



Dare to Commit

# **Welspun Syntex Ltd.**

## 30th Annual Report 2012 - 2013



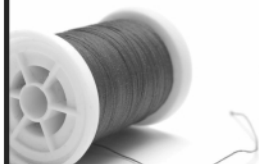
[www.welspunsyntex.com](http://www.welspunsyntex.com)

**WELSPUN SYNTEX LIMITED**  
CORPORATE INFORMATION



<b>BOARD OF DIRECTORS</b>	MR. B.K.GOENKA MR. R.R.MANDAWEWALA MR. B.A. KALE MR. ATUL DESAI MR. RAJ KUMAR JAIN MR. M.K.TANDON	CHAIRMAN  EXECUTIVE DIRECTOR
<b>COMPANY SECRETARY</b>	MR. K.N.KAPASI	COMPANY SECRETARY
<b>AUDITORS</b>	MGB & CO., CHARTERED ACCOUNTANTS	
<b>BANKERS</b>	BANK OF BARODA, STATE BANK OF BIKANER & JAIPUR, IDBI BANK LIMITED, STATE BANK OF INDIA, CENTRAL BANK OF INDIA	
<b>REGISTERED OFFICE</b>	SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA, UNION TERRITORY OF DADRA & NAGAR HAVELI - 396 230	
<b>CORPORATE OFFICE</b>	9TH FLOOR, TRADE WORLD, "B" WING, KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG, LOWER PAREL, MUMBAI – 400 013. EMAIL: allcompanysecretaryofwsl@welspun.com WEBSITE: www.welspunsyntex.com	
<b>FACTORY</b>	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.	
<b>LISTING OF SHARES</b>	THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI Phiroze Jee-jeebhoy Tower, Dalal Street, Mumbai 400 001	

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**30th Annual Report**  
**2012 - 2013**





## NOTICE

**NOTICE** is hereby given that the 30th 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 Monday, 30th September 2013 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Audited Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.K.Tandon, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Bhalchandra Anant Kale, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and approve re-appointment of M/s. MGB & Co., Chartered Accountants as Statutory Auditors, who retires at the meeting and being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

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

**“RESOLVED THAT** Pursuant to Section 198, 269, 309, 310 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, and subject to the approval of Central Government, if required, remuneration payable to Mr. Bhalchandra Anant Kale, the Executive director of the Company be and is hereby increased with effect from 1st July 2013 to 29th October 2013, the last day of his term from Rs.40,00,000 per annum to Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity in addition to Commission @ 2.5% per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act,1956”.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue letter modifying terms of his appointment , a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution.”

**“RESOLVED FURTHER THAT** where in any financial year closing after 31st March, 2013, the Company has no profits or its profits are inadequate, the Company do pay to Mr. Bhalchandra Anant Kale remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity as minimum remuneration.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions to the said appointment to the extent the Board may consider appropriate and as may be agreed to between the Board and Mr. Bhalchandra Anant Kale.”

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

**“RESOLVED THAT** Pursuant to Section 198, 269, 309, 310 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, and subject to the approval of Central Government, if required, Mr. Bhalchandra Anant Kale, be and is hereby re-appointed as an Executive director of the Company for a period of three years with effect from 30th October 2013 on a remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act,1956 with a power to the Board of Directors to increase remuneration upto 25% of the last drawn remuneration every year with effect from 1st April of the financial year commencing from the financial year 2014”.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue letter of appointment, a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution.”

**“RESOLVED FURTHER THAT** where in any financial year closing after 31st March, 2013, the Company has no profits or its profits are inadequate, the Company do pay to Mr. Bhalchandra Anant Kale remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity as minimum remuneration.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions to the said appointment to the extent the Board may consider appropriate and as may be agreed to between the Board and Mr. Bhalchandra Anant Kale.”

**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 on any working day 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 shall be closed from Wednesday 18th September 2013 to Monday, 23rd September 2013 (both days inclusive).
4. All correspondence pertaining to Equity 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 and 6**

Board of Directors at their meeting held on 8th August 2013 decided to increase remuneration with effect from 1st July 2013 to 29th October 2013 as per details mentioned in the resolution no. 5. The Board also decided to re-appoint Mr. Bhalchandra Anant Kale as an executive director for further period of three years with effect from 30th October, 2013 on remuneration as mentioned in resolution no.6.

He monitors all units of the Company on day to day basis and regularly visits plants and oversees production.

A copy of draft letter modifying terms for giving effect to increase in remuneration as proposed and a copy of draft letter pertaining to his appointment are kept open for inspection of members at the registered office of the Company on any working day of the Company between 11.00 a.m. and 1.00 p.m. upto the date of this Annual General Meeting.

The above may also be treated as an abstract of the draft agreement proposed to be entered into between the Company and Shri Mr. Bhalchandra Anant Kale pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. Bhalchandra

Anant Kale himself is in any way concerned or interested in the said resolution.

Information pursuant to Schedule XIII of the Companies Act, 1956.

**GENERAL INFORMATION:**

- 1) Nature of industry – Textile
- 2) Financial performance based on given indicators –  
(Rs. in Lacs)

	2012-13	2011-12
Gross Profit before Depreciation and Finance Expenses	4948.19	4151.81
Less: Finance Expenses	1864.70	1734.19
Depreciation	1481.03	1261.27
Profit/(Loss) before tax	1602.46	1156.35
Less – Current Tax – Current year	318.19	231.36
– Earlier period	0	0
Add – MAT credit entitlement	(318.19)	(231.36)
Add/(Less) – Fringe Benefit Tax	-	(0.89)
Profit/ (Loss) after tax	1602.46	1157.24

**3) Export performance and net foreign exchange collaboration -**

FOB value of export : 2012 -13 Rs. 18702.00 Lacs  
2011-12 Rs. 13720.08 Lacs

**INFORMATION ABOUT THE APPOINTEE:**

**1) Background details:**

Mr. Bhalchandra Anant Kale is a Science graduate from Mumbai University and has done diploma in Textile Management & Marketing from SASMIRA College, Mumbai University. He is associated with the Company as a CEO w.e.f. 02.05.2007. He was appointed as an executive director for a period of three years with effect from 30th October 2010 on remuneration of Rs.40,00,000 per annum inclusive of all perquisites and benefits plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956.

He had worked with Garware Nylon Ltd for 14 years as All India Marketing Manager for Nylon Filament Yarn & Polyester Filament Yarn and thereafter he was agent of renowned companies for text yarn. He has experienced of more than 33 years in Textile Industry.

He has In-depth market knowledge & excellent contacts in Textile Industry including PFY, Fabrics (Knitted &



Woven), Garment Exporters, Home Textiles & Dyes, etc.

**2) Past remuneration:**

Rs.40,00,000 per annum inclusive of all perquisites and benefits plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956.

**3) Job profile and his suitability:**

He has experience of more than 33 years in Textile Industry and joined the Company as CEO of the Company with effect from 02-05-2007 and elevated to the post of Executive director with effect from 30th October 2010. Performance of the Company has improved for about last four years. In view of his experience in the field of textile marketing, your directors are of view that he should be re-appointed as an executive director of the Company.

**4) Remuneration proposed:**

**i. Increase in remuneration from 1st July 2013 to 29th October 2013**

Proposed to increase remuneration from Rs. 40,00,000/- per annum to Rs. 52,50,000 /- per annum inclusive of all perquisites and benefits in addition to Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 with effect from 1st July 2013.

**ii. Re appointment from 30th October 2013 to 29th October 2016**

Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity plus commission @2.5% p.a of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act,1956 with a power to the Board of Directors to increase remuneration upto 25% of the last drawn remuneration every year with effect from 1st April of the financial year commencing from the financial year 2014.

**iii. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**

Looking to his long experience and association with the Company, size of the company and the Company's constant efforts to revive and improve profitability, the proposed increase in remuneration for the remaining period and for reappointment terms are justified to retain the managerial person.

**iv. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**

He is not related directly or indirectly with the managerial personnel. Further, he has no pecuniary relationship with the Company except as an Executive director of the Company. He does not hold any equity shares of the Company.

**OTHER INFORMATION:**

**i. Reason of loss or inadequate profits**

Not applicable since net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 as on 31st March 2013 prior to the date of his increase in remuneration and reappointment is adequate.

**ii. Steps taken for improvement**

Not applicable since Net profit as on 31st March 2013 is adequate

**iii. Expected increase in productivity and profits in measurable terms**

In view of expansion undertaken by the Company, the Company expects to increase productivity and profits.

BY ORDER OF THE BOARD OF DIRECTORS

Place: Mumbai  
Date: 8th August 2013

**K. N. Kapasi**  
COMPANY SECRETARY

**DIRECTORS' REPORT**

To,  
The Members,  
**WELSPUN SYNTEX LIMITED,**

Your Directors are pleased to present the Thirtieth Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March 2013.

**FINANCIAL RESULTS**

(Rs. in Lacs)

	2012-13	2011-12
Gross Profit before Depreciation and Finance Expenses	4948.19	4151.81
Less: Finance Expenses	1864.70	1734.19
Depreciation	1481.03	1261.27
Profit/(Loss) before tax	1602.46	1156.35
Less – Current Tax – Current year	318.19	231.36
– Earlier period	0	0
Add – MAT credit entitlement	(318.19)	(231.36)
Add/(Less) – Fringe Benefit Tax	-	(0.89)
Profit/ (Loss) after tax	1602.46	1157.24

**OPERATIONS**

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of Rs. 77611.82 Lacs and Rs. 4948.19 Lacs respectively as compared to Rs. 61155.05 Lacs and Rs. 4151.81 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits have thus increased by 26.90% and 19.18% respectively over the previous year.

