

**ANNUAL REPORT 2010 - 11**



**Fairdeal**  
Filaments Ltd.

**21<sup>st</sup>**

**TWENTY FIRST ANNUAL REPORT**



# Fairdeal Filaments Ltd.

## TWENTY FIRST ANNUAL REPORT - 2010-11

**BOARD OF DIRECTORS** : **Mr. Jayanti R. Shah** Chairman  
**Mr. Dhiraj R. Shah** Managing Director  
**Mr. Arvind R. Shah** Whole-time Director  
**Mr. Manubhai J. Shah** Director  
**Mr. Rajendra K. Desai** Director  
**Mr. Nandish S. Vin** Additional Director

**COMPANY SECRETARY** : **Mr. Hitesh K. Garmora**

**AUDITORS** : **M/s. Natvarlal Vepari & Co.**  
Chartered Accountants, Surat.

**BANKERS** : **Bank of Baroda**  
Zampa Bazar, Surat.

**PLANT LOCATION** : 1 Mota Borasara, Kim  
Taluka : Mangrol,  
District : Surat.  
2 Limodara Patiya, Karanj  
Taluka : Mandvi,  
District : Surat.

**REGISTERED OFFICE** : 3<sup>rd</sup> Floor, Dawer Chambers,  
Near Sub-Jail, Ring Road,  
Surat - 395 002.

**REGISTRARS & TRANSFER AGENT** : **MCS Limited**  
Neelam Apartment,  
88, Sampatrao Colony,  
Alkapuri, Vadodara- 390 007.

**ISIN for NSDL & CDSL** : **INE719D01011**

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## NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of FAIRDEAL FILAMENTS LIMITED will be held on **Friday, 30th September, 2011 at 11.00 A.M.** at the Registered office of the company situated at 3rd Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat- 395 002 to transact the following Business.

### Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri Jayanti R. Shah, Director and Shri Arvind R. Shah, director who retire by rotation and being eligible, offer themselves for re-appointment.
4. To appoint M/s. Natvarlal Vepari & Co., Chartered Accountants, the retiring Auditors of the company, as Auditors who shall hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the remuneration of the said Auditors.

### Special Business :

5. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

RESOLVED THAT Shri Nandish S. Vin, who was appointed as an Additional Director of Company by the Board of Directors pursuant to Section 260 of the companies Act, 1956 ("The Act") and who holds office upto the date of forthcoming Annual General Meeting of the company and in respect of whom company has received notice in writing from a member proposing his candidature for the office of Director u/s 257 of the Companies Act, 1956 and who is eligible for appointment as director be and is hereby appointed as a Director of the Company.

By Order of the Board of Directors

**Place :** Surat  
**Date :** 12<sup>th</sup> August, 2011

**Hitesh K. Garmora**  
Company Secretary

## NOTES

1. The relevant details of person seeking appointment or re-appointment as required by Clause 49 of the Listing Agreement entered into with stock exchanges are annexed herewith.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the Registered office of the company not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of corporate, societies, trusts, etc. must be supported by appropriate resolution/ authority as applicable, issued on behalf of the nominating organization.
3. The Register of Members and Share Transfer Books of the company will be closed from September 20, 2011 to September 30, 2011 (both days inclusive) for the purpose of payment of dividend to those members whose names stand on the Register of Members as on September 30, 2011. The dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of the equity shares as at the end of business hours on September 19, 2011 as per the details furnished by the depositories for this purpose.
4. The dividend on equity shares as recommended by Board of Directors for the year ended on 31.03.2011 will be payable on or after September 30, 2011 in accordance with the resolution to be passed by the members of the company.
5. Pursuant to the provisions of Section 205 of the Companies Act, 1956 (the Act), all unclaimed / unpaid dividends for the financial year ended on 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No. II to the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to office of the Registrar of Companies, Gujarat at Ahmedabad.

Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the company shall be transferred to the Investor Education and Protection Fund( the Fund )set up by the Central Government and thereafter no claims shall lie against the company or the Fund and no payments shall be made in respect of any such claims.

It may be noted that the unclaimed dividend for the financial year ended on 31st March 1997 have been transferred to Investor Education and Protection Fund (the Fund) on 26th November, 2004, unclaimed dividend for the financial year ended on 31st March 2002 have been transferred to IEPF (the Fund) on 21st November, 2009 and unclaimed dividend for the financial year ended on 31st March 2003 had been transferred to IEPF (the Fund) on 7th December, 2010.

6. Members/Proxy Holders should bring the Attendance Slips duly filled in for attending the meeting. Shareholders are requested to bring their copy of Annual Report at the Meeting.
7. Members seeking to obtain any information concerning the accounts and operations are requested to send their queries to the company at least 10 days before the date of the meeting, so that information required can be made available at the meeting.

### Annexure to Notice

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

**Item No. 5 :**

The Board of Directors of the company at their meeting held on 30.03.2011, appointed Mr. Nandish S. Vin as an Additional Director of the company. As per the provisions of the section 260 of Companies Act, 1956, he holds office as Director upto the date of the forthcoming Annual General Meeting. keeping in view, his expertise, his appointment as Director of the Company is recommended.

The company has received Notice under section 257 of the Companies Act, 1956 from a member proposing the appointment of Mr. Nandish S. Vin as a Director of the Company.

Brief resume of Mr. Nandish S. Vin has been given hereunder in point no. 2

None of the Directors of the company except Mr. Nandish S. Vin is concerned or interested in passing the above resolution.

2. As required by Clause 49 IV (G) (i) of the Listing Agreement with the stock exchange, the information relating to the Directors proposed to be reappointed is provided hereunder:

<b>Name of Directors</b>	<b>Mr. Jayanti R. Shah</b>	<b>Mr. Arvind R. Shah</b>	<b>Mr. Nandish S. Vin</b>
Date of Birth	11.12.1947	28.07.1959	04.12.1983
Date of Appointment	08.02.1994	15.05.1990	25.04.2011
Expertise in specific functional areas	Accounts & Legal	Marketing	Accounts & Finance
Qualification	B.Com.	B.Sc	B.Com, A.C.A.
Directorship held in other companies	1. Viresh Textiles Pvt. Ltd. 2. Shahlon Silk Mills Pvt. Ltd.	1. Manekshah Textiles Pvt. Ltd.	Nil
Committee position held in other companies	Nil	Nil	Nil
Shareholding of non-executive Directors	(131887 Shares) 3.60%	N.A. Executive Director	Nil

## Directors' Report

Your Directors are pleased to present the 21<sup>st</sup> Annual Report and the audited accounts for the year ended 31<sup>st</sup> March, 2011.

### Financial Results

(Rs. in Lacs)

Particulars	2010-11	2009-10
Sales and other operating income	12078.06	8296.08
Profit before interest and depreciation	655.05	511.39
Less : Interest	283.15	206.11
Depreciation	199.25	224.76
Profit before Tax	172.65	80.52
Less : Provision for Current Taxation	83.71	29.44
Provision for Deferred Taxation	27.48	2.30
Profit after Tax adjustment	61.46	48.78
Excess/Short provision for Taxation in earlier years	(15.72)	3.53
Net Profit	45.74	52.31
Add : Balance brought forward from previous year	387.03	391.24
Amount available for Appropriation	432.77	443.55
Transfer to General Reserve	1.15	3.00
Proposed Dividend	45.75	45.75
Tax on Dividend	7.42	7.77
Balance Carried to Balance Sheet	378.45	387.03

### Dividend

Your Directors recommend dividend at the rate of 12.50% i.e. Rs. 1.25 per share on the paid-up equity share capital of the company for the year ended 31st March, 2011, subject to the approval by the members at the forthcoming Annual General Meeting.

### Operational Performance

Your company has achieved turnover of Rs. 12078.06 lacs during the year under review as compared to Rs. 8296.08 lacs for the previous year. Increase in turnover during the year under review is on account of improved performance of yarn division through higher capacity utilization as well as increase in trading turnover.

The company has achieved operating profit of Rs. 655.05 lacs as compared to Rs. 511.39 lacs for the previous year. Profit before tax for the year under review has jumped to Rs. 172.65 lacs from Rs. 80.52 lacs for the previous year. Net Profit after tax reduced to Rs. 45.74 lacs as compared to Rs. 52.31 lacs for the previous year. Net profit after tax has decreased on account of higher tax outgo and tax provision by around Rs. 98.67 lacs.

### Expansion

Your Company has acquired 48 waterjet looms at a total cost of Rs. 1.77 Crores for which the company has availed necessary term finance from Bank of Baroda, Zampa Bazar, Surat. Commercial production on these 48 waterjet looms will be commenced from F.Y. 2011-12.

### Fixed Deposits

Your company has not accepted any deposits from the public during the year under review.

### Directors

During the financial year under review, Shri Paresh A. Topiwala had resigned from directorship of Company w.e.f. 30.10.2010. Board of directors of company, at their meeting held on 30.03.2011, had appointed Shri Nandish S. Vin as an additional director w.e.f. 25.04.2011 till forthcoming AGM of company.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Shri Jayanti R. Shah, Director and Shri Arvind R. Shah, Director of the company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Nandish S. Vin holds office only upto the date of the forthcoming Annual General Meeting and a notice under section 257 of the Act has been received from a member signifying his intention to propose Shri Nandish S. Vin's appointment as Director.

Brief particulars of the Shri Nandish S. Vin to be appointed as Director and particulars of Directors retiring by rotation and proposed to be re-appointed at the forthcoming AGM have been given in the Annexure to Notice of Annual General Meeting.

### **Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo**

Information pursuant to clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to total energy consumption and energy consumption per unit of production is given in Annexure-A of this Report. Particulars with respect to Technology Absorption, Research and Development are Nil.

