

**40<sup>th</sup> Annual Report  
2009-2010**

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**SWADESHI POLYTEX LIMITED**

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Registered Office: New Kavi Nagar, Industrial Area Ghaziabad - 201002 (U.P.)

# SWADESHI POLYTEX LIMITED

## BOARD OF DIRECTORS AS ON DATE

Shri K. Ramachandran Pillai	<i>Chairman</i>
Shri Gaurav Swarup	<i>Director</i>
Shri Hartaj Sewa Singh	<i>Director</i>
Shri R. K. Sharma	<i>Director</i>
Shri Atul Seksaria	<i>Director</i>
Shri R.K. Sanghi	<i>Director</i>
Shri N. K. Gupta	<i>Director</i>
Shri S.S. Madan	<i>Director</i>
Shri Navroon Aggarwal	<i>Director</i>
Shri K. Subramanian	<i>Director</i>
Shri B. Mehrotra	<i>Director</i>
Shri S.B. Singh	<i>Director</i>

## REGISTERED OFFICE

New Kavi Nagar, Industrial Area Ghaziabad - 201002 (U.P.)

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## SWADESHI POLYTEX LIMITED

### NOTICE

Notice is hereby given that 40th 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 28<sup>th</sup> October 2010 at 12.00 Noon to transact the followings business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2010 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 Gaurav Swarup , who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint a Director in place of Shri R.K.Sharma, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in place of Shri S.B.Singh, 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 a Special Resolution:

**"RESOLVED THAT** pursuant to section 224A and other applicable provisions of the Companies Act 1956, if any 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.35000/- (plus service tax and out of pocket expenses for actual traveling and other expenses in connection with the company's audit)"

#### SPECIAL BUSINESS

6. Conversion of loans under default

if thought fit, to pass with or without modification, the following resolution as a special resolution:

**"RESOLVED THAT** in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (**"the Companies Act"**) (including any statutory modification or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and subject to the provisions of the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed, the Securities and Exchange Board of India Act, 1992 (**"SEBI Act"**) and all other applicable laws, rules, 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 to allot 3000000 Equity Shares of the Company, at par that is equivalent to or higher than price to be determined according to applicable SEBI Guidelines and Regulations, , 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 of the Company as 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 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)

## SWADESHI POLYTEX LIMITED

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 Committee of Directors or Chairman of the meeting at which the Committee is or may be formed or to any of the principal officers of the Company/ Authorized Representative in order to give effect to the aforesaid Resolution"

### 7. Change of name of the Company

if thought fit, to pass with or without modification, the following resolution as a special resolution:

"RESOLVED THAT Subject to the approval of the Registrar of Companies under Section 21 and other applicable provisions, if any, of the Companies Act, 1956, the name of the Company be changed from SWADESHI POLYTEX LIMITED to PAN DEVELOPMENT CORPORATION LIMITED and accordingly the name "wherever it occurs in the memorandum and articles of the association of the company be substituted by PAN DEVELOPMENT CORPORATION LIMITED."

"RESOLVED further that the Board of Directors of the Company be and is hereby authorized to do all such acts and things and deal with all such matters and take all such steps as may be necessary to give effect to this resolution".

Place : New Delhi  
Dated : 24th September, 2010

By order of the Board  
For Swadeshi Polytex Limited  
*R. K. Sharma*  
(R.K.Sharma) (Director)  
*H. S. Singh*  
(H.S.Singh) (Director)

### NOTES:

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 20<sup>th</sup> October 2010 to 28<sup>th</sup> October 2010 (both days inclusive).
4. The abridged Balance Sheet and Profit and Loss Account is enclosed, the full copy of the Balance Sheet shall be available for inspection at the registered office of the Company from 10 a.m to 5 p.m from 3<sup>rd</sup> October 2010 to 28<sup>th</sup> October 2010.
5. The Company shall provide the copy of the full Balance Sheet immediately on receipt of the request from a member.

