

## YARN SYNDICATE LIMITED

### BOARD OF DIRECTORS

SRI R. K. PATODIA, Chairman & Managing Director

SRI K. P. BAGARIA

SRI SITA RAM SARAF

SRI DEVENDRA JHUNJHUNWALA

SRI DILIP KUMAR KHADELWAL

SMT. SHEELA PATODIA

SRI RISHIRAJ PATODIA, Executive Director

### BANKERS

CANARA BANK

Overseas Branch

2/1, Russel Street, Kolkata - 700 071

### AUDITORS

LODHA & CO.

Chartered Accountants

14, Government Place East, Kolkata - 700 069

### REGISTERED OFFICE

23, Circus Avenue, Kolkata - 700 017

**NOTICE OF THE 64<sup>TH</sup> ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Sixty-Fourth Annual General Meeting of the Members of the Company will be held at its Registered Office situated at 23, Circus Avenue, Kolkata-700017 on Friday, the 24th day of September, 2010 at the following business.

**AS ORDINARY BUSINESS :**

1. To consider and adopt the Audited Financial Statements and the Report of the Auditors Account for the year ended on that day and the Directors Report thereon
2. To appoint a Director in place of Mr. Swastic Habibat Private Limited who is retiring and being eligible, other than himself for re-appointment
3. To appoint a Director in place of Mr. Narayani Fabricators & Engineers Private Limited who is retiring and being eligible, other than himself for re-appointment
4. To appoint Auditors of the Company for the year ending on that day and to give them the conclusion of the most Approved mode of Accounts for the year ending on that day.

**Registered Office :**  
23, Circus Avenue,  
Kolkata - 700 017

Dated : the 31st day of May, 2010.

For and on behalf of the  
**YARN SYNDICATE LIMITED**  
SECRETARY (GENERAL) & COMPANY SECRETARY

**NOTES :**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be valid must be received by the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Book are open for inspection from 24th September 2010 to 24th September 2010 (both days inclusive).

**REQUEST TO THE MEMBERS**

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance so that the Company may be able to keep the information ready.
2. As a measure of economy, copies of the Annual Report and the Auditors Report are not to be sent to the Annual General Meeting. Members are requested to bring the same to the Meeting.
3. Members are requested to inform immediately of any change in their address to the Company's Share Transfer Agent.
4. All communications relating to shares of the Company should be sent to the Company's Share Transfer Agent, 'M/s R & D Infotech Pvt. Ltd.', 23, Circus Avenue, Kolkata-700026.

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5. As the Members are aware, your Company's shares are tradable compulsorily in electronic form and in view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT**  
(in pursuance of Clause 49 of the Listing Agreement)

(1)

- |   |                                   |
|---|-----------------------------------|
| 1. Name                                   | : Sri Devendra Kumar Jhurjhurwala |
| 2. Date of Birth                          | : 27.09.1952                      |
| 3. Date of Appointment                    | : 01.04.2002                      |
| 4. Qualifications                         | : B.Com.                          |
| 5. Expertise in specific functional area. | : Business                        |

6. Chairman/Director of other Companies

- Directorships :**
1. Swastic Heights Private Limited
  2. Swastic Habibat Private Limited
  3. Narayani Fabricators & Engineers Private Limited

Chairman/Member of Committees of the Board of Companies of which he is a Director

: Nil

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- |   |                              |
|---|------------------------------|
| 1. Name                                   | : Sri Krishna Prasad Bagaria |
| 2. Date of Birth                          | : 13.11.1931                 |
| 3. Date of Appointment                    | : 30.04.1993                 |
| 4. Qualifications                         | : L.L.B.                     |
| 5. Expertise in specific functional area. | : Legal                      |

6. Chairman/Director of other Companies

- Directorships :**
1. Teege Limited

Chairman/Member of Committees of the Board of Companies of which he is a Director

: Nil

By order of the Board  
**For YARN SYNDICATE LIMITED**

**Registered Office :**  
23, Circus Avenue,  
Kolkata - 700 017  
**BIKASH CHANDRA CHATTERJI**  
COMPANY SECRETARY

Dated : the 31st day of May, 2010.

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## REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 64th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2010

### FINANCIAL RESULTS :

	2009-2010 Rs. in Thousand	2008-2009 Rs. in Thousands
Export Sales	247513	144635
Domestic Sales	247513	4602
Profit/(Loss) before Interest & Depreciation	6812	149237
Less : Interest	2721	2562
Depreciation	3231	2691
Profit/(Loss) before Tax	858	5273
Less : Provision for Deferred Tax	(174)	(448)
Fringe Benefit Tax	45	249
Profit/(Loss) after Tax	1567	(199)
Add : Balance brought forward from last year	(21117)	(18566)
	(22112)	(23879)
Transferred from General Reserve		
Balance carried forward to next year	(22312)	(23879)

### DIVIDEND

Your Directors do not recommend dividend on Equity Shares for the Financial Year ended 31st March, 2010

### PERFORMANCE RI VII W

During the financial year under review, the Company has posted higher export sales as compared to the previous year mainly due to the partial recovery of the Western economies resulting in greater demand for your company's products, and the weakening of the Rupee vis-à-vis the US dollar. The company has explored and moved into new markets, and at the same time maintaining its excellent business relations with its existing customers in order to remain competitive in the export business. The export sales have increased to Rs. 247.513 lakhs during the year 2009-10 as compared to export sales of Rs. 144.635 lakhs during the previous year. The company hopes that the market condition will continue on the favourable trend this year.

### PARTICULARS OF EMPLOYEES :

Particulars of Employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder are not applicable for the year under review

### DIRECTORS :

Sri Devendra Kumar Jhunjhunwala and Sri Krishna Prasad Bagaria, Directors of the Company retire

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by rotation and are eligible for re-appointment.

### DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the Annual Accounts for the financial year ended 31st March, 2010, the applicable accounting standards had been followed;
- 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 at the end of the financial year and of the profit or loss of the Company for the year under review;
- 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 accounts for the financial year ended 31st March, 2010 on a going concern basis.

### CORPORATE GOVERNANCE :

A Report on Corporate Governance and Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 issued under Section 217(1)(e) of the Companies Act, 1956, your Directors have to state that the particulars in respect of Energy Conservation and Technology Absorption are not applicable to your Company. As regards the Foreign Exchange earning and outgo, your Directors have to state that the relevant figures are given in Schedule 14 annexed to the Audited Accounts.

The Company's activity of export is in the line of cotton yarn, other types of yarn and textiles. Your Directors plan to continue their initiatives in order to further increase the export turnover.

### AUDITORS' OBSERVATIONS:

In respect of the reference to the Notes on Accounts in the Auditors Report, your Directors have to state that the same are self explanatory and do not need further clarification.

### AUDITORS:

M/s Lodha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### ACKNOWLEDGEMENTS:

The Board is grateful to the Company's Bankers, Canara Bank for their continued co-operation and financial assistance. The Board is thankful to the Management, Officers and staff of Canara Bank for their prompt and timely assistance rendered by them as and when required. The Board is grateful to the Reserve Bank of India, State Bank of India, Park Circus Branch, HDFC Bank, Dr. U.N. Brahmachari Street Branch, The Cotton Textiles Export Promotion Council, Textile Committee, Export Credit Guarantee Corporation of India Ltd., Collector of Central Excise, Director General of Foreign Trade, New Delhi, Joint Director General of Foreign Trade, Kolkata, Registrar of Companies,

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the Federation of Indian Export Organisations, and other institutions for their kind co-operation in day to day activities of the Company. Your Directors are thankful to all the executives and staff members of the Company for their wholehearted co-operation.

**Registered Office**  
23, Circus Avenue,  
Kolkata - 700 017.

Dated : the 31st day of May, 2010.

For and on behalf of the Board

**R. K. PATODIA**  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

The Director's present the Company's Report on Corporate Governance.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes that Corporate Governance envisages attainment of high level of transparency, accountability for and equal treatment of all shareholders and compliance with regulations. The Company believes in corporate performance that will result in maximization of shareholders' value in the long run, protection of the interest of its shareholders and employees and maintenance of cordial relationship with its customers and bankers. The Company places due emphasis on regulatory compliances.

