

**32nd ANNUAL REPORT AND ACCOUNTS
2011 - 2012**

BOARD OF DIRECTORS

| | |
|-------------------------|-------------------------------|
| Shri. V. T. Katare | Chairman & Executive Director |
| Shri. K. T. Katare | Managing Director |
| Shri. S. T. Katare | Director |
| Shri. S. B. Inamdar | Director |
| Shri. Y. N. Konda | Director |
| Shri. U. M. Mahindrakar | Director |
| Shri. G. S. Roongta | Director |

AUDITOR

G. M. PAWLE
Chartered Accountant
327, Sakhar Peth,
Solapur - 413 005

SPINNING MILL

Kamalanagar, Tamalwadi - 413 601
Tal. : Tuljapur, Dist. Osmanabad.

HOTEL TRIPURSUNDARI

Civil Lines, Solapur - 413 001

REGISTERED OFFICE

"KAMALA"
259, Sakhar Peth,
Solapur - 413 005

BANKERS

Bank of India,
Solapur.

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt. Ltd.,
Akshay Complex, Block No. 202, 2nd Floor,
Off. : Dhole Patil Road, Pune - 411 001.
E-mail : pune@intimespectrum.com

Katara Spinning Mills Ltd.

AUDITOR'S REPORT

To,
The Members,
Katare Spinning Mills Limited,
Solapur

1. I have audited the attached Balance Sheet of Katare Spinning Mills Limited, Solapur as at 31st March 2012, the statement of Profit and Loss and Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with the auditing standards generally accepted in India. Those Standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to above, I report that:
 - (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - (ii) In my opinion proper books of accounts as required by law have been kept by the company so far as appears from my examination of those books;
 - (iii) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - (iv) On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (v) In my opinion, the balance sheet and statement of profit and loss 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 to the extent applicable, subject to
 - a) The Nil balance of loan from ICICI Bank which was assigned by it to Kotak Mahindra Bank Ltd., as referred to, in Note No. 27(c) & (d) in notes on Accounts, at the year end is subject to confirmation in respect of final dues including interest and therefore, the impact of reconciliation and adjustment in respect of the loan, the profit for the year and net assets position as at year end and also its impact on concept of ongoing concern due to losses, is presently not ascertainable.
 - b) Receivables to the extent of Rs. 106,71,007 (Trade Receivables Rs. 19,58,790 & other current assets Rs.87,12,217) are bad for which no provision was made in the accounts in the year ended 31st March, 2012 as referred to, in Note No.17 & 20 in the notes on accounts and as such has resulted in overstatement of year end net Current Assets and Reserves & Surplus by Rs.1,06,71,007 each.
 - c) All the balances of Receivables and Payables are subject to confirmation and



reconciliation and adjustments, if any, required on reconciliation. The consequential effect of such possible adjustments and the extent thereof on the profit of the year, the year end Net Current Assets and Reserve & Surplus cannot be ascertained at this stage.

- d) No provision for gratuity payment on actuarial basis as on 31st March, 2012 was made hence it's effect on profit could not be ascertained as referred to in note no. 27(b) in the notes on accounts.
- (vi) Subject to my comments under paras (v) (a) to (d) above, in my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2012;
- (b) in the case of the statement of profit and loss account, of the Loss for the year ended on that date.
- (c) in the case of the cash flow statement of the cash flows for the year ended on that date.

Solapur
31st August, 2012



G. M. Pawle,
Chartered Accountant
M.No. 32561



ANNEXURE TO THE AUDITOR'S REPORT
(Referred to in paragraph 3 of my report of even date)

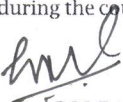
To,
The Members,
Katare Spinning Mills Limited,
Solapur

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) During the year, the company has not carried out physical verification of assets. In my opinion, the frequency of verification is not reasonable, having regard to the size and nature of its business.
- (c) The company has not disposed off any substantial part of the fixed assets of the fixed assets during the year and the going concern status of the company is not affected.
- (ii) (a) As informed the physical verification of inventories was conducted by the management at reasonable intervals. In my opinion, the frequency of verification is reasonable.
- (b) In my opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) I find from the records that no material discrepancies were noticed on physical verification of stocks referred above as compared to the book records and the same have been properly dealt with in the books of accounts.
- (iii) 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 Companies Act, 1956. Accordingly sub-clause (b) (c) and (d) 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 Companies Act, 1956. Accordingly sub-clause (f) and (g) are not applicable.
- (iv) In my opinion, and according to the information and explanations given to me, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and assets for the sale of goods. During the course of my audit, I have not observed any continuing failure to correct major weakness in internal control.
- (v) (a) According to the information and explanations given to me, I am of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rs. 50,000/- in respect of each party during the year I am unable to express my opinion whether the said transactions have been made at prices which are reasonable or not, having regard to the prevailing market price at the relevant time since there are no similar transactions entered into with the other parties and no such information about the relevant market price is available with the Company.
- (vi) The Company has not accepted any deposits from the public, hence provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.
- (vii) The company has a procedure for an internal audit system, which is commensurate with the size and the nature of its business.



- (viii) I have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and I am of the opinion that prima facie, the prescribed records have been made and maintained. I, however, have not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) The company is regular in depositing statutory dues including Provident Fund, Income Tax, Wealth Tax, Customs Duty and Value Added Tax.
- (x) a) As on 31st March, 2012 there were no accumulated losses.
b) During the financial year covered by my audit the company has incurred cash loss but has not incurred cash loss in the immediately preceding financial year.
- (xi) The company has defaulted in repayment of dues of loan from ICICI Bank Ltd. which was subsequently assigned by ICICI to Kotak Mahindra Bank Ltd. the details of which are covered in note no. 27(c),(d) & (e) of notes on accounts.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In my opinion, the company is not a chit fund or a nidhi/mutual fund society. Therefore the provisions of the clause no. 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In my opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and, hence, the requirements of para 4(xiv) are not applicable to the company.
- (xv) The company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xvi) The company has not taken any term loan during the year.
- (xvii) On the basis of my overall examination of Balance Sheet, I report that the funds raised on short-term basis have not been used for long-term investments. The company has not raised long-term funds during the year and, hence, the question of use of such funds for short-term investments does not arise.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) The company has not issued debentures during the year.
- (xx) The company has not raised any monies by public issue during the year.
- (xxi) On the basis of my examination and according to the information and explanations given to me, no fraud, on or by the company, has been noticed or reported during the course of my audit.