## SWADESHI POLYTEX LIMITED

### Explanatory Statement under section 173 of the Companies Act 1956

#### ITEM NO 6

Swadeshi Polytex Limited ("the Company") had entered into a Loan Agreements ("the Loan Agreement") with Lenders wherein the Company would be required to convert the loan or part thereof into Equity Shares of the Company to the lenders in the event of any default as the same is normal/ applicable in the banking industry. On the occurrence of such default, the Company has also been called upon to comply with its obligations. Arbitration proceedings are also pending in connection with this matter.

The shareholders in an Extra Ordinary General Meeting dated 23<sup>rd</sup> November 2006 ("EGM") have already approved the taking of these loans by the Company. These loans were taken by the Company to comply with the order dated 3<sup>rd</sup> January 2006 of the Hon'ble Allahabad High Court where in the Company was directed to deposit a sum of Rs Ten Crores within a stipulated time frame to secure payments to the workmen of the Company. Further the company has taken Loan of Rs. Four Crores to comply the order of Hon'ble Supreme Court for the payment to the workmen of the Company.

The Company, in compliance with obligations under the Loan Agreements and / or in compliance with arbitration awards, now required to convert the loans in default to Equity Shares of the Company.

The Company, therefore, proposes a resolution under Section 81(1A) of the Companies Act, 1956 in compliance with its obligations under the Loan Agreements and/ or directions in the arbitration award, in accordance with applicable laws, regulations, policies and guidelines:

In relation to the issue, the following is to be noted -

- A) Object of the issue : The object of the issue is to comply with the arbitration award and the clauses of the Loan Agreement.
- B) Intention of Promoters/directors/key management person to subscribe to the offer: The preferential issue is being made to Pranjal Vypar Private Limited so that the compliance of the arbitration awards can be made.
- C) Shareholding pattern before and after the issue:

Group of the shareholders	Holding of share before the allotment	Percentage of of total holding before allotment	Holding of share after the allotment	Percentage of total holding after allotment
Promoters & Promoters Group	2223950	57%	2223950	32.23%
Public Holding	1676050	43%	1676050	24.29%
New Allottee (Pranjal Vypar Limited)	0	0	3000000	43.47%
<b>Total Equity</b>	<b>3900000</b>	<b>100%</b>	<b>6900000</b>	<b>100%</b>

- D) Proposed time within which the allotment shall be completed: The Allotment shall be completed within 15 days from the date of passing of the resolution.

- E) The identity of the proposed allottee and the percentage of post preferential issue : The proposed allottee is a public Limited Company registered under the Companies Act 1956.

The approval of the shareholders of the Company is being sought to approve and authorize the abovementioned resolutions and all matters related thereto, as under the provisions of Section 81(1A) of the Companies Act, 1956, as amended, the Board is permitted to issue and allot Equity Shares of the Company, provided that the existing shareholders approve the same by way of a special resolution.

The Board believes that the proposed issue may be required under existing loan facilities and is in the best interest of the Company and recommends the resolution for approval.



## SWADESHI POLYTEX LIMITED

None of the Directors of the Company is in any way concerned or interested in the Resolution except to the extent of their holding of Equity Shares of the Company.

### ITEM NO. 7

The Company was incorporated with the Name of "SWADESHI POLYTEX LIMITED". At the time of incorporation of the company main object of the company was to manufacturing of yarn and other related products. The factory of the Company was closed in the year 1998. Accordingly the plant and machinery become obsolete due to fast change in the technology. The Board decided to develop the land and accordingly amended the Memorandum and association of the Company.

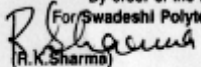
Thus the change in Name is recommended.

The Registrar of Companies of Kanpur has already confirmed the new name i.e PAN DEVELOPMENT CORPORATION LIMITED is available for registration under section 20 of the Companies Act, 1956. An application in the E Form 1B will be made to the registrar of Companies for seeking his approval to change of name under section 21 of the Act.