### 2. BOARD OF DIRECTORS

The Board of Directors consists of 7 Directors.

#### COMPOSITION CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

Name of Director	Promoter/ Executive/ Non-executive/ Independent	Member of Board of Other Companies including Pvt. Ltd. Cos.	Total No. of Committee Membership held
Shri R. K. Patodia	Promoter	2	As Chairman 1
Shri S. R. Sanyal	Independent/ Non-executive	3	2
Shri K. P. Bagaria	Independent/ Non-executive	1	1
Shri D. K. Jhunjhunwala	Independent/ Non-executive	3	1
Shri D. K. Choudhary	Independent/ Non-executive	3	3
Shri R. K. Patodia	Non-Executive	1	1
Shri R. K. Patodia	Executive	1	2

#### BOARD ANNUAL GENERAL MEETING & ATTENDANCE

6 usual Board Meetings were held during the year. The Board Meetings were held on 17th April 2009, 30th April 2009, 30th June 2009, 31st July 2009, 30th October 2009 and 30th January 2010.

The maximum time gap between any two meetings was not more than three calendar months.

The Annual General Meeting was held on 11th September, 2009.

Director	No. of Board Meeting Held	Attended	Attended last AGM
Shri R. K. Patodia	6	6	No
Shri K. P. Bagaria	6	1	No

Shri S. R. Saraf	6	1	Yes
Shri D. K. Jhunjhunwala	6	1	Yes
Shri D. K. Khandelwal	6	0	Yes
Smt. Sheela Patodia	6	5	No
Shri Rishiraj Patodia	6	5	Yes

**AUDIT COMMITTEE**

The broad terms of reference of the Audit Committee are given hereunder :

- It shall oversee that Company's financial reporting process and the disclosure of its financial information and ensure that financial statements are correct, sufficient and credible.
- It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- It shall review with management the annual, half yearly and quarterly financial statements in all respects.
- It shall review with management and statutory auditors the adequacy of internal control systems and internal audit functions.
- Discuss with external auditors before the audit commences nature and scope of audit as well have post-audit discussion to ascertain any area of concern.
- Review the company's financial and risk management policies.

**COMPOSITION, NAME OF MEMBERS AND CHAIRMAN :**

The Audit Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002. Audit Committee Meetings were held on 29th April 2009, 29th June 2009, 30th July 2009, 29th October 2009 and 29th January 2010. The composition of the Audit Committee meets the requirements of Clause 49 of the Listing Agreement.

**MEMBERS OF THE AUDIT COMMITTEE**

Sl. No.	Name of the Member	Status	Meetings held	Meetings Attended
1	Shri S. R. Saraf	Chairman & Independent Director	5	5
2	Shri D. K. Khandelwal	Member & Independent Director	5	3
3	Shri Rishiraj Patodia	Member & Executive Director	5	2

**3. REMUNERATION COMMITTEE**

The Remuneration Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002.

The broad terms of reference and policy of the Remuneration Committee are given hereunder:

- The Committee while approving the remuneration shall –
- take into account, financial position of the Company, trend in the industry, appointee's qualifications, experience, past performance, past remuneration etc.
- be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

- ensure that the Company should not have made any default in repayment of any of its debts (including public deposits) or liabilities for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial personnel.

**Members of the Remuneration Committee :**

Chairman & Independent Director	Shri S. R. Saraf
Member & Independent Director	Shri D. K. Khandelwal
Member & Executive Director	Shri Rishiraj Patodia

A Remuneration Committee meeting was held during the year on 29th June 2009. Shri S. R. Saraf and Shri Rishiraj Patodia attended the meeting.

**Details of remuneration paid to the Directors for the year :**

The aggregate of salary and perquisites paid for the year ended 31st March, 2010 to the Directors were as follows:

Shri R. K. Patodia	Rs. 7,79,070/-
Shri Rishiraj Patodia	Rs. 2,26,000/-

Sitting Fees to Directors of the Board or any Committee thereof has been waived at the Meeting of the Board of Directors held on 27th July, 2001.

**4. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE :**

The Investors' Grievance Committee of the company, under the nomenclature "Share Transfer-cum-Grievance Committee" approves transfer and transmission, duplicate, sub-division, consolidation and replacement of shares and other related matters and to deal with complaints regarding transfer of shares, non-receipt of balance sheet and non-receipt of dividend. The Committee also oversees the performance of Share Transfer Agents and recommends measures for overall improvement in the quality of investor services.

Smt. Sheela Patodia is Chairperson and is heading the Committee. Shri R. K. Patodia and Shri D. K. Khandelwal are other members of the Committee. Shri Bkash Chandra Chatterji, Company Secretary is the Compliance Officer.

The Company has received 5 complaints as on 31.03.2010 and all of them have been resolved. There were no shares pending for transfer as on 31.03.2010 and all the transfers have been approved by the Share Transfer-cum-Grievance Committee of the Company.

**5. GENERAL BODY MEETINGS :**

A. Location and time for last three Annual General Meetings were :

FINANCIAL YEAR	DATE	VENUE	TIME
31st MARCH 2007	14.03.2007	23, CIRCUS AVENUE	10:00 A.M.
31st MARCH 2008	19.06.2008	KOLKATA 700 017	10:00 A.M.
31st MARCH 2009	11.09.2009	— DO —	10:00 A.M.

B. Special Resolution at the last three Annual General Meetings :

- At the Sixty-first Annual General Meeting held on 14th September 2007, special resolution was passed for change of Registrar & Share Transfer Agent of the Company.
  - At the Sixty-second Annual General Meeting held on 19th September 2008, no special resolution was passed.
  - At the Sixty-third Annual General Meeting held on 11th September 2009, special resolution was passed for appointment of Shri Rishiraj Patodia as Executive Director.
- No resolution was put through Postal Ballot.

**6. DISCLOSURES :**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large:

During the year, the Company had not entered into any transaction of a material nature with any of the related parties, which were in conflict with the interests of the Company.

Details of non-compliance by the company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

None.

**Risk Management :** A systematic risk procedure is in place through appropriate internal control and checks and balances

**Compliance with Mandatory/Non-mandatory requirements:**

The Company has complied with all the mandatory requirements of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement. As regards adoption of non-mandatory requirements of this clause, a Remuneration Committee of the Directors, as detailed hereinabove, is already in existence. Moreover, the Company is making all possible effort to move towards a regime of unqualified financial statements.

**7. CEO & COMPANY SECRETARY CERTIFICATION :**

The Chairman & Managing Director and Company Secretary have certified to the Board that: We have reviewed financial statements and the cash flow statement for the year 2009-10 and find to the best of our knowledge and belief:

(a)(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements, together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2009-10 which are fraudulent, illegal or violative of the company's code of conduct

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee deficiencies, in the design or operation of internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee, wherever applicable:

(i) significant changes, in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**8. SECRETARIAL AUDIT :**

A qualified practicing Chartered Accountant carried out Quarterly Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central

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**9. MEANS OF COMMUNICATIONS :**

Depository Services (India) Ltd (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of shares in dematerialized form held with NSDL and CDSL.

– Half yearly results sent to each household of Shareholders.

– Quarterly Results

Although half-yearly report is not sent to each household of shareholders, the Company published the same in "Financial Express" and "Arthik Lipi".

The quarterly results published in the proforma prescribed under the Listing Agreement are approved and taken on record within one month of the close of the relevant quarter. The approved results are notified forth with to the concerned Stock Exchange.

– which newspaper normally published in

Financial Express (English newspaper), Arthik Lipi (Bengali newspaper).

– any Website, where displayed.

The above said results and the Shareholding Pattern have been uploaded in the website of SEBI under EDIFAR system, periodically.

– whether it displays Official news releases

No

– whether presentation made to institutional investors or to analyst

No

– whether Management Discussion and Analysis Report is a part of Annual Report or not

Management Discussion and Analysis Report is a part of Annual Report.

