

**ANNUAL REPORT
2009 - 10**



Fairdeal
Filaments Ltd.

20th

TWENTIETH ANNUAL REPORT



Fairdeal Filaments Ltd.

TWENTIETH ANNUAL REPORT - 2009-10

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. Paresh A. Topiwala 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 : 3rd 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 20th Annual General Meeting of the Members of FAIRDEAL FILAMENTS LIMITED will be held on **Thursday the 30th day of September, 2010 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, 2010, 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 R. K. Desai and Shri M. J. Shah who retire by rotation and being eligible, offers 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 the 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 a Special Resolution :

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. Dhiraj R. Shah, who has been re-appointed by the Board of Directors at their meeting held on 30.07.2010 as Managing Director of the company with effect from October 1, 2010 to September 30, 2013, upon the remuneration and terms and conditions set out in the draft supplement agreement submitted to this meeting and initialed by the Chairman, for the purpose of identification which agreement is hereby specifically sanctioned.

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

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. Arvind R. Shah, who has been re-appointed by the Board of Directors at their meeting held on 30.07.2010 as Whole-time Director of the company with effect from October 1, 2010 to September 30, 2013, upon the remuneration and terms and conditions set out in the draft supplement agreement submitted to this meeting and initialed by the Chairman, for the purpose of identification which agreement is hereby specifically sanctioned.

By Order of the Board of Directors

Place : Surat
Date : 30th July, 2010

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 17, 2010 to September 30, 2010 (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, 2010. 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 16, 2010 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 31.03.2010 will be payable on or after September 30, 2010 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 and unclaimed dividend for the financial year ended on 31st March 2002 have been transferred to Investor Education and Protection Fund (the Fund) on 21st November, 2009.

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 :

Mr. Dhiraj R. Shah was re-appointed as a Managing Director of the company for a period of 3 years with effect from 1st October 2007 by Board of Directors at their meeting held on 31.07.2007. The members at their Annual General Meeting held on 29th September, 2007, approved his appointment. The term of his office will expire on 30.09.2010.

Taking into consideration his present salary, the industry scenario, performance and growth of the company under his management and based on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on July 30, 2010 decided to re-appoint him as Managing Director of the company for a period of three years w.e.f. 01.10.2010 with increased remuneration subject to the approval of the Members. The Directors are of the view that re-appointment of Mr. Dhiraj R. Shah as Managing Director will be beneficial for the smooth operations of the company.

Information required to be furnished as per Schedule XIII (Part-II, Section- II) to the Companies Act, 1956 are as under :

General and other Information :

Nature of Industry :

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.

The abolition of quota, a buoyant economy and a conducive policy environment provided by the Government have contributed in placing the industry on the path of rapid growth.

Financial / Operational performance :

Your company has achieved turnover of Rs. 8296.08 lacs during the year under review as compared to Rs. 7183.10 lacs for the previous year. Increase in turnover during the year under review is mainly on account of increase in trading turnover as compared to previous year.

The company has achieved operating profit of Rs. 511.39 lacs as compared to Rs. 649.86 lacs for the previous year. Cash generation for the year under review is Rs. 277.06 lacs as compared to Rs. 347.39 lacs for the previous year. Net Profit after tax reduced to Rs. 52.30 lacs as compared to Rs. 94.96 lacs for the previous year. Profitability has been adversely affected due to demand recession during the year under review.

Steps to improve profitability :

The company proposes to improve productivity and profits through higher capacity utilization and increased opportunities in export of yarn products.

The company has made exports earnings worth Rs. 88.75 lacs during the year 2009-10. During FY 2010-11, up to 24.07.2010, the company has achieved export turnover of Rs. 96.35 lacs.

Information about the appointee :

Mr. Dhiraj R. Shah, a commerce graduate aged about 55 years is having rich experience of more than 25 years in textile business. He is a Promoter-Director of the company since inception. He is associated with various business associations and has successfully represented various issues of the textile industries before government and other authorities from time to time.

He looks after finance and overall administration of the company. He is presently drawing salary of Rs. 2,00,000/- p.m. Remuneration proposed is Rs. 2,50,000/- p.m. The company has no pecuniary relationship or transaction with Mr. Dhiraj R. Shah other than payment of salary. He is brother of Mr. Jayanti R. Shah and Mr. Arvind R. Shah - Directors of the company.

The Directors are of the view that the remuneration proposed is commensurate with his experience and ability.

The draft Agreement between the company and Mr. Dhiraj R. Shah as a Managing Director of the company contains the following principal terms and conditions :

I. Remuneration :

A. Salary :

Salary Rs. 2,50,000/- per month w.e.f. 01.10.2010 for a period of three years i.e. 30.09.2013.

Minimum Remuneration : Notwithstanding anything contained to the contrary herein, where in any financial year during the currency of the tenure of the said Mr. Dhiraj R. Shah, the profits are inadequate; the company will pay remuneration as specified above.

B. Other benefits :

In addition to the salary as above,

- i) Company's contribution to Provident fund to the extent it is not taxable under the Incometax Act and Gratuity as per provisions of the Payment of Gratuity Act, will not be included in the computation of the ceiling of remuneration specified above.
- ii) Car for use on company's business, mobile, telephone and other communication facilities at residence will not be considered as perquisites.
- iii) The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof during his tenure as such.
- iv) The Managing Director shall during his tenure use his endeavor to promote the interest of business of the company and will not divulge or disclose to any person, firm or company any confidential information.
- v) The Managing Director shall be entitled to reimbursement of actual expenses incurred by him for and on behalf of the company.
- vi) The Board is entitled to terminate the Agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies act, 1956 and in other cases, by 6 months' previous notice in writing by either party.
- vii) In the event of any difference or dispute arising between the company and Managing Director in respect of this agreement or with reference to any matters arising out of or incidental thereto shall be settled by arbitration.

In compliance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in general meeting for their approval.

The Board recommends the resolutions at Item Nos. 5 for acceptance by the Members.

The draft agreement between the company and Mr. Dhiraj R. Shah is available for inspection by the members of the company at registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day of the company.

Mr. Dhiraj R. Shah is concerned or interested in the Resolution at Item Nos. 5 of the Notice. Mr. Jayantilal R. Shah and Mr. Arvind R. Shah, Directors of the company are also interested in the said resolution as they are brothers of Mr. Dhiraj R. Shah.