The Board of directors recommended the resolution for passing as special resolution.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Place : New Delhi  
Dated : 24th September, 2010

By order of the Board  
For Swadeshi Polytex Limited  
  
(R.K. Sharma)  
(Director)

  
(R.S. Singh)  
(Director)

## SWADESHI POLYTEX LIMITED

### DIRECTORS' REPORT

Dear Members,

Your directors have pleasure in presenting the 40th Annual Report along with Audited Accounts and annexure attached thereto for the year ended 31st March 2010.

#### HIGHLIGHTS

The factory of the company located at Ghaziabad is closed since 1996. Since there were no production activities during the year, the Company has not made any manufacturing profit during the year.

The Company continued with the business trading of yarn/textiles during the year.

The Company is also exploring other business possibilities in the area of terry towel production, power generation and in real estate development.

#### FINANCIAL REPORT

The Financial Results of the Company for the year 2009-2010 are summarized below:

	Year Ended on 31.03.2010	Year Ended on 31.03.2009
Total Income	2,81,86,685	77,72,952
Net Loss before tax	4,48,78,176	14,28,82,124
Loss After Tax	4,48,78,176	14,28,82,124
Balance in Loss Account brought forward from last Year	61,28,69,289	46,99,87,165
Balances Carried forward to Balance Sheet	65,77,47,465	61,28,69,289

#### DIVIDEND

Your directors do not recommend any dividend for the year under review, due to brought forward losses in the Company.

#### FIXED DEPOSIT

Unclaimed Deposits which had matured for a total amount of Rs 4.74/- Lac could not be paid as not claimed by the deposit holders. As per the requirement of the Companies Act 1956, this amount was transferred to the Investor Protection Fund of the Central Government.

The Company has not taken any fresh deposits during the year.

#### PARTICULARS OF EMPLOYEES

There are no employees who are in receipt of remuneration for which particulars are required to be disclosed as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGOING

In the absence of any manufacturing activities during the year under review, no steps were required to be taken for conservation of energy, technology absorption and research & development and as such the information relating thereto may be taken as nil. There were no foreign exchange earnings and outgo during the year under review.

#### COMMENTS ON AUDITORS' REPORT

The auditors' comments and remarks have been adequately explained by the management in the "Notes to Accounts".

## SWADESHI POLYTEX LIMITED

### DIRECTORS

Mr. Gaurav Swarup, Mr R.K. Sharma & Mr S.B. Singh retire by rotation and being eligible, have offered themselves for re-appointment.

### LISTING OF SHARES

The shares of the Company are listed in all major stock Exchanges of the Country. However due to the critical financial condition of the Company, the Company was unable to comply with some of the listing requirements. Your Company is making all efforts to de-list the shares from the regional stock exchanges and to get the shares listed for trading in the Mumbai Stock Exchange. Your Director had also taken steps to comply various clauses of the listing agreement.

### AUDITORS

M/S Suresh Bansal & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the forthcoming Annual General Meeting. A letter has been received from Suresh Bansal & Co. Chartered Accountants confirming that their appointment, if made, will be in conformity with the provisions of Section 224 (1-B) of the Companies Act, 1956. As per section 224A of the Companies Act 1956, members are requested to pass the special resolution.

### DIRECTORS' RESPONSIBILITY STATEMENT

(As per section 217 (2AA) of the Companies Act 1956)


The Directors hereby confirm:

- i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- ii) That the directors have selected such accounting policies and applied them consistently and made judgment 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 the financial year and of the profit or loss of the Company for that period.
- iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the directors have prepared the Annual Accounts on a going concern basis.

### ACKNOWLEDGEMENT

Your directors wish to convey their sincere thanks to all the shareholders for the trust they have reposed in the Company and its board.

