

Sumecet

INDUSTRIES LIMITED

**Expanding
Enhancing
Emerging**



23rd
Annual
Report-2010-11



The Spinning Story of Success

I am pleased to report that your company continues to achieve new milestones in its journey towards sustainable growth through total excellence. Over two decades, Sumeet Industries has pursued business excellence through passion, perseverance and precision and is occupying a strong position in manufacturing Pet Chips and POY/FDY. The company has planned to increase its Pet Chips and Spinning capacity more than double in near future.

India's recovery after the slow-down is well under way. Growth is projected to recover to 8-9% in the next two years. India's textile industry is an enthusiastic participation in this new area of growth. Man made fibre production recorded a marginal fall and filament yarn production recorded an increase of about 1.89%. Textile industries contribute about 14% to industrial production, 4% to the GDP and 17% to the country's export earnings.

The company has setup 6 MW Gas based Genset Power Plant in the year 2009-10 and under new expansion, going to install another 8 MW Gas based Genset Power Plant. Gas base Power plant is an eco friendly power plant and eligible to be registered as CDM projects and existing 6 MW Gas base Power project is under validation process.

As a part of its strategy to grow the core business, the company has been expanding its spinning capacity from 53000 TPA to 100000 TPA to utilize its balance capacity of polycondensation plant as captive consumption by manufacturing POY/FDY directly from MEG & PTA instead of producing chips and the same will be on-stream by April'2012.

The company has shown tremendous growth with 343 percent CAGR of Turnover (FY 06 to FY 10) and 1179 percent CAGR of Profit after tax (FY 06 to FY 10). The year under review the company has achieved turnover of Rs. 818.47 Crores, an increase over 125% and recorded Net Profit of Rs. 34.16 Crores an increase over 215% in comparison to last year. The Board of Directors have recommended dividend @10% per share for the year under review.

I, also present highlights of 1st quarter results of the current year. During the first quarter the company has achieved Turnover of Rs. 219.66 Crores, an increase over 31% and Net Profit of Rs. 8.05 Crores an increase over 33% in comparison to last year.

Your company remained focused on creating value for its customer using the basic principles of TQM methodology which we are customizing throughout our organization. We took a number of improvement initiatives to further sharpen our cost competitiveness, effective working capital management and chalking out mega expansion plans for enhancing our production capacities.

Before Concluding, let me assure of our commitment to create value for our stakeholders and thanks to our Board of Directors for their constant guidance and support. We value the trust that you repose on us and look forward to your continued support and encouragement.

Shankarlal Somani
Chairman

FIVE YEARS OPERATING & FINANCIAL DATA

OPERATING DATA

(Rs. in Lacs)

	2010-11	2009-10	2008-09	2007-08	2006-07
Sales & Income from operation	82458.71	37604.10	15847.71	12932.90	11249.13
Other Income	351.96	74.13	-21.31	-15.09	137.00
Increase (Decrease) in Inventories	-243.11	878.90	824.23	33.41	653.96
Total	82567.56	38557.13	16650.63	12951.22	12040.09
Purchase of Finished Goods	21226.35	7319.51	3011.22	0.00	25.75
Raw Material Consumed	48769.17	25651.78	10076.07	9843.14	9165.38
Staff Cost	551.09	267.18	108.38	101.55	74.41
Manufacturing Expenses	4486.02	1652.25	970.63	981.54	860.55
Admn Exp & Selling & Dist.Exp.	1404.33	566.30	1037.64	705.41	#699.10
Interest & Depreciation	2000.95	1422.04	813.44	796.05	721.45
Total	78437.91	36879.06	16017.38	12427.69	11546.64
Profit/(Loss) before Taxation	4129.65	1678.07	633.25	523.53	493.45
Taxation	685.40	572.26	251.69	156.41	156.98
Profit & Loss after Taxation	3444.25	1105.81	381.56	367.12	336.47
Earning per Share (EPS)	8.37	2.70	0.95	1.82	1.93

FINANCIAL DATA

Share Capital	* 4999.52	* 4999.52	3999.52	** 2512.29	** 2239.93
Share Application Money	870.00	250.00	0.00	257.00	75.00
Reserve & Surplus	5684.60	2805.20	2191.72	911.71	538.94
Loan Funds ****	24246.75	24667.22	14020.80	4807.32	4449.43
Capital & Funds Employed	35800.87	32721.94	20212.04	8488.32	7303.30
Fixed Assets (Gross) *****	25144.37	23824.14	19480.70	8792.62	8102.57
Depreciation	1168.81	4832.33	4270.51	4040.82	3657.20
Fixed Assets (Net)	19143.24	18991.80	15210.19	4751.80	4445.37
Investments	126.72	53.69	107.20	155.81	126.10
Current Assets	21037.12	16874.06	6142.20	4851.86	3740.71
Current Liabilities & Provisions ***	4525.27	3225.46	1276.77	1289.21	1008.88
Net Current Assets	16511.85	13648.60	4865.43	3562.65	2731.83
Misc. Exp. not written off	19.06	27.85	29.22	18.06	0.00
Capital & Funds Applied	35800.87	32721.94	20212.04	8488.32	7303.30

Inclusive of Extra Ordinary items

* Includes Preference Share Capital of Rs. 10.00 Crores

** Includes Preference Share Capital of Rs. 5.00 Crores

*** Includes Deferred Tax Liability

**** Includes Secured & Unsecured Loan

***** Includes Capital Work in Progress

**TWENTY THIRD
ANNUAL REPORT****BOARD OF DIRECTORS**

Shri Shankarlal Somani	Chairman
Shri Raj Kumar Somani	Managing Director
Shri Sumeet Kumar Somani	Director
Shri Bhagchand Chordia	Director
Shri Dinesh Sharan Khare	Director
Shri Devi Prasad Saboo	Director
Shri Vinod Kumar Ladia	Director
Shri Mangilal Lahoti	Director

COMPANY SECRETARY

Shri Anil Kumar Jain

AUDITORS**PRADEEP SINGHI & ASSOCIATES**

Chartered Accountants, Surat

INTERNAL AUDITOR**RRA & CO.**

Chartered Accountants, Surat

CORPORATE ADVISOR**Shri Dhiren R. Dave**

Practicing Company Secretary, Surat

BANKERS

Bank of Baroda

Bank of India

IDBI Bank Ltd.

REGISTERD OFFICE

504, Trividh Chamber, Opp. Fire Station,

Ring Road, Surat - 395 002. (Gujarat)

Ph. : (0261) 2328902

E-mail : sumeetindus@yahoo.com

FACTORY

Block No. 289, 291, 292, Village : Karanj,

Tal. : Mandvi, Dist. : Surat-394 110. (Gujarat)

Ph. : 098251 38110

DELHI OFFICE

901, Vishwadeep Bldg., District Centre,

Janakpuri, New Delhi-110058.

REGISTRAR & SHARE TRANSFER AGENT**M/S. BIGSHARE SERVICES PVT. LTD.**

E-2, Ansa Industrial Estate, Sakivihar Road,

Sakinaka, Andheri (E), MUMBAI - 400 072.

Ph. : (022) 40430200 / 28470652

E-mail : investor@bigshareonline.com

23rd ANNUAL GENERAL MEETING

DATE : 26th September, 2011

VENUE : CONFERENCE HALL,
Bombay Market,
Umarwada, SURAT-395 010.

TIME : 10:00 A.M.

INSTRUCTION TO THE MEMBERS

Members are requested to bring their copy of Annual Report at the meeting, as copies of the same will not be circulated at the AGM as a measure of economy.

CONTENTS	PAGE NO.
Financial Highlight	1
Notice	3
Directors' Report	12
Corporate Governance Report	19
CFO Certification	29
Management Discussion & Analysis	30
Auditors' Report	37
Balance Sheet	41
Profit & Loss Account	42
Schedules	43
Notes on Accounts	49
Balance Sheet Abstract	55
Cash Flow Statement	56

NOTE

SHAREHOLDERS ARE REQUESTED
NOT TO BRING CHILDREN IN
THE MEETING HALL.

NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of SUMEET INDUSTRIES LIMITED will be held at Bombay Market Hall, Umarwada, SURAT on Monday, 26th Day of September, 2011 at 10.00 A.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year ended on that date and Reports of Auditors and Board of Directors thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 2011.
3. To appoint a Director in place of Shri B. C. Chordia who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vinod Kumar Ladia who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS**6. APPOINTMENT OF SHRI DINESH SHARAN KHARE AS EXECUTIVE (WHOLE TIME DIRECTOR)**

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

"RESOLVED THAT pursuant to the provisions of Section 269, 309, 198 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956 and any other statutory enactment thereof for the time being in force, the Company hereby approves the re-appointment and terms of remuneration of Shri Dinesh Sharan Khare as Executive Director (Whole Time Director) of the Company for a period of 5 (Five) years with effect from 16.12.2011 upon the terms and conditions as set out in the Explanatory Statement annexed herewith".

"RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation in the provisions relating to the payment of remuneration to the managerial persons or to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites etc. within such prescribed limits".

"RESOLVED FURTHER THAT pursuant to Section 198 (4) read with Schedule XIII of the Companies Act, 1956 in the absence of or inadequacy of profit in any financial year, remuneration and perquisites as approved hereby be paid as a minimum remuneration to the Whole Time Director".

7. INCREASE IN BORROWING LIMITS

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

"RESOLVED THAT in supersession to the earlier resolution passed at the General Meeting of the Company held on 29th September, 2009 and pursuant to provisions of Section 293(1)(d) of the Companies Act, 1956 and all other enabling provisions, if any, (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the provisions of the Memorandum and Articles of Association of the Company, consent of the Members be and is hereby accorded to the Board of Directors (which here in after referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board of Directors by this resolution), to borrow any sum or sums of monies, from any one or more Company's bankers and/or from any one or more other Banks, Persons, Firms, Bodies corporate or Financial Institution, whether by way of term loans, advances or deposits, FCCB, ECB loans or bills discounting, issue of debentures, furnishing of guarantees or otherwise and whether unsecured or secured by mortgage, charge, hypothecation, lien or pledge of the Company's assets and properties, whether immovable or movable, and all or any of the undertaking(s) of the Company, for and on behalf of the Company from time to time of further sums of money for the purpose of the Company amounting in aggregate to a sum not more than Rs. 1000 Crores (Rupees one thousand crores) (excluding temporary loans obtained from the Company's bankers in the ordinary course of business), that is to say, the total borrowings by the Board of Directors for and on behalf of the Company of an aggregate sum not exceeding Rs. 1000 Crores, exclusive of interest,

notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from such temporary loans obtained or to be obtained from the Company's bankers) will or may exceed the aggregate of the paid-up capital and its free reserves, that is to say, reserves not set apart for any specific purpose".)

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to finalize, settle and execute such documents / deeds / writings / papers / agreements as may be required and do all such other acts, deeds, matters and things, as it may in its absolute discretion deem necessary, expedient, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard to borrowing(s) as aforesaid or any other matter in this regard".

8. CREATION OF CHARGE

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

"RESOLVED THAT in modification to the resolution passed at the General Meetings of the Company held, the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the provisions of the Memorandum and Articles of Association of the Company, to the Board of Directors of the Company (which herein after referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board of Directors by this resolution) to mortgage, hypothecate and/or charge in addition to the existing mortgages/ hypothecation/ charges created by the Company on such terms and conditions as the Board may deem fit, on all or any part of movable and/or immovable properties of the Company, wherever situate, both present and future, and/or the whole or substantially the whole of the undertaking of the Company in favour of any person including but not limited to banks, financial institutions, corporate bodies, trustees of debenture holders and /or any other lending agencies or other persons to secure the loans, debentures and other credit facilities together with interest, cost, charges, expenses and any other money payable by the Company up to a sum not exceeding Rs. 1000 Crores (Rupees one thousand crores)".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to finalise with such banks/financial institutions/trustees/of debenture holders/lending agencies and/or any other person the documents for creating the aforesaid mortgage, hypothecation and/or charge and to do all such acts, matters, deeds and things as may be necessary or expedient for giving effect to this resolution and also to agree to any amendments/changes/variations thereto from time to time as it may think fit".

9. ISSUE OF EQUITY WARRANTS

To consider and, if thought fit, to pass with or without modification(s), the following resolutions as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company and the SEBI (ICDR) Regulations, 2009, ("SEBI Regulations") and other applicable rules/regulations/guidelines prescribed by SEBI and/or any other regulatory authority, if any, and the Listing Agreement entered into by the Company with the Stock Exchanges where the equity shares of the Company are listed and subject to approval(s), consent(s), permission(s), and/or sanction(s), if any, of appropriate authorities, institutions or bodies as may be required, and subject to such conditions as may be prescribed by any one of them while granting any such approval(s), consent(s), permission(s) and/or sanction(s) the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee of the Board constituted/to be constituted to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorized on behalf of the Company to create, offer, issue and allot up to 50,00,000 (Fifty Lacs) Equity Warrants on a preferential basis to the Promoters / Promoters Group(s), entitling the warrant holder with an option to apply for and be allotted one fully paid up equity share of face value of Rs.10/- each against one warrant, at a conversion price including premium being a price not less than the price to be arrived at as per SEBI (ICDR) Regulations, 2009 on the relevant date, being the date 30 (thirty) days prior to the date of passing of this resolution by the members in the Annual General Meeting, on such terms and conditions, as may be finalized by the Board of Directors, in accordance with guidelines/rules applicable to preferential allotment of the Equity Warrants, as the case may be, and/or any modification thereof".

"RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the equity warrants and equity shares arising there from, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in the proposed issue, offer and allotment of the said warrants and equity shares arising there from, including utilization of the issue proceeds, without being required to seek any further consent or approval of members or otherwise, to the end and intent that members shall be deemed to have given their approval thereto expressly by the authority of this resolution".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the Equity Shares allotted on conversion of such preferential issue of Equity Warrants on Stock Exchanges, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or any other Director(s) or officer(s) of the Company to give effect to the resolution".

10. INCREASE IN FII LIMITS

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

"RESOLVED FURTHER THAT subject to the approval of the members and pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 ("**FEMA**"), the Companies Act, 1956 and all the other applicable Rules, Regulations, Guidelines and laws (including any statutory modifications or re-enactment thereof for the time being in force) and subject to all requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by any one Director of the Company and/or duly authorized Committee of the Board of directors for the time being exercising the powers conferred by the Board of Directors of the Company (hereinafter referred to as "**the Board**"), the consent of the Company be and is hereby accorded for raising the ceiling of 24% of the total paid up capital of the company on investment in securities by Financial Institutional Investor (FIIs) as stated under erstwhile master circular on foreign investment in India by Reserve Bank of India to 49% of the Paid Up Equity Share Capital of the Company subject to the condition that the holding of any single FII or each SEBI approved sub-account of a FII or the concerned FII group does not exceed 10% of the Paid up capital of the Company".

Registered Office :

504, Trividh Chambers,
Opp. Fire Station,
Ring Road, Surat - 395 002.

Place : Surat
Date : 16-08-2011

By order of the Board Directors

Sd/-
Shankarlal Somani
Chairman

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER.**
2. The instrument appointing proxy in order to be effective **MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.**
3. Members/Proxies should bring their attendance slip duly filled in for attending the meeting.
4. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days before the date of meeting to facilitate satisfactory replies.
5. The Register of Members and Share Transfer Register of the Company will remain closed from Tuesday, 20th September, 2011 to Monday, 26th September, 2011 (both days inclusive) for the purpose of payment of dividend.
6. Payment of dividend, if declared, will be paid to the eligible members whose names shall appear in the Register of Members of the Company on 26th September, 2011. In respect of shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
7. To avoid loss of dividend warrants in transit and undue delay in receipt of dividend warrants, the Company has provided facility to the members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the towns and cities. Members are requested to correctly fill the details in the ECS Form attached in the Annual Report and send the same to the Company or its Registrar and Share Transfer Agent, **M/s. Bigshare Services (P) Limited, E-2, Ansa Industrial Estate, Sakivihar Road, Andheri (E), Mumbai - 400 072** to avail the benefit of this service.
8. Non-Resident Indian members are requested to inform the company's Registrar and Transfer Agents (Bigshare Services (P) Ltd.), immediately of:
 - a) Change in their Residential status on return to India for permanent settlement.
 - b) Particulars of their Bank Account maintained in India with complete name branch, account type, account number with MICR code and address of the Bank, if not furnished earlier.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the company / Registrar.
10. Members /Proxy holders are requested to bring their copies of the Annual Report to the meeting as no further copies would be made available.

Important Communication

The Ministry of Corporate Affairs, vide its Circular No.18/2011 dated 29th April, 2011, clarify that as a measure of "Green initiative in Corporate Governance" it will be in compliance, if the Annual Report (i.e. documents listed in section 19(1) of the Companies Act, 1956) is sent through e-mail. To support this green initiative, members holding shares in demat form are requested to provide their e-mail ID to the depository through their concerned depository participant and members holding shares in physical form are requested to provide E-mail ID to the Company's RTA, M/s.Bigshare Services Pvt. Ltd. by filling the form available on the Company's website and also update the e-mail address as and when there is any change.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**ITEM NO. 06**

Shri Dinesh Sharan Khare is a Whole Time Director of the company since 16.12.2006 and his term of office as Whole Time Director expires on 15.12.2011. The Board of Directors of the Company recommend to re-appoint Shri Dinesh Sharan Khare as Whole Time Director of the Company for a further period of 5 (Five) years w.e.f. 16.12.2011 on the following terms and conditions.

