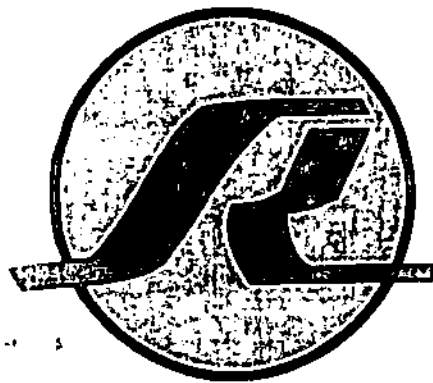


**Twenty Second Annual Report
2010-11**



S. R. INDUSTRIES LIMITED

Weaving together the fabric of success....

BOARD OF DIRECTORS

Chairman

Mr. R. K. Bhandari

Managing Director

Mr. R.C.Mahajan

Whole-time Directors

Mr. Amit Mahajan Director (Commercial)
Mr. Amit Mahajan Director (Operations)
Mr. T. N. Tikoo Director (Works)
Mr. Y. R. Kapur Director (Finance)

Directors

Mr. M. M. Puri
Mr. Shashi Kant

Company Secretary

Mr. Vikas Goyal

Auditors

M/s. Kansal Singla & Associates

Bankers

State Bank of Patiala
UCO Bank

Regd. Office & Works

Village Kuranwala,
Barwala Road,
Derabassi - 140507
Distt. Mohali (Punjab)

**S. R. Industries
Limited**
Annual Report 2010-11

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TWENTYSECOND ANNUAL GENERAL MEETING

Date : September 30, 2011
Day : Friday
Time : 10:00 a.m.
Venue : Village Kuranwala, Barwala Road,
Derabassi - 140507
Distt. Mohali (Pb.)

**NO GIFTS OR COMPANY'S PRODUCT WILL
BE GIVEN FOR ATTENDING THE MEETING**

NOTE

Members intending to require information about accounts to be explained at the Annual General Meeting are requested to inform the Company at least 7 days in advance of the date of meeting.

Members are requested to bring their copy of the Annual Report with them at the Annual General Meeting.

DIRECTORS' REPORT

Dear Members,
Your Directors are pleased to present their TWENTY SECOND ANNUAL REPORT and the Audited Statement of Accounts for the year ended March 31, 2011.

| | 2010-11 | 2009-10 |
|--|----------|----------|
| Turnover | 3863.79 | 2303.10 |
| Export Incentive | 74.30 | 125.17 |
| Profit/(loss) before interest, depreciation and taxation | (277.57) | 226.40 |
| Financial expenses | (512.94) | (162.72) |
| Profit/(loss) before depreciation & taxation | (790.51) | 63.68 |
| Depreciation | (304.55) | (150.36) |
| Provision for Taxation | | |
| -Deferred Tax | 256.08 | (18.27) |
| Provision for taxes not required | | 0.59 |
| Mat paid during earlier | | 4.47 |
| Expenses relating to earlier years | (22.43) | 1.72 |
| Net loss after tax | (861.41) | (98.17) |
| Earning per share (Rs.) | | |
| - Basic | (6.85) | (0.78) |
| -Diluted | (6.85) | (0.78) |

FUTURE PROSPECTS

The Board of Directors are pleased to inform that your company have successfully executed the project for manufacturing of Footwear in a state of the art plant at Vill- Singhan, Tehsil-Haroli, Distt. - Una (Himachal Pradesh) with a capacity to produce 4.86 Million Pairs of shoes, sandals and flip flops per annum. The commercial production after stabilization has started. The Company has long term arrangements with PUMA for lifting the production.

Further, in view of assessment of Banks financing the funds requirements of the company that terry towel unit is not viable, the Board recommends hiving off of the terry towel unit, for which separate approval of shareholders have been sought by way of ballot. The proceeds of sale, if the proposed resolutions are approved by ballot by shareholders, shall be utilized for discharging of the Banks and other liabilities.

DIVIDEND

In view of the losses, your Directors, do not recommend any dividend for the year under review.

DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

STAFF

The Directors hereby place on record their appreciation for the efficient and dedicated services rendered by the employees at all levels.

The Information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) may be taken as nil as no employee received remuneration in excess of limits prescribed under the said section.

DIRECTORS

Mr. B. K. Malhotra and Dr. J.S.Juneja resigned from the directorships of the company w.e.f. November 01, 2010 and February 14, 2011 respectively. Your directors appreciated the contribution made by them during their tenure. In accordance with the provisions of the Companies Act, 1956 and Article 74 of the Articles of Association of the Company Mr. R K Bhandari and Mr. M M Puri retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required under the Listing Agreement with the Bombay Stock Exchange Ltd. (BSE), Mumbai is annexed to this report. The Certificate issued by Practising Company Secretary, in pursuance of Clause 49 of the Listing Agreement in compliance of Corporate Governance, is also annexed with this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors report -

- that in the preparation of the annual accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanations relating to material departures,
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the loss of the Company for the year ended on that date,
- that the Directors had 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,
- that the Directors had prepared the annual accounts for the financial year ended on March 31, 2011 on a Going Concern basis.

AUDITORS

M/s Kansal Singla & Associates, Statutory Auditors, hold office until the conclusion of the ensuing annual general meeting and being eligible, offer themselves for reappointment. They have confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956 and willingness to accept the office of the Statutory Auditors, if reappointed.

AUDITORS' REPORT

The Statutory Auditors of the Company have submitted their report on the accounts for the year ended March 31, 2011. The observations made by them have been clarified in their report which are self explanatory and needs no further clarifications.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

ACKNOWLEDGMENTS

The Directors wish to place on record their appreciation to State Bank of Patiala, UCO Bank, Central/State Government Agencies, Customers and Business Associates for their continued cooperation and support.

The Board of Directors also takes this opportunity to acknowledge the dedicated efforts made by workers, staff and officers and their contribution to the success achieved by the Company.

Above all, the Directors express their gratitude towards the members of the Company for their continuing support and for the confidence reposed in the Management.

For and on behalf of the Board

R.K. Bhandari
Chairman

Place: Chandigarh
Date : August 31, 2011

**ANNEXURE TO THE DIRECTORS' REPORT
REPORT ON CORPORATE GOVERNANCE**

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in abiding by the Code of Corporate Governance so as to be a responsible corporate citizen and to serve the best interest of all the stakeholders and the society at large. The Company seeks to achieve this goal by being transparent in its business dealings, by disclosure of all relevant information in an easily understood manner and by being fair to all stakeholders and by ensuring that the Company's activities are managed by a professionally competent Board of Directors. The Company has over the years followed the best practices of Corporate Governance by adhering to the practices laid down by the Management. The most important part of Corporate Governance is the best business principles and leadership. The Company has also followed the implementation schedule of Corporate Governance Code as mentioned in Clause 49 of the Listing Agreement. The Directors are pleased to report the same as under -

BOARD OF DIRECTORS

The present strength of the Board is eight. The Board comprises of Executive and Non-Executive Directors. Five Directors including the Managing Director, are Whole-time Directors (Executive Directors). There are three Non-Executive Directors, including the Chairman, all of them being Independent Directors.

The composition of Board, number of Directorships & Committee positions held by each of the Directors are given hereunder -

| Sl. No. | Name of Director | Category | No. of Board Meetings attended | Attendance at Previous AGM held on September 30, 2010 | No. of Outside Directorship(s) held (***) | | No. of Membership(s)/ Chairmanship(s) in other Committees (****) | |
|---------|---------------------|-----------------------------|--------------------------------|---|---|-------------|--|-------------|
| | | | | | As Director | As Chairman | As Member | As Chairman |
| 1. | Mr.R.K.Bhandari | Non-Executive & Independent | 8 | YES | - | - | - | - |
| 2. | Mr.M.M. Puri @ | Non-Executive & Independent | 5 | NO | - | - | - | - |
| 3. | Mr.Y.R.Kapur | Whole-time Director | 8 | YES | 1 | - | - | - |
| 4. | Mr.T.N.Tikoo | Whole-time Director | 8 | YES | - | - | - | - |
| 5. | Mr.Amit Mahajan | Whole-time Director | 8 | YES | - | - | - | - |
| 6. | Mr.Amit Mahajan | Whole-time Director | 8 | YES | 1 | - | - | - |
| 7. | Mr.R.C.Mahajan | Managing Director | 8 | YES | - | - | - | - |
| 8. | Mr. Shaahi Kant | Non-Executive & Independent | 1 | N.A. | - | - | - | - |
| 9. | Mr. B. K. Mathotra* | Non-Executive & Independent | - | NO | N.A. | - | - | - |
| 10. | Dr. J.S. Juneja** | Non-Executive & Independent | 1. | N.A. | N.A. | - | - | - |

* Resigned w.e.f. November 01, 2010

** Appointed on August 21, 2010 and resigned w.e.f. February 14, 2011

***Excludes directorship held in private limited companies, foreign companies, companies under section 25 of the Companies Act, 1956 and memberships of Managing Committees of other Chambers/Institutions/Boards.

**** Includes Membership/Chairmanship of Audit Committee and Shareholders Grievances Committee only.

During the year none of the Directors was either a member of more than ten committees or Chairman of more than five committees of any public limited company.

BOARD MEETINGS AND ATTENDANCE

During the year ended March 31, 2011, Eight Board Meetings were held on the following dates -

| Date of Meeting | Board Strength | No. of Directors Present |
|-------------------|----------------|--------------------------|
| May 15, 2010 | 9 | 8 |
| June 3, 2010 | 10 | 8 |
| July 7, 2010 | 10 | 7 |
| July 31, 2010 | 9 | 7 |
| August 21, 2010 | 10 | 9 |
| November 22, 2010 | 9 | 7 |
| January 27, 2011 | 9 | 8 |
| February 19, 2011 | 8 | 7 |

The gap between two Board Meetings did not exceed four months. Further, the information as required under Annexure I-A to the Clause 49(I)(C)(I) of the Listing Agreement is made available to the Board. The Agenda and other papers having adequate information for consideration of the Board are circulated well in advance. Further, the compliance report of statutory requirements is placed before the Board on quarterly basis.

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

No Non-Executive Director holds any equity share of the Company

CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.srtowels.com. All Board Members and Senior Management have confirmed compliance with the Code for the year ended March 31, 2011. The Annual Report contains a declaration to this effect signed by the Managing Director who is also the Chief Executive Officer.

RESUME OF THE DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING Mr. R.K.Bhandari

Mr. R.K Bhandari is BE (Mech) having 40 years of experience. He has been the Director & Chief Executive of Punjab Venture Capital Ltd (PVCL), an Asset Management Company looking after the affairs of "Punjab Infotech Venture Fund" promoted by the Government of Punjab in association with Small Industries Development Bank of India (SIDBI). He has in-depth experience in the field of project identification, project implementation, financing, management, monitoring, etc. He had also been the Chairman-cum-Managing Director of Punjab National Fertilizers & Chemicals Ltd. and Executive Director of Punjab State Leather Development Corporation Ltd., another State Government organizations. Presently Mr. Bhandari does not hold any Shares of the Company.

Mr. M.M.Puri

Prof M.M.Puri was the former Vice-Chancellor of Panjab University. He is currently Professor Emeritus in the Department. He was the founder director of the centre for geopolitics. He is renowned for his work in the area of international relations and geo-politics. Presently, Mr. Puri does not hold any Shares of the Company.

BOARD COMMITTEES

Pursuant to Clause 49 of the Listing Agreement, the Board has constituted the following Committees with necessary delegation for smooth and efficient working -

AUDIT COMMITTEE

The Audit Committee of the Company has such powers as are detailed under Section 292A of the Companies Act, 1956 and also Clause 49 of the Listing Agreement.

The scope of Audit Committee includes, inter-alia, reviewing the systems, compliance of statutory and legal requirements, recommending appointment & re-appointment of statutory auditors, fixation of their remuneration and reviewing internal/statutory audit reports. It also includes the reviewing annual budgets, budgeted vs actual performance and quarterly/annual financial results, before submitting the same to the Board. As and when required, senior management personnel, statutory auditors and other professionals are also invited to attend the Audit Committee meetings.

