

20<sup>th</sup> Annual Report  
2011 - 2012

Going Beyond Tomorrow...

# SPENTEX INDUSTRIES LIMITED



**CLC**<sup>TM</sup>

## BOARD OF DIRECTORS

|                         |                            |
|-------------------------|----------------------------|
| Ajay Kumar Choudhary    | - Chairman                 |
| Mukund Choudhary        | - Managing Director        |
| Kapil Choudhary         | - Deputy Managing Director |
| Amrit Agrawal           | - Director Finance         |
| Sitaram Parthasarathy   | - Director Works           |
| Deepak Diwan            | - Non-Executive Director   |
| Prem Malik              | - Non-Executive Director   |
| Ram Kumar Thapliyal     | - Non-Executive Director   |
| Shyamal Ghosh           | - Non-Executive Director   |
| Dhananjaya Prasad Singh | - Non-Executive Director   |
| Rajeev Kalra            | - Nominee CVC1             |

## SR. VICE PRESIDENT CORPORATE AND LEGAL AFFAIRS & COMPANY SECRETARY

Ranjan Mangtani

## AUDITORS

J.C. Bhalla & Company

## REGISTERED & CORPORATE OFFICE

A-60, Okhla Industrial Area  
Phase-II, New Delhi-110020  
Ph.: 011-26387738, 41614999  
Fax : 011-26385181

## PLANTS

B-1, MIDC, Chincholi - Kondi  
Dist. - Solapur, Maharashtra - 413255 (India)

D-48, MIDC, Baramati, Dist. Pune  
Maharashtra - 413133 (India)

51-A, Industrial Area, Sector-III, Pithampur  
Distt. Dhar, Madhya Pradesh - 454774 (India)

31-A, MIDC Industrial Area, Butibori  
Nagpur - 441122, Maharashtra (India)

2A, Zie Said Street, Tashkent City - 100042  
(Republic of Uzbekistan)

2, Tashkent Yuli Street, Toytepa, Urta-chirchik  
District, Tashkent Region - 102 300  
(Republic of Uzbekistan)

H. 440B Margilan Street, Fergana Region,  
Margilan City (Republic of Uzbekistan)

Nadrazni 557 436 57, Litvinov, Czech Republic

## BANKERS / INSTITUTIONS

### Indian :

State Bank of India  
ING Vysya Bank  
Bank of Baroda  
Indusind Bank  
Canara Bank  
Indian Bank  
Yes bank Ltd.  
ICICI Bank Ltd.  
Industrial Development Bank of India  
Axis Bank Ltd.  
Oriental Bank of Commerce

### International :

National bank of Uzbekistan, Republic of Uzbekistan  
Raiffeisen Bank a.s., Czech Republic  
Uni Credit Bank, Czech Republic

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**NOTICE**

Notice is hereby given that the 20th Annual General Meeting of the Members of Spentex Industries Limited will be held on **Friday the 28th day of September, 2012 at 10.30 A.M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019** to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Dhananjaya Prasad Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Deepak Diwan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Amrit Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS :**

6. To consider and, if thought fit, to pass with or without modifications the following resolution as a **Special Resolution**:

**“RESOLVED THAT** pursuant to, subject to and in accordance with, (a) the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof for the time being in force), (b) the relevant and enabling provisions of the Memorandum and Articles of Association of the Company, (c) the Listing Agreement entered into by the Company with the stock exchanges where the shares of the Company are currently listed, (d) the guidelines and clarifications issued by the Reserve Bank of India (“**RBI**”), the Securities and Exchange Board of India (“**SEBI**”), Government of India (“**GOI**”) or any other statutory or regulatory body (“**Appropriate Authorities**”), (e) any contractual obligations or approvals, (f) any approval, consent (shareholders/investors), permission and/or sanction (“**Requisite Approvals**”) of all Appropriate Authorities, as may be necessary, and subject to such conditions and modifications as may be prescribed, stipulated under the Requisite Approvals, 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 committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the consent, permission and approval of the Company be and is hereby accorded to the Board of Directors to create, offer, issue and allot, from time to time, in one or more tranches, not more than 65,00,000 (Sixty Five Lakhs Only) Equity Shares of Rs. 10/- each fully paid up aggregating to Rs. 6,50,00,000/- being within the limit of 5% of the total paid up equity share capital of the Company as enhanced upon such issuance and allotment to the Promoter Group Company/bodies corporate in accordance with all applicable laws, rules and regulations for the time being in force in that behalf provided that the issue price of equity shares so issued shall be determined in accordance with the relevant SEBI (ICDR) Regulations, 2009 as detailed hereunder:

| S.No. | Name of Applicant                | Category        | No. of Equity Shares proposed to be allotted |
|-------|----------------------------------|-----------------|--|
| 1.    | CLC Technologies Private Limited | Indian Promoter | 65,00,000                                    |
|       | <b>Total</b>                     |                 | <b>65,00,000</b>                             |

**FURTHER RESOLVED THAT,**

- (a) the “**Relevant Date**” for the purpose of calculating the issue price for the abovementioned equity shares in accordance with Chapter VII of the SEBI (ICDR) Regulations, 2009 (as amended from time to time) would be the 12th March, 2012 being the date of approval of the Corporate Debt Restructuring rework package.
- (b) Subject to the applicable provisions of law and sub regulation 1 of Regulation 74 of Chapter VII of SEBI (ICDR) Regulations, 2009, as amended from time to time, the equity shares shall be issued in one or more tranches and on such terms and conditions, in such manner as the Board of Directors and the holder(s) of the equity shares may, in their absolute discretion, think fit. However, the equity shareholding belonging to the promoters/promoter group shall not be exceeding 5% of the enhanced share capital of the Company/post-issue voting rights, in any one financial year in accordance with SEBI (SAST) Regulations, 2011.
- (c) the Equity Shares so issued and allotted shall rank pari passu in all respects with the existing equity shares of the Company including payment of dividend.
- (d) The Board of Directors be and is hereby authorized to accept any amendment, modification, variation and alteration as the GOI / RBI / SEBI or any other regulatory authority may stipulate in that behalf; and

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution the Board of Directors of the Company, be and is hereby authorized on behalf of the Company to take all actions and do all deeds, acts and things including execution of all documents as it may, in its absolute discretion, deem necessary, desirable or expedient for giving effect to foregoing Resolutions, including the issue and allotment of aforesaid securities and to seek listing of equity shares thereof with the stock exchange(s), as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of equity shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board 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 they shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

# SPENTEX INDUSTRIES LIMITED

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors, or the Chairman or the Managing Director or any one or more whole-time Directors or officers of the Company to give effect to the aforesaid resolution."

By Order of the Board  
For **Spentex Industries Limited**

**Ranjan Mangtani**  
**Sr. V P Corporate and Legal Affairs &**  
**Company Secretary**

Place: New Delhi

Date : August 9, 2012

## NOTES:

- A. Explanatory Statement setting out all material facts regarding Special Business contained in Item Nos. 6 as required under Section 173 (2) of the Companies Act, 1956, is annexed hereto.
- B. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from **Wednesday** the 26th day of September, 2012 to **Friday** the 28th day of September, 2012 (both days inclusive).
- D. All documents referred in the notice are open for inspection at the Registered Office of the Company between 10.00 A.M. to 1.00 P.M. on any working day till the date of Annual General Meeting and also at the meeting.
- E. Members are requested to intimate the change, if any, in their registered address immediately.
- F. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
- G. It will be appreciated that queries, if any, on accounts and operations of the Company are sent to the Registered Office of the company ten days in advance of the meeting so that the information may be made readily available.
- H. As per provisions of the Companies Act, 1956, facility for making nomination is now available to the members in respect of the shares held by them.
- I. For any queries on the Depository System, members may contact any depository participant or the Share Department at the Registered Office of the Company.
- J. In terms of Clause 49 of the Listing Agreement, a brief resume of directors who are proposed to be appointed/re-appointed at this meeting is given in Corporate Governance.
- K. Securities and Exchange Board of India (SEBI) made it mandatory for the transferees to furnish copy of PAN card to the Company/RTA for registration of shares held in Physical Form.
- L. Members are requested to send queries to E-mail ID **secretarial@clcindia.com** which is being used exclusively for the purpose of redressing the complaint(s) of the investors.
- M. The **Green Initiative** introduced by the Ministry of Corporate Affairs vide its circular No. 18/2011 dated 29th April, 2011, members are requested to intimate e-mail address to facilitate to send Annual Report and other reports/notices through e-mail.
- N. Members who are holding shares in identical order of names in more than one folio are requested to write to the Registrar and Share Transfer Agent of the Company to enable the Company to consolidate their holdings in one folio.
- O. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the amount of unpaid dividend unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund set up by the fund in respect of any such claims. The unclaimed dividend(s) for the financial years ended 31st March, 2003 and 31st March, 2004 have been transferred to the fund.

## ANNEXURE TO THE NOTICE

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

#### ITEM NO. 6

During the year under review, the Company approached its bankers for restructuring of its existing credit facilities under rework package. Accordingly the Company has received approval from its bankers for revision of Working Capital and Term Loan facilities including reduction in interest rates and rescheduling of debt repayment installments. Under CDR rework package, the Promoters/Promoters Group of the Company have been put under an obligation to arrange funds to the tune of Rs. 6.50 Crores (Rupees Six crores and Fifty lakhs only) in the shape of equity towards built up of Current Assets. The Company has already received aforesaid funds from its promoters/promoters group for issuance of said Equity Shares.

In order to fulfill the object, it is proposed to offer, issue and allot upto 65,00,000 fully paid up Equity Shares of Rs. 10/- each of the Company in one or more tranches.

*In terms of Regulation 73 of SEBI (ICDR) Regulations, 2009 the following disclosures are being made:*

- a) **Object of the issue:** The Company proposes to use the subscription proceeds towards built up of Current Assets under the CDR rework package to meet working capital requirements and for ongoing and future business commitments/plans of the Company.
- b) **Proposal of the Promoters, Directors or key management personal of the issuer to subscribe to the offer :** The following entities of the Promoters/Promoter Group do intend to subscribe to the above mentioned preferential allotment of equity shares of the Company in the following manner

| Sl.No. | Name of the Allottee                  | No. of Equity Shares |
|--------|---------------------------------------|----------------------|
| 1.     | M/s. CLC Technologies Private Limited | 65,00,000            |
|        | <b>Total contribution</b>             | <b>65,00,000</b>     |

- c) **The time within which the Preferential Issue shall be completed:**

Pursuant to Clause 74 of Chapter VII of SEBI (ICDR) Regulations, 2009, in normal course, the Company is required to complete the allotment of such shares within 15 days of passing of the Special Resolution in the General Meeting. However, requirement of allotment of such shares within 15 days is not applicable to the Company as the aforesaid shares are being issued on preferential basis pursuant to a scheme of rework package approved by Corporate Debt Restructuring cell on 12th March, 2012 under Corporate Debt Restructuring framework specified by the Reserve Bank of India. Further to that the Company envisages to allot aforesaid shares in one or more tranches under said clause read with SEBI (SAST) Regulations 2011.

- d) **The Identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue :**

| Identity of proposed Allottees   | Category        | Pre-issues holding (in Nos.) & % |       | No. of Shares (be allotted) | Post-issue holding (in Nos.) & % |       |
|----------------------------------|-----------------|----------------------------------|-------|-----------------------------|----------------------------------|-------|
|                                  |                 | No.                              | %     |                             | No.                              | %     |
| CLC Technologies Private Limited | Indian Promoter | 11,800,000                       | 14.17 | 65,00,000                   | 18,300,000                       | 20.38 |

The existing Promoters would continue to be in control of the Company after the preferential issue and there would neither be any change in control of the management of the Company, nor there any change / reconstitution in the Board of the Company.

- e) **The Shareholding pattern of the issuer before and after the preferential issue :** On Issue and Allotment of 65,00,000 equity shares of Rs. 10/- each to the Promoters Group, the Promoter Group will own 56.06% (an increase of 3.42%) and the balance 43.94% will be held by Non-Promoters.

| Sl. No.        | Category of shareholder                            | Pre-Allotment        |               | Post Allotment       |               |
|----------------|--|----------------------|---------------|----------------------|---------------|
|                |  | No. of Equity shares | %             | No. of Equity shares | %             |
| <b>(A)</b>     | <b>Shareholding of Promoter and Promoter Group</b> |                      |               |                      |               |
| (a)            | Individuals/ Hindu Undivided Family                | 30,966,502           | 37.19         | 30,966,502           | 34.49         |
| (b)            | Bodies Corporate                                   | 12,864,058           | 15.45         | 19,364,058           | 21.57         |
|                | <b>Total (A)</b>                                   | <b>43,830,560</b>    | <b>52.64</b>  | <b>50,330,560</b>    | <b>56.06</b>  |
| <b>(B)</b>     | <b>Public shareholding</b>                         |                      |               |                      |               |
| <b>(B) (1)</b> | <b>Institutions</b>                                |                      |               |                      |               |
| (a)            | Mutual Funds/UTI                                   | 22,115               | 0.03          | 22,115               | 0.02          |
| (b)            | Financial institutions/banks                       | 692,390              | 0.83          | 692,390              | 0.77          |
| (c)            | Foreign Institutional Investors                    | 19,255,367           | 23.12         | 19,255,367           | 21.45         |
| (d)            | Foreign Banks                                      | 1,505                | 0.00          | 1,505                | 0.00          |
| (e)            | Central Government/State Government(s)             | 59,337               | 0.07          | 59,337               | 0.07          |
|                | <b>Total (B)(1)</b>                                | <b>20,030,714</b>    | <b>24.05</b>  | <b>20,030,714</b>    | <b>22.31</b>  |
| <b>(B) (2)</b> | <b>Non-institutions</b>                            |                      |               |                      |               |
| (a)            | Bodies Corporate                                   | 5,494,383            | 6.60          | 5,494,383            | 6.12          |
| (b)            | NRI  | 328,971              | 0.39          | 328,971              | 0.37          |
| (c)            | Resident Individual/others                         | 13,587,407           | 16.32         | 13,587,407           | 15.14         |
|                | <b>Total (B)(2)</b>                                | <b>19,410,761</b>    | <b>23.31</b>  | <b>19,410,761</b>    | <b>21.63</b>  |
|                | <b>Total {(B)(1)+(B)(2)}</b>                       | <b>39,444,475</b>    | <b>47.36</b>  | <b>39,444,475</b>    | <b>43.94</b>  |
|                | <b>Grand Total (A)+(B)</b>                         | <b>83,272,035</b>    | <b>100.00</b> | <b>89,772,035</b>    | <b>100.00</b> |

- f) **Issuer's undertaking** : : The undertaking(s) required under paragraphs (f) and (g) of sub-regulation 1 of Regulation 73 of Chapter VII of SEBI (ICDR) Regulations, 2009 will not be applicable to the Company, as the Company's equity shares are listed on the Stock Exchanges for more than the minimum period as specified under Regulation 76(3) of the SEBI ICDR Regulations.
- g) **Auditor's Certificate** : : A copy of the certificate issued by M/s. J C Bhalla & Co., Chartered Accountants, Statutory Auditors of the Company, certifying that the proposed preferential issue is being made in accordance with the requirements contained in Chapter VII of SEBI (ICDR) Regulations, 2009, a copy of the certificate is being placed before the shareholders in the ensuing Annual General Meeting.
- h) **Lock-in**: The Equity Shares being allotted on preferential basis under SEBI (ICDR) Regulations, 2009 shall remain locked-in in accordance with the provisions in respect thereof.

Issuance of Equity Shares on preferential basis is governed, interalia, by the provisions of Section 81(1A) of the Companies Act, 1956 and the relevant provisions of the SEBI (ICDR) Regulations, 2009.

Section 81 of the Companies Act, 1956 interalia provides, that whenever it is proposed to issue further shares, such shares shall first be offered to existing shareholders of the company in the manner laid down in the said section, unless shareholders decide otherwise in the general meeting by way of Special Resolution. Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, applicable SEBI Regulations and in terms of the provisions of the Listing Agreement to issue and allot equity shares as stated in the Special Resolution.

The Company is making present preferential issue in Compliance with the conditions for continuous listing and company undertakes that it would comply with the condition relating to the continuous listing. The aforesaid allottees shall be required to the comply with the relevant provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, if applicable, consequent to allotment of the shares as proposed above.

None of the Directors of the Company are interested in the resolution placed before the meeting directly or indirectly save the Directors who are constituents of the Promoter Group, namely, Mr. Ajay Choudhary, Mr. Mukund Choudhary and Mr. Kapil Choudhary.

The Board of Directors of the Company recommends the resolution as set out at Item No. 6 of the Notice for your approval.

By Order of the Board  
For **Spentex Industries Limited**

**Ranjan Mangtani**  
**Sr. V P Corporate and Legal Affairs &**  
**Company Secretary**

Place: New Delhi  
Date : August 9, 2012

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## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 20th Annual Report together with the Audited Accounts for the year ended March 31, 2012.

## FINANCIAL RESULTS

The highlights of the financial results for the year ended 31st March, 2012 are as under:

(` in Crores)

| Particulars                           | 2011-2012       |                 | 2010-2011     |               |
|---------------------------------------|-----------------|-----------------|---------------|---------------|
|                                       | Consolidated    | Standalone      | Consolidated  | Standalone    |
| Net Sales (Turnover)                  | 1090.60         | 967.84          | 1637.75       | 1060.30       |
| Other Income                          | 6.65            | 15.41           | 30.64         | 18.69         |
| <b>EBIDTA</b>                         | <b>(83.00)</b>  | <b>(30.43)</b>  | <b>169.22</b> | <b>165.02</b> |
| Financial charges                     | 95.34           | 85.42           | 93.24         | 80.05         |
| Depreciation                          | 78.17           | 33.08           | 74.24         | 34.08         |
| <b>Profit/(Loss) before tax (PBT)</b> | <b>(256.52)</b> | <b>(149.42)</b> | <b>1.75</b>   | <b>50.89</b>  |
| Tax expenses                          | 3.03            | 3.03            | -             | -             |
| <b>Net Profit from Operations</b>     | <b>(259.55)</b> | <b>(152.73)</b> | <b>1.75</b>   | <b>50.89</b>  |
| Exceptional Items                     | 16.74           | 48.59           | -             | 13.39         |
| Impairment loss @ Fixed Assets        | 0.41            | 0.41            | -             | -             |
| <b>Net Profit/(Loss)</b>              | <b>(276.70)</b> | <b>(201.45)</b> | <b>1.75</b>   | <b>37.50</b>  |
| <b>EPS</b>                            | <b>(33.31)</b>  | <b>(24.25)</b>  | <b>0.23</b>   | <b>4.87</b>   |

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

The Indian Textile industry has been one of the major contributors to the total output of the fast growing Indian industrial sector. Textile sector's contribution to GDP of India has also been significant which currently amounts to 4%. Indian textile industry has also been one of the major sources of foreign exchange earning for India and has contributed around 16-17% to its total export earning. The sector accounts for about 14% in the total export. Besides, it has been the largest industry in terms of employment economy and is already employing around 10 million people, particularly women and the weaker section. Its potential to generate employment has been significant as compared to sectors from agricultural to industrial. As such, it has been an important sector of the economy with ever rising potential of growth and stability.

However, the year under review has been very difficult for the Textile Industry. All of a sudden the fortunes of the industry nosedived during the current Fiscal. The Textile Industry suffered the set back primarily due to (a) adverse changes in Indian Government Policies like imposing ban on export of yarn, withdrawal of benefits to exporters relating to DEPB & Interest subvention scheme and imposition of 10% excise duty on garments; (b) very high volatility in Raw Material prices, as the prices of cotton touched the highest ever price of 215 US cent/lb and then suddenly dropped to 95 US cent/lb within a span of four months and (c) Impact of Global Market Factors which were the outcome of uncertainties prevailing in raw material prices as well as currency fluctuation. These factors collectively, resulted into piling up of inventory, reduction of demand, sudden falling of yarn prices in the first quarter of the fiscal and also slump in the domestic demand due to imposition of excise duty on ready-made garments. These factors cumulatively in turn caused capacity shutdown and steep fall in sales volumes. Recession in US & Europe further adversely affected already sluggish demand in consumer textile items in the international market. According to industry estimates the players across the industry have collectively suffered huge losses aggregating to around Rs. 11,000.00 crores, i.e. Rs. 6,500 cr. on account of inventory loss on cotton due to sudden fall in prices and Rs. 4,500 cr. on account of devaluation of cotton yarn stock. As a result Indian Textile Industry overall recorded negative growth (source CITI submission to RBI/IBA/ Ministry for relief package).

Spentex being part of this very industry also received major jolt during the year under review and suffered losses on account of (a) ban on yarn export by the government resulting in the piling up of Yarn inventory and its offloading at reduced prices during current year and (b) continuous decline in prices of Raw Cotton which resulted into decline in sales value of yarn which was either accumulated or manufactured out of cotton purchased at peak prices during the last season i.e. Oct 2010 to March 2011. Piling up of yarn-inventory due to reduced demand from end consumers during the quarter ended March 2011, further led to cutting down of productivity of the manufacturing units during the current financial year. The accumulated yarn stock could only be off loaded at reduced prices over the period. The low demand during the current year further led to low consumption of cotton stock resulting into higher carrying cost of inventory. These factors collectively caused financial losses, decrease in availability of working capital, increase in interest cost on the existing capital, and necessitated the infusion of funds, increase in working capital limits, and simultaneously triggered rescheduling of bank loans, besides the concerted efforts of management to augment its sales backed up with production.

Responding to the need of the hour, main stakeholders supported the Company by infusing funds, Bankers supported the Company by enhancing the working capital limit(s) and restructuring its loans. Besides such support, management has been able to take several other steps including infusion of funds by the Promoters, disposal of non productive assets and recovery of refunds, incentives and dues from Government authorities etc. among others. The stakeholders support and turnaround sentiments in industry have provided necessary breathing space for the management to cope up with the situation and move forward. Accordingly, Spentex Industries Limited has been shaping itself well, to meaningfully participate in emerging opportunities in Indian Textile Industry from medium to long run horizon. Spentex has also been

addressing the current challenges of rising cost and nearly stagnant demand both in domestic as well as export market, which have led to abnormally lower prices as well as less enquiry for new orders. The prevailing business scene still remains a tough learning period and the same calls for being nimble and responsive to the changing market dynamics. The Company has further initiated a process of reviewing system and processes across the businesses with the objective of identifying scope of improvement of its sales volumes, measures to be introduced for cost cutting and for higher value addition. Spentex believes that with the collective efforts, the company should emerge stronger through adaptive learning which also will reassure a relatively sustained performance.

#### **FINANCIAL ANALYSIS AND PERFORMANCE REVIEW**

Spentex has witnessed a negative growth again in fiscal 2011-12 on account of sluggish demand in both domestic and international market. There were other challenges also, like, heavy debt, high volatility in cotton and yarn prices, sudden glut in the domestic and international market, huge accumulation of stocks, fluctuating global commodity prices and low demand which had adverse financial impact on the Company.

The financial performance of Spentex Industries Ltd. has been presented in two parts :

- (i) Spentex Industries Limited (Standalone) which excluded the performance of subsidiaries and step-down subsidiaries of Spentex Industries Limited.
- (ii) Spentex Industries Limited (Consolidated) which included the performance of subsidiaries and step-down subsidiaries of Spentex Industries Limited. The Consolidated Financial Statements have brought out comprehensively the performance of Spentex Group of companies and are more relevant for understanding the overall performance of Spentex Group.

#### **SEGMENT-WISE PERFORMANCE**

##### **Yarn Manufacturing**

During the year under review, your Company on standalone basis has manufactured 46775.90 MT of yarn as compared to 58544.22 MT of yarn produced during the previous year.

#### **PERFORMANCE OF SUBSIDIARIES**

The Company had eight subsidiaries at the beginning of the year. The details of turnover and overall performance of material subsidiary companies are as under:

**Amit Spinning Industries Ltd., India:** During the year under review, due to unviable market conditions and financial constraints, the subsidiary could manufacture only 2699.73 MT of yarn as compared to 5316.59 MT of yarn produced during the previous year. However, during the current year its operations have improved and we would try utilizing its capacity to full extent. The Company has its manufacturing facilities at Kollhapur, Maharashtra with a capacity of 30,672 spindles.

**Spentex Tashkent Toytepa LLC, Uzbekistan:** During the year under review, due to erratic demand, non viability of operations and non availability of raw cotton at reasonable price to sustain the production. The company could not continue its operations and produce yarn. The Company has two manufacturing units situated at Tashkent and Toytepa with a capacity of 220,000 spindles and 236 Air jet looms and one unit situated at Margilan set up for dyeing operations.

**Schoeller Litvinov K.S., Czech Republic:** During the year under review, the step down subsidiary could only manufacture 2974 MT of yarn as compared to 5544 MT of yarn produced during the previous year, due to adverse market conditions and financial constraints. The Company has a manufacturing unit situated at Czech Republic with a capacity of 59,000 spindles.

#### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has adequate internal control systems for business processes, with regards to efficiency of operations, financial reporting and controls, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibilities down the line for all managerial positions have also been institutionalized. All operating parameters are monitored and controlled. Regular internal audits and checks to ensure that responsibilities are executed effectively are carried out. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

#### **MANAGEMENT PERCEPTION ON OPPORTUNITIES, RISKS, CONCERN & OUTLOOK**

The cotton industry is presently facing challenges like lower demand and squeezing margins, volatility in raw material prices, depreciation of Indian Rupee against the US dollar and increasing power tariff & fuel charges which have adversely implicated textile business not only in India but also in other Asian Countries as well. Other Asian countries like Pakistan, Bangladesh, China Thailand and Vietnam that have shown earlier better performance and registered positive growth are also expecting decline in their sales volume during the recent past. However with the Customer satisfaction, increase in existing customer loyalty, repurchase process in place and an increase in awareness of Spentex products, a recovery is not only expected but is likely to be strengthened in due course with the falling cotton prices, rise in domestic & export demand, motivating policies offered by Government of India and with adoption of CDR rework package; these factors are likely to transform depressing sales volume into rising sales volumes as compared to sales during corresponding period and consequently margins are expected to be strengthened.

#### **HUMAN RESOURCES/INDUSTRIAL RELATIONS**

The Company and its management value the talent, commitment and dedication of its employees and acknowledge their contribution. Consequently, the employee turnover is negligible. Everyone in the Company is working as a team and is an integral part of the family, sharing their ideas through Town Hall meeting, using intranet across the units and are instrumental in making Spentex, a globally admired company. Management of your Company believes that it is the integration of human resources and business strategy that has culminated in its success. High performance orientation is the pivot of the HR philosophy of the Company and all the HR policies and strategies are centered on the same.



Industrial Relations scenario at all units continues to be healthy and enthusiastic.

#### **CONSOLIDATED FINANCIAL STATEMENTS IN RESPECT TO SUBSIDIARIES**

The Company is having seven subsidiaries/ step down subsidiaries. Pursuant to SEBI Circular No. 2/2011 dated 08.02.2011, the Board of Directors at their meeting held on 13th February, 2012 approved to disclose the financial information of the subsidiary companies in the Annual Report as per format approved by the Board. Accordingly, the Balance Sheet and Profit & Loss Account and other documents of subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts and related details, relating to its Subsidiaries upon request by any member of the Company. These documents will also be available for inspection at the registered office of the Company during business hours. The Consolidated Financial Statements presented by the Company includes financial results of its subsidiary companies.

#### **CONSOLIDATED FINANCIAL STATEMENT**

In accordance with the Accounting Standard AS-21 of Institute of Chartered Accountants of India, (ICAI) Consolidated Financial Statements read with Accounting Standard AS-23 of ICAI on accounting for Investments in Associates, an audited Consolidated Financial Statement is provided in the Annual Report.

#### **INFORMATION TECHNOLOGY**

Information Technology continues to be an integral part of Spentex's business strategy. The Company is working on SAP platform integrating all its units located at different places/locations, which integrates its business processes, financial parameters, customer transactions and people, effectively on real time basis.

#### **DIVIDEND**

During the year under review, the Company has no distributable profits hence your Directors do not recommend payment of any dividend.

#### **ISSUE OF EQUITY SHARES ON CONVERSION OF SHARE WARRANTS**

During the year under review, your Company has issued and allotted 19,50,000 equity shares on 12th May, 2011 to CLC Technologies Private Limited, a promoters group Company being a warrant holder against the exercise of its option of converting same number of share warrants at a price of Rs.16.95 (including premium of Rs. 6.95) into equity Shares of Rs.10/- each, ranking pari passu with the existing equity shares. Accordingly, the paid-up capital of the Company has been increased from Rs. 813,220,350/- to Rs. 832,720,350/- consisting of 83,272,035 equity shares of Rs. 10/- each.

#### **TRANSFER OF UNCLAIMED/UNPAID DIVIDEND TO INVESTOR EDUCATION & PROTECTION FUND**

The Company informs herewith to all its shareholders whose dividend still remained unclaimed for the year 2004-05 (declared by erstwhile Indo Rama Textiles Limited, which has since been amalgamated with the Company) that pursuant to Section 205A of the Companies Act, 1956, the Company is required to transfer unpaid and unclaimed dividend to Investor Education & Protection Fund on completion of 7 years of transferring of unpaid dividend into unpaid dividend account. Accordingly, the Company is taking appropriate steps in this regard.

#### **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS**

As stipulated under Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges, a report on Corporate Governance is attached separately as a part of the Annual Report and the Management Discussion and Analysis (MD & A) is also included in this report so that duplication and overlapping between Directors' Report and a separate MD & A is avoided and the entire information is provided in a composite and comprehensive manner.

#### **DIRECTORS**

Shri Dhananjaya Prasad Singh, Shri Amrit Agrawal and Shri Deepak Diwan are retiring by rotation in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. During the current year Company has obtained Central Government approval for increasing the remuneration of executive directors for a period of 3 years effecting from 1st April, 2010 in respect of Shri Mukund Choudhary & Shri Amrit Agrawal, and from 2nd December, 2010 in respect of Shri Ajay Kumar Choudhary, Shri Kapil Choudhary and Shri Sitaram Parthasarathy.

Brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/chairmanships of Board Committees, as stipulated under Clause 49 of the listing agreement with stock exchanges in India, is provided in the Report of Corporate Governance forming part of the Annual Report.

#### **AUDITORS**

M/s. J C Bhalla, Chartered Accountants who are the Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends for their re-appointment.

#### **DIRECTORS' VIEW ON AUDITOR'S OBSERVATIONS**

Directors' response to the various observations of the auditors even though explained wherever necessary through appropriate notes to accounts, is reproduced hereunder in compliance with the relevant legal requirements.

#### **Note No. 41 of the Auditors Report**

The company has an investment of Rs. 204,469,921/- in Amit Spinning Industries Limited (ASIL), being a subsidiary of the Company. It also advanced a loan including interest accrued thereon amounting to Rs. 416,078,601/- as on March 31, 2012. The accumulated losses of ASIL, at the year end March 31, 2012 exceeded its net worth. There is also reduction in market value of the investment as on that date by Rs. 168,592,279/-. In the opinion of the management, diminution in this long term investment is due to adverse business conditions in the past.

ASIL, as of now has started generating EBIDTA and Cash Profits. In view of these developments, management believes that diminution in the value of investment is of temporary nature and that the outstanding would be realized within a reasonable period of time. Accordingly no provision is considered necessary in the value of investment held and loan advanced to ASIL.

**Note No. 44 of the Auditors Report**

The Company has an investment of Rs. 561,011,339/- and Rs. 9,323,779/- in its subsidiary Spentex (Netherlands) B. V. (SNBV) and its step down subsidiary Spentex Tashkent Toytepa LLC (STTL) respectively. Further it has Rs. 70,012,404/- as export receivable from STTL and advances of Rs. 95,070,902/- in SNBV as on March 31, 2012. During the period of investment, the Government of Uzbekistan changed certain laws and policies by breaching the investment agreement and rendered operation of STTL unviable. Consequently STTL could not pay its debts and insolvency proceedings have been initiated against it. Since treaties entered between the Governments of India and Uzbekistan and the Investment agreement entered between Govt. of Uzbekistan and Spentex were breached, company has issued notice claiming protection of investment and payment of dues & compensation for the losses suffered by company. In view of legal opinion placed before the board and claims lodged with the Government of Uzbekistan, the Directors have decided not to make any provision for diminution in value of investment at this stage.

**COST AUDITORS**

Pursuant to a directive of the Central Government, your Company is required to get Cost Audit conducted for the product "Textile" for every year until further notice. Accordingly Shri Rajesh Goyal, a Cost Accountant of M/s. K G Goyal & Associates, Cost Accountants was appointed to carry out audit of the Cost Accounts maintained by the Company for the financial year ending 31st March, 2012. Cost auditor would submit its report to concerned authorities in due course, in terms of applicable rules, guidelines and statutory provisions.

**FIXED DEPOSITS**

Your Company has not accepted any deposits during the year under review within the meaning of Section 58A of the Companies Act, 1956 and rules made there under.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

- i) in preparing the Annual Accounts for the year ended 31st March 2012 all the applicable Accounting Standards have been followed,
- ii) accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012,
- iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing / detecting fraud and irregularities has been taken and
- iv) the Annual Accounts have been prepared on a "going concern" basis.

**PARTICULARS OF EMPLOYEES**

In terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956 the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in the Annexure – I forming part of this Report.

**INDUSTRIAL RELATIONS**

The industrial relations during the year under review remained harmonious and cordial. Your Directors wish to place on record their appreciation for the wholehearted co-operation received from all the employees at various units/divisions of the Company.

**CONCLUSION**

Your Company enjoys the leadership position in domestic market with strong competitive advantage in the export segment. The Company now stands at the cusp of the next phase of growth. We will continue to make investments and progress to further consolidate our leadership position.