1. Salary : Shri Dinesh Sharan Khare shall be paid monthly salary of Rs. 12.00 Lacs (Rs. Twelve Lacs) per annum inclusive of dearness and all other allowances.
2. Perquisites : Shri Dinesh Sharan Khare shall not be provided any other perquisites.

Notwithstanding anything contained herein above, Shri Dinesh Sharan Khare shall be entitled to the payment of minimum remuneration which shall be calculated as the salary mentioned in para 1 herein above as reduced by 10% thereof and perquisites mentioned hereinabove in the event of any adequacy or absence of profits for a period of 5 years from 16.12.2011 to 15.12.2016

On approval of this resolution, the Board of Directors will re-enter in an agreement with Shri Dinesh Sharan Khare. The terms stated herein above may be treated as an Explanatory Statement, pursuant to section 302 of the Companies Act, 1956.

The Board recommends the resolution for adoption.

ITEM NO. 07

Your company has successfully completed its backward integration project of polymerization plant for manufacturing Pet Chips. Now the company is exploring the possibilities of further expansions in POY and FDY spinning capacity producing directly from MEG and PTA and forward integration project for manufacturing Texturised Yarns & FDY Yarns of varied deniers. Current borrowing powers of the Board of directors are Rs. 750.00 Crores. So, necessary resolution to enhance the borrowing powers of the Board of Directors from existing Rs. 750.00 Crores to Rs. 1000.00 Crores.

Section 293 (1) (d) of the Companies Act, 1956 inter-alia, provides that the Board of Directors of a Public company shall not, without the consent of members in a General Meeting, borrow money (apart from temporary loans obtained in the ordinary course of business) exceeding the paid up capital of the company and its free reserves not set apart for any specific purpose. So, it is necessary to obtain the approval of the members for the resolution under section 293(1)(d) of the Companies Act, 1956.

No Director is directly or indirectly interested in the resolution.

Board recommends the resolution for adoption.

ITEM NO. 8

In view of the expansion in business and the proposed business plans of the Company and towards enabling an active borrowing program to allow the company to borrow funds from various lenders at most competitive rates, for which a proposal for enhancement of the borrowing powers of the Board has been made as above. The borrowing facilities may be required to be secured by creation of mortgage and/or charge in favour of the lender on such immovable and movable properties of the Company, present and future, as may be decided in consultation with the lenders. Your directors propose to enhance the limit for creation of mortgage, hypothecation / charge, on all or any of the movable /immovable properties of the company in favour of Banks, financial institution and/or lending agencies up to a sum of Rs. 1000 Crores.

Section 293 (1) (a) of the Companies Act, 1956 inter- alia, provides that the Board of Directors of a Public company shall not, without the consent of members in a General Meeting , sell lease or otherwise dispose off the whole or substantially the whole of the undertaking. So, It is necessary to obtain the approval of the members for the resolution under section 293 (1) (a) of the Companies Act, 1956.

The Board recommends this resolution to be passed as an Ordinary resolution.

None of the Directors of the company is concerned or interested in the proposed resolution.

ITEM NO. 09

To augment the long term resources of the Company in order to meet the growth opportunities and for general corporate purposes, your Board intends to mobilize funds through issue of warrants to Promoters / Promoter group by way of Preferential allotment of warrants for cash, in terms of the SEBI (ICDR) Regulations, 2009 as in force on the date of this notice. The number of warrants entitling to convert into equity shares to such persons and on such terms and conditions including as to dividend, premium, conversion etc. are detailed in the draft resolution set out in the Notice and Explanatory Statement.

The proposed issue and subsequent allotment of equity shares on exercise of the option by the warrant holder, require approval of the members by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the Listing Agreement entered into by the Company with the Stock Exchanges.

The 50,00,000 Equity Warrants proposed to be issued to the Promoters and Promoters Group of the company will carry an option to acquire equivalent no. of shares of Rs. 10/- (including premium of Rs. 25/-) each, on the terms and conditions mentioned in the aforesaid special resolution. **The required disclosures as per SEBI (ICDR) Regulations, 2009 are furnished as under :-**

1. Objects of the issue

The objects of the issue of equity shares on preferential basis is to augment the capital base of the company and for meeting present capital expenditure for expansion, working capital margin requirements arising out of increased volume of business and for other corporate purpose as may be required from time to time.

2. The proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer

The following promoters / promoter group companies has agreed to subscribe the warrants offered by the company. None of the other promoters / directors / key management personnel of the company shall

Sr. No.	Name of the proposed Allottee	No. of warrants to be subscribed
1.	Somani Overseas Private Limited	15,00,000
2.	Sumeet Menthol Private Limited	15,00,000
3.	National Poly Yarn Private Limited	15,00,000
4.	Shankarlal Somani	1,00,000
5.	Sushil Shankarlal Somani	1,00,000
6.	Gangadevi Shankarlal Somani	1,00,000
7.	Sumeet Shankarlal Somani	1,00,000
8.	Manisha Sumeet Somani	50,000
9.	Neelam Sushil Somani	50,000
	Total	50,00,000

Share holding pattern before and after the preferential allotment :

Shareholder	Percentage of shareholding before the proposed preferential allotment of warrants		Percentage of shareholding after conversion of the proposed preferential allotment of warrants	
	No. of Shares	% of Share holding	No. of Shares	% of Share holding
A. Promoter and promoter Group :				
Individual/Hindu Undivided Family	9122328	15.65	9622328	15.20
Bodies Corporate	16590184	28.46	21090184	33.32
Total (A)	25712512	44.11	30712512	48.53
B. Public Shareholding :				
Institutions and FIIs	7954249	13.65	7954249	12.57
Non Institutions	24622977	42.24	24622977	38.91
Total (B)	32577226	55.89	32577226	51.47
C. Shares held by custodian against which depository receipts have been issued	NIL	NIL	NIL	NIL
TOTAL [A+B+C]	58289738	100.00	63289738	100.00

Note :

- 1) The above shareholding pattern has been prepared on the basis of shareholdings as on 30-06-2011.
- 2) The post issue shareholding pattern has been arrived on the assumption that the entire 50,00,000 equity warrants proposed to be issued to Promoters and Promoter group would be converted in one or more tranches to equity shares.

3. Proposed time within which allotment shall be completed

The Board proposes to allot the Equity Warrants in terms of the resolution set out in the Notice within 15 days from the date of passing of the resolution.

The allotment of 50,00,000 Equity shares resulting from exercise of option attached to the said equity warrants, will be completed in one or more tranches, but within 18 months from the date of issue of the Equity Warrants.

4. Identity of the proposed allottees and the percentage of the preferential issue that may be held by them

The percentage of the postpreferential issue capital held by the proposed allottee assuming full conversion of warrants in to fully paid equity shares is as under .

Sr. No.	Name of the proposed Allottee(s)	No. of warrants to be allotted	% in the post-issue capital (including pre-issue holding)
1.	Somani Overseas Private Limited	15,00,000	14.59
2.	Sumeet Menthol Private Limited	15,00,000	6.37
3.	National Poly Yarn Private Limited	15,00,000	6.04
4.	Shankarlal Somani	1,00,000	2.55
5.	Sushil Shankarlal Somani	1,00,000	2.23
6.	Gangadevi Shankarlal Somani	1,00,000	1.99
7.	Sumeet Shankarlal Somani	1,00,000	1.54
8.	Manisha Sumeet Somani	50,000	0.85
9.	Neelam Sushil Somani	50,000	0.81
	Total	50,00,000	36.97

There is no change in the management of the Company pursuant to the issue of Equity Shares on conversion of warrants proposed to be issued on Preferential Allotment Basis.

5. Pricing of the Issue

The issue of warrants and equity shares shall be at a price not less than higher of the following:

- a) The average of the weekly high and low of the closing prices of the Company's shares quoted on the recognized Stock Exchanges (Bombay Stock Exchange Ltd. and The National Stock Exchange of India Limited) during the six months preceding the 'relevant date'.

OR

- b) The average of the weekly high and low of the closing prices of the Company's shares quoted on the Recognized Stock Exchange (Bombay Stock Exchange and The National Stock Exchange of India Limited) during the two weeks preceding the 'relevant date'.

The price above will be determined on the basis of the quotes available from the stock exchange which has the highest trading volume in respect of the equity shares of the company recorded during the preceding six months prior to the relevant date.

The '**Relevant Date**' for determining the issue price of the resultant equity shares which shall be allotted to the warrant holders, on exercise of the option shall be 26th August, 2011, being the date 30 (thirty) days prior to the date of passing of this resolution by the members in the Annual General Meeting.

6. Conversion of Period

Warrants holder shall be entitled to convert the warrants into equity shares in one or more tranches any time within 18 months from the date of allotment of warrants.

7. Terms of Payment

An amount equivalent to at least 25% (twenty five per cent) of the issue price determined as above shall be paid against each warrant before the allotment of warrants.

Upon exercise of the right to convert the warrants into equity shares, the warrant holders will be liable to make the payment of the balance amount, being 75% per cent of the issue price. The amount paid at the time of allotment of warrants will be adjusted/set off against the issue price of equity shares. The Board (or a Committee thereof) upon receipt of the entire payment towards issue price, shall allot one equity share per warrant. If the entitlement against the warrants to apply for the equity shares is not exercised within the specified period of 18 months, such entitlement shall lapse and the amount paid on such warrants shall stand forfeited.

8. Lock in Period

- Equity shares allotted pursuant to exercise of options attached to warrants issued on preferential basis to the allottees as per table below, the promoter or promoter group, shall be locked-in for a period of three years from the date of allotment of warrants.

Sr. No.	Name of the proposed Allottee(s)
1.	Somani Overseas Private Limited
2.	Sumeet Menthol Private Limited
3.	National Poly Yarn Private Limited
4.	Shankarlal Somani
5.	Sushil Shankarlal Somani
6.	Gangadevi Shankarlal Somani
7.	Sumeet Shankarlal Somani
8.	Manisha Sumeet Somani
9.	Neelam Sushil Somani

The entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date upto a period of six months from the date of preferential allotment.

9. Other terms

The equity shares issued on conversion of warrants allotted pursuant to this Resolution shall rank pari passu in all respects with the existing equity shares of the Company.

10. Auditor's Certificate

M/s. Pradeep Singhi & Associates, Statutory Auditors of the Company have certified that the preferential issue is being made in accordance with the requirements contained in Chapter VII of SEBI (ICDR) Regulations, 2009 for preferential issues. The same shall be made available for inspection at the Registered Office of the Company on all working days except Sunday and holidays between 11 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.

Your Board recommends the above resolution.

None of the Directors of the company is in any way, concerned or interested in the above resolutions except to the extent of the equity shares held by them and that may be allotted to them, if any.

ITEM NO : 10

In terms of provision of FEMA, FIIs may invest in the equity shares/convertible debentures upto 24% of the post issue paid up capital of the company. However, this limit can be increased upto the sectoral cap permitted by RBI. Though in textiles sector there is no sectoral cap, your board proposes to increase limit to 49% of the post issue paid up capital of the company.

The Board recommends this resolution to be passed as a Special resolution.

None of the Directors of the company is concerned or interested in the proposed resolution.

Registered Office :

504, Trividh Chambers,
Opp. Fire Station,
Ring Road, Surat - 395 002.

Place : Surat

Date : 16-08-2011

By order of the Board Directors

Sd/-
Shankarlal Somani
Chairman

DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting the 23rd Annual Report and Audited Statement of Accounts for the year ended 31st March, 2011. Despite rising interest rates, rupee appreciation, high inflation, volatility in capital flows, we felt consumer and business confidence is very strong and are reasonably balanced across the country. The confidence is supported by fast growing disposable income and corporate earnings. Manufacturing is expected to be a major driver of growth over the next few years. Your company has achieved Net profit of Rs. 34.44 Crores due to efficient usage of Raw material, Energy conservation, Quality of its finished products, Overhead cost cutting and Efficient management of working capital.

The efforts made by your Company in improving efficiencies in all areas of operations including working capital management resulting in lower interest cost and foreign currency risk management have contributed greatly towards the improved performance. We trust you will be quite satisfied with the performance of your Company.

FINANCIAL RESULTS

	(Rs. in Lacs) 31-03-11	(Rs. in Lacs) 31-03-10
Gross profit before Interest & Depreciation	6130.60	3100.11
Less : Interest	832.14	778.84
Depreciation	1168.81	643.20
Profit before Tax	4129.65	1678.07
Less : Provision for Taxation		
Current Tax	818.54	159.28
MAT Credit	(521.21)	0.00
Deferred Tax	388.07	92.41
Profit after Tax	3444.25	1105.81
Less : Taxation of Previous Year	28.51	20.95
Add : Balance Brought Forward	1541.11	927.63
Profit available for appropriation	4956.85	2012.49
Dividend on Pref. Share and Dividend Tax	69.96	3.46
Equity Dividend & Dividend Dist. Tax	466.38	467.92
Balance Transfer to General Reserve	0.00	0.00
Balance transfer to Balance sheet	4420.51	1541.11

OPERATIONS

The company has successfully commissioned expansion of 23500 TPA POY Plant and 21000 TPA FDY Plant in the month of March, 2010 and the effect of operation of this plant has been satisfactory reflected in the financial year under review.

The company has produced 77267.696 Tons of Pet Chips / Polyester / Polypropylene Multifilament Yarn and dispatched 77565.130 Tons of Pet Chips / Polyester / P.P. / Poly Yarns.

Income from operation of the company has increased by 120 % from Rs. 376.78 Crores to Rs. 828.11 Crores. EBITDA has increased from Rs. 31.00 Crores to Rs. 61.31 Crores and Net profit after tax has increased by 215% from Rs. 10.85 Crores to Rs. 34.16 Crores in comparison to last year.

DIVIDEND

Your directors have pleasure to recommend Dividend of 10% i.e Rs. 1/- per share on face value of Rs. 10/- on the paid up equity share capital of the company for the year ended 31st March, 2011. As per current paid-up capital, the total dividend and dividend tax thereon would absorb an apx. sum of Rs. 466.38 Lacs. The dividend will be free of tax in the hands of recipients.

EXPORTS

The company has been exploring all the possibilities for exporting its products. During the year under review, your company has exported Pet Chips and Polyester Chips products of Rs. 2553.50 Lacs as compared to Rs. 1139.77 Lacs in the last year an increase of 124% over the previous year.

At present company is exporting Pet Chips and Polyester yarns to South Africa, Bangladesh, Egypt, Saudi Arabia, China, Peru, Argentina, Portugal, Indonesia, Iran, U.S.A & Singapore etc. Exploring export markets has been a key area of focus for the company. Your Company expects reasonable growth in the overall export sales in the current year.

DEPOSITORY SYSTEM

As members are aware, the company's shares are compulsorily tradable in electronic form. As on March 31, 2011 almost 91.15% of the Company's total paid-up capital representing 3,64,55,718 shares were in dematerialized form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization on either of the Depositories.

NEW PROJECTS

In the year 2009-10, The company has successfully commissioned 100000 TPA Continuous Polymerization (C.P.) Plant and 23500 TPA of POY Plant and 21000 TPA of FDY Plant during the year under review and the plants are running satisfactorily.

During the year, the Company has chalked out Rs. 530 Crores expansion plan for enhancing its manufacturing capacity of both POY and FDY and Pet Chips in two phases.

In the first phase of expansion production capacity of POY and FDY will be increased from 53000 TPA to 100000 TPA and setting up another 8 MW Gas based Genset Captive Power Plant with project cost of Rs. 150.00 Crores. This expansion will utilize balance capacity of Polycondensation Plant as captive consumption by manufacturing POY/FDY directly from MEG & PTA instead of Producing PET Chips. This project will enhance the scale of operation and improve the cost competitiveness of company's product. After completion of this expansion total turnover of the company will be increased by Rs. 100 Crores and EBIDTA by Rs. 40 Crores. This project is expected to be on-stream by April, 2012.

In the second phase of expansion new green field project of 200000 TPA Continuous Poly Condensation (CP) Plant will be setup to manufacture Bright FDY Yarns, POY Yarns, Yarn grade and Bottle grade Pet Chips and setting up another 18 MW Gas based Genset Power Project with total project cost of Rs. 400.00 Crores.

GAS BASED POWER PLANT

The Company has successfully commissioned 6 MW Gas based Genset Captive Power Plant in the year 2009-10, thereby enhancing capacity of captive power generation by 8.5 MW at the company's plant at Karanj, Surat.

Being new expansion projects in line, the company is also in the process of setting up another 26 MW Gas based Genset captive power plant nearby its expansion project.

The Gas based Genset Power Plant is eligible to be registered as CDM projects and the existing 6 MW Gas based Plant is under validation process for getting registered with UN to be eligible to get carbon credits.

FIXED DEPOSITS

The Company has not accepted any deposits during the year.

DIRECTORS

Mr. B. C. Chordia and Mr. Vinod Kumar Ladia retire by rotation and being eligible offer themselves for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Pradeep Singhi & Associates, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting. They have confirmed that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956. Members are requested to re-appoint them at the Annual General Meeting.