Solapur
31st August, 2012


G.M. PAWLE
Chartered Accountant



BALANCE SHEET As At 31st MARCH 2012

| Sr. No. | Particulars | Note No. | As At 31st March 2012 Rs. | As at 31st March 2011 Rs. |
|----------|------------------------------------|----------|---------------------------|---------------------------|
| A | EQUITY AND LIABILITIES | | | |
| 1 | Shareholders' funds | | | |
| | (a) Share Capital | 3 | 28500000 | 28500000 |
| | (b) Reserves and surplus | 4 | 122455840 | 143353360 |
| 2 | Non-current liabilities | | | |
| | (a) Long-term borrowings | 5 | 21361826 | 23683713 |
| | (b) Deferred tax liabilities (net) | 6 | 13241000 | 13482000 |
| | (c) Other long-term liabilities | 7 | 740197 | 10991640 |
| | (d) Long-term provisions | | -- | -- |
| 3 | Current liabilities | | | |
| | (a) Short-term borrowings | 8 | 82654073 | 55149865 |
| | (b) Trade payables | 9 | 17442647 | 13502631 |
| | (c) Other current liabilities | 10 | 9767781 | 11073196 |
| | (d) Short-term provisions | 11 | 5190195 | 5327197 |
| | Total | | 301353559 | 305063602 |
| B | ASSETS | | | |
| 1 | Non-current assets | | | |
| | (a) Fixed assets | | | |
| | (i) Tangible assets | 12.A | 148867147 | 165617862 |
| | (ii) Intangible assets | 12.B | 87456 | 20294 |
| | (iii) Capital work-in-progress | | 664840 | 664840 |
| | (b) Non-current investments | 13 | 11100 | 10487604 |
| | (c) Long-term loans and advances | 14 | 63226 | 103226 |
| | (d) Other non-current assets | 15 | 41185149 | 35226920 |
| 2 | Current assets | | | |
| | (a) Current investments | | -- | -- |
| | (b) Inventories | 16 | 26033846 | 37014656 |
| | (c) Trade receivables | 17 | 18581810 | 7692184 |
| | (d) Cash and cash equivalents | 18 | 26531205 | 34481233 |
| | (e) Short-term loans and advances | 19 | 29247046 | 4204758 |
| | (f) Other current assets | 20 | 10080734 | 9550025 |
| | Total | | 301353559 | 305063602 |

Notes forming part of the financial statements
In terms of my report attached.

1-33

For and on behalf of the Board

Solapur
31st August, 2012



G. M. Pawle
G. M. Pawle,
Chartered Accountant



T. Katare
T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

S. T. Katare
K. T. Katare
T. Katare

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

| Sr. No. | Particulars | Note No. | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---------|---|----------|------------------------------------|------------------------------------|
| 1 | Revenue from operations | 21 | 420659309 | 481017374 |
| 2 | Other income | 22 | 5106576 | 4255187 |
| 3 | Total revenue (1+2) | | 425765885 | 485272561 |
| 4 | Expenses | | | |
| | (a) Cost of materials consumed | 23.a | 126438300 | 127701769 |
| | (b) Purchases of stock-in-trade | 23.b | 222680400 | 262942000 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23.c | +5195502 | - 9351495 |
| | (d) Employee benefits expense | 24 | 23050928 | 21486835 |
| | (e) Finance costs | 25 | 13675947 | 10128438 |
| | (f) Depreciation and amortisation expense | | | |
| | Depreciation for the year | 12 | 17841726 | 17549441 |
| | Depreciation for the earlier year | 12 | 0 | 1560687 |
| | Transfer from revaluation reserve | | 12487384 | 12487384 |
| | (g) Other expenses | 26 | 38021601 | 46846628 |
| | Total expenses . | | 434417020 | 466376919 |
| 5 | Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4) | | -8651135 | 18895642 |
| 6 | Exceptional items | | 0 | 0 |
| 7 | Profit / (Loss) before extraordinary items and tax (5 + 6) | | -8651135 | 18895642 |
| 8 | Extraordinary items | | -- | -- |
| 9 | Profit / (Loss) before tax (7 + 8) | | -8651135 | 18895642 |
| 10 | Tax expense: | | | |
| | (a) Current tax expense for current year | | -- | 350000 |
| | (b) (Less): MAT credit | | -- | -- |
| | (c) Current tax expense relating to prior years | | -- | 143500 |
| | (d) Net current tax expense | | -- | 493500 |
| | (e) Previous year expenses | | -- | 345179 |
| | (f) Deferred tax | | 241000 | 1981000 |
| 11 | Profit / (Loss) from continuing operations (9 +10) | | -8410135 | 16075963 |
| 12 | Profit / (Loss) from discontinuing operations | | -- | -- |
| 13 | Profit / (Loss) for the year (11 + 12) | | -8410135 | 16075963 |
| 14 | Earnings per share (of 10/- each): | | | |
| | (a) Basic | | -2.95 | 5.64 |
| | (b) Diluted | | -- | -- |

Notes forming part of the financial statements
In terms of my report attached.

