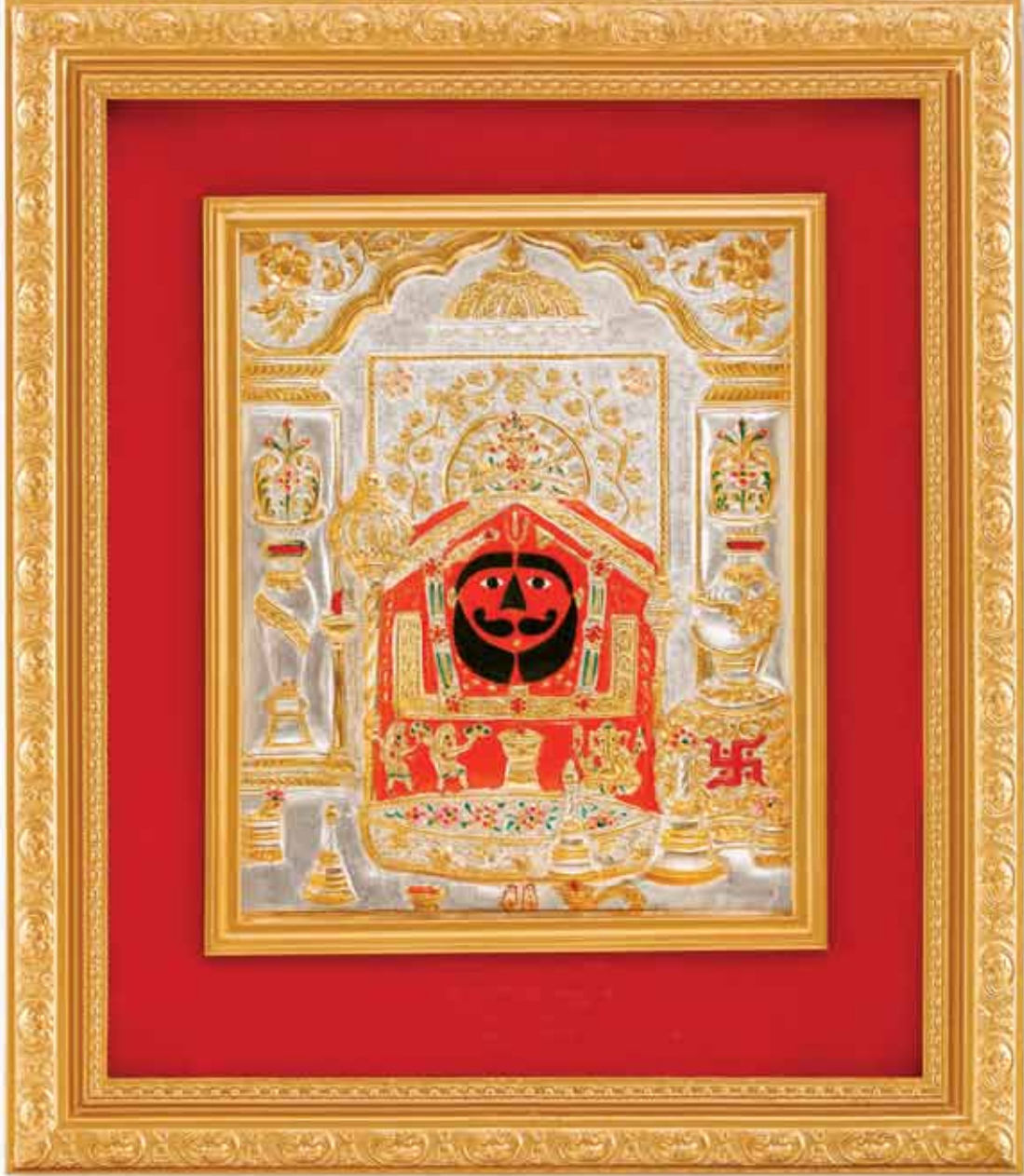


**25<sup>th</sup> ANNUAL REPORT**  
**2010-2011**



**DONEAR INDUSTRIES LIMITED**



अतुलितबलधामं हेमशैलाभदेहं दनुजवनकृशानुं ज्ञानिनामग्रगण्यम् ।  
सकलगुणनिधानं वानराणामधीशं रघुपतिप्रियभक्तं वातजातं नमामि ॥







वक्रतुंड महाकाय सूर्यकोटि समप्रभः ।  
निर्विघ्नं कुरु मे देव सर्वकायेषु सर्वदा ॥









Admin Block & Process House  
Surat Plant



## State-of-the-art Machineries at Surat



**SUZUKI SAMPLE WARPING**



**CCI SAMPLE WEAVING**



**FONG YARN DYEING**



**JACQUARD MACHINE**



**XETMA PEACHING MACHINE**



**FORMULA 1 MULTIPLA**





**KYOTO CHAIN MERCERIZER**



**KYOTO LA WRINKLE FREE MACHINE**



**TOYOTA AIRJET WEAVING MACHINE**



**BIANCALANI AIRO**



**THEN AIRFLOW**



**CWR**







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### **25th Annual General Meeting**

on Saturday  
24th September, 2011, at 11.30 a.m.  
at  
Hotel Kohinoor Continental,  
J.B. Nagar, Andheri Kurla Road, Andheri (East)  
Mumbai - 400 059.

**Shareholders are requested to bring  
with them the Attendance Slip on Page 56  
and their copy of the Balance Sheet**

## CORPORATE INFORMATION

### DIRECTORS

Shri. Vishwanath L. Agarwal – (Chairman)  
Shri. Rajendra V. Agarwal – (Managing Director)  
Shri. Ajay V. Agarwal – (Wholetime Director)

Dr. Ramesh D. Tainwala  
Shri. Durga Prasad C. Agarwal  
Shri. Santkumar B. Agarwal

### COMPANY SECRETARY

Shri. Sreedhar H.

### AUDITORS

M.L. BHUWANIA & CO.  
F-11, 3rd floor, Manek Mahal,  
90, Veer Nariman Road,  
Churchgate, Mumbai - 400 020.

### BANKERS

#### **State Bank of Hyderabad**

Nariman Point Branch,  
Mittal Tower, Nariman Point,  
Mumbai - 400 021

#### **Dena Bank**

Industrial Finance Branch,  
Dena Bank Building 2, 1st Floor,  
17, Horniman Circle, Fort , Mumbai - 400 023

#### **State Bank of India**

Commercial Branch  
N.G.N. Vaidya Marg, Bank Street  
17, Horniman Circle, Fort ,Mumbai - 400 023

### REGISTERED OFFICE

210, Key Tuo Industrial Estate,  
Kondivita Lane, Near M.I.D.C.,  
Andheri (E), Mumbai - 400 059.

### WORKS

#### **Balaji Industries**

Dokmandi, village Amli,  
Silvassa, Dadra & Nagar Haveli

#### **Umbergaon Unit**

G.I.D.C., Umbergaon,  
Dist. Valsad ( Gujarat )

#### **Laxmi Fab**

Government Industrial Estate, Masat,  
Silvassa, Dadra & Nagar Haveli

#### **Balaji Fabrics**

Revenue Block No. 194 & 195  
Kadodara Bardoli Road,  
Village Jolwa, Taluka Palsana,  
Dist Surat. Gujarat

#### **Balaji Textiles**

Dokmandi, Village Amli,  
Silvassa, Dadra & Nagar Haveli



**NOTICE** is hereby given that the Twenty Fifth Annual General Meeting of the members of DONEAR INDUSTRIES LIMITED will be held at Hotel Kohinoor Continental, J.B. Nagar, Andheri-Kurla Road, Andheri (E), Mumbai – 400059 on 24th September, 2011 at 11.30 a.m. to transact the following business.

### **Ordinary business :**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and profit and Loss Account for the year ended on that date together with Directors Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Durgaprasad C. Agarwal who retires by rotation and being eligible offers himself for reappointment
4. To appoint a Director in place of Mr. Ajay V. Agarwal who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration

### **NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy should be deposited with the Registered Office of the company not less than 48 hours before the commencement of the meeting.
3. Members are requested to intimate any change in their address to the Registrar and Transfer Agents of the Company at the following address :

<p>LINK INTIME INDIA PVT LTD C-13, PANNALAL SILK MILLS COMPOUND LBS MARG, BHANDUP (W) MUMBAI – 400078</p>
---

4. The Register of members and share Transfer Register will remain closed from 16th September, 2011 to 24th September, 2011 (both days inclusive).
5. Dividend, if declared, will be payable to those members whose names appear on the Register of members of the company on 15th September, 2011. In respect of shares held in Electronic form the dividend will be paid to the beneficial owners as per details furnished by the depositories for this purpose,
6. Shareholders are requested to inform their Bank Account Numbers, name and address of the Bank/ Branch so that the same can be incorporated with their names in dividend warrants to avoid fraudulent encashment.
7. Members who hold shares in dematerialized form are requested to bring their ID & DPID numbers for easy identification of attendance at the meeting.
8. Shareholders seeking any information with regards to audited accounts are requested to write to the Company at least 10 days in advance so as to keep the information ready.
9. Members may note that the company has to transfer the dividends which remain unclaimed/unencashed over a period of 7 years to the Government U/S 205(a) and 205(c) of the Companies Act, 1956. The details of dividend paid by the company and respective due dates of transfer to the said Fund of the Central Governments, which remain unencashed.

Date of Declaration	Dividend for the year	Due date for transfer to the Government
17 <sup>th</sup> Aug.,2004	2003-04	17 <sup>th</sup> September, 2011
17 <sup>th</sup> Sep.,2005	2004-05	17 <sup>th</sup> October, 2012
08 <sup>th</sup> July,2006	2005-06	08 <sup>th</sup> August, 2013
14 <sup>th</sup> Sep.,2007	2006-07	14 <sup>th</sup> October, 2014
27 <sup>th</sup> Sep.,2008	2007-08	27 <sup>th</sup> October, 2015
26 <sup>th</sup> Sep.,2009	2008-09	26 <sup>th</sup> October, 2016
25 <sup>th</sup> Sep.,2010	2009-10	25 <sup>th</sup> October, 2017

Shareholders are advised to send the unencashed dividend warrants to the Registered Office of the company for revalidation and encash them before the due date for transfer to the Central Government.

10. Reappointment of Directors :

Mr. Durgaprasad C. Agarwal and Mr. Ajay V. Agarwal retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The information/details pertaining to the Directors in terms of clause 49 of the Listing Agreement with the Stock Exchanges are furnished as Annexure to the Notice.

**Annexure to item no. 3 & 4 of the Notice**

Details of Directors seeking reappointment at the forthcoming Annual General Meeting on 24th September, 2011 (in terms of Clause 49 of the Listing Agreement with Stock Exchanges).

(i)	Name of the Directors	Mr. Durgaprasad C. Agarwal	Mr. Ajay V. Agarwal
(ii)	Date of Birth	19 <sup>th</sup> Jan., 1949	02 <sup>nd</sup> July, 1966
(iii)	Date of appointment on the Board	30 <sup>th</sup> Oct., 2002	01 <sup>st</sup> July, 1998
(iv)	Experience in Specific Function / Area	Industrialist	Marketing
(v)	List of other Directorship (Excluding Private / Foreign Companies U/s 25 of the Companies Act ) under the companies Act, 1956	Duratex Silk Mill Ltd.	None

**By order of the Board of Directors of  
Donear Industries Ltd**

**Sreedhar H.  
(Company Secretary)**



## DIRECTORS' REPORT, MANAGEMENT DISCUSSION AND ANALYSIS

To,  
The Members  
DONEAR INDUSTRIES LIMITED

The Directors have pleasure in presenting their TWENTY FIFTH ANNUAL REPORT together with the Audited Statement of Accounts for the year ended on 31st March, 2011.

### 1. FINANCIAL RESULTS :

The salient features of the Company's Financial Results for the year under review are as follows:

Particulars	Year 2010-11	Year 2009-10
	(Rupees)	(Rupees)
Profit before taxation & extraordinary items	1,106,654	(238,887,344)
Less : Provision for Taxation	34,389,595	56,934,659
Net Profit for the year	35,496,249	(181,952,685)
Less/ (Add) : Income tax earlier year	-----	(11014)
Add : Balance brought forward	173,890,286	386,150,231
Less : Proposed Final Dividend	26,000,000	26,000,000
Tax on proposed Dividend	4,217,850	4,318,275
Amount transferred to General Reserve	3,550,000	-----
Balance Carried forward	175,618,685	173,890,285

During the financial year under review the Gross Sales of the company was Rs. 31,028.82 Lacs as against Rs. 24,283.67 lacs in the previous year which is higher by 27.78% as compared to the previous year.

### 2. DIVIDEND :

The Directors have pleasure in recommending dividend @ Rs 0.50 ps per share for the financial year 2010-2011. The dividend will absorb Rs. 30,217,850 including corporate tax on dividend amounting to Rs.4,217,850.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS :

#### (a) Industrial Structure and developments :

The Indian Textile industry occupies a significant position in the global textile market. Currently, India is the 2nd largest hub for textiles outsourcing, next to China. The government of India, in continuation to support the textile industry, has reinstated TUF policy with effect from 28th Apr.,2011. The government has allowed an overall subsidy of Rs.1972 Crores in the current TUF scheme which is expected to leverage an investment of Rs. 46900 Crores. The Indian textile industry contributes about 14 percent to Industrial Production, 4 percent to GDP and 17 percent to the export earnings. It is also one of the highest employment provider segment employing 35 million people after the agricultural segment in the Country.

Therefore the growth and development of this industry has a significant bearing on the overall development of the Indian economy. Also the Vision Statement for the textile industry for the 11th Five Year Plan (2007-2012) sees India securing a 7 percent share in the global textiles trade by 2012.

The overall performance of the company was satisfactory. There has been good growth in the topline of the company in the current year and also recorded a positive result.

#### **(b) Opportunities and Threat**

India is becoming more and more important destination as a global sourcing hub. India is a more preferred destination for the quality conscious international buyers. Consolidation in the retail industry and presence of very large retailers has facilitated global sourcing with India becoming a major beneficiary of the same. It has been observed that the low cost of production in India provides a competitive edge to the Indian industry then its peers in the international market.

The more preference of the customers towards garments is a good opportunity for your company with the Surat facilities producing fabric consumed for the readymade garment sector. Surat facility has been set up targeting the RMG segment. We have set up good sampling facilities which is a must to cater to the RMG segment. The facility has a unique proposition of producing fabric in small quantities which gives us an upper edge over our competitors. The innovations by the design and development team are very well accepted in the RMG segment. The presence of complete chain of manufacturing cycle starting from yarn dyeing to supply of finish fabric with LA finish gives us an advantage to supply quality fabric in shorter production cycles.

