

**ANNUAL REPORT  
2011-12**



**Fairdeal**  
Filaments Ltd.

**22<sup>nd</sup>**

**TWENTY SECOND ANNUAL REPORT**



**TWENTY SECOND ANNUAL REPORT 2011-12**

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

**COMPANY SECRETARY** : CS Hitesh K. Garmora (till 31.05.2012)  
 CS Prachi V. Shukla (w.e.f 01.06.2012)

**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.  
 Tel. No. (0261) 3090200 Fax No. (0261) 2635550  
 E-mail: info@shahlon.com Website: www.shahlon.com

**REGISTRARS AND TRANSFER AGENTS** : MCS Limited  
 Neelam Apartment, 88, Sampatrao Colony,  
 Alkapuri, Vadodara- 390 007  
 Tel No.: (0265) 2339397/2314757  
 Fax No.: (0265) 2341639  
 E-mail: mcsltdbaroda@yahoo.com

**ISIN for NSDL & CDSL** : INE719D01011

**22<sup>nd</sup>**  
**ANNUAL REPORT**  
**2011-12**

<b>CONTENTS</b>	<b>PAGE NO.</b>
Notice -----	2
Directors' Report -----	6
Report on Corporate Governance -----	10
Management Discussion & Analysis -----	16
Auditors' Report -----	19
Balance Sheet -----	22
Profit & Loss Account -----	23
Notes to Financial Statements -----	24
Significant Accounting Policies -----	35
Cash - Flow Statement -----	38

## NOTICE

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of the members of FAIRDEAL FILAMENTS LIMITED will be held on **Friday, 28<sup>th</sup> day of September, 2012 at 11.00 A.M.** at the Registered Office of the company situated at 3<sup>rd</sup> 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 31<sup>st</sup> March, 2012, 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 Dhirajlal R. Shah, Director who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rajendra K. Desai, director who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Natvarlal Vepari & Co., Chartered Accountants, as Auditors of company to hold office from conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and to fix their remuneration.

In this connection, to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution :**

RESOLVED THAT the Auditors of the Company, M/s. NATVARLAL VEPARI & CO., Chartered Accountants, Surat, be and are hereby appointed as Auditors of Company to hold office from conclusion of this Annual General Meeting till conclusion of next Annual General Meeting and that their remuneration be determined by the Board of Directors.

By Order of Board of Directors of  
**Fairdeal Filaments Limited**

**Place :** Surat  
**Date :** 11<sup>th</sup> August, 2012

**Prachi V. Shukla**  
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 the Bombay Stock Exchange 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 18, 2012 to September 28, 2012 (both days inclusive) for the purpose of payment of dividend to those members whose names stand on the Register of Members as on September 28, 2012. 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 17, 2012 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
4. The dividend on equity shares as recommended by Board of Directors for the year ended on 31.03.2012 will be payable on or after September 28, 2012 in accordance with the resolution to be passed by members of Company.
5. Members are requested immediately notify any change in their address :
  - To their Depository Participants (DPs) in respect of shares held electronically and
  - To Company at its Registered Office or MCS Limited, the Registrar and Share Transfer Agent of Company, in respect of shares held physically, quoting their folio nos.
6. The Securities and Exchange Board of India (SEBI) has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in dematerialized form are requested to submit their PAN details to their Depository Participant (DP) and members holding shares in physical form are requested to submit their PAN details to the Company / MCS Limited, Registrar and Share Transfer Agent of Company.
7. Pursuant to the provisions of Section 205 of the Companies Act, 1956 (the Act), all unclaimed / unpaid dividends for the financial year ended on 31<sup>st</sup> 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 the 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 claim.

Details pertaining to the unclaimed and unpaid dividends transferred by Company to the Fund, pursuant to Section 205C of the Companies Act, 1956, during last 3 financial years are tabulated as below:

<b>Financial Year</b>	<b>Date of Declaration of dividend</b>	<b>Amount Transferred to the Fund (Rs.)</b>	<b>Date of Transfer to IEPF</b>
31.03.2002	13.09.2002	170867	21.11.2009
31.03.2003	27.09.2003	164550	07.12.2010
31.03.2004	25.09.2004	151900	26.11.2011

8. Members/Proxy Holders should bring Attendance Slips duly filled in for attending the meeting. Members are requested to bring their copy of Annual Report at the Meeting.
9. 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. As required by Clause 49 IV (G) of the Listing Agreement with the stock exchange, the information relating to the Directors proposed to be reappointed is provided hereunder :

<b>Name of Directors</b>	<b>Mr. Dhirajlal R. Shah</b>	<b>Mr. Rajendra K. Desai</b>
Date of Birth	18.02.1955	27.03.1951
Date of Appointment	15.05.1990	07.06.2001
Expertise in specific functional areas	Finance & overall management	Accounts & Finance
Qualification	B.Com.	B.Com., L.L.B., F.C.A.
Directorship held in other companies	<ol style="list-style-type: none"> <li>1. Fairdeal Textile Park Pvt. Ltd.</li> <li>2. Viresh Textiles Pvt. Ltd.</li> <li>3. Shahlon Industrial Infrastructure Pvt. Ltd.</li> <li>4. Sayan Textile Park Ltd.</li> <li>5. Keenara Filaments Pvt. Ltd.</li> <li>6. Lakhani Filaments Pvt. Ltd.</li> <li>7. Laser Filament Pvt. Ltd.</li> <li>8. Jay Ambe Filament Pvt. Ltd.</li> <li>9. Jay Ambe Polyfab Pvt. Ltd.</li> <li>10. Weal Infra Projects Pvt. Ltd.</li> <li>11. Kruti Projects Pvt. Ltd.</li> <li>12. Fairdeal Eco Infra Pvt. Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Meher Synthetics Pvt. Ltd.</li> </ol>
Committee position held in other companies	Nil	Nil

## Directors' Report

Your Directors are pleased to present the 22nd Annual Report and the audited accounts for the year ended 31<sup>st</sup> March, 2012.

### Financial Results

(Rs. in Lacs)

Particulars	2011-12	2010-11
Total Revenue	14651.08	12071.34
Profit before interest and depreciation	889.74	648.33
Less : Interest	541.50	276.43
Depreciation	215.60	199.25
Profit before Tax	132.64	172.65
Less : Provision for Current Taxation	63.94	83.71
Provision for Deferred Taxation	14.57	27.47
Profit after Tax adjustment	54.13	61.47
(Excess)/Short provision for taxation in earlier year	(0.32)	(15.72)
Net Profit	53.81	45.74
Add : Balance brought forward from previous year	378.45	387.03
Amount available for Appropriation	432.26	432.77
Transfer to General Reserve	1.35	1.15
Proposed Dividend	45.75	45.75
Tax on Dividend	7.42	7.42
Balance Carried to Balance Sheet	377.74	378.45

### 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 on 31<sup>st</sup> March, 2012, subject to the approval of the members at the forthcoming Annual General Meeting of Company.

### Operational Performance

Your company has achieved turnover of Rs. 14651.08 lacs during the year under review as compared to Rs. 12071.34 lacs for the previous year, thereby registering growth of 21.37% over the previous year. Growth in turnover during the year under review is mainly on account of increase in trading turnover of the Company.

