



Dare to Commit

# **WELSPUN SYNTEX LTD.**

## **29th Annual Report 2011-2012**

**WELSPUN SYNTEX LIMITED**  
**COMPANY INFORMATION**

**BOARD OF DIRECTORS** MR. B.K.GOENKA CHAIRMAN  
MR. R.R.MANDAWEWALA  
MR. B.A. KALE EXECUTIVE DIRECTOR  
MR. ATUL DESAI  
MR. RAJ KUMAR JAIN  
MR. M.K.TANDON

**COMPANY SECRETARY** MR. NILESH JAVKER ASST.COMPANY SECRETARY

**AUDITORS** MGB & CO., CHARTERED ACCOUNTANTS

**BANKERS** BANK OF BARODA, STATE BANK OF BIKANER & JAIPUR, IDBI BANK LIMITED,  
CENTRAL BANK OF INDIA, STATE BANK OF INDIA

**REGISTERED OFFICE** SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA,  
UNION TERRITORY OF DADRA & NAGAR HAVELI

**CORPORATE OFFICE** 9TH FLOOR, TRADE WORLD, "B" WING,  
KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG,  
LOWER PAREL, MUMBAI – 400 013.  
EMAIL: nilesh\_javker@welspun.com  
WEBSITE: www.welspunsyntex.com

**FACTORY** 1) SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA,  
UNION TERRITORY OF DADRA & NAGAR HAVELI.  
2) PLOT NO. 14/15, DEWAN INDUSTRIAL ESTATE,  
PALGHAR, DISTRICT THANE, MAHARASHTRA.

**LISTING OF SHARES** THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI  
Phiroze Jee-jeebhoy Tower,  
Dalal Street, Mumbai 400 001

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## NOTICE

**NOTICE** is hereby given that the 29th Annual General Meeting of the Members of Welspun Syntex Limited will be held at the Registered Office of the Company at Survey No. 394(P), Village Saily, Silvassa, Dadra & Nagar Haveli on Saturday, 29th September, 2012 at 10.30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 and the Audited Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend/accumulated dividend @10% on Optionally Convertible Cumulative Preference shares (now redeemable since option lapsed).
3. To appoint a Director in place of Mr. R.K. Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rajesh R. Mandawewala, who retires by rotation, and being eligible, offers himself for re-appointment.

### 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 224 A of the Companies Act, 1956, M/s. MGB & Co., Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on a remuneration as may be agreed upon between the Board of Directors and M/s. MGB & Co.”

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 Section 16, 94 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Authorised Share Capital of the Company consisting of 10,67,00,000 (Ten Crores Sixty Seven Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 33,00,000 (Thirty Three Lacs) Optionally Convertible Cumulative Preference Shares (hereinafter referred to as OCCPs) of ₹10/- (Rupees Ten only) each and 1,00,00,000 (One Crore) Redeemable Cumulative Preference Shares (hereinafter referred to as “RCP”) of ₹10/- (Rupees Ten only) each aggregating to Rs.120,00,00,000 (Rupees One Hundred Twenty Crores Only) be and is hereby reclassified into 9,20,00,000 ( Nine Crores Twenty Lacs) equity shares of ₹ 10 each (Rupees Ten only), 1,80,00,000 ( One Crore Eighty Lacs) Optionally Convertible Cumulative Preference shares of ₹10 each (Rupees Ten only) and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹10 each (Rupees Ten only) aggregating to ₹ 120,00,00,000 (Rupees One Hundred Twenty Crores Only).”

**RESOLVED FURTHER THAT** the existing clause V of the Memorandum of Association of the Company be and

is hereby substituted by the following Clause:

- V. The Authorised Share Capital of the Company is ₹120,00,00,000 (Rupees One Hundred Twenty Crores Only) divided into 9,20,00,000 (Nine Crores Twenty Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 1,80,00,000 (One Crore Eighty Lacs only) Optionally Convertible Cumulative Preference Shares of ₹10/- (Rupees Ten only) each and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹ 10 each (Rupees Ten only) with the rights, privilege and conditions attaching thereto as are provided by the regulations of the company for the time being in force, with power to increase or reduce the capital for the time being and to divide the same into several classes and to attach thereto respectively such preferential, qualified or special privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided for by the Articles of Association of the Company or by the law in force for the time being.

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

**“RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (The Act), Article No. 3 of Articles of the Association of the Company be and is hereby altered by substituting first para starting from the word “The Authorised share capital” and ending with the word “(Rupees Ten only) each” with the following paragraph:

The Authorised Share Capital of the Company is ₹120,00,00,000 (Rupees One Hundred Twenty Crores Only) divided into 9,20,00,000 (Nine Crores Twenty Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 1,80,00,000 (One Crore Eighty Lacs only) Optionally Convertible Cumulative Preference Shares of ₹10/- (Rupees Ten only) each and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹10 each (Rupees Ten only).

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

**“RESOLVED THAT** pursuant to the provisions of section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification (s) or re-enactment(s) thereof, for the time being in force), and relevant provisions of the Memorandum and Articles of Association of the Company, and in accordance with listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed or proposed to be listed and subject to the approval of Securities and Exchange Board of India (hereinafter referred to as “SEBI”), if necessary and subject to the Company obtaining all approvals, consents, permissions and sanctions as may be required from any and/or all governmental or regulatory authorities and/or all other institutions and bodies including Banks and subject to such conditions as may be prescribed while granting such approvals, consent and permission provided that such sanctions are acceptable to the

Board of Directors of the Company (hereinafter referred to as Board, which term shall be deemed to include any Committee of Directors constituted by the Board and authorised for this purpose), the consent and the approval of the Company be and is hereby accorded to the Board to create, offer, issue and allot on preferential basis to Krishiraj Trading Limited and/or Welspun Mercantile Limited, the promoters, up to 1, 60, 00,000 (One Crores Sixty Lacs only) 6% Optionally Convertible Cumulative Preference shares ("OCCPS") of the face value of ₹ 10/- (Rupee ten) each at par with an option with the allottee(s) to convert the OCCPS into equity shares at any time, in one or more tranches within eighteen months from the date of allotment of OCCPS at the price of ₹ 10.25 (including premium of ₹ 0.25), being the issue price higher than the minimum price computed in accordance with the Regulations for preferential issue by SEBI under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "the Regulations")."

**"RESOLVED FURTHER THAT** all the new equity shares, as and when allotted on conversion of OCCPS in terms of this resolution, shall rank pari passu in all respects with the existing equity shares of the Company and necessary measures be taken to seek the listing of such new equity shares on all the Stock exchanges where the Company's shares shall continue and necessary application be made with National Securities Depository Limited, Central Depository Services (India) Limited and other authorities, if any for executing Corporate Action and such other actions, as may be required in this connection from time to time.

**"RESOLVED FURTHER THAT** subject to the Regulations and other applicable laws, the Board be and is hereby authorized to decide and approve terms and conditions of the issue of above mentioned Equity Shares and to vary, modify or alter any of the terms and conditions, including size of the issue, as it may deem expedient.

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised, to take all such steps and do all such acts, deeds, matters and things, as the Board may deem fit and proper or desirable and necessary and to settle any question or doubt that may arise with regard to offer, issue and allotment of OCCPS and the new Equity Shares allotted on conversion of OCCPS and that the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors in order to give effect to the aforesaid resolution."

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is appended hereto.
3. The Register of Members of the Company was closed

from Tuesday, 28th August 2012 to Thursday, 30th August 2012 (both days inclusive).

4. All correspondence pertaining to Equity Shares, and Optionally Convertible Cumulative Preference shares should be forwarded to the Company's Registrar and Share Transfer Agent M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078.
5. Members are requested to immediately inform about their change of address or consolidation of folios, if any, to the Company's Share Transfer Agent.

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

##### **SPECIAL BUSINESS:-**

##### **ITEM NO. 5**

Since more than 25% of the Company's share capital is held by Institutions /Banks/Insurance companies as specified under section 224A of the Companies Act, 1956, the appointment/re-appointment of Auditors require members' approval by a Special Resolution. Hence, the resolution under this item is proposed for the approval of members as a Special Resolution.

None of the directors of the Company is in any way concerned or interested in the said resolution.

##### **ITEM NO. 6 to 8**

Board of directors of the Company has decided to redeem the existing outstanding 10% Optionally convertible cumulative preference shares (now redeemable) of ₹193.64 lacs, and 8% Redeemable Cumulative Preference shares of ₹ 833.00 lacs, out of the profits / proceeds of the fresh issue of Optionally Convertible Cumulative Preference shares.

Bank have approved the Company's expansion project at the cost of ₹ 168.37 Crores and the means of finance thereof for the project being as under

- i. Equity / Internal Accruals - ₹ 55.37 Crores
- ii. Term loan from Banks - ₹ 113.00 Crores

Board of directors has therefore decided to issue 6% Optionally Convertible Cumulative Preference shares of ₹10 each on preferential basis in order to redeem the aforesaid preference shares and also to use funds for purpose as mentioned herein.

In order to enable the Company to issue optionally convertible cumulative preference shares, authorised share capital of the Company has to be reclassified and therefore alteration of Memorandum of Association and Articles of Association as mentioned in item no. 6 & 7 is necessary.

##### Terms of proposed OCCPS

- i. Dividend of 6% p.a.
- ii. Conversion terms

OCCPS are convertible into equity shares at any time within eighteen months from the date of allotment on allottees exercising option to convert OCCPS shares into equity shares at the price of ₹ 10.25 (including premium of ₹ 0.25).

- iii. OCCPS which will not be converted by the holders shall be redeemed at the end of nine years from the date of



allotment or upon repayment of the loans that may be availed from banks and financial institution to finance the aforesaid project of ₹ 168.37 crores, whichever is earlier.

Information as required to be given pursuant to SEBI (issue of capital and disclosure requirements) regulations, 2009 (hereinafter referred to as "the Regulations") is given below:

**a) Objects of the preferential issue:**

To redeem preference shares which are due for redemption and the balance funds for the Company's capital expenditures/general corporate purpose

**b) Intention of the proposed allottee to subscribe to the offer:**

The proposed allottees are constituents of the promoter group of the company who have agreed to subscribe 1,60,00,000 OCCPS.

**c) Proposed time within which the allotment shall be completed:**

The Board proposes to allot the OCCPS within 15 days from the date of the passing resolution or in case any application for any approval or permission of any regulatory authority or the Central Government for allotment is pending, within 15 days from the date of such approval/permission, whichever is later.

**d) Identity of the proposed allottees and percentage of post-preferential issue capital that may be held by the said entity:**

Name of proposed allottees	No. of OCCPS not exceeding	No. of Equity shares on conversion not exceeding	% of post preferential issue capital not exceeding
Krishiraj Trading Limited or Welspun Mercantile Limited	1,60,00,000	1,56,55,577*	39.84%
	1,60,00,000	1,56,55,577*	39.84%

\* fraction arising on conversion of OCCPS is ignored

**Note :** Krishiraj Trading Limited and Welspun Mercantile Limited shall individually or jointly subscribe to aggregate ₹ 160 crores OCCPS.

**e) No change in control :**

The allotment would not result in any change in the control of the Company or in the composition of the Board of directors of the Company.

**f) Lock in period**

The OCCPS and the equity shares to be allotted upon conversion of OCCPS shall be subjected to lock in pursuant to the Regulations

**g) Pricing of the issue**

The OCCPS shall be converted into equity shares at price of ₹ 10.25 ( including premium of ₹ 0.25) being the price higher than the minimum price computed as

per the Regulations. Relevant date for determining the equity share price on conversion of OCCPS is 30 th August 2012.

**h) Shareholding pattern before and after the preferential allotment**

Category of Shareholder (As at 31.03.2012)	Before the Proposed preferential allotment	% to total capital	After the proposed conversion of preferential allotment	% to total capital
Promoter and Promoter Group				
Acquirers Krishiraj Trading Limited or Welspun Mercantile Limited	4430577	18.74%	20086154	51.11
	0		15655577	39.84
Other constituents of the promoter group	4474529	18.92%	4474529	11.38
Total Promoters holding	8905106	37.66%	24560683	62.49%
Institutions	9624566	40.70%	9624566	24.49
Bodies Corporate	590215	2.50%	590215	1.50
NRI's/foreign companies	400337	1.69%	400337	1.02
PUBLIC	4124803	17.44%	4124803	10.50
TOTAL PAID UP CAPITAL	23645027	100.00%	39300604	100.00

**Note :**

- I) Krishiraj Trading Limited and Welspun Mercantile Limited shall individually or jointly subscribe to aggregate ₹ 160 crores OCCPS.
- II) The post conversion share holding is shown assuming each acquirer acquiring full quantum of OCCPS and converting into equity.

