



## Abhishek Industries Limited

Registered Office: Trident Complex, Raikot Road, Barnala – 148 101, Punjab

# NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of **ABHISHEK INDUSTRIES LIMITED** will be held on Saturday, the 25th day of September, 2010 at 10.30 A.M. at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2010; Profit and Loss Account and Cash Flow Statement for the year ended on that date along with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr S K Tuteja, who retires and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Ms Pallavi Shroff, who retires and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr Rajiv Dewan, who retires and being eligible, offers himself for re-appointment.
5. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and pass following resolution thereof:

"RESOLVED THAT M/s Deloitte Haskins & Sells, Chartered Accountants, New Delhi, (Registration No. 015125N), be and are hereby re-appointed as statutory auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration including reimbursement of traveling and other out of pocket expenses as may be fixed by the Managing Director of the Company."

### Special Business

#### 6. Appointment of Director

*To consider and, if thought fit, to pass with or without*

*modification(s), the following resolution as an Ordinary resolution:*

"RESOLVED THAT Mr. Anurag Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company subject to annual retirement under the Articles of Association of the Company."

#### 7. Appointment of Director

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

"RESOLVED THAT Dr. M A Zahir, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company subject to annual retirement under the Articles of Association of the Company."

#### 8. To take note of the result of postal ballot conducted for matters requiring shareholders approval

To take note of the result to be submitted by the Scrutinizer for Resolutions proposed to be passed separately through postal ballot pursuant to the provisions of Section 192A and all other applicable provisions of the Companies Act, 1956 for matters requiring shareholders approval.

By Order of the Board  
For Abhishek Industries Limited

#### Registered Office:

Trident Complex, Raikot Road  
Barnala-148 101, Punjab  
Dated: July 21, 2010

Pawan Jain  
Company Secretary

### NOTES:

- i. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and the proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting. A proxy so appointed shall not have any right to speak at the meeting. The blank proxy form is enclosed.
- ii. The Register of Members and Share Transfer Books of the

Company will remain closed from Saturday, the 18th day of September, 2010 to Saturday, the 25th day of September, 2010 (both days inclusive) for the purpose of Annual General Meeting.

- iii. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>iv. Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 6 &amp; 7 are annexed hereto and forms part of this Notice.</li> <li>v. Members desirous of getting any information on Accounts or other items of Agenda are requested to forward their queries to the Company at least ten working days prior to the date of Annual General Meeting so as to enable the Management to keep the information ready.</li> <li>vi. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.</li> <li>vii. Members are requested to notify immediately the change in their address, if any, to the Company or its Share Transfer Agent and in case the shares are held in dematerialized form, this information should be passed on to their</li> </ul> | <p>respective Depository Participants without any delay and should always quote their folio number or DP ID &amp; Client ID, as the case may be, in all correspondence.</p> <ul style="list-style-type: none"> <li>viii. Members/Proxies attending the Meeting are requested to bring their copy of Annual Report with them at the Meeting and deliver the enclosed attendance slip at the entrance of the meeting hall.</li> <li>ix. <b>Re-appointment of Directors</b><br/>Pursuant to the provisions of Articles of Association, Mr. S K Tuteja, Ms. Pallavi Shroff and Mr. Rajiv Dewan, Directors are retiring at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The brief resumes of all these directors and other information as per Clause 49 of the Listing Agreement with Stock Exchanges are provided elsewhere in the Annual Report.</li> </ul> |
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## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No. 6

#### Appointment of Director

Mr. Anurag Agarwal was appointed as an Additional Director on the Board w.e.f. July 21, 2010 in terms of Article 161 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice in writing from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for the appointment as Director of the Company. Mr Anurag Agarwal, aged 44 years, is B.Tech (Engineering) and P.G. (Management) by qualification and is an IAS officer, currently occupying the position of Managing Director of Punjab State Industrial Development Corporation Limited. He joined Indian Administrative Services in 1990 and since then he has been diligently serving the government at higher post. Mr Agarwal holds directorship of various listed and unlisted companies which include Indian Acrylics Limited, Punjab Alkalies & Chemicals Limited, Milk Specialities Limited, Punjab Venture Investors Trust Limited and Gidderbaha Power Limited. No equity share of the Company is being held by Mr Anurag Agarwal.

Your Directors consider that the Company would be benefited by the mature advice of Mr. Anurag Agarwal and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Mr. Anurag Agarwal, the proposed appointee.

### Item No. 7

#### Appointment of Director

Dr. M A Zahir was appointed as an Additional Director on the Board w.e.f. July 21, 2010 in terms of Article 161 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The

Company has received a notice in writing from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for the appointment as Director of the Company. Dr. M A Zahir, aged 67 years, is Phd by qualification. He is well known management guru and former professor of management and Dean (Retd.) of Punjab Agriculture University. He is founder & chairman of Syntec Business School (SBS), a B-School at Ludhiana. He has vast experience in the field of providing consultancy and imparting training to corporate houses. Dr M A Zahir holds directorship in various listed and unlisted companies which include Hero Cycles Limited, Hero Honda Finance Limited, Ralson India Limited, Rockman Industries Limited, IOL Chemicals and Pharmaceuticals Limited, Sohrab Spinning Mills Limited, Lotus Integrated Texpark Limited, Praneel Corporate Services Limited and Majestic Auto Limited. He is also occupying the position of Chairman of Audit Committee in Praneel Corporate Services Limited, IOL Chemicals & Pharmaceuticals Limited and Rockman Industries Limited and member of Audit Committee in Hero Cycles Limited and Lotus Integrated Texpark Limited. He is also Chairman of Investor Grievance and Share Transfer Committee of Praneel Corporate Services Limited. Dr M A Zahir holds 5373 equity shares of the Company.

Your Directors consider that the Company would be benefited by the mature advice of Dr. M A Zahir and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Dr. M A Zahir, the proposed appointee.

By Order of the Board  
For **Abhishek Industries Limited**

#### Registered Office:

Trident Complex, Raikot Road  
Barnala-148 101, Punjab  
Dated: July 21, 2010

**Pawan Jain**  
Company Secretary



Abhishek Industries Limited

Registered Office: Trident Complex, Raikot Road, Barnala – 148 101, Punjab

ATTENDANCE SLIP

Member's Folio No. : .....  
Client ID No. : .....  
DP ID No. : .....  
Name of the Member : .....  
Name of Proxy holder : .....  
No of Shares held : .....