The company faces threat from the unorganised segment which is abundantly present in India.

#### **(c) Segment wise or Product wise performance**

The Company has one reportable segment i.e. Textiles (Manufacture of Man made Fabrics).

#### **(d) Outlook**

There are clear signs of recovery of the Indian textile industry which is very encouraging and the company is very bullish as regard to its performance in the future. Also India offers an attractive combination of a large domestic market, and a base for low cost production. The Company has gained a strong position in cotton based products, especially in the readymade garments, which is expected to be the key driver of growth for the industry.

#### **(e) Risks and Concern**

The company has to maintain its quality of products and continue to be innovative to stand against its competitors.

#### **(f) Internal Control System and its adequacy.**

The company has adequate internal control systems to run its operations efficiently and to safeguard its assets. There are proper controls in place to prevent any misuse or fraud.

#### **(g) Discussion on Financial performance with respect to operational performance.**

The company reported a turnover of Rs. 31312.11 Lacs during the year 2010-11 against a turnover of Rs. 24541.03 Lacs in the previous year recording a growth of 28% over the previous year. The company has recorded a net profit of Rs. 354.96 Lacs in the current year. The operations at Surat facility has stabilised and the retail business has done well in the year 2010-11. We are currently operating around 225 stores in our retail chain which is doing well.



**(h) Modernisation & Capital Expansion Projects:**

The Company is planning to do some more expansion in the weaving and processing facilities. The Company is also planning to enhance the yarn dyeing capacity for which machineries have already been procured. The company also proposes to add some value addition machines in the processing section. Moreover, the company is also looking to expand its retail chain of stores and take the number of stores to 500 in the next coming 2-3 years.

**(i) Human Resource Management**

The company continues to employ and hire the best team of professionals in the industry. The company believes in recruiting the best available talent in the industry and maintain high standards of motivation to have a very low employee turnover ratio. The company has started picking up people from the institutes directly and provides them training at work and has created a dedicated work force.

**4. DIRECTORS :**

Mr. Durgaprasad C. Agarwal & Mr. Ajay V. Agarwal retire by rotation, and, being eligible, offer themselves for reappointment. Brief resume of the Directors being reappointed is provided in the Notice convening the Annual General Meeting pursuant to clause 49 of the Listing Agreement with Stock Exchange.

**5. AUDITORS :**

The statutory auditors of the company M/s. M.L.Bhuwania & Co., retire at the conclusion of the ensuing Annual General Meeting. The retiring auditors have furnished a certificate that the re-appointment, if made, would be within the prescribed limit specified under Sec. 224(1B) of the Companies Act, 1956.

**6. COST AUDITORS :**

The Company has reappointed M/s Y. R. Doshi, Cost Accountant, as Cost Auditor of the Company relating to financial year 2011-12 as required by the Central Government under Section 233B of the Companies Act, 1956.

**7. DIRECTORS' RESPONSIBILITY STATEMENT :**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state that with respect to Directors Responsibility Statement,

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; if any;
- (b) The directors have selected such accounting policies and applied them consistently and made judgments 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 profit or loss of the Company for that year;
- (c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The directors have prepared annual accounts on a going concern basis.

**8. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOINGS :**

Information as per Section 217 (1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 1 of this report.

**9. PARTICULARS OF EMPLOYEES :**

None of the employees of the Company was in receipt of salary exceeding the amount prescribed under Section 217(2A) of the Companies Act, 1956.

**10. CAUTIONARY STATEMENT :**

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning applicable securities laws and regulation. Actual results could differ materially from those express or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

**11. CORPORATE GOVERNANCE :**

Your Company has complied with all the mandatory requirements of corporate governance pursuant to clause 49 of the listing agreement. A report on Corporate Governance and Auditor's Certificate concerning compliance is also attached to the report.

**12. ACKNOWLEDGMENT :**

The Directors acknowledge the valuable support & co-operation received by the Company from the Bankers, Shareholders and employees of the Company.

**For and on behalf of the Board**

**(RAJENDRA V. AGARWAL)  
MANAGING DIRECTOR**

**Place : Mumbai**

**Date : 28<sup>th</sup> May, 2011**

## ANNEXURE “1” TO THE DIRECTORS’ REPORT

Information U/s 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 for the year ended 31st March, 2011.

### Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgoings.

#### A. Conservation of Energy :

(a)	Energy conservation measures taken	Regular monitoring of consumption, optimization of production facility, personal situation of Machinery and Labour Job.
(b)	Additional investments and proposals if any, being implemented for reduction of consumption of energy	Nil
(c)	Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	Improvement in quality and efficiency in production.
(d)	Total energy consumption in units	Total Energy Consumption of 21,096,560 Units.
(e)	Consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto.	0.69 per unit of Fabric Production 1.52 per unit of Yarn Dyeing Production 0.23 per unit of Fabric Processing

#### B. Technology absorption:

(a)	Efforts made in technology absorption as per Form B of the Annexure.	At Present not required
-----	--	-------------------------

#### C. Foreign exchange earnings and outgoing

(a)	Activities relating to exports, initiatives taken to increase exports, development of new export markets for production and services and export plans.	The Company is developing designer suiting and shirting to export all over the world especially to the new markets	
(b)	Total foreign exchange used and earned	Used :	
		C.I.F. value of imports	Rs. 62,666,501
		Expenses in foreign currency	Rs. 32,909,370
		Earned :	
		FOB	Rs. 210,990,131



## FORM - A

### Form for Disclosure of Particulars with respect to Conservation of Energy

#### A) Power and fuel consumption

Particular		Current Year	Previous Year
<b>1. Electricity</b>			
<b>a) Purchased Units</b>		7,460,463	5,997,703
Total amount		33,729,979	28,005,937
Rate/Unit Rs.		4.52	4.67
<b>b) Own generation</b>			
i) Through diesel generator			
Unit		140,816	250,993
Units per Liters of diesel oil		3.14	3.25
Cost/Unit		12.90	10.76
ii) Through steam turbine/generator			
Unit		Nil	Nil
Units per Ltr. of diesel oil/gas		Nil	Nil
Cost/Unit		Nil	Nil
iii) Through Gas Generator :			
Units		13,495,281	13,810,062
Units per CM3 of Gas		3.55	3.63
Cost / Unit		5.19	4.35
<b>2. Coal (specify quality and where used)</b>			
Quantity ( Tones )		14666.60	12,211
Total Cost (Rs.)		49,392,953	38,889,106
Average Rate per Ton (Rs.)		3,368	3,185
( Imported & Lignite used in Boiler for steam Generation )			
<b>3. Furnace Oil</b>			
Quantity ( Tones )		NIL	NIL
Total Cost		NIL	NIL
Average Rate		NIL	NIL
<b>4. Others/internal generation (please give details)</b>			
Quantity ( Tones )		NIL	NIL
Total Cost		NIL	NIL
Average Rate		NIL	NIL

#### B) Consumption per Unit of Production :

Sr.	Products	Unit	Standard ( If Any)	Current year	Previous year
<b>1.</b>	Fabrics Produced	Metre		17,527,825	15,141,798
	Electricity consumed for Fabrics	Units		12,142,130	11,971,353
	Electricity Consumed for Fabrics	Unit/Mtr		0.69	0.79
<b>2.</b>	Yarn Dyeing Production	Kgs		1,601,054	1,556,701
	Electricity consumed for Yarn Dyeing	Units		2,437,441	2,488,038
	Electricity consumed for Yarn Dyeing	Units / Kgs		1.52	1.60
<b>3.</b>	Fabric Processing Production	Metre		28,428,989	21,847,415
	Electricity consumed for Fabric processing	Units		6,516,989	5,599,367
	Electricity consumed for Fabric processing	Units / Mtr		0.23	0.26
<b>4.</b>	Furnace Oil			Nil	Nil
<b>5.</b>	Coal			Nil	Nil
<b>6.</b>	Other			Nil	Nil

## FORM - B

### Form for disclosure of particulars with respect to absorption

#### A. Research and Development (R & D)

1.	Specific areas in which R & D carried out by the Company.	None
2.	Benefits derived as a result of the above R & D	Not Applicable
3.	Future plan of action	To Install own process house and additional capacity at surat plant.
4.	Expenditure on Research & Development (a) Capital (b) Recurring (c) Total (d) Total R & D expenditure as a percentage of total turnovers.	Not Applicable

#### B. Technology absorption, adaptation and innovation

1.	Efforts, in brief made towards technology absorption, adaptation and innovation.	None
2.	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Not Applicable
3.	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), a) Technology imported b) Year of Import c) Has technology been fully absorbed ? d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

## CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-2011

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

Effective Corporate Governance is must to maintain public trust and to achieve success in business. Company's formal Governance policies describe management guidelines including the requirement that a majority of the Board of Directors are independent. The Company lays great emphasis on regulatory compliances and strives to ensure that high standards of professionalism and ethical conduct are maintained throughout the organization. The Company continues to give high priority to the principles and practice of Corporate Governance and has accordingly benchmarked its practices with the existing guidelines of Corporate Governance as laid down in the Listing Agreement.

#### Code of Conduct

The Board has laid down a code of conduct for all the Board Members and Senior Management of the Company. Senior management includes Personnel of the core Management Team excluding Board of Directors but including all functional heads.

### 2. BOARD OF DIRECTORS :

#### A. COMPOSITION AND CATEGORY :

The Company is fully compliant with the Corporate Governance norms in terms of constitution of the Board with a good combination of Executive and non-executive Directors.

The Board of Directors at present comprises of 6 Directors, out of which 2 are Executive Directors and 4 are Non-Executive Directors. The Board is headed by a Non Executive Chairman Shri Vishwanath L. Agarwal. All the members of the Board are the persons with vast experience and expertise in industry, finance, technology, marketing and law.

The Board's composition is in accordance with the requirements of Clause 49 of the Listing Agreement.

None of the Directors on the Board is a member of more than 10 (ten) committees and Chairman of more than 5 (five) committees as per Clause 49 of the Listing Agreement across all Companies in which they are Directors.

The Composition of the Board of Directors, details of outside directorships and other board / committees of which the Company's Directors are members is as under :



Name of the Director	Category of Directorship	No. of other Directorships*	Relationship With other Directors	No. of Board Committees other than Donear Industries Limited in which Chairman / Member.
Vishwanath L. Agarwal	Promoter & Non-Executive	1	Father of Rajendra & Ajay Agarwal	NIL
Rajendra V Agarwal	Promoter & Executive	1	Son of Vishwanath Agarwal & brother of Ajay Agarwal	NIL
Ajay V. Agarwal	Promoter & Executive	Nil	Son of Vishwanath Agarwal & brother of Rajendra Agarwal	NIL
Dr. Ramesh Tainwala	Independent & Non-Executive	3	None	NIL
Durga Prasad Agarwal	Independent & Non-Executive	1	None	NIL
Sant Kumar B. Agarwal	Independent & Non-Executive	NIL	None	NIL

\*Number of Directorships/Memberships held in other Companies excludes Directorship / Member in Private Limited Companies, Foreign Companies and Companies Under Section 25 of the Companies Act, 1956.

An independent Director is a Director who :

- a) Apart from receiving director's remuneration does not have any material pecuniary relationships or transactions with the Company, it's promoters, it's directors, it's senior management or it's holding company, it's subsidiaries and associates which may effect independence of the director
- b) Is not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- c) Has not been an executive of the company in the immediately three proceeding financial years
- d) Is not a partner or an executive or was not partner or an executive during three preceding years of any of the following :
  - i) Statutory audit firm or the internal audit firm i.e. associated with the company, and
  - ii) The legal firm(s) and consulting firm(s) that have a material association of the company
- e) Is not a material supplier, service provider or customer or a lessor or lessee of the company which may effect the independence of the Director.
- f) Is not a substantial shareholder of the company i.e. owning 2% or more of the block of voting shares
- g) Is not less than 21 years of age.

## B. APPOINTMENT/ RE-APPOINTMENT OF DIRECTORS

### Mr. Durgaprasad C. Agarwal

Durgaprasad C. Agarwal is an independent director of the Company. Mr. Durgaprasad C. Agarwal has rich experience in Marketing and Finance. Mr. Durgaprasad C. Agarwal retire at the forthcoming Annual General Meeting and being eligible offers for re-appointment. Approval of the Shareholders is sought for re-appointment.

\* Mr. Durgaprasad C. Agarwal is a director of Duratex Silk Mills Ltd

\* Mr. Durgaprasad C. Agarwal is the Chairman of Audit Committee, Shareholder's Grievance Committee and Remuneration Committee.

### Mr. Ajay V. Agarwal

Mr. Ajay V. Agarwal is an executive & Whole-Time Director of the Company. Mr. Ajay V. Agarwal has vast experience in various fields like finance, administration, Marketing etc.

Mr. Ajay V. Agarwal retires by rotation at the forthcoming Annual General Meeting and being eligible offers for re-appointment. Approval of the Shareholders is sought for his re-appointment.

Details of other Directorship : None.

## C. REMUNERATION OF DIRECTORS :

### a) **Remuneration of Directors, Sitting Fees, Salary, Perquisite of Executive Director / Managing Director/ Whole Time Directors :**

The Managing Director/ Whole Time Director is being paid remuneration in accordance with and subject to the limits laid down in Schedule XIII of the Companies Act, 1956. The Remuneration to the Managing Director / Whole Time Director is approved by the Board of Directors and subsequently ratified by the Shareholders in their meeting.

(i) The Remuneration (including perquisites and benefits) paid to the Managing Director / Whole Time Director during the year ended 31st March, 2011 is as follows :

Particulars	Rajendra V Agarwal	Ajay V Agarwal
Salary	2,400,000	900,000
Perquisites	NIL	184,000
Contribution to Provident Fund	288,000	108,000
Gratuity	115,385	43,269
<b>TOTAL</b>	<b>2,803,385</b>	<b>1,235,269</b>

The appointment of the Managing Director and the Whole Time Director is governed by the Articles of Association of the Company and the resolutions passed by the members of the Company. These cover the terms and conditions of such appointment. No separate service contract is entered into by the Company with the Managing Director and the Whole Time Director.

(ii) Service Contracts, Severance Fees and Notice Period :

The appointment of Managing Director is for a period of 3 years from 01st Apr.,2010 to 31st Mar.,2013 and the appointment of Whole time Director is for a period of 5 years from 01st July,2008 to 30th June,2013.

There is no provision for separate payment of severance fee under the resolution appointing the Managing Director and Whole Time Director.

(iii) Performance linked Incentive criteria :

No such performance linked incentive are given to the appointees

(iv) Employee Stock Option Scheme :

The Company does not have any stock option scheme.