This may be treated as an abstract of the draft agreement between the company and Mr. Dhiraj R. Shah pursuant to Section 302 and Schedule XIII to the Companies Act, 1956.

Item No. 6 :

Mr. Arvind R. Shah was re-appointed as a Whole-time Director of the company for a period of 3 years with effect from 1st October'2007 by Board of Directors at their meeting held on 31.07.2007. The members at their Annual General Meeting held on 29th September, 2007, approved his appointment. The term of his office will expire on 30.09.2010.

Taking into consideration his present salary, the industry scenario, performance and growth of the company under his management and based on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on July 30, 2010 decided to re-appoint him as Whole-time Director of the company for a period of three years w.e.f. 01.10.2010 with increased remuneration subject to the approval of the Members. The Directors are of the view that re-appointment of Mr. Arvind R. Shah as Whole-time Director will be beneficial for the smooth operations of the company.

Information required to be furnished as per Schedule XIII (Part-II, Section- II) to the Companies Act, 1956 are as under :

General and other Information :

Nature of Industry :

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.

The abolition of quota, a buoyant economy and a conducive policy environment provided by the Government, have contributed in placing the industry on the path of rapid growth.

Financial / Operational performance :

Your company has achieved turnover of Rs. 8296.08 lacs during the year under review as compared to Rs. 7183.10 lacs for the previous year. Increase in turnover during the year under review is mainly on account of increase in trading turnover as compared to previous year.

The company has achieved operating profit of Rs. 511.39 lacs as compared to Rs. 649.86 lacs for the previous year. Cash generation for the year under review is Rs. 277.06 lacs as compared to Rs. 347.39 lacs for the previous year. Net Profit after tax reduced to Rs. 52.30 lacs as compared to Rs. 94.96 lacs for the previous year. Profitability has been adversely affected due to demand recession during the year under review.

Steps to improve profitability :

The company proposes to improve productivity and profits through higher capacity utilization and increased opportunities in export of yarn products.

The company has made exports earnings worth Rs. 88.75 lacs during the year 2009-10. During FY 2010-11, up to 24.07.2010, the company has achieved export turnover of Rs. 96.35 lacs.

Information about the appointee :

Mr. Arvind R. Shah, a Science graduate aged about 51 years having rich experience of more than 25 years in textile business. He is a Promoter-Director of the company since inception. He is heading the marketing department and has efficiently developed large number of local as well as export customer base.

He is presently drawing salary of Rs. 2,00,000/- p.m. Remuneration proposed is Rs. 2,50,000/- p.m. The company has no pecuniary relationship or transaction with Mr. Arvind R. Shah other than payment of salary. He is brother of Mr. Jayanti R. Shah and Mr. Dhiraj R. Shah - Directors of the company.

The Directors are of the view that the remuneration proposed is commensurate with his experience and ability.

The draft Agreement between the company and Mr. Arvind R. Shah as a Whole-time Director of the company contains the following principal terms and conditions :

I. Remuneration :

A. Salary :

Salary Rs. 2,50,000/- per month w.e.f. 01.10.2010 for a period of three years i.e. 30.09.2013.

Minimum Remuneration : Notwithstanding anything contained to the contrary herein, where in any financial year during the currency of the tenure of the said Mr. Arvind R. Shah, the profits are inadequate; the company will pay remuneration as specified above.

B. Other benefits :

In addition to the salary as above,

- i) Company's contribution to Provident fund to the extent it is not taxable under the Income tax Act and Gratuity as per provisions of the Payment of Gratuity Act, will not be included in the computation of the ceiling of remuneration specified above.
- ii) Car for use on company's business, mobile, telephone and other communication facilities at residence will not be considered as perquisites.
- iii) The Whole-time Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof during his tenure as such.
- iv) The Whole-time Director shall during his tenure use his endeavor to promote the interest of business of the company and will not divulge or disclose to any person, firm or company any confidential information.
- v) The Whole-time Director shall be entitled to reimbursement of actual expenses incurred by him for and on behalf of the company.
- vi) The Board is entitled to terminate the Agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956 and in other cases, by 6 months' previous notice in writing by either party.
- vii) In the event of any difference or dispute arising between the company and Whole-time Director in respect of this agreement or with reference to any matters arising out of or incidental thereto shall be settled by arbitration.

In compliance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in general meeting for their approval.

The Board recommends the resolutions at Item Nos. 6 for acceptance by the Members.

The draft agreement between the company and Mr. Arvind R. Shah is available for inspection by the members of the company at registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day of the company.

Mr. Arvind R. Shah is concerned or interested in the Resolution at Item Nos. 6 of the Notice. Mr. Jayantilal R. Shah and Mr. Dhiraj R. Shah, Directors of the company are also interested in the said resolution as they are brothers of Mr. Arvind R. Shah.

This may be treated as an abstract of the draft agreement between the company and Mr. Arvind R. Shah pursuant to Section 302 and Schedule XIII to the Companies Act, 1956.

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

Name of Directors	Mr. R. K. Desai	Mr. M. J. Shah
Date of Birth	27.03.1951	24.07.1931
Date of Appointment	07.06.2001	18.04.1994
Expertise in specific functional areas	Accounts & Finance	Secretarial, Finance & Legal
Qualification	B.Com., LL.B., F.C.A.	B.Com. B. A., LL.B., F.C.S.
Directorship held in other companies	Nikon Synthetics Pvt. Ltd. Meher Synthetics Pvt. Ltd.	Nil
Committee position held in other companies	Nil	Nil

Directors' Report

Your Directors are pleased to present the 20th Annual Report and the audited accounts for the year ended 31st March, 2010.

Financial Results

(Rs. in Lacs)

Particulars	2009-10	2008-09
Sales and other operating income	8296.08	7183.10
Profit before interest and depreciation	511.39	649.86
Less : Interest	206.11	280.89
Depreciation	224.76	252.43
Profit before Tax	80.52	116.54
Less : Provision for Current Taxation	29.44	15.07
Provision for Deferred Taxation	2.30	5.65
Profit after Tax adjustment	48.78	95.82
Excess/Short provision for depreciation	3.52	-0.86
Net Profit	52.30	94.96
Add : Balance brought forward from previous year	391.25	362.81
Amount available for Appropriation	443.55	457.77
Transfer to General Reserve	3.00	13.00
Proposed Dividend	45.75	45.75
Tax on Dividend	7.77	7.77
Balance Carried to Balance Sheet	387.03	391.25

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, 2010, subject to the approval by the members at the forthcoming Annual General Meeting.