**i) Undertakings**

- i. The Company is giving an undertaking that the Company shall recompute the price of specified securities in terms of the provisions of these Regulations where it is required to do so.
- ii. The Company as well as the proposed allottees have undertaken that if the amount payable on account of the re-computation of price is not paid within the time stipulated in the Regulations, the specified securities shall continue to be locked- in till the time such amount is paid by the allottees.

**j) Auditors' Certificate:**

A copy of the Statutory Auditors' Certificate certifying that the present preferential allotment is being made in accordance with the requirements contained in the Regulations for Preferential Allotment will be obtained and made available for inspection at the Registered office of the Company on all working days except Saturdays, Sundays and Bank holidays between 11 a.m. to 1 p.m. during 7 days before the Annual General Meeting.

None of the Directors is in any way, concerned or interested in the said resolution.

BY ORDER OF THE BOARD OF DIRECTORS

PLACE: Mumbai  
Date: 23rd May 2012

**B. A. KALE**  
EXECUTIVE DIRECTOR

## DIRECTORS' REPORT

To,  
The Members,  
WELSPUN SYNTEX LIMITED,

Your Directors are pleased to present the Twenty-Ninth Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March 2012.

### FINANCIAL RESULTS AND APPROPRIATIONS

(₹ in Lacs)

	2011-12	2010-11
Gross Profit before Depreciation and Finance Expenses	4151.81	3423.13
Less: Finance Expenses	1734.19	1071.62
Depreciation	1261.27	1139.47
Profit/(Loss) before tax	1156.35	1212.04
Less – Current Tax – Current year	231.36	241.57
-Earlier period	0	(69.64)
Add- MAT credit entitlement	(231.36)	(241.57)
Add Fringe Benefit Tax	(0.89)	0.34
Profit/ (Loss) after tax	1157.24	1281.34
Profit/ (Loss) brought forward	965.12	(316.21)
Dividend on optionally convertible cumulative preference shares	590.72	0
Tax on Dividend	95.84	0
Balance carried to Balance Sheet	1435.80	965.12

### DIVIDEND

The Board of Directors have recommended dividend including accumulated of Rs.590.72 Lacs on Optionally Convertible Cumulative Preference shares

### OPERATIONS

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of ₹ 61155.05 Lacs and ₹ 4151.81 Lacs respectively as compared to ₹ 50291.39 Lacs and ₹ 3423.13 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits has thus increased by 21.60 % and 21.29 % over the previous year.

Exports during the financial year 2011-12 were of ₹ 14236.46 Lacs as compared to ₹ 10401.08 Lacs during the previous year, registering increase by 36.87%.

Power cost increased due to increase in power tariff both in Palghar, Maharashtra as well as at Rakholi, Silvassa. Interest cost increased due to rate of interest and increase in borrowing for working capital. Foreign exchange difference losses were of Rs.344.71 Lacs during the financial year 2011-12 in view of fluctuation in foreign exchange. The Company has developed Panipat market for carpet yarn, yarn for Bath rugs, and spandex covered yarn for denim industry. The Company has been accredited

with "BBB" rating {investment grade} by the credit rating agency, CARE. This is as against our earlier rating of "BBB-" {non-investment grade}

### EXPANSION

The Company is under major expansion at total capital outlay of ₹ 168.37 Crores so as to increase capacity of texturised yarn, spinning capacity of POY/FDY/mother yarn splitting ( mother yarn-polyester) capacities, Dyed texturised yarn and introducing BCF (Bulk Continuous Filament) Yarn which is useful for making Bath-rugs and Carpets.

### DIRECTORS' RESPONSIBILITY STATEMENT

- i. In the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures.
- ii. The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2012 and of the profit or loss of the Company for that period.
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the directors have prepared the accounts on a going concern basis.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Rajesh R. Mandawewala and Shri R.K. Jain, the directors of the Company retire by rotation at the 29th Annual General Meeting and being eligible have offered themselves for reappointment.

Board has recommended re-appointment of the aforesaid directors.

### AUDIT COMMITTEE

Constitution of Audit Committee is mentioned in Corporate Governance Report as enclosed.

The Audit Committee consists of the following 3 Independent Non-Executive Directors

- a. Raj Kumar Jain - Chairman
- b. Atul Desai - Member
- c. M.K.Tandon - Member

### PUBLIC DEPOSITS

The Company has not accepted deposits during the year within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposit) Rules, 1975.



## AUDITORS

Your Company's Auditors, M/s. MGB & Co, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as an Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed hereto as a part of this Report. Management Discussion and Analysis Statement is separately given in the Annual Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement is attached to this report.

## AUDITORS' REPORT

Please refer to Auditors' Observations/ qualifications and in relation thereto the Board of directors' state as under:

- i) Para 4(f) referring to Note no. 29 of notes of accounts and state that the Company is in the process of executing document to transfer Land to the name of the Company. The Company is in possession of Land without any interference for more than 12 years in respect of Rakholi land.

## THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure, which forms a part of the Directors' Report. Form B relating to research and technology, absorption being nil is not attached.

Foreign exchange used and earning is mentioned below:

Used: ₹ 9219.55 Lacs (₹ 6052.67 Lacs)

Earning: ₹ 13720.08 Lacs (₹ 9773.10 Lacs)

## PARTICULARS OF EMPLOYEES

There were no employees covered under the purview of the Section 217 (2A) of the Companies Act, 1956 and the Rule framed thereunder.

## ACKNOWLEDGEMENT

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial Institutions, Commercial Banks and other authorities.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

**B. A. Kale**                      **R. R. Mandawewala**  
Executive Director      Director

Place : Mumbai,  
Date : 23rd May 2012

## FORM - A

(SEE RULE 2)

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2011-2012	PREVIOUS YEAR 2010-2011	
<b>A POWER AND FUEL CONSUMPTION</b>			
1 Electricity			
(a) Purchased			
Units (In '000s)	85,117.53	80,443.32	
Total Amount (₹ in Lacs)	3,948.48	2,974.63	
Rate / Unit (₹)	4.64	3.70	
(b) Own Generation			
(i) Through Diesel / Gas Generator			
Units (In '000s)	581.00	880.91	
Units per litre of Diesel Oil	69.27	3.43	
Cost / Unit (₹)	11.92	9.90	
(ii) Through Steam Turbine / Generator	Nil	Nil	
2 Coal (used in Boiler)			
Units (In '000s)	4,252.13	3,678.75	
Total Amount (₹ in Lacs)	247.79	178.74	
Rate / Unit (₹)	5.83	4.86	
3 Furnace Oil			
Quantity (K.Ltrs.)	Nil	Nil	
Total Amount (₹ in Lacs)	Nil	Nil	
Average Rate (K.Ltrs.)	Nil	Nil	
4 Others / Internal Generation	Nil	Nil	
<b>B CONSUMPTION PER UNIT OF PRODUCTION</b>			
	STANDARDS	CURRENT YEAR 2011-2012	PREVIOUS YEAR 2010-2011
Products (With Details)			
Partially Oriented Yarn (in MT)		26,799	23,444
Dyed/Texturised yarn (in MT)		34,261	31,812
Unit	-	Kg.	Kg.
Electricity	-	6.31	5.31
Furnace Oil	-	Nil	Nil
Coal (fines)		0.40	0.32
Others (Specify)		Nil	Nil

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE, SCENARIO & DEVELOPMENT

The Indian Textile & Apparel industry was estimated to be worth USD 55 billion in 2009-10 as per the Office of the Textiles Commissioner. It has witnessed robust growth over the last two decades, especially in the period after the abolition of the Quota regime on January 1, 2005, which led to free cross-border textile trade. India is positioned as a key manufacturing destination with inexpensive labor, abundant cotton supplies and good designing skills.

Indian T&A makes up approximately 4% of the global T&A market. As an industry with economic importance, the textile industry has always been an important sector for the government. The government has therefore introduced policies such as Technology Upgradation Fund Scheme, Scheme for Integrated Textile Parks, National Textile Policy low excise duty and high import duty (to discourage imports) to benefit the development of the textile sector.

A growing economy, rising disposable incomes and the growing aspirations of Indian consumers are expected to continue driving growth in the Indian T&A industry.

India consumed about 2.25 million tonnes of MMF in FY11. The world fiber industry mainly constitutes of cotton and MMF. MMF dominates the world fiber consumption, contributing more than 60 per cent to the overall fiber consumption. The rise in share can be attributed to the growing consumption of MMF in the developing countries. Going forward, the share of MMF is expected to grow further as the world cotton production is almost nearing its physical maximum and the MMF industry is expected to fulfill the incremental demand. Polyester alone accounted for approximately 82% of the total MMF consumption in FY11. The shift to consumption of MMF would mainly be attributed to the growing demand for textiles, growing concerns over availability of cotton globally and rising cotton prices. The demand for MMF from textile sector will largely be driven by the growing usage of blended fabrics to meet the augmented demand for the apparels, home textiles and technical textiles.

The widening price differential between cotton and polyester and growth in use of non-cotton spun yarn and fabrics will drive the demand for polyester in India.

The demand for synthetic textiles has been growing due to its lower cost coupled with convenience and maintenance benefits associated with the usage of synthetic garments. The share of man-made fibers in total fiber consumption (cotton and MMF) has risen from 25% in early nineties to 41% at present.

Polyester has overtaken cotton as the dominant fiber, but the cost and availability still plays a significant role in the

inter-fiber substitution. Rising crude oil prices and moderating cotton prices will lead the polyester industry to grow at a slower rate in the near future.

The Indian economy is estimated to grow by 6.9 per cent in 2011-12, after having grown at the rate of 8.4 per cent in each of the two preceding years. With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weakening industrial growth. Monetary policy was tightened by the Reserve Bank of India (RBI) during the year to control inflation and curb inflationary expectations. Rate of growth in textiles and their contribution to growth were negative.

The textile sector has so far remained subdued during the current financial year. The total cloth production has declined by 4.74 per cent during April-December 2011. During April – December 2011, man-made fiber production and filament yarn production recorded a decrease of about 2 per cent and 7 per cent respectively.

In view of the recessionary trend in the textiles sector, the government has been supporting the textiles sector exports through various policy initiatives to enable the sector to increase market share in the global textiles markets.

The Government proposes to increase the investment in the textiles sector to generate more employment through various schemes i.e. Scheme for Integrated Textiles Parks (SITP), Technology Upgradation Fund Scheme (TUFS), Integrated Skill Development Scheme (ISDS), Technology Mission on Technical Textiles (TMTT). The allocation during 12th Five Year Plan is proposed to be increased to ₹ 49651.69 crores as against allocation of ₹ 14000 crores during 11th Plan.

The softening of the cotton prices since the beginning FY12, began to have its impact over the prices of other fibers like polyester. The prices of PFY and PSF had peaked during the first two months of FY12, due to the surge in demand for polyester and sky high cotton prices. Thereafter, the cotton prices started to ease, thereby putting pressure over the demand for polyester. The slowdown in demand due to the declining price differential between polyester and cotton forced the PSF and PFY manufacturers to reduce the prices.

The PFY production showed a decline as compared to the corresponding period in the previous year. The monthly PFY production declined by 1.3 per cent on a y-o-y basis. This segment also registered a decline in production on a m-o-m basis. The fall in production during the April-November 2011 period can be attributed to the slump in demand for the yarn and fabric from, both the global and domestic markets.





Going forward the per unit realizations for PFY is expected to remain under pressure in the short term.

The Union Ministry of Textiles has recommended a 5 year extension of the Technology Upgradation Fund Scheme (TUFS). It has also proposed of the inclusion of the scheme in the 12th Five Year Plan which would commence from April 01, 2012. The interest subsidy under TUFS is expected to reduce from the prevailing 5 per cent to 4 per cent.