During the year under review, Earning before Interest, Depreciation and Tax (EBIDTA) has accelerated by 37.24% to Rs. 889.74 lacs compared to Rs. 648.33 lacs for the previous year. Profit before tax for the financial year under review has declined to Rs. 132.64 lacs from Rs. 172.65 lacs for the previous year. Decline in profit before tax is on account of higher outgo of interest due to hardening of interest rates and exchange rate fluctuations. Your Company has achieved Net Profit after tax of Rs.53.81 lacs, an increase by 17.64% from Rs. 45.74 lacs during the previous year.

### 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 Dhirajlal R.Shah, Director and Shri Rajendra K. Desai, Director of the company 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 at the forthcoming AGM have been given in the Annexure to Notice of Annual General Meeting.



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

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

**Foreign Exchange Earnings and Outgo**

(Rs. in Lacs)

	2011-12	2010-11
I) Foreign Exchange Earnings	845.83	1068.73
II) Foreign Exchange Outgo :		
a) Raw Material	0.00	11.51
b) Capital Goods	21.41	6.70
c) Consumable Spares	9.53	0.00
d) Foreign Traveling	1.38	0.15
e) Commission Expenses Export	23.73	13.45

**Particulars of Employees**

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

**Directors' Responsibility Statement**

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

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

**Auditors and Auditor's Report**

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

**Cost Auditors**

The Central Government had directed an audit of cost accounts maintained by the company in respect of Textiles business. The Board of Directors, subject to the approval of the Central Government, have appointed M/s. M. Goyal & Co., Cost Accountants, Indore as Cost Auditors of the company for conducting the cost audit for financial year 2012-13. The Cost Audit Report for the year ended on 31<sup>st</sup> March, 2012 will be submitted by M/s. M. Goyal & Co., Cost Accountants, Indore, to the Central Government after approval of the Board of Directors of your company.

**Corporate Governance and Compliance Certificate**

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

**Acknowledgment**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Banks, Financial Institutions, 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 :** 11<sup>th</sup> August, 2012

**Jayantilal R. Shah**  
Chairman

## ANNEXURE “A” TO THE DIRECTORS' REPORT

### A. POWER AND FUEL CONSUMPTION :

	FFLKIM	FFLKRJ-1	FFLKRJ-2
<b>POWER GENERATED THROUGH OWN DIESEL GENERATOR</b>			
Quantity (Ltrs. in lacs)	0.22	0.05	0.21
Total Value (Rs. in lacs)	2.37	0.54	2.36
Cost / Unit (Rs.)	10.92	11.24	11.34
<b>POWER PURCHASED</b>			
Unit (in lacs)	5.04	23.63	30.66
Total Value (Rs. in lacs)	33.66	174.74	193.47
Cost / Unit (Rs.)	6.67	7.39	6.31
<b>LIGNITE</b>			
Quantity (Kgs. in lacs)	17.86	-	-
Total Value (Rs. in lacs)	54.33	-	-
Cost / Unit (Rs.)	3.04	-	-

### B. CONSUMPTION PER UNIT OF PRODUCTION :

Power & Fuel	Current Year	Previous Year
<b>Yarn - POWER</b>		
FFLKIM	0.32	0.26
FFLKRJ-1	0.92	0.72
FFLKRJ-2	1.84	1.74
<b>Fabrics : FFLKRJ-1</b>	0.25	0.28
<b>Lignite</b>		
FFLKIM	1.10	0.89

For and on behalf of the Board of Directors

Place : Surat  
Date : 11<sup>th</sup> August, 2012

**Jayantilal 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. We consistently and periodically review our systems and policies in order to establish sound risk management and internal control systems. Rapid problem solving approach and incessant fulfillment of the expectations of shareholders, customers, suppliers, lenders, and society as a whole is reflective of eminent Corporate Governance Policies at Fairdeal.

### 2. Board of Directors :

- **Size of the Board**

The Board of Directors consists of 6 Directors.

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

Category	Name of Directors	Attendance		Other Directorships	Committees in other companies	
		Board Meetings	Last AGM		Memberships	Chairmanships
Promoter/Executive Directors	Dhirajlal R. Shah (Managing Director)	4	Yes	12	Nil	Nil
	Arvind R. Shah (Whole-time Director)	3	Yes	3	Nil	Nil
Promoter/Non-Executive Director	Jayantilal R. Shah (Chairman)	4	Yes	2	Nil	Nil
Non-Promoter/Independent/ Non-Executive Directors	Manubhai J. Shah	4	Yes	Nil	Nil	Nil
	Rajendra K. Desai	3	Yes	1	Nil	Nil
	Nandish S. Vin	2	Yes	Nil	Nil	Nil

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

Four (4) Board Meetings were held during the financial year 2011-12 and the dates on which meetings were held are as follows : May 31, 2011, August 12, 2011, November 15, 2011, and February 9, 2012. Last Annual General Meeting of the Company was held on September 30, 2011.

**(3) Audit Committee :**

Audit committee consists of three Directors; out of them two are independent non-executive Directors and one is non-executive promoter Director. The Company Secretary acts as the Secretary of the Audit Committee. The Committee met on May 31, 2011, August 12, 2011, November 15, 2011 and February 9, 2012 during the year under review. The composition of Audit Committee and particulars of the meetings attended by the members of the Audit Committee are as follows:

<b>Name of Directors</b>	<b>Position</b>	<b>No. of Meetings Attended</b>
Rajendra K. Desai	Chairman	3
Jayantilal R. Shah	Member	4
Manubhai J. Shah	Member	4

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

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

<b>Name of Directors</b>	<b>Position</b>
Manubhai J. Shah	Chairman
Rajendra K. Desai	Member
Nandish S. Vin	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 of the Directors.

Total remuneration paid to Managing Director and Whole-time Director of the company during the year ended on 31<sup>st</sup> March, 2012 is Rs. 60.26 lacs including sitting fees paid to non-executive Directors.

**Shareholding of non-executive Directors**

<b>Name of non-executive Director</b>	<b>No. of Shares held</b>	<b>% Shareholding</b>
Jayantilal R. Shah	131887	3.603
Rajendra K. Desai	1200	0.033
Manubhai J. Shah	NIL	NIL
Nandish S. Vin	NIL	NIL

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

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

**(6) General Body Meeting :**

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

<b>Financial Year</b>	<b>Date</b>	<b>Location of the Meeting</b>	<b>Time</b>
2008-09	30.09.2009	3 <sup>rd</sup> Floor, Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat	11.00 A.M.
2009-10	30.09.2010	----Do----	11.00 A.M.
2010-11	30.09.2011	----Do----	11.00 A.M.

***Special Resolution(s) passed in previous three AGMs :***

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

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

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

No Special Resolution has been passed at the AGM for the financial year 2010-11.

No Special Resolution has been passed through postal ballot during last financial year.