COST ACCOUNTING RECORDS

The Company has maintained cost accounting records in respect of manufacture of Partially Oriented Yarn, Polypropylene Multifilament Yarn, Pet chips as required. The company has appointed Mr. V. Srinivasan, Cost-Accountant for conducting the audit of such records for the financial year 2010-11.

PERSONNEL

The Board of Directors wishes to express their appreciation to all the employees for their outstanding contribution to the operations of the company. As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1956 as amended, no employee is drawing remuneration in excess of the prescribed limits. Your company also appreciates that revenue and profit growth cannot take place without the right equality of people. To that effect, your company has undertaken a series of measures that ensures that the most appropriate people are recruited in to the organization.

RISK MANAGEMENT

Risk Management is the systematic process of understanding, measuring, controlling and communicating organization's risk exposures while achieving its objectives. The company's risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while calibrating and mitigating risks. The Board of Directors regularly review risks and threats and takes suitable steps to safeguard its interest. The focus shifts from one area to another area depending upon the prevailing situation. During the year under review, highest importance was given to the management of Foreign currency exchange rate fluctuation risk.

INSURANCE

All the properties of the Company including buildings, plant and machineries & stocks have been adequately insured.

FOREIGN EXCHANGE TRANSACTIONS

In order to hedge the company's exposure to foreign exchange and interest rate, the company enters into forward contracts. The volatility witnessed in the global markets has reiterated the need for robust forex management systems and prudent investment practices. All forex exposures are hedged immediately upon the occurrence of an exposure. In case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liabilities arising out of exchange rates at the year end have been capitalized during the year as per Companies (Accounting Standard) Amendment Rules, 2009.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

During the year 2009-10, the company has successfully commissioned 6 MW Gas based captive power plant and thereby increasing its total captive capacity to 8.5 MW, as a result of which substantial saving in energy costs have been accruing. Further this will also resulted to the company in utilizing stable power supply leading to higher production efficiency. Under the current expansion program to meet the power requirements, the company is also setting up another 8 MW Gas based captive Power Plant.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure "A" forming part of this report.

RESEARCH & DEVELOPMENT

The Company is giving great emphasis to innovation in product and process technology and operational efficiencies. For its newly commissioned Continuous Polymerization Plant (CP) and also for POY and FDY, the company has set up separate fully equipped well designed lab for testing of MEG and PTA and developing better quality of Pet chips and Yarns with different deniers and filaments. The enhanced quality so developed has been performing well in the domestic as well as in international market. Successful efforts are being made to re-engineer the products & process to reduce cost and optimize material consumption. The product lines of the plant are designed to change product with minimum changeover losses and thus meet customer requirement even for small quantities.

CONSTITUTION OF AUDIT COMMITTEE

Pursuant to the provisions of Sections 292A of the Companies Act, 1956, the Board of Directors has Audit Committee comprising of three directors namely Shri Bhagchand Chordia, Shri Sumeet Kumar Somani and Shri Mangilal Lahoti.

CORPORATE GOVERNANCE

- i) The Company has complied with all the mandatory provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance.
- ii) Pursuant to Clause 49 of the Listing agreement with Exchanges, Corporate Governance Report and Auditors Certificate regarding compliance of conditions of Corporate Governance and a Management Discussion and Analysis Statement are made as a part of the Annual Report.
- iii) Your Company is Listed at Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your directors wish to place on record their deep sense of appreciation for devoted services of the Executives, Staff and Workers of the Company for its success.

On behalf of the Board of Directors

Place : Surat
Date : 15-07-2011

SHANKARLAL SOMANI
Chairman

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**ANNEXURE-1****A. Conservation of Energy**

Energy conservation is a high priority area for the Company. Our continued effort to reduce and optimize the use of energy consumption has shown positive results. The company continuously pursue the process of energy conservation through improved operational and maintenance practices.

a) Energy Conservation measures taken by the Company

1. Reduction in compressed air consumption in the spinning / winding machines.
2. Optimization of air handling units and ducting to reduce air flow and cooling load.
3. Computational fluid dynamics (CFD) studies for plant trouble shootings.
4. Optimization of vacuum system in spinning / winding machines.
5. Monitoring closely high energy consuming equipment.
6. Optimization of electric power generation.
7. Maximization of heat recovery system from exhaust gas of engines.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

1. Optimization of Air Conditioning System.
2. Installing of vapor absorption chiller to recover process waste heat.
3. Cooling towers ID fans were replaced with energy efficient fans.

c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken have resulted in savings in cost of production by way of reduction in consumption of electricity and fuel oils with reduction in process time and ultimately gets reduction in cost of production and power consumption by way of energy savings.

d) Total energy consumption and energy consumption per unit of production as per prescribed Form - A given hereunder.

FROM A

A. Power and Fuel Consumption :

	<u>2010-11</u>	<u>2009-10</u>
1. Electricity :	NIL	NIL
(a) Purchased		
- Units		
- Total Amount		
- Rate/Unit(Rs.)		
(b) Own generation		
(i) Through diesel generator in Units (KWH)	78139	85540
Liters of HSD Consumed	24653	25632
Unit per Ltr. of Diesel	3.17	3.34
(ii) Through steam turbine/generator		
Unit	-	-
Consumed	-	-
Unit per MT of Coal	-	-
(iii) Gas (Generated by Gas based Gen set)		
Quantity (in units KWH)	53201030	22068656
Gas Consumed (in SM 3)	13315440	5792736
Unit per KWH/SM 3	3.17	3.81
2. Gas :		
Quantity (in units)	17425686	7830692
Total amount	327914105	127601327
Average rate	18.82	16.30
3. Furnace Oil :		
Quantity (in Ltrs.)	15530	788003
Total amount	500846	21045988
Average rate	32.25	26.71
4. Diesel :		
Quantity (in Ltrs.)	25300	39200
Total cost	1060761	1419000
Cost/unit	41.93	36.20

B. Consumption per unit of production (in tons)

Product : Pet Chips/Polyester/Polypropylene Multi Filament Yarn

	<u>Standard (if any)</u>	<u>2010-11</u>	<u>2009-10</u>
Electricity			
(a) Purchases	-	NIL	NIL
(b) Own Generation	-	689.54	568.25
(Through Gas based Genset & Diesel Generator)			

FROM B

(Forms for disclosure of particulars with respect to Technology Absorption)**I. Research and Development (R & D)****1. Specific areas in which R & D carried out by the company**

- a) Productivity enhancement of spinning machines through application of in-house developed technology.
- b) Installation of creep speed logic on spinning machines to reduce waste.
- c) Modernization of ETP Plant for waste water treatment.
- d) Modifications in filters.

2. Benefit derived as a result of the above R & D

- a) Reduction in Operating and maintenance cost
- b) Development of value added product
- c) Better process control and improvement in quality and customer satisfaction.

3. Future plan of action

- a) High tenacity industrial yarn development.
- b) Enhancement of productivity of spinning machines and draw winder machines.
- c) Up-scaling of moisture management yarns

4. Expenditure on R & D / Product development

Capital and Recurring expenditure is incurred by the company regularly.

II. Technology absorption, adaptation and innovation**1. Efforts made towards technology absorption, adoption and innovation**

- a) Thermicflued heater for waste heat recovery system
- b) Setting up plant for manufacturing POY / FDY directly from MEG and PTA.

2. Benefits derived as a result of above efforts

- a) Improvement in product output, quality and reduction in wastage
- b) Improvement in capacity utilization
- c) Reduction in cost of production

3. Information regarding technology imported during the last five year

Technology Imported	Year of Import	Status
Gas based Genset Power Plant	2008	Absorbed
Continuous Polymerization Plant (CP)	2008	Absorbed
POY and FDY Plant	2009	Absorbed

C) FOREIGN EXCHANGE EARNING AND OUTGO**I. Activities relating to exports, Initiatives taken to increase export markets for products and services and export plans**

Newer markets are being explored and initiative taken to focus on increasing exports.

II. Total Foreign Exchange used and earned

	(Rs. in Lacs)	
	<u>2010-11</u>	<u>2009-10</u>
[a] Foreign Exchange Earnings	2553.50	1139.60
[b] Foreign Exchange Outgo	324614.77	17816.30

CORPORATE GOVERNANCE REPORT**(As required under clause 49 of the Listing Agreement with Stock Exchange)**

Corporate Governance refers to a combination of regulations, procedures and voluntary practices that enable Companies to maximize shareholder's value by attracting financial and human capital and efficient performance. The Company believes that good corporate governance contemplates that corporate actions balance the interest of all shareholders and satisfy the tests of accountability and transparency.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Transparency and accountability leading to management reliability are the touchstone of the Corporate Governance at SUMEET INDUSTRIES LTD. The ultimate objective of the Corporate Governance at SUMEET INDUSTRIES LTD. is to enhance shareholder's value in the long term. However, the Corporate Governance at Sumeet Industries Ltd. is continuously making efforts to implement sound governance practices.

2. BOARD OF DIRECTORS

(A) SUMEET INDUSTRIES LTD. is having 8 Directors on its Board consisting of 4 Executive and 4 Non-Executive Independent Directors with Executive Chairman. None of the directors on the Board is a member of more than 10 committees and chairman of more than 5 committees, across all the Companies in which they are directors.

The category, composition, attendance of each Director at the Board Meeting, last Annual General Meeting and the number of other Directorship and Chairmanship/ Membership of Committees of each Director in various companies are given below:

Sr. No.	Name of Directors	Category	Attendance Board Meeting	Particulars Last AGM	No. of Other Directorships Committee Memberships/ Chairmanships		
					O.D.	C.M.	C.C.
1.	Mr. Shankarlal Somani	Executive/ Non-Independent	20	Yes	3		
2.	Mr. Rajkumar Somani	Executive/ Non-Independent	20	Yes	8		
3.	Mr. Sumeet Kumar Somani	Executive/ Non-Independent	20	Yes	6	1	
4.	Mr. Dinesh Sharan Khare	Executive/ Independent	19	Yes	-		
5.	Mr. Bhagchand Chordia	Non Executive/ Independent	20	Yes	1	3	3
6.	Mr. Vinod Kumar Ladia	Non Executive/ Independent	17	Yes	5		
7.	Mr. Mangilal Lahoti	Non Executive/ Independent	18	Yes	2	3	
8.	Mr. Devi Prasad Saboo	Non Executive/ Independent	18	Yes	-	2	

(O.D.) Directorship in other Companies (C.M.) - Committee Membership (C.C.) - Committee Chairmanship

Note: Transaction of Non - Executive with Company is paying Rs, 2,40,000/- P.A. as consultancy fees to Mr. B.C. Chordia.

(B) NO. OF BOARD MEETINGS HELD AND DATES

During the Financial Year 2010-11, the Board meeting has been held for 20 times.

The Dates of the Board Meetings are :

01.	30/04/2010	06.	09/06/2010	11.	25/10/2010	16.	19/01/2011
02.	04/05/2010	07.	31/07/2010	12.	24/12/2010	17.	28/01/2011
03.	10/05/2010	08.	20/08/2010	13.	27/12/2010	18.	25/02/2011
04.	15/05/2010	09.	01/09/2010	14.	08/01/2011	19.	09/03/2011
05.	24/05/2010	10.	15/09/2010	15.	17/01/2011	20.	25/03/2011

3. AUDIT COMMITTEE**COMPOSITION, NAME OF MEMBERS AND CHAIRMAN**

The Audit committee was reconstituted in the year 2005-06. During the year, the committee was again reconstituted by induction of Shri Sumeet Kumar Somani, Director and CFO of the Company as a member of the committee. Mr. Devi Prasad Saboo left from the committee membership due to their busyness in other schedule work.

The Composition of Audit Committee and attendance of Directors at the Audit Committee is shown below:

Sr. No.	Directors	Status in Committee	Category	No. of Meeting	
				Held	Attended
01.	B. C. Chordia	Chairman	Non Executive	5	5
02.	Sumeet Kumar Somani	Member	Executive	5	5
03.	Mangilal Lahoti	Member	Non Executive	5	5

During the year 2010-11 Audit Committee meeting held 5 times. The necessary quorums were present at the meeting. The date of meetings are as follows :-

01.	26/04/2010	02.	05/06/2010	03.	27/07/2010	04.	21/10/2010	05.	13/01/2011
-----	------------	-----	------------	-----	------------	-----	------------	-----	------------

The terms of the reference regarding role of the Audit committee are as under :-

- A) Review of the company's financial reporting process, the financial statements and financial /risk management polices.
- B) Ensuring the adequacy and compliance of the internal control system in the company.
- C) Review of internal audit reports.
- D) Discussion with the auditors periodically and review of quarterly / half yearly and annual financial statements before submission to the Board.
- E) Review of the statutory and internal auditor's remuneration.
- F) Management discussion and analysis of financial condition and results of operation.
- G) Such other matters as stipulated from time to time by the listing agreement.

4. REMUNERATION COMMITTEE

The Company has a Remuneration Committee. Composition of Remuneration Committee and attendance of the Directors at the Remuneration Committee is shown below:

Sr. No.	Directors	Status in Committee	Category	No. of Meeting	
				Held	Attended
01.	Mr. B. C. Chordia	Chairman	Non Executive	1	1
02.	Mr. Mangilal Lahoti	Member	Non Executive	1	1
03.	Mr. Devi Prasad Saboo	Member	Non Executive	1	1

The following are the details of the remuneration paid to the Chairman, Managing / Executive Director(s) in the financial year 2010-2011.

Sr. No.	Name of Directors	Salary (Rs. In Lacs)	Perquisites (Rs. In Lacs)
01.	Mr. Shankarlal Somani	30.00	-
02.	Mr. Raj Kumar Somani	1.50	-
03.	Mr. Dinesh Sharan Khare	3.98	-
04.	Mr. Sumeet Kumar Somani	1.50	-

Besides above, the Company has not paid any sitting fees to the Non-Executive, Independent Directors. Remuneration Committee meeting held on 28/03/2011 during the year.

The terms of the reference regarding role of the Remuneration committee are as under :-

- A) To frame company's policies for compensation and benefits for Executive Directors.
- B) To review HR Policies and initiatives.

5. INVESTOR'S GRIEVANCES COMMITTEE

The Company has an Investor's Grievances Committee, consisting of three Non-Executive Directors. The Committee is looking for the Redressal of Investors' complaints like Transfer of Shares, Issue of Duplicate/Replacement/Split Shares, Non receipt of rights, Bonus, Split share certificates, Non-receipt of Balance Sheet /Dividends/Bonus Shares etc.

Composition of Investor Grievances Committee and attendance of the Directors at the Investor Grievances Committee is shown below :

Sr. No.	Directors	Status in Committee	Category	No. of Meeting	
				Held	Attended
01.	Mr. B. C. Chordia	Chairman	Non Executive	33	33
02.	Mr. Mangilal Lahoti	Member	Non Executive	33	31
03.	Mr. Devi Prasad Saboo	Member	Non Executive	33	30

The dates of the Investors Grievances Committee meeting held during the year are :

01.	15-04-10	07.	18-06-10	13.	31-08-10	19.	30-11-10	25.	15-01-11	31.	15-03-11
02.	30-04-10	08.	30-06-10	14.	15-09-10	20.	10-12-10	26.	31-01-11	32.	18-03-11
03.	15-05-10	09.	15-07-10	15.	23-09-10	21.	15-12-10	27.	04-02-11	33.	31-03-11
04.	21-05-10	10.	23-07-10	16.	22-10-10	22.	31-12-10	28.	15-02-11		
05.	31-05-10	11.	30-07-10	17.	30-10-10	23.	07-01-11	29.	28-02-11		
06.	15-06-10	12.	13-08-10	18.	15-11-10	24.	14-01-11	30.	04-03-11		

The number of complaints/requests received from the shareholders during the last financial year and the number of pending complaints is given below:

Received during the year 2010-2011 83

Pending as on 31/03/2011 NIL

During the year, the Company has constituted a Committee of its Executives for approval of Share transfers, transmissions and transpositions. Generally, the Committee meets once or twice in a month. All the requests for share transfer etc. were processed and the related share certificates were dispatched within 15 days from the date of receipt.

Number of pending Shares Transfer as on 31/03/2011 : NIL

6. GENERAL INFORMATION TO SHAREHOLDERS

I) GENERAL BODY MEETING

(A) Location and Time, where last three AGM held

Sr. No.	AGM DATE	Location	Time
01.	30/09/2010	Bombay Market Hall, Umarwada, Surat	10:00 A.M.
02.	29/09/2009	Bombay Market Hall, Umarwada, Surat	10:00 A.M.
03.	29/09/2008	Bombay Market Hall, Umarwada, Surat	10:00 A.M.