Place : New Delhi  
Date : 9th August, 2010

For and on behalf of the Board  
  
(H. S. Singh) (R. K. Sharma)  
Director Director



**SWADESHI POLYTEX LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2010**

	SCHEDULE	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS' FUNDS</b>					
Share Capital	1	39,000,000		39,000,000	
Reserves and Surplus	2	<u>19,694,387</u>	<u>58,694,387</u>	<u>19,907,450</u>	<u>58,907,450</u>
<b>LOAN FUNDS</b>					
Secured Loan	3		389,249,442		355,111,462
Unsecured Loans			<u>52,297,597</u>		<u>52,771,357</u>
<b>TOTAL</b>			<b>500,241,426</b>		<b>466,790,269</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	4	47,311,953		46,966,953	
Less: Depreciation		<u>33,476,999</u>		<u>32,581,479</u>	
Net Block		13,834,954		14,385,474	
Plant & Machinery Held for Disposal		<u>22,274,006</u>	<u>36,108,960</u>	<u>26,818,104</u>	<u>41,203,578</u>
<b>INVESTMENTS</b>					
	5		5,400		5,400
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	6	10,324,000		16,915,934	
Sundry Debtors		46,759,245		49,658,931	
Cash & Bank Balances		27,375,658		17,116,865	
Loans & Advances		12,721,352		11,188,815	
Other Current Assets		<u>24,022</u>		<u>435,858</u>	
		97,204,277		95,316,403	
Less: Current Liabilities & Provisions	7				
Liabilities		127,501,084		112,386,394	
Provisions		<u>3,667,617</u>		<u>10,562,032</u>	
		131,168,701		122,948,426	
<b>NET CURRENT ASSETS</b>			<b>(33,964,424)</b>		<b>(27,632,023)</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>					
		657,747,465		612,869,289	
Less: GENERAL RESERVE		<u>(159,655,975)</u>	<u>498,091,490</u>	<u>(159,655,975)</u>	<u>453,213,314</u>
<b>TOTAL</b>			<b>500,241,426</b>		<b>466,790,269</b>

**SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNTS**

11

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

Place : Faridabad  
Camp: Ghaziabad

Date : 9-8-2010



*R. Sharma*  
Director

*S. S. S.*  
Director

**SWADESHI POLYTEX LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

SCHEDULE	Current year	Previous Year
<b>INCOME</b>		
Sales	20,730,489	3,499,685
Other Income	8	7,456,176
<b>TOTAL</b>	<b>28,186,665</b>	<b>7,772,952</b>
<b>EXPENDITURE</b>		
Cost of Traded Items sold	19,753,165	3,359,954
Administrative, Legal & Other Expenses	9	18,180,253
Financial Expenses	10	34,448,966
<b>TOTAL</b>	<b>72,382,384</b>	<b>149,943,101</b>
<b>LOSS BEFORE DEPRECIATION</b>	<b>44,195,719</b>	<b>142,170,149</b>
Depreciation	895,520	925,038
Less: Charged from Revaluation Reserve	(213,063)	(213,063)
	682,457	711,975
<b>LOSS AFTER DEPRECIATION</b>	<b>44,878,176</b>	<b>142,882,124</b>
<b>LOSS AFTER TAX FOR THE YEAR</b>	<b>44,878,176</b>	<b>142,882,124</b>
Loss brought forward from previous year	612,869,289	469,987,165
Balance carried forward to Balance Sheet	657,747,465	612,869,289

**BASIC & DILUTED EARNING PER SHARE (IN RS.)**  
 ( Equity Shares of Rs. 10 each)

	(11.51)	(36.64)
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**SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNT.** 11

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*  
 S.K. Bansal  
 Partner



*R. Sharma*  
 Director

*[Signature]*  
 Director

Place : Faridabad  
 Camp: Ghaziabad  
 Date : 9-8-2010

**SWADESHI POLYTEX LIMITED**

Schedules 1 to 11 annexed to and forming part of the Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date.