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to thank the Financial Institutions, Banks, Central and State Governments authorities, Regulatory authorities, Stock Exchanges, stakeholders, customers and vendors for their continued support and co-operation, and also thank them for the trust reposed in the Management. Your Directors also wish to thank all the employees of the Company for their commitment and contributions.

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

Place: New Delhi  
Dated: August 9, 2012

**Ajay Kumar Choudhary**  
Chairman

## Annexure – I to the Directors' Report

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2012.

### A. CONSERVATION OF ENERGY

During the year under review further efforts were made to ensure optimum utilization of fuel and electricity.

#### Energy conservation measures taken:

The Company is continuously taking efforts in energy conservation, energy saving tubes and electronic ballasts are continuously being installed in a phased manner for this purpose. Old and less efficient motors were replaced with energy efficient motors.

Relevant data in respect of energy consumption is as below :

| Electricity                                 | Current year | Previous year |
|---|--------------|---------------|
| <b>Purchased</b>                            |              |               |
| Total Units consumed (KHW)                  | 142,759,140  | 164,171,026   |
| Total Amount (₹ in Lacs)                    | 7,729.03     | 7,590.18      |
| Rate per Unit (₹)                           | 5.41         | 4.62          |
| <b>Own Generation through Generator Set</b> |              |               |
| Units (KHW)                                 | Nil          | Nil           |
| Units per liter of Diesel/Furnace Oil       | Nil          | Nil           |
| Cost / Unit (₹)                             | Nil          | Nil           |
| <b>Electricity Consumption (Units)</b>      |              |               |
| Per Kg. of Production of yarn               | 3.05         | 2.80          |

### B. TECHNOLOGY ABSORPTION

#### RESEARCH & DEVELOPMENT (R&D)

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

Company continues identifying areas of improvements in the processes through properly documented systems to strengthen yarn quality, improvement in productivity as well as energy conservation and effective maintenance.

- Benefits derived as result of the above R & D:

Improvement in effective utilization of resources and fulfillment of customers' requirements.

- Future plan of action:

Identifying measures to further improve productivity and increase contribution per unit of production

- Expenditure on R & D:

|  |             |
|--|-------------|
| a) Capital   | Nil         |
| b) Revenue   | ₹ 4.33 Lacs |
| c) Total   | ₹ 4.33 Lacs |
| d) Total R & D Expenditure as percentage of total turnover | 0.004%      |

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts: Upgrading machines with technologically advanced accessories and spares.
- Benefits: Higher output and improved quality of products.
- Technology imported during the last 5 years: None

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Efforts:** In spite of Stiff Global Competition and reduced margins the Company is continuing to put its best efforts in earning foreign exchange contributing to the national exchequer.
- Earnings and Outgo:** Particulars with regard to foreign exchange earnings and outgo appear in Note No. 35 & 36 of annual accounts.

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

Place: New Delhi  
Dated: August 9, 2012

**Ajay Kumar Choudhary**  
Chairman

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2011-12**

(As required under Clause 49 of the Listing Agreement entered into with Stock Exchanges)

**1. Company's Philosophy on Corporate Governance**

The Company's philosophy on Corporate Governance envisages greater accountability, transparency, responsibility, fairness and commitment to values in all spectrums of business through continual assessment of internal control mechanism vis-à-vis proactive risk management system for upholding ethos of corporate citizenship. The Company is committed to attend best-in-class higher levels disclosures to board and shareholders & society at large. The Company has a strong desire to enhance long-term shareholder value and respect minority rights in addition to complying with all complex and statutory requirements for Corporate Governance.

**2. Board of Directors**

The Company has 11 Directors, with an Executive Chairman. Of the 11 Directors, 5 (i.e. 45.45%) are Executive Directors and 6 (i.e. 54.55%) are Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreement entered into with Stock Exchanges and exceeds the percentages prescribed in the said Agreement.

During the year 4 Board Meetings were held and the interval between any two meetings did not exceed four months (as stipulated by law in force). The respective dates on which Board Meetings were held are 12th May, 2011, 11th August, 2011, 14th November, 2011, and 13th February, 2012.

The names and category of the Directors on the Board, their attendance at the Board Meetings and last Annual General Meeting and number of Directorships and Committees Chairmanships/Memberships of each Director in other companies are as follows:

| Directors                                       | No. of Board Meetings Attended | No. of Directorship(s) and Chairmanship(s)/Membership(s) of Board / Committees of other companies |          |               | Attendance at last AGM |
|---|--------------------------------|---|----------|---------------|------------------------|
|   |                                | Directorship*   | Member** | Chairperson** | Yes/No                 |
| <b>Executive Directors</b>                      |                                |   |          |               |                        |
| Shri Ajay Kumar Choudhary (Chairman)            | 4                              | 1   | -        | -             | No                     |
| Shri Mukund Choudhary (Managing Director)       | 4                              | 3   | -        | -             | No                     |
| Shri Kapil Choudhary (Deputy Managing Director) | 4                              | 2   | -        | -             | No                     |
| Shri Sitaram Parthasarathy (Director – Works)   | 4                              | -   | -        | -             | No                     |
| Shri Amrit Agrawal (Director – Finance)         | 4                              | 2   | -        | -             | Yes                    |
| <b>Non Executive/Independent Directors :</b>    |                                |   |          |               |                        |
| Shri Deepak Diwan                               | 3                              | -   | -        | -             | No                     |
| Shri Prem Malik                                 | 3                              | 4   | 2        | -             | No                     |
| Shri Ram Kumar Thapliyal                        | 4                              | 1   | 1        | -             | Yes                    |
| Shri Shyamal Ghosh                              | 3                              | 4   | 2        | 1             | No                     |
| Shri D P Singh                                  | 4                              | 1   | -        | 1             | -                      |
| Shri Rajeev Kalra                               | 4                              | -   | -        | -             | No                     |

\* The Directorship(s) held by Directors do not include Alternate Directorships and Directorships of Foreign Companies, Private Limited Companies and Section 25 Companies.

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

**Details of shares held by the Non-Executive/Independent Directors as on 31st March 2012**

| Name                         | No. of shares held | Name               | No. of shares held |
|------------------------------|--------------------|--------------------|--------------------|
| Shri Deepak Diwan            | NIL                | Shri Prem Malik    | 15,500             |
| Shri Ram Kumar Thapliyal     | NIL                | Shri Shyamal Ghosh | NIL                |
| Shri Dhananjaya Prasad Singh | NIL                | Shri Rajeev Kalra  | NIL                |

### Board Agenda

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any additional matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are circulated at least seven working days prior to the Board meeting.

#### Information is supplied to the Board on the following matters among others :

1. Annual operating plans of business, Capital budget and updates.
2. Quarterly results of the Company and its operating divisions/manufacturing units, subsidiary and step-down subsidiary companies and business segments.
3. Performance of manufacturing units and functioning of key executives.
4. Performance of Quality Standards and platform for decision making on quality.
5. Image and credibility of the Company in the eyes of domestic and international customers by consistent disclosure and transparency.
6. Minutes of meetings of audit committee and other committees of the board, and also resolutions passed by circulation.
7. The information on recruitment and remuneration of senior officials next to the Board of Directors, including appointment or removal of the Company Secretary.
8. Details of joint venture or collaboration agreements entered into.
9. Borrowing Term Loans and Investment of surplus funds as and when happened.
10. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
11. Notices like show cause, demand, penalty which are materially important / effluent and material default in financial obligations to and by the company and also non-receipt of payments for goods sold by the Company.
12. Significant development in Human Resources, Labour problems and their proposed solutions, signing of Wage Agreements etc.
13. Investments in subsidiaries, foreign exchange exposures and steps taken by the management on exchange rate movement and adverse exchange ratio etc.
14. Sale of material nature, of investment/subsidiaries/assets, which is not in normal course of business.
15. Fulfillment of various statutory compliances/listing requirements. All other matters required to be placed before the Board for its review / information / approval under the statutes, including Clause 49 of the Listing Agreement.
16. Such other matters as may be advised by the Directors from time to time.

#### Post-meeting follow-up system

The Governance processes in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board and Committees.

#### Disclosure of Appointment/Re-appointment of Directors at the Annual General Meeting

In terms of Articles of Association, one-third of the Directors retires by rotation and, if eligible, seeks re-appointment at the Annual General Meeting of Shareholders. Shri Amrit Agrawal, Shri Deepak Diwan and Shri Dhananjaya Prasad Singh will retire at the ensuing Annual General Meeting and being eligible they seek their re-appointment.

The Board has recommended the re-appointment of aforesaid retiring Directors. As per Clause 49 of the Listing Agreement, the brief details of the aforesaid directors are indicated herein below:

- a) **Shri Amrit Agrawal** (44) is a Director of the Company since April 28, 2007. He is a Fellow Member of the Institute of Chartered Accountants of India and Fellow Member of the Institute of Company Secretaries of India. He has an outstanding academic record – rank holder in Chartered Accountants and has about 22 year of experience in Finance, Corporate Secretarial & Legal. He is also Director in Himalayan Crest Power Private Ltd, CLC Power Ltd. and Multiflex Lami Print Ltd. and Chairman of Audit Committee of Himalayan Crest Power Private Limited.  
Shri Agrawal is Member of the Audit Committee and Banking Committee of the Company.  
Shri Agrawal holds 17,571 equity shares of the Company in his name as on 31st March, 2012.
- b) **Shri Deepak Diwan** (62) is a Director of the Company since December 31, 2005. He holds degree in Commerce and Law. Shri Diwan is a Senior Corporate Law Advisor and provides consultation on corporate law matters to various Corporate(s). He is director in RMG Transactions Advisory Private Limited and TRC Corporate Consulting Private Limited.  
Shri Diwan is the member of Remuneration Committee and Chairman of Share Transfer & Shareholders'/Investors' Grievance Committee of the Company.  
Shri Diwan does not hold any share in the Company.
- c) **Shri Dhananjaya Prasad Singh** (66) is a Director of the Company since January 31, 2009. He is a retired IAS Officer and former Secretary to Government of India. He has served in various ministries and department of Government of India as

well as on the Board of Directors of various Government Companies. He is director in MSTC Limited. He is also Chairman of Remuneration Committee of MSTC Limited.

Shri Singh has been appointed as Alternative Member of the Audit Committee of the Company w.e.f February 13, 2012 to meet the quorum in absence of independent member of Audit Committee.

Shri Singh does not hold any share in the Company.

### **3. Audit Committee**

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations, both domestic and overseas;
- safeguarding of assets and adequacy of provisions for all liabilities;
- reliability of financial and other management information and adequacy of disclosures;
- compliance with all relevant statutes.

The Audit Committee of the Board consists of two Non-Executive Independent Directors viz. Shri Ram Kumar Thapliyal (Chairman), Shri Prem Malik (Member) and one Executive Director, Shri Amrit Agrawal (Member), respectively. These members have the requisite accounting and financial management expertise. Statutory Auditors and Internal Auditor are invitees at the meetings of Audit Committee. The Company Secretary acts as Secretary to the Audit Committee.

The Composition of Audit Committee meets the requirements of Section 292A and Clause 49 of the Listing Agreement.

The terms of reference / powers of the Audit Committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Review and recommend the Revenue budgets and Capital budgets follows by updates from time to time.
3. Recommending to the Board, the appointment/re-appointment of the Statutory Auditors, Cost Auditor and the fixation of audit fees.
4. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
5. Reviewing the efficiency and effectiveness of internal audit function, adequacy of the internal control systems and other services rendered by the statutory auditors.
6. Reviewing the functioning and weaknesses, if any, observed by the internal auditors, management opinion on such weaknesses and solutions from time to time.
7. Reviewing, with the management, the annual financial statements i.e. directors responsibility statement under Section 217(2AA) of the Companies Act, 1956, accounting policies and practices, compliances with listing and other legal requirements, disclosure of related party transactions, implementation of the Accounting Standards as notified u/s 211(3C) of the Companies Act, 1956 and Draft Audit Report before submission to the Board for approval.
8. Reviewing, with the management, the quarterly financial results before submitting it to the Board for approval.
9. To look into the reasons for any default/delay, if any, in the payment to the Lenders/Bankers/Financial Institutions, Debenture holder, Creditors and Shareholders (in case of dividend declaration).
10. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

During the year under review, 5 Audit Committee Meetings were held on 26th April, 2011, 12th May, 2011, 11th August, 2011, 14th November, 2011, and 13th February, 2012. Shri R K Thapliyal and Shri Amrit Agrawal each attended all 5 meetings, Shri Prem Malik attended 4 meeting and Shri Dhananjaya Prasad Singh was attended one meeting. Shri R K Thapliyal chaired all 5 Committee Meetings.

Due to non-availability of Shri Prem Malik, Member of Audit Committee for the meeting held on 13th February, 2012, to fulfill sub clause 1 of Clause II (A) of Clause 49 of Listing Agreement, the Board of Directors on 6th February, 2012 re-constituted Audit Committee by appointing Shri Dhananjaya Prasad Singh, Independent Director as member of Audit Committee for said meeting. Thereafter the Board of Directors at their meeting held on 13th February, 2012 appointed Shri Dhananjaya Prasad Singh, Independent Director as Alternative Member of Audit Committee to attend the Audit Committee Meeting in absence of either Shri R K Thapliyal (Chairman) or Shri Prem Malik (Member).

### **4. Remuneration Committee**

The Remuneration Committee of the Board, inter alia, reviews/recommends to the Board the remuneration package of Executive Directors and the senior most level of management immediately below the Executive Directors based on performance and defined criteria/HR Policies. The Remuneration Committee comprises of Shri Prem Malik, (Chairman), Shri Ram Kumar Thapliyal and Shri Deepak Diwan, (Members) all are Non-executive/Independent Directors. During the year one Committee Meeting was held on 26th April, 2011, all the members of the Committee attended the meeting.

The Remuneration of Chairman, Managing Director, Deputy Managing Director, Director-Works and Director-Finance are in accordance with the provisions of the Companies Act, 1956 and approved by members of the Company, as well as Central Government.

The members of the Company at their meeting held on 30th June, 2011 has given consent for increase of remuneration to its executive directors. The Company has also obtained Central Government approval for increase of remuneration. To maintain the Industry Benchmarks, the Remuneration Committee at their meeting held on 26th April, 2011 discussed about the Industry Bench Mark and approved for increase of Sitting Fee to Independent/Non-Executive Directors whose are attending Board Meeting as well as Committee Meeting(s) accordingly each director who have attended the Board Meeting shall be paid Rs. 20,000/- each towards sitting fees and Rs. 1,000 each towards out of Pocket Expenses and Rs. 15,000/- each (including out of pocket expenses) shall be paid for attending Audit Committee/Remuneration Committee Meeting(s) and no sitting fee shall be paid for other committee meetings such as Investment/Banking/ shareholders Grievance Committee Meetings etc. Details of remuneration paid to Directors for the financial year 2011-12 are as under:

(` in lacs)

| Name of Director                           | Sitting Fee for Board Meeting(s) (`) | Sitting Fee for Remuneration Committee Meeting(s) (`) | Sitting Fee for Audit Committee Meeting(s) (`) | Salaries and Perquisites p.a. (`) | Total (`) |
|--|--------------------------------------|---|--|-----------------------------------|-----------|
| <b>Executive Directors</b>                 |                                      |   |  |                                   |           |
| Shri Ajay Kumar Choudhary                  | -                                    | -   | -  | 75.61                             | 75.61     |
| Shri Mukund Choudhary                      | -                                    | -   | -  | 75.61                             | 75.61     |
| Shri Kapil Choudhary                       | -                                    | -   | -  | 75.61                             | 75.61     |
| Shri Sitaram Parthasarathy                 | -                                    | -   | -  | 66.96                             | 66.96     |
| Shri Amrit Agrawal                         | -                                    | -   | -  | 68.37                             | 68.37     |
| <b>Non Executive/Independent Directors</b> |                                      |   |  |                                   |           |
| Shri Deepak Diwan                          | 0.63                                 | 0.15  | -  | -                                 | 0.78      |
| Shri Prem Malik                            | 0.63                                 | 0.15  | 0.60   | -                                 | 1.38      |
| Shri Ram Kumar Thapliyal                   | 0.84                                 | 0.15  | 0.75   | -                                 | 1.74      |
| Shri Shyamal Ghosh                         | 0.63                                 | -   | -  | -                                 | 0.63      |
| Shri D P Singh                             | 0.84                                 | -   | 0.15   | -                                 | 0.99      |
| Shri Rajeev Kalra *                        | -                                    | -   | -  | -                                 | -         |

\*Citigroup Venture Capital International Growth Partnership (Mauritius) Ltd., is not clamming any sitting fee for attending any Board or Committee meetings by their nominees, accordingly the Company is not paying sitting fee to its nominee.

**5. Share Transfer & Shareholders/Investors Grievance Committee:**

The Share Transfer & Shareholders'/Investors Grievance Committee comprises of three members viz. Shri Deepak Diwan (Chairman) a Non-executive/Independent Director, Shri Mukund Choudhary and Shri Kapil Choudhary (Members), Executive – Directors of the Company.

The Committee members meet from time to time, inter alia, to approve issue of duplicate share certificates and oversee and reviews all matters connected with the transfer of securities. The Committee also reviews the performance of the Registrar and Transfer Agents, besides supervising the mechanism of investor grievance redressal to ensure redressal of grievances of Shareholders/ investors and to maintain cordial investor relation.

The committee also reviews all investors' complaints and their grievances. During the year the Company received 9 complaints from the investors and has responded to their fullest satisfaction and 6 complaints were received from SEBI/Stock Exchanges, which were also duly replied/ redressed. There was no complaint outstanding as on 31st March 2012.

Shri B V R Murthy, Sr. Manager-Secretarial is also the compliance officer of the Company for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

During the year, 4 committee meeting were held on 5th April, 2011, 5th July, 2011, 5th October, 2011 and 5th January, 2012. All the members of the Committee attended the meetings.

**6. Investment Committee**

The Investment Committee of the Board, inter alia, recommends to the Board on various opportunities to set- up/acquire/ establish textile business outside India besides its present expansion and acquisition plans in India and to execute various documents/agreements from time to time and to form subsidiary companies and fellow subsidiary companies. The Committee comprised of three members viz. Shri Mukund Choudhary, Shri Kapil Choudhary, Executive – Directors and Shri Rajeev Kalra, Nominee Director (on behalf of CVCI) of the Company. No Investment Committee meeting was held during the year.

**7. Banking Committee**

The Banking Committee of the Board, inter alia, authorizes company officials to execute/sign various documents/cheques for availing various credit facilities/term loan provided by the Banks from time to time. The Board of Directors had taken note on various credit facilities sanctioned/restructured by Banks under CDR Package.

The Committee comprised of Shri Mukund Choudhary, Managing Director, Shri Kapil Choudhary, Deputy Managing Director, Shri Amrit Agrawal, Director-Finance and Shri Deepak Diwan, Non-executive/ Independent Director. During the year, 7 Committee meetings were held on 5th October, 2011, 7th November, 2011, 22nd December, 2011, 30th December, 2011, 16th March, 2012, 27th March, 2012 and 30th March, 2012. All the members of the Committee attended the meetings.

**8. General Body Meetings****(A) Annual General Meetings:**

Details of last three Annual General Meetings (AGM) of the Company are as under:

| AGM      | LOCATION   | DATE & TIME                      | SPECIAL RESOLUTIONS PASSED  |
|----------|--|----------------------------------|---|
| 17th AGM | Lok Kala Manch, 20, Lodhi Institutional Area, Lodhi Road, New Delhi – 110003   | 30th September, 2009 at 9:30 A.M | 1. To approve the Re-appointment of Shri Mukund Choudhary as Managing Director of the Company for a period of 5 years and his remuneration.   |
| 18th AGM | Bipin Chandra Pal Memorial Bhavan, A–81, Chittaranjan Park, New Delhi - 110019 | 30th September, 2010 at 9:30 A.M | 1. To approve the Re-appointment of Shri Amrit Agrawal as Director – Finance of the Company for a period of 3 years and his remuneration.   |
| 19th AGM | Bipin Chandra Pal Memorial Bhavan, A–81, Chittaranjan Park, New Delhi - 110019 | 30th June, 2011 at 10:30 A.M     | 1. To approve the Re-appointment of Shri Ajay Kumar Choudhary as Chairman, Shri Kapil Choudhary as Deputy Managing Director, Shri Sitaram Parthasarathy as Director – Works of the Company for a period of 3 years and revision in their monthly remuneration.<br>2. To approve the revision in the monthly remuneration of Shri Mukund Choudhary and Shri Amrit Agrawal w.e.f 1st April, 2010. |

**(B) Postal Ballot**

No special resolution was passed through Postal Ballot during 2011-12.

**9. Code of Conduct**

The Board of Directors has adopted the Code of Conduct and ethics for Directors, Senior Management and the designated employees who have affirmed the compliance with the Code. The Code has also been posted on the company's website [www.spentex.net](http://www.spentex.net). The declaration in compliance with Clause 49 I (D) (ii) of the Listing Agreement is given below:

To The Shareholders of Spentex Industries Limited

**Sub : Compliance with Code of Conduct in terms of Clause 49 I (D) (ii) of the Listing Agreement**

I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the code of conduct as adopted by the Board of Directors for the year ended 31st March, 2012 in terms of Clause 49 I (D) (ii) of the Listing Agreement entered into with the Stock Exchange.

Place: New Delhi  
Date: August 9, 2012

**Mukund Choudhary**  
Managing Director

**10. Compliance****a. Mandatory Requirements:**

The Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

**b. Adoption of Non-Mandatory Requirements:**

Although it is not mandatory, three Committees of Board, namely Remuneration Committee, Banking Committee and Investment Committee are in place. Details of all the above mentioned committees have been provided in this report. .



**11. Disclosures**

- The disclosure relating to transactions of material nature with the related parties are disclosed in the financial statements.
- Company has fulfilled all Statutory Compliances and there were no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to Capital Markets, during the last three years.
- Company has issued circular in connection with Whistle Blower Policy and no employee was denied access to the Audit Committee.
- Pursuant to Clause 47(f) of the Listing Agreement, the Company has created E-mail ID **secretarial@clcindia.com** exclusively for the purpose of registering complaints/queries by investors. Pursuant to circular no CIR/OIAE/2/2011 dated June 3, 2011 issued by SEBI, the investors' complaints are processed in a centralized web based complaints redress system 'SCORES'
- As per Green Initiative introduced by the Ministry of Corporate Affairs vide its circular No. 18/2011 dated 29th April, 2011, members are requested to intimate e-mail address to facilitate to send Annual Reports and other reports/notices through e-mail.

**12. Means of Communication**

- The quarterly/half yearly/annual financial results and press releases on significant developments in the Company are submitted to the Stock Exchanges immediately after Board approved the same to enable stock exchanges to put the results and other information on their websites and communicate to their members.
- The quarterly/half-yearly/annual financial results are published in English & Hindi language in Business Standard newspapers and the same are also displayed on the Company's website **www.spentex.net**. The Company's website also displays all official news releases.
- The Management Discussions and Analysis is included in Directors' Report.

**13. General Shareholder information**

- The 20th Annual General Meeting will be held at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi – 110 019, on Friday, on the 28th day of September, 2012 at 10:30 A.M.
- Financial Calendar (Tentative) :
  - Financial reporting for the Quarter ending June 30, 2012 : August 9, 2012
  - Financial reporting for the Quarter ending September 30, 2012 : on or before November 15, 2012
  - Financial reporting for the Quarter ending December 31, 2012 : on or before February 15, 2013
  - Audited for the quarter/year ended March 31, 2013 : on or before May 30, 2013
- Date of Book closure : Wednesday the 26th September, 2012 to Friday the 28th September, 2012 (both days inclusive)
- Dividend Payment Date : Not Applicable
- Listing of Equity Shares on Stock Exchanges: The Bombay Stock Exchange Ltd., Mumbai (scrip code = 521082) and National Stock Exchange of India Ltd. Mumbai (scrip code = SPENTEX).
- ISIN No. INE376C01020
- The Annual Listing Fee has been paid to BSE & NSE and Annual Custody Fee has been paid to NSDL & CDSL for the year 2012-13.
- Market Price Data : High/Low during each month in last financial year 2011-12 at BSE & NSE:

| Month      | April | May   | Jun   | July  | Aug   | Sep   | Oct   | Nov  | Dec  | Jan  | Feb  | Mar  |
|------------|-------|-------|-------|-------|-------|-------|-------|------|------|------|------|------|
| <b>BSE</b> |       |       |       |       |       |       |       |      |      |      |      |      |
| High       | 20.90 | 20.35 | 17.00 | 15.10 | 13.80 | 12.15 | 9.50  | 9.20 | 7.70 | 8.75 | 9.45 | 8.00 |
| Low        | 14.50 | 14.50 | 12.10 | 11.81 | 8.46  | 8.70  | 8.01  | 6.21 | 6.00 | 5.75 | 7.15 | 6.00 |
| <b>NSE</b> |       |       |       |       |       |       |       |      |      |      |      |      |
| High       | 21.35 | 20.45 | 16.85 | 15.00 | 14.50 | 12.50 | 10.40 | 9.00 | 7.30 | 9.00 | 9.35 | 8.40 |
| Low        | 16.10 | 15.00 | 11.35 | 11.00 | 8.15  | 8.30  | 8.00  | 6.00 | 5.15 | 6.00 | 7.10 | 6.25 |

- Registrars and Transfer Agents: M/s. Beetal Financial & Computer Services (P) Ltd., 99, Beetal House, Madangir, Near Dada Harsukh Dass Mandir, Behind Local Shopping Complex, New Delhi 110 062 Ph. No. 011 - 2996 1281 and 011 - 2996 1282 and Fax No. 011 - 2996 1284, E-mail : **beetalrta@gmail.com ; beetal\_99@sify.com**
- Share Transfer System: The Company's shares are compulsorily traded in dematerialized mode. Share in physical mode lodged for transfer are processed and returned to the shareholders within the stipulated time.

➤ **Distribution of shareholding as on 31st March 2012:**

| No. of Shares    | No. of Shareholders | Percentage    | No. of Shares      | Percentage    |
|------------------|---------------------|---------------|--------------------|---------------|
| 1 to 500         | 35,913              | 90.50         | 33,67,361          | 4.05          |
| 501 to 1,000     | 1,837               | 4.63          | 15,50,699          | 1.86          |
| 1,001 to 2,000   | 890                 | 2.24          | 13,92,576          | 1.67          |
| 2,001 to 3,000   | 344                 | 0.87          | 8,76,203           | 1.05          |
| 3,001 to 4,000   | 148                 | 0.37          | 5,32,374           | 0.64          |
| 4,001 to 5,000   | 140                 | 0.35          | 6,70,955           | 0.81          |
| 5,001 to 10,000  | 202                 | 0.51          | 14,93,352          | 1.79          |
| 10,001 and above | 210                 | 0.53          | 7,33,88,515        | 88.13         |
| <b>Total</b>     | <b>39,684</b>       | <b>100.00</b> | <b>8,32,72,035</b> | <b>100.00</b> |
| Physical Mode    |                     |               | 11,86,111          | 1.42          |
| Electronic Mode  |                     |               | 8,20,85,924        | 98.58         |

**Shareholding Pattern as on 31st March 2012:**

| Sl. No. | Particulars                         | No. of shares     | %             |
|---------|-------------------------------------|-------------------|---------------|
| 1       | Promoter & Promoter Group           | 43,830,560        | 52.64         |
| 2       | Bodies Corporate                    | 5,306,619         | 6.37          |
| 3       | Mutual Funds                        | 20,811            | 0.03          |
| 4       | Banks/Financial Institutions/UTI    | 693,694           | 0.83          |
| 5       | State Government/Central Government | 59,337            | 0.07          |
| 6       | Foreign Institutional Investors     | 19,255,367        | 23.12         |
| 7       | Foreign Banks                       | 1,505             | 0.00          |
| 8       | Directors Other Than Promoters      | 101,221           | 0.12          |
| 9       | NRIs                                | 330,647           | 0.40          |
| 10      | Trust                               | 28,145            | 0.03          |
| 11      | Indian Public & Others              | 13,644,129        | 16.39         |
|         | <b>Total</b>                        | <b>83,272,035</b> | <b>100.00</b> |

The equity shares of the Company are frequently traded on The Bombay Stock Exchange Ltd., Mumbai (BSE) and National Stock Exchange of India Ltd., Mumbai (NSE).

➤ The Company had issued 19,50,000 shares against conversion of 19,50,000 convertible warrants on 12.05.2011 to M/s CLC Technologies Private Limited, a promoter group company on exercise of option in forth & final tranche.

➤ **Plant Location(s):**

In India

1. D-48, MIDC, Baramati, District. Pune, Maharashtra 413 133
2. B-1, MIDC, Chincholi – Kondi, Distt. Solapur, Maharashtra 413 255
3. 31-A, MIDC Industrial Area, Butibori, Nagpur, Maharashtra 441 122
4. 51-A, Industrial Area, Sector III, Pithampur, Madhya Pradesh 454 774

Out side India

1. 2A, Zie Said Street, Tashkent City – 100042 Republic of Uzbekistan
2. 2 Tashkent Yuli Street, Toypeta, Urta-Chirchik District, Tashkent Region 102300, Republic of Uzbekistan.
3. H. 440B, Margilan Street, Fergana Region, Margilan City, Republic of Uzbekistan
4. Nadrazni 557 436 57, Litvinov, Czech Republic

➤ **Address for Correspondence :**

1. Registered Office Address : A-60, Okhla Industrial Area, Phase II, New Delhi 110 020  
Ph. 011 - 2638 7738, 4161 4999, Fax: 011 – 2638 5181.  
Email: [secretarial@clcindia.com](mailto:secretarial@clcindia.com)
2. Registrars & Transfer Agents : M/s. Beetal Financial & Computer Services (P) Ltd  
99, Beetal House, Madangir, Near Dada Harsukh Dass Mandir,  
Behind Local Shopping Complex, New Delhi 110 062  
Ph. No. 011 - 29961281 and 011-29961282 and Fax No. 011- 2996 1284.  
E-mail : [beetalrta@gmail.com](mailto:beetalrta@gmail.com); [beetal\\_99@sify.com](mailto:beetal_99@sify.com)
3. Compliance Officer : Shri B V R Murthy, Sr. Manager Secretarial  
Ph. 011 - 26387738, 46598900, Fax: 011 – 26385181  
Email: [murthy@clcindia.com](mailto:murthy@clcindia.com); [secretarial@clcindia.com](mailto:secretarial@clcindia.com)

**CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To,  
The Board of Directors  
Spentex Industries Limited

**Sub: CEO/CFO Certificate**

We, Mukund Choudhary, Managing Director and Amrit Agrawal, Director-Finance, to the best of our knowledge and belief, certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2012 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) these statements together present a true and fair view of the Company's affairs, and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditor and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee;
- (i) significant changes in internal controls over financial reporting, during the year.
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
  - (iii) instances of significant fraud of which we have become aware, if any, and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Place: New Delhi  
Date: August 9, 2012

**Mukund Choudhary**  
Managing Director

**Amrit Agrawal**  
Director - Finance

**CERTIFICATE ON CORPORATE GOVERNANCE**

To  
**The Members of Spentex Industries Limited**

We have examined the compliance of conditions of Corporate Governance by **SPENTEX INDUSTRIES LIMITED**, having its Registered Office at A-60, Okhla Industrial Area, Phase-II, New Delhi-110 020 for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement executed by the said Company with the concerned Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement in all material respects.

We state that in respect of the investor grievances received for the year ended 31st March, 2012, no such investor grievances remained unattended/pending as at 31st March, 2012 as per the records maintained by the Share Transfer & Shareholders'/ Investors' Grievance Committee.

