

SWADESHI POLYTEX LIMITED

BALANCE SHEET

07-08

REGISTERED OFFICE:

KAVI NAGAR, INDUSTRIAL AREA

GHAZIABAD-201001 (U.P)

Swadeshi Polytex Limited

Registered Office: New Kavi Nagar, Industrial Area, Ghaziabad 201002 (UP)

Notice

Notice is hereby given that 38th Annual General Meeting of the members of Swadeshi Polytex Limited will be held at the Registered Office of the Company at New Kavi Nagar, Industrial Area, Ghaziabad - 201002 (Uttar Pradesh) on 29th September 2008 at 4.30 P.M to transact the followings business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit and Loss Account of the Company ended as on that date and the Report of the Directors' and Auditors thereon.
2. To appoint a Director in Place of Shri H.S.Singh , who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint a Director In place of Shri Atul Sekseria, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director In place of Shri Naveen Agarwal, who retires by rotation and being eligible, offers himself for re- appointment.
5. To appoint Auditors and to fix their remuneration and for that purpose to pass the following Resolution as an ordinary Resolution:

"RESOLVED THAT M/S Suresh Bansal & Co. Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General meeting to the Conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.25000/- (plus service tax and out of pocket expenses for actual traveling and other expenses in connection with the company's audit)"

SPECIAL BUSINESS

6. Appointment of Director

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

"RESOLVED THAT Shri Tejinder Singh Brar , who was appointed as the additional director of the Company by the Board of directors and who ceases to hold office under section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice under section 257 proposing the candidature for the office of director, be and is hereby appointed as the director of the Company, who will be liable to retire by rotation.

regulation, policy or guideline, for the time being in force and/or any approval, consent, permission or sanction, if any, of the appropriate authority/ authorities, and subject to such conditions and modifications as may be prescribed or imposed in these approvals, consents, permissions or sanctions which may be agreed to by the Board of Directors of the Company (hereinafter, referred to as 'the Board', which term shall be deemed to include any duly authorized committee/persons/person thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board making the conversion of the outstanding loans in default into Equity Shares / Optionally Convertible Preference Shares / Redeemable Preference Shares/ any other type of securities of the Company, at a price per Equity Share that is equivalent to or higher than price to be determined according to applicable SEBI Guidelines and Regulations, in an amount not exceeding Rupees 10,00,00,000/- [Rupees Ten Crores Only], pursuant to a Notice of Conversion under the Loan Agreements, on such terms and conditions and in such manner or otherwise as the Board may in its absolute discretion think fit and decide."

"RESOLVED FURTHER THAT the Equity Shares / Optionally Convertible Preference Shares / Redeemable Preference Shares/ any other type of securities of the Company as and when issued and allotted in terms of this Resolution shall be subject to the Memorandum of Association and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Equity Shares / Optionally Convertible Preference Shares / Redeemable Preference Shares/ any other type of securities of the Company, except as otherwise provided for."

"RESOLVED FURTHER THAT necessary measures are to be taken to seek the listing of the new Equity Shares on all the Stock Exchanges where the Company's shares shall continue to be listed and necessary applications are to be made with National Securities Depository Limited, Central Depository Services (India) Limited and other authorities, if any, for executing corporate action and such other actions, as may be required in this connection from time to time."

"RESOLVED FURTHER THAT for the purpose of giving effect to all the above Resolutions, the Board of Directors of the Company (hereinafter, referred to as 'the Board', which term shall be deemed to include any duly authorized committee/persons/person thereof for the time being exercising the powers conferred on the Board by this Resolution) be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and take all such steps, measures and decide upon all consequential measures (including settlement of any questions, difficulties, doubts that may arise in this regard to the issue of shares as may be required) to give effect to the above and that the Board is hereby authorized to delegate all or any of the powers herein conferred to any

ii) **Deferred Tax**

Deferred Income Tax is recognized, subject to the consideration of prudence, as the tax effect of timing difference between the taxable income and accounting income computed for the current accounting year and reversal of earlier years' timing differences.