**b) Remuneration of Directors, Sitting Fees, Salary, Perquisite of Non-executive Directors :**

The Non Executive Directors of the Company do not draw any remuneration from the Company other than Sitting fees for attending Board and/or Committee meeting.

The Shareholding of Non Executive Directors are as under :

Name	Sitting Fees (Rs.)	No of Shares
Shri Vishwanath Agarwal	4,000	23,20,000
Shri Sant Kumar Agarwal	7,000	10,300
Shri.Durga Prasad Agarwal	9,000	NIL
Shri Ramesh D. Tainwala	8,000	NIL

**3. BOARD MEETINGS AND ANNUAL GENERAL MEETINGS :**

The meetings of the Board of Directors are held in Mumbai at the registered office of the Company. The Board meets at least once in a quarter interalia to review the quarterly performance and financial results. The Board meets atleast 4 times in a year and the gap between two Board Meetings is not more than 4 months as the revised clause 49 of the Listing Agreement.

The Board is appraised and informed of all important matters relating to the business of the Company including those information as prescribed in Annexure 1A of the revised Clause 49 of the Listing Agreement. The Chairman of the Board, the Managing Director and the Company Secretary finalize the items to be included in the agenda of the meeting and the same is sent to the members of the Board in advance along with the relevant details and explanatory notes wherever required.

Five Board Meetings were held during the year 2010-11 on the following dates 30th Apr.,2010, 29th May,2010, 13th Aug.,2010, 13th Nov.,2010 and 14Feb.,2011.

The last AGM i.e. the 24th Annual General Meeting of the Company was held on 25th September, 2010.



## ATTENDANCE

Details of attendance of each Director at the Board Meetings and at the Annual General Meeting are given below :-

Name of the Director	No. of Board Meetings Attended	Whether attended last AGM held on 25/09/2010
Vishwanath L. Agarwal	4	Yes
Rajendra V. Agarwal	5	Yes
Ajay V Agarwal	5	No
Dr. Ramesh D. Tainwala	4	No
Durga Prasad C. Agarwal	5	No
SantKumar B. Agarwal	4	No

## 4. BOARD COMMITTEES :

The Board had constituted the following Committees of Directors :

- A) Audit Committee
- B) Shareholder's Grievance Committee.
- C) Remuneration Committee.

### A) AUDIT COMMITTEE

#### (a) Composition :

The Audit Committee comprises three Directors, and all of them are independent Directors including the Chairman of the Audit Committee. The details of the members are as under:

Name of the Director	Category
Durga Prasad Agarwal	Chairman Non-Executive & Independent
Sant Kumar Agarwal	Non-Executive & Independent
Dr. Ramesh Tainwala	Non-Executive & Independent

The Company Secretary acts as Secretary of the Audit committee. The members of the Audit Committee are financially literate and two members have accounting and related financial management expertise.

The Chairman of the Audit Committee was not present in the last Annual General Meeting due to unavoidable circumstances.

#### (b) Terms of reference of Audit Committee :

The terms of reference to the Audit Committee include the matters specified under sub clause (ii) and described under sub clause (iv) of the clause 49 of the Listing Agreement.

#### (c) Power of Audit Committee :

The Audit Committee has the following powers:

- (i) To investigate any activity within its terms of reference.
- (ii) To seek information from any employee.
- (iii) To obtain outside legal or other professional advice.
- (iv) To secure attendance of outsiders with relevant expertise, if it considered necessary.

**(d) Role of Audit Committee :**

- (i) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (ii) Recommending the Board, the appointment, re-appointment and if required replacement or removal of Statutory auditor, and fixation of audit fees.
- (iii) Approval of payment to Statutory Auditors for any other services rendered by Statutory Auditors.
- (iv) Reviewing with management the annual financial statements before submission to the board, for approval, with particular reference to:
  - ❖ Matters required to be included in Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - ❖ Changes if any in accounting policies and practices and reasons for the same.
  - ❖ Major accounting entries involving estimates based on the exercise of judgment by management.
  - ❖ Significant adjustments made in the financial statement arising out of audit findings.
  - ❖ Compliance with Listing and other legal requirements relating to financial statements.
  - ❖ Disclosures of related party transactions.
  - ❖ Qualifications in draft Audit Report.
- (v) Reviewing, with the management, the quarterly financial statement before submission to the Board for approval.
- (vi) Reviewing, with the management the performance of statutory and internal auditors, adequacy of internal control systems.
- (vii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and the seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (viii) Discussion with internal auditors any significant findings and follow up there on.
- (ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (x) Discussion with the statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (xi) To look into the reasons for the substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (xii) To review the functioning of Whistle Blower Mechanism, in the case if the same is existing.
- (xiii) Carrying out any other function as is mentioned in the terms of reference of Audit Committee.

**(e) REVIEW OF INFORMATION BY AUDIT COMMITTEE :**

The Audit committee reviews the following information :

- (i) The management discussion and analysis of financial condition and results of operations
- (ii) The statement of significant related party transactions (as defined by the Audit Committee) submitted by the management.
- (iii) Management letters / letters of internal control weaknesses issued by statutory auditors
- (iv) Internal audit reports relating to internal control weaknesses, if any and
- (v) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by Audit Committee.

**(f) DETAILS OF AUDIT COMMITTEE MEETING AND ATTENDANCE OF MEMBERS :**

The committee meetings were attended by members of the Audit Committee, the statutory Auditors, the Internal Auditors of the Company.

Audit Committee meetings were held during the year ended 2010-11 on 29th May,2010, 13th Aug.,2010, 13th Nov.,2010, 14th Feb.,2011 and the gap between two meetings was less than four months.

**DETAILS OF ATTENDANCE OF EACH** Director at the Audit Committee Meetings are given below :-

Name of the Director	No. of Meetings Attended
Durga Prasad Agarwal	4
Sant Kumar Agarwal	3
Dr. Ramesh D. Tainwala	4

**B. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :**

The Board of Directors had constituted the Shareholders Grievance Committee.

The Committee redresses complaints received from shareholders relating to transfer and transmission of shares, non-receipt of balance sheet, non receipt of declared dividend etc.

**COMPOSITION OF SHAREHOLDERS / INVESTORS GREIVANCE COMMITTEE :**

Shri Durga Prasad Agarwal, Non-Executive and independent Director is the Chairman of the Shareholders Grievance Committee.

The Composition of the Shareholders Grievance Committee as under :

Name of the Director	Executive/ Non-Executive
Durga Prasad Agarwal	Non-Executive & Independent
Dr. Ramesh Tainwala	Non-Executive & Independent
Sant Kumar Agarwal	Non-Executive & Independent

No Complaint was pending in the beginning of the year and two Complaints were received during the year. All the complaints were solved as on 31st Mar.,2011.

The Company Secretary is acting as Secretary and as the Compliance Officer of the Committee.

No investor grievance remained unattended pending for more than 30 days and no request for share transfer and dematerialization received during the financial year was pending for more than two weeks.



**C. REMUNERATION COMMITTEE :**

Shri Durga prasad Agarwal, Non-Executive and independent Director is the Chairman of Remuneration Committee

During the year, Remuneration Committee meeting was held once on 08th Apr.,2010.

The Composition of the Remuneration Committee is as under.

Name of the Director	Executive/ Non-Executive
Durga Prasad Agarwal	Non-Executive & Independent
Dr. Ramesh Tainwala	Non-Executive & Independent
Sant Kumar Agarwal	Non-Executive & Independent

**5. GENERAL BODY MEETINGS :**

A) Details of Previous three Annual General Meetings are as follows:

Financial Year	Date of Meeting	Time	Location
2009-2010	25 <sup>th</sup> Sep.,2010	11.30 a.m.	Hotel Kohinoor Continental, J. B. Nagar, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059.
2008-2009	26 <sup>th</sup> Sep.,2009	11.00 a.m.	Hotel Kohinoor Continental, J. B. Nagar, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059.
2007-2008	27 <sup>th</sup> Sep.,2008	11.30 a.m.	Hotel Kohinoor Continental, J. B. Nagar, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059.

A Special resolution was passed at the 22nd A.G.M. held on 27th September, 2008 for appointment of Whole Time Director.

A Special resolution was passed at the 24th A.G.M. held on 25th September, 2010 for appointment of Managing Director.

B) No Resolutions were put through Postal Ballot in the last Year.

C) A resolution U/S 293(1)(a) of the Companies Act, 1956 has been passed through Postal Ballot during the current financial year.

**6. OTHER DISCLOSURES :**

A. There are no materially significant related party transactions i.e. transactions of the Company of material nature with its Promoters, Directors or the Management etc. that may have potential conflict with the interests of the Company at large.

B. Related party transactions are disclosed in Note No B(12) of Schedule 18 to the financial statement in the Annual report. The Audit Committee had reviewed the related party transactions as a mandatory requirement under clause 49 of the Listing Agreement and found them to be not materially significant.

- C. The Company had complied with the requirement of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No pecuniary strictures have been imposed on the Company by any of the above mentioned authorities.
- D. The Company has already put in place a system for employees to report to the management about concerns relating to unethical behavior, any fraud or violation of Company's Code of Conduct and the access has been provided upto the higher level of supervision including the Audit Committee.
- E. The Company has complied with all the mandatory requirements and has also disclosed any information relating to non mandatory requirements.

## 7. MEANS OF COMMUNICATION :

- A. Quarterly Un-audited Financial Results are published in the "Free Press Journal" and "Navshakti" newspapers. The half yearly Report is not sent separately to the Shareholders. Annual Reports are sent to each shareholder at their registered address with the Company. The Company's "Website" is [www.donear.com](http://www.donear.com).

- B. Management Discussion and Analysis Report :

The Management Discussion and Analysis Report forms part of the Director's Report. All matters relating to Industry Structures and Development, Opportunities and Threats, Segment wise or Product wise performance, Outlook, Risks and Concern, Internal Control System and its adequacy, Discussion on financial performance with respect to operational performance, material development in human resources are discussed in the Director's Report.

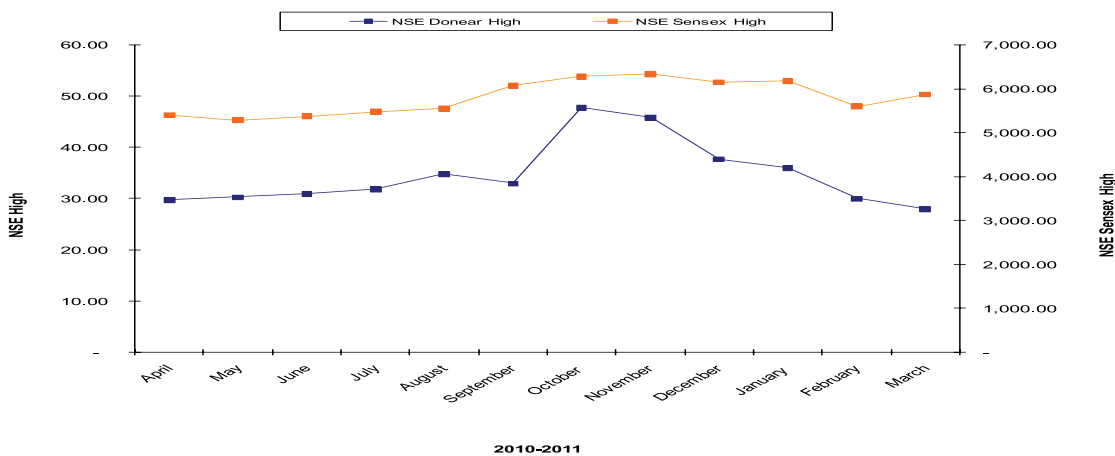
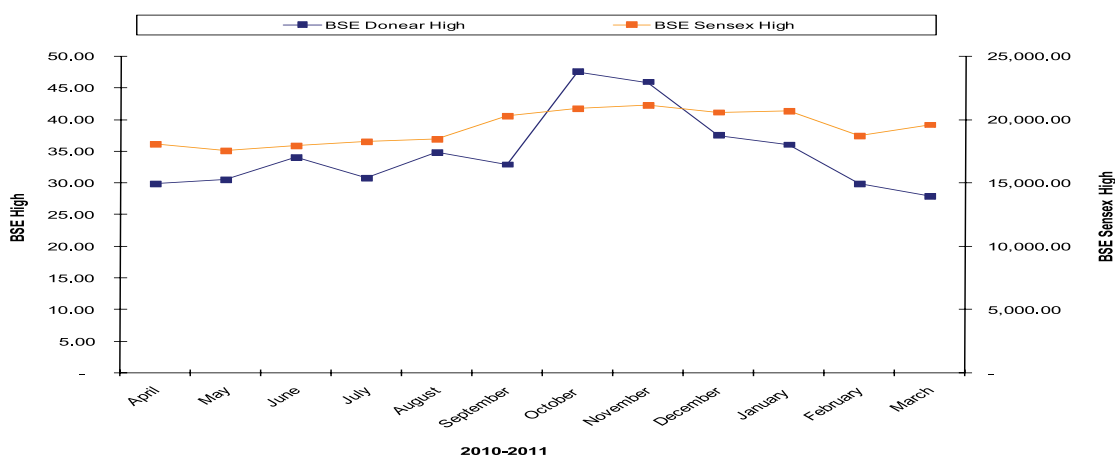
## 8. GENERAL SHAREHOLDER INFORMATION :

A.	AGM	Date	24 <sup>th</sup> September, 2011.	
		Time	11.30 am	
		Venue	Hotel Kohinoor Continental, J. B. Nagar, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059.	
B.	Financial Year of the Company		April to March each year.	
C.	Book Closure Date		16 <sup>th</sup> September, 2011 to 24 <sup>th</sup> September, 2011 (Both days inclusive)	
D.	Listing at Stock Exchange		Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)	
E.	Stock Code		DONEAR BSE Code : 512519 NSE ISIN : INE668D01028	
F.	Payment of Annual Listing Fees		Listing fees for the Financial Year 2011-12 have been paid to the concerned stock exchanges.	
G.	Dividend Payment Date		The dividend recommended by the Board of Directors, if declared in the ensuing AGM would be deposited in a separate Bank Account within 5 days of its declaration and shall be paid by 30th September, 2011 to the Shareholders	
H.	Financial Calendar (Tentative)		First Quarter	45 days from the end of the quarter
			Second Quarter	45 days from the end of the quarter
			Third Quarter	45 days from the end of the quarter
			Audited Results	60 days from the end of the Financial Year.