Operational Performance

Your company has achieved turnover of Rs. 8296.08 lacs during the year under review as compared to Rs. 7183.10 lacs for the previous year. Increase in turnover during the year under review is mainly on account of increase in trading turnover as compared to previous year.

The company has achieved operating profit of Rs. 511.39 lacs as compared to Rs. 649.86 lacs for the previous year. Cash generation for the year under review is Rs. 277.06 lacs as compared to Rs. 347.39 lacs for the previous year. Net Profit after tax reduced to Rs. 52.30 lacs as compared to Rs. 94.96 lacs for the previous year. Profitability has been adversely affected due to demand recession during the year under review.

Fixed Deposits

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

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the company, Shri R. K. Desai, Director and Shri M. J. Shah, Director of the company who retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief particulars of the Directors retiring by rotation and proposed to be re-appointed 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)

	2009-10	2008-09
I) Foreign Exchange Earnings	88.75	Nil
II) Foreign Exchange Outgo :		
a) Raw Material	117.22	6.06
b) Capital Goods	5.36	6.98
c) Consumable Spares	1.48	0.29
d) Foreign Traveling	Nil	1.67

Particulars of Employees

None of the employee 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 letters 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, has appointed Mr. V. Srinivasan, Cost Accountant, Navsari as the Cost Auditor of the company for conducting the cost audit. The Cost Audit Report for the year ended on 31st March, 2010 will be submitted by Mr. V. Srinivasan to the Central Government after approval of the Board of Directors.

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.

Acknowledgement

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 : 30th July, 2010

Jayanti R. Shah
Chairman

ANNEXURE "A" TO THE DIRECTORS' REPORT

A. POWER AND FUEL CONSUMPTION :

	FFLKIM	FFLKRJ-1	FFLKRJ-2
POWER GENERATED THROUGH OWN DIESEL GENERATOR			
Quantity (Ltrs. in lacs)	0.10	1.39	0.04
Total Value (Rs. in lacs)	0.93	13.23	0.37
Cost / Unit (Rs.)	9.14	9.50	9.26
POWER PURCHASED			
Unit (in lacs)	4.36	30.08	19.15
Total Value (Rs. in lacs)	24.17	158.02	101.44
Cost / Unit (Rs.)	5.54	5.13	5.30
LIGNITE			
Quantity (Kgs. in lacs)	15.51	-	-
Total Value (Rs. in lacs)	38.49	-	-
Cost / Unit (Rs.)	2.48	-	-

B. CONSUMPTION PER UNIT OF PRODUCTION :

Power & Fuel	Current Year	Previous Year
Yarn - POWER		
FFLKIM	0.29	0.27
FFLKRJ-1	1.13	1.53
FFLKRJ-2	0.95	0.75
Fabrics : FFLKRJ-1	0.25	0.26
Lignite		
FFLKIM	0.99	0.71

For and on behalf of the Board of Directors

Place : Surat
Date : 30th July, 2010

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, and in all its interactions with its stakeholders including employees, Government authorities, Bankers and shareholders.

(2) Board of Directors :

The Board of Directors consists of 6 Directors and the composition of the Board is as follows:

Category	Name of Directors
Promoter/Executive Directors	Dhiraj R. Shah - Managing Director Arvind R. Shah - Whole-time Director
Promoter/Non-Executive Director	Jayanti R. Shah - Chairman
Non-Promoter/Independent/ Non-Executive Directors	Manubhai J. Shah Rajendra K. Desai Paresh A. Topiwala

Four (4) Board Meetings were held during the year 2009-10 and the dates on which meetings held were as follows: June 29, 2009, July 30, 2009, October 31, 2009 and February 19, 2010. Last Annual General Meeting of the Company was held on September 30, 2009. 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 :

Name of Directors	Board Meeting Attended	Attendance at last AGM	Directorship in other companies	Committee Membership/ Chairmanship in other companies
Jayanti R. Shah	4	Yes	2	Nil
Dhiraj R. Shah	4	Yes	10	Nil
Arvind R. Shah	4	Yes	1	Nil
Manubhai J. Shah	4	Yes	Nil	Nil
Rajendra K. Desai	4	Yes	2	Nil
Paresh A. Topiwala	4	Yes	Nil	Nil

(3) Audit Committee :

Audit committee consist of three Directors, out of them two are independent non-executive Directors and one non-executive promoter Director. The Company Secretary acts as the Secretary of the audit committee. The Committee met on June 29, 2009, July 30, 2009, October 31, 2009 and February 19, 2010 during the year under review. The composition of audit committee and particulars of meeting 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 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, the 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
Paresh A. Topiwala	Member
Rajendra K. Desai	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 31st March, 2010 is Rs. 45,23,720 including sitting fees paid to non-executive Directors.

(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 interval 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 to 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 :

Financial Year	Date	Location of the Meeting	Time
2006-07	29.09.2007	3 rd Floor, Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat	11.00 A.M.
2007-08	30.09.2008	Do	11.00 A.M.
2008-09	30.09.2009	Do	11.00 A.M.

Special Resolution passed in previous three AGMs :

2 (Two) special resolutions have been passed in AGM for the financial year 2006-07 held on 29.09.2007 as per following details :

- (1) For re-appointment of Shri Dhiraj R. Shah as Managing Director of the company w.e.f. 01.10.2007 to 30.09.2010 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. 01.10.2007 to 30.09.2010 upon the terms and conditions and remuneration as set out in the agreement.

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.

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 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 secretarial audit 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. 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 : 30th Day of September, 2010, 11.00 A.M.

Venue : 3rd 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 in the month following the quarter except for the last quarter, for which the results are declared in the month of May/June as permitted under the listing agreement.

Date of Book Closure :

17th September, 2010 to 30th September, 2010 (Both days inclusive)

Dividend payment Date :

On or after 30th September, 2010

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 2010-11 to the respective stock exchanges. The company has paid custodial fees for the year 2010-11 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, 2010.