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

For **Loveneet Handa & Associates**  
Company Secretaries

**(Loveneet Handa)**  
ACS-25973  
CP-10753

Place: New Delhi  
Date: August 9, 2012

**AUDITORS' REPORT TO THE MEMBERS OF SPENDEX INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of Spentex Industries Limited, as at March 31, 2012 and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central government of India in terms of sub-section(4A) of Section 227 of The Companies Act, 1956 of India (the Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - 3.1 a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the books records and physical inventory have been noticed.
    - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
  - 3.2 a) The inventory other than inventory lying with third party has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
    - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
    - c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
  - 3.3 a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraph 4(iii)(b), 4(iii)(c), 4(iii)(d) of the order are not applicable.
    - b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraph 4(iii)(f) and 4(iii)(g) of the order are not applicable.
  - 3.4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
  - 3.5 a) In our opinion and according to the information and explanations given to us, 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, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of Rupees Five Lakhs or more in respect of any party during the year other than those reported in para 3.18 below pursuant to paragraph 4 (xviii) of the Companies (Auditor's Report) Order, 2003.
  - 3.6 The Company has not accepted any deposits from the public within the meaning of Section 58A and Section 58AA of the Act and the rules framed there under.
  - 3.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
  - 3.8 We have broadly reviewed the books of account, maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
  - 3.9 a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, sales tax, income tax, service tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it. According to the information and explanation given to us,

no undisputed amounts payable in respect of aforesaid dues were in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, entry tax, service tax and excise duty at March 31, 2012, which have not been deposited on account of dispute, are as follows:

| Name of the statute                       | Nature of dues  | Amount( ` )  | Period to which the amount relates           | Forum where the dispute is pending                               |
|---|---|--|--|--|
| <b>Sales Tax</b>                          |   |  |  |  |
| The M.P. Commercial Tax Act, 1994         | Penalty - Purchase tax demand   | 164,195<br>(including amount paid Rs.164,195)      | 2004-05                                      | First Appellate Authority  |
| The M.P. Commercial Tax Act, 1994         | Sales Tax Demand  | 815,157(including amount paid Rs.815,157)          | 2009-10                                      | First Appellate Authority  |
| The M.P. Commercial Tax Act, 1994         | Sales tax demand on sale of DEPB licenses   | 1,970,233  | 2001-03<br>2009-10                           | Assessing Authority Indore                                       |
| Entry Tax Act, 1976                       | Entry tax demand  | 1,538,453 (including amount paid Rs. 414,844)      | 1992-2008                                    | Assessing Authority Indore                                       |
| <b>Income tax</b>                         |   |  |  |  |
| Income Tax Act, 1961                      | Disallowance of goodwill amortisation & other expenses  | 10,875,657<br>(including amount paid Rs.3,981,354) | A.Y. 2001-02<br>A.Y. 2003-04                 | Income Tax Tribunal Delhi Bench - Rs. 3,981,354                  |
|   |   |  |  | High Court - Rs. 6,894,303                                       |
| The Income Tax Act,1961                   | Disallowances of various expenses viz. sales tax subsidy, etc.  | 27,095,747<br>(including amount paid Rs.2,000,000) | A.Y. 2003-04<br>A.Y. 2005-06<br>A.Y. 2006-07 | Commissioner of Income Tax (Appeal), New Delhi                   |
| <b>Central Excise and Service Tax Act</b> |   |  |  |  |
| Central Excise Act, 1944                  | Excise duty demands (Baramati unit)   | 10,806,176   | June 1999 to Dec 2001                        | Customs, Excise & Service Tax Appellate Tribunal, Mumbai         |
| Central Excise Act, 1944                  | Excise duty demands (Ahmedabad unit)  | 27,861,240   | Apr-00 to Sept-01 and Feb-01 to Dec-01       | Customs, Excise & Service Tax Appellate Tribunal, Ahmedabad      |
| Central Excise Act, 1944                  | Excise duty demands (Ahmedabad unit)  | 1,565,015 (including amount paid Rs.1,565,015)     | Feb-04                                       | Customs, Excise & Service Tax Appellate Tribunal, Ahmedabad      |
| The Central Excise Act, 1944              | Excise duty-demand of duty on clearance of goods under notification 30/2004 without payment of duty (Butibori unit) | 75,185,214<br>(including amount paid Rs.2,314,143) | Aug. 2004 to Apr. 2007                       | Deputy Commissioner of Central Excise, Nagpur – Rs. 77,371       |
|   |   |  |  | Commissioner, Central Excise Nagpur – Rs.72,693,700              |
|   |   |  |  | Customs, Excise & Service Tax Appellate Tribunal – Rs. 2,414,143 |
| The Central Excise Act, 1944              | Cenvat demand for packing material including penalty (Pithampur unit)   | 168,012  | April, 2000 – March, 2004                    | Commissioner (Appeals), Central Excise, Indore                   |

# SPENTEX INDUSTRIES LIMITED

|                              |   |  |                              |  |
|------------------------------|---|--|------------------------------|--|
| The Central Excise Act, 1944 | Cenvat demand on packing material / scrap (Butibori unit)   | 653,853 (including amount paid Rs. 4,006)        | April, 2003 – November, 2009 | Customs, Excise & Service Tax Appellate Tribunal Rs. 180,167           |
|                              |   |  |                              | Commissioner(Appeals), Nagpur – Assistant Commissioner – Rs. 8,012     |
|                              |   |  |                              | Deputy Commissioner, Central Excise, Nagpur – Rs. 465,674              |
| The Central Excise Act, 1944 | Cenvat on samples used in quality control (Butibori unit)   | 278,584 (including amount paid Rs. 67,597)       | Apr, 2003 to Aug, 2009       | Customs, Excise & Service Tax Appellate Tribunal, Nagpur – Rs. 117,762 |
|                              |   |  |                              | Deputy Commissioner, Central Excise, Nagpur – Rs. 160,822              |
| The Central Excise Act, 1944 | Demand for Cenvat reversal of furnace oil used in generation of electricity on job-work (Butibori unit)               | 11,032,499                                       | Apr, 2003 to Aug, 2006       | Deputy Commissioner of Central Excise, Nagpur – Rs. 694,852            |
|                              |   |  |                              | Customs, Excise & Service Tax Appellate Tribunal – Rs. 10,337,647      |
| The Central Excise Act, 1944 | Refund of cenvat on inputs under Rule 18 (Pithampur unit)   | 60,216,366                                       | Oct, 2004 to Jan, 2006       | Commissioner (Appeals), Central Excise, Indore                         |
| The Central Excise Act, 1944 | Rejection export claims   | 1,793,732  | Jun, 2006 to Jan,2007        | Assistant Commissioner of Central Excise, Nagpur                       |
| Finance Act, 1994            | Refund against export services  | 1,987,938  | 2006-10                      | Assistant Commissioner of Central Excise, Nagpur                       |
| The Central Excise Act, 1944 | Excise duty –demand of duty on clearance of goods under notification 30/2004 without payment of duty (Pithampur unit) | 53,291,002 (including amount paid Rs.13,322,751) | March, 2004 to Feb, 2007     | High Court , Indore  |
| The Central Excise Act, 1944 | Duty on Yarn  | 1,203,102  | 2006                         | Customs, Excise & Service Tax Appellate Tribunal – Rs. 510,140         |
|                              |   |  |                              | Commissioner (Appeals), Central Excise, Indore - Rs. 692, 962          |
| The Central Excise Act, 1944 | Cenvat on Capital Goods   | 2,703,762  | 2002-2003                    | Additional Commissioner of Central Excise, Nagpur -Rs. 2,551,564       |
|                              |   |  |                              | Deputy Commissioner of Central Excise – Rs. 152,198                    |
| <b>Professional Tax</b>      |   |  |                              |  |
| Professional Tax Act         | Interest on Professional Tax  | 36,433 (including amount Paid Rs. 36,433)        | 2006-07                      | Deputy Commissioner (Professional Tax)                                 |

- 3.10 The Company has accumulated loss as at March 31, 2012 which, read with comments in para 4 of our report, are more than fifty percent of its net worth. The company has incurred cash losses in the financial year ended on that date but has not incurred cash losses in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanation given to us, based on our audit procedures, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund/ Nidhi/ mutual benefit fund/ Societies are not applicable to the Company.
- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

- 3.16 In our opinion, and according to the information and explanations given to us, no new term loan has been obtained during the year.
- 3.17 On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on short term basis which have been used for long-term investment.
- 3.18 According to the information and explanations given to us, the company has made preferential allotment of shares to a company covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
- 3.19 The Company has created security or charge in respect of debentures issued and outstanding at the year end.
- 3.20 The Company has not raised any money by public issue during the year.
- 3.21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

4. We draw attention to:

**Note 41 of the financial statements, wherein, we are unable to determine the extent of provision that may be required for diminution in the value of long term investment amounting to Rs. 20,44,69,921/- in Amit Spinning Industries Limited subsidiary of the company. Further, uncertainties exist in relation to the recoverability of loans amounting to Rs. 32,01,28,019/- interest accrued thereon Rs. 9,59,50,582/- and advances amounting to Rs. 5,76,20,907/- due from above subsidiary.**

5. Without qualifying our report, we draw attention to:

- a. Note 45 of the financial statements regarding preparation of these accounts on a going concern basis due to reasons indicated therein.
- b. Note 44 of the financial statements regarding investment and recoverability of advances and debtor balances from Spentex Tashkent Toyetpa LLC and Spentex (Netherlands) B.V., subsidiaries of the company.

**The impact due to above observations on the financial statements could not be ascertained.**

6. Further to our comments in paragraphs 4 above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of directors, none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and **subject to our remarks in paragraph 4 above**, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
- (ii) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For J.C. Bhalla & Company  
Chartered Accountants  
Firm Regn. No. 001111-N**

**(Akhil Bhalla)  
Partner**

**Membership No.505002**

Place : New Delhi  
Dated : August 9, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

(Figure in `)

|   | Note No. | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|---|----------|-------------------------|-------------------------|
| <b>EQUITY AND LIABILITIES</b>           |          |                         |                         |
| <b>(1) Shareholder's funds</b>          |          |                         |                         |
| a) Share capital                        | 2        | 83,27,20,350            | 81,32,20,350            |
| b) Reserves & surplus                   | 3        | (1,62,58,41,935)        | 37,51,18,951            |
| c) Money received against share warrant | 4        | -                       | 3,30,52,500             |
|   |          | <b>(79,31,21,585)</b>   | <b>1,22,13,91,801</b>   |
| <b>(2) Non-current liabilities</b>      |          |                         |                         |
| a) Long-term borrowings                 | 5        | 3,30,21,82,443          | 3,19,62,20,150          |
| b) Other long-term liabilities          | 6        | 12,62,554               | 19,76,323               |
| c) Long-term provisions                 | 7        | 5,54,34,195             | 4,14,70,171             |
|   |          | <b>3,35,88,79,192</b>   | <b>3,23,96,66,644</b>   |
| <b>(3) Current liabilities</b>          |          |                         |                         |
| a) Short-term borrowings                | 8        | 85,81,04,524            | 88,05,84,168            |
| b) Trade payables                       | 9        | 1,35,46,72,049          | 1,53,20,54,110          |
| c) Other current liabilities            | 10       | 1,08,88,44,195          | 1,03,05,66,628          |
| d) Short-term provisions                | 11       | 1,14,74,740             | 86,93,624               |
|   |          | <b>3,31,30,95,508</b>   | <b>3,45,18,98,530</b>   |
| <b>Total</b>                            |          | <b>5,87,88,53,115</b>   | <b>7,91,29,56,975</b>   |
| <b>ASSETS</b>                           |          |                         |                         |
| <b>(1) Non-current assets</b>           |          |                         |                         |
| a) Fixed assets                         | 12       |                         |                         |
| (i) Tangible assets                     |          | 2,40,97,00,586          | 2,71,12,11,450          |
| (ii) Intangible assets                  |          | 85,65,144               | 1,62,72,963             |
| (iii) Capital work in progress          |          | 43,70,896               | 91,24,820               |
| b) Non-current investment               | 13       | 77,49,26,779            | 77,49,26,779            |
| c) Long-term loans and advances         | 14       | 95,32,84,127            | 97,57,28,569            |
| d) Other non-current assets             | 15       | 27,07,36,924            | 48,18,25,372            |
|   |          | <b>4,42,15,84,456</b>   | <b>4,96,90,89,953</b>   |
| <b>(2) Current Assets</b>               |          |                         |                         |
| a) Inventories                          | 16       | 47,34,46,623            | 1,31,64,09,430          |
| b) Trade receivables                    | 17       | 45,93,58,475            | 74,61,81,478            |
| c) Cash and bank balances               | 18       | 4,29,34,416             | 3,89,05,675             |
| d) Short-term loans and advances        | 19       | 25,47,73,222            | 60,93,98,865            |
| e) Other current assets                 | 20       | 22,67,55,923            | 23,29,71,574            |
|   |          | <b>1,45,72,68,659</b>   | <b>2,94,38,67,022</b>   |
| <b>Total</b>                            |          | <b>5,87,88,53,115</b>   | <b>7,91,29,56,975</b>   |

Significant accounting policies and notes (1 to 47) form an integral part of the financial statements..

This is the Balance Sheet referred to in our Report of even date

**For J.C. Bhalla & Company**  
 Firm Reg. No. 001111N  
 Chartered Accountants

**Akhil Bhalla**  
 Partner  
 Membership No: 505002

On behalf of the Board  
 Mukund Choudhary      Managing Director  
 Kapil Choudhary      Deputy Managing Director  
 Sitaram Parthasarathy      Director - Works  
 Amrit Agrawal      Director - Finance  
 Ranjan Mangtani      Sr. Vice President Corporate and Legal  
    Affairs & Company Secretary

Place: New Delhi  
 Date : August 9, 2012



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012** (Figure in `)

|   | Note | Year Ended<br>31st March, 2012 | Year Ended<br>31st March, 2011 |
|---|------|--------------------------------|--------------------------------|
| <b>INCOME</b>   |      |                                |                                |
| I. Revenue from operations (Gross)  | 21   | 9,71,10,29,348                 | 10,64,52,23,335                |
| Less: Excise duty   |      | 3,26,47,835                    | 4,22,69,130                    |
| Revenue from operations (Net)   |      | 9,67,83,81,513                 | 10,60,29,54,205                |
| II. Other income  | 22   | 15,40,71,061                   | 18,69,16,625                   |
| <b>III. Total revenue (I+ II)</b>   |      | <b>9,83,24,52,574</b>          | <b>10,78,98,70,830</b>         |
| <b>IV. EXPENSES</b>   |      |                                |                                |
| Cost of materials consumed  | 23   | 6,35,50,45,065                 | 6,62,93,19,672                 |
| Purchases of stock-in-trade   | 24   | 95,94,63,754                   | 79,30,69,058                   |
| Changes in inventories of finished goods,<br>Stock-in -trade and work-in-progress | 25   | 57,55,25,524                   | (69,86,16,156)                 |
| Employee benefits expense   | 26   | 63,18,36,727                   | 60,35,03,700                   |
| Finance costs   | 27   | 85,41,52,310                   | 80,05,25,209                   |
| Depreciation and amortization expense   | 12   | 33,07,97,607                   | 34,07,83,330                   |
| Other expenses  | 28   | 1,62,40,03,785                 | 1,81,23,98,945                 |
| <b>Total expenses</b>   |      | <b>11,33,08,24,772</b>         | <b>10,28,09,83,756</b>         |
| <b>V. Profit before exceptional items and tax (III-IV)</b>                        |      | <b>(1,49,83,72,198)</b>        | <b>50,88,87,074</b>            |
| VI. Exceptional items   | 29   | 48,58,65,811                   | 13,39,33,822                   |
| <b>VII Profit/(loss) before tax (V-VI)</b>  |      | <b>(1,98,42,38,009)</b>        | <b>37,49,53,252</b>            |
| <b>VIII Tax expenses:</b>   |      | <b>3,02,75,377</b>             | -                              |
| MAT credit entitlement reversal   |      | 3,68,52,303                    | -                              |
| Income tax of earlier year written back   |      | (65,76,926)                    | -                              |
| <b>IX Profit/(loss) for the year (VII- VIII)</b>                                  |      | <b>(2,01,45,13,386)</b>        | <b>37,49,53,252</b>            |
| <b>X Earnings per equity share:</b>   | 34   |                                |                                |
| (1) Basic   |      | (24.25)                        | 4.87                           |
| (2) Diluted   |      | (24.25)                        | 4.85                           |

Significant accounting policies and notes (1 to 47) form an integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

On behalf of the Board

**For J.C. Bhalla & Company**  
Firm Reg. No. 001111N  
Chartered Accountants

**Akhil Bhalla**  
Partner  
Membership No : 505002

Mukund Choudhary      Managing Director  
Kapil Choudhary        Deputy Managing Director  
Sitaram Parthasarathy    Director - Works  
Amrit Agrawal            Director - Finance  
Ranjan Mangtani         Sr. Vice President Corporate and Legal  
Affairs & Company Secretary

Place : New Delhi  
Date : August 9, 2012

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

(Figure in `)

|  | <u>Year ended<br/>31st March 2012</u> | <u>Year ended<br/>31st March 2011</u> |
|--|---------------------------------------|---------------------------------------|
| <b>Profit /(loss) Before Tax</b>                       | <b>(1,98,42,38,010)</b>               | <b>37,49,53,252</b>                   |
| <b>Add:</b>  |                                       |                                       |
| Depreciation / Amortisation                            | 33,07,97,607                          | 34,07,83,330                          |
| Impairment Loss  | 41,33,096                             | -                                     |
| Loss/(Profit) on Sale of Fixed Asset (net)             | 6,45,799                              | (19,91,334)                           |
| Provision for Wealth Tax                               | 32,684                                | 52,767                                |
| Temple, land & building                                | -                                     | (1,86,21,021)                         |
| Unrealised Exchange Fluctuation (net)                  | (3,14,67,693)                         | (1,55,19,641)                         |
| Bad Debts and Advances Written off                     | 32,36,52,711                          | 21,86,35,932                          |
| Provision for doubtful advances                        | 16,73,95,417                          | -                                     |
| Liabilities no longer required written back            | (53,58,789)                           | (55,14,565)                           |
| Loss on sale of assets held for sale.                  | 25,25,820                             | 1,96,59,578                           |
| Dividend Income  | (3,207)                               | (4,044)                               |
| Interest Income  | (4,24,89,733)                         | (4,43,02,889)                         |
| Interest Expense                                       | 85,78,86,163                          | 72,77,95,366                          |
| <b>Operating Profit Before Working Capital Changes</b> | <b>(37,64,88,135)</b>                 | <b>1,59,59,26,731</b>                 |
| <b>Adjustments for changes in working capital :</b>    |                                       |                                       |
| - (Increase)/Decrease in Trade Receivable              | 5,04,39,654                           | (8,63,87,727)                         |
| - (Increase)/Decrease in Other Receivables             | 39,31,32,814                          | 2,94,91,587                           |
| - (Increase)/Decrease in Inventories                   | 84,29,62,807                          | (74,78,28,027)                        |
| - Increase/(Decrease) in Trade and Other Payables      | (9,60,69,215)                         | 20,05,41,321                          |
| Wealth Tax Paid  | (52,767)                              | -                                     |
| <b>A. Cash Flow From Operating Activities</b>          | <b>81,39,25,158</b>                   | <b>99,17,43,885</b>                   |
| Purchase of Fixed Assets                               | (1,94,07,023)                         | (4,38,73,586)                         |
| Sale proceeds of Fixed Assets                          | 19,36,222                             | 92,91,934                             |
| Sale of Investment                                     | -                                     | 46,821                                |
| Dividend Received                                      | 3,207                                 | 4,044                                 |
| Interest Received                                      | 1,01,41,244                           | 4,43,02,889                           |
| <b>B. Cash Flow From Investing Activities</b>          | <b>(73,26,350)</b>                    | <b>97,72,102</b>                      |
| Proceeds from Share Capital                            | -                                     | 5,72,63,950                           |
| Share Premium (net)                                    | (3,02,75,380)                         | 5,27,43,550                           |
| Repayment of 9% Non-convertible Debenture              | (79,92,789)                           | (2,46,63,460)                         |
| Proceeds from Term Loans                               | 39,08,88,963                          | -                                     |
| Repayment of Term Loans                                | (25,40,65,977)                        | (51,13,78,905)                        |
| (Repayment)/proceed of Working Capital Loans (net)     | (1,77,90,329)                         | 14,52,83,603                          |
| Vehicle Loans (net)                                    | (34,99,887)                           | 44,83,347                             |
| Short term advances (net)                              | (2,46,89,315)                         | (3,13,07,945)                         |
| Interest Paid  | (85,51,45,353)                        | (72,77,95,366)                        |
| <b>C. Cash Flow From Financing Activities</b>          | <b>(80,25,70,067)</b>                 | <b>(1,03,53,71,226)</b>               |
| <b>Increase/(Decrease) in Cash Equivalents {A+B+C}</b> | <b>40,28,741</b>                      | <b>(3,38,55,238)</b>                  |
| Cash and Cash Equivalents at the Beginning of the Year | 3,89,05,675                           | 7,27,60,913                           |
| Cash and Cash Equivalents at the End of the Year       | 4,29,34,416                           | 3,89,05,675                           |
| <b>Increase / (Decrease) in Cash/Cash Equivalents</b>  | <b>40,28,741</b>                      | <b>(3,38,55,238)</b>                  |
| <b>Notes :-</b>  |                                       |                                       |
| <b>Cash and cash equivalents comprise</b>              |                                       |                                       |
| Cash and Cheques in hand                               | 17,27,526                             | 16,09,264                             |
| In Current Accounts                                    | 2,20,54,626                           | 2,01,14,791                           |
| In Fixed Deposit Accounts                              | 1,82,92,156                           | 1,55,15,000                           |
| In Other Banks   | -                                     | 5,87,484                              |
| In unpaid dividend accounts                            | 8,60,108                              | 10,79,136                             |
|  | <b>4,29,34,416</b>                    | <b>3,89,05,675</b>                    |

- The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard-3 notified under section 211(3C) of the Companies Act, 1956.
- Figures in brackets indicate cash outgo.

This is the Cash Flow Statement referred to in our Report of even date

For **J.C. Bhalla & Company**  
 Firm Reg. No. 001111N  
 Chartered Accountants

**Akhil Bhalla**  
 Partner  
 Membership No : 505002

Place : New Delhi  
 Date : August 9, 2012

On behalf of the Board

|                       |  |
|-----------------------|--|
| Mukund Choudhary      | Managing Director  |
| Kapil Choudhary       | Deputy Managing Director   |
| Sitaram Parthasarathy | Director - Works   |
| Amrit Agrawal         | Director - Finance   |
| Ranjan Mangtani       | Sr. Vice President Corporate and Legal Affairs & Company Secretary |

**NOTE 1 : SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Accounting**

These financial statements are prepared on accrual basis under the historical cost convention to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

**(b) Adoption of Revised Schedule VI of the Companies Act, 1956**

For the year ended 31st March, 2012, the revised Schedule VI, notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of Schedule VI does not impact recognition and measurement principles followed for preparation of its financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year. All assets and liabilities have been classified as current and non-current as per the criteria set out in the revised Schedule VI. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle being a period within 12 months for the purpose of classification of assets and liabilities as current and non current.

**(c) Use of Estimates**

The preparation of the financial statements in conformity with Indian Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful receivables, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

**(d) Fixed Assets**

Fixed assets are stated at their original cost less accumulated depreciation including freight, duties (net of CENVAT), taxes and other incidental expenses relating to acquisition and installation.

**(e) Depreciation / Amortization**

Depreciation on all fixed assets situated at manufacturing locations is provided on the straight line method on a pro-rata basis at the rates determined on the basis of useful lives of the respective assets. Management estimates the useful lives for the various fixed assets situated at manufacturing locations as follows:

| Description – Manufacturing locations  | Useful lives (in years) |
|--|-------------------------|
| Factory building                       | 17-29                   |
| Building (Other than factory building) | 58                      |
| Plant and machinery                    | 2-18                    |
| Office equipments                      | 10-20                   |
| Computers                              | 1-6                     |
| Furniture and fixtures                 | 2-15                    |
| Vehicles                               | 10-12                   |

The rates derived from the above useful lives are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956 ('Act').

Depreciation for all fixed assets at locations other than at manufacturing locations is provided on the written down value method at the rates specified in Schedule XIV to the Act.

Leasehold land is amortized over the lease period on a straight line basis.

Capitalised enterprise resource planning software (SAP) is amortised over a period of five years on straight line basis.

Acquired goodwill is amortized using the straight-line method over a period of 10 years.

**(f) Inventories**

Inventories have been valued at lower of cost and net realizable value.

The cost in respect of raw materials is determined under the specific identification of cost method.

Cost includes customs duty, wherever paid, and are net of credit under CENVAT scheme, wherever applicable.

The cost in respect of work-in-progress, finished goods and stores and spares is determined using the weighted average cost method and includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, where applicable.

Waste is valued at estimated net realizable value.

**(g) Revenue Recognition**

**Sale of goods:** Revenue on sale of goods is recognized on transfer of significant risk and rewards of ownership to the buyer and on reasonable certainty of the ultimate collection. Sales are inclusive of excise duty and net off sales tax, trade discounts and sales returns.

**Interest:** Income is recognised on a time proportion basis taking into account the amount outstanding and the applicable rates.

**Commission and insurance claim:** Income is recognized when no significant uncertainty as to measurability or recoverability exists.

**(h) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**(i) Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. All monetary items denominated in foreign currency are translated at year end rates. Exchange differences arising on such transactions and also exchange differences arising on the settlement of such transactions are adjusted in the statement of profit and loss.

In case of forward contracts, the premium or discount on all such contracts arising at the inception of each contract is recognized / amortized as income or expenses over the life of the contract. Any profit or loss arising on the cancellation or renewal of such contracts is recognized as income or expenses for the period.

In respect of foreign branch, all revenues, expenses, monetary assets/liabilities and fixed assets are accounted at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are restated at the year end rates and resultant gains or losses are recognized in the statement of profit and loss.

**(j) Employee Benefits**

The company's contributions to recognized provident funds are charged to revenue on an accrual basis.

The Company has defined benefit plans namely leave encashment and gratuity for all employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. Gratuity Fund (for other than Synthetic division) is administered through Life Insurance Corporation of India. Short term compensated absences are recognized at the undiscounted amount of benefit for services rendered during the year.

Termination benefits are recognized as an expenses immediately. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the statement of profit and loss as income or expenses.

**(k) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset. Other borrowing costs are recognised as an expenses in the period in which they are incurred.

**(l) Taxation**

Tax expenses for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the year.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent it is reasonably / virtually certain that future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

**(m) Leases**

Assets acquired under long term finance lease are capitalised and depreciated in accordance with company's policy for assets situated at manufacturing and other locations. The associated obligations are included in other loans under "Secured Loans".

The company has taken premises on lease. Lease rental in respect of operating lease arrangement are charged to statement of profit and loss.

**(n) Impairment of Assets**

At each balance sheet date, the company assesses whether there is any indication that an asset may be impaired. If such indication exists, the company estimates the recoverable amount and where carrying amount of the asset exceeds such recoverable amount, an impairment loss is recognized in the statement of profit and loss to the extent the carrying amount exceeds recoverable amount. Where there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased, the company books a reversal of the impairment loss not exceeding the

carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior accounting periods.

**(o) Government Grants**

Recognition

Government grants are recognized where:

- i) There is reasonable assurance of complying with the conditions attached to the grant.
- ii) Such grant / benefit has been earned and it is reasonably certain that the ultimate collection will be made.

Presentation in Financial Statement:

- i) Government grants relating to specific fixed assets are adjusted with the value of the fixed assets.
- ii) Government grants in the nature of promoters' contribution, i.e. which have reference to the total investment in an undertaking or by way of contribution towards total capital outlay, are credited to capital reserve.
- iii) Government grants related to revenue items are either adjusted with the related expenditure / revenue or shown under "Other Income", in case direct linkage with cost / income is not determinable.

**(p) Provisions and contingencies**

The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

|   | As at<br><u>March 31, 2012</u> | As at<br><u>March 31, 2011</u> |
|---|--------------------------------|--------------------------------|
| (Amount in `)   |                                |                                |
| <b>NOTE 2 : SHARE CAPITAL</b>   |                                |                                |
| <b>Authorised</b>   |                                |                                |
| 11,40,00,000 Equity shares of ` 10/- each<br>(Previous Year 11,40,00,000 Equity shares)                         | 1,14,00,00,000                 | 1,14,00,00,000                 |
| 70,00,000 Redeemable preference shares of ` 10/- each<br>(Previous Year 70,00,000 Redeemable preference shares) | 7,00,00,000                    | 7,00,00,000                    |
|   | <u><b>1,21,00,00,000</b></u>   | <u><b>1,21,00,00,000</b></u>   |
| <b>Issued, Subscribed and Paid up</b>   |                                |                                |
| 8,32,72,035 Equity Shares of ` 10/- each, fully paid up<br>(Previous Year 81,322,035 )                          | 83,27,20,350                   | 81,32,20,350                   |
|   | <u><b>83,27,20,350</b></u>     | <u><b>81,32,20,350</b></u>     |

**SUB NOTE:- 2 (a) Above equity share of Rs. 10/- each include :**

Pursuant to scheme of arrangement, 82,74,465 Equity Share of ` 10/- each fully paid issued to the share holder of erstwhile CLC Corporation Limited during the financial year 2005-06, 1,78,24,591 Equity Share of ` 10/- each fully paid issued to the share holder of erstwhile CLC Global Limited during the financial year 2005-06 and 44,87,844 Equity Share of ` 10/- each fully paid issued to the share holder of erstwhile Indo Rama Textiles Limited during the financial year 2006-07 for consideration other than cash.

**SUB NOTE:- 2 (b)** The company has only one class of equity share having a par value of ` 10/- per share. Each shareholder is eligible for one vote per share. The dividend proposed, if any, by the Board of Directors is subject to the approval of shareholders in the ensuring Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

**SUB NOTE:- 2 (c) Reconciliation of number of shares outstanding at the beginning and at the end of the year :**

| Particulars  | As at 31 March 2012 |              | As at 31 March 2011 |              |
|--|---------------------|--------------|---------------------|--------------|
|  | No. of Shares       | Amount ( ` ) | No. of Shares       | Amount ( ` ) |
| Equity shares outstanding at the beginning of the year | 8,13,22,035         | 81,32,20,350 | 7,37,33,035         | 73,73,30,350 |
| Add: Equity shares issued during the year              | 19,50,000           | 1,95,00,000  | 75,89,000           | 7,58,90,000  |
| Less: Equity shares bought back during the year        | -                   | -            | -                   | -            |
| Equity shares outstanding at the end of the year       | 8,32,72,035         | 83,27,20,350 | 8,13,22,035         | 81,32,20,350 |

# SPENTEX INDUSTRIES LIMITED

## SUB NOTE:- 2 (d) : List of Share holder holding more than 5% of the aggregate share in the company

| Name of Shareholder  | As at 31 March 2012 |              | As at 31 March 2011 |              |
|--|---------------------|--------------|---------------------|--------------|
|  | No. of Shares held  | % of Holding | No. of Shares held  | % of Holding |
| Citigroup Venture Capital International Growth Partnership Mauritius Ltd | 1,92,52,650         | 23.12        | 1,92,52,650         | 23.67        |
| CLC Technologies Private Limited   | 1,18,00,000         | 14.17        | 98,50,000           | 12.11        |
| Mukund Choudhary   | 85,35,946           | 10.25        | 85,35,946           | 10.50        |
| Kapil Choudhary  | 84,74,869           | 10.18        | 84,74,869           | 10.42        |
| Ajay Kumar Choudhary   | 80,66,052           | 9.69         | 80,66,051           | 9.92         |

### NOTE 3: RESERVES AND SURPLUS

(Amount in `)

|  | As at 31 March 2012     | As at 31 March 2011   |
|--|-------------------------|-----------------------|
| <b>Capital Reserve :</b>                           |                         |                       |
| Capital reserve                                    | 13,82,31,706            | 13,82,31,706          |
| Share forfeiture reserve                           | 71,79,250               | 71,79,250             |
| Profit on restructure                              | 23,58,587               | 23,58,587             |
|  | <b>14,77,69,543</b>     | <b>14,77,69,543</b>   |
| <b>Securities Premium Account</b>                  |                         |                       |
| Opening balance                                    | 1,01,47,21,322          | 96,19,77,772          |
| Add: On conversion of share warrants               | 1,35,52,500             | 5,27,43,550           |
|  | <b>1,02,82,73,822</b>   | <b>1,01,47,21,322</b> |
| <b>Debenture Redemption Reserve</b>                |                         |                       |
| Opening balance                                    | 17,03,60,578            | 4,19,89,626           |
| Add: transfer from statement of profit & loss      | -                       | 12,83,70,952          |
|  | <b>17,03,60,578</b>     | <b>17,03,60,578</b>   |
| <b>Surplus in the statement of profit and loss</b> |                         |                       |
| Opening balance                                    | (95,77,32,492)          | (1,20,43,14,792)      |
| Profit /(Loss) for the year                        | (2,01,45,13,386)        | 37,49,53,252          |
| Less:- Transfer to debenture redemption reserve    | -                       | 12,83,70,952          |
| Closing balance                                    | <b>(2,97,22,45,878)</b> | <b>(95,77,32,492)</b> |
|  | <b>(1,62,58,41,935)</b> | <b>37,51,18,951</b>   |

### NOTE 4: MONEY RECEIVED AGAINST SHARE WARRANT

|                                      |   |                    |
|--------------------------------------|---|--------------------|
| Money received against share warrant | - | 3,30,52,500        |
|                                      | - | <b>3,30,52,500</b> |

During the year, out of money received against share warrants, the company has allotted 19,50,000 (previous year 75,89,000) equity shares pursuant to options exercised by the share warrants holder CLC Technologies Private Limited to convert 19,50,000 (previous year 75,89,000) share warrants in equal number of fully paid up equity shares at the agreed price of ` 16.95 per equity share (including premium of ` 6.95 per equity share).

### NOTE 5: LONG-TERM BORROWINGS

|   | As at 31 March 2012   | As at 31 March 2011   |
|---|-----------------------|-----------------------|
| <b>Secured</b>  |                       |                       |
| <b>Debentures</b>   |                       |                       |
| 10% Redeemable Non-Convertible Debentures                                   | 33,27,28,366          | 34,07,21,155          |
| <b>Term Loans from Banks</b>  |                       |                       |
| Rupee Term Loans  | 3,59,77,77,673        | 3,46,09,54,688        |
| Vehicle Loans   | 69,61,801             | 1,04,61,688           |
|   | <b>3,93,74,67,840</b> | <b>3,81,21,37,531</b> |
| Less: Amount disclosed under the head "other current liabilities" (Note-10) | 63,52,85,397          | 61,59,17,381          |
|   | <b>3,30,21,82,443</b> | <b>3,19,62,20,150</b> |

**Nature of security****Repayment terms & amount of default****a. Debentures****Non convertible debentures**

Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Mukund Choudhary and Sh. Kapil Choudhary. These Debentures are further secured by second pari-passu charge on entire current assets. These debentures are also secured by pledge of 18,075,918 shares of the company held by promoters and further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.

Amounting to ₹ 332,728,366 (previous year ₹ 340,721,155) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table below.