## I. Stock Market Data :

The Performance of Company's Equity Share Price at Bombay Stock Exchange, Mumbai and the National Stock Exchange of India Ltd during 2010-11 are as below :

Month	Share Prices at BSE of Donear Industries Ltd.		BSE Sensex	Share Prices at NSE of Donear Industries Ltd.		NSE Sensex
	High (Rs.)	Low (Rs.)	High	High (Rs.)	Low (Rs.)	High
April, 2010	29.85	26.60	18047.86	29.80	26.00	5399.65
May, 2010	30.50	25.25	17538.86	30.30	25.25	5278.70
June, 2010	34.00	24.50	17919.62	30.9	24.40	5366.75
July, 2010	30.80	23.30	18237.56	31.80	24.50	5477.50
August, 2010	34.80	26.55	18475.27	34.80	26.55	5549.80
September, 2010	32.90	30.10	20267.98	32.95	29.55	6073.50
October, 2010	47.50	30.50	20854.55	47.75	30.40	6284.10
November, 2010	45.85	31.40	21108.64	45.75	31.25	6338.50
December, 2010	37.50	30.10	20552.03	37.70	30.00	6147.30
January , 2011	36.00	27.50	20664.80	36.00	26.95	6181.05
February, 2011	29.85	23.75	18690.97	30.00	23.00	5599.25
March, 2011	27.90	22.20	19575.16	27.95	21.00	5872.00



i. Share Transfer System :

Trading in Equity Shares of the Company is permitted in dematerialized form. Shares sent for transfer in physical form are registered and returned in a period of fifteen days of the receipt of the document, provided the documents are valid and complete in all respect.

ii. Registrar & Share Transfer :

Registrar and Transfer Agent for shares held both in physical and dematerialized form :

M/S. LINK INTIME INDIA PVT LTD

C-13, PANNALAL SILK MILLS COMPOUND, L.B.S MARG, BHANDUP (W), MUMBAI - 400 078.

**J) Distribution of Shareholdings as on 31st March, 2011 :**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	Total No. of Shares Held	% of Shares
1 – 500	4244	79.77	636,520	1.22
501 – 1000	460	8.65	384,236	0.74
1001 – 2000	270	5.07	436,854	0.84
2001 – 3000	89	1.67	229,313	0.44
3001 – 4000	36	0.68	128,078	0.25
4001 – 5000	43	0.81	206,291	0.40
5001 – 10000	70	1.32	496,070	0.95
10001 - & Above	108	2.03	49,482,638	95.16
<b>TOTAL</b>	<b>5320</b>	<b>100.00</b>	<b>52,000,000</b>	<b>100.00</b>

**K) Shareholding Pattern as on 31st March, 2011 :**

Category	No. of Shares Held	% of Total Capital	No. of Shareholders	% of Total Shareholders
Promoters	38,940,500	74.89	54	1.01
<b>Non-Promoters:</b>				
Public Financial Institution	NIL	NIL	NIL	NIL
Mutual Funds & UTI	234,409	0.45	1	0.01
Banks	NIL	NIL	NIL	NIL
NRI'S, OCB'S & FII'S	8,301,199	15.96	56	1.05
Private Corporate Bodies	595,251	1.14	248	4.66
Public	3,928,641	7.56	4962	93.27
<b>TOTAL</b>	<b>52,000,000</b>	<b>100.00</b>	<b>5320</b>	<b>100.00.</b>

**L) Dematerialization of Dematerialized Shares & Liquidity :**

The Equity Shares of the Company are dematerialized with National Security Depository Limited and Central Depository Services (India) Limited and the total number of Shares dematerialized as on 31st Mar.,2011 is 21,606,669 i.e. 41.55%.



**M) Registered Office and Address for Correspondence :**

210, Key Tuo Industrial Estate, Kondivita Lane, Andheri (East), Mumbai – 400059.

**N) Works :**

<b>Balaji Industries</b> Dokmandi, village Amli, Silvassa, Dadra & Nagar Havelli	<b>Umbergaon Unit</b> G.I.D.C., Umbergaon, Dist. Valsad ( Gujarat)
<b>Laxmi Fab</b> Government Industrial Estate, Masat, Silvassa, Dadra & Nagar Haveli	<b>Balaji Fabrics</b> Revenue Block No. 194 & 195 Kadodara Bardoli Road, Village Jolwa, Taluka Palsana, Dist Surat. Gujarat.
<b>Balaji Textiles</b> Dokmandi, Village Amli, Silvassa, Dadra & Nagar Haveli	

**O) Compliance Certificate by Auditors :**

The Company has obtained a certificate from the Statutory Auditors regarding compliance of Corporate Governance as stipulated in clause 49 of the Listing Agreement which is annexed herewith.

**P) Compliance with Non Mandatory Requirements of Clause 49 of the Listing Agreement :**

The status of compliance with the non mandatory requirement is as under.

- (i) The Company's financial statements do not carry any Audit Qualification. The Company will maintain the same in future also.
- (ii) Whistle Blower Policy :

The Company has already put in system for employees to report to the management about concerns relating to unethical behavior, any fraud or violation of Company's Code of Conduct and the access has been provided up to the higher level of supervision including the Audit Committee.

- (iii) Other Non Mandatory requirements :  
The Company is in the process of implementation of other non mandatory requirements.

- (iv) Remuneration Committee :

The Board has set up a remuneration committee to determine on their behalf and on the behalf of the Shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment. Currently, Shri Durgaprasad Agarwal, Non-Executive and Independent Director is the Chairman of Remuneration Committee.

The Remuneration Committee meeting will be held as and when required.

The Composition of the Remuneration Committee is as under.

<b>Name of the Director</b>	<b>Executive/ Non-Executive</b>
Durga Prasad Agarwal	Non-Executive & Independent
Dr. Ramesh Tainwala	Non-Executive & Independent
Sant Kumar Agarwal	Non-Executive & Independent

## Certification by CEO for Compliance with Code of Conduct :

As the Managing Director and Chief Executive Officer of the Company and as required by the clause 49 of Listing Agreement, I hereby certify that all the Board Members and senior management personnel have affirmed their compliance with the code of conduct as laid down by the Board.

For Donear Industries Limited

Place: Mumbai

Date: 28<sup>th</sup> May, 2011

(Rajendra V. Agarwal)

Managing Director

## Certification by Chief Executive Officer :

As the Managing Director and the Chief Executive Officer of the Company and as required by the clause 49 of the Listing Agreement, I hereby certify the following that :

- A. I have reviewed financial statements and the cash flow statement for the year and that to the best of my knowledge, information and belief:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- B. There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- C. The Company's other officers and myself are responsible for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify those deficiencies.
- D. I have indicated to the auditors and the Audit Committee that:
  - (i) No significant changes in internal control have taken place during the year.
  - (ii) There have been no changes in the accounting policies during the year.
  - (iii) There were no frauds during the year.

For Donear Industries Limited

Place: Mumbai

Date: 28<sup>th</sup> May, 2011

(Rajendra V. Agarwal)

Managing Director

The above report has been adopted by the Board of Directors at it's meeting held on 28th May, 2011.

For Donear Industries Limited

Place: Mumbai

Date: 28<sup>th</sup> May, 2011

(Rajendra V. Agarwal)

Managing Director

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of **Donear Industries Limited**,

We have examined the compliance of conditions of Corporate Governance by Donear Industries Limited, for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

For and on behalf of  
**M. L. BHUWANIA & CO.**  
 Chartered Accountants  
 Firm Registration No. 101484W

Place : Mumbai  
 Date : 28<sup>th</sup> May, 2011

J. P. BAIRAGRA  
 Partner  
 Membership No. 12839

## AUDITORS' REPORT TO THE MEMBERS OF DONEAR INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Donear Industries Limited ('the Company') as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'order') issued by the Central Government of India in terms of sub-section (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 in paragraph 3 above, we report that :
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that no Director is disqualified as on 31st March 2011 from being appointed as a Director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
    - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
M. L. BHUWANIA & CO.  
Chartered Accountants  
Firm Registration No. 101484W

Place : Mumbai  
Date : 28<sup>th</sup> May, 2011.

J.P Bairagra  
Partner  
Membership No. 12839



## Annexure referred to in paragraph 3 of Auditor's report to the members of Donear Industries Limited for the year ended 31st March, 2011.

On the Basis of the records produced to us for our verification / perusal, such checks as we considered appropriate, and in terms of information and explanation given to us on our enquiries, we state that:

- (i)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) As explained to us, the fixed assets of the Company are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and discrepancies noticed between the book records and the physical verification was not material and has been properly dealt with in the accounts.
  - (c) In our opinion and according to the information and explanation given to us, there was no substantial disposal of fixed assets during the year.
- (ii)
  - (a) During the year, the inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii)
  - (a) The Company has taken unsecured loans from parties covered in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the company. The company is regular in the repayment of principal amount and the payment of interest. The details of the loan are as under :

Number of parties	Amount (Rs.)	Maximum Amount outstanding during the year (Rs.)	Outstanding balance as on 31.03.2011
20	328,780,000	463,692,000	330,537,876

- (b) The Company has not granted any loan to Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (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 for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v)
  - (a) According to the information and explanation given to us, we are of the opinion that during the year, the particulars of the contracts/arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - (b) According to the information and explanation given to us, transactions made in pursuant of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) The Company has accepted deposits from the public during the year. In our opinion, the company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the Company Law Board, National Company Law Tribunal, Reserve Bank of India or any other Court or Tribunal.
- (vii) *The Company does not have any formal internal audit system.*
- (viii) We have broadly reviewed the books of accounts relating to the manufacture of textile (Man Made Fabrics) pursuant to the rules made by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been prepared and maintained. However, we have not made a detailed examination of the records maintained by the company.
- (ix) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess and other Statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable were outstanding at the year end for a period of more than six months from the date they became payable.

According to the records of the Company, there are no dues of Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty and Cess, which have not been deposited on account of any dispute.

The disputed amounts that have not been deposited in respect of Income Tax are as under :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Income Tax Act. 1961	Income Tax Dues	21,430,343	2006-2007	Income Tax Appellate Tribunal
Income Tax Act. 1961	Income Tax Dues	1,099,610	2007-2008, 2008-2009, 2009-2010	Commissioner of Income Tax (Appeals)

- (x) The Company does not have accumulated losses at the end of the financial year March 31st, 2011. Further, the Company has not incurred any cash losses during the financial year ended March 31st, 2011 and in the immediately preceding financial year ended March 31st, 2010.
- (xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.
- (xii) In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances during the year on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/ societies. Accordingly, clause 4 (xiii) of the Order is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order is not applicable to the Company.

- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanation given to us, term loans have been applied for the purposes 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 no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31st, 2011.

For and on behalf of  
M. L. BHUWANIA & CO.  
Chartered Accountants  
Firm Registration No. 101484W

Place : Mumbai  
Date : 28<sup>th</sup> May, 2011.

J.P Bairagra  
Partner  
Membership No. 12839

# BALANCE SHEET AS AT 31st March 2011

	SCHEDULE NO	AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b>I. SOURCES OF FUNDS :</b>					
<b>1. SHAREHOLDERS' FUNDS</b>					
Share Capital	1	104,000,000		104,000,000	
Reserves & Surplus	2	528,779,037		523,500,637	
			632,779,037		627,500,637
<b>2. LOAN FUNDS</b>					
Secured Loans	3	2,034,152,328		1,899,020,520	
Unsecured Loans	4	330,537,876		247,597,000	
			2,364,690,204		2,146,617,520
<b>TOTAL</b>			<b>2,997,469,241</b>		<b>2,774,118,157</b>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. FIXED ASSET</b>	5				
Gross Block		2,417,694,561		2,335,506,606	
Less : Accumulated Depreciation		1,211,032,191		899,384,871	
Net Block		1,206,662,370		1,436,121,735	
Add : Capital work-in-progress		206,661,321		115,091,970	
			1,413,323,691		1,551,213,705
<b>2. INVESTMENTS</b>	6		8,990,000		8,990,000
<b>3. DEFERRED TAX ASSET(Net)</b> (Refer note no. B(7) of Schedule 18)			61,622,784		27,077,959
<b>4. CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	7	1,090,988,675		769,496,203	
Sundry Debtors	8	740,736,436		664,836,375	
Cash & Bank Balances	9	39,552,986		33,723,645	
Other Current Assets	10	124,387,150		111,304,824	
Loans & Advances	11	220,529,160		196,608,279	
		2,216,194,407		1,775,969,326	
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS:</b>					
Current Liabilities	12	623,408,943		513,137,423	
Provisions	13	79,252,698		75,995,410	
		702,661,641		589,132,833	
<b>NET CURRENT ASSETS</b>			<b>1,513,532,766</b>		<b>1,186,836,493</b>
<b>TOTAL</b>			<b>2,997,469,241</b>		<b>2,774,118,157</b>
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES					
The schedules referred to above form an integral part of the Balance Sheet					

As per our report of even date  
M. L. BHUWANIA & CO.  
CHARTERED ACCOUNTANTS

DONEAR INDUSTRIES LIMITED

J. P. BAIRAGRA  
Partner  
Membership No.12839

Rajendra V. Agarwal  
(Managing Director)

Place : Mumbai  
Date : 28th May, 2011

Sreedhar H.  
(Company Secretary)

Durga Prasad Agarwal  
(Director)

Ajay V. Agarwal  
( Wholetime Director)



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2011**

	SCHEDULE NO.	AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b>INCOME :</b>					
Sales (Refer note no .B(3) of schedule 18)		2,961,031,638		2,317,502,402	
Less: Excise duty		-		-	
Add : Job Work Charges Received		141,850,321		110,865,015	
			3,102,881,959		2,428,367,417
Other Income	14		28,329,659		25,736,182
			3,131,211,618		2,454,103,599
<b>EXPENDITURE :</b>					
Cost of material	15	1,416,717,734		1,181,513,057	
Operating and Other Expenses	16	1,257,581,725		1,029,079,452	
Interest & Financial expenses(Net)	17	143,911,112		122,913,244	
Depreciation	5	311,894,393		359,485,190	
			3,130,104,964		2,692,990,943
Profit for the year before Tax			1,106,654		(238,887,344)
Less : Provision for Tax :-					
- Current Tax (Including Wealth Tax of Rs.155230 (Previous Year Rs.145001)		1,029,235		145,001	
- Deferred Tax (Refer Note No. B(7) of Schedule 18)		(34,544,825)		(57,079,660)	
- MAT Credit Entitlement		(874,005)		-	
- Income tax for earlier years		-		(11,014)	
			(34,389,595)		(56,945,673)
Profit for the year after Tax			35,496,249		(181,941,671)
Add: Balance brought forward from previous year			173,890,286		386,150,231
			209,386,535		204,208,560
<b>APPROPRIATIONS :</b>					
Transferred to General Reserve			3,550,000		-
Proposed Final Dividend			26,000,000		26,000,000
Tax on Dividend			4,217,850		4,318,275
Balance carried to Balance Sheet			175,618,685		173,890,285
			209,386,535		204,208,560
Basic and Diluted Earning per Share (See Note No.B(6) of Schedule 18)			0.68		(3.50)
Nominal Value of Equity Share			2.00		2.00
NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	18				
The schedules referred to above form an integral part of the Profit & Loss Account.					