Exports during the financial year 2012-13 were of Rs. 21335.30 Lacs as compared to Rs. 14236.46 Lacs during the previous year, registering increase by 49.86%.

Power cost is increased due to increase in power tariff both in Palghar, Maharashtra as well as at Rakholi, Silvassa. Interest cost has been increased due to rise in rate of interest and increase in borrowing for working capital. Foreign exchange difference losses were of Rs. 115.59 Lacs during the financial year 2012-13 in view of fluctuation in foreign exchange. The Company has developed market for carpet yarn, yarn for Bath rugs, and spandex covered yarn for denim industry.

**EXPANSION**

The Company is under major expansion at total capital outlay of Rs. 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 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, 2013 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 Bhalchandra Anant Kale and Shri M.K. Tandon, the directors of the Company retire by rotation at the 30th Annual General Meeting and being eligible have offered themselves for reappointment.

Board has recommended re-appointment of the aforesaid directors.

**AUDIT COMMITTEE**

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) Auditors have qualified report under para "Basis for qualified opinion" drawing attention to Note no. 29 of notes to the 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 view of the above, the Board is of the view that no adjustment to the amounts as mentioned in note no 29, is necessary,
- ii) We refer to para (iv) of Annexure to Auditors Report and state that appropriate action shall be taken to strengthen internal control system pertaining to fixed assets.

## COST AUDITOR

The Company has appointed M/S. Kishore Bhatia & Associates, Cost Accountant as a Cost auditor pursuant to order issued by Ministry of Corporate affairs, cost audit branch dated 6th November 2012. Due date of filing the report is 27th September 2013.

## 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: Rs. 19218.70 Lacs (Rs. 9219.55 Lacs)

Earning: Rs.18702.00 Lacs (Rs.13720.08 Lacs)

## PARTICULARS OF EMPLOYEES

As per the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## 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. Your Directors also wish to place on record their sincere appreciation of the dedicated services, hardwork, solidarity and profuse support by all the employees of the Company.

For and on behalf of the Board of Directors

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

Place : Mumbai,

Date: 22nd May 2013

## FORM - A (SEE RULE 2)

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

	Current Year 2012-2013	Previous Year 2011-2012
<b>A Power and fuel consumption</b>		
1 Electricity		
(a) Purchased		
Units (In '000S)	92935.56	85117.53
Total Amount (Rs. in Lacs)	4391.68	3948.48
Rate / Unit (Rs. )	4.73	4.64
(b) Own Generation		
(i) Through Diesel / Gas Generator		
Units (In '000S)	452.23	581.00
Units per Ltr. of Diesel Oil	73.81	69.27
Cost / Unit (Rs.)	16.32	11.92
(ii) Through Steam Turbine / Generator	Nil	Nil
2 Coal (used in Boiler)		
Units (In '000S)	3548.16	4252.13
Total Amount (Rs. in Lacs)	215.44	247.79
Rate / Unit (Rs.)	6.07	5.83
3 Furnace Oil		
Quantity (K.Ltrs.)	Nil	Nil
Total Amount (Rs. in Lacs)	Nil	Nil
Average Rate (K.Ltrs.)	Nil	Nil
4 Others / Internal Generation	Nil	Nil

### B CONSUMPTION PER UNIT OF PRODUCTION

STANDARDS	Current Year	Previous Year
Products (With Details)		
Unit	Kg.	Kg.
Electricity	6.28	5.31
Furnace Oil	Nil	Nil
Coal (Specify Quality)	0.31	0.32
Others (Specify)	Nil	Nil



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE, SCENARIO & DEVELOPMENT

Global financial crisis, high rates of interest and growth rate and reduction in private final consumption expenditure have impacted investment and have slowed down growth to 6.2% and 5% respectively in the year 2011-12 and 2012-13. The rate of growth of the manufacturing sector was even lower at 2.7 per cent and 1.9 per cent for these two years respectively. Both public and private investment declined as a share of GDP. Increase in policy rate which increased cost of borrowings, lower demand for Indian exports, policy bottlenecks (such as obtaining environmental permissions, fuel linkages, or carrying out land acquisition) led to a number of large projects becoming stalled. The government has been battling a number of problems, including a widening current account deficit, currency depreciation and high inflation.

India's economic woes are hurting polyester demand. The current account deficit was at 4.3% at the end of 2011, up from 2.3% a year earlier. And the rupee has depreciated by more than 20% in the past year. Foreign investor confidence in the economy has weakened as much-needed economic reforms have been put on hold.

Indian polyester producers face turbulent times as excess capacity and a slowing economy have dragged down demand and profitability. Their margins have been squeezed since April 2011 and the situation has not shown any improvement this year.

Sales have been poor since April and margins have been bad. The Indian economy's slowdown has affected demand. Also cotton is abundantly available and capping the top end of [polyester] prices.

The near-term outlook remains bleak as the fragile economic environment could continue until 2014 when the next general elections take place, say industry players.

One of the key concerns for polyester producers is inflation, which has been running at 6-8% for more than a year. That has hurt demand as the priority for people has been food over clothing and the impact of this has trickled upwards to dampen polyester demand.

The high excise duty of 12% on Synthetic Fibres has created a huge gap between Synthetics and Cotton which is contrary to the principle of "Fiber Neutrality" envisaged in the National Fibre Policy. This has also resulted in deceleration in growth bringing down the capacity utilization from 85% when Excise Duty was 4% to a low of 65% - 70% in 2012-13 when the Excise Duty has been raised to 12%.

Besides the economy, a third producer also cites rampant capacity expansion in the past couple of years as a factor

behind the current margin pressure. Expansion in polyester has been outpacing that of the downstream spinning and textile sectors.

Indian polyester capacity increased by 30% in fiscal 2011-12 and will rise by another 40-45% by the end of fiscal 2012-13. Demand during this period is likely to grow by only 15-18%.

Spinners looking to back integrate operations have been responsible for most of the capacity additions courtesy of the availability of cheap equipment and technology from China on easy financing terms.

Given the anemic domestic market polyester producers have been forced to boost exports despite lower realization.

During FY 2012 – 13 (April-December, 2012), all the sub-sectors have shown positive growth ranging from 1% - 19% except production of filament yarn which showed a decrease in production by 2%. The cloth production in Handloom sector remained the same during the period.

Textiles exports were US \$ 21.58 billion during Apr – Dec' 12 as compared to US \$ 23.29 billion during corresponding period of the previous year, registering a decline of 7.3 percent.

The recent global slowdown has however impacted the prospects of this sector also.

Technology Up gradation Fund Scheme (TUFS) is continued in 12th Plan with an investment target of Rs. 1,51,000 crores.

As per the latest available data released by WTO Secretariat for the calendar year 2009, 2010 and 2011 the share of Indian textiles and clothing exports in World's exports were 3.98% , 3.98% and 4.11% respectively and has not been declining.

But China too has been adding polyester capacity and has emerged as a major exporter, selling 788,000 tonnes of polyester staple fiber (PSF), 668,000 tonnes of polyester filament yarn (PFY) and 956,000 tonnes of polyethylene terephthalate (PET) bottle-grade chips in the international market in 2011.

India's textile and garment exports dropped 8.6% in the first half of the current fiscal, representing less than one-third of the full year target of \$40.59 billion, according to the latest official data. With the slowdown in top markets such as the US and the EU – which accounts for around 65% of the export basket of the segment – the lofty target for 2012-13 is all set to be missed.

But, China, a major textile producer for about two decades, is now focusing on other sectors. It is expected this would change the fortunes of other textile producers such as India and Bangladesh.





The demand slowdown in both China and India comes as key polyester raw materials purified terephthalic acid (PTA) and monoethylene glycol (MEG) face upward price pressure. China's official manufacturing index rose to the highest level in seven months ending December 2012 as new orders and export demand climbed, underscoring optimism the economy is recovering after a seven-quarter slowdown.

The imports of textiles and apparels by the US increased in January 2013, with Vietnam and Bangladesh turning out to be the fastest growing suppliers to the western nation.

The exports of textiles products is witnessing boost in the country as the sector contributed around US \$ 40.2 billion precious foreign exchange to national kitty during more than last three years.

#### **OPPORTUNITY AND THREATS**

Depreciation of rupee vis a vis USD, decrease in GDP growth, increase in capacity of polyester filament yarn is likely to affect margin of profits.

The volatility in the Crude oil prices affects prices of PTA and hence, Polyester chips, the raw materials for Polyester filament yarns.

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, increase in capacity of texturised yarn, introduction of new products, etc.

#### **PRODUCT WISE PERFORMANCE**

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

Revenue from POY were of Rs. 11554.67 Lacs as compared to Rs. 8434.04 Lacs of previous year, from Texturised Yarn/ Dyed yarn were of Rs. 68404.16 Lacs as compared to Rs. 54500.65 Lacs of previous year, from traded goods of partially oriented yarn were of Rs. 1028.43 Lacs as compared to Rs. 507.33 Lacs of previous year.

#### **OUTLOOK**

The Company is under major expansion. It has already increased capacity of texturised yarn, mother yarn splitting (mother yarn-polyester) capacities and introducing BCF (Bulk Continuous Filament) Yarn which is useful for making Carpets. This has resulted in increase in turnover of the Company and it expects further increase on completion of expansion during the year 2013-14.

#### **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 an 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 Rs. 77611.82 Lacs and Rs. 4948.19 Lacs respectively as compared to Rs. 61155.05 Lacs and Rs. 4151.81 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits have thus increased by 26.90 % and 19.18% respectively over the previous year.

