

## NOTICE

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**NOTICE** is hereby given that the 31st Annual General Meeting of the Members of the Company will be held at the Registered Office and Works of the Company at Village Kapriwas (Dharuhera), Distt. Rewari, Haryana on Friday the 30th September, 2011 at 12.00 Noon to transact the following business :

### **ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. K. Chhajer who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

### **SPECIAL BUSINESS :**

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

“RESOLVED THAT Shri Ghanshyam Dass Gupta who was appointed as an Additional Director by the Board under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing, under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a director of the Company, be and is hereby appointed as a director of the Company liable to retire by rotation.”

BY ORDER OF THE BOARD  
For **PASUPATI SPG & WVG MILLS LTD.,**

**REKHA SHARMA**  
Company Secretary

### **REGISTERED OFFICE**

Village Kapriwas (Dharuhera),

Distt. Rewari

Dated : 2nd September, 2011

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### **Notes :**

1. Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Explanatory Statement pursuant to section 173(2) of the Companies Act 1956, in respect of special business as set out above is annexed hereto.
3. Members and Proxies are requested to produce the Attendance slip duly signed, at the entrance of the meeting venue.
4. Information relating to Item No. 2 of Ordinary Business and Item No. 4 of Special Business as required under clause 49 of Listing Agreement with Stock Exchange is annexed hereto.



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5. The Register of Members and Share transfer Books of the Company shall remain closed from 24.09.2011 to 30.09.2011 (Both days inclusive).
  6. Members who hold shares in de-materialised form are requested to bring their client ID and DP ID numbers for facilitating identification for attendance at the meeting.
  7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11 a.m and 1.00 p.m. upto and inclusive of the date of the Annual General Meeting.
  8. Ministry of Corporate Affairs (MCA) has vide its circular dated 29.04.2011 stated that service of notice / documents including Annual Report to the members can be made by e-mail. To support this green initiative of MCA, members who have not yet registered their e-mail addresses are requested to do so :
    - (i) in respect of the electronic holdings through their concerned depository participants; and
    - (ii) in respect of physical holdings to Registrar of the Company Skyline Financial Services Pvt. Ltd.
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**EXPLANATORY STATEMENT  
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

Shri Ghanshyam Dass Gupta joined the Board of the Company on 21.07.2011 as an Additional Director and as per provisions of Section 260 of the Companies Act, 1956 and vide Article 117 of the Articles of Association of the company, he will hold office as a director up to the date of this Annual General Meeting. Company has received notice as prescribed under section 257 of the Companies Act, 1956 from a member alongwith the required deposit, signifying his intention to propose Shri Ghanshyam Dass Gupta for appointment as a director liable to retire by rotation vide Article 115 of the Articles of Association of the Company. The Board of directors recommends the passing of the resolution.

None of the Directors, except Shri Ghanshyam Dass Gupta, is in any way concerned or interested in the resolution.

## ANNEXURE

**PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED :**

Name of the Director / s	Shri S. K. Chhajer	Shri Ghanshyam Dass Gupta
Date of Birth	09.02.1957	28.06.1944
Qualification	Graduate	Fellow member of ICAI & ICS
Nature of Experience	Industrial & Business experience of about 26 years	Practising Chartered Accountant experience of about 40 Years
Name of the Companies in which he holds Directorship	– <b>Pasupati Spinning &amp; Weaving Mills Limited</b>	Nil
Name of the Committees of the Companies of which he holds Membership / Chairmanship	<ul style="list-style-type: none"> <li>– <b>Pasupati Spinning &amp; Weaving Mills Limited</b></li> <li>– Share / Debenture Transfer-cum-Shareholders / Investors Grievance Committee (Member)</li> <li>– Finance &amp; PCD / NCD / Share Committee (Member)</li> <li>– Audit Committee (Member)</li> <li>– Remuneration Committee (Member)</li> </ul>	Nil



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting their Report together with the Audited Accounts for the year ended 31st March, 2011.

### FINANCIAL RESULTS

	<b>For the Year 2010-11</b>	For the Year 2009-10
	<b>(Rs. in Lacs)</b>	(Rs. In Lacs)
Sales and other Income	<b>11075.73</b>	8896.92
Profit before Interest and Depreciation	<b>1389.89</b>	285.38
Financial Charges	<b>775.63</b>	395.67
Depreciation	<b>306.67</b>	310.36
Profit / (Loss) before Taxes	<b>307.59</b>	(420.65)
Payment / Provision for Taxes	—	(165.80)
Profit / (Loss) after taxation but before extra-ordinary items	<b>307.59</b>	(254.85)
Extra-ordinary Items	<b>0.04</b>	0.04
<b>Net profit after extra ordinary items</b>	<b>307.63</b>	(254.81)

### FINANCIAL HIGHLIGHTS

During the year under review, the net profit of the company after depreciation and before tax has increased to Rs. 307.59 Lacs as compared to loss of Rs 420.65 Lacs of previous year. Profit after extra ordinary items for the financial year 2010-11 stood at Rs. 307.63 Lacs as against loss of Rs. 254.81 Lacs of previous year.

### OPERATIONS

General working of the company is satisfactory. However, profit margin of company effected due to rise in Input costs (Including Raw Material, Power, Employees Cost) Company is trying to improve profitability by increasing sales of Sewing Thread (Finished Product) in local market. The Company is in process for getting approval from various Overseas Vendors for using Pasupati Thread in their products. Presently, we are approved by GAP, Mother Care, C & A , Next and Tommy Hillfiger etc. We are expecting more approval from various other vendors shortly.

The Company is hopeful to increase sales in domestic market of their sewing thread by 20% during the year 2011-12.

### REFERRING THE COMPANY TO BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION

As mentioned in the last years report, the Company has already been declared a Sick Unit u/s 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 on 14.07.2005. The requisite proceedings for the restructuring of the company are in process with BIFR.

### DIVIDEND

In view of the requirement of fund for working capital of the company, the Board of Directors is not in a position to recommend any dividend for the year under review.

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**DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :**

Your Directors hereby confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period;
- iii) the directors have 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) the directors have prepared the annual accounts on a going concern basis.

**COST AUDIT**

The report of Cost Auditors in respect of audit of the cost records of the Company for the year ended 31st March 2011 will be submitted to the Central Government in due course.

**AUDITORS**

M/s. B. K. Shroff & Co., Chartered Accountants, auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. Based on the recommendation of the Audit Committee, the Board of Directors proposes to the reappointment of M/s. B. K. Shroff & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. B. K. Shroff & Co., Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company, if reappointed, and have further confirmed that the said reappointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

**PARTICULARS OF EMPLOYEES**

There is no employee in the Company whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

**INDUSTRIAL RELATIONS**

Industrial relations continued to be cordial during the year under review.

**STATEMENT PURSUANT TO LISTING AGREEMENT (S)**

The Company's securities are listed at Bombay Stock Exchange Ltd. & Delhi Stock Exchange and the Company has paid Annual Listing Fee to Bombay Stock Exchange for the year under review & for the current year.

**CORPORATE GOVERNANCE**

A report on the implementation of Corporate Governance is enclosed which forms a part of Directors' Report.

**DIRECTORS**

Shri Ghanshyam Dass Gupta was co-opted as director on the Board of the company w.e.f 21.07.2011.



## **AUDITORS' REMARKS**

The Auditors' observations regarding Note Nos. 4, 5(ii), 5(iii), 6(g), 8, and 22 have been suitably explained in Notes to the Accounts (Schedule 21). The same are however again explained hereunder :

### **Note 4**

The company is registered with BIFR and its Draft Rehabilitation Scheme (DRS) has already been approved by all the secured lenders and submitted to BIFR for final circulation / orders, hence the company is on the path of revival. Therefore, the company has rightly prepared its accounts on the assumption that the company is a going concern.

### **Notes 5(ii) and 5(iii)**

SASF(IDBI) had assigned its outstanding debt in favour of J M Financial Asset Reconstruction Company Private Limited (JMFARC) on 19th March 2010. Subsequently, JMFARC agreed to restructure the said debt on certain terms and conditions, which are subject to approval by BIFR. In case, BIFR does not approve the scheme, the interest liability will arise on Rs. 10 crore proposed to be converted into Equity / Optionally Cumulative Convertible Debentures. Similarly, the proposed waiver of Rs. 6.45 Crore by JMFARC is also subject to approval by BIFR. Since both are contingent in nature, the company has rightly not given any financial impact of these transactions in the accounts.

### **Note 6(g)**

The company has settled dues of more than 96% of secured lenders. Under the proposed DRS submitted to BIFR, dues of debenture-holders are proposed to be settled on the same terms as offered to majority of the lenders, therefore no provision of interest liability has been made in accounts.

### **Note 8**

The explanation given is self explanatory, hence does not call for further comments.

### **Note 22**

The company has already applied to Central Government for necessary permission for payment of remuneration to Directors.

## **ADDITIONAL INFORMATION**

Energy conservation measures, progress made in technology absorption and foreign exchange earning and outgo, as required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule, 1988 is annexed and form part of this Report.

## **ACKNOWLEDGEMENT**

Your Directors wish to place on record their deep appreciation of the continued support and co-operation received from J. M. Financial Asset Reconstruction Company Private Limited, Banks, Central and State Governments, dealers and customers of the Company.

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

Place : New Delhi

Dated : 2nd September, 2011

**RAMESH KUMAR JAIN**  
CHAIRMAN & MANAGING DIRECTOR

## CORPORATE GOVERNANCE

### INTRODUCTION

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreements with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

#### (I) Company's Philosophy on Corporate Governance :

The philosophy of the Company is to enhance the long-term economic value of the Company, its stake holders and the society at large by adopting better-corporate practices in fair and transparent manner by aligning interest of the Company with its shareholders and other key stake holders.

#### (II) Board of Directors :

- a) The total strength of the Board as on 01.04.2010 was 4 Directors comprising of 3 (three) Executive Directors and 1 (one) Non-executive Director. Shri Vidit Jain was inducted on the Board w.e.f. 01.04.2010.
- b) During the year ended 31.03.2011, 7 (Seven) Board Meetings were held with at least one meeting in every quarter on 30.04.2010, 14.07.2010, 04.09.2010, 09.11.2010, 10.01.2011, 04.03.2011 & 31.03.2011.