	As At 31.03.2010	As At 31.03.2009		
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
2250000 Equity Shares of Rs. 10/- each	225,000,000	225,000,000		
250000 9.5% Redeemable cumulative Preference Shares of Rs. 100/- each	25,000,000	25,000,000		
	<u>250,000,000</u>	<u>250,000,000</u>		
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>				
3900000 Equity Shares of Rs. 10/- each fully paid up	39,000,000	39,000,000		
	<u>39,000,000</u>	<u>39,000,000</u>		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
	Balance As on 01.04.2009	Additions during the year	Withdrawals during the year	As At 31.3.2010
Capital Reserve	506,250			506,250
Revaluation Reserve	8,426,200		213,063	8,213,137
Capital Redemption Reserve	10,975,000			10,975,000
Closing Balance	<u>19,907,450</u>	-	<u>213,063</u>	<u>19,694,387</u>
Previous Year	20,120,513		213,063	19,907,450
<b>SCHEDULE 3 : LOAN FUNDS</b>				
<b>SECURED LOANS</b>				
Term Loan from Body Corporates			275,000,000	275,000,000
Interest Accrued and Due there on			114,249,442	80,111,462
			<u>389,249,442</u>	<u>355,111,462</u>
Rupee term loans are secured by way of 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.				
<b>UNSECURED LOANS</b>				
Fixed Deposits				346,500
Interest Accrued & Due on fixed deposits				127,260
From Body Corporates (Interest Free)			52,297,597	52,297,597
			<u>52,297,597</u>	<u>52,771,357</u>
<b>SCHEDULE 5 : INVESTMENTS</b>				
<b>LONG TERM INVESTMENTS</b>				
<b>NON - TRADE (AT COST)</b>				
<b>UNQUOTED</b>				
National Saving Certificate			5,400	5,400
			<u>5,400</u>	<u>5,400</u>



**SWADESHI POLYTEX LIMITED**

**SCHEDULE 4 : FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2009	Additions during the year	Sale/Adjust- ments during the year	As at 31.03.2010	Up to 31.03.2009	For the year	Sale/Adjust- ments during the year	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land (Lease hold)	2,220,100	-	-	2,220,100	944,880	24,668	-	969,548	1,250,552	1,275,220
Buildings	32,449,923	-	-	32,449,923	20,139,775	812,415	-	20,952,190	11,497,733	11,497,733
Plant and Machinery	-	345,000	-	345,000	-	42,442	-	11,298,222	345,000	12,310,148
Furniture & Fixtures	11,996,531	-	-	11,996,531	11,252,781	42,442	-	11,298,222	701,308	743,750
Computers	116,996	-	-	116,996	71,127	15,828	-	86,955	30,041	45,869
Vehicles	183,403	-	-	183,403	172,916	167	-	173,083	10,320	10,487
<b>Total(A)</b>	<b>46,966,933</b>	<b>345,000</b>	<b>-</b>	<b>47,311,933</b>	<b>32,581,479</b>	<b>895,520</b>	<b>-</b>	<b>33,476,999</b>	<b>13,834,954</b>	<b>14,385,474</b>
Plant & Machinery Held for Disposal (B)	26,818,104	-	4,544,098	22,274,006	32,581,479	895,520	-	33,476,999	22,274,006	26,818,104
<b>Grand Total (A+B)</b>	<b>73,785,037</b>	<b>345,000</b>	<b>4,544,098</b>	<b>69,585,939</b>	<b>65,162,958</b>	<b>895,520</b>	<b>-</b>	<b>66,953,998</b>	<b>36,108,960</b>	<b>41,203,578</b>
Previous year	538,114,581	33,116,342	517,465,906	73,785,037	484,172,223	925,038	452,515,783	32,581,479	41,203,578	73,942,358