Exports during the financial year 2012-13 were of Rs. 21335.30 Lacs as compared to Rs.14236.46 Lacs during the previous year, registering increase by 49.86 %.

##### **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**  
Executive Director

**R.R.Mandawewala**  
Director

Place : Mumbai,  
Date: 22nd May 2013

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013**

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	Category	No. of Other Directorship in Public Limited Companies	Membership in Committee of Other Companies	No. of Board Meetings Attended (01/04/12 to 31/03/13)	Attendance at last AGM
1.	Mr. B. K. Goenka	P, S, NE, C	12	6M/1C	2	No
2.	Mr. R. R. Mandawewala	P, NE	12	3M	3	No
3.	Mr. Raj Kumar Jain	I	4	3C	4	Yes
4.	Mr. Atul Desai	I, S	9	4C/6M	4	No
5.	Mr. M. K. Tandon	I	4	4C/1M	4	No
6.	Mr. B.A.Kale	E	Nil	Nil	4	Yes

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 2012-13 i.e. 23 May 2012, 10 August 2012, 09 November 2012 and 11 February 2013.

**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 2013.

- 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.

Five meetings of Audit Committee of Board of Directors were held on 23 May 2012, 10 August 2012, 09 November 2012, 01 December 2012 and 11 February 2013. The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2012 to 31/03/2013)
1.	Raj Kumar Jain	Chairman	5
2.	Atul Desai	Member	5
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:** Kaushik N. Kapasi – Company Secretary

60.18% of the shares of the Company are in Dematerialized form.

Six meetings of Share transfer and Investors' Grievance Committees were held on 09 April 2012, 20 July 2012, 04 October 2012, 30 November 2012, 06 December 2012 and 28 March 2013.



During the year under review total, 5 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 Certificate(s) Transfer	4	4	0
2	Non Receipt of Annual Report	1	1	0
	Total	5	5	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 2013.

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.

- Mr. Raj Kumar Jain - Chairman
- Mr. Atul Desai - Member
- Mr. B. K. Goenka - Member
- Mr. R. R. Mandawewala - Member
- 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 Rs.)

	Mr. B.A. Kale Executive Director
Basic	13,10,952
Bonus	1,09,200
Car Allowance	4,20,000
Commission ( for the period from 30th October 2010 to 31st March 2012)	45,74,550
Commission	44,08,000
HRA-Director	6,55,476
Medical-Director	15,000
Petrol-Director	39,600
Special allowance-Director	1,21,428
Telephone	24,000
PES	10,69,891
P.F.	1,57,320
<b>TOTAL</b>	<b>1,29,05,417</b>
Notice period	3 months
Service contract	Upto 29th 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 Investor Grievance Committee / Independent Committee of Directors
Mr. Raj Kumar Jain	Rs. 183,521/- (Including service tax)
Mr. Atul Desai	Rs. 163,882/- (Including service tax)
Mr. M.K. Tandon	Rs. 104,782/- (Including service tax)

### 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
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)
2011-12	29/09/2012	10.30 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
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 Directors on remuneration of Rs.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.
2011-12	29/09/2012	1. Re-Appointment of Statutory Auditors under section 224A of the Companies Act, 1956 2. Alteration of Article no. 3 of the Articles of Association of the Company for reclassification of Authorised Share Capital.



3. Issue and allot 160,00,000 6% Optionally Convertible Cumulative Preference Shares (OCCPS) of Rs.10/- each at par to promoters on preferential basis with an option to convert into equity shares of Rs. 10 each at any time in one or more tranches within eighteen months from the date of allotment of OCCPS at a premium of Rs.0.25/- per share .

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 special resolution is proposed to be conducted though postal ballot 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 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 11th February 2013 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.** – Funds of Rs.16, 00, 00,000 were raised by issue of 1, 60, 00,000 6%Optionally Convertible Cumulative Preference shares (OCCPS) to promoters on preferential basis

for redemption of Preference shares of Rs. 10.26 Crore and balance to part finance expansion project of the Company. The above OCCPS shares were converted into 1,55,94,541 equity shares at the rate Rs. 10.26 per share on 22nd March, 2013.

**vi) Certification by CEO/CFO -**

Certificates obtained by Executive Director / CFO on the financial statements of the company in terms of Clause 49 of Listing Agreement was placed before Board meetings who took the same on record.

**vii) 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, Independent Committee of Directors and Share Transfer and Grievance Committee. Details of the same are mentioned in the report under Remuneration committee above.
- d) No. of Shares held by Non – Executive Directors:

Sr. No.	Non-Executive Directors	No. of Equity shares held
01	Mr. B.K.Goenka	3405
02	Mr. Atul Desai	30
03	Mr. M.K. Tandon	Nil
04	Mr. Raj Kumar Jain	Nil
05	Mr. R. R. Mandawawala	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 2012 and Un-audited financial results for the quarter ended 30 June 2012 were published in The Economic Times (E)+ (G), Ahmedabad, Navshakti, Mumbai and The Free Press Journal, Mumbai and Un-audited financial results for the quarter ended 30 September 2012 were published in The Economic Times (E),



Mumbai & Ahmedabad, The Economic Times (G), Ahmedabad and Western times (E) + (G), Ahmedabad, and Un-audited financial results for the quarter ended 31 December 2012 were published in The Economic Times (E) + (G), Ahmedabad.

Management Discussion and Analysis is a part of Annual Report.

#### G. APPOINTMENT / REAPPOINTMENT OF DIRECTORS

1. **Shri Bhalchandra Anand Kale** worked with M/s. Garware Nylon Ltd as All India Marketing Manager for NFY and PFY for 13 years.

He founded a professionally managed Textile Marketing Company in 1988 and achieved sustained growth for over 17 years. He is 59 years of age. He has handled Agency Business of various reknown companies. He has in depth market knowledge and excellent contacts in Textile Industry including PFY, Fabric (Knitted & Woven), Garment Exporters, Home Textiles & Dyes.

He is a Science Graduate from Bombay University, Post Graduate- Diploma in Textile and Marketing Management and passed D.A.M from Bombay University.

2. **Shri M. K. Tandon** is Ex-Chairman Cum Managing Director of National Insurance Company Limited and Ex-Managing Director of General Insurance Company of India Limited. He is of 72 years of age. His experience will benefit to the Company.

#### H. GENERAL SHAREHOLDERS INFORMATION

- a. 30th Annual General Meeting Venue - Survey No. 394(P), Village Saily, Silvassa U. T. of Dadra & Nagar Haveli)

Time - 11.00 a.m.  
Day and Date - Monday, 30th September 2013  
Financial year - from 01 April 2012 to 31 March 2013

- b. Date of Book Closure - Wednesday, 18th September 2013 To Monday, 23rd September 2013 (Both days inclusive)

- c. Dividend payment date - No dividend has been declared for the financial year 2012-13.  
Dividend on Optionally Convertible Cumulative

Preference Shares as recommended by the Board of directors at their meeting held on 23rd May 2012 amounting to Rs. 590.72 lacs including accumulated dividend was not approved by Shareholders at their meeting held on 29th September 2012.

- 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 01 April 2012 to 31 March 2013

Month	Bombay Stock Exchange (Rupees)		Sensex	
	High	Low	High	Low
April, 2012	12.30	9.80	17664.10	17010.16
May, 2012	11.00	9.00	17432.33	15809.71
June, 2012	11.00	9.05	17448.48	15748.98
July, 2012	11.88	9.16	17631.19	16598.48
August, 2012	10.00	8.66	17972.54	17026.97
September, 2012	11.05	8.55	18869.94	17250.80
October, 2012	13.25	10.00	19137.29	18393.42
November, 2012	16.07	11.10	19372.70	18255.69
December, 2012	14.99	12.35	19612.18	19149.03
January, 2013	14.55	12.74	20203.66	19508.93
February, 2013	14.00	12.71	19966.69	18793.97
March, 2013	13.15	12.70	19754.66	18760.41

#### 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)

## WELSPUN SYNTEX LIMITED

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### SHARE TRANSFER SYSTEM

Shares sent for transfer in physical form are registered by the Company's Registrars and Share Transfer Agents within 15 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 2013 was as follows:

Share holding of nominal value (Rs.)	Share holders		Amount	
	Number	% to Total	In Rs.	% to Total
(1)	(2)	(3)	(4)	(5)
Upto - 5,000	5547	81.51	82,88,530	2.11
5,001 - 10,000	494	7.26	40,34,780	1.03
10,001 – 20,000	353	5.19	52,79,490	1.35
20,001 – 30,000	143	2.10	36,81,730	0.94
30,001 – 40,000	49	0.72	17,92,560	0.46
40,001 – 50,000	51	0.75	24,34,080	0.62
50,001 - 1,00,000	76	1.12	58,58,330	1.49
1,00,001 and above	92	1.35	36,10,26,180	92.00
TOTAL	6805	100.00	39,23,95,680	100.00

### 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 2013, 60.18% 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

Rakholi Plant and Registered Office : Survey No. 394(P), Village Saily, Silvassa, (U. T. of Dadra & Nagar Haveli);

Palghar Plant : 14 & 15, Dewan Industrial Estate, Palghar, Maharashtra;

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

E-mail id : kaushik\_kapasi@welspun.com

Website : 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, 2013, 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

Firm Registration Number 101169W

#### Rajesh Chamaria

Partner

Membership Number 046788

Place: Mumbai, 22 May 2013





## Independent Auditors' Report

To the Members of **Welspun Syntex Limited**

### Report on the Financial Statements

We have audited the accompanying financial statements of Welspun Syntex Limited ("the Company") which comprise the balance sheet as at 31 March 2013, the statement of profit and loss and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

*Attention is drawn to Note 29 regarding freehold land includes ₹ 22.34 lacs and development expenses of ₹ 92.12 lacs incurred on such land capitalized in year 2002-03 for which company hold no title. Company is in the process of executing the documents to transfer land in the name of company. The Company is in possession of land without any interference*

*for more than twelve years in respect of said land. Consequently, we are unable to determine whether any adjustment to these amount necessary. Our audit opinion on the financial statements for the year ended 31 March 2012 was also qualified in respect of the above matter.*

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for possible effects of the matters described in the basis of the Qualified Opinion paragraph above*, the financial statements 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:

- In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2013;
- In the case of the statement of profit and loss, of the profit for the year ended on that date; and
- In the case of the cash flow statement, of the cash flows for the year ended on that date.