Statement of Attendance of each Director at the Board Meetings held during the Year and Last AGM :

S. No.	Name of the Director	Executive / Independent / Non executive	No. of Meetings held	No. of Meetings Attended	Attendance at last AGM on 30.09.2010
1.	Shri Ramesh Kumar Jain	Chairman & Managing Director	7	7	Yes
2.	Shri S.K. Chhajer	Whole Time Director	7	7	No
3.	Shri Vidit Jain	Executive Director	7	7	No
4.	Shri Praveen Paliwal	Independent Director	7	7	Yes

Details of Board Meetings held during the year :

S. No.	Date	Board Strength	No. of Directors Present
1	30.04.2010	4	4
2	14.07.2010	4	4
3	04.09.2010	4	4
4	09.11.2010	4	4
5	10.01.2011	4	4
6	04.03.2011	4	4
7	31.03.2011	4	4



Number of Directorship on other Boards & Membership/Chairmanship of Committees of other Boards :

S.No.	Name of Director	No. of Directorship in Other Boards	Membership of Committees of Other Boards	Chairmanship of Committees of Other Boards
1.	Shri Ramesh Kumar Jain	1	NIL	NIL
2.	Shri Vidit Jain	5	NIL	NIL
3.	Shri Praveen Paliwal	NIL	NIL	NIL
4.	Shri S. K. Chhajer	NIL	NIL	NIL

**(III) Audit Committee :**

The strength of the Audit Committee as on 01.04.2010 was three members i.e. Shri Vidit Jain, Shri S. K. Chhajer and Shri Parveen Paliwal (Chairman). Shri Vidit Jain was co-opted in place of Shri Ramesh Kumar Jain as member of the committee w.e.f. 01.04.2010. The role, terms of reference, authority and powers of the Audit Committee are in conformity with the listing agreement and as prescribed under Section 292 A of the Companies Act, 1956.

Composition and Attendance at the Audit Committee Meetings :

Date of the Meetings	Composition	Attendance (Yes / No)	Chairman
14.07.2010	1. Shri Praveen Paliwal, Member and Chairman 2. Shri Vidit Jain, Member 3. Shri S. K. Chhajer, Member	Yes Yes Yes	Shri Praveen Paliwal
04.09.2010	1. Shri Praveen Paliwal, Member and Chairman 2. Shri Vidit Jain, Member 3. Shri S. K. Chhajer, Member	Yes Yes Yes	Shri Praveen Paliwal
09.11.2010	1. Shri Praveen Paliwal, Member and Chairman 2. Shri Vidit Jain, Member 3. Shri S. K. Chhajer, Member	Yes Yes Yes	Shri Praveen Paliwal
10.01.2011	1. Shri Praveen Paliwal, Member and Chairman 2. Shri Vidit Jain, Member 3. Shri S. K. Chhajer, Member	Yes Yes Yes	Shri Praveen Paliwal
04.03.2011	1. Shri Praveen Paliwal, Member and Chairman 2. Shri Vidit Jain, Member 3. Shri S. K. Chhajer, Member	Yes Yes Yes	Shri Praveen Paliwal



**(IV) Remuneration Committee :**

The strength of the Remuneration Committee as on 01.04.2010 was three members i.e. Shri Praveen Paliwal as Chairman, Shri S. K. Chhajer & Shri Vidit Jain as Members. Shri Vidit Jain was co-opted as member of the committee w.e.f. 01.04.2010. The role, terms of reference, authority and powers of the Remuneration Committee are in conformity with the listing agreement and as prescribed under the Companies Act, 1956. The Company Secretary is the Secretary of the Remuneration Committee. A meeting of Remuneration Committee was held on 31.03.2011 during the year under review.

**Composition and Attendance at the Remuneration Committee Meeting :**

Date of the Meetings	Composition	Attendance (Yes / No)	Chairman
31.03.2011	1. Shri Praveen Paliwal, Chairman 2. Shri S. K. Chhajer, Member 3. Shri Vidit Jain, Member	YES YES YES	Shri Praveen Paliwal

**Details of remuneration / sitting fees paid to directors during the year 2010-11 :**

Sl. No.	Name of the Director	Description of Transaction	Basic Rs.	Perquisites Rs.	Sitting Fee Rs.	Total Rs.
1	Shri Ramesh Kumar Jain Chairman & Mg. Director	Remuneration & perquisites	100000	111606	NIL	211606
2	Shri S. K. Chhajer Whole Time Director	Remuneration & perquisites	600000	137000	NIL	737000
3	Shri Vidit Jain Executive Director	Remuneration & perquisites	480000	157206	NIL	637206
4	Shri Praveen Paliwal Director	Remuneration & perquisites	NIL	NIL	3500	3500

**(V) Share / Debenture Transfer-cum-Shareholders' / Investors' Grievance Committee :**

As on 01.04.2010 the Share / Debenture Transfer-cum-Shareholders' / Investors' Grievance Committee consisted of three members – Shri Ramesh Kumar Jain, Shri S. K. Chhajer and Shri Vidit Jain. Shri Vidit Jain was co-opted as member of the committee w.e.f. 01.04.2010. The Committee was vested with the requisite power and authority to specifically look into the redressal of the shareholders' / Investors' Grievance. During the year ending 31.03.2011, 36 Meetings of Share / Debenture Transfer-cum Shareholders' / Investors' Grievance Committee were held. The Details of attendance of Members are as under :

S.No.	Name of Member	No. of Meetings Held	No. of Meetings attended
1.	Shri Ramesh Kumar Jain	36	36
2.	Shri S. K. Chhajer	36	36
3.	Shri Vidit Jain	36	36

No complaint was received during the year ended on 31.03.2011.



## (VI) Annual General Meetings :

Location and time for the last three AGM's :

Year	Date	Venue	Time
2008	29.09.2008	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon
2009	29.09.2009	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon
2010	30.09.2010	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana	12.00 Noon

No postal ballots resolutions were passed.

## (VII) Disclosures :

### (a) Related Party Transactions :

Transactions of material nature with Directors / Promoters / their relatives have been disclosed in Note No. 11 on Schedule 21 of the Annual Accounts.

### (b) Compliance by the Company :

The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital market during the last three years. Penalty of Rs. 20,000/- was imposed by SEBI under Section 15-I of Securities and Exchange Board of India Act, 1992 read with Rule 5 of SEBI (Procedure for holding enquiry and imposing penalties by adjudicating officer) Rules, 1995 for not filing disclosures in time under Regulation 13 (6) of SEBI (Prohibition of Insider Trading) Regulations, 1992.

## (VIII) Means of Communication :

### Half Yearly Report to each household of shareholders :

The Company has not yet started sending the half-yearly reports to each household of Shareholders. But if any shareholder seeks any information, then the same is provided by the Company.

### Quarterly Results :

Quarterly results are published in English and Hindi Newspapers as per the requirement of listing agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the company is listed. Results of March 2011 quarter have not been published.

### Distribution of Shareholding as on 31.03.2011 :

		Shareholding	%age
A.	Promoters' holding including their Relatives, Associate Companies	3691860	52.32
B.	Non-Promoters Holding		
	—Directors	900	0.01
	—Institutional Investors		
	—Financial Institutions, Banks, Mutual Funds etc.	25705	0.36
	—Private Corporate Bodies	1566421	22.20
	—Public	1771620	25.11
		7056506	100.00

**Plant Location :**

Polyester Viscose Yarn & Cotton Yarn Unit	:	Village Kapriwas (Dharuhera) Distt. Rewari, Haryana
Sewing Thread Unit	:	Village Kheri (Kala-amb) Distt. Sirmour, H.P.

**(IX) Shareholders information :****A. Annual General Meeting :**

Day, Date & Time	:	Friday the 30th September, 2011 at 12.00 Noon
Venue	:	Registered Office of the Company at Village Kapriwas (Dharuhera) Distt. Rewari, Haryana

**B. Book Closure** : From Saturday the 24th September, 2011 to Friday the 30th September, 2011 (both days inclusive)

**C. Registrar & Transfer Agents :**

M/s. Skyline Financial Services Pvt. Ltd., D-153 A, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi - 110020 are the Registrar and Transfer Agents of the Company for physical and demat segments.

**D. Dematerialisation of Shares and Liquidity :**

79.84% of the total share holdings of equity shares have been dematerialized up to 31.03.2011. Trading in Company's shares is permitted only in demat form w.e.f. 06.09.2000 as per notification issued by the Securities & Exchange Board of India.

**E. Listing at Stock Exchanges :**

The details regarding payment of listing fee to Stock Exchange are given below :

Sl. No.	Name of Stock Exchanges	Listing Fee Paid up to	Stock Code No.
1.	Delhi Stock Exchange Association Ltd	2004-05	A-2
2.	Bombay Stock Exchange Limited	2011-12	A-1

**Market Price data : High / Low during the year :**

In view of the suspension of trading in the shares by Bombay Stock Exchange and no trading in Delhi Stock Exchange, market data has not been provided.

However, requisite steps have been taken to get the suspension of trading revoked by Bombay Stock Exchange.



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## **MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT / OUTLOOK ON THREATS, RISKS AND CONCERNS :**

After facing unprecedented slowdown due to world wide recession during the last two years, the textile industry was recovering and had started showing signs of growth. The domestic demand is picking up and exports have also started taking off. But, suddenly the Government of India had imposed some restrictions on export of cotton yarn & raw cotton, which made things extremely volatile for the textile industry. Although, these restrictions have now been lifted, its adverse affect is still being felt on Indian Textile Industries.

Even after these situations the working of our Sewing Thread unit during the year 2010 - 11 has improved. The company is continuously trying to shift its production base to more value added items, which has started yielding favourable results. However from April, 2011 onward, there is severe pressure on realizations resulting low profitability. The capacity utilization continues to be adversely affected due to labour shortage. The company is trying its level best to overcome this problem by participating in job fairs and also by recruiting apprentice / trainees. As already informed that company's sewing thread has been approved by various reputed international brands such as ADIDAS INDIA, BENETTON, DEBENHAMS (IMPULSE), ESPRIT (IMPULSE), GAP, GEORGE (WAL MART/IMPULSE), J JILL & TALBOTS (Trials), J. C. PENNEY, LI & FUNG (LR-1, Home Textiles) (Cover 8+ brands), LACOSTE, MEXX/LIZ CLAIBORNE (Li & Fung), MONDIAL (C&A), MOTHER CARE & NEXT (IMPULSE). In order to cater increased domestic demand of value added products, the company has imported two machines with a capital cost of Rs. 1.50 Crore, which have been commissioned by end of 2010, which in turn will improve profitability.

The production activities at company's EOU unit at Dharuhera remained suspended during the year. However, knitting and garments unit at Dharuhera is working smoothly and improving every month. We are now supplying garments for various reputed brands like Big Bazar, Pantaloon, Reliance Retail, Lee Coopers etc.

### **Segment-wise performance :**

Company is only manufacturing textile and textile articles and therefore, segment reporting is not applicable to the Company.

### **Internal Control Systems and Adequacy :**

In order to strengthen internal control systems, M/s. M.C. Jain & Co., Chartered Accountants was appointed as Internal Auditors of the Company for the year 2010-11.