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. 27.1 to financial statements 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 reconciliation of share capital audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital of the company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**(8) Means of Communication :**

The Quarterly, Half-yearly and Annual results of the company are published in leading newspapers which includes The Economic Times, Navbharat Times and Gujarat Mitra or Gujarat Samachar and the same is also displayed on the Company's website: [www.shahlon.com](http://www.shahlon.com). 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 :** 28<sup>th</sup> September, 2012, 11.00 A.M.

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

**Financial Calendar :**

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

**Date of Book Closure :**

September 18, 2012 to September 28, 2012 (both days inclusive)

**Dividend payment Date :**

On or after September 28, 2012

**Listing on stock exchanges :**

Company's equity shares are listed on Bombay Stock Exchange Limited. Company had, followed by the approval of its Board of Directors, applied to Vadodara Stock Exchange Limited (VSE) to voluntarily delist its equity shares from VSE. VSE has approved voluntary delisting of equity shares of Company w.e.f 05.12.2011.

**Listing Fees and Custodian Fees :**

The company has paid listing fees for the year 2012-13 to the Bombay Stock Exchange Limited. The company has paid custodial fees for the year 2012-13 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, 2012.

**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'2011	21.00	18.05	19241
May'2011	20.75	18.00	29774
June'2011	21.00	18.65	15979
July'2011	21.50	18.35	9020
August'2011	20.30	18.00	13001
September'2011	19.50	17.10	21654
October'2011	17.85	16.10	11931
November'2011	17.95	15.45	5803
December'2011	17.00	14.15	3768
January'2012	17.30	14.15	4733
February'2012	18.10	15.45	18659
March'2012	16.60	13.90	17013

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

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

Tel No. : 0265 - 2339397 / 2314757

Fax No. : 0265 - 2341639

Email: [mcsltdbaroda@yahoo.com](mailto:mcsltdbaroda@yahoo.com)

**Share Transfer System :**

Share transfer in physical form can be lodged with RTA of the company at the above mentioned address or with the company at the Registered Office. Applications for transfer of shares held in physical form which are received at the Registered Office are forwarded to Registrar and Share Transfer Agent at the above mentioned address. All transfers/transmissions and demat requests are normally processed within 15 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 dematerialization of the shares of the company and for conducting reconciliation of share capital audit on a quarterly basis.

**Categories of Shareholders as on March 31, 2012 :**

Category of Members	Number of shares	% of total shares
Indian Promoters	1701304	46.48
Shareholders holding nominal share capital upto Rs. 1 lakh	993931	27.16
Shareholders holding nominal share capital in excess of Rs. 1 lakh	823073	22.49
Private Bodies Corporate	141732	3.87
<b>TOTAL</b>	<b>3660040</b>	<b>100.00</b>



**Distribution of shareholding as on March 31, 2012:**

Shareholding of Nominal value of Rs.	Shareholders		Shareholding	
	Number of Shareholders	%	Number of Shares	%
Up to 5000	3486	90.81	505426	13.81
5001 - 10000	146	3.80	118454	3.24
10001 - 20000	79	2.06	122100	3.34
20001 - 30000	38	0.99	98160	2.68
30001 - 40000	15	0.39	50561	1.38
40001 - 50000	13	0.34	59640	1.63
50001 - 100000	25	0.65	198937	5.44
100001 & above	37	0.96	2506762	68.48
<b>Total</b>	<b>3839</b>	<b>100.00</b>	<b>3660040</b>	<b>100.00</b>

**Dematerialization of shares :**

76.26 % of company's paid-up equity share capital i.e. 2791163 shares have been dematerialized upto 31.03.2012. Trading in Equity shares of the company is permitted only in dematerialized 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,  
Tal.: Mangrol, Dist.: Surat.

Limodara Patia, Karanj,  
Tal.: Mandvi, Dist.: Surat.

**Address for investor correspondence :**

For dematerialization 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  
E-mail : mcsLtdbaroda@yahoo.com

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

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

## 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. Indian Textile Industry largely depends on textile manufacturing and export. India earns about 27% of its total foreign exchange through textile exports. Further, it contributes about 14 percent to industrial production and 4 percent to the country's GDP. The textile sector is the second largest provider of employment after agriculture. Indian Textile Industry generates employment for more than 35 million people. Thus, the growth and all round development of this industry has a direct bearing on the improvement of 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 improvements, 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 capital 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 is growing by leaps and bounds. 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 is successfully running RAMCO ERP software. The company has an internal control system commensurate with its size and nature of its business which cover 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. 14651.08 lacs during the year under review as compared to Rs. 12071.34 lacs for the previous year, thereby registering growth of 21.37% over the previous year. Growth in turnover during the year under review is mainly on account of increase in trading turnover of the Company.

During the year under review, Earning before Interest, Depreciation and Tax (EBIDTA) has accelerated by 37.24% to Rs. 889.74 lacs compared to Rs. 648.33 lacs for the previous year. Profit before tax for the financial year under review has declined to Rs. 132.64 lacs from Rs. 172.65 lacs for the previous year. Decline in Profit before tax is on account of higher outgo of interest due to hardening of interest rates and exchange rate fluctuations. Your Company has achieved Net Profile after tax of Rs. 53.81 lacs, an increase by 17.64% from Rs. 45.74 lacs during the previous year.

**Human Resource Development/Industrial Relations :**

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

**Forward Looking Statement- Cautionary Statement :**

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations etc. are "forward looking statements" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations 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 Compliance of 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 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of Listing Agreement entered into with the Stock Exchange.

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 Agreement.

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

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

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

**Place :** Surat  
**Date :** 28<sup>th</sup> May, 2012

## AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of **FAIRDEAL FILAMENTS LIMITED** (“the Company”) as at 31st March, 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the “Order”), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) The Balance Sheet, the Profit and Loss Account and Cash-flow Statement dealt with by this report read with notes, are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash-flow Statement dealt with by this report read with notes, are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said account read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) In the case of the Cash-flow Statement, of the Cash-flows for the year ended on that date.

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

**Ravindra Vepari**  
Partner

Membership No. : 6728

Place : Surat

Date : 28<sup>th</sup> May, 2012

## ANNEXURE TO THE AUDITOR'S REPORT

(Statement referred to in Paragraph 3 of the Auditors' Report of even date to the Members of Fairdeal Filaments Ltd. on the Accounts for the year ended 31<sup>st</sup> March, 2012)

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

According to the information and explanation given to us, no disputed amounts payable, other than those mentioned below, in respect of income tax, sales tax, custom duty, excise duty and cess, were in arrears, as at 31<sup>st</sup> March 2012 for a period for more than six months from the date they become payable.