1-33

For and on behalf of the Board

Solapur
31st August, 2012



G. M. Pawle
G. M. Pawle,
Chartered Accountant



V. T. Katare
V. T. KATARE (Chairman & Executive Director)
K. T. Katare
K. T. KATARE (Managing Director)
S. T. Katare
S. T. KATARE (Director)

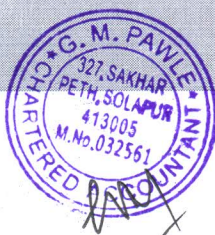
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Notes forming part of the financial statements

| Note | Particulars |
|------|--|
| 1 | <p>Corporate information</p> <p>The company is engaged in the business of manufacturing of cotton yarn and is also engaged in hospitality business. The cotton yarn manufacturing unit is situated at Tamalwadi, Taluka - Tuljapur, District - Osmanabad and its hotel viz. Hotel Tripursundari is situated at Solapur.</p> |
| 2 | <p>Significant accounting policies</p> |
| 2.1 | <p>Basis of accounting and preparation of financial statements</p> <p>The company maintains its accounts on accrual basis following historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles. Management makes estimates and technical and other assumptions regarding the amounts of incomes and expenses, assets and liabilities and disclosure of contingencies, in accordance with Generally Accepted Accounting Principles in India in the preparation of the financial statements. Difference between the actual results and estimates are recognised in the period in which they are determined.</p> |
| 2.2 | <p>During the year ended 31st March, 2012 the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised schedule does not impact recognition and measurement principles followed for the preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.</p> |
| 2.3 | <p>Fixed Assets</p> <p>Land and Leasehold Land, Factory Building, Hotel Building and Plant & Machinery have been shown as revalued by the approved Valuer on 31/03/2002 thereby increase in such assets in Gross Block by Rs. 19,56,71,129. Other fixed assets are recorded at cost of acquisition, net of modvat and VAT credit or cost of construction including directly attributable costs reduced by accumulated depreciation. Land on leasehold basis is included in the schedule of fixed assets.</p> |
| 2.4 | <p>Depreciation</p> |
| i | <p>Depreciation has been charged on the Straight Line Method in accordance with the rates specified under Schedule XIV to the Companies Act, 1956.</p> |
| ii | <p>Depreciation on assets added during the year has been provided on pro-rata basis.</p> |
| iii | <p>Depreciation on revaluation amount of fixed assets is adjusted by transferring the equivalent amount from Revaluation Reserve Account.</p> |
| 2.5 | <p>Inventories</p> <p>Raw Material, Work in Process, stores and spares, food and beverages are valued at cost on FIFO method. Finished Goods and Goods on Consignment are valued at cost or reliable value whichever is lower. Wastage and scrap are valued at Realisable Market Value.</p> |
| 2.6 | <p>Revenue recognition</p> <p>Sale of goods</p> <p>Sales are accounted net of returns and discounts and is accounted at the point of despatch of material to the customers. In the Hotel Division receipts from room rent are net of discount but inclusive of luxury tax and service charge. In case of food and beverage sales are accounted net of complimentary and discount but inclusive of service charge and vat.</p> |



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- 2.7 **Other income**
Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.
- 2.8 **Cash and cash equivalents (for purposes of Cash Flow Statement)**
Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.
- 2.9 **Cash flow statement**
Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.
- 2.10 **Foreign currency transactions and translations**
There were no foreign currency transactions.
- 2.11 **Investments**
Investments are stated at cost.
- 2.12 **Employee/Retirement benefits**
Defined contribution plans
The Company's contribution to provident fund and pension fund are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.
Defined benefit plans
Gratuity is accounted for on actual payment basis. No provision for gratuity on actuarial basis is made and hence its effect on profit or loss cannot be ascertained.
- 2.13 **Borrowing costs**
Borrowing costs include interest, amortisation of ancillary costs incurred. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets.
- 2.14 **Segment reporting**
The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

A handwritten signature in black ink is written over a blue circular stamp. The stamp contains the text "KATARE SPINNING MILLS LTD." around the perimeter. The signature appears to be "D. Thakur".



- 2.15 **Taxes on Income**
Current Tax
Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.
Deferred Tax
Deferred tax is calculated at the rates and laws that have been enacted or substantially enacted as of the balance sheet date and is recognised on timing differences that originate in one period and are capable of reversal in one or more subsequent period, Deferred tax assets, subject to consideration of prudence are recognised and carried forward only to the extent that they can be realised.
Minimum Alternate Tax (MAT)
Minimum alternate Tax paid in accordance with the tax laws, which give rise to the future economic benefits in the form of adjustment to future income tax liability, is considered as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the company and the asset can be measured reliably.
- 2.16 **Earnings per share**
Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.
- 2.17 **Research and development expenses**
Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Tangible Fixed Assets and Intangible Assets.
- 2.18 **Provisions and contingencies**
A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.
- 2.19 **Insurance claims**
Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.
- 2.20 **Service tax input credit**
Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.



Notes forming part of the financial statements
Note 3: Share Capital

| Sr. No. | Particulars | As at 31st March 2012 | | As at 31st March 2011 | |
|---------|--|-----------------------|-----------------|-----------------------|-----------------|
| | | Number of shares | Value in Rs. | Number of shares | Value in Rs. |
| (a) | Authorised Capital Equity shares of 10/- each with voting rights | 6000000 | 60000000 | 6000000 | 60000000 |
| (b) | Issued Capital Equity shares of 10/- each with voting rights | 2850000 | 28500000 | 2850000 | 28500000 |
| (c) | Subscribed and fully paid up Capital Equity shares of 10/- each with voting rights | 2850000 | 28500000 | 2850000 | 28500000 |
| (d) | Subscribed but not fully paid up | 0 | 0 | 0 | 0 |
| | Total | 28,50,000 | 28500000 | 28,50,000 | 28500000 |

a. Reconciliation of the Shares outstanding at the beginning and at the end of the reporting period

| Equity shares | No. of shares | Value in Rs. |
|--|---------------|--------------|
| No. of shares outstanding at the beginning of the year | 2850000 | 28500000 |
| Add : further issue during the period | 0 | 0 |
| No. of shares outstanding at the end of the period | 2850000 | 28500000 |

b. Terms/rights attached to shares

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to number of equity shares held by the shareholders.

