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# Sportking

## 23<sup>rd</sup>

### Annual Report

### 2011-2012

**SPORTKING INDIA LIMITED**

**BOARD OF DIRECTORS**

Mr. Raj Kumar Avasthi	Chairman & Managing Director
Mr. Munish Avasthi	Managing Director
Mr. Naresh Jain	Executive Director
Mr. Sunil Puri	Director
Mr. Ajay Chaudhry	Director
Dr (Mrs) H. K. Bal	Director

**CHIEF FINANCIAL OFFICER**

Mr. Parveen K. Gupta

**COMPANY SECRETARY**

Mr. Videshwar Sharma

**AUDITORS**

M/s Rawla & Company  
Chartered Accountants,  
504, Surya Kiran Building,  
19, K. G. Marg, New Delhi

**BANKERS****State Bank of India**

IFB Branch, Golden Tower,  
Dholewal Chowk,  
Ludhiana

**State Bank of Patiala**

Specialized Commercial Branch,  
Aarti Complex, Miller Ganj,  
Ludhiana

**Punjab National Bank**

International Banking Branch,  
Industrial Area-A, Ludhiana

**Allahabad Bank**

Link Road, Partap Chowk  
Ludhiana

**Central Bank of India**

Mid Corporate Branch, 369,  
R.K.Road, Ind Area-A,  
Ludhiana-141008

**Punjab and Sind Bank**

Industrial Finance Branch  
Dholewal Chowk, Ludhiana

**REGISTERED OFFICE**

5/69, Guru Mansion, (First Floor)  
Padam Singh Road, Karol Bagh,  
New Delhi - 110005

**CORPORATE OFFICE**

Village Kanech, Near Sahnewal, G. T. Road,  
Sahnewal. G. T. Road, Ludhiana 141120

**ADMINISTRATIVE OFFICE**

178, Col. Gurdial Singh Road,  
Civil Lines, Ludhiana - 141001

**WORKS**

Village Kanech, Near Sahnewal,  
G. T. Road, Ludhiana - 141120

Village Meharban, Rahon Road,  
Ludhiana - 141007

Village Barmalipur, Near Doraha,  
G. T. Road, Ludhiana- 141416

Village Jeeda, Kotkapura Road,  
Distt. Bathinda - 151201

**REGISTRAR & TRANSFER AGENT**

Beetal Financial & Computer Services (P) Ltd.  
BEETAL HOUSE, 3RD Floor, 99 Madangir,  
Near Dada Harsukhdas Mandir  
New Delhi - 110062

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**NOTICE**

NOTICE is hereby given that the **Twenty Third Annual General Meeting** of the members of Sportking India Limited will be held on **Saturday, the 29th day of September, 2012 at 2.00 P.M.** at Registered office 5/69, Guru Mansion, 1st Floor, Padam Singh Road, Karol Bagh, New Delhi-110005 to transact the following business:

**ORDINARY BUSINESS**

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
- 2) To appoint a Director in place of Sh. Naresh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Dr. (Mrs.) H. K. Bal, who retires by rotation and being eligible, offers herself for re-appointment.
- 4) To appoint M/s. Rawla & Co. Chartered Accountants, New Delhi, and the retiring auditors as auditors of the company and to fix their remuneration.

**SPECIAL BUSINESS**

5. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Raj Kumar Avasthi as Managing Director of the company for a further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

Salary - Salary will be in the scale of Rs. 200000-300000-320000 per month

Perquisites - The following perquisites shall be allowed in addition to salary

- a) Housing - Free residential accommodation or house rent allowance equal to 50% of the

basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

- b) Medical Reimbursement- Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c) Leave Travel concession - The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) Club Fees -Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance- Premium not to exceed Rs. 5000/- per annum.
- f) Provident Fund -Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- g) Gratuity -Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) Car - Free use of company's car for official as well as personal purposes along with driver.
- i) Telephone/Cell phone - Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

Explanation- Family means the spouse, the dependent children and dependent parents of the appointee.

