

ZENITH EXPORTS LIMITED



**30th
Annual Report & Accounts
2011 - 12**



COUNCIL FOR LEATHER EXPORTS

(Sponsored by Ministry of Commerce & Industry, Govt. of India)

*CMDA Tower II, 3rd Floor, Gandhi Irwin Bridge Road,
Egmore, Chennai - 600 008.*

Certificate

*Council for Leather Exports
is pleased to award*

Second Place

to

M/s. Zenith Exports Ltd

Kolkata

for excellent export performance
during 2010-11 in

Industrial Leather Products

Above ₹50 Crores and upto ₹100 Crores Category

M. Rafeeqe Ahmed
Chairman

Rajendra Kumar Jalan
Vice-Chairman

Ali Ahmed Khan
Executive Director

Performance award of the Company



BOARD OF DIRECTORS

Mr. S. K. Loyalka, Chairman-cum-Managing Director
Mr. R. K. Loyalka, Jt. Managing Director
Mr. V. K. Loyalka, Wholetime Director
Mr. M. M. Bhagat, Independent Director
Mr. K. D. Rungta, Independent Director
Mr. M. L. Jain, Independent Director
Mr. D. K. Sarawgee, Independent Director

COMPANY SECRETARY

Mr. Lawkush Prasad

AUDITORS

M/s. Tiwari & Company
Chartered Accountants
107/1, Park Street
Kolkata-700 016

PRINCIPAL BANKERS

Canara Bank
State Bank of India

REGISTERED OFFICE

19, R. N. Mukherjee Road
First Floor, Kolkata-700 001
Phone : 91-33-2248 6936 / 7071 / 9522
Fax : 91-33-2248 0960/ 9853
E-mail : zenith@giascl01.vsnl.net.in
Website : www.zenexports.com

WORKS

ZENITH SPINNERS

Dholka Bagodara State Highway
Village - Sarandi
Taluka-Dholka
Dist.-Ahmedabad, PIN-387 810

ZENITH TEXTILES

13, A/B/C, Industrial Area
Nanjangud
Dist.-Mysore, PIN-571 302
Karnataka

REGISTRAR AND TRANSFER AGENT

C B Management Services (P) Ltd.
P-22, Bondel Road, Kolkata - 700 019
Telephone - 4011 6700 / 6711 / 6718 / 6723
Fax : 2287 0263, E-mail - rta@cbmsl.com
Website : www.cbmsl.com

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**NOTICE**

NOTICE is hereby given that the **30th Annual General Meeting** of the members of **ZENITH EXPORTS LIMITED** will be held on Saturday, 29th September 2012 at 10.30 A.M., at the ground floor, Auditorium of Birla Academy of Art & Culture, 108, Southern Avenue, Kolkata – 700 029 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2012 and Profit & Loss Account for the year ended on that date together with the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mr. R. K. Loyalka, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. M. Bhagat, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s. Tiwari & Company, Chartered Accountants as Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, on such remuneration as may be determined by the Board of Directors of the Company and to give authority to the Board of Directors of the Company to appoint Branch Auditors in consultation with the Statutory Auditors of the Company for the Company's Spinning & Weaving divisions and further authority to the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to section 257 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, Mr. D. K. Sarawgee, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered & Head Office
19, R. N. Mukherjee Road,
First Floor, Kolkata – 700 001
Dated : August 13th, 2012

By Order of the Board
LAWKUSH PRASAD
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
 2. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item no. 5 of the notice set out above is annexed thereto.
 3. Printed Copies of Balance Sheet, Profit and Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ended 31st March, 2012 are enclosed as prescribed by Section 219 of the Companies Act, 1956.
 4. Members and Proxies are requested to bring the enclosed filled-in Attendance slip, to the meeting.
 5. The Register of Beneficial owners, Register of Members and the Transfer Books of the company shall remain closed from 24/09/2012 to 29/09/2012 (both days inclusive).
 6. Members desirous of getting any information on the accounts or operations of the company or share related matters are requested to forward their queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
 7. Members holding shares in physical form are requested to inform change of address, bank details & email ID, immediately to Registrar and Share Transfer Agents, M/s. C. B. Management Services Private Limited, P-22, Bondel Road, Kolkata-700 019 and in case shares are held in demat form, request for change of address, bank details & email ID be made to the Depository Participant's where the demat account is maintained.
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The members are also requested to send all correspondence relating to Shares, including transfers and transmissions, to the said Registrar directly for speedy disposal.

8. Members who have not appointed nominee(s) are requested to appoint nominee(s). The prescribed form for appointment of nominee(s) will be made available on request.
9. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the Investor Education & Protection Fund (IEPF) of the Central Government. Shareholders who have not yet encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4, A. J. C. Bose Road, Kolkata - 700 020.
10. Further, Pursuant to Section 205A(5) of the Companies Act, 1956, as amended, any money transferred to the unpaid dividend account of a company remaining unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the Investor Education and Protection Fund or the Company. Kindly note that in terms of Section 205C of the Companies Act, 1956, the unclaimed dividend for the financial year 1995-96, 1996-97 & 2003-04 have been transferred to Investor Education and Protection Fund.
11. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
12. Shareholders are requested to bring their copies of Annual Reports to the Meeting.
13. The information pertaining to Directors seeking Re-appointment at the Annual General Meeting, in terms of clause 49 of the Listing Agreement with the Stock Exchanges are given below :

Particulars	Mr. R. K. Loyalka	Mr. M. M. Bhagat
Date of Birth	15.11.1944	21.08.1933
Date of Appointment	23.07.1981	30.11.1996
Qualifications	B.E.E.	B. Com./A.C.I.I.
Expertise in specific functional areas	33 years of Experience in production and exports	42 years of Experience in Insurance
Directorship held in other Companies(excluding foreign companies)	S. M. Loyalka Hospital	i. VCK Share & Stock Broking Services Ltd. ii. Hindalco Industries Ltd. iii. Aditya Birla Insurance Brokers Ltd. iv. VCK Capital Market Services Limited v. Birla Family Investments Pvt. Ltd.
Membership/Chairmanship of Public Limited companies : Audit Committee	None	i. Hindalco Industries Ltd. – Chairman ii. VCK Capital Market Services Ltd. – Chairman iii. Zenith Exports Ltd. – Member
Remuneration Committee	None	i. Zenith Exports Ltd. – Chairman

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Dated : August 13, 2012

By Order of the Board
LAWKUSH PRASAD
Company Secretary



EXPLANATORY STATEMENT

As required under Section 173(2) of the Companies Act, 1956.

Item No. 5

In terms of proviso of clause 82 of the Articles of Association and in accordance with the Section 260 of the Companies Act, 1956, Mr. D. K. Sarawgee was appointed as an additional director of the Company with effect from 10th December, 2011 to hold office till conclusion of this Annual General Meeting.

Notice has been received pursuant to Section 257 of the Companies Act, 1956 together with necessary deposit of Rs. 500/- proposing Mr. D. K. Sarawgee as a Director of the Company liable to retire by rotation.

Registered & Head Office
19, R. N. Mukherjee Road,
First Floor, Kolkata – 700 001
Dated : August 13, 2012

By Order of the Board
LAWKUSH PRASAD
Company Secretary



DIRECTORS' REPORT

Your Directors have pleasure to present the 30th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2012.

(Rs. in lacs)

FINANCIAL HIGHLIGHTS

	Current Year ended 31.03.2012	Previous Year ended 31.03.2011
Turnover and other Income	27599.38	24299.99
Profit before Depreciation and Tax	554.02	1004.95
Depreciation	631.46	640.02
Profit before Tax	(77.44)	364.93
Income Tax for earlier years	8.58	—
	(68.86)	364.93
Tax Expenses (Current & Deferred)	(34.53)	127.13
Net Profit After Tax	(34.33)	237.80
Add : Surplus Brought Forward	3797.93	3560.13
Surplus Carried to Balance Sheet	3763.60	3797.93

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The sales have increased to Rs. 25487.58 lacs against Rs. 22503.46 lacs in the previous year, an increase of 13.26%. The Company has incurred loss before tax of Rs. 77.44 lacs as against profit of Rs. 364.93 lacs in the previous year. The Net Loss after Tax (including deferred tax) is Rs. 34.33 lacs as against profit of Rs. 237.80 lacs in the previous year.

WEAVING DIVISION

Due to slowdown of European economy, the sales & profitability was under stress. However due to recovery in USA, we were able to maintain sales and reduce our financial losses compared to last year. High fluctuation in the price of raw silk in the international market and other commodity during the year under review has seriously affected the bottom lines of the division.

SPINNING DIVISION

High volatility in the price of raw cotton, ban on export of cotton yarn by the Govt., high power, labour & infrastructural cost has adversely affected the bottom line of the division. We are exploring the new markets, which would give us a better turnover and profit margin.

EXPANSION PROJECT

WEAVING DIVISION

No major expansion project was initiated by the Company at its Weaving division at Nanjangud, Mysore during the year under review. However arrangements are being made to import good quality looms to cope up the additional requirement of velvet fabrics.



SPINNING DIVISION

The Company has installed further 1872 nos. of spindles and some other ancillary machines during the year under review to meet the additional demand of yarn from USA and other continent.

DIVIDEND

Due to adverse results for the year under review, the Board of Directors do not recommend any dividend for this year.

FINANCE

The Company has not taken any term loan during the year. However, installments against the existing term loans are being paid regularly.

PARTICULARS OF EMPLOYEES

There was no employee drawing salary in excess of the limits as prescribed under Section 217(2A) of the Companies Act, 1956. Hence, information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975, as amended has not been provided in this report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars in respect of conservation of energy and technology absorption are given in annexure 'A' forming part of this report pursuant to section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

CORPORATE GOVERNANCE

Your Company complies with all the mandatory requirements pertaining to Corporate Governance, in terms of revised Clause 49 of the Listing Agreement with the Stock Exchanges. A detailed report on Corporate Governance along with a copy of certificate from the Statutory Auditors regarding compliance of conditions on Corporate Governance is annexed thereto.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of Companies Act, 1956, your directors hereby confirm that :

- I] in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- II] the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2012 and profit and loss for the year ended on that day;
- III] the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- IV] the Directors had prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis as required under Clause 49(IV)(F) is disclosed separately in this report.

DEPOSITS

In terms of the provision of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits rules) 1975, the Company has not accepted any fixed deposits during the year under review.

**DIRECTORS**

Mr. B. R. Loyalka resigned from the Board of Directors of the Company w.e.f. 25.06.2012 on ground of advance age.

Mr. Devendra Kumar Sarawgee was appointed as an Additional Director on the Board of Directors of the Company w.e.f. 10.12.2011. He ceases to be a Director on the date of 30th Annual General Meeting. Notice u/s. 257 of the Companies Act, 1956 has been received in respect of his appointment as a Director on the Board.

The following Directors retire by rotation and being eligible, offer themselves for reappointment :

- a) Mr. R. K. Loyalka
- b) Mr. M. M. Bhagat

AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Your Directors request you to appoint the existing auditors as statutory auditors for the current year also.