### Report on other legal and regulatory requirements

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
  - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - 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;
  - The balance sheet, statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
  - In our opinion, the balance sheet, statement of profit and loss, and the cash flow statement comply with the accounting standards referred to in section 211(3C) of the Act;
  - On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of section 274(1)(g) of the Act.

### For MGB & Co

Chartered Accountants  
Firm Registration Number 101169W

### Rajesh Chamaria

Partner  
Membership Number 046788  
Mumbai, 22 May 2013

**Annexure referred to Auditors' Report to the members of Welspun Syntex Limited on the accounts for the year ended 31 March 2013**

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
  - (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - (c) In our opinion, the Company has not disposed off a substantial part of its fixed asset during the year and the going concern status of the company is not affected.
- (ii) In respect of Inventories:
- (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies 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 and sale of goods and services *except for fixed assets, where internal control system need to be strengthened.* 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) According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and others as applicable have generally been regularly deposited with the appropriate authorities. There are no undisputed amounts payable in respect of the aforesaid dues which have remained outstanding as at 31 March, 2013 for a period of more than six months from the date they became payable.
  - (b) The disputed dues of Custom Duty, Excise Duty, Service Tax, Income 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
	2007-2013	121.86	Commissioner of Central Excise, Vapi
Bombay Sales Tax Act, 1959			
Sale Tax	2002-2004	166.09	Joint Commissioner of Sales Tax (Appeal), Thane
Income Tax Act, 1961			
Income Tax	2004-2005	1081.83	The commissioner of Income Tax (Appeal), Mumbai
	2005-2006		
	2006-2007		
	2007-2008		
	2008-2009		
	2009-2010		
	2010-2011		

- (x) The Company does not have accumulated losses at the end of the financial year. The Company does not incurred any cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (xii) In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund /nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (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) The Company has raised new term loans during the year. The term loans outstanding at the beginning of the year and those raised during the year have been applied for the purposes for which they were raised.
- (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) In our opinion and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

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

**Rajesh Chamaria**  
Partner  
Membership Number 046788  
Mumbai, 22 May 2013



**WELSPUN SYNTEX LIMITED**

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**Balance Sheet as at 31 March,**

(₹ in Lacs)

	Notes	2013	2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share capital	3	3923.96	3391.47
Reserves and surplus	4	6829.63	4501.16
		<b>10753.58</b>	<b>7892.63</b>
<b>Non - Current liabilities</b>			
Long term borrowings	5	9549.67	5999.34
Long term provisions	6	661.82	609.10
		<b>10211.49</b>	<b>6608.44</b>
<b>Current liabilities</b>			
Short term borrowings	7	8154.49	3859.29
Trade payables	8	5655.23	6843.25
Other current liabilities	9	5363.59	4344.47
Short term provisions	6	363.99	734.62
		<b>19537.30</b>	<b>15781.63</b>
	<b>Total</b>	<b>40502.37</b>	<b>30282.69</b>
<b>ASSETS</b>			
<b>Non - Current assets</b>			
Fixed assets	10		
Tangible assets		13470.02	10483.91
Intangible assets		16.41	3.93
Capital work-in-progress		6241.28	2066.07
Non-Current investments	11	1508.00	2233.60
Long - term loans and advances	12	1495.93	1632.22
Other Non current assets	16	454.68	486.35
		<b>23186.33</b>	<b>16906.07</b>
<b>Current assets</b>			
Inventories	13	7375.45	6397.09
Trade receivables	14	4121.15	2813.19
Cash and bank balances	15	787.28	1500.45
Short - term loans and advances	12	3819.91	2070.06
Other current assets	16	1212.25	595.82
		<b>17316.04</b>	<b>13376.62</b>
	<b>Total</b>	<b>40502.37</b>	<b>30282.69</b>

**Notes forming part of the financial statements**
**1- 45**

As per our attached report of even date

For and on behalf of the Board

 For **MGB & CO**

Chartered Accountants

Firm Registration Number 101169W

**Rajesh Chamaria**

Partner

Membership Number 046788

**B.K.Goenka**

Chairman

**B.A.Kale**

Executive Director

**Kaushik Kapasi**

Company Secretary

Mumbai, 22 May 2013



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

(₹ in Lacs)

	Notes	2013	2012
<b>INCOME</b>			
Revenue from operations			
Sales and services (gross)	17	82688.27	64750.57
Less: Excise duty		5076.45	3595.52
Sales and services (net)		77611.82	61155.05
Other income	18	250.47	200.30
	<b>Total</b>	<b>77862.29</b>	<b>61355.35</b>
<b>EXPENDITURE</b>			
Cost of materials consumed	19	51751.12	40535.34
Purchase of stock in trade		726.11	623.16
Changes in inventories of finished goods, goods-in-process and stock in trade	20	245.99	(630.03)
Employee benefits expense	21	3375.89	2773.57
Other expenses	22	16814.98	13901.50
	<b>Total</b>	<b>72914.10</b>	<b>57203.54</b>
<b>Earnings before finance cost, tax and depreciation</b>		<b>4948.19</b>	<b>4151.81</b>
Depreciation and amortisation expense		1481.03	1261.27
Finance cost	23	1864.70	1734.19
<b>Profit before tax</b>		<b>1602.46</b>	<b>1156.35</b>
Provision for tax expenses			
Less : Current tax - Current year		318.19	231.36
Add : MAT credit entitlement		(318.19)	(231.36)
Add/(Less) : Fringe Benefit Tax - Earlier period		-	(0.89)
<b>Profit for the year</b>		<b>1602.46</b>	<b>1157.24</b>
<b>Earnings per share (face value ₹ 10/- each)</b>			
Basic and diluted earnings per share (₹)		6.23	4.47
Weighted average no. of shares used in computing earning per share - basic and diluted		39,239,568	23,645,027

Notes forming part of the financial statements

1- 45

As per our attached report of even date

For and on behalf of the Board

For **MGB & CO**

Chartered Accountants

Firm Registration Number 101169W

**Rajesh Chamaria**

Partner

Membership Number 046788

**B.K.Goenka**

Chairman

**B.A.Kale**

Executive Director

**Kaushik Kapasi**

Company Secretary

Mumbai, 22 May 2013

**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 of financial statements**

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") as a going concern under the historical cost convention on an accrual basis and comply in all material aspects with accounting standards under section 211(3C), Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

**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 assets are stated at original cost of acquisition / installation (net of cenvat credit availed) net of 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 tangible 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 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 tangible and intangible 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 Drawback, 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 transactions**

- 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**

**Note - 3 Share capital**

	(₹ in Lacs)	
	2013	2012
<b>Authorised</b>		
9,20,00,000 (10,67,00,000) Equity Shares of ₹ 10/- each	9200.00	10670.00
2,80,00,000 (33,00,000) Optionally Convertible Cumulative Preference Shares of ₹ 10/- each	2800.00	330.00
Nil (1,00,00,000) Redeemable Cumulative Preference Shares of ₹ 10/- each	-	1000.00
<b>Total</b>	<b>12000.00</b>	<b>12000.00</b>
<b>Issued, subscribed and fully paid up</b>		
3,92,39,568 (2,36,45,027) Equity Shares of ₹ 10/- each fully paid up	3923.96	2364.50
Nil (32,03,300) 10% Optionally Convertible Cumulative Preference Shares of ₹ 10/- each fully paid up	-	193.64
Nil (1,00,00,000) 8% Redeemable Cumulative Preference Shares of ₹ 10/- each fully paid up	-	833.33
<b>Total</b>	<b>3923.96</b>	<b>3391.47</b>

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

	2013		2012	
	Number of equity shares	₹ in Lacs	Number of equity shares	₹ in Lacs
At the beginning of the year	23,645,027	2364.50	23,645,027	2364.50
Movements during the year	15,594,541	1559.45	-	-
Outstanding at the end of the year	39,239,568	3923.96	23,645,027	2364.50

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

	2013		2012	
	Number of preference shares	₹ in Lacs	Number of preference shares	₹ in Lacs
At the beginning of the year	13,203,300	1026.97	13,203,300	1026.97
Movements during the year	(13,203,300)	(1026.97)	-	-
Outstanding at the end of the year	-	-	13,203,300	1026.97

**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 10% Optionally Convertible Cumulative Preference Shares (OCCPS) of ₹ 10 each fully paid up have been fully redeemed during the year.
- b) 10,00,000 8% Redeemable Cumulative Preference Shares of ₹ 10 each fully paid up have been fully redeemed during the year.