The powers & role of Audit Committee is in agreement with Clause 49(II)(C)/(D) of the Listing Agreement. Further, the Audit Committee periodically reviews the information required under Clause 49(II)(E) of the Listing Agreement.

The Board of Directors reconstituted the Audit Committee on January 29, 2009. Presently, the Audit Committee consists of the following three Directors -

1. Mr.R.K.Bhandari-Chairman
2. Mr.M.M.Puri-Member
3. Mr.Y.R.Kapur-Member

Mr. R.K.Bhandari and Mr. M.M.Puri are non-executive and independent directors, whereas Mr. Y.R.Kapur is an executive director. The members of the Committee are qualified, experienced and professional having knowledge in industry, finance, project monitoring, company law and other related matters. The quorum of the Audit Committee Meeting is two members, but there should be a minimum of two independent directors present.

During the year under review, the Audit Committee met four times on July 07, 2010, July 31, 2010, November 22, 2010 and February 19, 2011 respectively. The attendance at the Audit Committees was -

| Member | No. of Meetings Held/Attended | |
|------------------|-------------------------------|---|
| Mr. R.K.Bhandari | 4 | 4 |
| Mr. M.M. Puri | 4 | 4 |
| Mr. Y.R.Kapur | 4 | 4 |

REMUNERATION COMMITTEE

The Board of Directors reconstituted the Remuneration Committee of the Company w.e.f. November 22, 2010. Presently, the Remuneration Committee consists of the following three Directors -

1. Mr. M.M.Puri - Chairman
2. Mr. R.K.Bhandari - Member
3. Mr. Shaahi Kant - Member

All the three members are independent directors. The scope of Remuneration Committee includes the determination of remuneration packages for the

Executive and Non-Executive Directors including remuneration policy, pension rights and any compensation payable as stock options, etc.

REMUNERATION POLICY

The Remuneration Policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis. The Board/Remuneration Committee within the ceiling fixed by the shareholders decides the remuneration of the Directors.

A) Managing Director & Whole-time Directors

The remuneration paid to the Managing Director and Whole-time Directors is subject to the limits laid down under Section 198, 309/310 and Schedule XIII to the Companies Act, 1956 and in accordance with the terms of their respective appointment approved by the shareholders of the Company. Their remuneration consists of salary, company's contribution to provident fund & gratuity, house rent allowance/rent free accommodation, medical reimbursement, leave travel concession, club fees, personal accident insurance, books, magazines & periodicals, telephone and car and other perquisite and allowances in accordance with Company's Rules, as applicable from time to time. In addition to this, the Managing Director is also eligible for commission @ 1% of the net profits of the Company.

The Managing Director and Whole-time Directors are not paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The appointment of Managing Director is for a period of 5 years whereas the appointment of Whole-time Directors is for normal period of retirement. No notice period has been specifically provided for the appointment of Managing/Whole-time Director(s).

Presently, the Company does not have a scheme for grant of stock options either to the Whole-time Directors or employees.

B) Non-Executive Directors

The Non-Executive Directors are not paid any compensation except sitting fees for attending the Board and Audit Committee Meetings, which is within the limits prescribed under the Companies Act, 1956.

DETAILS OF REMUNERATION TO DIRECTORS

The details of the remuneration (excluding contribution to gratuity fund and provision for leave encashment but including perquisites/allowances and contribution to the Provident Fund) and sitting fees paid to the Directors during the year ended March 31, 2011 are as under -

| | Sitting Fees | Salary | Contribution to Provident Fund | Other perquisites & allowances | Total |
|-------------------|--------------|-------------|--------------------------------|--------------------------------|-------------|
| Mr. R.K. Bhandari | 10,000/- | - | - | - | 10,000/- |
| Mr. M.M. Puri | 10,000/- | - | - | - | 10,000/- |
| Dr. J.S. Juneja | 5,000/- | - | - | - | 5,000/- |
| Mr. Shashi Kant | 5,000/- | - | - | - | 5,000/- |
| Mr. Y.R. Kapur | - | 7,24,875/- | 57,990/- | - | 7,82,865/- |
| Mr. T.N. Tikoo | - | 5,07,250/- | 60,570/- | 2,07,900/- | 7,75,720/- |
| Mr. Anil Mahajan | - | 9,90,000/- | 79,200/- | 3,484/- | 10,72,684/- |
| Mr. Anil Mahajan | - | 10,80,000/- | 88,400/- | 1,00,519/- | 12,67,919/- |
| Mr. R.C. Mahajan | - | 18,00,000/- | 1,44,000/- | 1,79,124/- | 21,23,124/- |

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Board of Directors reconstituted the Shareholders/Investors Grievance Committee on November 22, 2010. Presently, the Shareholders/Investors Grievance Committee consists of the following three Directors -

| | | | |
|----|-----------------|---|----------|
| 1. | Mr. Shashi Kant | - | Chairman |
| 2. | Mr. T.N. Tikoo | - | Member |
| 3. | Mr. Y.R. Kapur | - | Member |

The scope of Shareholders/Investors Grievance Committee includes the redressal of investors' complaints pertaining to transfer/transmission/dematization/rematerialisation of shares, dividends and other related issues.

During the year under review 21 (previous year 19) complaints were received, which were promptly attended by the Company and resolved to the satisfaction of the shareholders. Normally all complaints/queries are disposed off within one week of the receipt. The Company had no complaint was pending at the close of the year under review.

SHARE TRANSFER AND DEMAT COMMITTEE

The Share Transfer & Demat Committee was reconstituted on January 29, 2009 by the Board of Directors. Presently, the Share Transfer & Demat Committee consists of the following three Directors -

| | |
|----|--------------------------|
| 1. | Mr. M.M. Puri - Chairman |
| 2. | Mr. T.N. Tikoo - Member |
| 3. | Mr. Y.R. Kapur - Member |

Mr. M.M. Puri, Chairman of the Committee is a Non-Executive and Independent Director. The scope of Share Transfer and Demat Committee includes transfer/transmission/dematization/rematerialisation of shares, replacement of lost/stolen/mutilated share certificates, splitting/consolidation of share certificates and other related issues. To expedite the process of share transfers / transmission / dematerialization / rematerialisation, the Registrar & Share Transfer Agents and the Compliance Officer have been delegated the powers for share transfer/dematization/rematerialisation. They meet every fortnight to carry out the same.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary company.

GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as under -

GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as under -

| YEAR | VENUE | DATE | TIME | WHETHER ANY SPECIAL RESOLUTION PASSED |
|---------|---|--------------------|-----------|---------------------------------------|
| 2007-08 | Village Kurarwala, Barwala Road, Derabassi - 140 507, Dist. Mohali (Punjab) | September 29, 2008 | 10.00 a.m | NO |
| 2008-09 | - do - | September 30, 2009 | 10.00 a.m | YES |
| 2009-10 | - do - | September 30, 2010 | 10.00 a.m | YES |

There was no other general meeting held in the last three years. During the year under review, no resolution was passed/proposed to be passed through postal ballot as required by the Companies (Passing of the resolution by postal ballot) Rules, 2001 and Clause 49 of the Listing Agreement.

DISCLOSURES

I) Related Party Transactions

The details of the materially significant related party transactions have been annexed to the Balance Sheet given elsewhere in this report. None of such transaction(s) has potential conflict with the interest of the Company at large. The details of the material individual transaction with related parties are periodically placed before the Audit Committee/Board together with the Management's justification for the same.

There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.

II) Compliances by the Company

The Company continued to comply with the requirements of the Listing Agreement, SEBI and other Statutory Authorities. During the last three years, there has not been any non-compliance, penalties and strictures imposed on the Company for any matter relating to the capital markets by any of the Stock Exchanges, SEBI or any other statutory authorities.

III) Whistle Blower Policy

The Company's portal provides a very effective means for the employees to communicate freely with the Managing Director. The Company's employees can also meet directly with the Managing Director and express their grievances/concerns. There are safeguards to ensure that all employees grievances/concerns receive due consideration.

The Code of Conduct for Board of Directors and Senior Management states that Directors and Senior Managers of the Company shall endeavor to promote ethical behavior and to provide an opportunity to employees to report violations of laws, rules, regulations or codes of conduct and policy directives adopted by the Company to the appropriate personnel without fear of retaliation of any kind for reports made by the employee in good faith.

No employee has been denied access to the Audit Committee.

IV) Details of compliance with mandatory requirements and adoption of non-mandatory requirements

All the mandatory requirements of Clause 49 of the Listing Agreement have been complied with as stated in this report on Corporate Governance. The non-mandatory requirements as stipulated in Annexure I-D of Clause 49 of the Listing Agreement on the Code of Corporate Governance have been adopted to the extent and in the manner as stated under the appropriate headings in the Report of Corporate Governance.

CEO/CFO Certification -

A certification from the CEO and the CFO in terms of Clause 49(V) of the Listing Agreement was placed before the Board at its meeting held on August 31, 2011, to approve the Audited Accounts for the year ended March 31, 2011.

MEANS OF COMMUNICATION

I) Quarterly Results

The quarterly, half yearly and annual results of the Company are published in accordance with the requirements of the Listing Agreement.

ii) Newspaper in which results are normally published
Financial Express - All India Editions and Spokesman
iii) Any website, where displayed
These results are also displayed on the Company's website
www.sriowels.com and SEBI's website www.sebidfar.nic.in.
iv) Whether it also displays official news releases; and presentation
made to Institutional Investors or to the analysts
The relevant information is displayed in the Company's website.
As the financial results of the Company are published in the newspaper and
also displayed on the Company's website, a separate half yearly declaration
of the financial performance of the Company is not sent to each household
of shareholders.

GENERAL SHAREHOLDERS' INFORMATION

- i) Annual General Meeting
DAY, DATE & TIME : Friday, September 30, 2011,
at 10.00 a.m.
VENUE : Village Kurawala, Barwala Road,
Derabassi - 140 507 Dist. Mohall
(Punjab)
- ii) Financial Calendar
Results for the Quarter/Year Ending
- June 30, 2011 : Mid August 2011
- September 30, 2011 : Mid November 2011
- December 31, 2011 : Mid February 2012
- March 31, 2012 : End May 2012
- iii) Date of Book Closure : Tuesday, September 27, 2011 to
Friday, September 30, 2011
(Both days inclusive)
- iv) Dividend Payment Date
No dividend has been recommended.
- v) Listing on Stock Exchange(s)
The equity shares of the Company are listed at the Bombay Stock Exchange
Ltd. (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
The Company is regular and has paid upto date listing fee to BSE. The
approval for delisting of Company's shares from The Calcutta Stock
Exchange Association Ltd. is awaited.
- vi) Stock Code
Bombay Stock Exchange Ltd. (BSE) 513515
- vii) Market Price Data and Stock Performance
Monthly high and low price of equity shares of the Company at BSE &
the stock performance in comparison to broad based indices BSE
Sensex during the year ended March 31, 2011 is as under -

| MONTH | SRIL SHARE PRICE (Rs.) | | TOTAL TURNOVER NO. OF SHARES |
|----------------|------------------------|------|---------------------------------|
| | HIGH | LOW | |
| April 2010 | 9.10 | 8.08 | 1,302,910 |
| May 2010 | 10.38 | 7.65 | 7,99,335 |
| June 2010 | 10.25 | 7.85 | 8,98,408 |
| July 2010 | 10.40 | 7.70 | 2,73,804 |
| August 2010 | 9.68 | 7.66 | 6,19,314 |
| September 2010 | 8.45 | 6.41 | 2,34,767 |
| October 2010 | 9.99 | 6.55 | 493,012 |
| November 2010 | 8.19 | 6.80 | 2,72,435 |
| December 2010 | 8.13 | 6.78 | 2,29,941 |
| January 2011 | 7.99 | 6.23 | 10,86,192 |
| February 2011 | 8.99 | 5.70 | 6,60,615 |
| March 2011 | 8.65 | 6.28 | 6,27,378 |

source : www.bseindia.com

viii) Registrar & Share Transfer Agents (RTA)
M/s Link Intime India Pvt. Ltd.
A-40, 2nd Floor, Naraina Industrial Area Phase - II, Near Batra Banquet,
New Delhi - 110 028, Tel : 011-41410592-4, Fax : 011-41410591
E-mail : delhi@intimespectrum.com