#### **Foreign Exchange Earnings and Outgo :**

(Rs. in Lacs)

	<b>2010-11</b>	<b>2009-10</b>
I) Foreign Exchange Earnings	1068.73	88.75
II) Foreign Exchange Outgo :		
a) Raw Material	11.51	117.22
b) Capital Goods	6.70	5.36
c) Consumable Spares	0.00	1.48
d) Foreign Traveling	0.15	0.00
e) Commission Expences Export	13.45	0.00

#### **Particulars of Employees**

None of the employees of the company was in receipt of remuneration exceeding the limits specified under sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

#### **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors based on the representation received from the Operating Management, confirm that :

- i) in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to all material departures;
- ii) they have, in selection of accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit of the company for that period;
- iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) they have prepared the annual accounts of the company on a 'going concern' basis.

**Auditors and Auditor's Report**

M/s. Natvarlal Vepari & Co., Chartered Accountants, Surat, Statutory Auditors of the company, holds office until the conclusion of the forthcoming Annual General Meeting and is eligible for re-appointment. The company has received letter from them to the effect that their appointments, if made, would be within the prescribed limits under sub-section (1B) of Section 224 of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956, for such appointment. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

**Cost Auditors**

The Central Government had directed an audit of cost accounts maintained by the company in respect of Textiles business. The Board of Directors, subject to the approval of the Central Government, have appointed M/s. M. Goyal & Co., Cost Accountants, Indore as the Cost Auditor of the company for conducting the cost audit for financial year 2011-12, since the existing Cost Auditor Mr. V. Srinivasan is retiring from professional practice and has expressed his unwillingness to act as Cost Auditor from F.Y. 2011-12 onwards. The Cost Audit Report for the year ended on 31<sup>st</sup> March, 2011 will be submitted by Mr. V. Srinivasan to the Central Government after approval of the Board of Directors of your company.

**Corporate Governance and Compliance Certificate**

A separate section on Corporate Governance and a certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchange, form part of the Annual Report.

**Acknowledgment**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Banks, Financial Institution, Government Authorities, Customers, Suppliers and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of employees of the company at all levels.

For and on behalf of the Board of Directors

**Place :** Surat  
**Date :** 12<sup>th</sup> August, 2011

**Jayanti R. Shah**  
Chairman



## ANNEXURE “A” TO THE DIRECTORS' REPORT

### A. POWER AND FUEL CONSUMPTION :

	FFLKIM	FFLKRJ-1	FFLKRJ-2
<b>POWER GENERATED THROUGH OWN DIESEL GENERATOR</b>			
Quantity (Ltrs. in lacs)	0.09	0.04	0.14
Total Value (Rs. in lacs)	0.94	0.42	1.50
Cost / Unit (Rs.)	10.36	10.56	10.44
<b>POWER PURCHASED</b>			
Unit (in lacs)	4.87	29.05	24.68
Total Value (Rs. in lacs)	27.45	178.69	145.40
Cost / Unit (Rs.)	5.63	6.15	5.89
<b>LIGNITE</b>			
Quantity (Kgs. in lacs)	17.19	-	-
Total Value (Rs. in lacs)	45.79	-	-
Cost / Unit (Rs.)	2.66	-	-

### B. CONSUMPTION PER UNIT OF PRODUCTION :

Power & Fuel	Current Year	Previous Year
<b>Yarn - POWER</b>		
FFLKIM	0.26	0.29
FFLKRJ-1	0.72	1.13
FFLKRJ-2	1.74	0.95
<b>Fabrics : FFLKRJ-1</b>	0.28	0.25
<b>LIGNITE</b>		
FFLKIM	0.89	0.99

For and on behalf of the Board of Directors

Place : Surat  
Date : 12<sup>th</sup> August, 2011

**Jayanti R. Shah**  
Chairman

## Report on Corporate Governance

### (1) Company's Philosophy on the Code of Governance :

Fairdeal's philosophy of undertaking business through ethical and fair means has been its foundation. The company's management firmly believes that good corporate governance should be internally driven and not to be looked upon just as an issue of compliance dictated by statutory requirements. Fairdeal's philosophy on corporate governance envisages the attainment of the highest level of transparency, integrity, honesty and accountability in all facets of its operations, Rapid problem solving approach and incessant fulfillment of the expectations of shareholders, customers, suppliers, lenders, and society as a whole is reflective of eminent Corporate Governance Policies at Fairdeal.

### (2) Board of Directors :

- **Size of the Board**

The Board of Directors consists of 6 Directors.

- **Composition of the Board, Details of attendance of each Director at the Board meetings, last Annual General Meeting and number of other directorship and membership/ chairmanship of committee of each Director in other companies are as follows:**

Category	Name of Directors	Attendance		Other Directorships	Committees in other companies	
		Board Meetings	Last AGM		Member-ships	Chairman-ship
Promoter/Executive Directors	Dhiraj R. Shah (Managing Director)	7	Yes	8	Nil	Nil
Promoter/Executive Directors	Arvind R. Shah (Whole-time Director)	7	Yes	1	Nil	Nil
Promoter/Non-Executive Director	Jayanti R. Shah (Chairman)	7	Yes	2	Nil	Nil
Non-Promoter/Independent/ Non-Executive Directors	Manubhai J. Shah	7	Yes	Nil	Nil	Nil
	Rajendra K. Desai	7	Yes	2	Nil	Nil
	Paresh A. Topiwala*	4	Yes	-	Nil	Nil
	Nandish S. Vin (Additional Director)**	N.A.	N.A.	Nil	Nil	Nil

\*During the financial year under review, Shri Paresh A. Topiwala had resigned from directorship w.e.f. October 30, 2010.

\*\* Board of Directors had appointed Shri Nandish S. Vin as an Additional Director of Company w.e.f. April 25, 2011. Since he did not hold directorship in company during the financial year under review, no Board Meeting had been attended by him during the financial year ended on 31st March, 2011.

All the three promoter Directors are kin brothers.

- **No. of Board Meetings held during the year along with the dates of the meeting :**

Seven (7) Board Meetings were held during the year 2010-11 and the dates on which meetings were held are as follows : April 12, 2010, May 27, 2010, July 30, 2010, October 30, 2010, December 27, 2010, January 31, 2011 and March 30, 2011. Last Annual General Meeting of the Company was held on September 30, 2010.

**(3) Audit Committee :**

Audit committee consist of three Directors; out of them two are independent non-executive Directors and one is non-executive promoter Director. The Company Secretary acts as the Secretary of the audit committee. The Committee met on May 27, 2010, July 30, 2010, October 30, 2010 and January 31, 2011 during the year under review. The composition of audit committee and particulars of meetings attended by the members of the Audit Committee are as follows:

Name of Directors	Position	Meeting Attended
Rajendra K. Desai	Chairman	4
Jayanti R. Shah	Member	4
Manubhai J. Shah	Member	4

Terms of reference of the Audit Committee are broadly as under :

- ◆ Reviewing with management the annual financial statements before submission to the Board
  - To review any changes in accounting policies and practices.
  - To review major accounting entries based on exercise of judgment by management.
  - Qualification(s) in draft Audit Report.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Overseeing the company's financial reporting process and the disclosure of financial information.
  - Reviewing the financial statements to ensure that it is correct, sufficient and credible.
- ◆ Reviewing with the management, external and internal auditors, adequacy of internal control and audit functions.
- ◆ Reviewing the company's financial and risk management policies
- ◆ To look into the reasons for material defaults if any in the payment to shareholders and creditors.

**(4) Remuneration to Directors :**

The broad terms of reference of the Remuneration Committee are as under :

- ◆ To approve the remuneration package of executive directors from time to time in compliance with the various applicable provisions read with Schedule XIII of the Companies Act, 1956.
- ◆ Such other matters as the Board may from time to time request the Remuneration Committee to examine, recommend and approve.

The committee consists of three Independent Non-executive Directors. The Company Secretary acts as the Secretary of the Remuneration Committee. Composition of the Remuneration committee is as under :

Name of Directors	Position
Manubhai J. Shah	Chairman
Rajendra K. Desai	Member
Paresh A. Topiwala*	Member

The company has no pecuniary relationship or transaction with its non-executive Directors other than payment of sitting fees to them for attending the Board meeting and Committee meeting. No sitting fees are paid to Executive Directors. The remuneration policy of the company is directed towards rewarding performance. The Company has no stock option scheme. Further no commission is paid to any Directors.

Total remuneration paid to Managing Director and Whole-time Director of the company during the year ended on 31<sup>st</sup> March, 2011 is Rs. 5427720/- including sitting fees paid to non-executive Directors.

\* During the financial year under review, Shri Paresh A. Topiwala had resigned from directorship w.e.f. 30.10.2010. Consequently, Shri Paresh A. Topiwala has ceased to be a member of Remuneration Committee w.e.f.30.10.2010.

**Shareholding of non-executive Directors**

<b>Name of non-executive Director</b>	<b>No. of Shares held</b>	<b>% Shareholding</b>
Jayanti R. Shah	131887	3.600
Rajendra K. Desai	1200	0.033
Manubhai J. Shah	NIL	NIL
Nandish S. Vin	NIL	NIL

**(5) Shareholders/Investor Grievance Committee :**

The Shareholder/Investors Grievance Committee consists of three Directors viz. Jayanti R. Shah, Dhiraj R. Shah and Arvind R. Shah. The Committee is headed by the Chairman and non-executive Director Shri Jayanti R. Shah. The Committee meets at frequent intervals to consider and approve share transfers/share transmission and for redressing the other investor's grievances. The minutes of the committee meeting are placed at the Board Meeting from time to time. Mr. Hitesh K. Garmora, Company Secretary of the company is the Compliance Officer. All Investors' complaints like non-receipt of annual report, change of address, non-receipt of dividend, revalidation of dividend warrant etc. are attended by Compliance Officer and monitored by the Committee. All requests/complaints were attended promptly and resolved to the satisfaction of the shareholders.

