



**ANNUAL REPORT  
2010-11**

**SEL Manufacturing Company Ltd.**

# **BOARD OF DIRECTORS**

Sh. Ram Saran Saluja  
Sh. Neeraj Saluja  
Sh. Dhiraj Saluja  
Sh. Vinod K. Goyal  
Sh. Navneet Gupta  
Sh. Sanjiv Garg  
Sh. Amar Narang  
Sh. Ashwani Kumar  
Sh. Ranjan Madaan  
Sh. Prem Kumar

Chairman  
Managing Director  
Whole time Director  
Executive Director & CEO  
Executive Director & CFO

## **AUDITORS**

Dass Khanna & Co.  
Chartered Accountants,  
B-XX-2815, Gurdev Nagar,  
Pakhawal Road, Ludhiana 141 001

## **REGISTERED OFFICE**

274, G. T. Road, Dhandari Khurd,  
Ludhiana (Pb.) 141 010 (India)

## **REGISTRAR & TRANSFER AGENT**

Link Intime India Pvt. Ltd.  
(Formerly Intime Spectrum Registry Ltd.)  
A-40, 2<sup>nd</sup> Floor, Naraina Industrial Area,  
Phase-II, Near Batra Banquet Hall  
New Delhi 110 028  
Phone No: 011- 41410592, 93, 94  
Fax no: 011- 41410591  
E-mail delhi@linkintime.co.in

## **COMPANY SECRETARY**

Sh. Rahul Kapoor

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# Chairman's Message

Dear Shareholders,

It gives me great pleasure to share with you the highlights of the Company's performances in the last year. Let me, at the outset, sincerely thank each one of you for your unstinted support and cooperation without which your company would not have been able to surmount the difficulties. For SEL, the main challenges were to stay immune to the external pressure in the business environment and continue the growth process. SEL had to confront with these challenges with mixed results.

The implementation work of the Company's new Spinning Unit in the State of Madhya Pradesh is on full swing. Part of the first phase of the said project is already operational and with the support and whole hearted efforts of all the team members of SEL, we plan to commission the whole project by the end of financial year 2011-12 itself.

The net profit for the year (consolidated) was Rs. 112.48 crore that worked out to 56.44 % growth YOY. Good growth in net profit brought in reasonable improvement in profitability as evident from a Return on Assets (RoA). In keeping with our group ethos, we remain committed to maintaining the standards of corporate governance and would continue to work in a transparent and professional manner to create value for all our stakeholders. We believe in the idea of sustainable development through conservation of natural resources, economic and social development and environmental protection. We make every effort to ensure that our projects are based on efficient and environment friendly technologies. This strategy gives us a long term competitive edge over our other peers in the sector.

Your Company has always been a growth hungry organization and our ability to seek out adjacent opportunities remains constant. Through the past fiscal we have continued to invest in opportunities that are synergistic to our long term vision. At SEL we believe that a strong culture is the bulwark of the organization. Be it strengthening the present management, the senior leadership group or endorsing the second line the leadership group, the culture of empowerment is a visible and encouraged outcome.

I have maintained that to build a strong business we need to make our employees own the business whether in the form of a belief in the value of SEL. I am sure, you would realize that our balance sheet growth was both in quantitative and qualitative terms- indicating the measure of our progress in fundamentals.

Support system play a vital role in realizing various goals and as such, we continued to accord emphasis on basic aspect like unit expansion, technology up-gradation, human resources development. At SEL, we are satisfied with our role in the industry and our ability to come through stronger.

I must express my profound gratitude to all of the shareholders, for the steadfast confidence you have reposed in the Company. At the end, I strongly believe that your continued support and our collective endeavors will enable the SEL to scale new peaks of excellence in the current year as well.

With best wishes  
Ram Saran Safuja  
Chairman



## NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of the Company will be held on Tuesday, the 5th day of July, 2011 at 9.00 A.M. at the Registered office of the Company situated at 274, G.T. Road, Dhandari Khurd, Ludhiana (Punjab) 141010 to transact the following business(es):

### AS ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet for the financial year ended 31st March, 2011 and the Profit & Loss Account for the financial year ended on that date together with the report of Directors & Auditors thereon.
2. To appoint a Director in place of Mr. Dhiraj Saluja who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjiv Garg, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ranjan Madaan, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

The Auditors M/s Dass Khanna & Company, Chartered Accountants, Ludhiana, the Statutory Auditors of the Company whose term is ending at the conclusion of the forthcoming Annual General Meeting are eligible for re-appointment.

6. To consider and approve appointment of Branch Auditors.  
To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the Board of Directors of the Company be and is hereby authorized to appoint as Branch Auditor(s) of any branch office(s) of the Company, present and future, in India or abroad, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor(s) within the provisions of Section 228 of the Act and all other applicable provisions and to fix their remuneration.

### AS SPECIAL BUSINESS:-

7. **TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:**

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the rules framed there under, and as approved by the Remuneration Committee of the Board and subject to such other modification(s), amendment(s), alteration(s) as may be required by any letters etc., the consent of the Company be and is hereby accorded for the re-appointment of Sh. Navneet Gupta, as the Executive Director of the Company for a further period of three years w.e.f. 08.05.2011 on a consolidated amount of Salary of Rs. 1,25,000/- per month

RESOLVED FURTHER THAT he will be entitled to free use of Company's car for business purpose and of free use of telephone, at office and at residence, for business purposes of the Company.

RESOLVED FURTHER THAT The Board of Directors of the Company be and are hereby authorized to further increase the above said remuneration within the limits prescribed under the Companies Act, 1956 and the guidelines issued in this behalf by the Central Government from time to time, without referring the matter again for the approval of the members of the Company.

RESOLVED FURTHER THAT in case in any Financial year, the company has no profits or its profits are inadequate, the Company will pay the above remuneration as minimum remuneration to the Executive Director subject to compliance of Schedule XIII of the Companies Act, 1956 and other applicable provisions, and the rules framed there under as amended from time to time.

RESOLVED FURTHER THAT The Board of Directors of the Company be and are hereby authorized to execute all such documents, instruments, and writings, if any, and further to do all such acts, deeds or things as may be deemed necessary to give effect to the above said resolution.



**8. 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, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s), or re-enactment(s) thereof for the time being in force), the Foreign Exchange Management Act, (FEMA), and in accordance with the Guidelines, Rules and Regulations of the Securities and Exchange Board of India ("SEBI"), including the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, the Reserve Bank of India, and the Government of India (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force) and the enabling provisions of the Memorandum and Articles of Association of the Company, the listing agreement entered into by the Company with the Stock Exchanges where the equity shares of the Company are listed and subject to such terms, conditions and modifications as may be considered appropriate and approved by the Board of Directors of the Company (hereinafter referred to as "the Board" which expressions shall include any committee thereof for time being constituted/to be constituted to which all or any of the power conferred on the Board by this Resolution, may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof, or modification to the terms contained therein), if any, required by the appropriate authorities, including those of the Ministry of Commerce, Ministry of Finance, Ministry of Company Affairs, Secretarial for Industrial Assistance, Foreign Investment Promotion Board, etc., as may be required and such terms and conditions, if any, as may be prescribed while granting such consents, approvals, permissions and sanctions, which may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board of Directors to create, offer, issue and allot upto 1,85,00,000 Equity warrants convertible into 1,85,00,000 Equity Shares on Preferential basis having face value of Rs.10/- each (where each such Equity warrant being exercisable, at the option of the holder being allotted one fully paid up equity share of Rs.10/- each) at such price including premium, being a price not less than the price, calculated in accordance with SEBI Guidelines for Preferential issue (Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and which can be convertible, in such number of options exercised by the holder of such Equity warrants, in one or more lots, at the option of the holder of such Equity warrants, into equity shares within a period not exceeding eighteen months (18 months) from the date of issue of Equity warrants in accordance with SEBI (Issue of Capital And Disclosure Requirements)

Regulations, 2009 to the following allottee(s) as detailed herein below:

S.No	Name of the Allottee	Category	Maximum No. of equity warrants to be allotted
1.	Mr. Ram Saran Saluja	Promoter	2283805
2.	Mr. Neeraj Saluja	Promoter	4795640
3.	Mrs. Sneha Lata	Promoter	3699315
4.	Mrs. Ritu Saluja	Promoter	3020305
5.	Mr. Dhiraj Saluja	Promoter	2341835
6.	Mrs. Reema Saluja	Promoter	2359100

RESOLVED FURTHER THAT the equity shares to be issued on conversion of the warrants shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the above mentioned equity warrants upon conversion on the stock exchanges where the company's shares are listed, as per the terms and conditions of the listing and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the "Relevant Date" as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as applicable from time to time for the determination of applicable price for issue of Equity warrants is "5th June, 2011" being the date 30 days prior to the date of Annual General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of warrants in accordance with the terms of the offer.

RESOLVED FURTHER THAT the Board is hereby authorized to accept such terms and conditions as the SEBI and/or Stock Exchange(s) may stipulate in that behalf.

RESOLVED FURTHER THAT the Board be and is hereby authorized to decide and approve the other terms and conditions of the aforesaid Preferential Issue and shall be entitled to vary, modify or alter any of the terms and conditions, as it may deem expedient, including reduction of the size of the issue, as the Board of the Company may deem expedient, without being required to seek any further consent or approval from the Company in a general meeting.

RESOLVED FURTHER THAT for giving effect to this resolution, the Board be and is hereby authorized to take such steps and to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, proper or incidental to this resolution



and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the issue and allotment of warrants/shares and to enter into any agreements or other instruments, and to take such actions or give such directions as it may consider as being necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Director or any director(s) or Officer(s) of the Company to give effect to this resolution.

**9. 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 149(2A) of the Companies Act, 1956 and all other applicable provisions, if any, the consent and authority of the Members of the Company be and is hereby given to the Board of Directors or its Committee to which the Board may delegate all or any of its power(s) to commence all or any of the business(es) as mentioned under the sub-clause no. 18, 25 and 34 of Clause III-C "other Objects" clause of the Memorandum of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board of Directors or its Committee to which the Board may delegate all or any of its power(s), or any officer(s) authorized by it, be and is hereby authorized to agree to make and accept all such conditions, modifications and alterations stipulated by any relevant authorities while according approvals or consents to the commencement of new business, as may be required/ considered necessary, proper or expedient and, to take all actions and/or steps as may be necessary, desirable or expedient, and, to resolve and settle all questions and difficulties that may arise in the proposed commencement of new business, and, to do all acts, deeds, matters and things which are incidental and consequential as the Board of Directors or its Committee or any officer(s) authorize by its absolute discretion deem necessary or desirable for such purpose(s), to give effect to this Resolution.

**10. 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 Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory

modification(s) or re-enactment(s) thereof for the time being in force), the existing Authorised Share Capital of the Company be and is hereby increased from Rs. 250,00,00,000/- (Rs. Two Hundred Fifty Crores) only divided into 25,00,00,000 (Twenty Five Crore) Equity Shares of Rs.10/- (Rs. Ten) each to Rs. 400,00,00,000/- (Rs. Four Hundred Crores) only divided into 40,00,00,000 (Forty Crore) Equity Shares of Rs.10/- (Rs. Ten) each by creation of further 15,00,00,000 (Fifteen Crore) Equity shares of Rs.10 (Rs. Ten) each aggregating Rs. 150,00,00,000/- (Rs. One Hundred Fifty Crore) ranking pari passu with the existing equity shares of the company in all respects.

RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

'V' The Authorised Share Capital of the Company is Rs. 400,00,00,000/- (Rs. Four Hundred Crore only) divided into 40,00,00,000 (Forty Crore) Equity Shares of Rs.10/- (Rs. Ten) each.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as it may in its absolute discretion, deem fit to give effect to this resolution.

**11. 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 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof, for the time being in force), subject to all applicable laws and in accordance with all relevant provisions of the Memorandum and Articles of Association of the Company, issue of Foreign Currency convertible Bonds and Ordinary shares (through Depository Receipt Mechanism) Scheme, 1993 and the listing agreements entered into by the Company with the Stock Exchanges where the Company's shares are listed and subject to any necessary guidelines, regulations, approval, consent, permission and/or sanction of the Central Government, Reserve Bank of India, Ministry of Finance, Securities and Exchange Board of India (SEBI), Foreign Exchange Management Act (FEMA), Foreign Investment Promotion Board (FIPB) and/ or any other authorities, including banks, financial institutions etc., (hereinafter referred to as "the



appropriate authorities"), and subject to such conditions/modifications as may be prescribed by any of them while granting any such approval(s), consent(s), permission(s) or sanction(s) (hereinafter referred to as "the requisite approvals") and which may be agreed to by the Board of Directors of the company (hereinafter referred to as the "Board") which term shall be deemed to include any duly authorized committee thereof constituted or which the Board may hereinafter constitute, to exercise its powers including the power conferred by this resolution, the Board be and is hereby authorized to create, offer, issue and allot, in the course of, domestic and/or international offering(s) in one or more foreign markets, equity shares/securities, other financial instruments, including Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) convertible into equity shares, Foreign Currency Convertible Bonds (FCCBs), with or without green shoe option, or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants etc. convertible into equity shares, whether optionally or otherwise or any combination thereof (hereinafter referred to as 'Securities') to such investors including domestic/foreign investors, institutions, financial institutions and/or corporate bodies, mutual funds, banks, insurance companies, foreign institutional investors, trusts, Mutual Funds, Venture Capital Funds, Non-Resident Indians and/or individuals or otherwise, to Qualified Institutional Buyers ("QIBs") under Qualified Institutional Placement ("QIP") under Chapter VIII of the SEBI ICDR Regulations or a combination of the foregoing, whether or not such persons/entities/investors are members of the company, as the Board may, in its sole discretion deem appropriate, by way of circulation of an offering circular or prospectus or by way of public issue, rights offering, private placement/ Institutional placement, memorandum or any offering memorandum and/or any other permitted nature of offering, with or without an over-allotment option, or a combination thereof, upto an aggregate amount not exceeding Rs. 1500.00 Crores (Rs. One Thousand Five Hundred Crores) only or any equivalent thereof in foreign currency, (inclusive of such premium as may be determined by the Board and as permitted by the prescribed authorities etc.) to be subscribed in Indian and/or foreign currency(ies). Such issue(s) and allotment(s) shall be made at such time or times in one or more tranche or tranches, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions as may be decided and deemed appropriate by the Board at the time of such issue or allotment considering the prevalent market conditions and other applicable laws/factors in this regard.

RESOLVED FURTHER THAT in case of allotment of Securities by way of Qualified Institutional Placement (QIP) as per the provisions of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, the relevant date for the determination of applicable price for the issue of the Securities means the date of the meeting in which the Board of the Company or the Committee of Directors decides to open the proposed issue or such date, if any, as may be notified by SEBI or the RBI or any appropriate authority from time to time.

RESOLVED FURTHER THAT without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of Securities may have all or any terms or combination of terms in accordance with international practices including but not limited to conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debts service payments whatsoever and all such terms/matters as are provided in offering of this nature, including terms for issue of additional equity shares or variation of the conversion price of the Securities during the duration of the Securities and the Board is also entitled to enter into and execute all such arrangements/agreements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like, and also to seek the listing of any or all such Securities or securities representing the same in one or more Stock Exchanges including International Stock Exchanges, wherever permissible.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by applicable laws.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorized by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations and under the forms and practices prevalent in the securities markets.

RESOLVED FURTHER THAT the Board or any committee thereof be and is hereby authorized to issue and allot such number of equity shares as may be required to be



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issued and allotted upon conversion of any Securities referred to herein above or as may be necessary in accordance with the terms of the offering, all such shares shall rank pari-passu with the existing shares of the Company in all respects, excepting such right as to dividend as may be provided under the terms of the issue and in the Offer Document.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described herein above, the Board or any committee thereof be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into underwriting, marketing, listing and depository arrangement and institution/trustees/agents and similar agreements.

RESOLVED FURTHER THAT for the aforesaid purpose, the Board be and is hereby authorized to settle any question(s), difficulty(ies) or doubt(s) that may arise in regard to the offer, issue or allotment of Securities and utilization of the issue proceeds including but without limitation to the creation of such mortgage/charges under Section 293(1)(a) of the Companies Act, 1956 in respect of the aforesaid Securities either on pari passu basis or otherwise as the Board may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such a manner as the Board may deem fit and as is permissible by applicable law.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Director or any director(s) or Officer(s) of the Company to give effect to this resolution and matters flowing from, connected with and incidental to any of the matters mentioned in the aforesaid resolution, the Board be and is hereby authorized on behalf of the Company to take all actions and to resolve and settle all questions and difficulties that may arise in the proposed issue/offer. Allotment and conversion of any of the aforesaid Securities, utilization of the issue proceeds and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed

to have given their approval thereto expressly by the authority of this resolution.

**12. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:**

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the rules framed there under and subject to such other modification(s), amendment(s), alteration(s) as may be required by any letters etc., the consent of the Company be and is hereby accorded for the change of designation of Sh. Dhiraj Saluja from whole time Director to Joint Managing Director of the Company w.e.f. 20.05.2011.

All other terms & conditions regarding his appointment would remain the same.

**13. TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:**

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the rules framed there under, and as approved by the Remuneration Committee of the Board and subject to such other modification(s), amendment(s), alteration(s) as may be required by any letters etc., and in partial modification of the earlier Resolution passed in the 9th Annual General Meeting held on 26.08.2009, the consent of the Company be and is hereby accorded for the increase in consolidated amount of Salary to Sh Neeraj Saluja as the Managing Director of the Company to Rs.7,50,000 per month w.e.f. 01.06.2011.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unchanged.

RESOLVED FURTHER THAT The Board of Directors of the Company be and are hereby authorized to execute all such documents, instruments, and writings, if any, and further to do all such acts, deeds or things as may be deemed necessary to give effect to the above said resolution.

**By Order of the Board,  
For SEL MANUFACTURING COMPANY LTD.**

**PLACE : LUDHIANA  
DATED : 19.05.2011**

**(RAHUL KAPOOR)  
COMPANY SECRETARY**





NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ENCLOSED.**

**PROXIES IN ORDER TO BE MADE EFFECTIVE, MUST BE DEPOSITED WITH THE COMPANY DULY EXECUTED NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF ANNUAL GENERAL MEETING AT THE REGISTERED OFFICE OF THE COMPANY.**

2. Members are requested to send their queries on the accounts, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have relevant information ready at the meeting.
3. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in Respect of Item(s) of Special Business is annexed hereto and forms part of the Notice.
5. The Register of members and Share Transfer books shall remain closed from July 1, 2011 to July 5, 2011 (both days inclusive).
6. The information required to be provided under the Listing Agreement entered into by the Company with the Stock Exchanges regarding the Director who is proposed to be appointed/re-appointed is given in the annexure to the Notice.
7. The Explanatory Statement for Item(s) No. 7, 12 and 13 together with the accompanying notice may also be regarded as an abstract of the terms of re-appointment of Mr. Navneet Gupta as Executive Director of the Company and Memorandum of Interest of Directors u/s 302 of the Companies Act, 1956 and as an abstract of the terms of change of designation of Mr. Dhiraj Saluja to Joint Managing Director of the Company and Memorandum of Interest of Directors u/s 302 of the Companies Act, 1956. and as an abstract of the terms of increase in remuneration of Mr. Neeraj Saluja, Managing Director of the Company and Memorandum of Interest of Directors u/s 302 of the Companies Act, 1956.

8. Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date they became due for payment shall be transferred to Investor Education and Protection Fund ("Fund").

Members who have not encashed their dividend for the financial year ended March 31, 2008, are requested to make their claims to the Registrar/Company. It may be noted that once the unclaimed/unpaid dividend is transferred to the credit of the said Fund, no claim shall lie in respect thereof.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS:**

**FOR ITEM NO.7:**

The Board of Directors of your Company have re-appointed Mr. Navneet Gupta as the Executive Director of the Company for a further period of three years w.e.f. 08.05.2011 subject to the confirmation of his re-appointment and remuneration by the members of the Company. The remuneration proposed to be paid to Executive Director has been approved by the Remuneration Committee of the Board and the resolution is put for your approval in this meeting. Mr. Navneet Gupta, Executive Director of the Company is responsible for all the finance related activities of the company.

As per the provisions of the Companies Act, 1956 under Schedule XIII and Rules framed there under, confirmation of the members of the Company is required for the appointment/reappointment as such of a managerial person. Hence the proposed resolution is recommended for your consideration and approval.

**Memorandum of Interest**

None of the Directors except Mr. Navneet Gupta, being the appointee is, in any way, interested or concerned in the proposed resolution.

**FOR ITEM NO.8:**

Pursuant to the provisions of Section 81(1A) and other applicable provisions of The Companies Act, 1956, and in terms of the provisions of the Listing Agreements executed by the company with the stock exchanges where the Company's shares are listed, approval of the shareholders in the General Meeting is required for issue and allotment of warrants which are convertible into equity shares, on preferential basis and hence the resolution is placed before the shareholders.



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The Company proposes to issue and allot upto 1,85,00,000 convertible warrants (each such equity warrant carrying a right to apply for one equity share of Rs.10/- each of the Company in exchange of the said equity warrants) at such price as may be calculated in accordance with Chapter VII of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 to the Promoters for cash consideration on preferential basis subject to necessary approval of RBI/FIPB etc., wherever required, and other Government/statutory approvals, if any.

The following information is provided in accordance with the "Guidelines for Preferential Issue" contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 ("the Guidelines").

The object(s) of the issue:

The Company intends to raise the funds to meet the following requirements:

- Expansion of Manufacturing facilities and new projects viz. Spinning, Knitting, Dyeing, Garments, and Terry Towels etc.
- Expansion of Global operations and Market Reach..
- Augmentation of working capital.
- Mergers and Acquisitions (M&A) integration and growth activities
- Acquisition of new unit(s) in India and abroad.

### Pricing:

The issue price of warrants on preferential basis shall be at such price including premium, being a price not less than the

price, calculated in accordance with SEBI Guidelines for Preferential issue (Chapter VII of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2009.

"Relevant Date" as per the SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009 as applicable from time to time for the determination of applicable price for issue of Equity warrants is 5th June, 2011.

### Payment & Conversion Terms:

An amount equal to 25% of the value of the warrants is to be paid together with application. The balance is payable at the time of conversion. In case the option is not exercised within a period of 18 months from the date of issue of warrants, the application money will be forfeited by the Company. The warrants are converted at the option of the allottee(s), in such number of options exercised by the holder of such Equity warrants, in one or more lots, at the option of the holder of such Equity warrants, into equity shares at any time, within a period, not exceeding eighteen months (18 months) from the date of issue of Equity warrants in accordance with SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009.

Intention of the Promoters/Directors/key Management persons to subscribe to the offer:

The select Promoters of the Company namely Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mrs. Sneha Lata, Mrs. Ritu Saluja, Mr. Dhiraj Saluja and Mrs. Reema Saluja intend to subscribe to the offer. However, none of the other Directors or Management personnel intend to subscribe to any shares in the Preferential offer of Equity warrants.