Compliance Officer
Mr. V. R. Kapur, Director (Finance)
Tel : 01782-608161 Fax : 01782-280409 E-mail : kapur@srilowels.com

x) Share Transfer System
The transfer of shares in physical form is done by the RTA - M/s Link Intime
India Pvt. Ltd. and returned within a period of 15 days from the date of receipt
of document complete in all respect. The particulars of movement of shares
in dematerialised form are also placed before the Share Transfer & Demat
Committee.

xi) Distribution of Shareholding (as on March 31, 2011)

| No. of Equity Shares Held | No. of Folios | % age | No. of Shares | % age |
|------------------------------|------------------|--------|------------------|--------|
| Upto 2500 | 7042 | 66.42 | 926303 | 7.37 |
| 2501 - 5000 | 2101 | 19.82 | 906718 | 7.21 |
| 5001 - 10000 | 779 | 7.35 | 893740 | 5.52 |
| 10001 - 20000 | 305 | 2.88 | 497882 | 3.99 |
| 20001 - 30000 | 100 | 0.94 | 259644 | 2.08 |
| 30001 - 40000 | 44 | 0.42 | 159096 | 1.27 |
| 40001 - 50000 | 66 | 0.62 | 323520 | 2.57 |
| 50001 - 100000 | 81 | 0.78 | 807923 | 4.83 |
| 100001 & Above | 84 | 0.79 | 8199384 | 65.21 |
| TOTAL | 10692 | 100.00 | 125740900 | 100.00 |

Shareholding Pattern (as on March 31, 2011) -

| Category | No. of Share | % age |
|--|--------------|--------|
| A Promoters' Holding | | |
| 1 Promoters | | |
| - Indian Promoters | 3812375 | 30.32 |
| - Foreign Promoters | Nil | Nil |
| 2 Persons acting in concert | Nil | Nil |
| Sub-Total | 3812375 | 30.32 |
| B Non-Promoters Holding | | |
| 3 Institutional Investors | | |
| a. Mutual Funds and UTI | Nil | Nil |
| b. Banks, Financial Institutions, Insurance Companies | Nil | Nil |
| c. FIs | Nil | Nil |
| Sub-Total | Nil | Nil |
| 4 Others | | |
| a. Private Corporate Bodies | 1983854 | 15.82 |
| b. Indian Public | 6731049 | 53.53 |
| c. NRIs/OCBs | 66722 | 0.53 |
| Any other (please specify) | Nil | Nil |
| Sub-Total | 8781825 | 69.68 |
| Grand Total | 125740900 | 100.00 |

The sum of foreign promoters, FIs, NRIs/OCBs, foreign banks, foreign
national and GDR and ADR holding in the Company is 68722 shares.

xii.) Dematerialisation of share and liquidity
The ISIN No. of the Company is INE329C01011. Upto March 31, 2011,
6747590 (89.57%) equity shares were dematerialised in the two Depositories -
NSDL and CDSL.

Secretarial Audit Report -
The Reconciliation of Share Capital Report of the Company prepared in terms
of SEBI Circular No. D&CC/ITTC/CIR-16/2002 dated December 31, 2002
reconciling the shares dematerialised in both the Depositories - NSDL & CDSL
and physical form with the total issued/paid-up capital of the Company for
every quarter is placed before the Board of Directors and also submitted to BSE
and two depositories - NSDL & CDSL.

xiii.) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments
The company has no Outstanding GDR/ADRs/Warrants or any Convertible
Instruments as on March 31, 2011

xiv) Plant Location Terry Towel Plant at Village Kurawala, Barwala Road,
Derabassi - 140507, Dist. Mohall (Punjab) and Footwear Plant at Village
Singan, Tehsil - Haroll, Dist. Una (H.P.)

xv) Address for Correspondence
S.R. Industries Ltd.
Village Kurawala, Barwala Road, Derabassi - 140 507
Dist. Mohall (Punjab)

For and on behalf of the Board

Place: Chandigarh
Date : August 31, 2011

R.K.BHANDARI
Chairman

ANNEXURE 'A'

ANNEXURE TO THE DIRECTORS' REPORT
Additional information as required under the Companies (Disclosure of
Particulars in the Report of Board of Directors) Rules, 1988

I CONSERVATION OF ENERGY -

a) Energy Conservation Measures Taken
-Equipments required for prudent use of energy, keeping in view the ecological
requirements, have been identified. Follow up steps have been put in place
for speedy implementation.

b) Additional investment and proposals, if any, being implemented
for saving of energy.

-Measures taken will have a dual effect of reduction in the consumption of
energy and increase in production.

c) Impact of the measures for reduction of energy consumption and
conservation impact on the cost of production of goods.

-Ordering of the Boiler and related pipeline etc is in progress.

d) Total energy consumption and energy consumption per unit of
production as per Form "A"

Form A : Form for disclosure of particulars with respect to conservation
of energy

| A) POWER AND FUEL CONSUMPTION | 2010-11 | 2009-10 |
|-------------------------------|---------|---------|
| 1) ELECTRICITY | | |
| i) Terry Towel Unit | | |
| Purchased :Units (In Lacs) | 17.28 | 23.04 |
| Total Amount (Rs./Lacs) | 90.53 | 115.37 |
| Average Rate/Unit (Rs.) | 5.25 | 5.01 |
| ii) Footwear Unit | | |
| Purchased :Units (In Lacs) | 12.57 | |
| Total Amount (Rs./Lacs) | 64.27 | |
| Average Rate/Unit (Rs.) | 5.11 | |

| | | |
|---------------------------|--------|--------|
| 2) Own Generation | | |
| I) Terry Towel Unit | | |
| Through Diesel Generator: | | |
| Unit (In Lacs) | 1.43 | 3.97 |
| Unit/Ltr. Of Diesel Oil | 2.97 | 3.23 |
| Average Cost/Unit (Rs.) | 12.05 | 9.75 |
| II) Footwear Unit | | |
| Through Diesel Generator: | | |
| Unit (In Lacs) | 1.02 | - |
| Unit/Ltr. Of Diesel Oil | 3.09 | - |
| Average Cost/Unit (Rs.) | 12.21 | - |
| 3. PET COKE/ WOOD | | |
| I) Terry Towel Unit | | |
| Pet Coke/ Wood (M.T.) | 14.07 | 1741 |
| Total Amount (Rs./Lacs) | 114.77 | 130.23 |
| Average Rate (Rs./M.T.) | 8157 | 7480 |
| II) Footwear Unit | | |
| Pet Coke/ Wood (M.T.) | 181 | - |
| Total Amount (Rs./Lacs) | 19.08 | - |
| Average Rate (Rs./M.T.) | 10542 | - |

B) CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|----------------------------|-------|------|
| I) Terry Towel Unit | | |
| Terry Towels (M.T.) | 512 | 854 |
| Electricity (Kwh/Tonne) | 3371 | 2688 |
| Diesel (Ltr./Tonne) | 94.10 | 144 |
| Pet Coke/Wood (M.T.) | 2.75 | 2.04 |
| II) Footwear Unit | | |
| Footwear (Million Pairs) | 1.05 | - |
| Electricity (Kwh/Pairs) | 1.20 | - |
| Diesel (Ltr./Pairs) | 0.03 | - |
| Pet Coke/Wood (M.T./Pairs) | 0.17 | - |

Form B:

II. TECHNOLOGY ABSORPTION

A. Research & Development (R & D)

- a) Specific area in which R & D is carried out by the Company
- Research is going on for the recycling of the used water in order to reduce the loading of the effluent Treatment plant and also significantly reduce the drawing of the ground water.
- b) Benefits derived as a Result of R & D
- Effective saving in the Costs.
- c) Future Plan of Action
- Upgradation of quality control laboratory by installation of state-of-the-art equipments.
- d) Expenditure on R & D
- Research & Development being an integral part of production process is carried out in a continuous manner as applied Research & Development Programme. No separate record on the expenditure incurred on R & D is therefore maintained.

B. Technology absorption, adaptation and Innovation

- Efforts are being made on continuous basis to improve the designs, materials, components to give an edge to our products in sports footwear and lifestyle footwear.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, Development of new export market for products and export plans.
- The Company is continuously expanding its overseas market base and by adding new customers. After the abolition of quota regime efforts are being made to consolidate and tap additional export market in developed countries.
- b) Total Foreign Exchange earned and used. (Rs./Lacs)

| | 2010-11 | 2009-10 |
|---|---------|---------|
| (i) Foreign exchange earned (including from deemed exports) | 1035.52 | 1523.31 |
| (ii) Foreign exchange used | 156.70 | 1105.18 |
| Net foreign exchange earned | 898.82 | 418.13 |

For and on behalf of the Board

Place: Chandigarh
Date : August 31, 2011

R.K.BHANDARI
Chairman

CERTIFICATE REGARDING COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The Members
S.R.Industries Ltd., Darabassi

I have examined the compliance of conditions of Corporate Governance of S.R.Industries Ltd for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Ltd., Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My 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 my opinion and to the best of my information and according to the explanations given to me, I hereby certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

I 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.

Place : Chandigarh
Date : August 30, 2011

SANJIV K GOEL
CP No. 1248

DECLARATION

As provided under Clause 49(I)(D) of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the Board of Directors and Senior Management for the year ended on March 31, 2011.

For S.R.Industries Limited

Place : Dera Bassi
Date : August 30, 2011

R.C.MAHAJAN
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

I) Industry Structure and Developments

TERRY TOWEL

Terry towels form an integral part of the home-textile segment. The demand for terry towels varies across countries, depending upon various factors like population, demographics, living style, economic status and its climatic conditions. The annual world demand for cotton terry towels is estimated at three million MT and growing @ 5% p.a.

Historically, there was significant production of terry towels in developed countries like U.S.A, Australia, Japan and Europe, etc. However, during the last few years, the production of terry towels in the developed countries is steadily declining. These countries are increasingly outsourcing their requirement of home textiles (especially terry towels) from the developing countries. This is predominantly on account of lower input as well as labour cost. USA is the largest growth driver in the past years, but Europe, Japan, Australia, New Zealand, Latin America, Canada and South Africa are now emerging as other major markets for Indian companies.

Indian terry towel producers are performing exceedingly well and SRIL is no exception. In addition to the advantage of cheaper labour, India also has an edge over its competitors on account of having adequate availability of the principle raw material-yarn. Furthermore, the investment of Indian companies on product development and quality are also paying off. The future demand for terry towels from India is likely to grow further, both for domestic and world markets.

FOOTWEAR

There are two kinds of sports shoes-cold cemented and injection moulded. The global business of sports shoes is dominated by the cold cemented variety. The sports shoes being retailed by Nike, Reebok, Adidas etc. is essentially of cold cemented kind. Till late 1980's, this industry was dominated by South Korea and to a lesser extent Taiwan. Busan, a port town on the southern tip of Korea was the manufacturing hub. There were companies in Korea with manufacturing capacity in excess of 60 million pairs. The large manufacturers had sales turnover varying between US\$ 150 and US\$ 500 million. The exodus of this industry from Korea started in early 90's and the major beneficiaries of this flight of capital have been China, Indonesia, Vietnam and Thailand. China is the leading destination for sourcing of sports shoes. It is this semi-monopolistic position of China as the leading manufacturer of sports shoes which has compelled leading international sports shoes companies like Nike, Reebok, Adidas, Converse etc. to develop an alternative to China. India, with its large reservoir of skilled labour can emerge as an alternative to China. Currently, a large quantity of the sports shoes sold in India are being sourced in CKD Kits from countries like China, Vietnam and Indonesia, and there is a huge opportunity for creating an integrated manufacturing facility which can serve the domestic requirements of these international brands.