#### **OPPORTUNITY AND THREATS**

With the increase in capacity of polyester filament yarn, competition shall increase. Increasing trends in Crude and PTA continues to be a cause of worry.

The volatility in the Crude oil prices affects prices of PTA and hence, Polyester chips, the raw materials for Polyester filament yarns. Softening of cotton price and increase in price of crude oil affects margin of polyester industry.

The Company's sound business strategy is to concentrate on specialty & high quality yarns especially conventionally dyed & dope-dyed yarns, constant development of new products to strengthen its position in domestic as well as International markets, stepping up production of high contributing Nylon grey & dyed yarns, etc.

#### **PRODUCT WISE PERFORMANCE**

The Company manufactures Partially Oriented Yarn (POY), Texturised yarn/ Dyed yarn.

Revenue from POY were of ₹ 8434.04 Lacs as compared to ₹ 8310.80 Lacs of previous year, from Texturised Yarn/Dyed yarn were of ₹ 54500.65 Lacs as compared to ₹ 44113.40 Lacs of previous year, from traded goods of partially oriented yarn were of ₹ 507.33 Lacs as compared to nil of previous year.

#### **OUTLOOK**

The Company is in the process of expansion. This will increase in capacity of spinning, texturising, Dyed Texturising yarn and introducing BCF yarn. This will increase production capacity, reduce cost of production.

#### **RISKS & CONCERNS**

Additional capacities are being generated for production of PTY, FDY and Dyed yarn in India. However, the Company expects to mitigate the impact of risks and concerns since the Company concentrates on Specialty yarns, High quality and development of new products constantly.

#### **ADEQUACY OF INTERNAL CONTROL SYSTEM**

Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorised, recorded and reported correctly.

The Company has internal audit system, which covers cost saving aspects, system and procedure improvement. Such reports are regularly reviewed by the management and corrective measures are timely taken for improving efficiency.

#### **DISCUSSION ON FINANCIAL PERFORMANCE**

##### **REVENUE**

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of ₹ 61155.05 Lacs and ₹ 4151.81 Lacs respectively as compared to ₹ 50291.39 Lacs and ₹ 3423.13 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits has thus increased by 21.60 % and 21.29 % over the previous year.

Exports during the financial year 2011-12 were of ₹ 14236.46 Lacs as compared to ₹ 10401.08 Lacs during the previous year, registering increase by 36.87%.

##### **HUMAN RESOURCES**

During the year under review, your Company continued its concern for development of its personnel through various training programmes. Besides, Management has laid special emphasis on strengthening HR activities for all levels in the Organization with an introduction of PMS module.

Industrial relations during the year were cordial.

##### **CAUTION STATEMENT**

Company's performance as expressed or implied could differ materially due to economic conditions affecting demand/supply and price condition in the domestic & overseas markets, changes in the government regulations, tax laws & other incidental factors.

For and on behalf of the Board of Directors

**B. A. Kale**                      **R. R. Mandawewala**  
*Executive Director*      *Director*

Place : Mumbai,  
Date : 23rd July 2012

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2012**

**Annexure to the Directors' Report**

**A. COMPANY'S PHILOSOPHY**

Welspun Syntex Limited believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, shareholders, consumers and society.

The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness.

**B. BOARD OF DIRECTORS**

**(i) Composition**

Present strength of the Board of Directors is 6. Details of composition of the existing Board of Directors are given below:

Sr. No	Name of the Director	Cate-gory	No. of Other Director-ship in Public Limited Companies	Member-ship in Committee of Other Companies	No. of Board Meetings Attended (01/04/11 to 31/03/12)	Atten-dance at last AGM
1.	Mr. B. K. Goenka	P,S,NE,C	12	6M/1C	2	Yes
2.	Mr. R. R. Mandawewala	P, NE	13	4M	3	No
3.	Mr. Raj Kumar Jain	I	3	2C	4	Yes
4.	Mr. Atul Desai	I, S	6	4C/3M	4	No
5.	Mr. M. K. Tandon	I	5	5C	4	No
6	Mr. B.A.Kale	E	Nil	Nil	4	No

NOTE: For the purpose of counting Membership in Board Committee of other Companies, Chairmanship/ Membership of the Audit Committee and the Share Transfer and Investor Grievance Committee alone are considered.

Abbreviations:

P = Promoter, E = Executive Director, NE = Non Executive Director, I = Independent Non Executive, N =Nominee Director, S = Shareholders, C = Chairman, M = Member.

**(ii) Details of Date of Board Meeting:**

Four meetings of the Board of Directors were held during the financial year 2011-12 i.e. 25 May 2011, 26 July 2011, 7 November 2011 and 11 February 2012.

**C. COMMITTEES OF THE BOARD**

The Committees constituted by the Board as on date are mentioned below :

**1. AUDIT COMMITTEE**

The Audit Committee consists of the following 3 Independent Non-Executive Directors as on 31 March 2012

- a. Raj Kumar Jain - Chairman
- b. Atul Desai - Member
- c. M.K.Tandon - Member

The Secretary of the Company also acts as a Secretary to the Committee.

Terms of Reference:

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under Clause 49 of the Listing Agreement.

Four meetings of Audit Committee of Board of Directors were held on 25 May 2011, 26 July 2011, 7 November 2011 and 11 February 2012. The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2011 to 31/03/2012)
1.	Raj Kumar Jain	Chairman	4
2.	Atul Desai	Member	4
3.	M.K.Tandon	Member	4

**2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE**

- a. Atul Desai - Chairman
- b. B. K. Goenka - Member
- c. R. R. Mandawewala - Member

**Terms of Reference:**

Approval of Share Transfer deeds, transmission, transposition and issue of share certificates including duplicate, split, sub divide or consolidated and all related matters, to look into redressing of share holders and investors complaints.

Name and designation of Compliance Officer: Nilesh Javker – Assistant Company Secretary

99.86% of the shares of the Company are in Dematerialized form.

Four meetings of Share transfer and Investors' Grievance Committees were held on 15 April 2011, 30 September 2011, 20 October 2011 and 21 January 2012.



During the year under review total, 9 Investor complaints were received. Break-up of number of complaints received under different category is given hereunder.

Sr. No.	Nature of Complaint	Received	Processed	Pending
1	Non Receipt of Share Certificates	9	9	0
	Total	9	9	0

All the complaints received during the year under review were solved within the time limit to the satisfaction of the investors/shareholders and no complaint is pending as at 31 March 2012.

The dematerialized shares are directly transferred to the beneficiaries by the depositories.

### 3. REMUNERATION COMMITTEE

Remuneration Committee of the Board of Directors of the Company consists of the following members.

1. Mr. Raj Kumar Jain - Chairman
2. Mr. Atul Desai - Member
3. Mr. B. K. Goenka - Member
4. Mr. R. R. Mandawewala - Member
5. Mr. M. K. Tandon - Member

No meeting of Remuneration Committee was held during the year.

#### Terms of Reference

To recommend payment of Remuneration to Managing Director/Directors/Executive Director.

The details of Remuneration paid/payable during the year under review are mentioned below:

(Amount in ₹)

	<b>Mr. B.A. Kale Executive Director</b>
BASIC	1,310,952
HRA	655,476
CAR ALLOWANCE	420,000
BONUS/EXGRATIA	109,200
LTA	163,869
TELEPHONE	24,000
MEDICAL	15,000
SPECIAL ALLOWANCE	121,428
PETROL ALLOWANCE	39,600
PERFORMANCE INCENTIVE	737,583
CONTRIBUTION TO PF	157,320
TOTAL	3,754,428
NOTICE PERIOD	3 Months
SERVICE CONTRACT	Upto 30 October 2013
STOCK OPTION	Nil
SEVERANCE FEES	Nil

The details of sitting fees paid to Non Executive Directors of the Company are given below:

Name of Director	Sitting Fees Paid for attending meeting of Board of Directors / Audit Committee/Remuneration Committee/ Finance Committee/ Share Transfer and Investors Grievance Committee
Mr. Raj Kumar Jain	₹ 102,000/-
Mr. Atul Desai	₹ 72,000/-
Mr. M.K. Tandon	₹ 52,000/-

#### Remuneration Policy

All fees/compensation if any, paid to non executive directors, including independent directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting, if required pursuant to provisions of Companies Act, 1956 and provision of Listing Agreement of Bombay Stock Exchange Limited.

#### D. GENERAL BODY MEETING

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
2008-09	30/09/2009	11.00 a.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)
2009-10	30/09/2010	11.00 a.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)
2010-11	22/09/2011	11.00 a.m.	Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)

Special Resolution passed in the previous three Annual General Meetings:

Financial Year	Date	Special Resolution passed
2008-09	30/09/2009	Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956
2009-10	30/09/2010	Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956
2010-11	22/09/2011	1. Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956 2. Re-Appointment of Shri B.A. Kale as an Executive Director on remuneration of ₹ 40,00,000/- per annum for a period of three years with effect from 30.10.2010. 3. Alteration of Article no. 95 of the Articles of Association of the Company for affixation of Common Seal in order to have flexibility in operation of the Company particularly in execution of documents.

There was no occasion to pass Special Resolution through postal ballot on any of the matters specified under Clause 49 of the Listing Agreement.

Further no such proposal is proposed to be placed for the shareholders approval in the forthcoming Annual General Meeting.

#### **E. DISCLOSURES**

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

- a. Related party transactions: Please refer Note No. 34 of notes forming part of the financial statements.
- b. Details of non compliance by the Company, penalties, strictures imposed on the company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital market during the last 3 years: Nil

#### **Details of Compliance of the mandatory and non-mandatory clauses of this clause**

- i) **Basis of Related Party transactions** - Complied in Audit Committee meetings and Board Meetings held during the financial year.
- ii) **Disclosure of Accounting Treatment** - Accounting standards have been followed.
- iii) **Board Disclosures – Risk Management** - The Board of directors at their meeting held on 11 February 2012 reviewed risk assessment and minimization procedure followed by the Company.
- iv) **Code of Conduct** – Code of Conduct as approved by the Board of Directors is posted on website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code on an annual basis.
- v) **Proceeds from public issues, right issues, and preferential issues etc.** – No money is raised through public issue, rights issue or preferential issues.
- vi) **Remuneration to Directors-**
  - a) There are no pecuniary relationships or transactions with the non-executive directors vis-a-vis the company.
  - b) Disclosure relating to the Remuneration paid to Executive Director is made under the head Remuneration committee above.
  - c) The Company pays sitting fees to non-executive directors for attending meetings of the Board of Directors, Audit Committee, Remuneration Committee, Finance committee and Share Transfer and Investors Grievance Committee. Details of the same are mentioned in the report under Remuneration committee above.

d) No. of Shares held by Non – Executive Directors:

Non-Executive Directors		No. of Equity shares held
1.	Mr. B.K.Goenka	3405
2.	Mr. Atul Desai	30
3.	Mr. M.K. Tandon	Nil
4.	Mr. Raj Kumar Jain	Nil

#### **F. MEANS OF COMMUNICATION**

The quarterly Un-audited financial results and yearly Audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors in their Board meetings.

Audited financial results for the year ended 31 March 2011 and Un-audited financial results for the quarter ended 30 June 2011, 30 September 2011 and 31 December 2011 were published in The Economic Times (E), Ahmedabad, The Economic Times (G), Ahmedabad, The Free Press Journal, Mumbai and Navshakti (M), Mumbai.

Management Discussion and Analysis is a part of Annual Report.

#### **G. APPOINTMENT / REAPPOINTMENT OF DIRECTORS**

1. **SHRI RAJESH R MANDAWEWALA** aged 50 years is a qualified Chartered Accountant. Under his guidance and supervision, the operations have reached highest efficiency level as well as economy of operations, which has contributed to a great extent to the profitability of the Company. Under his able leadership, the Company achieved handsome performance, especially in exports and development of marketing network world over.
2. **SHRI RAJ KUMAR JAIN** is a Practicing Chartered Accountant and he is 56 years of age. He is Auditor of many companies. He is a Director of Welspun Corp Limited. His experience is of immense value to the Company. He retires by rotation at 29th Annual General Meeting and being eligible offers himself for reappointment.