As per our report of even date  
**M. L. BHUWANIA & CO.**  
**CHARTERED ACCOUNTANTS**

**DONEAR INDUSTRIES LIMITED**

**J. P. BAIRAGRA**  
**Partner**  
**Membership No.12839**

**Rajendra V. Agarwal**  
**(Managing Director)**

**Place : Mumbai**  
**Date : 28th May, 2011**

**Sreedhar H.**  
**(Company Secretary)**

**Durga Prasad Agarwal**  
**(Director)**

**Ajay V. Agarwal**  
**( Wholetime Director)**

# CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st March 2011

		AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b>A. Cash flow from operating activities :</b>					
Net Profit before tax as per P & L account			1,106,654		( 238,887,344 )
<b>Adjustment for :</b>					
Depreciation		311,894,393		359,485,190	
Interest Expenses		154,981,297		123,150,386	
Interest Received		(752,928)		(898,231)	
(Profit) / Loss on sale of fixed assets		93,956		487,948	
Unrealised Foreign Exchange rate difference(net)		727,416		(1,087,488)	
Sundry Balances written off / (back)		188,302		23,962,345	
Leave salary provision		682,077		620,837	
			467,814,513		505,720,987
Operating Profit Before Working Capital Changes			468,921,167		266,833,643
<b>Adjustment for :</b>					
Trade and Other Receivables		(93,322,274)		(124,166,537)	
Inventories		(321,492,472)		(185,290,423)	
Trade and Other Payables		107,606,816		90,495,283	
			(307,207,930)		(218,961,677)
Cash Generated From Operations			161,713,237		47,871,966
Direct Tax Paid(net of refunds(including Fringe Benefit Tax))		(6,869,630)		(3,484,805)	
			(6,869,630)		(3,484,805)
Cash Flow Before Extra Ordinary Items			154,843,607		44,387,161
Extra Ordinary Items			-		-
<b>Net Cash From Operating Activities</b>	Total		<b>154,843,607</b>		<b>44,387,161</b>
<b>B. Cash Flow From Investing Activities :</b>					
Purchase of Fixed Assets (including Advance for Capital Goods)		(167,363,317)		(204,998,427)	
Purchase of Investments		-		(5,040,000)	
Sale of Fixed Assets		64,761		27,084,000	
Interest received		(14,631,002)		19,070,162	
<b>Net Cash From Investing Activities</b>	Total		<b>(181,929,558)</b>		<b>(163,884,265)</b>
<b>C. Cash Flow From Financing Activities :</b>					
Proceeds from/(Repayments of) Borrowings (Net)		221,130,409		286,134,049	
Interest Paid		(158,018,660)		(133,315,707)	
Dividend Paid (Including tax on distributed profits)		(30,196,457)		(30,376,952)	
<b>Net Cash From Financing Activities</b>	Total		<b>32,915,292</b>		<b>122,441,390</b>
<b>Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)</b>	Total		<b>5,829,341</b>		<b>2,944,286</b>
Opening balance of Cash and equivalents			33,723,645		30,779,359
Closing balance of Cash and equivalents (Refer Note No. 1)			39,552,986		33,723,645
	Total		<b>5,829,341</b>		<b>2,944,286</b>
Note 1. Cash and cash equivalents include :					
-Cash in hand			1,916,847		1,556,631
-Cheque in Hand			22,879,752		17,711,979
-Balance with Scheduled Banks					
in Margin Money Accounts		8,952,305		7,069,749	
in Current Accounts		4,987,604		2,975,557	
in Unclaimed Dividend Accounts		535,359		413,541	
in Foreign Currency Account		465,640	14,940,908	4,234,209	14,693,056
-Unrealised translation gain/(loss) on foreign currency cash and cash equivalents			(184,521)		(238,021)
	Total		<b>39,552,986</b>		<b>33,723,645</b>

2. Interest on delayed payments from Customers Rs. 892,158/- (Previous Year Rs.295,676/- ) has been considered as cash flow from Operating Activities.

3. Previous year figures have been regrouped/restated wherever considered necessary to make them comparable with those of the current year.

As per our report of even date  
**M. L. BHUWANIA & CO.**  
**CHARTERED ACCOUNTANTS**

**DONEAR INDUSTRIES LIMITED**

**J. P. BAIRAGRA**  
**Partner**  
**Membership No.12839**

**Rajendra V. Agarwal**  
**(Managing Director)**

**Place : Mumbai**  
**Date : 28th May, 2011**

**Sreedhar H.**  
**(Company Secretary)**

**Durga Prasad Agarwal**  
**(Director)**

**Ajay V. Agarwal**  
**( Wholetime Director)**

## Schedules Forming Part of the Balance Sheet and Profit &amp; Loss Account for the Period Ended 31st March, 2011

		AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b><u>SCHEDULE 1 - “SHARE CAPITAL”</u></b>					
<b><u>Authorised</u></b> [Refer Note below]					
100,000,000 (Previous Year 100,000,000) Equity Shares of Rs. 2/- each	Total		200,000,000		200,000,000
<b><u>Issued, Subscribed &amp; Paid up</u></b> [Refer Note below]					
52,000,000 (Previous Year 52,000,000) Equity Shares of Rs. 2/- each	Total		104,000,000		104,000,000
<b><u>Note</u></b> : Of the above shares 45,500,000 of Rs.2/- each have been allotted as fully paid up bonus shares by capitalisation of General Reserves in previous years.					
<b><u>SCHEDULE 2 - “ RESERVES &amp; SURPLUS”</u></b>					
<b><u>General Reserve</u></b>					
As per last Balance Sheet		349,610,352		349,610,352	
Add : Transferred during the year from Profit & Loss Account.		3,550,000		-	
<b><u>Profit &amp; Loss Account</u></b>					
	Total		353,160,352		349,610,352
			175,618,685		173,890,285
			528,779,037		523,500,637
<b><u>SCHEDULE 3 - “SECURED LOANS”</u></b> [ Refer Note No. B(1) of schedule 18 ]					
<b><u>(A) Term Loans from Banks :</u></b>					
i) Indian Rupee		947,443,552		1,063,077,489	
ii) Interest accrued & due on above		1,727,933		5,719,093	
			949,171,485		1,068,796,582
<b><u>(B) Working Capital Loans from Banks :</u></b>					
i) Cash Credit		298,441,525		316,943,481	
ii) Working Capital Demand Loan		725,621,911		462,057,152	
iii) Export Packing Credit Loan		58,760,667		50,000,000	
iv) Interest accrued & due on above		2,156,740		1,223,305	
	Total		1,084,980,843		830,223,938
			2,034,152,328		1,899,020,520
<b><u>SCHEDULE 4 - “UNSECURED LOANS”</u></b>					
(a) From Directors			288,965,000		206,405,000
(b) From Body Corporates			41,572,876		41,192,000
	Total		330,537,876		247,597,000

**SCHEDULE 5 - "Fixed Assets"**

Sr. No.	Particulars of Assets	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
		As at 01.04.2010	Additions during the year	Deduction/Adjustment during the Year	As at 31.03.2011	As at 01.04.2010	For the Year	Deduction/Adjustment during the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
1.	Freehold Land	68,635,109	-	-	68,635,109	-	-	-	-	68,635,109	68,635,109
2.	Factory Land & Building	497,269,704	3,577,749	-	500,847,453	107,350,607	38,944,801	-	146,295,408	354,552,045	389,919,097
3.	Office Premises	875,481	-	-	875,481	381,533	24,697	-	406,230	469,251	493,948
4.	Residential Building	3,805,526	-	-	3,805,526	614,491	159,552	-	774,043	3,031,483	3,191,035
5.	Plant & Machinery	1,626,981,492	53,236,212	26,000	1,680,191,704	728,692,353	252,379,223	18,823	981,052,753	699,138,951	898,289,139
6.	Electrical Installation	21,641,290	3,372,139	-	25,013,429	10,012,339	1,693,408	-	11,705,747	13,307,682	11,628,951
7.	Furniture & Fixtures	35,724,574	12,882,885	-	48,607,459	15,987,650	4,933,183	-	20,920,833	27,686,626	19,736,924
8.	Computer	34,786,251	3,263,677	-	38,049,928	19,153,199	7,187,551	-	26,340,750	11,709,178	15,633,052
9.	Vehicle	22,900,398	3,094,666	379,790	25,615,274	10,642,864	3,475,504	228,250	13,890,118	11,725,156	12,257,534
10.	Air Conditioner	8,065,275	559,466	-	8,624,741	2,990,552	769,230	-	3,759,782	4,864,959	5,074,723
11.	Office Equipment	5,062,609	1,939,838	-	7,002,447	2,141,004	588,936	-	2,729,940	4,272,507	2,921,605
12.	Intangible Assets	9,758,897	667,113	-	10,426,010	1,418,279	1,738,308	-	3,156,587	7,269,423	8,340,618
	<b>Current Year</b>	<b>2,335,506,606</b>	<b>82,593,745</b>	<b>405,790</b>	<b>2,417,694,561</b>	<b>899,384,871</b>	<b>311,894,393</b>	<b>247,073</b>	<b>1,211,032,191</b>	<b>1,206,662,370</b>	<b>1,436,121,735</b>
	<b>Previous Year</b>	<b>2,035,462,010</b>	<b>328,227,033</b>	<b>28,182,437</b>	<b>2,335,506,606</b>	<b>540,510,170</b>	<b>359,485,190</b>	<b>610,489</b>	<b>899,384,871</b>	<b>1,436,121,735</b>	<b>-</b>

**Note :** Depreciation for the year of Plant & Machinery is net off Rs.1,187,595/- (Previous Year Rs. 533,688) and of Electrical Installation is net off Rs.Nil (Previous Year Rs.135,494) being depreciation for earlier year.



		AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b><u>SCHEDULE 6 - “ INVESTMENTS”</u></b>					
<u>Unquoted Equity Shares Long Term (At Cost)</u>					
<u>Non-Trade Investments</u>					
11,000 (Previous Year 11,000) Equity Shares of R.Ajay Kumar Investment Co. Pvt Ltd. of Rs.10 each fully paid up			110,000		110,000
<u>Trade Investments</u>					
67,200 (Previous Year 67,200) Equity Shares of Palsana Enviro Protection Ltd. of Rs.100 each fully paid up			8,880,000		8,880,000
Total			8,990,000		8,990,000
<b>Note:</b> Aggregate Cost of Unquoted Investments is Rs.8,990,000 (Previous Year Rs 8,990,000)					
<b><u>SCHEDULE 7 - “ INVENTORIES”</u></b>					
(As Verified, Valued & Certified by a Director)					
(At lower of cost or net realisable value)					
(a) Raw material			258,835,783		208,583,657
(b) Semi Finished Goods			257,951,925		209,276,302
(c) Finished Goods			306,677,968		132,052,012
(d) Traded Finished Goods			199,516,357		172,315,722
(e) Stores & Spares			43,192,467		20,395,509
(f) Packing Materials			24,814,175		26,873,001
Total			1,090,988,675		769,496,203
<b><u>SCHEDULE 8 - “SUNDRY DEBTORS”</u></b>					
More than six months and above					
Considered Good		65,184,227		66,251,427	
Considered Doubtful		19,190,575	84,374,802	18,677,279	84,928,706
Other than above (Considered Good)			675,552,209		598,584,948
			759,927,011		683,513,654
			19,190,575		18,677,279
Total			740,736,436		664,836,375
<b><u>SCHEDULE 9 - “CASH &amp; BANK BALANCES”</u></b>					
-Cash in hand			1,919,539		1,549,893
-Cheques in Hand			22,879,752		17,711,979
-Balance with Scheduled Banks					
in Margin Money Accounts		8,952,305		7,069,749	
in Current Accounts		4,987,604		2,975,557	
in Unclaimed Dividend Accounts		535,359		413,541	
in Foreign Currency Account		278,427	14,753,695	4,002,926	14,461,773
			39,552,986		33,723,645
<b><u>SCHEDULE 10 - “ OTHER CURRENT ASSETS”</u></b>					
(Unsecured, considered good unless otherwise stated)					
(a) Export Incentives Received/Receivable			58,307,754		48,304,534
(b) Interest Receivable			54,485,716		51,867,622
(c) Other Current Assets			11,593,680		11,132,668
Total			124,387,150		111,304,824
<b><u>SCHEDULE 11 - “LOANS &amp; ADVANCES”</u></b>					
(Unsecured, considered good)					
(a) Advances recoverable in cash or kind or for value to be received			6,306,865		5,074,609
(b) Balance with Central Excise			446,840		78,581
(c) Loans to Staff			11,226,569		9,512,197
(d) Advances against Capital Goods		37,243,142		37,411,012	
Less : Provision for Doubtful Advances		2,074,703	35,168,439	327,490	37,083,522
			65,558,427		58,541,207
(e) Advance Income Tax			4,194,268		4,341,858
(f) Advance Fringe Benefit Tax			37,882,039		35,361,633
(g) Mat Credit Entitlement					
(h) Deposits:					
- with Government Bodies		3,066,773		3,066,773	
- with Others		12,521,843	15,588,616	10,451,129	13,517,902
(i) Trade Advances		47,017,990		35,295,038	
Less : Provision for Doubtful Advances		2,860,893	44,157,097	2,198,268	33,096,770
Total			220,529,160		196,608,279

		AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b><u>SCHEDULE 12 - “CURRENT LIABILITIES”</u></b>					
(a) Creditors for Goods*			111,886,703		70,386,773
(b) Creditors for Expenses*			138,816,548		87,320,226
(c) Creditors for Capital Goods*			13,027,320		8,033,061
(d) Investors Education & Protection Fund : ** Unclaimed dividend			537,015		415,197
(e) Advance from Customers			64,850,621		33,195,005
(f) Deposits from Agents & Dealers			167,876,445		144,767,793
(g) Deposits from Others			10,930,000		50,000
(h) Other Liabilities			115,463,929		131,138,756
(i) Temporary Bank Overdraft			-		37,830,612
(j) Interest Accrued but not due			20,362		-
	Total		623,408,943		513,137,423
* Refer Note No. B(2) of schedule 18					
** Amount due and outstanding to be credited to Investor Education & Protection Fund is Rs. Nil (previous year Rs.46)					
<b><u>SCHEDULE 13 - “PROVISION”</u></b>					
(a) Provision for Taxation			42,337,421		39,661,785
(b) Provision for Fringe Benefit Tax			3,921,422		3,921,422
(c) Proposed Dividend			26,000,000		26,000,000
(d) Tax on Proposed Dividend			4,217,850		4,318,275
(e) Provision for Leave Encashment			2,776,005		2,093,928
	Total		79,252,698		75,995,410
<b><u>SCHEDULE 14 - “OTHER INCOME”</u></b>					
-Sale of Scrap			9,959,836		6,679,121
-Exchange Rate Difference (Net)			-		426,791
-Rent Received			378,000		760,106
-Miscellaneous Income			17,991,823		17,870,164
	Total		28,329,659		25,736,182
<b><u>SCHEDULE 15 - “COST OF MATERIAL ”</u></b>					
<u>Raw Material Consumed</u>					
Opening Stock		208,583,657		137,543,592	
Add: Purchases		1,327,625,732		973,473,554	
Less: Closing Stock		258,835,783		208,583,657	
			1,277,373,606		902,433,489
Fabric purchases			232,018,140		206,949,791
Trading Goods purchases			157,828,202		193,912,348
<u>(Increase) / Decrease in stock :</u>					
<u>Opening Stock</u>					
-Finished Goods		132,052,012		137,632,615	
-Semi-Finished Goods		209,276,302		146,973,634	
-Trading Goods		172,315,722		107,255,216	
		513,644,036		391,861,465	
<u>Closing Stock</u>					
-Finished Goods		306,677,968		132,052,012	
-Semi-Finished Goods		257,951,925		209,276,302	
-Trading Goods		199,516,357		172,315,722	
		764,146,250		513,644,036	
			(250,502,214)		(121,782,571)
	Total		1,416,717,734		1,181,513,057

		AS AT 31.03.2011		AS AT 31.03.2010	
		RUPEES	RUPEES	RUPEES	RUPEES
<b>SCHEDULE 16-“OPERATING &amp; OTHER EXPENSES”</b>					
Stores & Spares Consumed			46,441,869		39,604,342
<u>Manufacturing Expenses</u>					
Processing charges			28,774,274		15,146,409
Other Manufacturing Expenses			124,562,735		75,573,475
<u>Power and Fuel</u>					
Electricity Expenses	39,425,491			32,945,552	
Coal Consumption	49,720,969			38,889,106	
Gas Consumption	95,235,622			80,796,725	
Generator Expenses	1,905,066	186,287,148		2,682,284	155,313,667
<u>Employees Cost</u>					
Salaries, Wages & Other Benefits	230,859,104			187,322,028	
Contribution to Provident and other funds	7,673,923			4,397,689	
Staff Welfare expenses	6,707,607	245,240,634		4,369,225	196,088,942
<u>Repairs &amp; Maintenance :</u>					
On Building	2,991,605			2,118,931	
On Machinery	5,009,229			3,776,707	
On Others	10,147,685	18,148,519		7,995,405	13,891,043
<u>Selling &amp; Distribution Expenses</u>					
Transportation Expenses			32,918,883		29,425,069
Sample Expenses			7,205,608		8,752,529
Advertisement & Sales Promotion			150,596,348		96,035,066
Packing Expenses			148,704,525		118,754,155
Sales Commission			117,710,578		97,057,961
Discount, Rebate & Claims			43,646,709		34,955,404
<u>Other Expenses</u>					
Legal & Professional Expenses			8,249,380		3,983,553
Directors Remuneration			3,300,000		4,974,654
Travelling & Conveyance			30,434,504		21,452,510
Exchange Rate Difference (Net)			4,012,074		-
Loss/Obsolescence of Fixed Assets			93,956		487,948
Provision for Doubtful Advances			2,765,319		2,525,758
Provision for Doubtful Debts			513,296		18,677,279
Insurance charges			5,684,124		5,559,326
Brokerage on Purchase			3,966,717		2,200,870
Rent,Rates & Taxes			18,817,692		23,472,703
Printing & Stationery			6,191,959		5,229,766
Postage & Telephone			11,766,984		10,282,233
Sundry Balance W/off (net)			188,302		38,999,727
<u>Auditors Remuneration :</u>					
a) <u>Statutory Auditor</u>					
Audit Fees(including Limited Review)	435,000			440,000	
Tax Audit Fees	105,000			95,000	
Certification and Other Services	2,500			2,500	
Towards Service Tax	55,878			96,579	
			598,378		634,079
b) <u>Cost Auditor</u>					
Audit Fees	60,000			60,000	
Towards Service Tax	6,180		66,180	11,618	71,618
Miscellaneous Expenses			10,695,030		9,929,366
Total			1,257,581,725		1,029,079,452
<b>SCHEDULE 17 - “FINANCE EXPENSES”</b>					
<u>Interest :</u>					
On Term Loan	66,483,659			69,228,422	
On Other Bank Loan	74,470,390			41,615,485	
On Security Deposit	1,936,024			4,124,205	
On Early Payment Incentive	5,929,674			5,677,243	
On Others	29,912			11,877	
Premium on Forward Contract			148,849,659		120,657,232
Bank Charges & Commission			7,923,055		3,289,694
			4,138,257		4,880,703
			160,910,971		128,827,629
Less: Interest on Delayed Payments from Customers	16,246,931			4,785,085	
Interest Received on Deposits	752,928			1,129,300	
[Tax deducted at source Rs.54,265/- (previous year Rs.120,365)]			16,999,859		5,914,385
Total			143,911,112		122,913,244

## SCHEDULE 18 - “NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES” FOR THE YEAR ENDED 31st MARCH 2011

### A. SIGNIFICANT ACCOUNTING POLICIES

#### (1) Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards and provisions of the Companies Act, 1956.

#### (2) Revenue Recognition

Sales are accounted when significant risk and rewards are passed on to the customer. Sales are accounted inclusive of excise duty and net of volume discount. Dividend is accounted as and when received.

#### (3) Fixed Assets

All Fixed Assets are stated at Cost less Accumulated Depreciation. Computer software is capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation / system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

#### (4) Depreciation

Depreciation is provided on Fixed Assets on Written Down Value Method (WDV) at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Software is amortised over a period of 5 years on straight-line method.

#### (5) Investments

- (a) Long Term Investments are stated at cost. Provision for diminution in the value of Long Term Investment is made only if such a decline is other than temporary, in the opinion of the Management.
- (b) Short Term Investments are valued at lower of cost and market value compared on a scrip wise basis.

#### (6) Inventories

Inventories are valued at lower of cost or net realizable value. Cost of Raw Material, Traded Finished Goods, Stores & Spares, Packing Material and Garments are determined on weighted average cost basis. Cost of Finished Goods and Work-in-Progress are determined on estimated cost basis. Cost of Dyes & Chemicals are determined on first-in-first-out (FIFO) basis.

#### (7) Employees Benefit

- (a) Short term employee benefits are recognized as an expense at the undiscounted amounts in the Profit and Loss Account of the year in which the related service is rendered.
- (b) Contribution payable to the Recognised Employees Provident Fund which is Defined Contribution Scheme is charged to Profit and Loss Account.
- (c) Liabilities in respect of defined benefit plans are determined based on actuarial valuation made by an independent actuary as at the balance sheet date. The actuarial gains or losses are recognized immediately in the Profit and Loss Account.

#### (8) Foreign Exchange Transactions

- (a) Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.
- (b) Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise.
- (c) In respect of transactions covered by forward exchange contracts, the difference between forward rate and exchange rate at the inception of the contract is recognized over the life of the contract.

**(9) Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying Fixed Assets are capitalized up to the date when such Assets are ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit and Loss Account.

**(10) Taxation**

- (a) Provision for Income Tax is made on the basis of the estimated taxable income for the accounting year in accordance with the Income Tax Act, 1961.
- (b) The deferred tax for timing differences between the book profits and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that these would be realized in future and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.
- (c) Fringe Benefit tax is determined at Current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act 1961.

**(11) Lease**

Lease rentals in respect of assets acquired under operating leases are charged off to the Profit and Loss account.

**(12) Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**(13) Provision & Contingent Liabilities :**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**B. NOTES ON ACCOUNTS****(1) Secured Loans :****(a) Term Loan from State Bank of Hyderabad, Dena Bank, State Bank of India and State Bank of Indore :**

Secured by way of first pari passu basis in favour of Banks over all the fixed assets of the Company, both present & future including but not limited to Fixed Assets pertaining to the Capital Expansion project of the Company at Unit Balaji Fabrics, Revenue Block No.194 & 195 Kadodara, Bardoli Road, Village Jolwa , Taluka Palsana, District Surat, Gujarat except Land & Building at Plot No A-49 & A-50 Marol , MIDC Andheri (East) Mumbai and are also personally guaranteed by the directors Shri V. L. Agarwal and Shri R. V. Agarwal.

Term loans from State Bank of Hyderabad, Dena Bank and State Bank of India are further secured by second charge on the current assets of the company.

**(b) Cash Credit, Working Capital Demand Loan from State Bank of Hyderabad and Dena Bank**

Secured by way of first charge on pari passu basis on all the current assets of the Company, and also secured by way of second and subsequent charge on pari passu basis on the fixed assets of the company (Present and future). The above loans and facilities are guaranteed by the Directors, Shri. V. L. Agarwal and Shri R. V. Agarwal.



- (2) The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amounts unpaid as at the year end together with interest paid/payable under this Act, have not been given. The same has been relied upon by the Auditors.
- (3) Sales are inclusive of Export Incentives of Rs.21,594,650 (Previous year Rs.19,263,193).
- (4) Estimated amount of contracts remaining to be executed on Capital account & not provided for (net of advances) is Rs.39,331,242 (Previous year Rs.33,518,666)

(5) Contingent Liabilities :

Particulars	2010-2011	2009-2010
	Rs.	Rs.
a) Disputed Income Tax Liability where Company is in appeal	22,529,953	NIL
b) Bank Guarantees executed under EPCG Schemes to Customs Authorities	895,000	895,000
c) Bank Guarantees executed towards Electricity Department	2,062,500	2,062,500
d) Bonds executed under EPCG Schemes to Customs Authorities	317,517,730	263,490,145
e) Bonds executed in favour of the excise department towards concessional custom duty availed	3,740,229	3,740,229
f) Claims against the Company not acknowledged as debt	159,780	159,780

(6) Basic and Diluted Earning per Share - The numerator and denominator used to calculate Basic and Diluted Earnings per share :

Particulars	2010-2011	2009-2010
	Rs.	Rs.
(a) Profit / (Loss) attributable to the Equity Shareholder	35,496,247	(181,941,671)
(b) Basic / Weighted average number of Equity Shares outstanding during the year (in Nos.)	52,000,000	52,000,000
(c) Basic & Diluted earning per share (a) / (b)	0.68	(3.50)
(d) Face Value of each share	2.00	2.00

(7) Breakup of Deferred Tax Assets (Net) :

Particulars	As on 01.04.2010	During the year	As on 31.03.2011
	Rs.	Rs.	Rs.
Deferred Tax Liability :			
(a) On account of timing differences Relating to Gratuity	378,563	(378,563)	Nil
<b>Total Deferred Tax Liability</b>	378,563	(378,563)	Nil
Deferred Tax Assets :			
(a) <u>On account of difference in</u> Depreciation as per Books and as per Income Tax Act, 1961	17,632,043	32,496,037	50,128,079
(b) <u>On account of provision for</u> Unpaid Bonus	Nil	2,807,266	2,807,266
Provision For Doubtful Debts	8,289,935	(2,063,553)	6,226,382
Provision For Doubtful Advances	838,994	721,388	1,560,382
Provision for Leave Encashment	695,551	205,124	900,675
<b>Total Deferred Tax Assets</b>	<b>27,456,522</b>	<b>34,166,262</b>	<b>61,622,784</b>
<b>Net Deferred Tax Assets</b>	<b>(27,077,959)</b>	<b>(34,544,825)</b>	<b>(61,622,784)</b>

(8) Derivatives :HEDGED :

The Company has entered into forward hedged exchange contracts, being derivative instruments hedge purpose and not intended for trading or speculation purposes, to establish the amount of currency in Indian Rupees required or available at the settlement date of certain payables and receivables. The following are the outstanding Forward Exchange Contracts entered into by the Company.

Currency	Buy or Sell	As on 31.03.2011		As on 31.03.2010	
		Amount in foreign currency	Rs.	Amount in foreign currency	Rs.
USD	BUY	Nil	Nil	8,000,000	337,057,152

UNHEDGED :

The year end foreign currency exposures that have not been hedged by a derivative instruments or otherwise are as under :

## (a) Amount receivable in Foreign Currency on account of the following :

Particulars	Foreign Currency	As on 31.03.2011		As on 31.03.2010	
		Amount in foreign currency	Rs.	Amount in foreign currency	Rs.
Export of Goods	US \$	992,228	45,044,965	966,512	43,522,146
Balance in EEFC Account	US \$	6,133	278,427	Nil	Nil

## (b) Amount Payable in Foreign Currency on account of the following :

Particulars	Foreign Currency	As on 31.03.2011		As on 31.03.2010	
		Amount in foreign currency	Rs.	Amount in foreign currency	Rs.
Import of Goods	US \$	469	21,292	Nil	Nil
	GBP	4,500	327,557	4,500	305,408
Buyer's Credit outstanding Balance	US \$	497,130	22,568,609	Nil	Nil
	Euro	51,144	3,273,544	Nil	Nil
Interest accrued but not due	US \$	314	14,263	Nil	Nil
	Euro	95	6,099	Nil	Nil
Comission Payable	US \$	62,808	2,829,774	95,528	4,301,656
	Euro	2,267	145,109	1,278	77,429

(9) Employee Benefits :

The Company has schemes for long term benefits such as Provident Fund and Gratuity. The Company's "Defined Contribution Plan" includes Contribution to Employees Provident Fund and "Defined Benefit Plan" include Gratuity. Related disclosures are given as under :