**10. GENERAL SHAREHOLDERS INFORMATION :**

	DATE	TIME	VENUE
a) A.G.M. 24th September, 2010	10.00 A.M.		HOTEL AKASH DEEP 49, CIRCUS AVENUE, KOLKATA 700 017.
b) Financial Calendar (tentative)			2010 – 2011
i) Financial Year			April – March
ii) First Quarter Results			July, 2010
iii) Second Quarter Results			October, 2010
iv) Third Quarter Results			January, 2011
v) Audited Results for the year ending 31/03/2010			May, 2011
c) Date of Book Closure			22nd September, 2010 to 24th September, 2010 (both days inclusive)
d) Dividend payment date			Not applicable
e) Listing of Equity Shares on			The Bombay Stock Exchange Ltd
(i) Annual Listing Fees for the year 2010-2011 (as applicable) has been paid to the Bombay Stock Exchange Ltd., Mumbai.			
(ii) The Company's equity shares have been delisted from the Stock Exchanges at Ahmedabad, Chennai, Coimbatore and Kolkata.			

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(i) Stock Code The Bombay Stock Exchange Ltd.	Scrp Code No. : 514378 Trading Symbol : YARN SYNDICAT
(ii) Demat ISIN Nos. in NSDL and CDSL for equity shares.	INE 56AC01013

## g) Stock Market Data :

BOMBAY STOCK EXCHANGE LTD.			
Month	Month's High Prices	Month's Low Prices	Closing BSE Sensex
April, 2009	5.25	4.79	11403.25
May, 2009	6.05	4.80	14625.25
June, 2009	7.87	5.68	14493.84
July, 2009	8.49	7.45	15670.31
August, 2009	8.20	7.80	15666.64
September, 2009	7.81	6.45	17126.84
October, 2009	7.25	6.18	15856.28
November, 2009	6.87	5.71	16926.22
December, 2009	7.14	6.16	17464.81
January, 2010	7.90	6.50	15357.96
February, 2010	6.66	6.09	15429.55
March, 2010	6.10	4.81	17527.77

Registrar and Share Transfer Agents:  
R & D INFOTECH PVT. LTD.  
22/4, NAKULESHWAR BHATTACHARJEE LANE,  
KOLKATA 700 026

TEL : 91 (33) 2453-1657  
FAX : 91 (33) 2453-1658  
e-mail : rdinfo@rdinfotech.net

## i) Share Transfer System

The share transfers which are received in physical form are processed by the Company's Registrar and Share Transfer Agents (RTA) within a period of 15 days and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects. Dematerialization requests received by our Registrar & Share Transfer Agents (RTA) are processed and duly confirmed within 21 days of respective receipts.

j) (a) Shareholding Pattern as on 31<sup>st</sup> March, 2010.

Sl. No.	Category	No. of Shares (Issued Equity)	% of Shareholding
01.	Promoters & Persons Acting in Concert	252729	67.394
02.	Indian Financial Institutions, Banks, Mutual Funds.	62500	1.667
03.	Foreign Institutional Investor/NRI's	2500	0.067
04.	Others	1157721	30.873
	Total	37,50,000	100.00

(b) Distribution on Shareholding as on 31<sup>st</sup> March, 2010.

No. of Shares held	No. of Shareholders	Percentage of Shareholders	No. of shares Issued Equity	Percentage of Shareholding
1 - 500	3411	91.990	435248	11.61
501 - 1000	156	4.207	122016	3.25
1001 - 2000	57	1.537	85088	2.27
2001 - 3000	23	0.620	59841	1.60
3001 - 4000	10	0.270	33885	0.90
4001 - 5000	7	0.189	31456	0.84
5001 - 10000	13	0.512	136457	3.64
10001 - 50000	16	0.431	347757	9.27
50001 - 100000	2	0.055	127092	3.39
100000 & above	7	0.189	2371250	63.23
Total	3708	100	3750000	100

## (k) Dematerialisation of shares and Liquidity :

The shares of the Company are compulsorily traded in DEMAT form by all categories of investors with effect from 25<sup>th</sup> December, 2000. The company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to establish electronic connectivity of our shares for scripless trading. As on 31<sup>st</sup> March, 2010, 34.44% of shares of company were held in Dematerialised form. There are no electronic requests pending for approval as on 31.03.2010 for Dematerialization/Rematerialization under NSDL and CDSL.

## Liquidity of Shares :

The shares of the company are actively traded in The Bombay Stock Exchange Ltd., Mumbai.

(i) Investor Correspondence :	
(i) For transfer/dematerialisation of shares and any other query relating to the shares of the Company etc.	R & D INFOTECH PVT. LTD. 224, Nakuleshwar Bhattacharjee Lane Kolkata 700 026. TEL : 91 (33) 2463-1657 FAX : 91 (33) 2463-1658 e-mail : <a href="mailto:rdinfotech@yahoo.com">rdinfotech@yahoo.com</a> <a href="mailto:rdinfotech@vsnl.net">rdinfotech@vsnl.net</a>
(ii) Any query on Annual Report	Secretarial Department YARN SYNDICATE LIMITED 23, Circus Avenue, Kolkata 700 017. TEL : 033-2281-0270 FAX : 033-2290-5685 E-mail : <a href="mailto:yainca@vsnl.com">yainca@vsnl.com</a>

The Board of Directors at their Meeting held on 31st May, 2010 adopted the above report.

Place : Kolkata  
Dated : 31st May, 2010

For and on behalf of the Board  
**R. K. PATODIA**  
Chairman & Managing Director

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT To the Members of

### Yarn Syndicate Limited,

We have reviewed the compliance of the conditions of Corporate Governance by Yarn Syndicate Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s), with the relevant records and documents maintained by the Company and furnished to us.

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

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

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange have been complied with in all material respect by the Company.

For LODHA & CO.  
Chartered Accountants  
**H. S. JHA**  
Partner  
Place : Kolkata  
Dated : 31st May, 2010.  
Membership No. 055854

## MANAGEMENT DISCUSSION AND ANALYSIS

We have pleasure in submitting the Management Discussion & Analysis Report on the Company's business.

### A) INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian Textile and Yarn Industry has seen another eventful year go by. The cotton yarn industry structure in the country has a strong base in both yarn production and the manufacture of textile products. During the year 2009-10, the cotton harvest in India has been good and the subsidies provided by the Government of India has helped in increasing the export of cotton and other types of yarn from India to markets around the world. However, now with the prices of raw cotton and yarn rising in the domestic market, the Government of India is mulling various measures to discourage the export of these commodities. These measures include suspension of the Duty concession available to exporters under the Duty Entitlement Pass Book (DEPB) Scheme and even the imposition of a two percent export duty. During 2009-10, Yarn Syndicate Ltd. had exported various kinds of yarn like cotton yarn, cotton polyester yarn, polyester textured yarn and viscose yarn to countries like Belgium, Bulgaria, Estonia, U.K, Brazil, Kenya, Israel, Spain, Morocco, Bangladesh, Greece, Peru, Tanzania, Iran, Oman, Turkey.



In spite of improved export performance, the export market remains extremely competitive with low margins. Your Company is committed on its policy of ensuring quality yarn and strictly following delivery schedules to our customers.

#### B) OPPORTUNITIES AND THREATS

The export market for textile and yarn has grown for countries like India. This year exports have risen as compared to the previous year mainly due to the partial recovery of western markets from the economic downturn. India is a major cotton producing country with well-established apparel manufacturing base and this industry is the second largest employment generator after agriculture.

The global textile and yarn industry is however extremely competitive and there is always growing competition from low cost suppliers. Recently there has been an unfettered rise in exports of cotton and yarn leading to the price of the fabric increasing significantly in the domestic market. The government has taken steps such as withdrawal of export bps on cotton yarn in an effort to bring down fabric prices. The government has imposed restrictions on export of cotton yarn in the wake of rising prices of the commodity in the country. As per a notification by the Directorate General of Foreign Trade, export consignments of cotton yarn would now have to be registered with the textiles commissioner before they could leave the country. It is to be seen if restrictions of this nature will have a negative impact on the country's export performance in the future.