Deferred Tax assets are recognized and carried forward to the extent there is reasonable certainty, except arising from unabsorbed depreciation and carry forward losses which are recognized to the extent of deferred tax liabilities or there is virtual certainty, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

6 **Refunds of Taxes and Duties**

Refund claims arising out of monies paid under protest or under appeals and charged to Revenue are accounted for at the time of receipt of orders or actual refunds whichever is earlier.

7 **Contingent Liabilities**

Liabilities though contingent are provided for, if there are reasonable prospects of their crystallizing. Other contingent liabilities except frivolous claims are disclosed.

B NOTES TO ACCOUNTS

1 **Contingent Liabilities not provided for in respect of:**

Claims against the Company not acknowledged as debts including excise, sales tax, Income Tax, Labour Disputes, Legal and other Disputes Rs. 445 lacs (Previous year Rs. 1023 lacs).

2 Based on the information available with the company there are no dues to Micro and Small Enterprises as at 31st March 2008. However company is in the process of identification of such parties and information shall be furnished as and when the same is available.

3 In view of the Economic/Financial non-viability and ongoing labour problems etc., the Company had discontinued its operations of manufacturing of Polyester Fibres and Chips, the resumption of which seems to be very unlikely. The Management to the extent possible has considered necessary provisions and do not anticipate any significant change in the value of its current assets and liabilities which have been shown in the Balance Sheet. However, in respect of fixed assets, it has been considered prudent to continue to carry over the same at their book value as the net realizable values in aggregate are expected to be higher than that. Loss or gain, if any, shall be booked in the year, the relevant assets/liabilities is disposed off/settled.

4 Income Tax and Wealth Tax assessments have been completed upto Assessment year 1998-99 and against some of the orders appeals are still pending. The Company has claimed losses in the return filed for subsequent years till Assessment years 2002 - 2003 and is of the view that majority of the losses will be available for set off against profits.

In view of the aforesaid carried forward losses and unabsorbed depreciation, no provision for tax has been considered necessary in the accounts.

5 Balances appearing for debtors, creditors, and loans and advances and all other parties are subject to confirmation, reconciliation and adjustments, if any, by the respective parties.

6 In respect of the secured loans taken from bodies corporate, the provision for interest thereon has not been considered as the management has offered for one time settlement including the conversion of loan liability into equity which are under consideration by the said companies. Additional liability, if any would be provided for in the year of settlement.

7 During the year one time settlement has been reached with the workers as a result of conciliation proceedings under Industrial Disputes Act, 1947 before the Additional Labour Commissioner, Ghaziabad vide a tripartite one time settlement dated 3rd Jan. 2008 between the company, workers and the Additional Labour Commissioner, Ghaziabad.

Pursuant to these agreements, further net liability of Rs. 16,07,17,792/- have been booked during the year and the differential payments are being made to the employees of the company accordingly.

8 Revaluation of fixed assets (Factory building & Plant and Machinery) was carried out during the year 1986-87 and accordingly increase in values due to revaluation had been credited to Revaluation Reserve. Since then, each year's withdrawal amount has been credited to Profit & Loss Account. During the year Rs. 2.13 Lacs (Previous Year Rs. 2.13 Lacs) has been withdrawn from the Revaluation Reserve and credited to Profit & Loss Account.



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SWADESHI POLYTEX LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULE	As at 31.03.2008		As at 31.03.2007	
SOURCES OF FUNDS					
SHARE HOLDERS' FUNDS					
Share Capital	1	39,000,000		39,000,000	
Reserves and Surplus	2	<u>20,120,513</u>	59,120,513	<u>20,333,376</u>	59,333,576
LOAN FUNDS					
Secured Loan	3		275,000,000		140,000,000
Unsecured Loans			<u>39,756,696</u>		<u>36,302,262</u>
TOTAL			373,877,209		235,635,838
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	4	513,239,812		513,053,916	
Less: Depreciation		<u>484,172,223</u>		<u>481,808,285</u>	
Net Block		29,067,589		31,245,631	
Capital Work in Progress		<u>44,874,769</u>	73,942,358	<u>44,874,769</u>	76,120,400
INVESTMENTS					
	5		5,400		5,400
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	6	24,607,352		24,530,683	
Sundry Debtors		51,569,496		56,828,245	
Cash & Bank Balances		31,307,641		524,752	
Loans & Advances		11,510,617		185,853,663	
Other Current Assets		<u>21,965</u>		<u>-</u>	
		119,017,071		267,737,343	
Less: Current Liabilities & Provisions	7				
Liabilities		128,749,395		55,989,472	
Provisions		<u>669,415</u>		<u>187,577,296</u>	
		129,418,810		243,566,768	
NET CURRENT ASSETS			(10,401,739)		24,170,575
PROFIT & LOSS ACCOUNT					
Less: GENERAL RESERVE		469,987,165		294,995,438	
		<u>(159,655,975)</u>	310,331,190	<u>(159,655,975)</u>	135,339,463
TOTAL			373,877,209		235,635,838

SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNTS 10
The Schedule referred to above form an integral part of the Balance Sheet.

As per our report of even date attached
For Suresh Bansal & Co.
Chartered Accountants

S. K. Bansal
Partner

Director

R. Sharma
Director

Director

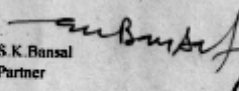
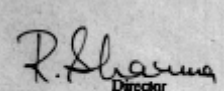

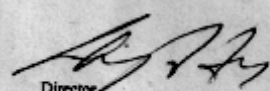
Place : Faridabad
Camp: Ghaziabad

Date : 29-9-2008



SWADESHI POLYTEX LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE	Current year	Previous Year
INCOME		
Other Income	2,490,137	-
TOTAL	2,490,137	-
EXPENDITURE		
One Time Settlement with employees	168,717,792	-
Administrative, Legal & Other Expenses	14,363,198	10,392,012
TOTAL	175,080,990	10,392,012
LOSS BEFORE DEPRECIATION		
Depreciation	172,590,853	10,392,012
Less: Charged from Revaluation Reserve	2,363,938	4,726,089
	(213,063)	(213,063)
LOSS AFTER DEPRECIATION	2,150,875	4,513,026
Tax Expenses	174,741,728	14,905,038
- Fringe Benefit	250,000	-
LOSS AFTER TAX FOR THE YEAR	174,991,728	14,905,038
Loss brought forward from previous year	294,995,438	280,090,400
Balance carried forward to Balance Sheet	469,987,165	294,995,438
BASIC & DILUTED EARNING PER SHARE (IN RS.)	(44.87)	(3.82)
(Equity Shares of Rs. 10 each)		
SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNT 10		
The Schedule referred to above form an integral part of the Profit & Loss Account.		
As per our report of even date attached For Suresh Bansal & Co. Chartered Accountants		
S. K. Bansal Partner	 Director	 Director
Place : Faridabad Camp: Ghaziabad Date : 27-9-2008		 Director

SWADESHI POLYTEX LIMITED

Schedules 1 to 10 annexed to and forming part of the Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date.

	As At 31.03.2008		As At 31.3.2007
SCHEDULE 1 : SHARE CAPITAL			
AUTHORISED			
22500000 Equity Shares of Rs. 10/- each		225,000,000	225,000,000
2500000 9.5% Redeemable cumulative Preference Shares of Rs. 100/- each		25,000,000	25,000,000
		250,000,000	250,000,000
ISSUED, SUBSCRIBED & PAID UP			
3900000 Equity Shares of Rs. 10/- each fully paid up		39,000,000	39,000,000
		39,000,000	39,000,000
SCHEDULE 2 : RESERVES AND SURPLUS			
	Balance As at 01.04.2007	Additions during the year	Withdrawals/Trf. during the year
			As At 31.3.2008
Capital Reserve	506,250		506,250
Revaluation Reserve	8,852,326		8,639,263
Capital Redemption Reserve	10,975,000		10,975,000
Closing Balance	20,333,576		20,120,513
Previous Year	20,546,639		213,063
		213,063	20,333,576
SCHEDULE 3 : LOAN FUNDS			
SECURED LOANS			
Term Loan from Body Corporates		275,000,000	140,000,000
		275,000,000	140,000,000
UNSECURED LOANS			
Fixed Deposits		346,500	346,500
Interest Accrued & Due on fixed deposits		127,260	127,260
From Body Corporates (Interest Free)		39,282,936	35,828,502
		39,756,696	36,302,262
Rupee term loans are secured by way charges ranking pari-passu inter se, on the land and buildings situated at Kavi Nagar, Ghaziabad, UP and all movable assets/properties both existing and future.			
SCHEDULE 5 : INVESTMENTS			
LONG TERM INVESTMENTS			
NON - TRADE (AT COST)			
UNQUOTED			
National Saving Certificate		5,400	5,400
		5,400	5,400