II) DISTRIBUTION OF SHAREHOLDING (IN SHARES) AS ON 31st MARCH, 2011

NO. OF SHARES	NO. OF HOLDERS	% OF HOLDERS	NO. OF SHARES	% OF CAPITAL
1 to 500	26096	89.25	4195291	10.49
501 to 1000	1708	5.84	1369847	3.42
1001 to 2000	764	2.61	1160318	2.90
2001 to 3000	227	0.78	585130	1.46
3001 to 4000	112	0.38	396290	0.99
4001 to 5000	81	0.28	379223	0.95
5001 to 10000	117	0.40	837923	2.10
10001 to 999999999	135	0.46	31071138	77.69
TOTAL	29240		39995160	100.00

III) SHAREHOLDING PATTERN OF THE COMPANY AS ON 31.03.2011

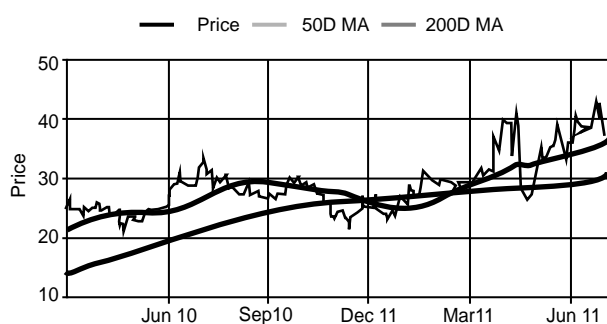
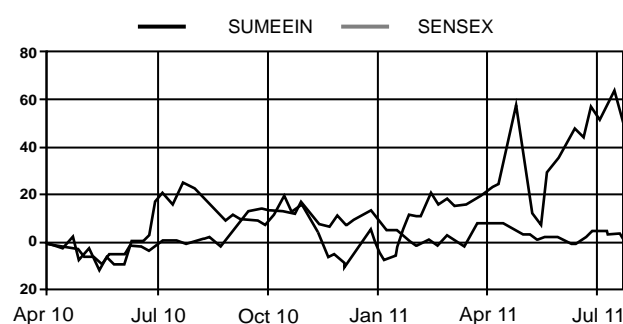
Description	Number of Shareholders		Number of shares	
	Nos.	%	Nos.	%
A) Promoter and Promoter Group				
Indian :				
Individual/Hindu Undivided Family	12	0.04	9122328	22.81
Bodies Corporate	6	0.02	15967420	39.92
Total (A)	18	0.06	25089748	62.73
B) Public shareholding				
Institutions :				
Mutual Fund, Nationalized Bank, Financial Institutions and Co-operative Banks	2	0.01	11645	0.03
Non-institutions :		0.00		0.00
Bodies Corporate	329	1.13	3617630	9.05
Individual	28740	98.29	11021160	27.56
Clearing Member	43	0.15	25422	0.06
Directors/Relatives	3	0.01	46665	0.12
NRI	104	0.36	181890	0.45
Trust	1	0.00	1000	0.00
Total (B)	29222	99.94	14905412	37.27
Grand Total (A+B)	29240	100.00	39995160	100.00

IV) Market Price Data

The data on price of Equity shares of the company are as under :

High, Low & Volume during each month in the last financial year and volume of Shares at BSE :-

Month	Share Price		BSE SENSEX		Volume
	High Price	Low Price	High	Low	
April 2010	27.40	23.60	18,047.86	17,276.80	24,64,820
May 2010	26.90	21.20	17,536.86	15,960.15	9,70,893
June 2010	26.90	22.50	17,919.62	16,318.39	11,25,646
July 2010	31.90	25.50	18,237.56	17,395.58	51,56,630
Aug 2010	34.50	24.00	18,475.27	17,819.99	37,73,697
Sep 2010	30.60	26.00	20,267.98	18,027.12	27,31,909
Oct 2010	32.40	23.00	20,854.55	19,768.96	1,09,16,488
Nov 2010	30.35	22.70	21,108.64	18,954.82	17,09,587
Dec 2010	27.20	21.05	20,552.03	19,074.57	15,79,303
Jan 2011	28.50	22.00	20,664.80	18,038.48	49,96,834
Feb 2011	32.00	25.40	18,690.97	17,295.62	47,14,912
Mach 2011	31.00	27.75	19,575.16	17,792.17	61,71,262

V) Stock Performance Index
PRICE MOVEMENT CHART

INDEX COMPARISON CHART


VI) APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

Mr. Vinod Kumar Ladia and Mr. B. C. Chordia retire by rotation at the end of this year's Annual General Meeting, and being eligible, offer themselves for re-appointment. Their details are mentioned below.

Name of the Director	Mr. Vinodkumar R. Ladia	Mr. B. C. Chordia
Date of Birth	16/12/1945	15/04/1965
Date Appointment on the Board	01/08/2000	17/12/2001
Qualification	B.Sc., MBA	B.Com., FCA
Expertise in specific functional areas	Industrialist	Practicing Chartered Accountant
List of Other Directorship	<ul style="list-style-type: none"> - V.K. Texichem Private Limited - Shree Shyam Industries Pvt Ltd - Swan Industries Limited - Shyam Texchem Private Limited - Shree Rajasthan Syntex Limited 	<ul style="list-style-type: none"> - B.Chordia & Co., Chartered Accountants - Audit Committee, Chairman - Remuneration Committee, Chairman - Investor Grievances Committee, Chairman
Committees Memberships of the companies	NIL	NIL
No. of shares held in the Company	165	NIL

VII) ANNUAL GENERAL MEETING (TENTATIVE)

Date	: 26/09/2011, Monday
Time	: 10:00 A.M.
Venue	: Bombay Market Hall, Umarwada, Surat

VIII) FINANCIAL CALENDAR (TENTATIVE)

Annual General Meeting	: September, 2011
Results for quarter ending June 30, 2011	: Second Fortnight of July, 2011
Results for quarter ending Sept 30, 2011	: Second Fortnight of October, 2011
Results for quarter ending Dec 31, 2011	: Second Fortnight of January 2011
Results for quarter ending March 31, 2012	: Second Fortnight of April, 2012

IX) SHARE TRANSFER SYSTEM

Presently the share transfers which are received in physical forms are processed and the certificates returned within a period of 15 to 20 days from the date of receipt, subject to documents being valid and complete in all respect. The Company has as per SEBI guidelines offered the facility of transfer cum demat. Under the system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of transfer and requesting him in case he wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. All transfers received are processed and approved by the Share Transfer Committee, which considers transfers and other related matter. The Share Transfer Committee of the Company meets as often as required.

The Company has appointed M/s. Bigshare Services Pvt. Ltd. as “Registrar and Share Transfer Agent” as per SEBI directives to have common Registrar for Physical as well as Electronic Registrar. “Registrar & Transfer Agent M/s Bigshare Services Private Limited has been launched Gen-Next Investor Module i'Boss the most advanced tool to interact with shareholders. Please login into i'Boss [www.bigshareonline.com] which facilitate to serve more better.”

X) DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Company's shares are available for dematerialization on both the Depositories viz National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Shares of the company are compulsorily to be delivered in the demat form on Stock Exchange by all investors. As on 31st March, 2011 about 91.15% of the issued capital have already been dematerialized. Shares of the company are listed at Bombay Stock Exchange Limited & National Stock Exchange of India Limited and being traded regularly. Demat ISIN number of the Equity Share of the Company is INE235C01010.

Those shareholders whose shares are held in physical form are requested to dematerialize the same at the earliest. Thus investor can exercise dematerialization through a recognized Depository Participant (DP) who is connected to NSDL or CDSL.

XI) BANK MANDATE FOR DIVIDEND

As per SEBI guidelines, it is mandatory required to print bank account details of the shareholders on dividend warrants. Those members, who have still not furnished their bank account details, are requested to furnish the same immediately either to their DP or to the Registrar of the Company. Format of Bank Mandate form is available on last page of Annual Report for crediting dividend directly to your Bank account under ECS system.

XII) OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS : NIL**XIII) ADDRESS FOR CORRESPONDENCE**

Unit : Sumeet Industries Limited

Investor Correspondence : Bigshare Services Pvt. Ltd.

E-2, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai- 400 072.

Ph. : (022) 40430200 / 28470652

IXV) BOOK CLOSURE

The books will be closed from Tuesday, 20th September, 2011 to Monday, 26th September, 2011 (both days inclusive) as annual closure for the Annual General Meeting and for payment of dividend for the financial year ended 31st March, 2011 as recommended by the Board of Directors at its meeting held on 15th day of July, 2011.

XV) DIVIDEND DATE

Equity Shares : The Board has recommended equity dividend of 10% i.e. Rs.1/- per share for the financial year ended 31st March, 2011 subject to approval of the members at the Annual General Meeting. The dividend will be paid on 24/10/2011.

XVI) LISTING

Equity shares of Sumeet Industries Limited are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

STOCK CODES :

BSE : 514211

NSE : SUMEETINDS

ISIN No. : INE235C01010

All listing and custodial fees to the Stock Exchanges and depositories have been paid to the respective institutions.

XVII) BUILD UP OF EQUITY SHARE CAPITAL

Date of Allotment	Reason for Allotment	No. of Equity Shares Issued	Face Value (Rs.)	Cumulative Share	Cumulative paid-up Capital (Rs. In Lacs)
25.07.1988	Subscription to the MOA	20	10.00	20	200.00
12.12.1991	Further Allotment	1,99,980	10.00	2,00,000	20,00,000.00
13.05.1992	Further Allotment	7,95,000	10.00	9,95,000	99,50,000.00
07.07.1992	Further Allotment	10,55,000	10.00	20,50,000	2,05,00,000.00
20.07.1992	Further Allotment	9,50,000	10.00	30,00,000	3,00,00,000.00
08.08.1992 & 12.08.1992	Further Allotment	26,00,000	10.00	56,00,000	5,60,00,000.00
24.10.1992	Further Allotment	4,00,000	10.00	60,00,000	6,00,00,000.00
12.01.1993	Initial Public Offering	56,00,000	10.00	1,16,00,000	11,60,00,000.00
15.03.2005 *	Bonus in the ratio of 1:2	57,99,300	10.00	1,73,99,300	17,39,93,000.00
13.04.2007	Preferential Allotment to Bennett Coleman & Co. Ltd.	6,67,000	10.00	1,80,66,300	18,06,63,000.00
13.04.2007	Preferential Allotment to Vishvas Infrastructure Ltd.	2,50,00	10.00	1,83,16,300	18,31,63,000.00
21.01.2008	Bonus in the ratio of 1:10	18,06,630	10.00	2,01,22,930	20,12,29,300.00
17.01.2009	Right Issue 1:1	1,98,72,230	10.00	3,99,95,160	39,99,51,600.00

XVIII) CORPORATE BENEFITS TO INVESTORS
A) BONUS ISSUE OF FULLY PAID UP EQUITY SHARES

Financial Year	Ratio
2004-05	1:2
2007-08	1:10

B) DIVIDEND DECLARATION DURING THE LAST 5 YEARS

Financial Year	Dividend Declaration	Dividend per share
2007-08	27/01/2007	10%
2009-10	30/09/2010	10%
2010-11	Proposed	10%

IXX) PLANT LOCATION :

Block No. 289-291-292, Vill : Karanj, Tal- Mandvi, Dist- Surat (Guj.) PIN : 394 110. Ph. : 098251 38110

Company is the manufacturer of Polyester Chips, Polyester Filament Yarn (POY & FDY) and Polypropylene Yarn.

XX) REGISTERED OFFICE : 504, Trividh Chambers, Opp. Fire Brigade Station, Ring Road, Surat- 395 002 (Gujarat). Phone : (0261) 2328902. Fax : (0261) 2334189. Mail : sumeetindus@yahoo.com

7. DISCLOSURES OF NON COMPLIANCE BY THE COMPANY

The transactions with the companies, where the Directors of the Company are interested were in the normal course of business and there were no materially significant related party transactions that have potential conflict with the interest of the Company at large. There were no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets during the last three years.

8. MEANS OF COMMUNICATION

Quarterly/Half yearly results were not sent to each household of shareholders. However, Company's quarterly/half yearly financial results were published in English and Gujarati news papers and were also sent to Stock Exchanges and for details of the same, shareholders can also visit Company's web site www.sumeetindustries.com. All price sensitive information is made available at the earliest through press release and presentation made to media on specific occasions.

9. SECRETARIAL AUDIT REPORT

The Secretarial Audit Report of the company in terms of SEBI circular no. D & CC/FITTC/CIR-16/2002, reconciling the total shares held in both the depositories, viz NSDL and CDSL and in physical form with the total issued / paid-up capital of the company were placed before the Board of Directors every quarter and also submitted to the stock exchange(s) every quarter.

10. CEO AND CFO CERTIFICATIONS

The Chairman and Chief Financial Officer of the company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Chairman and Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

11. COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from the Auditors of the Company, M/s Pradeep Singhi & Associates confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is attached to the Directors' Report forming part of the Annual Report. This Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

12. CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the company has instituted a comprehensive code of conduct for its Directors, management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of company, and cautioning them of the consequences of violations. The code clearly specifies, among other matters, that Directors and specified employees of the company can trade in the shares of the company only during 'Trading Window Open Period'. The trading window is closed during the time of declaration of results, dividend and material events, as per the Code.

Mr. Anil Kumar Jain, Company Secretary is the Compliance Officer of the company.

13. DECLARATION UNDER CODE OF CONDUCT

As required under clause 49(D) of the Listing Agreement, it is hereby affirmed that all the Board members and senior management personnel have complied with code of conduct of the Company.

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

(On Compliance with the condition of Corporate Governance under Caluse 49 of the Listing Agreement)

To,
The Members of
SUMEET INDUSTRIES LIMITED
Surat.

We have examined the compliance of condition of Corporate Governance by SUMEET INDUSTRIES LIMITED for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure 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 of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We have to state that no investors' grievances is pending for a period exceeding one month against the Company as per the records maintained by the Company which are presented to the Investor's Grievance Committee.

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

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

**CEO/CFO CERTIFICATION TO THE BOARD
(Under Clause 49(V) of Listing Agreement)**

I, Sumeet Kumar Somani, Chief Financial Officer of Sumeet Industries Limited hereby certify to the Board that :

- a) I have reviewed the financial statements and the cash flow statement for the year 2010-11 and that to the best of our knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b) There are, to the best of our knowledge and belief, no transactions entered into by Sumeet Industries Limited during the year under review which are fraudulent, illegal or violative of the company's code of conduct;
- c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee -
- Significant changes in internal control over the financial reporting during the year 2010-11;
 - Significant changes in accounting policies during the year 2010-11 and that the same have been disclosed in the notes to the financial statements; and
 - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.
- e) We further declare that all Board members and senior management have affirmed compliance with code of conduct for the year ended 31st March, 2011.

By order of the Board Directors

Sd/-
Sumeet Kumar Somani
Executive Director And
Chief Financial Officer

Place : Surat
Date : 15-07-2011

MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

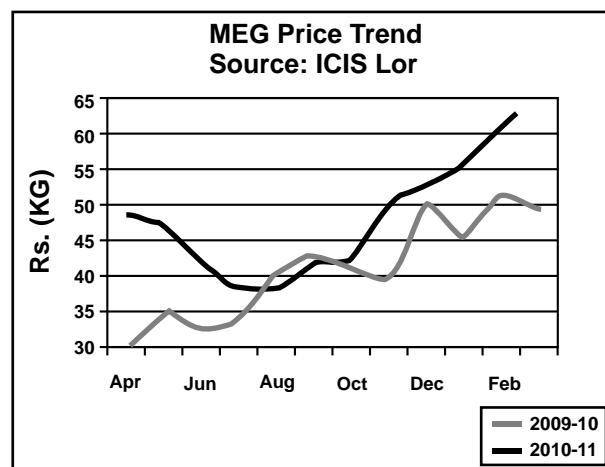
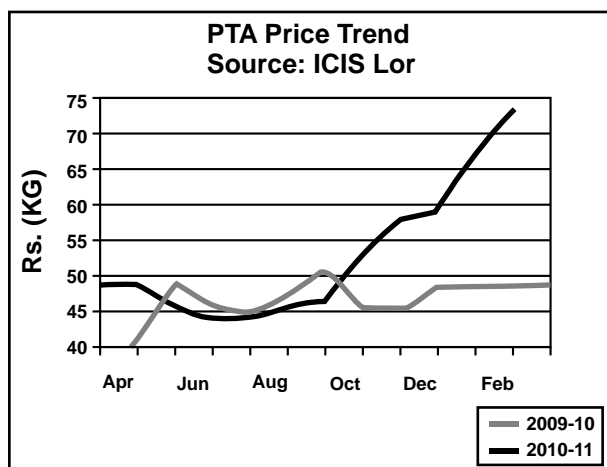
1. GLOBAL SCENARIO

a) Global Economic Scenario

The global recovery is expected to sustain in 2011, although growth will slowdown marginally from its pace in 2010. Global trade is all set to register a turn around with an estimated growth rate of 14.55 % compared to -12.2 % in 2009. According to the IMF WEO (April 2011), global growth is likely to moderate from 5.0 percent in 2010 to 4.4 percent in 2011. Growth is projected to decelerate in advanced economies due to waning of impact of fiscal stimulus, and high oil and other commodity prices.

b) Global feedstock scenario (PX, PTA, MEG)

Polyester feedstock witnessed a largely stable trend in the first half of FY-11, but remained subjected to volatile environment in the later part of the year. Supply tightened in the second half of FY-2011 in view of increased demand from down stream polyester segment. Chinese PTA future markets started to witness volatility in the second half of FY-11 resulted PTA Prices touched record high. MEG markets closely followed the developments in the PTA and Polyester market. This triggered an unexpected demand of PTA and MEG. Global PTA capacity is expected to reach 76 MMT by 2015 from 49 MMT. Analyzing the current situation of the demand and supply position, PTA and MEG likely to remain tight due to new PTA capacities addition and higher utilization of polyester capacities.



c) Global Textile scenario

The world textile industry in 2010 has experienced the most potent growth in twenty five years ,this recovery process is led by emerging market economies, especially by Asian Countries. Manufacturing volumes of natural and manmade fibers rocketed upwards by 8.6%. All major man made fiber with the exception of acrylics were lifted at double digit rates. Polyester industrial filament yarn even jumped by spectacular 37%#. The global fiber demand recovered by 3.4% to an estimated 73 million ton in 2010, compared to 70.6 million ton in 2009.