#### C) SEGMENT-WISE PERFORMANCE

The Company is engaged in the business of export of yarn and accordingly this is the reportable segment.

#### D) RISKS AND CONCERNS

The biggest risk and concern for the yarn exporters is that the Western economies have not yet recovered from the economic downturn. Since the U.S. and the European Union comprise a significant portion of the global yarn export market, the recovery of these two economies is crucial in saving the margins for yarn exports from India. When prices of cotton yarn rose in the domestic market, the exporters of yarn were unable to absorb the rising costs and exporters of cotton yarn were unable to pass on the rising prices to recession hit Western markets. The loss of a major export market could be a heavy blow leading for steps to deal with issues of unviable export of cotton yarn. India is an export of cotton yarn and labour cost on all segments of the textile export.

#### E) OUTLOOK

During the past year, the partial recovery of the Western economies has led to increase in the volume of exports of yarn from India, but this has also led to shortage in supply of yarn in the domestic market and consequently an increase in the price of cotton yarn within the country. The Indian government has responded strongly with measures aimed to bring down the prices of cotton in the domestic market but it remains to be seen as to how these measures would affect the competitiveness of the Indian exporters in the months to come. Nevertheless, the Company looks forward to improving its global market share and continues to make special efforts to explore new markets apart from traditional markets.

#### F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper internal control system, which provides adequate safeguards and effective monitoring of the transactions and ensures that all assets are safeguarded and protected against loss from unauthorized use or disposition.

Moreover, an audit committee of the Board of Directors regularly review the audit plans, adequacy of internal control as well as compliance of accounting standards.

#### G) FINANCIAL AND OPERATIONAL PERFORMANCE

Please refer to 'Performance Review' in the Board of Directors' Report.

#### H) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

We firmly believe that safe and healthy working conditions in the offices are as necessary and important as production, productivity and quality. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned, besides conservation of natural resources and protection of the environment.

A major factor for the continued growth of your organization is the constructive support of Banks, Institutions, Suppliers, Export Promotion Organisations, executives, employees, creditors and the confidence shown by them in the company. Employer-Employee relations in all the offices of the company were cordial throughout the year under review.

The total numbers of people employed by the Company are 20.

#### I) CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations are "Forward looking statements". Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand/supply, the exchange rate of the Rupee vis-a-vis the U. S. Dollar and price conditions in the domestic and overseas markets, also effect of political situations, change in the Government regulations on Export, tax laws and other statutes and incidental factors over which the company does not have any control.

Place : Kolkata

Dated : the 31st day of May, 2010.

For and on behalf of the Board  
R. K. PATODIA  
Chairman & Managing Director

**Auditors' Report to the Members of M/s. YARN SYNDICATE LIMITED**

We have audited the attached Balance Sheet of YARN SYNDICATE LIMITED (the Company) as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on the 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2004 ("the order") issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, ("the Act") and on the basis of such checks of the books of records of the Company as we considered appropriate and according to the information and explanations given to us, we report that:

- i) a) The Company has maintained proper records showing 'full particulars, including quantitative details and situation of fixed assets.
- b) All the fixed assets have not been verified by the management during the year but according to the information and explanation given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size and the nature of its assets. In respect of assets verified during the year, no material discrepancies have been noticed.
- c) During the year the Company has not disposed off substantial part of its fixed assets which could affect the going concern status of the Company.
- ii) a) The company is trading in textile yarn. Order for procurement are directly dispatched to customers and goods are generally dispatched from the place of procurement itself. Hence inventory only represents goods in transit for which sales has not been completed keeping in view the same, the inventory is not verified by the management.
- b) Read with our comments in para (a) above, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) Read with our comments in para (a) above, the company is maintaining proper records of inventories and discrepancies notified on physical verification of inventory, as explained, were not material as compared to the book records.
- iii) a) According to information and explanations given to us the company had given unsecured loans to companies listed in register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs. 17000 (000) and the year-end balance of such loans was Rs. 5000 (000)
- b) In our opinion, the rate of interest and other terms and conditions on which the unsecured loans as mentioned in (a) above were given are prima facie not prejudicial to the interest of the Company.
- c) According to the information and explanations given to us, the principal amount and interest in respect of loans granted as mentioned in (a) above are repayable on demand. These loans are being repaid as and when recalled.

- d) As informed to us, having regards to terms and conditions to the loan as mentioned above, there is no overdue amount outstanding in respect of such loan and interest there on.
- e) The company has not taken any secured and/or unsecured loan from companies, firms or the other parties covered in the register maintained under section 301 of the Act. Accordingly para "e" to "g" are not applicable.
- iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- v) To the best of our knowledge and belief and according to information and explanations provided to us we are of the opinion that there is no transaction that needs to be entered into the register maintained under section 301 of the Act.
- vi) The Company has not accepted any deposits under Section 58A, 58AA or other relevant provisions of the Act.
- vii) There is no internal audit system in the company.
- viii) As informed, the Central Government has not prescribed maintenance of Cost records under Section 209(1)(d) of the Act, for the product of the Company. Accordingly provisions of Para (viii) of the order is not applicable to Company.
- ix) a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance dues, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty and other material statutory dues as applicable to it. According to the information and explanation given to us, there are no undisputed amounts payable in respect of aforesaid dues for a period of more than six months from the date they became payable.
- b) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute.
- x) The company has accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year but had incurred cash losses in the immediately preceding financial year. The effect of unqualified qualification has not been taken into consideration for the purpose of making comment in respect of this clause.
- xi) According to the information and explanations given by the management, the Company has not defaulted in the repayment of dues to the financial institutions and banks. There were no debenture holders during the year.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhifund or a mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the company.

- xiv) The Company is dealing and trading in shares, securities and other investments. According to the information and explanation given to us and based on the documents and records produced to us, proper records have been maintained of transactions and contracts and timely entries have been made therein. The share, securities and other investments have been held by the company in its own name.
- xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions
- xvi) According to information and explanations given to us, no fresh term loans have been taken during the year.
- xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet, we have not come across any cases where fund raised on short term basis have been utilized for the long term investments.
- xviii) The company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Act.
- xix) According to the information and explanations given to us, the Company has not issued any debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable to the Company.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the Books of Accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the Company nor have we been informed of any such case by the management.
2. Attention is invited to the following Notes of Schedule 14 regarding :
- a. *Certain old debts from overseas buyers amounting to Rs. 19021 thousand, the extent of amount recoverable and provision there against if any is presently not ascertainable. (Note No. 4)*
- b. *Confirmations and reconciliation in respect of Sundry Debtors, Sundry Creditors, certain bank balances and Loans and Advances are not available. (Note No.5)*
- c. *Non provision of certain unmovable balances in loan given to companies, advance to others, sundry deposits, tax deducted at source. (Note No. 6 )*
3. *We further report that, in respect of the Notes mentioned in Paragraph 2 above, the impact thereof cannot be ascertained and therefore cannot be commented upon by us.*
4. Further to above, we report that :
- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) The Balance Sheet, the Profit and Loss Account alongwith Cash Flow Statement are in agreement with the books of account.
- c) in our opinion books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- d) Except as given in Note No. 3 of Schedule 14 regarding non ascertainment and consequential adjustments regarding impairment of fixed assets and Note No. 1 (i) (ii) of Schedule 14 regarding accounting of sales on the date of negotiation / collection and

- e) *Accordingly the foreign exchange fluctuation remaining included in sales, the Profit and Loss Account, Balance Sheet and Cash Flow Statement comply with the Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Act, to the extent applicable.*
- f) *On the basis of written representations from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2010 from being appointed as a director of the Company in terms of Clause (g) of Sub-Section (1) of Section 274 of the Act.*
- g) *In our opinion and to the best of our information and according to the explanations given to us, subject to our remarks as given Para 2 above whereby as given in Para 4 above, we are unable to ascertain and indicate the impact thereof on these accounts and Note 8 of Schedule 14 regarding non-availability of details relating to Micro, Small and Medium Enterprises Development Act, 2006 and read together with the other notes thereon, these accounts give the information required by the Act, in the manners so required and give true and fair view in conformity with the accounting principles generally accepted in India :*
- i) *in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and*
- ii) *in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.*
- iii) *in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.*

Place : Kolkata  
Dated : The 31<sup>st</sup> day of May, 2010.