I hereby record my presence at the **20th ANNUAL GENERAL MEETING** of the Company held on **Saturday, the 25th day of September 2010 at 10.30 A.M.** at the Registered Office of the Company at Trident Complex, Raikot Road, Barnala, Punjab

Signature of Member/Proxy

Notes :

1. Members/Proxy holders are requested to produce the attendance slip duly signed for admission to the meeting hall.
2. Members are requested to bring their copy of Annual Report.



Abhishek Industries Limited

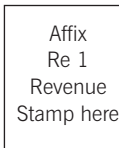
Registered Office: Trident Complex, Raikot Road, Barnala – 148 101, Punjab

PROXY FORM

Member's Folio No. / Client ID : .....

I/We ..... of ..... in the district of ..... being a member/members of **ABHISHEK INDUSTRIES LIMITED**, hereby appoint ..... of ..... in the district of ..... or failing him/her ..... of ..... in the district of ..... as my/our proxy to vote for me/us on my/our behalf at the **20th ANNUAL GENERAL MEETING** of the Company to be held on **Saturday, the 25th day of September 2010 at 10.30 A.M.** and at any adjournment thereof.

Signed this ..... day of ..... 2010



Note :

If it is intended to appoint a proxy, the form of proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.

NO GIFTS WILL BE DISTRIBUTED AT THE MEETING







# HANDS ON

Abhishek Industries Limited | 20th Annual Report 2009-10



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In business,  
raising the bar means  
addressing challenges.  
Overcoming challenges  
leads to achievement.  
Achievement comes from a  
directness of purpose.  
Directness of purpose comes  
from a familiarity with reality.  
And a familiarity with reality  
comes from being  
**HANDS ON.**

# ABOUT ABHISHEK

**Abhishek Industries Limited** (incorporated in 1990) is the flagship of the Trident Group. The Company grew its balance sheet size to Rs 22,822.5 million as on March 31, 2010. Through commitment, perseverance and focus. Described in two words.

**HANDS ON.**

**Business divisions:** Home textile, yarn, paper, chemicals and captive power

**Manufacturing facilities:** Barnala (Punjab) and Budni (Madhya Pradesh)

**Reach:** Over 60 countries

**Listed:** Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)

**Public shareholding:** 36.48 percent as on March 31, 2010

**Company identification number (CIN):** L99999PB1990PLC010307

**Employees:** Over 10,000 as on March 31, 2010

## Our positioning

- One of the world's largest terry towel manufacturers
- The world's largest wheat straw-based paper manufacturer
- One of India's largest yarn spinners
- Recognised by the ICSI as the best Indian company in adopting corporate governance practices
- India's largest terry towels exporter

## Our values

To provide customer satisfaction, through teamwork, based on honesty and integrity, for continuous growth and development

## Our vision

Inspired by challenge, we will add value to life, and together prosper globally

## Our corporate philosophy

To continue growth by leading national and international standards and ethical means, in harmony with the environment, ensuring customer delight, stakeholders' trust and social responsibility.

## Performance, 2009-10

### Financials

Total revenues: Rs	18,188.1	million	30	percent increase
EBIDTA: Rs	3,559.9	million	39	percent increase
EBIDTA margin:	19.5	percent	130	basis points increase
Export: Rs	8,394.8	million	22	percent increase

### Production

Terry towels	29,152	tonnes	3	percent increase
Yarn	48,115	tonnes	20	percent increase
Paper	1,23,639	tonnes	84	percent increase
Sulphuric acid	84,038	tonnes	38	percent increase

## MANAGING DIRECTOR'S MESSAGE

“We shall achieve our long-term goals and graduate to a leadership position across all our business segments, with the underlying objective of enhancing shareholder prosperity”



Dear shareholders,

Over the years, Abhishek Industries Limited has evolved with an ambition to emerge as a leader in its respective businesses and enhance shareholder prosperity.

Fortified with new learning and acumen, we at Abhishek have focused to create world-class infrastructure with global capacities that strengthen our foundation, enhance productivity and increase value-addition.

The economies and energies generated through initiatives are channelised to match best technology and quality with competitiveness, enhancing customer relationships and building new networks. We are leveraging these strengths, which enable us to service demand growth, leverage our production spread and widen our product mix and customer-centric approach.

Our untiring efforts in the past and our wisdom will now translate into stronger derisking, sustained business focus and a growing dependence on consensual decision-making for enhancing shareholder value.

While we pursue the target of creating a national brand and a US\$ 3000 million turnover by 2015, we are confident that we shall achieve our long-term goals and graduate to a leadership position across all our business segments, with the underlying objective of enhancing shareholder prosperity.

With warm regards,

A handwritten signature in black ink, appearing to read 'Rajinder Gupta'.

Rajinder Gupta



# FINANCIAL HIGHLIGHTS

## Financial performance

(Rs million)

Period ended	March 2006	March 2007	March 2008	March 2009	March 2010
Gross turnover*	8,885	9,860	12,062	15,456	19,768
Net sales	7,436	8,166	10,487	13,981	18,034
Exports	4,190	4,352	5,193	6,862	8,392
Gross profit (PBITD)	1,588	1,794	1,818	2,570	3,560
Net profit after tax	568	409	400	(530)	565
Net worth	3,585	3,995	4,452	4,463	5,028
Fixed assets (gross block)	10,074	12,101	13,273	21,032	23,388
Current assets (net)	2,863	3,372	2,785	2,364	5,285