CAUTIONARY STATEMENT

Certain Statements in the Management Discussion and Analysis describing the Company's view about the industry, expectations/predictions, objectives etc. may be forward looking within the meaning of applicable laws and regulations. Actual results may differ from those implied therein. Important factors that could make a difference include raw materials availability and prices, demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, industrial relations and economic developments within India and countries with which the Company conducts business and other incidental factors.

APPRECIATION

Your Directors place on record their deep appreciation of the continued support and guidance provided by Central and State Government and all Regulatory bodies.

Your Directors offer their heartiest thanks to the esteemed shareholders, customers, business associates, Financial Institutions and Commercial Banks for the faith reposed by them in the Company and its management.

Your Directors place on record their deep appreciation of the dedication and commitment of Company's officers and employees at all levels and look forward to their continued support in future as well.

For and on behalf of the Board of Directors
S. K. LOYALKA
Chairman-cum-Managing Director

Place : Kolkata
Dated : August 13th, 2012



ANNEXURE – A TO THE DIRECTORS’ REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Director’s Report for the year ended 31st March, 2012.

I. CONSERVATION OF ENERGY

- a) Invertors and capacitors have been installed to conserve power. As a result power consumption is reduced.
- b) The Company is making all round efforts for the Conservation of Energy.
- c) Due to high oil prices use of captive furnace oil generators is reduced and Grid connection has been taken to reduce the power costs. Maximum efforts are being put in to reduce consumption and conservation of power, the major expenditure in the Spinning Industry.
- d) The required data with regard to conservation of energy are furnished below :

FORM - A

A. POWER & FUEL CONSUMPTION

	CURRENT YEAR 2011-2012		PREVIOUS YEAR 2010-2011	
	Spinning	Weaving	Spinning	Weaving
i) ELECTRICITY				
a) Purchased Unit (KWH in lacs)	152.53	20.09	163.46	21.93
Total Amount (Rs. in lacs)	975.62	117.09	967.37	119.11
Rate/Unit (in Rs.)	6.40	5.83	5.92	5.43
b) Own Generation				
I) Through Furnace Oil				
Generated Units (KWH in lacs)	—	—	0.81	—
Unit/Litre	—	—	2.08	—
Cost/Unit (Rs./Unit)	—	—	10.03	—
II) Through Steam Turbine Generator	—	—	—	—
III) Through Diesel Generator				
Generated Units (KWH in lacs)	—	0.30	—	0.35
Unit/Litre of Diesel	—	2.97	—	3.12
Cost/Unit (Rs./Unit)	—	10.59	—	10.07
ii) COAL	NIL	NIL	NIL	NIL
iii) FURNACE / OTHER OIL				
Quantity (in lacs ltrs.)	0.00	3.00	0.39	2.88
Total Amount (Rs. in lacs)	0.00	118.94	8.10	84.40
Average rate per litre (Rs.)	0.00	39.70	20.81	29.31
iv) Other Internal Generation	NIL	NIL	NIL	NIL
B. CONSUMPTION PER UNIT OF PRODUCTION				
Electricity (KWH)	3.14	10.66	3.36	9.22
Furnace Oil (Ltrs.)	0.00	1.60	0.01	1.16
Standard (KWH)	3.50	—	3.50	—

**FORM-B****II. FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT****RESEARCH & DEVELOPMENT**

Specific areas, in which R & D carried out, benefit derived, future plan of action.

i) Weaving Division

The unit is continuously engaged in enriching the quality of its final products by evaluating and improving its Production Process, Product Development, New designs, Better mix of Raw Materials. To absorb modern manufacturing technology, technical people are constantly given training and skill development programmes.

ii) Spinning Division

1. The Spinning unit is continuously trying to improve the quality of its products by optimizing the process parameters, manufacturing process and adopting standard methods.
2. Research and Development (Energy Audit) is carried out by separate Textile Research Association for Textile units situated at Ahmedabad (AITRA).
3. The expenditure incurred on Research and Development is not separately accounted for.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**EFFORTS IN BRIEF TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION, BENEFITS DERIVED AS A RESULT OF ABOVE EFFORTS.**

Weaving Division

Continuous upgrading and overhauling of each machine is being carried out to improve their quality and productivity.

Spinning Division

1872 nos. of spindles were successfully installed during the year under review from internal accruals of the company. Continuous upgrading and overhauling of each machine is being carried out to improve their quality and productivity.

We have added latest machines and balancing equipments to support the existing machineries.

FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products & services and export plans
- ii) Export Sales during the year was Rs. 23522 lacs, compared to Rs. 20524 lacs in the preceding year. The Export sales increased by Rs. 2998 lacs, 15% over the last year, due to recovery of USA economy and other continent. Necessary steps are being taken by the management to access new markets with a view to enhance the turnover further.
- iii) The required data with regard to Foreign Exchange earnings and outgo are furnished below :

(Rs. in Lacs)

	CURRENT YEAR 2011-12	PREVIOUS YEAR 2010-11
Earnings	22809.95	20153.58
Outgo	1425.16	2062.45

Dated : August 13th, 2012
Place : Kolkata

For and on behalf of the Board of Directors
S. K. LOYALKA
Chairman-cum-Managing Director

**REPORT ON CORPORATE GOVERNANCE****I. Company's Philosophy on Corporate Governance**

The company strongly believes in fair, efficient and transparent business operations, fairness to all stakeholders in the company, proper disclosure of relevant financial and non-financial information and enhancing shareholders value on a continuing basis.

II. Board of Directors

a. As at March 31, 2012 the Board consisted of eight members. More than 50% of the Board comprised of Non-Executive Directors and 50% are Independent Directors. The Board also met the stipulated requirement of having at least one-third of independent directors, the Chairman being Non-executive.

Sl. No.	Directors	Composition / Category	Number of outside Directorships *	Number of outside Committee position ** held	
				As Chairman	As Member
1.	Mr. B. R. Loyalka # <i>Chairman</i>	Promoter / Non-Executive	—	—	—
2.	Mr. R. K. Loyalka <i>Managing Director</i>	Promoter / Executive	—	—	—
3.	Mr. S. K. Loyalka <i>Managing Director</i>	Promoter / Executive	2	—	—
4.	Mr. V. K. Loyalka	Wholetime Director	0	—	—
5.	Mr. M. M. Bhagat	Non-Executive / Independent	4	2	—
6.	Mr. K. D. Rungta	Non-Executive / Independent	—	—	—
7.	Mr. M. L. Jain	Non-Executive / Independent	4	1	1
8.	Mr. D. K. Sarawgee	Non-Executive / Independent	1	—	—

* excluding private companies, foreign companies and companies under section 25 of the Companies Act, 1956.

** only the position held in committees, such as audit and Share Transfer & Investors' Grievance Committee in Indian Public Limited Companies have been considered.

Mr. B. R. Loyalka resigned from the Board of Directors of the Company and committees of the Board w.e.f. 25.06.2012.

The Board of Directors met six times during the year on 12.05.11, 25.07.11, 08.08.11, 29.08.11, 14.11.11 and 11.02.12. The company has held one meeting in every three months and the maximum gap between any two meetings was not more than four months.



Sl. No.	Director	No. of Meetings		AGM held on 30th September, 2011
		Held during the tenure of Directorship	Attended	
1.	Mr. B. R. Loyalka	6	3	Present
2.	Mr. R. K. Loyalka	6	2*	Present
3.	Mr. S. K. Loyalka	6	2*	Present
4.	Mr. V. K. Loyalka	2	0	Absent
5.	Mr. M. M. Bhagat	6	6	Present
6.	Mr. K. D. Rungta	6	6	Present
7.	Mr. M. L. Jain	6	6	Present
8.	Mr. D. K. Sarawgee	1	1	N.A.

* 1 Meeting was attended through Video Conference.

Information provided to the board members :

- Annual operating plans and budgets including capital budgets and any updates thereof.
- Quarterly results of the Company and its business segments.
- Minutes of meeting of Audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers of Board level, including appointment or resignation of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company or substantial non-payment for services rendered by the Company.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in shares transfer etc.

Risk Management

The Company has laid down systems to inform members about the risk assessment and minimization procedures. The risks and Company's mitigation strategies are periodically reviewed to ensure effective controls.

III. Audit Committee

1. Terms of Reference

The Company has an Audit committee at the Board level with the powers and the role that are in accordance with Clause 49 of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting processes.

**2. Composition**

The composition of the Committee and the number of meetings attended by each of the members are given below :

Sl. No.	Name of the Member	No. of Meetings Held during the tenure of membership	No. of Meetings Attended
1.	Mr. K. D. Rungta #	5	5
2.	Mr. B. R. Loyalka	5	2
3.	Mr. M. M. Bhagat	5	5
4.	Mr. M. L. Jain	5	5

Mr. K. D. Rungta is the Chairman of the Audit Committee of the Company and has the requisite knowledge and experience of over 6 decades in financial matters.

All the above Directors are Non-Executive and majority of them including the Chairman are Independent.

3. Meetings

The Meetings held five times during the year on 12.05.11, 25.07.11, 08.08.11, 14.11.11 & 11.02.11 to review Quarterly Unaudited Financial Results and Annual Audited Financial Results.

IV. Remuneration Committee**1. Terms of Reference**

The Remuneration Committee decides about the remuneration and other payments to Directors of the Company subject to approval of Shareholders and Central Government as and when necessary.

2. Composition

The composition of the Committee and the number of meetings attended by each of the members are given below :

Sl. No.	Name of the Member	Designation	No. of Meetings Held during the tenure of membership	No. of Meetings Attended
1.	Mr. M. M. Bhagat #	Chairman	1	1
2.	Mr. B. R. Loyalka	Member	1	1
3.	Mr. K. D. Rungta	Member	1	1

Mr. M M. Bhagat, is the Chairman of the Committee and has requisite knowledge & experience of over 5 decades in financial and insurance matter.

All the above Directors are Non-Executive and majority of them including the Chairman are Independent.

3. Meeting

The committee met on 29.08.11 for consideration of appointment of Mr. V. K. Loyalka as a Wholetime Director

**4. Details of Remuneration paid to Directors**

The remuneration / sitting fees paid / payable to the Executive Directors and Non-Executive Directors for the year 2011 – 2012 are as under :-

(Amount in Rs.)

Name of the Director	Salary & Perquisites	Sitting Fees
Executive Directors		
1. Mr. R. K. Loyalka	18,34,236/-	—
2. Mr. S. K. Loyalka	19,40,790/-	—
3. Mr. V. K. Loyalka	1,58,967/-	—
Non-Executive Directors		
1. Mr. B. R. Loyalka	—	19,000/-
2. Mr. M. M. Bhagat	—	34,000/-
3. Mr. K. D. Rungta	—	46,000/-
4. Mr. M. L. Jain	—	28,000/-
5. Mr. D. K. Sarawgee	—	3,000/-

Non-Executive directors are paid sitting fees of Rs 3000/- for every Board Meeting and Rs 2000/- for Audit, Remuneration and Administrative Committee Meetings. However, the sitting fees of the Chairman of Audit and Remuneration committees are Rs.4000/-.

No sitting fees is paid for attending the meetings of Share Transfer & Investors' Grievance Committee.

Presently the Company does not have any Stock Option Scheme.