For LODHA & CO  
Chartered Accountants  
Firm's ICAI Registration Number : 301051E  
H. S. JHA  
Partner  
Membership No. 55854

**BALANCE SHEET AS AT 31ST MARCH, 2010**

## SCHEDULE

31.03.2010

31.03.2009

Rs. in thousands

Rs. in thousands

**SOURCES OF FUNDS :****Shareholders' Funds :**Share Capital  
Reserves & Surplus1  
2  
37,500  
43,75037,500  
43,750**Loan Funds :**Secured Loans  
Unsecured Loans3  
4  
42,219  
2,03330,282  
-

Deferred Tax Liability (Refer Note 7 of Schedule 14)

234

**TOTAL**

1,25,502

1,11,766

**APPLICATION OF FUNDS :****Fixed Assets :**Gross Block  
Less : Depreciation  
Net Block5  
36,717  
23,375  
13,34233,027  
20,784  
12,243**Investments :**

Deferred Tax (Refer 7 of Schedule 14)

6  
375  
5201,026  
-**Current Assets, Loans & Advances :**Inventories  
Sundry Debtors  
Cash & Bank Balances  
Loans & Advances2,060  
44,722  
11,074  
38,120329  
31,310  
5,763  
41,215

Less : Current Liabilities &amp; Provisions : 8

Current Liabilities  
Provisions6,774  
2493,320  
679

Net Current Assets :

7,023

3,999

PROFIT &amp; LOSS ACCOUNT

88,953  
22,31274,618  
23,879**TOTAL**

1,25,502

1,11,766

**NOTES :**

14

As per our report of even date

For LODHA &amp; CO.

Chartered Accountants

H. S. JHA

Partner

Place : Kolkata

Dated : the 31st day of May, 2010.

For and on behalf of the Board

R. K. PATODIA, Managing Director

SHEELA PATODIA, Director

S. R. SARAF, Director

B. C. CHATTERJI, Company Secretary

(22)

**PROFIT & LOSS ACCOUNT****FOR THE YEAR ENDED 31ST MARCH, 2010**

## SCHEDULE

2009-2010

2008-2009

Rs. in thousands

Rs. in thousands

**INCOME :**Sales  
Other Income  
Increase/(Decrease) in Stock9  
10  
11  
2,47,513  
23,735  
1,7311,49,237  
12,108  
(7,383)**EXPENDITURE :**Purchases  
Interest (Net)  
Depreciation  
Manufacturing, Administrative,  
Selling & Other Expenses12  
13  
2,37,517  
2,723  
3,231  
28,650  
2,72,1211,20,378  
2,582  
2,691  
33,823  
1,59,474

Profit/(Loss) before Tax

858

(5,512)

Provision for Tax

- Deferred Tax

- Fringe Benefit Tax of earlier years

- Fringe Benefit Tax

Profit/(Loss) after Tax

(754)

(448)

Profit and Loss Account balance brought forward

45

-

Balance carried to Balance Sheet

1,567

249

**BASIC & DILUTED EPS (Rs.)**

(23,879)

(18,566)

**NOTES :**

14

As per our report of even date

For LODHA &amp; CO.

Chartered Accountants

H. S. JHA

Partner

Place : Kolkata

Dated : the 31st day of May, 2010.

For and on behalf of the Board

R. K. PATODIA, Managing Director

SHEELA PATODIA, Director

S. R. SARAF, Director

B. C. CHATTERJI, Company Secretary

(23)

## SCHEDULES TO THE ACCOUNTS

## SCHEDULE 1 : SHARE CAPITAL

	2009-2010 Rs. in thousands	2008-2009 Rs. in thousands
<b>Authorised :</b>		
50,00,000 Equity Shares of Rs. 10/- each	50,000	50,000
<b>Issued, Subscribed &amp; Paid Up :</b>		
37,50,000 Equity Shares of Rs. 10/- each	37,500	37,500
	37,500	37,500

## SCHEDULE 2 : RESERVES &amp; SURPLUS

<b>Share Premium</b>	43,750	43,750
	43,750	43,750

## SCHEDULE 3 : SECURED LOANS

<b>Packing Credit from Bank</b>		
(Secured by Hypothecation of Stock-in-Trade including goods-in-transit and Export Goods lying with manufacturers & Bank debts. Guaranteed by Personal Guarantee of Managing Director of the Company. Further collateral security of office premise at Mumbai, term deposits of Rs. 40,00 lakh & pledge of cut-back deposit against export proceeds.	40,865	29,674

<b>Vehicle Loans from Banks</b>	1,354	608
(Secured by way of hypothecation of vehicles)	42,219	30,282

## SCHEDULE 4 : UNSECURED LOANS

Loan from Body Corporate	2,033
--------------------------	-------

## SCHEDULES TO THE ACCOUNTS

## SCHEDULE 5 : FIXED ASSETS

(Rs. in thousands)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
	As on 01.04.09	Addition during the year	Sales ad- justment during the year	Total as on 31.03.10	Up to 31.03.09	For the year amount	Deduction for sales adjustment	Total as on 31.03.10	As on 31.03.10	As on 31.03.09
FREEHOLD LAND	620	0	0	620	0	0	0	0	620	620
BUILDING*	13,351	0	0	16,351	10,739	561	0	11,301	5,050	5,612
OFFICE APPLIANCE & OTHER EQUIPMENTS	4,256	308	0	4,564	3,675	140	0	3,815	749	581
COMPUTER	2,015	233	31	2,216	1,941	176	19	2,099	118	74
FURNITURE & FITTINGS	2,126	38	0	2,164	1,938	41	0	1,979	185	188
VEHICLES	7,660	4,520	1,379	10,801	2,491	2,312	621	4,182	6,619	5,169
<b>TOTAL :</b>	<b>33,027</b>	<b>5,099</b>	<b>1,410</b>	<b>36,717</b>	<b>20,784</b>	<b>3,231</b>	<b>640</b>	<b>23,375</b>	<b>13,342</b>	<b>12,243</b>
PREVIOUS YEAR :	30,564	5,911	3,448	33,027	19,500	2,691	1,407	20,784	12,243	11,065

\* Includes 20 shares (Previous year 20 shares) of Rs. 50/- each (Total face value Rs. 1,000/-) fully paid up.

## SCHEDULES TO THE ACCOUNTS

## SCHEDULE 6 : INVESTMENTS

## TRADE INVESTMENTS

QUOTED : (Current, Fully Paid Equity Shares of Rs. 10/- each)

	2009-2010 Rs. in thousands	2008-2009 Rs. in thousands
5000 GTN Textiles Ltd.	74	-
5000 GTN Industries Ltd.	83	-
1000 United Bank of India Ltd.	71	-
(20000) Suzlon Energy Ltd.	-	1,212
16185 (16185) Prime Textiles Limited	1,069	1,069

Less : Provision for Diminution in Investments

	1,297	2,281
	922	1,255
	375	1,026

## AGGREGATE VALUE OF INVESTMENTS :

Book Value : Quoted

	1,297	2,281
	1,297	2,281

Figures in bracket indicate previous year figures.