Particulars	Current Year	Previous Year
	Amount (in Rs.)	Amount (in Rs.)
<b>(a) Defined Contribution Plan</b>		
Contribution to Employees Provident Fund	3,881,831	2,961,096
<b>(b) Defined Benefit Plan</b>		
Gratuity	Funded	Funded
(i) <u>Assumptions</u>	As on 31/03/2011	As on 31/03/2010
Discount Rate	8%	8%
Salary Escalation	4%	4%
(ii) <u>Table showing changes in present value of obligations</u>	As on 31/03/2011	As on 31/03/2010
Present value of obligations as at beginning of year	4,537,257	3,654,253
Interest cost	362,981	292,340
Current Service cost	1,325,277	1,248,824
Benefits paid	(474,915)	(115,416)
Actuarial (gain)/Loss on obligations	332,272	(542,744)
Present value of obligations as at end of year	6,082,872	4,537,257
(iii) <u>Table showing changes in the fair value of plan assets</u>		
Fair value of plan assets at beginning of year	5,797,868	4,941,319
Expected return on plan assets	510,059	447,479
Contributions	2,405,465	524,386
Benefits paid	(474,915)	(115,416)
Actuarial Gain / (Loss) on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	8,238,377	5,797,768
(iv) <u>Table showing fair value of plan assets</u>		
Fair value of plan assets at beginning of year	5,797,768	4,941,319
Actual return on plan assets	510,059	447,479
Contributions	2,405,465	524,386
Benefits Paid	(474,915)	(115,416)
Fair value of plan assets at the end of year	8,238,377	5,797,768
Funded Status	2,155,505	1,260,511
Excess of Actual over estimated return on plan assets	Nil	Nil
(Actual rate of return=Estimated rate of return as ARD falls on 31st March)		
(v) <u>Actuarial Gain/Loss recognized</u>	As on 31/03/2011	As on 31/03/2010
Actuarial (gain)/Loss for the year Obligation	(332,272)	(542,744)
Actuarial (gain)/Loss for the year - Plan Assets	Nil	Nil
Total (gain) / Loss for the year	(332,272)	(542,744)
Actuarial (gain) / Loss recognized in the year	(332,272)	(542,744)
(vi) <u>The amounts to be recognized in the Balance Sheet and Statements of Profit and Loss</u>		
Present value of obligations as at the end of year	6,082,872	4,537,257
Fair value of plan assets as at the end of the year	8,238,377	5,797,768
Funded status	2,155,505	1,260,511
Net Asset / (Liability) recognized in balance sheet	(2,155,505)	(1,260,511)
(vii) <u>Expenses Recognised in statement of Profit &amp; Loss</u>		
Current Service cost	1,325,277	1,248,824
Interest Cost	362,981	292,340
Expected return on plan assets	(510,059)	(447,479)
Net Actuarial (gain)/Loss recognised in the year	332,272	(542,744)
Expenses recognised in statement of Profit & Loss	1,510,471	550,941

(10) Segment Reporting :

The Company has one business segment viz. Manufacturing and Dealing in Textiles (Man Made Fabrics) However, since the sales outside India was more than 10% of the total sales in the previous year, geographical segment is reported as the secondary segment.

Particulars	2010-11		2009-10	
	Within India	Outside India	Within India	Outside India
	Rs.	Rs.	Rs.	Rs.
<b>Segment Revenue</b>	2,892,079,886	239,131,732	2,276,236,770	177,866,829
Segment Assets	3,593,463,132	45,044,965	3,292,650,885	43,522,146
<b>Addition to Fixed Assets</b>	<b>82,593,745</b>	-	<b>328,227,033</b>	-

(11) Disclosure for operating leases under Accounting Standard 19 - "Leases" :Assets taken on lease :

The Company's major leasing arrangements are in respect of residential / godowns / office premises (including furniture and fittings therein wherever applicable) taken on leave and license basis. The aggregate lease rentals Rs. 17,346,391/- (Previous Year Rs. 16,886,657/-) are charged as Rent and shown under Schedule 16 of "Administrative, Selling & Other Expenses" These leasing arrangements, which are cancelable, range between 11 months and 5 years generally, or longer, and are usually renewable by mutual consent at mutually agreed terms and conditions.

Assets given on lease :

The Company's major leasing arrangements are in respect of office premises given on leave and license basis. The aggregate lease rentals Rs. 378,000/- (previous year Rs. 760,106/-) are collected as Lease Rent and shown under Schedule "Other Income". These leasing arrangements, which are cancelable, is for the period 3 years and are usually renewable by mutual consent at mutually agreed terms and conditions.

(12) Related Party Disclosures :

The following related parties have been identified by the management and relied upon by the auditors.

(a) Individual having control/Significant influence.

(i) Shri Vishwanath L. Agarwal.

(b) Relatives of individual or entities where relatives of individual or individual himself has control / significant influence.

(i) Mrs.Kesari Devi Jajodia

(ii) Mrs.Bhavardevi Agarwal

(c) Key Management Personnel.

(i) Shri Rajendra V. Agarwal

(ii) Shri Ajay V. Agarwal

(d) Relative of Key Management Personnel

(i) Mrs.Uma Agarwal (Wife of Shri Rajendra V.Agarwal)

(ii) Mrs.Neena Agarwal (Wife of Shri Ajay V.Agarwal)

(iii) Mr.Rahul R. Agarwal ( Son of Shri Rajendra V.Agarwal)

(iv) Miss.Ruchi R. Agarwal (Daughter of Shri Rajendra V.Agarwal)

(v) Mr.Surya A. Agarwal (Son of Shri Ajay V.Agarwal)

(vi) Miss Sonia A. Agarwal (Daughter of Shri Ajay V.Agarwal)

(e) Entities where individual having control/significant influence or key management personnel or their relatives are able to exercise significant influence

- (i) Donear Synthetics Ltd.
- (ii) Lav Kush Traders Pvt. Ltd.
- (iii) Vishwanath L. Agarwal (HUF)
- (iv) Rajendra Agarwal (HUF)
- (v) Ajay Agarwal (HUF)
- (vi) Laxmi Synthetics..... [ Proprietary concern of Shri Ajay V. Agarwal ]
- (vii) Rajendra Synthetics..... [ Proprietary concern of Ajay Agarwal (HUF) ]
- (viii) Sonia Synthetics Pvt. Ltd.
- (ix) Ruchi Silk Mills Pvt. Ltd.
- (x) R. Ajay Kumar Investment Co. Pvt. Ltd.
- (xi) Rajendra Synthetics Pvt. Ltd.
- (xii) U.N. Reality Pvt. Ltd.
- (xiii) V.R.A. Reality Pvt. Ltd.
- (xiv) Neptune Fabs
- (xv) Venus Textiles
- (xvi) Lotus Fabrics
- (xvii) Mercury Industries
- (xviii) Donear Fashion Link Pvt. Ltd

(f) The details of the transactions with above mentioned related parties are as under :

Nature of Transaction	Individual having control / Significant influence.		Relatives of individual or entities where relatives of individual or individual himself has control / significant influence.		Key Management Personnel.		Relative of key Management Personnel		Entities where individual having control/significant influence or key management personnel or their relatives are able to exercise significant influence	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>(i) Transactions during the year</b>										
Purchase of goods (Material & Capital items)	194,552	-	-	-	-	-	-	-	-	-
Directors Sitting Fees	4,000	5,000	-	-	-	-	-	-	-	-
Rent Paid	-	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	4,038,654	4,974,654	-	-	-	-
Salary Paid	-	-	-	-	-	-	220,000	240,000	-	-
Loan Received	29,700,000	68,630,000	23,700,000	83,475,000	126,430,000	298,100,000	87,670,000	240,450,000	61,280,000	535,650,000
Loan Repaid	15,850,000	25,110,000	18,701,000	83,475,000	57,720,000	135,215,000	73,766,000	240,450,000	60,899,124	531,441,000
Sales of goods	-	-	2,036,530	-	-	-	-	-	-	-
Rent received	-	-	200,000	-	-	-	-	-	-	-
<b>(ii) Balance as at the end of the year</b>										
Amount receivable	-	-	2,236,530	-	-	-	-	-	-	-
Amount Payable	194,552	-	-	-	-	-	-	-	-	-
Loans payable	57,370,000	43,520,000	4,999,000	-	231,595,000	162,885,000	-	-	41,572,876	41,192,000
Investments	-	-	-	-	-	-	-	-	-	-
Guarantee given on behalf of the Company	-	1,899,020,520	-	-	-	1,899,020,520	-	-	-	-



(g) Disclosure of related party transaction, the amount of which is in excess of 10% of total related party transactions of the same type

	Nature of Transaction	Name of the related party	Current Year	Previous Year
			Rs.	Rs.
(i)	Purchase of goods (material & capital item)	Donear Fashion Link Pvt. Ltd.	194,552	-
(ii)	Directors' Sitting Fees	Vishwanath L. Agarwal	4,000	5,000
(iii)	Remuneration Paid	Shri Rajendra V. Agarwal	2,803,385	3,923,385
		Shri Ajay V. Agarwal	1,235,269	1,051,269
(iv)	Salary Paid	Miss. Ruchi Agarwal	220,000	240,000
(v)	Rent received	Neptune Fabs	50,000	-
		Venus Textiles	50,000	-
		Lotus Fabrics	50,000	-
		Mercury Industries	50,000	-
(vi)	Sale of goods	Neptune Fabs	514,189	-
		Venus Textiles	504,285	-
		Lotus Fabrics	513,838	-
		Mercury Industries	504,218	-
(vii)	Loans Received	Shri Vishwanath L. Agarwal	29,700,000	68,630,000
		Mrs. Bhavardevi Agarwal	23,700,000	83,475,000
		Smt. Uma R. Agarwal	12,350,000	66,900,000
		Shri Ajay V. Agarwal	88,080,000	227,200,000
		Mrs. Neena A. Agarwal	10,700,000	108,900,000
		Mast. Rahul R. Agarwal	45,300,000	46,550,000
		Shri Rajendra Agarwal	38,350,000	70,900,000
		Master Surya A. Agarwal	2,820,000	2,500,000
		Miss Sonia A. Agarwal	-	7,100,000
		Miss Ruchi R. Agarwal	16,500,000	8,500,000
		Donear Synthetics Ltd	10,650,000	6,320,000
		Lav- Kush Traders Pvt. Ltd	310,000	-
		Shri Vishwanath Agarwal HUF	3,450,000	11,300,000
		Shri Rajendra Agarwal HUF	1,350,000	3,400,000
		Shri Ajay V. Agarwal HUF	1,220,000	9,000,000
		Ruchi Silk Mills Pvt. Ltd.	910,000	1,900,000
		Sonia Synthetics Pvt. Ltd	180,000	1,165,000
		R. Ajaykumar Invest. Pvt. Ltd	4,490,000	4,380,000
		Rajendra Synthetics Pvt. Ltd	5,160,000	6,445,000
		U.N. Reality Pvt. Ltd.	28,360,000	382,065,000
		V.R.A. Reality Pvt. Ltd.	5,200,000	109,675,000

(viii)	Loans Repaid	Shri Vishwanath L. Agarwal	15,850,000	25,110,000
		Mrs. Bhavardevi Agarwal	23,700,000	83,475,000
		Shri Rajendra Agarwal	11,550,000	30,715,000
		Shri Ajay V. Agarwal	46,170,000	104,500,000
		Smt. Uma R. Agarwal	12,350,000	66,900,000
		Mrs. Neena A. Agarwal	10,700,000	108,900,000
		Mast. Rahul R. Agarwal	45,300,000	46,550,000
		Master Surya A. Agarwal	2,820,000	2,500,000
		Miss Sonia A. Agarwal	-	7,100,000
		Miss Ruchi R. Agarwal	16,500,000	8,500,000
		Shri Vishwanath Agarwal HUF	3,450,000	11,300,000
		Shri Rajendra Agarwal HUF	1,350,000	3,400,000
		Shri Ajay V. Agarwal HUF	1,220,000	9,000,000
		Donear Synthetics Ltd	9,820,000	3,605,000
		Sonia Synthetics Pvt. Ltd	54,124	370,000
		Lav- Kush Traders Pvt. Ltd	-	219,000
		R.Ajaykumar Invest. Pvt. Ltd	9,510,000	8,278,000
		Rajendra Synthetics Pvt. Ltd	2,705,000	3,375,000
		Ruchi Silk Mills Pvt. Ltd.	230,000	154,000
		U.N.Reality Pvt.Ltd.	27,360,000	382,065,000
		V.R.A. Reality Pvt.Ltd.	5,200,000	109,675,000

Notes: Related parties and transaction with related parties are as identified by the management and relied upon by the auditor.

**(13) Additional information pursuant to the provision of paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 :**

**(i) Details of licensed and installed capacity :**

Particulars	UOM	Li- censed Capac- ity	Installed Capacity *	Actual Production	Opening Stock		Closing Stock		Purchase for Resale		Turnover	
					Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)
Fabrics	Mtrs	N.A	246 Looms	17,527,825	5,243,963	341,328,314	7,193,734	564,629,893	6,749,741	232,018,140	21,733,687	2,438,993,227
	(Mtrs)	(N.A)	(246 Looms)	(15,141,799)	(4,501,116)	(284,606,249)	(5,243,963)	(341,328,314)	(5,333,639)	(206,949,791)	(19,217,148)	(2,001,135,498)
Yarn Dyeing, Twisting & Sizing	Kgs.	N.A	2,000,000	1,601,054	-	-	-	-	-	-	432,818	67,698,657
	(Kgs.)	(N.A)	(2,000,000)	(1,609,473)	-	-	-	-	-	-	(444,626)	(8,417,651)
Fabric Processing	Mtrs.	N.A	36,000,000	28,428,989	-	-	-	-	-	-	10,091,834	141,122,258
	(Mtrs.)	(N.A)	(24,000,000)	(21,847,415)	-	-	-	-	-	-	(6,729,841)	(102,159,424)
Fabric Packing Job	Mtrs.	N.A	N.A	51,043	-	-	-	-	-	-	51,043	305,236
	(Mtrs.)	(N.A)	(N.A)	(57,588)	-	-	-	-	-	-	(57,588)	(287,940)

\* Fabrics includes Finished Fabrics and Grey Fabrics

**Notes :**

- (1) Installed Capacity being technical matter is as Certified by Directors and relied upon by Auditors
- (2) Production of fabric is net of Shrinkage 1311009 Mtrs (Previous Year 888,040 Mtrs)
- (3) Purchase of Fabrics includes 1,033,810 Mtrs of Rs.39,213,478 (Previous Year 550,570 Mtrs of Rs.28,309,719) given to Job workers for manufacturing of Garments, out of which 594,108 Mtrs of Rs.8,159,417 (Previous Year 515,443 Mtrs of Rs.28,233,819) has been used by job workers in the production of Garments.
- (4) Closing Stock of Fabrics includes 505,889 Mtrs of Rs.33,644,432 (Previous Year 66,187 Mtrs of Rs.2,509,371) of Fabrics lying with Job Workers for Garment Manufacturing.
- (5) Production of Yarn Dyeing, Twisting and Sizing includes 1,168,236 Kgs (Previous Year 1,164,847 Kgs) used in internal consumption out of which 20,605 Kgs (Previous Year 52,772 Kgs) done on job work basis from others.
- (6) Production of Fabric Processing includes 17,397,119 Mtrs (Previous Year 15,117,574 Mtrs) used in internal consumption and also includes 940,036 Mtrs (Previous Year Nil) done on job work basis for others still lying at factory unbilled to parties
- (7) Turnover of Fabric Processing represents 10,091,834 Mtrs (Previous Year 6,729,841 Mtrs) done on job work basis for others.
- (8) Figures in bracket are of previous year

**(ii) Goods for Trade :**

Particulars	UOM	Opening Stock		Closing Stock		Purchase for Resale		Turnover	
		Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)
Garments	Nos	672,752	172,315,722	758,065	199,516,357	581,900	157,828,202	865,885	454,762,581
	Nos	(441,641)	(107,255,216)	(672,752)	(172,315,722)	(727,550)	(193,912,348)	(737,113)	(316,366,904)

Garments includes Blazer, Suits, Shirts, Trouser, Denim, Track Suit, T-Shirt, Jacket, Corduroy, Cargo, Socks, Handkerchief, Sweat Shirt, Tie, etc.