**(6) General Body Meeting :**

Location and time for last three Annual general Meetings (AGM) were as follows :

<b>Financial Year</b>	<b>Date</b>	<b>Location of the Meeting</b>	<b>Time</b>
2007-08	30.09.2008	3 <sup>rd</sup> Floor, Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat	11.00 A.M.
2008-09	30.09.2009	----Do-----	11.00 A.M.
2009-10	30.09.2010	----Do-----	11.00 A.M.

***Special Resolution passed in previous three AGMs :***

No special resolution has been passed at the AGM for the financial year 2007-08. However, at the Board meeting held on 29.03.2008, the Board of Directors have decided for change in Object Clause of the Memorandum of Association of the company and accordingly appointed Mr. Devesh A. Pathak, Practising Company Secretary, Baroda as scrutinizer for conducting the postal ballot voting process. Approval of the shareholders of the company has been obtained for change in Object Clause by Special Resolution passed through postal ballot pursuant to Section 17 read with Section 192A of the Companies Act, 1956 and the rules made there under. Result of the postal ballot was declared at the Registered Office of the company at Surat on 15.05.2008.

No special resolution has been passed at the AGM for the financial year 2008-09.

2 (Two) special resolutions have been passed in AGM for the financial year 2009-10 held on 30.09.2010 as per following details :

- (1) For re-appointment of Shri Dhiraj R. Shah as Managing Director of the company w.e.f. 01.10.2010 to 30.09.2013 upon the terms and conditions and remuneration as set out in the agreement and
- (2) For re-appointment of Shri Arvind R. Shah as Whole-time Director of the company w.e.f. 01.10.2010 to 30.09.2013 upon the terms and conditions and remuneration as set out in the agreement.

None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

**(7) Disclosures :**

- a. During the year, transactions with the related parties have been carried out in accordance with terms approved by Central Govt. under Section 297 of the Companies Act, 1956. Transactions with related parties are carried out at arm's length price and are not prejudicial to the interest of the company. Transactions with related parties during the year under review are disclosed in Note No. 12 of Schedule-17 to the accounts as required by Accounting Standard 18 issued by The Institute of Chartered Accountants of India.
- b. There were no instances of non-compliance on any matters related to the capital markets during last three years.
- c. A qualified Practising Company Secretary carried out a reconciliation of share capital audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital of the company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**(8) Means of Communication :**

The Quarterly, Half-yearly and Annual results of the company are published in leading newspapers which includes The Economic Times, Navbharat Times and Gujarat Mitra or Gujarat Samachar. The Management's Discussion and Analysis is a part of the Company's Annual Report.

**(9) General Shareholder Information :****Annual General Meeting :**

**Date and Time :** 30<sup>th</sup> Day of September, 2011, 11.00 A.M.

**Venue :** 3<sup>rd</sup> Floor Dower Chamber, Nr. Sub-Jail, Ring Road, Surat - 395 002.

**Financial Calendar :**

The Company follows April - March as its financial year. The results for every quarter beginning from April are declared within 45 days from the end of quarter except for the last quarter, for which the audited results are declared within 60 days from the end of the financial year as permitted under the listing agreement.

**Date of Book Closure :**

20<sup>th</sup> Day of September, 2011 to 30<sup>th</sup> Day of September, 2011 (both days inclusive)

**Dividend payment Date :**

On or after 30<sup>th</sup> Day of September, 2011

**Listing on stock exchanges :**

Company's shares are listed on following Stock Exchanges :

1. Bombay Stock Exchange Limited, Mumbai
2. Vadodara Stock Exchange Limited, Vadodara.

**Listing Fees and Custodian Fees :**

The company has paid listing fees for the year 2011-12 to the respective stock exchanges. The company has paid custodial fees for the year 2011-12 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of number of beneficial accounts maintained by them as on March 31, 2011.

**Stock Code :**

Bombay Stock Exchange Limited, Mumbai (BSE) : Scrip Code- 514474

Demat ISIN Number in NSDL &amp; CDSL : INE719D01011

**Market Price Data :**

High, low during each month and trading volumes of the company's equity shares during the last financial year at the Bombay Stock Exchange Limited (BSE) are given below:

Month	High	Low	No. of shares traded during the month
April'2010	21.60	15.55	36216
May'2010	19.00	15.00	18864
June'2010	22.75	14.20	132900
July'2010	22.40	15.65	116837
August'2010	24.00	19.60	357162
September'2010	24.35	19.00	109767
October'2010	21.80	19.05	62052
November'2010	26.80	16.55	102880
December'2010	24.65	18.00	26961
January'2011	22.90	18.00	24753
February'2011	21.80	17.95	32333
March'2011	23.65	17.30	32205

**Registrar and Share Transfer Agent :**
**MCS Limited**

Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara- 390 007

Tel No.: 0265- 2339397/2314757 Fax No.: 0265- 2341639

 Email: [mcsltdbaroda@yahoo.com](mailto:mcsltdbaroda@yahoo.com)
**Share Transfer System :**

Share transfer in physical form can be lodged with RTA of the company at the above mentioned address or with the company at the Registered Office. Applications for transfer of shares held in physical form which are received at the Registered Office are forwarded to Registrar and Share Transfer Agent at the above mentioned address. All transfer/transmission and demat requests are normally processed within 15-20 days from the date of receipt, if the documents are in order.

Pursuant to Clause 47(c) of the Listing Agreement with stock exchanges, Certificate on half yearly basis have been issued by a Company Secretary in Practice for due compliance of share transfer formalities by the company. Further, a certificate has also been received from a Company Secretary in Practice for timely dematerialisation of the shares of the company and for conducting reconciliation of share capital audit on a quarterly basis.

**Categories of Shareholders as on March 31, 2011 :**

Category of Members	Number of shares	% of total shares
Indian Promoters	1703304	46.54
Shareholders holding nominal share capital upto Rs. 1 lakh	1009381	27.58
Shareholders holding nominal share capital in excess of Rs. 1 lakh	750625	20.51
Private Bodies Corporate	196730	5.38
<b>TOTAL</b>	<b>3660040</b>	<b>100.00</b>

**Distribution of shareholding as on March 31, 2011 :**

Shareholding of Nominal value of Rs.	Shareholders		Shareholding	
	Number of Shareholders	%	Number of Shares	%
Up to 5000	3543	90.73	515577	14.09
5001 - 10000	151	3.87	121599	3.32
10001 - 20000	84	2.15	127884	3.49
20001 - 30000	40	1.02	101913	2.78
30001 - 40000	13	0.33	44795	1.22
40001 - 50000	12	0.31	54460	1.49
50001 - 100000	27	0.69	215708	5.89
100001 & above	35	0.90	2478104	67.71
<b>Total</b>	<b>3905</b>	<b>100.00</b>	<b>3660040</b>	<b>100.00</b>

**Dematerialization of shares :**

76.05 % of company's paid-up equity share capital i.e. 2783463 shares have been dematerialized upto 31.03.2011. Trading in Equity shares of the company is permitted only in dematerialised form as per notification issued by the Securities and Exchange Board of India (SEBI).

**Outstanding GDR / ADR / Warrants or any convertible instruments :**

The company has not issued any GDR/ADR/Warrants or any convertible instruments till date.

**Plant Locations :**

Mota Borasara, Kim,  
Taluka : Mangrol, Dist.: Surat.

Limodra Patia, Karanj,  
Taluka : Mandvi, Dist.: Surat.

**Address for investor correspondence :**

For dematerialisation of shares, share transfers, share transmissions, change of address, non-receipt of dividend/ annual report or any other query relating to shares may be addressed to :

**MCS Limited**

Neelam Apartment,  
88, Sampatrao Colony,  
Alkapuri, Vadodara- 390 007.  
Tel No.: (0265) 2339397/2314757  
Fax No.: (0265) 2341639

**Secretarial Department**
**Fairdeal Filaments Limited**

3<sup>rd</sup> Floor, Dawer Chambers,  
Nr. Sub-Jail, Ring Road, Surat-395 002.  
Phone No.: (0261) 3090200, 2635541-42  
Fax No.: (0261) 2635550

## Management Discussion and Analysis

### Industry structure and developments :

The textile industry was the pioneer of industrialization in India. The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. It contributes about 14 percent to industrial production, 4 percent to the GDP and 17 percent to the country's export earnings. It provides direct employment to over 35 million people. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

In recent past an attempt has been made to effect the correction in the anomalous duty structure by providing level playing field to all segments of the industry. The rationalization of the fiscal duty structure would strengthen the organized sector particularly the composite sector which has intrinsic strength in terms of economies of scale, higher productivity, superior technology, integrated working and skilled workforce and has the capability to produce the superior quality goods. In the competitive global scenario the resurrection of composite sector is of utmost importance if India has to emerge as a major player in the global textile market. Concentrated, coordinated and focused approach for integration and modernization is the need of the hour.

The sharp increase in production of polyester fibre and yarn has made India emerge as the 5th largest producer of man-made fibre/filament yarn in the world. The Man-made Fibre Textile industry in India is vibrant and growing. It boasts of nearly self sufficient raw material production base and produces a wide range of textiles. India has emerged as one of the World's leading manufacturer of man-made textiles, capable of supplying a wide range of textiles to the domestic and global markets. The fibres and filament yarns produced in India are comparable to the best in the world. Large investments have also been made in the spinning sector, which has led to the production of superior quality spun yarn. The modernization of fabric production is also petering down to the weaving and processing sectors and this in turn has resulted in international quality fabrics.

### Opportunities, threats and outlook :

Limited availability and higher prices of the synthetic fibres and filament in the domestic market are primarily due to lack of competition or oligopolistic market structure of the product in the country. There is an immense scope for price reduction and raising supply of man made fibres/filament yarn through enhancing competition and curbing monopolistic practices by allowing more firms to produce these products or directly involve in production related activities or curbing the share of single unit etc. Therefore, the government can take some measures for expansion of domestic capacity for production of man-made fibres.