Name of the Statute	Nature of the Dues	Amount under dispute	Period to which the amount relates	Forum where dispute is pending	Amount deposited against
Income Tax Act, 1961	Demand	Rs. 7.05 lacs	F.Y. 2006-07	Appellate Tribunal, Ahmedabad	Rs. 3.29 lacs

- (x) The Company does not have any accumulated losses at the end of the financial year 31<sup>st</sup> March, 2012. Further, the Company has not incurred cash losses during the financial year ended 31<sup>st</sup> March, 2012 and in the immediately preceding financial year.
- (xi) On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company has not issued debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly paragraph 4(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given by the management, in our opinion the terms and conditions of the guarantee given by the Company for loan taken by others from the Bank are not prejudicial to the interest of the company.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans availed by the Company during the year have been applied for the purposes for which they were obtained.
- (xv) As per the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds relating to long term basis to short term basis and as explained they have been deployed to fund core working capital.
- (xvi) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xvii) The Company has not raised any money by public issues during the year.
- (xviii) The Company did not have any outstanding debentures during the year.
- (xix) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
- (xx) Considering the nature of activities being carried out, by the company and also the nature of the matters referred to in the various clauses of the Companies (Auditors' Report) Order, 2003, Clause (xiii) and (xiv) of paragraph 4 of the aforesaid order is not applicable to the Company.

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

**Ravindra Vepari**

Partner

Membership No. : 6728

Place : Surat

Date : 28<sup>th</sup> May, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

PARTICULARS	Note	Figures for the current reporting period	Figures for the previous reporting period
			(Rs. in Lacs)
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Fund</b>			
a) Share Capital	1	366.00	366.00
b) Reserves & Surplus	2	756.98	779.45
<b>2 Non - Current Liabilities</b>			
a) Long Term Borrowing	3	1,414.26	1703.69
b) Deferred Tax Liability (Net)	4	116.82	102.24
<b>3 Current Liabilities</b>			
a) Short Term Borrowing	5	2,410.80	2269.32
b) Trade Payables	6	323.42	145.45
c) Other Current Liabilities	7	360.70	417.99
d) Short Term Provisions	8	312.37	263.09
<b>TOTAL</b>		<u><u>6,061.36</u></u>	<u><u>6047.25</u></u>
<b>II ASSETS</b>			
<b>4 Non Current Assets</b>			
a) Fixed Assets	9		
i) Tangible Asset		1,641.98	1499.20
ii) Intangible Asset		-	-
iii) Capital Work in Progress		1.83	178.73
iv) Intangible assets under development		-	-
b) Non Current Investments (Trade)	10	152.90	154.10
c) Long Term Loan and advances	11	153.36	132.97
<b>5 Current Assets</b>			
a) Inventories	12	841.07	1046.85
b) Trade Receivables	13	2,792.61	2490.53
c) Cash and Cash Equivalents	14	32.03	29.49
d) Short Term Loans and Advances	15	445.58	515.38
<b>TOTAL</b>		<u><u>6,061.36</u></u>	<u><u>6047.25</u></u>

Significant Accounting Policies  
Notes to Financial Statement

1 to 32

As per our report of even date.

For and on behalf of the Board,

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

**Ravindra Vepari**  
Partner

**Hitesh K. Garmora**  
Company Secretary

**D. R. Shah**  
Managing Director

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

Membership No. : 6728  
SURAT, Date : 28.05.2012

SURAT, Date : 28.05.2012



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012**

PARTICULARS	Note	Figures for the current reporting period	Figures for the previous reporting period
(Rs. in Lacs)			
I Revenue from Operations	16	14,635.88	12,044.56
II Other Revenues	17	15.20	26.78
III <b>Total Revenue</b>		<b>14,651.08</b>	12,071.34
IV <b>EXPENDITURE :</b>			
Cost of Material Consumed	18	5,595.81	5,598.48
Purchases of Stock in Trade		6,884.36	4,541.13
Changes in Inventories of Finished Goods, Stock in Process and Stock in Trade	19	(185.92)	(105.76)
Employee Benefits Expense	20	369.69	299.88
Finance Costs	21	541.50	276.43
Depreciation and Amortisation Expense	22	215.60	199.25
Other Expenses	23	1,097.39	1,089.28
<b>Total Expenses</b>		<b>14,518.44</b>	11,898.69
V <b>Profit before exceptional and extraordinary items and tax</b>		<b>132.64</b>	172.65
VI <b>Exceptional Items</b>		-	-
VII <b>Profit before extraordinary items and tax</b>		<b>132.64</b>	172.65
VIII <b>Extraordinary items</b>		-	-
IX <b>Profit before tax</b>		<b>132.64</b>	172.65
X <b>Tax Expense:</b>			
1. Current tax		63.94	83.71
2. Deferred Tax		14.57	27.47
3. Wealth Tax		-	-
4. Short/(Excess) Provision for tax		(0.32)	(15.72)
XI <b>Profit/(Loss) for the period from continuing operations (IX - X)</b>		<b>53.81</b>	45.74
XII <b>Profit after Tax</b>		<b>53.81</b>	45.74
<b>Earning per Equity Share:</b>	24		
<b>Basic</b>		<b>1.47</b>	1.25
<b>Significant Accounting Policies Notes to Financial Statement</b>	1 to 32		

As per our report of even date.

For and on behalf of the Board,

**For, NATVARLAL VEPARI & CO.**

CHARTERED ACCOUNTANTS

Firm Reg. No. 123626W

**Ravindra Vepari**

Partner

Membership No. : 6728

SURAT, Date : 28.05.2012

**Hitesh K. Garmora**

Company Secretary

**D. R. Shah**

Managing Director

SURAT, Date : 28.05.2012

**A. R. Shah**

Whole-time Director

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012**

PARTICULARS	Figures for the current reporting period		Figures for the previous reporting period	
<b>1 SHARE CAPITAL</b>	(Rs. in Lacs)			
<b>AUTHORISED :</b>				
55,00,000 (55,00,000) Equity Share of Rs. 10/- each	<u>550.00</u>		<u>550.00</u>	
<b>ISSUED, SUBSCRIBED &amp; PAID UP :</b>				
3660040 (3660040) Equity Shares of Rs. 10/- each fully paid up	<u>366.00</u>		<u>366.00</u>	
1.1 The reconciliation of the number of shares outstanding is set out below:				
Equity Shares outstanding at the beginning of the year	<u>36.60</u>		<u>36.60</u>	
Equity Shares Issued during the year	-		-	
Equity Shares bought back during the year	-		-	
Any other movement (please specify)	-		-	
Equity Shares outstanding at the end of the year	<u><u>36.60</u></u>		<u><u>36.60</u></u>	
1.2 The details of Shareholders holding more than 5% shares	<u>No. of Shares</u>	<u>% held</u>	<u>No. of Shares</u>	<u>% held</u>
<b>Name of the Shareholders</b>				
Mahesh Khetschi Gosrani	<b>384000</b>	<b>10.49</b>	384000	10.49
Arvind Raichand Shah	<b>223632</b>	<b>6.11</b>	223632	6.11
Sanket Finance & Leasing Pvt. Ltd.	<b>216000</b>	<b>5.90</b>	216000	5.90
<b>2 RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
As per Last Balance Sheet	<u>69.97</u>		<u>69.97</u>	
<b>Security Premium Reserve</b>				
As per Last Balance Sheet	<u>108.27</u>		<u>108.27</u>	
<b>Revaluation Reserve</b>				
As Per Last Balance Sheet	<u>205.62</u>		<u>227.64</u>	
Less : Transferred to Profit and Loss Account	<u>23.11</u>	<u>182.51</u>	<u>32.02</u>	<u>205.62</u>
<b>General Reserve</b>				
As Per Last Balance Sheet	<u>17.15</u>		<u>16.00</u>	
Add : Transferred from Profit & Loss Account	<u>1.35</u>	<u>18.50</u>	<u>1.15</u>	<u>17.15</u>
<b>Profit &amp; Loss Account</b>				
As per Last Balance Sheet	<u>378.45</u>		<u>387.03</u>	
Add : Profit for the year	<u>53.81</u>		<u>45.74</u>	
	<u>432.26</u>		<u>432.77</u>	
Less : Appropriations				
Transferred to General Reserve	<u>1.35</u>		<u>1.15</u>	
Proposed Dividend on Equity Shares	<u>45.75</u>		<u>45.75</u>	
Tax on Dividend	<u>7.42</u>		<u>7.42</u>	
	<u>54.52</u>	<u>377.74</u>	<u>54.32</u>	<u>378.45</u>
<b>TOTAL</b>	<u><u>756.98</u></u>		<u><u>779.45</u></u>	