### **Financial performance :**

The financial performance of the company has been given separately in the Directors' Report.

### **Human Resources :**

The key resource for your Company has been its people. Your Company has been able to create a favorable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of integrity.

### **CEO / CFO Certificate :**

The requisite certificate has been obtained from the CEO / CFO of the Company.

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

Place : New Delhi  
Dated : 2nd September, 2011

**RAMESH KUMAR JAIN**  
CHAIRMAN & MANAGING DIRECTOR

**Declaration Regarding Compliance by Board Members and Senior Management Personnel with the Code of Conduct**

This is to confirm that the Company has adopted Pasupati Spinning & Weaving Mills Ltd Code of Conduct for its Senior Management and Board members and the same has been posted on the Company's website.

I confirm that the Company has in respect of the financial year ended 31st March, 2011, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management, Senior means, personnel of the Company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management i.e. Executive Directors and all functional heads.

New Delhi  
2nd September, 2011

**RAMESH KUMAR JAIN**  
CHAIRMAN & MANAGING DIRECTOR



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## CONSERVATION OF ENERGY

### a) Energy Conservation Measures Taken :

1. Replacement of ordinary motors by high power factor high efficiency motors.
2. Putting 36/38 mm dia-meter rings to get more productivity with same power consumption.
3. Maximum utilisation of natural light in place of tube-light.
4. Adjusted the angle of fan blades at optimum level to maintain the humidity at minimum power consumption.
5. Ring frame lift reduction to get more production with same power consumption (2 - 3%).
6. Adjusted the blades of S.A. & R.A. Fans at H. Plants to maintain humidity with minimum power consumption.
7. Some innovative modifications carried out in machine to reduce down the given load – such as simplex pneumatic suction motor stopped by introducing under clearer.
8. By changing the filter media of filtration plant the filtration efficiency improved and thus reduced the load, on suction fans and effected on energy saving.
9. Optimising the Humidification plants saturation efficiency the load on supply air fan and water pumps reduced.
10. By modifying the compressed air line consumption of compressed air reduced thus resulted in energy saving.
11. We have replaced old reciprocative compressor with new screw compressor having high efficiency & low consumption of power. There would be 10 - 15% power saving in compressor units.
12. We have obtained additional sanction of 1000 KVA load during peak hours from HPSEB resulting reduction in P.U. cost of power.
13. The new generation air-compressor is added to save the power consumption as well as maintenance cost.
14. Some modifications carried out in our Humidification Plant provided the stationary V Notch Type Filter in place of Rotary filter and save 3.2 KW / Hrs.
15. Optimize the power voltage and reduce the energy consumption.
16. Optimize the compressed air pressure by reducing from 9.5 Kgs to 8 Kgs and save the power.
17. Over-head cleaner travelling frequency reduced by 3 to 4 minutes in all Ring Frames and achieved the conservation in this area.
18. Plugged all air leakage, hence saving of air results power saving.
19. By installing power capacitors near to load.
20. By replacing conventional tube-lights with new energy saving (TS) Tube-lights.
21. By maintaining Power Factor 11 - 100%.
22. By providing transparent sheets at Godowns for maximum utilisation of natural day light.
23. By installing online energy Monitoring system in our power house, which helped us to make power saving (approx. 5 – 10%).

### b) ADDITIONAL INVESTMENT PROPOSALS, IF ANY, BEING IMPLEMENTED FOR SAVING ENERGY :

To install spinmax system on Ring frames, enabling to increase productivity without increase in power consumption – up to 5%.

### c) IMPACT OF THE MEASURES FOR REDUCTION OF ENERGY CONSUMPTION AND CONVERSANT IMPACT ON THE COST OF PRODUCTION OF GOODS :

The above measures have resulted in saving of energy and to that extent the cost had reduced.

**Form A :**

	<b>Current Year</b>	Previous Year
<b>A) POWER AND FUEL CONSUMPTION</b>		
1. Electricity		
a) Purchased units	<b>24177730</b>	25363693
Total amount paid (Rs)	<b>104539062</b>	90165077
Rate / Unit (Rs)	<b>4.32</b>	4.80
b) Own generated through Diesel generators (units)	<b>583957</b>	420505
Rate of diesel / HFO (Rs / Ltr)	<b>40.51</b>	28.75
Cost / Unit (Rs)	<b>9.72</b>	8.06
2. Coal used in boiler		
Quantity (MT)	<b>2194.030</b>	1777.301
Total Cost (Rs)	<b>12868364</b>	9298310
Average Cost per MT (Rs)	<b>5865.17</b>	5231.70
<b>B) CONSUMPTION PER UNIT OF PRODUCTION :</b>		
Production of Yarn (MT)	<b>4510.878</b>	4464.094
Electricity (KWH / Ton)	<b>5489.33</b>	5681.71
Coal (Kg / Ton)	<b>486.39</b>	465.21
Others (Diesel / HFO Ltr / Ton)	<b>31.05</b>	26.41

**FORM B : TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT**

Specific areas in which R & D carried out by the Company :

- 1) Developed Cotton / Wool Yarn
- 2) Developed Bamboo Fibre Yarn
- 3) Developed Polyester / Wool Yarn
- 4) Well equipped quality control Lab with premier art, premier classic, evenness tester, cascade and TPI Tester. Latest addition is premier classic, which helps to optimise yarn forming processes and electronic clearers of winding.

**BENEFITS ARRIVED AS A RESULT OF R&D**

With developing different type of yarn, there is a value addition, hence increase in margins. With the addition of Premier art and classmate the quality of yarn is adjudged and control result increase in Export of yarn.

**FUTURE PLAN OF ACTION**

R&D is being carried out for developing new product range from cotton and polyester fibres such as compact yarn.

Further, R&D activities will continue and more efforts will be made towards new innovations and diversifications of the product range for optimisation of process for improving quality and productivity as well.

**FOREIGN EXCHANGE EARNING AND OUTGO**

Total Foreign Exchange earned (on FOB basis)	Rs. 397773343
Total Foreign Exchange used	Rs. 38453408



## AUDITORS' CERTIFICATE

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We have examined the compliance of conditions of corporate governance by **PASUPATI SPINNING & WEAVING MILLS LIMITED for the year ended on 31st March, 2011**, as stipulated in clause 49 of the listing agreement of the said company with stock exchange (s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following :

- i) *Listing agreement requires that the board should comprise of not less than fifty percent non-executive directors. However, during the year number of non-executive directors on the board were less than fifty percent.*
- ii) *Listing agreement requires that in case of an executive chairman, at least half of the board should comprise of independent directors. However, during the year the number of independent directors were less than half.*
- iii) *Listing agreement requires that quarterly results of the company should be placed before the board of directors within forty five days of the end of the quarter. Quarterly results have not been placed before the audit committee / board of directors within the stipulated time.*
- iv) *Listing agreement requires that two-thirds of the members of audit committee should be independent directors. However, during the year two- third of the members of audit committee were not independent directors.*
- v) *Listing agreement requires that the quorum of the audit committee meeting shall be minimum of two independent directors. However, two independent directors were not present in meetings of audit committees during the year.*
- vi) *Listing agreement requires that a shareholders/investors grievance committee be formed under the chairmanship of a non-executive director. However the chairman of share/debenture transfer cum shareholders/ investor's grievance committee of the company is not a non-executive director.*
- vii) *Annual listing fees payable to Delhi Stock Exchange Association Limited has not been paid for the financial year 2005-06 to 2010-11.*

We certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

for B.K. SHROFF & CO.,  
Chartered Accountants  
Firm Registration No. 302166E

Place : New Delhi  
Dated : 2nd September, 2011

O.P. SHROFF  
Partner  
Membership No. 06329



## AUDITORS' REPORT

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### To the Members,

1. We have audited the attached Balance Sheet of M/s. PASUPATI SPINNING & WEAVING MILLS LIMITED as at 31st March, 2011 and also the Profit and Loss Account and 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 (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) order, 2004, issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that :
  - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 the said 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 subsection (3C) of Section 211 of the Companies Act, 1956, *subject to our observations in paragraph (vi) below.*
  - v. As per information and explanations given to us, we report that as on 31.03.2011 none of the directors of the company are disqualified from being appointed as a director of the company under Section 274(1)(g) of the Companies Act, 1956. *As the company has not redeemed its debentures on due dates and as the default continues for more than a year, all directors of the company are not qualified for being appointed as directors of any other public company in terms of provision of Section 274(1)(g) of the Companies Act, 1956 as amended by the Companies Amendment Act, 2000.*
  - vi. *Reference is drawn to :*
    - (a) *Note No. 4 on Schedule 21 relating to accounts of the company for the year-ended 31.03.2011 having been prepared on the basis that the company is a going concern.*
    - (b) *Note No 5(ii) on Schedule 21 relating to non-provision of interest amounting to Rs.26614936 (including Rs.819178 for earlier years) on loan of Rs.10 Crores of JMFARC which is proposed to be converted into Equity / Optionally Cumulative Convertible Debentures on receipt of approval from BIFR resulting in the profit for the year to be higher and secured loans to be lower by the said amount.*



- (c) Note No. 5(iii) on Schedule 21 relating to waiver of loan of Rs. 6.45 Crores of JMFARC not being written back pending approval from BIFR, resulting in the profit for the year to be lower and secured loans to be higher by the said amount.
- (d) Note No. 6(g) on Schedule 21 relating to non-provision of interest on 14% and 15% redeemable partly convertible debentures amounting to Rs. 22344570 (including Rs. 20313245 for earlier years) resulting in the profit for the year to be higher and secured loans to be lower by the said amount.
- (e) Note No. 8 on schedule 21 relating to non provision of Debenture Redemption Reserve amounting to Rs. 6333740 which has no effect on the profit for the year.
- (f) Note No. 22 on Schedule 21 relating to payment of remuneration of Rs. 770041 to directors for which approval of Central Government is not available resulting in the profit for the year to be understated by the said amount and cash & bank balances to be understated by Rs. 682041 and current liabilities to be overstated by Rs. 88000.
- (g) We further report that had the observations made by us in paragraph vi(b), vi(c), vi(d) and vi(f) above been considered, the profit for the year would have been Rs. 47074001 (as against the reported figure of Rs. 30763466), secured loans would have been Rs. 684495679 (as against the reported figure of Rs. 700036173), cash & bank balance would have been Rs. 28234230 (as against the reported figure of Rs. 27552189) and Current Liabilities would have been Rs. 269499495 (against the reported figure of Rs. 269587495).