In a World that is fast losing its traditional boundaries and borders are becoming invisible, there is need to bring about technological improvement, structural changes, liberalization from controls and regulations, increased productivities of labour and machine and reliable quality assurance systems. If there is insecurity inherent in the global economy, there is also opportunity opening up vast markets to Indian textiles and Indian clothing that were earlier closed or regulated and Indian textile industry is ready to take up this opportunity of free trade and secure its well deserved position in the international textile arena.

Polyester consumption is growing faster than that of any other fibre. There are large pockets of population that have low consumption like the Indian sub-continent and Africa. While the global per capita demand for all fibres stands at 11 kgs., with China at 16 kgs. and USA at 38 kgs., India is still less than 5 kgs. and Africa is at less than 4 kgs. These regions contribute to nearly half of the world population and are witnessing increase in disposable income with overall economic prosperity. Historically it is seen that rising per capita income and industrialization has increased textile consumption for both apparel and non-apparel application. Due to inherent constraints in the growth of cotton, polyester is likely to capture the maximum share of future growth.



We are self dependent on account of PTA/ MEG, Paraxylene requirement for polyester production while as China has to remain dependent for import of this material around 40% of total consumption.

Competition from other developing countries, especially China having large economies of scale of production. Continuous Quality Improvement with shift in the modern technology is need of the hour as there are different demand patterns all over the world.

**Risk and concerns :**

Fairdeal is engaged in manufacture of texturised, twisted and sized yarn and weaving on water-jet looms. The basic raw material for manufacturing company's product is POY, FDY, PFY etc. The company procures basic raw material from big Spinners who controls the downstream textile industry. Currency appreciation may affect textile exports from the country.

Recently, big spinners in the country are ramping up their manufacturing capacities to tap the huge export opportunities offered by quota free world. The increase in capacity of spinners will provide better opportunity for procuring basic raw materials at competitive prices. Reliance Industries Ltd. is the lowest cost producer of polyester textiles in the world.

**Internal Control System and their adequacy :**

Your company is conscious about the need to line up modern management practices. The company has successfully implemented RAMCO ERP software. The company has an internal control system commensurate with its size and nature of its business which covers areas such as optimum utilization of resources, accurate and prompt recording of transactions, safeguarding of assets, adherence to applicable accounting standards and policies, review of IT and other systems, compliance with prevalent statutes, management policies and procedures.

**Financial Performance :**

Your company has achieved turnover of Rs. 12078.06 lacs during the year under review as compared to Rs. 8296.08 lacs for the previous year. Increase in turnover during the year under review is on account of improved performance of yarn division through higher capacity utilization as well as increase in trading turnover.

The company has achieved operating profit of Rs. 655.05 lacs as compared to Rs. 511.39 lacs for the previous year. Profit before tax for the year under review has jumped to Rs. 172.65 lacs from Rs. 80.52 lacs for the previous year. Net Profit after tax reduced to Rs. 45.74 lacs as compared to Rs. 52.31 lacs for the previous year. Net profit after tax has decreased on account of higher tax outgo and tax provision by around Rs. 98.67 lacs.

**Human Resource Development/Industrial Relations :**

Fairdeal considers its employees as the most valuable assets for the company. Fairdeal focuses on attracting talent, retaining talent and developing talent for enhancing business performance. Industrial relations have continued to be cordial at all levels of the organization during the year under review.

**Forward Looking Statement- Cautionary Statement :**

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations etc. are "forward looking statements" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results may differ from those expressed or implied, depending upon economic conditions affecting demand/supply and price levels in the market, Government policies and other incidental or related factors.

## Auditors' Certificate on Corporate Governance

To,  
The Members of  
**Fairdeal Filaments Limited,**  
Surat.

We have examined the compliance of conditions of Corporate Governance by FAIRDEAL FILAMENTS LIMITED ("The Company") for the year ended on 31st March 2011, as stipulated in Clause 49 of Listing Agreement entered into with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. We have conducted our review on the basis of the relevant records and documents furnished to us for the review and the information and explanations given to us by the Company.

Based on such a review and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the said Listing Agreements.

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

**For, NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 123626W

**Ravindra Vepari**  
Partner  
Membership No. : 006728

**Place :** Surat  
**Date :** 31<sup>st</sup> May, 2011

**AUDITORS' REPORT**

To,  
The Members of  
**FAIRDEAL FILAMENTS LIMITED,**  
Surat.

1. We have audited the attached Balance Sheet of FAIRDEAL FILAMENTS LIMITED ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) The Balance Sheet, the Profit and Loss Account and Cash-flow Statement dealt with by this report read with notes, are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash-flow Statement dealt with by this report read with notes, are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said account read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c. In the case of the Cash-flow Statement, of the Cash-flows for the year ended on that date.

**For, NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 123626W

**Ravindra Vepari**  
Partner  
Membership No. : 6728

Place : Surat  
Date : 31<sup>st</sup> May, 2011

**ANNEXURE 'A' TO THE AUDITOR'S REPORT : YEAR ENDED 31-3-2011**

- i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) We are informed that the physical verification of the fixed assets has been carried out by the management at reasonable intervals and no material discrepancies were noticed on such physical verification;
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year that would affect the going concern status of the Company.
- ii) (a) The inventories have been physically verified by the management during the year. 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 was no material discrepancies noticed on physical verification of inventories as compared to the book records;
- iii) As per the information and explanations given to us and the records produced to us for our verification, the Company has not taken or granted secured or unsecured loan from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) (e), (f) and (g) of the Order, are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to the purchases of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not come across any major weaknesses in the internal control system of the Company.
- v) (a) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered;
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times;
- vi) The Company has not accepted deposits from the public within the meaning of Sections 58A, 58AA of the Companies Act, 1956 and the Rules framed there-under. Therefore, the provisions of Clause 4(vi) of the Order are not applicable.
- vii) On the basis of the internal audit report broadly reviewed by us, we are of the opinion that, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.

- ix) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, VAT, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable with the appropriate authorities.

According to the information and explanation given to us, no disputed amounts payable in respect of income tax, sales tax, custom duty, excise duty and cess, were in arrears, as at 31<sup>st</sup> March 2011 for a period for more than six months from the date they become payable.

- (x) The Company does not have any accumulated losses at the end of the financial year 31<sup>st</sup> March, 2011. Further, the Company has not incurred cash losses during the financial year ended 31<sup>st</sup> March, 2011 and in the immediately preceding financial year.
- (xi) On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company has not issued debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given by the management, in our opinion the terms and conditions of the guarantee given by the Company for loan taken by others from the Bank are not prejudicial to the interest of the company.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year have been applied for the purposes for which they were obtained.
- (xv) As per the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds relating to long term basis to short term basis and as explained they have been deployed to fund core working capital.
- (xvi) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xvii) The Company has not raised any money by public issues during the year.
- (xviii) The Company did not have any outstanding debentures during the year.
- (xix) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
- (xx) Considering the nature of activities being carried out, by the company and also the nature of the matters referred to in the various clauses of the Companies (Auditors' Report) Order, 2003, Clause (xiii) and (xiv) of paragraph 4 of the aforesaid order is not applicable to the Company.

**For, NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 123626W

**Ravindra Vepari**

Partner

Membership No. : 6728

Place : Surat

Date : 31<sup>st</sup> May, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Sch.	Current Year Rs.	Previous Year Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	1	36,600,400	36,600,400
(b) Reserves & Surplus	2	77,945,358	81,890,954
		<u>114,545,758</u>	<u>118,491,354</u>
<b>Loan Funds</b>			
(a) Secured loans	3	304,510,840	203,008,938
(b) Unsecured Loans	4	126,368,993	85,273,113
		<u>430,879,833</u>	<u>288,282,051</u>
<b>Deferred Tax Liability</b>		10,224,432	7,476,984
	<b>TOTAL</b>	<u><u>555,650,023</u></u>	<u><u>414,250,389</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	323,778,548	308,877,317
Less : Depreciation		173,858,595	151,544,039
		<u>149,919,953</u>	<u>157,333,278</u>
Add : Capital - Work in Progress (FA)		22,823,238	914,768
<b>Net Block</b>		<u>172,743,191</u>	<u>158,248,046</u>
<b>Investments</b>	6	10,460,000	9,760,000
<b>Current Assets, Loans and Advances</b>			
(a) Inventories	7	104,684,875	44,717,879
(b) Sundry Debtors		249,053,383	185,945,451
(c) Cash and bank balances		2,948,901	5,895,322
(d) Loans and advances		64,834,640	44,044,542
		<u>421,521,799</u>	<u>280,603,194</u>
<b>Less : Current Liabilities &amp; Provisions</b>	8		
(a) Current Liabilities		22,765,994	13,467,459
(b) Provisions		26,308,973	20,893,393
		<u>49,074,967</u>	<u>34,360,851</u>
<b>Net Current Assets</b>		<u>372,446,832</u>	<u>246,242,343</u>
	<b>TOTAL</b>	<u><u>555,650,023</u></u>	<u><u>414,250,389</u></u>

**Notes forming part of the accounts**

As per our report of even date.