#### **H. GENERAL SHAREHOLDERS INFORMATION**

- a. 29th Annual General Meeting Venue - Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli)
 

Time	-10.30 a.m.
Day and Date	- Saturday, 29th September, 2012
Financial year	- from 1st April, 2011 to 31st March, 2012
- b. Date of Book Closure - Tuesday, 28th August, 2012 To Thursday, 30th August, 2012 (Both days inclusive)
- c. Dividend payment date - Preference dividend Including accumulated dividend has been recommended for the Financial year 2011-12 on optionally convertible cumulative preference share amounting to ₹ 590.72 Lacs



**d. Listing on Stock Exchanges and Stock Codes**

The Company's securities are listed on Bombay Stock Exchange Limited, Mumbai, P. J. Tower, Dalal Street, Fort, Mumbai and Stock Code No. is 508933.

**e. Market Price Data- High-Low Quotations on Bombay Stock Exchange Limited, Mumbai during each month for the year 1 April 2011 to 31 March 2012**

Month	Bombay Stock Exchange (₹)		Sensex	
	High	Low	High	Low
April, 2011	16.96	14.65	19701.73	19091.17
May, 2011	16.70	13.75	18998.02	17847.24
June, 2011	15.31	13.39	18845.87	17506.63
July, 2011	15.37	13.68	19078.30	18197.20
August, 2011	14.75	11.71	18314.33	15848.83
September, 2011	13.30	11.95	17165.54	16051.10
October, 2011	13.50	11.90	17804.80	15792.41
November, 2011	13.05	10.75	17569.53	15695.43
December, 2011	11.73	08.96	16877.06	15175.08
January, 2012	13.53	10.10	17233.98	15517.92
February, 2012	13.70	11.76	18428.61	17300.58
March, 2012	13.00	10.09	17919.30	17052.78

**I. REGISTRAR AND SHARE TRANSFER AGENT:**

Link Intime India Private Limited

Address: C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (w), Mumbai- 400 078.  
Tel. No.: 022 - 25946970,  
Fax No.: 022 - 25926969,  
E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

**SHARE TRANSFER SYSTEM**

Shares sent for transfer in physical form are registered by the Company's Registrars and Share Transfer Agents within 30 days from the date of receipt of documents, if the same are found in order. Shares under objection are returned within two weeks.

**J. DISTRIBUTION OF SHAREHOLDING**

The distribution of shareholding as on 31 March 2012 was as follows:

Share holding of nominal value ₹	Shareholders		Amount	
	Number	% to Total	In ₹	% to Total
(1)	(2)	(3)	(4)	(5)
Upto - 5,000	5927	82.50	8,905,040	3.77
5,001 - 10,000	502	6.99	4,126,840	1.75
10,001 - 20,000	348	4.84	5,139,090	2.17
20,001 - 30,000	144	2.00	3,700,200	1.56
30,001 - 40,000	50	0.71	1,818,420	0.77
40,001 - 50,000	45	0.63	2,142,250	0.91
50,001 - 1,00,000	80	1.11	6,132,560	2.59
1,00,001 and above	88	1.22	204,485,870	86.48
<b>TOTAL</b>	<b>7184</b>	<b>100</b>	<b>236,450,270</b>	<b>100</b>

**K. DEMATERIALISATION OF SHARES AND LIQUIDITY**

The Shares of the Company are fully dematerialized under the category of compulsory delivery in dematerialized mode by all categories of investors.

The Company has signed agreements with both the depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. As on 31 March 2012, 99.86% of the shares of the Company are dematerialized.

The Company has not issued any GDRs/ ADRs and there are no warrants or any convertible instruments.

**L. LOCATION OF PLANT**

- (i) Rakholi Plant and Registered Office : Survey No. 394(P), Village Saily, Silvassa (U. T. of Dadra & Nagar Haveli);
- (ii) Palghar Plant : 14 & 15, Dewan Industrial Estate, Palghar, Maharashtra;
- (iii) Address for correspondence : 9th Floor, Trade world, "B" Wing, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Telephone No. : 022 - 66136000  
Fax No. : 022 - 24908020
- (iv) E-mail id : [nilesh\\_javker@welspun.com](mailto:nilesh_javker@welspun.com)
- (v) Website : [www.welspunsyntex.com](http://www.welspunsyntex.com)

**Auditors' Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement**

TO THE MEMBERS OF WELSPUN SYNTEX LIMITED

We have examined the compliance of conditions of Corporate Governance by Welspun Syntex Limited ("the Company"), for the year ended on 31 March, 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 limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations as given to us, we certify that the Company has complied 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 the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For MGB & CO**  
*Chartered Accountants*  
Registration Number 101169W

**Sanjay Kothari**  
*Partner*  
Membership Number 048215

Place: Mumbai, 23 May 2012

## **Auditors' Report**

To the Members of **Welspun Syntex Limited**

1. We have audited the attached Balance Sheet of Welspun Syntex Limited ("the Company") as at 31 March 2012, the statement of Profit and Loss and the Cash Flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to Paragraph (3) above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) The Balance Sheet, the statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the statement of Profit and Loss 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 Act;
  - e) On the basis of written representations received from the directors, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to, note 29 of Notes to Accounts regarding Freehold Land of ₹ 150.72 lacs for which the Company holds no title and read with the significant accounting policies and other notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

- ii) In the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
- iii) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For MGB & Co**  
*Chartered Accountants*  
Firm Registration Number 101169W

**Sanjay Kothari**  
*Partner*  
Membership Number 048215

Mumbai, 23 May 2012

### **Annexure referred to in paragraph (3) of Auditors' Report to the members of Welspun Syntex Limited on the accounts for the year ended 31 March 2012**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The fixed assets are physically verified by the management during the year pursuant to a phased program designed to cover substantial part of fixed assets, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. As informed, no material discrepancies were noticed on such verification.
  - (c) During the year, there was no disposal of substantial part of fixed assets.
- (ii) (a) As explained to us, the inventories have been physically verified by the management during the year except stock lying with third parties in respect of whom confirmations have been obtained. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) As explained to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification of inventories as compared to the book records.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
  - (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods and services. We have not observed any continuing failure to correct major weaknesses in the internal controls systems in respect of the aforesaid areas.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of all contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.
  - (b) According to the information and explanations given to us, in our opinion transactions made in pursuance of contracts or arrangements entered in the register maintain under section 301 of the Act, in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing prices at the relevant time where such market prices are available.



- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) On the basis of records produced before us, we are of the opinion that prima facie cost accounting records prescribed by the Central Government under section 209 (1) (d) of the Act, in respect of activities carried on by the Company covered under the rules under that section, have been maintained. However, we are neither required to carry out nor have carried out any detailed examination of such accounting records.
- (ix) According to the records of the Company examined by us and information and explanations given to us:
- (a) Undisputed statutory dues, including provident fund, investor education and protection fund, employee state insurance, income tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues to the extent applicable have been deposited regularly with the appropriate authorities except for delays in few cases. There are no undisputed amounts payable in respect of the aforesaid dues outstanding as at 31 March 2012 for a period of more than six months from the date they became payable except profession tax payable of ₹1,032/- since paid and labour welfare fund of ₹420/-
- (b) The disputed dues of Custom Duty, Excise Duty, Service Tax and Sales Tax which have not been deposited are as under:

Name of the statute (Nature of Dues)	Period to which the amount relates	Amount (₹ in lacs)	Forum where dispute is pending
The Customs Act, 1962			
Custom Duty	1996-1997 and 1997-1998	72.55	Commissioner of Customs, Mumbai
	2006-2007	168.36	Commissioner of Customs (Imports), Navi Mumbai
	2006-2007 and 2007-2008	3.78	Deputy Commissioner of Central Excise and Customs, Vapi
The Central Excise Act, 1944			
Excise Duty	1997-1998 and 2005-2006	685.53	The Supreme Court of India
	2005-2006 and 2006-2007	138.34	Commissioner of Central Excise and Customs, Vapi
	2003-2004	0.50	Commissioner of Central Excise (Appeals), Mumbai
	2007-2008	41.42	Joint Commissioner of Central Excise and Customs, Vapi
Service Tax	2005-2007	1.95	Deputy Commissioner of Central Excise and Customs, Vapi
	2006-2007	55.96	Commissioner of Central Excise, Customs and Service Tax, Vapi
Bombay Sales Tax Act, 1959			
Sale Tax	2002-2004	166.09	Joint Commissioner of Sales Tax (Appeal), Thane

- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given, the company has not defaulted in repayment of dues to banks and debenture holders during the year except unable to comment on (default for) disputed dues of ₹ 37,411 with a Bank
- (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 or a nidhi / mutual benefit fund/ society.
- (xiv) The Company is not dealing or trading in securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks and financial institutions.
- (xvi) According to the information and explanations given to us and records of the Company examined by us, the Company has prima facie applied the term loans taken during the year for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and examination of the Balance Sheet of the Company and related information as made available to us, we report that funds raised on short term basis have not been used for long term investments.
- (xviii) During the year, the Company has not made any preferential allotment of shares to companies or parties covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debenture during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) Based on our audit procedures performed and according to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For MGB & Co**  
*Chartered Accountants*  
 Firm Registration Number 101169W

**Sanjay Kothari**  
*Partner*  
 Membership Number 048215

Mumbai, 23 May 2012

**Balance Sheet as at 31 March,**

( ₹ in Lacs )

	Notes	2012	2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	3	3,391.47	3,391.47
Reserves and surplus	4	4,501.16	4,030.48
		<b>7,892.63</b>	<b>7,421.95</b>
<b>Non - current liabilities</b>			
Long term borrowings	5	4,994.44	2,834.35
Long term provisions	6	609.10	532.24
		<b>5,603.54</b>	<b>3,366.58</b>
<b>Current liabilities</b>			
Short term borrowings	7	4,864.19	4,218.40
Trade payables	8	6,843.25	6,560.02
Other current liabilities	9	4,344.47	3,682.81
Short term provisions	6	734.62	61.52
		<b>16,786.53</b>	<b>14,522.76</b>
	<b>Total</b>	<b>30,282.69</b>	<b>25,311.29</b>
<b>ASSETS</b>			
<b>Non - current assets</b>			
Fixed assets	10		
Tangible assets		10,483.91	10,348.67
Intangible assets		3.93	2.15
Capital work-in-progress		2,066.07	747.40
Non-current investments	11	2,233.60	2,233.60
Long - term loans and advances	12	1,616.86	676.45
Other Non current assets	15	486.35	466.10
		<b>16890.72</b>	<b>14474.37</b>
<b>Current assets</b>			
Inventories	13	6,397.09	5,678.51
Trade receivables	14	2,813.19	3702.50
Cash and bank balances	15	1,500.45	162.75
Short - term loans and advances	12	2,085.41	895.07
Other current assets	16	595.82	398.09
		<b>13,391.97</b>	<b>10,836.92</b>
	<b>Total</b>	<b>30,282.69</b>	<b>25,311.29</b>

**Notes forming part of the financial statements**

1- 45

As per our attached report of even date  
For **MGB & CO**  
Chartered Accountants  
Firm Registration Number 101169 W

For and on behalf of the Board

**Sanjay Kothari**  
*Partner*  
Membership Number 048215

**B. K. Goenka**                      **B. A. Kale**  
*Chairman*                              *Executive Director*

Mumbai, 23 May 2012

**Nilesh Javker**  
*Asst. Company Secretary*




**Statement of Profit and Loss for the year ended 31 March,**

(₹ in Lacs)

	Notes	2012	2011
<b>INCOME</b>			
Revenue from operations			
Sales and Services (gross)	17	64,750.57	53,288.83
Less: Excise duty		3,595.52	2,997.44
Sales and services (net)		61,155.05	50,291.39
Other income	18	200.30	148.80
	<b>Total</b>	<b>61,355.35</b>	<b>50,440.19</b>
<b>EXPENDITURE</b>			
Cost of materials consumed	19	40,535.34	33,253.93
Purchase of Stock in trade		623.16	-
Changes in inventories of finished goods, goods-in-process and stock in trade	20	(630.03)	(629.37)
Employee benefits expense	21	2,773.57	2,400.19
Other expenses	22	13,901.50	11,992.32
	<b>Total</b>	<b>57,203.54</b>	<b>47,017.06</b>
<b>Earnings before finance cost, tax and depreciation</b>		<b>4,151.81</b>	<b>3,423.13</b>
Depreciation and amortisation expense	10	1,261.27	1,139.47
Finance cost	23	1,734.19	1,071.62
<b>Profit before tax</b>		<b>1,156.35</b>	<b>1,212.04</b>
Provision for tax expenses			
Less: Current tax - Current year		231.36	241.57
- Earlier period		-	(69.64)
Add : MAT credit entitlement		(231.36)	(241.57)
Add: Fringe Benefit Tax - Earlier period		(0.89)	0.34
<b>Profit for the year</b>		<b>1,157.24</b>	<b>1,281.34</b>
<b>Earnings per share (face value ₹ 10/- each)</b>			
Basic and diluted earnings per share (₹)		4.47	4.99
Weighted average no. of shares used in computing earning per share - basic and diluted		23,645,027	23,645,027

**Notes forming part of the financial statements**

1- 45

As per our attached report of even date  
 For **MGB & CO**  
 Chartered Accountants  
 Firm Registration Number 101169 W

For and on behalf of the Board

**Sanjay Kothari**  
 Partner  
 Membership Number 048215

**B. K. Goenka**                      **B. A. Kale**  
 Chairman                              Executive Director

Mumbai, 23 May 2012

**Nilesh Javker**  
 Asst. Company Secretary

## **Notes forming part of the Financial Statements**

### **1. Corporate information**

Welspun Syntex Limited is a Company incorporated under the Companies Act, 1956. Welspun Syntex Limited was established in 1983. Since its inception, it has grown manifold and today is amongst the largest manufacturers and exporters of Polyester Texturised Filament Yarn, Nylon Filament Yarn from India.