\* Includes inter-segment sales

## Key financial indicators

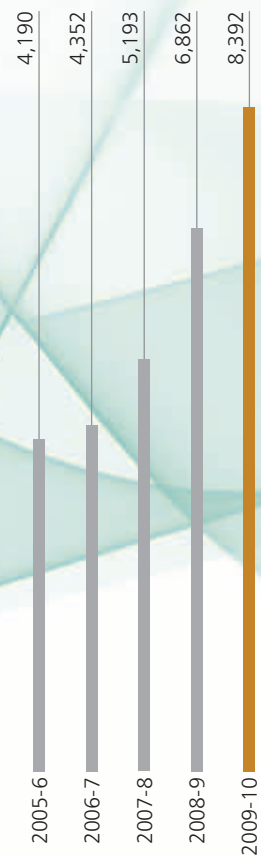
Period ended	March 2006	March 2007	March 2008	March 2009	March 2010
Gross profit margin (percent)	21	22	17	18	20
Return on net worth (percent)	16	10	9	--	11
Export sales/net sales (percent)	56	53	50	49	47
Debt/equity	1.92	2.48	2.88	3.49	3.40
CEPS (Rs)	6.35	6.46	6.32	2.83	10.39
EPS (Rs)	2.93	2.11	2.06	(2.64)	2.54
Book value/share (Rs)	18.12	20.57	22.92	20.09	22.63
Turnover per share (Rs)	45.75	50.77	62.11	69.56	88.97

## Financial graphs

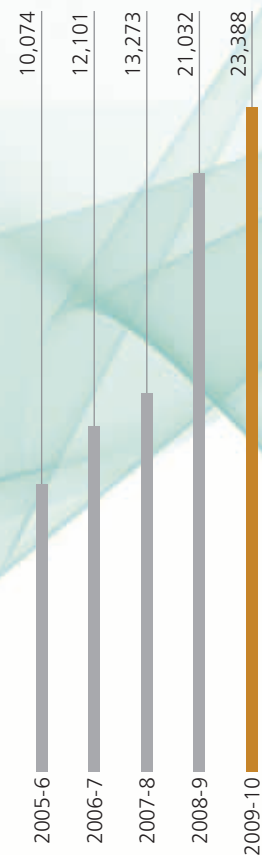
Net sales (Rs million)



Exports (Rs million)



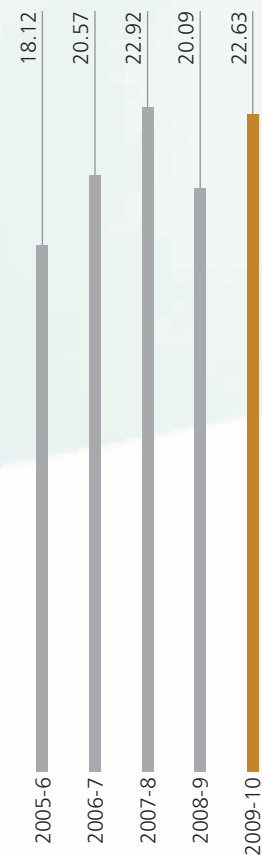
Fixed assets (gross block) (Rs million)



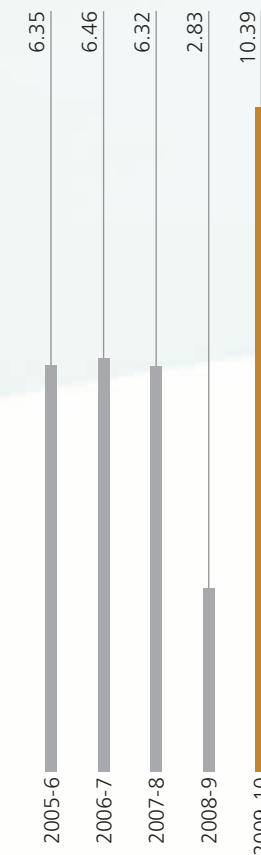
Net worth (Rs million)



Book value/share (Rs)



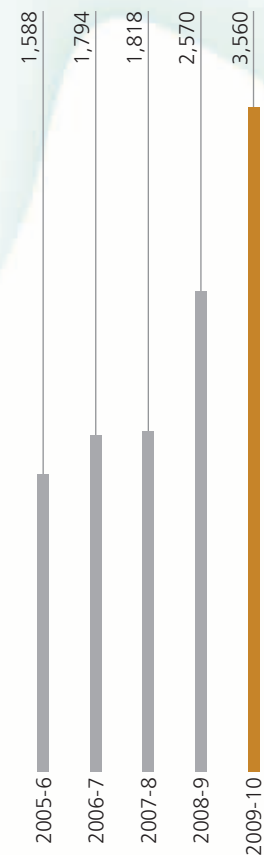
Cash EPS (Rs)



Turnover/share (Rs)



Gross profit (Rs million)



## HANDS ON

### In recognising early trends and planning capacity expansion

Early in its existence, the Company recognised the growing need for environment-friendly paper, world-class yarn quality and a growing preference for terry towels based on the rationale that global consumption would grow, India's enduring under-consumption would correct and there would always be a wider market for better products.

The Company responded with corresponding investments in state-of-the-art manufacturing assets, systems and human capital.

- The Company entered the business of yarn spinning in 1992. It increased its yarn spindlage from 17,280 in 1993-94 to 224,448 in 2009-10. The revenue from our yarn business increased from Rs 248.31 million in 1993-94 to Rs 6,167 million in 2009-10. The total capital employed in the yarn business was Rs 8,837.9 million as on March 31, 2010.
- The Company entered the business of terry towel manufacture in 1998. The Company increased its loomage from 66 in 1998-99 to 374 in 2009-10. Revenues from the terry towel business increased from Rs 523.62 million in 1998-99 to Rs 8,482.5 million in 2009-10. The total capital employed in the terry towel business was Rs 5,638.4 million as on March 31, 2010.
- The Company entered the business of agro-based paper manufacture in 2002. The Company increased its installed capacity from 34,250 tpa in 2001-2 to 1,75,000 tpa in 2009-10. The revenue from our paper business increased from Rs 656.71 million in 2001-2 to Rs 4,951.8 million in 2009-10. The total capital employed in the paper business was Rs 6,761.6 million as on March 31, 2010.

**The result:** The Company is now one of India's largest yarn spinners, one of the world's largest terry towel manufacturers and the world's largest wheat straw-based paper manufacturer.





## HANDS ON

### In recognising emerging customer needs and responding with customised products

Early in its existence, the Company recognised that with consumer preferences evolving all the time, quality standards would keep increasing continuously and that the only way to remain successful would be to graduate to a product standard that would drive the customer's business.