Details of shares of the Company held by the Non-Executive Director are as given below :-

Name of the Non-Executive Directors	No. of Equity Shares Held
1. Mr. B. R. Loyalka	900
2. Mr. M. M. Bhagat	100
3. Mr. K. D. Rungta	100
4. Mr. M. L. Jain	0
5. Mr. D. K. Sarawgee	0

V. Share Transfer & Investors' Grievance Committee**1. Terms of Reference**

A Share transfer & Investors' Grievance Committee has been constituted to speedup the process of transfer, dematerialisation, redressal of Shareholders grievances and other allied matters under the chairmanship of Non-Executive Director.

2. Composition of the Committee

The composition of the committee and the number of meetings attended by each of the members are given below :

Sl. No.	Name of the Member	Designation	No. of Meetings held during the tenure of membership	No. of Meetings Attended
1	Mr. B. R. Loyalka	Chairman	7	5
2	Mr. M. M. Bhagat	Member	7	7
3.	Mr. K. D. Rungta	Member	7	6

**3. Status of Shareholder's Complaints**

Number of shareholders' complaints received during the year.

For Transfer -	NIL
For Dematerialisation -	NIL
For Non-receipt of Balance Sheet, etc. -	NIL
For Non-receipt of Dividend -	NIL
For Non-receipt of Share Certificate -	NIL

4. Meetings

The Meetings held seven times during the year on 29.04.2011, 18.05.2011, 21.09.2011, 04.11.2011, 30.11.2011, 11.02.2012 and 28.03.2012

VI. Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere in this Annual Report.

VII. General Body Meetings

Details of last three Annual General Meetings (AGMs) of the Company are as follows :

Financial Year Ended	Day & Date	Venue	Time
31st March, 2009	Wednesday, 30th September, 2009	Birla Academy of Art & Culture, 108, Southern Avenue, Kolkata-29	11:00 A.M.
31st March, 2010	Wednesday, 29th September, 2010	Birla Academy of Art & Culture, 108, Southern Avenue, Kolkata-29	11.00 A.M.
31st March, 2011	Friday, 30th September, 2011	Birla Academy of Art & Culture, 108, Southern Avenue, Kolkata-29	10.30 A.M.

All Resolutions of Annual General Meeting were passed by show of hands by the shareholders present at the meeting.

VIII. Disclosures**1. Disclosure on materially significant related party transactions**

There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management or relatives, etc., that had any potential conflict with the interests of the Company at large, which requires a separate disclosure. Annual Accounts as at 31st March, 2012 contain the list of related party relationship and transactions as required by the Accounting Standard 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India.

2. Disclosures on Compliance of Law

The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India (SEBI) and statutory authorities on matters relating to capital markets during the last three years and consequently no penalties, strictures have been imposed on the Company by these authorities.

3. CEO / CFO Certification

The aforesaid certificate duly signed by the CEO and CFO in respect of the financial year ended 31st March, 2012 has been placed before the Board in the meeting held on 13th August, 2012.

**4. Code of Conduct**

The Company has already adopted a Code of Conduct which was made applicable to all its Directors, whether executive or non-executive and all Senior Management Personnel of the Company, all Board members and senior management personnel have affirmed compliance with the Company's code of conduct during the period. A declaration to this effect that all Board members and senior management personnel have complied with the Company's code of conduct during the period and duly signed by the Chief Executive officers of the Company is annexed forming part of this Report. The aforesaid Code of Conduct has been posted on the website of the Company.

5. Auditors' Certificate on Corporate Governance

The auditors' certificate is obtained and provided in the Annual Report.

IX. Means of communication

In compliance with the requirement of the Listing Agreement, the Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges immediately after they are taken on record by the Board. Further, coverage is given for the benefit of the Shareholders and investors by publication of the Financial results in Financial Express, Arthik Lipi.

The financial results of the Company are also posted on the Company's website www.zenithexportslimited.com

X. General Shareholders' Information

* 30th Annual General Meeting (to be held)

Day	Saturday
Date	29th September, 2012
Time	10 : 30 A.M.
Venue	Ground Floor, Auditorium of Birla Academy of Art & Culture 108, Southern Avenue, Kolkata - 700 029

* Financial Calendar (Tentative)
(April 01, 2012 to March 31, 2013)

[i] 1st Quarterly result – within 14th August, 2012
[ii] 2nd Quarterly result - within 14th November, 2012
[iii] 3rd Quarterly result - within 14th February, 2013
[iv] 4th Quarterly result - within 15th May, 2013

* Book Closure Date

Monday, 24th September, 2012 to
Saturday, 29th September, 2012
(both days inclusive)

* Dividend Payment Date

None

* Listing on Stock Exchange

Bombay Stock Exchange Limited and
National Stock Exchange of India Limited

The Company has paid the Annual Listing fee to each of the Stock Exchanges for the period April, 2012 to March, 2013.

* Stock Code – Physical

Bombay Stock Exchange Ltd. - 512553
National Stock Exchange of India Ltd. - ZENITHEXPO

ISIN No.

INE 058B01018

* Market price Data

As per Appendix 'A'

* Registrar and Transfer Agent

CB Management and Services Pvt. Ltd.
P-22, Bondel Road, Kolkata - 700 019
Telephone - (033) 4011 6700 / 6711 / 6718 / 6723
Fax : (033) 2287-0263, E-mail - rta@cbmsl.com



* Share Transfer System

Share Transfer requests received in physical form is registered within an average period of 15 days. A Share Transfer & Investors Grievance Committee comprising members of the Board is constituted to consider the request of transfer of physical shares.

Request for dematerialisation received from Shareholders are effected within an average period of 15 days.

As per Appendix 'B' & 'C'

* Distribution of Shareholding & Shareholding pattern

* Dematerialisation of Shares as on March 31, 2012

The Company has arrangements with National Securities Depository Ltd., (NSDL) as well as Central Depository Services (India) Ltd. (CDSL) for demat facility.

5327103 (98.72%) Equity Shares as on 31st March, 2012 have been dematerialised with National Securities Depository Limited (NSDL).

30356 (0.56%) Equity Shares as on 31st March, 2012 have been dematerialised with Central Depository Services (India) Limited (CDSL).

* Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

* Plant Location

Zenith Spinners, Vill.-Sarandi, Taluka - Dholka, Dist. - Ahmedabad, Gujarat, PIN – 387810

Zenith Textiles
Nanjangud, Dist. Mysore, Karnataka, PIN– 571302

* Address for correspondence

Zenith Exports Limited
19, R. N. Mukherjee Road, 1st Floor,
Kolkata - 700 001
Phone : 2248-7071/6936
Fax : 2248 9853/0960
E-mail : zenith@giascl01.vsnl.net.in

XI. Non-Mandatory Requirements

i) Remuneration committee :

The Company has a Remuneration Committee comprising of Mr.M. M. Bhagat, Mr. K. D. Rungta and Mr. B. R. Loyalka as already stated in this Report.

ii) Shareholder Rights :

Half-Yearly results including summary of the significant events are presently not being sent to the Shareholders of the Company. However the quarterly Results of the Company are being published in newspapers on the next day after considering the same by the Board of Directors.

iii) Audit Qualification :

The observations of the Auditors have been dealt with in the Directors' Report.

iv) Training of Board Members :

The Company has not yet adopted any training programme for its Directors.

v) Mechanism for evaluating Non-Executive Board Members :

There is no mechanism for evaluating Non-Executive Board Members at present.

vi) Whistle Blower Policy :

There is no Whistle Blower Policy at present.



APPENDIX ‘A’

The monthly high and low quotation in the year 2011-12 of Equity Shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) are as follows :

MONTH	BSE			NSE		
	Market Price (Rs.)		VOLUME (No. of Shares)	Market Price (Rs.)		VOLUME (No. of Shares)
	HIGH	LOW		HIGH	LOW	
April, 2011	53.95	43.30	Information Not Available	55.40	45.00	Information Not Available
May, 2011	56.00	51.30		56.65	49.30	
June, 2011	59.50	53.25		55.00	46.80	
July, 2011	57.90	54.10		55.55	50.00	
August, 2011	59.90	48.90		57.40	49.60	
September, 2011	55.85	53.10		55.50	50.45	
October, 2011	64.70	51.80		72.50	50.40	
November, 2011	65.00	49.05		78.00	74.35	
December, 2011	51.30	32.85		54.15	54.00	
January, 2012	39.75	31.25		37.95	34.45	
February, 2012	48.10	38.15		44.60	38.60	
March, 2012	54.85	41.50		51.35	44.00	

APPENDIX ‘B’

Distribution of Shareholding as on March 31, 2012

RANGE (NO. OF EQUITY SHARES)		SHARE HOLDERS		SHARES	
RS.	RS.	NUMBER	% OF TOTAL	NO.	% OF TOTAL
[1]	[1]	[2]	[3]	[4]	[5]
UPTO	- 5000	1132	98.18	195100	3.62
5001	- 10000	5	0.43	29965	0.55
10001	- 20000	1	0.09	20000	0.37
20001	- 30000	—	—	—	—
30001	- 40000	—	—	—	—
40001	- 50000	—	—	—	—
50001	- 100000	2	0.17	129650	2.40
100001	- AND ABOVE	13	1.13	5021535	93.06
TOTAL		1153	100.00	5396250	100.00

**APPENDIX 'C'****Shareholding Pattern as on 31st March, 2012**

Category	No. of Shares held	Percentage of Shareholding
A. Promoter's holding		
1. Promoters		
- Indian Promoters	2792556	51.75
- Foreign Promoters	NIL	NIL
2. Persons acting in Concert	NIL	NIL
Sub-total	2792556	51.75
B. Non-Promoters Holding		
3. Institutional Investors		
a. Mutual Funds and UTI	NIL	NIL
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-government Institutions)	NIL	NIL
c. FIIs	NIL	NIL
Sub - Total	NIL	NIL
4. Others		
a. Private Corporate Bodies / Trust	2402626	44.53
b. Indian Public	200895	3.72
c. NRIs/OCBs	123	0.00
d. Any other (Clearing Member)	50	0.00
Sub - Total	2603694	48.25
GRAND TOTAL	5396250	100.00
	No. of Shares	% of Share Holding
Note : Total Foreign Share Holding		
Foreign Holding (Non-Resident)		
NRIS/OCB	123	—
FII	—	—
	<hr/> 123	<hr/> —

**CERTIFICATE**

To the Members of
ZENITH EXPORTS LIMITED

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to Compliance of conditions of Corporate Governance by Zenith Exports Limited for the year ended on March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. 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 all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **TIWARI & COMPANY**

Chartered Accountants

Firm Reg. No. 309112E

P. TIWARI

Partner

(MN : 16590)

Place : Kolkata

Dated : 13th August, 2012

**MANAGEMENT DISCUSSION AND ANALYSIS**

THE COMPANY HAS 3 DIVISIONS VIZ.

1. 100% EOU Unit at Nanjangud – Karnataka – Manufacturing High Quality Silk and Velvet Fabrics.
2. A Yarn producing unit at Sarandi – Ahmedabad – Manufacturing cotton, viscose, polyster and blended yarns mainly for exports.
3. Export Division at Kolkata Exporting Industrial Leather Hand Gloves, Silk Fabrics, cotton fabrics and made-ups manufactured on Handloom etc.