Stock Code :

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

Demat ISIN Numbers in NSDL & 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'2009	11.07	9.05	7766
May'2009	13.40	9.51	13554
June'2009	15.64	12.55	11430
July'2009	17.15	14.33	23504
August'2009	19.45	15.30	35804
September'2009	19.45	15.25	64423
October'2009	17.80	15.00	40527
November'2009	21.00	15.00	53248
December'2009	20.80	16.55	60156
January'2010	19.75	16.75	63383
February'2010	19.50	16.00	23670
March'2010	19.25	15.00	38223

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: mcsbaroda@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 a secretarial audit on a quarterly basis for reconciliation of the share capital of the company.

Distribution of shareholding as on March 31, 2010 :

Shareholding of Nominal value of Rs.	Shareholders		Shareholding	
	Number of Shareholders	%	Number of Shares	%
Up to 5000	3692	91.05	538112	14.70
5001 10000	151	3.72	120642	3.30
10001 20000	74	1.83	116665	3.19
20001 30000	39	0.96	102313	2.79
30001 40000	14	0.35	47484	1.30
40001 50000	16	0.39	74922	2.05
50001 100000	30	0.74	228266	6.24
100001 & above	39	0.96	2431636	66.43
Total	4055	100.00	3660040	100.00

Categories of Shareholders as on March 31, 2010 :

Category of Members	Number of shares	% of total shares
Indian Promoters	1708451	46.68
Shareholders holding nominal share capital upto Rs. 1 lakh	1046022	28.58
Shareholders holding nominal share capital in excess of Rs. 1 lakh	677576	18.51
Private Corporate Body	227991	6.23
Others	Nil	Nil
Total	3660040	100.00

Dematerialisation of shares :

75.70% of company's paid-up equity share capital i.e. 2770763 shares have been dematerialised up to 31.03.2010. 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,
Ta.: Mangrol, Dist.: Surat.

Limodra Patia, Karanj,
Ta.: 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
3rd 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. 8296.08 lacs during the year under review as compared to Rs. 7183.10 lacs for the previous year. Increase in turnover during the year under review is mainly on account of increase in trading turnover as compared to previous year.

The company has achieved operating profit of Rs. 511.39 lacs as compared to Rs. 649.86 lacs for the previous year. Cash generation for the year under review is Rs. 277.06 lacs as compared to Rs. 347.39 lacs for the previous year. Net Profit after tax reduced to Rs. 52.30 lacs as compared to Rs. 94.96 lacs for the previous year. Profitability has been adversely affected due to demand recession during the year under review.

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 statement 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 2010, 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 affair of the Company.

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

Ravindra Vepari
Partner
Membership No. : 6728

Place : Surat
Date : 27.05.2010

AUDITORS' REPORT

To,
The Members of
FAIRDEAL FILAMENTS LIMITED,
Surat.

We have audited the attached Balance Sheet of **FAIRDEAL FILAMENTS LIMITED**, as at 31st March 2010, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 disclosure in the financial statements. An audit also includes assessing the accounting principle 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.

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Department of Company Law Affairs in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto **Annexure 'A'** on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in Annexure referred to in Para (1) 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, Profit and Loss Account and cash flow statement dealt with by this report 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 comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representation received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
2. Subject to the matters referred to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the 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 :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Ravindra Vepari
Partner

Membership No. : 6728

Place : Surat
Date : 27.05.2010

ANNEXURE 'A' TO THE AUDITOR'S REPORT : YEAR ENDED 31-3-2010

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed Assets.
b) We are informed that all fixed assets have been physically verified by the management at reasonable intervals. On the basis of information and explanations given to us, no material discrepancies were noticed on such verification.
c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- 2) a) As informed to us, the inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of the business
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the books records were not material and have been properly dealt with in the books of accounts.
- 3) The Company has not taken or granted any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act , 1956
- 4) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- 5) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into 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 explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. five lakhs in respect of any party during the year have been made at prices which are reasonable and having regard to prevailing market prices at the relevant time.
- 6) The Company has not accepted deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956, and the rules made there under.
- 7) We are of the opinion that, the coverage of internal audit functions carried out by a Chartered Accountant appointed by the management is commensurate with the size of the company and the nature of its business.
- 8) We have broadly reviewed the books of accounts 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 in respect of the company's products to which the said rules are made applicable, and are of the opinion that, the prescribed accounts and records have been made and maintained.
- 9) a) According to the records of the company wherever applicable, it has been regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, Value Added Tax sales tax / VAT, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities.

- b) According to the information and explanation given to us, no disputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31st March 2010 for a period for more than six months from the date they became payable.
- 10) The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, both, in the financial year under report and the immediately preceding financial year.
- 11) According to the information and explanation given to us, the company has not defaulted in repayments of dues to financial institutions or bank or debenture holders.
- 12) According to the information and explanation 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.
- 13) According to the information and explanation given by the management, in our opinion the terms and conditions of the guarantee given by the Company for loan taken by others from Bank are not prejudicial to the interest of the company.
- 14) In our opinion, the term loans have been applied for the purpose for which they were raised.
- 15) According to information and explanation given to us and on an overall examination of the balance sheet of the company, we report that the company has used funds relating to long term basis to short term basis and as explained they have been deployed to fund core working capital.
- 16) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 17) The company has not issued any debentures during the year.
- 18) During the year covered by our audit report, the company has not issued any shares to public.
- 19) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.
- 20) 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 : 27.05.2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Sch.	Current Year Rs.	Previous Year Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Share Capital	1	36,600,400	36,600,400
(b) Reserves & Surplus	2	81,890,954	86,449,185
		118,491,354	123,049,585
Loan Funds			
(a) Secured loans	3	203,008,938	191,786,177
(b) Unsecured Loans	4	85,273,113	63,144,241
		288,282,051	254,930,418
Deferred Tax Liability		7,476,984	7,247,350
	TOTAL	414,250,389	385,227,353
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	308,877,317	302,047,710
Less : Depreciation		151,544,039	126,653,373
		157,333,278	175,394,337
Capital - Work in Progress (FA)		914,768	16,737,778
Net Block		158,248,046	192,132,115
Investments	6	9,760,000	10,439,000
Current Assets, Loans and Advances			
(a) Inventories	7	44,717,879	43,128,771
(b) Sundry Debtors		185,945,451	120,053,431
(c) Cash and bank balances		6,000,086	5,002,498
(d) Loans and advances		43,939,778	46,128,816
		280,603,194	214,313,516
Less : Current Liabilities & Provisions			
(a) Current Liabilities	8	13,467,459	8,859,203
(b) Provisions		20,893,393	22,798,075
		34,360,851	31,657,278
Net Current Assets		246,242,343	182,656,238
	TOTAL	414,250,389	385,227,353