## Notes forming part of the Financial Statements

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

	2013		2012	
	Number of equity shares	Percentage (%) Holding	Number of equity shares	Percentage (%) Holding
Krishiraj Trading Limited	19,525,663	49.76%	4,430,577	18.74%
Welspun Fintrade Limited	4,018,359	10.24%	4,018,359	16.99%
IFCI Limited	7,741,599	19.73%	7,741,599	32.74%

- f. The Company has allotted on 29 October 2012, 1,60,00,000 6% Optionally Convertible Cumulative Preference shares of Rs.10/- each at par to Krishiraj Trading Limited (allottee), promoter of the Company, which is to be converted into Equity shares at any time within 18 months from the date of allotment @ ₹ 10.26 per share. The above shares were converted into 1,55,94,541 Equity shares @ ₹ 10.26 per share on 22 March 2013.

### Note - 4 Reserves and surplus

	2013		2012	
	2013	2012	2013	2012
(a) Capital Reserve - As per last Balance Sheet	2664.93	2664.93	2664.93	2664.93
(b) Capital Redemption Reserve - As per last Balance Sheet	293.36	293.36	293.36	293.36
(c) Debenture Redemption Reserve-As per last Balance Sheet	107.06	107.06	107.06	107.06
(d) Securities Premium Account	40.55	-	40.55	-
(e) Foreign Currency Monetary Item Translation Difference Account	(1.10)	-	(1.10)	-
(f) Surplus in the Statement of Profit and Loss				
As per last Balance Sheet	1435.80	965.12	1435.80	965.12
Add: Dividend proposed cancelled (Refer Note below)	590.72	-	590.72	-
Add: Dividend tax on above (Refer Note below)	95.84	-	95.84	-
Profit for the year	1602.46	1157.24	1602.46	1157.24
	<b>3724.83</b>	<b>2122.37</b>	<b>3724.83</b>	<b>2122.37</b>
Less: Appropriations				
Dividend proposed to Optionally Convertible Cumulative Preference Shares holders	-	(590.72)	-	(590.72)
Tax on Dividend	-	(95.84)	-	(95.84)
	<b>3724.83</b>	<b>1435.80</b>	<b>3724.83</b>	<b>1435.80</b>
<b>Total</b>	<b>6829.63</b>	<b>4501.16</b>	<b>6829.63</b>	<b>4501.16</b>

Note : Reversal of accumulated dividend of ₹ 590.72 lacs and ₹ 95.84 lacs Dividend distribution tax thereon (as same was not approved at Annual General Meeting on 29 September, 2012) on Optionally Convertible Cumulative Preference Shares.

### Note - 5 Long - term borrowings

	Non Current		Current	
	2013	2012	2013	2012
Secured				
Term Loans from Banks				
- Rupee Loans	3007.03	4346.19	256.14	1092.29
- Foreign Currency Loans	5443.64	648.24	1736.81	665.74
Buyer's Credit from Banks (Refer (m) below)	1099.00	1004.90		
	<b>9549.67</b>	<b>5999.34</b>	<b>1992.94</b>	<b>1758.03</b>
Amount disclosed under the head " Other current liabilities (Refer Note 9)	-	-	1992.94	1758.03
<b>Total</b>	<b>9549.67</b>	<b>5999.34</b>	<b>-</b>	<b>-</b>

**Notes forming part of the Financial Statements**

- (a) Term loan from Banks except (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.
- (b) Term loan of ₹ 92.47 lacs (₹ 309.19 lacs) from Bank of Baroda is carrying interest @ 13.25% p.a. and repayable in 2 quarterly instalments of ₹ 43.34 lacs and balance in last instalment.
- (c) Term loan of ₹ 76.67 lacs (₹ 180.67 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ 13.75% p.a. and repayable in 2 quarterly instalments of ₹ 26.00 lacs and balance in last instalment.
- (d) Term loan of ₹ 3007.03 lacs (₹ Nil) from Industrial Development Bank of India is carrying interest @ 12.50% p.a. and repayable in 28 stepped-up quarterly instalments ranging from 2.5% to 4.75% per quarter of disbursed loan amount commencing from 01 April 2014.
- (e) Term loan of ₹ 87.00 lacs (₹ 310.00 lacs) from State Bank of India is carrying interest @ 14.00% p.a. and repayable in one quarterly instalment of ₹ 55.00 lacs and balance in last instalment.
- (f) Term loan of ₹ 526.30 lacs (₹ 1070.51 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ LIBOR+2.75% p.a. and repayable in 5 equal quarterly instalment of ₹ 105.26 lacs .
- (g) Term loan of ₹ 1987.76 lacs (₹ 2138.62 lacs) from State Bank of Bikaner and Jaipur is carrying interest @ LIBOR+2.75% p.a. and repayable in 24 stepped-up quarterly instalments ranging from 2% to 5.625% of disbursed loan amount.
- (h) Term loan of ₹ 1786.42 lacs (₹ 2500.00 lacs) 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 @ LIBOR+2.75% p.a. and repayable in 6 equal quarterly instalments of ₹ 312.50 lacs.
- (i) Term loan of ₹ 2879.96 lacs (₹ Nil) from Bank of Baroda - Dubai is carrying interest @ LIBOR+4.25% p.a. and repayable in 20 stepped-up quarterly instalments ranging from 2.5% to 4.75% of disbursed loan amount commencing from 30 June 2014.
- (j) Term loan of ₹ Nil (₹ 183.16 lacs) from State Bank of India was carrying interest @ JPY TIBOR+2% p.a. and has been fully repaid during the year.
- (k) Term loan of ₹ Nil (₹ 60.31 lacs) from State Bank of Bikaner and Jaipur was carrying interest @ LIBOR+2.75% p.a. and has been fully repaid during the year.
- (l) Out of the total term loans ₹ 87.00 lacs (₹ 493.16 lacs) have been personally guaranteed by the promoter directors.
- (m) Buyers credit from bank of ₹ 1098.99 lacs (₹ 1004.90 lacs ) is secured by pari passu first charge on entire fixed assets of the Company carrying interest @ LIBOR+2.50% p.a. and is repayable in maximum period of three year from the date of transaction.

**Note - 6 Provisions**

(₹ in Lacs)

	Long - term		Short - term	
	2013	2012	2013	2012
<b>Provision for employee benefits</b>				
Provision for Retirement Benefits	444.52	391.81	23.72	11.24
<b>Other provisions</b>				
Provision for Tax (Net of Advance Tax)	-	-	25.48	-
Provision for mark to market losses on derivative contract	-	-	314.79	36.82
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>661.82</b>	<b>609.10</b>	<b>363.99</b>	<b>734.62</b>





## Notes forming part of the Financial Statements

### Note - 7 Short term borrowings

	(₹ in Lacs)	
	2013	2012
<b>Working capital loans from Banks (Secured)</b>		
- Rupee Loans	3680.20	1688.91
- Foreign Currency Loans	465.77	436.51
<b>Foreign Currency Loans - Buyers Credit</b>	3883.53	833.87
<b>From Related Party (Unsecured)</b>		
- Inter Corporate Deposit	125.00	900.00
<b>Total</b>	<b>8154.49</b>	<b>3859.29</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) Intercompany deposits of ₹ 12,500,000 (₹ Nil) carries interest @ 9% p.a.

(c) Intercompany deposits of ₹ Nil (₹ 90,000,000) is interest free and have been fully repaid during the year.

### Note - 8 Trade payables

Acceptances	3569.60	4612.02
Due to micro small and medium enterprises (Refer Note 28)	4.90	7.77
Due to others	2080.73	2223.46
<b>Total</b>	<b>5655.23</b>	<b>6843.25</b>

### Note - 9 Other current liabilities

Current Maturities of long term borrowings	1992.94	1758.03
Trade advances and deposits received	415.74	416.99
Creditors for capital goods	433.67	94.25
Creditors for expenses	2103.34	1635.61
Interest accrued but not due	42.84	72.68
Unclaimed Preference Capital	0.21	0.00
Statutory liabilities	374.84	366.91
<b>Total</b>	<b>5363.59</b>	<b>4344.47</b>

**Notes forming part of the Financial Statements**

**Note - 10 Fixed Assets (at cost)**

(₹ in Lacs)

Sr. No.	As at 01 April'12	Gross Block		As at 31 March'13	Depreciation/Amortisation			As at 31 March'13	Impairment loss as on 31 March'13	Net Block	
		Additions	Deductions		As at 01 April'12	For the year	Deductions			As at 31 March'13	As at 31 March'13
<b>A TANGIBLE ASSETS</b>											
Freehold Land (Refer Note 29)	811.93	209.85	-	1021.78	-	-	-	-	191.04	830.74	620.89
Buildings	3610.20	224.64	-	3834.84	1406.84	116.34	-	1523.18	-	2311.66	2203.36
Plant and Machinery	27057.97	4073.75	184.58	30947.14	14239.65	1336.79	114.63	15461.81	5305.92	10179.41	7508.05
Vehicles	68.57	3.18	-	71.75	31.08	5.52	-	36.60	2.93	32.22	34.57
Furniture and Fixtures	108.86	7.42	-	116.28	67.98	4.94	-	72.92	10.14	33.22	30.75
Equipments	97.72	6.97	0.05	104.64	38.17	3.89	0.05	42.02	15.20	47.43	44.35
Computers	252.46	5.50	-	257.96	173.30	12.09	-	185.39	37.22	35.35	41.94
<b>Sub - Total - A</b>	<b>32007.72</b>	<b>4531.29</b>	<b>184.62</b>	<b>36354.39</b>	<b>15957.02</b>	<b>1479.57</b>	<b>114.68</b>	<b>17321.92</b>	<b>5562.45</b>	<b>13470.02</b>	<b>10483.91</b>
Previous Year	31006.47	1444.30	443.05	32007.72	15012.13	1260.51	315.62	15957.02	5566.79	10483.91	10348.67
<b>B INTANGIBLE ASSETS</b>											
Softwares	92.69	13.93	-	106.63	85.68	1.46	-	87.14	3.08	16.41	3.93
<b>Sub - Total - B</b>	<b>92.69</b>	<b>13.93</b>	<b>-</b>	<b>106.63</b>	<b>85.68</b>	<b>1.46</b>	<b>-</b>	<b>87.14</b>	<b>3.08</b>	<b>16.41</b>	<b>3.93</b>
Previous Year	90.14	2.55	-	92.69	84.92	0.76	-	85.68	3.08	3.93	2.15
<b>C Capital work-in-Progress</b>										<b>6241.28</b>	2066.07