1. EOU UNIT AT NANJANGUD**A. INDUSTRY STRUCTURE AND DEVELOPMENT**

The Textile Industry is highly power, man power & capital intensive industry. High volatility in foreign exchange and price of raw silk in international market are main concern. China is still a big threat to us in International Market due to availability of cheap labour and high quality silk yarn in the country. The recession worldwide has impacted the industry badly as because silk and valvet fabrics are considered as luxurious products.

B. OPPORTUNITIES AND THREATS

The globalization of all markets, economic or political upheavals anywhere in the world affects all the markets and inflation and high volatility in exchange markets be cited as potential threats but the biggest threat for the time being is increase in cost of raw material in the international market and high power and labour cost in the country. Quality of Indian fabrics and the growth momentum in India, despite rising inflation, may be taken as an opportunity for Indian exports.

C. OUTLOOK

Due to recession and several defaults in European continent the confidence of export market has badly affected. However, the Company has taken effective control measures to cope up with slowdown and explore new markets. The Company is on way to better realisation by way of cost curtailment and expecting better results in the current year.

2. YARN PRODUCING UNIT AT AHMEDABAD**A. INDUSTRY STRUCTURE AND DEVELOPMENT**

Spinning industry is a core sector industry with high power consumption, labour intensive and high infrastructure cost. Larger economies like USA & Europe are under economic and political crisis, which is affecting the demand for textile products like yarn, fabric and garments.

B. OPPORTUNITIES AND THREATS

The biggest threat to spinning industry is the increase in manpower cost, power cost and other overheads. Over and above, the turbulence and slowdown in larger economies like USA and Europe has driven down the demand for textile products all over the world, which is affecting the industry. Due to bad economic condition prevailing in India and developed countries; we are not planning any expansion during the year 2012-13.

C. OUTLOOK

Spinning industry was in recession since last few years worldwide, but now we are expecting it to come out of recession and the future outlook seems to be bright.

3. TRADING DIVISION (LEATHER HAND GLOVES & SILK FABRICS MANUFACTURED ON HANDLOOM)**A. INDUSTRY STRUCTURE AND DEVELOPMENT**

Due to recovery in USA, the sale started picking up. Intense price competition with the entry of



new players into the market is affecting our bottom line. However, the thrust is on quality output and addition of new markets with increase in varieties of hand gloves.

B. OPPORTUNITIES AND THREATS

India's share in global market for Industrial Gloves is very minimal and hence, there exists big scope for future growth. In Silk fabrics margins will be under pressure but there is scope for increase in turnover to new markets.

C. OUTLOOK

The future outlook appears to be better.

COMMON TO ALL DIVISIONS

A. RISK AND CONCERNS

High power and manpower cost, stringent labour laws and shortage of skilled workers are the biggest risk concerning this industry. High volatility in foreign exchange rates also poses a great risk as our units are mainly into export business. The wide fluctuation in cost of Raw Material like Yarn, Finished Leather, Cotton Fibre, Viscose Fibre & Polyester Fibre has also become a major risk factor.

FOREIGN EXCHANGE RISK

The Company's policy is to systematically hedge a part of its foreign exchange risks.

INTEREST RATE RISK

The Company's borrowings are on floating rate basis. On account of inflation in the country, the company feels risk arising out of a change in interest rate structure by RBI is very much there on different loans of the company.

COMMODITY PRICE RISK

Due to continuing high inflation the company is exposed to the risk of price fluctuation on raw materials and other inputs. These risks are significant considering the present situation in the country.

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has appropriate internal control systems for business processes across various divisions with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations. The Company has kept highly skilled technical and administrative people at our mill, due to which the internal control systems are strictly maintained i.e.increasing productivity and cutting cost at every stage. Under the supervision of highly experienced technical people, we are able to produce highest quality of products for export market. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them.

C. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company could achieve a turnover of Rs. 25488 lacs during the year under review. However, profitability took a severe beating due to increase in raw materials, power and labour cost and high volatility in foreign exchange.

**D. SEGMENT WISE PERFORMANCE**

(Rs. In lacs)

	2011-12	2010-11
TRADING DIVISION		
Sales	12242.47	9520.41
Net Profit	826.44	579.10
WEAVING DIVISION		
Sales	2143.77	2368.32
Net Profit / (loss)	(294.30)	(387.32)
SPINNING DIVISION		
Sales	11097.12	10577.01
Net Profit / (loss)	(566.47)	46.02

E. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The company presently has 901 employees on its rolls (As on 31/03/2012). These are basically human resource assets and are integral in Company's on going success. They have played a significant role and enabled the company to deliver better performance year after year. The cost of staff and workers is increasing abnormally due to high cost of living and there is a shortage of skilled workers. We have to keep extra hands and train them to cover our requirement of workers. Strong emphasis is therefore given to build and nourish the human resource assets. The Company has had very harmonious relation with its workforce during the year.

F. CAUTIONARY STATEMENT

Statement in "Management's Discussion and Analysis" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could defer materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply condition, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's markets, changes in government regulations, tax regimes, economic developments within India and the countries where the Company conducts its business and other factors such as litigations and labour negotiations.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH COMPANY'S CODE OF CONDUCT

To the Members of

ZENITH EXPORTS LIMITED

Declaration by the Managing Directors under Clause 49 of the Listing Agreement.

We, S. K. Loyalka Chairman-cum-Managing Director and R. K. Loyalka, Jt. Managing Directors of Zenith Exports Limited hereby declare that all the members of the Board of Directors and the Senior Management Personnel have, for the year ended 31st March 2012 affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of Listing Agreement entered with the Stock Exchanges.

Place : Kolkata

Dated : 13th August, 2012

S. K. Loyalka

Chairman-cum-Managing Director

R. K. Loyalka

Jt. Managing Director

**AUDITORS' REPORT**

To

The Members of

ZENITH EXPORTS LIMITED

1. We have audited the attached Balance Sheet of Zenith Exports Limited, (the Company) as at 31st March, 2012 and the Profit and Loss Account of the Company for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed hereto. 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 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended by the Companies (Auditors' 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 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 explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our Comments in the Annexure referred to above, we report that :
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. The Auditors' Reports of Manufacturing units as forwarded by the respective auditors to us have been properly dealt with in this account;
 - c. 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;
 - d. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - e. In our opinion, the Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - f. On the basis of written representation received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - g. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Schedules and Notes to the Accounts thereon give the information required by Companies Act, 1956, in the manner so required subject to Note No. 23.12. for non provision of interest on "Loan to Body Corporates", gives 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 31st March, 2012 and
 - ii) In the case of the Profit and Loss Account, of the Loss for the year ended on that date;
 - iii) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

For TIWARI & COMPANY
Chartered Accountants
Firm Reg. No. 309112E
P. TIWARI
(Partner) (MN : 16590)

Place : Kolkata
Dated : 13.08.2012

**Annexure to the Auditors' Report**

Referred to in paragraph 3 of our report of even date

- i)
 - (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company are physically verified by the management at periodical intervals which, in our opinion, is reasonable having regard to the size of the Company and nature of its business. No material discrepancies between the book records and the physical inventory have been noticed as we are informed.
 - (c) During the year, substantial part of the fixed assets has not been disposed off by the Company.
 - ii)
 - (a) The inventory of the Company has been physically verified by the management during the year, except the inventories lying with third parties, in transit and with weavers / fabricators. In our opinion the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of the inventory followed by the management including the Units are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) On the basis of our examination of inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies between the physical inventory and the book records noticed on such physical verification were not material and duly dealt with in the books of account.
 - iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses (iii)(b) to (d), (f) and (g) of paragraph 4 of the Order, are not applicable.
 - iv) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, for the purchase of inventory, fixed assets and for sale of goods. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
 - v) There have been no transactions during the year in pursuance of contract under Section 301 of the Companies Act, 1956 and therefore it is not applicable to enter into the register maintained under Section 301 of the Companies Act, 1956.
 - vi) The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act or any other relevant provisions of the Act and rules framed there under.
 - vii) In our opinion, the Company has an internal audit system, which is commensurate with its size and nature of its business.
 - viii) The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for any of the product of the Company.
 - ix)
 - (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Company has been regular, in general, in depositing during the year undisputed statutory dues in respect of Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, as applicable, with the appropriate authorities during the year.
-



- (b) According to the information and explanations given to us and the records of the Company examined by us as at 31st March, 2012, there have been no disputed dues in respect of Statutory dues as aforesaid for a period of more than six months from the date they became payable except the followings :

Sl. No.	Nature of Dues	Amount due in (Rs.)	Forum where pending	For which Assessment year
1.	Income Tax	18,79,864	Income Tax Appellate Tribunal Kolkata	2004-05
2.	Income Tax	2,12,747	Commissioner of Income Tax (Appeal) Kolkata	2006-07
3.	Income Tax	18,27,439	-Do-	2007-08
4.	Income Tax	19,65,122	-Do-	2008-09

- x) The Company has neither accumulated losses as at 31st March 2012, nor has it incurred any cash losses during the financial year ended on that date and in the immediately preceding financial year.
- xi) According to the records of the Company, it has not defaulted in repayment of its dues to any financial institution or bank during the year.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a Chit Fund / Nidhi / Mutual Benefit Fund / Society and Clause (xiii) of the order is not applicable.
- xiv) According to the information and explanations given to us, the Company is not a dealer or trader in securities.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
- xvi) According to the information and explanations given to us and based on an overall examination, the term loans have been applied for the purpose for which they are obtained.
- xvii) Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, there are no funds raised on short term basis which have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) The Company has not issued any secured debentures.
- xx) The Company has not raised any money by issue of Shares to the public.
- xxi) During the course of our examination of the books of account 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.

For TIWARI & COMPANY
Chartered Accountants
Firm Reg. No. 309112E
P. TIWARI
Partner
(MN : 16590)

Place : Kolkata
Dated : 13.08.2012



BALANCE SHEET AS AT MARCH 31, 2012

(Rs. in Lacs)

	Note.	As at 31.3.2012	As at 31.3.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	539.63	539.63
Reserves & Surplus	2	8902.87	8942.58
		9442.50	9482.21
Non-current Liabilities			
Long Term Borrowings	3(A)	27.39	130.00
Deferred Tax Liabilities	4	367.81	451.48
Other Long Term Liabilities	5	38.13	130.93
Long-Term Provisions	6(A)	174.23	183.59
		607.56	896.00
Current Liabilities			
Short Term Borrowings	3(B)	2834.82	2150.52
Trade Payables	7	1640.34	1608.21
Other Current Liabilities	8	1286.13	1181.42
Short-Term Provisions	6(B)	67.06	104.78
		5828.35	5044.93
Total		15878.41	15423.14
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	9	4919.49	5238.24
Capital Work-in-Progress		—	0.83
Non-Current Investments	10	1.00	1.00
Long Term Loans and Advances	11(A)	983.67	1082.78
		5904.16	6322.85
Current Assets			
Inventories	12	6360.83	5801.19
Trade Receivable	13	1705.74	1559.69
Cash and Cash Equivalents	14	254.43	254.26
Short Term Loans and Advances	11(B)	1074.59	983.47
Other Current Assets	15	578.66	501.68
		9974.25	9100.29
Total		15878.41	15423.14

Notes forming part of the Financial Statements 1-26

As per our report of even date annexed.