**SWADESHI POLYTEX LIMITED**

**SCHEDULE 6 : CURRENT ASSETS, LOANS AND ADVANCES**

	As At 31.03.2010	As At 31.03.2009
<b>CURRENT ASSETS:</b>		
<b>INVENTORIES</b>		
(As taken, valued and certified by the management)		
Scrapped Inventory held for disposal	10,324,000	16,915,934
<b>SUNDRY DEBTORS (UNSECURED)</b>		
Considered good		
- Over six months-Considered Good	46,759,245	45,049,246
- Considered Doubtful	3,693,476	3,693,476
- Other Debts-Considered good	-	4,609,685
	<u>50,452,721</u>	<u>53,352,407</u>
Less: Provision for Doubtful Debts	<u>(3,693,476)</u>	<u>(3,693,476)</u>
	46,759,245	49,658,931
<b>CASH AND BANK BALANCES</b>		
Cash in hand	11,609,746	9,061,467
Balance with Scheduled Banks in :		
- Current Accounts	7,291,908	237,325
- Margin Money Accounts	8,474,004	7,502,533
- Unclaimed Dividend Accounts	-	315,540
	<u>27,375,658</u>	<u>17,116,865</u>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received or pending adjustments	11,339,746	9,807,209
Less: Provision for Doubtful Advances	<u>(1,596,722)</u>	<u>(1,596,722)</u>
Security Deposits	755,760	755,760
Balance with Everse Authorities	2,212,645	2,212,645
Deposit with IDBI for Investment Deposit Account	<u>9,923</u>	<u>9,923</u>
	12,721,352	11,188,815
	<u>97,180,255</u>	<u>94,880,545</u>
<b>OTHER CURRENT ASSETS</b>		
Interest Receivable	24,022	435,858
	<u>24,022</u>	<u>435,858</u>

**SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS**

	As At 31.03.2010	As At 31.03.2009
<b>CURRENT LIABILITIES</b>		
Sundry Creditors - Other than Micro & Small Enterprises	78,937,607	83,761,020
Advances from Customers	37,117,660	17,027,190
Trade and other deposits	5,512,652	5,512,652
Other liabilities	5,933,165	5,769,320
Investor Education and Protection Fund:		
Unclaimed Dividend	-	316,212
	<u>127,501,084</u>	<u>112,386,394</u>
<b>PROVISIONS</b>		
Provision for Contingencies	3,200,000	10,000,000
Provision for Tax & Fringe Benefit Tax (Net of Advance Tax)	467,617	562,032
	<u>3,667,617</u>	<u>10,562,032</u>
	<u>131,168,701</u>	<u>122,948,426</u>

**SCHEDULE 8 : OTHER INCOME**

	Current year	Previous Year
Miscellaneous Income	34,360	821
Interest Received ( Tax Deducted at Source Rs. 62181 (previous year Rs. 107383)	621,816	521,275
Provisions no longer required written back	6,800,000	-
Profit from Sale of Fixed Assets	-	3,751,171
	<u>7,456,176</u>	<u>4,273,267</u>





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

	Current year	Previous Year
<b>OTHER EXPENSES</b>		
Power, Fuel and Water Charges	6,007,115	213,812
Repairs and Maintenance		
- Buildings	187,005	681,590
- Others	146,858	2,521,376
Rent	26,540	18,000
Rates and Taxes	354,557	-
Directors sitting fee	31,000	161,000
Miscellaneous Expenses	1,163,977	811,212
Business Promotion Expenses	191,179	-
Advertisement	13,753	258,491
Security Expenses	1,244,227	1,852,271
Printing & Stationery	113,681	256,556
Conveyance & Travelling expenses	2,032,861	1,406,587
Capital Work in Progress written off	-	25,368,233
Loss on valuation/ reclassification of Inventory	1,821,964	7,691,418
Legal & Professional expenses	4,604,325	9,127,818
Communication Expenses	202,606	168,542
Provision for Contingencies	-	10,000,000
Payment to Auditors :		
- Audit Fee	38,605	38,605
	<b>18,180,253</b>	<b>60,575,511</b>
	<b>18,180,253</b>	<b>60,575,511</b>

**SCHEDULE 10 : FINANCIAL EXPENSES**

	Current year	Previous Year
Interest on		
- Term Loan	34,275,080	85,983,221
- Others	13,157	2,581
Bank Charges	160,729	21,834
	<b>34,448,966</b>	<b>86,007,636</b>



# SWADESHI POLYTEX LIMITED

## SCHEDULE 11 SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES TO ACCOUNTS

### A SIGNIFICANT ACCOUNTING POLICIES & PRACTICES

#### 1 (a) ACCOUNTING CONCEPTS

The financial statements are prepared under the historical cost convention on accrual basis of accounting as going concern and in accordance with the generally accepted accounting principles, accounting standards issued by the Institute of Chartered Accountant of India, as applicable and the relevant provisions, rules and disclosure requirements of the Companies Act, 1956.