Minimum Remuneration-Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the

tenure of the Managing Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

**RESOLVED FURTHER** that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the said resolution."

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

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Munish Avasthi as Managing Director of the company for a further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

**Salary -** Salary will be in the scale of Rs. 200000-300000-320000 per month

**Perquisites -** The following perquisites shall be allowed in addition to salary

- a) **Housing -** Free residential accommodation or house rent allowance equal to 50% of the basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
- b) **Medical Reimbursement-** Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

- c) **Leave Travel concession -** The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) **Club Fees -** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) **Personal Accident Insurance-** Premium not to exceed Rs. 5000/- per annum.
- f) **Provident Fund -** Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- g) **Gratuity -** Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) **Car -** Free use of company's car for official as well as personal purposes along with driver.
- i) **Telephone / Cell phone -** Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

**Explanation-** Family means the spouse, the dependent children and dependent parents of the appointee.

**Minimum Remuneration-**Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of the Managing Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

**RESOLVED FURTHER** that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is

authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the said resolution."

**7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Naresh Jain as an Executive Director of the company for further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

**Salary -** Salary will be in the scale of Rs. 65,000-10000-105,000 per month

**Perquisites -** The following perquisites shall be allowed in addition to salary

- a) **Housing -** Free residential accommodation or house rent allowance equal to 50% of the basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
- b) **Medical Reimbursement-** Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c) **Leave Travel concession -** The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) **Club Fees -**Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) **Personal Accident Insurance-** Premium not to exceed Rs. 5000/- per annum.
- f) **Provident Fund -**Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put

together are not taxable under the Income Tax Act, 1961.

- g) **Gratuity -**Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) **Car -** Free use of company's car for official as well as personal purposes along with driver.
- i) **Telephone/Cell phone -** Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

**Explanation -** Family means the spouse, the dependent children and dependent parents of the appointee.

**Minimum Remuneration-**Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of the Executive Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

**RESOLVED FURTHER** that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is authorized to do all such acts, deeds matters and things as may be necessary or expedient for giving effect to the said resolution."

**By Order of the Board**

**Place : Ludhiana**

**Date : September 1, 2012**

**Raj Kumar Avasthi**

**Chairman**

**Regd. Office :**

**5/69, Guru Mansion, 1st Floor,  
Padam Singh Road, Karol Bagh,  
New Delhi - 110005**

**NOTES**

- 1) The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No 5, 6 & 7 is annexed hereto and forms part of this notice.
- 2) The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting as proposed in Item No.2 & 3 of the Notice is annexed hereto and forms part of the Notice.
- 3) **A member entitled to attend and vote at the meeting is also 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 proxy, in order to be effective, must be received by the company not less than 48 hours before the commencement of the meeting. A blank proxy form is enclosed.**
- 4) The terms and conditions for the re-appointment /remuneration of Mr. Raj Kumar Avasthi, Mr. Munish Avasthi & Naresh Jain as detailed in the resolution and explanatory statement be treated as an abstract under section 302 of the Companies Act, 1956.
- 5) The Register of Members and the Share Transfer Books of the company shall remain closed from 20th September 2012 to 29th September, 2012 (both days inclusive).
- 6) If the balance allotment money is not paid so far, pay the same along with interest @ 15% per annum from the last date of payment of 31.03.96 to the actual date of payment.
- 7) The copy of relevant documents can be inspected at the registered office of the company on any working day between 11:00 A.M. To 01:00 P.M.
- 8) Members are requested to bring their copies of the Annual Report at the Meeting. Members seeking any information with regard to the

accounts of the company are requested to write to the company at least 15 days before the date of the meeting so as to enable the management to keep the information ready.

- 9) Members are requested to notify change in address, if any, to the company at its Registered Office quoting their folio number.
- 10) Members/Proxies should bring the attendance slip sent herewith, duly filled in and signed and handover the same at the entrance of the meeting place.
- 11) The company's Registrar and Share Transfer Agents M/s. Beetal Financial & Computer Services (P) Ltd., are situated at Beetal House, 99 Madangir, Behind Local Shopping Centre, Near Dada Harsukh Dass Mandir, New Delhi and has maintained connectivity with both NSDL/ CDSL.