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes appearing in Schedule 21 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 :

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011 and
- ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
- iii) in the case of cash flow statement, of the cash flow for the year ended on that date.

for B.K. SHROFF & CO.,  
Chartered Accountants  
Firm Registration No. 302166E

3/7-B, Asaf Ali Road,  
New Delhi-110 002.  
Dated : 2nd September, 2011

O.P. SHORFF  
Partner  
Membership No. 06329

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

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- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern concept of the company.
- (ii) (a) As explained to us, physical verification of inventory (except material in transit and lying with third parties) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (iii) The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956 and hence paragraph (iii)(a) to (iii)(g) of the aforesaid order are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. No major weakness in the internal control system was observed during the course of audit.
- (v) According to the information and explanations given to us, during the year there were no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs v (a) and (b) of the aforesaid order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public as per provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules 1975. No order has been passed by the Company Law Board or National Company law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.



(viii) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.

(ix) (a) *According to the records of the company, the company is not regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it. According to information and explanations given to us the undisputed amounts outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable are as under :*

Name of the Statue	Nature of dues	Amount Rs.	Period to which amount relates
<i>Sales Tax Haryana</i>	<i>Demand</i>	<i>339148</i>	<i>2006-07</i>
<i>Central Excise Act</i>	<i>Excise Duty</i>	<i>27555087</i>	<i>April' 84 to Oct.' 93</i>
<i>Service Tax Act</i>	<i>Service Tax</i>	<i>380586</i>	<i>2009-10</i>

(b) *According to the records of the company, dues in respect of Sales Tax/Income Tax/ Customs Duty/Wealth Tax/Service Tax/Excise Duty/Cess which have not been deposited on account of any dispute are as under :*

Name of the Statue	Nature of dues	Amount Rs.	Forum where pending
<i>Haryana Value Added Tax Act</i>	<i>VAT</i>	<i>4407602</i>	<i>Joint Excise &amp; Taxation Commissioner</i>
<i>Uttar Pradesh VAT Act, 2007</i>	<i>VAT</i>	<i>106000</i>	<i>Joint Commissioner (Appeals)</i>

(x) As at 31.03.2011 the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit. Cash loss was incurred in the immediately preceding financial year.

- (xi) The company has defaulted in payment of dues to financial institutions, banks and debenture holders. Details as per company's books of accounts are as under :

Name of Institution / Bank	Nature of Dues		Due Dates	Remarks
	Principal Rs.	Interest Rs.		
Debentures — 14%	2415706 2415706	432054 7440374	21.12.1999 21.12.2000 Since 30.09.1998 Since 01.04.2000	Not provided in Books of Accounts (Refer Note No. 6(g) in Schedule 21)
Debentures — 15%	2890511 2890511 3251824	1138090 14904196	09.12.2000 09.12.2001 09.12.2002 Since 30.09.1998 Since 01.04.2000	Not provided in Books of Accounts (Refer Note No. 6(g) in Schedule 21)
Debentures — 19%	1666666 1666667 1666666	60535030	03.01.2000 03.01.2001 03.01.2002 Since 03.01.2000	

**Note :** Does not include amount for which one time settlement (OTS) has been negotiated with the lenders and repayment of dues has been rescheduled and payments are being made as per reschedulement. (Refer Note No. 5 and 6 (d) on Schedule 21).

The limits with banks were overdrawn for most of the year and were within limits for the remaining part of the year. The overdrawn limits as on 31.03.2011 are as under :

Nature of Limit	Name of the Bank	Limit (Rs. in Lacs)	Balance as per Banks (Rs. in Lacs)	Excess (Rs. in Lacs)	Remarks
Demand Loan	Nainital Bank Limited	27.40	27.78	0.38	Borrowings in excess of limit
	State Bank of Travancore	82.20	82.95	0.75	
	Canara Bank	98.00	99.10	1.10	
	Bank of Baroda	136.00	137.87	1.87	
Packing Credit	State Bank of Patiala	311.00	313.70	2.70	
	Canara Bank	277.00	277.10	0.10	
Cash Credit	ING Vysya Bank Ltd.	146.05	147.87	1.82	
	Canara Bank	225.00	230.13	5.13	
	State Bank of Travancore	375.80	379.87	4.07	

Nature of Limit	Name of the Bank	Amount Overdue (Rs.)	Due Date	Remarks
Bill Discounted / Purchased	Bank of Baroda	5399472	18.03.2011	Payment pending on due date
		5394712	27.03.2011	
	Canara Bank	4080399 5204262 5294367	15.02.2011 08.03.2011 26.03.2011	



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- (xii) Based on our examination of documents and records maintained by the company, we are of the opinion that since the company has not granted any loan and advance on the basis of security by way of pledge of shares, debenture and other securities, it is not required to maintain records in respect thereof.
- (xiii) In our opinion the company is neither a chit fund nor nidhi / mutual benefit fund / society and hence paragraph 4 (xiii) of the aforesaid order is not applicable.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly the provisions of paragraph 4(xiv) of the aforesaid order is not applicable.
- (xv) Based on our examination of the records we are of the opinion that the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, term loans received during the year have been applied for the purpose for which they were obtained.
- (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 funds raised on short term basis have not been used for long term investments.
- (xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of Companies Act, 1956.
- (xix) During the year the company had not issued any debentures. The company has created security or charge in respect of debentures issued in earlier years.
- (xx) During the year under review no money was raised by public issue.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with auditing standards generally accepted in India, we have not come across any instance of fraud by the company or on the company, noticed or reported during the year. We have also not been informed of any such case by the management.

for B.K. SHROFF & CO.,  
Chartered Accountants  
Firm Registration No. 302166E

3/7-B, Asaf Ali Road,  
New Delhi-110 002.  
Dated : 2nd September, 2011

O.P. SHORFF  
Partner  
Membership No. 06329

## BALANCE SHEET

### AS AT 31ST MARCH, 2011

	Schedules	Current Year Rs.		Previous Year Rs.
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds				
Share Capital	1	57,065,060	57,065,060	
Reserves & Surplus	2	<u>137,812,337</u>	<u>137,812,337</u>	194,877,397
Loan Funds				
Secured Loans 3		700,036,173	698,808,208	
Unsecured Loans	4	<u>64,804,952</u>	<u>63,534,211</u>	762,342,419
		<u>959,718,522</u>	<u>959,718,522</u>	<u>957,219,816</u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets				
Gross Block	5	1,987,957,946	1,966,811,769	
Less : Depreciation		<u>1,514,530,296</u>	<u>1,484,847,852</u>	481,963,917
Investments	6		1,052,792	1,052,792
Current Assets, Loans & Advances				
Inventories 7		219,164,993	183,181,387	
Sundry Debtors 8		222,399,087	202,702,521	
Cash & Bank Balances	9	27,552,189	29,090,028	
Loans & Advances	10	<u>62,860,954</u>	<u>59,657,779</u>	
		<u>531,977,223</u>	<u>474,631,715</u>	
Less : Current Liabilities & Provisions				
Current Liabilities	11	269,587,495	254,025,619	
Provisions	12		4,500	19,000
		<u>269,591,995</u>	<u>254,044,619</u>	
Net Current Assets			262,385,228	220,587,096
Profit & Loss Account			<u>222,852,852</u>	<u>253,616,011</u>
			<u>959,718,522</u>	<u>957,219,816</u>

#### NOTES ON ACCOUNTS

Schedules 1 to 21 form an integral part of the accounts

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

VIDIT JAIN  
Executive Director

Place : New Delhi  
Dated : 2nd September, 2011

O.P. SHROFF  
Partner

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director

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



	Schedules	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Gross Sales		<b>1,089,928,276</b>	869,825,049
Less : Excise Duty recovered		<b>471,101</b>	133,355
Net Sales		<b>1,089,457,175</b>	869,691,694
Other Income	13	<b>18,115,928</b>	19,969,932
Accretion / (Decretion) in Stocks	14	<b>23,790,177</b>	8,834,522
		<b>1,131,363,280</b>	898,496,148
<b>EXPENDITURE</b>			
Purchases		<b>38,661</b>	3,340
Raw Materials consumed	15	<b>510,785,463</b>	393,415,591
Job Work expenses		<b>35,014,059</b>	21,788,210
Stores, Dyes & Packing Material		<b>100,374,177</b>	87,372,030
Power & Fuel		<b>123,080,824</b>	105,319,385
Excise duty	<b>3,556</b>	31,294,931	
Employees	16	<b>100,717,440</b>	89,006,437
Interest	17	<b>77,563,065</b>	39,566,814
Selling & Distribution expenses	18	<b>60,169,249</b>	47,217,098
Other expenses 19		<b>62,191,188</b>	94,541,397
Depreciation		<b>30,666,507</b>	31,035,835
		<b>1,100,604,189</b>	940,561,068
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>30,759,091</b>	(42,064,920)
Extra ordinary Items		<b>4,375</b>	3,979
(See note 6(f) on Schedule 21)			
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>30,763,466</b>	(42,060,941)
Provision / Payment for Taxation			
Wealth Tax		<b>4,500</b>	19,000
Taxation adjustment of previous years (net)		<b>(4,193)</b>	86,253
Deferred Tax Liability / (assets)		—	(16,685,068)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>30,763,159</b>	(25,481,126)
Balance brought forward from previous year		<b>(253,616,011)</b>	(228,134,885)
Balance carried to Balance sheet		<b>(222,852,852)</b>	(253,616,011)
Basic & Diluted Earning per share			
	20	<b>5.39</b>	(4.47)
Before extra ordinary items		<b>5.39</b>	(4.47)
After extra ordinary items			
NOTES ON ACCOUNTS			
Schedules 1 to 21 form an integral part of the accounts			

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

VIDIT JAIN  
Executive Director

Place : New Delhi  
Dated : 2nd September, 2011

O.P. SHROFF  
Partner

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director



## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedules	Current Year Rs.	Previous Year Rs.
<b>A Cash Flow from Operating Activities</b>			
<b>Net Profit/(Loss) before Tax and extraordinary item</b>		<b>30,759,091</b>	(42,064,920)
Adjustments for :			
Depreciation		<b>30,666,507</b>	31,035,835
Interest Income		<b>(1,589,854)</b>	(1,141,942)
Profit/(Loss) on Fixed Assets sold /discarded		<b>101,051</b>	(110,359)
Dividend Income		<b>(400)</b>	—
Interest Charged		<b>77,563,065</b>	39,566,814
Investments Written Off		<b>—</b>	28,710
<b>Operating Profit before Working Capital Charges</b>		<b>137,499,460</b>	27,314,138
Adjustments for :			
Trade & Other Receivables		<b>(23,695,772)</b>	4,454,212
Inventories		<b>(35,983,606)</b>	(5,770,300)
Trade Payables & Other Liabilities		<b>15,918,632</b>	38,305,405
<b>Cash Generated from Operations</b>		<b>93,738,714</b>	64,303,455
Interest Paid		<b>(65,862,164)</b>	(49,713,195)
Taxes Paid		<b>(395,228)</b>	(2,580,286)
<b>Net Cash from Operating Activities</b>		<b>27,481,322</b>	12,009,974
<b>B. Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets		<b>(22,811,711)</b>	(2,108,370)
Sale of Fixed Assets		<b>580,420</b>	665,000
Interest Received		<b>2,766,306</b>	1,141,942
Purchase of Investment		<b>—</b>	(200,000)
Dividend Received		<b>400</b>	—
<b>Net Cash used in Investing Activities</b>		<b>(19,464,585)</b>	(501,428)
<b>C. Cash Flow from Financing Activities</b>			
Proceeds from Borrowings		<b>(9,554,576)</b>	(3,999,749)
<b>Net Cash used in Financing Activities</b>		<b>(9,554,576)</b>	(3,999,749)
Net (Decrease)/Increase in Cash & Cash equivalents		<b>(1,537,839)</b>	7,508,797
Cash & Cash equivalents at start of the year		<b>29,090,028</b>	21,581,231
Cash & Cash equivalents at close of the year		<b>27,552,189</b>	29,090,028