#### (b) USE OF ESTIMATES

In preparing the financial statements in conformity with the generally accepted accounting principles management is required to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the amount of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

#### 2 FIXED ASSETS, REVALUATION OF ASSETS AND DEPRECIATION

- (a) Fixed assets are stated at their original cost of acquisition including cost of installation. MODVAT/CENVAT availed has been deducted from the cost of respective asset.
- (b) Projects under Commissioning and other Capital Works-in-Progress are carried at cost, comprising direct cost and related incidental expenses.
- (c) In case of Revaluation of Fixed Assets, the concerned asset is stated at revalued amount with the creation of Revaluation Reserve. Consequent depreciation on revalued portion of fixed assets based on the remaining useful life is being withdrawn from Revaluation reserve crediting the Profit & Loss Account.
- (d) Depreciation on Plant & Machinery and Buildings is being provided on Straight Line Method, other assets except leasehold land is provided on written down value method at the rates specified in Schedule XIV (as amended) to the Companies Act, 1956.
- (e) Premium on leasehold land is amortized over the period of lease and booked as depreciation.

#### 3 REVENUE

Sales is recognized on dispatch of goods and includes excise duty but excludes sales tax, rebate & discount allowed, as applicable and is net of return/rejections. Certain Incomes the accrual of which is ab-initio not agreed/disputed upon by the parties is not accounted for till such time is agreed / received. Similarly interest on receivables are accounted only on the receipt or settlement of the same, which ever is earlier.

#### 4 INVENTORIES

Valuation of stocks is done as mentioned below:

Raw Material and Stores & Spares	At lower of cost or Net realisable value
Work-in-Process	At cost of material included therein or net realisable value whichever is lower.
Finished Goods	At lower of cost or net realisable value
Saleable Waste, Inventory Held for Disposal and by products	At Net estimated realisable value

- (a) Cost is arrived at using monthly weighted average method.
- (b) Cost of Finished Goods is inclusive of Excise Duty.



5 **TAXATION**

i) **Current Tax**

- (a) Provision for Taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of Income Tax Act, 1961. However, where the tax is computed in accordance with the provision of Section 115 JB of the Income Tax Act, 1961, as Minimum Alternate Tax (MAT), it is charged off to the Profit & Loss Account of the relevant year.
- (b) Advance Income Tax is finally adjusted against the provision made for tax liability on final completion of all matters relating to that assessment year.

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**

Disputed liabilities and claims against the company including claims raised by fiscal authorities (e.g. Sales Tax, Income Tax, Excise etc.) except frivolous claims for which no reliable estimate can be made of the amount of the obligation or which are remotely poised for crystallization are not provided for in accounts but disclosed in notes to accounts.

However, present obligation as a result of past event with possibility of outflow of resources, when reliably estimable, is recognized in accounts.



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. 2335 lacs (Previous year Rs. 1929 lacs). (Rs. in Lacs)

	Current Year	Previous Year
(a) PF Cases pending at various forums	199.43	166.42
(b) Labour Matters relating settlement pending at various forums	41.54	76.54
(c) Revenue collection charges by Tehsil & other authorities pending at Hon'able High Court	199.84	199.84
(d) Sales tax demand pending at various forums	133.74	147.46
(e) Excise demand for unauthorised removal of goods pending with Commissioner Central Excise	165.22	139.18
(f) Interest on the Secured loan from Body corporate	1,526.86	896.60
(g) Other Matters	68.05	303.23

2 Information pursuant to AS 29, " Provisions, Contingent Liabilities and Contingent Assets issued by ICAI:

Brief particulars of provisions on disputed liabilities :-

Particular of Provisions	Opening	Made during the year	Reversed during the year	Closing
Provision for Contingencies	10,000,000	Nil	6,800,000	3,200,000

(i) Resulting outflows against above contingencies on account various disputed cases pending before various forums, if mature, are expected to be in succeeding financial year.