Market Value : Quoted

	375	1,026
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## SCHEDULES TO THE ACCOUNTS

## SCHEDULE 7 : CURRENT ASSETS, LOANS &amp; ADVANCES

## CURRENT ASSETS :

Inventories including goods in transit (As taken valued and certified by the Management)

Trading Goods

Discarded Fixed Assets (Refer Note No. 14 of Schedule - 14)

	1,731	-
	329	329

Sundry Debtors (Unsecured, considered good by the Management) :

Debts due for a period exceeding six months

Other Debts

	14,071	25,992
	30,651	5,318
	44,722	31,310

Cash and Bank Balances :

(As certified by the management)

Cash Balance

Balance with Scheduled Banks :

In Current Account

In Fixed Deposit\*

In Cut back Deposit\*\*

In E.E.F.C. Account

	1,203	460
	3,385	1,294
	4,005	4,005
	2,402	-
	79	4
	11,074	5,763

\* Rs. 40.00 lacs secured against

Packing Credit loan

\*\* Arising out of export proceeds &amp;

pledged against Packing credit loan

## LOANS &amp; ADVANCES :

Loans/Inter Corporate Deposits

(Refer Note No. 6 of Schedule - 14)

Advance recoverable in Cash or in kind or for value to be received :

Unsecured :

Advance to Staff

Advance to Others

Sundry Deposits

Advance Fringe Benefit Tax

Tax Deducted at Source

OTHER CURRENT ASSETS

	12,863	24,181
	334	330
	20,784	12,049
	1,836	1,848
	249	464
	1,046	1,356
	1008	987
	38,120	41,215
	95,976	78,617

## SCHEDULES TO THE ACCOUNTS

	2009-2010	2008-2009
	Rs. in thousands	Rs. in thousands

## SCHEDULE 8 : CURRENT LIABILITIES &amp; PROVISIONS

## CURRENT LIABILITIES :

Sundry Creditors : (Refer Note No. 8 of

Schedule 14)

For Goods Supplied	118	37
For Expenses	3,860	1,810
For Others	2,796	1,473
	6,774	3,320

## PROVISIONS :

For Taxation	-	-
For Fringe Benefit Tax	249	679
	249	679

## SCHEDULE 9 : SALES

Export	2,47,513	1,44,635
Domestic	-	4,602
	2,47,513	1,49,237

## SCHEDULE 10 : OTHER INCOME

Export Incentives	20,075	8,500
Miscellaneous receipts	65	97
Dividend on Current Investments	69	16
Discount / Claim Received	-	395
Rent received	2,700	2,700
Difference in Foreign Exchange (Net)	826	-
	23,735	12,108

## SCHEDULE 11 : INCREASE / (DECREASE) IN STOCK

Stock at Closing	1,731	-
Trading Goods	1,731	-
Stock at Opening	-	7,383
Trading Goods	-	7,383
	1,731	(7,383)

(28)

## SCHEDULES TO THE ACCOUNTS

	2009-2010	2008-2009
	Rs. in thousands	Rs. in thousands

## SCHEDULE 12 : INTEREST (Net)

To Banks and others

	5,359	5,798
Less : received on Loans/Inter	5,359	5,798
Corporate Deposits & from Banks	2,636	3,216
(Gross : TDS Rs. 17 thousand		
Previous Year Rs. 159 thousand)	2,723	2,582

## SCHEDULE 13 : MANUFACTURING, ADMINISTRATIVE,

## SELLING &amp; OTHER EXPENSES

Salaries, Wages, Bonus & Gratuity	3,968	3,340
Contribution to Provident & Other Funds	399	343
Staff Welfare Expenses	195	159
Store Consumption	-	-
Insurance	1,135	455
Rent	29.	41
Rates & Taxes (including Licence Fee)	50	100
Repairs :		
Building	59	59
Others	107	132
Shipping Expenses	166	191
Commission (Net)	12,551	11,290
Brokerage	3,228	2,372
Discount / Claims / Samples	-	57
Payment to Auditors :	1	208
Audit Fee	50	41
Certificate etc.	25	20
	75	61
Bank Charges	1,096	511
Charity & Donation	3	19
Sundry Balance Written off (Net)	-	3,078
Loss on sale of Fixed Assets (Net)	83	581
Loss in Derivative Transactions (Net)	-	125
Loss on Sale of Investments (Net)	326	477
Diminution in Investment	30	1,255
Difference in Foreign Exchange (Net)	-	5,097
Miscellaneous Expenses	5,315	4,063
	28,650	33,823

(29)

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 14 :

#### 1. Significant Accounting Policies

##### A) General :

The accounts have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act 1956 and Accounting Standards notified vide Companies (Accounting Standards) Rules, 2006.

All expenses and income are accounted on accrual basis except where there is uncertainty about the receipt thereof in view of the claims/dispute.

Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

##### B) Use of estimates :

The preparation of financial statement requires management to make estimates and assumption that affect the reported amount of assets and liabilities on the date of financial statements and disclosure relating to contingent assets and liabilities as at the balance date and reported amounts of income and expenses during the year. Difference between the actual results and the estimates are recognised in the year in which the result are known/ materialised.

##### C) Sales and Other Income :

Income from Export Incentives is recognised on the basis of certainties as to its utilisation and related realisation.

##### D) Inventories :

Inventory is valued at lower of cost and net realisable value. Traded goods are valued using FIFO method.

##### E) Employee Benefits :

(a) Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(b) i) Gratuity - year-end liabilities on account of gratuity payable to employees are determined on the basis of actuarial valuation with appropriate contributions to the Company's gratuity fund and charged to profit and loss account.

ii) Leave Encashment - accrued year-end leave are provided for on accrual basis and paid off as at the year end. No accumulation of leave is allowed to be carried forward.

Actuarial gains and losses in respect of above post employment benefits are charged to the

(30)

profit and loss account.

##### F) Fixed Assets :

Fixed Assets have been stated at cost.

##### G) Depreciation :

a) Depreciation on Fixed Assets has been provided on written down value basis at the rates as prescribed under the Income Tax Rules 1962, except in the case of assets mentioned at serial Nos. (b) and (f) herein below whereon it has been provided at the rates as prescribed under Schedule XIV to the Companies Act, 1956.

	Rates as per Schedule XIV to the Companies Act 1956 (%)	Rates as per Income Tax (%)
a) <b>Building :</b>		
Office	5	10
Residential (Area less than 80 Sq. Meters)	5	5
b) Furniture & Fixture	18.10	10
c) Office Equipments	13.91	15
d) Air Conditioning Machine	13.91	15
e) Refrigerator	13.91	15
f) Motor Car	25.89	15
g) Computer	40	60

b) Depreciation on additions to assets during the year valuing up to Rs. 5,000/- has been provided at the rate of 95%.

c) Depreciation on additions to assets has been provided for the full year. No depreciation is being provided on assets sold during the year.

##### H) Impairment :

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed asset is determined. An impairment loss is recognised, wherever the carrying amount of assets either belonging to cash generating units or otherwise exceeds recoverable amount. The recoverable amount is the greater of assets net selling price or its value in use. In assessing the value in use, the estimated future cash flow from the use of assets is discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss no longer exists or has decreased. Impairment loss/ reversal thereof is adjusted to the carrying value of the respective asset, which in case of CGU, are allocated to assets on a pro rata basis.

##### I) Foreign Exchange Translation :

i) Assets & Liabilities :

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the

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date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using closing exchange rates. The loss or gain thereon and also on the exchange difference on settlement of the foreign currency transaction during the year are recognised as income or expenses and are adjusted to the profit and loss account under respective heads of accounts.

ii) **Export Sales :**

These transaction are stated at the rate as on the date of negotiation or collection or at forward contract rates, wherever applicable.

j) **Borrowing Cost :**

Borrowing cost incurred in relation to the acquisitions or construction of assets are capitalised allocated as part of the cost of such assets. Other borrowing cost are charged as an expense in the year in which these are incurred.

k) **Investments :**

Long Term Investments are stated at cost less provision for diminution in value other than temporary, if any. Current Investments are valued at lower of cost and fair value determined on an individual investment basis.

L) **Taxation :**

Provision for Tax is made for current, deferred and fringe benefits taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference, which are capable of reversal in subsequent periods are recognised using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is "virtual certainty" that such deferred tax assets can be realised against future taxable profits.

M) **Provision, contingent liabilities and contingent assets :**

Provision involving substantial degree of estimates in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent assets are neither recognised nor disclosed in the financial statement. Contingent Liabilities are not provided for but disclosed by way of Note.

**Notes forming part of the Accounts**

2. **Contingent Liability not Provided for :**

Outstanding Bills Purchased/Discounted for Rs.52,620 (Previous Year Rs.16,570).