c. Shareholding of more than 5%

| Sr. No. | Name of the Shareholder | As at 31st March 2012 | | As at 31st March 2011 | |
|---------|-------------------------------------|-----------------------|----------------|-----------------------|----------------|
| | | % held | No. of shares% | % held | No. of shares% |
| 1 | Vijay Tippanna Katere | 10.30 | 293489 | 10.3 | 293489 |
| 2 | Subhash Tippanna katare | 11.79 | 336005 | 11.45 | 326205 |
| 3 | Kishore Tippanna Katare | 12.29 | 350134 | 12.29 | 350134 |
| 4 | Tippanna Tulsiran Katare (deceased) | 10.04 | 286236 | 10.04 | 286236 |
| 5 | Tulsidas Tippanna Katare (deceased) | 11.55 | 329204 | 11.55 | 329204 |

- d. Shares reserved for issue under options Nil
- e. Employees Stock Option Scheme Nil
- f. Bonus shares/Buy Back/Shares for consideration other than cash issued during past five years Nil



Note 4: Reserves and Surplus

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|---|-----------------------|-----------------------|
| i | Share Premium | 49068 | 49068 |
| ii | Capital Reserve | 15058423 | 15058423 |
| iii | Central Subsidy | 0 | 1000000 |
| iv | State Government Capital Incentive | 0 | 5000000 |
| v | General Reserve | | |
| | Opening Balance | 0 | 0 |
| | Add : transfer from central & state subsidy | 6000000 | 0 |
| | Closing balance | 6000000 | 0 |
| vi | Revaluation Reserve | 83284673 | 95772057 |
| | Less : utilised for set off against depreciation transfer to statement of profit and loss | 12487384 | 12487384 |
| | Closing balance of revaluation reserve | 70797289 | 83284673 |
| vii | Surplus as per statement of profit and loss | | |
| | Balance brought forward | 38961194 | 22885233 |
| | Add Profit/loss for the period | -8410135 | 16075963 |
| | Closing balance of surplus | 30551059 | 38961196 |
| | Total | 122455840 | 143353359.6 |

Note 5 : Long-term borrowings

| Sr. No. | Particulars | Non Current Portion | | Current Maturities | |
|---------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | | As at 31st March 2012 | As at 31st March 2011 | As at 31st March 2012 | As at 31st March 2011 |
| (a) | Term Loans | | | | |
| | From banks - secured | | | | |
| | Bank of India Term loan | 0 | 4044850 | 7393819 | 10320000 |
| | Sub total | 0 | 4044850 | 7393819 | 10320000 |
| (b) | From other parties - secured | | | | |
| | Loan from LIC on Keyman Insurance Policy | 21361826 | 19638863 | -- | -- |
| | Sub total | 21361826 | 19638863 | | |
| | Grand Total | 21361826 | 23683713 | 7393819 | 10320000 |

5.1 Additional information to Secured / Unsecured Borrowings

The long term portion of term loans are shown under long term borrowings & current maturities of long term borrowings are shown under the current liabi. as per the disclosure requirements of the revised schedule VI.

5.2 Details of Securities & Terms of Repayment

a. The term loan from Bank of India is secured by hypothecation of all stock of raw material, stores, work in process, finished goods, book debts, equitable mortgage of Hotel property & second charge on the immovable properties of the company situated at Village - Tamalwadi, District - Osmanabad together with all buildings and structures thereon & all Plant & Machinery and joint and several guarantee of the Directors Shri V.T. Katare, Shri K. T. Katare and Shri S T Katare.

b. Loan from Life Insurance Corporation of India is secured by an assignment of Director's Key man life insurance policies in their favour.



Note 6 : Deferred Tax Liabilities (Net)

Deferred tax liability for the period ended March 31, 2012 has been provided on the estimated tax computation for the year. Major components of deferred tax assets & liabilities arising on account of timing differences are :

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|---|-----------------------|-----------------------|
| A | Deferred Tax Liabilities : | | |
| | On account of timing difference in depreciation | 17740000 | 18202000 |
| | Others | 9629000 | 9119000 |
| | Subtotal A : | 27369000 | 27321000 |
| B | Deferred Tax Asset : | | |
| | Unabsorbed depreciation & losses | 6711000 | 5446000 |
| | Disallowances | 661000 | 1620000 |
| | Provision for bad & doubtful debts | 6756000 | 6773000 |
| | Subtotal B : | 14128000 | 13839000 |
| C | Deferred Tax Asset / Liability (A-B) | 13241000 | 13482000 |

Note 7: Other long-term liabilities

| | | |
|--|--------|----------|
| Others: | | |
| (i) Interest accrued but not due on borrowings | | |
| Interest on LIC loan | 333734 | 285138 |
| (ii) Others | 406463 | 10706502 |
| Total | 740197 | 10991640 |

Note 8 : Short-term borrowings

| | | |
|---------------------------|----------|----------|
| Loans repayable on demand | | |
| From banks - secured | | |
| Cash Credit | 57549420 | 38861983 |
| FD-OD | 25104653 | 16287882 |
| Total | 82654073 | 55149865 |

Details of Securities & Terms of Repayment

- a. The cash credit loan from Bank of India is secured by hypothication of all stock of raw material, stores, work in process, finished goods, book debts, equitable mortgage of Hotel property & second charge on the immovable properties of the company situated at Village - Tamalwadi, District - Osmanabad together with all buildings and structures thereon & all Plant & Machinery and joint and several guarantee of the Directors Shri V.T. Katare, Shri K. T. katare and Shri S T Katare.
- b. Overdraft from Kamala Co-op Bank is secured against Fixed Deposit with the said Bank.