The Company responded by raising its quality benchmark through investments in processes, systems and protocol leading to one of the best product standards in the world. In doing so, the Company embarked on various initiatives.

- Developed new terry towel varieties – air rich, bounce towel and surface finish (colour pro, fresh pro, bleach pro and health pro) and received the 'World Class Customer Satisfaction' rating in a Gallup survey for its terry towel business in the US segment
- Graduated to 'A' grade manufacturer in the paper business; entered the copier paper segment and launched three new copier brands – Spectra, My Choice and Trident Natural during the last two years
- Developed new products in yarn like air-rich yarn, soya-cotton-modal, core spun yarn and bamboo cotton

**The result:** More revenue from value-added products in yarn, laurels from renowned international customers in the terry towel segment and increase in the market share of the copier paper segment.



## HANDS ON

# In training and empowering employees, catalysing organisational speed

Early on in its existence, the Company recognised that its true power lay with employees as long as they were trained and empowered.

The Company responded with the various initiatives to make this a reality.

- Implemented total quality management, 5S and kaizen coupled with shopfloor training
- Conducted enterprisewide action planning; restructured the organisational hierarchy to focus on roles and competencies
- Introduced reward and recognition schemes as well as performance-linked incentives. Deployed competence-based assessment centres to select the best talent
- Enhanced multi-skilling and leadership development; built a sprawling infrastructure called Takshashila – Centre for Excellence in Barnala consisting of classrooms, ultra-modern conference room, dormitories and laboratories with world-class technology and facilities
- Engaged professionals to train shop floor members in technical and behavioural training modules supported by healthy competition to catalyse training and skill development
- Retained the best talent through revamped recruitment policies

**The result:** Enhancement in productivity and promotion of a performance-driven culture supported by an imbibed value framework.





Business division 1

# HOME TEXTILES

India's largest terry  
towel exporter

## SNAPSHOT

Revenues 2009-10: Rs 8,482.5 million
Revenue proportion: 43 percent
PBIT: Rs 1,504.4 million
Production: 29,152 tonnes
<b>Product basket</b> Terry towel and toweling products comprise piece-dyed dobbies, yarn-dyed ,single and double jacquards, undyed jacquards, yarn-dyed stripes, terry and velour finish, beach towels, bath sheets, bath towels, hand towels, guest towels, bath mats and made-ups like bath robes and beach bags.

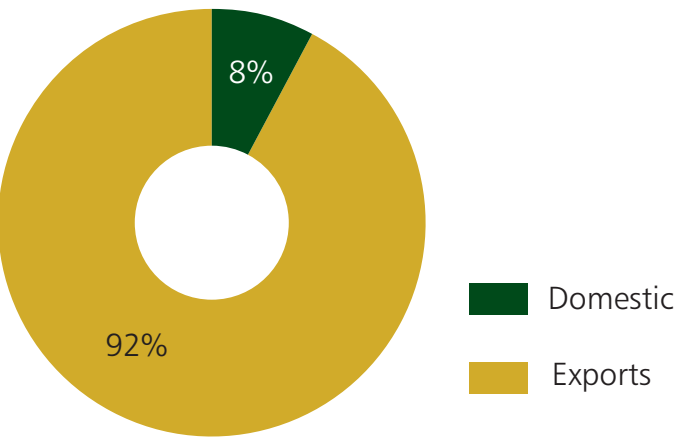
## BUSINESS OVERVIEW

The Company's terry towel manufacturing unit comprises 374 looms with state-of-the-art technology from globally renowned suppliers. The division's products were supplied to globally reputed retail chain stores across 32 countries.

The division is one of the world's largest terry towel manufacturers and India's largest exporter of terry towel products. It has been awarded Gold Trophy by Texprocil for the highest terry towel exports.



Product destination



Year under review

The division consolidated its position during the year under review:

- Added 24 looms while 18 were upgraded; commercial production in new facilities commenced from January 2010
- Developed new products like air rich, bounce towel and surface finish (color pro, fresh pro, bleach pro and health pro)
- Procured the license of a Time Inc. lifestyle publication Southern Living, obtaining its brand rights for bath products
- Achieved ‘world-class customer satisfaction’ rating in a Gallup survey for the US segment

Operations

In line with the objectives to reduce cost and increase productivity, the division embarked on the following initiatives:

- Installed a heat recovery system to utilise waste energy and reduce steam consumption
- Enhanced in-house processing capacity resulting in superior line balancing following loom expansion
- Introduced automatic cross hemming machines to enhance cutting, stitching and packing automation

- Implemented a THMP (Trident Harmonised Manufacturing Process) quality system

**Result:** The Company leveraged growing production, scale economies, advanced production system and waste management to stay competitive.

Capacity

	2007-8	2008-9	2009-10
Looms	282	350	374
Processed yarn (tonnes)	6,825	6,825	6,825

Production (tonnes)

	2007-8	2008-9	2009-10
Towel	24,616	28,311	29,152
Processed yarn	5,024	5,236	4,770

Revenues (Rs million)

	2007-8	2008-9	2009-10
	6,091.0	7,583.3	8,482.5

Customer focus

The ‘world-class customer satisfaction’ rating by the Gallup survey in the US segment is a vindication of our customer service in terms of product quality and timely

delivery. During the year under review, the Company strengthened its ability to deliver large consignments, innovative products and an overall value-for-money proposition, resulting in an increase in order book. The division was recognised as the best supplier by big retailers around the World.

The division exported products to 32 countries and entered new export markets during the year, a step towards geographical derisking. The division represents the global identity for the Company; it also focused on domestic market, and as a result was able to increase contribution of domestic sales in the overall revenue.

Export contribution in the revenue of the division

(percent)		
2007-8	2008-9	2009-10
92	92	92

Quality and R&D

The Company’s towels were adjudged ‘Best Product’ in Sweden, won the ‘Best Quality’ award by IKEA, won the JC Penney award for ‘Best Quality Award for Home’ for 2009 and received the supplier self-audit certification from JCP, the first time such a concession was extended to an Indian company.

The Company’s quality standard was reinforced by certifications like ISO 9001:14001, OEKOTEX 100 – Level 1, GOTS (Global Organic Textile Standards), Organic Exchange, Fair Trade Cotton by FLO, ‘Better Cotton’ partner for IKEA and license for using Supima Cotton and Cotton USA.