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 : 27.05.2010

Hitesh K. Garmora

Company Secretary

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For and on behalf of the Board,

D. R. Shah

Managing Director

A. R. Shah

Whole-time Director

SURAT, Date : 27.05.2010

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

	Sch.	Current Year Rs.	Previous Year Rs.
INCOME			
Sales		836,157,115	729,723,058
Job Charges		9,346,697	2,688,641
		<u>845,503,813</u>	<u>732,411,699</u>
Less : Excise Duty		508,975	724,359
Less : Value Added Tax		35,197,743	30,037,589
		<u>809,797,095</u>	<u>701,649,750</u>
Other Operating Income	9	19,810,924	16,659,898
Increase/(Decrease) in Finish Goods Stock	10	8,859,537	4,027,271
	TOTAL	<u>838,467,556</u>	<u>722,336,920</u>
EXPENDITURE			
Consumption of Raw Material	11	374,343,003	426,879,163
Finished Goods Purchased		308,780,212	127,446,065
Manufacturing and other expenses	12	65,345,870	62,373,645
Payment and benefits to employees	13	22,406,731	22,851,332
Administrative and other expenses	14	10,067,034	10,207,459
Selling and distribution expenses	15	6,383,050	3,727,708
Financial charges	16	20,611,122	31,752,242
Depreciation		22,476,257	25,242,988
Loss on Sale of Fixed Assets / Investment		2,455	202,043
	TOTAL	<u>830,415,735</u>	<u>710,682,644</u>
Net Profit for the year before taxation		8,051,821	11,654,275
Add / (Less) : Deferred tax Asset/(liability)		(229,634)	(565,209)
Less : Provision for tax		2,944,000	1,507,000
Net Profit for the year after taxation		<u>4,878,187</u>	<u>9,582,066</u>
Less : Short provision of tax in earlier years		-	85,632
ADD : Excess provision of tax in earlier years		352,604	-
Net Profit		<u>5,230,791</u>	<u>9,496,434</u>
Balance brought forward		39,124,668	36,280,814
Balance Available for Appropriation		<u>44,355,459</u>	<u>45,777,248</u>
APPROPRIATIONS			
Proposed Dividend on Equity Shares		4,575,050	4,575,050
Corporate Tax on Dividend		777,530	777,530
General Reserve		300,000	1,300,000
	TOTAL	<u>5,652,580</u>	<u>6,652,580</u>
Balance Carried to Balance Sheet		38,702,879	39,124,668

Notes forming part of the accounts
As per our report of even date.

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

For and on behalf of the Board,

Ravindra Vepari

Hitesh K. Garmora

D. R. Shah

A. R. Shah

Partner
Membership No. : 6728

Company Secretary

Managing Director

Whole-time Director

SURAT, Date : 27.05.2010

SURAT, Date : 27.05.2010

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	Sch.	Current Year Rs.	Previous Year Rs.
SHARE CAPITAL	1		
<u>Authorised</u> 55,00,000 Equity Shares of Rs. 10 each.		<u>55,000,000</u>	<u>55,000,000</u>
Issued, subscribed and paid-up 36,60,040 (Previous Year 36,60,040) Equity Shares of Rs. 10/- each fully paid up.		<u>36,600,400</u>	<u>36,600,400</u>
		<u>36,600,400</u>	<u>36,600,400</u>
RESERVES AND SURPLUS	2		
Capital Reserves		<u>6,996,648</u>	<u>6,996,648</u>
General Reserve		<u>1,300,000</u>	-
Add : Transfer from Profit and Loss Account		<u>300,000</u>	<u>1,300,000</u>
		<u>1,600,000</u>	<u>1,300,000</u>
Revaluation Reserve		<u>28,201,145</u>	<u>28,213,309</u>
Less: Transfer to Profit and Loss Account for Depreciation		<u>4,436,442</u>	<u>12,164</u>
		<u>23,764,703</u>	<u>28,201,145</u>
Security Premium		<u>10,826,724</u>	<u>10,826,724</u>
Profit & Loss Account (Credit Balance)		<u>38,702,879</u>	<u>39,124,668</u>
		<u>81,890,954</u>	<u>86,449,185</u>
SECURED LOANS	3		
(A) TERM LOANS			
Bank of Baroda Term Loan (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.)		<u>68,610,220</u>	<u>85,734,130</u>
HDFC Bank Ltd - Car Loan		<u>53,315</u>	<u>253,938</u>
(Refer note (9) of Schedul 17)			
(B) WORKING CAPITAL			
Bank of Baroda FCNR (B) Loan		<u>90,000,000</u>	<u>60,000,000</u>
Bank of Baroda Rupee Loan		<u>34,240,920</u>	<u>25,572,527</u>
Bank of Baroda (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.)			

	Sch.	Current Year Rs.	Previous Year Rs.
(C) CORPORATE LOAN			
AXIS Bank (Secured by second charge on current assets of the company)		10,104,483	20,225,581
		203,008,938	191,786,177
UNSECURED LOANS			
Inter corporate deposits from Companies	4	71,090,000	48,085,000
Short term loans from others		3,400,000	-
Short term loan from ICICI Bank Ltd.		10,783,113	15,059,241
		85,273,113	63,144,241