Shareholding pattern before and after considering the exercise of option in full against warrants proposed to be issued on preferential basis as per resolution:

Category code	Category of Shareholder	Pre-Issue:		Post Issue: (After conversion of warrants proposed to be issued on preferential basis as per resolution.)	
		No. of shares	% of Holding	No. of shares	% of Holding
(A)	Shareholding of Promoter and Promoter Group				
1	Indian				
(a)	Individuals/Hindu Undivided Family	15729044	15.83	34229044	29.05
	Total Shareholding of Promoter and Promoter Group	15729044	15.83	34229044	29.05*
(B)	Public Shareholding				
1	Institutions				
(a)	Financial Institutions/Banks	613865	0.62	613865	0.52
(b)	Foreign Institutional Investors	100000	0.10	100000	0.08
2	Non-Institutions				
(a)	Bodies Corporate	26624602	26.80	26624602	22.59
(b)	Individuals				
	Individuals-I Individual shareholders holding nominal share capital up to Rs. 1 lakh	38341506	38.59	38341506	32.53
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	14047317	14.14	14047317	11.92
	Others	3890666	3.92	3890666	3.31
	Total (B)	83617956	84.17	83617956	70.95
	Total (A) + (B)	99347000	100	117847000	100

\* to be converted in compliance with SEBI (SAST) Regulations, 1997



## SEL Manufacturing Company Ltd.

The Promoters shall convert the aforesaid warrants only in compliance with SEBI (SAST) Regulations, 1997. In case the allottees of said warrants exercise their right to acquire Equity Shares of the Company only in part or does not exercise their said right at all, then the paid-up Equity Capital of the Company and the shareholding pattern given above will change accordingly.

In the above table, the shareholding pattern (post-Issue) has been calculated on the basis of assumption of full conversion of all convertible warrants to be issued/allotted to the proposed allottees.

It is further assumed that other non-promoter holdings will remain unchanged.

The aforementioned shareholding pattern may change from time to time depending upon the transfer of shares by the existing shareholders and further issue of capital by the Company either by issue of further shares under ESOP schemes or otherwise.

Proposed time within which the allotment shall be completed:

The Allotment shall be completed within 15 days from the date of passing of the resolution, or 15 days from the date of approval of any regulatory authority or Central Government, if applicable, whichever is later.

The identity of the proposed Allottees and the percentage of the post preferential issue capital that may be held by them is given as under:

Sr. No.	Name of the allottees	Category	Pre-Issue	% to total	Post Issue	Post Issue: (After conversion of warrants proposed to be issued on preferential basis as per resolution). % to total equity
1.	Mr. Ram Saran Saluja	Promoter	3421035	3.44	5704840	4.84
2.	Mr. Neeraj Saluja	Promoter	909200	0.92	5704840	4.84
3.	Mrs. Sneh Lata	Promoter	2005525	2.02	5704840	4.84
4.	Mrs. Ritu Saluja	Promoter	2684536	2.70	5704841	4.84
5.	Mr. Dhiraj Saluja	Promoter	3363006	3.38	5704841	4.84
6.	Mrs. Reema Saluja	Promoter	3345742	3.37	5704842	4.84

### Auditor's Certificate:

A copy of the certificate of statutory Auditors of the company certifying that the issue of Equity Shares is being made in accordance with the requirement of SEBI's Guidelines for Preferential Issue as contained in the SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009 shall be placed before the shareholders at the Annual General Meeting.

### Lock-In:

The convertible warrants to be allotted on preferential basis and the shares allotted upon conversion thereof shall be subject to lock-in as per applicable SEBI guidelines in this behalf.

### Change in Management:

The issue of Equity warrants/shares will not result in any change in management or control of the Company. However there will be corresponding changes in the shareholding pattern as well as voting rights consequent to preferential allotment upon conversion into shares.

The consent of the members is being sought under Section 81(1A) of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, if any, and in terms of the provisions of the Listing Agreements executed by the Company with the Stock Exchanges where the company's shares are listed.

### Memorandum of Interest

None of the Directors except Mr. Ram Saran Saluja, Mr. Neeraj Saluja and Mr. Dhiraj Saluja, the subscribers are interested in the proposed resolution.

### FOR ITEM NO.9:

Keeping in view the potential of dealing in products related to building material(s), steel etc., the Board of Directors of your Company propose to undertake these business(es) either itself or through acquisition, subsidiaries etc. The proposed business activity(ies) are covered under Clause Nos. 18, 25 and 34 of "Other Objects" of the Objects Clause of the Memorandum of Association of the Company which are laid down as under;

- 18) To carry on the business of manufacture of or dealers in all types of glass products, including sheets and plate, glass/optical, glass wool and laboratory ware.
- 25) To carry on the business as manufactures and dealers in plywood, hardwood, blocks for flooring and other purposes, windows, doors, wood pulp, wood wool, masts, spares, derricks, sleepers, tool handles, panelling wood-work, furniture and articles of all description wholly or partly made from wood, bricks, cement or stone and to establish saw mills and to act as timber and lumber merchants.
- 34) To carry on the business of manufacturing, processing, re-processing, altering, re-rolling, melting, forging, grading, machining, mining, converting, preparing, formulating, dealing, buying, storing, importing, exporting of all kinds and varieties of ferrous and non-ferrous steel, special



## **SEL Manufacturing Company Ltd.**

steel, stainless steel, carbon steel, mild steel, carbon iron steel, iron store ore, galvanized products, tin products, ferrous and non-ferrous metals, high carbon and low carbon alloys, and raw metals, pig iron, sponge iron and to manufacture, design, deal in all kind of steel wires, copper, wire, cables, tubes pipes and bolts, eldrops, tower bolts, roofing nails, pad bolts, door shutters, nuts, karais, gate channels, sanitary fittings, wire, wire knitting, wire ropes, hardware fitting of all kinds, cuttings and hand tools and wires of all ferrous and non-ferrous metal and their components, iron and steel makers, iron masters, steel founders, machine tools or parts and equipments engineering goods and machinery fixtures founders and manufacture of ferro manganese, colliery proprietors and coke manufacturers.

The said new business and activities would be commenced at such time or times as the Board may deem fit in the interest of the company and subject to all applicable laws, rules, regulations and guidelines governing these activities. It is proposed to seek approval of shareholders to undertake the said business activities. In terms of Section 149(2A) of the Companies Act, 1956, the commencement of the business stipulated in clauses covered under the head "Other Objects" of the Objects Clause of the Memorandum of Association of the Company require Shareholders' approval by way of Special Resolution. As such your Directors commend the resolution for your approval as a Special Resolution.

### **Memorandum of Interest**

None of the Directors is, in any way, interested or concerned in the proposed resolutions.

### **FOR ITEM NO.10:**

The present Authorised Share Capital of the Company is Rs. 250,00,00,000/- (Rs. Two Hundred Fifty Crores) only divided into 25,00,00,000 (Twenty Five Crore) Equity Shares of Rs.10/- (Rs. Ten) each. In order to meet out the financial requirements of the expansion plans of the company and to strengthen its financial position and in order to accommodate the issue of convertible securities/warrants convertible into shares under resolution(s) proposed in the aforesaid notice and in order to further increase in the capital of the company from time to time, as may be required, it is proposed that the Authorised Share Capital of the company be increased to Rs. 400,00,00,000/- (Rs. Four Hundred Crores) only divided into 40,00,00,000 (Forty Crore) Equity Shares of Rs.10/- (Rs. Ten) each by creation of further 15,00,00,000 (Fifteen Crore) Equity shares of Rs.10 (Rs. Ten) each aggregating Rs. 150,00,00,000/- (Rs. One Hundred Fifty Crore) ranking pari passu with the existing equity shares of the company in all respects.

The increase in the Capital, as such, requires the approval of the Shareholders in the General Meeting u/s 94 of the Companies Act, 1956. Consequently, the Clause V of the Memorandum of Association is also proposed to be amended. Hence the proposed resolutions.

### **Memorandum of Interest**

None of the Directors is, in any way, interested or concerned in the proposed resolutions.

### **FOR ITEM NO.11:**

The Special Resolution contained in the Notice at Item No. 11 relates to a proposal by the Company to raise capital through issue of shares/Securities including Global Depository Receipts ("GDRs"), American Depository Receipts ("ADRs"), Foreign Currency Convertible Bonds ("FCCBs") or any such financial instrument convertible into equity shares (hereinafter referred to as "Securities") including by means of a issue of Securities to Qualified Institutional Buyers ("QIBs") under Qualified Institutional Placement ("QIP") under the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations").

The Company proposes to enhance and strengthen its equity capital base by way of infusion of further equity capital by issue of equity shares or such other security which would be later on converted into equity shares or give right to the holders of the securities to subscribe to the equity capital at a later date.

The Special Resolution also seeks to empower the Board to undertake a qualified institutional placement with qualified institutional buyers as defined under the SEBI ICDR Regulations apart from other options of private/public placements. The Board, may in its discretion adopt this mechanism, as prescribed under chapter VIII of the SEBI ICDR Regulations. The pricing of the Securities to be issued to qualified institutional buyers pursuant to chapter VIII of the SEBI ICDR Regulations shall be freely determined subject to such price not being less than the price calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. The pricing of the Securities in other mode of placements would be as per applicable statutory provisions.

With constant support from the members, the company aspires to consistently better the previous performance and accelerate the growth rate by taking on challenges on a larger plank. Such objectives could be met, through expansions, overseas acquisitions/investment whether directly or through subsidiaries/joint ventures etc.. To strengthen its business plans as well as to augment long term working capital/general corporate requirements, the company is proposing to raise



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funds by issue of securities in India and/or International market, facilitating implementation of the plans with speed and economy.

As such, in order to finance the Company's expansion plans, and to expand its market reach globally, to meet out the Capital expenditure and working capital requirements, the Company proposes to raise funds for the Company, in one or more tranches by issue of any one or more kind(s) of securities or combination thereof as detailed in the resolution at item no. 11 of the notice. The funds as raised would also improve the net worth of the Company and give greater financial strength for implementing its expansion plans.

It is accordingly proposed to obtain an enabling resolution from the Members of the Company so as to issue securities in domestic/international market(s) as contemplated in the resolution set out above at such time and on such terms, in one or more tranche or tranches, as may be decided by the Board and found to be expedient and in the interests of the Company. The proposed issue will be subject to the approval of the appropriate authorities and within the frame works of the guidelines issued by the SEBI etc. in this regard.

The pricing of the issue will be a free market pricing and may be at a premium or discount to market price in accordance with prevalent practice. Since the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of securities or shares to be issued. For reasons aforesaid, an enabling resolution is being passed to give adequate flexibility and discretion to the Board to finalise their terms. Securities issued pursuant to the offer may be listed on Domestic/International Stock Exchanges as would be applicable and may be represented by Depository Receipts or other securities.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the merchant bankers, lead managers, advisors, underwriters and other experts and in accordance with the terms of approval of the Government of India, Reserve Bank of India, and other appropriate authorities as may be required.

The proposed issue of Securities upto an aggregate amount not exceeding Rs. 1500.00 Crores (Rs. One Thousand Five Hundred Crores) only or any equivalent thereof in foreign currency, shall be made in one or more tranches. The issue price of the securities to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions and as per the applicable rules/guidelines, provisions of applicable law(s) and as per the rules/guidelines etc. issued by Securities and Exchange Board of India (SEBI) in this regard. The Securities

will be listed on such International/Indian Stock Exchanges as the Board may be advised and as may be applicable.

The said Securities may, if necessary, be secured by way of mortgage/hypothecation on the Company's assets in favor of the security holders/trustees for the holders of the said Securities.

Section 81 of the Companies Act, 1956 provides, inter alia, that where it is proposed to increase the Subscribed Share Capital of the Company by allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares as of that date unless the Shareholders decide otherwise. The listing agreements executed by the Company with the stock exchanges also provide that the Company shall issue or offer in the first instance all securities to the existing Equity shareholders of the company unless the shareholders decide otherwise.

Since, the Special Resolution proposed in the business of the Notice may result in the issue of shares of the Company otherwise than to the shareholders of the Company, as such the consent of the members is being sought under Section 81(1A) of the Companies Act, 1956 and other applicable provisions, if any, and in terms of the provisions of the Listing Agreement(s) executed by the Company with the Stock Exchange(s) where the company's shares are listed. This Special Resolution gives adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with lead managers, underwriters, legal advisors and experts and/or such other authority or authorities as need to be consulted including in relation to the pricing of the issue and powers to issue and market any securities pursuant to the offer including the power to issue such securities in tranche or tranches.

### **Memorandum of Interest**

None of the Directors is, in any way, interested or concerned in the proposed resolutions except to the extent of shares held by them in the Company.

### **FOR ITEM NO.12:**

The Board of Directors of your Company have changed the designation of Sh. Dhiraj Saluja from Whole time Director to Joint Managing Director of the Company w.e.f. 20.05.2011 subject to the confirmation of his change in designation by the members of the Company.



## **SEL Manufacturing Company Ltd.**

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The re-appointment of Mr. Dhiraj Saluja as whole time director was confirmed by the members of the Company in the 10th Annual General Meeting of the Members held on 7th day of August, 2010 for a further period of three years w.e.f. 28.05.2010. Mr. Dhiraj Saluja, Jt. Managing Director of the Company besides being responsible for the overall management of the Company along with the Managing Director, he is also in charge of overseeing marketing of yarn, garments, terry towel etc. and looks after the complete function of marketing and delivery of our Company's products to the end customer.

All other terms & conditions of his appointment would remain the same.

### **Memorandum of Interest**

None of the Directors except Mr. Ram Saran Saluja, Mr. Neeraj Saluja being relatives and Mr. Dhiraj Saluja being the appointee is, in any way, interested or concerned in the proposed resolution.

### **FOR ITEM NO.13:**

The re-appointment of Mr. Neeraj Saluja as Managing Director of the Company was confirmed by the members of the Company in the 9th Annual General Meeting of the Members held on 26th day of August, 2009 for a period of three years w.e.f. 26.05.2009 on a consolidated amount of Salary of Rs.4,00,000/- per month.

The Board of Directors of your Company have on the basis of recommendation of Remuneration Committee have passed the Resolution for increase in the consolidated amount of Salary to Sh. Neeraj Saljua, Managing Director of the Company to

Rs.7,50,000 per month w.e.f. 01.06.2011. The job responsibilities of Managing Director have considerably increased in view of increase in the volume of business and establishment of a new unit of the Company in the State of Madhya Pradesh. He is also responsible for the overall management of our Company and provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, improvement of production processes and exploring and diversifying into new ventures.

All other terms and conditions of his appointment will remain the same.

### **Memorandum of Interest**

None of the Directors except Mr. Ram Saran Saluja, Mr. Dhiraj Saluja being relatives and Mr. Neeraj Saluja being the appointee is, in any way, interested or concerned in the proposed resolution.

**By Order of the Board,  
For SEL MANUFACTURING COMPANY LTD.**

**PLACE : LUDHIANA  
DATED :19.05.2011**

**(RAHUL KAPOOR)  
COMPANY SECRETARY**



**DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN ANNUAL GENERAL MEETING SCHEDULED FOR 5<sup>th</sup> July, 2011**

Name of Director	Mr. Sanjiv Garg	Mr. Navneet Gupta	Mr. Dhiraj Saluja	Mr. Ranjan Madaan
Resume including Expertise in specific functional area	Mr. Sanjiv Garg aged 50 Years is an Independent Director on our Board. He holds a bachelors degree in Commerce. He has over 28 years of experience in the Steel and Yarn Manufacturing Sector. Mr. Garg possesses rich and varied experience in making of steel and yarn manufacturing. He has also been the past president of The North India Induction Furnace Association.	Mr. Navneet Gupta, aged 41 years is a Chartered Accountant and has a vast experience in Financial Areas and other related aspects.	Mr. Dhiraj Saluja aged 38 years is the Whole-time Director of our Company. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 15 years experience in the textile industry. Besides, being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn, garments, terry towel and looks after the complete function of marketing and delivery of our Company's products to the end customer.	Mr. Ranjan Madaan aged 35 years holds a bachelors degree in Commerce. He has over 12 Yrs experience in running industry.
List of other Companies in which Directorship held	1. Garg Furnace Ltd. 2. Raja Devi Investment and Trading Co. Pvt. Ltd. 3. Om Yarn Plus Pvt. Ltd. 4. Garg Acrylics Ltd.	1. Rythm Textile & Apparels Park Ltd. 2. SEL Textiles Ltd. 3. Silverline Corporation Ltd.	1. Shiv Narayan Investments Pvt. Ltd. 2. SEL Aviation Pvt. Ltd. 3. SEL Developers Pvt. Ltd. 4. SEL Textiles Ltd. 5. Silverline Corporation Ltd. 6. Omega Hotels Ltd.	None
Chairman/Member of the Committee of Board of Directors of other Companies	Member of Shareholder Grievance Committee: 1.Garg Furnace Ltd.	Member of Audit Committee: 1. SEL Textiles Ltd. 2. Rythm Textile & Apparels Park Ltd.	None	None
Inter-Se relationship with other Directors of the Company	Not related	Not related	Son of Mr. Ram Saran Saluja and brother of Mr. Neeraj Saluja, other Directors of the Company.	Not related
Shareholding in the Company	Nil	600	3363006	Nil



**DIRECTORS' REPORT**

To

The Members

SEL Manufacturing Company Ltd.

Your Directors have pleasure in presenting their 11th Annual Report on the affairs of the company together with Audited Accounts for the financial year ended 31st March, 2011.

**FINANCIAL RESULTS :**

	(Rs.in Lacs)	
	<b>Current Year (2010-11)</b>	<b>Previous Year (2009-10)</b>
Operating Income		
Gross Sales	<b>158327.91</b>	94221.62
Net Sales	<b>158321.55</b>	94221.62
Other Income	<b>2454.39</b>	3949.79
	<b>160775.94</b>	98171.41
Less :		
Expenditure	<b>140276.90</b>	85789.39
Provision for Depreciation	<b>5574.88</b>	3143.13
Profit before taxation	<b>14924.16</b>	9238.89
Less :		
Taxes :Current Tax	<b>2979.00</b>	1600.00
Deferred Tax	<b>2899.86</b>	987.58
Fringe Benefit Tax	—	—
MAT Credit Entit.	<b>(996.09)</b>	(39.46)
Wealth Tax	<b>2.25</b>	2.25
Profit after Tax	<b>10039.14</b>	6688.52
Balance brought forward	<b>23285.76</b>	19595.85
	<b>33324.90</b>	26284.37
Add: Previous year Tax Adjustments	<b>78.62</b>	(498.61)
Less: Transferred to General Reserve	<b>2500.00</b>	2500.00
Balance Carried over to Balance Sheet	<b>30903.52</b>	23285.76

**BUSINESS**

The Company is vertically integrated multi-product textile company, manufacturing and exporting various kinds of Knitted Garments, Terry Towels, Knitted & Processed Fabric and various kinds of Yarn with production facilities located at Ludhiana and Nawansheher in Punjab and Baddi in Himachal Pradesh and upcoming unit in the state of Madhya Pradesh.

**Our Business Strategy**

Our principal operating strategies are to:

- Foray into value added yarns like slub fancy yarn, Dyed yarns, Bamboo cotton, Organic cotton, Millanges etc.
- Expand our garment capacity to cater to more diverse export markets.
- To become an integrated player in the textile market catering in all segments from carded and combed yarn, knitting fabrics, knitted garments and terry towels.
- Reduction of operational costs.
- Invest in design and product development for setting new trends and lifestyles.
- Develop and maintain strong relationship with our clients.

We are expanding our existing capacities in yarn manufacturing and terry towels. Further, we have also set up captive Power Plant with a capacity of 22MW. The terry towel manufacturing capacities are proposed to be increased upto 25200 TPA post expansion.

The implementation work of the new Spinning Project in the state of Madhya Pradesh is on full swing which consists of the capacity of 3,26,400 spindles. Further Vertex Spinning facility with capacity of 2400 spindles and Open end Spinning with capacity of 2040 Rotors is also proposed to be set up. Further expansion of open end Spinning consisting of 4800 rotors is also proposed which would take the total open end spinning capacity (post expansion) to 9240 rotors.

**OPERATIONS**

During the year under review, your company has achieved Gross Sales to the tune of Rs. 158327.91 lacs as compared to Rs. 94221.62 lacs in the previous year. The profit before tax stood at Rs. 14924.16 lacs as compared to Rs. 9238.89 lacs during the previous year. After providing for taxes and other adjustments, the Profit after tax stood at Rs. 10039.14 lacs as compared to Rs. 6688.52 lacs during the previous year.





## **SEL Manufacturing Company Ltd.**

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### **SUBSIDIARY FIRM(S)**

The company has one Subsidiary Company namely SEL Textiles Ltd. and two subsidiary firm(s) namely M/s SE Exports and M/s Kudu Industries. The Company has its branch office at Dubai, United Arab Emirates.

The annual accounts of the subsidiary companies/firms and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time.

Further the annual accounts of the subsidiary companies are kept for inspection by any shareholders in the head office i.e. the Registered Office of the holding company and of the subsidiary companies concerned.

Your company continue to hold 99% stake each in the partnership firm(s) namely M/s SE Exports and M/s Kudu Industries. M/s SE Exports, the firm is engaged in the business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh and M/s Kudu Industries is located at Ludhiana.

The Company holds 99.75% stake in SEL Textiles Limited. SEL Textiles Ltd. is engaged in the business of textiles and the Company has two spinning unit(s) one at Neemrana (Rajasthan) and one at Hansi, Hissar (Haryana).

Further the capacities of both of the aforesaid units is being expanded as under:

- Addition of 34560 Spindles at the Unit located at Neemrana (Rajasthan). It is also proposed to add open end spinning capacity of 1440 rotors there.
- Addition of 26400 spindles at the Unit located at Hansi (Haryana)

Further a new Spinning unit is being installed under the subsidiary i.e. SEL Textiles Ltd. In the State of Punjab with the capacity of about 1,88,000 Spindles.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Financial Statements of the Company and its subsidiaries, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

### **CORPORATE GOVERNANCE**

Your Company is committed to adhere to the best Practices of governance. In your Company, prime importance is given to reliable financial information, integrity, transparency, fairness, empowerment & compliances. A separate section on Corporate Governance and a Certificate regarding compliance of conditions of Corporate Governance, forms part of the Annual Report

### **DIVIDEND**

In order to conserve resources for future growth and the expansion projects of the company the directors have not recommended any dividend for the Financial year 2010-11.

### **PREFERENTIAL ISSUE OF WARRANTS**

Out of total 66,00,000 equity warrants allotted on 18th September, 2009 on preferential basis, 57,00,000 warrants were converted in the previous financial year and the balance 9,00,000 warrants were converted into Equity shares by the holders thereof during the year.

Further during the year the Company had allotted 30,90,000 equity warrants on preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs. 10/- each at a premium of Rs. 64/- per share for every warrant held, within 18 months from the date of allotment (i.e. from 27.08.2010), in terms of SEBI (DIP) Guidelines read with SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2009. All of the aforesaid warrants were converted into Shares during the year itself.