For TIWARI & COMPANY

Chartered Accountants
Firm Reg. No. 309112E
P. TIWARI
Partner (M. No. 16590)
Place : Kolkata
Date : 13.08.2012

LAWKUSH PRASAD
Company Secretary

For and on behalf of the Board of Directors

S. K. LOYALKA Chairman cum Managing Director
R. K. LOYALKA Joint Managing Director
M. M. BHAGAT Director
K. D. RUNGTA Director
M. L. JAIN Director
D. K. SARAWGEE Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012**

		(Rs. in Lacs)	
	Note	<u>2011-12</u>	<u>2010-11</u>
INCOME			
Revenue from Operations	16	27304.74	23849.88
Other Income	17	294.64	450.11
Total Revenue		<u>27599.38</u>	<u>24299.99</u>
EXPENSES			
Cost of Materials consumed	18	15192.30	13031.28
Purchases		4472.82	3564.48
Changes in inventories of finished goods & work-in-progress	19	(245.29)	(276.90)
Employee benefits expense	20	1286.56	1196.12
Finance Costs	21	474.05	358.48
Depreciation and amortization expenses		631.46	640.02
Other expenses	22	5864.93	5421.58
Total Expenses		<u>27676.83</u>	<u>23935.06</u>
PROFIT/(LOSS) BEFORE TAX		(77.44)	364.93
Tax Expenses			
Current Tax		49.15	139.77
Deferred Tax expenses / (credit)		(83.68)	(12.64)
Income Tax for earlier year		(8.58)	—
PROFIT/(LOSS) FOR THE YEAR		<u>(34.33)</u>	<u>237.80</u>
Earnings per share (Face value of Rs. 10/- each)	23.3		
Basic & Diluted		(0.64)	4.41
Notes forming part of the Financial Statements	1-26		

As per our report of even date annexed.

For TIWARI & COMPANY
Chartered Accountants
Firm Reg. No. 309112E
P. TIWARI
Partner (M. No. 16590)
Place : Kolkata
Date : 13.08.2012

LAWKUSH PRASAD
Company Secretary

For and on behalf of the Board of Directors
S. K. LOYALKA Chairman cum Managing Director
R. K. LOYALKA Joint Managing Director
M. M. BHAGAT Director
K. D. RUNGTA Director
M. L. JAIN Director
D. K. SARAWGEE Director

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

	(Rs. in lacs)	
	<u>2011-12</u>	<u>2010-11</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax & extra ordinary items	(77.44)	364.93
Adjustment for :		
Depreciation	631.46	640.02
Interest Income	(38.52)	(34.08)
Interest Expenses	474.05	358.45
Fixed Assets W/Off	—	0.68
(Profit) / Loss on Sale of Fixed Assets (Net)	(4.90)	0.17
Profit on Sale of Lease hold Premises	—	(9)
Provision (Reversal) of Loss on Forward Contracts	6.06	—
Depreciation for earlier years written back	—	(10.11)
Operating Profit before Working Capital changes	<u>990.71</u>	<u>1310.65</u>
Adjustments for (increase)/decrease in :		
Trade Receivable	(146.05)	(111.96)
Loans & Advances and Other Assets	(65.87)	(398.43)
Inventories	(559.65)	(303.31)
Trade Payable, Other Liabilities and Provisions	65.58	178.43
Cash generated from operations	<u>284.72</u>	<u>675.38</u>
Income Tax Paid	(107.73)	(64.97)
NET CASH FROM OPERATING ACTIVITIES (A)	<u>176.99</u>	<u>610.41</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Capital Work-in-Progress	(336.55)	(259.57)
Sale of Fixed Assets	24.18	9.91
Interest Received	27.91	31.27
NET CASH FROM INVESTING ACTIVITIES (B)	<u>(284.46)</u>	<u>(218.39)</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (contd.)**

(Rs. in lacs)

	<u>2011-12</u>	<u>2010-11</u>
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Borrowings / (Repayments) of Long Term Borrowings	(102.61)	(102.24)
Borrowings / (Repayments) of Short Term Borrowings	684.30	(6.56)
Interest Paid	(474.05)	(358.45)
NET CASH USED IN FINANCIAL ACTIVITIES (C)	107.64	(467.25)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS [A+B+C]	0.17	(75.23)
OPENING CASH & CASH EQUIVALENTS	254.26	329.50
CLOSING CASH & CASH EQUIVALENTS	254.43	254.26
NET INCREASE/(DECREASE)	0.17	(75.24)

Notes :

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statement.
2. Figures in Parenthesis represent outflows.

The accompanying notes 1 to 26 are an integral part of the Financial Statements.

As per our Report of even date Annexed.

For TIWARI & COMPANY
Chartered Accountants
Firm Reg. No. 309112E
P. TIWARI
Partner (M. No. 16590)
Place : Kolkata
Date : 13.08.2012

LAWKUSH PRASAD
Company Secretary

For and on behalf of the Board of Directors
S. K. LOYALKA Chairman cum Managing Director
R. K. LOYALKA Joint Managing Director
M. M. BHAGAT Director
K. D. RUNGTA Director
M. L. JAIN Director
D. K. SARAWGEE Director



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
1 SHARE CAPITAL		
AUTHORISED		
1,00,00,000 (1,00,00,000) Equity Shares of Rs. 10/- each	1000.00	1000.00
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
53,96,250 (53,96,250) Equity Shares of Rs. 10/- each	539.63	539.63

Notes :

Subscribed and paid-up Share capital includes :

- Equity shareholder holding more than 5% of equity shares alongwith the number of equity shares held is as given below :

Name of the Shareholder	As at 31st March 2012		As at 31st March 2011	
	% of Holding	Number of Shares	% of Holding	Number of Shares
Urmila Loyalka	11.66	629150	11.66	629150
Bhutnath Vanijya Vyapaar Pvt. Ltd.	10.80	582586	10.80	582586
Surendra Kumar Loyalka (HUF)	10.40	561420	10.40	561420
R. K. Finance Ltd.	9.68	522445	10.61	572445
Surendra Kumar Loyalka	8.92	481496	8.92	481496
Purotech Sales Pvt. Ltd.	6.60	356000	6.60	356000
Ankit Commerce Ltd.	6.52	351600	6.46	348450
Zenith Credit Ltd.	6.40	345482	7.85	423406
Maxxon Impex and Credit Pvt. Ltd.	5.75	310093	N.A.	N.A.
A. C. Roy & Co. Pvt. Ltd.	5.64	304490	5.64	304490

- Rights Preferences and Restrictions attached to Shares

The Company has only one class of Equity Shares having par value of Rs. 10/- per share. Each shareholder of equity shares is entitled to one vote per share held. In the event of liquidation of the company the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholding.



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in Lacs)

	<u>As at 31.03.2012</u>	<u>As at 31.03.2011</u>
2 RESERVES & SURPLUS		
Capital Reserve		
At the beginning of the year	229.50	229.50
Deduction during the year	(5.38)	—
At the end of the year	224.12	229.50
Security Premium Account		
At the beginning of the year	277.38	277.38
General Reserve		
At the beginning of the year	4612.77	4612.77
Cash Subsidy		
At the beginning of the year	25.00	25.00
Surplus		
At the beginning of the year	3797.93	3560.13
Add : Net Profit/(Loss) for the year	(34.33)	237.80
Amount available for appropriation	3763.60	3797.93
Balance at the end of the year	3763.60	3797.93
Total	8902.87	8942.58
3 BORROWINGS		
Non-Current Liabilities		
A Long Term Borrowings		
Secured		
Term Loan		
From Canara Bank		
TUF Loan (Refer Note 1)	10.00	130.00
Vehicle Loan (Refer Note 3)	17.39	—
Total (A)	27.39	130.00
Current Liabilities		
B Short Term Borrowings		
Secured		
Loan repayable on demand from Banks		
a. Packing Credit		
Canara Bank [Refer Note 2(a)]	1526.28	1338.66
State Bank of India [Refer Note 2(b)]	1308.54	811.86
Total (B)	2834.82	2150.52



Notes :

1. Term Loan from Canara Bank are secured by hypothecation and equitable mortgage of entire Fixed Assets of the Company.
2. a. Working Capital Loans from Canara Bank are secured by hypothecation of Stocks & Book Debts of Trading Division, Kolkata & Textile Division, Mysore and Personal Guarantee of Promoter Directors and further by second charge on the entire Fixed Assets of the Company.
b. Working Capital Loans from State Bank of India are secured by hypothecation of Stocks & Book Debts of Spinning Division, Ahmedabad and Personal Guarantee of Promoter Directors and further by second charge on the entire Fixed Assets of the Company.
3. Secured against hypothecation of vehicles under hire purchase.
4. Terms of repayment are given below :
 - a. TUFs Loan taken from Canara Bank are repayable in quarterly instalments.
 - i. 35 Lakhs in 14 Instalments and 10 Lakhs in 1 (one) Instalment commencing from 17th March, 2008.
 - ii. 30 Lakhs in 13 Instalments and 10 Lakhs in 1 (one) Instalment commencing from 9th January 2010.
5. Instalment of Term Loans and Vehicles Loans falling due within 12 months shown under “Other Current Liabilities” (Refer Note 8)

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
4 DEFERRED TAX LIABILITIES / (ASSETS)		
A. DEFERRED TAX LIABILITIES		
Difference between Book & Tax Depreciation	444.12	522.46
Total (A)	444.12	522.46
B. DEFERRED TAX ASSETS		
Disallowance under Section 43B	76.31	70.98
Total (B)	76.31	70.98
DEFERRED TAX LIABILITIES/(ASSETS) (NET)[A-B]	367.81	451.48

Notes :

- a. The Deferred Tax Assets arising from timing differences are recognised to the extent there is reasonable certainty that these assets can be realised in future.
- b. The Deferred Tax for timing difference between the book and tax profit for the year is accounted for using the tax rates and tax laws that have been enacted or subsequently enacted as at the Balance Sheet date.
- c. Deferred Tax Assets in respect of Unabsorbed Depreciation and Brought forward losses has been considered on the basis of latest Income Tax Return.



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
5 OTHER LONG TERM LIABILITIES		
Capital Creditors	7.52	—
Security Deposits	0.25	1.64
Advance from Customers	22.35	0.69
Sundry Creditors for Expenses & Others	8.01	128.6
Total	38.13	130.93
6 PROVISIONS		
NON-CURRENT LIABILITIES		
A. Long Term Provisions		
Provision for Employee Benefits	174.23	183.59
Total (A)	174.23	183.59
CURRENT LIABILITIES		
B. Short Term Provisions		
Provision for Employee Benefits	60.98	30.10
Others		
Excise Duty on Stock	0.02	—
Provision for Mark to Market Loss on Forward Contract	6.06	—
Provision for Income Tax (Net of Advance)	—	74.68
Total (B)	67.06	104.78
7 TRADE PAYABLE		
Creditors for materials & services	1640.34	1608.21
Total	1640.34	1608.21

Notes :

Out of above, Rs. Nil (Previous year Rs. Nil) pertains to micro small and medium enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the company. There is no interest payable to such parties during the year (Previous year Rs. Nil)

8 OTHER CURRENT LIABILITIES

Capital Creditors	—	7.52
Current Maturities of Long Term Debts [Refer Note 2.3(4)]	133.50	158.01
Interest Accrued but not due on Borrowings	1.52	3.01
Unpaid Dividend	—	0.15
Book Overdraft with Banks [Refer Note 1]	636.16	370.99
Accrued Salaries and Benefits	63.39	60.66
Others		
Advance from Customers	131.40	252.33
Government Statutory Dues	18.62	19.32
Sundry Creditors for Expenses & Others	301.54	309.43
Total	1286.13	1181.42

Notes :

1. Book overdraft includes Rs. 9.41 lacs (Previous year Rs. 18.20 lacs) overdraft with Banks against pledge of Fixed Deposit.