Schedule-5 : Fixed Assets

Sr. No.	Particulars	Gross Block			Depreciation				Net Block		
		AS ON 01.4.2009	ADDITION	ADJUSTMENT	AS ON 31.3.2010	UPTO 01.4.2009	FOR THE YEAR	ADJUST- MENT	AS ON 31.3.2010	AS ON 31.3.2010	AS ON 31.3.2009
1	LAND	13,742,342	570,732	-	14,313,074	-	-	-	-	14,313,074	13,742,342
2	FACTORY BUILDING	29,411,201	2,745,952	-	32,157,153	8,842,304	1,027,560	-	9,869,863	22,287,289	20,568,897
3	PLANT AND MACHINERY	92,690,805	4,024,229	1,552,873	95,162,161	54,625,944	9,394,897	1,265,209	62,755,631	32,406,530	38,064,861
4	OFFICE EQUIPMENT	3,071,820	593,962	3,990	3,661,792	1,353,064	167,643	3,228	1,517,479	2,144,313	1,718,756
5	COMPUTER	8,994,295	300,844	31,525	9,263,614	4,211,946	1,167,451	24,113	5,355,284	3,908,330	4,782,349
6	VEHICLES	7,420,480	-	-	7,420,480	2,962,629	729,649	-	3,692,278	3,728,202	4,457,851
7	FURNITURES & FIXTURE	3,126,726	-	-	3,126,726	2,069,577	169,052	-	2,238,629	888,097	1,057,149
8	LABORATORY EQUIP.	9,880	-	-	9,880	9,058	522	-	9,580	300	822
9	BEAM PIPE	1,960,659	426,580	729,484	1,657,755	1,886,069	428,371	729,483	1,584,956	72,799	74,590
10	OFFICE BUILDING	1,470,441	32,553	-	1,502,994	330,893	23,921	-	354,814	1,148,180	1,139,548
11	ELECTRICAL INSTALLATION	201,010	-	-	201,010	79,655	9,548	-	89,203	111,807	121,355
12	PLANT & MACHINERY UNDER TUF	102,680,401	452,628	-	103,133,029	39,610,924	9,716,867	-	49,327,791	53,805,237	63,069,477
13	WINDMILL	37,267,650	-	-	37,267,650	10,671,312	4,077,219	-	14,748,531	22,519,119	26,596,338
	TOTAL	302,047,710	9,147,480	2,317,872	308,877,317	126,653,373	26,912,699	2,022,033	151,544,039	157,333,278	175,394,337
	Previous Year	257,942,515	44,905,253	800,059	302,047,710	101,796,797	25,255,152	398,577	126,653,373	175,394,337	156,145,717

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 & Loss account amounting to Rs. 44,36,442 (PY Rs. 12,164).

INVESTMENTS
6
(Valued at cost, unquoted)

245000 (P.Y. 294000) shares of Shahlon Industrial Infrastructure Pvt. Ltd.	2,450,000	3,129,000
730000 shares of Fairdeal Textile Park Pvt. Ltd.	7,300,000	7,300,000
Fairdeal Textile Park Pvt. Ltd. (Share Application Money)	10,000	10,000
	9,760,000	10,439,000

CURRENT ASSETS, LOANS AND ADVANCES
7
Inventories

Consumable stores etc.	4,545,282	3,446,468
Raw materials	16,194,708	24,563,949
Finished goods	23,977,890	15,118,353
	44,717,879	43,128,771

	Sch.	Current Year Rs.	Previous Year Rs.
Sundry Debtors (Unsecured and Considered Good)			
Sundry Debtors		177,001,326	108,362,427
Sundry Debtors-Over Six Months		<u>8,944,125</u>	<u>11,691,004</u>
		<u><u>185,945,451</u></u>	<u><u>120,053,431</u></u>
Cash and Bank Balances			
Cash on hand		232,784	303,245
In Current account with Scheduled Bank		3,045,060	454,698
In Fixed deposit account with Scheduled Bank		1,481,834	3,022,077
Unclaimed Dividend a/c with Scheduled Bank		<u>1,240,408</u>	<u>1,222,478</u>
		<u><u>6,000,086</u></u>	<u><u>5,002,498</u></u>
Loans and Advances			
Unsecured - (Considered Good unless otherwise stated)			
Advances (recoverable in cash or in kind or for value to be received)		12,217,875	11,397,541
Utility Deposits		1,279,940	1,175,193
Prepaid Expenses		1,050,908	1,040,831
Advance Income Tax		13,171,456	18,004,888
Advance for Goods		2,679,308	2,597,449
Interest Subsidy under TUF Receivable		5,970,591	4,203,104
Duty Rebate Receivable		57,518	57,518
VAT Credit Receivable		-	139,351
Central Excise P L A		469	584
CENVAT on Yarn		<u>7,511,713</u>	<u>7,512,358</u>
		<u><u>43,939,778</u></u>	<u><u>46,128,816</u></u>
CURRENT LIABILITIES AND PROVISIONS		8	
Current Liabilities			
Sundry Creditors for Goods and other purchases		4,393,114	2,727,832
Sundry Creditors for expenses		3,460,683	2,200,887
Sundry Creditors for statutory liabilities		3,465,835	2,088,978
Advance against Order		907,419	619,029
Unclaimed dividend		<u>1,240,408</u>	<u>1,222,478</u>
		<u><u>13,467,459</u></u>	<u><u>8,859,203</u></u>
Provisions			
Provision for taxation		6,918,678	10,797,687
Provision for Expenses		8,025,877	6,182,733
Proposed Dividend		4,575,050	4,575,050
Tax on Proposed Dividend		777,530	777,530
Other Provisions		<u>596,258</u>	<u>465,075</u>
		<u><u>20,893,393</u></u>	<u><u>22,798,075</u></u>

	Sch.	Current Year Rs.	Previous Year Rs.
Other Income	9		
Commission Income (Net)		17,078,127	14,549,729
Duty drawback		1,616,419	-
Income from Foreign Exchange		9,755	-
Balances written back		210,110	803,757
Rent income		103,000	-
Interest income		129,107	596,894
Other Operating Income		664,406	709,518
		<u>19,810,924</u>	<u>16,659,898</u>
INCREASE/(DECREASE) IN FINISH GOODS STOCK	10		
Closing stock		23,977,890	15,118,353
Opening Stock		15,118,353	11,091,082
		<u>8,859,537</u>	<u>4,027,271</u>
CONSUMPTION OF RAW MATERIAL	11		
Opening Stock of Raw Material		24,563,949	31,893,102
Add : Purchases of Raw Material		365,973,761	419,550,010
Total		390,537,711	451,443,112
Less : Closing Stock of Raw Material		16,194,708	24,563,949
		<u>374,343,003</u>	<u>426,879,163</u>
MANUFACTURING AND OTHER EXPENSES	12		
Factory Expenses		1,555,927	890,223
Power & Fuel Expenses		27,885,505	26,594,340
Lising charges		1,057,022	1,248,530
Leave & Licence Expenses		180,000	-
Water Charge		1,615,605	1,768,917
Building repairs		318,538	376,036
Job charges		3,673,463	139,683
Repairs to Machinery		1,857,431	1,466,013
Consumption of Stores (including Chemical and Packing)		26,355,738	28,855,675
Wind Mill Expenses		846,642	1,034,229
		<u>65,345,870</u>	<u>62,373,645</u>
PAYMENT AND BENEFITS TO EMPLOYEES	13		
Salary, wages, Bonus & Other Benefits		20,578,719	21,091,903
Contribution to Provident Fund and Expenses		761,256	826,312
Staff Welfare Expenses		814,273	708,087
Group Gratuity Premium Expenses		252,483	225,030
		<u>22,406,731</u>	<u>22,851,332</u>