PARTICULARS	Figures for the current reporting period		Figures for the previous reporting period	
	Non Current	Current*	Non Current	Current*
<b>3 LONG TERM BORROWING</b>				
<b>Secured</b>				
<b>a. Term Loan</b>				
Bank of Baroda (Refer Note no. 3.1.a)	377.32	140.60	522.98	156.55
BMW India Financial Services Pvt. Ltd. (Refer Note no. 3.1.b)	8.80	11.23	17.77	11.23
Bank of Baroda - Vehicle Loan (Refer Note no. 3.1.c)	3.96	1.20	-	-
<b>b. Corporate Loan</b>				
From Bank of Baroda (Refer Note no. 3.1.a)	169.53	168.00	190.74	168.00
	<u>559.61</u>	<u>321.03</u>	<u>731.49</u>	<u>335.78</u>
<b>Unsecured</b>				
a. Inter Corporate Deposit from Company	820.65	-	938.20	-
b. LIC of India	34.00	-	34.00	-
	<u>854.65</u>	<u>-</u>	<u>972.20</u>	<u>-</u>
<b>TOTAL</b>	<u><b>1,414.26</b></u>	<u><b>321.03</b></u>	<u><b>1,703.69</b></u>	<u><b>335.78</b></u>
<b>3.1 Security details for secured loan</b>				
a. 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				
b. Secured against hypothecation of Car				
c. Secured against hypothecation of vehicle				
* Refer Note 7 for Current maturities of Long-term debt				
<b>4 DEFERRED TAX LIABILITY (NET)</b>				
<b>Deferred Tax Asset</b>				
a. Unabsorbed Depreciation	-	-	-	-
b. Disallowance under Income Tax				
Provision for Bonus	(1.05)	-	(1.00)	-
Provision for Leave	(1.11)	(2.17)	(1.04)	(2.04)
	<u>(1.16)</u>	<u>(2.17)</u>	<u>(2.04)</u>	<u>(2.04)</u>
<b>Deferred Tax Liability</b>				
a. Block of Assets		118.99		104.29
<b>TOTAL</b>		<u><b>116.82</b></u>		<u><b>102.24</b></u>

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
<b>5 SHORT TERM BORROWING</b>		(Rs. in Lacs)
<b>Secured</b>		
a. Working Capital Loans From Banks		
Rupee Loan (Refer Note no. 5.1)	1,917.05	1624.99
Export Finance - PCFC & FBD (Refer Note no. 5.1)	197.78	326.38
Buyer's Credit (Refer Note no. 5.1)	<u>-</u>	<u>26.46</u>
	2,114.83	1,977.83
<b>Unsecured</b>		
b. Short Term Loan from ICICI Bank Ltd. (Under Channel Financing)	<u>295.98</u>	<u>291.49</u>
<b>TOTAL</b>	<u><u>2,410.80</u></u>	<u><u>2,269.32</u></u>
<b>5.1 Security details for secured loan</b>		
<p>Secured by hypothecation of raw materials, stock-in-process, finished goods, book-debts, plant and machinery and equitable mortgage of factory, land and building situated at Village Karanj, Taluka; Mandvi, Dist.: Surat and Village Mota Borasara, Taluka : Mangrol, Dist.:Surat. Facility is further secured by equitable mortgage of office premises third Floor, Dawer Chambers, Ring Road, Surat and Hypothecation of Windmill situated at Village : Suthari, Taluka : Abdasa, Dist.: Kutch</p>		
<b>6 TRADE PAYABLES</b>		
a. For goods & other purchases	254.97	119.30
b. For expenses	68.45	26.15
<b>TOTAL</b>	<u><u>323.42</u></u>	<u><u>145.45</u></u>
<b>6.1</b>	None of the parties grouped under Trade Payables have declared themselves under the Micro, Small and Medium Enterprises Development Act, 2006. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.	
<b>7 OTHER CURRENT LIABILITIES</b>		
Current Maturities of long term debts (Refer Note 3)	321.03	335.78
Unclaimed Dividend	12.96	12.65
Other Payables	26.71	69.56
<b>TOTAL</b>	<u><u>360.70</u></u>	<u><u>417.99</u></u>
<b>8 SHORT TERM PROVISIONS</b>		
Provision for Taxation	177.09	113.15
Provision for Expenses	75.58	90.62
Proposed dividend	45.75	45.75
Tax on Dividend	7.42	7.42
Provision for earned Leave	3.35	3.13
Provision for earned Bonus	3.17	3.02
<b>TOTAL</b>	<u><u>312.37</u></u>	<u><u>263.09</u></u>

**DEPRECIATION CHART FOR THE YEAR ENDED 31.03.2012** Note - "9"  
(Rs. in Lacs)

Sr. No.	Particulars	Gross Block			Depreciation			Net Block		
		AS ON 01.4.2011	ADDITION	ADJUSTMENT	AS ON 31.3.2012	AS ON 31.3.2011	FOR THE YEAR	ADJUSTMENT	AS ON 31.3.2012	AS ON 31.3.2011
1	LAND	143.13	0	0	143.13	0	0	0	143.13	143.13
2	FACTORY BUILDING	369.59	28.59	0	398.17	110.27	13.15	0	123.41	274.76
3	PLANT AND MACHINERY	1,021.28	287.58	0	1,308.87	708.03	99.60	0	807.64	501.23
4	OFFICE EQUIPMENT	34.76	0.52	0	35.28	16.26	1.48	0	17.74	17.54
5	COMPUTER	98.54	2.42	0	100.96	64.63	10.84	0	75.48	25.48
6	VEHICLES	97.55	0.53	0	98.08	36.65	9.49	0	46.14	51.94
7	FURNITURES & FIXTURE	32.24	0.39	0	32.64	23.73	1.31	0	25.04	7.60
8	LABORATORY EQUIP.	0.10	0	0	0.10	0.10	0	0	0.10	0.00
9	BEAM PIPE	17.39	2.01	0	19.40	16.34	1.28	0	17.62	1.78
10	OFFICE BUILDING	15.03	0	0	15.03	3.79	0.24	0	4.03	11.00
11	ELECTRICAL INSTALLATION	2.01	0	0	2.01	0.99	0.10	0	1.08	0.93
12	PLANT & MACHINERY UNDER TUF	1,033.48	59.46	0	1,092.94	575.79	71.99	0	647.78	445.16
13	WINDMILL	372.68	0	0	372.68	182.01	29.23	0	211.24	161.44
	<b>TOTAL</b>	<b>3,237.79</b>	<b>381.50</b>	<b>0</b>	<b>3,619.28</b>	<b>1,738.59</b>	<b>238.71</b>	<b>0</b>	<b>1,977.30</b>	<b>1,641.98</b>
	Previous Year	<b>3,088.77</b>	<b>162.10</b>	<b>13.08</b>	<b>3,237.79</b>	<b>1,515.44</b>	<b>231.28</b>	<b>8.13</b>	<b>1,738.59</b>	<b>1,499.20</b>
										<b>1,573.33</b>