SWADESHI POLYTEX LIMITED

SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES

	As At 31.03.2008		As At 31.3.2007	
CURRENT ASSETS:				
INVENTORIES				
(As taken, valued and certified by the management)				
Finished Goods	568,716		568,716	
Stock in process	2,000,186		2,000,186	
Gold Coins	76,669		-	
Waste	39,265		39,265	
Stores and spares	21,922,516		21,922,516	
		24,607,352		24,530,683
SUNDRY DEBTORS (UNSECURED)				
Considered good except to the extent stated otherwise				
- Over six months	55,262,972		60,521,721	
Less: Provision for Doubtful Debts	(3,693,476)	51,569,496	(3,693,476)	56,828,245
CASH AND BANK BALANCES				
Cash in hand	19,917,534		46,260	
Balance with Scheduled Banks in :				
- Current Accounts	3,572,034		160,419	
- Fixed Deposits	7,502,533		2,533	
- Unclaimed Dividend Accounts	315,540		315,540	
		31,307,641		524,752
LOANS AND ADVANCES				
(Unsecured, considered good unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received or pending adjustments				
Less: Provision for Doubtful Advances	5,129,011		5,129,011	
Advance Against Employee OTS	(1,596,722)		(1,596,722)	
Security Deposits	5,755,760		154,343,046	
Balance with Excise Authorities	2,212,645		25,755,760	
Deposit with IDBI for Investment Deposit Account	9,923	11,510,617	9,923	185,853,663
		118,995,107		267,737,343
OTHER CURRENT ASSETS				
Interest Receivable	21,965			
	21,965			



SWADESHI POLYTEX LIMITED**SCHEDULE 7 : CURRENT LIABILITIES AND PROVISION**

	As At 31.03.2008	As At 31.3.2007
CURRENT LIABILITIES		
Sundry Creditors : Other than Micro & Small Enterprises (Previous year other than SSI Undertaking)	35,319,790	35,284,790
Employees OTS	72,842,923	-
Advances from Customers	9,648,612	9,648,612
Trade and other deposits	5,512,652	5,512,652
Other liabilities	5,109,206	5,227,206
Investor Education and Protection Fund:		
Unclaimed Dividend	316,212	316,212
	<u>128,749,395</u>	<u>55,989,472</u>
<p><small>@ Pursuant to amendments to schedule VI of the Companies Act, 1956, vide notification No. GSR 719 (E) dt. 16.11.2007, current year disclosure is for dues to Micro & Small Enterprises only as against the earlier disclosure requirement of amounts due to SSI undertakings</small></p>		
PROVISIONS		
Employees OTS	-	187,132,198
Provision for Tax & Fringe Benefit Tax(Net of Advance Tax)	669,415	445,098
	<u>669,415</u>	<u>187,577,296</u>
	<u>129,418,810</u>	<u>243,566,768</u>

SCHEDULE 8 : OTHER INCOME

	Current year	Previous Year
Interest Received (Tax Deducted at Source Rs. 25683 (previous year Rs. Nil)	2,490,137	-
	<u>2,490,137</u>	<u>-</u>