Note : Brackets represent cash outflows

#### NOTES ON ACCOUNTS

21

Schedules 1 to 21 form an integral part of the accounts

As per our report of even date annexed  
For B.K. SHROFF & CO.,  
Chartered Accountants

RAMESH KUMAR JAIN  
Chairman & Managing Director

VIDIT JAIN  
Executive Director

Place : New Delhi  
Dated : 2nd September, 2011

O.P. SHROFF  
Partner

REKHA SHARMA  
Company Secretary

S.K. CHHAJER  
Whole-time Director



## SCHEDULES

	Current Year Rs.	Previous Year Rs.
<b>1. SHARE CAPITAL</b>		
<b>Authorised</b>		
12100000 Equity Shares of Rs. 10 each	<u>121,000,000</u>	<u>121,000,000</u>
<b>Issued, Subscribed &amp; Paid Up</b>		
5556506 Equity Shares of Rs. 10 each fully paid up	55,565,060	55,565,060
1500000 Equity Shares of Rs. 10 each, Re 1 called and paid up	<u>1,500,000</u>	<u>1,500,000</u>
	<u>57,065,060</u>	<u>57,065,060</u>
<b>2. RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	6,113,000	6,113,000
<b>Share Premium Account</b>		
As per last Balance Sheet	56,610,090	56,610,090
<b>Debenture Redemption Reserve</b>		
As per last Balance Sheet	<u>75,089,247</u>	<u>75,089,247</u>
	<u>137,812,337</u>	<u>137,812,337</u>

	Current Year Rs.		Previous Year Rs.	
<b>3. SECURED LOANS</b>				
From Banks				
Working capital Loans (b)	<b>339,412,300</b>		306,948,448	
Buyers' Credit (b)	<b>14,539,600</b>		—	
Vehicle Loans (c)	<b>152,272</b>		386,397	
Interest accrued and due (b)	<b>—</b>	<b>354,104,172</b>	<b>178,197</b>	307,513,042
From Companies				
Term Loans (a)	<b>264,500,000</b>		314,500,000	
Vehicle Loans (c)	<b>—</b>		31,769	
Interest accrued and due (a)	<b>9,014</b>	<b>264,509,014</b>	<b>—</b>	314,531,769
Debentures				
500000 19% Redeemable				
Non-Convertible of Rs. 100 each (a)	<b>5,433,552</b>		10,637,664	
Add : Interest accrued and due (a)	<b>60,535,030</b>	<b>65,968,582</b>	<b>48,405,390</b>	59,043,054
234030 14% Redeemable Partly				
Convertible of Rs.125 each (a)	<b>4,838,672</b>		4,842,422	
Add : Interest accrued and due (a)	<b>432,054</b>	<b>5,270,726</b>	<b>432,054</b>	5,274,476
2353856 15% Redeemable Partly				
Convertible of Rs. 25 each (a)	<b>9,045,589</b>		11,307,777	
Add : Interest accrued and due (a)	<b>1,138,090</b>	<b>10,183,679</b>	<b>1,138,090</b>	12,445,867
		<b>700,036,173</b>		<b>698,808,208</b>

(a) Secured on pari-passu basis by way of joint equitable mortgage of immovable properties both present and future and hypothecation of all movables subject to prior charge in favour of the company's bankers for working capital requirements alongwith personal guarantee of the chairman & managing director (CMD).

14% and 15% Debentures are also secured by exclusive first charge on the properties at Gujarat.

(b) Secured against hypothecation of raw materials, finished goods, semi-finished goods, stores and spare parts, book debts, etc. together with second charge on all immovable / movable fixed assets of the company both present and future alongwith personal guarantee of CMD and two outsiders.

(c) Secured against hypothecation of vehicle financed out of the loan amount.



		Current Year Rs.		Previous Year Rs.
<b>4. UNSECURED LOANS</b>				
Loans & Advances				
From Companies				
— Free of Interest		63,125,145		59,870,000
— Bearing Interest		1,350,000		1,350,000
Interest accrued and due		<u>156,223</u>	<u>64,631,368</u>	<u>59,023</u>
From Life Insurance Corporation of India*			<u>173,584</u>	<u>2,255,188</u>
			<u><u>64,804,952</u></u>	<u><u>63,534,211</u></u>

\* Secured by an irrevocable guarantee of CMD.

#### 5. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2010	Additions	Sales/ Adjust- ments	Total	Upto 31.3.2010	For the Year*	Adjust- ments	Total	As at 31.3.2011	As at 31.3.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land - Freehold	4,835,213	—	—	<b>4,835,213</b>	—	—	—	—	<b>4,835,213</b>	4,835,213
Buildings	254,996,092	—	—	<b>254,996,092</b>	137,720,942	4,324,766	—	<b>142,045,708</b>	<b>112,950,384</b>	117,275,150
Plant & Machinery	1,674,826,066	22,656,821	—	<b>1,697,482,887</b>	1,322,055,450	25,071,506	—	<b>1,347,126,956</b>	<b>350,355,931</b>	352,770,616
Furniture & Fixtures	6,439,454	—	—	<b>6,439,454</b>	5,616,811	112,427	—	<b>5,729,238</b>	<b>710,216</b>	822,643
Factory & Office Equipments	14,617,151	154,890	—	<b>14,772,041</b>	12,154,768	631,383	—	<b>12,786,151</b>	<b>1,985,890</b>	2,462,383
Vehicles	11,097,793	—	1,665,534	<b>9,432,259</b>	7,299,881	526,425	984,063	<b>6,842,243</b>	<b>2,590,016</b>	3,797,912
<b>Total</b>	<b>1,966,811,769</b>	<b>22,811,711</b>	<b>1,665,534</b>	<b>1,987,957,946</b>	<b>1,484,847,852</b>	<b>30,666,507</b>	<b>984,063</b>	<b>1,514,530,296</b>	<b>473,427,650</b>	481,963,917
Previous Year	1,973,505,961	2,108,370	8,802,562	1,966,811,769	1,462,059,938	31,035,835	8,247,921	1,484,847,852	481,963,917	

\* Net of excess depreciation written back Rs. 99,789 (previous year Nil)

	No. of Shares / Debentures		Current Year Rs.	Previous Year Rs.
	Current Year	Previous Year		
<b>6. INVESTMENTS (at Cost)</b>				
<b>Quoted</b>				
<b>In Equity Shares of Rs. 10 each</b>				
<b>Trade - Long Term Investments</b>				
Amit Spinning Industries Limited	100	100	2,329	2,329
Global Syntex (Bhilwara) Limited	9,900	9,900	108,900	108,900
G.T.N. Industries Limited	100	100	17,597	17,597
Malwa Cotton Spinning Mills Limited	50	50	16,325	16,325
Sanghi Polyesters Limited	200	200	7,141	7,141
<b>Non-Trade - Long Term Investments</b>				
Pasupati Fincap Limited	70,000	70,000	700,000	700,000
<b>Non-Trade - Current Investments</b>				
Srishti Video Corp. Limited	240,000	240,000	2,008,050	2,008,050
			<u>2,860,342</u>	<u>2,860,342</u>
Less : Provision for diminution in value of investments			2,008,050	2,008,050
			<u>852,292</u>	<u>852,292</u>
<b>Unquoted</b>				
<b>In Equity Shares of Rs. 10 each</b>				
<b>Non-Trade - Long Term Investments</b>				
India Comm Directories Limited	50	50	500	500
Shivalik Solid Waste Management Limited	20,000	20,000	200,000	200,000
			<u>1,052,792</u>	<u>1,052,792</u>
Market value of Quoted Investments			<u>1,090,895</u>	<u>1,108,350</u>



	Current Year Rs.	Previous Year Rs.
<b>7. INVENTORIES</b>		
(As taken, valued and certified by the management)		
Stores & Spares	10,639,892	10,184,142
Raw Materials	18,367,718	6,630,039
Finished goods		
Own Manufactured (including in transit Rs. 17969528, Previous Year Rs. 10597716)	148,261,042	123,123,902
Trading	1,053,660	1,053,660
Semi - finished goods	40,633,439	42,018,493
Waste	209,242	171,151
	<u>219,164,993</u>	<u>183,181,387</u>
<b>8. SUNDRY DEBTORS</b>		
(Unsecured)		
Exceeding six months		
—considered good	34,905,076	46,197,937
—considered doubtful	6,780,519	8,634,844
	<u>41,685,595</u>	<u>54,832,781</u>
Less : Provision for doubtful debt	6,780,519	8,634,844
	<u>34,905,076</u>	<u>46,197,937</u>
Other debts - considered good	187,494,011	156,504,584
	<u>222,399,087</u>	<u>202,702,521</u>
<b>9. CASH &amp; BANK BALANCES</b>		
Cash in hand	3,590,779	1,124,730
Cheques / drafts in hand	650,839	10,280,532
Balances with Scheduled Banks		
In Current Account	3,990,630	4,194,108
In Fixed Deposit / Margin Money Account	19,153,841	13,324,558
Balance in Post Office Savings Bank Account	166,100	166,100
	<u>27,552,189</u>	<u>29,090,028</u>

	Current Year Rs.	Previous Year Rs.
<b>10. LOANS &amp; ADVANCES</b>		
(Unsecured - considered good unless stated otherwise)		
Loans		
To a Company	<b>11,838,507</b>	—
To Staff	<b><u>1,687,209</u></b>	<u>1,738,347</u>
Advances		
(recoverable in cash or in kind or for value to be received)		
— considered good	<b>33,381,182</b>	42,615,996
— considered doubtful	<b><u>39,775,070</u></b>	<u>39,775,070</u>
	<b><u>73,156,252</u></b>	82,391,066
Less : Provision for doubtful advances	<b><u>39,775,070</u></b>	<u>39,775,070</u>
Interest receivable	<b>849,385</b>	2,025,837
Balance with Central Excise	<b>3,272,788</b>	2,918,999
Advance Payment of Taxes (including tax deducted at source)	<b>1,772,571</b>	1,392,150
Security Deposits	<b><u>10,059,312</u></b>	<u>8,966,450</u>
	<b><u><u>62,860,954</u></u></b>	<u><u>59,657,779</u></u>