9.1 : Depreciation on revalued portion of Fixed Assets calculated on written down method over balance useful life of assets, is transferred from revaluation reserve to the Profit & Loss account amounting to Rs. 23.11 lacs (P.Y.- Rs. 32.02 lacs)

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
<b>10 NON CURRENT INVESTMENTS</b>		(Rs. in Lacs)
<b>"In Equity Shares of Associate Companies-Unquoted fully paid up (Valued at cost)"</b>		
203000 (315000) Shares of Shahlon Industrial Infrastructure Pvt. Ltd.	20.30	31.50
730000 (730000) Share of Fairdeal Textiles Park Pvt. Ltd.	73.00	73.00
Fairdeal Textiles Park Pvt. Ltd. (Share Application Money)	59.60	49.60
<b>TOTAL</b>	<b>152.90</b>	<b>154.10</b>
<b>11 LONG TERM LOANS &amp; ADVANCES (Unsecured and Considered Good)</b>		
Keyman Insurance Premium	116.37	112.36
Utility Deposits	36.99	20.60
<b>TOTAL</b>	<b>153.36</b>	<b>132.97</b>
<b>12 INVENTORIES</b>		
Raw Materials	220.86	621.89
Stock in Process	130.23	114.22
Finished Goods	391.06	216.44
Traded Goods	32.34	37.05
Consumable stores, etc.	66.58	57.25
<b>TOTAL</b>	<b>841.07</b>	<b>1046.85</b>
<b>13 TRADE RECEIVABLES (Unsecured and Considered Good)</b>		
Outstanding for more than six months	164.39	67.92
Other debts	2,628.22	2422.61
<b>TOTAL</b>	<b>2,792.61</b>	<b>2490.53</b>
<b>14 CASH AND CASH EQUIVALENTS</b>		
Cash in hand	1.78	2.74
Balance with Banks (Refer Note 14.1)	13.14	12.98
Fixed Deposit with Bank	17.11	13.77
<b>TOTAL</b>	<b>32.03</b>	<b>29.49</b>
14.1 Balance with Bank Includes unclaimed dividend of Rs. 12.96 Lacs (Previous year Rs. 12.65 Lacs)		
<b>15 SHORT TERM LOANS &amp; ADVANCES (Unsecured and Considered Good)</b>		
Balance with Revenue Authorities	163.55	283.82
Others (Refer Note 15.1)	282.03	231.55
<b>TOTAL</b>	<b>445.58</b>	<b>515.38</b>
15.1 Includes interest receivable on Fixed deposit with Bank, TUFs Subsidy receivable, Advance to Sundry Creditors and prepaid expenses		

PARTICULARS	Figures for the current reporting period		Figures for the previous reporting period	
<b>16 REVENUE FROM OPERATIONS</b>	(Rs. in Lacs)			
Sales	<b>14,843.42</b>		12089.97	
Add : Job charges	<b>190.00</b>		111.16	
Less : Excise Duty	<b>39.59</b>		14.92	
Less : Value Added Tax / Sales Tax	<b>577.80</b>		449.03	
<b>Net Sales</b>		<b>14,416.03</b>		11737.17
Commission Income Net	<b>160.08</b>		218.26	
Duty Draw Back/ DFIC/DEPB License	<b>54.04</b>		87.01	
Sundry Balances written off	<b>5.73</b>	<b>219.85</b>	2.12	307.39
<b>TOTAL</b>		<b>14,635.88</b>		12,044.56
<b>17 OTHER REVENUES</b>				
Godown Rent		-		1.80
Other Income		<b>13.53</b>		16.91
Interest		<b>1.68</b>		8.07
<b>TOTAL</b>		<b>15.20</b>		26.78
<b>18 CONSUMPTION OF RAW MATERIALS</b>	<b>% of</b>	<b>Rs. In Lacs</b>	<b>% of</b>	<b>Rs. In Lacs</b>
Imported	<b>0%</b>	-	1%	41.67
Indigenous	<b>100%</b>	<b>5,595.81</b>	99%	5,556.81
<b>TOTAL</b>	<b>100%</b>	<b>5,595.81</b>	100%	5,598.48
<b>18.1 Opening Stock</b>		<b>621.89</b>		139.77
Purchases Indigenous		<b>5,194.78</b>		6,038.93
Purchases Import		-		41.67
		<b>5,816.67</b>		6,220.37
Less: Closing Stock		<b>220.86</b>		621.89
<b>TOTAL</b>		<b>5,595.81</b>		5,598.48
<b>18.2 Particulars of Material Consumed</b>				
Yarn		<b>5,595.81</b>		5,598.48
<b>19 CHANGES IN FINISHED GOODS, STOCK-IN-PROCESS AND STOCK-IN- TRADE</b>				
Opening Stock				
Finished Goods/Stock-in-Trade		<b>253.49</b>		239.78
Stock-in-Process		<b>114.22</b>	<b>367.71</b>	22.17
Less :				
Closing Stock				
Finished Goods/Stock-in-Trade		<b>423.40</b>		253.49
Stock-in-Process		<b>130.23</b>	<b>553.63</b>	114.22
<b>TOTAL</b>			<b>(185.92)</b>	(105.76)