3. **Impairment in the carrying value of the fixed assets as at the balance sheet date has not been ascertained, pending detailed review and technical evaluation in this respect. The company intends to get the said review carried by independent valuer / consultant and adjustment, if any**

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will then be made in the accounts.

4. **Sundry Debtors over six months include Rs. 10,021 (Net of ECGC Claim Rs.4,792) (Previous year Rs. 10,021) outstanding from certain overseas buyers for a considerable period. Such balances have not been realigned at the year end rate. In the opinion of the management, these will be recovered in due course and as such no provision is considered necessary in this respect.**

5. **Balance of Debtors, Creditors, certain Bank balances, Loans and Advances etc. are subject to confirmation and reconciliation with respective parties.**

6. (a) **Loans/inter corporate deposits include Rs.7,126 (including interest Rs.764) (Previous year Rs.6,362) given to companies, which is overdue.**

(b) **Certain balances included in advance to others, sundry deposits, tax deducted at source, etc amounting to Rs.6503 are lying unremoved for a considerable period.**

Pending outcome of the steps being taken by the management, the above balances are considered to be fully realisable.

7. **In accordance with Accounting Standard 22 "Accounting for Taxes on Income" the company has accounted for deferred Tax. The company has carry forward losses and unabsorbed depreciation which has not been recognized in the absence of virtual certainty of reversal of such assets.**

The component of deferred tax asset / liabilities as are follows :

Particulars	Opening as on 01.04.2009 Rs.	Charge/Credit during the year Rs.	Closing as on 31.03.2010 Rs.
<b>Deferred Tax Liabilities / (Asset)</b>			
On account of Depreciation Difference	224.00	(754.00)	(520.00)

8. **The Company is in the process of compiling information with regard to suppliers covered under Micro, Small and Medium Enterprise Development Act, 2006. To the extent identified, the Company has no information from the suppliers under the Act and accordingly the disclosure as required in Section 22 of the said Act could not be given in these accounts.**

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## 9. Defined contribution scheme

Employers contribution to provident fund

	2009-10	2008-09
	392.00	357.00

## Defined benefit Scheme

The employees' gratuity fund scheme/pension fund scheme is a defined benefit plan managed by a Trust. The present value of obligation is determined based on actuarial valuation using the projected unit Credit, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Expenses recognized during the year ended March 31, 2010 (Included in Schedule 12 of Profit and Loss Account)			
	Gratuity (Funded)	Gratuity (Funded)	Gratuity (Funded)
1 Current Service Cost	3103.10	3103.09	3103.08
2 Interest Cost	82	82	82
3 Expected return on plan assets	18	18	18
4 Actuarial Losses/(Gains)	(62)	(62)	(62)
	223	221	221
Total Expenses			
1 Change in the obligation during the year ended March 31, 2010			
2 Present value of Defined Benefit Obligation at the beginning of the year	1,068	958	818
3 Current Service Cost	3103.10	3103.09	3103.08
4 Interest Cost	82	82	82
5 Benefit Paid	(123)	(123)	(123)
6 Actuarial (Gains)/Losses	135	164	(23)
	1,037	1,968	928
7 Present value of Defined Benefit Obligation at the end of the year			
8 Change in Assets during the year ended March 31, 2010			
1 Plan Assets at the beginning of the year*	1,071	910	796
2 Contribution by Employer	0	0	0
3 Expected return on plan assets	66	53	49
4 Benefit Paid	0	(150)	0
5 Actuarial Gains/(Loss)	(22)	61	(2)
	1,115	813	843
6 Plan Assets at the end of the year			
7 Reconciliation of Net Asset/(Liability) recognized in the Balance Sheet for the year ended March 31, 2010			
1 Net Asset/(Liability) at beginning of the year*	3	2	(2)
2 Employer (Expenses)/Credit	(223)	(231)	53
3 Employer Contributions	0	0	0
4 Net Asset/(Liability) at the end of the year*	(222)	(229)	(65)
Experience adjustments			
1 Experience adjustments on plan liabilities (Gain / (Loss))	(75)	(110)	(50)
2 Experience adjustments on plan assets (Gain / (Loss))	(2)	5	(2)
Actuarial Assumptions			
1 Discount Rate	12.5%	12.5%	12.5%
2 Expected rate of Return on Plan assets	8.28%	5.20%	6.20%
3 Expected Rate of Salary Increase	5.00%	5.00%	5.00%
4 Mortality	100/1000	100/1000	100/1000
	Life table	Life table	Life table

\*The company has a practice of making payment of its year end gratuity liability which is not reported by the actuary. Hence the above amounts do not reconcile with the balance as per account.

Note : Assumptions relating to future salary increase, attrition, interest rate for discount and

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overall expected rate of return on assets have been considered in the actuarial valuation based on relevant economic factors such as inflation, market growth and other factors to the period over which the obligation is expected to be settled.

10. Difference in Foreign Exchange includes Rs. 1,020 net Profit (Previous Year Rs. 5,043 net loss) on account of cancellation of forward exchange contract.

11. The company operates only in one business segment viz. exporting yarn and other activities are incidental thereto. The geographical Segments of the company mainly comprise of the export to various countries.

12. Details of profit/(loss) on Sale of Investments are as follows:

Particulars	2009-10	2008-09
i) Profit on Sale of current Investments:	1,115.00	2,772.00
ii) (Loss) on Sale of Current Term Investments:	(1,854.00)	(1,216.00)
Total	(689.00)	(5,944.00)
iii) Add : Provision for diminution in Investments written back	354.00	5,467.00
Total	(325.00)	(477.00)

13. a) Directors' remuneration :

	2009-2010	2008-2009
Salary	780.00	420.00
Contribution to Employees Provident Fund & Other Fund	94.00	50.00
Other Perquisites	157.00	154.00
	1,031.00	624.00

\* (Contribution to Employees Gratuity Fund which are based on actuarial valuation on an overall basis are excluded above).

14. Certain Fixed assets amounting to Rs.329 (Previous year Rs.329) have been discarded on retiring from their active use and shown under the head inventories. In the absence of determination of their realisable value, these have been recorded at book value. In the opinion of the management the realisable value will not be lower than the book value. Necessary adjustments, if any will be carried on disposal of the same.

15. Related party disclosure as identified by the Management in accordance with the Accounting Standard (AS-18) is as follows :

## A) List of related parties :

i. Parties where control exists - NIL.

ii. Other parties with whom the Company has entered into transactions during the year.

## a) Key Management Personnel and their relatives.

Sri R. K. Patodia - Chairman and Managing Director  
Sri Rishi Raj Patodia - Executive Director

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**b) Group/Associates Companies.**

- i) Enterprise having common Director / Management personnel  
Madanlal Brijlal (P) Ltd.

**c) Firm in which Directors have substantial interest**

M/s. B. M. Bagaria & Co.

**B) During the year, the following transactions were carried out with the related parties in the ordinary course of the business and at arms length price.**

Nature of transactions	Key Management Personnel 2009 - 10	2008-09	Enterprises of Key Management Personnel 2009-10	2008-09	Directors interested Firm 2009-10	2008-09
1) Electricity charges paid	-	-	23.00	58.00	-	-
2) Rent paid	-	-	7.00	7.00	-	-
3) Professional fees paid	-	-	-	-	-	18.00
4) Remuneration paid	1,031.00	634.00	-	-	-	-

**Outstanding Balance as on 31<sup>st</sup> March, 2010**

Nature of transactions	Key Management Personnel 2009 - 10	2008-09	Enterprises of Key Management Personnel 2009-10	2008-09	Directors interested Firm 2009-10	2008-09
1) Electricity charges	-	-	1.00	20.00	-	-

**Note :** In respect of above parties, there is no provision for doubtful debts as on 31<sup>st</sup> March 2010 and no amount has been written off or written back during the year in respect of debts due from / to them. The above related party information is as identified by the management.