### **FURTHER ISSUE OF SECURITIES**

During the year 2010-11, the Company has issued two series of GDRs (Global Depository Receipts). The first series being of 30,00,000 Global Depository Receipts (GDRs) issued on 04.05.2010 representing 3,00,00,000 Equity Shares of the Company at the rate of USD 15.50 per GDR. The second series being of 35,00,000 Global Depository Receipts (GDRs) issued on 09.09.2010 representing 3,50,00,000 Equity Shares of the Company at the rate of USD 10.00 per GDR. These GDRs were listed on the Luxembourg Stock Exchange. The said GDRs were cancelled/converted and there was no share outstanding in lieu of the said GDRs as on 31.03.2011.

### **FURTHER ISSUE OF SECURITIES TO RAISE FUNDS**

To augment long term resources of the Company and also for meeting the fund requirements of the existing business, current and future expansions etc., the Company proposes to pass requisite resolution in this regard to raise funds for the Company, subject to necessary approvals and applicable laws & regulations, by way of issue of equity shares/securities, in the course of domestic and/or international offering(s), in one or more foreign markets, at such time or times in one or more tranche or tranches, such Securities include Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) convertible into equity shares, Foreign Currency Convertible Bonds (FCCBs) or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants etc. convertible into equity shares, whether optionally or otherwise or any combination thereof (hereinafter referred to as 'Securities').

The Company also intends to issue convertible warrants on Preferential basis to raise funds for the Company.

The desired resolution(s) for the aforesaid purpose(s) are included in the Agenda for the ensuing Annual General Meeting for the consideration and approval of the members of the Company.

### **FIXED DEPOSITS**

During the year, your Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 and the Rules made there under.



#### **DIRECTORS**

Mr. Dhiraj Saluja, Mr. Sanjiv Garg and Mr. Ranjan Madaan, Directors' of the Company retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Navneet Gupta is to be confirmed to be re-appointed as Executive Director of the Company for a further period of three years. Further the designation of Mr. Dhiraj Saluja is to be confirmed to be as Joint Managing Director of the Company. The required resolution(s) in this regard are included in the Agenda for the ensuing Annual General Meeting for the consideration and approval of the members of the Company.

#### **LISTING WITH EXCHANGES AND LISTING FEES**

The Equity Shares of the Company are presently listed with Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Ltd. (NSE). Further the Company has paid listing fees to both the exchanges (i.e. BSE and NSE) upto financial year 2011-12.

#### **AUDITORS**

M/s Dass Khanna & Co., Chartered Accountants, Ludhiana, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

#### **AUDITORS' REPORT**

With reference to the Auditors remarks regarding Non-confirmation of debit/credit balances, the same were not confirmed by the respective parties despite the letters in this regard been sent to them.

Further pursuant to auditors remarks in their Report on consolidated Accounts regarding non-compliance with AS-15 regarding non-provision of gratuity by its subsidiary firms the Board has to say that since the employee strength of the subsidiary partnership firm(s) is small, the gratuity is provided on cash basis. Regarding Non elimination of loss on transfer (sale) of fixed assets among Inter group companies while preparing the consolidated financial statements, the said amount was very small and notional loss only which did not had any material effect on the consolidated financial statements of the Company. Further regarding Non-confirmation of debit/credit balances, the same were not confirmed by the respective parties despite the letters in this regard been sent to them.

Further the report of Auditors and notes on accounts are self explanatory and do not call for any further comments as there are no other adverse remarks by the Auditors.

#### **AUDIT COMMITTEE**

The Board has constituted its Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 and provisions of the Listing Agreement(s) of the Stock Exchange(s).

The Audit Committee of the Company presently comprises of the following members namely Mr. Ashwani Kumar, Mr. Amar Narang, Mr. Sanjiv Garg and Mr. Navneet Gupta. Sh. Ashwani Kumar is the chairman of the said committee.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information as per section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I forming part of this report.

#### **PARTICULARS OF EMPLOYEES**

Details of remuneration paid to employees, as required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 are set out in a separate statement attached hereto and marked as Annexure-II and forms part of this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors would like to assure the Members that the financial statements for the year under review conform in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on 31st March, 2011;
- Proper and sufficient care has been taken for 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;
- The annual accounts have been prepared on a going concern basis.

#### **ACKNOWLEDGEMENT**

Your Directors express their gratitude to the Company's vendors, customers, Banks, Financial Institutions, Shareholders & society at large for their understanding and support. Finally, your Directors acknowledge the dedicated services rendered by all employees of the company.

**For and on behalf of the Board  
For SEL Manufacturing Company Ltd.**

**(NEERAJ SALUJA)  
Managing Director**

**(NAVNEET GUPTA)  
Executive Director**

**PLACE : Ludhiana  
DATE : 19.05.2011**



**ANNEXURE-I TO DIRECTORS' REPORT**

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

**ADDITIONAL INFORMATION GIVEN IN TERMS OF NOTIFICATION 1029 OF 31.12.1988 ISSUED BY DEPARTMENT OF COMPANY AFFAIRS.**

**A. CONSERVATION OF ENERGY**

The company provides high priority to energy conservation schemes to conserve natural resources and is regularly taking effective steps to conserve energy wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements.

**FORM A**

(Form of disclosure of particulars with respect to conservation of Energy)

<b>1. Power &amp; fuel consumption</b>	<b>2010-11</b>	<b>2009-10</b>
<b>(a) Electricity purchased</b>		
Units (Lacs)	474.11	611.46
Total Amount (Rs.in Lacs)	2088.47	3179.14
Rate per Unit (Rs.)	4.41	5.20
<b>(b) Electricity generated from Generator</b>		
Units (Lacs)	22.39	61.35
Unit per Litre of Diesel Oil	3.64	3.58
Cost/Unit (Rs.)	10.05	8.25
<b>(c) Captive Power Plant (CPP Turbine)</b>		
Units (Lacs)	630.85	74.12
Husk per Unit (Kg)	2.18	1.28
Cost/Unit (Rs.)	5.97	5.25
<b>2. Diesel Oil</b>		
Quantity (Ltrs)	614405	1711591
Cost (Rs. in Lacs)	224.95	511.56
Avg. Rate/Ltr (Rs.)	36.61	29.88
<b>3. (A) Rice Husk used in Boiler/Turbine</b>		
Qty. consumed in MT	137689.59	9762
Amt. in Rs. (Lacs)	3360.37	302.0
Rate per MT	2440.54	3095
<b>(B) Petro Coke (MT)</b>	-	905
Amt. in Rs. (Lacs)	-	67.58
Rate Per MT	-	7472

**Consumption per unit of Production**

Product	Unit 1Kg(PSEB & DG)		Cost 1 Kg(PSEB & DG)		Rate/units(PSEB& DG)	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Knitted Cloth	0.30	0.60	1.54	4.00	5.14	5.71
Cotton yarn 100% KH & CB and all blended yarn/mly (mallange)	3.63	3.77	19.56	20.26	5.40	5.71
Terry Towel	3.41	3.48	18.48	20.02	5.41	5.71
Readymade Garment (Unit Piece)	0.15	0.11	0.85	0.96	5.54	8.75
Cotton Double Yarn	1.00	0.87	4.84	4.48	4.86	5.71



## SEL Manufacturing Company Ltd.

### B. RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION

Specific areas in which R & D activities were carried out by the company

- Quality Improvement
- Yield/Productivity Improvement
- Energy Conservation
- New Technology/Product development

#### Benefits Derived

- Better Quality; reduced wastages
- Cleaner environment
- Safer operations and improved competitiveness

#### Future Plan of Action

Management is committed to strengthen R & D activities for product development and to improve its competitiveness in the times to come.

Expenditure on R & D

- a) Capital : Nil  
b) Recurring : Nil  
Total Nil

#### Technology Absorption

The Company has not imported any technology from abroad during the last five years. However the company has been using the imported machinery. The Company has been making efforts for absorption of latest technology.

#### Benefits Derived

The Company has achieved improvement in quality and lower cost of production.

### C. FOREIGN EXCHANGE EARNINGS & OUTGO, EFFORTS AND INITIATIVES IN RELATION TO EXPORTS

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. There have been concentrated efforts to maintain and improve exports performance and to meet the need of end users.

	2010-11	(Rs. in Lacs) 2009-10
(i) Foreign Exchange earned (FOB) value of exports as per Balance Sheet	31850.85	25981.62
(ii) Foreign Exchange used		
(a) CIF value of Imports	22191.59	10230.89
(b) Expenditure on Commission	486.89	438.69

For and on behalf of the Board  
For SEL Manufacturing Company Ltd.

PLACE : Ludhiana  
DATE : 19.05.2011

(NEERAJ SALUJA)  
Managing Director

(NAVNEET GUPTA)  
Executive Director

### ANNEXURE- II TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2011:

Name	Age (Yrs.)	Designation	Gross Remn. (Rs.)	Qualification	Experience (Yrs.)	Dt.of joining	Previous Employment	No.of Shares held as on 31.03.2011
Mr. Dhiraj Saluja	38	Whole-time Director	Rs. 60,00,000	Degree in Mechanical Engineering	15 Yrs in Textile Industry	28.05.2007	SEL Mfg. Co. Ltd.	3363006 (3.38%)

- Remuneration received includes basic salary, allowances, taxable value of perquisites etc..
- The nature of employment i.e. the tenure of Appointment for Whole-time Director is for a period of 3 years.

Nature of Duties:

Mr. Dhiraj Saluja, Whole time Director of the Company besides being responsible for the overall management of the Company along with Mr. Neeraj Saluja, he is also in charge of overseeing marketing of yarn, garments, Terry towels etc. and looks after the complete function of marketing and delivery of our Company's products to the end customer.

For and on behalf of the Board  
For SEL Manufacturing Company Ltd.

PLACE : Ludhiana  
DATE : 19.05.2011

(NEERAJ SALUJA)  
Managing Director

(NAVNEET GUPTA)  
Executive Director



**CORPORATE GOVERNANCE REPORT**

Our Corporate governance practices focus on the following main principles:

To establish an effective mechanism for overseeing the affairs, keeping in view the Company's size, complexity, geographical operations and corporate tradition & culture, our framework is designed to:

- a) Enable the Board to provide strategic guidance for the Company and effective overseeing of the management;
- b) Define the respective roles and responsibilities of senior executives and officers to ensure accountability;
- c) Ensure a balance of authority such that no single individual has unfettered powers;
- d) Have a Board of proper understanding of, and competence to deal with the current and emerging issues of the business and the benefit of a variety of perspectives and skills;
- e) Have appropriate mix of executive and non-executive directors ensuring Directors' commitment and time to participate in the affairs fully;
- f) Provide timely and balanced disclosure of all material information concerning the company;

**1. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

The Management discussion and Analysis Report, is a reflection of the current state of business. It also deals with the opportunities and challenges faced by your company and outlook in future.

**(a) Industry Structure and Development**

India has been able to face the global economic downturn better than most other countries in spite of the inadequate and uneven monsoon and resultant slowdown in agriculture. Growth is expected to be better as there are clear signs of an upturn in the economy and with the forecast of a normal monsoon in the current year, the prospects for the economy will be brighter. India's textile industry has a pervasive effect on its economic life. The Indian textile industry uses a large and diverse range of fibres and yarn, however, cotton is its major input material. Therefore, cotton availability and prices are a major determinant of production efficiency and profitability of textile units.

Though the global economy seem to be coming out of the crisis, recovery may be unsteady for a while. The Continuous improvement and investment in weaving and processing will help to meet the demand of quality textiles, which will give an edge to the Indian textile industry over competitors. Upgrading technology and infrastructure is an ongoing process and, with the added support of Government bodies it should boost the Indian textile further.

Your Company is vertically integrated textile Company, manufacturing and exporting various kinds of yarns, knitted fabrics, readymade garments and terry towels etc. with production facilities located in Ludhiana and Nawan Shehar in Punjab, Baddi in Himachal Pradesh and upcoming Unit in the State of Madhya Pradesh.

During the year under review, the profitability of the Company has increased satisfactorily as compared to the previous year, mainly because of better performance of all the units of the Company.

After the completion of projects under implementation, the manufacturing capacities of the Company (standalone basis) would be as under:-

Category	Units	Present Capacities	Under Implementation	Post expansion Capacities
Ring Spinning	Spindles	149,856	3,26,400	4,76,256
Open- End Spinning	Rotors	2,400	6,840	9,240
Vertex spinning	Spindles	--	2,400	2,400
Yarn Processing	TPA	4,500	--	4,500
Knitted fabric/ cloth	TPA	7,050	--	7,050
Fabric processing	TPA	3,150	--	3,150
Terry Towel	TPA	16,200	9,000	25,200
Ready-made Garments	Mn.Pieces p.a.	8.50	--	8.50
Captive Power Plant	Megawatt	22	--	22

The Company is also setting up an Integrated Textile and Apparels Park at Village Sekhan Majra, District Nawan Shaher for which concerned SPV has received approvals from the Ministry of Textiles of Government of India sanctioning the Project under the Scheme for Integrated Textile Park (SITP).

Your company continue to hold 99% stake each in the partnership firm(s) namely M/s SE Exports and M/s Kudu Industries. M/s SE Exports, the firm is engaged in the business of manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh and M/s Kudu Industries is located at Ludhiana.

The Company holds 99.75% stake in SEL Textiles Limited. SEL Textiles Ltd. is engaged in the business of textiles and the Company has two spinning unit(s) one at Neemrana (Rajasthan) and one at Hansi, Hissar (Haryana).

Further the capacities of both of the aforesaid units is being expanded as under:

- Addition of 34560 Spindles at the Unit located (Rajasthan). It is also proposed to add open end capacity of 1440 rotors there.
- Addition of 26400 spindles at the Unit locate at Hansi (Haryana)



Further a new Spinning unit is being installed under the subsidiary i.e. SEL Textiles Ltd. In the State of Punjab with the capacity of about 1,88,000 Spindles.

**(b) Company's Performance**

During the year under review, your company has achieved Gross Sales to the tune of Rs. 158327.91 lacs as compared to Rs. 94221.62 lacs in the previous year registering a growth of 68.04% on year on year basis. The profit before tax stood at Rs. 14924.16 lacs as compared to Rs. 9238.89 lacs during the previous year, a growth of 61.54% on year on year basis. After providing for taxes and other adjustments, the Profit after tax stood at Rs. 10039.14 lacs as compared to Rs. 6688.52 lacs during the previous year, a growth of 50.09% on year on year basis.

Segment wise Performance:

A Snapshot of Segmental Sales/turnover for the current year and its comparison with the previous fiscal is tabulated below:-

Segment	2010-11 (Rs. in Lacs)	2009-10 (Rs. in Lacs)	Gro- wth (%)
Garments	25416.61	20059.96	26.70
Knitted Fabric/Cloth	61263.21	28126.06	117.81
Yarn	45942.60	33641.34	36.56
Terry Towel	12503.77	3420.59	--

During FY 2010-11, Yarn Sales grew by 36.56%. The net sales of fabric grew by 117.81% & that of garments by 26.70%. For terry towel division the comparison is not made since it commenced operations only in the recent years. The Company is functioning in only one Primary Segment i.e. Textiles, hence Segment Reporting required under AS-17 is not applicable.

**(c) Dividend**

In order to conserve resources for the ongoing and future expansion plans of the Company no dividend has been declared for the financial year 2010-11. Your directors believe in sustained increase in shareholder value, eventually resulting in a higher return threshold.

**(d) Outlook: Opportunity, Threats, Risks & Concerns**

The sharp increase in cotton prices and other input costs make it difficult for Indian exporters to compete in the international market. The strengthening of the rupee and non-availability of skilled workers also are hurdles faced by the exporters including the Company.

Our principal operating strategies are to:

We are trying to focus on cost cutting strategies, development of new markets and maintain the quality of our products to satisfy and exceed the expectations of the market and look forward to a better market sentiment for textiles.

Threats, risks and concerns

A stronger economy and brighter sentiment holds out optimism for the order flow as a general feeling of buoyancy prevails.

Our primary raw material is cotton, which we source from the domestic market. Cotton is an agricultural product and its supply and quality are subject to forces of nature. Any material shortage or interruption in the domestic supply or deterioration in the quality of cotton due to natural causes or other factors could result in increased production costs, which we may not successfully be able to pass on to customers, which in turn would have an material adverse effect on our business.

There can be no assurance that the price levels of cotton will remain favorable. Any increase in cotton prices would have a material adverse effect on our business. However, the Company has over the years developed considerable expertise in responding to the changes in prices & demand. Due to company's integration & order based pricing, the company is generally able to pass on the increase in raw material prices to its customers.

Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitors plants more competitive. However, the Company's diversified product profile, quality approach, value-added segments, manufacturing flexibility, modern technology & strong marketing network has equipped the company well to meet competitors.

Power and Fuel are major manufacturing costs while producing textiles. Any increase in these costs has a negative impact on the profits of the company. Over the past year, tariff prices for power have been increasing. The Company's captive power plant uses helps to mitigate some of the power cost risk.

**(e) Internal Control System and their adequacy**

Your company has adequate internal control systems commensurate with its size and nature of business to ensure efficient utilization and protection of assets, compliance with statutes and proper recording of all transactions. The internal audit department performs internal audit periodically to ascertain their adequacy and effectiveness of other controls in the organization.

The company has also an Audit committee constituted pursuant to the provisions of Listing Agreement and Section 292A of the Companies Act, 1956 that reviews internal control system of the Company from time to time besides looking into other areas in its scope.

**(f) Human Resources**

Textile Industry is highly labour intensive in nature. Our human resource policies are targeted at creating a motivated work force. Our efforts in building a conducive work atmosphere have helped us in having lower attrition rates. The Company has established various training centres for up-gradation of worker skills. Our work force consists of more than 5500 employees. We believe our sophisticated equipment and skilled employee resources, together with our strong management and design capabilities, enable us to successfully implement various expansion projects.

**Cautionary Statement:**

Statements in Management discussion and analysis report with regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the management envisages in terms of performance and outlook. Market data and product information contained in this report have been based on information gathered from various published and unpublished reports and their accuracy, reliability and completeness cannot be assured.

The management of the Company reserves the right to re-visit any of the predictive statement to decide the best course of action for the maximization of the shareholders' value apart from meeting social and human obligations.

**2. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Your Company is committed to the attainment of highest level of transparency, integrity, accountability and equity in all dealings with shareholders, employees, lenders, government and other business constituents in all dealings in pursuit of its overall organizational goals.

In pursuance of the above, the Board of Directors has constituted committees to implement its policies and guidelines and has set up adequate review systems for exercising effective management control and ensuring compliance of laws. There is adequate representation of independent directors on the Board. We believe in timely and transparent disclosure of information.

Our focus on sustainable growth, productivity improvement, commitment to quality, self-discipline, value of time, safety in operations and total customer satisfaction is unrelenting.

The Company will continue its efforts towards raising the standards in Corporate Governance and will also review its systems and procedures constantly in place with the changing economic environment from time to time as it feels that the Corporate Governance should be need based and is not seen only as an issue of compliance dictated by Statutory requirements.

**2(A) CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT:**

The Board has adopted the Code of Business Conduct and Ethics for Directors and Senior Management ("the code"). This code is a comprehensive Code applicable to all Directors, Executive as well as Non- Executive as well as members of

Senior Management. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centers around the following theme- " The Company's Board of Directors and Senior Management are responsible for and are committed to setting the standards of conduct contained in this Code and for updating these standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This Code should be adhered to in letter and in spirit."

The Code has been circulated to all the members of the Board and Senior Management. A declaration signed by the Managing Director is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2010-11.

Neeraj Saluja  
Mg. Director

**2(B) WHISTLE BLOWER MECHANISM:**

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor/notified person/Audit Committee and have never been denied access in reporting as such.

**3. BOARD OF DIRECTORS:**

**(a) Board Meetings**

During the financial year 2010-11, 15 Board Meetings were held on 15.04.2010, 04.05.2010, 17.05.2010, 28.06.2010, 13.07.2010, 26.07.2010, 27.08.2010, 07.09.2010, 09.09.2010, 30.10.2010, 08.11.2010, 22.11.2010, 03.01.2011, 02.02.2011 and 25.02.2011 respectively.

**(b) Composition**

The Board comprises of Ten Directors of which Five are Independent Non-Executive Directors.

The details of the Board composition, attendance of Directors at Board Meetings held during 2010-11 and their other memberships are given below:



S. No	Name	Designation	Category	No. of Board Meetings Attended	Attendance at Last AGM	Total Number of Directorships in other Public Ltd. Companies		No. of Positions in Public Ltd. Companies*	
						Chairman	Member	Chairman	Member
1	R.S. Saluja	Chairman	Promoter	15	Yes	1	2	--	2
2	Neeraj Saluja	Managing Director	Promoter	12	Yes	1	3	1	--
3	Dhiraj Saluja	Whole time Director	Promoter	02	No	--	3	--	--
4	Ashwani Kumar	Director	Independent	02	Yes	--	7	5	4
5	Sanjiv Garg	Director	Independent	04	No	--	2	--	3
6	Amar Narang	Director	Independent	13	Yes	--	1	2	2
7	Navneet Gupta	Executive Director & CFO	Executive	12	Yes	--	3	--	3
8	Ranjan Madaan	Director	Independent	05	No	--	--	--	--
9	Vinod Kumar Goyal	Executive Director & CEO	Executive	08	Yes	--	--	--	--
10	Prem Kumar	Director	Independent	04	No	--	3	--	--

**Notes:**

Mr. Neeraj Saluja and Mr. Dhiraj Saluja are sons of Mr. Ram Saran Saluja, all on the Board of the Company.

\*In accordance with Clause 49, Memberships/Chairmanships of only the Audit committees and Shareholders'/Investors Grievance Committees of all Public Limited Companies have been considered.

The holding(s) of Non-Executive directors in the Company as on 31.03.2011 is given as under:

Name of the Director	No. of shares held (face value of Rs.10/- each)
Mr. R.S. Saluja	3421035
Mr. Ashwani Kumar	75
Mr. Sanjiv Garg	--
Mr. Amar Narang	3590
Mr. Ranjan Madaan	--
Mr. Prem Kumar	--

**(c) Information of Directors including those being Appointed/Re-appointed**

Particulars of Directors seeking appointment/re-appointment are given in the Annexure annexed to the Notice for the ensuing Annual General Meeting.

**(d) Audit Committee**

The Audit Committee of the Company comprises of the following members namely Mr. Ashwani Kumar (Chairman), Mr. Amar Narang, Mr. Sanjiv Garg and Mr. Navneet Gupta. Mr. Ashwani Kumar, Mr. Amar Narang and Mr. Sanjiv Garg are non-executive Independent Directors of the Company.

The terms of reference of the Audit Committee are as contained in Clause 49 of the Listing Agreement and as in Section 292A of the Companies Act, 1956.

During the F.Y. 2010-11, the Audit Committee met on 15.05.2010, 26.07.2010, 30.10.2010 and 02.02.2011 respectively

Attendance of each Member at the Audit committee meetings held during the year

Name of Member	No of meetings attended
Sh. Ashwani Kumar	2
Sh. Sanjiv Garg	3
Sh. Amar Narang	4
Sh. Navneet Gupta	4

**(e) Remuneration Committee**

The Company has constituted Remuneration Committee in line with Schedule XIII of the Companies Act, 1956 and clause 49 of the Listing Agreements.