**Important Communication**

The Ministry of Corporate Affairs, Government of India (MCA) vide its General Circular No. 18/2011 dated 29th April, 2011, has clarified that as a measure of "Green initiative in Corporate Governance" it will be in compliance, if the Annual Report (i.e. documents listed in section 219(1) of the Companies Act, 1956) is sent through e-mail. A recent amendment to the listing agreement with the Stock Exchanges now permits Company to send soft copies of the Annual Report to all those shareholders who have registered email address for the purpose. To support this green initiative, you are requested to register your email id with Company's Share Transfer Agent viz. Beetal Financial & Computer Services (P) Ltd. BEETAL HOUSE, 3RD Floor, 99 Madangir, Near Dada Harsukhdas Mandir, New Delhi 110006 by giving your consent to receive the Annual Report in future in electronic form. To facilitate you in doing so, please write to us or to our Share Transfer Agent as mentioned above and also update the email address as and when there is change.

**ANNEXURE TO THE NOTICE**

**Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956**

**Item No. 5**

Sh. Raj Kumar Avasthi - is a founder of the Sportking Group and possesses vast experience and expertise in managing textile businesses including apparel/ garment business from the last 38 years He is working as Managing Director of the company since 1995 and his appointment is valid upto 30.09.2012 on the remuneration as approved by the members in their annual general meeting held on 30.09.2009 and Extra Ordinary General Meeting held on 28.02.2011. The company has made tremendous progress under his kind guidance and leadership. Keeping in view his immense contribution to the Company, the Board recommends his re-appointment as Managing Director for a further period of five years. Hence his re-appointment on the remuneration as proposed in the resolution is placed before the members for their approval.

**MEMORANDUM OF INTEREST:**

None of Directors except Sh. Raj Kumar Avasthi and Sh. Munish Avasthi are interested in the resolution.

**Item No. 6**

Sh. Munish Avasthi - is a founder of the Sportking Group and possesses vast experience and expertise in managing textile businesses from the last 20 years He is working as Joint Managing Director since 1999 and later as Managing Director and his appointment is valid upto 30.09.2012 on the remuneration as approved by the members in their annual general meeting held on 30.09.2007 and Extra Ordinary General Meeting held on 28.02.2011. Keeping in view his immense contribution to the Company, the Board recommends his re-appointment as Managing Director for a further period of five years. Hence his re-appointment on the remuneration as proposed in the resolution is placed before the members for their approval.

**MEMORANDUM OF INTEREST :**

None of Directors except Sh. Munish Avasthi and Sh. Raj Kumar Avasthi are interested in the resolution.

**Item No. 7**

Mr. Naresh Jain is a graduate and has enormous experience and exposure in managing textile and garments business. He is associated with the Sportking Group since inception and has made major contribution in the success of the group. Mr. Naresh Jain was appointed as an additional director on 30.07.2009 and later on appointed as Executive Director on 30th September, 2009 upto 30th September, 2012. His vast experience will immensely benefit the Company. So the Board recommends his re-appointment as Executive Director for further period of five years on the remuneration as proposed in the resolution. Hence the said resolution is placed before the members for their approval.

**MEMORANDUM OF INTEREST:**

None of Directors except Sh. Naresh Jain is interested in the resolution.

**By Order of the Board**

**Place : Ludhiana  
Date : September 1, 2012**

**Raj Kumar Avasthi  
Chairman**

**Regd. Office :  
5/69, Guru Mansion, 1st Floor,  
Padam Singh Road, Karol Bagh,  
New Delhi - 110005**

**ANNEXURE TO THE NOTICE****Details of Directors seeking re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

<b>Name of the Director</b>	<b>Sh. Naresh Jain</b>	<b>Dr. (Mrs.) H. K. Bal</b>
<b>Age</b>	<b>58 Years</b>	<b>73 Years</b>
<b>Date of Appointment</b>	<b>30.07.2009</b>	<b>25.04.2006</b>
<b>Expertise in Specific Functional Area</b>	<b>Vast Experience in Managing Successful textile and garments industrial enterprises</b>	<b>A renowned management consultant</b>
<b>Qualification</b>	<b>Graduate</b>	<b>M.A. (Maths), Ph. D.</b>
<b>Directorship/Membership of other Public Limited Companies/their committees</b>	<b>-</b>	<b>Nahar Spinning Mills Ltd. Nahar Industrial Enterprises Ltd. Nahar Capital and Financial Services Ltd. Oswal Woollen Mills Ltd. Nahar Poly Films Ltd.</b>
<b>Membership of committees Public Limited Companies</b>	<b>-</b>	<b>(Chairman-shareholder grievance committee) Nahar Spinning Mills Ltd Nahar Poly films Ltd (Member - Audit Committee) Nahar Industrial Enterprises Ltd. Oswal Woollen Mills Ltd.</b>
<b>No. of shares held in the Company</b>	<b>1300</b>	<b>Nil</b>