The Company’s R&D team focused on delivering superior products, reducing production costs and introducing new products. Some of the product developments during 2009-10 comprised air-rich and waffle towels; the latter won the ‘Best Product’ recognition in Sweden. The Company also made process improvements to reduce defects and enhance productivity.

Road ahead

The Company will continue to invest in automation to improve productivity, quality and value-addition. It expects to improve capacity utilisation through de-bottlenecking, add looms to scale the production of existing products and introduce new products to emerge as a leader in the home textile segment.



Business division 2

# YARN

One of the largest yarn manufacturers in India

## SNAPSHOT

Revenues 2009-10: Rs 6,187.0 million

Revenue proportion: 32 percent

PBIT: Rs 362.2 million

Production: 48,115 tonnes

### Product basket

- 100 percent cotton yarn with count range of Ne 12 to Ne 30 in carded yarns and Ne 12 to Ne 60 in combed yarns
- Amseler ring slub yarns in the count range of Ne 05 to Ne 20 in carded yarns and Ne 10 to Ne 60 in combed yarns
- PVA-based zero twist and hollow yarns
- Imported cotton-based yarns such as Egyptian, Supima and Australian yarns
- Organic cotton yarns, Fair Trade yarns, BMP (best managed practice) cotton yarns
- Combed compact yarn
- 100 percent bamboo/viscose and bamboo/viscose/cotton-blended yarns
- 100 percent modal and modal/cotton-blended yarns, 100 percent polyester and P/C-blended yarns
- Cotton/hemp blended yarns, recycled polyester and regenerated cotton yarns
- Spandex/lycra core spun cotton yarns, T-400 core spun yarns
- Elli-twist doubled yarns
- Open-end yarns – 100 percent Indian cotton yarns, organic, Fair Trade yarns and slub yarns

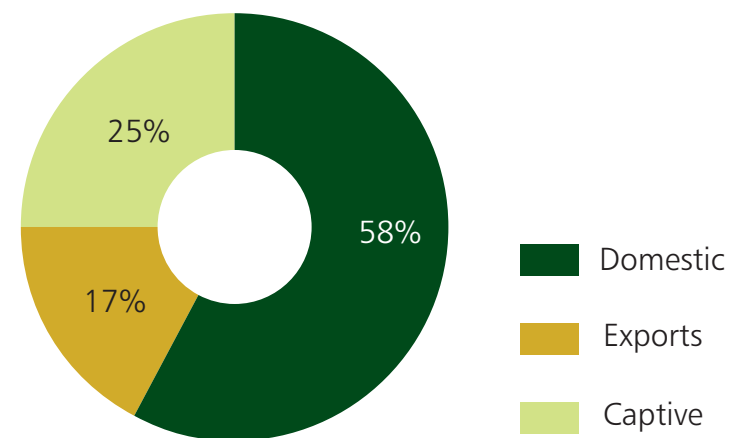
## BUSINESS OVERVIEW

The division comprises six manufacturing units with an installed capacity of 224,448 spindles and 1,920 rotors. While a majority of the yarn produced by the Company is consumed captively for the onward production of terry towels, the rest is marketed in the domestic and international markets. The Company's export presence covers 22 countries.

The division offers an exclusive range of premium quality yarns with a wide variety and value-added yarns to capitalise on prevailing demands of the fashion industry besides serving the needs of knitting, weaving, denim hosiery, shirting and sheeting industry.



Product destination



Year under review

The division strengthened its industry position to capitalise on the uptrend through the following initiatives:

- Commissioned two new yarn units (V and VI) in Budni (Madhya Pradesh) in phases
- Developed new products like air-rich yarn, soya-cotton-modal, core spun yarn and bamboo cotton
- Increased the share of value-added yarns in the total revenue of the division
- Improvement initiatives for optimal energy-use, skill development and process optimisation through dedicated SGA teams

Operations

In line with our objective to focus on overall efficiency and value-added products, the division undertook the following initiatives:

- Installed state-of-the-art technology in its new facilities
- Invested in technological upgradation to enhance product quality and address niche segments
- Increased focus on value-added products
- Researched innovation of quality products

**Result:** The division was able to de-escalate manufacturing cost as a percentage of revenue, achieve higher capacity utilisation and increase value-added yarn production.

Capacity (spindles)		
2007-8	2008-9	2009-10
125,952	125,952	1,76,952*

\* Increased to 2,24,448 from April 14, 2010

Production (tonnes)		
2007-8	2008-9	2009-10
42,244	40,072	48,115

Revenues (Rs million)		
2007-8	2008-9	2009-10
4,382.3	4,608.5	6,187.0

Customer focus

The division positioned itself as a supplier of innovative yarns supported by customer-relations management and communication. Besides, the Company positioned itself as a one-stop solution provider for all yarn requirements. This helped strengthen the proportion of value-added products in the overall revenue mix.

The division maintained its competitiveness by promoting value-added products with relatively low competition. The division exported to 22 countries and entered new export territories during the year under review.

Exports as a total revenue of the division (percent)		
2007-8	2008-9	2009-10
8	10	17

Quality and R&D

The division’s research on new product development catalysed business growth; it invested in technological upgradation to enhance product quality and address niche segments.

The division’s quality was benchmarked with the USTER Statistics Scale (the global leader in textile quality control). It enjoyed quality certifications from Egyptian cotton, PIMA cotton, FLO cotton, CUC, IMO, GRS, ISO and OEKO, resulting in an esteemed customer portfolio.

On the R&D front, the Company is currently patenting the unique air-rich yarn and thereafter, expects to commercialise bulk production and associate with DuPont to brand and manufacture sorona yarn.

The division is accredited with global certifications such as Supima, Egyptian cotton, Global Recycle Standard, confidence in textiles, fair-trade, organic, etc.

Road ahead

India is emerging as a major garment hub and a preferred supplier of value-added textiles, which is expected to strengthen Abhishek’s yarn division. The division expects to enhance revenues from value-added products and increase exports.