**For, NATVARLAL VEPARI & CO.**

CHARTERED ACCOUNTANTS

Firm Reg. No. 123626W

**Ravindra Vepari**

Partner

Membership No. : 6728

SURAT, Date : 31.05.2011

**Hitesh K. Garmora**

Company Secretary

For and on behalf of the Board,

**D. R. Shah**

Managing Director

**A. R. Shah**

Whole-time Director

SURAT, Date : 31.05.2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Sch.	Current Year Rs.	Previous Year Rs.
<b>INCOME</b>			
Sales		1,208,806,393	836,157,115
Jobwork Income		11,115,557	9,346,697
		<u>1,219,921,950</u>	<u>845,503,813</u>
Less : Excise Duty		1,491,888	508,975
Less : Value Added Tax		44,903,487	35,197,743
		<u>1,173,526,575</u>	<u>809,797,095</u>
Other Operating Income	9	34,279,219	19,810,924
Increase/(Decrease) in Finish Goods Stock	10	1,371,135	8,859,537
	<b>TOTAL</b>	<u><u>1,209,176,929</u></u>	<u><u>838,467,556</u></u>
<b>EXPENDITURE</b>			
Consumption of Raw Material	11	550,643,377	374,343,003
Finished Goods Purchased		454,112,707	308,780,212
Manufacturing and other expenses	12	81,053,366	65,345,870
Payment and benefits to employees	13	29,987,982	22,406,731
Administrative and other expenses	14	13,350,523	10,067,034
Selling and distribution expenses	15	14,323,761	6,383,050
Depreciation		19,925,430	22,476,257
Financial charges	16	28,315,163	20,611,122
Loss on Sale of Fixed Assets		199,940	2,455
	<b>TOTAL</b>	<u><u>1,191,912,249</u></u>	<u><u>830,415,735</u></u>
<b>Net Profit for the year before taxation</b>		<b>17,264,680</b>	8,051,821
Add / (Less) : Deferred tax Asset/(liability)		(2,747,448)	(229,634)
Less : Provision for tax		<u>(8,371,000)</u>	<u>(2,944,000)</u>
<b>Net Profit for the year after taxation</b>		<b>6,146,232</b>	4,878,187
Less : Short provision of tax in earlier years		1,572,481	-
ADD : Excess provision of tax in earlier years		-	352,604
<b>Net Profit</b>		<u><b>4,573,751</b></u>	<u>5,230,791</u>
Balance brought forward		<u>38,702,879</u>	<u>39,124,668</u>
<b>Balance Available for Appropriation</b>		<u><u>43,276,630</u></u>	<u><u>44,355,459</u></u>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		4,575,050	4,575,050
Corporate Tax on Dividend		742,073	777,530
General Reserve		115,000	300,000
	<b>TOTAL</b>	<u><u>5,432,123</u></u>	<u><u>5,652,580</u></u>
Balance Carried to Balance Sheet		<b>37,844,507</b>	38,702,879
<b>Notes forming part of the accounts</b>	17		
As per our report of even date.			
<b>For, NATVARLAL VEPARI &amp; CO.</b>		For and on behalf of the Board,	
CHARTERED ACCOUNTANTS			
Firm Reg. No. 123626W			
<b>Ravindra Vepari</b>	<b>Hitesh K. Garmora</b>	<b>D. R. Shah</b>	<b>A. R. Shah</b>
Partner	Company Secretary	Managing Director	Whole-time Director
Membership No. : 6728			
SURAT, Date : 31.05.2011		SURAT, Date : 31.05.2011	

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

	Sch.	Current Year Rs.	Previous Year Rs.
<b>SHARE CAPITAL</b>	1		
<u>Authorised</u>			
55,00,000 (Previous Year- 55,00,000) Equity Shares of Rs. 10/- each.		<b>55,000,000</b>	55,000,000
Issued, subscribed and paid-up		<b>36,600,400</b>	36,600,400
36,60,040 (Previous Year- 36,60,040) Equity Shares of Rs. 10/- each fully paid up.		<b>36,600,400</b>	36,600,400
<b>RESERVES AND SURPLUS</b>	2		
Capital Reserves		<b>6,996,648</b>	6,996,648
General Reserve		<b>1,600,000</b>	1,300,000
Add : Transfer from Profit and Loss Account		<b>115,000</b>	300,000
		<b>1,715,000</b>	1,600,000
Revaluation Reserve		<b>23,764,703</b>	28,201,145
Less: Transfer to Profit and Loss Account for Depreciation		<b>3,202,224</b>	4,436,442
		<b>20,562,479</b>	23,764,703
Security Premium		<b>10,826,724</b>	10,826,724
Profit & Loss Account (Credit Balance)		<b>37,844,507</b>	38,702,879
		<b>77,945,358</b>	81,890,954
<b>SECURED LOANS</b>	3		
<b>(A) TERM LOANS</b>			
Bank of Baroda Term Loan		<b>67,953,394</b>	68,610,220
(Secured by hypothecation of raw materials, stock-in-process, finished goods, book-debts, plant and machinery and equitable mortgage of factory, land and building situated at Village Karanj, Taluka; Mandvi, Dist.: Surat and Village Mota Borasara, Taluka : Mangrol, Dist.:Surat. Facility is further secured by equitable mortgage of office premises third Floor, Dawer Chambers, Ring Road, Surat and Hypothecation of Windmill situated at Village : Suthari, Taluka : Abdasa, Dist.: Kutch.)			
HDFC Bank Ltd - Car Loan		-	53,315
(Secured against hypothecation of Car)			
BMW India Financial Services Pvt. Ltd.		<b>2,900,000</b>	-
(Secured against hypothecation of Car)			
(Refer note (9) of Schedule 17)			
<b>(B) WORKING CAPITAL</b>			
Bank of Baroda FCNR (B) Loan		-	90,000,000
Bank of Baroda Rupee Loan		<b>162,498,984</b>	34,240,920
Bank of Baroda (Pre-shipment & Post-shipment Loan)		<b>32,638,034</b>	-
Hongkong and Shanghai Bank(HSBC) (Buyer's Credit)		<b>2,646,450</b>	-



	Sch.	Current Year Rs.	Previous Year Rs.								
<p>(Secured by hypothecation of raw materials, stock-in-process, finished goods, book-debts, plant and machinery and equitable mortgage of factory, land and building situated at Village; Karanj. Taluka; Mandvi, Dist.: Surat and Village Mota Borasara, Taluka : Mangrol, Dist. Surat. Facility is further secured by equitable mortgage of office premises third floor, Dawer Chambers, Ring road, Surat and Hypothecation of Windmill situated at village : Suthari, Taluka : Abdasa, Dist.: Kutch.)</p>											
<b>(C) CORPORATE LOAN</b>											
AXIS Bank		-	10,104,483								
(Secured by Second Charge on Current Assets of the company)											
Bank of Baroda Corporate Loan		<b>35,873,978</b>	-								
<p>(Secured by hypothecation of raw materials, stock-in-process, finished goods, book-debts, plant and machinery and equitable mortgage of factory, land and building situated at Village; Karanj. Taluka; Mandvi, Dist.: Surat and Village Mota Borasara, Taluka : Mangrol, Dist. Surat. Facility is further secured by equitable mortgage of office premises third floor, Dawer Chambers, Ring road, Surat and Hypothecation of Windmill situated at village :Suthari, Taluka : Abdasa, Dist.: Kutch.)</p>											
		<b>304,510,840</b>	<b>203,008,938</b>								
<b>UNSECURED LOANS</b>	4										
Inter corporate deposits from Companies		<b>93,820,000</b>	71,090,000								
Short term loan from ICICI Bank Ltd.		<b>29,148,993</b>	10,783,113								
Loan from LIC		<b>3,400,000</b>	3,400,000								
		<b>126,368,993</b>	<b>85,273,113</b>								
<b>Schedule-5 : Fixed Assets</b>											
Sr. No.	Particulars	Gross Block			Depreciation				Net Block		
		AS ON 01.4.2010	ADDITION	ADJUSTMENT	AS ON 31.3.2011	UPTO 01.4.2010	FOR THE YEAR	ADJUST- MENT	AS ON 31.3.2011	AS ON 31.3.2011	AS ON 31.3.2010
1	LAND	14313074	0	0	14313074	0	0	0	0	14313074	14313074
2	FACTORY BUILDING	32157153	4801749	0	36958902	9869863	1156682	0	11026546	25932356	22287289
3	PLANT AND MACHINERY	95162161	7064636	98443	102128354	62755631	8048726	1153	70803203	31325151	32406530
4	OFFICE EQUIPMENT	3661792	50555	236289	3476058	1517479	161804	53198	1626085	1849973	2144313
5	COMPUTER	9263614	590237	0	9853851	5355284	1108062	0	6463346	3390505	3908330
6	VEHICLES	7420480	3307990	973544	9754926	3692278	731248	758746	3664780	6090146	3728202
7	FURNITURES & FIXTURE	3126726	97750	0	3224476	2238629	134775	0	2373404	851072	888097
8	LABORATORY EQUIP.	9880	0	0	9880	9580	299	0	9879	1	300
9	BEAM PIPE	1657755	81490	0	1739245	1584956	48949	0	1633905	105340	72799
10	OFFICE BUILDING	1502994	0	0	1502994	354814	24053	0	378866	1124128	1148180
11	ELECTRICAL INSTALLATION	201010	0	0	201010	89203	9548	0	98751	102259	111807
12	PLANT & MACHINERY UNDER TUF	103133029	215100	0	103348129	49327791	8251326	0	57579118	45769011	53805237
13	WINDMILL	37267650	0	0	37267650	14748531	3452181	0	18200712	19066938	22519119
	<b>TOTAL</b>	<b>308877317</b>	<b>16209507</b>	<b>1308276</b>	<b>323778548</b>	<b>151544039</b>	<b>23127653</b>	<b>813097</b>	<b>173858595</b>	<b>149919953</b>	<b>157333278</b>
	Previous Year	302047710	9147480	2317872	308877317	126653373	26912699	2022033	151544039	157333278	175394335
<p>Note : Depreciation on valued portion of Fixed Assets is calculated on written down method over balance useful life of assets are transferred from revaluation reserve to the Profit &amp; Loss account amounting to Rs. 32,02,224/- (P.Y.- Rs. 44,36,442/-)</p>											

