseeable future, DTA has not been recognised.
13. Previous years' figures have been regrouped/recast wherever considered necessary
14. The figures reported in financial statements have been rounded off to the nearest rupee.

## SWADESHI POLYTEX LIMITED

- 15 Additional information pursuant to provisions of paragraph 3 and 4 of part II of Schedule- VI of the Companies Act, 1956 (to the extent applicable)

Particulars	Current Year (Qty in MT)	Previous Year (Qty in MT)
<b>Registered Capacity</b>		
– Polyester Staple Fibre	30000 M.T.	30000 M.T.
– Polyester Chips	5000 M.T.	5000 M.T.
<b>Installed Capacity</b>		
– Polyester Staple Fibre	Not Applicable @	14000 M.T.
– Polyester Chips	Not Applicable @	3000 M.T.

@ Refer note no. 3 & 4 of schedule 11

16. (a) Information regarding production and stock

Particulars	Opening Stock M.T.	Production M.T.	Sales M.T.	Closing Stock M.T.
Methanol (By Product)	16 (16)	— (—)	— (—)	16 (16)

- (b) Information regarding Goods Traded

Particulars	OPENING		PURCHASE		SALES		CLOSING	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Fabric	— (—)	— (—)	25130 (—)	3359954 (—)	25130 (—)	3499685 (—)	— (—)	— (—)

Note: Figures in brackets represent previous year figures

For **Suresh Bansal & Co.**  
Chartered Accountants

Sd/-  
**S. K. Bansal**  
Partner

Place : Faridabad  
Camp : Ghaziabad  
Date : 26.08.2009

Sd/-  
(**R. K. Sharma**)  
Director

Sd/-  
(**H. S. Singh**)  
Director

## SWADESHI POLYTEX LIMITED

Registered Office: New Kavi Nagar, Industrial Area, Ghaziabad - 201 002 (UP)

### ANNUAL GENERAL MEETING

### PROXY FORM

Folio No. : .....

No. of Shares : .....  
(To be filled in by the Member)

I/We.....being a Member/Members  
of **Swadeshi Polytex Limited**, hereby appoint.....of.....  
in the district of.....or failing him.....of.....  
.....in the district of.....as my/our proxy to attend  
and vote for me /us and on my/our behalf at the 39th Annual General Meeting of the company to be held at the  
registered office of the Company on 30th September, 2009 at 12:00 Noon and at any adjournment thereof.

Signed this .....day of.....2009

Signature of Member 1.....

Signature of proxy 1.....

Signature attested by member 1.....2.....

Affix  
Re. 1/-  
Revenue  
Stamp

#### Note:

1. A proxy need not be a member of the company.
2. The Proxy duly completed must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting.

**BOOK POST**

*If undelivered, please return to :-*

**SWADESHI POLYTEX LIMITED**

**Registered Office:** New Kavi Nagar,  
Industrial Area Ghaziabad - 201002 (U.P.)