- Viscose fiber demand is expected to increase by 3.5% in 2010 over 2009 with volumes at 2.55 million ton and 2.64 million ton in 2009 and 2010 respectively.
- Nylon growth estimated at 5.2% from 3.58 million ton in 2009 to 3.78 million ton in 2010.
- Polypropylene fiber estimated up by 1.5% from 4.26 million ton to 4.33 million ton
- Polyester remains the preferred fibre estimated to grow at 5.3%. The capacity is estimated to grow at 6.7%. The capacity in 2010 is at 47 million ton from 44.1 million ton in 2009 and major expansion has been taking place in China and India.

The Fibre Year (2010-11), Oerlikon

2. DOMESTIC SCENARIO

a) Domestic Economic Review

India is the world's largest democracy and 12th largest economy of the world. The Indian economy is estimated to have grown by 8.6% during the year 2010-11. The country's GDP growth is expected to be around 8-8.5% in 2010-11. Growth in agriculture sector remained buoyant following a good monsoon. The index of industrial production (IIP), which grew by 10.4 percent during the first half of 2010-11, moderated subsequently, bringing down the overall growth for April - February 2010-11 to 7.8%. Inflation was the primary macroeconomic concern throughout 2010-11. The manufacturing PMI, tax collections, corporate sales and earning growth, credit off-take by industry and export performance reflecting economic activity is strong. Growth is expected to moderate in 2011-12 from its pace in 2010-11.

b) Domestic Textile Scenario

The Indian Textile Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays a pivotal role through its contribution to industrial out put, employment generation and export earnings of the country. Currently, it contributes about 14% to industrial production, 4% to the GDP and 17% to the country's export earnings.*

The Indian textile and clothing market has the potential to reach \$220 billion by 2020 at a CAGR of 10-11% from the current level of around \$70 billion. The Indian Textile industry is expected to register an overall growth of 7% in 2010. The export performance of Indian textiles and apparel has gained momentum and year 2010-11 is expected to witness an estimated 11% growth at US \$26 billion. According to Technopak, It is believed that India has the potential to increase its export share in world trade from the current 4.5 % to 8% and reach around \$ 80 billion by 2020.

During FY-11, domestic demand for polyester products increased by 13% over the last year. The momentum were led by PET with 24% growth followed by PFY with 13% growth. The penetration of polyester in to home furnishing, apparel industry, automotive industry, sportswear market and technical textile market is creating attractive niche opportunities for polyester industries as a whole. Man-made fibre production recorded a marginal fall and filament yarn production recorded a slight increase of about 1.89% during 2010-11 (April - October 2010).

3. INDUSTRY SCENARIO

Polyester is the fibre of the future, finding varied applications across home furnishing, apparel industry, automotive industry, sportswear market, technical textiles and more.

Polyester Filament Yarn (PFY) shares is 68% of total India's Polyester fiber production. The domestic demand is find at 1.92 million ton in 2011 against 1.66 million ton in 2010, reflecting a appreciable growth of 15%. PFY capacity expansion are in various stages of progress and india's capacity is estimated to be 4 million ton by 2013-14, an increase of 39%. This capacity addition is likely to translate in to CAGR 11-13% over the period 2011-14.

The Indian Textile industry is expected to register an overall growth of 7% in 2010. Under the eleventh plan (2007-12), The planning commission has set a growth rate of 16% for the garments, technical textiles and processing segments, projecting an investment of US \$ 31.37 billion (Rs. 1506 billion) during the plan period. Foreign direct investment (FDI) of up to 100 percent is allowed in the textile sector. The government, in an effort to give fillip to investments in down stream textile industries has extended Textile Up-gradation Fund scheme (TUFS) till March 31, 2012. In order to achieve better cost economics, many POY/FDY producers and Texturises implemented backward integration to produce polyester yarn during the year and also commissioned new polymerization plants. This is expected to continue in the coming years as well.

* Annual Report (2010-11), MIT

4. BUSINESS OVERVIEW

Recently the company has successfully commissioned fully imported C.P. Plant (Continuous Poly Condensation Plant) of 100000 TPA and POY / FDY Spinning Plant of 48300 Tons per annum and 6 MW Gas based Genset Captive Power Plant as Expansion cum Backward Integration Project with total cost of Rs. 145.00 Crores. Full result of this project has been reflecting in the current year's operation.

The company has established its presence in entire Polyester Yarns value chain (Manufacturing Pet Chips and POY & FDY directly from MEG and PTA, Twisting & Texturising,). The business outlook is very impressive and positive. Value addition and operating margin in Polyester FDY Yarn is much higher than Polyester Chips and also POY. The company has chalked out further plan for expansion in the production capacity of POY and FDY by 47000 TPA and another 8 MW Captive Genset Power Project with total project cost of approx Rs. 150.00 Crores. After this expansion POY/FDY capacity will be as under :

	Present Capacity (In TPA)	Planned Expansion Capacity (In TPA)	Total Capacity (In TPA)
Polyester POY	35000	12000	47000
Polyester FDY	18000	35000	53000
Total	53000	47000	100000

By implementation of this project we expect to increase Turnover by around 100 Crores and Operating Profit by Rs. 40.00 Crores as such this project will improve operating margin substantially. The company is gaining a substantial market share and enjoys significant competitive advantages over other players being to economies of scale , advanced technologies , superior quality of products & better client relationship.

5. FINANCIAL OVERVIEW

- a) **Turnover** : Sumeet Industries Limited has achieved a turnover of Rs. 81847.12 Lacs in 2010-11 as against Rs. 36382.25 Lacs during the previous year recording an increase of over 125%. Increase in turnover was due to expansion in capacity of spinning of POY and FDY.
- b) **Other Operating Income** : Other operating income consists of Export Incentives , Profit from Forex Transactions etc. Other Income for the year amounted to Rs. 611.60 Lacs as against Rs. 1221.85 Lacs.
- c) **Other Income** : Other income consisting receipt of Dividend , Discounts and Interest on Fixed Deposit. Other income for the year 2010-11 is amounting of Rs. 351.95 Lacs against Rs. 74.12 Lacs in the previous year. Other income was mainly increased due to increase in interest received.
- d) **Consumption of Raw material** : Consumption of raw material increased from Rs. 25651.78 Lacs to Rs. 48769.17 Lacs. This was mainly due to commissioning of expansion in capacity of POY and FDY by 53000 TPA and production of the same has been started since 15.03.2010.
- e) **Employee Cost** : Employees cost were increased from Rs. 267.18 Lacs to Rs. 551.09 Lacs. This increase is mainly due to higher increase given to employees and recruitment of employees in POY and FDY spinning division.
- f) **Interest Cost** : Interest cost were increased from Rs. 778.84 Lacs to Rs. 832.14 Lacs due to increase in working capital limits for our new projects.
- g) **Depreciation** : Depreciation was increased by Rs. 525.61 Lacs due to capitalization of assets of new project of POY and FDY Spinning Plant.
- h) **EBIDTA** : The Company's EBIDTA stood at Rs. 6130.60 Lacs against Rs. 3100.11 Lacs in previous year reflecting an increase of 98%.
- i) **PAT** : The profit after tax (PAT) has shown an impressive growth of 215% from Rs. 1084.86 Lacs to 3415.74 Lacs.

6. STRATEGY

As a business Strategy, we believe in specialization in our core business segments and to become a vertically integrated player in the Polyester Industry to remain cost efficient & competitive in the market with its peer group.

We offer a strong technology based value proposition to our customers. Over the years, we have developed capabilities to customize and improve our product designs by absorbing, adapting and improving the acquired technology from both national and international suppliers. This coupled with company's strategy of producing varied denier and filament of Yarns will enable it to supply different quality of yarns to different class of manufacturers and to grow in a competitive market.

In each and every operation we innovate, learn, adapt and deliver quality products with enhanced values to our customers.

7. INFORMATION TECHNOLOGY

The company always endeavors to use the latest applications in the area of information technology to maximize advantages as per its business requirement.

The Company has implemented ERP Platforms across all its divisions and offices covering entire value chain making online real time basis data recording and retrieving. System access controls are being augmented to minimize risk of unauthorized intrusion in the business system.

The review of reports, statements, reconciliation and other information required by the management are well documented in application system to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Additional modules in ERP like Production planning, Costing, Quality management has added additional advantages in improving product costing.

8. ENERGY CONSERVATION

The Conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Saving in electricity, fuel and power consumption receive due attention of the management on a continuous basis. Various measures have been taken to reduce air leakages resulting in energy savings.

9. CLEAN DEVELOPMENT MECHANISM

Sumeet Industries undertook validation its 6 MW Gas based Genset captive power plant as CDM project. Project are under host country approval from Ministry of Environment and Forest, Government of India. Validation under CDM project is under process.

10. OPPORTUNITIES AND STRENGTH

We believe polyester is the fiber of the future, finding varied applications across home furnishing, apparel industry, automotive industry, sportswear market, technical textiles etc. Global economic recovery is also accelerating coupled with rising per capita income, expanding middle class, continuing urbanization witnessing high growth opportunities.

Opportunity existing in the new emerging sector of Technical Textile Industry for which there is huge market world over. In India Technical Textiles has been added under High-Tech Products Export Promotion Scheme and now entitled to duty credit scrip equivalent to 1.25% of FOB value of exports. Duty structure has been rationalized. Impetus is being providing on the development of Textile Parks and Apparel Parks.

The company has achieved major breakthrough in their earning potential after successful commissioning of Continuous polymerization plant having capacity of 100000 TPA and enhancement in capacity of production of POY/FDY by 53000 TPA. Looking to the overwhelming response of Pet Chips and POY/FDY, the company has chalk out mega expansion program in the enhancement of capacity of Pet Chips and POY and FDY more than double in near future.

11. THREAT, RISKS AND CONCERNS

The objective of risk management frame work is to identify events that may affect the company, and manage risk in order to provide reasonable assurance regarding achieving the company's objective. The company is operating in an environment that is becoming more and more competitive. As it is moving in to the expansion mode, it is poised to exploit several new opportunities. The company seeks to ensure that the risks if undertakes are commensurate with returns.

a) RISK AGAINST FIRE, FLOOD AND ACCIDENTS

Risk against fire, flood, accident, health related problems and accidents of workforce are common risks attached to the working of any plant/company. Management has taken reasonable steps to counter the risk. Company has taken Comprehensive all risk Insurance policy, which covers company's assets against all risks. Accidents due to human failure are being tackled through the continuous training to our technical and other staff and through regular monitoring and supervision. All the employees of the Company are also insured under Group Insurance Policy of Life Insurance Corp. of India.

b) ECONOMIC RISK

Domestic sales contribute to a major part of the revenue of the company so, the factors that may adversely affect the Indian economy and in turn company's business include rise in interest rate, inflation, change in tax structure, fiscal and monetary policies, scarcity of credits etc. Over capacity in the POY and Chip industry can also affect margins.

c) COMPETITION RISK

We face competition from existing players and potential entrants in the Indian textile industry. The Indian textile industry is highly competitive both in the Pet Chips segment and in the POY segment. Our company is in medium size as compared to the market leaders like Reliance Industries Limited. Domestic production is dominated by few organized players who have integrated facilities and large economies of scale and the unorganized sector is virtually absent.

The company has a well defined TQM system of control points, comprehensive budgetary controls and review system to monitor its operations to remain cost competitive than its peer group.

d) STRATEGIC RISK

Strategic plans for the company's business take in to account likely risks in the industrial environment from competition, changing customer needs, obsolescence and technological changes. The annual plans that are drawn up consider the risks that are likely to impact the Company's objectives in that year and the counter-measures put in place.

Project execution is largely dependent upon timely delivery by the equipment suppliers, project management skills, civil works etc. Any delay in project implementation will impact revenue and profit for that period. The company strives to adopt a 'de-risking' strategy in its operation while making growth investments.

e) PRICE RISK

Crude oil and Petroleum products are globally traded commodities and therefore, the prices are influenced by the international market forces of demand-supply and other geopolitical uncertainties etc. The price of raw material and finished goods move in tandem with international prices, which in turn, have correlation with the prices of petrochemical products.

Sumeet follows conservative foreign exchange risk management policy to minimize or eliminate the risks associated with operating activities.

f) LIQUIDITY RISK

Liquidity risk, i.e., the risk of not being able to fulfill current or future payment obligations because of unavailability of adequate cash, is efficiently managed in the company. Sufficient current assets are held to meet all of the Company's short-term payment obligations as and when they fall due, thereby ensuring solvency at all times. Payment obligations result both from operating cash flows and from changes in current financial liabilities and are included in liquidity planning.

The company continues to maintain adequate liquidity to meet unanticipated expenditures and accordingly invests surplus in fixed deposits of reputed bank. Though interest cost has gone up during the year largely on account of additional borrowings for the new projects, but with better working capital management maintained lower interest costs in spite of higher working capital utilization.

g) MARKET RISK

Market risks relate to the possibility that the fair value or future cash flows of a financial instrument could fluctuate due to variations in market prices. Market risks include currency risk and interest-rate risk.

The company also converting its working capital in to fund/non fund based facilities, borrowing under ECB/FCCB schemes and appropriate hedging strategies to minimize interest and interest rate risk.

The volatility witnessed in the global markets has reiterated the need for robust forex management systems and prudent investment practices. All forex exposures are hedged immediately upon the occurrence of an exposure. The company uses only forward contracts to hedge both its imports and exports and continues to maintain the philosophy of protecting cash flows.

12. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The company's well defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensures efficiency of operations, compliance with internal policies & applicable laws and regulations and optimal use of company's resources, safeguard of all assets, proper authorization and recording of transactions and compliances with applicable laws.

The Company using Enterprise Resources Planning package (ERP) supported by in-built controls that ensure reliable and timely financial reporting.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control system and suggests improvements for strengthening them. The company has strong Management Information System which is an integral part of control mechanism. Internal audit also checks the internal controls for its effectiveness and necessary changes arising out of inadequacies, if any, are incorporated in to the system with an objective of matching its process and controls with global best practices.

13. SAFETY, HEALTH AND ENVIRONMENT CONTROLS (EHS)

In keeping with the environment-conscious tenor of the times, your company has taken effective steps in creating an aesthetic, environment-friendly industrial habitat in its factory units, mobilizing support and generating interest among staff and labour for maintaining hygienic and green surroundings. As a continual effort and stress on fire and safety no major incident happened in 2010-11.

The Company is aware of its responsibilities as a good corporate citizen, in health, safety and environmental management. The company has setup state of art ETP plant for treating polluted water of the plant . To achieve the environment, health & safety visions, various objectives have been set forth.

These are as follows :-

- Compliance with environment, health & safety laws and regular assessment of the compliance of operations against the requirement.
- Ensuring safety related practices to enable employees and others to eliminate work related injury and illness.
- Operating of business in an environmentally and socially responsible manner

- Training and counseling of employees, contractors, sub-contractors and transporters to ensure effects of environment, health and safety.
- Training and motivating to employees to understand their EHS responsibilities and to participate actively in EHS program.
- Imparting fire fighting training to personnel.
- Emergency preparedness plan in place.

14. HUMAN RESOURCES

The company firmly believes that success of any organization largely depends upon availability of human assets within the organization as it is one of the most valuable assets because revenue and profit growth cannot take place without the right equality of people. To that effect, company has taken a series of measures that ensures the most appropriate people are recruited in to the organization.

a) RECRUITMENT POLICY

The company has a well drawn recruitment policy to attract and retain the best talent.

b) PERFORMANCE APPRAISAL SYSTEM

A competency based performance appraisal system has been devised and implemented the same across the organization. The best performers get recognized and rewarded by the management with the objective of motivating them for further improved performance.

c) PERSONNEL TRAINING

The company from time to time fosters a culture of training, people development and meritocracy to ensure that the maximum efficiencies are derived from its human capital.

d) LABOUR RELATIONS

On the labour front, during the year, there were no incidents of labour unrest or stoppage of work on account of labour issues and relationship with them continues to be cordial.

15. CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis (MDA) describing the company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Several factors could make significant impact on the company's operation. These include geo political uncertainties affecting demand and supply and government regulations, tax laws and other factors such as litigations and industrial relations.

Identified as having been approved by the Board
of Directors of Sumeet Industries Limited

Anil Kumar Jain
Company Secretary

Surat, 15th July, 2011

AUDITOR'S REPORT

TO,
THE MEMBERS OF
SUMEET INDUSTRIES LIMITED
SURAT.