**DIRECTORS' REPORT****Dear Members,**

The Directors of your company are pleased to present their Twenty Third Annual Report on the affairs of the company together with Audited Accounts of the Company for the year ended 31st March, 2012.

**1. FINANCIAL RESULTS**

The summarized financial results for the year are as under:

Particulars	(₹ in Crores)	
	2011-12	2010-11
Gross Turnover/Operating Income	767.73	418.95
Profit before Interest, Depreciation & Taxation	58.79	72.81
Less :Interest (Net)	48.29	14.37
Profit before Depreciation & Taxation	10.50	58.44
Less: Depreciation	25.81	13.90
Net Profit before Taxation	-15.31	44.54
Less: Provision for Current Taxes	-0.02	11.96
Net Profit after Current Taxes	-15.29	32.58
Add: Provision for Deferred Tax Assets (+) /Liabilities (-)	-10.79	-3.38
Net Profit after Deferred Taxation	-26.08	29.20
Add: Surplus of Last Year	52.70	23.78
Less: Transfer to Capital Redemption Reserve	0.42	0.28
Surplus carried to Balance Sheet	26.20	52.70

**2. MANAGEMENT'S DISCUSSION AND ANALYSIS****BUSINESS REVIEW:**

The economic slowdown in EU and USA has forced emerging economies to struggle for growth after experiencing weak performance in the FY 2010-11 and up to first half of FY 2011-12. Moreover, these tough economic conditions have not been compensated by surge in domestic demand in emerging economies.

So, the emerging and developing economies are expecting lower growth in the near future. India is also projected to grow in the range of 6% - 7% respectively due to major issues in EU and its banking system. In addition to global pressures on Indian

economic performance, structural problems related to infrastructure, lower productivity levels and lack of policy reforms are other major concern areas. Moreover, higher inflationary pressures are also resulting in tighter monetary policies thereby restricting the industrial growth in India.

**COTTON**

The global cotton price which is largely a function of global demand and supply of cotton has been influenced by factors other than actual user demand and overall supply of cotton in 2011-12. The Chinese policy of accumulating cotton for strategic reserves and occasional policy decisions of Indian Government in relation to export of cotton has caused much volatility in cotton prices. The global cotton production is estimated at 27.16 million tons in 2011-12, which is expected to decline to 24.9 million tons in 2012-13 due to lower area under cotton cultivation in sync with moderation in global cotton prices to an extent. The global mill consumption of cotton is estimated at 22.7 million tons in 2011-12 and is projected to grow moderately in 2012-13.

**YARN**

Financial year 2011-12 was a year rampant with nervousness and unpredictability, which was not a conducive environment for business. The ban on the exports of cotton yarn in January, 2011 seriously impacted the industry and there was accumulation of inventory till end of March, 2011. The Government announced its new policy on export of Cotton Yarn in first week of April, 2011 and yarn export was brought under Open General Licence. As a result, the yarn prices moved in a wide range for the first half of the year. Most of the textile mills, particularly which are predominantly spinning, suffered losses including losses incurred by the writing down of the stock of cotton and yarn in the first half of the FY 2011-12.

However, it was only in the second half that things showed some signs of stabilization. All India yarn production was lower by an estimated 15% due to (i) Power crisis in the South (ii) Huge inventory losses as referred above resulting in severe shortage of working capital availability to some companies (iii) Acute labour shortage across India (iv) Sharp fall in

yarn prices as compared to last year propelling voluntary cut in production. However, this year production is expected to increase even though margins are expected to be on the lower side only. There is also a noticeable trend of increasing value addition in products. The removal of trade barriers with Bangladesh is yet to show any impact on the Indian Industry.