	Sch.	Current Year Rs.	Previous Year Rs.
ADMINISTRATIVE AND OTHER EXPENSES	14		
Directors remuneration		4,518,720	3,918,720
Directors fees		5,000	7,000
Insurance Charges		236,552	337,601
Electrical Expense		419,500	329,834
Legal and Professional Charges		925,594	1,399,224
Audit Fees		275,750	250,000
Travelling & Conveyance Expenses		1,188,802	1,447,003
Repairs and Maintenance to Furniture & Office Equipment		96,347	89,162
Sundry Expenses		553,779	447,501
Telephone, Postage & Fax expense		803,116	898,074
Stationery and Printing Expenses		420,053	383,764
Computer Expenses		462,568	508,265
Donation		161,253	191,310
		<u>10,067,034</u>	<u>10,207,459</u>
SELLING AND DISTRIBUTION EXPENSES	15		
Freight and forwarding charges		486,854	-
Advertisement and Sales Promotion		456,016	322,376
Brokerage		4,823,250	3,270,953
Bad Debts Written off		495,949	-
Vehicles Repair Expenses		120,981	134,379
		<u>6,383,050</u>	<u>3,727,708</u>
FINANCIAL CHARGES	16		
Term Loan Interest		5,613,017	7,960,873
Interest to Others		259,177	408,267
Interest on working capital		12,790,516	15,080,765
Bank charges		472,375	957,478
Bill Discounting Charges		1,476,036	3,681,306
Loss / (Gain) on Foreign Exchange		-	3,663,552
		<u>20,611,122</u>	<u>31,752,242</u>

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

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. The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance except in case of assets for which provision for impairment is made and revaluation is carried out. The Accounting policies have been consistently applied by the Company and are consistent with those used in the previous years.

(b) Fixed Assets :

Fixed Assets (except land) are carried at cost of acquisition (net of Cenvat) less accumulated depreciation and impairment losses, if any. All cost including financing cost till commencement of commercial production is capitalized. 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 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.
- 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 and 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 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 :

Sales 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) Deferred Taxation :

i) In accordance with the Accounting Standard 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India ('ICAI'), the Company has provided for deferred tax at 31 March, 2010. Deferred tax resulting from timing differences between book and tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

ii) 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.

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

Particulars	2009-10	2008-09
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)	102.92	138.30
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	2009-10	2008-09
a. As Auditors : (Including Tax audit fees)	2.75	2.50
b. Capacity in respect of :		
i. Company law matter	----	0.31
ii. Taxation matter	----	----
iii. Management services	----	----
iv. In any other manner	0.25	0.25

(4) Additional Informations :

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.

	(Rs. in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</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.

	2009-2010		2008-2009	
* Quantity Yarn - MTPA Fabrics - Meters in Lacs	*Quantity	Rupees (in Lacs)	*Quantity	Rupees (in Lacs)
i) Opening Stock				
Yarn	77.82	65.00	67.71	59.99
Fabrics	1.46	86.19	3.54	50.92
ii) Closing Stock				
Yarn	169.85	130.58	77.82	65.00
Fabrics	5.15	109.20	1.46	86.19
iii) Production				
Yarn	3828.2		4370.88	
Fabrics	46.32		52.58	
iv) Trading Purchase				
Yarn	3524.82	3083.32	1390.89	1272.01
Fabrics	0.21	4.49	0.18	2.45
v) Turnover				
Yarn	7260.95	7183.22	5753.50	5699.32
Fabrics	42.80	821.90	54.75	989.89
RAW Material Yarn	419.79	356.45	807.21	608.02
vi) Raw Material Consumed*				
*Including Raw Material Sales	4580.90	3743.43	5530.47	4268.79
vii) a) Value of Raw Material consumed				
Imported	3.99%	149.54	0.18%	7.54
Indigenous	96.01%	3593.89	99.82%	4261.25
Total	100.00%	3743.43	100.00%	4268.79
b) Consumable stores	%		%	
Imported	3.50%	1.97	1.51%	0.40
Indigenous	96.50%	54.30	98.49%	25.99
Total	100.00%	56.27	100.00%	26.39
*Includes Raw Material sales				
viii) Value of imports on CIF basis				
Raw Material		149.54		7.54
Capital Goods		2.69		7.39
Consumable Spares		1.97		0.40

(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	2009-10	2008-09
a. <u>Amounts recognized in Balance Sheet are as follows :</u>		
A. Present Value of Defined Benefit Obligation		
- Wholly Funded	2,535,928	2,138,588
- Wholly Unfunded	-	-
	2,535,928	2,138,588
Less : Fair Value of Plan Assets	2,535,928	2,138,588
Amount to be recognized as Liability or (Assets)	-	-
B. Amount Reflected in Balance Sheet		
- Liability	-	-
b. <u>Amounts recognized in Profit & Loss Account :</u>		
1. Current Service Cost	246,041	253,788
2. Interest Cost	192,584	165,787
3. Expected Return on Plan Assets	192,584	165,787
4. Actuarial Losses/(Gains)	18,635	63,734
Total included in " Payments to and Provision for Employees" (Refer Schedule 12)	227,406	190,054
c. <u>Changes in present value of defined benefit obligation representing reconciliation of opening & closing balances thereof are as follows :</u>		
Opening Value of present value of defined benefit obligation	2,097,303	1,719,013
Add : Current service cost	246,041	253,788
Add : Interest Cost	192,584	165,787
Add : Contribution made	-	-
	2,535,928	2,138,588
Less : Benefits paid	-	-
Closing Value of present value of defined benefit obligation	2,535,928	2,138,588
d. <u>Principal Actuarial Assumptions at the Balance Sheet Date (expressed as Weighted Averages)</u>		
Discount Rate (p.a.)	8%	8%
Expected Rate of Return on Assets (p.a.)	8%	8%