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
<b>20 PAYMENT AND BENEFITS TO EMPLOYEES</b>		(Rs. in Lacs)
Salary, Wages, Bonus & Benefits	346.05	267.48
Contribution to Provident fund & expenses	8.00	7.41
Group Gratuity Expenses	6.23	16.20
Staff Welfare Expenses	9.41	8.79
<b>TOTAL</b>	<b>369.69</b>	<b>299.88</b>
<b>20.1 Gratuity :</b>		
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.		
a. <u>Amounts recognized in Balance Sheet are as follows:</u>		
A. Present Value of Defined Benefit Obligation		
- Wholly Funded	46.73	41.11
- Wholly Unfunded	-	-
	<u>46.73</u>	<u>41.11</u>
Less : Fair Value of Plan Assets	46.73	41.11
Amount to be recognized as Liability or (Assets)	<u>-</u>	<u>-</u>
B. Amount Reflected in Balance Sheet		
- Liability	-	-
b. <u>Amounts recognized in Profit &amp; Loss Account:</u>		
1. Current Service Cost	5.94	15.93
2. Interest Cost	3.61	2.37
3. Expected Return on Plan Assets	3.61	2.37
4. Actuarial Losses/(Gains)	(0.29)	(0.27)
Total included in " Payments to and Provision for Employees"	6.23	16.20
c. <u>Changes in present value of defined benefit obligation representing reconciliation of opening &amp; closing balances thereof are as follows:</u>		
Opening Value of present value of defined benefit obligation	41.11	25.36
Add : Current service cost	5.94	15.93
Add : Interest Cost	3.61	2.37
Add : Contribution made	-	-
	<u>50.67</u>	<u>43.65</u>
Less : Benefits paid	3.94	2.54
Closing Value of present value of defined benefit obligation	<u>46.73</u>	<u>41.11</u>
d. <u>Principal Actuarial Assumptions at the Balance Sheet Date (expressed as Weighted Averages)</u>		
Discount Rate (p.a.)	8.00%	8.00%
Expected Rate of Return on Assets (p.a.)	9.15%	9.15%



PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
<b>21 FINANCE COST</b>		(Rs. in Lacs)
Term Loan Interest	58.86	51.37
Interest to Others	13.05	7.16
Working Capital Interest	390.72	184.72
Loss from Currency Swap/Option Contract	27.70	(6.72)
Bill Discount Charges	41.49	16.53
Bank Charges	9.68	23.37
<b>TOTAL</b>	<u><u>541.50</u></u>	<u><u>276.43</u></u>
<b>22 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation for the period	238.71	231.28
Less: Depreciation withdrawn from Revaluation Reserve	23.11	32.02
<b>TOTAL</b>	<u><u>215.60</u></u>	<u><u>199.25</u></u>
<b>23 OTHER EXPENSES</b>		
<b><i>Manufacturing Expenses</i></b>		
Job Charges	4.57	6.70
Leave & Licenses Agreement	1.69	1.80
Leasing Charges	8.87	13.23
Power and Fuel	391.99	357.48
Consumption of stores (including Chemical and Packing Materials)	383.22	367.45
Repairs to Machinery	27.77	18.62
Water charges	19.04	14.47
Building Repairs	10.16	10.89
Factory Expenses	12.69	11.61
Wind Mill Expenses		
Lease Rent (Bhogat)	0.08	0.03
Insurance Exp.	0.35	0.35
Repairs & Maintenance Charges	8.44	7.76
Sundry Expenses	0.06	0.14
	<u>8.94</u>	<u>8.29</u>
	<u>868.93</u>	<u>810.53</u>
<b><i>Administrative &amp; Other Expenses</i></b>		
Insurance	3.02	2.71
Printing and Stationary	3.79	4.17
Postage & Telephone	9.95	9.16
Electrical Expenses	4.93	4.47
Tours Travelling & Conveyance	18.23	13.00
Directors' Remuneration	60.19	54.19
Director's Fees	0.07	0.09
Legal and Professional Charges	17.63	25.82
Audit Fees	3.37	3.57
Sundry Expenses	4.54	8.99
Computer Charge	4.41	4.14
Exchange Variance	-	-
Donation	0.26	2.03
Repairs & Maint. to Furniture & Office Equip.	1.91	1.16
Loss /(Profit) on sale of assets / Investment	(0.88)	2.00
	<u>131.40</u>	<u>135.50</u>

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
<b>Selling &amp; Distribution Expenses</b>		(Rs. in Lacs)
Brokerage	59.32	85.96
Advertisement and Sales Promotion	3.43	3.83
Freight	29.14	51.87
Bad debts	3.32	-
Vehicle Repairs & Maintenance	1.85	1.58
	<u>97.06</u>	<u>143.24</u>
<b>TOTAL</b>	<u><u>1,097.39</u></u>	<u><u>1089.28</u></u>
	<u>Rs. In Lacs</u>	<u>% of Consumption</u>
<b>23.1 Value of Consumables</b>		<u>Rs. In Lacs</u>
Imported	9.53	2.49%
Indigenous	373.69	97.51%
	<u>383.22</u>	<u>100.00%</u>
<b>TOTAL</b>	<u><u>383.22</u></u>	<u><u>100.00%</u></u>
	<u>Rs. In Lacs</u>	<u>% of Consumption</u>
<b>23.2 Value of Imports on CIF basis in respect of</b>		
Raw Materials and Stock-in-trade	-	11.51
Capital goods	21.41	6.70
<b>23.3 Payment to Auditors as: (Excluding the amount of Service Tax)</b>		
a. As an Auditor	3.00	2.75
(including Tax Audit Fees)		
b. Capacity in respect of :		
i. Company law matter	-	-
ii. Taxation matter	-	-
iii. Management Services	-	-
iv. In any other manner	0.23	0.25
v. Reimbursement of expenses	-	-
<b>23.4 Expenditure in foreign currency (On Payment basis):</b>		
Foreign Travelling Expense	1.38	0.15
Commission Expense (On Export)	23.73	13.45
<b>24 EARNING PER SHARE</b>		
i) Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders	53.81	45.74
ii) Weighted Average number of equity shares used as denominator for calculating EPS	36.60	36.60
iii) Basic Earning per share (Refer Note 26.1)	1.47	1.25
iv) Face Value per equity share	10.00	10.00
<b>24.1</b> There is no diluted equity share of the company.		
<b>25 EARNING IN FOREIGN CURRENCY</b>		
FOB value of Exports	845.83	1068.73

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period
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**26 REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND**

(Rs. in Lacs)

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

a) No. of Non-resident shareholders	6	6
b) No. of Equity Shares of face value of Rs. 10 each held	124700	124700
c) i) Amount of Dividend Paid (Gross)	1.56	1.56
ii) Tax Deducted at Source	-	-
iii) Year to which dividend relates	2010-11	2009-10

**27 RELATED PARTY DISCLOSURES :**

27.1 List of the parties where control exists and related parties with whom transactions have taken place and relationships:

Sr. No.	Name of the Related Party (Relationship)	Nature of Transactions	Amount involved	Balance as on 31.03.12	Amount involved	Balance as on 31.03.11
1	Shahlon Industries Pvt. Ltd. (Common Control of Key Managerial Personnel)	Sales	232.47	NIL	282.06	NIL
		Interest Income	1.41		2.60	
		Jobwork Income	100.49		75.98	
		Commission Expense	2.40		5.99	
		Yarn Purchase	133.91		38.32	
		Water Charges	19.04		14.47	
		Job Work Expense	16.43		24.09	
		Rent Income	-		1.80	
2	Shahlon Silk Mills Pvt. Ltd. (Common Control of Key Managerial Personnel)	Sales (Yarn)	149.73	NIL	153.40	NIL
		Interest Income	1.92		2.87	
		Jobwork Income	41.25		26.38	
		Commission Expense	5.98		11.34	
		Purchase	139.57		164.30	
		Jobwork Expense	28.35		39.86	
3	Fairdeal Textile Park Pvt. Ltd. (Associates)	Share Application Money	-	59.50 Dr	-	49.50 Dr
4	Shahlon Industrial Infrastructure Pvt. Ltd. (Associates)	Power Purchase	174.46	NIL	178.69	NIL
5	Shri D. R. Shah (Key Managerial Personnel)	Remuneration	30.09	NIL	27.09	NIL
6	Shri A. R. Shah (Key Managerial Personnel)	Remuneration	30.09	NIL	27.09	NIL