(ii) Provisions are made herein for medium risk oriented issues as a measure of abundant precaution.

(iii) Company presumes remote risk possibility of further cash outflow pertaining to contingent liabilities listed in para 1 above

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.

4 The Company is in the process of obtaining confirmations from the suppliers who have registered themselves under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the information available with the Company, no balance is due to Micro & Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as on 31st March 2010. Further during the year no interest has been paid or payable under the terms of the said Act.

5 The Company had received Rs. 148.60 Lacs (including Interest Rs. 83.40 Lacs) based on the order of Hon'able National Consumer Disputes Redressal Commission, New Delhi (NCDRC) in respect of ongoing case against a debtor in the previous year. This amount was released on furnishing of Bank Guarantee and security in the form of company flats at Kavi Nagar. However the matter has since been remanded back by Hon'able Supreme Court to NCDRC for reconsideration. Accordingly, the Interest received has not been recognised and would be recognised on its final disposal.

6 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 2009 - 2010 and is of the view that majority of the losses will be available for set off against profits.

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

7 Balances appearing for certain inoperative bank accounts, debtors, creditors, loans, advances and other parties are subject to confirmation, reconciliation and adjustments, if any, by the respective parties.

8 In respect of the secured loans taken from the bodies corporate, further provision for interest has not been considered necessary due to arbitration proceedings and ongoing discussions for one time settlement with the respective body corporate. Further Liability, if any would be provided for in the year of settlement.



- 9 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.
- 10 Related Party disclosure in accordance with the Accounting Standard-18, issued by the Institute of Chartered Accountants of India is given below:
- (1) Associates : National Textile Corporation Ltd. ( Holding more than 20% shareholding in the company)  
Nature of Transactions :  
Unsecured Loan taken as on 31.03.2010 : Rs. 2,30,21,497 ( Previous Year Rs. 2,30,21,497)
- (2) Associates : Paharpur Cooling Towers Ltd. ( Holding indirectly more than 20% shareholding in the company)  
Nature of Transactions :  
Reimbursement for various expenses : Rs. 11,18,712 ( Previous Year Rs. 8,96,748 )  
Unsecured Loan taken : Nil ( Previous Year Rs. 1,69,72,831)  
Unsecured Loan repaid : Nil ( Previous Year Rs. 39,58,170)  
Outstanding Balance as on 31.03.2010  
Secured Loan Taken : Rs. 13,50,00,000 ( Previous Year Rs. 13,50,00,000)  
Unsecured Loan Taken : Rs. 2,92,76,100 ( Previous Year Rs. 2,92,76,100)
- 11 In accordance with the Accounting Standard-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the company has certain amounts eligible to create Deferred Tax assets (DTA). However, in the absence of virtual certainty with regards to realisation of DTA in the foreseeable future, DTA has not been recognised.
- 12 Previous years' figures have been regrouped/recast wherever considered necessary
- 13 The figures reported in financial statements have been rounded off to the nearest rupee.

14 Information regarding Goods Traded (Rs. in lacs)

PARTICULARS	OPENING		PURCHASE		SALES		CLOSING	
	Qty.	Value	Qty. *	Value	Qty. *	Value	Qty.	Value
Fabric	-	-	136142	197.53	136142	207.30	-	-
	(-)	(-)	(25130)	33.60	(25130)	34.99	(-)	(-)

\* Multiple UOM

Note: Figures in brackets represent previous year figures

For Suresh Bansal & Co.  
Chartered Accountants

S.K. Bansal  
Partner

R. Sharma  
Director

Director

Place : Faridabad

Camp : Ghaziabad

Date : 9-8-2010