The remuneration committee comprises of three members namely Mr. Amar Narang, Mr. Ashwani Kumar and Mr. Sanjiv Garg. Sh. Amar Narang is the chairman of the said committee.

All these members are non-executive Independent Directors of the Company. During the year the Remuneration Committee met on 27.05.2010 and 12.07.2010 respectively.

Attendance of each Member at the Remuneration Committee meetings held during the year

Name of Member	No of meetings attended
Sh. Amar Narang	2
Sh. Sanjiv Garg	2
Sh. Ashwani Kumar	2

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/ Whole time/Executive Directors, based on performance.

The remuneration policy is directed towards rewarding performance, based on review of achievements. The remuneration policy is in consonance with the existing Industry practice.

#### 4. DIRECTORS' REMUNERATION:

The Company pays remuneration to the Managing Director, Whole time Director and Executive Director as approved by the members of the Company in the General Body Meeting and as recommended by the Remuneration Committee of the board. The details of remuneration paid to them during the Financial year 2010-11 are given below:

Name	Designation	Gross Salary (Rs. in Lacs)
Sh. Neeraj Saluja	Managing Director	48.00
Sh. Dhiraj Saluja	Whole time Director	60.00
Sh. Navneet Gupta	Executive Director	12.48
Sh. V. K. Goyal	Executive Director	39.46

The tenure of appointments with the Managing Director, Whole time Director and Executive Director are for a period of 3 years each respectively with no severance fees.

The Company at present does not have a Scheme for grant of Stock Options to the Managing Director/Executive Director(s) or Employees of the company.

Non-executive Directors have not been paid any other remuneration except Sitting fees for attending meeting(s) during the Financial Year 2010-11. The criteria for payment of remuneration is time spent by the Non-Executive directors at the Board/Committee meetings and advice given by these directors to the Management.

There were no other pecuniary relationships or transactions of the Non-executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Non-Executive Directors.

#### 5. SHAREHOLDERS GRIEVANCE COMMITTEE:

The Shareholders Grievance Committee of the Company comprises of the following members namely Mr. Amar Narang, Mr. R. S. Saluja and Mr. Sanjiv Garg. Sh. Amar Narang is the chairman of the said committee.

The Compliance officer of the committee is Mr. Amar Narang. The quorum for the meeting is two Directors and the committee meets frequently to dispose of Investors complaints/requests as required.

During the F.Y. 2010-11, Three Investor complaints were received which were resolved satisfactorily. Further, there was no pendency in respect of share received for transfers/ dematerialization.

#### 6. GENERAL BODY MEETINGS:

The details of last three Annual General Meetings (AGM) are as follows:

Meeting	Day, date & time of meeting	Venue	No. of special resolutions
10th AGM	Saturday, 07.08.2010 09.00 A.M.	274, G.T. Road, Dhandari Khurd, Ludhiana (Punjab) 141010	Three
9th AGM	Wednesday, 26.08.2009 09.00 A.M.	274, G.T. Road, Dhandari Khurd, Ludhiana (Punjab) 141010	Two
8th AGM	Tuesday, 30.09.2008 11.00 A.M.	274, G.T. Road, Dhandari Khurd, Ludhiana (Punjab) 141010	None

No Extra-ordinary General Meeting of the company was held during the F.Y. 2010-11.

The Company did not pass any resolution through postal ballot during the financial year 2010-11 and further the Company do not propose to pass any resolution through postal ballot in the ensuing Annual General Meeting.

#### 7. DISCLOSURES:

During the period under review, there was no material significant transaction with the promoters, directors, management, their relatives etc. that may have potential conflict with the interest of the company at large.

There has not been any non-compliance by the company in respect of which penalties or strictures have been imposed by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during the last three years.



**Convertible Warrants and GDR Issue:**

Out of total 66,00,000 equity warrants allotted on 18th September, 2009 on preferential basis, 57,00,000 warrants were converted in the previous financial year and the balance 9,00,000 warrants were converted into Equity shares by the holders thereof during the year.

Further during the year the Company had allotted 30,90,000 equity warrants on preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs. 10/- each at a premium of Rs. 64/- per share for every warrant held, within 18 months from the date of allotment (i.e. from 27.08.2010), in terms of SEBI (DIP) Guidelines read with SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2009. All of the aforesaid warrants were converted into Shares during the year itself.

During the year 2010-11, the Company has issued two series of GDRs (Global Depository Receipts). The first series being of 30,00,000 Global Depository Receipts (GDRs) issued on 04.05.2010 representing 3,00,00,000 Equity Shares of the Company at the rate of USD 15.50 per GDR. The second series being of 35,00,000 Global Depository Receipts (GDRs) issued on 09.09.2010 representing 3,50,00,000 Equity Shares of the Company at the rate of USD 10.00 per GDR. These GDRs were listed on the Luxembourg Stock Exchange. The said GDRs were cancelled/converted and there was no share outstanding in lieu of the said GDRs as on 31.03.2011.

Compliance with clause 49

**Mandatory Requirements**

The Company is compliant with the applicable mandatory requirements of the clause 49.

**Non Mandatory Requirements**

Remuneration Committee: The Board has constituted a Remuneration Committee, details of which have been given earlier.

Whistle Blower Policy: Though there is no formal Whistle Blower Policy, the Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor/notified person/Audit Committee and have never been denied access in reporting as such.

**8. MEANS OF COMMUNICATION:**

The Company communicates with the shareholders at large through its Annual Report, filings made with Stock Exchanges and by filing reports & returns with the Statutory bodies like the Registrar of Companies and Stock Exchanges. The quarterly financial results are published in prominent daily newspapers like Business Standard, The Economic Times and Desh Sewak. The financial results of the company are also made available at the company's website i.e. www.selindia.in.

**9. GENERAL INFORMATION FOR SHAREHOLDERS:**

**(i) 11th Annual General Meeting:**

**Date and Time** : Tuesday, the 5th day of July, 2011  
09:00 A.M.

**Venue** : Regd. Office of the Company: 274, G.T. Road, Dhandari Khurd, Ludhiana (Pb.) 141010.

**(ii) Financial year 2011-12**

First Quarterly Results : By end of July, 2011/Mid Aug. 2011

Second Quarterly Results: By end of October, 2011/Mid. Nov. 2011

Third Quarterly Results : By end of January, 2012/Mid. Feb. 2012

Fourth Quarterly Results: By end of April, 2012/Mid. May, 2012

Annual Results 2011-12 : In the month of May/June, 2012

**(iii) Date of Book Closure :**

July 1, 2011 to July 5, 2011 (both days inclusive)

**(iv) Dividend Payment :**

**Date** : No dividend has been declared for the F.Y.2010-11

**(v) Listing**

: The Equity Shares of the Company are Listed with :

: Bombay Stock Exchange Limited  
National Stock Exchange of India Limited

**(vi) Stock Code**

: NSE: SELMCL  
BSE : 532886  
ISIN Number for NDSL/  
CDSL:  
INE105I01012



## SEL Manufacturing Company Ltd.

### (vii) Stock Market Data :

The highest and the lowest share prices are indicated below:

Month	BSE SENSEX		At Bombay Stock Exchange Limited (BSE) (in Rs.)		At National Stock Exchange of India Limited (NSE) (in Rs.)	
	High	Low	Month's high quoted price	Month's low quoted price	Month's high quoted price	Month's low quoted price
April, 2010	18047.86	17276.80	72.30	63.80	72.15	63.75
May, 2010	17536.86	15960.15	71.30	51.50	71.50	51.30
June, 2010	17919.62	16318.39	84.95	53.20	86.00	54.15
July, 2010	18237.56	17395.58	69.30	45.05	70.00	45.20
August, 2010	18475.27	17819.99	48.90	41.10	48.85	41.10
September, 2010	20267.98	18027.12	46.30	41.70	46.35	41.65
October, 2010	20854.55	19768.96	54.25	41.30	54.70	41.35
November, 2010	21108.64	18954.82	47.00	22.55	46.70	22.40
December, 2010	20552.03	19074.57	27.10	17.40	27.50	17.25
January, 2011	20664.80	18038.48	26.10	18.20	25.90	18.20
February, 2011	18690.97	17295.62	22.30	16.30	22.45	16.50
March, 2011	19575.16	17792.17	19.60	16.00	19.60	17.10

### (viii) Dematerialisation of Shares/ Registrar Transfer Agents & Share Transfer system:

The equity shares of the Company are available for dematerialization through National Securities Depository Limited (NSDL) And Central Depository Services (India) Limited (CDSL).

The international Securities Identification Number (ISIN) IS ISIN-INE105101012

The Company has appointed M/s Link Intime India Pvt. Ltd. (formerly Intime Spectrum Registry Limited) having its office at A-40, 2nd Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi 110028 as Registrar for depository services and share transfer work.

The dematerialized shares will be directly transferred to the beneficiaries through the depositories. The process of transfer/transmission/transposition etc. of equity shares in physical form including dispatch of the share certificates/option letters is completed within a period of 10-15 days if the documents are in order in all respects.

The Shareholders Grievance Committee specifically looks into the redressal of shareholders complaints like transfer of equity shares and related matters.

### (ix) Distribution of shareholding as on 31.03.2011

Share Holding	Shareholders		Share holding	
	Number	%to total	Number	% to total
Up to 250	40492	56.015	4132100	4.159
251 to 500	12888	17.828	5219480	5.254
501 to 1000	8844	12.234	7232035	7.280
1001 to 2000	5011	6.932	7697172	7.748
2001 to 3000	1744	2.413	4483604	4.513
3001 to 4000	824	1.140	2977157	2.997
4001 to 5000	644	0.891	3043472	3.063
5001 to 10000	1038	1.436	7634775	7.685
10001 and above	803	1.111	56927205	57.301
TOTAL	72288	100.00	99347000	100.00
Physical Mode	4	00.01	2936	00.003
Electronic Mode	72284	99.99	99344064	99.997

### (x) Share Holding Pattern as on 31.03.2011

Category	Number of Shares	% to Total Shares
Promoter and Promoter Group	15729044	15.83
Financial Institutions/Banks	612565	00.62
Foreign Institutional Investors	100000	00.10
Bodies Corporate	27215701	27.39
Public (Individuals)	51888963	52.23
Others	3800727	03.83
TOTAL	99347000	100.00



## SEL Manufacturing Company Ltd.

### (xi) Details of Unclaimed shares as on 31.03.2011 issued pursuant to Initial Public Offer (IPO):

S. No.	Particulars	Cases	No. of Shares
1.	Aggregate Number of Shareholders and the outstanding shares in the Suspense account at the beginning of the year i.e. 01.04.2010.	01	361
2.	Number of shareholders who approached for transfer of shares from suspense/escrow account during the year.	00	00
3.	Number of Shareholders to whom shares were transferred from suspense/escrow account during the year.	00	00
4.	Aggregate number of Shareholders and outstanding shares in the Suspense Account at the end of the year i.e. 31.03.2011.	01	361

### (xii) Registrars and Transfer Agents

Link Intime India Pvt. Ltd.  
(Formerly Intime Spectrum Registry Limited)  
A-40, 2nd Floor, Naraina Industrial Area,  
Phase-II, Near Batra Banquet Hall,  
New Delhi 110 028  
Phone No: 011- 41410592, 93, 94  
Fax no: 011- 4141 0591  
E-mail delhi@linkintime.co.in

### (xiii) Investors Correspondence:

- (a) Investor correspondence: All queries of investors regarding the Company's shares in physical/demat form, payment of dividend on shares, etc. may be sent to the following address:

Link Intime India Pvt. Ltd.  
(Formerly Intime Spectrum Registry Limited)  
A-40, 2nd Floor, Naraina Industrial Area,  
Phase-II, Near Batra Banquet Hall,  
New Delhi 110 028  
Phone No: 011- 41410592, 93, 94  
Fax no: 011- 4141 0591  
E-mail delhi@linkintime.co.in

- (b) For securities held in Demat form  
To the Depository Participant

- (c) Any query on Annual Report  
Secretarial Department  
SEL Manufacturing Company Ltd.,  
274, G.T. Road, Dhandari Khurd,  
Ludhiana (Pb.) 141010

### (xiv) Plant locations of the Company and its subsidiary(ies):

- (a) Vill Lal Kalan, Teh: Samrala  
Ludhiana-Chandigarh Road, Near Neelon Canal Bridge,  
Ludhiana
- (b) Vill Bajra Road, Ludhiana 141 007
- (c) Plot No. 106, Industrial Area, Baddi (SFS) , Dist: Solan, H.P.
- (d) 274, G.T. Road, Dhandari Khurd, Ludhiana 141 010
- (e) C 256-257, Phase VIII, Focal Point, Ludhiana
- (f) A-15, Phase-VII, Focal Point, Ludhiana,
- (g) Plot No. 90, Industrial Area, Baddi (SFS), District Solan, Himachal Pradesh
- (h) Vill. Shekhan Majara, Machiwara Rahon Road, Teh. & Distt. Nawanshehar
- (i) 23KM Stone, Delhi-Hisar Highway, Hansi (Hisar)
- (j) 15B, RIICO Indl. Area, Neemrana, Distt. Alwar
- (k) Vill. Metwada, Teh. Ashta, Dist. Sehore, Madhya Pradesh

### (xv) Unclaimed Dividends

There is no amount lying pending with the company till date which needed to be transferred to the Investor education and Protection fund administered by the Central Government

Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date they became due for payment shall be transferred to Investor Education and Protection Fund ("Fund").

Members who have not encashed their dividend for the financial year ended March 31, 2008, are requested to make their claims to the Registrar/Company. It may be noted that once the unclaimed/unpaid dividend is transferred to the credit of the said Fund, no claim shall lie in respect thereof.



**SEL Manufacturing Company Ltd.**

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**CERTIFICATE**

(on compliance of conditions of Corporate Governance)

To  
The Members of  
SEL Manufacturing Company Ltd.,

We have examined the compliance of conditions of Corporate Governance by SEL Manufacturing Company Ltd., for the year ended on 31st March, 2011, as per Clause 49 of the Listing Agreement of the said company with the Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as per Clause 49 of the above mentioned Listing Agreement.

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

For Dass Khanna & Co.  
Chartered Accountants  
Firm Regn. No. 000402N

PLACE : Ludhiana  
DATE : 19.05.2011

(Rakesh Soni)  
Partner  
M. No.83142



**AUDITORS' REPORT**

The Members

**SEL Manufacturing Company Limited**

1. We have audited the attached balance sheet of **SEL Manufacturing Company Limited** for the year ended as at 31st March, 2011 and also the profit and loss account for the year ended on that date and the Cash Flow Statement for the year ended on that date, annexed thereto, in which are incorporated the returns from the company's overseas branch at Sharjah, United Arab Emirates audited by other auditors. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order on the basis of information & explanations received by us and report received by the company from the auditors of the company's overseas branch at United Arab Emirates on which we have relied.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the company's overseas branch at United Arab Emirates audited by other auditors;
  - (iii) The reports on the accounts of the company's overseas branch at United Arab Emirates audited by other auditors have been forwarded to us and have been dealt with by us in preparing this report.
  - (iv) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and audited branch returns.
  - (v) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (vi) On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to Non confirmation of debit/credit balances as stated in note no 5 in annexure "T"* and read together with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2011,
    - (b) In the case of the profit and loss account, of the profit for the year ended on that date, and
    - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Dass Khanna & Co.  
Chartered Accountants  
Registration No. 000402N

PLACE : Ludhiana  
DATE : 19.05.2011

(Rakesh Soni)  
Partner  
M. No. 83142



**ANNEXURE TO THE AUDITORS' REPORT**

**(REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF SEL MANUFACTURING COMPANY LIMITED AS AT AND FOR THE YEAR ENDED 31ST MARCH 2011)**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for certain items of fixed assets, the quantitative details of which, we are informed, are in the process of being compiled.
- (b) All the fixed assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information and explanations given to us, the company has not made any substantial disposal of fixed assets during the year and the going concern status of the Company is not affected.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has granted unsecured loans to company covered in register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4.53 crores and the year-end balance was nil.
- (b) In our opinion the rate of interest and other terms & conditions on which loan was granted to the company covered under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company
- (c) The receipt of the principal amount and interest are regular.
- (d) There is no overdue amount of loan granted the company listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company has not taken any loans secured or unsecured from companies, firms or other parties covered in register maintained under section 301 of Companies Act, 1956. Hence, the clauses (iii)-(f) and (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 purchases of inventory, fixed assets and for sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from the public within the meaning of Section 58A, Section 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) rules, 1975. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of Cost records under section 209-(1) (d) of the Companies Act, 1956 and we are of opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including income tax, wealth, tax, provident fund, employees state insurance, custom duty, sales tax, excise duty, service tax, cess and other material statutory dues applicable to it though there has been slight delays in few cases of income tax deducted at source, employee state insurance and provident fund which are not material.



## SEL Manufacturing Company Ltd.

- (b) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the detail of disputed statutory dues aggregating to Rs. 11,556,000/- that have not been deposited on the account of matter pending before the appellate authorities in respect of income tax is given below:

Nature of Dues / Name of Statute	Disputed Amount (Rs.)	Period to which the amount relates	Forum where Dispute is pending
<b>Income Tax</b> Income Tax Act, 1961	1,629,768/-	2005-06	Income Tax Appellate Tribunal, Chandigarh
<b>Income Tax</b> Income Tax Act, 1961	887,907/-	2006-07	Income Tax Appellate Tribunal, Chandigarh.
<b>Income Tax</b> Income Tax Act, 1961	387,087/-	2007-08	Income Tax Appellate Tribunal, Chandigarh.
<b>Income Tax</b> Income Tax Act, 1961	8,651,238/-	2008-09	Commissioner of Income Tax (Appeals), Ludhiana

- (x) The company has no accumulated losses as at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks or financial institutions.
- (xii) 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 nidhi /mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investment.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by its subsidiary from banks are not prejudicial to the interest of the company.

- (xvi) In our opinion and according to the information and explanations given to us, the term loans raised during the year were applied prima facie for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have prima facie not been used for long term investments.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of equity warrants to parties covered in the register maintained under section 301 of the Act. In our opinion, the price at which equity warrants have been issued is not prejudicial to the interest of the company.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued debentures.
- (xx) The company has raised money by way of issue of Global Depository Receipts during the year, out of which a part of the funds have been utilized for the purpose for which they were raised and remaining part of unutilized funds along-with the unutilized funds (out of GDR raised in 2009-10) is still lying with the bank in Overseas as referred to note-19 in Annexure 'T' of the balance sheet.
- (xxi) Based on the audit procedures performed and the information and explanations given by the management to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Dass Khanna & Co.  
Chartered Accountants  
Registration No. 000402N

PLACE : Ludhiana  
DATE : 19.05.2011

(Rakesh Soni)  
Partner  
M. No. 83142





# SEL Manufacturing Company Ltd.

## BALANCE SHEET AS AT 31ST MARCH, 2011

(in Rupees)

PARTICULARS	ANNEXURE	As At 31.03.2011	As At 31.03.2010
<b>A. SOURCES OF FUNDS</b>			
<b>I. SHARE HOLDERS' FUNDS</b>			
SHARE CAPITAL	A	993,470,000	303,570,000
RESERVES & SURPLUS	B	8,980,302,967	4,676,248,688
SHARE WARRANT	C	-	15,750,000
		<u>9,973,772,967</u>	<u>4,995,568,688</u>
<b>II. LOANS FUNDS</b>			
SECURED LOANS	D	16,288,115,292	9,193,465,987
UNSECURED LOAN	E	48,555,490	223,739,898
		<u>16,336,670,782</u>	<u>9,417,205,885</u>
<b>III. DEFERRED TAX LIABILITY</b>			
		614,467,616	324,481,766
	<b>TOTAL</b>	<u><b>26,924,911,364</b></u>	<u><b>14,737,256,340</b></u>
<b>B. APPLICATION OF FUNDS</b>			
<b>I. FIXED ASSETS</b>			
GROSS BLOCK	F	9,963,666,282	5,340,682,206
LESS: DEPRECIATION		1,209,634,051	662,593,220
NET BLOCK		<u>8,754,032,231</u>	<u>4,678,088,986</u>
CAPITAL WORK IN PROGRESS / ADVANCES		5,971,660,029	2,473,313,180
		<u>14,725,692,260</u>	<u>7,151,402,166</u>
<b>II. INVESTMENTS</b>			
	G	2,142,300,099	1,589,069,262
<b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
-INVENTORIES	H	5,498,735,782	2,118,992,261
-SUNDRY DEBTORS	I	4,389,165,381	3,051,246,487
-CASH AND BANK BALANCES	J	955,662,692	564,568,931
-LOANS & ADVANCES	K	1,380,300,231	780,735,195
		<u>12,223,864,086</u>	<u>6,515,542,874</u>
<b>IV. CURRENT LIABILITIES &amp; PROVISIONS</b>			
	L	2,167,328,544	519,524,891
<b>V. NET CURRENT ASSETS</b>			
	(III-IV)	10,056,535,542	5,996,017,983
<b>VI. MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
PRELIMINARY EXPENSES		383,463	766,929
	<b>TOTAL</b>	<u><b>26,924,911,364</b></u>	<u><b>14,737,256,340</b></u>

Notes on Accounts

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Subject to our Separate Report of Even Date  
For Dass Khanna & Co.  
Chartered Accountants

For and on the behalf of Board of  
SEL Manufacturing Company Limited

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

Place : Ludhiana  
Date : 19.05.2011

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

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

(in Rupees)

PARTICULARS	ANNEXURE	Current Year	Previous Year
<b>INCOME</b>			
GROSS SALES		15,832,791,031	9,422,162,366
LESS: EXCISE DUTY		635,852	-
NET SALES		15,832,155,179	9,422,162,366
OTHER INCOME	M	245,439,406	394,978,368
	<b>TOTAL</b>	<b>16,077,594,585</b>	<b>9,817,140,734</b>
<b>EXPENDITURE</b>			
COST OF MATERIALS	N	11,622,236,491	6,846,277,488
MANUFACTURING EXPENSES	O	813,836,443	631,332,631
PERSONNEL EXPENSES	P	379,393,736	197,731,342
ADMINISTRATION EXPENSES	Q	123,583,662	105,581,631
FINANCIAL EXPENSES	R	763,109,123	593,603,474
SELLING EXPENSES	S	325,147,187	204,028,976
DEPRECIATION		557,488,120	314,312,988
PRELIMINARY EXPENSES		383,466	383,466
	<b>TOTAL</b>	<b>14,585,178,230</b>	<b>8,893,251,996</b>
<b>PROFIT BEFORE TAXATION</b>		<b>1,492,416,355</b>	<b>923,888,738</b>
LESS: PROVISION FOR TAXATION			
-CURRENT TAX		297,900,000	160,000,000
-WEALTH TAX		225,000	225,000
-DEFERRED TAX		289,985,850	98,758,104
-MAT CREDIT ENTITLEMENT		(99,608,500)	(3,946,529)
<b>PROFIT AFTER TAX</b>		<b>1,003,914,005</b>	<b>668,852,163</b>
BALANCE BROUGHT FORWARD		2,328,576,082	1,959,585,494
PROFITS AVAILABLE FOR APPROPRIATIONS		3,332,490,087	2,628,437,657
ADD: TAX ADJUSTMENTS RELATING TO PREVIOUS YEAR		7,861,620	(49,861,575)
LESS: TRANSFERRED TO GENERAL RESERVE		250,000,000	250,000,000
BALANCE CARRIED OVER TO BALANCE SHEET		3,090,351,707	2,328,576,082
EARNINGS PER SHARE BASIC		12.73	32.08
EARNINGS PER SHARE DILUTED		12.73	31.90