	Sch.	Current Year Rs.	Previous Year Rs.
<b>INVESTMENTS</b>	6		
<b>(Valued at cost, unquoted)</b>			
315,000 (P.Y. 245,000) shares of Shahlon Industrial Infrastructure Pvt. Ltd.		3,150,000	2,450,000
730,000 (P.Y. 730,000) shares of Fairdeal Textile Park Pvt. Ltd.		7,300,000	7,300,000
Fairdeal Textile Park Pvt. Ltd. (Share Application Money)		<u>10,000</u>	<u>10,000</u>
		<u><b>10,460,000</b></u>	<u><b>9,760,000</b></u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>	7		
<b>Inventories</b>			
Consumable stores etc.		5,724,946	4,545,282
Raw materials		73,610,904	16,194,708
Finished goods		<u>25,349,025</u>	<u>23,977,890</u>
		<u><b>104,684,875</b></u>	<u><b>44,717,879</b></u>
<b>Sundry Debtors (Unsecured and Considered Good)</b>			
Sundry Debtors		242,242,928	177,001,326
Sundry Debtors-Over Six Months		<u>6,810,455</u>	<u>8,944,125</u>
		<u><b>249,053,383</b></u>	<u><b>185,945,451</b></u>
<b>Cash and Bank Balances</b>			
Cash on hand		273,882	232,784
Balance with Scheduled Banks in Current A/cs		33,038	3,045,060
Balance with Scheduled Banks in F.D. A/cs		1,377,070	1,377,070
Unclaimed Dividend A/c with Scheduled Banks		<u>1,264,911</u>	<u>1,240,408</u>
		<u><b>2,948,901</b></u>	<u><b>5,895,322</b></u>
<b>Loans and Advances</b>			
<b>Unsecured - (Considered Good unless otherwise stated)</b>			
Advances (recoverable in cash or in kind or for value to be received)		11,579,509	12,217,875
Utility Deposits		2,060,411	1,279,940
Prepaid Expenses		1,180,920	1,050,908
Advance Income Tax		10,587,864	13,171,456
Advance for Goods		3,169,952	2,679,308
Interest Subsidy under TUF receivable		7,668,326	5,970,591
Interest accrued on Fixed Deposit		205,189	104,764
Duty Rebate Receivable		14,209,104	57,518
VAT Credit Receivable		6,385,017	-
Central Excise-PLA		28,517	469
Cenvat Receivable on Goods		<u>7,759,831</u>	<u>7,511,713</u>
		<u><b>64,834,640</b></u>	<u><b>44,044,542</b></u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>	8		
<b>Current Liabilities</b>			
Sundry Creditors for Goods and other purchases		11,930,254	4,393,114
Sundry Creditors for expenses		2,614,500	3,460,683
Sundry Creditors for statutory liabilities		3,333,857	3,465,835
Advance against Order		3,622,472	907,419
Unclaimed dividend		<u>1,264,911</u>	<u>1,240,408</u>
		<u><b>22,765,994</b></u>	<u><b>13,467,459</b></u>

	Sch.	Current Year Rs.	Previous Year Rs.
<b>PROVISIONS</b>			
Provision for taxation		11,314,991	6,918,678
Provision for Expense		9,061,896	8,025,877
Proposed dividend		4,575,050	4,575,050
Tax on proposed dividend		742,073	777,530
Provision for Earned Leave		312,529	296,641
Provision for Earned Bonus		302,434	299,617
		<u>26,308,973</u>	<u>20,893,393</u>
<b>OTHER INCOME</b>			
	9		
Commission Income (Net)		21,826,077	17,078,127
Duty drawback/DFIC/DEPB License		8,701,393	1,616,419
Sundry Balances written back		211,852	210,110
Income from Currency Swap/Option Contract		862,190	9,755
Godown Rent		180,000	103,000
Interest on Income tax refund		484,826	-
Interest Income		321,749	129,107
Other Operating Income		1,691,132	664,406
		<u>34,279,219</u>	<u>19,810,924</u>
<b>INCREASE/(DECREASE) IN FINISH GOODS STOCK</b>			
	10		
Opening stock		-23,977,890	-15,118,353
Closing stock		25,349,025	23,977,890
		<u>1,371,135</u>	<u>8,859,537</u>
<b>CONSUMPTION OF RAW MATERIAL</b>			
	11		
Opening Stock of Raw Material		16,194,708	24,563,949
Add : Purchases of Raw Material		608,059,573	365,973,762
		<u>624,254,281</u>	<u>390,537,711</u>
Less : Closing Stock of Raw Material		73,610,904	16,194,708
		<u>550,643,377</u>	<u>374,343,003</u>
<b>MANUFACTURING AND OTHER EXPENSES</b>			
	12		
Power & Fuel Expenses		35,748,070	27,885,505
Consumables		36,744,569	26,355,738
Lising Charges		1,323,065	1,057,022
Factory Expenses		1,160,549	1,555,927
Plant & Machinery Repairs & Maintenance		1,862,441	1,857,431
Water Charges		1,446,916	1,615,605
Building repairs and Maintenance		1,089,054	318,538
Job Charges		670,073	3,673,463
Leave & License Expenses		180,000	180,000
Wind Mill Expenses		828,629	846,642
		<u>81,053,366</u>	<u>65,345,870</u>
<b>PAYMENT AND BENEFITS TO EMPLOYEES</b>			
	13		
Salaries, Wages, Bonus & Other Benefits		26,747,881	20,578,719
Contribution to Provident Fund & Expenses		741,354	761,256
Group Gratuity Premium		1,619,553	252,483
Food & Beverages (Provided at Factory / Office)		879,194	814,273
		<u>29,987,982</u>	<u>22,406,731</u>

	Sch.	Current Year Rs.	Previous Year Rs.
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>	14		
Legal and Professional Charges		2,663,869	925,594
Tour, Travelling & Conveyance		1,299,568	1,188,802
Directors' remuneration		5,418,720	4,518,720
Directors' fees		9,000	5,000
Insurance Charges		271,475	236,552
Electrical Expense		447,088	419,500
Audit Fees		275,000	275,750
Repairs and Maintenance		116,416	96,347
Sundry Expenses		898,949	553,779
Telephone, Postage & Fax expense		915,658	803,116
Stationery and Printing Expenses		417,216	420,053
Computer Expenses		414,113	462,568
Donation		203,451	161,253
		<u>13,350,523</u>	<u>10,067,034</u>
<b>SELLING AND DISTRIBUTION EXPENSES</b>	15		
Freight and forwarding charges		5,186,710	486,854
Advertisement Expense		382,989	456,016
Brokerage		8,596,040	4,823,250
Bad Debts Written off		-	495,949
Repair & Maintenance to Motor Vehicle		158,022	120,981
		<u>14,323,761</u>	<u>6,383,050</u>
<b>FINANCIAL CHARGES</b>	16		
Term Loan Interest		5136887	5613017
Working Capital Interest		18471920	12790516
Interest to Others		716,037	259,177
Bill Discount Charges		1,653,436	1,476,036
Bank charges		2,336,883	472,375
		<u>28,315,163</u>	<u>20,611,122</u>

**NOTES FORMING PART OF ACCOUNTS SCHEDULE “17”****(1) Significant Accounting Policies :****(a) Basis of preparation of financial statements :**

- i) The financial statements have been prepared to comply in all material respects with the Notified Accounting Standard by Companies (Accounting Standard) Rules, 2009 (as amended) and the relevant provisions of the Companies Act, 1956.
- ii) The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with Generally Accepted Accounting Principles except in case of assets for which provision for impairment is made and revaluation is carried out.
- iii) The Accounting policies are consistently applied by the Company.

**(b) Fixed Assets :**

Fixed Assets (except land) are carried at cost of acquisition or construction (net of CENVAT) less accumulated depreciation and impairment losses, if any. All cost including interest and financing cost till the asset put to use is capitalized to the extent it is measurable. Subsequent expenditure incurred on assets put to use is capitalized only where it increases future benefits/functioning capabilities from/of such assets.

**(c) Depreciation :**

- i) Depreciation on all assets is provided on Straight Line Method basis as stipulated in Schedule XIV to the Companies Act, 1956 on pro-rata basis while on the machineries of Karanj unit acquired on or after 01-04-2001 is provided on Written down value as stipulated under Schedule XIV to the Companies Act, 1956 on pro-rata basis.
- ii) Assets individually costing less than Rs. 5000/- are fully depreciated in the year of acquisition.
- iii) Depreciation on revalued portion of fixed assets is calculated on Written down method over balance useful life of assets as determined by the valuer and is transferred from Revaluation Reserve to the Profit and Loss Account.

**(d) Impairment :**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.

**(e) Investments :**

All investments are stated at cost of acquisition. No provision is made in respect of diminution in the value of investment, which is temporary in nature.

**(f) Inventories :**

Inventories are valued in accordance with the requirements of the Revised Accounting Standard 2(AS - 2) issued by the Institute of Chartered Accountants of India on valuation of inventories which are as under :

- i) Raw Material and Finished Goods are valued at lower of cost or net realisable value.
- ii) Stores, chemicals, fuel and packing materials are valued at cost.

**(g) Borrowing Cost :**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to the extent it is measurable are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**(h) Revenue recognition :**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

**i) Sale of Goods:**

Sale is accounted when goods are supplied and recorded net of trade discount and rebates.

**ii) Late Payment Charges / Discount:**

Late payment charges / discounts are recognized on the ground of prudence as and when recovered.

**(i) Foreign Currency Transactions :****i) The reporting currency of the company is Indian rupees.**

ii) Transactions in foreign currencies are recognized at the prevailing exchange rates on the transaction dates. Realized gain and losses on settlement of foreign currency transactions are recognized in the Profit and Loss Account under the natural revenue heads of accounts.

iii) Foreign currency assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognized in the Profit and Loss Account.

iv) In case of forward contract, or other financial instruments that are in substance forward exchange contracts, the premium or discounts arising at the inception of the contract is amortize as expense or income over the life of the contract. Gains /(losses) on settlement of the transactions arising on cancellation/renewal of forward exchange contracts are recognized as income or expense.