### **2. Significant Accounting Policies**

#### **i) Basis of preparation**

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on an accrual basis and comply in all material aspects with accounting standards notified under section 211(3C), Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956.

#### **ii) Use of estimates**

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from those estimates. Any revision of such accounting estimate is recognized prospectively in current and future periods.

#### **iii) Tangible and intangible assets**

- a) Tangible fixed assets are stated at original cost of acquisition / installation (net of cenvat credit availed) net off accumulated depreciation, amortization and impairment losses. Cost includes cost of acquisition, construction and installation, taxes, duties, freight, other incidental expenses related to the acquisition, trial run expenses (net of revenue) and borrowing cost incurred during pre-operational period.
- b) Capital work-in-progress comprises cost of fixed assets and related expenses that are not yet ready for their intended use at the reporting date.
- c) Cost of Software includes license fees, cost of implementation and system integration and capitalized as intangible assets in the year in which the relevant software is put to use.

#### **iv) Depreciation/amortization on tangible and intangible assets**

- a) Depreciation on tangible fixed assets is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on Partially Oriented Yarn (POY) Plant and Machinery is charged as continuous process plant based on expert's opinion.
- b) Software is amortized over a period of five years from the date of its use based on management's estimate of useful life.

#### **v) Impairment of tangible and intangible assets**

At each balance sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

#### **vi) Borrowing costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

#### **vii) Revenue recognition**

- a) Revenue from sale of goods is recognized on transfer of significant risks and rewards of ownership to the customers, which is generally on dispatch of goods. Export Sales are accounted for on the basis of date of bill of lading. Gross Sales include excise duty and adjustments for price variations and is net of value added tax. Consignment sales are recognized on confirmation from consignee.
- b) Export benefits: Duty Entitlement Pass Book (DEPB), Focus Market and Focus Product are accounted on accrual basis.
- c) Revenue from Services is recognized when the services are completed.
- d) Dividend income is recognized when the right to receive the dividend is established.
- e) Interest income is recognized on a time proportion basis taking into account outstanding amount and the applicable interest rate.

**viii) Operating lease**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreements.

**ix) Investments**

Investments intended to be held for more than a year, from the date of acquisition, are classified as long-term and are stated at cost. Provision for diminution in value of long-term investments is made to recognize a decline other than temporary in nature. Current investments are stated at cost or fair value, whichever is lower.

**x) Inventories**

Inventories are valued at lower of cost and net realizable value. The basis of determining cost for various categories of inventories is as follows:

- a) Raw materials, Stores and Spares and Colour and Chemicals, Packing Materials: Moving weighted average basis.
- b) Goods in process and finished goods – Cost of direct materials, labour and other manufacturing expenses.
- c) Excise duty liability is included in the valuation of closing inventory of finished goods.

**xi) Accounting for taxes on income**

- a) Current tax is determined as the amount of tax payable in respect of taxable income for the year computed as per the provisions of the Income Tax Act, 1961.
- b) Deferred tax is recognized subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates.

**xii) Employee benefits**

- a) Short- term employee benefits are recognized as an expense at the undiscounted amount in the statement of profit and loss of the year in which the related services are rendered.
- b) Post employment and other long- term benefits are recognized as an expense in the statement of profit and loss of the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are recognized in the statement of profit and loss.
- c) Payments to defined contribution retirement benefit schemes are charged as expense as and when they fall due.

**xiii) Foreign currency transaction**

- a) Foreign exchange transactions are converted into Indian Rupees at the prevailing rate on the date of transactions. Current monetary assets and liabilities are translated at the exchange rate prevailing on the last day of the year. Non monetary items are carried at cost.
- b) In respect of forward contracts assigned to the foreign currency assets and liabilities as at balance sheet date, the proportionate premium / discount for the period up to the date of balance sheet is recognized in the statement of profit and loss. The exchange difference measured by the change rate between the inception of forward contract and date of balance sheet is applied on foreign currency amount of the forward contract and is recognized in the statement of profit and loss.
- c) Gains and losses on account of difference in foreign exchange rate on settlement / translation attributable to fixed assets (acquired prior to 1 April 2004) are adjusted to the carrying amount of the respective assets. In case of fixed assets acquired in foreign currency after 1 April 2004, the gains and losses on account of difference in foreign exchange rate on settlement / translation are recognized in the statement of profit and loss, except treatment as per amendment to AS-11 effective till 31 March 2020.

**xiv) Provisions, contingent liabilities and contingent assets**

- a) Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A provision is made when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date.
- b) Contingent assets are not recognized or disclosed in the financial statements.

**xv) Earnings per share**

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except when the results would be anti-dilutive.

**Notes forming part of the Financial Statements**

	(₹ in Lacs)	
	2012	2011
<b>Note - 3 Share capital</b>		
<b>Authorised</b>		
10,67,00,000 (10,67,00,000) Equity Shares of ₹ 10/- each	10,670.00	10,670.00
33,00,000 (33,00,000) Optionally Convertible Cumulative Preference Shares of ₹ 10/- each	330.00	330.00
1,00,00,000 (100,00,000) Redeemable Cumulative Preference Shares of ₹ 10/- each	1,000.00	1,000.00
<b>Total</b>	<b>12,000.00</b>	<b>12,000.00</b>
<b>Issued, subscribed and fully paid up</b>		
2,36,45,027 (2,36,45,027) Equity Shares of ₹ 10/- each fully paid up	2,364.50	2,364.50
32,03,300 (32,03,300) 10% Optionally Convertible Cumulative Preference Shares of ₹ 10/- each fully paid	193.64	193.64
1,00,00,000 (1,00,00,000) 8% Redeemable Cumulative Preference Shares of ₹ 10/- each fully paid up	833.33	833.33
<b>Total</b>	<b>3,391.47</b>	<b>3,391.47</b>

**a. Reconciliation of the equity shares outstanding at the beginning and at the end of year.**

	2012		2011	
	Number of equity shares	₹ in Lacs	Number of equity shares	₹ in Lacs
At the beginning of the year	2,36,45,027	2,364.50	2,36,45,027	2,364.50
Movements during the year	-	-	-	-
Outstanding at the end of the year	2,36,45,027	2,364.50	2,36,45,027	2,364.50

**b. Reconciliation of the preference shares outstanding at the beginning and at the end of the year.**

	2012		2011	
	Number of preference shares	₹ in Lacs	Number of preference shares	₹ in Lacs
At the beginning of the year	1,32,03,300	1,026.97	1,32,03,300	1,026.97
Movements during the year	-	-	-	-
Outstanding at the end of the year	1,32,03,300	1,026.97	1,32,03,300	1,026.97

**C. Terms / right attached to equity shares**

The company has only one class of equity shares having a par value of ₹ 10 per share. All issued shares rank pari-passu and have same voting rights per share. The company declares and pays dividend in Indian Rupees. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**d. Terms of Cumulative Redeemable Preference Shares**

- a) 32,03,300 (32,03,300) 10% Optionally Convertible Cumulative Preference Shares (OCCPS) of ₹ 10 each fully paid up (option to convert was lapsed on 18.05.2003) are redeemable at par in three equal annual installments commencing from 18 June 2004. Out of the above, 30,00,000 OCCPS were rescheduled in 2005-06 and are redeemable in five equal annual installments.

The total amount of ₹ 1,93,63,667 (1,93,63,667) due for redemption as at 31 March 2012 is yet to be paid.



## Notes forming part of the Financial Statements

- b) 1,00,00,000 (1,00,00,000) 8% Redeemable Cumulative Preference Shares of ₹ 10 each fully paid up are redeemable at par in six equal installments commencing from 31 March 2006.

The total amount of ₹ 8,33,33,333 (8,33,33,333) due for redemption as at 31 March 2012 is yet to be paid.

### e. Details of shareholders holding more than 5% shares in company

	2012		2011	
	Number of equity shares	Percentage (%) Holding	Number of equity shares	Percentage (%) Holding
Krishiraj Trading Limited	44,30,577	18.74%	44,30,577	18.74%
Welspun Fintrade Limited	40,18,359	16.99%	40,18,359	16.99%
IFCI Limited	77,41,599	32.74%	77,41,599	32.74%

(₹ in Lacs)

### Note - 4 Reserves and surplus

	2012	2011
(a) Capital Reserve - As per last Balance Sheet	2,664.93	2,664.93
	<b>2,664.93</b>	<b>2,664.93</b>
(b) Capital Redemption Reserve - As per last Balance Sheet	293.36	293.36
	<b>293.36</b>	<b>293.36</b>
(c) Debenture Redemption Reserve - As per last Balance Sheet	107.06	107.06
	<b>107.06</b>	<b>107.06</b>
(d) Surplus in the Statement of Profit and Loss As per last Balance Sheet	965.12	(316.21)
Profit for the year	1,157.24	1,281.34
	<b>2,122.37</b>	<b>965.12</b>
Less: Appropriations		
Dividend proposed to Optionally Convertible Cumulative Preference Shareholders	590.72	-
Tax on Dividend	95.84	-
	1,435.80	965.12
<b>Total</b>	<b>4,501.16</b>	<b>4,030.48</b>

### Note - 5 Long - term borrowings

	Non Current		Current	
	2012	2011	2012	2011
Secured				
Debentures				
Redeemable Non-Convertible Debentures	-	36.25	-	49.20
Term Loans from Banks				
- Rupee Loans	4,346.19	1,641.63	1,092.29	988.83
- Foreign Currency Loans	648.24	1,156.47	665.74	610.50
	<b>4,994.44</b>	<b>2,834.35</b>	<b>1,758.03</b>	<b>1,648.53</b>
Amount disclosed under the head " Other current liabilities" (Refer Note 9)			1,758.03	1,648.53
<b>Total</b>	<b>4,994.44</b>	<b>2,834.35</b>	<b>-</b>	<b>-</b>