Business division 3

# PAPER & CHEMICALS

World's largest wheat straw-based paper manufacturer

## SNAPSHOT

Revenues 2009-10: Rs 4,951.8 million	
Revenue proportion: 25 percent	
PBIT: Rs 212.8 million	
Paper production: 123,629 tonnes	
Sulphuric acid production: 84,038 tonnes	
Product basket	
Main products	■ Watermark paper
■ Writing and printing paper grades	■ Colour paper
■ Branded copier paper 'SPECTRA', 'My Choice' and 'Trident Natural'	Secondary products
■ Maplitho paper under brands like the diamond line, silver line, crystal line, super line, prime line, nature line and base line	■ Sulphuric-grade sulphuric acid
■ Bible and offset printing	■ Battery-grade sulphuric acid
■ Cream-woven paper	By-product
	■ Caustic soda

## BUSINESS OVERVIEW

### Paper

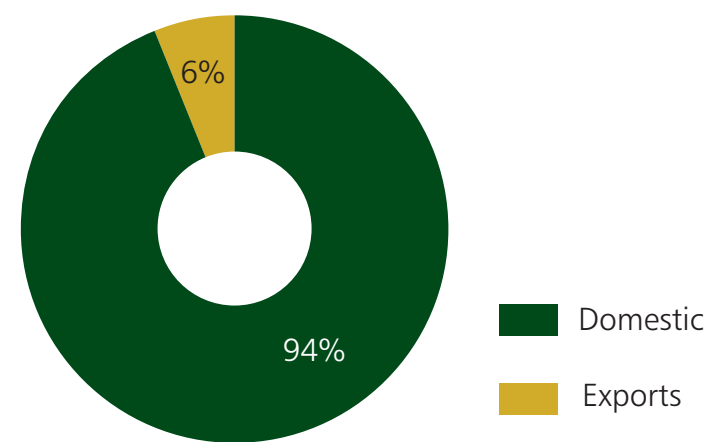
The division comprised paper manufacturing capacity of 175,000 tpa and pulp of 125,000 tpa. A majority of the division's output was marketed in the domestic market, and the rest in 25 countries.

Abhishek Industries Limited is an agro-based paper manufacturer using agricultural wastes (wheat straw) as raw material. The division is the world's first agro-based mill to use elemental chlorine-free bleaching and oxygen delignification technology, helping save around 5,000 trees a day.

### Chemical

The chemical division is one of the oldest divisions and one of North India's largest manufacturers of commercial and battery-grade sulphuric acid. The DCDA (double-conversion double-absorption) process is energy-efficient with minimal emissions. The facility is ISO 9001:2000-approved for quality management and OHSAS 18001-approved for occupational health and safety management systems.

Product destination



Year under review

The division strengthened its working in 2009-10 through the following initiatives:

- Launched new copier brands, enhancing its market share in the copier paper segment
- Introduced new product ranges – diamond line, cartridge paper, base line, nature line, silver line (low tint, natural tint and AF shade) and crystal line
- De-bottlenecked and stabilised manufacturing facilities
- Developed high-grade surface-sized maplitho and multi-purpose high-end copier through rigorous research

Operations

The division continued to implement practices like total quality management, Six Sigma, 5S and kaizen, which helped stabilise production units and improve productivity. The key attractions during the year were:

- Improvement in production and OEE as well as a decline in downtime
- Decrease in water consumption through the installation of efficient technology and processes

- Modification in raw material mix after research to ensure more eco-friendly finished products
- Launch of new products and development of new markets.

**Result:** These efforts enabled the division to sustain a considerable number of new 'A'-grade customers; apart from making efficiency and quality improvements.

Capacity		(tpa)		
	2007-8	2008-9	2009-10	
Paper	40,500	175,000	175,000	
Sulphuric acid	100,000	100,000	1,00,000	

Production		(tonnes)		
	2007-8	2008-9	2009-10	
Paper	40,832	67,302	1,23,639	
Sulphuric acid	68,437	60,968	84,038	

Revenues		(Rs million)		
	2007-8	2008-9	2009-10	
	1,758.9	3,046.9	4,951.8	

Customer focus

Over the years, the division evolved from a B-grade paper manufacturer to an A-grade manufacturer using 'green' technology (agro residue as raw material and ECF technology). The Company enhances brand recall through participation in national and international exhibitions, publishes monthly e-newsletters (e-paper) for channel partners and customers and communicates the 'Use Trident Paper, Save Trees' message through various modes across the country.

The division expanded its global footprint and exported products to 25 countries during the year. The division also achieved a significant breakthrough with its first dispatch of copier paper to the US.

The division is focusing on introducing branded products, more particularly copier paper brands in the domestic and export markets.

Exports as percent of division's revenue (percent)		
2007-8	2008-9	2009-10
6	6	6

Quality and R&D

Continuous quality control and improvement resulted in the following results:

- Higher brightness products
- Improved printing quality
- Intact packing quality of A4 copier
- Improvement in bulk and stiffness of copier paper
- Improvement in opacity and smoothness of the maplitho segment

The quality certifications of the division comprised BIS CM/L – 9433177, ECO Mark and Type A for writing and printing papers. The division is ISO 9001:2008-certified. The increased acceptability of the Company's products and reduced complaints from domestic and international markets represented a vindication of the Company's quality.

Road ahead

The division expects to reinforce its competitive position through de-bottlenecking, enhanced asset utilisation, bigger copier exposure, growing presence in untapped markets and an entry in developed markets with an objective to increase exports.



Business support

POWER

India's first captive power plant to implement fuzzy-logic technology

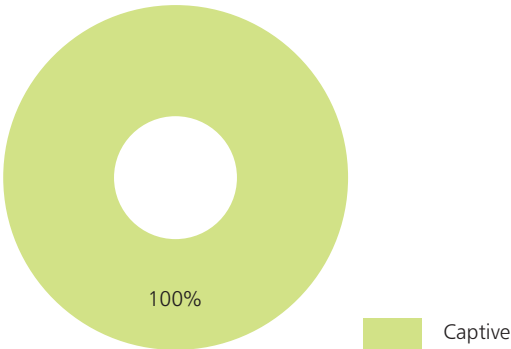


The Company’s 50-MW cogeneration power plants cater to the power and steam requirements of the home textile, yarn and paper & chemicals divisions. The result is sustained low cost and uninterrupted power supply. The power plant is equipped with the latest technology (AFBC) and multi-fuel boilers; the multi-fuel boiler can be fed agro-waste (rice husk), ETP sludge, methane gas (from the effluent treatment plant), pet coke and imported coke, based on their prevailing economies.