Subject to our Separate Report of Even Date  
For Dass Khanna & Co.  
Chartered Accountants

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

For and on the behalf of Board of  
SEL Manufacturing Company Limited

(Navneet Gupta)  
Director

Place : Ludhiana  
Date : 19.05.2011

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	Details (Rs.)	Current Year	Details (Rs.)	Previous Year
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before Taxes & Extraordinary Items		1,492,416,355		923,888,738
<b>Adjustments for Non Cash Items:</b>				
Preliminary Expenses W/Off	383,466		383,466	
Depreciation	557,488,120		314,312,988	
Interest Charged	732,052,713		566,512,681	
Interest on Car Loan	3,016,870		3,001,311	
Interest Received	(19,078,465)		(56,242,990)	
Dividend Received	(81,000)		(65,306)	
Share of Profit from Firm	(38,190,978)		(124,425,948)	
(Profit) / Loss on Sale of Fixed Assets	9,826,225	1,245,416,950	38,174	703,514,377
<b>Adjustments for Changes in Working Capital:</b>				
(Increase)/ Decrease in Sundry Debtors	(1,337,918,894)		(884,787,675)	
Increase/ (Decrease) in Current Liabilities	1,647,803,653		(426,807,405)	
(Increase)/ Decrease in Loans & Advances	(599,569,493)		(144,399,730)	
(Increase)/ Decrease in Inventories	(3,379,743,521)	(3,669,428,256)	(985,695,497)	(2,441,690,307)
<b>Cash Generation from Operations</b>		(931,594,950)		(814,287,192)
Taxes Paid		190,654,950		155,268,302
<b>Net Cash from Operating Activities</b>		(1,122,249,831)		(969,555,494)
<b>B. Cash Flows from Investing Activities</b>				
Purchase of Fixed Assets & Capital Work in Process	(8,156,216,794)		(2,901,889,209)	
Sale of Fixed Assets	14,612,352		649,500	
Purchase of Investments	(553,230,837)		(558,645,457)	
Interest Received	19,078,465		56,242,990	
Share of Profit from Firm	38,190,978		124,425,948	
Dividend Received	81,000		65,306	
<b>Net Cash Flows from Investing Activities</b>		(8,637,484,835)		(3,279,150,922)
<b>C. Cash Flows from Financing Activities</b>				
Proceeds from Issue of Capital	3,966,428,654		1,114,592,640	
Proceeds/(Repayment) of Long term Borrowings	7,094,649,305		3,183,523,281	
Proceeds/(Repayment) of Short term Borrowings	(175,184,408)		(3,485,610)	
Interest Paid	(732,052,713)		(566,512,681)	
Interest on Car Loan	(3,016,870)		(3,001,311)	
<b>Net Cash Flows from Financing Activities</b>		10,150,828,427		3,725,116,319
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent</b>		391,093,761		(523,590,096)
Cash & Cash Equivalents - Opening Balance		564,568,931		1,088,159,027
Cash & Cash Equivalents - Closing Balance		955,662,692		564,568,931

Subject to our Separate Report of Even Date  
For Dass Khanna & Co.  
Chartered Accountants

For and on the behalf of Board of  
SEL Manufacturing Company Limited

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

Place : Ludhiana  
Date : 19.05.2011

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>SHARE CAPITAL</b>		<b>ANNEXURE-A</b>
<b>AUTHORISED</b>		
250,000,000 EQUITY SHARES OF RS. 10 EACH (Previous Year 75,000,000 Equity Shares of Rs. 10 Each)	<u>2,500,000,000</u>	<u>750,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
99,347,000 EQUITY SHARES OF RS. 10/- EACH FULLY PAID UP (Previous Year 30,357,000 Equity Shares of Rs. 10 Each)	<u>993,470,000</u>	<u>303,570,000</u>
<b>TOTAL</b>	<u>993,470,000</u>	<u>303,570,000</u>
<b>RESERVES &amp; SURPLUS</b>		<b>ANNEXURE-B</b>
CAPITAL RESERVE	<u>71,347,926</u>	<u>71,347,926</u>
<b>SECURITIES PREMIUM</b>		
Opening Balance	<u>1,706,124,680</u>	
Add: Share Premium received during the year	<u>3,303,400,000</u>	
	<u>5,009,524,680</u>	
Less: Utilised for write back off capital raising expenses	<u>11,121,346</u>	<u>1,706,124,680</u>
<b>GENERAL RESERVE</b>		
Opening Balance	<u>570,200,000</u>	
Add: Transferred from Profit & Loss Account	<u>250,000,000</u>	<u>570,200,000</u>
<b>SURPLUS</b>		
Surplus as per annexed Profit & Loss A/c	<u>3,090,351,707</u>	<u>2,328,576,082</u>
<b>TOTAL</b>	<u>8,980,302,967</u>	<u>4,676,248,688</u>
<b>EQUITY WARRANTS</b>		<b>ANNEXURE-C</b>
Nil (Previous Year 9,00,000) equity warrants, allotted on a preferential basis carrying an option to the holder of such warrants to subscribe to one equity share of Rs. 10/- each at a premium of Rs. 60/- per share for every warrant held, within 18 months from the date of allotment, (i.e. from Sept. 18, 2009)		
Amount Received (25% of the total allotment price)	-	<u>15,750,000</u>
<b>TOTAL</b>	<u>-</u>	<u>15,750,000</u>

**(Rakesh Soni)**  
Chartered Accountant

**(N.Saluja)**  
Managing Director

**(Navneet Gupta)**  
Director

**(Rahul Kapoor)**  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>SECURED LOANS</b>		
<b>ANNEXURE-D</b>		
LOANS AND ADVANCES FROM BANKS		
- Term Loans	<b>11,577,478,988</b>	6,319,519,467
- Working Capital	<b>4,710,636,305</b>	2,873,946,520
<b>TOTAL</b>	<b>16,288,115,292</b>	9,193,465,987

Notes:

- The term loans from Banks are secured by equitable mortgage of entire Land & Building of the Company and further secured by all the Fixed Assets of the Company, immovable & movable, both present and future ranking parri passu basis and personally guaranteed by the promoter directors.
- Working Capital Loans are secured by the Hypothecation of Stock-in-trade, Book Debts and Receivables of the Company and further secured by the second parri-passu charge with all term lenders on the entire fixed assets of the Company and guarantee of promoter directors.
- Term Loan due for repayment within one year is Rs. 136.07 crores (Previous Year Rs. 86.68 crores).

<b>UNSECURED LOANS</b>		
<b>ANNEXURE-E</b>		
FROM BANKS	<b>48,555,490</b>	223,739,898
<b>TOTAL</b>	<b>48,555,490</b>	223,739,898

Notes :

- Amount due for repayment within one year is rupees 1.91 crores (Previous year Rs. 21.31 crores)

<b>FIXED ASSETS</b>										<b>ANNEXURE-F</b>
PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	BALANCE AS ON 01.04.2010 Rs.	ADDITIONS DURING THE YEAR Rs.	SALES/ ADJUST- MENT THE YEAR Rs.	BALANCE AS ON 31.03.2011 Rs.	BALANCE AS ON 01.04.2010 Rs.	PROVIDED DURING THE YEAR Rs.	SALES/ ADJUST- MENT THE YEAR Rs.	BALANCE AS ON 31.03.2011 Rs.	AS ON 31.03.2011 Rs.	AS ON 31.03.2010 Rs.
FREEHOLD LAND	275,233,457	480,064,245	-	755,297,702	-	-	-	-	755,297,702	275,233,457
LEASEHOLD LAND	54,030,600	-	-	54,030,600	1,191,409	586,515	-	1,777,924	52,252,676	52,839,191
BUILDING	1,701,367,981	974,461,257	-	2,675,829,238	95,945,987	63,007,239	-	158,953,226	2,516,876,012	1,605,421,994
ROAD	5,850,448	-	-	5,850,448	390,270	97,210	-	487,480	5,362,968	5,460,178
PLANT & MACHINERY	3,124,125,456	3,106,673,870	31,230,092	6,199,569,234	534,866,475	477,811,830	8,700,276	1,003,978,029	5,195,591,206	2,589,258,981
FURNITURE & FIXTURES	87,733,769	33,466,964	-	121,200,733	11,244,998	6,313,434	-	17,558,432	103,642,302	76,488,771
VEHICLES	79,651,114	57,080,252	3,801,025	132,930,341	17,335,870	9,068,018	1,892,264	24,511,624	108,418,717	62,315,244
OFFICE EQUIPMENT	12,689,385	6,268,600	-	18,957,985	1,618,213	749,122	-	2,367,335	16,590,650	11,071,172
<b>TOTAL</b>	<b>5,340,682,210</b>	<b>4,658,015,188</b>	<b>35,031,117</b>	<b>9,963,666,282</b>	<b>662,593,222</b>	<b>557,633,369</b>	<b>10,592,540</b>	<b>1,209,634,051</b>	<b>8,754,032,231</b>	<b>4,678,088,988</b>
Previous Year	3,411,351,167	1,930,048,596	717,557	5,340,682,206	348,310,113	314,312,988	29,881	662,593,220	4,678,088,986	0

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)	
<b>INVESTMENTS</b>		<b>ANNEXURE-G</b>	
<b>LONG TERM INVESTMENTS (AT COST)</b>			
<b>OTHER THAN TRADE (QUOTED)</b>			
3124 Equity Shares of Rs. 10/- each fully paid up of Reliance Industries Limited	3,000,000	3,000,000	
229 Equity Shares of Rs. 10/- each fully paid up of Dhanus Technologies Limited	67,555	67,555	
<b>(UNQUOTED)</b>			
15000 Units of Rs.10 each of SBI Infrastructure Fund	1,500,000	1,500,000	
50000 Units of Rs.10 each of SBI PSU Fund	500,000	-	
299300 Equity Shares of Re. 1 Each fully paid up of The Delhi Stock Exchange Association Limited	20,951,000	20,951,000	
24000 Equity Shares of Re. 10 Each fully paid up of Rhythm Textile & Apparels Park Limited	240,000	240,000	
48050 Equity Shares of Re. 10 Each fully paid up of Silverline Textile Park Limited	480,500	480,500	
<b>INVESTMENTS IN SUBSIDIARY COMPANY</b>			
28557900 Equity Shares of Re. 10 Each fully paid up of SEL Textiles Ltd.	448,767,000	448,767,000	
Share Application Money in Rhythm Textile & Apparels Park Limited	168,200,000	61,600,000	
Share Application Money in SEL Developers Private Limited	278,020,000	-	
Share Application Money in SEL Textiles Limited	790,339,000	-	
<b>INVESTMENTS IN PARTNERSHIP FIRM</b>			
99% SHARE IN KUDU INDUSTRIES			
Capital (After adjusting Drawings)	301,729,200		
Add: Share of Profits	935,258	615,539,863	
99% SHARE IN SE EXPORTS			
Capital (After adjusting Drawings)	90,314,865		
Add: Share of Profits	37,255,720	436,923,344	
<b>TOTAL</b>	<b>2,142,300,099</b>	<b>1,589,069,262</b>	
Market Value of Quoted Investments	3,280,720	3,360,972	
Aggregate Value of Quoted Investments	3,067,555	3,067,555	
Aggregate Value of UnQuoted Investments	2,139,232,544	1,586,001,707	
<b>INVENTORIES</b>		<b>ANNEXURE-H</b>	
(TAKEN AS, VALUED & CERTIFIED BY THE MANAGEMENT)			
RAW MATERIALS	1,878,575,591	473,822,354	
WORK IN PROCESS	524,979,146	167,257,926	
FINISHED GOODS	2,853,982,029	1,373,918,743	
STORES & SPARES	241,199,016	103,993,237	
<b>TOTAL</b>	<b>5,498,735,782</b>	<b>2,118,992,261</b>	
<b>(Rakesh Soni)</b> Chartered Accountant	<b>(N.Saluja)</b> Managing Director	<b>(Navneet Gupta)</b> Director	<b>(Rahul Kapoor)</b> Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>SUNDRY DEBTORS</b> <span style="float: right;"><b>ANNEXURE-I</b></span>		
(UNSECURED, CONSIDERED GOOD)		
MORE THAN SIX MONTHS	1,297,001,805	1,809,175,989
OTHERS	3,092,163,576	1,242,070,498
<b>TOTAL</b>	<b>4,389,165,381</b>	<b>3,051,246,487</b>
<b>CASH &amp; BANK BALANCES</b> <span style="float: right;"><b>ANNEXURE-J</b></span>		
CASH IN HAND (INCLUDING IMPREST)	10,163,039	19,926,618
BALANCE WITH BANKS		
IN CURRENT ACCOUNTS	459,476,608	76,965,976
IN FIXED DEPOSIT ACCOUNTS	486,023,044	467,676,337
<b>TOTAL</b>	<b>955,662,692</b>	<b>564,568,931</b>
<b>LOANS AND ADVANCES</b> <span style="float: right;"><b>ANNEXURE-K</b></span>		
(UNSECURED, CONSIDERED GOOD)		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR A VALUE TO BE RECEIVED	1,153,698,681	727,751,672
PREPAID TAXES	201,078,501	28,075,139
SECURITY DEPOSITS	25,523,049	24,908,384
<b>TOTAL</b>	<b>1,380,300,231</b>	<b>780,735,195</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b> <span style="float: right;"><b>ANNEXURE-L</b></span>		
CURRENT LIABILITIES		
SUNDRY CREDITORS		
- Dues of Micro, Small & Medium Enterprises	-	-
- Others	1,400,936,558	189,952,731
OTHER LIABILITIES	468,266,985	169,347,160
PROVISIONS		
INCOME TAX	297,900,000	160,000,000
WEALTH TAX	225,000	225,000
<b>TOTAL</b>	<b>2,167,328,544</b>	<b>519,524,891</b>
<b>OTHER INCOME</b> <span style="float: right;"><b>ANNEXURE-M</b></span>		
EXPORT INCENTIVES	187,839,129	214,173,124
INTEREST (Gross)	19,078,465	56,242,990
(TDS Rs. 1,039,118/- , Previous Year Rs. 7,941,685/-)		
SHARE OF PROFIT FROM SUBSIDIARIES	38,190,978	124,425,948
DIVIDEND RECEIVED	81,000	65,306
RENTAL INCOME	249,833	71,000
<b>TOTAL</b>	<b>245,439,406</b>	<b>394,978,368</b>

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>MATERIAL CONSUMED</b>		<b>ANNEXURE-N</b>
OPENING STOCKS		
RAW MATERIAL	473,822,354	324,692,866
WORK IN PROCESS	167,257,926	120,456,437
FINISHED GOODS	1,373,918,743	656,204,182
	<u>2,014,999,023</u>	<u>1,101,353,485</u>
PURCHASES	14,864,774,235	7,759,923,027
CLOSING STOCKS		
RAW MATERIAL	1,878,575,591	473,822,354
WORK IN PROCESS	524,979,146	167,257,926
FINISHED GOODS	2,853,982,029	1,373,918,743
	<u>5,257,536,766</u>	<u>2,014,999,024</u>
<b>MATERIAL CONSUMED</b>	<b>11,622,236,491</b>	<b>6,846,277,488</b>
<b>MANUFACTURING EXPENSES</b>		<b>ANNEXURE-O</b>
JOB WORK EXPENSES	22,719,569	9,805,249
POWER & FUEL	523,556,772	454,681,607
CONSUMABLE & OTHER MATERIALS	206,162,286	110,296,572
REPAIR & MAINTENANCE	61,397,816	56,549,203
<b>TOTAL</b>	<b>813,836,443</b>	<b>631,332,631</b>
<b>PERSONNEL EXPENSES</b>		<b>ANNEXURE-P</b>
WAGES, SALARIES & OTHER ALLOWANCES	337,392,855	177,908,109
CONTRIBUTION TO ESI & OTHER FUNDS	24,955,761	13,554,492
STAFF & LABOUR WELFARE	17,045,120	6,268,741
<b>TOTAL</b>	<b>379,393,736</b>	<b>197,731,342</b>
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		<b>ANNEXURE-Q</b>
PRINTING & STATIONERY	4,023,357	2,540,638
INSURANCE	9,434,965	7,631,515
FEES & TAXES	3,827,626	3,172,890
DONATION	603,200	340,738
LEGAL & PROFESSIONAL CHARGES	10,034,503	9,855,796
POSTAGE & COURIER CHARGES	9,299,923	4,484,600
TELEPHONE & FAX EXPENSES	4,592,029	2,779,535
AUDITORS' REMUNERATION		
-AUDIT FEE	1,751,940	1,215,000
-TAX AUDIT FEE	511,100	340,000
-REIMBURSEMENT OF EXPENSES	14,924	93,397
-SERVICE TAX	228,000	160,165

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



**SEL Manufacturing Company Ltd.**

<b>PARTICULARS</b>	<b>ASAT 31.03.2011 (Rs.)</b>	<b>ASAT 31.03.2010 (Rs.)</b>
DIRECTOR'S REMUNERATION	15,994,667	12,002,834
GENERAL REPAIR & MAINTENANCE	3,794,980	2,941,423
OFFICE EXPENSES	6,427,384	3,676,980
FESTIVAL EXPENSES	898,783	2,836,448
RENT	2,244,315	3,464,323
TRAVELLING & CONVEYANCE	18,791,226	13,374,425
WATER CHARGES	1,106,816	13,059
SERVICE TAX PAID	2,753,490	1,406,052
ADVERTISEMENT	2,590,160	1,741,762
LOSS ON SALE OF FIXED ASSET	9,826,225	38,174
FOREIGN EXCHANGE FLUCTUATION	6,640,377	15,110,374
SECURITY EXPENSES	135,671	122,266
BUILDING REPAIR & MAINTANENCE	1,516,475	795,046
LOSS BY FIRE	-	9,324,829
VEHICLES EXPENSES	6,541,526	6,119,363
<b>TOTAL</b>	<b>123,583,662</b>	<b>105,581,631</b>
<b>FINANCIAL EXPENSES</b>		<b>ANNEXURE-R</b>
INTEREST ON WORKING CAPITAL LIMITS	353,591,555	252,076,021
INTEREST ON TERM LOAN	378,461,158	314,436,660
BANK CHARGES	28,011,770	23,756,620
INTEREST TO OTHERS	27,770	332,862
INTEREST ON CAR LOAN	3,016,870	3,001,311
<b>TOTAL</b>	<b>763,109,123</b>	<b>593,603,474</b>
<b>SELLING EXPENSES</b>		<b>ANNEXURE-S</b>
BUSINESS PROMOTION	8,661,374	2,855,302
SUNDRY BALANCES WRITTEN OFF	3,326,288	8,288,351
COMMISSION	45,723,251	33,941,107
CLEARING & FORWARDING CHARGES	28,847,898	29,009,641
SALES TAX	-	6,032
PACKING EXPENSES	139,624,659	78,740,171
REBATE & DISCOUNT	12,667,726	5,980,320
FREIGHT OUTWARD	86,295,991	45,208,052
<b>TOTAL</b>	<b>325,147,187</b>	<b>204,028,976</b>

**(Rakesh Soni)**  
Chartered Accountant

**(N.Saluja)**  
Managing Director

**(Navneet Gupta)**  
Director

**(Rahul Kapoor)**  
Company Secretary



**Significant Accounting Policies and Notes to Accounts**

**ANNEXURE-T**

**I. Significant Accounting Policies**

**A. Accounting Convention**

The accounts are prepared on historical cost convention in accordance with the generally accepted accounting principles, the applicable accounting standards referred to in section 211 (3C) and other relevant provisions of the Companies Act, 1956.

**B. Revenue Recognition**

**i) Sales**

Revenue from sale of goods is recognized:

- i) When all the significant risks and rewards of ownership are transferred to the buyer and the company retains no effective control of the goods transferred to a degree usually associated with ownership: and
- ii) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

**ii) Export Incentives**

Revenue in respect of the above benefits is recognized on post export basis.

**iii) Dividend**

Dividend income is recognized when the right to receive the payment is established.

**iv) Interest**

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**C. Investments**

Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary, and current investments are carried at lower of cost and fair value.

**D. Inventories**

Inventories are valued at cost or net realizable value, whichever is lower except for waste which is valued at net realizable value. The cost in respect of the various items of inventory is computed as under:

- i) In respect of Raw Materials & Consumable Stores on FIFO basis.
- ii) In respect of Work in process and Finished Goods, at weighted average cost of raw material plus conversion cost & packing cost incurred to bring the goods to their present condition & location.
- iii) In respect of trading goods, on specific identification method.

**E. Foreign Currency Transactions**

**i) Foreign Branch (Integral)**

- i) Fixed assets are translated at the rates on the date of purchase/acquisition of assets and Inventories are translated at the rates that existed when costs were incurred.

- ii) All foreign currency monetary items outstanding at the year end are translated at the year-end exchange rates. Income and expenses are translated at average rates of exchange and depreciation is translated at the rates referred to in (a)(i) above for fixed assets.

The resulting exchange gains & losses are recognized in the profit and loss account.

**ii) Other foreign currency transactions**

- i) Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transaction except sales that are recorded at rate notified by the customs for invoice purposes. Such rate is notified in the last week of every month and is adopted for recording export sales of next month.
- ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at balance sheet date are recognized as income or expenses in period in which they arise, except the exchange difference in case of fixed assets which have been adjusted to the cost of fixed assets.
- iii) Foreign currency non monetary items, which are carried in terms of historical cost, are reported using exchange rate at the date of transaction.

**F. Fixed Assets**

**i) Fixed Assets**

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes and incidental expenses relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation.

**ii) Capital work in progress**

Capital work in progress includes cost of assets at site, construction expenditure, advances made for acquisition of capital assets and pre-operative expenditure pending allocation to fixed assets.

**iii) Expenditure incurred during construction period**

In respect of new/major expansion, the indirect expenditure incurred during implementation period upto the date of commencement of commercial production, which is attributable to the construction of the project, is capitalized on various categories of fixed assets on proportionate basis. The unallocated expenses are shown in pre-operative expenses.

**G. i) Cenvat Credit**

Cenvat Credit of excise duty paid on capital assets is recognized in accordance with the Cenvat Credit Rules, 2004.

**ii) Excise Duty**

Excise duty is accounted on production of finished goods.

**H. Depreciation/Amortisation**

- i) Depreciation has been provided under Straight Line Method at the rates specified in Schedule XIV of Companies Act, 1956.



- ii) The leasehold land is amortized over the lease period.

**I. Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets, up to the date when such assets are ready for intended use. Other borrowing costs are charged as expenditure in the year in which they are incurred.