### Notes forming part of the Financial Statements

(a) Debentures

- i. 9% Secured Non-Convertible Redeemable Debentures (NCD) of ₹ Nil (₹ 46.80 lacs) were redeemable at par in 28 equal quarterly installments commencing from April 1 2006 and ending on 1 January 2013 have been fully redeemed during the year.
  - ii. 9% Secured Non-Convertible Redeemable Debentures (NCD) of ₹ Nil (₹ 38.65 lacs) were redeemable at par in 28 equal quarterly installments commencing from April 1 2006 and ending on 1 January 2013 have been fully redeemed during the year.
  - iii. The above debentures including interest thereon are secured by way of first charge on movable and immovable assets of the Company, both present and future, ranking pari passu subject to prior charge on specific assets for certain term loans and on current assets as per Note 7(a) below for borrowing from banks for working capital finance.
- (b) Term loan from Banks except (f) and (h) below, are secured by way of first charge on immovable and movable assets of the company, both present and future, ranking pari passu and also secured by second charge on current assets subject to prior charge in favour of banks for working capital facilities.
- (c) Term loan of ₹ 309.19 lacs (₹ 427.66 lacs) from Bank of Baroda is carrying interest @ 13.75% p.a. and repayable in 7 quarterly installments of ₹ 43.34 lacs and balance in last installment.
- (d) Term loan of ₹ 180.67 lacs (₹ 260.67 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ 14.25% p.a. and repayable in 6 quarterly installments of ₹ 26.00 lacs and balance in last installment.
- (e) Term loan of ₹ 2138.62 lacs (₹ 803.02 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ 13.75 % p.a. and repayable in 4 quarterly installments of ₹ 5.48 lacs in 2012-13 and thereafter in 24 quarterly installments ranging from 2% to 5.625% of disbursed loan amount.
- (f) Term loan of ₹ 2500.00 lacs (₹ Nil) from State Bank of Bikaner and Jaipur is secured by first charge ranking pari passu by way of hypothecation of company's raw material, stock-in-process, finished goods, semi finished goods, stores, spares, book debts and other current assets and second charge ranking pari passu on fixed assets of the company. It carries interest @ 13.50 % p.a. and repayable in 8 quarterly equal installments of ₹ 312.50 lacs commencing from December 2012.
- (g) Term loan of ₹ 310.00 lacs (₹ 438.00 lacs) from State Bank of India is carrying interest @ 14.50 % p.a. and repayable in 4 quarterly installments of ₹ 42.00 lacs in 2012-13, 2 quarterly installments of ₹ 55.00 lacs and balance of ₹ 32.00 lacs being the last installment in 2013-14.
- (h) Term Loan of ₹ Nil (₹ 22.92 lacs) from Industrial Development Bank of India was secured by way of a charge on all machinery purchased out of the equipment finance scheme.
- (i) Term Loan of ₹ Nil (₹ 76.77 lacs) from Industrial Development Bank of India carried interest @ 9.92% p.a. and is repaid during the year.
- (j) Term Loan of ₹ Nil (₹ 20.74 lacs) from Industrial Development Bank of India carried interest @ 12.37% p.a. and is repaid during the year.
- (k) Term Loan of ₹ Nil (₹ 262.50 lacs) from Industrial Development Bank of India carried interest @ 14.00% p.a. and is repaid during the year.
- (l) Term loan of ₹ 183.16 lacs (₹ 477.28 lacs) from State Bank of India is carrying interest @ JPY TIBOR+2% and last installment is repayable on 15 June 2012.
- (m) Term loan of ₹ 60.31 lacs (₹ 247.06 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ LIBOR+2.75% p.a. and last installment is repayable on 15 April 2012.
- (n) Term loan of ₹ 1070.51 lacs (₹ 1360.81 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ LIBOR+2.75% p.a. and repayable in 13 equal quarterly installment of ₹ 105.57 lacs from April 2011 to April 2014.
- (o) Out of the total term loans, ₹ 493.16 lacs (₹ 1,298.21 lacs) have been personally guaranteed by the promoter directors.



## Notes forming part of the Financial Statements

### Note - 6 Provisions

(₹ in Lacs)

	Long - term		Short - term	
	2012	2011	2012	2011
<b>Provision for employee benefits</b>				
Provision for Retirement benefits	391.81	314.94	11.24	4.83
<b>Other provisions</b>				
Provision for mark to market losses on derivative contract	-	-	36.82	56.69
Provision for proposed Optionally Convertible Cumulative preference dividend	-	-	590.72	-
Provision for tax on proposed dividends	-	-	95.84	-
Provisions for other litigations	217.30	217.30	-	-
<b>Total</b>	<b>609.10</b>	<b>532.24</b>	<b>734.62</b>	<b>61.52</b>

### Note - 7 Short term borrowings

#### Working capital loans from Banks (Secured)

- Foreign Currency Loans
- Rupee Loans

#### Foreign Currency Loans - Buyers Credit

- From Related Party : (Unsecured)
- Inter Corporate Deposit

#### Total

2012	2011
436.51	382.63
1,688.91	2,935.78
1,838.77	-
900.00	900.00
<b>4,864.19</b>	<b>4,218.40</b>

(a) Working capital loans from Banks are secured by way of hypothecation of raw materials, finished goods, goods in process, stores and spares and book debts and second charge by way of mortgage on entire fixed assets of the company.

(b) Inter corporate deposits of ₹ 900 lacs (₹ 900 lacs) is interest free.

### Note - 8 Trade payables

- Acceptances
- Due to micro small and medium enterprises (Refer Note 28)
- Due to others

#### Total

4,612.02	3,893.52
7.77	285.28
2,223.46	2,381.22
<b>6,843.25</b>	<b>6,560.02</b>

### Note - 9 Other current liabilities

- Current maturities of debentures
- Current maturities of long term borrowings
- Trade advances and deposits received
- Creditors for capital goods
- Creditors for expenses
- Interest accrued but not due
- Statutory liabilities

#### Total

-	49.20
1,758.03	1,599.33
416.99	343.06
94.25	76.19
1,635.61	1,169.31
72.68	28.58
366.91	417.13
<b>4,344.47</b>	<b>3,682.81</b>

**Notes forming part of the Financial Statements**  
**Note - 10 Fixed Assets (At cost)**

(₹ in Lacs)

Sr. No.	As at 01 April'11	Gross Block		Depreciation / Amortisation		Impairment loss as at 31 March'12	Net Block	
		As at 01 April'11	Additions	Up to 31 March'12	As at 01 April'11		For the year	Up to 31 March'12
<b>A</b>								
<b>TANGIBLE ASSETS</b>								
Freehold Land (Refer Note 29)	811.93	-	-	811.93	-	-	191.04	620.89
Buildings	3,516.08	94.12	-	3,610.20	110.35	1,406.84	-	2,203.36
Plant and Machinery	26,143.14	1,334.55	419.72	27,057.97	1,126.18	14,239.65	5,310.27	7,341.04
Vehicles	82.08	-	13.50	68.57	6.04	31.08	2.93	34.57
Furniture and Fixtures	107.77	1.10	-	108.86	4.13	67.98	10.14	30.75
Equipments	98.93	7.10	8.31	97.72	4.07	38.17	15.20	44.35
Computers	246.54	7.44	1.51	252.46	9.74	173.30	37.22	41.94
<b>Sub - Total - A</b>	<b>31,006.47</b>	<b>1,444.30</b>	<b>443.05</b>	<b>32,007.72</b>	<b>1,260.51</b>	<b>15,957.02</b>	<b>5,566.79</b>	<b>10,483.91</b>
Previous Year	29,044.36	2,435.47	473.36	31,006.47	1,138.82	15,012.13	5,645.67	9,096.02
<b>B</b>								
<b>INTANGIBLE ASSETS</b>								
Softwares	90.14	2.55	-	92.69	0.76	85.68	3.08	3.93
<b>Sub - Total - B</b>	<b>90.14</b>	<b>2.55</b>	<b>-</b>	<b>92.69</b>	<b>0.76</b>	<b>85.68</b>	<b>3.08</b>	<b>2.15</b>
Previous Year	90.14	-	-	90.14	0.66	84.92	3.08	2.15
<b>C</b>								
<b>Capital working Progress</b>								<b>747.40</b>

**Note**

1. For reversal of impairment loss - Refer Note 24
2. Borrowing cost allocated to fixed assets / Capital work in progress is ₹ 23.14 lacs (₹ Nil)
3. Capital work-in-progress includes Pre-operative expenses of ₹ 46.80 lacs (₹ Nil)





## Notes forming part of the Financial Statements

(₹ in Lacs)

### Note - 11 Non - current Investments

Long Term (at cost) - Non Trade

#### A) Quoted

	2012	2011
Welspun India Limited 1,350 (1,350) Equity Shares of ₹ 10 each fully paid up	0.14	0.14
Welspun Investments and Commercials Limited 67 (67) Equity Shares of ₹ 10 each fully paid up	0.01	0.01
Welspun Corp Limited 100 (100) Equity Shares of ₹ 5 each fully paid up	0.09	0.09
Welspun Global Brands Limited 135 (135) Equity Shares of ₹ 10 each fully paid up	0.01	0.01

#### B) Unquoted

Crescent Trading Private Limited 1,21,685 (1,21,685) 6% Redeemable Preference Shares of ₹ 10 each fully paid up 1,01,650 (1,01,650) 600% Redeemable Preference Shares of ₹ 10 each fully paid up	1,216.85	1,216.85
Welspun Steel Limited 100 (100) Equity Shares of ₹ 10 each fully paid up	0.01	0.01

**All the above shares and securities are fully paid up**

Aggregate book value of quoted investments ₹ 0.24 lacs (₹ 0.24 lacs)  
Aggregate book value of unquoted investments ₹ 2,233.36 lacs (₹ 2,233.36 lacs)  
Aggregate market value of quoted investments ₹ 0.81 lacs (₹ 0.83 lacs)

**Total**

**2,233.60**      **2,233.60**

### Note - 12 Loans and advances

(Unsecured and considered good, unless otherwise stated)

	Long -Term		Short -Term	
	2012	2011	2012	2011
Capital advances	764.36	161.00	-	-
Other loans and advances*	514.25	162.01	-	-
MAT Credit Entitlement	594.05	262.18	-	-
Balances with Government authorities				
- Direct taxes (net of provisions)	-	-	15.35	4.41
- Indirect taxes	241.30	241.30	1,359.85	591.15
Loans and advances to employee	10.21	4.95	57.18	51.11
Security deposits	3.48	3.48	32.23	28.32
Prepaid expenses	3.45	3.53	106.54	58.08
<b>Total</b>	<b>1,616.86</b>	<b>676.45</b>	<b>2,085.41</b>	<b>895.07</b>

\* Other loans and advances includes advance recoverable from Executive Director ₹ 30.30 lacs (₹ Nil) being excess remuneration paid.

### Note - 13 Inventories

(As taken, valued and certified by the management)

	2012	2011
Raw materials (Refer Note 19)	1,677.73	1,792.78
Raw materials in transit	-	118.95
Goods in process (Refer Note 20)	420.88	346.45
Finished goods (Refer Note 20)	2,934.13	2,513.02
Stock-in-trade (Refer Note 20)	134.49	-
Stores / spares and packing materials	1,229.86	907.31
<b>Total</b>	<b>6,397.09</b>	<b>5,678.51</b>

**Notes forming part of the Financial Statements**

(₹ in Lacs)

**Note - 14 Trade receivable**

(Unsecured and considered good, unless otherwise stated)

**Over six months**

Considered good  
Considered doubtful

**Others**

Considered good  
Considered doubtful

Less : provision for doubtful debts

**Total**

	2012	2011
	24.76	34.90
	169.66	169.66
	2,788.43	3,667.60
	-	-
	2,982.86	3,872.16
	169.66	169.66
<b>Total</b>	<b>2,813.19</b>	<b>3,702.50</b>

**Note - 15 Cash and bank balance**

**Cash and cash Equivalents**

Balances with banks:

- In Current account

Cash on hand

**Other bank balances:**

- In Margin money account  
- Deposit with original maturity for more than 3 months but less than 12 months  
- Deposit with original maturity for more than 12 months

	Non-Current		Current	
	2012	2011	2012	2011
	-	-	1,202.77	98.67
	-	-	56.71	45.67
	-	-	1,259.48	144.34
	-	-	0.07	8.11
	-	-	-	10.30
	486.35	466.10	240.90	-
	<b>486.35</b>	<b>466.10</b>	<b>1,500.45</b>	<b>162.75</b>

**Note - 16 Other current assets**

(Unsecured and considered good, unless otherwise stated)

Interest accrued on investments

Export benefit receivable

**Total**

	2012	2011
	63.59	104.04
	532.23	294.05
<b>Total</b>	<b>595.82</b>	<b>398.09</b>

**Note - 17 Revenue from operations**

**Revenue from operations**

**Sales of products**

Finished Goods  
Traded Goods

**Sales of Services**

Job work charges

**Other Operating Revenue**

Scrap sales  
Export benefit

**Total**

	2012	2011
	62,934.69	52,423.40
	507.33	-
	154.84	129.42
	200.78	188.27
	952.92	547.75
<b>Total</b>	<b>64,750.57</b>	<b>53,288.83</b>
	8,434.04	8,310.00
	54,500.65	44,113.40
	507.33	-
<b>Total</b>	<b>63,442.02</b>	<b>52,423.40</b>