**Notes :**

1. For reversal of impairment loss - Refer Note 24
2. Borrowing cost allocated to fixed assets/ capital work-in-progress is ₹ 91.99 lacs (₹ 23.14 lacs).
3. Capital work-in-progress includes preoperative expense of ₹127.73 lacs (₹ 46.80 lacs) and trial run expenses of ₹ 76.58 lacs (₹ Nil)



## Notes forming part of the Financial Statements

	(₹ in Lacs)	
	2013	2012
<b>Note - 11 Non - current Investments</b>		
Long Term (at cost) - Non Trade		
<b>A) Quoted</b>		
Welspun India Limited*	0.15	0.14
1,485 (1,350) Equity Shares of ₹ 10 each fully paid up		
Welspun Investments and Commercials Limited	0.01	0.01
67 (67) Equity Shares of ₹ 10 each fully paid up		
Welspun Corp Limited	0.09	0.09
100 (100) Equity Shares of ₹ 5 each fully paid up		
Welspun Global Brands Limited*	-	0.01
Nil (135) Equity Shares of ₹ 10 each fully paid up		
<b>B) Unquoted</b>		
Crescent Trading Private Limited		
1,21,685 (1,21,685) 6% Redeemable Preference Shares of ₹ 10 each fully paid up	1216.85	1216.85
Nil (1,01,650) 6% Redeemable Preference Shares of ₹ 10 each fully paid up	-	1016.50
Welspun Captive Power Generation Limited		
25,41,740 (Nil) 6% Redeemable Preference Shares of ₹ 10 each fully paid up	254.17	-
3,67,260 (Nil) Equity Shares of ₹ 10 each fully paid up	36.73	-
Welspun Steel Limited	0.01	0.01
100 (100) Equity Shares of ₹ 10 each fully paid up		
<b>All the above shares and securities are fully paid up</b>		
Aggregate book value of quoted investments ₹ 0.24 lacs (₹ 0.24 lacs)		
Aggregate book value of unquoted investments ₹ 1507.76 lacs (₹ 2233.36 lacs)		
Aggregate market value of quoted investments ₹ 1.08 lacs (₹ 0.83 lacs)		
<b>Total</b>	<b>1508.00</b>	<b>2233.60</b>

\*During the year Welspun Global Brands Limited was merged with Welspun India Limited and as per the scheme, Welspun Syntex Limited has received 135 equity shares of Welspun India Limited in exchange of holding of 135 equity shares of Welspun Global Brands Limited

## Note - 12 Loans and advances

(Unsecured and considered good, unless otherwise stated)

	Long - term		Short - term	
	2013	2012	2013	2012
Capital advances	227.85	764.36	-	-
Other loans and advances	-	-	389.16	514.25
Share Application Money - Related Party	48.20	-	-	-
Loans and advances to employee	33.63	10.21	33.35	57.18
MAT credit entitlement	912.24	594.05	-	-
Balances with Government authorities				
- Direct taxes (net of provisions)	16.66	15.35	-	-
- Indirect taxes	241.30	241.30	3243.79	1359.85
Security deposits	11.38	3.48	27.77	32.23
Prepaid expenses	4.68	3.45	125.84	106.54
<b>Total</b>	<b>1495.93</b>	<b>1632.22</b>	<b>3819.91</b>	<b>2070.06</b>

**Notes forming part of the Financial Statements**

		(₹ in Lacs)	
		2013	2012
<b>Note - 13 Inventories</b>			
(As taken, valued and certified by the management)			
Raw materials (Refer Note 19)		2586.38	1677.73
Goods in process (Refer Note 20)		429.14	420.88
Finished goods (Refer Note 20)		2814.37	2934.13
Stock-in-trade (Refer Note 20)		-	134.49
Stores / spares and packing materials		1545.57	1229.86
	<b>Total</b>	<b>7375.45</b>	<b>6397.09</b>
<b>Note - 14 Trade receivable</b>			
(Unsecured and considered good, unless otherwise stated)			
<b>Over six months</b>			
Considered good		69.85	24.76
Considered doubtful		169.66	169.66
<b>Others</b>			
Considered good		4051.30	2788.43
Considered doubtful		-	-
		4290.81	2982.86
Less : provision for doubtful debts		169.66	169.66
	<b>Total</b>	<b>4121.15</b>	<b>2813.19</b>

**Note - 15 Cash and bank balance**

	Non-Current		Current	
	2013	2012	2013	2012
<b>Cash and cash equivalents</b>				
Balances with banks:				
- In current account	-	-	126.28	1202.77
- Deposits with original maturity of less than 3 months	-	-	-	-
Cash on hand	-	-	62.62	56.71
	-	-	<b>188.89</b>	<b>1259.48</b>
<b>Other bank balances:</b>				
- In margin money account	-	-	134.83	0.07
- Deposit with original maturity for more than 3 months but less than 12 months	-	-	367.34	-
- Deposit with original maturity for more than 12 months	454.68	486.35	96.21	240.90
Disclosed under "Other non-current assets" (Refer Note 16)	(454.68)	(486.35)	-	-
	-	-	<b>787.28</b>	<b>1500.45</b>

**Note - 16 Other assets**

(Unsecured and considered good, unless otherwise stated)

Deposits with banks having original maturity period of more than twelve months (Refer Note 15)	454.68	486.35	-	-
Export benefit receivable	-	-	1069.04	532.23
Interest accrued on fixed deposits	-	-	61.71	41.63
Other receivables	-	-	81.49	21.96
	<b>454.68</b>	<b>486.35</b>	<b>1212.25</b>	<b>595.82</b>





## Notes forming part of the Financial Statements

		(₹ in Lacs)	
		2013	2012
<b>Note - 17 Revenue from operations</b>			
<b>Revenue from operations</b>			
<b>Sales of products</b>			
Finished Goods		79958.83	62934.69
Traded Goods		1028.43	507.33
<b>Sales of Services</b>			
Job work Charges		109.72	154.84
<b>Other Operating Revenue</b>			
Scrap Sales		329.50	200.78
Export Benefit		1261.79	952.92
	<b>Total</b>	<b>82688.27</b>	<b>64750.57</b>
<b>Sales of products</b>			
Partially Oriented Yarn		11554.67	8434.04
Dyed/Tex and Twisted Polyester Yarn		68404.16	54500.65
Partially Oriented Yarn - Traded goods		1028.43	507.33
	<b>Total</b>	<b>80987.26</b>	<b>63442.02</b>
<b>Note - 18 Other income</b>			
Interest income from others		159.73	106.66
Interest income from banks		77.92	59.10
Dividend income on current investment		12.12	4.36
Profit on sale of fixed assets (net)		-	28.06
Miscellaneous receipts		0.69	2.12
	<b>Total</b>	<b>250.47</b>	<b>200.30</b>
<b>Note - 19 Cost of raw material consumed</b>			
Opening stock		1677.73	1792.56
Purchases		52659.76	40420.51
		54337.50	42213.07
Less: Closing stock		2586.38	1677.73
	<b>Total</b>	<b>51751.12</b>	<b>40535.34</b>
<b>Details of raw material consumed</b>			
Chips		25932.36	22420.38
Partially Oriented Yarn /Texturised Yarn		25818.76	18114.96
	<b>Total</b>	<b>51751.12</b>	<b>40535.34</b>
<b>Details of raw material stock</b>			
Chips		1288.26	963.70
Partially Oriented Yarn /Texturised Yarn		1298.12	714.03
	<b>Total</b>	<b>2586.38</b>	<b>1677.73</b>
<b>Note - 20 Changes in inventories of finished goods and goods in process</b>			
<b>Closing stock</b>			
Finished goods		2814.37	2934.13
Stock in Trade		-	134.49
Goods in process		429.14	420.88
		<b>3243.51</b>	<b>3489.50</b>
<b>Less : Opening stock</b>			
Finished goods		2934.13	2513.02
Stock in Trade		134.49	-
Goods in process		420.88	346.45
		<b>3489.50</b>	<b>2859.47</b>
<b>Increase/(decrease) in stock</b>	<b>Total</b>	<b>(245.99)</b>	<b>630.03</b>

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**Notes forming part of the Financial Statements**