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**b. Rupee term loans from bank**

- i) Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary and collateral guarantee of Ms. Jyoti Choudhary. These loans are further secured by second pari-passu charge on entire current assets. These loan are also secured by pledge of 1,80,75,918 shares of the company held by promoters and further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.
- ii) Loan Amounting to ₹ 40,47,00,000 secured by pledge of promoters' shares (21,07,23,117 nos.), on an exclusive basis. Further secured by third charge on all the movable and immovable assets of the company and personal guarantee of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary.
- i) Amounting to ₹ 1,27,33,77,673 (previous year ₹ 1,30,61,48,732) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.
- Amounting to ₹ 43,35,00,000 (previous year ₹ 44,84,98,529) repayable in 20 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.
- Amounting to ₹ 11,54,00,000 (previous year ₹ 12,05,65,976) repayable in 12 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 3 below.
- Amounting to ₹ 23,30,00,000 (previous year ₹ 27,50,03,414) repayable in 8 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 4 below.
- ii) Amounting to ₹ 40,47,00,000 (previous year ₹ 41,44,40,300) repayable in 23 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

**Term Loan Repayment schedule Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**Term Loan Repayment schedule Table No. 2**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|---------------|-------|-------|-------|-------|-------|
| Principal (%) | 14    | 16    | 20    | 20    | 30    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    |

**Term Loan Repayment schedule Table No. 3**

|               | FY 13 | FY 14 | FY 15 |
|---------------|-------|-------|-------|
| Principal (%) | 32.40 | 42    | 25.6  |
| ROI (%)       | 12    | 13    | 15    |

**Term Loan Repayment schedule Table No. 4**

|               | FY 13 | FY 14 |
|---------------|-------|-------|
| Principal (%) | 25    | 75    |
| ROI (%)       | 13    | 14.5  |

**c. Funded Interest Term Loan**

Secured by first pari-passu charge on all the fixed assets of the company, both present and future. The loan is further secured by second pari-passu charge on entire current assets and additionally secured by personal guarantee of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary. The loan is also secured by pledge of 1,80,75,918 shares of the company on pari-passu basis. Loan amounting to ` 27,75,00,000 is further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.

Amounting to ` 1,54,00,000 (previous year ` 1 54 00,000) repayable in 2018. There is no default in repayment of loan.

Amounting to ` 23,85,00,000 (previous year ` nil) repayable in 16 quarterly installments commencing from June, 2013. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

Amounting to ` 41,00,000 (previous year ` nil ) repayable in 8 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.

Amounting to ` 3,49,00,000 (previous year ` nil) Repayable in 3 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012.

**Funded Interest Term Loan Repayment schedule  
Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 |
|---------------|-------|-------|-------|-------|
| Principal (%) | 15    | 25    | 25    | 35    |
| ROI (%)       | 10    | 10    | 10    | 10    |

**Funded Interest Term Loan Repayment schedule  
Table No. 2**

|               | FY 13 | FY 14 |
|---------------|-------|-------|
| Principal (%) | 40    | 60    |
| ROI (%)       | 10    | 10    |

**d. Working Capital Term Loan**

Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary and collateral guarantee of Ms. Jyoti Choudhary. These loans are further secured by second pari-passu charge on entire current assets. These loans are also secured by pledge of 18,075,918 shares of the company and further secured by collateral security on the property at 1st floor, 7, Padmini Enclave, New Delhi.

Amounting to ` 25,50,00,000 (previous year ` 26,38,33,424) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

Amounting to ` 45,84,00,000 (previous year ` 46,88,10,781) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.

Amounting to ` 13,15,00,000 (previous year ` 14,82,53,532) repayable in 2 half yearly installments during September 2012 & March 2013. There is no default in repayment of installment as on 31.03.2012. The rate of interest is 10% per annum.

**Repayment schedule Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**Repayment schedule Table No. 2**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 10    | 11    | 11    | 11    | 12    |

**e. Vehicle Loans**

Secured by hypothecation of motor cars.

There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table below.

|               | FY 13 | FY 14 | FY 15 | FY 16 |
|---------------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  |

During the year, repayment terms and finance costs pertaining to term loans, working capital loan and debentures, mentioned above, were restructured pursuant to Corporate Debt Restructuring Scheme of Reserve Bank of India and the charges were amended.



(Amount in `)

|   | <b>As at<br/>March 31, 2012</b> | <b>As at<br/>March 31, 2011</b> |
|---|---------------------------------|---------------------------------|
| <b>NOTE 6 : OTHER LONG TERM LIABILITIES</b> |                                 |                                 |
| Security Deposit                            | 12,62,554                       | 19,76,323                       |
|   | <u>12,62,554</u>                | <u>19,76,323</u>                |

**NOTE 7 : OTHER LONG-TERM PROVISION**

**Provision for Employee Benefits:**

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Gratuity         | 4,36,50,401        | 3,25,08,593        |
| Leave encashment | 1,17,83,794        | 89,61,578          |
|                  | <u>5,54,34,195</u> | <u>4,14,70,171</u> |

**NOTE 8 : SHORT -TERM BORROWINGS**

**Secured**

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Working Capital Loans From Banks | 85,79,30,806 | 87,57,21,135 |
|----------------------------------|--------------|--------------|

**Unsecured**

|               |                     |                     |
|---------------|---------------------|---------------------|
| From others * | 1,73,718            | 48,63,033           |
|               | <u>85,81,04,524</u> | <u>88,05,84,168</u> |

**Nature of Security**

Working Capital Loans from Banks are secured by first pari-passu charge on entire current assets, long term loan and advances and other non current assets of the Company. These loans are further secured by second pari-passu charge on entire fixed assets, both present and future and personal guarantee of the promoters. These loans, are also secured by pledge of promoters' shares (18,075,918 nos.) on pari-passu basis.

\* Repayable on demand.

**NOTE 9 : TRADE PAYABLES**

|               |                       |                       |
|---------------|-----------------------|-----------------------|
| Trade payable | 1,35,46,72,049        | 1,53,20,54,110        |
|               | <u>1,35,46,72,049</u> | <u>1,53,20,54,110</u> |

**Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act. 2006**

Based on intimation received by the Company from its supplier regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 the relevant information is provided below:-

|   |          |          |
|---|----------|----------|
| 1. Amount due to Micro and Small Enterprises:   |          |          |
| a. Principal amount remaining unpaid  | 3,47,127 | 9,17,627 |
| b. Interest due on above  | -        | -        |
| 2. a. Principal amount paid after due date or appointed day during the year   | -        | -        |
| b. Interest paid during the year on above   | -        | -        |
| 3. Interest due & Payable (but not paid) on principal amounts paid during the year after the due date or appointed day.     | -        | -        |
| 4. Total interest accrued and remaining unpaid  | -        | -        |
| 5. Further interest in respect of defaults of earlier year due and payable in current year upto the date when actually paid | -        | -        |

(Amount in `)

|  |                       |                       |
|--|-----------------------|-----------------------|
|  | <b>As at</b>          | <b>As at</b>          |
|  | <b>March 31, 2012</b> | <b>March 31, 2011</b> |

**NOTE 10 : OTHER CURRENT LIABILITIES**
**Current Maturities of Long-Term Debts\* :**
**Secured**

|  |              |                       |                       |
|--|--------------|-----------------------|-----------------------|
| - Debentures                           | 3,32,72,837  | 3,19,72,500           |                       |
| - Term loan from banks                 | 59,88,46,058 | 58,04,45,447          |                       |
| - Vehicle loans                        | 31,66,502    | 34,99,434             | 61,59,17,381          |
| Deferred payment liabilities           |              | 6,81,69,902           | 8,81,69,902           |
| Interest accrued and due on borrowings |              | 9,91,132              | 19,84,175             |
| Unpaid dividend **                     |              | 8,60,108              | 10,79,136             |
| Advance from customers                 |              | 4,03,81,387           | 3,52,28,190           |
| Security deposits                      |              | 11,57,863             | 12,79,863             |
| Salary & other benefits payable        |              | 5,38,68,649           | 4,74,21,224           |
| Statutory dues payable                 |              | 1,91,15,790           | 2,36,58,370           |
| Other payables                         |              | 26,90,13,967          | 21,58,28,387          |
|  |              | <b>1,08,88,44,195</b> | <b>1,03,05,66,628</b> |

\* For security details and other terms and conditions, refer note 5 of financial statement.

\*\* There is no amount due and outstanding as on balance sheet date to be credited to Investor Education and Protection Fund.

**NOTE 11 : SHORT -TERM PROVISION**
**Provision for Employee Benefits:**

|                          |           |                    |                  |
|--------------------------|-----------|--------------------|------------------|
| - Gratuity               | 38,61,274 | 28,75,670          |                  |
| - Leave encashment       | 75,80,782 | 57,65,187          |                  |
| Provision for wealth tax |           | 32,684             | 52,767           |
|                          |           | <b>1,14,74,740</b> | <b>86,93,624</b> |

**NOTE - 12 FIXED ASSETS**

(Amount in `)

| Particulars              | Gross Block           |                        |                        |                       | Depreciation / Amortisation |                     |                        |                       | Net Block             |                       |
|--------------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------------|---------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                          | Cost as at 01.04.2011 | Additions for the year | Deletions/ Adjustments | Cost as at 31.03.2012 | Up to 01.04.2011            | For The Year        | Deletions/ Adjustments | Up to 31.03.2012      | As at 31.03.2012      | As at 31.03.2011      |
| <b>INTANGIBLE ASSETS</b> |                       |                        |                        |                       |                             |                     |                        |                       |                       |                       |
| Goodwill                 | 10,89,10,417          | -                      | -                      | 10,89,10,417          | 10,62,37,297                | 8,91,042            | -                      | 10,71,28,339          | 17,82,078             | 26,73,120             |
| Software                 | 3,40,83,867           | -                      | -                      | 3,40,83,867           | 2,04,84,024                 | 68,16,777           | -                      | 2,73,00,801           | 67,83,066             | 1,35,99,843           |
| <b>Total</b>             | <b>14,29,94,284</b>   | <b>-</b>               | <b>-</b>               | <b>14,29,94,284</b>   | <b>12,67,21,321</b>         | <b>77,07,819</b>    | <b>-</b>               | <b>13,44,29,140</b>   | <b>85,65,144</b>      | <b>1,62,72,963</b>    |
| Previous Year            | 14,29,94,284          |                        |                        | 14,29,94,284          | 11,90,13,507                | 77,07,815           |                        | 12,67,21,321          | 1,62,72,963           | 2,39,80,777           |
| <b>TANGIBLE ASSETS</b>   |                       |                        |                        |                       |                             |                     |                        |                       |                       |                       |
| Land                     |                       |                        |                        |                       |                             |                     |                        |                       |                       |                       |
| - Freehold Land          | 38,90,357             | -                      | -                      | 38,90,357             | -                           | -                   | -                      | -                     | 38,90,357             | 38,90,357             |
| - Leasehold Land         | 5,42,99,243           | -                      | -                      | 5,42,99,243           | 1,49,25,218                 | 25,99,406           | -                      | 1,75,24,624           | 3,67,74,619           | 3,93,74,025           |
| Building                 | 1,17,21,88,951        | 1,27,602               | -                      | 1,17,23,16,553        | 32,86,82,055                | 4,14,39,789         | -                      | 37,01,21,844          | 80,21,94,709          | 84,35,06,897          |
| Plant & Machinery*       | 4,92,44,36,135        | 1,86,26,766            | 64,19,954              | 4,93,66,42,947        | 3,15,64,23,165              | 26,61,75,834        | 57,80,289              | 3,41,68,18,710        | 1,51,98,24,237        | 1,76,80,12,970        |
| Furniture & Fixtures     | 4,41,91,259           | 3,89,678               | 55,67,992              | 3,90,12,945           | 2,85,81,449                 | 17,72,222           | 1,67,327               | 3,01,86,344           | 88,26,601             | 1,56,09,810           |
| Office Equipments        | 7,80,58,223           | 50,16,923              | 10,12,061              | 8,20,63,085           | 5,56,38,050                 | 64,10,646           | 52,86,719              | 5,67,61,977           | 2,53,01,108           | 2,24,20,175           |
| Vehicle                  | 3,56,76,655           | -                      | 38,28,291              | 3,18,48,364           | 1,72,79,439                 | 46,91,891           | 30,11,921              | 1,89,59,409           | 1,28,88,955           | 1,83,97,216           |
| <b>Total</b>             | <b>6,31,27,40,823</b> | <b>2,41,60,969</b>     | <b>1,68,28,298</b>     | <b>6,32,00,73,494</b> | <b>3,60,15,29,376</b>       | <b>32,30,89,788</b> | <b>1,42,46,256</b>     | <b>3,91,03,72,908</b> | <b>2,40,97,00,586</b> | <b>2,71,12,11,450</b> |
| Previous Year            | 6,23,44,19,266        | 11,08,58,387           | 3,25,36,830            | 6,31,27,40,823        | 3,29,36,90,086              | 33,30,75,515        | 2,52,36,227            | 3,60,15,29,375        | 2,71,12,11,450        | 2,96,47,09,957        |

**CAPITAL WORK  
IN PROGRESS**

|                   |                |              |             |                |                |              |             |                |                |                |
|-------------------|----------------|--------------|-------------|----------------|----------------|--------------|-------------|----------------|----------------|----------------|
| Plant & Machinery |                |              |             |                |                |              |             |                |                |                |
|                   |                |              |             |                |                |              |             |                | 43,70,896      | 91,24,820      |
| Previous Year     | 6,37,74,13,550 | 11,08,58,387 | 3,25,36,830 | 6,45,57,35,107 | 3,41,27,03,593 | 34,07,83,330 | 2,52,36,227 | 3,72,82,50,694 | 2,72,74,84,413 | 2,96,47,09,957 |

\* Additions includes ` 5,33,570/- (Previous Year ` 5,87,23,553/-) transfer from Fixed Assets held for sale to Plant &amp; Machinery.

(Amount in `)

|  | As at<br>March 31, 2012 |                     | As at<br>March 31, 2011 |                     |
|--|-------------------------|---------------------|-------------------------|---------------------|
| <b>NOTE 13 : NON CURRENT INVESTMENTS (AT COST)</b>   |                         |                     |                         |                     |
| <b>1. Investment in Equity Instruments</b>   |                         |                     |                         |                     |
| <b>(a) In subsidiaries (Trade &amp; Quoted )</b>   |                         |                     |                         |                     |
| Amit Spinning Industries Limited<br>(Equity Shares of ` 5/- each, fully paid up)                   | 2,09,81,077             | 20,44,69,921        | 2,09,81,077             | 20,44,69,921        |
| <b>(b) In subsidiaries (Trade &amp; Unquoted)</b>  |                         |                     |                         |                     |
| Spentex Netherlands B .V.<br>(Face value Euro 1/- each, fully paid)                                | 18,200                  | 56,10,11,339        | 18,200                  | 56,10,11,339        |
| Spentex Mauritius P Ltd<br>(Face value US Dollar 1/- each, fully paid)                             | 2                       | 90                  | 2                       | 90                  |
| Spentex Tashkent Toytepa LLC#  | -                       | 93,23,779           | -                       | 93,23,779           |
| <b>(c) In others (Non Trade &amp; Quoted )</b>   |                         |                     |                         |                     |
| In Fully paid up Equity shares of Rs. 10/- each<br>Sentinel Tea and Exports Limited                | 100                     | 4,777               | 100                     | 4,777               |
| Summit Securities Limited  | 10                      | -                   | 10                      | -                   |
| <b>(d) In others (Non Trade &amp; Unquoted )</b>   |                         |                     |                         |                     |
| Equity Shares of ` 20/- each fully paid up of<br>The Baramati Co-operative Bank Limited            | 1,300                   | 26,000              | 1,300                   | 26,000              |
| Equity Shares of ` 50/- each fully paid up of The<br>Sadguru Jangli Maharaj Co-operative Bank Ltd. | 1,000                   | 50,000              | 1,000                   | 50,000              |
| Equity Shares of ` 10/-each fully paid up of<br>Spencer & Co. Limited                              | 200                     | 7,563               | 200                     | 7,563               |
| <b>2. Investment in Govt. securities</b>   |                         |                     |                         |                     |
| <b>Non Trade &amp; Unquoted</b>  |                         |                     |                         |                     |
| National saving certificates *   |                         | 33,310              |                         | 33,310              |
|  |                         | <b>77,49,26,779</b> |                         | <b>77,49,26,779</b> |
| Aggregate book value of :  |                         |                     |                         |                     |
| Quoted investments   |                         | 20,44,74,698        |                         | 20,44,74,698        |
| Unquoted investments   |                         | 57,04,52,081        |                         | 57,04,52,081        |
| Aggregate market value of quoted investment  |                         | 3,58,77,642         |                         | 7,40,66,082         |

\* Pledged with sales tax authorities.

# The Company has participating interest of 0.82% in Charter Capital of Spentex Tashkent Toytepa, LLC

**NOTE 14 : LONG -TERM LOANS AND ADVANCES**

**Unsecured, Considered Good Unless Otherwise Stated**

|   |              |                     |              |                     |
|---|--------------|---------------------|--------------|---------------------|
| Security deposit                                      |              | 3,52,36,948         |              | 3,29,35,288         |
| <b>Loans and advances to subsidiaries</b>             |              |                     |              |                     |
| Amit Spinning Industries Limited                      | 35,61,14,592 |                     | 35,61,14,082 |                     |
| Spentex (Netherlands) B.V.                            | 9,50,70,902  |                     | 9,50,70,902  |                     |
| Spentex Mauritius Pvt. Ltd.                           | 18,16,903    |                     | 18,16,903    |                     |
| Spentex (Cyprus) Pvt. Ltd.                            | 7,11,741     |                     | 7,11,741     |                     |
| Schoeller Litvinov K.S                                | -            |                     | 2,06,19,226  |                     |
| Less :Provision on advances to subsidiaries           | 25,28,644    | 45,11,85,494        | 25,28,644    | 47,18,04,210        |
| Prepaid expenses                                      |              | 1,27,625            |              | -                   |
| Balance with Customs , Excise, Govt Authorities, etc. |              | 33,92,19,193        |              | 36,86,37,012        |
| Advance to staff                                      |              | -                   |              | 9,24,614            |
| Advance against exp.                                  |              | 3,29,35,612         |              | 2,22,40,225         |
| Advance to trade payables                             | 23,95,93,142 |                     |              |                     |
| Less: Provision for doubtful advance                  | 16,73,95,417 | 7,21,97,725         |              | 1,83,43,950         |
| Advance tax/ tax deducted at source*                  |              | 2,23,81,530         |              | 2,39,90,965         |
| Mat credit entitlement                                |              | -                   |              | 3,68,52,305         |
|   |              | <b>95,32,84,127</b> |              | <b>97,57,28,569</b> |

\* Net after adjustment for provision for tax ` Nil (Previous year ` 65,76,926/-)

(Amount in `)

|   | <b>As at<br/>March 31, 2012</b> | <b>As at<br/>March 31, 2011</b> |
|---|---------------------------------|---------------------------------|
| <b>NOTE 15 : OTHER NON- CURRENT ASSETS</b>  |                                 |                                 |
| <b>Unsecured. Considered Good Unless Otherwise Stated</b>                               |                                 |                                 |
| Trade receivable  | 9,07,58,394                     | 31,39,55,480                    |
| Less:- Provision for doubtful trade receivables   | <u>33,21,589</u>                | <u>33,21,589</u>                |
| Claims receivables  | 2,25,90,924                     | 3,12,28,337                     |
| Export incentives   | 4,11,92,629                     | 5,14,60,437                     |
| Unamortised upfront fees  | 2,29,85,989                     | 2,49,80,323                     |
| Interest accrued on deposits & others   | 9,65,30,577                     | 6,35,22,384                     |
|   | <b><u>27,07,36,924</u></b>      | <b><u>48,18,25,372</u></b>      |
| <b>NOTE 16 : INVENTORIES*</b>   |                                 |                                 |
| Raw materials   | 15,69,26,036                    | 42,57,07,011                    |
| {Includes Goods in Transit ` 13,487,187/-<br>(Previous Year ` 28,421,124/-)}            |                                 |                                 |
| Work-in-process   | 12,91,47,813                    | 14,76,54,047                    |
| <b>Finished goods</b>   |                                 |                                 |
| - Manufactured  | 13,93,53,943                    | 63,51,08,991                    |
| - Stock in Trade ({Includes Goods in Transit ` Nil<br>(Previous Year ` 1,07,57,500/-)}) | <u>34,04,596</u>                | <u>4,47,02,325</u>              |
| Stores, spares & packing materials  | 3,76,90,250                     | 3,75,59,243                     |
| Waste   | 69,23,985                       | 2,56,77,813                     |
|   | <b><u>47,34,46,623</u></b>      | <b><u>1,31,64,09,430</u></b>    |
| <b>Additional disclosures regarding inventories</b>                                     |                                 |                                 |
| <b>Raw Materials</b>  |                                 |                                 |
| Cotton  | 9,76,38,279                     | 29,38,16,834                    |
| Polyester staple fiber  | 3,44,20,512                     | 11,37,63,809                    |
| Viscose staple fiber  | 1,19,49,421                     | 1,60,48,694                     |
| Others  | <u>1,29,17,824</u>              | <u>20,77,674</u>                |
|   | <b><u>15,69,26,036</u></b>      | <b><u>42,57,07,011</u></b>      |
| <b>Work-in-progress</b>   |                                 |                                 |
| Cotton  | 7,52,42,633                     | 9,12,76,674                     |
| Man made fiber yarn   | 3,37,68,904                     | 3,77,65,641                     |
| Polyester cotton yarn   | 1,49,41,174                     | 1,44,16,577                     |
| Others  | <u>51,95,102</u>                | <u>41,95,155</u>                |
|   | <b><u>12,91,47,813</u></b>      | <b><u>14,76,54,047</u></b>      |
| <b>Finished goods</b>   |                                 |                                 |
| <b>Manufactured:</b>  |                                 |                                 |
| - Man made fiber yarn   | 2,71,60,767                     | 3,09,22,597                     |
| - Polyester cotton yarn   | 7,97,34,490                     | 8,58,76,911                     |
| - Cotton yarn   | 2,65,20,866                     | 49,57,43,980                    |
| Others  | <u>59,37,820</u>                | <u>2,25,65,503</u>              |
|   | 13,93,53,943                    | 63,51,08,991                    |
| <b>Traded:</b>  |                                 |                                 |
| - Cloths  | 5,02,288                        | 1,43,73,276                     |
| - Cotton Yarn   | -                               | 1,94,53,089                     |
| - Machinery Spare Parts   | <u>29,02,308</u>                | <u>1,08,75,960</u>              |
|   | <b><u>34,04,596</u></b>         | <b><u>4,47,02,325</u></b>       |
|   | <b><u>14,27,58,539</u></b>      | <b><u>67,98,11,316</u></b>      |

\*Refer accounting policy for mode of valuation.

(Amount in `)

|   | <b>As at<br/>March 31, 2012</b> | <b>As at<br/>March 31, 2011</b> |
|---|---------------------------------|---------------------------------|
| <b>NOTE 17 : TRADE RECEIVABLE</b>   |                                 |                                 |
| <b><u>Unsecured, Considered Good Unless Otherwise Stated</u></b>                      |                                 |                                 |
| Outstanding for a period exceeding six months from the date they are due for payments | 3,30,71,780                     | 47,72,199                       |
| Others  | 42,62,86,695                    | 74,14,09,279                    |
|   | <b><u>45,93,58,475</u></b>      | <b><u>74,61,81,478</u></b>      |

**NOTE 18 : CASH AND BANK BALANCES**

**Cash & Cash Equivalent**

|   |                           |                           |
|---|---------------------------|---------------------------|
| Balance with banks                            | 1,55,61,498               | 2,06,79,411               |
| Cheque, drafts in hand                        | 64,93,128                 | 22,864                    |
| Cash in hand                                  | 17,27,526                 | 16,09,264                 |
| Fixed deposit with less than 3 month maturity | 1,82,92,156               | 1,55,15,000               |
| <b>Others Bank Balances</b>                   |                           |                           |
| Unpaid dividend *                             | 8,60,108                  | 10,79,136                 |
|   | <b><u>4,29,34,416</u></b> | <b><u>3,89,05,675</u></b> |

\* Earmarked against the corresponding liabilities.

**NOTE 19 : SHORT- TERM LOANS AND ADVANCES**

**Unsecured, Considered Good Unless Otherwise Stated**

**Loans and advances to subsidiaries**

|   |                            |                            |
|---|----------------------------|----------------------------|
| Amit Spinning Industries Limited  | 54,31,572                  | -                          |
| Advance to trade payables   | 7,33,95,384                | 37,13,18,747               |
| {Includes advance to subsidiary ` 1,62,02,762<br>(Previous Year ` (2,29,90,164))} |                            |                            |
| Advance against exp   | 5,14,94,303                | 7,65,52,099                |
| Prepaid expenses  | 2,50,06,169                | 2,50,89,817                |
| Balance with Customs , Excise, Govt Authorities, etc.                             | 9,52,18,179                | 13,22,60,344               |
| Advance to employees of the company   | 42,27,615                  | 36,41,201                  |
| <b>Loans &amp; advances to others</b>   |                            |                            |
| Considered good   | -                          | 5,36,657                   |
| Considered doubtful   | 5,84,253                   | 5,84,253                   |
|   | <b><u>5,84,253</u></b>     | <b><u>11,20,910</u></b>    |
| Less : Provision for doubtful advances  | 5,84,253                   | 5,84,253                   |
|   | <b><u>25,47,73,222</u></b> | <b><u>60,93,98,865</u></b> |

**NOTE 20 : OTHER CURRENT ASSETS**

|                              |                            |                            |
|------------------------------|----------------------------|----------------------------|
| Claims and other receivables | 9,56,13,224                | 4,98,35,365                |
| Fixed Assets held for sale   | 3,16,46,654                | 4,30,60,997                |
| Export incentives            | 9,59,83,666                | 13,41,63,607               |
| Unamortised upfront fees     | 19,94,332                  | 37,33,852                  |
| Interest accrued on deposit  | 15,18,047                  | 21,77,753                  |
|                              | <b><u>22,67,55,923</u></b> | <b><u>23,29,71,574</u></b> |

(Amount in `)

|  | 2011-12               | 2010-11                |
|--|-----------------------|------------------------|
| <b>NOTE 21 : REVENUE FROM OPERATION ( Gross)</b>                     |                       |                        |
| <b>From Sale of Goods</b>  |                       |                        |
| Sale of yarn manufactured  |                       |                        |
| - Man made fiber yarn  | 1,60,89,11,438        | 1,16,83,03,135         |
| - Polyester cotton yarn  | 2,56,07,07,520        | 3,80,33,66,751         |
| - Cotton yarn  | 3,16,97,40,362        | 2,83,51,25,739         |
| - Others   | 64,54,62,871          | 64,84,67,878           |
|  | 7,98,48,22,191        | 8,45,52,63,503         |
| Trading of yarn  | 97,01,06,850          | 1,00,40,62,743         |
| Trading of clothes   | 14,34,950             | 26,32,63,382           |
| Trading of machinery spares  | 21,060                | 1,96,61,623            |
| Waste sale   | 54,55,13,805          | 57,00,26,760           |
| Other operating income   |                       |                        |
| - Export Incentive   | 20,91,30,492          | 33,29,45,324           |
|  | <b>9,71,10,29,348</b> | <b>10,64,52,23,335</b> |
| <b>NOTE 22 : OTHER INCOME</b>  |                       |                        |
| Commission income  | 59,488                | 9,60,669               |
| Interest income  | 4,24,89,733           | 4,43,02,890            |
| Dividend Income  | 3,207                 | 4,044                  |
| Rent income  | 72,000                | 66,000                 |
| Liabilities/Provisions no longer required written back               | 53,58,789             | 55,14,565              |
| Net gain on foreign currency transactions                            | 7,94,72,475           | 10,74,74,419           |
| Profit on sale of fixed assets (net) *                               | -                     | 19,91,334              |
| Net gain/loss on sale of investments                                 | -                     | 1,43,822               |
| Misc income  | 2,66,15,369           | 2,64,58,882            |
|  | <b>15,40,71,061</b>   | <b>18,69,16,625</b>    |
| <b>* Net of assets write off ` Nil (Previous year ` 37,83,253/-)</b> |                       |                        |
| <b>NOTE 23 : COST OF MATERIAL CONSUMED</b>                           |                       |                        |
| Opening inventory  | 42,57,07,011          | 38,43,35,167           |
| Purchases  | 6,08,62,64,090        | 6,67,06,91,516         |
| Closing inventory  | 15,69,26,036          | 42,57,07,011           |
|  | <b>6,35,50,45,065</b> | <b>6,62,93,19,672</b>  |
| Additional disclosure regarding cost of material consumed:           |                       |                        |
| Cotton   | 3,74,84,16,217        | 4,13,93,45,492         |
| Polyester staple fiber   | 1,96,25,66,982        | 1,90,35,03,519         |
| Viscose staple fiber   | 61,42,70,088          | 55,74,25,333           |
| Others   | 2,97,91,778           | 2,90,45,328            |
|  | <b>6,35,50,45,065</b> | <b>6,62,93,19,672</b>  |
| <b>NOTE 24 : PURCHASE OF STOCK- IN -TRADE</b>                        |                       |                        |
| Cotton yarn  | 50,86,94,822          | 52,00,92,796           |
| Clothes  | 45,07,68,932          | 26,22,79,482           |
| Machinery Spares   | -                     | 1,06,96,780            |
|  | <b>95,94,63,754</b>   | <b>79,30,69,058</b>    |

(Amount in `)

**NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS,  
STOCK- IN- TRADE & WORK- IN -PROGRESS**

**Opening inventory**

|                  | 2011-12                    | 2010-11                    |
|------------------|----------------------------|----------------------------|
| Finished goods:  |                            |                            |
| (a) Manufactured | 63,51,08,991               | 4,03,60,689                |
| (b) Traded       | <u>4,47,02,325</u>         | <u>86,87,855</u>           |
| Work in progress | 14,76,54,047               | 10,14,00,178               |
| Cotton waste     | 2,56,77,813                | 15,77,520                  |
|                  | <b><u>85,31,43,176</u></b> | <b><u>15,20,26,242</u></b> |

**Closing inventory**

|   |                            |                              |
|---|----------------------------|------------------------------|
| Finished goods:                                     |                            |                              |
| (a) Manufactured                                    | 13,93,53,944               | 63,51,08,991                 |
| (b) Traded  | <u>34,04,596</u>           | <u>4,47,02,325</u>           |
| Work in progress                                    | 12,91,47,813               | 14,76,54,047                 |
| Cotton waste  | 69,23,984                  | 2,56,77,813                  |
|   | <b><u>27,88,30,337</u></b> | <b><u>85,31,43,176</u></b>   |
| <b>Sub Total</b>                                    | <b><u>57,43,12,839</u></b> | <b><u>(70,11,16,934)</u></b> |
| Excise duty on (increase) / decrease in inventories | 12,12,685                  | 25,00,778                    |
| (Increase) /Decrease in Inventory                   | <b><u>57,55,25,524</u></b> | <b><u>(69,86,16,156)</u></b> |

**NOTE 26 : EMPLOYEES BENEFIT EXPENSE**

|   |                            |                            |
|---|----------------------------|----------------------------|
| Salaries, wages and bonus                     | 50,58,24,503               | 49,12,08,267               |
| Contribution to provident funds & other funds | 6,49,95,018                | 5,07,37,816                |
| Staff welfare expenses                        | 6,10,17,206                | 6,15,57,617                |
|   | <b><u>63,18,36,727</u></b> | <b><u>60,35,03,700</u></b> |

**NOTE 27 : FINANCE COST**

**Interest expenses from bank**

|                                 |                            |                            |
|---------------------------------|----------------------------|----------------------------|
| - On Non convertible debentures | 3,74,08,075                | 4,18,02,328                |
| - On borrowings                 | 73,73,52,552               | 68,78,86,014               |
| Other borrowing cost            | 7,93,91,683                | 7,08,36,867                |
|                                 | <b><u>85,41,52,310</u></b> | <b><u>80,05,25,209</u></b> |

|  | 2011-12               | 2010-11               |
|--|-----------------------|-----------------------|
| (Amount in `)  |                       |                       |
| <b>NOTE 28 : OTHER EXPENSES</b>                          |                       |                       |
| Store, spares and packing materials consumed (Net)       | 26,97,92,048          | 28,56,93,048          |
| Sub contracting charges                                  | 1,56,96,142           | 3,36,56,358           |
| Power, fuel & water                                      | 78,51,98,672          | 77,19,59,827          |
| Rent   | 1,11,30,248           | 78,82,329             |
| Rate & taxes   | 44,73,938             | 36,08,034             |
| <b>Repair &amp; maintenance</b>                          |                       |                       |
| - Plant & machinery                                      | 1,20,58,567           | 1,12,93,258           |
| - Building   | 22,14,224             | 16,86,859             |
| - Others   | 69,52,402             | 62,94,637             |
| <b>Insurance expenses</b>                                |                       |                       |
| - Buildings  | 94,136                | 85,435                |
| - Plant & machinery                                      | 6,27,095              | 7,04,410              |
| - Inventory  | 11,86,306             | 9,02,151              |
| - Others   | 51,05,195             | 39,86,268             |
| Communication expenses                                   | 86,94,679             | 87,50,785             |
| Travelling & conveyance expenses                         | 5,00,02,687           | 4,57,49,329           |
| Legal & professional charge                              | 3,14,97,425           | 4,69,81,730           |
| Commission on sales                                      | 10,53,61,775          | 15,12,70,504          |
| Freight outward and clearing charges (net of recoveries) | 19,42,84,431          | 25,28,99,538          |
| Director sitting fees                                    | 5,53,000              | 3,08,000              |
| Impairment loss on asset held for sale                   | 41,33,096             | -                     |
| Loss on sale of fixed assets held for sale               | 25,25,820             | 1,96,59,578           |
| Loss on sale of fixed assets (net)                       | 6,45,799              | -                     |
| Selling & distribution exp.                              | 5,30,26,177           | 3,99,57,141           |
| Bad debts write off                                      | 51,82,317             | 8,47,02,110           |
| Loss on sale of raw material                             | 1,90,18,110           | 1,89,460              |
| Service tax cenvat reversal                              | 42,64,859             | -                     |
| Miscellaneous expenses                                   | 2,85,91,733           | 3,23,22,815           |
| <b>Payment to auditors (excluding service tax):</b>      |                       |                       |
| - Audit fees   | 15,00,000             | 17,00,000             |
| - For other services                                     | 70,000                | 45,000                |
| - For reimbursement of expenses                          | 1,22,904              | 1,10,341              |
|  | <b>1,62,40,03,785</b> | <b>1,81,23,98,945</b> |
| <b>NOTE 29 : EXCEPTIONAL ITEMS :</b>                     |                       |                       |
| Provision for doubtful advances                          | 16,73,95,417          | -                     |
| Bad Debts/ Advances Written off                          | 31,84,70,394          | 13,39,33,822          |
|  | <b>48,58,65,811</b>   | <b>13,39,33,822</b>   |

The Company had accounted receivable amounting to ` 45,24,04,216 due from Schoeller Litvinov k.s (SLKS), a step-down subsidiary of the Company. In the previous year, auditors had qualified the same. Company has accordingly charged off ` 31,84,70,394 during the year, and had charged off ` 13,39,33,822 during the previous year. Company need to seek the permission from RBI through its authorised dealer for the same. In addition to that the company has given advance of ` 18,58,06,138 in the previous year against which a sum of ` 16,73,95,417 has been provided during the year considered as doubtful, pending settlement of contractual obligation to various parties. These matters have now been properly reflected in statement of profit & loss as exceptional items.