Overall the year is expected to be more stable due to expectation that cotton will be much less volatile than last year. Growth of the industry will hinge on recovery in the global economy although Indian demand is expected to increase at a relatively moderate rate.

#### **FINANCIAL ANALYSIS**

Your directors are pleased to report performance of the business operations as follows:

#### **PRODUCTION / SALES REVIEW**

During the year under review, our company achieved a production of 29479 M.T. as compared to 20757 MT in the previous year showing an increase of about 42%. The company achieved a gross turnover/ operating income of Rs. 767.73 Crores as compared to Rs. 418.95 Crores in the previous year showing a growth of about 83 %. The exports increased to Rs. 322.50 Crores against Rs. 207.35 Crores in the previous year showing a growth of about 55 % owing better market penetration. The Company is recognized as 'Trading House' by Govt. of India.

#### **PROFITABILITY**

The company earned a gross profit of Rs. 58.79 Crores having profitability/sales ratio of 7.66 % as compared to Rs. 72.81 Crores having profitability/sales ratio of 17.38 % in the previous year which has declined due to inventory losses with decrease in prices of raw cotton/cotton yarn during first half of the financial year 2011-12

The interest cost increased to Rs. 48.29 Crores as compared to Rs. 14.37 Crores in the previous year due to increase in interest rates and increased borrowings due to increased level of capacities/ operations. The company earned gross cash profit

of Rs. 10.50 Crores against cash profit of Rs. 58.44 Crores in the previous year. After making provision of depreciation of Rs. 25.81 Crores (Previous Year Rs 13.90 Crores), Income Tax of Rs. (-)0.02 Crores (Previous Year Rs. 11.99 Crores), and after providing for deferred tax liability of Rs. 10.79 Crores (Previous Year Rs. 3.38 Crores) there was a net loss of Rs. 26.08 Crores against previous year net profit of Rs. 29.20 Crores. After transfer of Rs. 0.42 Crores to Capital Redemption Reserve, the surplus in the Profit & Loss Appropriation Account stands at Rs. 26.20 Crores.

#### **RESOURCE UTILISATION:**

##### **Preferential Allotment**

During the year, the company allotted 28,92,000, 5% Redeemable Non Cumulative Preference Shares of Rs. 10/- each at premium of Rs. 90/- per share amounting to Rs. 28.92 Crs to the promoters and their associates to augment the long term resources of the company.

##### **Fixed Assets**

The Net Fixed Assets (including work-in-progress) as at 31st March, 2012 were Rs. 414.95 Crores as compared to Rs. 283.56 Crores in the previous year as the company has completed the greenfield project of 57600 spindles and a part of brownfield project of 61536 spindles with dye house at Bathinda.

##### **Current Assets and Current Liabilities**

The inventory level increased by Rs. 9.94 Crores from Rs. 163.95 Crores at the end of the previous year to Rs. 173.89 Crores at the end of the year under review. The Sundry Debtors level increased to Rs. 88.29 Crores at the end of current year from Rs. 45.73 Crores at the end of previous year while the level of other current assets increased to Rs. 44.99 Crores at the end of current year from Rs. 40.84 Crores at the end of previous year due to increased level of operations. The increased level of current assets has also been financed by increased trade payables/short term borrowings/other current liabilities and provisions of Rs. 437.07 Crs at the end of current year from Rs. 309.02 Crs at the end of previous year.

**LIQUIDITY & CAPITAL RESOURCES:**

The position of liquidity and capital resources is given below:

Particulars	(₹ in Crores)	
	2011-12	2010-11
<b>Cash &amp; Cash Equivalents :</b>		
Beginning of the year	4.73	4.21
End of the year	9.64	4.73
<b>Net Cash provided/ (used) by :</b>		
Operating Activities	79.33	62.91
Investing Activities	(156.91)	(176.41)
Financial Activities	82.49	114.02

The company is utilizing cash accruals for meeting term loan commitments and acquisition of fixed assets.