The Company was India’s first to implement fuzzy-logic technology to manage lime kiln burners. During the year under review, the Company generated 328,534 Mwh units of power for captive consumption, sufficient for its captive needs. This was 20 percent higher than the quantum generated in the previous financial year.

	2007-8	2008-9	2009-10
Power generation (Mwh)	152,951	274,521	328,534
Power consumption (Kwh/kg)			
Cotton yarn	2.43	2.38	2.63
Terry towel	2.49	2.51	2.47
Yarn processing	2.23	2.54	2.20
Paper	1.34	0.89	1.14
Sulphuric acid	0.07	0.07	0.06

Product destination



# DIRECTORS' PROFILE

Mr Rajinder Gupta (DIN 00009037)	Mr S K Tuteja (DIN 00594076)	Ms Pallavi Shroff (DIN 00013580)	Ms Ramni Nirula (DIN 00015330)	Mr Rajiv Dewan (DIN 00007988)	Mr Raman Kumar (DIN 00028180)
<p>Mr Rajinder Gupta, aged 51 years, is the founder of Abhishek Industries Limited and has been serving the Company as Managing Director since 1992. Mr Gupta is a first-generation entrepreneur having a rich and varied exposure of promoting industrial ventures over the last two decades. He is the person behind the stupendous growth of the Trident Group Companies. He holds directorships in various companies and is actively associated with several philanthropic ventures.</p> <p>Mr Rajinder Gupta was awarded with the prestigious “Padmashree” award in 2007 by Hon’ble President of India, in recognition of his distinguished services in the fields of trade and industry.</p> <p>Mr Rajinder Gupta was also conferred with the Udyog Ratna award for the year 2005 by PHD Chamber of Commerce and Industry, and PHD Chamber of Commerce Distinguished Entrepreneurship Award, 2005 by the President of India.</p>	<p>Mr S K Tuteja, aged 65 years, is a retired IAS Officer of the 1968 batch. He holds a Masters degree in Commerce from Delhi University and is a Fellow member of the Institute of Company Secretaries of India. He has served the government in several key positions at the state and national level, and was secretary to the Government of India in the Department of Food &amp; Public Distribution at the time of retirement. He has been a consultant to the World Bank and UNIDO.</p> <p>Mr Tuteja has a rich and varied experience of 42 years. He is also a member of the Executive Committee of the International Sugar Organisation and the International Grain Council, London. He has contributed to a number of national and international events in India and abroad concerning SMEs. He was a member of Indian delegation in the Ministerial Conference of the WTO at Doha.</p>	<p>Ms Pallavi Shroff, aged 54 years, is a MMS, Bachelor of Law and is a lawyer by profession. She has a vast experience of 28 years as a leading litigation practitioner in the area of Corporate Law and Banking. She has been recognised by international publications for her leading practice in arbitration and dispute resolution. As a member of several high-powered committees, appointed by the Government of India, she has been closely associated with the formulation of several important commercial statutes.</p> <p>Ms Pallavi is currently a partner of M/s Amarchand &amp; Mangaldas and Suresh A Shroff &amp; Co., a leading legal firm of India. She is regularly called upon by government departments and ministries to advise them on various issues. Ms Pallavi’s area of expertise, inter alia, includes corporate and commercial laws, anti dumping, arbitration and dispute resolution, competition and anti-trust and intellectual property rights among others.</p>	<p>Ms Ramni Nirula, aged 58 years, is Senior General Manager and Head of Corporate Banking of ICICI Bank Limited. She holds a Masters in Business Administration from Delhi University.</p> <p>Ms Nirula over than three decades of experience in the financial sector. She is part of the senior management team at ICICI Bank and has played an active role in its transformation from a term-lending institution to a technology-led, diversified financial services group. She has previously served as the MD and CEO of ICICI Securities Ltd. and has held leadership positions in the areas of leasing, planning, resources and corporate banking.</p>	<p>Mr Rajiv Dewan, aged 48 years, is a Fellow member of the Institute of Chartered Accountants of India and is a practising Chartered Accountant.</p> <p>Mr Dewan possesses a rich and varied experience in tax planning, management consultancy, business restructuring, capital market operations, SEBI-related matters and other corporate laws. Prior to starting his own practice, Mr Dewan worked in senior positions in some of the renowned textile companies of North India.</p>	<p>Mr Raman Kumar, aged 58 years, holds a Masters in Economics and Post-graduate in Business Management. He has worked with the government sector in various capacities and is presently on the Board of a number of Companies. He has a rich and varied experience in administration, liaisoning, legal and corporate affairs. Mr Raman Kumar has been associated with the Group since its inception and was in charge of the trust which takes care of social security and other welfare measures of employees of the Group.</p> <p>Mr Raman Kumar can be briefly described as a person with a vast working experience having an indepth legal knowledge and a good legal acumen, blended with sharp liaisoning skills and a result-oriented attitude.</p>





## DIRECTORS' REPORT

*Dear Shareholders,*

Your Directors are pleased to present the 20th annual report and audited accounts of the Company for the year ended March 31, 2010.

### Financial Results

The financial performance of your Company for the year ended March 31, 2010 is summarised below:

[Rs million]

Particulars	Current Year	Previous Year
a) Net sales	18,033.6	13,980.6
b) PBIDT	3,559.9	2,569.5
c) Less : Interest	1,046.1	797.4
d) PBDT	2,513.8	1,772.1
e) Less : Depreciation	1,744.4	1,159.3
f) Profit before tax	769.4	612.8
g) Less: Foreign Exchange gain/(loss)	161.0	–
h) Profit/(Loss) before tax and exceptional item	930.4	612.8
i) Less: Exceptional item - Foreign Exchange gain/(loss)	–	(1,440.7)
j) Profit before tax and after exceptional item	930.4	(827.9)
k) Less : Provision for tax	365.8	(297.5)
l) Net profit /(Loss)	564.6	(530.4)
m) Add : Profit brought forward	1,616.3	2,146.7
n) Amount carried to balance sheet	2,180.9	1,616.3
o) Earning per share (Rs)	2.54	(2.64)