Notes on Financial Statements for the year ended 31st March, 2012

9 FIXED ASSETS

CLASSIFICATION OF ASSETS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK			
	As at 01.04.11	Addition	Sales/ Adjustments	Up to 31.03.12	As at 01.04.11	For the year	Sales/ Adjustments	Upto 31.03.12	As at 31.03.12	As at 31.03.11
A. TANGIBLE										
Leasehold Property	5.89	—	—	5.89	1.45	0.08	—	1.53	4.37	4.45
Freehold Property	91.57	—	—	91.57	—	—	—	—	91.57	91.57
Building	372.70	—	—	372.70	173.99	8.49	—	182.48	190.22	198.71
Factory Building	1387.19	—	—	1387.19	588.59	40.92	—	629.51	757.68	798.60
Well, Water works & Pipe Line	24.44	0.86	—	25.30	6.53	0.47	—	6.99	18.31	17.91
Plant & Machinery	11494.77	247.81	64.52	11678.07	7705.47	514.98	49.99	8170.46	3507.61	3789.30
Electrical Installation	187.07	—	—	187.07	122.26	8.70	—	130.97	56.10	64.81
Computer & Accessories	117.16	2.51	—	119.67	93.03	8.33	—	101.36	18.31	24.12
Office & Other Equipments	108.71	4.63	—	113.34	67.18	6.46	—	73.64	39.69	41.52
Furniture & Fixture	190.42	1.38	—	191.80	117.34	8.65	—	126.00	65.80	73.08
Site Development	13.69	—	—	13.69	—	—	—	—	13.69	13.69
Vehicles	256.70	80.18	60.72	276.16	136.23	34.38	50.59	120.02	156.14	120.48
Total	14250.31	337.37	125.24	14462.45	9012.07	631.46	100.58	9542.96	4919.49	5238.24
Previous year	13987.81	281.89	19.39	14250.31	8400.21	640.02	28.16	9012.07	5238.24	—
B. Capital Work-in-Progress	42482.54	956.63	269.87	—	—	—	—	—	—	—
Previous Year	1.13	0.83	1.13	0.83	—	—	—	—	0.83	—



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in Lacs)

10 NON CURRENT INVESTMENTS

(Long Term at Cost, unless otherwise specified)
Investments in Mutual Funds - Quoted
Fully Paid up

	Nominal Value	As at 31st March 2012		As at 31st March 2011	
		Units	Value	Units	Value
Reliance Equity Opportunity Fund-RP-Growth	10/-	4775.937	1.00	4775.937	1.00
Aggregate amount of Quoted Investments			1.00		1.00
Market Value of Quoted Investments			1.74		1.71

**11 LOANS & ADVANCES
NON CURRENT ASSETS**

A. Long Term Loans & Advances

Unsecured, considered good

Capital Advances	10.51	9.05
Deposit with Government	152.87	133.22
Deposit with Others	98.88	94.66
Loans to Body Corporate	65.56	65.56

Other Loans & Advances

Advance Income Tax (net of provision)	5.13	—
Mat Credit Receivable	49.74	107.62
Income Tax Refund Receivable	33.93	50.27
Deferred Cenvat Receivable	—	15.55
VAT Credit Receivable	561.01	596.01
Prepaid Expenses	1.96	—
FBT Refund Receivable	0.29	0.29
Advance to Exmployees	—	6.94
Others	3.79	3.61

Total (A) **983.67** 1082.78

CURRENT ASSETS

B. Short Term Loans & Advances

Unsecured, considered good

Advance to material suppliers/services	423.75	533.56
--	--------	--------

Other Loans & Advances

Advance Income Tax (net of provision)	45.18	—
Prepaid Expenses	40.82	42.63
Balance with Central Excise	38.80	11.17
Cenvat Services Tax input receivable	5.12	37.80
VAT Credit Receivable	433.97	302.77
Service Tax Refund Receivable	8.58	3.86
Interest Subvention Receivable	10.30	0.13
Interest Subsidy on Loan	—	22.01
Others	68.07	29.54

Total (B) **1074.59** 983.47



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in lacs)

	As at 31.3.2012	As at 31.3.2011
12 INVENTORIES		
(As cost or net realisable value whichever is lower)		
Raw Materials [Refer Note 1]	2404.50	2073.81
Dyes & Chemicals	12.60	14.30
Semi-Finished Goods	856.44	641.18
Finished Goods [Refer Note 2]	2728.09	2701.45
Packing Materials	40.09	36.96
Stores & Spares	315.08	332.89
Wastage & Others	4.03	0.60
Total	6360.83	5801.19
Notes :		
1. Raw Materials includes :		
a. In Transit	—	14.79
b. With Parties	307.37	280.87
Total	307.37	295.66
2. Finished Goods includes :		
a. At Port	—	17.11
b. With Parties	44.48	35.89
c. In Transit	172.11	1.80
Total	216.59	54.80
13 TRADE RECEIVABLE		
[A] Debts Exceeding Six Months		
Unsecured Considered Good	582.87	402.95
Total [A]	582.87	402.95
[B] Other Debts		
Secured Considered Good	157.27	441.50
Unsecured Considered Good	965.60	715.24
Total [B]	1122.87	1156.74
Total [A+B]	1705.74	1559.69
14 CASH & CASH EQUIVALENT		
Balances with Banks		
In Current Accounts	42.51	40.43
In Fixed Deposit Accounts [Refer Note 1]	201.08	199.78
In E.E.F.C. Accounts	0.09	0.09
In Unclaimed Dividend [Refer Note 2]	—	0.15
Cash-in-Hand	10.75	13.81
Total	254.43	254.26
Fixed Deposit Accounts with more than 12 months maturity	87.42	162.02

- Notes :
1. a. Fixed Deposit pledged with banks representing margin money for overdraft facilities.
b. Deposits can be withdrawn at any point of time without prior notice or exit costs on the principal amount.
 2. Section 205 of the Companies Act 1956 mandates that the Company should transfer dividend that lies unclaimed for a period of seven years from unpaid dividend account to Investor Education and Protection Fund (IEPF). Accordingly if dividend remain unclaimed for a period of seven years, it will be transferred to IEPF.



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in lacs)

	As at 31.3.2012	As at 31.3.2011
15 OTHER CURRENT ASSETS		
Interest Accrued but not due on Fixed Deposit	19.12	8.50
Export Benefit Receivable	492.34	411.97
Excise Duty Receivable	67.20	81.21
Total	578.66	501.68
	2011-12	2010-11
16 REVENUE FROM OPERATIONS		
A. SALES OF PRODUCTS		
Export	23521.89	20523.67
Indigeneous	1964.35	1948.38
Less : Excise Duty	2.94	2.11
Total (A)	25483.30	22469.94
B. SALE OF SERVICES		
Job Charges Indigeneous (TDS Rs Nil, Previous year Rs. 0.58 lacs)	1.34	31.41
Total (B)	1.34	31.41
C. OTHER OPERATING REVENUE		
Export Incentives	1820.10	1347.43
Sampling Charges (Net)	—	1.10
Total (C)	1820.10	1348.53
Total (A + B + C)	27304.74	23849.88
17 OTHER INCOME		
Interest Income (TDS Rs. 3.68 lacs, Previous year Rs. 2.42 lacs)	38.52	34.08
Gain on Exchange Fluctuation (net)	66.92	314.00
Depreciation for Earlier years Written Back	—	10.11
Commission Received	—	2.54
Excess Provision W/Back	149.89	43.39
Insurance Claim Received	20.21	3.58
Miscellaneous Receipts	0.24	0.28
Profit on Sale of Fixed Assets	7.28	0.01
Profit on Sale of Leasehold Premises	—	9.41
Rent Received (TDS Rs. 0.65 lacs, Previous year Rs. 1.71 lacs)	6.12	15.72
Service Tax on Export Service	1.41	2.66
Adjustment Relating to Prior Year (net)	4.05	—
Sundry Balance W/Back	—	14.33
Total	294.64	450.11

**Notes on Financial Statements for the year ended 31st March, 2012**

(Rs. in lacs)

	<u>2011-12</u>	<u>2010-11</u>
18 COST OF MATERIAL CONSUMED		
A. RAW MATERIAL CONSUMED		
Opening Stock	2073.81	1968.10
Add : Purchase	15420.71	13085.48
Processing Charges	8.50	11.68
Less : Closing Stock	(2404.50)	(2073.81)
Total (A)	<u>15098.52</u>	<u>12991.45</u>
B. DYES & CHEMICALS CONSUMED		
Opening Stock	14.30	19.54
Add : Purchase	92.08	34.59
Less : Closing Stock	(12.60)	(14.30)
Total (B)	<u>93.78</u>	<u>39.83</u>
Total (A + B)	<u>15192.30</u>	<u>13031.28</u>
19 CHANGES IN INVENTORIES OF FINISHED GOODS & WORK-IN-PROGRESS		
A. Inventories (at commencement)		
Finished Goods	2701.45	2456.71
Work-in-Progress	641.18	609.06
Waste & Others	0.60	0.56
Total (A)	<u>3343.23</u>	<u>3066.33</u>
B. Inventories (at close)		
Finished Goods	2728.09	2701.45
Work-in-Progress	856.43	641.18
Waste & Others	4.02	0.60
Total (B)	<u>3588.54</u>	<u>3343.23</u>
C. Increase/(Decrease) in Cenvat Duty on Stock	0.02	—
Net (Increase)/Decrease in Stock (A–B+C)	<u>(245.29)</u>	<u>(276.90)</u>
20 EMPLOYEE BENEFITS EXPENSE		
Salaries and Wages	1124.08	1050.74
Contribution to Provident & Other Funds	108.75	96.88
Staff Welfare Expenses	53.73	48.50
Total	<u>1286.56</u>	<u>1196.12</u>
21 FINANCE COSTS		
A. Interest to Bank		
On Working Capital	303.89	216.63
On Term Loan	15.03	18.34
On Bill Discounting	150.98	121.50
Total (A)	<u>469.90</u>	<u>356.47</u>
B. Interest to Others	4.16	2.00
Total (A+B)	<u>474.05</u>	<u>358.48</u>



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in lacs)