II) Opportunities and threats

TERRY TOWEL

The Indian terry towel industry has been able to establish its position in the global market as a reliable supplier of high quality towels. As a result, it is increasingly being viewed as an alternative source for replacing the local production in the developed world. Most major retailers in the world, including Wal-Mart, K-Mart, J.C. Penney, Carrefour, Ikea etc. are sourcing a large part of their terry towel requirements from India. The terry towels industry in India presently has around 1500 looms installed capable of manufacturing 100000 MT per annum. There is still a large gap between the demand and supply which offers big scope for further growth in the coming years. Their multiplier effect on demand can be seen from January 2005 onwards after the abolition of quantitative restrictions (quota). This will allow Indian manufacturers to further increase their share in the global textile trade from current levels. In the post quota regime, developed countries are looking for major outsourcing from India for home textile items. The industry will grow further as most of the units have upgraded/expanded their production facilities and take the benefit of 5% interest subsidy under the Textile Up-gradation Fund Scheme (TUFFS) from Government of India.

The domestic market for terry towels, which was till now dominated by low price, low quality products from the unorganised sector, has also been picking up with the emergence of growing segment of consumers looking for high quality products. The per capita consumption of Home Textile products in India is very low compared to the developed countries; this is also

expected to improve with the strong economic growth being witnessed in India.

We firmly believe in providing best quality products to its customers at the most affordable 'value for money' proposition. The terry towels manufactured by the company are well accepted by the customers worldwide and are known for its quality, competitive pricing and on-time delivery. SRIL has been able to generate good response for its product by maintaining good quality and timely supplies. SRIL has customers in Europe, U.S.A., Australia, New Zealand and Middle East and is receiving repeat orders from its buyers.

Overall it is noted that textile industry, including terry towels, in India is passing through boom period. The favourable Government policies are expected to further accelerate the growth in the post quota period. This has spurred fresh investment for modernization and expansion of existing facilities by all the terry towel manufacturers.

FOOTWEAR

The footwear sector is a very significant segment of the Leather Industry in India. Footwear is the engine of growth for the entire Indian leather industry and India is the second largest global producer of footwear after China, accounting for 14% of global footwear production of 14.52 billion Pairs. India Produces 2065 million pairs of Different Categories of Footwear (Leather Footwear 908 million pairs, Leather Shoe uppers 100 million pairs and Non-leather footwear 1056 million pairs) India exports about 115 million pairs. Thus, nearly 95% of its production goes to meet its own domestic demand. The major production centers in India are Chennai, Ranipet, Ambur in Tamil Nadu, Mumbai in Maharashtra, Kanpur in U.P., Jalandhar in Punjab, Agra, Delhi, Karnal, Ludhiana, Sonapat, Faridabad, Pune, Kolkata, Calicut and Ernakulam. Footwear exported from India are Dress Shoes, Casuals, Moccasins, Sport Shoes, Horrachies, Sandals, Balletinas, Boots, Sandals and Chappels made of rubber, plastic, P.V.C. and other materials.

The Company has implemented footwear project at Una, Himachal Pradesh where the unit will get Central Government incentives like excise duty concession, tax holiday for five years etc. Initially the Unit will go for Contract manufacturing for reputed MNC sports brand. At present the domestic requirement of these brands are being sourced in CKD (Completely Knocked Down) kits from countries like China, Vietnam and Indonesia. Therefore the Company feels that there is good opportunity for creating an integrated manufacturing facility which can serve the domestic requirements of these international brands to a large extent. Further, company has entered the domestic market.

III) Segment-wise or product-wise performance

Presently, the Company has two segments of activity namely - Terry Towels and footwears, in accordance with the definition of "Segment" as per the Accounting Standard 17 issued by "The Institute of Chartered Accountants of India". The performance of the Company is discussed separately in this report.

IV) Outlook

The outlook for the Company remains positive. The present order book position of the Company is excellent.

V) Risks and concerns

Macro-economic factors like subdued demand, political uncertainty, vagaries of monsoon and other natural calamities may affect the Company and industry at large.

No business is risk free. Proactive recognition of the risks, assessing their influence and initiating action to mitigate their impact becomes critical.

The Company has classified broad risk areas for its business - statutory compliances, economy, financial, government policies, market, operational, product related and technology.

With increasing competitive pressure, the challenge is to increase sales and the customer base, to successfully address changing customer preferences and to produce the right product at right time and at a competitive price. Technology is a critical area to be focused upon.

The challenges arising out of forex fluctuations could be cause of concern especially when the Company exports its major production in global market.

The Company has not been significantly impacted by these factors due to its proper monitoring mechanism and proactive actions against anticipated hindrances.

VI) Internal control systems and their adequacy

The Company has established control system to ensure that -

- a) assets are adequately protected,
- b) transactions are authorised, recorded and reported correctly, and
- c) operations are conducted in an efficient and cost effective manner complying with the applicable laws.

A qualified Independent Audit Committee of the Board of Directors also reviews the internal audit and adequacy of internal controls.

Vii) Discussion on financial performance with respect to operational performance

The gross turnover for the year increased from Rs. 2303.10 lacs in 2009-10 to Rs. 3883.78 lacs in 2010-11. The Company during the year sold 510 MT Terry towel & 0.98 Million pairs footwear as against 892 MT during the last year. The production during the year was 512 MT Terry Towels and 1.05 Million pairs footwear as against 854 MT Terry Towel during the last year.

The duty drawback decreased to Rs. 74.03 lacs during the year as compared to Rs. 125.17 lacs during the previous year. Further rigorous monitoring of operating overhead assured that these remained under control.

Loss before depreciation, interest and taxation increased to Rs. 277.57 lacs as compared to profit before depreciation, interest and taxation (PBDIT) of Rs. 233.18 lacs during 2009-10. The depreciation for the year was at Rs. 304.55 lacs as against Rs. 150.36 lacs last year. The financial expenses increased from Rs. 182.72 lacs to Rs. 512.94 lacs due to increased borrowing for footwear project.

The Loss before tax increased from Rs. 86.68 lacs to Rs. 1095.06 lacs.

The Earning Per Share (EPS) was Rs. (6.85) as compared to Rs. (0.78) last year. The diluted EPS of Rs. (6.85) was arrived at by considering the weighted average no. of shares that may be issued on conversion of Convertible Warrants on account of requirements of the Accounting Standards.

The Company has posted a Net loss after Tax of Rs. 861.41 lacs as against Net loss after Tax Rs. 98.17 lacs during 2009-10

viii) Material developments in human resources/Industrial relations front, including number of people employed

The relationship between the employees and the management continued to remain cordial during the year under review.

Cautionary Statement - Statement in this Management Discussion and Analysis Report describing Company's objectives, estimates, projections and expectations may be treated as 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ from materially from those expressed or implied therein.

The Members

S.R. Industries Limited, Derabassi.

Dear Members,

1. We have audited the attached Balance Sheet of M/s S.R. Industries Limited as at March 31, 2011, the Profit & 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 have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (The Act) and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanations given to us, 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 Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (iv) in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of The Act;
 - (v) on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of The Act;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by The Act, 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 March 31, 2011;
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF
S.R. INDUSTRIES LIMITED ON THE ANNUAL ACCOUNTS FOR THE
YEAR ENDED MARCH 31, 2011**

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
(b) According to the information and explanations given to us, all the assets have not been physically verified by the Management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on such verifications.

- (i) (a) According to the information and explanations given to us, the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- (ii) (a) According to the information and explanations given to us, the Company has not granted any loan to the parties covered in the register maintained under Section 301 of The Act.
(b) According to the information and explanations given to us, the Company has taken unsecured loans from three directors and two companies covered in the register maintained under Section 301 of The Act and an amount of Rs. 1390.03 lacs is outstanding as on March 31, 2011. The maximum amount outstanding during the year was Rs. 1411.52 lacs. In our opinion, the terms and conditions on which these loans have been taken are not prejudicial to the interest of the Company.
- (iii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
- (iv) According to the information and explanations given to us, we are of the opinion that the particulars of transactions that need to be entered into the register maintained under Section 301 of The Act have been so entered.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted the Deposits covered as per the provisions of Section 58A and 58AA of The Act and the Companies (Acceptance of Deposits) Rules, 1975.
- (vi) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (vii) According to the information and explanations given to us, the maintenance of cost records have been prescribed by the Central Government under Section 209(1)(d) of The Act which are maintained by the Company. However, we have not made detailed scrutiny of these records.
- (viii) (a) According to the information and explanations given to us and based on the records produced before us, the company is generally regular in depositing undisputed statutory dues such as sales tax, wealth tax, custom duty, excise duty, cess. Further the company has not been regular in depositing undisputed statutory dues such as provident fund, ESI, income tax and service tax.
(b) According to the information and explanations given to us, the following amount in respect of income tax deducted at source was in arrears as at March 31, 2011 for a period of more than six months from the date it became payable.

| Name of the Statute | Nature of dues | Amount (Rs./Lacs) | Period to which the amount relates | Due Date | Date of payment |
|-------------------------|-------------------------|-------------------|------------------------------------|--------------------|-----------------|
| 1. Income Tax Act, 1961 | Tax deducted at sources | 10.34 | April 10 to Sept. 10 | May 10 to Sept. 10 | May 24, 2011 |

- (c) According to the information and explanations given to us, the disputed demands of excise duty against the Company amounting to Rs. 981.70 lacs (previous year Rs. 981.70 lacs) have not been deposited as appeals are pending with CESTAT for final adjudication.
- (x) The Company has accumulated losses of Rs. 723.09 lacs at the end of the financial year. Also, the company has incurred cash loss of Rs. 790.51 lacs during the current financial year covered by our audit. There was no cash loss in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to the banks amounting to Rs. 84.35 lacs which has since been paid.

- (xii) According to the information and explanations given to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (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 to finance long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to Parties and Companies listed in the register maintained under Section 301 of The Act.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us, during the year covered by our audit report, the Company has not raised any money by public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.K.KANSAL
Partner
Membership No. 080632
FRN 003897N

Place : Chandigarh
Date : August 31, 2011

BALANCE SHEET AS AT MARCH 31, 2011

| SCHEDULE | AS AT | | AS AT | |
|---|------------|---------------------------|--------------------|---------------------------|
| | 31.03.2011 | | 31.03.2010 | |
| | (Rs.) | | (Rs.) | |
| SOURCES OF FUNDS | | | | |
| SHAREHOLDERS FUND | | | | |
| SHARE CAPITAL | A | 125,462,000 | 125,462,000 | |
| RESERVES & SURPLUS | B | <u>16,518,900</u> | <u>30,350,776</u> | 155,812,776 |
| LOANS FUND | | | | |
| SECURED LOANS | C | 427,608,802 | 335,947,368 | |
| UNSECURED LOANS | D | <u>145,965,817</u> | <u>120,833,484</u> | 458,580,852 |
| DEFERRED TAX LIABILITY | | | | <u>25,608,000</u> |
| TOTAL | | <u>715,555,519</u> | | <u>638,001,628</u> |
| APPLICATION OF FUNDS | | | | |
| FIXED ASSETS | | | | |
| Gross Block | E | 706,919,464 | 688,404,316 | |
| Less : Depreciation | | <u>236,886,568</u> | <u>207,098,440</u> | |
| Net Block | | 470,032,896 | 481,305,876 | |
| Capital Work in Progress | | <u>5,978,225</u> | <u>10,195,197</u> | 491,501,073 |
| INVESTMENTS (at Costs) | F | | | 1,000,000 |
| CURRENT ASSETS, LOANS & ADVANCES | | | | |
| Inventories | G | 184,650,742 | 149,640,361 | |
| Sundry Debtors | | 63,874,139 | 35,040,810 | |
| Cash & Bank Balances | | 4,362,091 | 5,393,695 | |
| Loans & Advances | | <u>30,255,302</u> | <u>29,454,153</u> | |
| | | 293,042,274 | 219,528,819 | |
| Less: CURRENT LIABILITIES & PROVISIONS | H | | | |
| Current Liabilities | | 123,320,361 | 71,444,014 | |
| Provisions | | <u>2,487,867</u> | <u>2,584,250</u> | |
| NET CURRENT ASSETS | | | 187,234,066 | 146,600,555 |
| MISCELLANEOUS EXPENDITURE | | | | |
| (To the extent not written off or, adjusted) | | | | |
| Profit & Loss Account | | | <u>72,309,342</u> | |
| TOTAL | | <u>715,555,519</u> | | <u>638,001,628</u> |