**NOTE 30 : CONTINGENT LIABILITIES :**

1 Contingent Liabilities Not Provided for in respect of :

(Amount in `)

| Description   | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|---|------------------------------|------------------------------|
| a) Demands from income tax authorities under appeal   | 3,79,71,404                  | 6,21,39,030                  |
| b) Demands from sales tax authorities under appeal  | 44,88,038                    | 29,61,560                    |
| c) Show cause notices/demands raised by excise / customs department (including applicable penalties), not acknowledged as debts   | 24,84,32,148                 | 18,08,53,192                 |
| d) Show cause notices/demands raised by MP Government/ MPEB department, not acknowledged as debts   | 11,78,56,000                 | 11,78,56,000                 |
| e) Claims against the company not acknowledged as debts   | 31,89,92,331                 | 31,30,151                    |
| f) Guarantees and letters of credit issued on behalf of the company, outstanding at the year end  | 25,59,38,318                 | 30,09,66,085                 |
| g) Bills Discounted with banks on behalf of the company, outstanding at the year end  | 67,69,75,025                 | 1,17,58,03,012               |
| h) Corporate Guarantee given to IREDA for loan to M/s Himalayan Crest Power Private Limited   | 21,18,23,570                 | 24,83,13,698                 |
| i) Corporate Guarantee given to AXIS Bank Ltd. & UCO Bank for loan to M/s Amit Spinning Industries Limited  | 35,42,91,492                 | 39,97,99,476                 |
| j) Corporate Guarantee given to Tashkent Toytepa Textil for deferred payment of purchase consideration on behalf of Spentex Tashkent Toytepa LLC Current Year USD 43,250,000 (previous year USD 43,250,000) | 2,20,01,27,500               | 1,92,85,17,500               |
| k) Corporate Guarantee given to CVCI for investment in Spentex (Netherlands) B.V. Current Year USD 20,00,000 (previous year USD 20,00,000)  | 10,17,40,000                 | 8,91,80,000                  |
| l) Corporate Guarantee given to SBI - Tokyo Branch for loan to Spentex (Netherlands) B.V. Current Year USD 19,593,318 (previous year USD 19,593,318)*   | 99,67,12,087                 | 87,36,66,050                 |

\* The Company believes that the corporate guarantee given to Lehman Brothers is no longer valid as Lehman Brothers did not comply with the terms and conditions of the loan agreement based on which the guarantee was given. Accordingly, the figure for the current year and previous year do not include the portion of the guarantee relating to the loan from Lehman Brothers.

The amount shown in the items (a) to (e) represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes. The amount shown in items (f) to (l) represent guarantees given and bills discounted in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of beneficiaries fulfilling their ordinary commercial obligations.

(Amount in `)

| 2 Description  | Year ended<br>31st March, 2012 | Year ended<br>31st March, 2011 |
|--|--------------------------------|--------------------------------|
| Estimated value of contracts remaining to be executed on capital account (Net of advances) | 1,01,36,935                    | 86,40,175                      |

**NOTE 31 : DEFINED BENEFIT PLAN :**
**(i) Post Retirement Employee Benefits**
**(a) Defined Contribution Plans:**

The Company has defined contribution plans for post retirement employment benefits' namely Provident Fund and Employee State Insurance Scheme. Expenses for the same is being charged to statement of profit and loss for the year.

**(b) Defined Benefit Plans:**

The liability for gratuity is determined on the basis of an actuarial valuation, using the Projected Unit Credit (PUC) method at the end of the year. Gains and losses arising out of actuarial valuations are recognised in the statement of profit and loss for the year.

**(ii) Other Employee Benefits**

Other employee benefits are accounted for on accrual basis. Liabilities for compensated absences which is a defined benefit plan are determined based on independent year end actuarial valuation and the resulting charge is being accounted in statement of profit and loss.

(Amount in ` )

|  | 2011-12            |                  | 2010-11            |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | Gratuity           | Leave Encashment | Gratuity           | Leave Encashment |
|  | Funded             | Unfunded         | Funded             | Unfunded         |
| <b>A. Components of Employer expenses</b>                                    |                    |                  |                    |                  |
| Current service cost   | 67,13,597          | 34,51,040        | 55,01,927          | 27,48,138        |
| Interest cost  | 49,95,197          | 12,88,592        | 40,86,731          | 11,68,725        |
| Curtailement cost/(credit)   | -                  | -                | -                  | -                |
| Settlement cost/(credit)   | -                  | -                | -                  | -                |
| Return on plan assets  | (20,09,753)        | -                | (16,79,507)        | -                |
| Past service cost  | -                  | -                | -                  | -                |
| Actuarial losses/(gains)   | 85,60,081          | 50,48,649        | 55,90,003          | 21,29,924        |
| <b>Total expenses recognised in the statement of profit and loss account</b> | <b>1,82,59,122</b> | <b>97,88,281</b> | <b>1,34,99,154</b> | <b>60,46,787</b> |

The Gratuity and Leave encashment expenses have been recognised in "salaries, wages and bonus under note no. 26 of financial statements.

**B. Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2012.**

|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Present Value of DBO at the beginning of year  | 5,70,87,957        | 1,47,26,765        | 4,96,72,221        | 1,42,05,289        |
| Current service cost                           | 67,13,597          | 34,51,040          | 55,01,927          | 27,48,138          |
| Interest cost                                  | 49,95,197          | 12,88,592          | 40,86,731          | 11,68,725          |
| Curtailement cost/(credit)                     | -                  | -                  | -                  | -                  |
| Settlement cost/(credit)                       | -                  | -                  | -                  | -                  |
| Plan amendments                                | -                  | -                  | -                  | -                  |
| Acquisitions                                   | -                  | -                  | -                  | -                  |
| Actuarial (gains)/losses                       | 85,60,397          | 50,48,649          | 55,90,003          | 21,29,924          |
| Benefits paid                                  | (57,65,187)        | (51,50,471)        | (77,62,925)        | (55,25,311)        |
| <b>Present value of DBO at the end of year</b> | <b>7,15,91,961</b> | <b>1,93,64,575</b> | <b>5,70,87,957</b> | <b>1,47,26,765</b> |

**C. Net Asset / (Liability) recognised in Balance Sheet as at March 31, 2012.**

|  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| Present value of defined benefit obligation              | 7,15,91,961          | 1,93,64,575          | 5,70,87,957          | 1,47,26,765          |
| Fair value on plan assets                                | 2,40,80,286          | -                    | 2,17,03,694          | -                    |
| Status [surplus/(deficit)]                               | (4,75,11,675)        | (1,93,64,575)        | (3,53,84,263)        | (1,47,26,765)        |
| Unrecognised past service cost                           | -                    | -                    | -                    | -                    |
| <b>Net Asset/(Liability) recognised in Balance Sheet</b> | <b>(4,75,11,675)</b> | <b>(1,93,64,575)</b> | <b>(3,53,84,263)</b> | <b>(1,47,26,765)</b> |

**D. Experience Adjustment**

|   | 2011-12       |                  | 2010-11       |                  | 2009-10       |                  | 2008-09       |                  | 2007-08       |                  |
|---|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
|   | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment |
| Present value of defined benefit obligation             | 7,15,91,961   | 1,93,64,575      | 5,70,87,957   | 1,47,26,765      | 4,96,72,221   | 1,42,54,039      | 5,05,50,669   | 1,82,03,691      | 5,60,54,644   | 1,64,92,300      |
| Fair value on plan assets                               | 2,40,80,286   | -                | 2,17,03,694   | -                | 1,86,07,448   | -                | 1,09,27,649   | -                | 69,60,104     | -                |
| Status [surplus/(deficit)]                              | (4,75,11,675) | (1,93,64,575)    | (3,53,84,263) | (1,47,26,765)    | (3,10,64,773) | (1,42,54,039)    | (3,96,23,020) | (1,82,03,691)    | (4,90,94,540) | (1,64,92,300)    |
| Experience adjustment on plan liabilities loss / (gain) | 38,16,718     | 45,21,290        | 51,19,790     | 18,24,298        | 26,11,096     | (11,62,307)      | (29,57,968)   | (9,52,579)       | -             | -                |
| Experience adjustment on plan assets (loss) / gain      | 1,00,099      | -                | 12,235        | -                | (57,121)      | -                | (80,904)      | -                | -             | -                |

**E. Change in Fair Value of Assets During the Year Ended March 31, 2012.**

|  | 2011-12            |                  | 2010-11            |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | Gratuity           | Leave Encashment | Gratuity           | Leave Encashment |
|  | Funded             | Unfunded         | Funded             | Unfunded         |
| Plan assets at the beginning of year   | 2,17,03,694        | -                | 1,86,07,448        | -                |
| Acquisition adjustment for plan assets | -                  | -                | -                  | -                |
| Expected return on plan assets         | 20,10,239          | -                | 16,79,507          | -                |
| Actuarial gains/(losses)               | (169)              | -                | -                  | -                |
| Actual company contribution            | 32,42,192          | -                | 43,77,701          | -                |
| Benefits paid                          | (28,75,670)        | -                | (29,60,962)        | -                |
| <b>Plan Assets at the end of year</b>  | <b>2,40,80,286</b> | <b>-</b>         | <b>2,17,03,694</b> | <b>-</b>         |

**F. Current & Non current liabilities as at March 31, 2012.**

|                         |                    |                    |                    |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Current liabilities     | 38,61,274          | 75,80,782          | 28,75,670          | 57,65,187          |
| Non-current liabilities | 4,36,50,401        | 1,17,83,794        | 3,25,08,593        | 89,61,578          |
|                         | <b>4,75,11,675</b> | <b>1,93,64,576</b> | <b>3,53,84,263</b> | <b>1,47,26,765</b> |

**G. Actuarial Assumptions**

|  | Percentage |                  | Percentage |                  |
|--|------------|------------------|------------|------------------|
|  | Gratuity   | Leave encashment | Gratuity   | Leave encashment |
| Discount Rate (%) at March 31, 2012              | 8.75%      | 8.75%            | 8.00%      | 8.00%            |
| Expected Return on Plan Assets at March 31, 2012 | 9.15%      | N.A.             | 8.00%      | N.A.             |
| Annual increase in salary cost                   | 4.50%      | 4.50%            | 3-5%       | 3-5%             |

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

**H. Basis used to determine the Expected Rate of Return on Plan Assets**

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

**NOTE 32 : SEGMENT REPORTING :**

In accordance with Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified three business segments viz. Textile Manufacturing and Textile Trading. Further, two geographical segments by location of customers have been considered as secondary segments viz, within India and outside India.

# SPENDEX INDUSTRIES LIMITED

The segment wise disclosure are as follows:

## A. Business Segment Reporting

(Amount in `)

| DESCRIPTION   | TEXTILE-<br>MANUFACTURING | TEXTILE-<br>TRADING | TOTAL                   |
|---|---------------------------|---------------------|-------------------------|
| <b>Segment Revenue</b>  |                           |                     |                         |
| Total Revenue   | 8,65,64,75,423            | 1,68,23,23,453      | 10,33,87,98,876         |
|   | (9,79,82,90,386)          | (1,29,43,38,280)    | (11,09,26,28,666)       |
| Inter - segment sales   | 66,04,17,363              | -                   | 66,04,17,363            |
|   | (48,96,74,463)            | (-)                 | (48,96,74,461)          |
| <b>External Sales</b>   | 7,99,60,58,060            | 1,68,23,23,453      | 9,67,83,81,513          |
|   | (9,30,86,15,923)          | (1,29,43,38,280)    | (10,60,29,54,205)       |
| <b>Segment Results</b>  | (37,69,18,423)            | 4,49,26,504         | (33,19,91,919)          |
|   | (1,23,27,59,369)          | (1,81,893)          | (1,23,29,41,262)        |
| Unallocated corporate expenses (Net)  | -                         | -                   | 35,47,20,909            |
|   | (-)                       | (-)                 | (23,57,03,338)          |
| <b>Operating Profit</b>   | -                         | -                   | (68,67,12,828)          |
|   | (-)                       | (-)                 | (99,72,37,924)          |
| Finance charges   | -                         | -                   | 85,41,52,310            |
|   | -                         | -                   | (80,05,25,209)          |
| Interest income   | -                         | -                   | 4,24,89,733             |
|   | (-)                       | (-)                 | (4,43,02,889)           |
| Dividend income   | -                         | -                   | 3,207                   |
|   | (-)                       | (-)                 | (4,044)                 |
| <b>Profit/(Loss) before Prior period items,<br/>Exceptional items and Taxes</b> | -                         | -                   | <b>(1,49,83,72,198)</b> |
|   | (-)                       | (-)                 | (50,88,87,073)          |
| Exceptional Items   | -                         | -                   | 48,58,65,811            |
|   | (-)                       | (-)                 | (13,39,33,822)          |
| Income tax written back   | -                         | -                   | (65,76,926)             |
|   | (-)                       | (-)                 | (-)                     |
| MAT credit entitlement reversal   | -                         | -                   | 3,68,52,303             |
|   | (-)                       | (-)                 | (-)                     |
| <b>Profit/(Loss) after tax</b>  | -                         | -                   | <b>(2,01,45,13,386)</b> |
|   | (-)                       | (-)                 | (37,49,53,252)          |
| <b>OTHER INFORMATION</b>  |                           |                     |                         |
| <b>Segment Assets</b>   | 4,10,04,39,223            | 15,00,48,312        | 4,25,04,87,535          |
|   | (5,96,17,61,918)          | (35,76,28,253)      | (6,31,93,90,171)        |
| Unallocated corporate assets  | -                         | -                   | 1,62,83,65,580          |
|   | (-)                       | (-)                 | (1,59,35,66,804)        |
| <b>Total Assets</b>   | -                         | -                   | 5,87,88,53,115          |
|   | (-)                       | (-)                 | (7,91,29,56,975)        |
| <b>Segment liabilities</b>  | 1,67,52,62,506            | 3,31,56,953         | 1,70,84,19,459          |
|   | (1,82,40,43,918)          | (3,76,54,554)       | (1,86,16,98,472)        |
| Unallocated corporate liabilities   | -                         | -                   | 4,96,35,55,241          |
|   | (-)                       | (-)                 | (4,82,98,66,702)        |
| <b>Total Liabilities</b>  | -                         | -                   | 6,67,19,74,700          |
|   | (-)                       | (-)                 | (6,69,15,65,174)        |
| Capital expenditure incurred during the year                                    | -                         | -                   | 1,88,73,473             |
|   | (-)                       | (-)                 | (3,88,87,609)           |
| Depreciation and amortisation for the year                                      | -                         | -                   | 33,07,97,607            |
|   | (-)                       | (-)                 | (34,07,83,330)          |
| Non - Cash expenses other than depreciation and amortisation                    | -                         | -                   | 16,87,45,417            |
|   | (-)                       | (-)                 | (24,56,079)             |

Figures in brackets are for the previous year.

**B) GEOGRAPHICAL SEGMENT REPORTING:**

(Amount in `)

| DESCRIPTION   | REVENUE          | ASSETS           |
|---------------|------------------|------------------|
| Domestic      | 2,46,14,73,235   | 4,77,99,20,844   |
|               | (2,77,53,25,634) | (7,00,06,14,964) |
| Outside India | 7,21,69,08,278   | 1,09,89,32,271   |
|               | (7,82,76,28,571) | (91,23,42,011)   |
| Current Year  | 9,67,83,81,513   | 5,87,88,53,115   |
| Previous Year | 10,60,29,54,205  | (7,91,29,56,975) |

**NOTES 33 : RELATED PARTY DISCLOSURES :**

In accordance with the requirements of Accounting Standard (AS) - 18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management, are :

**Enterprises Under Significant Influence:**

- i) Himalayan Crest Power Pvt. Limited
- ii) CLC & Sons (Pvt.) Limited
- iii) CLC Technologies Private Limited

**Key Management Personnel**

- |                              |                                |
|------------------------------|--------------------------------|
| i) Mr. Ajay Kumar Choudhary  | Chairman & Whole time Director |
| ii) Mr. Mukund Choudhary     | Managing Director              |
| iii) Mr. Kapil Choudhary     | Deputy Managing Director       |
| iv) Mr. Amrit Agrawal        | Director - Finance             |
| v) Mr. Sitaram Parthasarathy | Director - Works               |

**Subsidiaries / Step-down Subsidiaries**

- i) M/s Amit Spinning Industries Limited
- ii) M/s Spentex Tashkent Toytepa LLC
- iii) M/s Spentex Netherlands B.V
- iv) M/s Spentex (Mauritius) P Ltd\*\*\*
- v) M/s Spentex (Cyprus) P Ltd\*\*\*
- vi) M/s. Schoeller Litvinov k.s.
- vii) M/s. Schoeller Textile Netherlands B.V.
- viii) M/s. Schoeller Textile Verwaltungs GMBH\*\*\*
- ix) M/s. Schoeller Textile GMBH & Co. KG\*\*\*
- x) M/s. Botekos Plus s.r.o.

(Amount in `)

| Particulars  | 2011-12             | 2010-11             |
|--|---------------------|---------------------|
| <b>1. Remuneration to Key Management Personnel</b>             |                     |                     |
| i) Mr. Ajay Kumar Choudhary                                    | 75,61,195           | 69,48,000           |
| ii) Mr. Mukund Choudhary                                       | 75,61,195           | 69,48,000           |
| iii) Mr. Kapil Choudhary                                       | 75,61,195           | 69,48,000           |
| iv) Mr. Amrit Agrawal  | 68,37,040           | 59,49,996           |
| v) Mr. Sitaram Parthasarathy                                   | 66,96,468           | 65,49,990           |
| <b>Total</b>   | <b>3,62,17,093</b>  | <b>3,33,43,986</b>  |
| <b>2. Sale to Subsidiaries / Step down Subsidiaries</b>        |                     |                     |
| M/s Amit Spinning Industries Limited                           | 1,12,55,871         | 24,55,05,443        |
| M/s Spentex Tashkent Toytepa LLC                               | 21,060              | 1,96,61,623         |
| <b>Total</b>   | <b>1,12,76,931</b>  | <b>26,51,67,066</b> |
| <b>3. Purchases from Subsidiaries / Step down Subsidiaries</b> |                     |                     |
| M/s Amit Spinning Industries Limited                           | 46,20,67,527        | 56,67,30,515        |
| <b>Total</b>   | <b>46,20,67,527</b> | <b>56,67,30,515</b> |

# SPENTEX INDUSTRIES LIMITED

(Amount in `)

| Particulars   | 2011-12               | 2010-11               |
|---|-----------------------|-----------------------|
| <b>4. Interest Income</b>   |                       |                       |
| M/s Amit Spinning Industries Limited  | 3,37,05,533           | 3,82,58,736           |
| <b>Total</b>  | <b>3,37,05,533</b>    | <b>3,82,58,736</b>    |
| <b>5. Sale of Fixed Assets / Spare Parts</b>                                    |                       |                       |
| M/s Amit Spinning Industries Limited  | 2,25,675              | -                     |
| <b>Total</b>  | <b>2,25,675</b>       | <b>-</b>              |
| <b>6. Reimbursement of expenses</b>   |                       |                       |
| M/s Amit Spinning Industries Limited  | 85,210                | -                     |
| <b>Total</b>  | <b>85,210</b>         | <b>-</b>              |
| <b>7. Allotment of Equity Shares to Enterprises under significant influence</b> |                       |                       |
| CLC Technologies Private Limited  | 1,95,00,000           | 7,58,90,000           |
| <b>Total</b>  | <b>1,95,00,000</b>    | <b>7,58,90,000</b>    |
| <b>8. Issuance of Share Warrant to Enterprises under significant influence</b>  |                       |                       |
| CLC Technologies Private Limited  | -                     | 11,00,07,500          |
| <b>Total</b>  | <b>-</b>              | <b>11,00,07,500</b>   |
| <b>9. Investment in Subsidiaries / Step down Subsidiaries</b>                   |                       |                       |
| M/s Amit Spinning Industries Limited  | 20,44,69,921          | 20,44,69,921          |
| M/s Spentex Tashkent Toytepa LLC  | 93,23,779             | 93,23,779             |
| M/s Spentex Netherlands B.V   | 56,10,11,339          | 56,10,11,339          |
| M/s Spentex Mauritius P Ltd   | 90                    | 90                    |
| <b>Total</b>  | <b>77,48,05,129</b>   | <b>77,48,05,129</b>   |
| <b>10. Guarantees outstanding at year end.</b>                                  |                       |                       |
| M/s Amit Spinning Industries Limited  | 35,42,91,492          | 39,97,99,476          |
| M/s Himalayan Crest Power Private Limited                                       | 21,18,23,570          | 24,83,13,698          |
| M/s Spentex Tashkent Toytepa LLC  | 2,20,01,27,500        | 1,92,85,17,500        |
| M/s Spentex Netherlands B.V   | 1,09,84,52,087        | 96,28,46,050          |
| <b>Total</b>  | <b>3,86,46,94,649</b> | <b>3,53,94,76,724</b> |
| <b>11. Year end receivable from</b>   |                       |                       |
| M/s Amit Spinning Industries Limited  | 47,36,98,998          | 44,08,89,153          |
| M/s Spentex Tashkent Toytepa LLC  | 7,00,12,404           | 6,12,26,724           |
| M/s Spentex Netherland B.V  | 9,50,70,902           | 9,50,70,902           |
| M/s Spentex Mauritius P Ltd*  | -                     | 18,16,903             |
| M/s Spentex (Cyprus) P Ltd*   | -                     | 7,11,741              |
| M/s Schoeller Litvinov k.s. **  | -                     | 32,79,65,278          |
| <b>Total</b>  | <b>63,87,82,304</b>   | <b>92,76,80,701</b>   |

\* Provision has been made during the financial year 2009-10.

\*\* Written off during the year.

\*\*\*Companies are in the process of liquidation.

## NOTE 34 : EARNING PER SHARE

The following table reconciles the numerators and denominators used to calculate basic and diluted EPS for the year.

(Amount in `)

|   | As at March 31, 2012 | As at March 31, 2011 |
|---|----------------------|----------------------|
| Net profit/(loss) attributable to equity shareholders | (2,01,45,13,386)     | 37,49,53,252         |
| <b>Weighted Average Shares Outstanding</b>            |                      |                      |
| Weighted average shares outstanding                   | 8,30,58,336          | 7,69,73,940          |
| Effect of dilutive securities                         | -                    | 2,86,563             |
| Diluted weighted average shares outstanding           | 8,30,58,336          | 7,72,60,503          |
| Nominal value of equity shares (`)                    | 10                   | 10                   |
| Basic earnings per shares (`)                         | (24.25)              | 4.87                 |
| Diluted earnings per shares (`)                       | (24.25)              | 4.85                 |

**NOTE 35 : EARNINGS IN FOREIGN EXCHANGE DURING THE YEAR (ON ACCRUAL BASIS):**

| Description                    | Current Year ( ` )    | Previous Year ( ` )   |
|--------------------------------|-----------------------|-----------------------|
| F.O.B. value of goods exported | 6,72,90,23,681        | 7,65,36,02,843        |
|                                | <b>6,72,90,23,681</b> | <b>7,65,36,02,843</b> |

**NOTE 36 : EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)**

| Description                | Current Year ( ` )  | Previous Year ( ` ) |
|----------------------------|---------------------|---------------------|
| Traveling                  | 19,58,410           | 75,46,958           |
| Commission                 | 9,46,72,729         | 14,48,49,779        |
| Claim paid on export sales | 69,35,343           | 1,82,63,360         |
| Legal & professional       | 70,723              | 2,37,47,993         |
| Other expenses             | 47,45,757           | 40,39,445           |
|                            | <b>10,83,82,962</b> | <b>19,84,47,535</b> |

**NOTE 37 : VALUE OF RAW MATERIALS CONSUMED:**

| Description | Current Year   |                       | Previous Year  |                       |
|-------------|----------------|-----------------------|----------------|-----------------------|
|             | %              | `                     | %              | `                     |
| Imported    | 3.90%          | 24,79,25,975          | 11.35%         | 75,22,21,470          |
| Indigenous  | 96.10%         | 6,10,71,19,090        | 88.65%         | 5,87,70,98,202        |
|             | <b>100.00%</b> | <b>6,35,50,45,065</b> | <b>100.00%</b> | <b>6,62,93,19,672</b> |

**NOTE 38: VALUE OF STORE, SPARES AND PACKING MATERIAL CONSUMED:**

|            | Current Year   |                     | Previous Year  |                     |
|------------|----------------|---------------------|----------------|---------------------|
|            | %              | `                   | %              | `                   |
| Imported   | 18.80%         | 5,07,32,369         | 55.93%         | 15,97,74,874        |
| Indigenous | 81.20%         | 21,90,59,679        | 44.07%         | 12,59,18,174        |
|            | <b>100.00%</b> | <b>26,97,92,048</b> | <b>100.00%</b> | <b>28,56,93,048</b> |

**NOTE 39: CIF VALUE OF IMPORTS:**

|                                | Current Year ( ` )  | Previous Year ( ` ) |
|--------------------------------|---------------------|---------------------|
| Raw materials                  | 19,26,09,893        | 11,95,81,215        |
| Stores and spares & components | 4,76,38,184         | 4,77,88,074         |
| Capital goods                  | -                   | 67,39,350           |
|                                | <b>24,02,48,077</b> | <b>17,41,08,639</b> |

**NOTE 40**

The Butibori Unit of the Synthetic Division had been exporting its goods under Rule 18 of the Central Excise Rules 2002 and claiming rebate on both input and output stage of duty. The Central Excise Department disallowed the rebate on Input Stage of duty at Butibori unit. The Synthetic Division has filed a revision petition with the Joint Secretary, Government of India who allowed rebate for both the stages of duty.

However, the Department appealed in the Hon'ble High Court of Mumbai which was upheld by the Hon'ble High Court. The Synthetic Division has now filed a Special Leave Petition before the Hon'ble Supreme Court of India for quashing the Hon'ble High Court Order and allowing the rebate on input stage of duty.

Pending the decision in the matter by the Hon'ble Supreme Court, the Synthetic Division has not yet reversed the rebate receivable on input duty aggregating to ` 5,28,79,724 (including ` 28,26,621 at its Pithampur Unit).

Further, relying on the judgment of the Hon'ble High Court of Mumbai for the Butibori unit, a demand has been raised by the Department on the Pithampur unit of the Synthetic Division against the refund already given of the rebate on input stage of duty amounting to ` 6,02,16,366 along with interest. Also, pending claims for the input stage of duty amounting to ` 28,26,621 have been disallowed during 2006-07. The Pithampur unit has gone into appeal against the said demand / disallowance. The Commissioner (Appeals) has rejected the appeal of the Synthetic Division for the pending claim, while the decision has been kept pending against the demand till the final order is received from the higher authority (Revision Authority).

While the management is hopeful of the decision of the case in its favour, it is also reasonably confident of the liquidation / utilization of these cenvat balances of ` 11,30,96,090.

**Note 41**

The company has an investment of ` 20,44,69,921/- in Amit Spinning Industries Limited (ASIL), being a subsidiary of the Company. It also advanced a loan including interest accrued thereon amounting to ` 41,60,78,601/- as on March 31, 2012. The accumulated losses of ASIL, at the year end March 31, 2012 exceeded its net worth. There is also reduction in market value of the investment as on that date by ` 16,85,92,279/-. In the opinion of the management, diminution in this long term investment is due to adverse business conditions in the past. ASIL, as of now has started generating EBIDTA and Cash Profits. In view of these developments, management believes that diminution in the value of investment is of temporary nature and that the outstanding would be realized within a reasonable period of time. Accordingly no provision is considered necessary in the value of investment held and loan advanced to ASIL.

**Note 42**

Pursuant to compliance of clause 32 of the Listing Agreement, on disclosure of Loans / Advances in the nature of loans, the relevant information is provided hereunder: (Amount in `)

| Particulars                        | As on 31.03.2012 | Maximum amount due during the Year |
|------------------------------------|------------------|------------------------------------|
| Loans & Advances to a Subsidiary   |                  |                                    |
| - Amit Spinning Industries Limited | 47,36,98,998     | 63,44,00,160                       |

\*There are no repayment schedule for the loans and advances to subsidiary as mentioned above.

\*\*Loans to employees as per Company's policy are not considered.

**Note 43**
**TAXATION : Deferred Tax**
**Break-up of Deferred Tax Assets and Liabilities.**

| Description  | Current Year (`)    | Previous Year (`)   |
|--|---------------------|---------------------|
| <b>Deferred tax liability recognised on account of timing difference :</b>         |                     |                     |
| Tax impact of difference in net book value of fixed assets as per Accounts and Tax | 31,24,90,044        | 33,18,44,741        |
| <b>Total Deferred Tax liability [A]</b>  | <b>31,24,90,044</b> | <b>33,18,44,741</b> |
| <b>Deferred tax asset recognised on account of timing difference :</b>             |                     |                     |
| Tax Impact of unabsorbed depreciation and brought forward losses:                  |                     |                     |
| Unabsorbed depreciation  | 63,44,26,515        | 48,77,60,608        |
| Tax impact of provision for doubtful debts and advances                            | 5,50,68,506         | 10,77,690           |
| Tax impact of disallowances under section 43B of the Income tax Act, 1961          | 9,04,16,694         | 1,10,03,566         |
| Tax Impact of amount inadmissible under sec. 40 (a)                                | -                   | 1,29,60,877         |
| <b>Total Deferred Tax Asset [B]</b>  | <b>77,99,11,715</b> | <b>51,28,02,741</b> |
| <b>Net Deferred Tax Asset/ (Deferred Tax Liability) [B-A]</b>                      | <b>46,74,21,671</b> | <b>18,09,58,000</b> |
| Charge to Profit and Loss account  | -                   | -                   |
| <b>Net Deferred Tax Asset/ (Deferred Tax Liability)</b>                            | <b>46,74,21,671</b> | <b>18,09,58,000</b> |

**Note:-** The company has not recognized above Deferred Tax asset on account of prudence.

**Note 44**

The Company has an investment of ` 56,10,11,339/- and ` 93,23,779/- in its subsidiary Spentex (Netherlands) B. V. (SNBV) and its step down subsidiary Spentex Tashkent Toytepa LLC (STTL) respectively. Further it has ` 7,00,12,404/- as export receivable from STTL and advances of ` 9,50,70,902/- in SNBV as on March 31, 2012. During the period of investment, the Government of Uzbekistan changed certain laws and policies by breaching the investment agreement and rendered operation of STTL unviable. Consequently STTL could not pay its debts and insolvency proceedings have been initiated against it. Since treaties entered between the Governments of India and Uzbekistan and the Investment agreement entered between Govt. of Uzbekistan and Spentex were breached, company has issued notice claiming protection of investment and payment of dues & compensation for the losses suffered by company. In view of legal opinion placed before the board and claims lodged with the Government of Uzbekistan, the Directors have decided not to make any provision for diminution in value of investment at this stage.

**Note 45**

As on March 31, 2012, the accumulated losses of the Company have exceeded its net worth. Accordingly company in compliance with the provisions of section 23(1) of Sick Industrial Companies (Special Provisions) Act, 1985 will file a reference with Board for Industrial and Financial Restructuring (BIFR). However, in the opinion of the management, the Company's operations have been adversely affected a) due to ban on yarn export by the government resulting in the piling up of Yarn inventory and its offloading at reduced prices during current year and b) very high volatility in Raw Material prices. Further, considering the change in scenario, recent performance and trends of the company as well as overall industry outlook, there is an increase in average selling prices of the yarn, stability in production levels and reduction in procurement costs of raw materials. Resultantly, the company has started earning net profits and the management believes that losses incurred in the past would reasonably be made good, in due course. The financial statements, as such have been prepared on a going concern basis on the strength of management's plan of revival



including reorganization of business and restructuring of loan facilities under Corporate Debt Restructuring scheme.

**Note 46**

The financial statements for the year ended 31st March, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared under revised Schedule VI. Accordingly, the previous year figure have also been reclassified to conform to this year's classification.

**Note 47**

The outstanding balance as on 31st March, 2012 in respect of certain trade receivables, trade payables and loans & advances are subject to confirmation/reconciliation and consequential adjustment if any from the respective parties. The management, however, does not expect any material variations.