Note 9 : Trade payables

| | | |
|------------------------|----------|----------|
| Trade payables: | | |
| Other than Acceptances | 17442647 | 13592631 |
| Total | 17442647 | 13592631 |



Note 10 : Other current liabilities

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|---|-----------------------|-----------------------|
| | (a) Current maturities of long-term debt (BOI) | 7393819 | 10320000 |
| | (b) Int. accrued but not due on borrowings (Bank) | 97859 | -- |
| | (c) Other payables | | |
| | (i) Statutory remittances | 546044 | 531069 |
| | (ii) Advances from customers | 972662 | 209433 |
| | (iii) Others | 757398 | 12695 |
| | Total | 9767781 | 11073196 |

Note 11 : Short-term provisions

| | | | |
|--|--------------------|----------------|----------------|
| (a) Provision for employee benefits: | | | |
| (i) Provision for bonus | | 1699140 | 1440055 |
| (ii) Provision for other employee benefits | | 1964037 | 1874577 |
| | Subtotal (a) | 3663177 | 3314632 |
| (b) Provision - Others: | | | |
| (i) Provision for tax | | 35333 | 469256 |
| (ii) Other provisions | | 1491685 | 1543309 |
| | Subtotal (b) | 1527018 | 2012565 |
| | Grand Total | 5190195 | 5327197 |



Note 12 : Fixed assets

| Sr. | Particulars | GROSS BLOCK | | | | Accumulated depreciation and impairment | | | | NET BLOCK | |
|-----------|-----------------------------|-----------------------------|-----------|-----------|-------------------|---|-----------------------------|--|---------------------------|---|-----------------------------|
| | | Balance as at 1 April, 2011 | Additions | Disposals | Other adjustments | Balance as at 31 March 2012 | Balance as at 1 April, 2011 | Depreciation/amortisation expense for the year | Depriciation written back | Other adjustments (Depr. For earlier years) | Balance as at 31 March 2012 |
| A. | Tangible assets. | | | | | | | | | | |
| | (a) Land Freehold | 19144835 | 0 | 0 | 0 | 19144835 | 0 | 0 | 0 | 0 | 19144835 |
| | (b) Buildings Own use | 87396109 | 0 | 0 | 0 | 87396109 | 34139398 | 2264086 | 0 | 0 | 50992625 |
| | Hotel Building | 48425390 | 136148 | 0 | 0 | 48561538 | 9342157 | 789049 | 0 | 0 | 38430332 |
| | (c) Plant & Equipment | 256614865 | 731032 | 0 | 0 | 257345897 | 211166473 | 13069550 | 0 | 0 | 33109874 |
| | (d) Furniture & Fixtures | | | | | | | | | | |
| | Owned | 2774419 | 0 | 0 | 0 | 2774419 | 2157299 | 92421 | 0 | 0 | 524699 |
| | Spinning Division | 16349447 | 25862 | 0 | 0 | 16375309 | 10565688 | 1125222 | 0 | 0 | 4684399 |
| | Hotel Division | | | | | | | | | | |
| | (e) Vehicles | 1505485 | 0 | 0 | 0 | 1505485 | 1092105 | 44370 | 0 | 0 | 369010 |
| | Owned | 335036 | 0 | 0 | 0 | 335036 | 272734 | 8244 | 0 | 0 | 54058 |
| | (g) Others | | | | | | | | | | |
| | Owned | 1927653 | 184650 | 0 | 0 | 2112303 | 1628229 | 245648 | 0 | 0 | 238426 |
| | Computer Hardware | 9671 | 0 | 0 | 0 | 9671 | 7958 | 246 | 0 | 0 | 1467 |
| | Books | 380878 | 0 | 0 | 0 | 380878 | 311759 | 16332 | 0 | 0 | 52787 |
| | Research & Devp. Equipments | 3822859 | 0 | 0 | 0 | 3822859 | 2384978 | 173245 | 0 | 0 | 1437881 |
| | Other Assets | 43868646 | 1077692 | 0 | 0 | 439764338 | 273068778 | 17828413 | 0 | 0 | 148867147 |
| | Total Tangible Assets | | | | | | | | | | |
| | B. Intangible assets | | | | | | | | | | |
| | (a) Computer software | 25981 | 80475 | 0 | 0 | 106456 | 5687 | 13313 | 0 | 0 | 87456 |
| | Total Intangible assets | 25981 | 80475 | 0 | 0 | 106456 | 5687 | 13313 | 0 | 0 | 87456 |
| | Total Fixed Assets | 438712627 | 1158167 | 0 | 0 | 439870794 | 273074465 | 17841726 | 0 | 0 | 148954603 |
| | Total Previous year | 435500204 | 4359208 | 1146785 | | 435712627 | 255111128 | 17549441 | 1146785 | 300687 | 165638156 |

Note : Land & leasold land, Factory Building, Hotel Building & Plant & Machinery were revalued as on 31st March 2002 resulting in increase in value for these assets by Rs. 1,53,81,222/-, Rs. 5,09,59,442/- and Rs. 12,48,85,771/- respectively.



Note 13 : Non-current investments

| Sr. No. | Particulars | As at 31st March 2012 | | | As at 31st March 2011 | | |
|---------|---|-----------------------|-----------|-------|-----------------------|-----------|----------|
| | | Quoted | Un quoted | Total | Quoted | Un quoted | Total |
| | Other Investments | | | | | | |
| | Investment in equity instruments (i) of other entities | | | | | | |
| | Rayalseema Mills Ltd. | 0 | 0 | 0 | 10476504 | 0 | 10476504 |
| | 119140 eq. shares of Rs. 10 each fully paid Bank of India | 9000 | 0 | 9000 | 9000 | 0 | 9000 |
| | 200 equity shares of Rs. 10 each fully paid Laxmi Co-op. Bank | 0 | 100 | 100 | 0 | 100 | 100 |
| | 1 equity share of Rs. 100 fully paid Kamala Co-op. Bank Ltd. | | 2000 | 2000 | 0 | 2000 | 2000 |
| | 2 equity shares of Rs. 1000 each fully paid | | | | | | |
| | Total - Other Investments | 9000 | 2100 | 11100 | 10485504 | 2100 | 10487604 |

Note 14 : Long-term loans and advances

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|------------------|-----------------------|-----------------------|
| | Capital advances | 63226 | 103226 |
| | Total | 63226 | 103226 |