**J. Employee Benefits**

**i) Defined Contribution Plan**

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provision Act, 1952 and is charged to the profit and loss account.

**ii) Defined Benefit Plans (Gratuity)**

The Company has a defined benefit Gratuity plan covering all its employees. Gratuity is covered under a scheme of Life Insurance Corporation of India (LIC) and contribution in respect of such scheme is recognized in the Profit & Loss Account. The liability/asset as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with Accounting Standard 15 on 'Employee Benefit'.

**iii) Leave with wages**

Provision for earned leave due for the year is made on the actual valuation as at the close of the year.

**K. Miscellaneous Expenditure**

Preliminary Expenses are written off over a period of 5 years.

**L. Accounting for Taxes on Income**

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods.

**M. Impairment of Assets**

At each balance sheet date, an assessment is made whether any indication exists that an asset has been

impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

**N. Provisions and Contingent Liabilities**

i) Provisions are recognized for liabilities that can be determined by using a substantial degree of estimation, if:

- 1) The company has a present obligation as a result of a past event;
  - 2) A probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - 3) The amount of the obligation can be reliably estimated
- ii) Contingent liability is disclosed in the case of:
- 1) A present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
  - 2) A possible obligation, unless the probability of outflow of resources embodying economic benefits is remote.

**O. Earnings per share**

Basic earning per share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period. Diluted earning per share is computed by taking into account the aggregate of the weighted average numbers of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

**P. Basis of Incorporation of integral foreign operations**

Figures in respect of the Company's overseas branch in United Arab Emirates have been incorporated on the basis of Financial Statement audited by the auditors of the branch.

**Q. Operating Leases**

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

**II. Notes on Accounts**

**1. There are contingent liabilities in respect of the following items: No outflow is expected in view of the past history relating to these items:-**

Particulars	(Rs. in Crores)	
	March 31, 2011	March 31, 2010
(i) Export Bills Discounted	18.81	32.63
(ii) Estimated amount of capital contracts remaining to be executed net of advances	38.33	19.97
(iii) Income Tax demand for AY 2005-06 to AY 2008-09 (Previous Year AY 2004-05 to AY 2007-08) net of deposit of Rs. 1.91 crores (Previous year Rs. 3.61 crores) against the said demand, contested in appeals.	1.16	1.86
(iv) Guarantees given by the Company on behalf of SEL Textiles Ltd. (Subsidiary Company)	316.15	67.15



## SEL Manufacturing Company Ltd.

### 2. Related Party Disclosures

Names of Related Parties and Relationships:

Sr. No.	Name of Related Party	Relationship
1	S. E. Exports	Subsidiary Partnership Firm
2	Kudu Industries	Subsidiary Partnership Firm
3	SEL Textiles Ltd.	Subsidiary Company
4	*Mr. R. S. Saluja Mr. Neeraj Saluja Mr. Dhiraj Saluja Mr. Navneet Gupta Mr. V.K.Goyal	Key Management Personnel
5	Mrs. Sneh Lata Saluja Mrs. Ritu Saluja *Mrs. Reema Saluja	Relatives of KMP
6	M/s Rythm Textiles & Apparels Park Ltd. *M/s Silverline Corporation Ltd.	Associates
7	M/s Shiv Narayan Investments Pvt. Ltd. M/s Saluja International *M/s Saluja Fabrics M/s SEL Aviation Pvt. Ltd. M/s SEL Developers Pvt. Ltd. M/s Omega Hotels Ltd.	Enterprises over which key management personal and relatives of such personal is able to exercise significant influence

\* No transactions have taken place during the year.

#### Related Parties Transactions:

(Rs. in Crores)

Particulars	Subsidiaries		Associates		Key Management		Enterprises over which Personal (KMP) significant influence		Total	
	Current Year	Pre-vious Year	Current Year	Pre-vious Year	Current Year	Pre-vious Year	Current Year	Pre-vious Year	Current Year	Pre-vious Year
Purchase & Processing of Goods & Consumables Stores	96.20	91.11	-	-	-	-	20.44	4.93	116.64	96.04
Sale & Processing of Goods	89.95	79.53	-	-	-	-	10.44	24.98	100.39	104.51
Purchase of Fixed Assets	0.12	0.01	-	-	-	-	-	-	0.12	0.01
Sale of Fixed Assets	1.01	-	-	-	-	-	0.02	-	1.03	-
Investment made/(withdrawal)	(66.04)	43.42	-	-	-	-	-	-	(66.04)	43.42
Share Application Money Given-Received Back	-	24.00	8.96	3.99	-	-	46.48	2.33	55.44	30.32
Share Application Money Given	79.03	-	10.66	-	-	-	27.80	-	117.49	-
Equity Contribution Received in Cash	-	-	-	-	27.59	53.87	-	-	27.59	53.87
Share of Profit	3.81	12.44	-	-	-	-	-	-	3.81	12.44
Advances Received-Repaid	-	-	-	-	-	0.30	-	10.00	-	10.30
Rent Paid	0.01	-	-	-	0.02	0.02	-	-	0.03	0.02
Rent Received	0.02	0.01	0.01	0.01	-	-	-	-	0.03	0.02
Managerial Remuneration	-	-	-	-	1.60	1.20	-	-	1.60	1.20
Remuneration Paid	-	-	-	-	0.05	0.05	-	-	0.05	0.05
Corporate Guarantee Given	316.15	67.15	-	-	-	-	-	-	316.15	67.15
Closing Balance of Related Parties Debits	166.94	150.13	16.89	6.23	-	-	29.61	20.85	213.44	177.21



## SEL Manufacturing Company Ltd.

### 3. Earnings Per Share

The calculation of Earnings per Share as disclosed in the statement of Profit & Loss has been in accordance with Accounting Standard (AS)-20 on "Earning per Share" issued by Companies (Accounting Standards) Rules, 2006.

A statement on calculation of Basic & Diluted EPS is as under:

Particulars		Unit	Current Year	Previous Year
Profit after tax before Extra ordinary Items	(A)	Rs. In Lacs	10039.14	6688.52
Weighted average number of equity shares	(B)	No.	78852425	20847797
Weighted average number of Potential equity shares	(C)	No.	0	120205
Total	(D)	No.	78852425	20968003
Basic EPS	(A/B)	Rs.	12.73	32.08
Diluted EPS	(A/D)	Rs.	12.73	31.90

### 4. Deferred Tax (Asset)/Liability

Particulars	DTL or (DTA) on 1st April 2010	Current year charge/ (credit)	DTL or (DTA) as at 31st March 2011
Timing Difference due to Depreciation	328,861,719	292,848,909	621,710,628
Disallowance under Income Tax Act, 1956	952	(745,772)	(744,820)
Loss on sale of fixed assets	(4,380,906)	(2,117,286)	(6,498,192)
Total	324,481,765	289,985,850	614,467,615

- Debit or Credit balances on whatsoever account are subject to confirmation from parties; as such their effect on profit and loss account cannot be reflected.
- In opinion of the Board, all the current assets, loans & advances have the value on realization in the ordinary course of business at-least equal to amount at which they are stated.
- Current Assets, Loans & Advances includes Rs. 1.81 Cores (Previous Year Rs. 20.85 Crores) due from firms as debtors in which directors of the company are interested as partners.
- Expenses on issue of Shares & GDRs are being adjusted against Securities Premium Account as permitted by the Section 78 of the Companies Act.
- There are no outstanding forward exchange contracts.
- The Company is one of the partner in partnership firm M/S SE Exports and M/s Kudu Industries. The name of the partners and their profit sharing ratio are as under:

#### SE Exports

Name of Partner	Profit Sharing Ratio	Capital (Rs.) As on 31.03.11
Mr. Dhiraj Saluja	0.50%	1,883,510/-
Mrs. Reema Saluja	0.50%	745,072/-
SEL Manufacturing Co. Ltd.	99.00%	127,570,585/-

#### Kudu Industries

Name of Partner	Profit Sharing Ratio	Capital (Rs.) As on 31.03.11
Mr. Neeraj Saluja	1.00%	20,875 /-
SEL Manufacturing Co. Ltd.	99.00%	302,664,458/-

### 11. Segment Reporting

Segment Information as required by Accounting Standard (AS)-17 on Segment Reporting, issued by Companies (Accounting Standards) Rules 2006, has been compiled on the basis of the consolidated financial statements and is disclosed in the notes to accounts forming part of the consolidated financial statements in accordance with the above standard. Therefore segment information in respect of separate financial statements of the company is not being disclosed in the stand alone financial statements.

- The Company has purchased, through auction by Official Liquidator, the assets of a closed unit namely, Mangla Cotex Limited for Rs. 6.70 Crores. However, so far the Company has paid Rs. 1.675 Crores as advance for property, which has been shown under Capital Work in Process & Advances, and the possession of the same would be taken only after the confirmation of auction by the High Court.

**13. In Annexure -J, Balance With Banks consists of the following:**

(Rs. in Crores)

	<b>Balances as on</b>	
	31.03.11	31.03.10
<b>In Current Accounts</b>		
Balance with Scheduled Banks	30.35	7.69
Balance with Non Scheduled Banks		
Habib Bank	14.01	-
Emirates NBD	1.59	-
<b>Total</b>	<b>45.95</b>	<b>7.69</b>
<b>In Fixed Accounts</b>		
Balance with Scheduled Banks	9.12	46.77
Balance with Non Scheduled Banks		
Habib Bank	39.48	-
<b>Total</b>	<b>48.60</b>	<b>46.77</b>

Note: Balances with non-scheduled banks in Overseas are translated at the year-end rates of exchange.

14. The tax paid u/s 115JB (MAT) of Income Tax Act, 1961 has been treated as an asset in accordance with the provision of the Guidance note for Credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India. The MAT credit entitlement for the current year is on the basis of statement of assessable income prepared on provisional basis.
15. In accordance with the Accounting Standard (AS)-28 on Impairment of Assets, the Company has access as on the balance sheet date, whether there are any indications (listed in paragraph 8 to 10 of the Standard) with regard to the impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly no impairment has been provided in the books of account.

**16. Lease Rent**

- (i) Factory Building is taken on lease of 20 years & Office Premises is taken on lease of 11 months with the option of renewal. The particulars of these leases are as follows:

(Rs. in Crores)

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Future Minimum lease payments obligation on non-cancellable operating leases	0.37	0.34
Not later than one year	0.17	0.15
Later than one year and not later than five years	0.05	0.05
Later than five years	0.15	0.14
Lease payment recognized in Profit and Loss Account	0.17	0.17

- (ii) Rent Income also includes Lease Rentals received towards Factory Building & Office Premises. Such operating leases are generally for a period of 5 to 20 years. The particulars of these leases are as follows:

(Rs. in Crores)

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Future Minimum lease payments under non-cancellable operating leases	0.16	0.18
Not later than one year	0.02	0.02
Later than one year and not later than five years	0.06	0.08
Later than five years	0.08	0.08
Lease Income recognized in Profit and Loss Account	0.02	0.01

17. Cheques issued but not presented for payment amounting to Rs. 665,981,773/- (Previous Year Rs. 308,253,944/-) have been shown as Rs. 363,641,944/- (Previous Year Rs. 84,329,964/-) under the head other liabilities after netting of Cheques in Hand Rs. 302,339,829/- (Previous Year Rs. 223,923,980/-).

18. The Managing, Whole time Director & Executive Director have been paid remuneration in accordance with Schedule XIII to Companies Act, 1956 as per particulars given below:

<b>Particulars</b>	<b>Amounts (Rs. In Crores)</b>
Salary (Incl. Allowances)	1.56
Bonus & Leave with Wages	0.04
<b>Total</b>	<b>1.60</b>

# Excludes provision for gratuity, which is determined on the basis of actuarial valuation done on overall basis for the company.



## SEL Manufacturing Company Ltd.

19. (i) In 2009-10 the Company has issued 5,600,000 Global Depository Receipts (GDRs) at the rate of USD 1.52 per GDR (USD 8,512,000), out of which USD 8,392,000 amounting to Rs. 39.48 crores (after netting of USD 120,000 for GDRs issue expenses) is still unutilized and lying with Overseas Bank, in the form of fixed deposit. The said amount is shown in "Balances with Bank in Fixed Deposits Account" in Annexure-J of Cash & Bank Balances.
- (ii) During the year the Company has issued two series of Global Depository Receipts (GDRs). The first series being of 3,000,000 Global Depository Receipts (GDRs) at the rate of USD 15.50 per GDR amounting to Rs. 207.20 crores (USD 46,500,000). The second series being of 3,500,000 Global Depository Receipts (GDRs) at the rate of USD 10.00 per GDR amounting to Rs. 162.96 crores (USD 35,000,000). The funds have been used for working capital/capital expenditures. Out of total receipts USD 2,500,000 amounting to Rs. 11.64 crores is still unutilized and lying with Overseas Bank and the said amount is shown in "Balances with Bank" in Annexure-J of Cash & Bank Balances.
20. (i) In 2009-10 the Company had allotted 6,600,000 equity warrants on preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs. 10/- each at a premium of Rs. 60/- per share for every warrant held, within 18 months from the date of allotment (i.e. from Sept. 18, 2009), in terms of SEBI (DIP) Guidelines read with SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2009. Out of above, holders of 5,700,000 equity warrants have exercised this option by depositing the remaining amount in the year 2009-10 and the balance 900,000 equity warrant holders have exercised this option by depositing the remaining amount during the year under consideration.
- (ii) During the year the Company had allotted 3,090,000 equity warrants on preferential basis, carrying an option to the holder of such warrants to subscribe to one equity share of Rs. 10/- each at a premium of Rs. 64/- per share for every warrant held, within 18 months from the date of allotment (i.e. from Sept. 27, 2010), in terms of SEBI (DIP) Guidelines read with SEBI (Issue of Capital & Disclosure Requirements) Regulation, 2009. All of the aforesaid holders of 3,090,000 equity warrants have exercised this option by depositing the amount during the year itself.
21. The Micro, Small and Medium Enterprises Development Act, 2006 come into force w.e.f. 02.10.2006. The Company has not received any confirmation from its vendors / service providers regarding their status of registration under the said act. Hence, the disclosures required under the said Act have not been given.
22. The Company has under taken export obligation of Rs. 2101.86 crores to export of goods against the issuance of EPCG Licenses for the import of capital goods and duty free procurement of indigenous capital goods etc. Out of this, export obligations of Rs. 567.11 crores have already been fulfilled up to 31st March 2011.
23. The summarized position of Post-Employment benefits and long term employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard (AS15) are as under:

a) Gratuity:

The principal assumptions used in actuarial valuation of gratuity are as below

	Current Year	Previous Year
1. Assumption		
-Discount rate	8.00%	8.00%
-Expected rate of future salary escalation	7.00%	7.00%
2. Change in present value of obligations as on 31.03.2011		
- Present value of obligations as at beginning of year	3,299,769	1,376,747
- Interest Cost (LC Premium)	263,982	110,140
- Current service cost	305,865	1,130,003
- Benefits paid	-	(1,912)
- Actuarial gain on obligations	2,051,065	684,791
- Present value of obligations as at end of year	5,920,681	3,299,769
3. Changes in fair value of plan assets as on 31.03.2011		
-Fair value of plan assets at the beginning of year	4,138,374	2,644,014
-Expected return on plan assets	378,661	302,604
-Contributions	-	1,193,668
-Benefits paid	-	(1,912)
-Actuarial gain/(loss) on plan assets	-	-
-Fair value of plan assets at the end of year	4,517,035	4,138,374
4. Fair value of plan assets		
-Fair value of plan assets at beginning of year	4,138,374	2,644,014
-Actual return on plan assets	378,661	302,604
-Contributions	-	1,193,668
-Benefits paid	-	(1,912)
-Fair value of plan assets at the end of year	4,517,035	4,138,374
-Funded Status	(1,403,646)	838,605
-Excess of actual over estimated return on plan assets	-	-



## SEL Manufacturing Company Ltd.

(Actual rate of return= Estimated rate of return as ARD falls on 31st March)

5.	Actuarial Gain/Loss recognized		
	Actuarial (gain)/ loss on obligation	<b>2,051,065</b>	(684,791)
	Actuarial (gain)/ loss for the year-plan assets	-	-
	Actuarial (gain)/ loss on obligation	<b>2,051,065</b>	684,791
	Actuarial (gain)/ loss recognized in the year	<b>2,051,065</b>	684,791
6.	Amount recognized in the Balance Sheet and Profit & Loss Account		
	- Present value of obligations as at the end of year	<b>5,920,681</b>	3,299,769
	- Fair value of plan assets as at the end of the year	<b>4,517,035</b>	4,138,374
	- Funded status	<b>(1,403,646)</b>	838,605
	- Net Assets/ (Liability) recognized in Balance sheet	<b>(1,403,646)</b>	838,605
7.	Expenses recognized in Profit and Loss Account		
	- Current service cost	<b>305,865</b>	1,130,003
	- Interest cost (LC Premium)	<b>263,282</b>	110,140
	- Expected return on plan assets	<b>(378,661)</b>	(302,604)
	- Net Actuarial (Gain)/ Loss recognized in the year	<b>2,051,065</b>	684,791
	Total Expense recognized in Profit and Loss Account	<b>2,242,251</b>	1,622,330

b) Provident Fund:

During the year the company has recognized an expense of Rs 22,092,868/- (Previous Year Rs. 11,291,220/-) towards provident fund scheme.

c) Leave Encashment

During the year the company has recognized an expense of Rs 4,783,052/- (Previous Year Rs. 5,038,964/-).

24. Current Liabilities include Rs. 28,348/- (Previous Year Rs 28,348/-) on account of Unclaimed Dividend. Unclaimed Dividend for the year 2007-08 does not include any amount due and outstanding to be credited to investor's Education and Protection Fund.
25. A sum of Rs. 0.47 crores (Previous Year Rs. 0.01 crores) is included in profit & loss account under different expenditures heads representing prior period items.
26. Capital Work in Progress includes, Project and Pre-operative Expenses pending allocation to fixed assets:

(Rs. in Crores)

		2010-11		2009-10
Opening Balance		19.63		14.61
Add: Expenses incurred during the year				
Bank Interest & Charges	29.53		11.86	
Loss on Foreign Exchange Fluctuation	17.41		3.87	
Other Administration Expenses	4.22	51.16	1.81	17.54
Sub Total		70.79		32.15
Less: Expenses capitalized during the year		31.30		12.52
Closing Balance		39.49		19.63

27. The figures in bracket indicate deductions.
28. The figures of the previous year have been rearranged and / or regrouped, wherever considered necessary to facilitate comparison.
29. Additional information as required by paragraph 3 & 4 of Part II of Schedule VI of the Companies Act, 1956 and Balance Sheet abstract and Company's General Profile are enclosed herewith.

Subject to our Separate Report of Even Date  
For Dass Khanna & Co.  
Chartered Accountants

For and on the behalf of Board of  
SEL Manufacturing Company Limited

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

Place : Ludhiana  
Date : 19.05.2011

(Rahul Kapoor)  
Company Secretary





## SEL Manufacturing Company Ltd.

### 1. Additional Information as required by paragraph 3 & 4 of the Part II of Schedule VI of the Companies Act, 1956

#### A. Production Data

Class of Goods			Licensed Capacity	Installed Capacity	Actual Production
Hosiery Garments	Pcs.	Current Year	N.A.	8,500,000	3,466,914
	Pcs.	Previous Year	N.A.	8,500,000	7,755,895
Knitted Cloth	Kgs.	Current Year	N.A.	7,050,000	1,767,372
	Kgs.	Previous Year	N.A.	7,050,000	5,163,360
Cotton/Polyster Yarn	Kgs.	Current Year	N.A.	149,856	31,468,027
				2,400	
Terry Towel	Kgs.	Previous Year	N.A.	149,856	20,506,084
	MT	Current Year	N.A.	12,600	4,854
	MT	Previous Year	N.A.	3,600	1,602

(Installed Capacities have been certified by the management and not verified by the Auditors being technical matter.)

(Installed Capacities per annum on the assumption of 300 working days in year except in the case cotton yarn where it is on the basis of 360 working days. The capacities in Garments and Dyed Knitted Cloth may vary depending on the quality of the final product desired.)

(In case of Cotton/Polyster Yarn , installed capacities are in the terms of spindles & rotors installed)

#### B. Particulars of Sales

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Hosiery Garments	Pcs.	12,974,407	2,541,661,410	9,477,495	2,005,996,013
Yellow Soya Bean	MT	-	-	20,619	484,187,702
Waste	Kgs.	8,692,611	232,212,569	5,546,010	172,926,528
Knitted Cloth	Kgs.	15,486,456	5,195,672,611	13,246,025	2,812,606,665
Knitted Cloth	Mtr.	8,887,113	930,648,326	-	-
Cotton/Polyster Yarn	Kgs.	27,179,772	4,496,519,698	28,043,075	3,364,133,768
Raw Cotton	Kgs.	1,250,023	101,374,529	3,224,349	240,252,598
Steel Coils	MT	10,200	1,087,959,482	-	-
Terry Towel	Kgs.	4,400,815	1,246,742,406	1,262,325	342,059,092
<b>Total</b>			<b>15,832,791,031</b>		<b>9,422,162,366</b>

#### C. Raw Material Consumed

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Yarn	Kgs.	1,386,628	267,084,378	7,890,808	948,555,479
Raw Cotton/Cotton Waste	Kgs.	36,457,601	3,224,693,655	24,906,662	1,882,467,380
Cloth Consumed	Kgs.	831,783	180,302,562	912,200	186,408,336
Polyster Fibre	Kgs.	2,786,158	267,026,677	2,438,019	163,554,501
Dyed Yarn	Kgs.	875,025	118,051,855	999,159	152,836,077
<b>Total</b>		<b>42,337,195</b>	<b>4,057,159,127</b>	<b>37,146,848</b>	<b>3,333,821,773</b>

#### D. Trading Goods Purchased

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Knitted Cloth	Kgs.	14,456,135	5,032,269,214	12,211,302	1,060,570,923
Yellow Soya Bean	MT	-	-	20,619	487,409,836
Knitted Cloth	Mtr.	8,887,113	921,952,268	-	-
Steel Coils	MT	10,200	992,557,307	-	-
Hosiery Garments	Pcs.	9,242,301	1,749,234,845	3,592,018	690,396,656
Cotton Yarn	Kgs.	3,177,782	454,990,533	3,749,061	443,626,183
<b>Total</b>		<b>35,773,531</b>	<b>9,151,004,165</b>	<b>19,573,000</b>	<b>2,682,003,598</b>



**E Opening and Closing Stock of Goods Produced and Traded in**

Current Year	Unit	Opening Stock		Closing Stock	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Knitted Cloth	Kgs.	1,169,336	304,957,400	2,279,771	1,222,363,262
Cotton Yarn	Kgs.	1,723,536	214,279,309	1,703,555	294,526,643
Polyster Yarn	Kgs.	-	-	251,442	33,008,468
Blended Yarn	Kgs.	83,823	8,804,643	109,499	15,134,865
Terry Towel	Kgs.	358,829	109,375,480	758,858	219,795,324
Hosiery Garments	Pcs.	4,129,266	672,386,388	3,864,074	1,049,439,636
Waste	Kgs.	1,653,309	64,115,523	623,698	19,713,831
<b>Total</b>			<b>1,373,918,743</b>		<b>2,853,982,029</b>

Figures of Closing Stocks are given after adjusting Inter Unit Transfers and Internal Consumption.