(6) Earning in foreign exchange F.O.B. values of exports Rs. 88.75 Lacs (Pre. Year.Rs. Nil)

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

(Rs. in Lacs)

	<u>2009-2010</u>	<u>2008-2009</u>
i Raw Material	117.22	6.06
ii Capital Goods	5.36	6.98
iii Consumable Spares	1.48	0.29
iv Foreign Traveling	0.00	1.67

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

Dividend for the year ended	31-03-2009	31-03-2008
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. 242.68 Lacs (Pre. year 269.31 lacs) repayable / redeemable within one year.
 (10) Sales/Purchase include inter-divisional transfers of Rs. Nil (Pre. year 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 :

Name of the Related Party	Nature of Transaction	Amount (Rs. in Lacs)	Balance as on 31/3/10
Shahlon Industries Pvt. Ltd	Sales	129.20	NIL
	Interest (Income)	1.59	
	Job Income	77.63	
	Commission Paid	3.10	
	Rent Income	1.03	
	Yarn Purchases	147.59	
	Water charges paid	16.16	
	Job Charges	11.06	
Shahlon Silk Mills Pvt. Ltd.	Sales (Yarn)	96.64	NIL
	Interest (Income)	1.93	
	Job Income	12.04	
	Commission Paid	12.21	
	Purchase	86.67	
	Job Charges	13.43	
Shahlon Ind. Infrastructure Pvt. Ltd.	Power (Expenses)	158.02	NIL
Shri D. R. Shah (Key Management Personnel)	Remuneration	22.59	NIL
Shri A. R. Shah (Key Management Personnel)	Remuneration	22.59	NIL

- (13) There are no dues (P.Y. Nil) from the Companies or Firms where Directors are Directors / Partners.
 (14) 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 of the Companies Act, 1956 have not be provided.
 (15) Part-IV of Schedule VI to the Companies Act, 1956 as per Annexure 'A'.
 (16) There is no diluted equity share of the company hence Earning Per Share (EPS) is as per Part IV stated above.
 (17) Confirmations to the extent received from debtors have been reconciled.
 (18) 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

Ravindra Vepari
 Partner

SURAT, Date : 27.05.2010

Hitesh K. Garmora
 Company Secretary

For and on behalf of the Board,

D. R. Shah
 Managing Director

SURAT, Date : 27.05.2010

A. R. Shah
 Whole-time Director

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 00000's)

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS:

(Rs. in 00000's)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="3"/>

Sources of Funds :

Paid-up Capital	Reserve & Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="9"/>

Share Application Money
<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="3"/>

Application of Funds :

Net Fixed Assets	Investment
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="8"/>

Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

Accumulated Losses
<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

IV. PERFORMANCE OF COMPANY :

(Rs. in 00000's)

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/>

+ Profit/Loss before Tax	+ Profit/Loss after Tax
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="1"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/>

(Please tick Appropriate box + for Profit - for Loss)

Earning per Share in Rs.	Dividend rate %
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/>

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
 Membership No. : 6728

SURAT, Date : 27.05.2010

Hitesh K. Garmora

Company Secretary

D. R. Shah

Managing Director

SURAT, Date : 27.05.2010

A. R. Shah

Whole-time Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2010

	2009-2010 Rs.	2008-2009 Rs.
(A) Cash Flow from Operating Activities :		
Net profit before tax and Extraordinary items :	8,051,821	11,654,275
<u>Adjusted for :</u>		
Depreciation	22,476,257	25,255,152
Interest paid	20,611,122	31,752,242
Extra ordinary item ((profit)/loss on sale of assets)	355,059	202,043
Operating profit before Working Capital Changes	51,494,259	68,863,712
<u>Adjusted for :</u>		
Trade and other receivables	(63,702,981)	(18,661,287)
Inventories	(1,589,109)	2,540,448
Trade payables and provisions	2,703,573	(12,722,961)
Cash Generated From Operations	(11,094,258)	40,019,912
Interest paid on operations	(14,998,105)	(23,791,368)
Cash flow before Extraordinary items	(26,092,362)	16,228,544
Current Tax	(2,944,000)	(1,507,000)
Net Cash from Operating Activities	(29,036,362)	14,721,544
(B) Cash Flow from Investing Activities :		
Purchase of Fixed Assets (including Capital WIP and related advances)	6,675,530	(24,067,101)
Sales of Fixed Assets	90,384	113,807
(Purchase) / Sale of investments	882,000	(7,769,000)
Net Cash used in Investing Activities	7,647,914	(31,722,294)
(C) Cash Flow from Financing Activities :		
Repayment of Finance/Lease/Loan (Net)	11,222,761	11,826,190
Short term Loan	22,128,872	20,935,000
Interest paid on Term Loan	(5,613,017)	(7,960,873)
Dividend paid	(5,352,580)	(5,352,580)
Net Cash used in Financial Activities	22,386,036	19,447,737
NET INCREASE IN CASH & CASH EQUIVALENTS(A)+(B)+(C)	997,588	2,446,988
Opening Cash and Cash Equivalents	5,002,498	2,555,511
Closing Cash and Cash Equivalents	6,000,086	5,002,498

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, 2010 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
 Membership No. : 6728
 SURAT, Date : 27.05.2010

Hitesh K. Garmora
 Company Secretary

D. R. Shah
 Managing Director

A. R. Shah
 Whole-time Director

SURAT, Date : 27.05.2010

Fairdeal Filaments Ltd.

Registered Office : 3rd 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 TWENTIETH ANNUAL GENERAL MEETING of the
Company, to be held on Thursday the 30th day of September, 2010 at 11.00 A.M. at the Registered Office of the Company.

Signed this _____ day of September, 2010.

Ledger Folio/Client ID. No.: _____

No. of shares held : _____

Affix one
Rupee
Revenue
Stamp

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 : 3rd Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat - 395002.

ATTENDANCE SLIP TWENTIETH 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 TWENTIETH ANNUAL GENERAL MEETING of the Company to be held on Thursday the 30th September, 2010 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.