**Sales of products**

Partially Oriented Yarn  
Dyed/Text and Twisted Polyester Yarn  
Partially Oriented Yarn - Traded goods



## Notes forming part of the Financial Statements

(₹ in Lacs)

### Note - 18 Other income

	2012	2011
Interest income from others	106.66	94.98
Interest income from banks	59.10	37.81
Dividend income on current investment	4.36	0.02
Profit on sale of fixed assets (net)	28.06	-
Miscellaneous receipts	2.12	16.00
<b>Total</b>	<b>200.30</b>	<b>148.80</b>

### Note - 19 Cost of raw material consumed

Opening stock	1,792.78	849.11
Purchases	40,420.29	34,197.60
	42,213.07	35,046.70
Less: Closing stock	1,677.73	1,792.78
<b>Total</b>	<b>40,535.34</b>	<b>33,253.93</b>

#### Details of raw material consumed

Chips	22,420.38	17,212.09
Partially Oriented Yarn /Texturised Yarn	18,114.96	16,041.83
<b>Total</b>	<b>40,535.34</b>	<b>33,253.93</b>

#### Details of raw material stock

Chips	963.70	843.81
Partially Oriented Yarn /Texturised Yarn	714.03	948.97
<b>Total</b>	<b>1,677.73</b>	<b>1,792.78</b>

### Note - 20 Changes in inventories of finished goods and goods in process

#### Closing stock

Finished goods	2,934.13	2,513.02
Stock in Trade	134.49	-
Goods in process	420.88	346.45
	3,489.50	2,859.47

#### Less : Opening stock

Finished goods	2,513.02	1,941.59
Stock in Trade	-	-
Goods in process	346.45	288.51
	2,859.47	2,230.10

#### Increase/(decrease) in stock

**Total** **630.03** **629.37**

#### Details of finished goods stock

Partially Oriented Yarn	818.27	731.47
Dyed /Text and Twisted Polyester Yarn	2,115.86	1,781.55
<b>Total</b>	<b>2,934.13</b>	<b>2,513.02</b>

#### Details of Stock in Trade

Partially Oriented Yarn	134.49	-
<b>Total</b>	<b>134.49</b>	<b>-</b>

#### Details of goods in process stock

Partially Oriented Yarn /Texturised Yarn	420.88	346.45
<b>Total</b>	<b>420.88</b>	<b>346.45</b>

**Notes forming part of the Financial Statements**

(₹ in Lacs)

**Note - 21 Employee benefits expense**

	2012	2011
Managerial Remuneration	35.97	27.33
Salaries,Wages and Allowances	2,476.78	2,125.34
Contribution to provident and other funds	123.97	109.27
Staff welfare expenses	136.85	138.24
<b>Total</b>	<b>2,773.57</b>	<b>2,400.19</b>

**Note - 22 Other expenses**

Stores and spares consumed	1,785.89	1,451.36
Power, fuel and water charges	4,265.61	3,250.27
Packing materials consumed	1,965.03	1,817.75
Dyes and chemicals consumed	2,580.62	2,036.23
Increase/(decrease) in excise duty on finished goods	52.47	25.86
Repairs and maintenance		
-Plant and machinery	158.90	127.77
-Buildings	49.17	59.09
-Others	87.81	75.69
Discounts and rebates	291.07	222.87
Brokerage and commission	752.86	669.81
Freight and forwarding	1,035.69	1,073.34
Rent	89.94	118.75
Rates and taxes	17.44	367.33
Printing and stationary	34.72	14.71
Travelling and conveyance	118.82	130.20
Vehicle expenses	62.47	68.54
Legal and professional charges	81.58	114.51
Insurance	63.93	45.71
Communication expenses	37.39	46.59
Miscellaneous expenses	142.61	167.31
Directors sitting fees	2.26	2.42
Foreign exchange difference (net)	221.87	80.51
Donations	3.35	5.88
Loss on sale of fixed assets (net)	-	19.81
<b>Total</b>	<b>13,901.50</b>	<b>11,992.32</b>

**Note - 23 Finance cost**

**Interest on**

Term Loans	549.88	253.99
Debentures	7.25	11.63
Other Loans	440.24	290.60
Other borrowing costs	613.96	447.40
Exchange difference (net)	122.84	68.01
<b>Total</b>	<b>1,734.19</b>	<b>1,071.62</b>



24. During the year, impairment loss aggregating ₹ 78.87 lacs (₹ 4.26 lacs) has been reversed consequent to the relevant fixed assets being sold.
25. Contingent liabilities not provided for
- Guarantees given by banks ₹ 331.26 lacs (₹ 320.00 lacs)
  - Disputed demands of Excise Duty, Custom Duty, Service Tax, Income Tax and Sales Tax – ₹ 1,200.14 lacs (₹ 978.09 lacs)
  - Unexpired Letters of Credit ₹ 6936.33 lacs (₹ 4,848.19 lacs).
  - Custom Duty on pending Export obligation for import under Advance License ₹ 111.12 lacs (₹ 142.79 lacs).
  - The accumulated dividend of ₹ 880.85 lacs (₹ 1,385.55 lacs) payable on Redeemable Cumulative / Optionally Convertible Cumulative Preference Shares.
  - Claims against the Company not acknowledged as debt ₹ 139.85 lacs (₹ 139.85 lacs)
  - Bills receivable discounted ₹ 1,239.29 lacs (₹ 1,128.67 lacs)
26. Capital commitment not provided for ₹ 2,052.36 lacs (₹ 1,078.91 lacs) net of advances.
27. Current Liabilities include cheques overdrawn to the tune of ₹ 502.94 lacs (₹ 281.69 lacs).
28. Micro, Small and Medium Enterprises

The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 March 2012. The disclosure pursuant to the said Act is as under:

(₹ in lacs)

	2012	2011
i. Principal amount due to suppliers under MSMED Act, 2006	7.77	285.28
ii. Interest accrued and due to suppliers under MSMED Act, on the above amount	0.49	1.29
iii. Payment made to suppliers (Other than interest) beyond the appointed day, during the year	-	-
iv. Interest paid to suppliers under MSMED Act, (Other than Section 16)	-	-
v. Interest paid to suppliers under MSMED Act, (Section 16)	-	-
vi. Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
vii. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act.	7.77	7.28

The above information and that given in Note - 8 "Trade Payables" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties are identified on the basis of the information available with the Company.

29. Freehold Land includes ₹ 27.85 lacs (₹ 27.85 lacs) and development expenses of ₹ 122.87 lacs (₹ 122.87 lacs) incurred on such land capitalized in the year 2002-2003 for which the Company holds no title.
30. **Taxation**
- Provision for current tax for the year has been made under Minimum Alternate Tax (MAT) as per the provisions of Section 115JB of the Income-Tax Act, 1961. In accordance with the Guidance Note on Accounting for Credit Available in respect of MAT under the Income-Tax Act, 1961 issued by the Institute of Chartered Accountants of India (ICAI), the Company has recognized the MAT credit entitlement of ₹ 231.36 lacs (₹ 241.57 lacs) as an asset under the Note "Loans and Advances" and has credited the same to the statement of profit and loss under "Provision for Taxation".
  - In accordance with the Accounting Standard - 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position of the Company and requirement of the Accounting Standard regarding certainty / virtual certainty, the same has not been provided. The same will be reassessed at a subsequent balance sheet date and will be accounted for in the year of certainty / virtual certainty in accordance with the aforesaid accounting standard.

31. **Operating Leases**

The Company has taken on lease offices and residential facilities under operating lease agreements that are renewable on periodic basis at the option of both the lessor and the lessee. The initial tenure of lease is generally for eleven months.

Minimum rental payments are required to be made under the operating leases that have initially or remaining non-cancelable lease term in excess of one year as at 31 March 2012 as per the contracts are as under:

- Not later than one-year ₹ 73.50 lacs (₹ 4.47 lacs)
- Later than one year but not later than five years ₹ 352.80 lacs (₹ 2.31 lacs)
- Later than five years ₹ 352.80 (₹ Nil)

The aggregate rental expenses of all the leases for the year are ₹ 89.94 lacs (₹ 118.75 lacs).

**32. Disclosures pursuant to adoption of Accounting Standard 15 (Revised 2005) Employee Benefits**

The Employees Gratuity and Leave Encashment Schemes are defined benefit plans. The present value of obligation is based on actuarial valuation using the projected unit credit method.

**Defined Benefit Plan**

Details of defined benefit plan for contribution to Gratuity (Non-Funded) and contribution to Leave Encashment (Non-Funded) are as follows:

**I. Actuarial Assumptions**

**Economic Assumptions**

Major Assumptions	(% p.a.)
Discount Rate (p.a.)	8.5
Salary Escalation Rate	6.0

**Demographic Assumptions**

Major Assumptions	
Mortality	Latest Compiled Table of LIC (1994-96)
Retirement Age	60 Years for staff and 62 years for Presidents and above. Worker category 58 years.
Attrition Rate	2% up to age 44 and 1% thereafter

**II. Expenses Recognized in the statement of Profit and Loss**

(₹ in lacs)

	Gratuity		Leave Encashment	
	2012	2011	2012	2011
Current Service Cost	35.78	28.23	19.93	20.28
Interest Cost	19.03	17.66	8.15	6.48
Net Actuarial (Gain) / Loss recognized in the period	28.29	4.50	8.11	8.24
Expenses recognized in the Statement of profit and loss *	83.10	50.39	36.19	35.00

\* Included in the Employee benefits expense (Refer Note-21)

**III. Present Value of Defined Benefit Obligation and the Fair Value of Assets**

(₹ in lacs)

	Gratuity		Leave Encashment	
	2012	2011	2012	2011
Present Value of Obligation as at 31 March 2012	286.56	223.87	116.49	95.89
Fair Value of Plan Assets as at 31 March 2012	-	-	-	-
Liability Recognized in the Balance Sheet and disclosed under Provisions (Refer Note-6)	286.56	223.87	116.49	95.89

**IV. Change in the Present Value of Obligation**

(₹ in lacs)

	Gratuity		Leave Encashment	
	2012	2011	2012	2011
Present Value of Obligation as at 1 April 2011	223.87	204.98	95.90	78.98
Current Service Cost	35.78	28.23	19.93	20.28
Interest Cost	19.03	17.66	8.15	6.48
Benefits Paid	(20.41)	(31.50)	(15.60)	(18.08)
Actuarial (Gain) / Loss on Obligation	28.29	4.50	8.11	8.24
Present Value of Obligation as at 31 March 2012	286.56	223.87	116.49	95.90

**Note:** Amount recognized as an expense and included in Note 21- Employee benefits expense is: Gratuity ₹ 83.10 lacs (₹ 50.39 lacs) and Leave Encashment Expense of ₹ 36.19 lacs (₹ 35.00 lacs)



33. Miscellaneous expenses include Auditors' Remuneration as under :

(₹ in lacs)

	2012	2011
Statutory Audit Fees	8.00	8.00
Tax Audit Fees	2.00	2.00
Fees for Certification and others	2.55	0.72

34. Related party disclosures

As per Accounting Standard - 18, the disclosure of transactions with related parties as defined in the Accounting Standard are given below:

Other Related parties with whom transactions have taken place during the year and balances outstanding as on the last day of the year.

Welspun Corp Limited, Welspun India Limited, Welspun Retail Limited, Welspun Steel Limited, Welspun Wintex Limited, Krishiraj Trading Limited, Mertz Securities Limited, Welspun Global Brands Limited, Welspun Investments and Commercials Limited, Welspun Realty Private Limited, Goodvalue Polyplast Limited.