**Opening and Closing Stock of Goods Produced and Traded in**

Previous Year	Unit	Opening Stock		Closing Stock	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Knitted Cloth	Kgs.	907,678	145,371,307	1,169,336	304,957,400
Cotton Yarn	Kgs.	961,029	112,173,574	1,723,536	214,279,309
Polyster Yarn	Kgs.	67,214	6,255,617	-	-
Blended Yarn	Kgs.	187,311	18,696,298	83,823	8,804,643
Terry Towel	Kgs.	26,033	7,926,938	358,829	109,375,480
Hosiery Garments	Pcs.	2,258,848	356,552,483	4,129,266	672,386,388
Waste	Kgs.	271,398	9,227,963	1,653,309	64,115,523
<b>Total</b>			<b>656,204,180</b>		<b>1,373,918,743</b>

**F. Bifurcation of Materials and Stores Consumed**

Class of Goods		Indigenous		Imported	
		Value	%	Value	%
Raw Material	Current Period	4,042,021,912	99.63%	15,137,215	0.37%
	Previous Year	2,839,126,639	85.00%	494,695,134	15.00%
Stores & Spares	Current Period	241,998,524	91.05%	23,788,457	8.95%
	Previous Year	47,614,590	83.00%	10,052,297	17.00%

**G. CIF Value of Imports**

Raw Materials	13,936,887
Stores & Spares	23,788,457
Capital Goods	2,181,434,471
Current Period	2,219,159,815
Previous Year	1,023,088,839

**H. Expenditure in Foreign Currency**

In India	Current Period	48,689,441
Overseas Expenditures	Current Period	1,310,867,641
In India	Previous Year	43,869,591
Overseas Expenditures	Previous Year	-

**I. Earning in Foreign Exchange**

FOB Value	Current Period	3,185,085,118
Overseas Income	Current Period	1,425,372,650
FOB Value	Previous Year	2,598,162,391
Overseas Income	Previous Year	-



## **SEL Manufacturing Company Ltd.**

### 2. **Balance Sheet Abstract and Company's General Business Profile**

#### I. Registration Details

Registration No.	23679	State Code	16
Balance Sheet Date	31.03.2011		

#### II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placements	689900

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

<b>Total Liabilities</b>	<b>26,924,911</b>	<b>Total Assets</b>	<b>26,924,911</b>
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##### **Source of Funds**

Paid-Up Capital	993,470	Reserve & Surplus	8,980,303
Secured Loan	16,288,115	Share Warrants	-
Unsecured Loans	48,555	Deffered Tax Liability	614,468

##### **Application of Funds**

Net Fixed Assets	14,725,692	Investments	2,142,300
Net Current Assets	10,056,536	Misc Expenditure	383

#### IV. Performance of Company (Amount in Rs. Thousand)

Turnover and other Income	16,077,595	Total Expenditure	14,585,178
Profit before Tax	1,492,416	Profit after Tax	1,003,914
Earning per Share (in Rs.)	12.73	Dividend (%)	-

#### Generic Names of Principle Products/Services of the Company (as per monetary terms)

V. -

Item Code No.	Product Description
5205.11	Hosiery Garments
5509.53	Knitted Cloth
5509.21	Cotton Yarn
6304.92	Terry Towel



**Auditors' Report on Consolidated Financial Statements**

To the Board of Directors

**SEL Manufacturing Company Limited**

- 1) We have audited the attached **Consolidated** Balance Sheet of **SEL Manufacturing Company Limited (the Company) and its subsidiaries (collectively referred to as "the group")** as at **31st March 2011**, the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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)
  - (a) The Financial statements of the SEL manufacturing Company Limited incorporate the accounts of S.E Exports (partnership firm) for the year ended 31st March, 2011 which have audited by us.
  - (b) We have not audited the financial statements of M/s Kudu Industries, a subsidiary partnership firm and M/s SEL Textiles Ltd., a subsidiary company whose financial statements reflect total assets of Rs 374.86 crores as at March 31, 2011, total revenues of Rs. 296.68 crores and net cash inflows amounting to Rs. 8.56 crores for the year ended on that date (these figures include intra group balances and transactions which were eliminated on the consolidation) as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by the other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditor.
- 4) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with requirements of Accounting Standard-21, Consolidated Financial Statements, and Accounting Standard-23, Accounting for Investments in Associates in Consolidated Financial Statements as notified under the

Companies (Accounting Standards) Rules, 2006.

- 5) We report that

The Consolidated balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, subject to

- (a) *Non compliance of AS-15 "Employee Benefits" w.r.t. accounting of gratuity liability on cash basis by its subsidiaries M/S Kudu Industries and M/S S.E Exports as referred to in note no K (ii) of the annexure-T for Significant Accounting Policies and Notes to Accounts.*
- (b) *Non elimination of loss on transfer (sale) of fixed assets amounting Rs 0.37 crores among Inter group companies has not been eliminated while preparing the consolidated financial statements.*

The impact of our observation in para 5 (a) regarding non compliance of AS-15 on relevant assets & liabilities and profit for the year could not be ascertained due to non availability of information.

Had the observation made by us in para 5 (b) being considered the profit before tax would have been Rs. 166.28 crores (as against the reported figure of Rs. 165.91 crores), reserves & surplus would have been Rs. 914.88 crores (as against the reported figure of Rs. 914.51 crores) and fixed assets would have been Rs. 1649.52 crores (as against the reported figure of Rs. 1649.15 crores)

- 6) Based on our audit and on the consideration of reports of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements subject to above and Non confirmation of debit/credit balances read together with notes thereon (as per Annexure T) gives a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Consolidated Balance Sheet, of the state of affairs of the company as at 31st March 2011,
- b) In the case of the Consolidated Profit and Loss account, of the profit for the Group of the year ended on that date, and
- c) In the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Dass Khanna & Co.  
Chartered Accountants  
Registration No. 000402N

PLACE : Ludhiana  
DATE : 19.05.2011

(Rakesh Soni)  
Partner  
M. No. 83142



# SEL Manufacturing Company Ltd.

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(in Rupees)

PARTICULARS	ANNEXURE	AS AT 31.03.2011	AS AT 31.03.2010
<b>A. SOURCES OF FUNDS</b>			
<b>I. SHAREHOLDERS' FUNDS</b>			
SHARE CAPITAL	A	993,470,000	303,570,000
RESERVES & SURPLUS	B	9,145,061,756	4,721,512,909
SHARE WARRANT	C	-	15,750,000
		<b>10,138,531,756</b>	<b>5,040,832,909</b>
<b>II. MINORITY INTEREST</b>			
		<b>3,157,884</b>	<b>3,613,317</b>
<b>III. LOANS FUNDS</b>			
SECURED LOANS	D	17,998,221,419	9,906,913,213
UNSECURED LOANS	E	62,836,211	225,656,936
		<b>18,061,057,631</b>	<b>10,132,570,149</b>
<b>IV. DEFERRED TAX LIABILITY</b>			
		<b>642,511,986</b>	<b>336,416,927</b>
	<b>TOTAL</b>	<b>28,845,259,256</b>	<b>15,513,433,302</b>
<b>B. APPLICATION OF FUNDS</b>			
<b>I. FIXED ASSETS</b>			
GROSS BLOCK	F	10,989,277,503	5,871,154,256
LESS: DEPRECIATION		1,289,385,897	691,012,045
NET BLOCK		9,699,891,606	5,180,142,211
CAPITAL WORK IN PROGRESS		6,791,637,058	2,726,609,356
		<b>16,491,528,664</b>	<b>7,906,751,567</b>
<b>II. INVESTMENTS</b>			
	G	<b>545,409,055</b>	<b>131,919,055</b>
<b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
-INVENTORIES	H	6,680,058,522	2,788,221,762
-SUNDRY DEBTORS	I	4,555,995,409	3,759,774,572
-CASH AND BANK BALANCES	J	1,078,200,781	604,298,622
-LOANS & ADVANCES	K	1,969,286,223	1,122,663,056
		<b>14,283,540,936</b>	<b>8,274,958,012</b>
<b>IV. CURRENT LIABILITIES &amp; PROVISIONS</b>			
	L	<b>2,484,922,463</b>	<b>800,962,259</b>
<b>V. NET CURRENT ASSETS</b>			
	(III-IV)	<b>11,798,618,473</b>	<b>7,473,995,752</b>
<b>VI. MISCELLANEOUS EXPENDITURES</b>			
(To the extent not written off or adjusted)			
PUBLIC ISSUE EXPENSES		9,319,600	-
PRELIMINARY EXPENSES		383,463	766,929
	<b>TOTAL</b>	<b>28,845,259,256</b>	<b>15,513,433,302</b>

Notes on Accounts

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SUBJECT TO OUR SEPARATE REPORT OF EVEN DATE  
FOR DASS KHANNA & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON THE BEHALF OF BOARD OF  
SEL MANUFACTURING COMPANY LIMITED

Place: Ludhiana  
Date : 19.05.2011

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

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

(in Rupees)

PARTICULARS	ANNEXURE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
GROSS SALES		17,027,504,727	9,375,498,472
LESS : EXCISE DUTY		635,852	-
NET SALES		17,026,868,875	9,375,498,472
OTHER INCOME	M	237,280,050	305,628,426
	<b>TOTAL</b>	<b>17,264,148,925</b>	<b>9,681,126,898</b>
<b>EXPENDITURE</b>			
COST OF MATERIALS	N	11,931,900,946	6,415,587,400
MANUFACTURING EXPENSES	O	1,133,352,676	748,132,559
PERSONNEL EXPENSES	P	482,718,549	244,066,884
ADMINISTRATION EXPENSES	Q	127,376,998	95,301,391
FINANCIAL EXPENSES	R	876,378,377	627,072,511
SELLING EXPENSES	S	443,146,870	227,700,786
DEPRECIATION		609,740,975	332,999,697
PRELIMINARY EXPENSES W/OFF		383,466	383,466
	<b>TOTAL</b>	<b>15,604,998,859</b>	<b>8,691,244,693</b>
<b>PROFIT BEFORE TAXATION</b>		<b>1,659,150,067</b>	<b>989,882,205</b>
LESS: PROVISION FOR TAXATION			
-CURRENT TAX		330,810,000	167,650,000
-WEALTH TAX		225,000	225,000
-DEFERRED TAX		306,095,059	110,693,265
-MAT CREDIT ENTITLEMENT		(103,508,500)	(9,257,720)
<b>PROFIT AFTER TAX</b>		<b>1,125,528,508</b>	<b>720,571,660</b>
LESS: MINORITY INTEREST		704,961	1,561,015
<b>PROFIT AFTER TAX AND MINORITY INTEREST</b>		<b>1,124,823,547</b>	<b>719,010,645</b>
APPROPRIATIONS			
BALANCE BROUGHT FORWARD		2,376,413,806	1,957,264,736
ADD: TAX ADJUSTMENTS RELATING TO PREVIOUS YEAR		6,446,647	(49,861,575)
LESS: TRANSFERRED TO GENERAL RESERVE		250,000,000	250,000,000
<b>BALANCE CARRIED OVER TO BALANCE SHEET</b>		<b>3,257,684,000</b>	<b>2,376,413,806</b>
EARNINGS PER SHARE BASIC		14.27	34.49
EARNINGS PER SHARE DILUTED		14.27	34.29

SUBJECT TO OUR SEPARATE REPORT OF EVEN DATE  
FOR DASS KHANNA & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON THE BEHALF OF BOARD OF  
SEL MANUFACTURING COMPANY LIMITED

Place: Ludhiana  
Date : 19.05.2011

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	Details (Rs.)	Current Year	Details (Rs.)	Previous Year
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before Taxes & Extraordinary Items after Dep. W/b		1,658,445,106		988,321,189
<b>Adjustments for Non Cash Items:</b>				
Preliminary Expenses Written Off	383,466		383,466	
Depreciation	609,740,975		332,999,697	
Interest Charged	837,477,530		595,055,624	
Interest on Car Loan	3,829,697		3,040,739	
Interest Received	(19,526,137)		(56,270,613)	
Dividend Received	(81,000)		(65,306)	
(Profit) / Loss on Sale of Fixed Assets	9,826,225	1,441,650,755	38,174	875,181,781
<b>Adjustments for Changes in Working Capital:</b>				
(Increase)/ Decrease in Sundry Debtors	(796,220,837)		(815,400,767)	
Increase/ (Decrease) in Current Liabilities	1,683,960,204		(217,287,626)	
(Increase)/ Decrease in Loans & Advances	(846,623,167)		(351,131,047)	
(Increase)/ Decrease in Inventories	(3,891,836,760)	(3,850,720,561)	(1,610,851,773)	(2,994,671,213)
<b>Cash Generation from Operations</b>		(750,624,701)		(1,131,168,243)
Taxes Paid		221,079,853		157,607,111
<b>Net Cash from Operating Activities</b>		(971,704,554)		(1,288,775,354)
<b>B. Cash Flows from Investing Activities</b>				
Purchase of Fixed Assets & Capital Work in Process	(9,225,108,844)		(3,536,727,346)	
Sale of Fixed Assets	20,619,299		2,466,916	
Purchase of Investments	(413,490,000)		(43,980,000)	
Interest Received	19,526,137		56,270,613	
Dividend Received	81,000		65,306	
<b>Net Cash Flows from Investing Activities</b>		(9,598,372,409)		(3,522,019,251)
<b>C. Cash Flow From Financing Activities</b>				
Increase / (Decrease) in Share Capital / Minority Interest	3,966,118,469		1,112,896,487	
Proceeds/(Repayment) of Secured Loans	8,091,308,206		3,770,941,747	
Proceeds/(Repayment) of Unsecured Loans	(162,820,725)		(1,568,573)	
Public Issue Expenses	(9,319,600)		-	
Interest Paid	(837,477,530)		(595,055,624)	
Interest on Car Loan	(3,829,697)		(3,040,739)	
<b>Net Cash Flows from Financing Activities</b>		11,043,979,123		4,284,173,298
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent</b>		473,902,159		(526,621,305)
Cash & Cash Equivalents - Closing Balance		604,298,622		1,130,919,927
Cash & Cash Equivalents - Closing Balance		1,078,200,781		604,298,622

SUBJECT TO OUR SEPARATE REPORT OF EVEN DATE  
FOR DASS KHANNA & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON THE BEHALF OF BOARD OF  
SEL MANUFACTURING COMPANY LIMITED

Place: Ludhiana  
Date : 19.05.2011

(Rakesh Soni)  
Partner

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>SHARE CAPITAL</b>		<b>ANNEXURE - A</b>
<b>AUTHORISED</b>		
250,000,000 EQUITY SHARES OF RS. 10 EACH (Previous Year 75,000,000 Equity Shares of Rs. 10/- Each)	<u>2,500,000,000</u>	<u>750,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
99,347,000 EQUITY SHARES OF RS. 10/- EACH FULLY PAID UP (Previous Year 30,357,000 Equity Shares of Rs. 10 Each)	<u>993,470,000</u>	<u>303,570,000</u>
<b>TOTAL</b>	<u>993,470,000</u>	<u>303,570,000</u>
<b>RESERVES &amp; SURPLUS</b>		<b>ANNEXURE - B</b>
CAPITAL RESERVE	<u>71,347,926</u>	<u>71,347,926</u>
<b>SECURITIES PREMIUM</b>		
Opening Balance	<u>1,703,551,177</u>	
Addition during the year	<u>3,303,400,000</u>	
	<u>5,006,951,177</u>	
Deduction during the year	<u>11,121,346</u>	<u>1,703,551,177</u>
<b>GENERAL RESERVE</b>		
Opening Balance	<u>570,200,000</u>	
Add: Transferred from Profit & Loss Account	<u>250,000,000</u>	<u>820,200,000</u>
	<u>820,200,000</u>	<u>570,200,000</u>
<b>SURPLUS</b>		
Surplus as per annexed Profit & Loss A/c	<u>3,257,684,000</u>	<u>2,376,413,806</u>
<b>TOTAL</b>	<u>9,145,061,756</u>	<u>4,721,512,909</u>
<b>EQUITY WARRANTS</b>		<b>ANNEXURE - C</b>
Nil (Previous Year 9,00,000) equity warrants, allotted on a preferential basis carrying an option to the holder of such warrants to subscribe to one equity share of Rs.10/- each at a premium of Rs. 60/- per share for every warrant held, within 18 months from the date of allotment, (i.e. from Sept. 18, 2009)		
Amount Received (25% of the total allotment price)	-	<u>15,750,000</u>
<b>TOTAL</b>	-	<u>15,750,000</u>

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary





## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>SECURED LOANS</b>		
<b>ANNEXURE-D</b>		
LOANS AND ADVANCES FROM BANKS		
-TERM LOAN	<b>12,700,385,169</b>	6,700,791,238
-WORKING CAPITALS	<b>5,297,836,251</b>	3,206,121,975
<b>TOTAL</b>	<b>17,998,221,419</b>	9,906,913,213

**Notes:**

- The term loans from Banks are secured by equitable mortgage of entire Land & Building of the Company and hypothecation of other Fixed Assets of the company, immovable & movable, both present and future ranking parri passu basis with all terms lenders are further secured by the second parri passu charge on all current assets of the company and personal guarantee of the promoter directors.
- Working Capital Loans are secured by the Hypothecation of Current Assets of the company parri passu basis among all the consortium member and further secured by the second parri passu charge on the entire fixed assets of the company and personal guarantee of promoter directors.
- Term Loan due for repayment within one year is Rs. 140.64 crores (Previous Year Rs. 90.70 crores)

UNSECURED LOANS	<b>ANNEXURE-E</b>	
FROM BANKS	<b>62,836,211</b>	225,656,936
<b>TOTAL</b>	<b>62,836,211</b>	225,656,936

**Notes:**

- Amount due for repayment within one year is Rs. 1.92 crores (Previous Year Rs. 21.31 crores)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	BALANCE	ADDITIONS	SALES/ ADJUST-	BALANCE	BALANCE	PROVIDED	SALES/ ADJUST-	BALANCE	AS	AS
	AS ON 01.04.2010	DURING THE YEAR	MENT THE YEAR	AS ON 31.03.2011	AS ON 01.04.2010	DURING THE YEAR	MENT THE YEAR	AS ON 31.03.2011	AS ON 31.03.2011	AS ON 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
FREEHOLD LAND	378,028,194	584,183,283	-	962,216,477	-	-	-	-	962,216,477	378,028,194
LEASEHOLD LAND	54,030,600	-	-	54,030,600	1,191,409	586,515	-	1,777,924	52,252,676	52,839,191
BUILDING	1,924,192,959	1,120,140,063	-	3,044,333,024	102,593,759	73,549,662	-	176,143,420	2,868,189,604	1,821,599,203
ROAD	5,850,448	-	-	5,850,448	390,269	97,210	-	487,480	5,362,968	5,460,178
PLANT & MACHINERY	3,317,680,443	3,332,816,090	38,156,875	6,612,339,658	555,301,125	517,395,418	9,620,112	1,063,076,433	5,549,263,225	2,762,379,316
FURNITURE & FIXTURES	93,438,235	37,860,733	-	131,298,970	11,619,271	6,715,586	-	18,334,858	112,964,112	81,818,965
VEHICLES	84,745,418	78,220,568	3,801,025	159,164,961	18,229,908	10,749,310	1,892,264	27,086,954	132,078,007	66,515,510
OFFICE EQUIPMENT	13,187,959	6,885,405	-	20,043,364	1,686,305	792,522	-	2,478,827	17,564,537	11,501,654
<b>TOTAL</b>	<b>5,871,154,256</b>	<b>5,160,081,142</b>	<b>41,957,900</b>	<b>10,989,277,503</b>	<b>691,012,046</b>	<b>609,886,224</b>	<b>11,512,376</b>	<b>1,289,385,897</b>	<b>9,699,891,606</b>	<b>5,180,142,211</b>
Previous Year	3,523,920,831	2,349,800,220	2,566,795	5,871,154,256	358,150,402	332,999,696	138,053	691,012,045	5,180,142,211	0

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>INVESTMENTS</b>		<b>ANNEXURE-G</b>
<b>LONG TERM INVESTMENTS AT COST</b>		
<b>INVESTMENTS IN GOVERNMENT SECURITIES (QUOTED)</b>		
SBI MF Magnum Texgain Scheme (1648.95 Units of Face Value of Rs. 10 Each)	<b>100,000</b>	100,000
<b>INVESTMENT IN EQUITY SHARE (QUOTED)</b>		
3124 Equity Shares of Rs. 10 Each fully paid up of Reliance Industries Ltd.	<b>3,000,000</b>	3,000,000
229 Equity Shares of Rs. 10 Each fully paid up of Dhanus Technologies Ltd.	<b>67,555</b>	67,555
<b>INVESTMENT IN EQUITY SHARE (UNQUOTED)</b>		
299300 Equity Shares of Re. 1 each fully paid up of The Delhi Stock Exchange Association Limited	<b>20,951,000</b>	20,951,000
SBI INFRASTRUCTURE FUND 150000 Units of Rs. 10 Each	<b>1,500,000</b>	1,500,000
SBI PSU FUND 50000 Units of Rs. 10 Each	<b>500,000</b>	-
24000 Equity Share of Rs. 10 Each fully paid up of Rhythm Textile & Apparels Park Limited	<b>240,000</b>	240,000
48050 Equity Shares of Re. 10 Each fully paid up of Silverline Textile Park Limited	<b>480,500</b>	480,500
Share Application Money in Rhythm Textile & Apparels Park Limited	<b>240,550,000</b>	105,580,000
Share Application Money in SEL Developers Pvt. Limited	<b>278,020,000</b>	-
<b>TOTAL</b>	<b>545,409,055</b>	131,919,055
Market Value of Quoted Investment	<b>3,280,720</b>	2,382,458
Aggregate Value of Quoted Investment	<b>100,000</b>	100,000
Aggregate Value of UnQuoted Investment	<b>542,241,500</b>	128,751,500