SWADESHI POLYTEX LIMITED**SCHEDULE 9 : ADMINISTRATIVE, LEGAL AND OTHER EXPENSES**

	Current year	Previous Year
OTHER EXPENSES		
Power, Fuel and Water Charges	140,377	163,789
Repairs and Maintenance		
- Buildings	314,708	-
- Others	159,634	91,616
Rent	35,000	103,521
Directors sitting fee	9,500	-
Miscellaneous Expenses	816,421	92,668
Advertisement	-	43,684
Security Expenses	2,950,317	577,307
Printing & Stationery	51,825	10,292
Conveyance & Travelling expenses	1,323,289	1,491,528
Loss on sale of Capital work in Progress	-	1,266,622
Legal & Professional expenses	8,477,290	6,525,457
Telephone & Trunkcall charges	23,785	528
Payment to Auditors :		
- Audit Fee	35,000	25,000
	14,336,265	10,392,012
Bank charges	26,933	-
	<u>14,363,198</u>	<u>10,392,012</u>



SWADESHI POLYTEX LIMITED

SCHEDULE 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at 01.04.2007	Additions during the year	Sale/Adjust- ments during the year	As at 31.03.2008	Up to 01.04.2007	For the year	Up to 31.03.2008	As at 31.03.2008	As at 31.03.2007
Land (Lease hold)	22,20,100	-	-	22,20,100	8,95,544	24,668	9,20,212	12,99,888	13,24,556
Buildings	3,24,49,923	-	-	3,24,49,923	1,85,14,945	8,12,415	1,93,27,360	1,31,22,563	1,39,34,978
Plant and Machinery	46,34,82,560	-	-	46,34,82,560	44,84,51,938	14,07,076	44,98,59,014	1,36,23,546	1,50,30,622
Furniture & Fixtures	1,19,21,331	75,200	-	1,19,96,531	1,11,16,173	75,031	1,11,91,204	8,05,327	8,05,158
Computers	-	1,10,696	-	1,10,696	-	44,748	44,748	65,948	-
Vehicles	29,80,002	-	-	29,80,002	28,29,685	-	28,29,685	1,50,317	1,50,317
Total	51,30,53,916	1,85,896	-	51,32,39,812	48,18,08,285	23,63,938	48,41,72,223	2,90,67,589	3,12,45,631
Capital work in progress	4,48,74,769	-	-	4,48,74,769	-	-	-	4,48,74,769	4,48,74,769
Grand Total	55,79,28,685	1,85,896	-	55,81,14,581	48,18,08,285	23,63,938	48,41,72,223	7,39,42,358	7,61,20,400
Previous year	56,90,69,491	-	1,11,40,806	55,79,28,685	47,70,82,196	47,26,089	48,18,08,285	7,61,20,400	9,19,87,295



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AUDITORS' REPORT

To,

The Members,
Swadeshi Polytex Limited
Ghaziabad

1. We have audited the attached Balance Sheet of **Swadeshi Polytex Limited** as at 31st March 2008, the Profit and Loss Account and also 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 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) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give our comments in the annexure 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:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) 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;



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- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (v) On the basis of written representations received from all the directors except Sh. Satya Pal as on 29-09-2008 and taken on record by the Board of Directors, we report that none of these directors is disqualified as at 31st March 2008 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In the absence of any written representation from Sh. Satya Pal, we are not in a position to report as to whether he is disqualified as on 31st March 2008 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vi) *We have relied upon the management representation in respect of the following matters in view of the pending availability / verification of relevant documents and records.*
- a) *Balance confirmation in respect of inoperative Bank Accounts, debtors, creditors and other parties (Refer note no. B- 5 of Schedule 10)*
 - b) *Status of assessment/ cases relating to Income tax, Sales Tax, excise duty, custom duty and other matters (Refer note no B-1 of Schedule 10)*
 - c) *Sundry debtors outstanding for long being considered good and not provided for (Amount Rs.515.68 Lacs, being net of provision already made of Rs. 36.93 Lacs)*
 - d) *Booking of additional liability on account of one time settlement aggregating to Rs. 1607.18 lacs (Refer note no B-7 of Schedule 10)*
 - e) *Recognition of value of assets and liabilities in view of the discontinued operations (Refer note No B-3 of Schedule 10)*
 - f) *Non Provisions of interest on secured loans taken from bodies corporate. (Refer note No B-6 of Schedule 10)*

In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to our comments in para 4(vi) above, impact on Balance Sheet and Profit & Loss Accounts for the year ended 31st March 2008, amount unascertained, give the information required by 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:*

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- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- (b) In the case of the Profit and Loss Account, of the Loss 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 Suresh Bansal & Co.
Chartered Accountants



S. K. Bansal
S. K. BANSAL
Partner

Membership No. : 82242

Place: Faridabad

Date & time: 29-9-2008 at 4.25 PM

Camp: Ghaziabad

Annexure referred to in paragraph 3 of our report of even date to the shareholders of **Swadeshi Polytex Limited** on the accounts for the year ended 31st March, 2008.)