We have audited the attached Balance Sheet of **SUMEET INDUSTRIES LIMITED, SURAT** as at **31st March, 2011** and also the Profit and Loss Account for the year ended and 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

- (1) As required by the Companies (Auditor's Report) Orders 2004 issued by the company law Board in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto Annexure 'A' on the matters specified in paragraphs 4 and 5 of the said order.
 - (2) Further to our comments in the Annexure 'A' referred to in paragraph (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 accounts as required by law have been kept by the Company so far as it appears from our examination of the books;
 - (C) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
 - (D) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
 - (E) On the basis of written representations received from the directors, as on **31st March 2011** and taken on record by the Board of Directors, we report that none of the directors are disqualified as on **31st March, 2011** from being appointed as director in term 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 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 2011**
 - (ii) In the case of the Profit and Loss account, of the profit of the company for the year ended on the date.
- And
- (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15.07.2011

As required by the Companies (Auditor's Report) order, 2004 and according to the information and explanations given to us during the course of audit and on the basis of such checks as were considered appropriate, we report that;

ANNEXURE 'A' TO THE AUDITOR'S REPORT

(i) Fixed Assets :-

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification;
- (c) The company has not disposed of the substantial part of fixed assets during the year which affect the going concern assumption.

(ii) Inventory :-

- (a) As informed to us, the stock of finished goods, Workin- Process, stores, spare-parts and raw materials have been physically verified by the management during the year at reasonable intervals except material lying with third parties, where confirmation are obtained;
- (b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business;
- (c) The company has maintained proper records of inventories. The discrepancies noticed on the verification of stocks as compare to book records were not material and these have been properly dealt with in the books of accounts.

(iii) Loans & Advances :-

- (a) The company has taken unsecured loans from companies, Firms or other parties listed in the register maintained u/s. 301 of the Companies Act, 1956. There are Seven Such Parties Covered u/s 301 of the Companies Act. 1956. Total amount Credited is Rs. 5.71 Crore and Debited Rs. 11.91 Crore.
- (b) The company has granted unsecured loans to Companies, Firms or other parties mentioned under the register maintained u/s. 301 of the Companies Act, 1956. There is One such Party Covered u/s 301 of the Companies Act. 1956. Total amount Debited is Rs. 29.33 Lacs and Credited is Rs. 8.77 Lacs.
- (c) As per information and explanations given to us, the rate of interest is 6% P.A. on the loan taken by the company. Other terms and conditions, if applicable on loan taken are not prima facie prejudicial to the interest of the company.
- (d) As per information and explanations given to us, the rate of interest is 6% P.A. on the loan granted by the company wherever applicable. Other terms and conditions, if applicable on loan given are not prima facie prejudicial to the interest of the company.
- (e) The parties to whom advances in the nature of loans have been given are repaying the principle amounts as stipulated wherever applicable.
- (f) There is no overdue amount of loans taken or granted by the company.

(iv) Internal control procedure :-

In our opinion and according to the information and explanations given to us, internal control procedures for the purchase of stores, Raw materials including components plant and machinery, equipment and other assets and for the sale of goods commensurate with the size of the company and nature of its business. During the course of our audit no major weaknesses has been noticed in the internal control.

(v) Transaction with Parties u/s 301: -

- (a) The transaction made in pursuance to contracts or arrangements that need to be entered in to the register maintained u/s. 301 of the Companies Act, 1956 have been recorded in register.
- (b) In our opinion and according to the information and explanations given to us, the transaction exceeding Rs. 5 lacs each have been made at price, which are reasonable having regards to prevailing market price at the relevant time.

(vi) Public Deposits :-

The company has accepted deposits which are exempted/ excluded from the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

(vii) Internal Audit System :-

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

(viii) Cost Records :-

We have broadly reviewed the Books of accounts maintained by the company as prescribed by the Central Government for maintenance of cost records u/s. 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detail examination of the accounts and records.

(ix) Statutory Dues :-

- (a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including P.F. & E.S.I.C., Income-Tax, Wealth-Tax, Sales-Tax, Custom Duty, Excise Duty Cess and any other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which has remained outstanding as at **31st March, 2011** for a period more than six months from the date they became payable.
- (b) According to information and explanation given to us, there is no disputed amounts payable in respect of such statutory dues.

(x) Accumulated / Cash Losses :-

The company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding the financial year.

(xi) Default in Repayment of Dues to Banks / Financial Institution etc. :-

The company has not defaulted in repayment of dues to the financial institution or Bank.

(xii) Granting of Loan & Advances :-

The company has not granted Loan & Advances on the basis of securities by way of pledge of shares, debenture and other securities.

(xiii) Chit Fund / Nidhi / Mutual Fund :-

The provisions of any Special Statute applicable to Chit Fund, Nidhi, Mutual Benefit Fund/ Societies are not applicable to the company.

(xiv) Dealing or Trading in Shares etc. :-

As explained to us by the management, the company has purchased securities / shares of the Govt. and other companies for the short-term investment purpose. Dealing in shares is not a main activity of the company. The Shares/ Securities held by the company are in its own name.

(xv) Guarantee Given by Company :-

As explained to us by the management, the company has not given guarantee for loans taken by others from banks or financial institution.

(xvi) Utilization of Term Loans :-

The Term Loans taken by the company were applied for the purpose for which it had been obtained.

(xvii) Application of Short Term Fund for Long Term Investment and vice versa :-

On the basis of our examination of the cash flow statement, the funds raised on short term basis have not been used for long term investment and Vice Versa.

(xviii) Allotment of Bonus Shares :-

The Company has not issued any Bonus Shares during the year.

(xix) Creation of Securities for Debenture Issued :-

The Company has not issued any Debenture during the year.

(xx) Preferential Allotment of Shares :-

The company has not made any preferential allotment of Preference Shares during the year under consideration.

(xxi) Fraud noticed or Reported :-

As per information & explanation given to us, no fraud on or by the company has been notice or reported during the year.

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

AUDITED BALANCE SHEET AS AT 31st MARCH, 2011

	Schd. No.	As At 31.03.11	As At 31.03.10
I. SOURCES OF FUNDS :			
SHARE HOLDER FUNDS :			
Share Capital	1	499,951,600	499,951,600
Share Application Money		87,000,000	25,000,000
Reserve And Surplus	2	568,459,982	280,520,111
		<u>1,155,411,582</u>	<u>805,471,711</u>
LOAN FUNDS :			
Secured Loans	3	2,213,389,207	2,269,607,327
Unsecured Loan	4	211,285,685	197,115,108
		<u>2,424,674,892</u>	<u>2,466,722,435</u>
Deferred Tax Liability (Refer Note No.8 On Schedule 22)		149,159,712	110,352,746
Total		<u><u>3,729,246,185</u></u>	<u><u>3,382,546,891</u></u>
II. APPLICATION OF FUNDS :			
FIXED ASSETS :	5		
Gross Block		2,487,873,622	2,342,489,707
Less : Depreciation		600,113,861	483,233,025
Net Block		<u>1,887,759,761</u>	<u>1,859,256,682</u>
Capital Work In Progress Including Advances & Net of Creditors		26,564,254	39,924,183
		<u>1,914,324,015</u>	<u>1,899,180,865</u>
INVESTMENTS	6	12,672,507	5,368,889
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	7	915,520,106	646,609,849
(b) Sundry Debtors	8	641,338,011	392,319,857
(c) Cash & Bank Balance	9	101,336,322	416,117,341
(d) Loans & Advances	10	445,517,516	232,359,200
		<u>2,103,711,955</u>	<u>1,687,406,248</u>
Less : Current Liabilities & Provisions	11	303,368,162	212,193,828
Net Current Assets		<u>1,800,343,793</u>	<u>1,475,212,420</u>
MISC. EXPENDITURE :			
Preliminary Expenses	12	1,905,870	2,784,717
Total		<u><u>3,729,246,185</u></u>	<u><u>3,382,546,891</u></u>
NOTES FORMING PART OF THE ACCOUNTS	22		

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

For and on behalf of Board of Directors

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

Anil Kumar Jain Company Secretary

Place : Surat
Date : 15-07-2011

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2011

	Schd. No.	As At 31.03.11	As At 31.03.10
I. INCOME			
Sales	13	8,184,711,821	3,638,225,593
Other Operating Income	14	61,159,665	122,185,478
Other Income	15	35,195,780	7,412,931
Increase (Decrease) In Finished Goods & WIP Stocks		(24,311,455)	87,890,214
Total		8,256,755,811	3,855,714,216
II. EXPENDITURE			
Purchase Of Finished Goods		2,122,634,664	731,950,873
Raw Material Consumed	16	4,876,917,561	2,565,178,516
Manufacturing And Other Expenses	17	448,601,679	165,225,072
Administrative & Other Expenses	18	55,414,934	37,176,043
Salary, Wages & Benefites to employees	19	55,108,760	26,718,470
Financial Charges	20	83,214,481	77,883,783
Selling & Distribution Expenses	21	85,017,834	19,454,183
Depreciation		116,880,836	64,320,101
Total		7,843,790,749	3,687,907,041
III. PROFIT BEFORE TAX (I - II)		412,965,063	167,807,175
IV. PROVISION FOR TAXATION			
Current Tax		81,853,970	28,518,060
MAT Credit		(52,121,311)	(28,518,060)
Deferred Tax		38,806,967	57,225,759
Profit After Tax		344,425,437	110,581,416
Less : Taxation of Previous Year		2,851,185	2,153,827
Fringe Benefit Tax		-	(58,635)
Add. Balance Brought Forward		154,110,909	92,763,203
		495,685,161	201,249,427
V. Appropriation			
6% Dividend & Dist. Tax		6,996,525	346,180
Prov for Dividend and Dividend Dist Tax		46,637,856	46,792,338
Balance Carried Forward To Balance Sheet		442,050,780	154,110,909
Earning Per Equity Share (EPS)		8.37	2.76

NOTES FORMING PART OF THE ACCOUNTS

22

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

For and on behalf of Board of Directors

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

Anil Kumar Jain Company Secretary

Place : Surat
Date : 15-07-2011

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	Schd. No.	As At 31.03.11	As At 31.03.10
<u>SHARE CAPITAL</u>	1		
<u>AUTHORISED</u>			
800,00,000 Equity Shares of Rs.10/- each		900,000,000	500,000,000
& 100,00,000 (One Crore) 6% Non Convertible Redeemable Preference shares of Rs. 10/- each			
<u>ISSUED, SUBSCRIBED & PAID UP</u>			
3,99,95,160 Equity Shares of Rs.10/- each fully paid up		399,951,600	399,951,600
(Out of which 76,05,930 Shares are issued for consideration other than Cash)			
1,00,00,000 (One Crore) 6% Non Convertible Redeemable Preference shares of Rs. 10/- each		100,000,000	100,000,000
		<u>499,951,600</u>	<u>499,951,600</u>
<u>RESERVE & SURPLUS</u>	2		
General Reserve		6,208,052	6,208,052
Balance of Profit & Loss Account		442,050,780	154,110,909
		<u>448,258,832</u>	<u>160,318,961</u>
Capital Reserve		2,500,000	2,500,000
Share Premium Account		117,701,150	117,701,150
		<u>568,459,982</u>	<u>280,520,111</u>
<u>SECURED LOAN</u>	3		
1. Bank Of Baroda Cash Credit		21,188,371	3,569,600
2. IDBI Bank Ltd. Cash Credit		19,058,349	12,763,717
3. Bank Of Baroda (in FCNR -B)		6,916,515	17,178,607
4. Vehicle Loan*		5,486,247	10,088,814
5. ECB From BOB NEW YORK *		22,077,000	51,859,500
6. Term Loan (GBPP)		16,693,950	24,077,996
7. Term Loan (WJL)		-	8,072,541
8. ECB Loan (BOB & BOI)		892,000,000	898,000,000
9. Life Insurance Corp. of India		10,949,250	10,949,250
10. Buyers Credit		1,171,417,498	1,233,047,302
11. Overdraft Against FD		47,602,027	-
Total		<u>2,213,389,207</u>	<u>2,269,607,327</u>
<u>UNSECURED LOANS</u>	4		
Agency Deposits		-	1,994,396
Loan From Corporate Bodies		209,782,132	195,120,712
Loan From Directors		1,503,553	-
		<u>211,285,685</u>	<u>197,115,108</u>

NOTES :

- (1) Working Capital borrowings (Item 1 & 2) are secured by 1st pari passue charge on all current assets of the company and 2nd pari passue charge on fixed Assets of the company. Buyer's credit Secured by Letter of comfort issued by B.O.B & I.D.B.I by earmarking working capital Limit/FDR.
- (2) Term Loan (Item No.3,5, 6, 7 & 8) is secured by 1st charge on all Fixed Assets of the Company and 11nd pari passue charge on all Current Assets of The Company.
- (3) Vehicle loan (Item No.4) are secured by hypothecation of vehicles.
- (4) All the above facilities (Item No. 1 to 3 & 5 to 8) are further secured by Personal Gaurantee of Shri Shankar Lal Somani, Shri Raj Kumar Somani, Shri Sumeet Somani, Smt. Ganga Devi Somani and Corporate Guarantee of M/s. Sitaram Prints Pvt Ltd and Mortgage of Fixed Assets of M/s. Sitaram Prints Pvt Ltd and Residence Bungalow of Shri Shankar Lal Somani and Smt.Ganga Devi Somani.

SCHEDULE - 5 : FIXED ASSETS
Schedules To And Forming Part of Accounts

Sr. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As At 01.04.2010	Addition	Deletion	As At 01.04.2011	As At 01.04.2010	For the Year	Adjustment	As At 31.03.2011	As At 31.03.2011	As At 31.03.2010
1	Land	2,356,255	-	-	2,356,255	-	-	-	-	2,356,255	2,356,255
2	Building	178,720,910	6,422,934	-	185,143,844	48,269,264	13,172,185	-	61,441,449	123,702,395	130,451,646
3	Plant & Machinery	2,117,552,391	134,992,914	-	2,252,545,305	412,180,008	98,613,553	-	510,793,561	1,741,751,744	1,705,372,383
4	Furniture, Fixture & Equipments	11,455,099	2,039,304	-	13,494,403	7,924,618	917,319	-	8,841,937	4,652,466	3,530,481
5	Vehicle	32,405,052	1,928,763	-	34,333,815	14,859,135	4,177,779	-	19,036,914	15,296,901	17,545,917
TOTAL		2,342,489,707	145,383,915	-	2,487,873,622	483,233,025	116,880,836	-	600,113,861	1,887,759,761	1,859,256,682
PREVIOUS YEAR		848,496,017	1,519,782,078	25,788,388	2,342,489,707	427,051,175	64,320,101	8,138,251	483,233,025	1,859,256,682	421,444,842

Schd. No.	As At 31.03.11	As At 31.03.10
-----------	----------------	----------------

6

INVESTMENTS (AT COST)

(A)	Other Than Trade - Quoted		
850	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Aventis Pharma Ltd	1,758,613	-
10000	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. IFCI Share Ltd	545,005	-
500	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Petro Sythetics Ltd.	16,250	16,250
169	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Tata Iron & Steel Co. Ltd.	33,705	22,405
113	Convertible Prefrence Shares of Rs.100/- each of M/s. Tata Iron & Steel Co. Ltd.	-	11,300
1000	Fully Paid-up Equity Shares of Rs.1/- each of M/s. Paras Petrofils Ltd.	1,000	1,000
700	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Chandra Synthetics Ltd.	5,075	5,075
400	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Haryana Petrochemicals Ltd.	6,200	6,200
5000	Fully Paid-up Equity Shares of Rs. 1/- each of M/s. Paras Petro Chemicals Ltd.	17,000	17,000
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Parasrampur Ind. Ltd.	1,050	1,050
100	Fully Paid-up Equity Shares of Rs. 10/- each of M/s. Rajasthan Syntex Ltd.	2,025	2,025
20000	Fully Paid-Up Equity Shares of Rs. 10/- each of M/s. Questfin Ltd.	137,543	137,543
30000	Fully Paid-up Equity Shares of Rs. 10/- each of United Phos Ltd.	4,649,041	4,649,041
Investment In Mutual Fund		5,500,000	500,000
Aggregate Book Value Of Investments		12,672,507	5,368,889
Unquoted Cost		5,500,000	-
Quoted Cost		6,986,364	4,868,889
Market Value *		6,845,234	4,577,529

* To The Extent Available

Note : Quoted investments for which quotation are not available have been included in market value at the face value.