For & on behalf of the Board

**SIGNIFICANT ACCOUNTING POLICIES
AND NOTES ON ACCOUNTS**

P

| | | | |
|----------------------------------|--------------------------------|-------------------------------------|-----------------------------------|
| VIKAS GOYAL Company Secretary | Y.R. KAPUR Director-Finance | AMIT MAHAJAN Director-Commercial | R.C. MAHAJAN Managing Director |
|----------------------------------|--------------------------------|-------------------------------------|-----------------------------------|

As per our report of even date attached
For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.K. KANSAL
Partner

Membership No. 080632
FRN 003897N

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | SCHEDULE | | 2010-11 | | 2009-10 |
|--|--------------|----------------|----------------------------|-------------|---------------------------|
| | | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
| INCOME | | | | | |
| SALES | I | 388,378,790 | | 230,209,921 | |
| Less: Excise Duty | | <u>157,521</u> | 386,221,269 | - | 230,309,921 |
| OTHER INCOMES | J | | 7,816,411 | | 22,415,967 |
| INCREASE/(DECREASE) IN STOCKS | | | <u>32,085,743</u> | | <u>(6,025,931)</u> |
| | TOTAL | | <u>426,123,423</u> | | <u>246,699,957</u> |
| EXPENDITURE | | | | | |
| CONSUMPTION OF RAW MATERIALS | | | 251,099,224 | | 105,748,230 |
| MANUFACTURING EXPENSES | K | | 109,622,381 | | 83,583,897 |
| SALARIES, WAGES & BENEFITS | L | | 64,734,178 | | 18,072,367 |
| FINANCIAL EXPENSES | M | | 51,293,755 | | 16,271,893 |
| SELLING EXPENSES | N | | 13,167,383 | | 9,414,323 |
| ADMINISTRATIVE AND OTHER EXPENSES | O | | 16,267,225 | | 7,240,875 |
| DEPRECIATION | E | | <u>30,465,219</u> | | <u>15,036,362</u> |
| | TOTAL | | <u>535,629,365</u> | | <u>255,367,937</u> |
| LOSS BEFORE TAXES | | | (109,505,942) | | (8,667,980) |
| PROVISION FOR TAXATION | | | | | |
| - DEFERRED TAX | | | 25,608,000 | | (1,827,000) |
| PROVISION FOR TAXES NOT REQUIRED | | | | | 58,632 |
| MAT PAID DURING EARLIER YEARS | | | | | 446,955 |
| EXPENSES RELATING TO PREVIOUS YEARS | | | <u>(2,243,276)</u> | | <u>171,923</u> |
| LOSS AFTER TAX | | | (86,141,218) | | (9,817,470) |
| PROFIT BROUGHT FORWARD FROM LAST YEAR | | | 13,831,876 | | 23,849,346 |
| PROFIT/(LOSS) CARRIED TO BALANCE SHEET | | | <u>(72,309,342)</u> | | <u>13,831,876</u> |
| EARNING PER SHARE (FACE VALUE Rs. 10) | | | | | |
| - BASIC | | | (0.88) | | (0.78) |
| - DILUTED | | | (0.88) | | (0.78) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS | | | | | |

P

For & on behalf of the Board

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

As per our report of even date attached
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

S.K. KANSAL
Partner

Membership No. 080632
FRN 003897N

Place : Chandigarh.
Date : August 31, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

| | YEAR ENDED 31.03.2011 (Rs./Lacs) | YEAR ENDED 31.03.2010 (Rs./Lacs) |
|---|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before tax | (1095.06) | (86.68) |
| Adjustments for | | |
| Depreciation | 304.55 | 150.36 |
| Provision for staff benefits | (0.96) | (0.16) |
| Profit/Loss on sale of fixed assets | 4.26 | (60.21) |
| Financial expenses | <u>512.94</u> | <u>162.72</u> |
| Operating profit before working capital changes | (274.27) | 166.03 |
| Adjustments for : | | |
| Trade and other receivables | (296.65) | (84.83) |
| Inventories | (449.10) | (109.45) |
| Trade payables & other liabilities | <u>518.98</u> | <u>290.88</u> |
| Cash flow from Operating Activities | (501.04) | 262.63 |
| Direct taxes paid | 0.30 | (0.79) |
| Expenses relating to previous years | (22.43) | 1.72 |
| Net Cash Flow from Operating Activities | <u>(523.17)</u> | <u>263.56</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (161.42) | (2859.49) |
| Sale of fixed assets | 7.49 | 96.38 |
| Investments | 10.00 | (10.00) |
| Net Cash Used in Investing Activities | <u>(143.93)</u> | <u>(2773.11)</u> |
| C. CASH FLOW USED IN FINANCING ACTIVITIES | | |
| Increase in unsecured loans (net) | 253.32 | 350.33 |
| Increase in bank borrowings | 583.67 | 20.28 |
| Proceeds of long term loans (net) | 285.69 | 1811.02 |
| Financial expenses paid | (465.90) | (181.46) |
| Net Cash from/(used In) Financing Activities | <u>656.78</u> | <u>2520.17</u> |
| Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C) | (10.32) | 10.62 |
| Cash and Cash equivalents as at 1st April (Opening Balance) | 63.94 | 43.32 |
| Cash and Cash equivalents as at 31st March (Closing Balance) | 43.62 | 53.94 |

For & on behalf of the Board

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

As per our report of even date attached
For **KANSAL SINGLA & ASSOCIATES**
Chartered Accountants

Place : Chandigarh.
Date : August 31, 2011

S.K. KANSAL
Partner
Membership No. 399822
FRN/01/2007N

SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

| | AS AT 31.03.2011 <u>(Rs.)</u> | AS AT 31.03.2010 <u>(Rs.)</u> |
|---|-------------------------------------|-------------------------------------|
| SCHEDULE A : SHARE CAPITAL | | |
| Authorised | | |
| 30,000,000 (Previous Year 16,500,000) | | |
| Equity Shares of Rs.10/- each issued, Subscribed & Paid-up | <u>300,000,000</u> | <u>165,000,000</u> |
| 12,574,000 Equity Shares of Rs.10/- each | 125,740,000 | 125,740,000 |
| Less: Allotment Money Unpaid | <u>278,000</u> | <u>278,000</u> |
| | <u>125,462,000</u> | <u>125,462,000</u> |
| TOTAL | <u><u>125,462,000</u></u> | <u><u>125,462,000</u></u> |
| SCHEDULE B : RESERVES & SURPLUS | | |
| Capital Reserve | | |
| As per last balance sheet | 1,713,900 | 1,713,900 |
| State Investment Subsidy | | |
| As per last Balance Sheet | 3,000,000 | 3,000,000 |
| Share Premium | | |
| As per last Balance Sheet | 11,805,000 | 11,805,000 |
| Profit & Loss Account | | 13,831,876 |
| | | <u>30,350,776</u> |
| TOTAL | <u><u>16,518,900</u></u> | <u><u>30,350,776</u></u> |
| SCHEDULE C : SECURED LOANS | | |
| TERM LIABILITIES | | |
| - From Banks | 288,019,710 | 230,379,949 |
| - Inter Corporate Loans | 11,870,873 | 12,455,183 |
| | 5,899,515 | 7,659,993 |
| VEHICLE LOANS | | |
| | | |
| WORKING CAPITAL FACILITIES | | |
| From Banks | <u>143,819,004</u> | <u>85,452,263</u> |
| TOTAL | <u><u>427,608,802</u></u> | <u><u>335,947,368</u></u> |
| SCHEDULE D : UNSECURED LOANS | | |
| Inter-corporate Loans | 65,852,993 | 59,747,294 |
| From Directors | 80,112,824 | 80,888,190 |
| TOTAL | <u><u>145,965,817</u></u> | <u><u>120,633,484</u></u> |

SCHEDULE E: FIXED ASSETS

| PARTICULARS | GROSS BLOCK (AT COST) | | | DEPRECIATION | | | | NET BLOCK | | |
|---|-----------------------|-------------------|------------------|---------------------|---------------------|-------------------|----------------|---------------------|---------------------|-------------------------------|
| | AS AT | ADDITIONS | SOLD | AS AT | UPTO | FOR THE | ADJUSTMENTS | UPTO | AS AT | AS AT |
| | 31.03.2010 (Rs.) | (Rs.) | (Rs.) | 31.03.2011 (Rs.) | 31.03.2010 (Rs.) | YEAR (Rs.) | (Rs.) | 31.03.2011 (Rs.) | 31.03.2011 (Rs.) | 31.03.2010 (Rs.) |
| Freehold Land | 18,169,555 | 94,475 | - | 18,264,030 | - | - | - | - | 18,264,030 | 18,169,555 |
| Building | 131,925,914 | 9,039,050 | - | 140,964,964 | 18,502,704 | 4,525,556 | - | 23,038,260 | 117,926,704 | 113,423,210 |
| Plant & Machinery | 479,078,547 | 4,423,689 | - | 483,502,236 | 167,538,211 | 20,598,856 | - | 188,137,067 | 295,365,169 | 311,540,336 |
| Electrical Installations | 18,767,876 | 1,820,027 | - | 20,687,903 | 6,867,718 | 1,233,183 | - | 8,100,901 | 12,587,002 | 11,900,158 |
| D/G Sets | 5,368,204 | - | - | 5,368,204 | 1,290,638 | 311,888 | - | 1,602,526 | 3,765,678 | 4,077,566 |
| Laboratory Equipments | 1,012,388 | 502,178 | - | 1,514,566 | 298,324 | 80,933 | - | 379,257 | 1,135,307 | 714,062 |
| Furniture, Fixtures & Office Equipments | 20,176,561 | 2,810,323 | - | 22,986,884 | 8,518,479 | 2,272,498 | - | 10,790,978 | 12,195,906 | 11,558,082 |
| Vehicles | 13,905,273 | 1,567,778 | 1,842,384 | 13,630,679 | 4,082,366 | 1,422,304 | 667,091 | 4,837,579 | 8,793,100 | 9,822,907 |
| TOTAL | 688,484,318 | 20,357,512 | 1,842,384 | 706,919,484 | 297,098,440 | 30,455,219 | 667,091 | 238,886,568 | 470,032,894 | 481,385,876 |
| Previous Year (Rs.) | 490,110,192 | 295,630,195 | 97,338,071 | 688,484,316 | 285,787,839 | 15,000,075 | 93,719,474 | 207,098,440 | 5,979,225 | 10,195,197 |
| Capital work in progress including advances for Capital Expenditure | | | | | | | | | 478,012,121 | 491,501,073 |
| | | | | | | | | | | TOTAL |
| | | | | | | | | | | AS AT 31.03.2011 (Rs.) |
| | | | | | | | | | | -AS AT 31.03.2010 (Rs.) |

SCHEDULE F: INVESTMENTS

SBI Mutual Funds (at cost)

10,000,000

SCHEDULE G: CURRENT ASSETS, LOANS & ADVANCES

Inventories (As taken, valued and certified by the management)

| | | |
|--|--------------------|--------------------|
| Raw Material | 4,088,297 | 10,217,112 |
| Finished Stocks | 19,799,609 | 9,445,357 |
| Goods in Transit | 4,931,997 | - |
| Stock in Process | 111,272,226 | 89,540,735 |
| Consumable Stores | 31,811,145 | 18,287,545 |
| Packing Material | 5,811,180 | 5,401,872 |
| Stores & Spares | 14,011,130 | 15,010,341 |
| Fuel | 3,025,178 | 1,757,599 |
| | 194,550,742 | 149,840,361 |
| Sundry Debtors (Unsecured - Considered Good) | | |
| Outstanding for period over six months | 2,838,435 | 8,085,754 |
| Others | 61,035,704 | 26,954,856 |
| | 63,874,139 | 35,040,610 |
| Cash and Bank Balances | | |
| Cash in hand | 2,335,125 | 3,295,268 |
| DD in hand | 29,814 | - |
| Balances with Scheduled Banks | | |
| - In current accounts | 271,824 | 349,431 |
| - In deposit accounts | 1,725,628 | 1,748,988 |
| | 4,362,091 | 5,393,695 |
| Loans and Advances | | |
| Unsecured : Considered Good (Advances recoverable in cash or in kind or for value to be received) | | |
| Advances | 8,036,229 | 5,137,851 |
| Duty Drawback Receivable | 1,408,713 | 1,478,092 |
| Interest Subsidy Receivable | 3,124,502 | 2,163,499 |
| CST/VAT Refund Receivable | 8,180,151 | 11,731,961 |
| Advance Taxes | 6,239,891 | 6,289,734 |
| Security Deposits | 2,288,016 | 2,873,016 |
| | 30,265,302 | 29,454,153 |
| TOTAL | 293,042,274 | 219,528,819 |