Notes referred to above form an integral part of financial Statement

For **J.C. Bhalla & Company**  
Firm Reg. No. 001111N  
Chartered Accountants

**Akhil Bhalla**  
Partner  
Membership No : 505002

Place : New Delhi  
Date : August 9, 2012

On behalf of the Board

|                      |  |
|----------------------|--|
| Mukund Choudhary     | Managing Director  |
| Kapil Choudhary      | Deputy Managing Director   |
| Sitaram Parthsarathy | Director - Works   |
| Amrit Agrawal        | Director - Finance   |
| Ranjan Mangtani      | Sr. Vice President Corporate and Legal Affairs & Company Secretary |

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF SPENTEX INDUSTRIES LIMITED**

- We have audited the attached consolidated Balance Sheet of Spentex Industries Limited ('the Company') and its subsidiaries ('the Group') as at March 31, 2012, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of certain subsidiaries namely Amit Spinning Industries Limited and Schoeller Litvinov, ks., whose financial statements reflect the total assets of Rs. 2,115,026,309/- as at March 31, 2012 and total revenues of Rs. 831,583,485/- for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
- The financial statement of a wholly owned subsidiary Spentex Tashkent Toyetpa LLC, whose financial statements reflect the group's share of total assets of Rs. 4,186,014,060 as at March 31, 2012 and total revenues of Rs. 406,028,610 for the year then ended are not audited as of the date of this report and has been included in the consolidated financial statements on the basis of unaudited management accounts. Hence we are unable to form an opinion on the above.**
- We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified u/s 211(3C) of the Companies Act, 1956.
- On the basis of the information and explanations given to us and on consideration of the Separate audit reports on individual audited financial statements of Spentex Industries Limited and its aforesaid subsidiaries, in our opinion the consolidated financial statements **subject to our comment in paragraph 4 above**, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - In the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2012;
  - In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year then ended on that date; and
  - In the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year then ended on that date.

For J.C. Bhalla & Company  
Chartered Accountants  
Firm Regn. No. 001111-N

(Akhil Bhalla)  
Partner

Place : New Delhi  
Dated: August 9, 2012

Membership No.505002

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012**

(Amount in `)

|   | Note No. | As at<br>March 31, 2012 | As at<br>March 31, 2011 |
|---|----------|-------------------------|-------------------------|
| <b>EQUITY &amp; LIABILITIES</b>                         |          |                         |                         |
| <b>(1) Shareholder's Funds</b>                          |          |                         |                         |
| a) Share Capital  | 2        | 83,27,20,350            | 81,32,20,350            |
| b) Reserves and Surplus                                 | 3        | (3,24,29,62,915)        | (23,88,53,238)          |
| c) Preference share application money pending allotment |          | 76,30,50,000            | 66,88,50,000            |
| d) Money received against share warrant                 | 4        | -                       | 3,30,52,500             |
|   |          | <b>(1,64,71,92,565)</b> | <b>1,27,62,69,612</b>   |
| <b>(2) Non-Current Liabilities</b>                      |          |                         |                         |
| a) Long-term borrowings                                 | 5        | 7,08,86,28,383          | 7,14,39,63,391          |
| b) Other long term liabilities                          | 6        | 12,62,554               | 19,76,323               |
| c) Long-term provisions                                 | 7        | 6,46,08,891             | 4,94,64,340             |
|   |          | <b>7,15,44,99,828</b>   | <b>7,19,54,04,054</b>   |
| <b>(3) Current Liabilities</b>                          |          |                         |                         |
| a) Short-term borrowings                                | 8        | 1,08,44,66,202          | 1,07,14,53,952          |
| b) Trade payables                                       | 9        | 2,28,84,87,516          | 2,37,37,99,934          |
| c) Other current liabilities                            | 10       | 2,54,67,52,718          | 1,74,33,46,171          |
| d) Short-term provisions                                | 11       | 1,29,26,061             | 86,93,624               |
|   |          | <b>5,93,26,32,497</b>   | <b>5,19,72,93,681</b>   |
| <b>Total</b>  |          | <b>11,43,99,39,760</b>  | <b>13,66,89,67,347</b>  |
| <b>ASSETS</b>   |          |                         |                         |
| <b>(1) Non-Current Assets</b>                           |          |                         |                         |
| a) Fixed Assets   | 12       |                         |                         |
| (i) Tangible assets                                     |          | 6,86,40,97,729          | 7,07,31,57,304          |
| (ii) Intangible assets                                  |          | 59,47,36,098            | 53,01,89,566            |
| (iii) Capital Work- in- Progress                        |          | 32,26,01,232            | 30,39,82,178            |
| b) Non-current investment                               | 13       | 1,44,881                | 1,44,881                |
| c) Long-term loans and advances                         | 14       | 54,77,03,700            | 54,12,75,070            |
| d) Other non-current assets                             | 15       | 10,47,73,937            | 22,90,29,818            |
|   |          | <b>8,43,40,57,577</b>   | <b>8,67,77,78,817</b>   |
| <b>(2) Current Assets</b>                               |          |                         |                         |
| a) Inventories  | 16       | 1,16,12,31,455          | 2,35,19,16,606          |
| b) Trade receivables                                    | 17       | 74,83,51,888            | 68,34,27,701            |
| c) Cash and bank balances                               | 18       | 6,89,00,741             | 20,48,69,639            |
| d) Short-term loans and advances                        | 19       | 80,06,42,177            | 1,51,80,03,011          |
| e) Other current assets                                 | 20       | 22,67,55,922            | 23,29,71,573            |
|   |          | <b>3,00,58,82,183</b>   | <b>4,99,11,88,530</b>   |
| <b>Total</b>  |          | <b>11,43,99,39,760</b>  | <b>13,66,89,67,347</b>  |

Significant accounting policies and notes (1 to 43) form an integral part of the financial statements.

This is the Consolidated Balance Sheet referred to in our Report of even date.

**For J.C. Bhalla & Company**

Firm Reg. No. 001111N

Chartered Accountants

**Akhil Bhalla**

Partner

Membership No : 505002

On behalf of the Board

Mukund Choudhary

Managing Director

Kapil Choudhary

Deputy Managing Director

Sitaram Parthsarathy

Director - Works

Amrit Agrawal

Director - Finance

Ranjan Mangtani

 Sr. Vice President Corporate and Legal  
Affairs & Company Secretary

Place : New Delhi

Date : August 9, 2012

**CONSOLIDATED PROFIT & LOSS A/C FOR THE YEAR ENDED 31ST MARCH, 2012** (Amount in `)

|   | Note | 2011-2012               | 2010-2011              |
|---|------|-------------------------|------------------------|
| <b>INCOME</b>   |      |                         |                        |
| I. Revenue from operations (Gross)  | 21   | 10,93,86,50,580         | 16,41,92,06,938        |
| Less: Excise Duty   |      | 3,26,47,835             | 4,22,69,130            |
| <b>Revenue from operations (Net)</b>  |      | <b>10,90,60,02,745</b>  | <b>16,37,69,37,808</b> |
| II. Other Income  | 22   | 5,99,27,316             | 30,29,03,681           |
| <b>III. Total Revenue (I+ II)</b>   |      | <b>10,96,59,30,061</b>  | <b>16,67,98,41,489</b> |
| <b>IV. EXPENDITURE</b>  |      |                         |                        |
| Cost of material consumed   | 23   | 7,36,45,79,656          | 10,87,63,49,344        |
| Purchase of stock-in-trade  | 24   | 51,40,96,685            | 26,67,85,250           |
| Changes in inventories of finished goods,<br>Stock-in -trade and work-in-progress | 25   | 73,62,50,364            | (94,30,64,891)         |
| Employee benefit expense  | 26   | 90,42,60,630            | 1,21,41,10,146         |
| Financial Cost  | 27   | 95,34,09,179            | 93,23,80,769           |
| Depreciation and amortization expense   | 12   | 78,17,31,879            | 74,23,62,934           |
| Other expense   | 28   | 2,28,09,13,199          | 3,57,34,20,972         |
| <b>Total Expenses</b>   |      | <b>13,53,52,41,592</b>  | <b>16,66,23,44,524</b> |
| <b>V. Profit before exceptional items and tax (III-IV)</b>                        |      | <b>(2,56,93,11,531)</b> | <b>1,74,96,965</b>     |
| VI. Exceptional items - Income / (Expenses)                                       | 29   | 16,73,95,417            | -                      |
| <b>VII Profit/(loss) before tax (V-VI)</b>  |      | <b>(2,73,67,06,948)</b> | <b>1,74,96,965</b>     |
| <b>VIII. Tax Expenses:</b>  |      | <b>3,02,75,377</b>      | <b>150</b>             |
| 1) MAT Credit Entitlement Reversal  |      | 3,68,52,305             | -                      |
| 2) Income tax of earlier year written back  |      | (65,76,928)             | -                      |
| 3) Income Tax   |      | -                       | 150                    |
| <b>IX. Profit/(loss) for the period (VII-VIII)</b>                                |      | <b>(2,76,69,82,325)</b> | <b>1,74,96,815</b>     |
| <b>X. Earnings per equity share:</b>  | 35   |                         |                        |
| (1) Basic   |      | (33.31)                 | 0.23                   |
| (2) Diluted   |      | (33.31)                 | 0.23                   |

Significant accounting policies and notes (1 to 43) form an integral part of the financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **J.C. Bhalla & Company**  
Firm Reg. No. 001111N  
Chartered Accountants

**Akhil Bhalla**  
Partner  
Membership No : 505002

Place : New Delhi  
Date : August 9, 2012

On behalf of the Board  
Mukund Choudhary Managing Director  
Kapil Choudhary Deputy Managing Director  
Sitaram Parthsarathy Director - Works  
Amrit Agrawal Director - Finance  
Ranjan Mangtani Sr. Vice President Corporate and Legal  
Affairs & Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

(Amount in `)

|   | <b>Year ended<br/>31st March 2012</b> | <b>Year ended<br/>31st March 2011</b> |
|---|---------------------------------------|---------------------------------------|
| <b>Profit/(loss) before Tax</b>                             | (2,73,67,06,948)                      | 1,74,96,965                           |
| <b>Add:</b>   |                                       |                                       |
| Depreciation / Amortisation                                 | 78,17,31,879                          | 74,23,62,934                          |
| Loss/(Profit) on Sale of Fixed Asset (net)                  | (12,60,155)                           | 9,18,95,820                           |
| Provision for Wealth Tax                                    | 32,684                                | 52,767                                |
| Temple, land & building                                     | -                                     | (1,86,21,021)                         |
| Loss on sale of assets held for sale.                       | 25,25,820                             | 1,96,59,578                           |
| Impairment Loss   | 41,33,096                             | 41,07,20,720                          |
| Unrealised Exchange Fluctuation (net)                       | (15,65,33,561)                        | (44,70,32,241)                        |
| Bad Debts Written off                                       | 5,54,75,198                           | 7,45,28,900                           |
| Provision for doubtful advances                             | 16,73,95,417                          | -                                     |
| Profit/(Loss) on sale of Shares                             | -                                     | (1,43,822)                            |
| Provision for loss on asset held for sale                   | -                                     | 24,56,079                             |
| Dividend Income   | (3,207)                               | (8,004)                               |
| Interest Income   | (95,50,586)                           | (81,10,910)                           |
| Interest Expense  | 95,34,09,179                          | 93,23,80,984                          |
| <b>Operating Profit Before Working Capital Changes</b>      | <b>(93,93,51,184)</b>                 | <b>1,81,76,38,749</b>                 |
| <b>Adjustments for changes in working capital :</b>         |                                       |                                       |
| - (Increase)/Decrease in Trade Receivable                   | (1,01,96,843)                         | (20,46,46,615)                        |
| - (Increase)/Decrease in Other Receivables                  | 73,22,38,072                          | 71,83,12,527                          |
| - (Increase)/Decrease in Inventories                        | 1,19,06,85,151                        | (1,08,52,38,392)                      |
| - Increase/(Decrease) in Trade and Other Payables           | (75,37,92,096)                        | 33,06,63,758                          |
| Direct Taxes Paid ( Net)                                    | -                                     | (1,90,49,258)                         |
| <b>A. Cash Flow From Operating Activities</b>               | <b>21,95,83,100</b>                   | <b>1,55,76,80,769</b>                 |
| Purchase of Fixed Assets                                    | (11,83,03,857)                        | (43,49,99,099)                        |
| Sale proceeds of Fixed Assets                               | 1,20,05,000                           | 14,87,37,161                          |
| Sale of Investment  | -                                     | 1,90,643                              |
| Dividend Received   | 3,207                                 | 8,004                                 |
| Interest Received   | 1,02,13,277                           | 67,16,318                             |
| <b>B. Cash Flow From Investing Activities</b>               | <b>(9,60,82,373)</b>                  | <b>(27,93,46,973)</b>                 |
| Proceeds from Share Capital                                 | -                                     | 5,72,63,950                           |
| Share Premium (net)   | -                                     | 5,27,43,550                           |
| Repayment of Preference Shares                              | -                                     | -                                     |
| Repayment of 9% Non-convertible Debenture                   | (79,92,789)                           | (2,46,63,460)                         |
| Proceeds from Term Loans                                    | 92,68,56,915                          | -                                     |
| Repayment of Term Loans                                     | (28,67,45,199)                        | (62,24,99,083)                        |
| Proceeds from Working Capital Loans (net)                   | (1,54,51,010)                         | 7,72,16,084                           |
| Vehicle Loans (net)   | (38,32,819)                           | 44,83,347                             |
| Short term advances (net)                                   | 1,44,30,782                           | 1,78,50,731                           |
| Interest Paid   | (90,75,38,631)                        | (89,66,39,431)                        |
| <b>C. Cash Flow From Financing Activities</b>               | <b>(28,02,72,751)</b>                 | <b>(1,33,42,44,312)</b>               |
| <b>Increase/(Decrease) in Cash Equivalents (A+B+C)</b>      | <b>(15,67,72,024)</b>                 | <b>(5,59,10,516)</b>                  |
| Cash and Cash Equivalents at the Beginning of the Year      | 20,48,69,639                          | 26,20,08,319                          |
| Add: Exchange difference on translation of foreign currency | 2,08,03,126                           | (12,28,164)                           |
| Cash and Cash Equivalents at the End of the Year            | 6,89,00,741                           | 20,48,69,639                          |
| <b>Increase / (Decrease) in Cash/Cash Equivalents</b>       | <b>(15,67,72,024)</b>                 | <b>(5,59,10,516)</b>                  |
| <b>Notes :-</b>   |                                       |                                       |
| Cash and cash equivalents comprise                          |                                       |                                       |
| Cash and Cheques in hand                                    | 94,26,716                             | 29,00,779                             |
| In Current Accounts   | 3,78,35,935                           | 18,16,86,017                          |
| In Fixed Deposit Accounts                                   | 1,82,92,156                           | 1,55,15,000                           |
| In Margin Money Account                                     | 24,85,826                             | 35,28,361                             |
| In Other Banks  | -                                     | 1,60,346                              |
| In unpaid interest on debenture accounts                    | -                                     | -                                     |
| In unpaid dividend accounts                                 | 8,60,108                              | 10,79,136                             |
|   | <b>6,89,00,741</b>                    | <b>20,48,69,639</b>                   |

1. The above Cash flow statement has been prepared under the Indirect method set out in Accounting Standard notified under section 211(3C) of the Companies Act, 1956.

2. Figures in brackets indicate cash outgo.

Significant accounting policies and notes (1 to 43) form an integral part of the financial statements.

This is the Consolidated Cash Flow Statement referred to in our Report of even date.

For **J.C. Bhalla & Company**  
Firm Reg. No. 001111N  
Chartered Accountants

**Akhil Bhalla**  
Partner  
Membership No : 505002

Place : New Delhi  
Date : August 9, 2012

On behalf of the Board

|                       |  |
|-----------------------|--|
| Mukund Choudhary      | Managing Director  |
| Kapil Choudhary       | Deputy Managing Director   |
| Sitaram Parthasarathy | Director - Works   |
| Amrit Agrawal         | Director - Finance   |
| Ranjan Mangtani       | Sr. Vice President Corporate and Legal Affairs & Company Secretary |

**NOTE 1 :SIGNIFICANT ACCOUNTING POLICIES****(a) Basis for preparation of Consolidated financial statements :**

The consolidated financial statement of the group have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting generally accepted in India and comply with the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956.

The financial statement of the Parent Company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions as per Accounting Standard 21 on Consolidated Financial Statements.

**b) Adoption of Revised Schedule VI of the Companies Act, 1956**

For the year ended 31st March, 2012, the revised Schedule VI, notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of Schedule VI does not impact recognition and measurement principles followed for preparation of its financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year. All assets and liabilities have been classified as current and non-current as per the criteria set out in the revised Schedule VI. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle being a period within 12 months for the purpose of classification of assets and liabilities as current and non current.

**c) Use of Estimates**

The preparation of the financial statements in conformity with Indian generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

**d) Fixed Assets**

Fixed assets are stated at their original cost less accumulated depreciation. Cost of fixed assets includes freight, duties (net of CENVAT), taxes and other incidental expenses relating to acquisition and installation.

**e) Depreciation / Amortization**

Depreciation on all fixed assets situated at manufacturing locations is provided on the straight line method on a pro-rata basis at the rates determined on the basis of useful lives of the respective assets. Management estimates the useful lives for the various fixed assets situated at manufacturing locations as follows :

| Description – Manufacturing locations  | Useful lives (in years) |
|--|-------------------------|
| Factory building                       | 17-29                   |
| Building (Other than factory building) | 58                      |
| Plant and machinery                    | 2-18                    |
| Office equipments                      | 10-20                   |
| Computers                              | 1-6                     |
| Furniture and fixtures                 | 2-15                    |
| Vehicles                               | 10-12                   |

The rates derived from the above useful lives are higher than the minimum rates specified in schedule XIV to the companies act, 1956 ('Act').

Depreciation for all fixed assets at locations other than at manufacturing locations is provided on the written down value method at the rates specified in schedule XIV to the Act.

Leasehold land is amortized over the lease period on a straight line basis.

Capitalised enterprise resource planning software (SAP) is amortised over a period of five years on straight line basis.

Acquired goodwill is amortized using the straight-line method over a period of 10 years.

Goodwill on Consolidation is stated at cost, and where applicable, impairment is recognized.

**f Inventories**

Inventories have been valued at lower of cost and net realizable value.

The cost in respect of raw materials is determined under the specific identification of cost method in India and weighted average method for outside India.

Cost includes customs duty, wherever paid, and are net of credit under CENVAT scheme, wherever applicable.

The cost in respect of work-in-progress, finished goods and stores and spares is determined using the weighted average cost method and includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, where applicable.

Waste is valued at estimated net realizable value.

**(g) Revenue Recognition**

**Sale of goods:** Revenue on sale of goods is recognized on transfer of significant risk and rewards of ownership to the buyer and on reasonable certainty of the ultimate collection. Sales are inclusive of excise duty and net off sales tax, trade discounts and sales returns.

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

**Commission and insurance claim:** Income is recognized when no significant uncertainty as to measurability or recoverability exists.

**(h) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

**(i) Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. All monetary items denominated in foreign currency are translated at year end rates. Exchange differences arising on such transactions and also exchange differences arising on the settlement of such transactions are adjusted in the statement of profit and loss.

In case of forward contracts, the premium or discount on all such contracts arising at the inception of each contract is recognized / amortized as income or expenses over the life of the contract. Any profit or loss arising on the cancellation or renewal of such contracts is recognized as income or expenses for the period.

In respect of foreign branch, all revenues, expenses, monetary assets/liabilities and fixed assets are accounted at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are restated at the year end rates and resultant gains or losses are recognized in the statement of profit and loss.

**(j) Employee Benefits**

The Company's contributions to recognized provident funds are charged to revenue on an accrual basis.

The Company has defined benefit plans namely leave encashment and gratuity for all employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. Gratuity fund (for other than synthetic division) is administered through Life Insurance Corporation of India. Short term compensated absences are recognized at the undiscounted amount of benefit for services rendered during the year.

Termination benefits are recognized as an expenses immediately. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the statement of profit and loss as income or expenses.

**(k) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset. Other borrowing costs are recognised as an expenses in the period in which they are incurred.

**(l) Taxation**

Tax expenses for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the year.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent it is reasonably / virtually certain that future taxable profit will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

**(m) Leases**

Assets acquired under long term finance lease are capitalised and depreciated in accordance with company's policy for assets

situated at manufacturing and other locations. The associated obligations are included in other loans under "Secured Loans".

The group has taken premises on lease. Lease rental in respect of operating lease arrangement are charged to statement of profit and loss.

**(n) Impairment of Assets**

At each balance sheet date, the group assesses whether there is any indication that an asset may be impaired. If such indication exists, the company estimates the recoverable amount and where carrying amount of the asset exceeds such recoverable amount, an impairment loss is recognized in the statement of profit and loss to the extent the carrying amount exceeds recoverable amount. Where there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased, the company books a reversal of the impairment loss not exceeding the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior accounting periods.

**(o) Provisions and contingencies**

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

(Amount in `)

|   | <b>As at<br/>March 31, 2012</b> | <b>As at<br/>March 31, 2011</b> |
|---|---------------------------------|---------------------------------|
| <b>NOTE 2 : SHARE CAPITAL</b>   |                                 |                                 |
| Authorised  |                                 |                                 |
| 11,40,00,000 Equity shares of ` 10/- each<br>(previous year 11,40,00,000 )              | 1,14,00,00,000                  | 1,14,00,00,000                  |
| 70,00,000 Redeemable preference shares of ` 10/- each<br>(previous year 70,00,000 )     | 7,00,00,000                     | 7,00,00,000                     |
|   | <b><u>1,21,00,00,000</u></b>    | <b><u>1,21,00,00,000</u></b>    |
| <b>Issued, Subscribed and Paid up</b>   |                                 |                                 |
| 8,32,72,035 Equity shares of ` 10/- each, fully paid up<br>(previous year 8,13,22,035 ) | 83,27,20,350                    | 81,32,20,350                    |
|   | <b><u>83,27,20,350</u></b>      | <b><u>81,32,20,350</u></b>      |

**SUB NOTE:- 2 (a)** Pursuant to scheme of arrangement, 8,274,465 Equity Share of ` 10/- each fully paid issued to the share holder of erstwhile CLC Corporation Limited during the financial year 2005-06, 17,824,591 Equity Share of ` 10/- each fully paid issued to the share holder of erstwhile CLC Global Limited during the financial year 2005-06 and 4,487,844 Equity Share of ` 10/- each fully paid issued to to the share holder of erstwhile Indo Rama Textiles Limited during the financial year 2006-07 for consideration other than cash.

**SUB NOTE:- 2 (b)** The company has only one class of equity share having a par value of ` 10 per share. Each shareholder is eligible for one vote per share. The dividend proposed, if any, by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

**SUB NOTE:- 2 (c)** Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

(Amount in `)

| Particulars  | As at 31 March 2012 |              | As at 31 March 2011 |              |
|--|---------------------|--------------|---------------------|--------------|
|  | No. of Shares       | Amount       | No. of Shares       | Amount       |
| Equity shares outstanding at the beginning of the year | 8,13,22,035         | 81,32,20,350 | 7,37,33,035         | 73,73,30,350 |
| Add: Equity shares issued during the year              | 19,50,000           | 1,95,00,000  | 75,89,000           | 7,58,90,000  |
| Less: Equity shares bought back during the year        | -                   | -            | -                   | -            |
| Equity shares outstanding at the end of the year       | 8,32,72,035         | 83,27,20,350 | 8,13,22,035         | 81,32,20,350 |

# SPENTEX INDUSTRIES LIMITED

**SUB NOTE:- 2 (d) :** List of share holder holding more than 5% of the aggregate share in the company

| Name of Shareholder  | As at 31 March 2012 |              | As at 31 March 2011 |              |
|--|---------------------|--------------|---------------------|--------------|
|  | No. of Shares held  | % of Holding | No. of Shares held  | % of Holding |
| Citigroup Venture Capital Inter. Growth Partnership Mauritius Ltd. | 1,92,52,650         | 23.12        | 1,92,52,650         | 23.67        |
| CLC Technologies Private Limited                                   | 1,18,00,000         | 14.17        | 98,50,000           | 12.11        |
| Mukund Choudhary   | 85,35,946           | 10.25        | 85,35,946           | 10.50        |
| Kapil Choudhary  | 84,74,869           | 10.18        | 84,74,869           | 10.42        |
| Ajay Kumar Choudhary   | 80,66,052           | 9.69         | 80,66,051           | 9.92         |

(Amount in `)

|  | As at 31 March 2012 |                         | As at 31 March 2011 |                       |
|--|---------------------|-------------------------|---------------------|-----------------------|
| <b>NOTES 3 : RESERVES AND SURPLUS</b>                              |                     |                         |                     |                       |
| <b>Capital Reserve :</b>   |                     |                         |                     |                       |
| <b>Capital reserve</b>   |                     |                         |                     |                       |
| Opening balance  | 76,11,41,030        |                         | 73,48,78,644        |                       |
| (+) Exchange fluctuation on restatement of opening balance         | 4,59,63,468         | 80,71,04,498            | 2,62,62,386         | 76,11,41,030          |
| Share forfeiture reserve   |                     | 71,79,250               |                     | 71,79,250             |
| Profit on restructure  |                     | 23,58,587               |                     | 23,58,587             |
|  |                     | <b>81,66,42,335</b>     |                     | <b>77,06,78,867</b>   |
| <b>Securities Premium Account</b>                                  |                     |                         |                     |                       |
| Opening balance  | 1,01,47,21,322      |                         | 96,19,77,772        |                       |
| Add: On conversion of share warrants                               | 1,35,52,500         | 1,02,82,73,822          | 5,27,43,550         | 1,01,47,21,322        |
| <b>Debenture Redemption Reserve</b>                                |                     |                         |                     |                       |
| Opening balance  | 17,03,60,578        |                         | 4,19,89,626         |                       |
| Add: transfer from statement of profit & loss                      | -                   | 17,03,60,578            | 12,83,70,952        | 17,03,60,578          |
| <b>Foreign Currency Translation Reserve (FCTR)</b>                 |                     |                         |                     |                       |
| Opening balance  | 86,89,33,923        |                         | 80,55,87,100        |                       |
| Add: Addition /(Deletion) during the year                          | (4,21,44,132)       | 82,67,89,791            | 6,33,46,823         | 86,89,33,923          |
| <b>Surplus in the statement of profit and loss</b>                 |                     |                         |                     |                       |
| Opening balance  | (3,06,35,47,929)    |                         | (2,88,16,60,500)    |                       |
| Profit /(Loss) for the year  | (2,76,69,82,325)    |                         | 1,74,96,817         |                       |
| Foreign currency translation reserve on statement of profit & loss | (25,44,99,187)      |                         | (7,10,13,293)       |                       |
| Less:- Transfer for debenture redemption reserve                   | -                   | (6,08,50,29,441)        | 12,83,70,952        | (3,06,35,47,928)      |
|  |                     | <b>(3,24,29,62,915)</b> |                     | <b>(23,88,53,238)</b> |

## NOTES 4 : MONEY RECEIVED AGAINST SHARE WARRANT

|                                      |   |                    |
|--------------------------------------|---|--------------------|
| Money received against share warrant | - | 3,30,52,500        |
|                                      | - | <b>3,30,52,500</b> |

During the year, out of the share warrants money received, the company has allotted 19,50,000 (previous year 75,89,000) equity shares pursuant to options exercised by the share warrants holder CLC Technologies Private Limited to convert 19,50,000 (previous year 75,89,000) share warrants in equal number of fully paid up equity shares at the agreed price of ` 16.95 per equity share (including premium of ` 6.95 per equity share).



(Amount in `)

**NOTE 5 : LONG-TERM BORROWINGS**

**Secured**

**Debentures**

10% Redeemable Non-Convertible Debentures

33,27,28,366

34,07,21,155

**Term Loans**

Rupee Term Loan from Bank

3,85,50,30,217

3,74,68,76,071

Foreign Currency Term loan

- From Banks

1,42,93,94,133

1,30,24,96,061

- From Other Parties

1,08,09,87,500

94,75,37,500

**Vehicle Loans**

69,61,801

1,04,61,688

Vehicle loans are secured by hypothecation of motor cars

**Unsecured**

Foreign Currency Loan from others

2,20,01,27,041

1,92,85,17,543

**8,90,52,29,058**

**8,27,66,10,018**

**Less:**

Amount disclosed under the head 'other current liabilities'. (Note-10)

**1,81,66,00,675**

**1,13,26,46,627**

**7,08,86,28,383**

**7,14,39,63,391**

**Nature of security, repayment terms & amount of default**

**a. Debentures**

**Non convertible debentures**

Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Mukund Choudhary and Sh. Kapil Choudhary. These Debentures are further secured by second pari-passu charge on entire current assets. These debentures are also secured by pledge of 1,80,75,918 shares of the company held by promoters and further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.

Amounting to ` 33,27,28,366 (previous year ` 34,07,21,155) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table below.

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**b. Rupee term loans from bank**

- i) Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary and collateral guarantee of Ms. Jyoti Choudhary. These loans are further secured by second pari-passu charge on entire current assets. These loan are also secured by pledge of 1,80,75,918 shares of the company held by promoters and further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.
- ii) Loan amounting to ` 40,47,00,000 secured by pledge of promoters' shares (21,07,23,117 nos.), on an exclusive basis. Further secured by third charge on all the movable and immovable assets of the company and personal guarantee of Sh. Ajay Choudhary, Sh Mukund Choudhary and Sh. Kapil Choudhary.

- i) Amounting to ` 1,27,33,77,673 (previous year ` 1,30,61,48,732) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.  
Amounting to ` 43,35,00,000 (previous year ` 44,84,98,529) repayable in 20 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.  
Amounting to ` 11,54,00,000 (previous year ` 12,05,65,976) repayable in 12 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 3 below.  
Amounting to ` 23,30,00,000 (previous year ` 27,50,03,414) repayable in 8 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 4 below.
- ii) Amounting to ` 40,47,00,000 (previous year ` 41,44,40,300) repayable in 23 quarterly installments commencing from June, 2012. There is no default in

repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

Amounting to ` 22,70,98,000 (previous year ` 24,98,37,803) repayable in 24 quarterly installments. For repayment schedule refer table no. 5 below. There were overdues of 67,80,000 & 58,10,000 towards principal and interest respectively as on 31.03.2012 and the same has been paid on 30.06.2012.

**c. Foreign Currency Term Loan**

Foreign Currency Term Loan from Lehman Brothers Commercial Corporation Asia Limited and SBI Tokyo is secured by pledge of Interest Reserve Bank Account maintained with Deutsche Bank AG, Amsterdam, assignment of SPV Credit Agreement (between Schoeller Textile Netherlands B.V. (STNBV) and Spentex Netherlands B.V.(SNBV)), assignment of intergroup Credit agreement (between SNBV and Spentex Tashkent Toytepa LLC (STTL)), pledge of 18,200 nos. SNBV's shares and pledge of 180 nos. of STNBV's shares. The loan is further secured by all Plant and Machinery of relating to the Tashkent Spinning Plant of STTL.

Amounting to ` 97,28,87,987 (previous year ` 85,27,83,081) repayable in 6 annual installments. for repayment schedule refer table no. 6 below. There are default of ` 10,80,98,749 in payment of Installment of principal as on 31.03.2012.

Amounting to ` 1,08,09,87,500 (previous year ` 94,75,37,500) repayable in 6 annual installments. for repayment schedule refer table no. 7 below.

Amounting to ` 43,26,82,046 (previous year ` 42,88,30,012) repayable in 40 quarterly installments. For repayment schedule refer table no. 8 below. There is no default in payment of principal & interest.

**Term Loan Repayment schedule Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**Term Loan Repayment schedule Table No. 2**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|---------------|-------|-------|-------|-------|-------|
| Principal (%) | 14    | 16    | 20    | 20    | 30    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    |

**Term Loan Repayment schedule Table No. 3**

|               | FY 13 | FY 14 | FY 15 |
|---------------|-------|-------|-------|
| Principal (%) | 32.40 | 42    | 25.6  |
| ROI (%)       | 12    | 13    | 15    |

**Term Loan Repayment schedule Table No. 4**

|               | FY 13 | FY 14 |
|---------------|-------|-------|
| Principal (%) | 25    | 75    |
| ROI (%)       | 13    | 14.5  |

**Term Loan Repayment schedule Table No. 5**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 18.71 | 14.36 | 15.85 | 17.04 | 18.80 | 15.24 |
| ROI (%)       | 10    | 10    | 10    | 10    | 10    | 10    |

**Term Loan Repayment schedule Table No.6**

|               | FY 13                   | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------------------------|-------|-------|-------|-------|-------|
| Principal (%) | 22                      | 11    | 11    | 11    | 17    | 28    |
| ROI (%)       | 3 Month BBA Libor + 1.7 |       |       |       |       |       |

**Term Loan Repayment schedule Table No.7**

|               | FY 13                   | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------------------------|-------|-------|-------|-------|-------|
| Principal (%) | 30                      | 10    | 10    | 10    | 15    | 25    |
| ROI (%)       | 3 Month BBA Libor + 2.5 |       |       |       |       |       |

**Term Loan Repayment schedule Table No.8**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 22    | 5     | 5     | 40    | 5     | 5     | 5     | 5     | 5     | 3     |

**d. Funded Interest Term Loan**

Secured by first pari-passu charge on all the fixed assets of the company, both present and future. The loan is further secured by second pari-passu charge on entire current assets and additionally secured by personal guarantee of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary. The loan is also secured by pledge 1,80,75,918 shares of the company on pari-passu basis. Amounting to ` 27,75,00,000 is further secured by collateral security of property at 1st floor, 7, Padmini Enclave, New Delhi.

Secured by first pari-passu charge on all the fixed assets of the Company.

Foreign Currency Term Loan from Lehman Brothers Commercial Corporation Asia Limited and SBI Tokyo is secured by pledge of Interest Reserve Bank Account maintained with Deutsche Bank AG, Amsterdam, assignment of SPV Credit Agreement (between Schoeller Textile Netherlands B.V. (STNBV) and Spentex Netherlands B.V.(SNBV)), assignment of intergroup Credit agreement (between SNBV and Spentex Tashkent Toytepa LLC (STTL)), pledge of 18200 nos. SNBV's shares and pledge of 180 nos. of STNBV's shares. The loan is further secured by all Plant and Machinery of relating to the Tashkent Spinning Plant of STTL.