**16. Calculation in respect to Earning Per Share as required by Accounting Standard (AS-20) is as follows :**

	Year Ended 31.03.2010	Year Ended 31.03.2009
(a) Profit/(Loss) after taxes	1,567	(5,313)
(b) Basic and weighted average no of Equity Shares during the year (in Nos.)	37,50,000	37,50,000
(c) Nominal Value of Equity Shares	10/-	10/-
(d) Basic and Diluted EPS (a/b) (Rs.)	0.42	(1.42)

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**17. Additional Information pursuant to the provisions of Part II Schedule VI to the Companies Act, 1956**

A. Quantitative Information	Unit	2009-2010	2008-2009	2009-2010	2008-2009
a) Opening Stock : Yarn	Packages	-	683	-	7,383
b) Purchases : Yarn	Packages	45,841	18,811	24,7513	120,378
c) Sales : Yarn	Packages	45,191	19,516	24,7513	149,237
d) Damage : Yarn	Packages	-	-	-	-
e) Closing Stock : Yarn	Packages	650	-	1,731	-

**B. Expenditure in Foreign Currency**

(Rupees )

Particulars	2009-2010	2008-2009
Traveling	886.00	187.00
Commission	771.00	2,324.00
Claims paid to Overseas Buyers	-	176.00

**C. Earning in Foreign Currency**

F.O.B Value of Export	240,393.00	137,834.00
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**18. Figures are given in thousand and accordingly rounded to nearest thousand****19. Previous years' figures have been regrouped and/or rearranged wherever considered necessary.**

As per our report of even date

**For LODHA & CO.**

Chartered Accountants

**H. S. JHA**

Partner

Place : Kolkata

Dated : the 31<sup>st</sup> day of May, 2010.

For and on behalf of the Board

**R. K. PATODIA**, Managing Director

**SHEELA PATODIA**, Director

**S. R. SARAF**, Director

**B. C. CHATTERJI**, Company Secretary

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**20. ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956: BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :**

**1. Registration Details :**

Registration No.	21-13842
State Code	21
Balance Sheet Date	31.03.2010

**2. Capital raised during the Year : (Rs. in thousand)**

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

**3. Position of Mobilisation and Deployment of Funds : (Rs. in thousand)**

Total Liabilities	1,25,502
Total Assets	1,25,502
<b>Sources of Funds :</b>	
Paid up Capital	37,500
Reserves & Surplus	21,438
Secured Loans	42,219
Unsecured Loans	2,033
<b>Application of Funds :</b>	
Net Fixed Assets	13,342
Investment	375
Net Current Assets	88,953
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

**4. Performance of Company : (Rs. in thousand)**

Turnover (including other income)	2,72,979
Total Expenditure	2,72,121
Profit/(Loss) before Tax	858
Profit/(Loss) after Tax	1,567
Earning per Share (Rs.)	0.42
Dividend Rate	NIL

**5. Generic Names of Principal Products, Services of the Company :**

Item Code No.	52.05
Product Description	Cotton Yarn

As per our report of even date

**For LODHA & CO.**

Chartered Accountants

**H. S. JHA**

Partner

Place : Kolkata

Dated : the 31st day of May, 2010.

For and on behalf of the Board  
**R. K. PATODIA**, Managing Director

**SHEELA PATODIA**, Director

**S. R. SARAF**, Director

**B. C. CHATTERJI**, Company Secretary

**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31st MARCH, 2010**

**CASH FLOW STATEMENT**

Year ended 31st March, 2010  
(Rs. in thousand)

**A. CASH FLOW FROM OPERATING ACTIVITIES**

Net Profit/(Loss) before Tax	858	(5,512.00)
Adjustments for:		
Depreciation	1,567	1,567.00
Provision for doubtful debts	10.00	1,295.00
Provision for doubtful investments	126.00	1,700
Provision for doubtful other assets	10.00	441.00
Provision for doubtful other liabilities	10.00	(4,710.00)
Provision for doubtful other assets	(2,546.00)	(10.00)
Provision for doubtful other liabilities	(60.00)	(10.00)
Surplus Balance - Yarns (2009-10)	5,324.00	3,078.00
Operating Profit before working Capital Changes	7,162.00	10,648.00
Adjustment for:		
Provision for doubtful debts	(1,731.00)	7,383.00
Provision for doubtful investments	(13,412.00)	(19,342.00)
Provision for doubtful other assets	(8,483.00)	18,211.00
Provision for doubtful other liabilities	3,454.00	(29,472.00)
Provision for doubtful other assets	(12,590.00)	(12,590.00)
Provision for doubtful other liabilities		8,820.00

**B. CASH FLOW FROM INVESTING ACTIVITIES**

Dividend Income	50.00	310.00
Net Cash from Investing Activities	(12,940.00)	9,150.00

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Dividend Income	(5,099.00)	(5,911.00)
Share of Fixed Assets	667.00	1,461.00
Share of Investment	116,020.00	8,345.00
Share of Investment	(115,726.00)	(5,812.00)
Share of Investment	11,318.00	(2,511.00)
Share of Investment	2,815.00	3,278.00
Share of Investment	69.00	16.00
Share of Investment	9,884.00	(1,135.00)
Share of Investment	9,884.00	(1,135.00)

**YARN SYNDICATE LIMITED – ANNUAL REPORT 2009-10**

**CASH FLOW STATEMENT (Contd.)**

<b>Year ended</b>	<b>Year ended</b>
<b>31st March, 2010</b>	<b>31st March, 2009</b>
(Rs. in thousand)	(Rs. in thousand)

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Net Increase/Decrease in Secured Borrowing	11,937.00	(1,366.00)	
Net Increase/Decrease in Unsecured Borrowing	2,033.00	(983.00)	
Dividend Paid	-	-	
Interest Paid	(5,603.00)	8,367.00	(5,599.00)
Net Cash from Financing Activities (C)	8,367.00	(7,948.00)	(7,948.00)
Net Increase in Cash & Cash equivalents (A+B+C)	5,311.00	47.00	
Cash & Cash equivalents as at opening	5,763.00	5,716.00	
Cash & Cash equivalents as at closing	11,074.00	5,763.00	

**Notes :**

- 1) The above Cash Flow Statement has been compiled/prepared based on the audited accounts of the Company under the "Indirect Method" as set out in Accounting Standard 3 on Cash Flow Statements.
- 2) Previous Years figures have been regrouped/rearranged wherever necessary.

As per our report of even date

**For LODHA & CO.**

Chartered Accountants

**H. S. JHA**

Partner

Place : Kolkata

Dated : the 31st day of May, 2010.

For and on behalf of the Board

**R. K. PATODIA**, Managing Director

**SHEELA PATODIA**, Director

**S. R. SARAF**, Director

**B. C. CHATTERJI**, Company Secretary

**PROXY FORM**

**YARN SYNDICATE LIMITED**

REGD. OFF. 23, CIRCUS AVENUE, KOLKATA - 700 017

I/We

of ..... holding a

MEMBER/MEMBERS of the above-named Company, hereby appoint

..... of

..... or failing him

..... of

..... as my/our proxy to

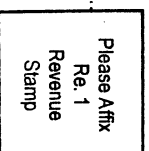
attend and vote for me/us and on my/our behalf at the 64th Annual General Meeting of the

Company to be held at Hotel Akash Deep, 48, Circus Avenue, Kolkata - 700 017 on

Friday, the 24th day of September, 2010, at 10.00 a.m. and/or at any adjournment thereof

signed this ..... day of ..... 2010

Signature .....



Regd. Folio No.

Note : The Proxy should be deposited at Registered Office of the Company not less than 48 hours before the time for holding the above Meeting

**ATTENDANCE SLIP**

**YARN SYNDICATE LIMITED**

REGD. OFF. 23, CIRCUS AVENUE, KOLKATA - 700 017

Full Name of Shareholder / Proxy .....

I hereby record my presence at the 64th Annual General Meeting of the Company held at Hotel Akash Deep, 48, Circus Avenue, Kolkata - 700 017 on Friday, the 24th day of September, 2010 at 10.00 a.m.

Registered Folio No. :

No. of Shares held :

Signature of Shareholder/Proxy .....

Note : This attendance slip duly filled in and signed must be handed over at the entrance of the Meeting Hall.