**(j) Retirement Benefits :**

i) **Short term Employee Benefits :** All employee benefits falling due within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, bonus, leave salary, exgratia are recognized in the period in which employee renders the related services.

**ii) Post Employment Plans :**

a) Defined Contribution Plan : Provident fund and pension scheme are the defined contribution plan in the company. The contribution paid /payable under the scheme is recognized during the period in which the employee renders the related services.

b) Defined Benefit Plans : Employee Gratuity fund scheme is the defined benefit plan. The Company makes annual contributions for gratuities to funds administered by trustees and managed by insurance company for amounts notified by the said insurance company. The present value of obligation under such defined benefit plan is determined based on actuarial valuation carried out by an independent actuary.

**(k) Provisions, Contingent Liabilities and Contingent Assets :**

i) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

ii) Liabilities which are material, and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent, and disclosed by way of notes to the accounts.

iii) Contingent Assets are neither recognized nor disclosed in the financial statement, Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**(l) Taxation :**

- i) Income-tax expense comprises current tax/MAT
- ii) In accordance with the Accounting Standard 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India ('ICAI'), the Company provides for deferred tax at the year end. Deferred tax resulting from timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years, at the current rate of tax, to the extent that the timing differences are expected to crystallise.
- lii) Deferred tax arising on account of unabsorbed depreciation and other provisions are recognized only when there is a virtual certainty supported by convincing evidence that such assets will be realized.

**(m) Earning per share :**

Basic Earning Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

**(2) Contingent Liabilities :**
**(Rs. in Lacs)**

Particulars	2010-11	2009-10
a. Counter guaranties given to banks	3.50	3.50
b. Guarantee given to Bank of Baroda on behalf of Shahlon Industrial Infrastructure Pvt. Ltd. (given on 10.05.2006)	67.59	102.92
c. Bank Guarantee provided to DGFT to secure texturising machine under EPCG Scheme	5.73	5.73

**(3) Payment to Auditors :**
**(Rs. in Lacs)**

Particulars	2010-11	2009-10
a. As Auditors : (Including Tax audit fees)	2.75	2.75
b. Capacity in respect of :		
i. Company law matter	-	-
ii. Taxation matter	-	-
iii. Management services	-	-
iv. In any other manner	0.25	0.25

**(4) Additional Information :**

Pursuant to provisions of paragraphs 3, 4C, 4D in Part II of Schedule VI to the Companies Act, 1956, the information pertaining to capacity, goods manufactured turnover, stock and raw materials consumed is given to the extent applicable.

	<u>2010-2011</u>	<u>2009-2010</u>
Licensed Capacity	Not applicable	Not applicable
Installed Capacity *		
(1) Yarn	6280 MTPA	6280 MTPA
(2) Fabrics (In Lacs)	63.35 Meters	63.35 Meters

\* As certified by one of the directors, being a technical matter.

	2010-2011		2009-2010	
<b>* Quantity Yarn - MTPA Fabrics - Meters in Lacs</b>	<b>*Quantity</b>	<b>Rupees (in Lacs)</b>	<b>*Quantity</b>	<b>Rupees (in Lacs)</b>
i) Opening Stock				
Yarn	<b>169.85</b>	<b>130.58</b>	77.82	65.00
Fabrics	<b>5.15</b>	<b>109.20</b>	1.46	86.19
ii) Closing Stock				
Yarn	<b>184.77</b>	<b>207.78</b>	169.85	130.58
Fabrics	<b>2.45</b>	<b>45.71</b>	5.15	109.20
iii) Production				
Yarn	<b>5257.58</b>		3828.20	
Fabrics	<b>41.31</b>		46.32	
iv) Trading Purchase				
Yarn	<b>4548.32</b>	<b>4438.28</b>	3524.82	3083.32
Fabrics	<b>2.72</b>	<b>102.85</b>	0.21	4.49
v) Turnover				
Yarn	<b>9790.98</b>	<b>10597.55</b>	7260.95	7183.22
Fabrics	<b>46.73</b>	<b>1160.33</b>	42.80	821.90
RAW Material Yarn	<b>362.39</b>	<b>330.18</b>	419.79	356.45
vi) Raw Material Consumed*	<b>5859.61</b>	<b>5506.43</b>	4580.90	3743.43
*Including Raw Material Sales				
vii) a) Value of Raw Material consumed*				
Imported	<b>0.76%</b>	<b>41.67</b>	3.99%	149.54
Indigenous	<b>99.24%</b>	<b>5464.76</b>	96.01%	3593.89
Total	<b>100.00%</b>	<b>5506.43</b>	100.00%	3743.43
b) Consumable stores				
Imported	<b>0.00%</b>	<b>0.00</b>	3.50%	1.97
Indigenous	<b>100.00%</b>	<b>55.82</b>	96.50%	54.30
Total	<b>100.00%</b>	<b>55.82</b>	100.00%	56.27
*Includes Raw Material sales				
viii) Value of imports on CIF basis				
Raw Material		<b>41.67</b>		149.54
Capital Goods		<b>8.66</b>		2.69
Consumable Spares		<b>0.00</b>		1.97



**(5) Employee Benefits :**

Gratuity : The employee gratuity fund is managed by "Life Insurance Corporation of India". The Present value of obligation is determined based on actuarial valuation. The liability is fully funded.

**(Rs. in Lacs)**

Particulars	2010-11	2009-10
a. Amounts recognized in Balance Sheet are as follows :		
A. Present Value of Defined Benefit Obligation		
- Wholly Funded	<b>41,11,123</b>	2,535,928
- Wholly Unfunded	-	-
Less : Fair Value of Plan Assets	<b>41,11,123</b>	2,535,928
Amount to be recognized as Liability or (Assets)	-	-
B. Amount Reflected in Balance Sheet		
- Liability	-	-
b. Amounts recognized in Profit & Loss Account :		
1. Current Service Cost	<b>1,592,550</b>	246,041
2. Interest Cost	<b>236,760</b>	192,584
3. Expected Return on Plan Assets	<b>236,760</b>	192,584
4. Actuarial Losses/(Gains)	<b>(27,003)</b>	18,635
Total included in " Payments to and Provision for Employees" (Refer Schedule 13)	<b>1,619,553</b>	227,406
c. <u>Changes in present value of defined benefit obligation representing reconciliation of opening &amp; closing balances thereof are as follows :</u>		
Opening Value of present value of defined benefit obligation	<b>2,535,928</b>	2,097,303
Add : Current service cost	<b>1,592,550</b>	246,041
Add : Interest Cost	<b>236,760</b>	192,584
Add : Contribution made	-	-
Less : Benefits paid	<b>4,365,238</b>	2,535,928
Closing Value of present value of defined benefit obligation	<b>254,115</b>	-
Closing Value of present value of defined benefit obligation	<b>4,111,123</b>	2,535,928
d. <u>Principal Actuarial Assumptions at the Balance Sheet Date (expressed as Weighted Averages)</u>		
Discount Rate (p.a.)	<b>8.00%</b>	8.00%
Expected Rate of Return on Assets (p.a.)	<b>9.15%</b>	9.00%

(6) Earning in foreign exchange F.O.B. values of exports Rs. 1068.73 Lacs (P.Y.- Rs. 88.75 Lacs)

(7) Expenditure in foreign currency (on payment basis)

**(Rs. in Lacs)**

	2010-2011	2009-2010
i Raw Material	<b>11.51</b>	117.22
ii Capital Goods	<b>6.70</b>	5.36
iii Consumable Spares	<b>0.00</b>	1.48
iv Foreign Traveling	<b>0.15</b>	0.00
v Commission Expenses Export	<b>13.45</b>	0.00

- (8) Remittances by the company in foreign currencies for dividends : (including amount credited to Non Resident External Accounts) :

Dividend for the year ended	31-03-2010	31-03-2009
No. of Non-resident shareholders	6	6
No. of Equity Shares of face value of Rs.10 each held	124700	124700
Amount of Dividend Rs. (In Lacs)	1.56	1.56

- (9) Secured loans include loans of Rs. **335.78 Lacs** (P.Y.- Rs. 242.68 lacs) repayable / redeemable within one year.
- (10) Sales/Purchase include inter-divisional transfers of Rs. Nil (P.Y. Nil lacs)
- (11) The Company has identified only one Segment Viz. **TEXTILES**, and commission income credited is also identified to be relating to textile segment exclusively. Wind Power Generation is intended only for captive consumption.
- (12) Disclosure required as per AS-18 issued by ICAI in respect of related party is as under:-

(A) Related parties where common control exists and transactions entered into :

(Rs. in Lacs)

Sr. No.	Name of the Related Party	Nature of Transaction	Amount	Balance as on 31/3/2011
1	Shahlon Industries Pvt. Ltd	Sales	282.06	NIL
		Interest (Income)	2.60	
		Rent Income	1.80	
		Job Income	75.98	
		Commission Paid	5.99	
		Yarn Purchases	38.32	
		Water Charges	14.47	
		Job Charges	24.09	
2	Shahlon Silk Mills Pvt. Ltd.	Sales (Yarn )	153.40	NIL
		Interest	2.87	
		Job Income	26.38	
		Commission Paid	11.34	
		Purchase	164.30	
		Job Charges	39.86	
3	Fairdeal Textile Park Pvt. Ltd.	Advance for Capital Goods		49.50 Dr
4	Shahlon Ind. Infrastructure Pvt. Ltd.	Power (Expenses)	178.69	NIL
5	Shri D. R. Shah (Key Management Personnel)	Remuneration	27.09	NIL
6	Shri A. R. Shah (Key Management Personnel)	Remuneration	27.09	NIL

**(13) Deferred Taxation :**

Considering the estimated future cash flow that could potentially absorb the deferred tax impact, Deferred Tax Liability has been measured at an appropriate rate.