	(₹ in Lacs)	
	2013	2012
<b>Details of finished goods stock</b>		
Partially Oriented Yarn	572.20	818.27
Dyed /Tex and Twisted Polyester Yarn	2242.17	2115.86
<b>Total</b>	<b>2814.37</b>	<b>2934.13</b>
<b>Details of Stock in Trade</b>		
Partially Oriented Yarn	-	134.49
<b>Total</b>	<b>-</b>	<b>134.49</b>
<b>Details of goods in process stock</b>		
Partially Oriented Yarn /Texturised Yarn	429.14	420.88
<b>Total</b>	<b>429.14</b>	<b>420.88</b>
<b>Note - 21 Employee benefits expense</b>		
Managerial remuneration	127.48	35.97
Salaries, wages and allowances	2901.09	2476.78
Contribution to Provident and other funds	164.91	123.97
Staff welfare expenses	182.41	136.85
<b>Total</b>	<b>3375.89</b>	<b>2773.57</b>
<b>Note - 22 Other expenses</b>		
Stores and spares consumed	2082.87	1785.89
Power, fuel and water charges	4680.94	4265.61
Packing materials consumed	2219.95	1965.03
Dyes and chemicals consumed	3124.59	2580.62
Increase/(decrease) in excise duty on finished goods	(35.04)	52.47
Repairs and maintenance		
- Plant and machinery	133.28	158.90
- Buildings	152.56	49.17
- Others	214.87	87.81
Discounts and rebates	399.95	291.07
Brokerage and commission	1114.79	752.86
Freight and forwarding	1623.32	1035.69
Rent	113.24	89.94
Rates and taxes	14.69	17.44
Printing and stationary	105.76	34.72
Travelling and conveyance	157.94	118.82
Vehicle expenses	77.29	62.47
Legal and professional charges	131.25	81.58
Insurance	72.40	63.93
Communication expenses	38.02	37.39
Miscellaneous expenses	236.43	142.61
Directors sitting fees	4.52	2.26
Foreign exchange difference (net)	115.59	221.87
Donations	4.91	3.35
Loss on sale of fixed assets (net)	30.87	-
<b>Total</b>	<b>16814.98</b>	<b>13901.50</b>
<b>Note - 23 Finance cost</b>		
<b>Interest on</b>		
Term Loans	475.22	549.88
Debentures	-	7.25
Other Loans	436.57	440.24
Other borrowing costs	735.60	613.96
Exchange difference (net)	217.31	122.84
<b>Total</b>	<b>1864.70</b>	<b>1734.19</b>



24. During the year, impairment loss aggregating ₹ 4.35 lacs (₹ 78.87 lacs) has been reversed consequent to the relevant fixed assets being sold.

25. Contingent liabilities not provided for

a) Guarantees given by banks ₹ 432.52 lacs (₹ 331.26 lacs)

b) Disputed Indirect taxes ₹ 1396.25 lacs (₹ 1195.19 lacs)

c) Disputed Direct taxes\* ₹ 1086.78 lacs (₹ 4.95 lacs)

\* Income tax demands mainly include appeals filed by the Company before appellate authorities against the disallowance of interest paid on borrowed funds. The management is of the opinion that its tax position will be sustained / decided in its favour and hence no provision is considered necessary at this stage.

d) Unexpired Letters of Credit ₹ 10827.85 lacs (₹ 6936.33 lacs).

e) Custom Duty on pending Export obligation for import under Advance License ₹ 136.29 lacs (₹ 111.12 lacs).

f) The accumulated dividend of ₹ 1560.45 lacs (₹ 880.85 lacs) payable on Redeemable Cumulative / Optionally Convertible Cumulative Preference Shares.

g) Claims against the Company not acknowledged as debt ₹ 139.85 lacs (₹ 139.85 lacs)

h) Bills receivable discounted ₹ 1847.21 lacs (₹ 1239.29 lacs)

26. Capital commitment not provided for ₹ 527.76 lacs (₹ 2052.36 lacs) net of advances.

27. Current Liabilities include cheques overdrawn to the tune of ₹ 666.43 lacs (₹ 502.94 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 2013. The disclosure pursuant to the said Act is as under:

(₹ in Lacs)

	2013	2012
i. Principal amount due to suppliers under MSMED Act, 2006	4.90	7.77
ii. Interest accrued and due to suppliers under MSMED Act, on the above amount	0.82	0.49
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.	8.59	7.77

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 ₹22.34 lacs (₹27.85 lacs) and development expenses of ₹ 92.12 lacs (₹ 122.87 lacs) incurred on such land capitalized in the year 2002-2003 for which the Company holds no title.

### 30. Taxation

a) 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 ₹ 318.19 lacs (₹ 231.36 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".

b) 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 to one hundred eight 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 2013 as per the contracts are as under:

- Not later than one-year ₹ 88.20 lacs (₹ 73.50 lacs)
- Later than one year but not later than five years ₹ 352.80 lacs (₹ 352.80 lacs)
- Later than five years ₹ 264.60 lacs (₹ 352.80 lacs)

The aggregate rental expenses of all the leases for the year are ₹ 113.24 lacs (₹ 89.94 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.)	8.2
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	
	2013	2012	2013	2012
Current Service Cost	85.39	35.78	38.78	19.93
Interest Cost	26.19	19.03	9.31	8.15
Net Actuarial (Gain) / Loss recognized in the period	(6.86)	28.29	(45.77)	8.11
Expenses recognized in the Statement of profit and loss *	104.71	83.10	2.32	36.19

\* 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	
	2013	2012	2013	2012
Present Value of Obligation as at 31 March 2013	365.32	286.56	102.92	116.49
Fair Value of Plan Assets as at 31 March 2013	-	-	-	-
Liability Recognized in the Balance Sheet and disclosed under Provisions (Refer Note-6)	365.32	286.56	102.92	116.49





#### IV. Change in the Present Value of Obligations

(₹ in Lacs)

	Gratuity		Leave Encashment	
	2013	2012	2013	2012
Present Value of Obligation as at 1 April 2012	286.56	223.87	116.49	95.90
Current Service Cost	85.39	35.78	38.78	19.93
Interest Cost	26.19	19.03	9.31	8.15
Benefits Paid	(25.96)	(20.41)	(15.89)	(15.60)
Actuarial (Gain) / Loss on Obligation	(6.86)	28.29	(45.77)	8.11
Present Value of Obligation as at 31 March 2013	365.32	286.56	102.92	116.49

#### Notes:

- Amount recognized as an expense and included in Note 21- Employee benefits expense is Gratuity ₹ 104.71 lacs (₹ 83.10 lacs) and Leave Encashment Expense of ₹ 2.32 lacs (₹ 36.19 lacs).
- Contribution to provident and other funds is recognised as an expense in Note 21 of the statement of profit and loss.

#### 33. Miscellaneous expenses include Auditors' Remuneration as under :

(₹ in Lacs)

	2013	2012
Statutory Audit Fees	11.00	8.00
Tax Audit Fees	2.00	2.00
Fees for Certification and others	1.27	2.55

#### 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 India Limited, Welspun Corp Limited, Welspun Retail Limited, Welspun Steel Limited, Welspun Wintex Limited, Welspun Global Brands Limited, Welspun Zucchi Textiles Private Limited, Krishiraj Trading Limited, Welspun Realty Private Limited, Goodvalue Polyplast Limited, Welspun Fintrade Limited, Welspun Captive Power Generation Limited, Welspun Investments and Commercial 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

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<b>Transactions with Related Parties</b>		
(₹ in Lacs)		
<b>Nature of Transaction</b>	<b>2013</b>	<b>2012</b>
<b>Sales (net) to and recoveries from</b>	<b>3336.94</b>	<b>2419.56</b>
Welspun India Limited	3336.94	2419.37
Welspun Corp Limited	-	0.19
<b>Purchase of Goods and Services</b>	<b>3093.28</b>	<b>661.83</b>
Welspun India Limited	48.16	104.58
Welspun Retail Limited	27.95	22.32
Welspun Steel Limited	141.03	217.71
Welspun Wintex Limited	2785.51	238.64
Welspun Zucchi Textiles Private Limited	1.50	-
Welspun Realty Private Limited	6.54	13.72
Goodvalue Polyplast Limited	82.58	64.86
<b>Loans/Advances/Deposits received</b>	<b>255.00</b>	<b>900.00</b>
Krishiraj Trading Limited	-	900.00
Welspun Fintrade Limited	125.00	-
Welspun Steel Limited	130.00	-
<b>Repayment of Loans/Advance/Deposits received</b>	<b>1030.00</b>	<b>920.00</b>
Krishiraj Trading Limited	900.00	920.00
Welspun Steel Limited	130.00	-
<b>Reimbursement of Expenses</b>	<b>260.55</b>	<b>13.32</b>
Welspun India Limited	112.16	0.04
Welspun Retail Limited	2.72	8.24
Welspun Global Brands Limited	-	0.74
Welspun Corp Limited	139.26	4.30
Welspun Steel Limited	6.42	-
<b>Interest paid</b>	<b>2.74</b>	<b>-</b>
Welspun Fintrade Limited	2.55	-
Welspun Steel Limited	0.19	-
<b>Closing Balances as at 31 March 2013</b>		
<b>Sundry Debtors</b>	<b>63.41</b>	<b>-</b>
Welspun India Limited	63.41	-
<b>Loans/Advances/Deposits received</b>	<b>125.00</b>	<b>900.00</b>
Krishiraj Trading Limited	-	900.00
Welspun Fintrade Limited	125.00	-
<b>Share Application Money given</b>	<b>48.20</b>	<b>-</b>
Welspun Captive Power Generation Limited	48.20	-
<b>Sundry Creditors</b>	<b>0.72</b>	<b>-</b>
Welspun Corp Limited	0.72	-
<b>Advances given</b>	<b>57.15</b>	<b>18.26</b>
Welspun Retail Limited	1.27	-
Welspun Wintex Limited	55.88	18.26
<b>Investments outstanding</b>		
Welspun India Limited	0.15	0.14
Welspun Global Brands Limited #	-	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
Welspun Captive Power Generation Limited	290.90	-



# During the year Welspun Global Brands Limited was merged with Welspun India Limited and as per the scheme, Welspun Syntex Limited has received 135 equity shares of Welspun India Limited in exchange of holding of 135 equity shares of Welspun Global Brands Limited

**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	
	2013	2012
Salaries and Allowances	36.87	35.19
Contribution to Provident Fund	1.57	1.57
Commission	89.82	-
Perquisites	0.79	0.79
<b>Total</b>	<b>129.05</b>	<b>37.55</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