The following Shares and Bonds purchased during the year :

Name of the Company	Nos. Of Shares	Purchase Cost
Adani Enterprises Ltd.	6,000	3,415,542
Alstom Projects India	7,000	4,899,940
Andhra Bank	9,000	12,862,394
Associated Cement	5,000	4,885,984
Aventis Pharma Ltd	850	1,758,613
Bank of Baroda	41,588	29,943,036
Bank of Maharashtra	10,000	618,013
Bharat Petroleum Corp.	5,000	3,836,140
Bharti Airtel	5,000	1,532,434
Chambal Fertilizer & Chemical	40,000	2,601,219
Delta Corp.	5,000	513,836
Dena Bank	125,000	16,898,494
Dev Cr Bank	350,003	22,170,708
Devan Hsg Finance Cob	8,121	2,039,325
Federal Bank Ltd.	34,314	11,743,454
GMR Infrastructure Ltd.	20,000	1,145,991
Gujarat Alkalies & Chemical	1,823	231,950
Gujarat Mineral Development Corp	40,000	5,429,841
Hero Honda Motors	7,500	14,316,894
Hindustan Construction Co.Ltd.	33,000	2,119,555
Hindustan Petroleum Corp.	19,000	8,677,273
Housing Development Finance Co.	1,000	635,077
IFCI Ltd	30,000	1,635,013
Indusind Bank Ltd.	5,000	1,028,884
Industrial Dev Bank	57,500	6,854,959
IDFC Ltd.	270,005	45,053,005
JBF Ltd.	10,000	1,461,360
JSW Steel Ltd.	1,357	1,835,000
Karnataka Bank	13,000	1,436,859
Mahindra Lifespace Developers	1000	352293
Maruti Suzuki India	2500	3106210
Nagarjuna Fert and Chemicals	20000	566400
Neyveli Lignite Corp.	5000	841475
NIIT Technologies Ltd.	2147	390137
ONGC Ltd.	10750	13747291
Patni Computer System Ltd.	10000	5465891
PTC India Ltd.	5000	637066
South India Bank	51148	3422647
Sterlite Industries	31000	5133541
Tata Chemicals	61000	20367994
Tata Consultancy	15100	11357583
Tata Steel Ltd.	78281	38771658
Tata Power Co. Ltd	4500	5684653
Thirumalai Chemicals	3950	525969
United Phos Ltd.	113261	19232144
VIP Industries Ltd.	115345	60430031

	Schd. No.	As At 31.03.11	As At 31.03.10
<u>INVENTORIES</u>	7		
(As Taken, Valued, And Certified By The Management)			
Stores & Spares, Packing Material & LDO		180,211,527	109,729,839
Raw Material		448,839,719	226,099,695
Finished Goods		94,049,260	106,484,298
Work In Progress		192,419,600	204,296,017
Total		915,520,106	646,609,849
<u>SUNDRY DEBTORS</u>	8		
(Unsecured Considered Good)			
(a) Over Six Months		-	-
(b) Other Debts		641,338,011	392,319,857
Total		641,338,011	392,319,857
<u>CASH AND BANK BALANCES</u>	9		
Cash On Hand		546,100	165,246
Balances With Scheduled Banks : In Current Accounts		5,290,222	6,584,242
In Fixed Deposit Accounts / Margin Account		95,500,000	409,367,854
Total		101,336,322	416,117,341
<u>LOANS & ADVANCES</u>	10		
Advances (Recoverable In Cash or In Kind or for value to be received)		132,014,236	77,154,457
T.D.S. Receivable		8,031,231	853,521
Advance Income Tax (A.Y. 2011-12)		12,500,000	-
Advance Income Tax (A.Y. 2010-11)		-	3,000,000
Advance To Staff		918,056	388,780
Prepaid Expenses		1,253,324	1,207,711
Claim Receivable		67,519,900	-
Custom Duty Refund Receivable		4,036,920	13,125,323
Export Incentive Receivable		14,919,964	6,259,572
Modvat Receivable		69,817,807	80,542,688
Service Tax Receivable		2,072,404	255,407
Tuf Subsidy Receivable		372,052	507,120
MAT Credit		80,639,371	28,518,060
VAT Receivable		61,542	207,730
Balance With Excise Dept. (PLA)		8,763	8,763
Security Deposit		25,017,341	6,906,650
Staff Acomodation		98,200	93,200
Excise Duty Refund		26,236,405	13,330,218
Total		445,517,516	232,359,200
<u>CURRENT LIABILITIES & PROVISIONS</u>	11		
A) CURRENT LIABILITIES			
Sundry Creditors for Goods & Expenses		129,409,843	102,164,260
Other Liabilities & TDS Payable		24,543,539	25,382,944
Advance Received from customer		10,380,105	7,682,768
Agency Deposit		1,994,396	-
Unpaid Dividend		1,301,228	1,307,278
B) PROVISION			
Prov. For Taxation		81,853,970	28,518,060
Prov For Dividend and Dividend Dist. Tax		53,885,081	47,138,518
Total		303,368,162	212,193,828
<u>PRELIMINARY EXPENSES</u>	12		
Opening Balance		2,784,717	2,922,689
Add : During the Year		-	740,875
		2,784,717	3,663,564
Less: Write off		878,847	878,847
		1,905,870	2,784,717

SCHEDULES TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNTS

	Schd. No.	As At 31.03.11	As At 31.03.10
SALES	13		
Domestic Sales		8,558,842,956	3,810,535,973
Export Sales		255,350,118	113,977,467
Total		8,814,193,074	3,924,513,440
Less : Excise Duty		629,481,253	286,287,847
Net Sales		8,184,711,821	3,638,225,593
OTHER OPERATING INCOME	14		
Export Incentives		18,399,082	5,309,964
Profit From Forex Transaction		41,864,772	107,503,826
Excise Refund Received		-	9,371,688
VAT Refund		895,811	-
		61,159,665	122,185,478
OTHER INCOME	15		
Dividend Received		2,268,043	4,530
Brokerage and Commision		-	17,567
Profit / (Loss) on Trading in Shares & Commodities		190,275	156,652
Profit/Loss on Sale of Fixed Assets		-	470,240
Discount Received		177,534	1,095,539
Loss on Investment of Subsidiary co.		-	(3,327,545)
Interest Received			
On Fixed Deposit (Net)		25,964,764	8,995,948
Others		6,595,165	-
Total		35,195,780	7,412,931
RAW MATERIAL CONSUMED	16		
Opening Stock		226,133,295	93,941,408
Add : Purchase (Net)		5,099,657,585	2,697,370,403
		5,325,790,880	2,791,311,811
Less : Closing Stock		448,873,319	226,133,295
Total		4,876,917,561	2,565,178,516
MANUFACTURING EXPENSES	17		
Power & Fuel		329,461,780	99,217,516
Labour & Security Expenses		200,408	111,657
Packing Materials		81,224,829	49,203,490
Stores and Spares		29,388,769	10,505,407
Freight and Octroi		1,189,396	2,066,308
Rapairs to Plant & Machineries		5,978,085	2,810,973
Repairs to Factory Building		231,982	153,716
Factory Expenses		755,701	203,853
Job Charges		170,729	952,153
Total		448,601,679	165,225,072
ADMINISTRATIVE & OTHER EXPENSES	18		
Advertisement Expenses		3,727,600	2,632,181
Books & Periodical Expenses		10,709	-
Rent, Rates And Taxes		13,760,555	4,871,244
Postage, Telegram and Telephone Expenses		1,237,545	1,096,873
Printing and Stationary		1,156,019	674,899
Insurance Expenses		4,027,615	2,820,937
Electricity Expenses		331,274	289,840
Legal & Professional Expenses		11,860,533	5,152,902

	Schd. No.	As At 31.03.11	As At 31.03.10
Travelling and Conveyance		1,187,932	1,537,205
Vehicles Expenses		11,059,240	13,259,700
Director's Remuneration		3,300,000	1,860,000
Auditor's Remuneration		696,910	677,878
Membership and Subscription		141,240	171,440
Donation		115,250	51,402
Other Repairs		785,838	571,001
Office and General Expenses		1,129,030	629,694
Preliminary & Pre-operative Expenses		878,847	878,847
Demat Charges		8,797	-
Total		55,414,934	37,176,043
<u>SALARY , WAGES AND BENEFIT TO EMPLOYEES</u>			
Wages, Salaries & Bonus Cont. To P.F. & F.P.F.	19	53,961,693	26,193,904
Welfare And Other Expenses		1,147,067	524,566
Total		55,108,760	26,718,470
<u>FINANCIAL CHARGES</u>			
Interest To :	20		
Banks & Financial Institution		69,808,145	57,483,263
Bank Charges & Guarantee Commision		13,406,336	20,400,520
Total		83,214,481	77,883,783
<u>SELLING & DISTRIBUTION EXPENSES</u>			
Commission, Brokerage, Rate Difference & Discount	21	50,768,132	4,310,407
Carriage Outward & Shipment Charges		34,239,543	15,134,350
Sales Promotion		10,159	9,426
Total		85,017,834	19,454,183

SCHEDULE 22 : NOTES ON ACCOUNTS**(1) Significant Accounting Policies :**

Significant accounting policies adopted in the preparation and presentation of the accounts are based on accounting principal set out in Accounting Standard (AS) issued by ICAI as enumerated below:

- (a) **Basis of Accounting (AS 1) :** The financial statements are prepared under historical cost convention on an accrual basis. The company follows mercantile system of Accounting and recognizes income & expenditure on accrual basis.
- (b) **Fixed Assets (AS 10) :** Fixed Assets are stated at cost of acquisition (net of cenvat) or construction less accumulated depreciation. Cost comprises of purchase price and all other cost attributable to bringing the asset to its working condition for its intended use. An effect of Notification No. G.S.R. 225(E) to AS 11 of Companies (Accounting Standard) Amendment Rules, 2009 has been given to the carrying amount of Fixed Asset with corresponding effect to General Reserve and balance of Profit & Loss account.
- (c) **Depreciation (AS 6) :** Depreciation is provided on fixed assets (except land) on written down value method at the rates specified in schedule XIV to the Companies Act, 1956 except on trucks, addition in the vehicle from 01.04.2003, cater pillar D.G. Sets one Himson Texturising machine and all additions in plant & machinery from 01.04.2002, where depreciation has been provided on straight line methods as per schedule XIV to the Companies Act, 1956.
- (d) **Investments (AS 13) :** Investments are stated at cost. Investment in shares and securities are considered as long term and valued at cost. No provision for shortfall in value at the end of the year is provided for.
- (e) **Inventories (AS 2) :**
- | | |
|----------------------------------|---|
| (a) Stores & Spares and fuel Oil | : At Cost. |
| (b) Raw Material | : At Cost. |
| (c) Goods in Transit (Raw Mat.) | : At Cost. |
| (d) Work-in-Progress | : At Cost + Procurement charges |
| (e) Finished Goods | : At Cost or Net Realizable values whichever is Lower |
| (f) Wastage | : At Net Realizable Value |
- Cost of inventories is ascertained on the "First-in-First-Out" basis.
- (f) **Retirement Benefits (AS 15) :** Provision for gratuity has been made in the accounts, only in case of those employees who have become eligible for the retirement benefits. Leave encashment, LTA, Medical Assistance are accounted as and when paid. The Company is a member of recognized Provident Fund scheme established by the regional Government of Gujarat. The Company is contributing 12% of Salary & Wages of eligible employees under the scheme every month. The amount of contribution is being deposited each and every month well within the time under the rules of EPF Scheme.
- (g) **Foreign Currency Transactions (AS 11) :** In the case of liabilities in respect of foreign currency loans obtained for acquisition of fixed assets, the variation in the liabilities arising out of exchange rates at the year end are capitalised w.e.f. F.Y. 2007-08 as per Notification No. G.S. R. 225(E) of Companies (Accounting Standard) Amendment Rules, 2009.
- Sales in foreign currencies are accounted at the rate prevailing on the date of purchase of bills by the collecting bank. Current assets in foreign currencies as at the balance sheet date (not covered above) are reconverted at the rate prevailing at the year end and the resultant net gains and losses are adjusted in the profit and loss account. Losses on foreign currency derivatives transactions are included in determining the net profit for the year.
- (h) **Excise duty :** The liability of excise duty amounting to Rs. 69,75,249/- has been provided for the goods manufactured but not cleared as on 31.3.2011, the effect of which on profit and loss account of the year is Nil.
- (i) **Revenue Recognition (AS 9) :** Expenses and incomes, not specifically referred to otherwise consider payable and receivable respectively are accounted for on accrual basis.

Sales : Sales include packing and forwarding charges, octroi & sales-tax but excludes excise duty wherever applicable and a sale of goods is recognized on transfer of property of goods as per agreed terms.

Export Sales : These are accounted at the exchange rate prevailing on the date of invoice. These are gross of commission and include freight wherever applicable as per the terms of the sales contract.

(j) Cenvat on Inputs : The purchase cost of raw materials is shown net of excise duty and utilized amount of CENVAT on raw material consumed has been debited to CENVAT Account.

(k) Borrowing cost (AS 16) : Borrowing costs that are directly attributable to the acquisition or construction of fixed assets are capitalized as a part of the cost of asset. Other borrowing costs are recognized as an expense in the period in which they are accrued / incurred.

(l) Income Tax : (AS 22) : Tax expenses for the year, comprising current tax and deferred tax is included in determining the net profit for the year. Deferred tax asset and liabilities are recognized for the future tax consequences of temporary difference between the carrying value of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognised subject to management's judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary difference are expected to be reviewed or settled.

(m) Segment Accounting (AS 17) : The requirement of segment reporting is not applicable to the company both in respect of geographical segment and product wise segment.

(n) Quantity discount, Rate difference, Rebate and interest are accounted as and when settled. It is general practice prevailing in this type of industry.

(2) Advances include 511.99 Lacs to companies in which directors are interested.

(3) Contingent Liabilities (AS 29) :

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for US \$ 1806000 and EURO 11368000 against which advance of US \$ 112800 and EURO 1136800 given (Previous year Rs. 168.87 Lacs Advance Rs. 75.40 Lacs).
- (b) Export sale bills raised on overseas buyers purchased by company's banker outstanding Rs. 88.71 Lacs. (Previous year Rs. 630.05 Lacs.).
- (c) Letter of credit outstanding Rs. 30.77 Lacs as on 31.03.2011.

	Current year Rs.	Previous year Rs.
(4) Payment to Auditors:		
(i) As Auditors :	4,35,000	4,35,000
(ii) As Advisor or in any other capacity in respect of :		
Company Law matter	Nil	Nil
Taxation matter	15,000	15,000
Others	Nil	Nil
(5) Managerial Remuneration :		
Salary	33,00,000	18,60,000
Perquisite	Nil	Nil
(6) Earnings Per share (AS 20) :		
Net profit attributable to share holder	33,45,77,727	10,18,91,420
Number of equity shares	3,99,95,160	3,99,95,160
Earning per share of Rs. 10 each	8.37	2.55

(7) Related Party Transaction (AS 18) :

As per AS-18 issued by the Institute of Chartered Accountants of India, the company's related parties in terms of AS-18 are disclosed below:

(Rs. in '000)

Name of the related parties Key management Personnel	Nature of Relationship	Nature of transactions	Amounts
Shankarlal Somani	Chairman	Remuneration	3000
Rajkumar Somani	Managing Director	Remuneration	150
Sumeet Somani	Relative of key Management Personal (Director)	Remuneration	150
Dinesh Khare	Director	Salary	398
Vibha Khare	Relative of Director	Salary	330
Somani Overseas (P) Ltd.	Relative of Key Management Personal (Director)	Loan Outstanding (Cr.) Interest Paid	96747 NIL
National Poly Yarn (P) Limited	Relative of Key Management Personal (Director)	Loan Outstanding (Cr.) Interest Paid	4357 573
Sitaram Prints Pvt Ltd	Relative of Key Management Personal (Director)	Loan Outstanding (Cr.) Interest Paid	11718 1316
Sumeet Menthol Pvt Ltd.	Relative of Key Management Personal (Director)	Loan Outstanding (Cr.) Interest Paid	163 0.9

(8) Deferred Tax (AS 22) :

The movement of deferred tax account is as follows:

(Rs. in ' 000)

Opening Balance	110353
Provision for current year deferred tax liability (Net)	38807
Total	149160

Deferred tax asset and liability are being offset as they relate to taxes on income levied by the same governing taxation laws.

The following amounts are shown in the balance sheets.

Deferred Tax liabilities	216889
Deferred Tax Assets	67729
Balance of DTL	149160

Breakup of deferred tax assets / liabilities and reconciliation of current year deferred tax change :

Deferred tax liabilities :

(Rs. in ' 000)

Particulars	Opening	Charged/Credited to P & L	Closing
Tax impact of difference between carrying amount of fixed asset in the financial statements and the income tax return (A)	177465	39424	216889

Tax impact of expenses charged in the financial statements but allowable as deduction in future years under income tax ;

Provision for gratuity	275	14	289
Provision for Bonus	340	170	510
C/f. Loss	66497	-	66497
C/f. Speculation Loss	-	433	433
Total (B)	67113	184	67729
Net Deferred Tax liability (A-B)	110353	38159	149160

Pursuant to Accounting Standards (AS) 22 Accounting for taxes on income, the impact of deferred tax liability of Rs. 3,88,06,967/- for the year ended 31.03.2011 has been debited to Profit and Loss account.

(9) Additional Information's :

Pursuant to provisions of paragraphs 3 and 4 in Part II of Schedule VI to the Companies Act, 1956.

A. Capacity :	Units	2010-2011	2009-2010
a) PET Chips / Polyester POY / Polypropylene			
i) Licensed Capacity *	TPA		
ii) Installed Capacity **	TPA	82800	82800
b) Twisted			
i) Installed Capacity **	TPA	2500	2500
c) Texturised	TPA	3300	3300
d) Draw twisted	TPA	700	700
e) Menthol Product **			
Distilling	TPA	720	720
Freezing	TPA	120	120

* Not Applicable in terms of Government of India's Notification No. S.O. 477(E) dated 25.07.1991.