Amounting to ` 1,54,00,000 (previous year ` 1,54,00,000) repayable in 2018. There is not default in repayment of loan.

Amounting to ` 23,85,00,000 (previous year ` nil) repayable in 16 quarterly installments commencing from June, 2013. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

Amounting to ` 41,00,000 (previous year ` nil) repayable in 8 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.

Amounting to ` 3,49,00,000 (previous year ` nil) Repayable in 3 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012.

Amounting to ` 1,11,64,000 (previous year ` 1,09,47,484) are secured by first pari-passu charge on all the fixed assets of the Company. ` 3,38,000 towards principal & ` 96,000 towards interest were overdue as on 31.03.2012 and the same has been paid on 30.06.2012. For repayment schedule refer table no. 3 below.

Amounting to ` 2,38,24,100 (previous year ` 2,08,82,968) repayable in 2 annual installments. for repayment schedule refer table no. 4 below. There are default of ` 79,41,367 in payment of Installment of principal as on 31.03.2012.

**Funded Interest Term Loan Repayment schedule Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 |
|---------------|-------|-------|-------|-------|
| Principal (%) | 15    | 25    | 25    | 35    |
| ROI (%)       | 10    | 10    | 10    | 10    |

**Funded Interest Term Loan Repayment schedule Table No. 2**

|               | FY 13 | FY 14 |
|---------------|-------|-------|
| Principal (%) | 40    | 60    |
| ROI (%)       | 10    | 10    |

**Funded Interest Term Loan Repayment schedule Table No. 3**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 17.22 | 14.59 | 16.05 | 17.38 | 19.17 | 15.59 |
| ROI (%)       | 10    | 10    | 10    | 10    | 10    | 10    |

**Funded Interest Term Loan Repayment schedule Table No. 4**

|               | FY 13                   | FY 14 |
|---------------|-------------------------|-------|
| Principal (%) | 67                      | 33    |
| ROI (%)       | 3 Month BBA Libor + 1.7 |       |

**e. Working Capital Term Loan**

Secured by first pari-passu charge on fixed assets of the Company both present and future and additionally secured by personal guarantees of Sh. Ajay Choudhary, Sh. Mukund Choudhary and Sh. Kapil Choudhary and collateral guarantee of Ms. Jyoti Choudhary. These loans are further secured by second pari-passu charge on entire current assets. These loans are also secured by pledge of 1,80,75,918 shares of the company and further secured by collateral security on the property at 1st floor, 7, Padmini Enclave, New Delhi.

Amounting to ` 25,50,00,000 (previous year ` 26,38,33,424) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 1 below.

Amounting to ` 45,84,00,000 (previous year ` 46,88,10,781) repayable in 24 quarterly installments commencing from June, 2012. There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table no. 2 below.

Amounting to ` 13,15,00,000 (previous year ` 14,82,53,532) repayable in 2 half yearly installments during September 2012 & March 2013. There is no default in repayment of installment as on 31.03.2012. The rate of interest is 10% per annum.

Amounting to ` 99,37,000 (previous year ` 1,24,90,502 ) are secured by first pari-passu charge on all the fixed assets of the Company. ` 3,00,000 towards principal & ` 2,57,000 towards interest were overdue as on 31.03.2012 and the same has been paid on 30.06.2012. For repayment schedule refer table no. 3 below.

Amounting to ` 90,53,000 (previous year ` 1,26,45,593 ) are secured by first pari-passu charge on all the fixed assets of the Company. ` 12,50,000 towards principal & ` 3,14,000 towards interest were overdue as on 31.03.2012 and the same has been paid on 30.06.2012. For repayment schedule refer table no. 4 below.

**WCTL Repayment schedule Table No. 1**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 12    | 13    | 14    | 14    | 15.25 |

**WCTL Repayment schedule Table No. 3**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 18.65 | 14.06 | 16.07 | 17.07 | 19.08 | 15.07 |
| ROI (%)       | 10    | 10    | 10    | 10    | 10    | 10    |

**WCTL Repayment schedule Table No. 2**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  | 17.5  | 25    |
| ROI (%)       | 10    | 10    | 11    | 11    | 11    | 12    |

**WCTL Repayment schedule Table No. 4**

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 |
|---------------|-------|-------|-------|-------|-------|-------|
| Principal (%) | 30.96 | 13.81 | 13.81 | 13.81 | 13.81 | 13.81 |
| ROI (%)       | 10    | 10    | 10    | 10    | 10    | 10    |

**f. Vehicle Loans**

Secured by hypothecation of motor cars.

There is no default in repayment of installment as on 31.03.2012. For repayment schedule refer table below.

|               | FY 13 | FY 14 | FY 15 | FY 16 |
|---------------|-------|-------|-------|-------|
| Principal (%) | 10    | 15    | 15    | 17.5  |

Repayment terms and finance costs pertaining to term loans, working capital loan and debentures, mentioned above, were restructured pursuant to Corporate Debt Restructuring Scheme of Reserve Bank of India and the charges were amended.

**g. Unsecured**

The company Subsidiary Spentex Tashkent Toytepa LLC, entered into an asset sale and purchase agreement with Tashkent Toytepa Textile LLC on July 21,2006 . In accordance with this agreement the amount outstanding as on March 31, 2012, is Rs. 220,01,27,551 (192,85,17,545) Repayable in annual installments till June 2017. There is default of Rs. 42,34,93,000 in payment of instalment. For repayment schedule refer table below.

|               | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 |
|---------------|-------|-------|-------|-------|-------|
| Principal (%) | 36    | 18    | 19    | 18    | 9     |

(Amount in `)

**As at  
March 31, 2012**

**As at  
March 31, 2011**

**NOTE 6 : OTHER LONG TERM LIABILITIES**

Security Deposit

12,62,554

19,76,323

**12,62,554**

**19,76,323**

**NOTE 7 : LONG-TERM PROVISIONS**

Provision for Employee Benefits:

- Gratuity

5,14,11,770

3,88,66,829

- Leave encashment

1,31,97,121

1,05,97,511

**6,46,08,891**

**4,94,64,340**

|  | As at<br>March 31, 2012 | (Amount in `)<br>As at<br>March 31, 2011 |
|--|-------------------------|--|
| <b>NOTE 8 : SHORT -TERM BORROWINGS</b> |                         |  |
| <b>Secured</b>                         |                         |  |
| Working capital loans from banks       | 95,49,69,753            | 97,04,20,764                             |
| <b>Unsecured</b>                       |                         |  |
| From others                            | 12,94,96,449            | 10,10,33,188                             |
|  | <u>1,08,44,66,202</u>   | <u>1,07,14,53,952</u>                    |

**Nature of Security**

Working capital loan from banks are secured by first pari-passu charge on all the current assets of the company. These loans are further secured by second pari passu charge on entire fixed assets, both present and future and personal guarantee of the promoters. These loan, are also secured by pledge of promoters' shares (18,075,918 nos.) on pari-passu basis.

**NOTE 9 : TRADE PAYABLES**

|               |                       |                       |
|---------------|-----------------------|-----------------------|
| Trade payable | 2,28,84,87,516        | 2,37,37,99,934        |
|               | <u>2,28,84,87,516</u> | <u>2,37,37,99,934</u> |

**Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act. 2006**

|  |          |          |
|--|----------|----------|
| 1. Principal amount remaining unpaid                           | 6,08,855 | 9,17,627 |
| 2. Interest  | -        | -        |
| 3. Total of 1 & 2  | 6,08,855 | 9,17,627 |
| 4. Interest in term of Sec.16                                  | -        | -        |
| 5. Interest due and payable for the period of delay in payment | -        | -        |
| 6. Interest accrued and remaining unpaid                       | -        | -        |
| 7. Interest due and payable even in succeeding years           | -        | -        |

The information as required to be disclosed under the Micro and Medium Enterprises Development Act. 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

**NOTE 10 : OTHER CURRENT LIABILITIES**

Current maturities of long-term debts:

Secured\*

|   |                  |                  |              |
|---|------------------|------------------|--------------|
| - Debentures                            | 3,32,72,837      | 3,19,72,500      |              |
| - Rupee Term loan from banks            | 64,79,08,386     | 62,42,48,204     |              |
| - Foreign Currency Term loan from banks | 32,72,35,200     | 10,17,14,739     |              |
| - Vehicle loans                         | <u>31,66,502</u> | <u>34,99,434</u> | 76,14,34,877 |

Unsecured

|  |              |              |  |
|--|--------------|--------------|--|
| - Foreign Currency loan from other parties | 80,50,17,750 | 37,12,11,750 |  |
|--|--------------|--------------|--|

|  |             |             |  |
|--|-------------|-------------|--|
| Current maturities of deferred payment liabilities | 6,81,69,902 | 8,81,69,902 |  |
|--|-------------|-------------|--|

|  |              |             |  |
|--|--------------|-------------|--|
| Interest accrued and due on borrowings | 12,20,61,709 | 8,04,56,020 |  |
|--|--------------|-------------|--|

|                 |          |           |  |
|-----------------|----------|-----------|--|
| Unpaid dividend | 8,60,108 | 10,79,136 |  |
|-----------------|----------|-----------|--|

|                        |             |             |  |
|------------------------|-------------|-------------|--|
| Advance from customers | 4,17,71,677 | 3,76,03,285 |  |
|------------------------|-------------|-------------|--|

|                   |           |           |  |
|-------------------|-----------|-----------|--|
| Security deposits | 12,00,896 | 13,22,896 |  |
|-------------------|-----------|-----------|--|

|                                 |             |             |  |
|---------------------------------|-------------|-------------|--|
| Salary & other benefits payable | 5,93,97,776 | 5,20,14,657 |  |
|---------------------------------|-------------|-------------|--|

|                        |             |             |  |
|------------------------|-------------|-------------|--|
| Statutory dues payable | 2,08,93,047 | 2,49,11,846 |  |
|------------------------|-------------|-------------|--|

|                |              |              |  |
|----------------|--------------|--------------|--|
| Other payables | 41,57,96,928 | 32,51,41,802 |  |
|----------------|--------------|--------------|--|

|  |                       |                       |  |
|--|-----------------------|-----------------------|--|
|  | <u>2,54,67,52,718</u> | <u>1,74,33,46,171</u> |  |
|--|-----------------------|-----------------------|--|

\* For security details and other terms and conditions, refer note no. 5 of financial statement.

There is no amount due and outstanding as on balance sheet date to be credited to Investor Education and Protection Fund.

**NOTE 11 : SHORT -TERM PROVISIONS**

**Provision for Employee Benefits:**

|            |           |           |
|------------|-----------|-----------|
| - Gratuity | 52,43,756 | 28,75,670 |
|------------|-----------|-----------|

|                    |           |           |
|--------------------|-----------|-----------|
| - Leave encashment | 76,49,621 | 57,65,187 |
|--------------------|-----------|-----------|

|                          |        |        |
|--------------------------|--------|--------|
| Provision for wealth tax | 32,684 | 52,767 |
|--------------------------|--------|--------|

|  |                    |                  |
|--|--------------------|------------------|
|  | <u>1,29,26,061</u> | <u>86,93,624</u> |
|--|--------------------|------------------|

**NOTE - 12 FIXED ASSETS**

(Amount in `)

| PARTICULARS              | Gross Block           |                         |  | Depreciation / Amortisation         |                       |                 |              | Net Block                                    |                        |                  |                  |                  |
|--------------------------|-----------------------|-------------------------|--|-------------------------------------|-----------------------|-----------------|--------------|--|------------------------|------------------|------------------|------------------|
|                          | Cost as at 01.04.2011 | Additions for the year* | Addition/ (deletion) due to foreign Exchange | Deletions/ Adjustments <sup>©</sup> | Cost as at 31.03.2012 | Impairment Loss | For The year | Addition/ (deletion) due to foreign Exchange | Deletions/ Adjustments | Up to 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| <b>INTANGIBLE ASSETS</b> |                       |                         |  |                                     |                       |                 |              |  |                        |                  |                  |                  |
| Goodwill                 | 62,24,42,121          | -                       | 7,23,25,165                                  | -                                   | 69,47,67,286          | -               | 8,91,042     | -  | -                      | 10,71,28,338     | 58,76,38,948     | 51,62,04,825     |
| Sap                      | 4,93,37,972           | -                       | 9,82,429                                     | -                                   | 5,03,20,401           | -               | 69,23,490    | 9,46,531                                     | -                      | 4,32,23,252      | 70,97,149        | 1,39,84,741      |
| Total                    | 67,17,80,093          | -                       | 7,33,07,594                                  | -                                   | 74,50,87,687          | -               | 78,14,532    | 9,46,531                                     | -                      | 15,03,51,589     | 59,47,36,098     | 53,01,89,566     |
| Previous Year            | 67,30,94,495          | -                       | (13,14,402)                                  | -                                   | 67,17,80,093          | -               | 78,30,973    | (10,73,663)                                  | -                      | 14,15,90,527     | 53,01,89,566     | 54,04,08,604     |
| <b>TANGIBLE ASSETS</b>   |                       |                         |  |                                     |                       |                 |              |  |                        |                  |                  |                  |
| Land                     |                       |                         |  |                                     |                       |                 |              |  |                        |                  |                  |                  |
| - Freehold Land          | 3,47,47,829           | -                       | 16,16,096                                    | -                                   | 3,63,63,925           | -               | -            | -  | -                      | -                | 3,63,63,925      | 3,47,47,829      |
| - Leasehold Land         | 5,42,99,739           | -                       | -  | -                                   | 5,42,99,739           | -               | 25,99,406    | -  | -                      | 1,75,24,624      | 3,67,75,115      | 3,93,74,521      |
| Building                 | 3,36,56,83,281        | 1,27,602                | 17,99,03,904                                 | -                                   | 3,54,57,14,787        | -               | 11,80,77,152 | 4,50,53,829                                  | -                      | 1,08,24,81,153   | 2,46,32,33,635   | 2,44,63,33,109   |
| Plant & Machinery        | 10,99,46,38,828       | 9,40,31,192             | 10,77,08,892                                 | 3,32,28,552                         | 11,16,31,50,360       | 6,46,61,31,061  | 54,32,29,997 | 26,59,70,872                                 | 2,45,58,163            | 7,66,14,94,487   | 3,50,16,55,873   | 4,52,85,07,767   |
| Furniture & Fixtures     | 14,64,30,051          | 4,10,958                | 59,80,256                                    | 55,90,492                           | 14,72,30,773          | 12,40,89,293    | 25,44,449    | 56,67,289                                    | 1,84,885               | 13,21,16,146     | 1,51,14,628      | 2,23,40,758      |
| Office equipment         | 59,10,82,059          | 51,15,040               | 51,30,88,014                                 | 10,26,961                           | 1,10,82,58,152        | 21,20,43,611    | 10,03,14,503 | 1,78,49,409                                  | 52,91,202              | 32,49,16,321     | 78,33,41,832     | 37,90,38,448     |
| Vehicle                  | 6,54,40,920           | -                       | 35,80,014                                    | 42,85,488                           | 6,47,35,446           | 3,19,05,325     | 71,51,840    | 14,17,963                                    | 33,52,404              | 3,71,22,724      | 2,76,12,722      | 3,35,35,595      |
| Total                    | 15,25,23,22,707       | 9,96,84,792             | 81,18,77,176                                 | 4,41,31,493                         | 16,11,97,53,182       | 7,76,84,44,680  | 77,39,17,347 | 33,59,59,362                                 | 3,33,86,654            | 9,25,56,55,455   | 6,86,40,97,729   | 7,48,38,78,028   |
| Previous Year            | 15,26,93,02,627       | 50,08,46,365            | (33,51,85,342)                               | 18,26,40,944                        | 15,25,23,22,706       | 7,23,01,11,154  | 73,45,31,961 | (20,84,55,943)                               | (1,22,57,513)          | 8,17,91,65,405   | 7,07,31,57,302   | 7,62,84,70,753   |
| Capital Work in Progress |                       |                         |  |                                     |                       |                 |              |  |                        |                  |                  |                  |
| Plant & Machinery        |                       |                         |  |                                     |                       |                 |              |  |                        |                  | 32,26,01,232     | 30,39,82,178     |

Notes:

© Deletion/Adjustments to fixed assets under Gross Block and Depreciation/Amortisation include Rs. 88,51,84,769 (Previous Year Rs. 333,870,940) and Rs. 336,905,892 (Previous Year 20,84,55,943) respectively on account of restatement at the closing exchange rate.

\*Addition includes Rs. 5,33,570 (Previous Year 5,87,23,533) transfer from fixed assets held for sale to plant & machinery.

|   | As at          |                     | (Amount in `)  |                     |
|---|----------------|---------------------|----------------|---------------------|
|   | March 31, 2012 |                     | March 31, 2011 |                     |
| <b>NOTE 13 : NON CURRENT INVESTMENTS (AT COST)</b>  |                |                     |                |                     |
| <b>1. Investment in Equity Instruments</b>  |                |                     |                |                     |
| <b>(a) In others (Non Trade &amp; Quoted )</b>  |                |                     |                |                     |
| Equity Shares of ` 10/- each, fully paid up of Sentinel Tea and Exports Ltd                         | 100            | 4,777               | 100            | 4,777               |
| Equity Shares of ` 10/- each fully paid up of Summit Securities Limited                             | 10             | -                   | 10             | -                   |
| <b>(b) In others (Non Trade &amp; unquoted )</b>  |                |                     |                |                     |
| Equity Shares of ` 20/- each, fully paid up of<br>The Baramati Co-operative Bank Limited            | 1,300          | 26,000              | 1,300          | 26,000              |
| Equity Shares of ` 50/- each, fully paid up of<br>The Sadguru Jangli Maharaj Co-operative Bank Ltd. | 1,000          | 50,000              | 1,000          | 50,000              |
| Equity Shares of ` 10/- each, fully paid up of Saraswat Co-op Bank Ltd.                             | 1,420          | 14,200              | 1420           | 14,200              |
| Equity Shares of Rs 10/- each fully paid up of Shamrao Vitthal Co-Op Bank                           | 250            | 2,500               | 250            | 2,500               |
| Equity Shares of ` 31/- each, fully paid up of United Yarn  | 1              | 31                  | 1              | 31                  |
| Equity Shares of ` 1 each, fully paid of Lotus House<br>Prem Co-op Society.                         | 1,500          | 1,500               | 1,500          | 1,500               |
| Equity Shares of ` 10/- each, fully paid up of Datta Nagari Patsanstha                              | 500            | 5,000               | 500            | 5,000               |
| Equity Shares of ` 10/-each, fully paid up of Spencer & Co. Limited                                 | 100            | 7,563               | 100            | 7,563               |
| <b>2. Investment in Govt. securities</b>  |                |                     |                |                     |
| National saving certificates*   |                | 33,310              |                | 33,310              |
|   |                | <u>1,44,881</u>     |                | <u>1,44,881</u>     |
| <b>Aggregate book value of :</b>  |                |                     |                |                     |
| Quoted investments  |                | 4,777               |                | 4,777               |
| Unquoted investments  |                | 1,40,104            |                | 1,40,104            |
| Aggregate market value of quoted investment   |                | 2,061               |                | 2,880               |
| * Pledged with sales tax authorities.   |                |                     |                |                     |
| <b>NOTE 14 : LONG -TERM LOANS AND ADVANCES</b>  |                |                     |                |                     |
| <b><u>Unsecured, Considered Good unless otherwise stated</u></b>                                    |                |                     |                |                     |
| Capital advances  |                | 2,00,90,496         |                | 1,76,10,285         |
| Security deposit  |                | 3,56,30,804         |                | 3,33,29,144         |
| Prepaid expenses  |                | 1,27,623            |                | -                   |
| Balance with Customs , Excise, Govt Authorities, etc.   |                | 36,43,39,909        |                | 38,79,83,584        |
| Advance against expenses  |                | 3,29,35,613         |                | 2,22,40,223         |
| Loan and Advance to employee  |                | -                   |                | 9,24,614            |
| Advance to trade payable  | 23,95,93,142   |                     |                | 1,83,43,950         |
| Less: Provision for doubtful advance  | 16,73,95,417   | 7,21,97,725         |                | -                   |
| Advance tax/ tax deducted at source*  |                | 2,23,81,530         |                | 2,39,90,965         |
| Mat credit entitlement  |                | -                   |                | 3,68,52,305         |
| <b>Other loan and advances</b>  |                |                     |                |                     |
| Considered doubtful   | 98,19,253      | -                   | 98,19,253      | -                   |
|   | 98,19,253      |                     | 98,19,253      |                     |
| Less : Provision for doubtful advances  | 98,19,253      | -                   | 98,19,253      | -                   |
|   |                | <u>54,77,03,700</u> |                | <u>54,12,75,070</u> |
| *Net after adjustment for provision for tax ` Nil (Previous year ` 65,76,926)                       |                |                     |                |                     |
| <b>NOTE 15 : OTHER NON- CURRENT ASSETS</b>  |                |                     |                |                     |
| <b><u>Unsecured, Considered Good unless otherwise stated</u></b>                                    |                |                     |                |                     |
| Trade receivable  | 5,21,54,118    |                     | 14,97,33,315   |                     |
| Less:- Provision for doubt full debts   | 3,47,29,717    | 1,74,24,401         | 3,47,29,717    | 11,50,03,598        |
| Export incentives   |                | 4,11,92,629         |                | 5,14,60,437         |
| Claims receivables  |                | 2,25,90,924         |                | 3,70,02,481         |
| Interest accrued on deposits & others   |                | 5,79,994            |                | 5,82,979            |
| Unamortised Upfront Fee   |                | 2,29,85,989         |                | 2,49,80,323         |
|   |                | <u>10,47,73,937</u> |                | <u>22,90,29,818</u> |

(Amount in `)

|  | <b>As at</b>          |              | <b>As at</b>          |                |
|--|-----------------------|--------------|-----------------------|----------------|
|  | <b>March 31, 2012</b> |              | <b>March 31, 2011</b> |                |
| <b>NOTE 16 : INVENTORIES*</b>  |                       |              |                       |                |
| Raw materials  | 32,14,35,280          |              | 77,94,28,512          |                |
| (Includes Goods in Transit ` 13,487,187/-<br>(Previous Year ` 34,231,713/-)        |                       |              |                       |                |
| Work-in-process  | 34,60,83,586          |              | 34,65,74,893          |                |
| <b>Finished goods</b>  |                       |              |                       |                |
| - Manufactured   | 30,69,41,769          | 97,38,31,833 |                       |                |
| - Stock in trade {Includes goods in transit ` Nil<br>(Previous year ` 10,757,500)} | 78,14,872             | 31,47,56,641 | 4,84,93,367           | 1,02,23,25,200 |
| Stores, spares & packing materials   | 17,05,90,994          |              | 16,82,45,137          |                |
| Waste  | 83,64,954             |              | 3,53,42,864           |                |
|  | <b>1,16,12,31,455</b> |              | <b>2,35,19,16,606</b> |                |

\*Refer accounting policy for mode of valuation.

**NOTE 17 : TRADE RECEIVABLE**
**Unsecured, Considered Good unless otherwise stated**

Outstanding for a period exceeding six months from the date they are due for payments

|                     |                     |              |                     |             |
|---------------------|---------------------|--------------|---------------------|-------------|
| Considered Goods    | 31,39,75,185        | 4,47,39,762  |                     |             |
| Considered doubtful | -                   | 31,39,75,185 | -                   | 4,47,39,762 |
| Others              | 43,43,76,703        |              | 63,86,87,939        |             |
|                     | <b>74,83,51,888</b> |              | <b>68,34,27,701</b> |             |

**NOTE 18 : CASH AND BANK BALANCES**
**Cash & Cash Equivalent**

|   |             |  |  |              |
|---|-------------|--|--|--------------|
| Cash in hand                                    | 29,33,588   |  |  | 28,77,915    |
| Cheque, drafts on hand                          | 64,93,128   |  |  | 22,864       |
| Balance with banks                              | 3,78,35,935 |  |  | 18,16,86,017 |
| Fixed deposit with less than 3 month maturity** | 1,82,92,156 |  |  | 1,55,15,000  |

**Others Bank Balances**

|                   |                    |  |                     |           |
|-------------------|--------------------|--|---------------------|-----------|
| Unpaid dividend * | 8,60,108           |  |                     | 10,79,136 |
| Margin money      | 24,85,826          |  |                     | 36,88,707 |
|                   | <b>6,89,00,741</b> |  | <b>20,48,69,639</b> |           |

\* Earmarked against the corresponding liabilities.

\*\* Under lien with Banks

**NOTE 19 : SHORT- TERM LOANS AND ADVANCES**
**Unsecured, Considered Good unless otherwise stated**

Amounts recoverable in cash or in kind or for value to be received

|  |                     |  |                       |              |
|--|---------------------|--|-----------------------|--------------|
| Considered good                                      | 40,81,16,936        |  |                       | 86,53,06,504 |
| Advance to Trade Payables                            | 5,86,70,260         |  |                       | 37,13,18,747 |
| Advance against expenses                             | 51,97,713           |  |                       | 7,65,52,469  |
| Prepaid expenses                                     | 13,85,81,510        |  |                       | 2,50,89,817  |
| Balance with Customs, Excise, Govt Authorities, etc. | 12,44,62,878        |  |                       | 17,05,92,965 |
| Advance income tax/tax deducted at source            | 32,46,130           |  |                       | 42,44,693    |
| Advance to employees of the company                  | 54,08,514           |  |                       | 43,48,119    |
| Loans & advances to others                           | 1,01,84,236         |  |                       | 5,49,697     |
|  | <b>80,06,42,177</b> |  | <b>1,51,80,03,011</b> |              |



(Amount in `)

|  | <b>As at<br/>March 31, 2012</b> | <b>As at<br/>March 31, 2011</b> |
|--|---------------------------------|---------------------------------|
| <b>NOTE 20 : OTHER CURRENT ASSETS</b>                              |                                 |                                 |
| Claims and other receivables                                       | 9,56,13,224                     | 4,98,35,365                     |
| Fixed assets held for sale   | 3,16,46,654                     | 4,30,60,997                     |
| Export incentives  | 9,59,83,666                     | 13,41,63,607                    |
| Unamortised Upfront Fees   | 19,94,332                       | 37,33,852                       |
| Interest accrued on deposit  | 15,18,046                       | 21,77,752                       |
|  | <b>22,67,55,922</b>             | <b>23,29,71,573</b>             |
|  | <b>2011-12</b>                  | <b>2010-11</b>                  |
| <b>NOTE 21 : REVENUE FROM OPERATION ( Gross)</b>                   |                                 |                                 |
| <b>From Sale of Goods</b>  |                                 |                                 |
| Sale of yarn manufactured  | 9,21,12,52,769                  | 14,86,12,33,744                 |
| Trading of yarn  | 97,01,06,850                    | 52,19,07,159                    |
| Trading of clothes   | 14,34,950                       | 26,32,63,382                    |
| Waste sale   | 54,55,13,805                    | 43,46,06,785                    |
| <b>Other operating income</b>                                      |                                 |                                 |
| - Export Incentive   | 21,03,42,206                    | 33,81,95,868                    |
|  | <b>10,93,86,50,580</b>          | <b>16,41,92,06,938</b>          |
| <b>NOTE 22 : OTHER INCOME</b>                                      |                                 |                                 |
| Commission Income  | 59,488                          | 9,60,669                        |
| Interest Income  | 95,50,586                       | 81,10,912                       |
| Dividend Income  | 3,207                           | 8,004                           |
| Rent Income  | 72,000                          | 66,000                          |
| Profit on sale of fixed assets                                     | 19,67,428                       | 9,18,95,820                     |
| Excess provision written back                                      | 55,24,727                       | 55,42,083                       |
| Gain/(loss) on foreign currency transactions and translation (Net) | 95,23,772                       | 15,95,88,803                    |
| Gain/loss on sale of investments (Net)                             | -                               | 1,43,822                        |
| Misc Income  | 3,32,26,108                     | 3,65,87,568                     |
|  | <b>5,99,27,316</b>              | <b>30,29,03,681</b>             |
| <b>NOTE 23 : COST OF MATERIAL CONSUMED</b>                         |                                 |                                 |
| Opening stock  | 77,94,28,512                    | 63,87,61,803                    |
| Purchases  | 6,90,65,86,424                  | 11,01,70,16,053                 |
| Closing stock  | 32,14,35,280                    | 77,94,28,512                    |
|  | <b>7,36,45,79,656</b>           | <b>10,87,63,49,344</b>          |
| <b>NOTE 24 : PURCHASE OF STOCK- IN -TRADE</b>                      |                                 |                                 |
| Cotton yarn  | 6,33,27,753                     | 3,45,451                        |
| Clothes  | 45,07,68,932                    | 25,57,43,019                    |
| Filament yarn  | -                               | 1,06,96,780                     |
|  | <b>51,40,96,685</b>             | <b>26,67,85,250</b>             |

|  | 2011-12               | (Amount in `)<br>2010-11 |
|--|-----------------------|--------------------------|
| <b>NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK- IN- TRADE &amp; WORK- IN -PROGRESS</b> |                       |                          |
| <b>Opening inventories</b>   |                       |                          |
| Finished Goods:  |                       |                          |
| - Manufactured   | 97,38,31,833          | 24,75,24,352             |
| - Traded Goods   | 4,84,93,367           | 1,26,77,814              |
| Work in progress   | 34,65,74,893          | 19,62,09,032             |
| Cotton waste   | 3,53,42,864           | 22,66,089                |
|  | <b>1,40,42,42,957</b> | <b>45,86,77,287</b>      |
| <b>Closing Inventories</b>   |                       |                          |
| Finished Goods:  |                       |                          |
| - Manufactured   | 30,69,41,770          | 97,38,31,833             |
| - Traded Goods   | 78,14,972             | 4,84,93,367              |
| Work in progress   | 34,60,83,586          | 34,65,74,893             |
| Cotton waste   | 83,64,953             | 3,53,42,864              |
|  | <b>66,92,05,281</b>   | <b>1,40,42,42,957</b>    |
| <b>Sub total</b>   | <b>73,50,37,676</b>   | <b>(94,55,65,670)</b>    |
| Excise duty on (Increase) / Decrease in Inventories  | (12,12,688)           | (25,00,779)              |
| <b>(Increase) /Decrease in Inventories</b>   | <b>73,62,50,364</b>   | <b>(94,30,64,891)</b>    |
| <b>NOTE 26 : EMPLOYEES BENEFIT EXPENSES</b>  |                       |                          |
| Salaries, wages and bonus  | 72,42,53,259          | 1,01,05,48,496           |
| Contribution to provident funds & other funds  | 11,40,68,917          | 10,76,10,754             |
| Staff welfare expenses   | 6,59,38,454           | 9,59,50,896              |
|  | <b>90,42,60,630</b>   | <b>1,21,41,10,146</b>    |
| <b>NOTE 27 : FINANCE COST</b>  |                       |                          |
| Interest expenses from bank  |                       |                          |
| - On Non convertible debentures  | 3,74,08,075           | 4,18,02,328              |
| - On Borrowings  | 83,13,84,176          | 79,33,69,986             |
| Other borrowing cost   | 8,46,16,928           | 9,72,08,455              |
|  | <b>95,34,09,179</b>   | <b>93,23,80,769</b>      |
| <b>NOTE 28 : OTHER EXPENSES</b>  |                       |                          |
| Store, spares and packing materials consumed (Net)   | 33,28,00,662          | 46,70,10,816             |
| Sub contracting charges  | 1,83,92,245           | 3,97,91,398              |
| Power, fuel & water  | 97,13,14,530          | 1,14,07,41,256           |
| Rent   | 7,69,67,178           | 17,89,07,109             |
| Rate & taxes   | 51,43,274             | 41,43,145                |
| <b>Repair &amp; maintenance</b>  |                       |                          |
| - Plant & machinery  | 2,40,78,838           | 4,79,37,042              |
| - Building   | 24,76,872             | 18,71,826                |
| - Others   | 70,87,961             | 64,84,030                |
| <b>Insurance expenses-</b>   |                       |                          |
| - Buildings  | 94,136                | 7,41,996                 |
| - Plant & machinery  | 82,07,370             | 1,84,68,796              |
| - Stock  | 11,86,306             | 9,02,151                 |
| - Others   | 56,23,148             | 39,86,268                |
| Communication expenses   | 96,37,731             | 1,26,89,572              |
| Travelling & conveyance expenses   | 5,20,38,788           | 4,72,58,507              |
| Legal & professional charge  | 5,64,01,096           | 10,31,12,274             |
| <b>Payment to auditors (excluding service tax):</b>  |                       |                          |
| - Audit Fees   | 17,45,660             | 17,00,000                |
| - For other services   | 70,000                | 45,000                   |
| - For reimbursement of expenses  | 1,22,904              | 1,10,341                 |

(Amount in `)

|  | <b>2011-12</b>        | <b>2010-11</b>        |
|--|-----------------------|-----------------------|
| Commission on sales                                      | 14,48,38,968          | 15,95,01,740          |
| Freight outward and clearing charges (net of recoveries) | 19,95,22,899          | 44,84,58,197          |
| Director sitting fees                                    | 6,21,200              | 3,22,700              |
| Impairment loss on asset held for sale                   | 41,33,096             | -                     |
| Impairment loss on Fixed Assets                          | -                     | 41,07,20,720          |
| Loss on sale of assets held for sale                     | 25,25,820             | 1,96,59,578           |
| Loss on sale of fixed assets                             | 7,07,273              | -                     |
| Selling & distribution expenses                          | 5,57,58,035           | 8,45,58,954           |
| Bad debts written off                                    | 5,54,75,198           | 7,45,28,900           |
| Cost of outstanding sources                              | 1,40,28,190           | 3,76,58,273           |
| Printing & stationery expenses                           | 2,25,078              | 2,81,277              |
| Loss on sale of raw material                             | 1,90,18,110           | 1,89,460              |
| Service tax cenvat reversal                              | 42,64,859             | -                     |
| Miscellaneous expenses                                   | 20,64,05,774          | 26,16,39,66           |
|  | <b>2,28,09,13,199</b> | <b>3,57,34,20,972</b> |

**NOTE 29 : EXCEPTIONAL ITEMS :**

|                                 |                     |   |
|---------------------------------|---------------------|---|
| Provision for doubtful advances | 16,73,95,417        | - |
|                                 | <b>16,73,95,417</b> | - |

**NOTE 30**

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements" notified under section 211(3C) of the Companies Act, 1956.