PARTICULARS	Figures for the current reporting period	Figures for the previous reporting period	
<b>28 SEGMENT DISCLOSURE:</b>		(Rs. in Lacs)	
<p>The company has identified only one Segment Viz. "TEXTILES" as per Accounting Standard 17 of ICAI and has not identified any geographical segment, where risk and returns are materially different. Commission income credited is also identified to be relating to textile segment exclusively. Wind Power Generation is intended only for captive consumption.</p>			
<b>29 CONTINGENT LIABILITIES AND COMMITMENTS</b>			
I) Contingent Liabilities			
Guarantees			
a) Counter guarantees given to banks	<b>3.50</b>	3.50	
b) Guarantee given to Bank of Baroda on behalf of Shahlon Industrial Infrastructure Pvt. Ltd. (Given on 10.05.2006)	<b>31.76</b>	67.59	
c) Bank Guarantee provided to DGFT to secure texturising under EPCG Scheme	<b>6.11</b>	5.73	
Others			
a) Custom Duty on Capital Goods or Raw Material Imported under Advance Licence/ EPCG Scheme, against which export obligation is to be fulfilled	<b>2.89</b>	0.00	
b) Disputed Income Tax liability to the extent not recognised as debt	<b>3.76</b>	3.76	
<b>30</b> Sales/Purchase includes inter-divisional transfer of Rs. 53.99 lacs (Previous Year- Rs. NIL).			
<b>31</b> There are no dues (P.Y. – Rs. Nil) from the Companies or Firms where Directors are Directors / Partners.			
<b>32</b> The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped /reclassified wherever necessary to correspond with the current year's classification/ disclosure.			
As per our report of even date.	For and on behalf of the Board,		
<b>For, NATVARLAL VEPARI &amp; CO.</b>			
CHARTERED ACCOUNTANTS			
<b>Firm Reg. No. 123626W</b>			
<b>Ravindra Vepari</b>	<b>Hitesh K. Garmora</b>	<b>D. R. Shah</b>	<b>A. R. Shah</b>
Partner	Company Secretary	Managing Director	Whole-time Director
Membership No. : 6728			
SURAT, Date : 28.05.2012		SURAT, Date : 28.05.2012	

## Significant Accounting Policies

### (a) Basis of preparation of financial statements :

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

### (b) Fixed Assets :

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

### (c) Depreciation :

- i) Depreciation on all assets is provided on Straight Line Method basis as stipulated in Schedule XIV to the Companies Act, 1956 on pro-rata basis while on the machineries of Karanj unit acquired on or after 01-04-2001 is provided on Written down value as stipulated under Schedule XIV to the Companies Act, 1956 on pro-rata basis.
- ii) Assets individually costing less than Rs. 5000/- are fully depreciated in the year of acquisition.
- iii) Depreciation on revalued portion of fixed assets is calculated on Written down method over balance useful life of assets 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, Stock-in-process, Finished Goods and Stock-in-trade are valued at lower of cost or net realisable value.
- ii) Stores, chemicals, fuel and packing materials are valued at cost or Net Realisable Value whichever is lower.

### (g) Borrowing Cost :

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

**(h) Revenue recognition :**

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

**i) Sale of Goods:**

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

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

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

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

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

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

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

**(j) Retirement Benefits :**

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

**ii) Post Employment Plans :**

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

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

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

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

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

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

**(l) Taxation :**

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

**(m) Earning per share :**

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

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 : 28.05.2012

**Hitesh K. Garmora**  
Company Secretary

For and on behalf of the Board,

**D. R. Shah**  
Managing Director

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

SURAT, Date : 28.05.2012

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2012**

	2011-2012 Rs.	2010-2011 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		<b>(Rs. in Lacs)</b>
Net profit before Tax and Extraordinary Items	132.64	172.65
Adjusted For :		
Depreciation	215.60	199.25
Interest paid incl other financial charges	541.50	276.43
Profit on sale of Investment	(0.87)	-
Interest received	-	-
Extra ordinary item (loss on sale of assets/earlier year taxes)	(0.32)	(13.73)
<b>Operating Profit before Working Capital Charges</b>	<b>888.56</b>	<b>634.61</b>
Adjusted For :		
Trade and other receivable	(232.28)	(838.98)
Inventories	205.78	(599.67)
Trade & Other Payables	184.71	147.14
<b>Cash Generated From Operations</b>	<b>1,046.77</b>	<b>(656.90)</b>
Interest Paid	(482.64)	(225.06)
<b>Cash flow before Extraordinary items</b>	<b>564.13</b>	<b>(881.96)</b>
Current tax	(63.94)	(83.71)
<b>Net Cash from operating Activities</b>	<b>500.19</b>	<b>(965.67)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(204.59)	(381.18)
Sales of Fixed Assets	-	2.95
Interest received	-	-
(Purchase)/Sale of Investments	2.07	(7.00)
Movement in Long Term Loans & Advances	(20.39)	-
<b>Net Cash used in Investing Activities</b>	<b>(222.91)</b>	<b>(385.23)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Long-term secured loan	(186.63)	1,015.02
Other Loan	(117.55)	410.96
Short Term Borrowings (Net)	141.48	-
Interest paid on Term Loan	(58.86)	(51.37)
Dividend paid (Including Dividend Tax)	(53.17)	(53.17)
<b>Net Cash used in Financial Activities</b>	<b>(274.73)</b>	<b>1,321.44</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>2.54</b>	<b>(29.46)</b>
Opening Cash and Cash Equivalents	29.49	58.95
Closing Cash and Cash Equivalents	32.03	29.49

**AUDITORS' REPORT**

We have audited the attached 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, 2012 and found the same in agreement therewith.

**For, NATVARLAL VEPARI & CO.**

 CHARTERED ACCOUNTANTS  
 Firm Reg. No. 123626W

**Ravindra Vepari**

Partner

Membership No. : 6728

SURAT, Date : 28.05.2012

**Hitesh K. Garmora**

Company Secretary

**For and on behalf of the Board,**
**D. R. Shah**

Managing Director

SURAT, Date : 28.05.2012

**A. R. Shah**

Whole-time Director



# Fairdeal Filaments Ltd.

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

## PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a  
Member/Members of the above named Company hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
or failing to him \_\_\_\_\_ of \_\_\_\_\_ as  
my/our proxy to attend and vote for me/us, on my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the  
Company, to be held on Friday the 28<sup>th</sup> day of September, 2012 at 11.00 A.M. at the Registered Office of the Company.

Signed this \_\_\_\_\_ day of September, 2012.

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

## ATTENDANCE SLIP TWENTY SECOND ANNUAL GENERAL MEETING

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

I/We hereby record my/our presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Friday the 28<sup>th</sup> September, 2012 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)





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