	Current Year Rs.	Previous Year Rs.
<b>11. CURRENT LIABILITIES</b>		
Sundry Creditors	167,162,088	156,982,627
Other Liabilities	101,676,273	95,937,102
Interest accrued but not due	749,134	1,105,890
	<u>269,587,495</u>	<u>254,025,619</u>
<b>12. PROVISIONS</b>		
For Wealth Tax	4,500	19,000
	<u>4,500</u>	<u>19,000</u>
<b>13. OTHER INCOME</b>		
Rent	838,521	110,075
Dividend on Trade Investments	400	—
Interest from Banks & Others	1,589,854	1,141,942
Job Work Income	336,258	159,301
Miscellaneous Receipts	1,739,021	1,236,957
Claims, Rebates & Discounts	595,528	2,771,919
Income from Hire Charges	9,200,000	—
Commission Received	—	3,697,551
Difference in Exchange (Net)	—	36,659
Liabilities no longer required written back	1,755,659	9,451,685
Income / Adjustments relating to earlier years	—	915,923
Bad Debts Recovered	25,000	—
Bad Debts / Advances earlier provided now Recovered	1,854,325	80,000
Profit on Sale of Fixed Assets (Net)	—	110,359
Profit on Cancellation of Forward Contract	181,362	257,561
	<u>18,115,928</u>	<u>19,969,932</u>
<b>14. ACCRETION / (DECRETION) IN STOCKS</b>		
Closing Stocks		
Finished Goods		
Own Manufactured	148,261,042	123,123,902
Trading	1,053,660	1,053,660
Semi-finished Goods	40,633,439	42,018,493
Waste	209,242	171,151
	<u>190,157,383</u>	<u>166,367,206</u>
Opening Stocks		
Finished Goods		
Own Manufactured	123,123,902	139,258,782
Trading	1,053,660	1,053,660
Semi-finished Goods	42,018,493	17,058,643
Waste	171,151	161,599
	<u>166,367,206</u>	<u>157,532,684</u>
Accretion / (Decretion) in Stocks	<u>23,790,177</u>	<u>8,834,522</u>



	<b>Current Year Rs.</b>	Previous Year Rs.
<b>15. RAW MATERIALS CONSUMED</b>		
Opening Stock	6,630,039	10,408,328
Add : Purchases	<u>522,523,142</u>	<u>389,637,302</u>
	<b>529,153,181</b>	400,045,630
Less : Closing Stock	<u>18,367,718</u>	<u>6,630,039</u>
	<u><b>510,785,463</b></u>	<u>393,415,591</u>
<b>16. EMPLOYEES</b>		
Salaries, Wages, Bonus & Other benefits	90,703,932	78,924,042
Gratuity	1,889,819	2,121,612
Contribution to Provident Fund, Employees' State Insurance, etc.	6,012,810	6,229,463
Workmen & Staff Welfare expenses	1,795,227	1,278,879
Staff Recruitment & Training expenses	<u>315,652</u>	<u>452,441</u>
	<u><b>100,717,440</b></u>	<u>89,006,437</u>
<b>17. INTEREST</b>		
On Debentures	12,129,640	9,884,610
On Term Loan	33,813,355	2,637,240
To Banks & Others	<u>31,620,070</u>	<u>27,044,964</u>
	<u><b>77,563,065</b></u>	<u>39,566,814</u>
<b>18. SELLING &amp; DISTRIBUTION EXPENSES</b>		
Commission & Brokerage	9,001,362	7,415,100
Freight & Forwarding charges	32,505,495	22,516,351
Claims, Rebates & Discounts	2,621,259	7,236,245
Sales / Turnover Tax	3,685,790	888,418
Others	<u>12,355,343</u>	<u>9,160,984</u>
	<u><b>60,169,249</b></u>	<u>47,217,098</u>



	Current Year Rs.	Previous Year Rs.
<b>19. OTHER EXPENSES</b>		
Rent	6,471,340	6,687,442
Rates, Taxes & Fees	1,623,339	607,425
Insurance	1,168,199	944,422
Repairs & Maintenance		
Plant & Machinery	841,643	671,850
Building	166,964	12,250
Others	<u>1,380,458</u>	<u>1,032,935</u>
Generator Hire Charges	7,126,202	7,193,226
Travelling & Conveyance	16,390,918	15,397,266
Bank & Finance Procurement expenses	9,460,288	10,845,014
Miscellaneous expenses	11,572,684	15,016,683
Directors' Fees	3,500	4,500
Bad Debts/Advances written off		
Bad Debts/Advances written off	411,262	60,762,762
Less : Provided in earlier years	<u>—</u>	<u>33,780,783</u>
Irrecoverable Claims written off	1,835,389	1,051,759
Provision for Doubtfull Debts/Advances	—	4,265,581
Previous Year expenses	12,473	3,178,040
Charity & Donation	1,523,447	54,680
Auditors' Remuneration		
As Audit Fees	400,000	280,000
As Quarterly Review Fees	300,000	186,000
As Tax Audit Fees	70,000	70,000
In Other Capacity	<u>128,500</u>	<u>26,000</u>
Difference in Exchange (Net)	1,063,415	—
Loss on Fixed Assets Sold/Discarded (Net)	101,051	—
Sundry Balance Adjustment (Net)	28,116	5,635
Investment written off	—	28,710
	<u><u>62,191,188</u></u>	<u><u>94,541,397</u></u>

## 20. BASIC & DILUTED EARNING PER SHARE

Net Profit/(Loss) after Tax but before extra ordinary items (A)	30,758,784	(25,485,105)
Net Profit/(Loss) after Tax and extra ordinary items (B)	30,763,159	(25,481,126)
No. of fully paid Equity Shares	5,556,506	5,556,506
No. of partly paid Equity Shares (1500000x1/10)	<u>150,000</u>	<u>150,000</u>
Total No. of Equity Shares (C)	5,706,506	5,706,506
Basic Earning per Share before extra ordinary items (A/C)	5.39	(4.47)
Basic Earning per Share after extra ordinary items (B/C)	5.39	(4.47)

Note : Diluted earning per share is antidilutive.

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## 21. NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Preparation of Financial Statements

- a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, subject to what is stated herein below, as adopted consistently by the company.
- b) The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

#### B. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of inward freight, duties & taxes and incidental expenses relating to acquisition and are net of modvat credit. In respect of major projects, related pre-operational expenses form part of the value of assets capitalized.

#### C. Depreciation

Depreciation is calculated on fixed assets on 'Straight Line Method' in accordance with Schedule XIV of the Companies Act, 1956 as under :

- a) In respect of Plant & Machinery by applying the revised rates in force in terms of the notification dated 16.12.1993. Based upon legal opinion depreciation has been provided at the rate prescribed for continuous process plant.
- b) In respect of other assets at the rates in force prior to the above mentioned notification and at the revised rates on assets acquired thereafter.

#### D. Foreign Currency Transactions, Derivatives Instruments and hedge Accounting

- a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- b) Items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.
- c) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit or loss account.
- d) The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Mark to market losses on such measurement are recognized in the profit & loss account.

#### E. Investments

- a) Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.



- b) Current investments are valued at cost or market value whichever is lower. The decline in the value of current investments is provided in the accounts each year.

**F Inventories**

Inventories are valued at lower of cost or market price except for waste. Waste is valued at realizable value. The cost comprises of cost of purchase, cost of conversion and other cost including appropriate production overheads incurred in bringing such inventories to their present location. In case of raw materials and stores & spares the cost is determined using FIFO method.

**G Sales**

Sales are inclusive of recovery of excise duty and packing charges and net of returns and sales tax.

**H. Taxes, Duties etc.**

Excise duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses. Provision is made for goods meant for sale in domestic tariff area only.

**I. Employee Retirement Benefits**

Company's contribution to state plans are charged to revenue every year. Liability to defined benefit plans is determined on the basis of an actuarial valuation at the end of the year. The actuarial valuation is recognized as an expenses. Actuarial gains and losses comprises experience adjustments and the effect of changes in actuarial assumptions and are recognized immediately in the profit and loss account as income or expense.

**J. Borrowing Cost**

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition / consumption of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use and other borrowing cost are charged to profit & loss account.

**K. Earning per Share**

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options).

**L. Deferred Taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in the foreseeable future.

Deferred tax benefits are recognized in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realizable in the near future.

**M. Impairment of Assets**

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**N. Operating Lease**

Operating lease receipts and payments are recognized as income or expenses in the profit and loss account on a straight line basis over the lease term.

**O. Contingent Liabilities**

Contingent liabilities not provided for in the accounts are separately shown in the Annual Statement of Accounts.

**P. Events occurring after Balance Sheet date**

Events occurring after the Balance Sheet date have been considered in the preparation of financial statements.

	<b>Current Year Rs.</b>	Previous Year Rs.
2. Contingent liabilities not provided for in respect of		
a) Bank Guarantees	<b>4015148</b>	4017148
b) Claims not acknowledged as debts	<b>16114198</b>	17145958
c) Sales Tax demands disputed by the company	<b>4513602</b>	4407602
3. The company had on 16.7.1994 allotted to promoters and their associates 15,00,000 equity shares of Rs. 10 each for cash at a premium of Rs. 22 each on which Rs. 3.50 was called and paid up (Rs. 1 towards Equity shares and Rs. 2.50 towards premium). Balance amount of Rs. 28.50 per share is yet to be called.		
4. In view of the accumulated losses incurred by the company exceeding its net worth, the company has made a reference under Section 15(1) of Sick Industrial Companies (Special provisions) Act, 1985 to the Board for Industrial and Financial Reconstruction (BIFR). The company was declared a sick Industrial company within the meaning of section 3(1)(o) of the said Act by BIFR on 14.7.2005 and Bank of Baroda was appointed as the operating agency (OA) to examine viability of the company and formulate rehabilitation scheme. The OA has filed a draft rehabilitation scheme with BIFR which is under consideration. Consequently, the account of the company for the year ended 31.03.2011 have been prepared on basis that the company is a going concern.		
5. IDBI had assigned / transferred to Stressed Assets Stabilisation Fund (SASF) the financial assistance granted by it to the company. Subsequently, SASF has assigned its outstanding dues of Rs. 3145 Lacs in favour of J.M. Financial Assets Reconstruction Company Pvt. Ltd. (JMFARC) on 19th March, 2010. On request of the company, JMFARC has agreed for restructuring of outstanding dues of Rs. 3145 lacs on certain proposed terms and conditions which are subject to approval of BIFR. The proposed terms and conditions of JMFARC have		



already been incorporated in the draft rehabilitation scheme submitted to BIFR (Refer note no. 4 on Schedule 21). As the said terms and conditions are to be finalized by BIFR and can be operative only on clearance by BIFR, these accounts have been prepared as follows :