**EXPANSION PROJECT**

The Company's brownfield expansion project at Bathinda is underway for installation of 61536 spindles and a dye house for manufacture polyester cotton blended/cotton/mélange yarn. So far 48400 spindles have been installed / commissioned under this project and rest of the project is likely to be completed by March 2013. So the installed capacity of the Company has increased to 1.78 Lacs spindles as on date from 1.01 Lacs spindles as on 31st March 2011.

**INTERNAL CONTROL SYSTEM**

The company has internal audit department to oversee internal control systems and procedures to ensure efficiency of decisions for optimum utilization and protection of resources and compliance with applicable statutory laws and regulations and internal policies. Quarterly reports are submitted by the internal auditor to the Audit Committee of the Board and necessary action / recommendation are made thereafter by the said committee. Continuous efforts are being made to further strengthen the internal control systems. The company's main works at Ludhiana have been accredited with ISO-9001 from the concerned certification body DNV.

**MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

The Company recognizes its human resources as its most valuable asset. The Company has specialized professionals in the respective fields to take care of its operations and allied activities. The company recognizes the whole hearted contribution by its committed work force in bringing the Company to its present position. The Company is employing over 3000 persons. The Industrial Relations continues to be cordial.

**3. DIRECTORS**

Mr. Naresh Jain and Dr. (Mrs.) H. K Bal of the company, retire by rotation at the ensuing Annual General Meeting of the company and being eligible offer themselves for reappointment.

**4. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:-

- i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012 and the loss of the Company for the year ended on 31st March 2012.
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing & detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

**5. AUDIT COMMITTEE**

The Company has an Audit Committee of the Board of Directors, the members of which are Mr. Ajay Chaudhry, Dr. (Mrs.) H K Bal and Mr. Sunil Puri,

Mr. Ajay Chaudhry is the Chairman of the committee. The committee is empowered to look into all the matters related to finance and accounting and its terms of reference are as per Clause 49(II) of the listing agreement read with section 292A of The Companies Act, 1956.

#### **6. RISK MANAGEMENT - MANAGEMENT PERCEPTION**

The continued economic gloom, sharp drop in incomes and consumption in major consuming countries, uncertainties on when and to what extent economic recovery will take place and lack of trust and confidence in financial markets are major concern areas. The economic growth in our country, agriculture income, political and economic policies of new government will be few major influencing factors on textile industry's performance. The crude oil / raw cotton prices, foreign exchange rates, demand of cotton / synthetic yarn in the international/ domestic market, employment generation and their disposable incomes levels etc. would be influencing factors on the margins of textile industry. Overall the uncertainties and risks are likely to moderate in the coming year.

#### **7. AUDITORS**

M/s. Rawla & Company, Chartered Accountants, New Delhi, being the auditors of the Company retire at the forthcoming Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

#### **8. AUDITORS' REPORT**

The comments in the Auditors' Report read with Notes to Accounts are self explanatory and do not call for any further explanation.

#### **9. PUBLIC DEPOSITS**

The Company has not raised any deposits from the public. Hence the provisions of Section 58A of the Companies Act, 1956 and the rules made under Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not attracted.

#### **10. LISTING OF SECURITIES**

The securities of the company are listed on The

Delhi Stock Exchange Ltd., New Delhi, The Ludhiana Stock Exchange Ltd., Ludhiana, The Ahmedabad Stock Exchange Ltd., Ahmedabad and The Madhya Pradesh Stock Exchange Ltd., Indore and the company has already paid listing fees of the stock exchanges for the financial year 2012-13.

#### **11. PARTICULARS OF EMPLOYEES**

No employee is covered under the provisions of Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

The information as required by the provisions of the 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 is annexed hereto and forms part of this Report.

#### **13. CORPORATE GOVERNANCE**

A separate report on Corporate Governance along with Auditors' Certificate is attached.

#### **14. ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the co-operation from the Bankers, Financial Institutions and Government Bodies & Business Associates. Your Directors also record their appreciation of the services rendered by the employees of the company.