The Financial Statements of the following subsidiaries, drawn upto March 31, 2012, along with Spentex Industries Limited, the Parent, constituting the group, are considered in preparation of the consolidated financial statements :-

| Name of Company   | Relationship | Country of Incorporation | Percentage of ownership interest as on March 31, 2012 | Percentage of ownership interest as on March 31, 2011 |
|---|--------------|--------------------------|---|---|
| Spentex (Netherlands), B.V.<br>(100 % held by the Company and its nominees)   | Subsidiary   | Netherlands              | 100.00%   | 100.00%   |
| Spentex Tashkent Toytepa LLC ( STTL )(99.18% held by Spentex (Netherlands), B.V. and 0.82% held by Spentex Industries Limited)  | Subsidiary   | Uzbekistan               | 100.00%   | 100.00%   |
| Spentex (Mauritius) Pvt. Ltd. (a 100% subsidiary of the Company)*   | Subsidiary   | Mauritius                | -   | 100.00%   |
| Spentex (Cyprus) Pvt. Ltd. (a 100% subsidiary of Spentex Mauritius Pvt. Ltd.)*  | Subsidiary   | Cyprus                   | -   | 100.00%   |
| Schoeller Textile (Netherland), B.V. (a 100% subsidiary of Spentex (Netherlands), B.V.)   | Subsidiary   | Netherlands              | 100.00%   | 100.00%   |
| Schoeller Litvinov K.S. #(25 % with Schoeller Textile (Netherlands), B.V. (limited partnership) and 75% with Schoeller Textil, GmbH & Co. KG (unlimited partnership))                     | Subsidiary   | Czech Republic           | 100.00%   | 100.00%   |
| Schoeller Textil GmbH & Co. KG #(100 % limited partnership interest of Schoeller Textile (Netherlands), B.V. and unlimited partnership interest of Schoeller Textiles Verwaltungs, GmbH)* | Subsidiary   | Germany                  | -   | 100.00%   |
| Schoeller Textil Verwaltungs GmbH (a 100% subsidiary of Schoeller Textile (Netherlands), B.V.)*   | Subsidiary   | Germany                  | -   | 100.00%   |
| M/s. Botekos Plus s.r.o.(90% of Schoeller Textile (Netherlands), B.V and 10% Spentex (Netherlands), B.V.)   | Subsidiary   | Czech Republic           | 100.00%   | 100.00%   |
| Amit Spinning Industries Limited (ASIL)   | Subsidiary   | India                    | 50.96%  | 50.96%  |

**Note :** # These are partnership firms which have been considered for the purpose of consolidation as per AS -21

\* Spentex (Mauritius) Pvt. Ltd., Spentex (Cyprus) Pvt. Ltd., Schoeller Textil GmbH & Co. K.G and Schoeller Textil Verwaltungs GmbH are in the process of liquidation.

# SPENTEX INDUSTRIES LIMITED

## NOTE 31 : CONTINGENT LIABILITIES :

1. Contingent Liabilities not provided for in respect of :

(Amount in `)

| Description  | Year ended<br>March 31, 2012 | Year ended<br>March 31, 2011 |
|--|------------------------------|------------------------------|
| (a) Demands from income tax authorities under appeal   | 3,79,71,404                  | 6,21,39,030                  |
| (b) Demands from sales tax authorities under appeal  | 55,32,038                    | 29,61,560                    |
| (c) Show cause notices/demands raised by excise / customs department (including applicable penalties), not acknowledged as debts   | 25,48,41,194                 | 18,87,07,841                 |
| (d) Show cause notices/demands raised by MP Government / MPEB department, not acknowledged as debts  | 19,04,43,830                 | 18,46,74,369                 |
| (e) Claims against the company not acknowledged as debts   | 32,05,86,680                 | 31,30,151                    |
| (f) Guarantees and letters of credit issued on behalf of the company, outstanding at the year end  | 25,59,38,318                 | 30,23,56,085                 |
| (g) Bills discounted with banks on behalf of the company, outstanding at the year end  | 67,69,75,025                 | 1,17,58,03,012               |
| (h) Corporate guarantee given to IREDA for loan to M/s Himalayan Crest Power Private Limited   | 21,18,23,570                 | 24,83,13,698                 |
| (i) Corporate guarantee given to AXIS Bank Ltd. & UCO Bank for loan to M/s Amit Spinning Industries Limited  | 35,42,91,492                 | 39,97,99,476                 |
| (j) Corporate guarantee given to Tashkent Toytepa Textil for deferred payment of purchase consideration on behalf of Spentex Tashkent Toytepa LLC Current Year USD 43,250,000 (previous year USD 43,250,000) | 2,20,01,27,500               | 1,92,85,17,500               |
| (k) Corporate guarantee given to CVCI for investment in Spentex (Netherlands) B.V. Current Year USD 2,000,000 (previous year USD 2,000,000)  | 10,17,40,000                 | 8,91,80,000                  |
| (l) Corporate guarantee given to SBI - Tokyo Branch for loan to Spentex (Netherlands) B.V. Current Year USD 32,275,704 (previous year USD 32,275,704)*   | 1,53,84,80,837               | 1,35,63,52,800               |

\* The Company believed that the corporate guarantee given to Lehman Brothers is no longer valid as Lehman Brothers did not comply with the terms and conditions of the loan agreement based on which the guarantee was given. Accordingly, the figure for the current year and previous year do not include the portion of the guarantee relating to the loan from Lehman Brothers.

The amount shown in the items (a) to (e) represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes. The amount shown in items (f) to (l) represent guarantees given and bills discounted in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of beneficiaries fulfilling their ordinary commercial obligations.

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(Amount in `)

| Description  | Year ended<br>31st March, 2012 | Year ended<br>31st March, 2011 |
|--|--------------------------------|--------------------------------|
| Estimated value of contracts remaining to be executed on capital account (Net of advances) | 1,01,36,935                    | 86,40,175                      |

## NOTE 32 : DEFINED BENEFIT PLAN :

### (i) Post Retirement Employee Benefits

#### (a) Defined Contribution Plans:

The Company has defined contribution plans for post retirement employment benefits' namely Provident Fund and Employee State Insurance Scheme. Expenses for the same is being charged to statement of profit and loss for the year.

#### (b) Defined Benefit Plans:

The liability for gratuity is determined on the basis of an actuarial valuation, using the Projected Unit Credit (PUC) method at the end of the year. Gains and losses arising out of actuarial valuations are recognised in the statement of profit and loss for the year.

**(ii) Other Employee Benefits**

Other employee benefits are accounted for on accrual basis. Liabilities for compensated absences which is a defined benefit plan are determined based on independent year end actuarial valuation and the resulting charge is being accounted in statement of profit and loss.

(Amount in `)

|  | 2011-12            |                    | 2010-11            |                  |
|--|--------------------|--------------------|--------------------|------------------|
|  | Gratuity           | Leave Encashment   | Gratuity           | Leave Encashment |
| <b>A. Components of Employer expenses</b>                                    | <b>Funded</b>      | <b>Unfunded</b>    | <b>Funded</b>      | <b>Unfunded</b>  |
| Current service cost   | 77,35,044          | 37,17,888          | 63,31,676          | 29,32,359        |
| Interest cost  | 58,95,079          | 14,31,736          | 48,22,578          | 12,66,801        |
| Curtailment cost/(credit)  | -                  | -                  | -                  | -                |
| Settlement cost/(credit)   | -                  | -                  | -                  | -                |
| Return on plan assets  | (23,21,183)        | -                  | (20,15,134)        | -                |
| Past service cost  | -                  | -                  | -                  | -                |
| Actuarial losses/(gains)   | 1,19,02,028        | 55,48,540          | 62,61,347          | 26,88,251        |
| <b>Total expenses recognised in the statement of profit and loss account</b> | <b>2,32,10,968</b> | <b>1,06,98,164</b> | <b>1,54,00,467</b> | <b>68,87,411</b> |

The gratuity and leave encashment expenses have been recognised in "salaries, wages and bonus" under note 26 of financial statement.

**B. Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2012.**

|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Present value of DBO at the beginning of year  | 6,73,72,321        | 1,63,62,698        | 5,86,16,085        | 1,54,46,105        |
| Current service cost                           | 77,35,044          | 37,17,888          | 63,31,676          | 28,83,604          |
| Interest cost                                  | 58,95,079          | 14,31,736          | 48,22,578          | 12,66,801          |
| Curtailment cost/(credit)                      | -                  | -                  | -                  | -                  |
| Settlement cost/(credit)                       | -                  | -                  | -                  | -                  |
| Plan amendments                                | -                  | -                  | -                  | -                  |
| Acquisitions                                   | -                  | -                  | -                  | -                  |
| Actuarial (gains)/losses                       | 1,19,02,344        | 55,48,540          | 62,61,347          | 26,88,251          |
| Benefits paid                                  | (84,15,311)        | (58,80,886)        | (86,59,365)        | (59,22,063)        |
| <b>Present value of DBO at the end of year</b> | <b>8,44,89,477</b> | <b>2,11,79,976</b> | <b>6,73,72,321</b> | <b>1,63,62,698</b> |

**C. Net Asset / (Liability) recognised in Balance Sheet as at March 31, 2012.**

|  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| Present value of defined benefit obligation              | 8,44,89,477          | 2,11,79,976          | 6,73,72,321          | 1,63,62,698          |
| Fair value on plan assets                                | 2,68,08,820          | -                    | 2,56,29,822          | -                    |
| Status [surplus/(deficit)]                               | (5,76,80,657)        | (2,11,79,976)        | (4,17,42,499)        | (1,63,62,698)        |
| Unrecognised past service cost                           | -                    | -                    | -                    | -                    |
| <b>Net Asset/(Liability) recognised in balance sheet</b> | <b>(5,76,80,657)</b> | <b>(2,11,79,976)</b> | <b>(4,17,42,499)</b> | <b>(1,63,62,698)</b> |

**D. Experience Adjustment**

(Amount in `)

|   | 2011-12       |                  | 2010-11       |                  | 2009-10       |                  | 2008-09     |                  | 2007-08     |                  |
|---|---------------|------------------|---------------|------------------|---------------|------------------|-------------|------------------|-------------|------------------|
|   | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment | Gratuity      | Leave Encashment | Gratuity    | Leave Encashment | Gratuity    | Leave Encashment |
| Present value of defined benefit obligation             | 8,44,89,477   | 2,11,79,976      | 6,73,72,321   | 1,63,62,698      | 5,94,94,533   | 1,54,46,105      | -           | -                | -           | -                |
| Fair value on plan assets                               | 2,68,08,820   | -                | 2,56,29,822   | -                | 2,21,81,824   | -                | 8,44,89,477 | 2,11,79,976      | 6,73,72,321 | 1,63,62,698      |
| Status [surplus/(deficit)]                              | (5,76,80,657) | (2,11,79,976)    | (4,17,42,499) | (1,63,62,698)    | (3,64,34,261) | (1,54,46,105)    | 2,68,08,820 | -                | 2,56,29,822 | -                |
| Experience adjustment on plan liabilities loss / (gain) | 56,37,402     | 48,25,702        | 57,91,134     | 24,32,572        | (26,11,096)   | (11,62,307)      | (29,57,968) | (9,52,579)       | -           | -                |
| Experience adjustment on plan assets (loss) / gain      | 1,13,733      | -                | 12,235        | -                | (57,121)      | -                | (80,904)    | -                | -           | -                |

**E. Change in Fair Value of Assets During the Year Ended March 31, 2012.**

(Amount in `)

|  | 2011-12            |                  | 2010-11            |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | Gratuity           | Leave Encashment | Gratuity           | Leave Encashment |
|  | Funded             | Unfunded         | Funded             | Unfunded         |
| Plan assets at the beginning of year   | 2,56,29,822        | -                | 2,21,81,824        | -                |
| Acquisition adjustment for plan assets | -                  | -                | -                  | -                |
| Expected return on plan assets         | 23,21,669          | -                | 20,15,134          | -                |
| Actuarial gains/(losses)               | (169)              | -                | -                  | -                |
| Actual company contribution            | 43,83,292          | -                | 52,90,266          | -                |
| Benefits paid                          | (55,25,794)        | -                | (29,60,962)        | -                |
| <b>Plan Assets at the end of year</b>  | <b>2,68,08,820</b> | <b>-</b>         | <b>2,65,26,262</b> | <b>-</b>         |

**F. Current & Non current liabilities as at March 31, 2012.**

|                         |                    |                    |                    |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Current liabilities     | 38,61,274          | 28,75,670          | 18,12,639          | 57,65,187          |
| Non-current liabilities | 5,14,11,770        | 3,88,66,829        | 4,43,93,905        | 1,05,97,511        |
|                         | <b>5,52,73,044</b> | <b>4,17,42,499</b> | <b>4,62,06,544</b> | <b>1,63,62,698</b> |

**G. Actuarial Assumptions**

|  | Percentage |                  | Percentage |                  |
|--|------------|------------------|------------|------------------|
|  | Gratuity   | Leave encashment | Gratuity   | Leave encashment |
| Discount rate (%) at March 31, 2012              | 8.25%      | 8.25%            | 8.25%      | 8.25%            |
| Expected return on plan assets at March 31, 2012 | 8.95%      | N.A.             | 8.95%      | N.A.             |
| Annual increase in salary cost                   | 3-5%       | 3-5%             | 3-5%       | 3-5%             |

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

**H. Basis used to determine the Expected Rate of Return on Plan Assets**

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are well diversified.

**NOTE 33 : SEGMENT REPORTING :**

In accordance with Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India, the Company has identified two business segments viz. Textile Manufacturing and Textile Trading. Further, two geographical segments by location of customers have been considered as secondary segments viz, within India and outside India .The segment wise disclosure are as follows:

**A. Business Segment Reporting**

(Amount in `)

| DESCRIPTION                          | TEXTILE-MANUFACTURING | TEXTILE-TRADING  | TOTAL             |
|--------------------------------------|-----------------------|------------------|-------------------|
| <b>Segment Revenue</b>               |                       |                  |                   |
| Total Revenue                        | 9,66,90,98,487        | 1,70,89,62,660   | 11,37,80,61,147   |
|                                      | (15,64,40,95,760)     | (1,52,46,68,418) | (17,16,87,64,178) |
| Inter - segment sales                | 47,20,58,402          | -                | 47,20,58,402      |
|                                      | (79,18,26,370)        | (-)              | (79,18,26,370)    |
| <b>External Sales</b>                | 9,19,70,40,084        | 1,70,89,62,660   | 10,90,60,02,745   |
|                                      | (14,85,22,69,391)     | (1,52,46,68,418) | (16,37,69,37,808) |
| <b>Segment Results</b>               | (1,32,64,88,029)      | 4,52,12,274      | (1,28,12,75,755)  |
|                                      | (1,06,52,82,928)      | (-9,989,217)     | (1,05,52,85,791)  |
| Unallocated corporate expenses (Net) | -                     | -                | 34,41,80,393      |
|                                      | (-)                   | (-)              | (11,35,26,973)    |

|   |                   |                |                         |
|---|-------------------|----------------|-------------------------|
| <b>Operating Profit</b>   | -                 | -              | (1,62,54,56,145)        |
|   | (-)               | (-)            | (94,17,58,818)          |
| Finance charges   | -                 | -              | 95,34,09,179            |
|   | (-)               | (-)            | (93,23,80,769)          |
| Interest income   | -                 | -              | 95,50,586               |
|   | (-)               | (-)            | (81,10,912)             |
| Dividend income   | -                 | -              | 3,207                   |
|   | (-)               | (-)            | (8,004)                 |
| <b>Profit/(Loss) before Prior period items, exceptional and Tax</b> | -                 | -              | <b>(2,56,93,11,531)</b> |
|   | (-)               | (-)            | (1,74,96,965)           |
| Exceptional Item  | -                 | -              | 16,73,95,417            |
|   | (-)               | (-)            | (-)                     |
| Income Tax  | -                 | -              | -                       |
|   | (-)               | (-)            | (150)                   |
| Income Tax written back   | -                 | -              | (65,76,928)             |
|   | (-)               | (-)            | (-)                     |
| MAT credit entitlement reversal                                     | -                 | -              | 3,68,52,305             |
|   | (-)               | (-)            | (-)                     |
| Fringe Benefit Tax  | -                 | -              | -                       |
|   | (-)               | (-)            | (-)                     |
| Prior Period Items  | -                 | -              | -                       |
|   | (-)               | (-)            | (-)                     |
| <b>Profit/(Loss) after tax</b>                                      | -                 | -              | <b>(2,76,69,82,325)</b> |
|   | (-)               | (-)            | (1,74,96,815)           |
| <b>OTHER INFORMATION</b>  |                   |                |                         |
| <b>Segment Assets</b>   | 10,84,68,42,464   | 15,60,67,273   | 11,00,29,09,737         |
|   | (13,73,50,35,292) | (28,17,44,439) | (14,01,67,79,731)       |
| Unallocated corporate assets  | -                 | -              | 43,70,30,023            |
|   | (-)               | (-)            | (-347,812,384)          |
| <b>Total Assets</b>   | -                 | -              | 11,43,99,40,760         |
|   | (-)               | (-)            | (13,66,89,67,347)       |
| <b>Segment liabilities</b>  | 2,86,84,83,156    | 3,31,56,953    | 2,90,16,40,108          |
|   | (3,33,72,46,524)  | (3,76,54,554)  | (3,37,49,01,078)        |
| Unallocated corporate liabilities                                   | -                 | -              | 10,18,54,92,217         |
|   | (-)               | (-)            | (9,01,77,96,657)        |
| <b>Total Liabilities</b>  | -                 | -              | 13,08,71,32,325         |
|   | (-)               | (-)            | (12,39,26,97,735)       |
| Capital expenditure incurred during the year                        | -                 | -              | 11,77,70,276            |
|   | (-)               | (-)            | (43,49,99,099)          |
| Depreciation and amortisation for the year                          | -                 | -              | 78,17,31,879            |
|   | (-)               | (-)            | (74,23,62,934)          |

**B) GEOGRAPHICAL SEGMENT REPORTING:**

(Amount in `)

| DESCRIPTION   | REVENUE           | ASSETS            |
|---------------|-------------------|-------------------|
| Domestic      | 2,54,03,56,647    | 4,18,57,77,555    |
|               | (2,21,74,89,554)  | (5,91,43,51,227)  |
| Outside India | 8,36,56,46,099    | 7,25,41,62,205    |
|               | (14,15,94,48,253) | (7,75,46,16,120)  |
| Current Year  | 10,90,60,02,745   | 11,43,99,39,760   |
| Previous Year | (16,37,69,37,808) | (13,66,89,67,347) |

**NOTES 34 : RELATED PARTY DISCLOSURES :**

In accordance with the requirements of Accounting Standard (AS) - 18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management, are :

**Enterprises Under Significant Influence:**

- i) Himalayan Crest Power Private Limited.
- ii) CLC & Sons (P) Limited
- iii) CLC Technologies Private Limited

**Key Management Personnel**

- i) Mr. Ajay Kumar Choudhary Chairman & Whole Time Director
- ii) Mr. Mukund Choudhary Managing Director
- iii) Mr. Kapil Choudhary Deputy Managing Director
- iv) Mr. Amrit Agrawal Director - Finance
- v) Mr. Sitaram Parthasarathy Director - Works

(Amount in `)

| 1. Remuneration to Key Management Personnel                                     | Current Year        | Previous Year       |
|---|---------------------|---------------------|
| i) Mr. Ajay Kumar Choudhary   | 75,61,195           | 69,48,000           |
| ii) Mr. Mukund Choudhary  | 75,61,195           | 69,48,000           |
| iii) Mr. Kapil Choudhary  | 75,61,195           | 69,48,000           |
| iv) Mr. Amrit Agrawal   | 68,37,040           | 59,49,996           |
| v) Mr. Sitaram Parthasarathy  | 66,96,468           | 65,49,990           |
| <b>Total</b>  | <b>3,62,17,093</b>  | <b>3,33,43,986</b>  |
| <b>2. Allotment of Equity Shares to Enterprises under significant influence</b> |                     |                     |
| CLC Technologies Private Limited  | 1,95,00,000         | 7,58,90,000         |
| <b>Total</b>  | <b>1,95,00,000</b>  | <b>7,58,90,000</b>  |
| <b>3. Issuance of Share Warrant to Enterprises under significant influence</b>  |                     |                     |
| CLC Technologies Private Limited  | -                   | 11,00,07,500        |
| <b>Total</b>  | <b>-</b>            | <b>11,00,07,500</b> |
| <b>4. Guarantees outstanding at year end.</b>                                   |                     |                     |
| M/s Himalayan Crest Power Private Limited                                       | 21,18,23,570        | 24,83,13,698        |
| <b>Total</b>  | <b>21,18,23,570</b> | <b>24,83,13,698</b> |

**NOTE 35 : EARNING PER SHARE**

The following table reconciles the numerators and denominators used to calculate basic and diluted EPS for the year:

(Amount in `)

| Description   | Current Year     | Previous Year |
|---|------------------|---------------|
| Net profit/(loss) attributable to equity shareholders | (2,76,69,82,325) | 1,74,96,816   |
| <b>Weighted Average Shares Outstanding</b>            |                  |               |
| Weighted average shares outstanding                   | 8,30,58,336      | 7,69,73,940   |
| Effect of dilutive securities                         | -                | 2,86,563      |
| Diluted weighted average shares outstanding           | 8,30,58,336      | 7,72,60,503   |
| Nominal value of equity shares (`)                    | 10               | 10            |
| Basic earnings per shares (`)                         | (33.31)          | 0.23          |
| Diluted earnings per shares (`)                       | (33.31)          | 0.23          |



**NOTE 36 : TAXATION****Deferred Tax****Break-up of Deferred Tax Assets and Liabilities.**

(Amount in `)

| Description  | Current Year          | Previous Year       |
|--|-----------------------|---------------------|
| <b>Deferred tax liability recognised on account of timing difference:</b>        |                       |                     |
| Tax impact of difference in net book value of fixed assets as per Accounts & Tax | 38,59,67,401          | 41,47,39,944        |
| <b>Total Deferred Tax liabilities [A]</b>  | <b>38,59,67,401</b>   | <b>41,47,39,944</b> |
| <b>Deferred tax asset recognised on account of timing difference:</b>            |                       |                     |
| Tax impact of provision for doubtful debts and advances                          | 8,96,68,235           | 1,61,01,180         |
| Tax impact of disallowances under section 43B of the Income tax Act, 1961        | 9,35,59,834           | 1,41,78,611         |
| Tax Impact on carrying charges 40 (a)  | -                     | 1,29,60,877         |
| <b>Realisation of tax impact of:</b>   |                       |                     |
| Tax impact of Unabsorbed depreciation and business losses                        | 92,62,84,398          | 71,47,50,075        |
| <b>Total Deferred Tax Asset [B]</b>  | <b>1,10,95,12,467</b> | <b>75,79,90,743</b> |
| <b>Deferred Tax Asset/ (Deferred Tax Liability) (B-A)</b>                        | <b>72,35,45,066</b>   | <b>34,32,50,799</b> |
| <b>Charge to Statement of Profit and Loss</b>                                    | -                     | -                   |
| <b>Net Deferred Tax Asset/ (Deferred Tax Liability)</b>                          | <b>72,35,45,066</b>   | <b>34,32,50,799</b> |

Note: The Company has not recognised above Deferred Tax assets on account of prudence

**NOTE 37**

During the year 2006-07, Spentex ( Netherlands ) B.V received USD 15,000,000 from Citigroup Venture Capital International Growth Partnership Mauritius Ltd. (CVC) for issue of Preference Share Capital which is still pending allotment at the year end.

**NOTE 38**

Gain/(Loss) on foreign currency translation on restatement of balance brought forward from previous year represents foreign currency fluctuation on restatement of profit brought forward in respect of foreign subsidiaries.

**NOTE 39**

The Butibori Unit of the Synthetic Division had been exporting its goods under Rule 18 of the Central Excise Rules 2002 and claiming rebate on both input and output stage of duty. The Central Excise Department disallowed the rebate on Input Stage of duty at Butibori unit. The Synthetic Division has filed a revision petition with the Joint Secretary, Government of India who allowed rebate for both the stages of duty.

However, the Department appealed in the Hon'ble High Court of Mumbai which was upheld by the Hon'ble High Court. The Synthetic Division has now filed a Special Leave Petition before the Hon'ble Supreme Court of India for quashing the Hon'ble High Court Order and allowing the rebate on input stage of duty.

Pending the decision in the matter by the Hon'ble Supreme Court, the Synthetic Division has not yet reversed the rebate receivable on input duty aggregating to ` 52,879,724 (including ` 2,826,621 at its Pithampur Unit).

Further, relying on the judgment of the Hon'ble High Court of Mumbai for the Butibori unit, a demand has been raised by the Department on the Pithampur unit of the Synthetic Division against the refund already given of the rebate on input stage of duty amounting to ` 60,216,366 along with interest. Also, pending claims for the input stage of duty amounting to ` 2,826,621 have been disallowed during 2006-07. The Pithampur unit has gone into appeal against the said demand / disallowance. The Commissioner (Appeals) has rejected the appeal of the Synthetic Division for the pending claim, while the decision has been kept pending against the demand till the final order is received from the higher authority (Revision Authority).

While the management is hopeful of the decision of the case in its favour, it is also reasonably confident of the liquidation / utilization of these cenvat balances of ` 113,096,090.

**NOTE 40**

The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulation for computing the taxable income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing of Return of Income. For the year ended March 31, 2012, the Company has initiated the process of compliance with the said transfer pricing regulations for which the prescribed certificate of the accountant will be obtained and the Company does not envisage any tax liability.

# SPENTEX INDUSTRIES LIMITED

## NOTE 41

Pursuant to the exemption granted by the Department of Company affairs, Government of India, the Parent Company is publishing the consolidated and standalone financial statements of Spentex Industries Limited and its subsidiaries. The financial statements and auditors' report of the individual subsidiaries are available for inspection by the shareholders at the registered office. However, the information in aggregate on capital, reserves, total assets, total liabilities, details of investments turnover, profit before taxation, provision for taxation, profit/(loss) after taxation and proposed dividend for each subsidiary follows:

| Sl. No. | Name of Subsidiary   | Amit Spinning Industries Ltd. | Schoeller Textile (Netherlands) B.V. | Spentex Tashkent Toytepa, LLC | Schoeller Textil Verwaltungs GmbH | Spentex (Netherlands) B.V. | Spentex (Mauritius) Pvt. Ltd. | Botekos Plus s.r.o. | Spentex Cyprus Pvt. Ltd. |
|---------|--|-------------------------------|--------------------------------------|-------------------------------|-----------------------------------|----------------------------|-------------------------------|---------------------|--------------------------|
| 1       | Share Capital (including share application money)  | 20,58,48,335                  | 12,21,307                            | 88,78,39,909                  | -                                 | 76,44,01,718               | -                             | 5,15,595            | -                        |
|         |  | (20,58,48,335)                | (11,37,313)                          | (80,86,04,468)                | (15,79,601)                       | (67,01,01,641)             | (89)                          | (4,80,135)          | (1,02,646)               |
| 2       | Reserves and Surplus   | (59,35,73,368)                | (1,00,89,36,148)                     | 17,57,93,748                  | -                                 | 18,33,90,572               | -                             | -                   | -                        |
|         |  | (-293,402,807)                | (93,81,69,999)                       | (37,43,35,815)                | (2,51,030)                        | (27,30,96,226)             | (17,02,744)                   | (-)                 | (8,16,086)               |
| 3       | Total Assets (Fixed Assets + Incidental Expenditure Pending Capitalisation + current assets + Deferred Tax Asset + Miscellaneous Expenditure | 77,93,43,627                  | (13,163)                             | 4,18,60,14,062                | -                                 | 1,60,44,83,853             | -                             | 5,15,595            | -                        |
|         |  | (91,09,36,538)                | (7,393)                              | (4,23,75,58,168)              | (13,28,571)                       | (1,46,74,22,521)           | -                             | (4,80,135)          | -                        |
| 4       | Total Liabilities (Debts + Current Liabilities+Deferred Tax Liability)   | 1,16,70,91,891                | 1,09,01,25,944                       | 3,12,23,80,405                | -                                 | 2,48,15,48,784             | -                             | -                   | -                        |
|         |  | (99,85,14,241)                | (10,49,28,329)                       | (3,05,46,17,840)              | -                                 | (2,12,37,99,717)           | (18,05,301)                   | -                   | (7,13,440)               |
| 5       | Investment   | 23,231                        | 19,48,97,306                         | -                             | -                                 | 1,82,48,57,237             | -                             | -                   | -                        |
|         |  | (23,231)                      | (18,30,41,355)                       | -                             | -                                 | (1,59,95,75,078)           | (1,02,646)                    | -                   | -                        |
| 6       | Turnover   | 57,79,79,523                  | -                                    | 40,60,28,613                  | -                                 | -                          | -                             | -                   | -                        |
|         |  | (1,26,26,04,035)              | -                                    | (4,11,81,43,120)              | -                                 | -                          | -                             | -                   | -                        |
| 7       | Profit/(loss) before Taxation  | (30,01,70,561)                | (14,37,365)                          | (49,48,87,167)                | -                                 | (12,07,31,744)             | -                             | -                   | -                        |
|         |  | (-2,258,982)                  | (5,12,573)                           | 1,60,36,202                   | -                                 | (2,85,69,905)              | -                             | -                   | -                        |
| 8       | Provision for Taxation ( Deferred Tax)   | -                             | -                                    | -                             | -                                 | -                          | -                             | -                   | -                        |
|         |  | (150)                         | -                                    | -                             | -                                 | -                          | -                             | -                   | -                        |
| 9       | Profit/(loss) after Taxation   | (30,01,70,561)                | (14,37,365)                          | (49,48,87,167)                | -                                 | (12,07,31,744)             | -                             | -                   | -                        |
|         |  | (-2,259,132)                  | (5,12,573)                           | (1,60,36,202)                 | -                                 | (2,85,69,905)              | -                             | -                   | -                        |
| 10      | Proposed Dividend  | -                             | -                                    | -                             | -                                 | -                          | -                             | -                   | -                        |
|         |  | (-)                           | (-)                                  | (-)                           | (-)                               | (-)                        | (-)                           | (-)                 | (-)                      |

Figures shown in brackets represents previous year figures.

## NOTE 42

The financial statements for the year ended 31st March, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared under revised Schedule VI. Accordingly, the previous year figure have also been reclassified to conform to this year's classification.

## NOTE 43

The outstanding balance as on 31st March, 2012 in respect of certain trade receivables, trade payables and loans & advances are subject to confirmation/reconciliation and consequential adjustment if any from the respective parties. The management, however, does not expect any material variations.

Notes referred to above form an integral part of Consolidated Financial Statements

For **J.C. Bhalla & Company**  
Firm Reg. No. 001111N  
Chartered Accountants

**Akhil Bhalla**  
Partner  
Membership No : 505002

On behalf of the Board  
Mukund Choudhary Managing Director  
Kapil Choudhary Deputy Managing Director  
Sitaram Parthasarathy Director - Works  
Amrit Agrawal Director - Finance  
Ranjan Mangtani Sr. Vice President Corporate and Legal Affairs & Company Secretary

Place : New Delhi  
Date : August 9, 2012

## SPENTEX INDUSTRIES LIMITED

Regd. Office: A-60, Okhla Industrial Area, Phase II, New Delhi 110 020

### ATTENDANCE SLIP

DP ID .....

Regd. Folio No. ....

Client ID .....

No. of Shares held .....

I certify that I am a registered Member/Proxy for the registered member of the Company. I hereby record my presence at the 20th Annual General Meeting of the Company on Friday the 28th September, 2012 at 10.30 A.M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019

.....  
Name of the Member/Proxy ( in BLOCK LETTERS)

.....  
Signature of Member/Proxy

Note: Please complete this attendance slip and hand it over at the Entrance of the Meeting Hall

## SPENTEX INDUSTRIES LIMITED

Regd. Office: A-60, Okhla Industrial Area, Phase II, New Delhi 110 020

### PROXY FORM

I/We ..... of ..... being a member/members of the above named Company hereby appoint Mr./Mrs./Ms. .... or failing ..... of ..... as my/our Proxy to attend and vote for me/us on my/our behalf at the 20th Annual General Meeting of the Company to be held on Friday the 28th September, 2012 at 10.30 A..M. at Bipin Chandra Pal Memorial Bhavan, A-81, Chittaranjan Park, New Delhi 110 019.

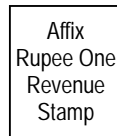
Signed this ..... day of ..... 2012.

Signature .....

DPID & Client ID No. ....

Folio No. ....

No of Shares held .....



**Note :** THIS FORM DULY COMPLETED MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.

**SPENDEX INDUSTRIES LTD.-BARAMATI**



**CIMMCO SPINNERS. SOLAPUR**



**SPENDEX INDUSTRIES LTD.-PITHAMPUR**



**SPENDEX INDUSTRIES LTD.-BUTIBORI**



**AMIT SPINNING INDUSTRIES LTD.-KOLHAPUR**



**SPENDEX TASHKENT TOYTEPA LLC-TASHKENT**



**SPENDEX INDUSTRIES LTD. - CZECH REPUBLIC**



**SPENDEX TASHKENT TOYTEPA LLC-TOYTEPA**