- i) Interest @ 23% p.a. payable monthly has been provided /paid on debt portion of Rs. 15 Crore of which Rs. 5 Crore has already been repaid.
  - ii) Interest for the year amounting to Rs. 25795758 (previous year Rs. 819178) has not been provided on an amount of Rs. 10 Crore which is proposed to be converted into Equity / Optionally Cumulative Convertible Debentures. Total unpaid / unprovided interest upto 31.03.2011 Rs. 26614936 (previous year Rs.819178).
  - iii) The balance amount of Rs. 6.45 Crore proposed to be waived off has not been written back as the terms and conditions are not yet approved by BIFR.
6. a) Part B of Rs. 125 each out of the 14% secured redeemable partly convertible debentures of Rs. 250 each were to be redeemed at par in three equal instalments on expiry of 7th, 8th and 9th year from the date of allotment of the debentures i.e. 21.12.1991.
- b) Part B of Rs. 25 each out of the 15% secured redeemable partly convertible debentures of Rs. 50 each were to be redeemed at par in three instalments of Rs. 8, Rs. 8 and Rs. 9 on expiry of 7th, 8th and 9th year respectively from the date of allotment of the debentures i.e. 09.12.1993.
- c) 19% secured redeemable non-convertible debentures of Rs. 100 each were to be redeemed at par in three equal instalments on expiry of 6th, 7th and 8th year from the date of allotment of debentures i.e. 03.01.1994.
- d) Majority of the debenture holders holding debentures detailed in (a) (b) & (c) above and Life Insurance Corporation of India (LIC) in respect of its unsecured loan of Rs. 10000000 has agreed to one time settlement (OTS) proposal of the company to settle their dues and payment of the settled amount in monthly instalments subject to following main terms and conditions :
- i) In the event of any delay in payment of OTS instalments on due dates, the company shall pay interest at the agreed rate for the period of delay.
  - ii) If the company offers better proposal to any other creditor, the same shall be offered to these settlers also.
- e) The debenture holders which have not agreed to OTS as detailed in (d) above are :
- i) New India Assurance Co. Ltd. holding 19% debentures of face value of Rs. 100 each aggregating to Rs. 5000000 (outstanding amount Rs. 5000000).
  - ii) ICICI holding 14% debentures of face value of Rs. 125 each aggregating to Rs. 65000 (outstanding amount Rs. 20068) and 15% debentures of face value of Rs. 25 each aggregating to Rs. 70000 (outstanding amount Rs. 70000).
  - iii) Individual public debenture holders holding 14% debentures of face value of Rs. 125 each aggregating to Rs. 5266125 (outstanding amount Rs. 4811343) and 15% debentures of face value of Rs. 25 each aggregating to Rs. 9058700 (outstanding amount 8962846).

- f) During the year individual public debenture holders holding 14% debenture of face value of Rs. 125 each aggregating to Rs. 3750 (outstanding amount Rs. 3750) and 15% debentures of face value of Rs. 25 each aggregating to Rs. 13750 (outstanding amount Rs.13750) have consented to settlement on similar terms and conditions as detailed in (d) above. Consequently, principal and interest amounting to Rs. 4375 has been written back in these accounts as extraordinary items.
- g) The company has not provided and paid interest amounting to Rs. 22344570 (including Rs. 20313245 for earlier years) on 14% and 15% Redeemable partly convertible debentures due to paucity of funds and consequently TDS thereon has also not been accounted for in the books of account.
7. In pursuance of Accounting Standard on Impairment of Assets (AS28) issued by The Institute of Chartered Accountants of India the company had identified and impaired certain assets/ cash generating units. There is no further impairment/reversal during the year.
8. In view of losses, Debenture Redemption Reserve of Rs. 6333740 (previous year Rs. 1674150) has not been created.
9. As recommended under the Accounting Standard (AS) 22, 'Accounting for Taxes On Income', issued by the Institute of Chartered Accountants of India the company has not provided deferred tax asset as on 31st March, 2011 in view of uncertainty of realization of the amount. The details of deferred tax assets / (liabilities) are as under :

	As at 31st March, 2010 Rs.	Tax effect for the year Rs.	As at 31st March, 2011 Rs.
<u>Deferred Tax (liability)</u>			
Fixed Assets	(74142754)	713100	(73429654)
	<u>(74142754)</u>	<u>713100</u>	<u>(73429654)</u>
<u>Deferred Tax Assets</u>			
Carry forward losses	97022605	(17911339)	79111266
Section 43 B items	21592607	2424170	24016777
Provision for Gratuity	2645600	253088	2898688
Others	3836518	(690857)	3145661
	<u>125097330</u>	<u>(15924938)</u>	<u>109172392</u>
Net deferred tax asset / (liability)	50954576	(15211838)	35742738

Note :

Tax effect for the year is abnormally high as Debts written off amounting to Rs.12723355 was considered as allowable deduction under the Income Tax Act, 1961 while preparing deferred tax for the year ended 31st March 2010, but on legal advice, the said amount was not claimed as a deduction in the return filed for the assessment year 2010-11.

10. Employee benefit obligations :

The various benefits provided to employees have been classified as under :

(a) State Plans

Contribution made by the company to various state plans which have been recognized as an expense in the profit & loss account are :



	<b>Current Year Rs.</b>	Previous Year Rs.
Employer's contribution to Employees State Insurance Scheme	<b>1946277</b>	1652502
Employer's contribution to Employees Provident Fund	<b>4066533</b>	4149730
<b>(b) Defined Benefit Plan</b>		
The present value of obligation on account of gratuity (unfunded) is determined based on actuarial valuation.		
<b>I. Assumptions</b>		
Discount Rate	<b>8.10%</b>	7.90%
Rate of increase in Compensation	<b>8.00%</b>	8.00%
<b>II. Table showing Changes in Present Value of Obligations during the period</b>		
Present Value of Obligation as at the beginning of the period	<b>7964477</b>	6872784
Interest cost	<b>629194</b>	487968
Current Service Cost	<b>1527777</b>	1621157
Benefit paid	<b>(920138)</b>	(1029919)
Actuarial (gain)/loss on obligations	<b>(267152)</b>	(20070)
Present Value of Obligation as at the end of the period	<b>8934158</b>	7964477
<b>III. Table showing Fair Value of Plan Assets</b>		
Funded Status	<b>(8934158)</b>	(7964477)
<b>IV. Actuarial gain/loss recognized for the period</b>		
Actuarial gain/(loss) for the period - Obligation	<b>267152</b>	20070
Total (gain)/loss for the period	<b>(267152)</b>	(20070)
Actuarial (gain)/loss recognized in the period	<b>(267152)</b>	(20070)
<b>V. The amounts to be recognized in Balance Sheet and statements of profit and loss</b>		
Present Value of Obligation as at the end of the period	<b>8934158</b>	7964477
Funded Status	<b>(8934158)</b>	(7964477)
Net Liability Recognized in Balance sheet	<b>8934158</b>	7964477
<b>VI. Expense recognized in the statement of profit and loss for the period</b>		
Current Service Cost	<b>1527777</b>	1621157
Interest cost	<b>629194</b>	487968
Net actuarial (gain)/loss recognized in the period	<b>(267152)</b>	(20070)
Expenses Recognized in the statement of Profit & Loss	<b>1889819</b>	2121612

**Notes :**

- i) The above information is certified by the actuary.
- ii) As per rules of the company leaves are not encashed.



11. As required under the Accounting Standard (As) 18, 'Related partly discloses' issued by the Institute of Chartered Accountants of India, the information regarding transactions that took place between the company and its related parties are as under :

Related Party	Relationship	Description of transaction	Payment Rs.	Outstanding as on 31.3.2011 Rs.	
Shri Ramesh Kumar Jain	Chairman & Managing Director (CMD)	Remuneration and Perquisites	<b>211606</b> (67557)	<b>88000</b> (—)	(Cr.)
Shri S. K. Chhajjer	Whole time Director	Remuneration and Perquisites	<b>737000</b> (304398)	<b>217846</b> (—)	(Cr.)
Shri Vedit Jain	Executive Director (Son of CMD)	Remuneration and Perquisites	<b>637206</b> (547557)	— (—)	
Shri Deepak Gupta (upto 23/09/2009)	Director	Sitting fees	— (1500)	— (500)	(Cr.)
Shri Praveen Paliwal	Director	Sitting fees	<b>3500</b> (3000)	<b>5000</b> (3000)	(Cr.) (Cr.)
Smt. Sangeeta Chhajjer	Wife of whole time Director	Rent paid	<b>226200</b> (226200)	(—) (—)	

Note : Previous year figures have been given in the brackets.

12. In the opinion of the management the diminution in the value of long term investments is temporary in nature and hence provision for the same is not required.
13. The company is in the process of identifying suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, information thereto has not been provided.
14. The company has not made any provision for Income Tax for the year as there is no taxable income / book profit under the provisions of the Income Tax Act, 1961.
15. Balance of sundry creditors, sundry debtors, investments and loans and advances are subject to confirmation and reconciliation.
16. In the opinion of the Board the current assets, sundry debtors and loans and advances have a value on realization in the ordinary course of business, at least equal to the amount at which they are stated in the Balance Sheet.
17. The company's business activity falls within a single primary reportable segment viz. Textiles and Textile Articles. Accordingly, pursuant to Accounting standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India segmental information is not required to be given.
18. Previous year figures have been regrouped and /or re-arranged wherever considered necessary.
19. Paise have been rounded off to the nearest rupee.



	Current Year Rs.	Previous Year Rs.
20. Advances include		
Due from officers	—	—
Maximum amount due at any time during the year	—	—
21. Amount due to directors of the company	<b>310846</b>	3500
22. Managerial Remuneration		
Salary	<b>1180000</b>	219990
Contribution to Provident and Other Funds	<b>141600</b>	26028
Other Benefits	<b>264212</b>	125937

Note :

- (i) Shri Ramesh Kumar Jain, Chairman & Managing Director, has forgone his salary w.e.f. 16.04.2003 to 31.01.2011. Other benefits were being availed.
- (ii) Remuneration of Rs.132835 paid to Shri Ramesh Kumar Jain, Chairman & Managing Director for the period from 01.02.2011 to 31.03.2011 is subject to approval of the Central Government.
- (iii) The Company has been advised that the computation of net profits for the purpose of Directors' remuneration under Section 349 of the Companies, Act 1956 need not be enumerated since no commission is being paid to the directors.
- (iv) Managerial Remuneration includes Rs. 637206 (previous year Nil) paid to Shri Vidit Jain, Executive Director for the period from 01.04.2010 to 31.03.2011. The application of the company to the Central Government for approval of remuneration has been closed and filed.