** As Certified by the management, being a technical matter.

B. Production :	Units	2010-2011	2009-2010
C.P.Plant & Spinning Unit	Ton	77267.696	40547.285
Menthol Product	Kgs.	NIL	162680.000

(Rs. in ' 000)

C. Turnover :	Unit	2010-2011		2009-2010	
		Quantity	Value Rs.	Quantity	Value Rs.
C.P.Plant & Spinning Unit*	Ton	77565.130	5971417	39962.063	3543361
*Raw mat. sales on high seas	Ton	-	2122634	-	-
Wastage	Kgs.	1116.386	90660	483502.000	7988
Menthol Product	Kgs.	NIL	NIL	129600.000	86876
Total			8184711		3638225

(Rs. in ' 000)

D. Raw Materials Consumed :	Unit	2010-2011		2009-2010	
		Quantity	Value Rs.	Quantity	Value Rs.
C.P.Plant & Spinning Unit	Ton	93934.122	6995570	49639.892	3207720
Polyester Yarn	Kgs.	-	-	160322.000	18918
Menthol Product	Kgs.	-	-	101660.000	66306
Total			6999552		3297129

(Rs. in ' 000)

E. Purchase :	Unit	2010-2011		2009-2010	
		Quantity	Value Rs.	Quantity	Value Rs.
Poly Yarn	Kgs.	-	-	174600	18155
Raw Material Sales on High Seas		-	2122634	-	-
Total			2122634		18155

(Rs. in ' 000)

F. Finished Stock :	Unit	2010-2011		2009-2010	
		Quantity	Value Rs.	Quantity	Value Rs.
a) Opening Stock :					
PPMFY*	Kgs.	729474	60172	149512	10833
Polyester Fabrics	Mtrs			58578	16837
Menthol	Kgs.	33080	46312	500	425
b) Closing Stock :					
PPMFY*	Kgs.	686093	67721	729474	60172
Polyester Fabrics	Mtrs	-	-	-	-
Menthol	Kgs.	18806	26328	33080	46312
* Including texturised and twisted yarn and wastage stock					

(Rs. in ' 000)

G. Value of Raw Materials Consumed :	2010-2011		2009-2010	
	Amount	% of Total Consumption	Amount	% of Total Consumption
Imported	3235531	46.22	1465108	44.44
Indigenous	3764021	53.78	1832021	55.56
Total	6999552	100.00	3297129	100.00

(Rs. in ' 000)

H. Value of Stores & Spares Consumed :	2010-2011		2009-2010	
	Amount	% of Total Consumption	Amount	% of Total Consumption
Imported	7667	15.15	1718	16.76
Indigenous	42955	84.85	8531	83.24
Total	50622	100.00	10249	100.00

(Rs. in ' 000)

I. Expenditure in Foreign Currencies on account of (on Accrual Basis) :	2010-2011	2009-2010
Interest	86149	78649
Commission to selling Agent	2549	72
Foreign Traveling	153	268
Overseas Banking Charges	388	140

(Rs. in ' 000)

J. C.I.F. Value of import :	2010-2011	2009-2010
i) Raw Material	32355308	1465108
ii) Stores and Spares	7667	1718
iii) Capital Goods	9263	235675

(Rs. in ' 000)

K. Earnings in Foreign Currency (FOB Value of Exports) :	2010-2011	2009-2010
PET Chips / POY/ FDY Yarn / PP	255350	113977

- 10) Figures of previous year have been regrouped and / or recast wherever necessary.
- 11) There are no sundry creditors due to small-scale industrial undertakings to whom the company owe a sum exceeding Rs. 1 lacs, which is outstanding for more than 30 days for the year ended **31st March 2011**. This disclosure is on the basis of information available with the company regarding the status of suppliers.
- 12) Part IV of schedule VI to the Companies Act is as per Annexure "A".
- 13) Cash Flow statement is as per Annexure "B"
- 14) **Signature** to schedules "1" to "22"

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

For and on behalf of Board of Directors

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

Anil Kumar Jain Company Secretary

Place : Surat
Date : 15-07-2011

Annexure " A " to the Notes to Accounts

I. Registration Details

Registration No.	11049	State Code	04
Balance Sheet Date	3 1 0 3 2 0 1 1		
	Date Month Year		

II. Capital raised during the year (Amount in Rs. Lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Lacs)

Total Liabilities	40,326	Total Assets	40,326
Sources of Funds			
Paid-up Capital	5,000	Reserves & Surplus	5,685
Share Application Money	870	Secured Loans	22,134
Unsecured Loans	2,113	Deferred Tax Liability	1,492
Application of Funds			
Net Fixed Assets	19,143	Investments	127
Net Current Assets	18,003	Pre-operative Exp.	NIL
Misc. Expenditure	19	Accumulated Losses	NIL

IV. Performance of Company (Amount in Rs. Lacs)

Turnover / Other Income	82,568	Total Expenditure	78,438
Profit/Loss Before Tax	4,130	Profit/Loss after Tax	3,444
Earning Per Share in Rs.	8.37	Dividend %	NIL

V. Generic Names of Three Principal Products/Services of the company (As per monetary terms)

Product Description	Item Code No. (ITC Code)
P.P & Poly POY / Texturised / Twisted Yarn	54023900
Menthol Product	33012590

As per our report of even date
For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Place : Surat
Date : 15-07-2011

For and on behalf of Board of Directors

Shankarlal Somani Chairman

Raj Kumar Somani Managing Director

Anil Kumar Jain Company Secretary

Place : Surat
Date : 15-07-2011

Annexure B

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

	2010-11		2009-10	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before tax and Extraordinary Items		412,965,063		167,807,175
Adjustment For :				
Depreciation	116,880,836		64,320,101	
Interest Income	(32,559,929)		(8,995,948)	
Dividend Income	(2,268,043)		(4,530)	
Miscellaneous expenditure written off	878,847		878,847	
Profit / Loss on Sale of Fixed Assets	-		(470,240)	
Profit / Loss on Sale of Investments	-		3,170,893	
Interest Paid	69,808,145	152,739,857	57,483,263	116,382,386
Operating Profit before Working Capital Changes		565,704,919		284,189,561
Adjustment For :				
Trade & Other Receivables	(462,176,470)		(442,533,789)	
Inventories	(268,910,257)		(254,983,366)	
Trade Payables and Other Liabilities	37,539,953	(693,546,774)	90,504,432	(607,012,723)
Cash Generated From Operations		(127,841,854)		(322,823,162)
Interest Paid	(69,808,145)		(57,483,263)	
Previous Year Taxation	(2,851,185)	(102,391,990)	(2,095,192)	(59,578,455)
NET CASH FLOW FROM OPERATING ACTIVITIES(A)		(230,233,844)		(382,401,617)
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Income From sale of investments:				
Interest Income	32,559,929		8,995,948	
Dividend Income	2,268,043		4,530	
Purchases of Fixed Assets	(145,383,915)		(460,131,796)	
Sale of Fixed Assets	-		18,120,377	
Purchase / Sale of Investment	(7,113,343)		(4,492,389)	
Adjustment For Exchange Difference	-		-	
NET CASH FLOW FROM INVESTING ACTIVITIES (B)		(117,669,287)		(437,503,330)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Increase in borrowings	14,170,577		99,881,462	
Increase in Term Loan	(42,858,191)		971,432,914	
Increase in share capital	-		100,000,000	
Increase in Share Application Money	62,000,000		25,000,000	
Preliminary Expenses W/off	-		(740,875)	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		33,312,386		1,195,573,501
Net Increase in Cash & Cash equivalents (A+B+C)		(314,590,745)		375,668,554
Cash and Cash equivalents as on 1 st April, 2010		416,117,342		40,448,788
Cash and Cash equivalents as on 31 st March, 2011		101,336,322		416,117,341

Note : Figures in Negative (-) Indicate cash outflows.

Place : Surat **For and on behalf of Board of Directors** **Raj Kumar Somani** Managing Director
Date : 15-07-2011 **Shankarlal Somani** Chairman **Anil Kumar Jain** Company Secretary

AUDITORS' REPORT

We have examined the above Cash Flow Statement of the SUMEET INDUSTRIES LIMITED for the year ended 31st March 2011. The Statement has been prepared by the company in accordance with the requirements of Listing Agreement as per Clause 32 with Bombay stock Exchange Ltd. and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report dated 15th JULY, 2011 to the members of the company.

Place : Surat
Date : 15-07-2011

For, **PRADEEP SINGHI & ASSOCIATES**
Chartered Accountants

PRADEEP KUMAR SINGHI
Proprietor
M. NO. 200/24612

Sumeet

INDUSTRIES LIMITED

Registered office : 504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India.

ATTENDANCE SLIP

ANNUAL GENERAL MEETING - 26.09.2011

(Please complete the slip and hand it over at the entrance to the meeting hall)

Name & Address of the Member

Folio No / DP ID & Client ID

I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the Company at Conference Hall, Bombay Market, Umarwada, Surat - 395 010 on Monday, 26th September, 2011

Number of Shares Held

Signature of the Member / Proxy
(Strike out whichever is not applicable)

Shareholders who come to attend the meeting are requested to bring their copies of Annual Report with them.

Sumeet

INDUSTRIES LIMITED

Registered office : 504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India.

PROXY FORM

ANNUAL GENERAL MEETING - 26.09.2011

I/We.....
of in the District
of..... being a member/members of
the above named Company hereby appoint.....
or failing to him/her.....
of in the District of.....
as my/our proxy to vote for me/our behalf at the 23rd ANNUAL GENERAL MEETING of the company to be held on
Monday, 26th day of September, 2011 at 10:00 A.M. any adjournment(s) thereof.

Signed thisday of.....2011.

Folio No./ DP ID & Client ID

Number of Shares held

Signature of the Proxi

Affix
1 Rupee
Revenue
Stamp

Signature

- Notes : 1. This form in order to be effective should be duly stamped, completed and signed and must be deposited the Registered office at 504, Trividh Chambers, 5th Floor, Opp. Fire Brigade Station, Ring Road, Surat-2 (Guj.) India. atleast 48 hours before the meeting.
2. In the case of a body corporate, the proxy form should be signed by the authorised person duly enclosing thereto, a certified copy of the resolution of the Board under Section 187 of the Companies Act, 1956.

To,
Bigshare Services Pvt. Ltd.
E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (E), Mumbai 400 072

SUB. : REQUEST FOR ECS / MANDATE

Unit : _____

Folio No. : _____

I do hereby authorise Bigshare Services Pvt. Ltd. to credit my Dividend amount directly to my Bank Account by Electronic Clearing System (ECS) as per details given below:

Name of the holder : _____

Securities held in : _____
(Name of the Company)

DPID : _____

Client ID : _____

I wish to record my mandate instruction as given below :

Type of instruction	<input type="checkbox"/> ECS	<input type="checkbox"/> MANDATE
Bank Name		
Bank Address		
9 DIGIT MICR CODE (If ECS)		
A/c Type		
A/c Number		

Tel No. (with STD code) : _____

Email ID : _____

I, hereby, declare that particulars given above are correct and complete. If the ECS is delayed or not effected at all for reason of incomplete or incorrect information given as above, I shall not hold Company/Registrar responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS.

Thanking you.

Yours faithfully

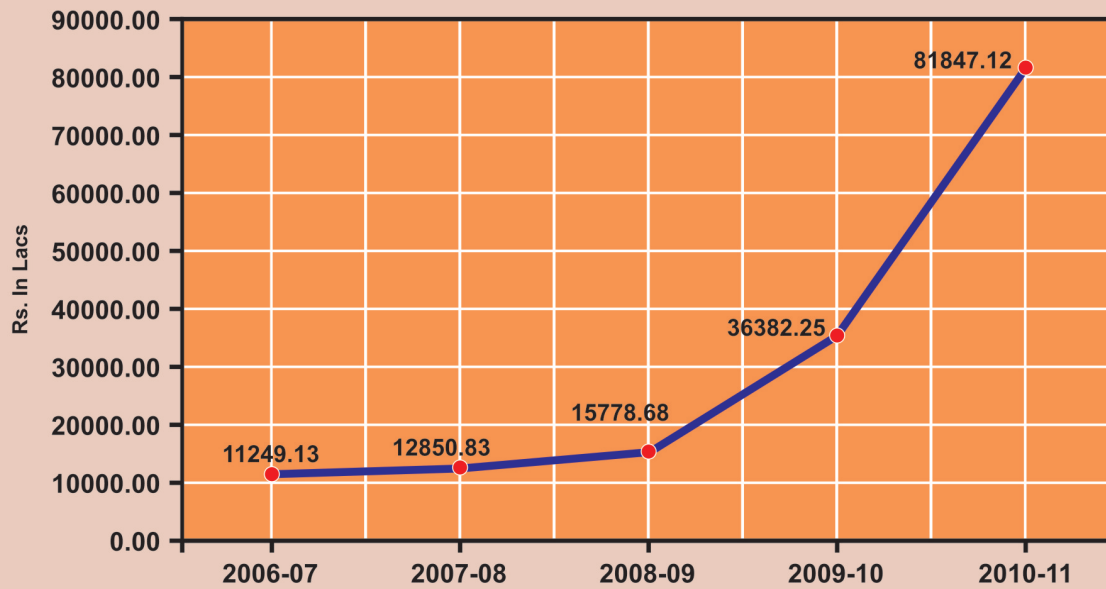
(Signature of the First holder)

(Signature of the Second holder)

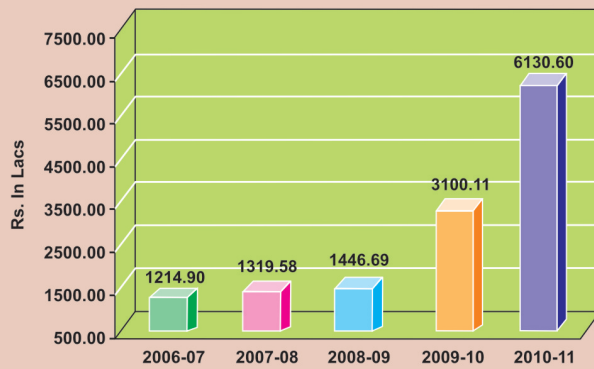
Please Note :

- 1) In case you are having Electronic holding of shares this form needs to be submitted to your **Depository Participant. Quoting ... DPID / Client ID.**
- 2) All the holder(s) sign is compulsory.
- 3) Proof should be enclosed **ANY** of the following:
 - a. Cancelled MICR cheque, **or**
 - b. Confirmation certificate from the Banker

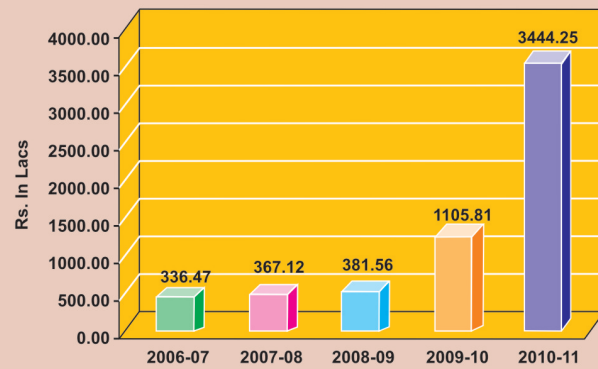
SALES



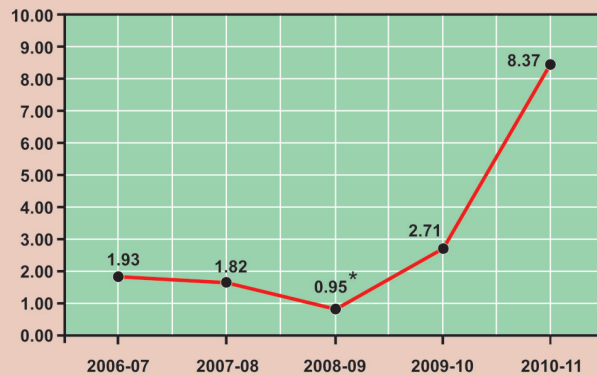
EBITDA



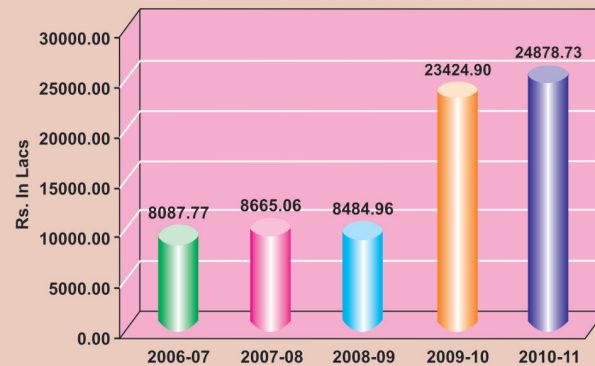
PAT



EPS



FIXED ASSETS



* After Right Issue (1:1)

Book - Post

To

if undelivered please return to :

SUMEET INDUSTRIES LIMITED

Regd. Office : 504, Trividh Chambers,
Opp. Fire Station, Ring Road,
Surat - 395 002. (Gujarat) India.