**Notes :**

- (1) Purchase for Resale includes 369298 Nos (Previous Year 240674 Nos) manufactured from Job Workers on internal consumption of 594,108 Mtrs (Previous Year 515443 Mtrs) of Fabrics.
- (2) Figures in bracket are of previous year

**(iii) Consumption of Raw Material :**

Particulars	Units	2010-11		2009-10	
		Qty.	Value ( in Rs.)	Qty.	Value ( in Rs.)
Yarn	Kgs	6,128,880	1,139,155,663	5,495,775	777,578,454
Dyes & Chemicals	Kgs	----	138,217,943	---	124,855,035
<b>Total</b>			<b>1,277,373,606</b>		<b>902,433,489</b>

**Notes :**

As various numerous of Dyes & Chemicals are consumed, it is not practical to give quantitative details of consumptions, hence consumption in value is given.

**(iv) Value of imported and indigenous Raw Material, Stores & Spares consumed : -**

Particulars	Category	2010-11		2009-10	
		Value ( in Rs.)	Percentage	Value ( in Rs.)	Percentage
(A) Yarn Consumed	Indigenous	1,136,729,323	88.99%	762,829,298	84.53%
	Imported	2,426,340	0.19%	14,749,156	1.63%
Total Yarn Consumed		1,139,155,663	89.18%	777,578,454	86.16%
(B) Dyes & Chemicals consumed	Indigenous	138,217,943	10.82%	124,855,035	13.84%
	Imported	-	-	-	-
Total Dyes & Chemical Consumed		138,217,943	10.82%	124,855,035	13.84%
<b>Total Raw Material Consumed</b>		<b>1,277,373,606</b>	<b>100.00%</b>	<b>902,433,489</b>	<b>100.00%</b>
(C) Store & Tools Consumed	Indigenous	29,030,123	62.51%	27,324,222	68.99%
	Imported	17,411,746	37.49%	12,280,120	31.01%
<b>Total Stores &amp; Spares Consumed</b>		<b>46,441,869</b>	<b>100.00%</b>	<b>39,604,342</b>	<b>100.00%</b>

**(v) Earnings in Foreign Exchange**

Particulars	2010-11	2009-10
	Value (in Rs.)	Value (in Rs.)
F.O.B Value of Exports	210,990,131	174,128,434

**(vi) C.I.F Value of Imports :**

Particulars	2010-11	2009-10
	Value (in Rs.)	Value (in Rs.)
Capital Goods	33,671,861	45,479,116
Stores & Spares	26,568,300	18,738,035
Raw Material	2,426,340	14,749,156
<b>Total</b>	<b>62,666,501</b>	<b>78,966,307</b>

**(vii) Expenditure in Foreign Currency**

Particulars	2010-11	2009-10
	Value (in Rs.)	Value (in Rs.)
Travelling	7,258,570	1,495,598
Advertisement	1,154,079	1,151,120
Interest	15,469,190	18,404,255
Books & Periodicals	488,846	1,362,723
Sales Promotion	4,501	1,473,523
Commission	8,534,184	7,666,530
<b>Total</b>	<b>32,909,370</b>	<b>31,553,749</b>

**(viii) Remuneration to Managing Director/Whole Time Director**

Particulars	2010-11	2009-10
	Value (in Rs.)	Value (in Rs.)
Remuneration	3,300,000	4,300,000
Contribution to Provident Fund	396,000	516,000
Gratuity	158,654	158,654
<b>Perquisites</b>	<b>184,000</b>	<b>-</b>
<b>Total</b>	<b>4,038,654</b>	<b>4,974,654</b>

- (14) In the opinion of the Board, the current assets, loans & advances have a value realization, in the ordinary course of business at least equal to the amount at which they are stated.
- (15) Borrowing Cost capitalised during the year Rs.Nil (Previous Year Rs. 7,455,952)
- (16) The Balance of Sundry Debtors & Sundry Creditors and Loans & Advances are subject to confirmation and consequential adjustment, if any.
- (17) Previous year figures have been regrouped / restated wherever considered necessary to make them comparable with those of the current year.

As per our report of even date  
**M. L. BHUWANIA & CO.**  
 CHARTERED ACCOUNTANTS

**DONEAR INDUSTRIES LIMITED**

**J. P. BAIRAGRA**  
*Partner*  
 Membership No.12839

**Rajendra V. Agarwal**  
 (Managing Director)

Place : Mumbai  
 Date : 28th May, 2011.

**Sreedhar H.**  
 (Company Secretary)

**Durga Prasad Agarwal**  
 (Director)

**Ajay V. Agarwal**  
 ( Wholetime Director)

**BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No.	42076	State Code	1 1
Balance Sheet Date	31st March 2011 Date/Month/Year		

**II. Capital Raised during the Year (Amount in Rs. Thousands)**

Public Issue N I L	Rights Issue N I L
Bonus Issue N I L	Private Placement N I L

**III. Position of Mobilisation And Deployment of Fund (Amount in Rs. Thousands)**

Total Assets 2,997,469	Total Liabilities 2,997,469
---------------------------	--------------------------------

**Source of Funds**

Paid – up Capital 104,000	Reserves & Surplus 528,779
Secured Loans 2,034,152	Unsecured Loans 330,538
Deferred Tax Liability (Net) N I L	

**Application of Funds**

Net Fixed Assets 1,413,324	Investments 8,990
Net Current Assets 1,575,155	Misc. Expenditure N I L
Accumulated Losses N I L	

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover * 3,131,212	Total Expenditure 3,130,105
Profit / (Loss) Before Tax 1,107	Profit / (Loss) After Tax 35,496
Earning Per Share in Rs. 0.68	Dividend Rate % 25%

\* Including Other Income

**V. Generic Names of Three Principal Products / Services of the Company (As per monetary terms)**

Item Code No. (ITC Code)	5514-22
Product Description	Man Made Fabrics

DONEAR INDUSTRIES LIMITED

Rajendra V. Agarwal  
(Managing Director)Place : Mumbai  
Date : 28th May, 2011Sreedhar H.  
(Company Secretary)Durga Prasad Agarwal  
(Director)Ajay V. Agarwal  
( Wholetime Director)





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*India ka Style*

**DONEAR INDUSTRIES LIMITED**

Registered office : 210, Key Tuo Industrial Estate, Kondivita Lane, Near M.I.D.C., Andheri (East), Mumbai - 400 059.

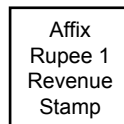
**PROXY FORM**

TWENTY FIFTH ANNUAL GENERAL MEETING ON SATURDAY 24TH SEPTEMBER, 2011

Reg. Folio No. ....

I / We .....  
 of ..... in the district of .....  
 being a member / of the above named company hereby appoint .....  
 of .....  
 in the district of ..... or failing of .....  
 as my / our proxy to vote for me / us on my / our behalf at the TWENTY FIFTH ANNUAL GENERAL MEETING of the company  
 to be held on Saturday 24th September, 2011 and at the adjournment thereof.

Signed this ..... Day of ..... 2011



Signature.....

**Note** : This form duly completed and signed must be deposited at the Registered office of the company, not less than 48 hours before the meeting.

**DONEAR INDUSTRIES LIMITED**

Registered office : Key Tuo Industrial Estate, Kondivita Lane, Near M.I.D.C., Andheri (East), Mumbai - 400 059.

**ATTENDANCE SLIP**

TWENTY FIFTH ANNUAL GENERAL MEETING ON SATURDAY 24TH SEPTEMBER, 2011

Reg. Folio No. ....

I certify that I am a registered shareholder / proxy for the registered shareholder of the company.

I hereby record my presence at the TWENTY FIFTH ANNUAL GENERAL MEETING on Saturday 24th September 2011 at Hotel  
 Kohinoor Continental, Andheri Kurla Road, J.B.Road, Andheri (East), Mumbai - 400 059.

Member / Proxy name in Block letters

Member / Proxy Signature

**Note** : Please fill this attendance slip and hand it over at the ENTERANCE OF THE MEETING HALL.

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Dear Member,

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies and has issued Circulars No. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011. The Circulars provide that a company will be in compliance with the provisions of Sections 53 and 219 of the Companies Act, 1956, in case documents like notices, annual report and all other communications are sent in electronic mode to its members.

In view of the above, we propose to send the documents like the notices, annual report and all other communications, in electronic form, to your E-mail ID registered with the Company. We therefore, request all the members to be a part of this Green Initiative, by filing up the 'E-communication Registration Form' and send it back to us at our registered office address.

As a member of the Company you are always entitled to receive all such communications, free of cost, on a request made to the Company in this behalf.

Your faithfully  
For Donear Industries Limited

Sreedhar H.  
Company Secretary

## DONEAR INDUSTRIES LIMITED

Registered office : 210, Key Tuo Industrial Estate, Kondivita Lane, Near M.I.D.C., Andheri (East), Mumbai - 400 059.

### E-communication Registration Form

Link Intime India Private Limited  
Unit : Donear Industries Limited  
C-13, Pannalal Silk Mills Compound, LBS Marg,  
Bhandup (West), Mumbai - 400 078.

Dear Sir / Madam,

RE : Green Initiative in Corporate Governance

I/We, agree to receive all communication from Donear Industries Limited (the Company) in electronic mode. Please register my E-mail ID in your records. for sending communication through e-mail.

Registered Folio No./DP ID/Client ID No. : \_\_\_\_\_

PAN : \_\_\_\_\_

Name of the 1st Registered Holder : \_\_\_\_\_

Name of the Joint Holder(s) : \_\_\_\_\_

E-mail ID : \_\_\_\_\_

Date : \_\_\_\_\_ Signature of the 1st Registered holder : \_\_\_\_\_

Important Notes :

- (i) Investors can also forward the scanned copy of this Registration Form to [info@donear.com](mailto:info@donear.com)
- (ii) On registration, all the communication from the company will be sent to the E-mail ID registered with the Company.
- (iii) The members are requested to keep the Company informed as and when there is any change in the E-mail ID. Else, the communication will be sent only to the E-mail ID registered with the Company. The 'E-communication Registration Form' can also be downloaded from the Company's website [www.donear.com](http://www.donear.com)

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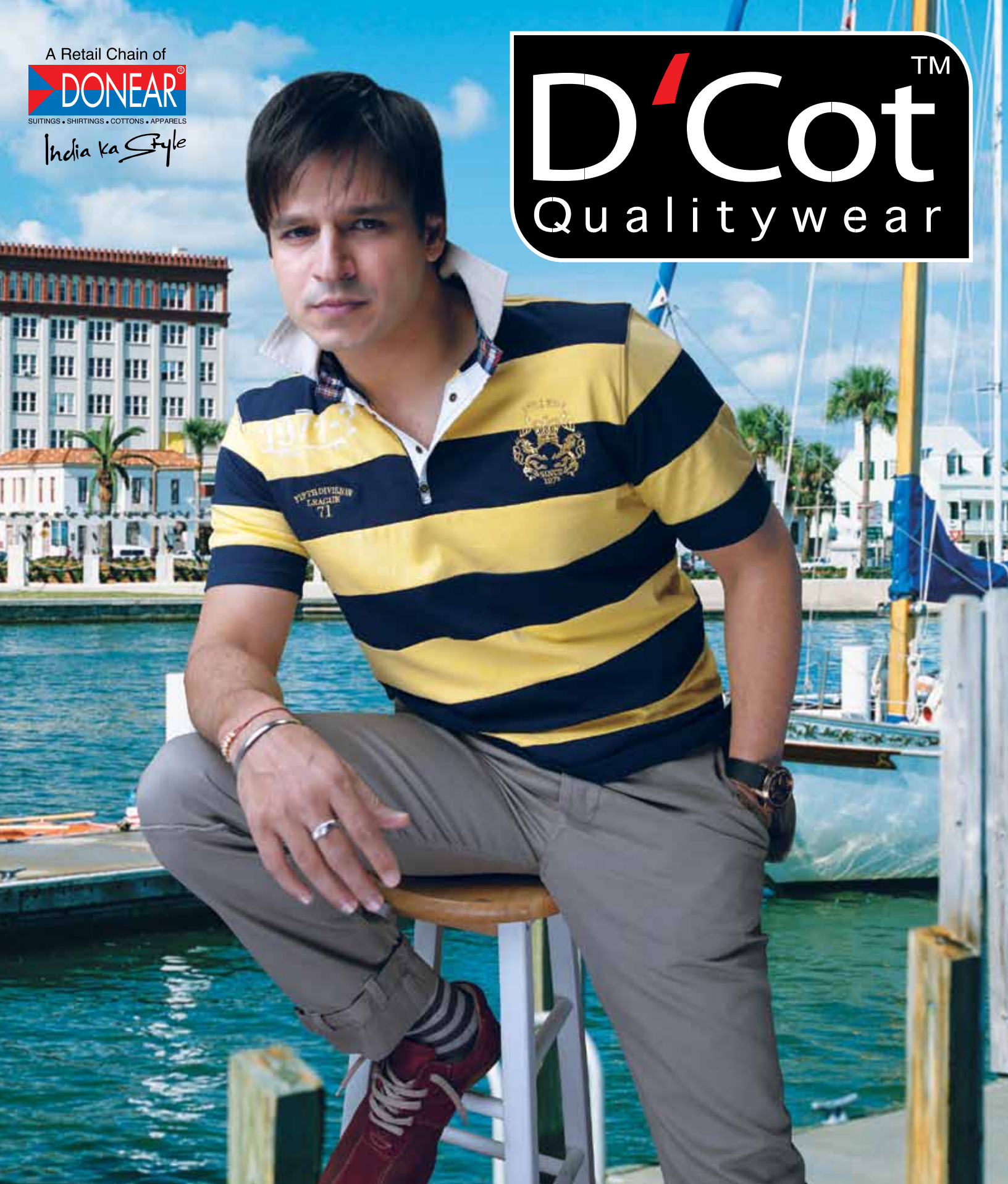
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