23. Sales include Export Incentives.

24. No unclaimed amounts were outstanding to be credited to investor education & protection fund as on 31.03.2011.

25. Disclosure as required under clause 32 of listing agreement is as under :

	Amount outstanding as on 31.03.2011 Rs.	Maximum amount outstanding during the year Rs.
Loan and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372A of the Companies Act :		
H. Lon Hosiery Ltd.	— (—)	— (13,928,688)
Mahadev Leasing Co. Ltd.	— (—)	— (7,100,000)

Note :

- (i) Previous year figures are given in brackets.
- (ii) Provided in earlier years and written off during the previous year.

26. Operating Lease

(a) As Lessor :

- i. The Company has entered into lease arrangements for renting specified machinery at Rs.1150000 per month for a period of 84 months and renewable at mutual consent after the end of the term.
- ii. Disclosure in respect of assets given on operating lease :

	<b>Current Year Rs.</b>	Previous Year Rs.
Gross Carrying amount of assets	<b>969639801</b>	—
Accumulated Depreciation	<b>899971021</b>	—
Depreciation for the year	<b>5515535</b>	—

(b) As Lessee :

The Company has taken generators on hire for which total rent of Rs. 7126202 has been paid, which is being recognized as an expense in the statement of profit & loss account. The period of hire is not contracted and hence future lease payments are not determinable. The assets have not been subleased.

27. Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

A. Capacities, Production, Turnover and Stocks

a) <b>Licensed Capacity</b>	<u>Unit</u>	<u>Quantity</u>	
Cotton Yarn, Synthetic and Blended Man-made Fibre Yarn	Spindles	<b>27000</b>	(27000)
Cotton Terry Towels	Power Looms	<b>8</b>	(8)
Cotton Yarn / Polyester / Viscose / Acrylic / Polyester-Viscose / Blended Yarn	Spindles	<b>28500</b>	(28500)
Knitted Fabrics	Circular Knitted Machines	<b>12</b>	(12)
100% Synthetic & Synthetic Blended Yarn	Spindles	<b>26784</b>	(26784)
<b>b) Installed Capacity *</b>	<u>Unit</u>	<u>Quantity</u>	
Cotton Yarn, Synthetic and Blended Man-made Fibre Yarn	Spindles	<b>15888</b>	(15888)
Cotton Terry Towels	Power Looms	<b>8</b>	(8)
Cotton Yarn / Polyester / Viscose / Acrylic / Polyester-Viscose / Blended Yarn	Spindles	<b>25200</b>	(25200)
Knitted Fabrics	Circular Knitted Machines	<b>7</b>	(7)
100% Synthetic & Synthetic Blended Yarn	Spindles	<b>26784</b>	(26784)

\* As certified by the management and not verified by the auditors, being a technical matter.



c) **Production, Purchases, Turnover and Stocks**

Class of Goods	Unit	Opening Stock		Production <sup>(a)</sup>	Purchases		Turnover		Closing Stock	
		Quantity	Value	Quantity	Quantity	Value	Quantity	Value	Quantity	Value
			Rs.			Rs.		Rs.		Rs.
Synthetic & Blended Yarn	Kgs.	— (—)	— (—)	<b>48740</b> (28480)	— (—)	— (—)	<b>48096</b> (28480)	<b>5303290</b> (2827360)	<b>644</b> (—)	<b>64350</b> (—)
Fabrics (b)	Kgs.	<b>576</b> (1734)	<b>95000</b> (280868)	<b>624059</b> (536588)	— (—)	— (—)	<b>624635</b> (537746)	<b>143618031</b> (103950456)	— (576)	— (95000)
Sewing Thread	Kgs.	<b>637930</b> (687026)	<b>123028902</b> (138977914)	<b>3840086</b> (3820394)	<b>59</b> (10)	<b>38661</b> (3340)	<b>3835534</b> (3869500)	<b>852727609</b> (715519746)	<b>642541</b> (637930)	<b>148196692</b> (123028902)
Garments	Pcs.	<b>12396</b> (12396)	<b>1053660</b> (1053660)	<b>405039</b> (131564)	— (—)	— (—)	<b>405039</b> (131564)	<b>49697523</b> (17043989)	<b>12396</b> (12396)	<b>1053660</b> (1053660)
Others			<b>171151</b> (161599)			— (—)		<b>3256300</b> (1856919)		<b>209242</b> (171151)
			<b>124348713</b> (140474041)			<b>38661</b> (3340)		<b>1054602753(c)</b> (841198470)		<b>149523944</b> (124348713)

(a) Does not include Semi-finished goods and job work for outside parties.

(b) Includes job work by outside parties and does not include captive consumption & job work for outside parties.

(c) Does not include export incentives Rs. 35325523 (Previous Year Rs. 28626579).

B. **Raw Materials Consumed :**

Class of Goods	Unit	Quantity	Value (Rs.)
Polyester Fibre	Kgs.	<b>3752545</b> (3907306)	<b>344479155</b> (285102961)
Yarn	Kgs.	<b>756599</b> (670436)	<b>166306308</b> (108312630)
			<b>510785463</b> (393415591)

Note : Does not include material received from customers for utilization in production.

C. **Consumption of imported and indigenous material and percentage thereof :**

Class of Goods	Imported		Indigenous		Total
	%	Value (Rs.)	%	Value (Rs.)	Value (Rs.)
Raw Materials	<b>2.04</b> (3.60)	<b>10427060</b> (14164632)	<b>97.96</b> (96.40)	<b>500358403</b> (379250959)	<b>510785463</b> (393415591)
Stores, Dyes & Packing materials	<b>2.07</b> (1.76)	<b>2079464</b> (1538524)	<b>97.93</b> (98.24)	<b>98294713</b> (85833506)	<b>100374177</b> (87372030)

	<b>Current Year Rs.</b>	Previous Year Rs.
D. Other Particulars		
a) C.I.F. Value of imports		
Capital Goods	<b>14843319</b>	(1201750)
Raw Materials	<b>16321006</b>	(13258119)
Stores & Spares	<b>2079464</b>	(1930970)
b) Expenditure in foreign currency		
Travelling (Does not include cost of air tickets)	<b>264745</b>	(84115)
Commission & Brokerage	<b>3983656</b>	(4465906)
Claims	<b>961218</b>	(—)
c) Earnings in foreign exchange		
F.O.B. value of export (Does not include exports through merchant exporters)	<b>397773343</b>	(252207987)
d) Income from services rendered		
Job Work	<b>336258</b>	(159301)
Commission	—	(3697551)
Miscellaneous Receipts	<b>118386</b>	(—)

E. Previous year figures have been given in the brackets.



**PROXY**  
**PASUPATI SPINNING & WEAVING MILLS LTD.**

**Regd. Office & Works** : Village Kapriwas, (Dharuhera) Distt. Rewari, (Haryana).

**Head Office** : 1501, Nirmal Tower, 26, Barakhamba Road, New Delhi-110001.

I / We \_\_\_\_\_

of \_\_\_\_\_

in the district of \_\_\_\_\_

being a member / members of the above - named Company, hereby appoint Mr. / Miss / Mrs. \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_

or failing him / her Mr. / Miss / Mrs. \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

as my / our proxy to vote for me / us on my / our behalf at the 31st Annual General Meeting of the Company to be held on Friday, the 30th September, 2011 at 12.00 Noon and at any adjournment thereof.

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 2011

No. of Shares held \_\_\_\_\_ Ref.No. / L.F.No. / Client I D No. \_\_\_\_\_

D P I D No. : \_\_\_\_\_

Signature (s) \_\_\_\_\_

Address : \_\_\_\_\_

Affix Re. 1/- Revenue Stamp
--------------------------------------

Note : The proxy must be deposited at the Registered Office / Head Office of the Company not less than 48 hours before the time for holding the Meeting.

-----TEAR HERE-----

**ATTENDANCE SLIP**  
**PASUPATI SPINNING & WEAVING MILLS LTD.**

**Regd. Office & Works** : Village Kapriwas, (Dharuhera) Distt. Rewari, (Haryana).

**Head Office** : 1501, Nirmal Tower, 26, Barakhamba Road, New Delhi-110001.

I hereby record my presence at the 31st Annual General Meeting being held on Friday, the 30th September, 2011 at 12.00 Noon at Village Kapriwas (Dharuhera), Distt. Rewari, Haryana

Name of the Shareholder \_\_\_\_\_  
(in block letters)

Folio No./DPID No. and Client I D No. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

\_\_\_\_\_  
(Signature of the Shareholder / Proxy)

- Note :
1. Please complete this attendance slip and hand it over at the entrance of the venue of the meeting.
  2. Please bring your copy of Balance Sheet at the time of Annual General Meeting.



### **Board of Directors**

Shri Ramesh Kumar Jain	— Chairman & Managing Director
Shri S. K. Chhajer	— Whole-time Director
Shri Vedit Jain	— Executive Director
Shri Praveen Paliwal	— Director
Shri Ghanshyam Dass Gupta	— Director

### **Company Secretary**

Ms. Rekha Sharma

### **President (Finance)**

Shri A. K. Monga

### **Auditors**

M/s. B.K. Shroff & Co.,  
3/7-B, Asaf Ali Road,  
New Delhi-110002.

### **Bankers**

Bank of Baroda  
Canara Bank  
ING Vysya Bank Ltd.  
Punjab National Bank  
State Bank of Patiala  
State Bank of Travancore  
The Nainital Bank Ltd.

### **Registered Office & Works**

Village Kapriwas (Dharuhera),  
Distt. Rewari,  
Haryana.

### **Sewing Thread Unit :**

Village Kheri (Kala-Amb),  
Distt. Sirmour,  
Himachal Pradesh.

### **Head Office**

1501, Nirmal Tower,  
26, Barakhamba Road,  
New Delhi-110001.  
E'mail : ho@pasupatitextiles.com

### **Registrar & Shares / Debentures**

#### **Transfer Agents**

M/s. Skyline Financial Services Pvt. Ltd.  
D - 153 A, 1st Floor, Okhla Industrial Area,  
Phase - I, New Delhi - 110020  
*Phones : +91-11-30857575 (10 Lines)*  
Fax : +91-11-30857562  
E'mail : admin@skylinerta.com

<b>Contents</b>	<b>Page</b>
Notice.....	1
Directors' Report.....	4
Auditors' Report.....	17
Balance Sheet.....	23
Profit & Loss Account.....	24
Schedules.....	26
Notes on Account.....	35