	2011-12	2010-11
22 OTHER EXPENSES		
A. Manufacturing Expenses		
Carriage	83.69	94.82
Designing & Sampling Charges	84.56	42.64
Material Processed	1620.54	1434.30
Power, Fuel & Water	1228.22	1189.16
Repairs & Maintenance		
Factory Buildings	17.66	48.01
Machinery	34.76	47.18
Service Tax on Transport	0.79	0.56
Stores & Spares Consumed	620.04	669.09
Testing Charges	12.07	16.69
Other Manufacturing Expenses	22.55	11.35
Vat Input W/off	8.66	0.04
Total (A)	3733.54	3553.84
B. Selling & Distribution Expenses		
Advertisement	1.26	1.37
Commission and Discount	666.38	543.96
Export Promotion	16.77	13.23
Foreign Travel	75.82	70.32
Freight Forwarding & Insurance Expenses	617.91	578.36
Packing Charges		
Packing Material Consumed	82.13	58.97
Packing Expenses	21.19	21.28
Participation in Trade Fair	11.34	13.37
Quality Control & Inspection	57.98	51.02
Total (B)	1550.77	1351.89
C. Administrative Expenses		
Adjustment Relating to Prior Year (net)	—	4.16
Auditors Remuneration	3.96	4.07
Bank Charges	111.13	76.05
ECGC Premium & Certificates	12.58	12.70
Bad Debts	—	6.03
Directors Sitting Fees	1.30	0.81
Donation	4.37	3.36
Electricity	23.83	21.76
Goods Lost in Transit	0.45	—
Insurance	32.38	30.48
Legal & Professional Charges	46.34	42.15
Loss on Sale of Fixed Assets	2.37	0.17
Miscellaneous Expenses	71.75	62.72
Mark to Market Loss on Forward Contract	6.06	0.00
Motor Car Upkeep	39.91	29.93
Printing & Stationary	60.53	62.18
Postage, Courier & Telephone	52.45	45.24
Rates, Taxes & Fees	22.64	23.74
Rent	11.83	5.42
Repairs & Maintenance		
Building	6.21	4.49
Others	37.91	50.76
Travelling & Conveyance	32.64	29.63
Total (C)	580.62	515.85
Total (A+B+C)	5864.93	5421.58

**Notes on Financial Statements for the year ended 31st March, 2012**

(Rs. in lacs)

	<u>As at 31.3.2012</u>	<u>As at 31.3.2011</u>
23 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS		
23.1 Commitments and Contingent Liabilities		
i. Commitments / Contingent Liabilities		
a. Foreign Bills discounted through banks	3243.72	2879.51
b. Letter of Credit issued by Bankers (net of margin)	258.78	116.68
ii. Claims against the Company not acknowledged as debts in respect of		
a. Employees dispute for reinstatement is pending disposal by Labour Court	27.18	27.18
b. Income Tax demand under CIT (Appeal)/ I.T. Appellate Tribunal	58.85	58.85
iii. Estimated amount of contract remaining to be executed on capital account (net of advances)	241.24	71.84
23.2 Employee Benefits		
The disclosure required under AS-15 on “Employee Benefits” notified in the Companies (Accounting Standard) Rules 2006, are given below :	<u>2011-12</u>	<u>2010-11</u>
Defined Contribution Plans		
Contribution to Recognised Provident Fund & Pension Fund	72.46	67.29



Notes on Financial Statements for the year ended 31st March, 2012

Defined Benefits Plans

Gratuity Benefits are as follows :

Description	2011-12		2010-11	
	Gratuity		Gratuity	
	Funded	Unfunded	Funded	Unfunded
	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
1. Reconciliation of opening and closing balances of obligation				
a. Present value of the beginning of the year	43.76	122.67	36.93	96.42
b. Current service cost	2.50	21.89	2.28	24.25
c. Interest cost	3.50	10.04	2.95	7.66
d. Actuarial (gain)/loss	7.20	(9.68)	2.33	1.45
e. Benefits paid	(3.51)	(15.95)	(0.73)	(7.11)
F. Present value at the end of the year	<u>53.45</u>	<u>128.95</u>	<u>43.76</u>	<u>122.67</u>
2. Change in fair value of plan assets				
a. Fair value of plan assets as at the beginning of the year	21.67	—	10.19	0.00
b. Expected return on plan assets	2.52	—	1.75	0.00
c. Actuarial gain/(loss)	0.00	—	0.00	0.00
d. Contributions/refunds made by/to the company	10.57	—	10.47	0.00
e. Benefits paid	(3.51)	—	(0.73)	0.00
f. Fair value of plan assets as at the end of the year	<u>31.24</u>	<u>—</u>	<u>21.67</u>	<u>0.00</u>
3. Reconciliation of fair value of plan assets & obligations				
a. Fair value of plan assets as at year end	31.24	—	21.67	0.00
b. Present value of obligation as at the year end	(53.45)	(128.95)	(43.76)	(122.67)
c. Amount recognised in the balance sheet	<u>(22.21)</u>	<u>(128.95)</u>	<u>(22.09)</u>	<u>(122.67)</u>
4. Expenses recognised during the year				
a. Current service cost	2.50	21.89	2.28	24.25
b. Interest cost	3.50	10.04	2.95	7.66
c. Expected return on plan assets	(2.52)	—	(1.75)	0.00
d. Actuarial (gains)/loss	7.20	(9.68)	2.33	1.45
e. Expenses recognised during the year	<u>10.69</u>	<u>22.24</u>	<u>5.82</u>	<u>33.36</u>
5. Investment details				
a. Others (fund with Life Insurance Corpn. of India)	31.24	—	21.67	0.00
6. Assumptions				
a. Discount rate (per annum)	8.00%	8.00%	8.00%	8.00%
b. Estimated rate of return on plan assets (per annum)	9.00%	—	9.00%	0.00
c. Rate of escalation in salary	3.00%	6.00%	5.00%	5.00%

Note :

- The Employee's Gratuity Funded Scheme of Main Division Kolkata managed by Life Insurance Corpn. of India is a defined Benefit Plan.
- The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognised each period of service as giving rise to additional Unit of employee benefit entitlement and measures each unit separately to buildup the final obligation.



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in lacs)

	<u>2011-12</u>	<u>2010-11</u>
23.3 Earning Per Share (EPS)		
a. Total number of Equity Share outstanding at the end of the year	53.96	53.96
b. Net Profit after tax available to Equity Shareholders	(34.33)	237.80
c. Nominal value per Equity Shares (Rs.)	10	10
d. Basic / Diluted Earning per Shares (Rs.)	(0.64)	4.41
23.4 Purchase of Finished Goods	Value	Value
Silk/Cotton/Viscose Fabrics	1185.77	1434.56
Polyster / Viscose / Cotton Yarn	3144.54	1913.30
Silk Made-ups	123.32	120.29
Others	19.19	96.33
Total	4472.82	3564.48

23.5 Consumption of Raw Materials and Dyes & Chemicals

Class of Goods	<u>2011-12</u>		<u>2010-11</u>	
	%	Value	%	Value
A. RAW MATERIALS				
Raw Leather		7732.27		5310.66
Clothes		159.88		158.75
Silk yarn		1095.40		1517.47
Polyester, Cotton & Viscose Fibre		6110.98		6004.57
Total (A)		15098.52		12991.45
Imported	6.07	915.96	10.57	1372.95
Indigeneous	93.93	14182.57	89.43	11618.50
	100.00	15098.52	100.00	12991.45
B. DYES & CHEMICALS		93.78		39.83
Imported	0.78	0.74	12.45	4.96
Indigeneous	99.22	93.05	87.55	34.87
	100.00	93.78	100.00	39.83
Total (A+B)		15192.30		13031.28

23.6 Consumption of Stores & Spares & Packing Materials

A. Stores & Spares				
Thread		31.64		28.33
Rubb, Cuff, back & components		81.12		36.82
Spares parts		507.28		603.94
Total (A)		620.04		669.09
Imported	12.32	76.40	8.44	56.48
Indigeneous	87.68	543.64	91.56	612.62
	100.00	620.04	100.00	669.09
B. Packing Materials		82.13		58.97
Total (B)		82.13		58.97



Notes on Financial Statements for the year ended 31st March, 2012

(Rs. in lacs)

	2011-12	2010-11
23.7 Auditors Remuneration		
As Statutory Auditor	2.07	2.04
As Tax Audit	0.79	0.77
For Certification & Other Services	0.96	1.11
For Out of Pocket Expenses	0.14	0.14
	3.96	4.07
23.8 Value of Imports on CIF Basis		
Finished Goods	5.49	0.89
Raw Materials	659.50	1565.82
Stores, Spares & Components	64.19	43.54
Others	—	9.02
23.9 Expenditure in Foreign Currencies		
Foreign Travel & Participation in Exhibitions and Trade Fair	61.08	59.68
Commission	499.46	304.22
Interest on Foreign Currency Loan	—	0.71
Design Purchase	60.41	35.63
Rebate & Discount	62.63	—
Others	12.40	42.94
23.10 Earnings in Foreign Currencies		
Exports of Goods on F.O.B. Basis	22809.05	20148.54
Others	0.90	5.04

23.11 Derivative Instruments Outstanding

a. Forward Exchange Contracts

Currency	2011-12		2010-11	
	No of Contracts	Amount in Foreign Currency	No of Contracts	Amount in Foreign Currency
EURO	23	985740	41	1949799
USD	57	6065278	33	3540580

b. Unhedged Foreign Currency Exposure as at the Balance Sheet date

Category	Currency	2011-12 Amount in Foreign Currency	2010-11 Amount in Foreign Currency
Exports	EURO	263478	212920
Exports	USD	2308891	2621688
Exports	GBP	296038	125609
Others	EURO	61498	215352
Others	USD	209192	195428
Others	GBP	57914	1720

23.12 No interest provided during the year in regard to Loan given to a body corporate in view of non repayment of previous dues. The company has taken necessary steps for recovery of the same.

23.13 Balance confirmation from some of Sundry Debtors, Sundry Creditors, Loan Parties and material lying with third parties are still awaited.