- (i) (a) The Company has maintained records showing full particulars including quantitative details and situation of fixed assets *but the same are pending for updation since 31st March, 1998.*
- (b) We have been explained that the management has taken over virtual possession of the plant during this year and therefore *physical verification of all items of fixed assets could not be carried out by them during the year under report.* Hence discrepancies, if any, between the physical and book records could not be ascertained and adjusted in the books of accounts.
- (c) Though the Company had not disposed off its fixed assets during the year, however it had discontinued its operations of manufacturing of Polyester fibers and chips and therefore the *going concern assumption has been affected.*
- (ii) (a) As explained, due to the taking over of virtual possession of the godowns from the labour and local administration during this year, *physical verification of stocks of finished goods, stores, spares parts and raw materials could not be carried out by the management during the year under report.* We are explained that the said process of physical verification is in progress.
- (b) In view of the comments in (ii) (a) above, *we are unable to comment upon the reasonableness and adequacy or otherwise of the procedures followed for physical verification of stocks.*
- (c) In view of our comments in para (ii) (a) and (b) above, *we are unable to comment upon whether the company was maintaining proper records of inventory and whether the material discrepancies, if any, were noticed on physical verification of the Inventory;*
- (iii) (a) We are explained that the Company had not granted any loans secured or unsecured to any Company, firm or other party required to be listed in the register maintained under Section 301 of the Companies Act 1956.
- In view of clause (iii) (a) above, the clauses (iii)(b), (iii)(c) and (iii)(d) are not applicable.
- (e) The Company had taken interest free both secured and unsecured loans from two Companies required to be listed in the register maintained under Section 301 of the Companies Act 1956. The maximum amount involved during the year and the year end balance of the said loans was Rs. 392.83 Lac.



Contd....2,

- (f) In our opinion, the other terms and conditions of the aforesaid unsecured loans taken by the company are prima facie not prejudicial to the interest of the company;
- (g) We are explained that the above loans are repayable on demand. We are informed that no demand had been made during the year *and therefore we are unable to comment upon the regularity of payment or otherwise of the same.*
- (iv) The company had not been carrying out its normal business operations since long and thus there were no purchases of inventories, major items of fixed assets and sale of goods and services. Accordingly provisions of clause 4(iv) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to the company for the year under review.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) As the company has not entered in to any transactions other than unsecured interest free loans from the aforesaid parties, reporting requirements under clause 4(v)(b) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable on the company .
- (vi) In respect of deposits received by the Company from the public, *it has not complied with certain provisions of section 58A and 58AA of the Companies Act, 1956 and relevant rules framed there under. To the best of our knowledge and information, the extent of major non compliances are as under:*
- (a) *Up to 31.3.2008 the company had not repaid matured public deposits of Rs. 4.74 lac alongwith interest to date, if any.*
- (b) *The company had not filed the Return of Deposits for the year ended 31st March, 2007 as required by the Rule 10 of the Companies (Acceptance of Deposits) Rules,1975.*
- (c) *The Company has failed to maintain the liquid assets as required by Rule 3 A of the Companies (Acceptance of Deposits) Rules, 1975 for the year ended on 31st March, 2008.*

We have been explained that no order has been passed by the Company Law Board or the National Company Law Tribunal or any Court or any other Tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.



(viii) We are informed that the Company had not maintained the cost accounting records as required u/s 209 (1) (d) of the Companies Act 1956 since no manufacturing activities were carried out by the company during the year under report.