Note 15 : Other Non-current Assets

| | | |
|---|----------|------------|
| (a) Security deposits | 2262287 | 2261688.00 |
| (b) MAT credit entitlement - Unsecured, considered good | 8570714 | 5301723 |
| (c) Balances with government authorities | 3352148 | 2163509 |
| (d) Other | 27000000 | 25500000 |
| Total | 41185149 | 35226920 |

Note 16 : Inventories

(At lower of cost and net realisable value)
(As taken valued & certified by the Managing Director)

| | | |
|--|----------|----------|
| (a) Raw materials | 8775728 | 14087021 |
| (b) Work-in-progress | 781456 | 1934944 |
| (c) Finished goods (other than those acquired for trading) | 13847864 | 17602230 |
| (d) Stock-in-trade (acquired for trading) | -- | -- |
| (e) Stores and spares | 2256772 | 2688749 |
| (f) Others | | |
| Food & Beverages | 146500 | 187952 |
| Wastage & Scrap | 216159 | 503807 |
| diesel (fuel) | 9367 | 9953 |
| Total | 26033846 | 37014656 |

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[Circular stamp: THE SPINNING MILLS LTD.]



Note 17 : Trade receivables

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|---|-----------------------|-----------------------|
| | Trade receivables (Unsecured, considered good) outstanding for a period exceeding six months | 2308274 | 2320024 |
| | Other Trade receivables (Unsecured, considered good) outstanding for a period less than six months | 16273536 | 5372161 |
| | Total | 18581810 | 7692184 |

- a. Trade receivable to the extent of Rs. 1958790/- are bad for which no provision is made.
b. Trade receivable include amounts due from:

| | | |
|--|---------|----|
| Firms in which any director is a partner | | |
| K. C. Mills | 2470544 | -- |
| Grand Total | 2470544 | -- |

Note 18 : Cash and cash equivalents

| | | |
|--------------------------|----------|----------|
| (a) Cash on hand | 66317 | 477747 |
| (b) Balances with banks | | |
| (i) In current accounts | 133795 | 11509060 |
| (ii) In deposit accounts | 26331093 | 22494426 |
| Total | 26531205 | 34481233 |

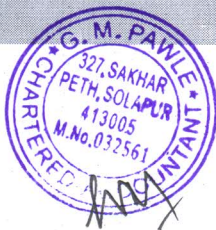
Note 19 : Short-term loans and advances

| | | |
|---|----------|---------|
| (a) Loans and advances to related parties | | |
| Unsecured, considered good | 181175 | 227536 |
| (b) Prepaid expenses - Unsecured, considered good | 241999 | 196867 |
| (c) Balances with government authorities | | |
| Unsecured, considered good | | |
| (i) a. Income tax / TDS | 162241 | 128426 |
| b. Advance income tax | 578666 | 3360566 |
| c. TCS Income tax- Hotel | 1227 | -- |
| (d) Others (Unsecured, considered good) | 28081738 | 291363 |
| Grand Total | 29247046 | 4204758 |

Short-term loans and advances include amounts due from:

| | | |
|--|--------|--------|
| Directors | Nil | Nil |
| Other officers of the Company | Nil | Nil |
| S S Katare | 21315 | 67676 |
| Firms in which any director is a partner | Nil | Nil |
| Pvt. companies in which any director is a director/member. | Nil | Nil |
| Rayalseema Mills Ltd. | 154760 | 154760 |
| Kamala Sakhar Udyog Ltd. | 5100 | 5100 |
| Grand Total | 181175 | 227536 |

Shree

Note 20: Other current assets

| Sr. No. | Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---------|------------------------------|-----------------------|-----------------------|
| (a) | Accruals | | |
| | Interest accrued on deposits | 474181 | 776672 |
| (b) | Others | | |
| | Others | 9606553 | 8773353 |
| | Total | 10080734 | 9550025 |

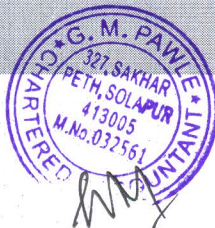
- a. Other current assets includes Rs. 87,12,217/- which are considered bad for which no provision is made. This amount of Rs. 87,12,217 is recoverable from Maharashtra State Cotton Growers Marketing Federation and in the opinion of the company same is fully recoverable.

Note 21 : Revenue from operations

| | | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|-----|--------------------------------------|------------------------------------|------------------------------------|
| (a) | Sale of products | 390645154 | 453401214 |
| (b) | Sale of services | 27671613 | 24889771 |
| (c) | Other operating revenues | 2342542 | 2726389 |
| | | 420659309 | 481017374 |
| (d) | Less: | | |
| | Excise duty | 0 | 0 |
| | Total Revenue from operations | 420659309 | 481017374 |

Note :

| | | | |
|-----|--|------------------|------------------|
| i | Sale of products comprises : | | |
| | Manufactured goods | | |
| | Cotton Yarn | 144613160 | 168965980 |
| | Sale of foods and beverages | 23351594 | 19847234 |
| | Total - Sale of manufactured goods | 167964754 | 188813214 |
| | Traded goods | | |
| | Cotton Yarn | 222680400 | 264588000 |
| | Total - Sale of traded goods | 222680400 | 264588000 |
| | Total - Sale of products | 390645154 | 453401214 |
| ii | Sale of services comprises | | |
| | Room Rent - Hotel | 22946129 | 19918950 |
| | Service charges (Management share - Hotel) | 2787001 | 3044510 |
| | Cotton processing Charges | 487760 | 489810 |
| | Hank yarn receipt | 1450723 | 1436501 |
| | Total - Sale of services | 27671613 | 24889771 |
| iii | Other operating revenues comprise: | | |
| | Sale of scrap | 2342542 | 2726389 |
| | Total - Other operating revenues | 2342542 | 2726389 |