**S. R. Industries
Limited**
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SCHEDULE H: CURRENT LIABILITIES AND PROVISIONS

| | AS AT 31.03.2011 (Rs.) | AS AT 31.03.2010 (Rs.) |
|---|------------------------------|------------------------------|
| Current Liabilities | | |
| Sundry Creditors | | |
| - Small Scale Industrial Undertaking | 10,525,468 | 4,938,064 |
| - Other than Small Scale Industrial Undertaking | <u>67,265,309</u> | <u>39,630,006</u> |
| Creditors for Capital Goods | 5,666,131 | 11,462,000 |
| Advances from Customers | 16,941,438 | 884,788 |
| Creditors for Expenses | <u>23,922,015</u> | <u>14,549,158</u> |
| TOTAL | <u>123,320,361</u> | <u>71,444,014</u> |
| Provisions | | |
| - For Staff Benefits | <u>2,487,857</u> | <u>2,584,250</u> |

| | 2010-11 (Rs.) | 2009-10 (Rs.) |
|--------------------------|---------------------------|---------------------------|
| SCHEDULE I: SALES | | |
| Sale - Export | 105,637,633 | 152,267,766 |
| Sale - Local | <u>280,841,257</u> | <u>78,042,155</u> |
| TOTAL | <u>386,378,790</u> | <u>230,309,921</u> |

| | | |
|---------------------------------|-------------------------|--------------------------|
| SCHEDULE J: OTHER INCOME | | |
| Export Incentive | 7,429,528 | 12,516,548 |
| Interest on FDR | 176,539 | 89,242 |
| Job Charges | - | 633,333 |
| Profit on sale of assets | - | 6,021,030 |
| Miscellaneous Income | <u>210,344</u> | <u>3,155,814</u> |
| TOTAL | <u>7,816,411</u> | <u>22,415,967</u> |

| | | |
|---|---------------------------|--------------------------|
| SCHEDULE K: MANUFACTURING EXPENSES | | |
| Consumption of Stores | 31,191,881 | 25,287,191 |
| Packing Materials | 22,448,745 | 12,497,376 |
| Power | 16,594,731 | 11,537,321 |
| Fuel | 16,378,658 | 17,209,918 |
| Consumption of Moulds & Dies | 6,910,289 | - |
| Labour Charges | 10,139,166 | 10,330,659 |
| Repair & Maintenance - Plant & Machinery | 6,826,604 | 6,600,225 |
| - Building | <u>132,627</u> | <u>121,199</u> |
| TOTAL | <u>109,622,381</u> | <u>83,563,867</u> |

| | | |
|---|--------------------------|--------------------------|
| SCHEDULE L: SALARIES, WAGES & BENEFITS | | |
| Remuneration & Perks to Directors | 5,693,249 | 3,995,796 |
| Salary Allowances & Perks to Employees | 52,604,785 | 12,494,733 |
| Staff Welfare | 489,348 | 249,814 |
| Contribution Towards Funds | <u>6,168,796</u> | <u>1,332,025</u> |
| TOTAL | <u>64,734,178</u> | <u>18,072,367</u> |

| | 2010-11 (Rs.) | 2009-10 (Rs.) |
|--|--------------------------|--------------------------|
| SCHEDULE M: FINANCIAL EXPENSES | | |
| Interest on long term loans | 33,959,244 | 5,385,385 |
| Interest on short term loans | 13,378,381 | 8,117,232 |
| Bank Charges | 3,956,130 | 2,769,278 |
| TOTAL | <u>51,293,755</u> | <u>16,271,893</u> |
| SCHEDULE N: SELLING EXPENSES | | |
| Freight Outward | 8,433,439 | 9,130,856 |
| Commission & Discount | 3,327,428 | 50,000 |
| Business Promotion Expenses | 1,396,518 | 233,467 |
| TOTAL | <u>13,157,383</u> | <u>9,414,323</u> |
| SCHEDULE O: ADMINISTRATIVE AND OTHER EXPENSES | | |
| Rent, Rates & Taxes | 1,555,505 | 323,531 |
| Fees & Subscription | 1,347,898 | 177,578 |
| Legal & Professional Charges | 546,271 | 732,055 |
| Travelling Expenses | | |
| - Directors | 332,926 | 425,895 |
| - Others | 1,733,855 | 306,128 |
| Vehicles Running & Maintenance | 3,181,230 | 1,467,943 |
| Postage, Telegram & Telephones | 1,634,405 | 831,605 |
| Security Charges | 1,302,852 | 657,295 |
| Advertisement Expenses | 282,652 | 200,030 |
| Directors' Sitting Fees | 30,000 | 60,000 |
| Printing & Stationery | 648,919 | 358,327 |
| Insurance | 931,328 | 802,987 |
| Auditors' Remuneration | 93,600 | 93,765 |
| Office Repair & Maintenance | 439,839 | 182,479 |
| Exchange Rate Variation | 89,909 | 201,269 |
| Factory Maintenance | 413,112 | 350,266 |
| Loss on sale of Investment | 44,247 | - |
| Loss on sale of Assets | 425,968 | - |
| Development Expenses | 81,036 | - |
| Miscellaneous Expenses | 272,481 | 289,733 |
| TOTAL | <u>16,267,225</u> | <u>7,240,875</u> |

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- a) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. Accounting policies not specifically referred to are consistent with generally accepted accounting policies.
- b) The company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

2) FIXED ASSETS

The fixed assets are recorded at the cost which includes freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use. Adjustments arising from exchange rate fluctuations relating to outstanding liabilities attributable to the fixed assets are capitalised/adjusted.

3) INVENTORIES

Inventories are valued on FIFO method

- Raw materials - at lower of cost or net realisable value.
- Packing materials, consumable and stores & spares - at cost
- Stock-in-process - material cost plus appropriate share of production overheads.
- Finished goods - at lower of cost or net realisable value.

4) EXPENDITURE ON EXPANSIONS

Expenditure directly relating to construction/substantial expansion activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

5) DEPRECIATION

Depreciation is provided on Straight Line Method on pro-rata basis on all the fixed assets at the rates prescribed in Schedule XIV to the Companies Act, 1956.

6) FOREIGN CURRENCY TRANSACTIONS

Export sales are accounted for at exchange rates prevailing on the date the documents are negotiated/realised with/through Bank. In case of direct remittance from buyers the difference between the exchange rate on the despatch date and actual exchange rate of foreign currency on receipt of payment is booked in sales.

The assets and liabilities at the year end are translated at the closing exchange rate and the difference between the transaction is taken into profit and loss account.

The foreign currency transactions in respect of payments towards cost of fixed assets, spares, travelling, commission, etc. are accounted for at the exchange rates prevailing on the date of transaction/remittance.

7) BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended-use. All other borrowing costs are charged to revenue.

8) TAXES ON INCOME

Tax expenses comprises of current, deferred and fringe benefit tax. Provision for current income tax and fringe benefit tax is made for the amount of tax payable in respect of taxable income for the year under the Income Tax Act, 1961.

Deferred tax is recognised subject to the consideration of prudence, on timing difference, being the difference between book profit and tax profit that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient further taxable income will be available against which such deferred tax assets can be realized. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against further taxable profits. Unrecognized deferred tax assets of earlier years are reassessed and recognized to the extent that it has become reasonably certain that further taxable income will be available against which such deferred tax assets can be realized.

9) RETIREMENT BENEFITS

The liability on account of Gratuity is covered by the Group Gratuity Policy taken from Life Insurance Corporation of India. Contribution to the gratuity fund is charged to revenue. The liability of leave encashment is provided on actuarial basis. The contribution to Provident Fund is made as per the provisions of The Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

10) USE OF ESTIMATES

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

11) EARNING PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders after deducting losses by the weighted average number of equity shares outstanding during the year. Equity shares that are partly paid up are treated as a fraction of an equity share to the extent they entitled to participate in dividends. The weighted average number of equity shares outstanding during the year are adjusted for events such as bonus issue, bonus element in a right issue to the existing shareholders, share split and consolidation of shares. For the purpose of calculating diluted EPS, the net profit or loss attributable to equity share holders and weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

12) INTANGIBLE ASSETS

- a) An intangible asset is recognized if and only if -
It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and
the cost of the asset can be measured reliably.
- b) An intangible asset is measured initially at cost. The amortization method will be used to reflect the pattern in which the assets economic benefits are consumed by the enterprise. If that pattern cannot be determined reliably, the straight line method will be used.

13) IMPAIRMENT OF ASSETS

An asset is treated as impaired, when carrying cost of asset exceeds its recoverable amount. An impaired loss is charged to Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

14) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Provisions are determined based on the best estimates required to fulfill the obligation on the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

II. NOTES ON ACCOUNTS

- 1) Contingent liabilities :-
 - a) Export/Domestic Bills drawn on customers against letters of credit and discounted with bank are Rs. 77.71 lacs (Previous year Rs. 59.19 lacs).
 - b) Central Excise Authorities have gone in appeal against the order of Commissioner (Appeals) which was decided in favour of the Company for the demand of Rs. 258.70 lacs (Previous year Rs. 258.70 lacs). The Company has refuted the liability based on the advice received from the legal experts and accordingly has not made any provision in the Books of Account. The requisite provision, if any, will be made in the year in which any demand is finally established.
 - c) The Central Excise Authorities, Mumbai have imposed a duty and penalty aggregating to Rs. 723.00 lacs (Previous year Rs. 723.00 lacs) for purchase of certain items against CT-3 Forms without payment of duty. The Company has disputed the said demand and filed an appeal to set aside the said orders. The requisite provision, if any, will be made in the year in which any demand is finally established.
 - d) The company has given counter guarantee to the bank for Rs. 15.00 lacs (Previous year 15.00 lacs) in respect of the guarantee issued by the bank on behalf of the company.
- 2) Purchase Tax/Sales Tax liability has been provided based on the returns filed with the Sales Tax Authorities. The Sales Tax assessments have been completed upto the financial year 2005-06.
- 3) Income Tax assessments have been completed upto the Assessment Year 2008-09.
- 4) In the opinion of the Management, the current assets, loans and advances have a value which on realisation in the ordinary course of business would be at least equal to that at which these have been stated in the books of account.
- 5) The turnover includes Rs.3.37 lacs (Previous year 1.29 Lacs) on account of realisation/entitlement of DEPB Licence.
- 6) The term loans from the State bank of Patiala and Uco Bank are secured by way of first part passu charge on the fixed assets and second part passu charge on current assets of the company. Further, the working capital facilities from State Bank of Patiala and UCO Bank are secured by way of first part passu charge on the current assets and second part passu charge on the fixed assets of the company. The term loans and working capital facilities are further secured by the personal guarantee of three Directors. Further, the loan from Relligare Finvest Limited is secured by first charge on the land at Village - Bhagwanpur, Dera Bassi
- 7) There are no claim from suppliers under Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993. Sundry creditors include Rs.93.71 lacs (Previous year Rs.35.54 lacs) due to small scale industrial undertakings to whom the Company owes sum exceeding Rs. one lac and which are outstanding for more than 30 days. These units are Creative Arts, MapsIndia Ltd., RSA Industries Pvt. Ltd., Vaibhav International, Vee Emm Industries, Lace India Company, Tex 'n' Nets, SMG International, Pulkil Industries, Star Packers, Pintree Packaging Pvt. Ltd. Narmada Polymers and Ambay Industries. The above has been furnished on the basis of information regarding the status of supplier available with the Company.
- 8) The Capital Reserve was created on forfeiture of 10% upfront payment on 5,91,000 Convertible Warrants at a price of Rs. 29/- each issued during 2005-06.
- 9) Managerial remuneration including all benefits.

| | (Rs./lacs) | |
|-----------------------------|--------------|--------------|
| | 2010-11 | 2009-10 |
| Salary | 51.02 | 48.62 |
| Provident Fund Contribution | 4.28 | 4.05 |
| Perks | 4.91 | 4.15 |
| | <u>60.21</u> | <u>56.82</u> |

The employees of the Company have contributed to LIC Group Gratuity Fund and provision for Leave Encashment as such contribution/provision is made on a global basis and the employee-wise breakup is not available.