**Working for Deferred Taxation:**

Particulars	2010-11	2009-10
Deferred Tax Liability	<b>1,04,28,707.00</b>	76,61,228.00
Deferred Tax Asset	<b>2,04,275.00</b>	1,84,244.00
Deferred Tax Liability/ (Asset)	<b>1,02,24,432.00</b>	74,76,984.00

- (14) There are no dues (P.Y.- Rs. Nil) from the Companies or Firms where Directors are Directors / Partners.
- (15) The company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure requirements in this regard as per Schedule VI to the Companies Act, 1956 have not be provided.
- (16) Part-IV of Schedule VI to the Companies Act, 1956 as per Annexure 'A'.
- (17) There is no diluted equity share of the company hence Earning Per Share (EPS) is as per Part IV stated above.
- (18) Confirmations to the extent received from debtors have been reconciled.
- (19) Previous year's figures have been regrouped / recast wherever considered necessary.

**Signature to Schedules "1" to "17"**

As per our report of even date.

**For, NATVARLAL VEPARI & CO.**

CHARTERED ACCOUNTANTS

Firm Reg. No. 123626W

**Ravindra Vepari**

Partner

Membership No. : 6728

SURAT, Date : 31.05.2011

**Hitesh K. Garmora**

Company Secretary

For and on behalf of the Board,

**D. R. Shah**

Managing Director

**A. R. Shah**

Whole-time Director

SURAT, Date : 31.05.2011

**BALANCE SHEET ABSTRACT AND GENERAL BUSINESS PROFILE**

**I. REGISTRATION DETAILS :**

Registration No.      State Code:

Balance sheet date :-

**II. CAPITAL RAISED DURING THE YEAR**

(Rs. in 000's)

Public Issue	Right Issue
<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>
Bonus Issue	Private Placement
<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:**

(Rs. in 000's)

Total Liabilities	Total Assets
<input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="5"/>	<input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="5"/>

Sources of Funds :

Paid-up Capital	Reserve & Surplus
<input type="text"/> <input type="text"/> <input type="text"/> 3 6 6 0 0	<input type="text"/> <input type="text"/> <input type="text"/> 7 7 9 4 5
Share Application Money	Deferred Tax Liabilities
<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> 1 0 2 2 4
Secured Loans	Unsecured Loans
<input type="text"/> <input type="text"/> <input type="text"/> 3 0 4 5 1 1	<input type="text"/> <input type="text"/> <input type="text"/> 1 2 6 3 6 9

Application of Funds :

Net Fixed Assets	Investments
<input type="text"/> <input type="text"/> <input type="text"/> 1 7 2 7 4 3	<input type="text"/> <input type="text"/> <input type="text"/> 1 0 4 6 0
Net Current Assets	Misc. Expenditure
<input type="text"/> <input type="text"/> <input type="text"/> 3 7 2 4 4 7	<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>
Accumulated Losses	
<input type="text"/> <input type="text"/> <input type="text"/> N I L <input type="text"/> <input type="text"/>	

**IV. PERFORMANCE OF COMPANY :**

(Rs. in 000's)

Turnover (Gross Revenue)	Total Expenditure
<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="7"/>	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="2"/>
Profit/Loss before Tax	Profit/Loss after Tax
+ <input type="text"/> <input type="text"/> <input type="text"/> 1 7 2 6 5	+ <input type="text"/> <input type="text"/> <input type="text"/> 4 5 7 4
(Please tick Appropriate box + for Profit - for Loss)	Dividend rate %
Earning per Share in Rs.	<input type="text"/> <input type="text"/> <input type="text"/> 1 2 . 5 0
<input type="text"/> <input type="text"/> <input type="text"/> 1 . 2 5	

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY:**

(as per monetary terms)

Item Code No.:(ITC Code)	<input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/>
Product Description:	Z E R O T W I S T S I Z E D Y A R N
Item Code No.:(ITC Code)	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>
Product Description:	D R A W T E X T U R I S E D Y A R N
Item Code No.:(ITC Code)	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/>
Product Description:	T W O F O R O N E T W I S T E D Y A R N
Item Code No.:(ITC Code)	<input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/>
Product Description:	G R E Y F A B R I C S

**For, NATVARLAL VEPARI & CO.**  
CHARTERED ACCOUNTANTS  
Firm Reg. No. 123626W

For and on behalf of the Board,

**Ravindra Vepari**  
Partner

**Hitesh K. Garmora**  
Company Secretary

**D. R. Shah**  
Managing Director

**A. R. Shah**  
Whole-time Director

Membership No. : 6728  
SURAT, Date : 31.05.2011

SURAT, Date : 31.05.2011

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2011**

	2010-2011 Rs.	2009-2010 Rs.
<b>(A) Cash Flow from Operating Activities :</b>		
<b>Net profit before tax and Extraordinary items :</b>	<b>17,264,680</b>	8,051,821
<u>Adjusted for :</u>		
Depreciation	19,925,430	22,476,257
Interest paid	28,315,163	20,611,122
Interest Received	(100,425)	(104,764)
Extra ordinary item (loss on sale of assets/earlier year taxes)	(1,372,541)	355,059
<b>Operating profit before Working Capital Changes</b>	<b>64,032,306</b>	51,389,495
<u>Adjusted for :</u>		
Trade and other receivables	(83,898,030)	(63,807,745)
Inventories	(59,966,995)	(1,589,109)
Trade payables and other payables	14,714,115	2,703,573
<b>Cash Generated From Operations</b>	<b>(65,118,603)</b>	(11,303,786)
Interest paid on operations	(23,178,276)	(14,998,105)
<b>Cash flow before Extraordinary items</b>	<b>(88,296,879)</b>	(26,301,890)
Current Tax	(8,371,000)	(2,944,000)
<b>Net Cash from Operating Activities</b>	<b>(96,667,879)</b>	(29,245,890)
<b>(B) Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(38,117,978)	6,675,530
Sales of Fixed Assets	295,239	90,384
Interest Received	100,425	104,764
(Purchase) / Sale of investments	(700,000)	882,000
<b>Net Cash used in Investing Activities</b>	<b>(38,422,314)</b>	7,752,678
<b>(C) Cash Flow from Financing Activities :</b>		
Loan repayment	101,501,902	11,222,761
Repayment of Finance/Lease/Liabilities (Net)		
Short term Loan	41,095,880	22,128,872
Interest paid on Term Loan	(5,136,887)	(5,613,017)
Dividend paid (Includes Dividend Distribution Tax)	(5,317,123)	(5,352,580)
<b>Net Cash used in Financial Activities</b>	<b>132,143,772</b>	22,386,037
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS(A)+(B)+(C)</b>	<b>(2,946,421)</b>	892,824
<b>Opening Cash and Cash Equivalents</b>	<b>5,895,322</b>	5,002,498
<b>Closing Cash and Cash Equivalents</b>	<b>2,948,901</b>	5,895,322

**AUDITORS' REPORT :**

We have audited the above Cash Flow Statement of FAIRDEAL FILAMENTS LTD. derived from audited financial statements and the books and records maintained by the Company for the year ended 31st MARCH, 2011 and found the same in agreement therewith.

**For, NATVARLAL VEPARI & CO.**  
 CHARTERED ACCOUNTANTS  
 Firm Reg. No. 123626W

For and on behalf of the Board,

**Ravindra Vepari**  
 Partner

**Hitesh K. Garmora**  
 Company Secretary

**D. R. Shah**  
 Managing Director

**A. R. Shah**  
 Whole-time Director

Membership No. : 6728  
 SURAT, Date : 31.05.2011

SURAT, Date : 31.05.2011

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# Fairdeal Filaments Ltd.

Registered Office : 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat - 395002.

## PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a  
Member/Members of the above named Company hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
or failing to him \_\_\_\_\_ of \_\_\_\_\_ as  
my/our proxy to attend and vote for me/us, on my/our behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the  
Company, to be held on Friday the 30<sup>th</sup> day of September, 2011 at 11.00 A.M. at the Registered Office of the Company.

Signed this \_\_\_\_\_ day of September, 2011.

Affix one  
Rupee  
Revenue  
Stamp

Ledger Folio/Client ID. No.: \_\_\_\_\_

No. of shares held : \_\_\_\_\_

Signature of the Shareholder(s)

**NOTE :** The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

# Fairdeal Filaments Ltd.

Registered Office : 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat - 395002.

## ATTENDANCE SLIP TWENTY FIRST ANNUAL GENERAL MEETING

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

I/We hereby record my/our presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held on Friday the 30<sup>th</sup> September, 2011 at 11.00 A.M. at the Registered Office of the Company.

Ledger Folio/Client ID. No. : \_\_\_\_\_

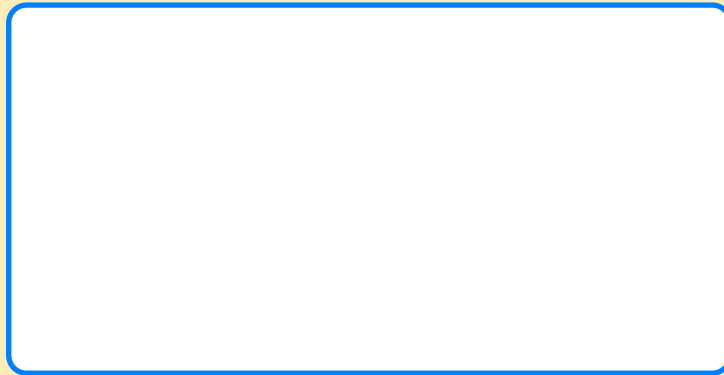
No. of shares held : \_\_\_\_\_

Name/s of the Shareholder/s proxy : \_\_\_\_\_

\_\_\_\_\_  
Signature of the Shareholder(s)

Book-Post  
Printed Matter

To,



If Undelivered please return to :

**Fairdeal Filaments Ltd.**

3rd Floor, Dawer Chambers,  
Near Sub-Jail, Ring Road,  
SURAT - 395 002.

Phone : (0261) 3090200, 2635541-42.