- a) The Companies (Accounting Standards) Amendment Rules 2011 has amended the provision of AS-11 related to "The effects of changes in Foreign Exchange Rates" vide notification dated 11 May 2011 (as amended on 29 December 2011 and further clarification dated 9 August 2012) issued by the Ministry of Corporate Affairs. Accordingly, the Company has adjusted exchange difference loss amounting to ₹ 118.55 lacs (loss of ₹ 84.78 lacs) to the cost of fixed assets and gain of ₹ 69.05 lacs (₹ Nil) to capital work-in-progress respectively. Exchange difference loss of ₹ 1.86 lacs (₹ Nil) is transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortized over the balance period of such long term liabilities. Out of the above, loss of ₹ 0.76 lacs (₹ Nil) has been adjusted in the current year and loss of ₹ 1.10 lacs (₹ Nil) has been carried over and disclosed in shareholders funds.
- b) 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 2013 are as follows:

#### Forward Contracts

- i. 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	2013		2012	
		Foreign Currency	Equivalent Indian Rupee	Foreign Currency	Equivalent Indian Rupee
USD/ INR	Foreign Currency Loan	54.89	2979.83	30.64	1609.49
GBP/INR	Foreign Currency Loan	21.73	1786.42	-	-
USD/ INR	Export	3.71	201.13	4.00	207.06

- ii. 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 ₹ 8471.57 lacs (₹ 413.45 lacs )

### 37. Earnings Per Share (EPS)

	2013	2012
Profit after tax (₹ in lacs)	1602.46	1157.24
Less: Dividend on Cumulative Preference Shares including tax (₹ in lacs)	(103.27)	(99.99)
Profit available for appropriation to Equity Shareholders (₹ in lacs)	1499.19	1057.25
Weighted average number of equity shares for computation of EPS (Nos.)	240,72,275	23,645,027
<b>Basic and Diluted Earnings Per Share (₹)</b>	<b>6.23</b>	<b>4.47</b>

**38. Segment Reporting**

(I) 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".

(II) Information about Secondary-Geographical segment. (₹ in Lacs)

	2013			2012		
	India	Outside India	Total	India	Outside India	Total
Sales	54,682.30	21,338.23	76,020.53	45,764.88	14,236.46	60,001.34
Carrying Amount of Segment Assets	40,067.25	435.12	40,502.37	30,268.14	14.55	30,282.69
Capital Expenditure	8,183.92	-	8,183.92	3,368.88	-	3,368.88

**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**

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. Raw Materials Consumed**

	2013		2012	
	(%)	₹ in Lacs	(%)	₹ in Lacs
Imported	21.33	11,037.43	21.67	8,783.00
Indigenous	78.67	40,713.68	78.33	31,752.34
<b>Total</b>	<b>100.00</b>	<b>51,751.11</b>	<b>100.00</b>	<b>40,535.34</b>

**42. Stores, Spares, Dyes and Chemicals Consumed**

Imported	7.13	371.33	6.56	286.61
Indigenous	92.87	4,836.12	93.44	4,079.90
<b>Total</b>	<b>100.00</b>	<b>5,207.45</b>	<b>100.00</b>	<b>4,366.51</b>

**43. CIF Value of Imports**

	2013	2012
Raw materials	11,836.12	7,198.82
Capital goods	4,851.50	1,341.29
Stores and Spares	1,208.70	468.09





#### 44. Expenditure in Foreign Currency

	2013	2012
Traveling and conveyance	78.87	32.80
Membership and other fees	7.07	-
Commission on Export Sales	405.93	113.15
Finance Cost (including bank charges)	437.93	56.70
Legal and professional charges	218.96	-
Discounts and Rebates	102.18	-
Quality Claim	61.96	8.70
Testing Fees	9.48	-

#### 45. Earnings in Foreign Currency:

FOB value of Exports	18,702.00	13,720.08
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As per our attached report of even date

For and on behalf of the Board

For **MGB & CO**

Chartered Accountants

Firm Registration Number 101169W

**Rajesh Chamaria**

Partner

Membership Number 046788

**B.K.Goenka**

Chairman

**B.A.Kale**

Executive Director

**Kaushik Kapasi**

Company Secretary

Mumbai, 22 May 2013

**WELSPUN SYNTEX LIMITED**

ANNUAL REPORT 2012-13

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

(₹ in Lacs)

	2013	2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit Before Tax</b>	<b>1,602.46</b>	<b>1,156.35</b>
<b>Adjustment For :</b>		
Depreciation and amortization expenses	1,481.03	1,261.27
Loss on sale/discard of fixed assets (net)	30.87	(28.06)
Dividend Income	(12.12)	(4.36)
Interest Expense	911.79	997.38
Interest Income	(237.65)	(165.76)
Exchange adjustments (net)	(86.73)	95.53
<b>Operating Profit before working capital changes</b>	<b>3,689.65</b>	<b>3,312.36</b>
<b>Adjustment For :</b>		
Trade and other receivables	(3,682.89)	(255.58)
Inventories	(978.36)	(718.58)
Trade and other payables	(158.89)	365.74
<b>Cash Generated from operations</b>	<b>(1,130.48)</b>	<b>2,703.94</b>
Taxes paid (net of refunds)	(294.02)	(341.92)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>(1,424.50)</b>	<b>2,362.01</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Purchase of Fixed Assets (including Capital- work- in progress)	(8,089.73)	(3,189.86)
Sale of fixed assets	34.72	76.61
Purchase of short- term investments	(4,329.58)	(2,501.47)
Sale of short- term investments	4,329.58	2,501.47
Purchase of long-term investments	(290.90)	-
Sale of long-term investments	1,016.50	-
Payment towards share application Money	(48.20)	-
Investments in bank deposits / margin deposits	(325.75)	(242.81)
Dividend received	12.12	4.36
Interest received	217.58	228.17
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,473.65)</b>	<b>(3,123.53)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares (including securities premium) (Refer Note 3(f))	1,600.00	-
Redemption of Preference Shares	(1,026.97)	-
Redemption of Debentures	-	(85.45)
Proceeds from long- term borrowings	5,917.25	3,976.87
Repayment of long- term borrowings	(2,020.29)	(1,721.15)
Increase/ (decrease) in other borrowings	5,074.20	661.09
Proceeds from Inter Corporate deposits	125.00	900.00
Repayment of Inter Corporate deposits	(900.00)	(900.00)
Interest Paid	(941.63)	(954.71)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>7,827.56</b>	<b>1,876.66</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,070.59)</b>	<b>1,115.14</b>
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>	<b>1,259.48</b>	<b>144.34</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE</b>	<b>188.89</b>	<b>1,259.48</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	126.28	1,202.77
- Cash on hand	62.62	56.71
	<b>188.89</b>	<b>1,259.48</b>

As per our attached report of even date

For and on behalf of the Board

**For MGB & CO**

Chartered Accountants

Firm Registration Number 101169W

**Rajesh Chamaria**

Partner

Membership Number 046788

**B.K.Goenka**

Chairman

**B.A.Kale**

Executive Director

**Kaushik Kapasi**

Company Secretary

Mumbai, 22 May 2013

# WELSPUN SYNTEX LIMITED

**Regd. Office:** Survey No. 397 (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 THIRTIETH ANNUAL GENERAL MEETING of the Company to be held  
on Monday, 30th September 2013 at the Registered office of the Company at Survey No.394 (P), Village Saily, Silvassa, U.T of  
Dadra & Nagar Haveli at 11.00 a.m.

Signed this.....day of.....2013

Affix Revenue Stamp Rs. 1/-
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**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.

# WELSPUN SYNTEX LIMITED

**Regd. Office:** Survey No. 397 (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 THIRTIETH ANNUAL GENERAL MEETING of the Company to be held on Monday, 30th September 2013 at the Registered office of the Company at Survey No.394 (P), Village Saily, Silvassa, U.T. of Dadra & Nagar Haveli at 11.00 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

*If undelivered, please return to:*

**Welspun Syntex Limited**

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



FORM B	
1 Name of the Company	Welspun Syntex Limited
2 Annual financial statements for the year ended	31st March 2013
3 Type of Audit qualification	Qualified
4 Frequency of qualification	Since 2002-03
5 Draw attention to relevant notes in the annual financial statement and management response to the qualification in the directors report:	<p>Attention is drawn to Note 29 regarding freehold land includes Rs22.34 lacs and development expenses of Rs.92.12 lacs incurred on such land capitalized in year 2002-03 for which company hold no title. Company is in the process of executing the documents to transfer land in the name of company. The company is in possession of land without any interference for more than twelve years in respect of said land. Consequently, we are unable to determine whether any adjustment to these amount necessary.</p> <p><b>Management response</b> Note is self expalnatory and the management is of the view that no adjustment to the amount as mentioned in note is necessary. Para iv of Annexure to Auditors Report stating inter alia that internal control system pertaining to fixed assets needs to be strenghtened.</p> <p><b>Management response</b> appropriate action shall be taken to strengthen internal control system pertaining to fixed assets</p>
6 Additional comments from the board/audit committee	As mentioned above
7 To be signed by -	
o Shri B.A. Kale, Executive Director	
o Shri Bhaskar Sen, Sr.V.P (Accounts & Commercial)	
o Shri R.K. Jain, Chairman of Audit Committee	
o <b>For MGB &amp; CO</b> Chartered Accountants Firm Registration Number 101169W Rajesh Chamaria Partner Membership Number 046788	 

Date : 22 May 2013

Place: Mumbai

Corporate Office:

Trade World, 'B' Wing, 9th Floor  
Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel  
Mumbai - 400 013. INDIA

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