**(Rakesh Soni)**  
Chartered Accountant

**(N.Saluja)**  
Managing Director

**(Navneet Gupta)**  
Director

**(Rahul Kapoor)**  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>INVENTORIES</b>		
(TAKEN AS, VALUED & CERTIFIED BY THE MANAGEMENT)		
RAW MATERIAL	2,810,759,126	1,042,701,550
WORK IN PROCESS	588,786,195	185,794,284
FINISHED GOODS	3,027,131,151	1,446,385,686
STORES & SPARES	253,382,050	113,340,242
<b>TOTAL</b>	<b>6,680,058,522</b>	<b>2,788,221,762</b>
<b>SUNDRY DEBTORS</b>		
(UNSECURED, CONSIDERED GOOD)		
MORE THAN SIX MONTHS	1,301,544,926	2,075,967,477
OTHERS	3,254,450,483	1,683,807,095
<b>TOTAL</b>	<b>4,555,995,409</b>	<b>3,759,774,572</b>
<b>CASH &amp; BANK BALANCES</b>		
(UNSECURED, CONSIDERED GOOD)		
CASH IN HAND (INCLUDING IMPREST)	20,541,718	42,086,189
BALANCE WITH SCHEDULED BANKS		
IN CURRENT ACCOUNTS	571,498,509	94,398,585
IN FIXED DEPOSIT ACCOUNTS	486,160,555	467,813,848
<b>TOTAL</b>	<b>1,078,200,781</b>	<b>604,298,622</b>
<b>LOANS AND ADVANCES</b>		
(UNSECURED, CONSIDERED GOOD)		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR A VALUE TO BE RECEIVED	1,711,635,632	1,029,583,820
PREPAID TAXES	216,110,527	61,789,682
SECURITY DEPOSITS	41,540,064	31,289,554
<b>TOTAL</b>	<b>1,969,286,223</b>	<b>1,122,663,056</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
(UNSECURED, CONSIDERED GOOD)		
CURRENT LIABILITIES		
SUNDRY CREDITORS	1,639,967,903	403,772,832
OTHER LIABILITIES	513,919,559	229,314,427
PROVISIONS		
PROVISION FOR CURRENT TAXATION	330,810,000	167,650,000
PROVISION FOR WEALTH TAXATION	225,000	225,000
<b>TOTAL</b>	<b>2,484,922,463</b>	<b>800,962,259</b>

**(Rakesh Soni)**  
Chartered Accountant

**(N.Saluja)**  
Managing Director

**(Navneet Gupta)**  
Director

**(Rahul Kapoor)**  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>OTHER INCOME</b>		<b>ANNEXURE - M</b>
EXPORT INCENTIVES	193,019,226	245,821,728
INTEREST ON FDR's (Gross) (TDS Rs. 1,064,077/- , Previous Year Rs. 7,941,685/-)	19,526,137	56,270,613
JOB WORK INCOME (Gross) (TDS Rs. Nil , Previous Year TDS Rs. 13,343/-)	7,995	610,660
DIVIDEND RECEIVED	81,000	65,306
FOREIGN EXCHANGE FLUCTUATION	24,353,041	2,839,119
INSURANCE CLAIM	208,651	-
RENTAL INCOME	84,000	21,000
<b>TOTAL</b>	<b>237,280,050</b>	<b>305,628,426</b>
<b>MATERIALS CONSUMED</b>		<b>ANNEXURE - N</b>
OPENING STOCK		
RAW MATERIAL	960,391,670	332,933,088
WORK IN PROGRESS	185,794,284	127,035,803
FINISHED GOODS	1,444,433,338	679,393,065
	<b>2,590,619,292</b>	<b>1,139,361,956</b>
ADD : PURCHASES	15,767,958,127	7,866,844,737
CLOSING STOCKS		
RAW MATERIAL	2,810,759,126	960,391,670
WORK IN PROGRESS	588,786,195	185,794,284
FINISHED GOODS	3,027,131,151	1,444,433,338
	<b>6,426,676,472</b>	<b>2,590,619,292</b>
<b>MATERIALS CONSUMED</b>	<b>11,931,900,946</b>	<b>6,415,587,400</b>
<b>MANUFACTURING EXPENSES</b>		<b>ANNEXURE - O</b>
JOB WORK EXPENSES	20,597,596	18,858,663
POWER & FUEL	767,292,488	602,810,546
CONSUMABLE & OTHER MATERIALS	274,973,822	64,942,644
REPAIR & MAINTANENCE	70,488,770	61,520,706
<b>TOTAL</b>	<b>1,133,352,676</b>	<b>748,132,559</b>
<b>PERSONNEL EXPENSES</b>		<b>ANNEXURE - P</b>
WAGES, SALARIES & OTHER ALLOWANCES	428,886,837	219,415,326
CONTRIBUTION TO ESI & OTHER FUNDS	33,325,597	17,465,173
STAFF & LABOUR WELFARE	20,506,115	7,186,385
<b>TOTAL</b>	<b>482,718,549</b>	<b>244,066,884</b>

**(Rakesh Soni)**  
Chartered Accountant

**(N.Saluja)**  
Managing Director

**(Navneet Gupta)**  
Director

**(Rahul Kapoor)**  
Company Secretary



## SEL Manufacturing Company Ltd.

PARTICULARS	AS AT 31.03.2011 (Rs.)	AS AT 31.03.2010 (Rs.)
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
<b>ANNEXURE - Q</b>		
PRINTING & STATIONERY	5,147,575	3,068,959
INSURANCE	10,882,385	8,143,453
FEES & TAXES	5,243,813	3,595,210
DONATION	603,200	321,838
LEGAL & PROFESSIONAL CHARGES	10,797,666	10,150,831
POSTAGE & COURIER CHARGES	9,493,815	4,571,000
TELEPHONE & FAX EXPENSES	5,154,227	3,039,740
AUDITORS' REMUNERATION		
-AUDIT FEE	2,030,690	1,327,500
-TAX AUDIT FEE	556,725	359,000
-REIMBURSEMENT OF EXPENSES	14,924	93,397
-SERVICE TAX	261,410	171,753
DIRECTOR'S REMUNERATION	16,474,667	12,233,802
GENERAL REPAIR & MAINTENANCE	4,470,220	3,238,208
OFFICE EXPENSES	7,323,222	4,134,169
FESTIVAL EXPENSES	930,382	3,068,688
RENT	2,244,315	3,464,323
TRAVELLING & CONVEYANCE	19,110,393	13,557,285
WATER CHARGES	1,744,892	236,955
SERVICE TAX PAID	3,413,662	1,787,136
ADVERTISEMENT	2,590,160	1,744,762
LOSS ON SALE OF FIXED ASSET	9,826,225	38,174
SECURITY EXPENSES	271,342	286,034
BUILDING REPAIR & MAINTANENCE	1,631,735	952,153
LOSS BY FIRE	-	9,324,829
VEHICLES EXPENSES	7,159,353	6,392,193
<b>TOTAL</b>	<b>127,376,998</b>	<b>95,301,391</b>
<b>FINANCIAL EXPENSES</b>		
<b>ANNEXURE - R</b>		
INTEREST ON WORKING CAPITAL LIMITS	410,228,197	267,586,647
INTEREST ON TERM LOAN	427,249,333	327,468,977
BANK CHARGES	35,041,339	28,602,097
INTEREST TO OTHERS	29,811	374,051
INTEREST ON CAR LOAN	3,829,697	3,040,739
<b>TOTAL</b>	<b>876,378,377</b>	<b>627,072,511</b>
<b>SELLING EXPENSES</b>		
<b>ANNEXURE - S</b>		
BUSINESS PROMOTION	8,667,465	2,880,490
SUNDRY BALANCES W/OFF	3,326,288	-
COMMISSION	73,653,970	38,831,569
CLEARING & FORWARDING CHARGES	56,353,710	31,854,969
SALES TAX	3,664	6,032
PACKING EXPENSES	176,871,716	84,694,015
REBATE & DISCOUNT	20,246,097	17,482,059
FREIGHT OUTWARD	104,023,960	51,951,652
<b>TOTAL</b>	<b>443,146,870</b>	<b>227,700,786</b>

(Rakesh Soni)  
Chartered Accountant

(N.Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary



**Schedule forming part of Consolidated Financial Statements**

**Significant Accounting Policies and Notes to Accounts  
ANNEXURE-T**

**I. Significant Accounting Policies**

**A. Accounting Convention**

The Financial Statements have been prepared under historical cost convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant presentational requirements of the Companies Act, 1956.

**B. Principles of Consolidation**

In Preparing consolidated financial statements; the financial statements of parent company and subsidiary are combined on line-by-line basis by adding together the like items of assets, liabilities, income and expenses. The inter group balances and transactions and unrealized profits and losses are fully eliminated.

Minority Interest's in net profit of consolidated financial statements, for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

Minority Interest's in the net assets of the consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and equity of the company's shareholders.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances and are presented in the same manner as Company's separate financial statements.

**C. Revenue Recognition**

**i) Sales**

Revenue from sale of goods is recognized:

- i) When all the significant risks and rewards of ownership are transferred to the buyer and the company retains no effective control of the goods transferred to a degree usually associated with ownership: and
- ii) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

**ii) Export Incentives**

Revenue in respect of the above benefits is recognized on post export basis.

**iii) Dividend**

Dividend income is recognized when the right to receive the payment is established.

**iv) Interest**

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**D. Investments**

Long term Investments are carried at cost less provision, if any, for diminution in value which is other than temporary, and current investments are carried at lower of cost and fair value.

**E. Inventories**

Inventories are valued at cost or net realizable value, whichever is lower except for waste which is valued at net realizable value. The cost in respect of the various items of inventory is computed as under:

- i) In respect of Raw Materials & Consumable Stores cost is determined on FIFO basis.
- ii) In respect of Work in process and Finished Goods, cost is determined on weighted average cost of raw material plus conversion cost & packing cost incurred to bring the goods to their present condition & location.
- iii) In respect of trading goods, cost is determined on specific identification method.

**F. Foreign Currency Transactions**

**i) Foreign Branch (Integral)**

- i) Fixed assets are translated at the rates on the date of purchase/acquisition of assets and Inventories are translated at the rates that existed when costs were incurred.
- ii) All foreign currency monetary items outstanding at the year end are translated at the year-end exchange rates. Income and expenses are translated at average rates of exchange and depreciation is translated at the rates referred to in (a)(i) above for fixed assets.

The resulting exchange gains & losses are recognized in the profit and loss account.

**ii) Other foreign currency transactions:**

- i) Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transaction except sales that are recorded at rate notified by the customs for invoice purposes. Such rate is notified in the last week of every month and is adopted for recording export sales of next month.
- ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at balance sheet date are recognized as income or expenses in period in which they arise, except the exchange difference in case of fixed assets which have been adjusted to the cost of fixed assets.
- iii) Foreign currency non monetary items, which are carried in terms of historical cost, are reported using exchange rate at the date of transaction.

**G. Fixed Assets**

**i) Fixed Assets**

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes, incidental expenses



## **SEL Manufacturing Company Ltd.**

relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation

### **ii) Capital work in progress**

Capital work in progress includes cost of assets at site, construction expenditure, advances made for acquisition of capital assets and pre-operative expenditure pending allocation to fixed assets.

### **iii) Expenditure incurred during construction Period**

In respect of new/major expansion, the indirect expenditure incurred during implementation period upto the date of commencement of commercial production, which is attributable to the construction of the project, is capitalized on various categories of fixed assets on proportionate basis. The unallocated expenses are shown in pre-operative expenses.

## **H. i) Cenvat Credit**

Cenvat Credit of excise duty paid on capital assets is recognized in accordance with the Cenvat Credit Rules, 2004.

### **ii) Excise Duty**

Excise duty is accounted on production of finished goods.

## **I. Depreciation/Amortisation**

- i) Depreciation has been provided under Straight Line Method at the rates specified in Schedule XIV of Companies Act, 1956.
- ii) The leasehold land is amortized over the lease period.

## **J. Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets, up to the date when such assets are ready for intended use. Other borrowing costs are charged as expenditure in the year in which they are incurred.

## **K. Employee Benefits**

### **i) Defined Contribution Plan**

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provision Act, 1952 and is charged to the profit and loss account

### **ii) Defined Benefit Plans (Gratuity)**

The Company has a defined benefit Gratuity plan covering all its employees. Gratuity is covered under a scheme of Life Insurance Corporation of India (LIC) and contribution in respect of such scheme is recognized in the Profit & Loss Account. The liability/asset as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with Accounting Standard 15 on 'Employee Benefit'. However in subsidiaries namely M/s SE Exports & M/s Kudu Industries gratuity is accounted for on cash basis.

### **iii) Leave with wages**

Provision for earned leave due for the year is made on the actual valuation as at the close of the year.

## **L. Miscellaneous Expenditure**

Preliminary Expenses are written off over a period of 5 years.

## **M. Accounting for Taxes on Income**

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent period

## **N. Impairment of Assets**

At each balance sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of accounts.

## **O. Provisions and Contingent Liabilities**

- i) Provisions are recognized for liabilities that can be determined by using a substantial degree of estimation, if:
  - 1) The company has a present obligation as a result of a past event;
  - 2) A probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - 3) The amount of the obligation can be reliably estimated
- ii) Contingent liability is disclosed in the case of:
  - 1) a present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
  - 2) a possible obligation, unless the probability of outflow of resources embodying economic benefits is remote.

## **P. Earning per share**

Basic earning per share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period. Diluted earning per share is computed by taking into account the aggregate of the weighted average numbers of equity shares outstanding during the period and the weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

## **Q. Basis of Incorporation of integral foreign operations**

Figures in respect of the Company's overseas branch in United Arab Emirates have been incorporated on the basis of Financial Statement audited by the auditors of the branch.



**R. Operating Leases**

Assets acquired on leases wherein a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid for such leases are recognised as an expense on systematic basis over the term of lease.

**II. Notes on Accounts**

**1. There are contingent liabilities in respect of the following items: (No outflow is expected in view of the past history relating to these items)**

Particulars	(Rs. in Crores)	
	March 31, 2011	March 31, 2010
(i) Export Bills Discounted	20.52	35.91
(ii) Estimated amount of capital contracts remaining to be executed net of advances	150.41	27.05
(iii) Income Tax demand for AY 2005-06 to AY 2008-09 (Previous Year AY 2004-05 to AY 2007-08) net of deposit of Rs. 4.12 crores (Previous year Rs. 6.50 crores) against the said demand, contested in appeals.	9.08	7.62

**2. Related Party Disclosures**

Names of Related Parties and Relationships:

Sr. No.	Name of Related Party	Relationship
1	S. E. Exports	Subsidiary Partnership Firm
2	Kudu Industries	Subsidiary Partnership Firm
3	SEL Textiles Ltd.	Subsidiary Company
4	Mr. R. S. Saluja Mr. Neeraj Saluja Mr. Dhiraj Saluja Mr. Navneet Gupta Mr. V.K. Goyal	Key Management Personnel
5	Mrs. Sneha Lata Saluja Mrs. Ritu Saluja Mrs. Reema Saluja	Relatives of KMP
6	M/s Rythm Textiles & Apparels Park Ltd. M/s Silverline Corporation Ltd.	Associates
7	M/s Shiv Narayan Investments Pvt. Ltd. M/s Saluja International *M/s Saluja Fabrics M/s SEL Aviation Pvt. Ltd. M/s SEL Developers Pvt. Ltd. M/s Omega Hotels Ltd.	Enterprises over which key management personal and relatives of such personal is able to exercise significant influence

\* No transactions have taken place during the year.





## SEL Manufacturing Company Ltd.

### Related Parties Transactions:

(Rs. In Crores)

Particulars	Associates		Key Management		Enterprises over which Personal (KMP) significant influence		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase & Processing of Goods	-	-	-	-	32.66	4.93	32.66	4.93
Sale & Processing of Goods	-	-	-	-	10.44	24.98	10.44	24.98
Share Application Money Given-Received Back	8.96	3.99	-	-	46.48	2.33	55.44	2.33
Sale of Fixed Assets	-	-	-	-	0.02	-	0.02	-
Share Application Money Given	10.66	-	-	-	30.64	4.40	41.30	4.40
Equity Contribution Received in Cash	-	-	27.59	53.87	-	-	27.59	53.87
Advances Received-Repaid	-	-	-	0.30	-	10.00	-	10.30
Rent Paid	-	-	0.01	0.01	-	-	0.01	0.01
Rent Received	0.01	0.01	-	-	-	-	0.03	0.02
Managerial Remuneration	-	-	1.89	1.22	-	-	1.89	1.22
Loan Given	-	-	-	-	11.35	-	11.35	-
Capital Account Transaction with Partners	-	-	0.09	0.06	-	-	0.09	0.06
Closing Balance of Related Parties Debit/(Credit)	16.89	6.23	-	-	43.80	20.85	228.24	177.21

### 3. Earnings Per Share

The calculation of Earnings per Share as disclosed in the Balance Sheet Abstract has been in accordance with Accounting Standard (AS)-20 on Earnings per Share issued by the Institute of Chartered Accountants of India.

A statement on calculation of Basic & Diluted EPS is as under:

Particulars	Unit	Current Year	Previous Year
Profit after tax before Extra ordinary Items (A)	Rs. In Lacs	11255.29	7190.11
Weighted average number of equity shares (B)	No.	78852425	20847797
Weighted average number of Potential equity shares (C)	No.	-	120205
Total (D)	No.	78852425	20968003
Basic EPS (A/B)	Rs.	14.27	34.49
Diluted EPS (A/D)	Rs.	14.27	34.29

### 4. Deferred Tax (Asset)/Liability

Particulars	DTL or (DTA) on 1st April 2010	Current year charge/ (credit)	DTL or (DTA) as at 31st March 2011
Timing Difference due to Depreciation	340,900,844	309,220,117	650,120,962
Disallowance under Income Tax Act, 1956	(103,012)	(1,007,772)	(1,110,784)
Loss on sale of fixed assets	(4,380,906)	(2,117,286)	(6,498,192)
Total	336,416,926	306,095,059	642,511,986

5. Cheques issued but not presented for payment amounting to Rs. 731,101,597/- (Previous Year Rs. 209,672,284/-) have been shown as Rs. 213,550,933/- (Previous Year Rs. 163,622,285/-) under the head other liabilities after netting of Cheques in Hand Rs. 517550664/- (Previous Year Rs. 46,049,999/-).

### 6. Segment Reporting

a) Primary Segment: Business Segment

The company has disclosed business segment has primary segment. The Company operation mainly relates to textiles

consisting of Yarn, Fabrics & Garments and the major business activities revolve around this segment. The segment other than textile has been classified as other segment

(Rs. in Crores)

Particulars	Textiles		Others		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue						
External Segment	1593.95	889.13	108.80	48.42	1702.75	937.55
Other Income	21.81	24.92	0	0	21.81	24.92
Inter Segment Sales	-	-	-	-	-	-
Total Revenue	1,615.76	914.05	108.80	48.42	1724.56	962.47
Results						
Segment Results	241.85	156.18	9.54	-0.32	251.39	155.86
Unallocated Corporate Expenses					3.31	2.66
Operating Profit					248.08	153.20
Interest Expense					84.13	59.85
Interest Income					1.97	5.64
Income Taxes					53.36	26.93
Net Profit					112.55	72.06
OTHER INFORMATION						
Segment Assets	3016.75	1565.33	0	0	3016.75	1565.33
Unallocated Corporate Assets					116.27	66.11
Total Assets					3133.02	1631.44
Segment Liabilities	215.34	63.30	0	0	215.34	63.30
Unallocated Corporate Liabilities					1903.46	1063.69
Total Liabilities					2118.80	1126.99
Capital Expenditures	441.27	234.12	0.00	0.00		
Depreciation	60.97	33.30	0.00	0.00		
Non Cash Expenses other than depreciation	0.00	0.00	0.00	0.00		

b) Secondary Segment: Geographical segment

The financial information about geographical segment is presented below:

(Rs. in Crores)

	2010-11	2009-10
<b>1. Segment Revenue-External Turnover</b>		
-Within India	1152.57	592.85
-Outside India	550.18	344.70
Total Revenue	1702.75	937.55
<b>2. Segment Assets</b>		
-Within India	2671.74	1288.41
-Outside India	461.28	343.03
Total Assets	3133.02	1631.44
<b>3. Capital Expenditures</b>		
-Within India	475.22	192.94
-Outside India	36.59	-
Total Assets	511.81	192.94



## SEL Manufacturing Company Ltd.

7. Current Assets, Loans & Advances includes Rs. 1.81 Crores (Previous Year Rs. 20.85 crores) due from firms as debtors in which directors of the company are interested as partners.
8. a) The Consolidated Financial Statements present the consolidated accounts of SEL Manufacturing Co. Ltd. With its following subsidiaries.

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest as at	
		31.03.2011	31.03.2010
SEL Textiles Ltd.	India	99.75%	99.75%
S.E. Exports	India	99.00%	99.00%
Kudu Industries	India	99.00%	99.00%

- b) Incase of associates where the company directly holds more than 20% of equity investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23- "Accounting for Investments in Associates in Consolidated Financial Statement".

Name of Associates	Country of Incorporation	Proportion of Ownership Interest as at	
		31.03.2011	31.03.2010
Rhythm Textiles & Apparels Park Ltd.	India	40.85%	40.85%
Silverline Corporation Ltd.	India	49.00%	49.00%

SUBJECT TO OUR SEPARATE REPORT OF EVEN DATE  
FOR DASS KHANNA & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON THE BEHALF OF BOARD OF  
SEL MANUFACTURING COMPANY LIMITED

Place: Ludhiana  
Date : 19.05.2011

(Rakesh Soni)  
Partner  
M.No. 83142

(Neeraj Saluja)  
Managing Director

(Navneet Gupta)  
Director

(Rahul Kapoor)  
Company Secretary

### Financial Information of Subsidiaries Company/Firms as on 31st March, 2011

(Rs. In Crores)

Sr. No.	Particulars	SEL Textiles Ltd.	Kudu Industries	SE Exports
1	Capital	28.63	30.27	13.02
2	Reserves	30.32	-	-
3	Total assets	337.89	37.16	13.15
4	Total liabilities	337.89	37.16	13.15
5	Details of investment (except in case of investment in the subsidiaries)	7.24	-	0.01
6	Turnover	194.78	101.90	12.67
7	Profit before taxation	16.38	0.12	3.76
8	Provision for taxation	4.42	0.02	-
9	Profit after taxation	11.96	0.09	3.76
10	Proposed dividend	-	-	-

**SEL MANUFACTURING COMPANY LIMITED**

Registered Office : 274, G.T. Road, Dhandari Khurd, Ludhiana 141 010 (Pb.)

**PROXY FORM**

11th Annual General Meeting July 5, 2011

Folio No./DP and Client ID (as applicable)

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I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member(s) of the Company hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of in the district of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the 11th Annual General Meeting of the Company to be held on Tuesday, 5th July, 2011 at 9.00 a.m. at the Registered Office of the Company situated at 274, G.T. Road, Dhandari Khurd, Ludhiana 141 010 (Pb.) and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Affix  
Revenue  
Stamp  
Here

Signature of member

Note : This form, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

**SEL MANUFACTURING COMPANY LIMITED**

Registered Office : 274, G.T. Road, Dhandari Khurd, Ludhiana 141 010 (Pb.)

**ATTENDANCE SLIP**

11th Annual General Meeting July 5, 2011

Folio No./DP and Client ID (as applicable)

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Number of Shares held

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I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the 11th Annual General Meeting of the company held at the Registered Office of the Company situated at 274, G.T. Road, Dhandari Khurd, Ludhiana 141 010 (Pb.) on Tuesday, 5th July, 2011 at 9.00 a.m.

Name of the member/proxy  
(in Block Letters)

Signature of member/proxy

Note : Please fill up this attendance slip and hand it over at the entrance of the meeting. Members are requested to bring their copy of the Notice to the meeting.

Cut here