10) Installed Capacity & Production (As certified by the management)

| | 2010-11 | | 2009-10 | |
|---|----------|------------------|----------|------------------|
| | QTY (MT) | VALUE (Rs./Lacs) | QTY (MT) | VALUE (Rs./Lacs) |
| Licensed Capacity (Terry Towels) | NA | | NA | |
| Licensed Capacity (Footwears) | NA | | NA | |
| Installed Capacity | | | | |
| - Terry Towel (MT) | 1080 | | 1080 | |
| - Footwear (Million Pairs) | 4.88 | | 4.88 | |
| Opening Stocks | | | | |
| - Terry Towel (MT) | 26 | 73.30 | 84 | 164.19 |
| - Footwear (Pairs) | 0.01 | 20.16 | - | - |
| Production | | | | |
| - Terry Towels (MT) | 512 | | 854 | |
| - Footwear (Million Pairs) | 1.05 | | 0.01 | |
| Purchase | | | | |
| - Cloth (MT) | 485 | 993.53 | - | - |
| Sales | | | | |
| - Terry Towels (MT) | 510 | 1501.95 | 892 | 2,291.06 |
| - Cloth (MT) | 485 | 1013.58 | - | - |
| - Footwear (Million Pairs) | 0.99 | 1337.36 | - | - |
| - Dyed Yarn | - | - | - | 1.82 |
| - DEPB Licence | - | 3.37 | - | 1.29 |
| - Scrap | - | 7.53 | - | 8.93 |
| Closing Stocks | | | | |
| - Terry Towels (MT) | 28 | 99.60 | 28 | 73.30 |
| - Footwear (Million Pairs) | 0.07 | 98.24 | 0.01 | 20.16 |
| 11) Consumption of raw material (*) | | | | |
| - Yarn (MT) | 571 | 887.37 | 977 | 1043.84 |
| - Unfinished Towels (MT) | - | - | 5 | 6.12 |
| - EVA, Rubber, Leather, Upper, Sole, etc. (*includes imported raw material of Rs.102.31 lacs) | - | 630.09* | 8 | 5.52 |
| 12) CIF value of imports | | | | |
| - Capital Goods | - | 6.63 | - | 1039.34 |
| - Stores & Spares | - | 44.47 | - | 5.15 |
| - Raw Material & Consumable Stores | - | 88.88 | - | 52.90 |
| 13) Expenditure in Foreign Currency | | | | |
| - Interest | 12.18 | | - | - |
| - Travelling | 2.46 | | 3.12 | |
| - Discount | 4.60 | | - | - |
| - Others | 0.48 | | 4.67 | |
| 14) Earnings in Foreign Exchange | | | | |
| - FOB Value of Exports | 1035.30 | | 1500.05 | |
| - Others | 0.22 | | 26.28 | |
| 15) Statutory Auditors' Remuneration (including applicable service tax) | | | | |
| - Audit Fee (Rs.) | 93,600 | | 93,755 | |
| 16) Value of Consumable Stores, Stores and Spares consumed during the year | | | | |

| Particulars | 2010-11 | | 2009-10 | |
|-------------------------|----------|------------|----------|------------|
| | Imported | Indigenous | Imported | Indigenous |
| Consumable Stores | | | | |
| - Value | 9.20 | 302.72 | - | 252.87 |
| - Percentage | 2.95 | 97.05 | - | 100.00 |
| Stores, Spares & moulds | | | | |
| - Value | 53.21 | 77.33 | 6.31 | 49.23 |
| - Percentage | 40.76 | 59.24 | 11.36 | 88.84 |

17) IMPAIRMENT OF ASSETS

In the opinion of the Board, there is no material impairment in the value of overall assets.

S. R. Industries Limited

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18) SEGMENT REPORTING

Based on the guiding principles given in the Accounting Standard 17 "Segment Reporting" issued by "The Institute of Chartered Accountants of India" the Board of Directors considers and maintains that the manufacture of "Tery Towels" & "Footwears" are the only business segments of the Company (Rs./Lacs).

| Description | Tery Towel 31.3.11 | Tery Towel 31.3.10 | Footwear 31.3.11 | Footwear 31.3.10 | Total 31.3.11 | Total 31.3.10 |
|--|-----------------------|-----------------------|---------------------|---------------------|------------------|------------------|
| Revenue | | | | | | |
| (a) External sales | 2522.88 | 2303.10 | 1339.35 | - | 3862.21 | 2303.10 |
| (b) Inter Segment Sales | | | | | | |
| (c) Export Incentive | 74.30 | 125.17 | - | - | 74.30 | 125.17 |
| Total | 2597.18 | 2428.27 | 1339.35 | - | 3936.51 | 2428.27 |
| Result | | | | | | |
| Segment Result | (535.78) | (180.06) | (581.07) | (5.81) | (1096.83) | (185.67) |
| Extraordinary | | | | | | |
| Income | - | 98.10 | - | - | - | 98.10 |
| Interest | 1.77 | 0.89 | - | - | 1.77 | 0.89 |
| Loss before Tax | (533.99) | (81.07) | (581.07) | (5.81) | (1095.06) | (86.68) |
| Provision for Deferred Tax Adjustments | | | | | 256.08 | (18.27) |
| Loss after Tax | | | | | (22.43) | 6.78 |
| Other Information | | | | | | |
| Segment Assets | | | | | | |
| - Own Assets | 3270.33 | 3677.55 | 4420.21 | 3442.74 | 7690.54 | 7120.29 |
| Inter Unit Assets | 1480.17 | 1373.91 | (1480.17) | (1373.91) | | |
| Total Assets | 4750.50 | 5051.46 | 2940.04 | 2068.83 | 7690.54 | 7120.29 |
| Segment Liabilities | | | | | | |
| - Own Liabilities | 732.24 | 469.25 | 525.84 | 271.03 | 1258.08 | 740.28 |
| Inter Unit Liabilities | | | | | | |
| Total Liabilities | 732.24 | 469.25 | 525.84 | 271.03 | 1258.08 | 740.28 |
| Capital | 10.43 | 23.88 | 183.15 | 2841.53 | 203.58 | 2865.41 |
| Expenditure | | | | | | |
| Depreciation | 186.33 | 148.15 | 138.22 | 2.21 | 304.55 | 150.38 |
| Non Cash Expenses | - | - | - | - | - | - |

19) RELATED PARTY DISCLOSURE

Disclosures as required by the Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, are given below :-

a) RELATED PARTIES

Key Management Personnel - Mr. R. C. Mahajan; Mr. Amit Mahajan, Mr. T.N.Tikoo, Mr. Y.R.Kapur and Mr. Amit Mahajan
Associates - Universal Cyber Infoway Pvt. Ltd., Susang Mac Pvt. Ltd and Pride Properties Pvt. Ltd.

b) TRANSACTIONS WITH RELATED PARTIES

(Rs./Lacs)

| Nature of Transaction | 2010-11 | | 2009-10 | |
|-----------------------|--------------------|------------|--------------------|------------|
| | Key Mgmt Personnel | Associates | Key Mgmt Personnel | Associates |
| Remuneration & Perks | 60.21 | - | 58.82 | - |
| Payment of Interest | 1.21 | - | 3.10 | - |
| Unsecured Loans | | | | |
| - received | 244.98 | 62.90 | 432.07 | 378.00 |
| - repaid/adjusted | 62.71 | 4.00 | 28.20 | - |

20) Earning per share [EPS] computed in accordance with Accounting Standard 20:

"Earning per Share":

| | 2010-11 | 2009-10 |
|---------------------------------------|--------------|------------|
| Basic/Diluted - | | |
| Net Profit as per Accounts (Rs./Lacs) | A (861.41) | (98.17) |
| Weighted average no. of shares | B 12,574,000 | 12,574,000 |
| EPS (Rs.) | A/B | |
| - Basic | (6.85) | (0.78) |
| - Diluted | (6.85) | (0.78) |

21) DEFERRED TAX LIABILITY

Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing Taxation Laws. Break up of deferred tax assets/liability and reconciliation of current year deferred tax :-

| | As at March 31, 2011 | During the year | (Rs./Lacs) As at March 31, 2010 |
|---|----------------------|-----------------|------------------------------------|
| A Deferred Tax Liability | | | |
| - Difference between carrying amount of fixed assets in the financial statements and the income tax returns. | 1317.79 | 190.03 | 1127.76 |
| TOTAL | A 1317.79 | 190.03 | 1127.76 |
| B Deferred Tax Assets | | | |
| - Unabsorbed Depreciation/business loss as per income tax returns | 1779.11 | 1288.12 | 510.99 |
| - Expenses charged in the financial statements but allowable as deduction under Income Tax Act in subsequent years. | 23.00 | 18.35 | 4.65 |
| TOTAL | B 1802.11 | 1288.47 | 615.64 |
| Net Deferred Tax (Liability)/Asset (B - A) | 484.32 | 1096.44 | (612.12) |
| Tax Impact | 149.65 | 405.73 | (256.08) |

DTA for the year is recognised to the extent of outstanding DTL as on 31.3.2010 and as a matter of prudence, net DTA of Rs. 149.65 lacs as on 31.3.2011 is not recognised in the financial statements.

22) MOVEMENT OF PROVISIONS

(Rs./Lacs)

| Provisions | Leave | Encashment |
|------------------------------|-------|------------|
| Opening Balance | | 25.84 |
| Add: Additions | | 1.38 |
| Less: Amount used | | 2.32 |
| Less: Unused Amount Reversed | | |
| Closing Balance | | 24.88 |

22) Previous year figures have been regrouped and rearranged wherever necessary to make them comparable.

For & on behalf of the Board

VIKAS GOYAL Y.R.KAPUR ANIL MAHAJAN R.C. MAHAJAN
Company Secretary Director-Finance Director-Commercial Managing Director

As per our report of even date attached

For KANSAL SINGLA & ASSOCIATES
Chartered Accountants

S.KANSAL

Partner

Membership No. 080632

FRN 003897N

Place : Chandigarh
Date : August 31, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No. State Code

Date
Date Month Year

II CAPITAL RAISED DURING THE YEAR : (RS. IN THOUSANDS)

Public Issue Rights Issue

Bonus Issue Private Placements

III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS : (RS. IN THOUSANDS)

Total Liabilities Total Assets

SOURCES OF FUNDS :

Paid-up Capital Reserves and Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

APPLICATION OF FUNDS :

Net Fixed Assets Investment

Net Current Assets Miscellaneous Expenditure

Accumulated Losses

IV PERFORMANCE OF THE COMPANY (RS. IN THOUSANDS)

Turnover Total Expenditure

Loss Before Tax Profit After Tax

Earning Per Share (Rs.) Dividend Rate %

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.

Product Description 100% COTTON TERRY TOWELS FOOTWEAR

For & on behalf of the Board

Place : Chandigarh
Date : August 31, 2011

VIKAS GOYAL
Company Secretary

Y.R. KAPUR
Director-Finance

AMIT MAHAJAN
Director-Commercial

R.C. MAHAJAN
Managing Director

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Shareholders of the Company will be held on Friday, the 30th day of September, 2011 at 10.00 a.m. at the Registered Office of the Company at Village Kuramwala, Barwala Road, Derabassi - 140 507, Distt Mohall to transact the following business -

ORDINARY BUSINESS -

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. R K Bhandari, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. M M Puri, who retires by rotation and is eligible for reappointment.
4. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution :-
"RESOLVED that M/s Kansai Singla & Associates, Chartered Accountants, the retiring Auditors be and are hereby reappointed as Statutory Auditors for the year 2011-12 and that the Audit Committee be and is hereby authorised to fix their remuneration."