(ix) (a) We are explained that due to paucity of funds and closure of business activities, *it had not been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it with the appropriate authorities. Pending compilation and consolidation of relevant records, information and data, we are unable to comment upon the extent of arrears of outstanding statutory dues as at 31st March, 2008 for a period of more than six months from the date they become payable.*

(b) *In view of our comments in para (ix) (a) above, we are unable to comment whether the dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, and Cess as applicable, were not deposited on account of any dispute.*

(x) At the end of the current financial year, company's accumulated losses were more than 50% of its net worth.

The company had incurred cash losses during the current financial year as well as in the immediately preceding financial year.

(xi) According to the information and explanation given to us, we are explained that the company had not borrowed any money from any Bank or any Financial Institution and had not issued debentures during the year under report

(xii) We are informed that the company had not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to it.

(xiv) On the basis of examination of books of accounts and according to information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other Investments.

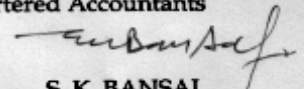
(xv) According to the information and explanation given to us by the management, the Company had not given any guarantee for loans taken by others from banks or financial institutions.



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- (xvi) We are informed that the Company had not obtained any term loans during the current financial year.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the company had not raised any funds on short-term basis.
- (xviii) According to the information and explanation given to us, the company had not made any preferential allotment of shares to parties or companies covered in register maintained under Section 301 of the Act.
- (xix) The company had not issued any debentures, consequently the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company
- (xx) The company had not raised any money by means of public issue.
- (xxi) During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of such case by the management.

For Suresh Bansal & Co.
Chartered Accountants



S. K. BANSAL
Partner

Membership No. : 82242



Place: Faridabad

Date & Time : 29-9-2008 at 4.25 PM

Camp: Ghaziabad

Swadeshi Polytex Limited

Registered Office: New Kavi Nagar, Industrial Area, Ghaziabad 201002 (UP)

Notice

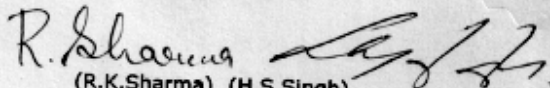
Notice is hereby given that 37th Annual General Meeting of the members of Swadeshi Polytex Limited will be held at the Registered Office of the Company at New Kavi Nagar, Industrial Area, Ghaziabad - 201002 (Uttar Pradesh) on 29th September 2008 at 3.30 P.M to transact the followings business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit and Loss Account of the Company ended as on that date and the Report of the Directors' and Auditors thereon.
2. To appoint a Director in Place of Shri N.K.Gupta , who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint a Director in place of Shri H.K.Sharma, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in place of Shri B.R.Verma, who retires by rotation and being eligible, offers himself for re- appointment.
5. To appoint Auditors and to fix their remuneration and for that purpose to pass the following Resolution as an ordinary Resolution:

"RESOLVED THAT M/S Suresh Bansal & Co. Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General meeting to the Conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.25000/- (plus service tax and out of pocket expenses for actual traveling and other expenses in connection with the company's audit)"

By order of the Board


(R.K.Sharma) (H.S.Singh)

(Director) (Director)


Place: New Delhi

Dated : 3rd September 2008

Notes:

1. 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his behalf and on a poll to vote on his behalf and that the proxy need not be a member of the Company. Proxies in order to be effective must be signed, stamped and deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. Blank proxy form is annexed hereto.
2. . In case of joint holding only that joint holder who is highest in order of the names as per Company's record shall be entitled to vote.
3. The register of members and share transfer books of the Company will remain closed from 15th September 2008 to 29th September 2008 (both days inclusive).
4. The abridged Balance Sheet and Profit and Loss Account is enclosed , the full copy of the Balance Sheet shall available for inspection at the registered office of the Company from 10.a.m to 5 p.m from 4th September 2008 to 29th September 2008.
5. The company shall provide the copy of the full Balance Sheet immediately on receipt of the request from the members.
6. The unaudited balance sheet duly approved in the board of directors meeting is enclosed. The auditors report and director's report shall be placed in the Annual General Meeting on the appointment of the statutory auditor in the 36th Annual General Meeting.

By order of the Board


(R.K.Sharma) (H.S.Singh)

(Director) (Director)

Place: New Delhi

Dated : 3rd September 2008