Notes on Financial Statements for the year ended 31st March, 2012

23.14 The Revised Schedule VI has become effective from 1st April, 2011 for preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

24 Segment Reporting

The Company's primary Segment reporting is by its business segments which are Silk Fabrics / Made-ups segment, Industrial Leather Hand Gloves/Made-ups segment, yarns segments and Weaving Silk Fabrics segment

(i) Business Segment

(Rs. in lacs)

	Silk Fabrics & Made-ups 2011-12	Industrial Leather Hand Gloves Made-ups 2011-12	Yarns 2011-12	Weaving Silk Fabrics (100% EOU) 2011-12	Unallocable 2011-12	Total 2011-12
(a) Revenue						
External	3514.84	10075.77	11714.04	2255.98	—	27560.63
(Previous year)	3416.10	7356.93	11066.11	2426.76	—	24265.90
(b) Results						
Segment Result before interest & tax	553.69	627.04	(445.63)	(222.57)	—	512.53
(Previous year)	485.97	551.97	99.43	(334.08)	—	803.29
Unallocated Expenses net of Unallocated Income	—	—	—	—	(154.44)	(154.44)
(Previous year)	—	—	—	—	(124.09)	(124.09)
Interest Expenses	—	—	—	—	—	(474.05)
(Previous year)	—	—	—	—	—	(358.45)
Interest Income	—	—	—	—	—	38.52
(Previous year)	—	—	—	—	—	34.08
Depreciation for Earlier year W/back	—	—	—	—	—	—
(Previous Year)	—	—	—	—	—	10.11
Profit / (Loss) before Tax	—	—	—	—	—	(77.44)
(Previous year)	—	—	—	—	—	364.94
Income Tax for Earlier years	—	—	—	—	—	(8.58)
(Previous year)	—	—	—	—	—	—
Provision for current tax	—	—	—	—	—	49.15
(Previous year)	—	—	—	—	—	139.77
Provision for deferred tax	—	—	—	—	—	(83.68)
(Previous year)	—	—	—	—	—	(12.64)
Net Profit / (Loss) after tax	—	—	—	—	—	(34.33)
(Previous year)	—	—	—	—	—	237.80
Other Information						
(c) Segment assets	2672.11	4163.37	5014.76	3971.17	56.99	15878.40
(Previous year)	2452.39	3133.13	5506.92	3900.38	430.32	15423.14
(d) Segment liabilities	1412.85	2217.76	1850.72	914.79	39.80	6435.92
(Previous year)	1536.28	1716.63	1751.27	828.15	108.61	5940.94
(e) Capital Expenditure	—	—	272.84	1.94	62.79	337.57
(Previous year)	—	—	239.20	12.53	7.84	259.57
(f) Depreciation	—	—	300.49	290.36	40.62	631.47
(Previous year)	—	—	292.71	313.28	34.02	640.01
(g) Non-cash expenses other than depreciation	—	—	6.06	—	—	6.06
(Previous year)	—	—	8.35	—	—	8.35



(ii) Geographical Segments

The secondary segment reporting is about geographical segment which shows the distribution of the Company's sales by geographical market :

		(Rs. in Lacs)	
		2011-12	2010-11
Sales		1964.35	1948.38
India		23521.89	<u>20523.67</u>
Outside India		25486.24	<u>22472.05</u>
	Total		

Segment Revenue and Result

The expenses which are not directly attributable to the business segment are shown as unallocated expenditure net off unallocable income.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, debtors and inventories. Segment liabilities primarily include current liabilities & loan fund. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocated corporate assets and liabilities respectively.

25. **Related Party Disclosures**

(Rs. in lacs)

		2011-12		2010-11		
Sl. No.	Nature of the related party & nature of relationship	Nature of Transactions	Transaction Value	Outstanding due to/ (from) at the year end	Transaction Value	Outstanding due to/ (from) at the year end
A Key Management personnel						
1.	Mr. B. R. Loyalka (Chairman) [Refer Note 1]	Sitting Fees	0.19	—	0.20	—
2.	Mr. R. K. Loyalka (Mg. Director)	Remuneration	18.34	0.85	18.34	0.86
3.	Mr. S. K. Loyalka (Mg. Director)	Remuneration	19.41	0.83	19.41	0.80
4.	Mr. V. K. Loyalka (Wholetime Director)	Remuneration	1.59	0.18	—	—
B Relatives / Associates of Key Management Personnel						
1.	B. R. Loyalka (HUF)	Rent paid	0.48	—	0.48	—
2.	Kiran Loyalka	Salary	1.16	0.13	1.16	0.13
3.	Ruchi Ajitsaria	Salary	0.37	—	1.16	0.13
4.	Loyalka Charity Trust	Donation	2.50	—	—	—
C Associates Body Corporates						
1.	SKL Exports Limited	Job charges	529.98	0.16	365.40	83.78
		Sale	33.48	(19.36)	136.19	—
2.	Capital Limited	Providing Manpower charges	8.22	0.83	7.84	—
		Rent	6.05	—	—	—

Note : 1. Resigned from the board w.e.f. 25th June, 2012

**26 SIGNIFICANT ACCOUNTING POLICIES****26.1 Convention**

The financial statements have been prepared in accordance with generally accepted accounting principles and accounting standards issued by I.C.A.I. and as per the provisions of the Companies Act, 1956.

26.2 Basis of Accounting

The financial statements are prepared under historical cost convention following the accrual basis of accounting.

26.3 Fixed Assets

- a. Fixed Assets are stated at the original cost of acquisition / installation. Such cost includes purchase price, incidental expenses directly related thereto and pre-operative expenses apportioned based on value. Fixed Assets are shown net of accumulated depreciation. CENVAT availed on capital goods purchased are shown at net value.
- b. Capital Work-in-Progress is stated at amount incurred upto the date of Balance Sheet.

26.4 Depreciation

- a. Depreciation on fixed assets has been provided on the assets of Main Division at Kolkata on “Written down value method”, for the Spinning Division at Ahmedabad and Weaving Division at Mysore on “Straight line method” at the rates as prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis and the relevant accounting standard issued by the Institute of Chartered Accountants of India. In Spinning Division Plant & Machineries have been considered to be continuous process plant as defined in the said Schedule & on technical assessment and depreciation has been provided accordingly. In Weaving Division Depreciation has been charged on shift basis wherever applicable.
- b. Leasehold land are being amortised over the period of lease.
- c. Assets costing upto Rs. 0.05 lacs are depreciated fully in the year of purchase/capitalisation.
- d. Depreciation is being provided prospectively over the residual life of the assets revolarised due to foreign exchange fluctuation wherever applicable.

26.5 Investments

- a. Investments are stated at cost including expenses related thereto.
- b. Long Term Investments are stated at cost. The diminution, if any in the value of Investments is not recognised unless such diminution is considered permanent in nature.
- c. Current Investments are stated at Lower of cost or market value.
- d. Dividend is recognised when the right to receive is established.

26.6 Inventories

Inventories are valued as under :-

- | | | |
|---------------------------------|---|---|
| a) Raw Materials | : | at cost which is arrived at on average cost basis |
| b) Packing Materials | : | at average cost basis |
| c) Stores, Consumables & Spares | : | at average cost basis |
| d) Semi-Finished Goods | : | at Raw Material cost and value added thereto upto the state of completion |
| e) Finished Goods | : | at cost or net realisable value whichever is lower |
| f) Waste | : | at estimated realisable value |
-

**26.7 Employee Benefits**

1. Short Term employee benefits

All employee benefits payable within twelve months of rendering the service are recognized in the period in which employee renders the related service.

2. Post Employment Benefits

a. Defined Contribution plans**Gratuity Plan :**

Gratuity is payable to all eligible employees of the Company on death, permanent disability and resignation as per provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial. Benefit would be paid at the time of separation based on the last drawn basic salary.

Leave Encashment :

Eligible Employees can carry forward and encash leave upto death, permanent disability and resignation subject to maximum accumulation allowed upto 15 days for employees. The Leave over and above 15 days is paid to employees as per the balance as on 31st March every year. Benefit would be paid at the time of separation based on the last drawn basic salary.

b. Defined Benefit Obligation Plans :

The present value of the obligation under such plans, is determined based on an actuarial valuation, using the projected Unit Credit Actuarial Method, carried out (approximately) at the close of the year. Actuarial gains and losses arising on such valuation are recognised immediately in the Profit & Loss Account.

3. **Termination Benefits** are charged to the Profit and Loss Account in the year in which they are incurred.**26.8 Foreign Currency Transaction**

- a. Foreign Currency loans for financing fixed assets outstanding at the close of financial year are revalued at appropriate bank exchange rate at the close of the year. The gain or loss for decrease / increase in rupee liability due to fluctuations in rates of exchange is adjusted to carrying amount of Fixed Assets acquired out of said loans.
- b. Income and Expenditure for the year are recorded as per prevailing bank rate on the date of transaction / negotiation.
- c. Current Assets and Liabilities outstanding at the close of the year are translated / re-stated at contracted and / or appropriate bank exchange rates as on the last day of the financial year. The Loss or Gain, if any is recognised in the year of actual realisation in the Profit & Loss Account.
- d. As per usual practice followed by the Company, the export sales transactions during the year are accounted for at Custom Rate and at the end of the year on Prevailing Bank Rate in respect of outstanding debtors. Difference between actual realisation of Custom Rate and/or Bank Rate are adjusted to Exchange Difference Account in Profit & Loss Account.
- e. Gains or Losses on cancellation of Forward Exchange Contracts is recognised in the Profit & Loss Account of the year in which they are cancelled.

26.9 Recognition of Income & Expenditure

- a. Export Sales are recognised on the basis of the date as mentioned in Exchange Control Declaration (GR) Form at Main Division and Weaving Division, whereas Spinning Division considers Sales on the basis of "Bill of Lading" date. Export Sales are accounted for in accounts as per monthly Custom Rate for all the Divisions and shown in the account net of export return.
-



- b. Income & Expenditure are recognised on accrual basis.
- c. Export entitlements are recognised in the Profit & Loss account when the right to receive credit as per terms of the entitlement in respect of the exports made.
- d. Domestic Sales are recorded on raising bills net off discounts, return and Sales Tax.
- e. **Accounting for Differential custom duty**
Differential custom duty on wastage of Imported Raw Silk Yarn determined as per the Input/ Output norms for EOU is accounted as and when the demand is raised by the customs authorities.
- f. Revenue in respect of Job charges is recognised based on the work performed and invoiced as per terms of specific contracts.

26.10 Borrowing Costs

Borrowing Costs which are directly attributable to the acquisition/construction of Fixed Assets till the time such assets are ready for intended use, are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the year in which they are incurred.

26.11 Impairment of Assets

The carrying amount of Assets are reviewed at each Balance Sheet date to ascertain impairment based on internal/external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

26.12 Accounting for Cenvat Credits/Service Tax/Value Added Tax

Cenvat credit and Value Added Tax available on Raw materials, Packing materials, fuels, Stores & Spares, Capital goods and service tax credit on services are accounted for by reducing purchase cost of the related materials or the capital assets or the expenses respectively as the case may be.

26.13 Provisions, Contingent Liabilities & Contingent Assets

Contingent Liabilities are the possible obligation of the past events, the existence of which will be confirmed only by the occurrence or non-occurrence of such event in future. These are not provided for and are disclosed by way of Notes on Accounts. Contingent Assets are not provided for or disclosed.

26.14 Government Grants

Capital grants relating to specific assets are reduced from the gross value of the Fixed Assets and capital grants for Project capital subsidy are credited to Capital Reserve. Other revenue grants are credited to Profit & Loss account or deducted from the related expenses.

26.15 Derivative Instruments

- a) The Company enters into forward foreign exchange contracts / option contracts (derivatives) to mitigate the risk of changes in foreign exchange rate on forecasted transactions. The Company enters into derivative financial instruments where the counterparty is a bank. Gains or losses on ineffective transactions of derivative contracts are recognised in the profit and loss account as they arose.
- b) Accounting for forward foreign exchange contracts are marked to market basis and the net loss after considering the offsetting effects on the underlying contracts, is charged to the Income Statement. Net gains are ignored.

As per our report of even date annexed

For TIWARI & COMPANY

Chartered Accountants

Firm Reg. No. 309112E

P. TIWARI

Partner (M. No. 16590)

Place : Kolkata

Date : 13.08.2012

LAWKUSH PRASAD
Company Secretary

For and on behalf of the Board of Directors

S. K. LOYALKA *Chairman cum Managing Director*

R. K. LOYALKA *Joint Managing Director*

M. M. BHAGAT *Director*

K. D. RUNGTA *Director*

M. L. JAIN *Director*

D. K. SARAWGEE *Director*



Landscaping approach to Nanjungud factory at Mysore



A bird's eye view of the factory at Sarandi