**By Order of the Board**

**Place : Ludhiana**

**Raj Kumar Avasthi**

**Date : September 1, 2012**

**Chairman**

**Regd. Office :**

**5/69, Guru Mansion, 1st Floor,  
Padam Singh Road, Karol Bagh,  
New Delhi - 110005**

## ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

## 1. Conservation of Energy

The Energy management has always been given high priority by the Company. This continues to remain thrust area as this is a major portion of expenditure incurred by the Company. The Company has chalked out an action plan for the same which includes Copper Ballasts to be replaced with Electronic 28 W Ballasts, Replacement of R/F Spindles, installation of WCS Fan Impellers and company has changed conventional sodium vapour lamps in the street lighting with CFL's and other feasible areas for improvement are continuously explored. Full focus is given on optimizing harmonics in the systems, thus getting quality power and conservation of energy.

The above said action plan is underway and on the other hand the company has completed modification of humidification plants, usage of Steam pressure reduction station, Cotton cards waste evacuation system, reduction in compressed air consumption and boiler heat recovery etc. to conserve energy.

## (FORM A)

## A Power &amp; Fuel Consumption

	2011-12	2010-11
i) Electricity		
a) Purchased		
Units (Kwh.)	9,01,43,439	5,91,93,785
Amount (Rs.)	46,53,02,607	26,78,36,239
Rate Per Unit (Rs.)	5.16	4.52
b) (Through Generator)		
Units (Kwh)	9,43,299	16,27,304
Amount (Rs.)	1,16,47,493	1,73,67,860
Cost per unit (Rs.)	12.35	10.67

ii) Coal / Pet coke		
Qty. (Kgs.)	23,68,676	23,45,716
Amount (Rs.)	2,31,26,532	2,39,95,558
Rate per unit (Rs.)	9.76	10.23
iii) Furnace Oil	NIL	NIL
iv) Rice Husk	NIL	NIL
Qty. (Kgs.)	NIL	NIL
Amount (Rs.)	NIL	NIL
Rate per unit (Rs.)	NIL	NIL
v) Other/internal generation	NIL	NIL

## B) Consumption per Unit of production

i) Electricity (Kwh/Kg. of Product)	3.06	2.98
ii) Coal and Rice Husk	0.08	0.12
iii) Furnace	NIL	NIL
iv) Others/Internal Generation	NIL	NIL

## 2. Technology Absorption

Efforts made in Technology Absorption are furnished in Form B as under:

## A. Research and Development

## i) Specific Areas in which Research &amp; development is carried out by the Company:

Research & Development is carried out for improvement in production capacity by optimum utilization of available resources, development of new products apart from efficient management of deployed resources. Modification in blow room has been completed which results in effective collection of cotton waste.

## ii) Benefits derived as a result of Research &amp; Development:

- Reduction in maintenance cost, easy availability of spare parts.
- Enlargement of market base with new products.
- Quality improvement, customer satisfaction.
- Cost reduction, productivity & efficiency enhancement.

**iii) Future Course of Action:**

- a) Productivity enhancement of Spinning Machines
- b) Development of new products
- c) Investment in R & D

**iv) Expenditure on Research & Development:**

The capital as well as revenue expenditure incurred on Research & Development activities has been shown under the respective heads of Plant & Machinery and Consumable Stores of Annual Accounts and it is not possible to segregate the same.

**B. Technology Absorption, Adaptation and Innovation:****i) Efforts Made:**

The Company is continuously making efforts for adaptation of latest technology. The Company has installed Auto Coners of latest technology to improve quality of yarn and having product flexibility to make value added product along with reducing manual operations. Splicing of yarn has been implemented in various double yarn operations which has improved yarn processing at later stage. The condenser has been replaced by Stationery de-dusters to save power. A centralized pneumafil waste collection system has been installed to collect the total waste at single point and thereby reducing machine downtime /productivity loss.

**ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution etc.:**

Use of the latest developed techniques has enabled the company to improve the quality of yarn, launch of new products and reduction of cost of production.

**iii) Particulars of imported Technology during the last five years:**

The Company has not imported any technology.

**3. Foreign Exchange Earnings and Outgo:**

The company continued its efforts to develop export markets throughout the year and has got

adequate response from various customers worldwide. The company has earned foreign exchange of Rs 322.50 Crores by export of its products. The outgoes of foreign exchange is Rs. 84.30 Crores, being the CIF value of imports of raw material/capital goods/stores & spares, interest on foreign currency loans & overseas commission/traveling expenses.