Note 22 : Other income

| Sr. No | Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|--------|---|------------------------------------|------------------------------------|
| a. | Interest income (Refer Note (i) below) | 2200504 | 1679964 |
| b. | Dividend Income from other long term investments | 1400 | 1550 |
| c. | Insurance claim received Spinning Division | -- | 151454 |
| | Hotel Division | -- | 74448 |
| d. | Rent received Spinning Division | 25000 | 25000 |
| | Hotel Division - Shop rent | -- | 165000 |
| | Hotel Division - Room rent | 330000 | -- |
| f. | Other non-operating income (Refer Note (ii) below) | 2549672 | 2157771 |
| | Total | 5106576 | 4255187 |

Note :

| | | | |
|-----------|--|----------------|------------------|
| i | Interest income comprises: | | |
| | Interest from banks on deposits: | | |
| | Spinning Division | 67258 | 63916 |
| | Hotel Division | 2001922 | 1487166 |
| | Other interest | | |
| | Interest on MSEB deposit | | |
| | Spinning Division | 116279 | 114906 |
| | Hotel Division | 15045 | 13976 |
| | Total - Interest income | 2200504 | 1679964 |
| ii | Other non-operating income comprises: | | |
| | Profit on sale of fixed assets | -- | 85000 |
| | Liabilities/provisions no longer required written back | 332850 | -- |
| | Accrued Bonus on key Man Policies | 1500000 | 1500000 |
| | Food deduction from employees - Hotel | 466618 | 457894 |
| | Miscellaneous receipts - Hotel | 181154 | 114877 |
| | P/A system - Hotel | 19500 | -- |
| | Venue charges - Hotel | 49550 | -- |
| | Total - Other non-operating income | 2549672 | 2,157,771 |



Note 23.a Cost of materials consumed

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|--|------------------------------------|------------------------------------|
| Spinning Division | | |
| Opening stock | 14087021 | 40610984 |
| Add: Purchases of raw cotton | 113075960 | 94412017 |
| Subtotal | 127162981 | 135023001 |
| Less: Sale of raw cotton | 0 | 1256916 |
| Less: Discount received | 0 | 1029 |
| Less: Raw cotton return | 1790011 | 1177260 |
| Less: Closing stock | 8775728 | 14087021 |
| Raw material (cotton) consumed | 116597242 | 118500775 |
| Hotel Division | | |
| Opening stock | 187952 | 165863 |
| Add: Purchases food & beverages | 9799606 | 9223083 |
| Subtotal | 9987558 | 9388946 |
| Less: Closing stock | 146500 | 187952 |
| Food & beverages consumed | 9841058 | 9200994 |
| Total cost of material consumed | 126438300 | 127701769 |

Note 23.b Purchase of traded goods

| | | |
|--------------|------------------|------------------|
| Cotton Yarn | 222680400 | 262942000 |
| Total | 222680400 | 262942000 |

Note 23.c Changes in inventories of finished goods, work-in-progress and stock-in-trade

| | | |
|--|-----------------|----------------|
| Inventories at the end of the year: | | |
| Finished goods | 13847864 | 17602230 |
| Work-in-progress | 781456 | 1934944 |
| Wastage & scrap | 216159 | 503807 |
| | 14845479 | 20040981 |
| Inventories at the beginning of the year: | | |
| Finished goods | 17602230 | 9238859 |
| Work-in-progress | 1934944 | 578523 |
| Wastage & scrap | 503807 | 872104 |
| | 20040981 | 10689486 |
| Net (increase) / decrease | -5195502 | 9351495 |

Note 24 : Employee benefits expense

| | | |
|--|-----------------|-----------------|
| Salaries and wages | 20832204 | 19224617 |
| Contributions to provident and other funds | 2050270 | 2032632 |
| Staff welfare expenses | 168454 | 229586 |
| Total | 23050928 | 21486835 |



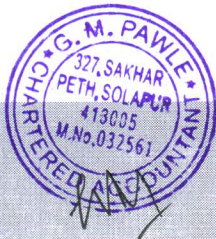
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Note 25 : Finance costs

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---------------------------|------------------------------------|------------------------------------|
| (a) Interest expense on: | | |
| (i) Borrowings | | |
| On term loan (BOL) | 1613163 | 2324131 |
| Bank interest | 9866883 | 5735439 |
| Other interest (LIC loan) | 1773731 | 2004868 |
| (b) Other borrowing costs | | |
| Loan processing expenses | 422170 | 64000 |
| Total | 13675947 | 10128438 |

Note 26 : Other expenses

| | | |
|---|-----------------|-----------------|
| Consumption of stores and spare parts | 5343968 | 5497116 |
| Consumption of packing materials | 852260 | 822988 |
| Power and fuel | 19607529 | 20378616 |
| Rent | 12000 | 12000 |
| Repairs and maintenance - Buildings | 1895401 | 1909529 |
| Repairs and maintenance - Machinery | 639981 | 1257545 |
| Repairs and maintenance - Others | 708341 | 873387 |
| Insurance | 988990 | 724685 |
| Keyman insurance | -- | 1112000 |
| Rates and taxes | 913516 | 828331 |
| Communication | 302858 | 274753 |
| Travelling and conveyance | 1026020 | 1015582 |
| Printing and stationery | 218447 | 215830 |
| Freight and forwarding | 1232411 | 4573516 |
| Sales commission | 254499 | 224495 |
| Legal and professional | 613718 | 944338 |
| Payments to auditors | | |
| - As auditors - statutory audit | 67716 | 51115 |
| - For other services - Tax audit | -- | 10000 |
| Bad trade and other receivables written off | -- | 3706307 |
| Bank charges | 215621 | 239957 |
| Directors sitting fees | 25000 | 27000 |
| Advertisement | 51340 | 30604 |
| Sales tax | 376 | 204508 |
| M VAT | 1448477 | 1111755 |
| Luxary Tax Paid | 510604 | -- |
| Loundry expenses | 272715 | 213553 |
| News papers & periodicals | 60238 | 55246 |
| Miscellaneous expenses | 759574 | 531872 |
| Total | 38021601 | 46846628 |



Note 27: Contingent Liabilities:

- a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for amount worth of Rs. NIL (Previous Year Rs. NIL)
- b) Provision for gratuity is not made on actuarial basis hence its liability till the end of the year under audit could not be ascertained.
- c) The company had availed term loan from ICICI Bank Ltd. for which company's proposal of One Time Settlement at Rs. 350 lacs was accepted against which company made part payments. Meantime ICICI Bank Ltd. assigned the said account to Kotak Mahindra Bank Ltd. and as per the order of Hon. High Court Mumbai, the company deposited Rs. 316 lacs with the High Court, Mumbai. According to company there is no outstanding balance of ICICI Bank Ltd. In the meantime Kotak Mahindra Bank Ltd. filed an application with Debt Recovery Tribunal, Pune for balance payment and DRT issued an order against the company. Company has filed review petition before Debt Recovery Appellate Tribunal, Mumbai which is pending. Kotak Mahindra Bank Ltd. again filed winding up petition with High Court, Mumbai for recovery and the Hon. High Court Mumbai has ordered the company to deposit Rs. 325 lacs against the case in Debt Recovery Appellate Tribunal, Mumbai and has set aside the winding up. The company has deposited the said amount of Rs. 325 lacs in stipulated time.
- d) Based on the OTS as accepted in principal by ICICI at Rs. 350 lacs, interest payable till 31.03.2002 was written off and the balance amount of principal loan was transferred to Capital Reserve. In view of the above total dues payable are not ascertained and No provision is made for dues comprising of principle amount of Term Loan and interest payable thereon for the financial year ending on 31.03.2002 to 31.03.2012.

Note 28: Disclosure of transactions with related parties:

The names of related parties are,

- A. Key Management Personnel
Mr. Kishor T. Katare - Managing Director
Mr. Vijay T. Katare - Executive Director
- B. Relatives of Key Management Personnel:
Mr. Sachin S Katare
Mr. Rakesh V Katare
- C. Associate Enterprises:
Kamal Marketing Private Limited
M/s Katare Cotton Waste Spinning Mills



D. Transactions with related parties

(Amount in Rs.)

| Particulars | Key Management Personnel | Relatives of Key Management Personnel | Associate Enterprises |
|---------------------------------|--------------------------|---------------------------------------|-----------------------|
| i. Rent of Office Premises Paid | 12,000 | --- | --- |
| ii. Directors Remuneration | 9,40,800 | --- | --- |
| iii. Remuneration to relatives | --- | 4,01,980 | --- |
| iv. Purchase of goods | --- | --- | 22,95,03,502 |
| v. Purchase of electricity | --- | --- | 25,15,637 |
| vi. Sale of Goods | --- | --- | 23,10,38,800 |
| vii. Rent Received | --- | --- | 25,000 |
| viii. Sale of Services | --- | --- | 11,63,015 |

Note 29: Segment Reporting:

(Amount Rs. In Lacs)

| SEGMENT REVENUE | Spinning Division | | Hotel Division | | Total | |
|--------------------------------------|-------------------|------|----------------|------|-------|-------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Sales Revenue | 3673 | 4336 | 463 | 398 | 4136 | 4734 |
| Segment Result | (143) | 176 | 163 | 100 | 20 | 276 |
| Unallocated Corporate Expenses | (8) | (19) | 0 | (0) | (8) | (19) |
| Unallocated Corporate Income | 15 | 15 | 0 | 0 | 15 | 15 |
| Operating Profit | (136) | 172 | 163 | 100 | 27 | 272 |
| Interest Expenses | (117) | (88) | (16) | (12) | (133) | (100) |
| Interest Income | 2 | 2 | 20 | 15 | 22 | 17 |
| Profit/loss from ordinary activities | (251) | 86 | 167 | 103 | (84) | 189 |
| Extra-Ordinary items | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Profit/loss | (251) | 86 | 167 | 103 | (84) | 189 |
| OTHER INFORMATION: | | | | | | |
| Segment Assets | 2045 | 2203 | 989 | 952 | 3034 | 3155 |
| Segment Liabilities | 2045 | 2302 | 989 | 853 | 3034 | 3155 |
| Depreciation (net) | 138 | 138 | 40 | 53 | 178 | 191 |

Note 30: Earnings Per Share (EPS) :

| Particulars | 31.03.2012 | 31.03.2011 |
|--|------------|-------------|
| a. Net Profit/(Loss) as per profit and loss a/c available for equity share holders | -84,10,135 | 1,60,75,963 |
| b. Weighted average no. of equity shares | 2850000 | 2850000 |
| c. Earning/(Loss) per share | -2.95 | 5.64 |

Note: There are no diluted equity shares, therefore, no working is given for diluted earnings per share.



Note 31: Deferred Taxation:

(In Rs. Lacs)

| Particulars | Balance as on 31.03.2011 | Arising during the year | Balance as on 31.03.2012 |
|---|--------------------------|-------------------------|--------------------------|
| A. Deferred Tax Liabilities: | | | |
| - on account of timing difference in depreciation | 182.02 | -4.62 | 177.40 |
| - Others | 91.19 | 5.11 | 96.29 |
| Sub Total A: | 273.21 | 0.48 | 273.69 |
| B. Deferred Tax Assets | | | |
| - Unabsorbed depreciation and losses | 54.46 | 12.65 | 67.11 |
| Disallowances | 16.20 | -9.59 | 6.61 |
| - Provision for Bad & Doubtful Debts | 67.73 | -0.17 | 67.56 |
| Sub Total B: | 138.39 | 2.89 | 141.28 |
| C. Deferred Tax Assets/Liab (B-A) | 134.82 | -2.41 | 132.41 |

Company has made provision for deferred tax liability as above.

Note 32: The revised schedule VI has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure & presentation made in financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Note 33: Balances of Trade payables, Loans & advances & trade receivables have been taken as per books awaiting respective confirmation & reconciliation.

As per my report of even date

G. M. Pawle
Chartered Accountant

Solapur
31st August, 2012



For and on behalf of the Board

Vijay T. Katare (Chairman & Executive Director)

Kishore T. Katare (Managing Director)

Subhash T. Katare (Director)