**Directors / Key Management Personnel**

Name of the Related Party	Nature of Relationship
B. K. Goenka	Chairman
B. A. Kale	Executive Director
R. R. Mandawewala	Director

**Transactions with Related Parties**

(₹ in lacs)

Nature of Transaction	2012	2011
<b>Sales (net) to and recoveries from</b>	<b>2419.56</b>	<b>584.27</b>
Welspun India Limited	2419.37	584.27
Welspun Corp Limited	0.19	-
<b>Purchase of Goods and Services</b>	<b>661.83</b>	<b>1281.89</b>
Welspun India Limited	104.58	8.67
Welspun Retail Limited	22.32	38.54
Welspun Corp Limited	-	8.33
Welspun Steel Limited	217.71	110.37
Welspun Wintex Limited	238.64	1051.43
Mertz Securities Limited	-	35.74
Welspun Realty Private Limited	13.72	17.87
Goodvalue Polyplast Limited	64.86	10.94
<b>Purchase of Fixed Assets</b>	<b>-</b>	<b>282.49</b>
Welspun Wintex Limited	-	282.49
<b>Repayment of Loans/Advance/Deposits received</b>	<b>920.00</b>	<b>600.00</b>
Krishiraj Trading Limited	920.00	600.00
<b>Reimbursement of Expenses</b>	<b>13.32</b>	<b>55.46</b>
Welspun India Limited	0.04	0.54
Welspun Retail Limited	8.24	14.06
Welspun Global Brands Limited	0.74	39.81
Welspun Corp Limited	4.30	1.05
<b>Closing Balances as at 31 March 2012</b>		
<b>Sundry Debtors</b>	<b>-</b>	<b>11.38</b>
Welspun India Limited	-	11.38
<b>Loans/Advances/Deposits received</b>	<b>900.00</b>	<b>900.00</b>
Krishiraj Trading Limited	900.00	900.00
<b>Sundry Creditors</b>	<b>(18.26)</b>	<b>146.67</b>
Welspun Corp Limited	-	0.02
Welspun Retail Limited	-	0.03
Welspun Wintex Limited	(18.26)	137.69
Mertz Securities Limited	-	8.93
<b>Investments outstanding</b>		
Welspun India Limited	0.14	0.14
Welspun Global Brands Limited	0.01	0.01
Welspun Investments and Commercials Limited	0.01	0.01
Welspun Steel Limited	0.01	0.01
Welspun Corp Limited	0.09	0.09

**Note:** Details of remuneration to directors are disclosed in Note 35 below

35. Executive Director is in receipt of remuneration as agreed between them and the Company, as approved by the Central Government u/s 269 of the Companies Act 1956, break up of which is as under:

(₹ in lacs)

	Executive Director		Managing Director	
	2012	2011	2012	2011
Salaries and Allowances	35.19	14.11	-	7.90
Contribution to Provident Fund	1.57	0.67	-	-
Commission	-	-	-	3.50
Perquisites	0.79	1.15	-	-
<b>Total</b>	<b>37.55</b>	<b>15.93</b>	<b>-</b>	<b>11.40</b>

**Note:** Provision for post retirement benefits which are based on actuarial valuation done on an overall company basis are excluded from above.

**36. Foreign Exchange Differences**

- The exchange difference loss of ₹ 84.78 lacs (loss of ₹ 68.20 lacs), has been adjusted to the carrying cost of fixed assets.
- The Company is exposed to various financial risks, most of which relate to changes in exchange rates, interest rate etc. The Company hedges risks of the aforesaid nature using combination of forward contracts, options and swaps etc. The outstanding foreign currency derivative contracts as at 31 March 2012 are as follows:

**Forward Contracts**

- Details of foreign currency exposures that are hedged by forward instruments outstanding as at year end are as under:

(₹ in lacs)

Derivative Contracts	Covered for	2012		2011	
		Foreign Currency	Equivalent Indian Rupee	Foreign Currency	Equivalent Indian Rupee
USD/ INR	Foreign Currency Loan	30.64	1,609.49	37.50	1,672.31
	Export	4.00	207.06	-	-

- As at Balance Sheet date, the Company has foreign currency payable (Net) that is not hedged by a derivative instrument or otherwise is amounting to ₹ 413.45 lacs (₹ 1,470.84 lacs)

**37. Earnings Per Share (EPS)**

	2012	2011
Profit after Tax (₹ in lacs)	1,157.24	1,281.34
Less: Dividend on Cumulative Preference Shares including tax (₹ in lacs)	(99.99)	(100.32)
Profit available for appropriation to Equity Shareholders (₹ in lacs)	1,057.25	1,181.02
Weighted average number of equity shares for computation of EPS (Nos.)	2,36,45,027	2,36,45,027
Basic and Diluted Earnings Per Share (₹)	4.47	4.99

**38. Segment Reporting**

- The Company operates in a single primary business segment i.e. manufacture of Synthetic Yarn and hence, there are no reportable segments as per Accounting Standard (AS) - 17 "Segment Reporting".

- Information about Secondary-Geographical segment. (₹ in lacs)

	2012			2011		
	India	Outside India	Total	India	Outside India	Total
Sales	45,764.88	14,236.46	60,001.34	39,203.79	10,401.08	49,555.38
Carrying Amount of Segment Assets	30,268.14	14.55	30,282.69	25,069.13	242.16	25,311.29
Capital Expenditure	3,368.88	-	3,368.88	2,895.38	-	2,895.38

**Note:** The Segment revenue in the geographical segments considered for disclosure is as follows:

- Revenue within India includes sales to customers located within India and earnings in India.
- Revenue outside India includes sales to customers located outside India, earnings outside India.





39. a) Balances of certain debtors, creditors and advance are subject to confirmation / reconciliation, if any. The management does not expect any material difference affecting the financial statements on such reconciliation / adjustments except otherwise stated.
- b) In the opinion of management, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the balance sheet. The provision for expenses and all known liabilities is adequate and not in excess of the amount reasonably stated.

**40. Prior year comparatives**

Schedule VI to the Companies Act, 1956 is revised and has become effective from 1 April 2011. 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 classifications / disclosures. Previous year figures have been regrouped/rearranged/recast wherever considered necessary.

41.	2012		2011	
	%	₹ in lacs	%	₹ in lacs
<b>Raw Materials Consumed</b>				
Imported	21.67	8,783.00	37.05	5,992.62
Indigenous	78.33	31,752.34	62.95	27,261.31
<b>Total</b>	<b>100.00</b>	<b>40,535.34</b>	<b>100.00</b>	<b>33,253.93</b>

42. <b>Stores ,Spares ,Dyes and Chemicals Consumed</b>				
Imported	6.56	286.61	7.23	254.58
Indigenous	93.44	4,079.90	92.77	3,233.01
<b>Total</b>	<b>100.00</b>	<b>4,366.51</b>	<b>100.00</b>	<b>3,487.59</b>

43.	2012		2011	
	<b>CIF Value of Imports</b>			
Raw materials		7,198.82		4,740.70
Capital goods		1,341.29		432.89
Stores and Spares		468.09		601.68
44. <b>Expenditure in Foreign Currency</b>				
Traveling and conveyance		32.80		15.06
Membership and other Fees		-		2.00
Commission on Export Sales		113.15		138.74
Quality Claim		8.70		9.13
Interest		56.70		112.47
45. <b>Earnings in Foreign Currency:</b>				
FOB value of Exports		13,720.08		9,773.10

As per our attached report of even date  
For **MGB & CO**  
Chartered Accountants  
Firm Registration Number 101169 W

For and on behalf of the Board

**Sanjay Kothari**  
Partner  
Membership Number 048215

**B. K. Goenka**  
Chairman

**B. A. Kale**  
Executive Director

Mumbai, 23 May 2012

**Nilesh Javker**  
Asst. Company Secretary

**Cash Flow Statement for the year ended 31 March,**

(₹ in lacs)

	2012	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,156.35	1,212.04
<b>Adjustments for</b>		
Depreciation and amortisation expense	1,261.27	1,139.47
(Profit)/Loss on sale/discard of fixed assets (net)	(28.06)	19.81
Interest income	(165.76)	(132.78)
Interest expense	997.38	556.22
Dividend income	(4.36)	(0.02)
Exchange adjustments (net)	95.53	44.10
<b>Operating Profit before working capital changes</b>	<b>3,312.36</b>	<b>2,838.84</b>
Increase in Inventories	(718.58)	(1,702.65)
Increase in Trade and other receivables	(255.58)	(705.89)
Increase in Trade and other payables	365.74	2,720.55
<b>Cash generated from operations</b>	<b>2,703.94</b>	<b>3,150.85</b>
Taxes paid (net of refunds)	(341.92)	(222.29)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>2,362.01</b>	<b>2,928.56</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (including Capital-Work-in-Progress)	(3,189.86)	(2,963.58)
Sale of fixed assets	76.61	24.20
Purchase of short term investments	(2,501.47)	-
Sale of short term investments	2,501.47	-
Investments in bank deposits/margin deposits	(242.81)	(91.67)
Interest received	228.17	116.05
Dividend received	4.36	0.02
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,123.53)</b>	<b>(2,914.98)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of Debentures	(85.45)	(49.20)
Proceeds from long term borrowings	3,976.87	803.02
Repayment of long term borrowings	(1,721.15)	(727.56)
Increase / (decrease) in other borrowings	661.09	1,168.81
Proceeds from Inter Corporate deposits	900.00	-
Repayment of Inter Corporate deposits	(900.00)	(600.00)
Interest paid	(954.71)	(544.62)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,876.66</b>	<b>50.45</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,115.14</b>	<b>64.03</b>
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>	<b>144.34</b>	<b>80.31</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>1,259.48</b>	<b>144.34</b>

**Notes**

- 1) Previous year figures are regrouped/reconsidered wherever necessary.
- 2) Cash and Cash Equivalents include the following

Balances with banks:

- In Current account
- Cash on hand

	2012	2011
- In Current account	1,202.77	98.67
- Cash on hand	56.71	45.67
	<u>1,259.48</u>	<u>144.34</u>

As per our attached report of even date  
For **MGB & CO**  
Chartered Accountants  
Firm Registration Number 101169 W

For and on behalf of the Board

**Sanjay Kothari**  
Partner  
Membership Number 048215

**B. K. Goenka**                      **B. A. Kale**  
Chairman                              Executive Director

Mumbai, 23 May 2012

**Nilesh Javker**  
Asst. Company Secretary

# WELSPUN SYNTEX LIMITED

**Regd. Office:** Survey No.394 (P), Village Silvassa, Union Territory of Dadra & Nagar Haveli

DP.id*	
Client Id*	

## PROXY FORM

Master Folio	
No.of Shares	

I/We \_\_\_\_\_ resident/s  
of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/s of the above  
named Company hereby appoint Shri/Smt. \_\_\_\_\_ resident of  
\_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ or failing him, Shri/ Smt \_\_\_\_\_ resident of in the district  
of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the  
TWENTYNINETH ANNUAL GENERAL MEETING of the Company to be held on Saturday, 29th September, 2012, at the  
Registered office of the Company at Survey No.394 (P), Village Saily, Silvassa, U.T of Dadra & Nagar Haveli at 10.30 a.m.

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

Affix  
Revenue  
Stamp  
Re. 1/-

**Note:** The Proxy form duly signed across the stamp should reach the Company's Registered office at least 48 hours before the Meeting. Proxy need not be a member of the Company.

\* Applicable for investors holding shares in electronic form only.

(TEAR HERE)

# WELSPUN SYNTEX LIMITED

**Regd. Office:** survey No.394 (P), Village Silvassa, Union Territory of Dadra & Nagar Haveli

DP.id*	
Client Id*	

## ATTENDANCE SLIP

Master Folio	
No.of Shares	

I/We hereby record my/our presence at the TWENTYNINETH ANNUAL GENERAL MEETING of the Company to be held on Saturday, 29th September, 2012, at the Registered office of the Company at Survey No.394 (P), Village Saily, Silvassa, U.T of Dadra & Nagar Haveli at 10.30 a.m.

Signature of the Shareholder or Proxy \_\_\_\_\_

Shareholders/ Proxy holders are requested to bring the attendance slip with them, when they come to the Meeting and hand it over at the entrance after signing the same.

Shareholders who come to attend the meeting are requested to bring their copies of Annual Report with them.

Shareholders intending to obtain additional information regarding accounts to be presented at the meeting are requested to inform the Company about the details thereof atleast 7 days in advance.

\* Applicable for Investors Holding shares in electronic form only.

Book-Post

To,

*If undelivered, please return to:*

**Welspun Syntex Limited**

**Regd. Office :** Survey No.394 (P), Village Saily, Silvassa,  
Union Territory of Dadra & Nagar Haveli