**By Order of the Board**

**Place : Ludhiana**

**Date : September 1, 2012**

**Raj Kumar Avasthi  
Chairman**

**Regd. Office :**

**5/69, Guru Mansion, 1st Floor,  
Padam Singh Road, Karol Bagh,  
New Delhi - 110005**

**CORPORATE GOVERNANCE REPORT**

The company is following the path whereby the interest of shareholders becomes the top most priority without sacrificing any of the concerns of other stakeholders. The management and organization of company Endeavours to be progressive, competent and trustworthy for customers and stakeholders and is committed to increase long term shareholders' value through excellence in manufacturing & customer services.

This section besides being in compliance of the mandatory Listing Agreement gives an insight into the process of functioning of the Company.

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

- a) Faith in bright future of Indian textiles
- b) Total Customer focus in all operational areas
- c) Respect for people, consumer delight, Integrity, Quality and Shareholder's value.
- d) Achieving excellence through continuous innovation & creativity
- e) Faith in individual potential and respect for human values

**2. BOARD OF DIRECTORS****Composition:**

The Board of the Company is headed by Executive Chairman & Managing Director. The Board consists of Six Directors out of which two are promoter Directors, one is non-independent director and three are independent Directors. Mr. Raj Kumar Avasthi (Chairman & Managing Director) and Mr. Munish Avasthi (Managing Director) are related to each other.

The details of Board of Directors and their shareholding in the Company are as under:

Name of the Directors	Category	No. of share held in the Company
Mr. Raj Kumar Avasthi	Executive Chairman & Managing Director and Promoter	197500
Mr. Munish Avasthi	Managing Director & Promoter	122000
Mr. Naresh Jain	Executive Non-Promoter Director	1300
Mr. Ajay Chaudhry	Non- Executive Independent Director	NIL
Mr. Sunil Puri	Non- Executive Independent Director	NIL
Dr. (Mrs.) H.K. Bal	Non- Executive Independent Director	NIL

**Board Meetings etc:**

The Board normally meets once in a quarter. Additional meeting are held as and when required. During the year under review, board met six times on 12.05.2011, 12.08.2011, 03.09.2011, 14.11.2011, 14.02.2012 and 31.03.2012. The gap between any two meetings did not exceed three months.

The board members attendance at the Board meetings, last Annual General Meeting and directorship and committee memberships in other Public Limited Companies are as under-

Name of the Directors	No. of Board Meeting Attended	Attendance at the last AGM	Total No. of Directorships in other Companies	Total No. of Committee Memberships in other Companies	Total No. of Committee Chairmanships in other Companies
Mr. Raj Kumar Avasthi	6	Yes	-	-	-
Mr. Munish Avasthi	6	Yes	-	-	-
Mr. Naresh Jain	6	Yes	-	-	-
Mr. Ajay Chaudhry	6	Yes	2	2	2
Mr. Sunil Puri	6	-	-	-	-
Dr. (Mrs.) H.K. Bal	6	-	5	4	2

**Note:**

The above mentioned Directorships exclude private limited companies, foreign companies and Companies under section 25 of the Companies Act, 1956.

**3. AUDIT COMMITTEE****Composition:**

The Audit Committee of the Company in terms of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement comprise of three directors i.e., Mr. Ajay Chaudhry, Dr. (Mrs.) H.K. Bal and Mr. Sunil Puri. Mr. Ajay Chaudhry is the Chairman of the Committee. All the members of Audit Committee are financially literate and Chairman of the Committee possesses expertise in legal, finance and accounting matters.

**Terms of reference :**

The terms of reference of the Audit Committee based on the role of the Audit Committee as mentioned in Clause 49 of the Listing Agreement are as under:

- i) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii) Recommending to the Board, the appointment/re-appointment of the statutory auditors, fixation of audit fees and remuneration for other services.
- iii) Reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval.
- iv) Discussing with internal auditors any significant finding and follow up there on.
- v) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- vi) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- vii) To look into the reasons, if any, for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
- viii) In addition to the above, all items listed in Clause 49(II) (D) of the Listing Agreement.