SPECIAL BUSINESS -

5. To consider and if thought fit to pass, with or without modification(s), the following resolution as an ordinary resolution :-
"RESOLVED that in accordance with the provisions of Sections 16, 95 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or any re-enactment for the time being in force) the existing Authorised Share Capital of Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs. 10/- (Rupees Ten) each, of the Company be and is hereby altered by sub dividing into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 10,00,000 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each and Memorandum of Association of Company be and is hereby altered by substituting the following new clause 'V' for the existing clause 'V' thereof :-
"The Authorised Share Capital of the company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 10,00,000 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a special resolution :-
"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 3 of the Articles of Association of the Company be and is hereby altered by substituting the following new clause :-
"The Authorised Share Capital of the company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 10,00,000 8% Non Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each."
7. To consider and if thought fit to pass, with or without modification(s), the following resolution as a special resolution :-
"RESOLVED that pursuant to the provisions of Section 81(i-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the provisions of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the Listing Agreement with the Stock Exchange(s), the Memorandum & Articles of Association of the Company and other

applicable provisions, if any, and subject to the necessary approvals of financial institutions, banks and other concerned persons and authorities, if any, consent of the Members of the Company be and is hereby accorded to offer, issue and allot upto 656000 equity shares of Rs. 10/- each and 684000 warrants with an entitlement to convert into/exchange with equity shares, at the option of the warrant holder(s), during anytime after April 1, 2012 but before March 31, 2013, at a price to be computed as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations by way of private placement on preferential allotment basis as per the terms and conditions given in the Explanatory Statement annexed to this notice to the following persons who are part of promoter group :-

| | Equity Shares | Warrants |
|---|---------------|----------|
| M/s Universal Cyber Intoway Pvt. Ltd. <i>a closely held private limited company incorporated under the Companies Act, 1956 and controlled by the Managing Director and his relatives</i> | 329000 | 342000 |
| Mr. Amit Mahajan, Director (Commercial) | 329000 | 342000 |

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to determine the issue price, to reduce, change or modify the number of equity shares and to finalise and modify the terms and conditions, quantum, period of conversion, pricing, timings and all other matters relating to the issue and allotment of the aforesaid preferential issue of the equity shares and warrants, to agree to such conditions and modifications that may be imposed, required or suggested by the Securities and Exchange Board of India (SEBI), the Stock Exchange(s) or other authorities, or that may otherwise be deemed fit or proper by the Board and to settle all issues, questions or difficulties that may arise with regard to the aforesaid preferential issue of equity shares and warrants in such manner as it may determine in its absolute discretion and to take such steps and to do all such acts, deeds, matter and things as may be required, necessary, proper or expedient to give effect to this resolution.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to delegate all or any of the above said mentioned powers/authorities to any Director(s) and/or Officer(s) of the Company."

For and on Behalf of the Board
VIKAS GOYAL
Company Secretary

Place : Chandigarh
Date : August 31, 2011
Regd. Office - Village Kuramwala,
Barwala Road, Derabassi - 140 507,
Distt. Mohall (Punjab)

NOTES -

1. Member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and on a poll to vote instead of himself. The proxy need not be a Member of the Company. A blank form of proxy is enclosed and if intended to be used, it should be returned, duly completed, to the Registered Office of the Company, not less than 48 hours before the scheduled time of the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed.
3. The Register of Members and the Share Transfer Books will remain closed from Tuesday, 27th September, 2011 to Friday, 30th September, 2011 (both days inclusive) in terms of provisions of Section 154 of the Companies Act, 1956 and the Listing Agreement with The Stock Exchange, Mumbai.
4. Members holding shares in physical form are requested to notify change

in address, if any, to the Company at its Registered Office or to the Registrar & Transfer Agents - M/s Link Intime India Pvt. Limited, A-40, 2nd Floor, Naraina Industrial Area Phase - II, Near Batra Banquet, New Delhi - 110 028.

5. Members holding shares in electronic form are requested to notify change in their address, if any, to their Depository Participant.
6. Members/Proxies are requested to bring their copy of this Notice along with duly filled admission slip for attending the meeting.

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

Item No. 5 & 6

The company has received unsecured loans/inter corporate deposits from promoters as well as corporate entities for meeting its long term fund requirements and shortfall in the working capital requirements. The banks funding the financial requirements of the company have stipulated that such unsecured loans/intercorporate deposits received be converted into share capital whether equity/preference. The Board of Directors, therefore, recommend that the unsecured loans/intercorporate deposits so received be converted into preference share capital. Since, the present authorised capital of the company consists of equity share capital only, the Board recommends to sub divide the capital into equity and preference share capital.

None of the directors is interested in the proposed resolutions.

Item No. 7

Your Company proposes to make a preferential issue of equity shares and warrants, with an option to convert into/exchange with equity shares, to strengthen the long term funds. In terms of the provisions of Section 81(1-A) of the Companies Act, 1956, the consent of the Members by way of special resolution is required for issue of shares to the persons other than the existing shareholders. Further, the preferential issue of equity shares and / or convertible warrants, in case of listed companies, is also governed by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The terms & conditions of the proposed preferential issue are as under :-

Issue Price- The Issue Price of the equity shares and the resultant shares on conversion/exchange shall be the price calculated as per the pricing formula prescribed in the SEBI (DIP) Guidelines which shall be not less than the higher of the following :-

the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

OR

the average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date.

As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, the "relevant date" for this purpose shall mean the date 30 days prior to the date on which the meeting of general body of shareholders is held to consider the proposed issue in terms of Section 81(1-A) of the Companies Act, 1956. However, the "relevant date" in case of issue of convertible warrants may, at the option of the issuer Company be either the date 30 days prior to the date on which the meeting of general body of shareholders is held to consider the proposed issue in terms of Section 81(1-A) of the Companies Act, 1956 or a date 30 days prior to the date on which the holder of the warrants become entitled to apply for the said shares.

Relevant Date - As per the SEBI Guidelines, the "relevant date" for the

purpose of determination of issue price of the equity shares and resultant shares shall be the date thirty days prior to the date of this Annual General Meeting i.e. August 31, 2011.

Lock-in-period - As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, the equity shares issued on preferential basis to the promoter/promoter group shall be subject to a lock-in-period of 3 years from the date of their allotment. Further, the entire preferential shareholding of the allottees shall be under lock-in from the relevant date upto a period of 6 months from the date of preferential allotment.

Payment / Up-front Payment - The full payment of the issue price of the equity shares shall be paid alongwith the share application. Further, in case of warrants, at least twenty five percent of the issue price of the resultant equity shares shall be payable at the time of application for allotment of convertible warrants. This up-front payment will be adjusted against the final payment required to be made for acquiring shares on conversion/exchange of convertible warrants. The up-front amount paid shall be forfeited to the extent, the option(s) to acquire shares is not exercised.

Conversion of Warrants- The holder of the convertible warrants shall be entitled to convert into/exchange the warrants with equal number of equity shares, at its option, during anytime after April 1, 2012 but before March 31, 2013.

Allottees - The preferential allotment of 658000 equity shares of Rs. 10/- each and 684000 convertible warrants, at a price to be computed as per the SEBI guidelines is proposed to be made to the following persons who are part of the promoter group in terms of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in the following proportion :-

| | Equity Shares | Warrants |
|---|---------------|----------|
| M/s Universal Cyber Intoway Pvt. Ltd. a closely held private limited company incorporated under the Companies Act, 1956 and controlled by the Managing Director and his relatives | 329000 | 342000 |
| Mr. Amit Mahajan, Director (Commercial) | 329000 | 342000 |

Pre-issue and Post-issue holding of the Proposed Allottees - Assuming 100 % conversion / exchange of the convertible warrants, the pre and post issue shareholding of the proposed allottees shall be as under -

| | Pre-Issue/ Conversion Shares | | Post-Issue/ Conversion Shares | |
|--|---------------------------------|-------|----------------------------------|-------|
| | No. | % age | No. | % age |
| Proposed Allottee: | | | | |
| After allotment of 658000 Shares | | | | |
| - Universal Cyber Intoway Pvt. Ltd. | 280100 | 2.23 | 609100 | 4.60 |
| - Mr. Amit Mahajan, Director (Commercial) | 1102000 | 8.76 | 1431000 | 10.81 |
| After conversion of 684000 warrants | | | | |
| - Universal Cyber Intoway Pvt. Ltd. | 609100 | 4.60 | 951100 | 6.83 |
| - Mr. Amit Mahajan, Director (Commercial) | 1431000 | 10.81 | 1773000 | 12.74 |

None of the above proposed allottees has sold any equity share of the company during the six months period prior to the relevant date.

Intention of Promoters/Directors/Key Management Persons to Subscribe.

- All of the proposed allottees which are part of the Promoter's Group/ Persons acting in concert with the Promoters have agreed, in principle, to subscribe to the proposed preferential issue at a price to be determined as per the SEBI Guidelines.

Pre-Issue and Post-Issue Shareholder Pattern - Presuming 100 % conversion/exchange the post equity issue/post warrants conversion/exchange shareholding pattern of the Company shall be as under -

| Category | | Pre-Issue shares | | Post-Issue shares | |
|----------|--|------------------|--------|-------------------|--------|
| | | No. of Shares | % age | No. of Shares | % age |
| A | Promoters' Holding | | | | |
| 1 | Promoters | | | | |
| | - Indian Promoters | 3812375 | 30.32 | 5154375 | 37.04 |
| | - Foreign Promoters | Nil | Nil | Nil | Nil |
| 2 | Persons acting in concert | Nil | Nil | Nil | Nil |
| | Sub-Total | 3812375 | 30.32 | 5154375 | 37.04 |
| B | Non-Promoters Holding | | | | |
| 3 | Institutional Investors | | | | |
| a. | Mutual Funds and UTI | Nil | Nil | Nil | Nil |
| b. | Banks, Financial Institutions Insurance Companies | Nil | Nil | Nil | Nil |
| c. | FII's | Nil | Nil | Nil | Nil |
| | Sub-Total | Nil | Nil | Nil | Nil |
| 4 | Others | | | | |
| a. | Private Corporate Bodies | 1697085 | 13.50 | 1697085 | 12.19 |
| b. | Indian Public | 6996763 | 55.84 | 6996763 | 60.28 |
| c. | NRIs/OCBs | 67797 | 0.54 | 67797 | 0.49 |
| | Any other (please specify) | Nil | Nil | Nil | Nil |
| | Sub-Total | 8761625 | 69.68 | 8761625 | 62.98 |
| | Grand Total | 12574900 | 100.00 | 13916000 | 100.00 |

Purpose of Preferential Issue - The Company has diversified its activities. There is an increase in the requirement of funds to part finance the cost of diversification. The Company has proposed to make a preferential issue of equity share and convertible warrants to Promoter/Promoter Group to meet the additional requirement of funds / to augment the capital base of the Company for further leveraging.

Time of Allotment - As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended, the allotment of equity shares and the convertible warrant pursuant to this resolution will be made within a period of 15 days from the date of passing of the resolution in this Annual General Meeting. However, this shall exclude the time taken in obtaining the necessary approvals, if any, from any regulatory authority or the Central Government, in which case the allotment will be completed within 15 days from the date of such allotment.

Listing - The existing equity shares of the Company are listed on The Stock Exchange, Mumbai. The proposed preferential issue of equity shares and the resultant equity shares on conversion/exchange of warrants shall also be listed on The Stock Exchange, Mumbai for which the application shall be made after the approval of the shareholders is obtained.

Auditor's Certificate - The Statutory Auditors of the Company have certified that the present preferential issue of equity shares and the convertible warrants on the above terms and conditions, is in accordance with the requirements contained in the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The Auditors' Certificate shall be laid before the Annual General Meeting.

In terms of the provisions of Section 81(1-A) of the Companies Act,

1956, the consent of the shareholders by way of special resolution is required.

Mr. R.C.Mahajan, Managing Director and Mr. Amit Mahajan, Director (Operations) are concerned and interested in the proposed resolution to the extent of equity shares / convertible warrants are allotted to M/s Universal Cyber Infoway Pvt. Ltd. and further Mr. Amit Mahajan, Director (Commercial) is concerned and interested in the proposed resolution to the extent of equity shares / warrants are allotted to him.

For and on Behalf of the Board
VIKAS GOYAL
Company Secretary

Place : Chandigarh
Date : August 31, 2011
Regd. Office - Village Kuranwala, Barwala Road,
Derabassi - 140 507, Dist. Mohali (Punjab)