### Corporate Overview

The Company operates in diversified business segments viz. Yarn, Terry Towel, Paper and Chemical and has captive power plant to cater to needs of it's business segments. As on the date of report, the Company is having following manufacturing capacities installed & operational:

Textile	
■ Terry towels	374 looms
■ Yarn	2,24,448 spindles
■ Yarn processing	6,825 tpa
■ Open end yarn	1,920 Rotors
Paper & Chemicals	
■ Writing & printing paper	1,75,000 tpa
■ Sulphuric acid	1,00,000 tpa
■ Caustic soda	110 tpd
Energy	
■ Co-generation of Power	50 MW
■ Steam	338 tph

### Results of Operations

#### Financial review

The net sales of the Company for the year under review increased to Rs 18033.6 million as compared to Rs 13980.6 million in the previous financial year, registering a growth of 29

percent. The Operating Profit for the year has increased by Rs 990.5 million in absolute terms, a growth of approximately 39 percent as compared to last year. During the year under review, Company has earned a net profit of Rs 564.6 million, registering an increase of 206 percent as compared to last financial year.

The Company had Earning per share of Rs 2.54 and Cash earning per share was Rs 10.39 during the current year.

Analysis of other relevant figures of balance sheet and profit and loss account is given in "Management's discussion and analysis report" forming part of Annual Report.

#### Performance Review

A detailed discussion on performance of operations of the Company is given elsewhere in this Annual Report under "Management's discussion and analysis report".

#### Dividend

Keeping in view overall performance, future expansion and modernisation projects in order to meet competition, your directors have decided not to recommend any dividend for the year under review.

#### Contribution to the national exchequer

The Company contributed a sum of Rs 185.9 million to the exchequer by way of central excise duty in addition to other direct and indirect taxes during the year under review.

Exports

Export sales accounted for 47 percent of net sales. During the year under review, export sales increased by 22 percent from Rs 6861.5 million in the previous year to Rs 8391.9 million in the current year.

Expansions / Modernisation

Directors of the Company takes pleasure in informing you that during the year under review, a new unit of terry towel has been commissioned under which Company has upgraded 18 looms and installed 24 new looms. This new unit has been commissioned under the Textile park being developed by Lotus Integrated Texpark Limited, a special purpose vehicle promoted by Trident Group under the Scheme of Integrated Textile Parks (SITP) of Government of India. With completion of this expansion, the total production capacity of the Terry Towel division of AIL has increased to 374 looms. The project has been completed with a capital outlay of Rs 359.8 million and commercial production on the new facilities has been started with effect from January 2, 2010.

During the year under review the Company has fully stabilised the operations of its paper project which was completed during the financial year 2008-9 and has launched its new copier paper ‘Trident Natural’ in the premium segment. In copier segment, the Company has attained respectable position through its already existing brands - ‘Spectra’ and ‘My Choice’. With launch of new brand, the Company has joined the league of companies offering products in the high-end & eco-friendly copier paper segment.

You would be pleased to note that your Company has successfully commissioned the Yarn Spinning project at Budni, Madhya Pradesh. The Company has commissioned two units of yarn spinning under this project. This project at Budni was commissioned in a phased manner and with commissioning of second yarn unit at Budni (this being the sixth yarn unit of the Company), a total of 98,496 spindles have become operational at Budni location. Post completion of this expansion, the total yarn spinning capacity of Company has increased to 2,24,448 spindles.

Further, the Board of your Company has accorded its In-principle approval for expansions of its Textile Operations including Spinning, Terry Towels, Sheeting with co-generation of power with an estimated investment of about Rs 30,000 million, within the Company or through any Special Purpose Vehicle promoted by the Company.

Subsidiaries

As on the last day of financial year under review, Company had one foreign subsidiary, i.e. Abhishek Industries Inc, a wholly

owned subsidiary situated at USA; apart from one Indian wholly owned subsidiary Abhishek Global Ventures Limited. The Ministry of Corporate Affairs, Government of India, vide its letter no. 47/227/2010-CL-III dated April 15, 2010 has granted exemption to the Company from attaching balance sheet, profit & loss accounts, etc of the aforesaid subsidiary Companies to the accounts of the Company for the financial year 2009-10. The Annual accounts of the subsidiary companies alongwith the reports of the Directors and Auditors thereon and all related detailed information are open for inspection by any investor including investor of subsidiary companies at the head office of the Company and of the subsidiary companies concerned. The Company will make available these documents to investors including investors of subsidiary companies upon receipt of request from them. The investors, if they desire, may write to the Company to obtain a copy of the financials of the subsidiary companies.

A statement giving information on the financials of subsidiaries for the year ended March 31, 2010 and the consolidated financial statements prepared by the Company in accordance with Accounting Standard are given in the Annual Report for the reference of the members.

During the year under review, the Company has disinvested its entire holding in Abhishek Europe SA, Neuchtel. Consequent to this, Abhishek Europe SA has ceased to become subsidiary of the Company w.e.f. May 18, 2009 and the Company does not have any control on the said subsidiary with effect from that day.

Directors

During the year under review, in accordance with the provisions of Articles of Association of the Company, all the directors, for the time being, except the Managing Director & Wholetime Director, shall retire annually and accordingly Mr S.K. Tuteja, Ms. Pallavi Shroff, Ms. Ramni Nirula and Mr Rajiv Dewan, Directors are retiring at the ensuing Annual General Meeting. All retiring directors, offer themselves for re-appointment.

Further Mr Karan Avtar Singh ceased to be directors of the Company consequent to withdrawal of his nomination by Punjab State Industrial Development Corporation Limited (PSIDC).

Fixed Deposits

During the year under review, your Company has not accepted any fixed deposits and no amount of principal or interest was outstanding as of balance sheet date.

No Default

The Company has not defaulted in payment of interest and/or repayment of loans to any of the financial institutions and/or banks during the year under review.

Corporate governance

Your Company is committed to adhere to the best practices & highest standards of Corporate governance. It is always ensured that the practices being followed by the Company are in alignment with its philosophy towards Corporate governance. The well-defined vision and values of the Company drives it towards meeting business objectives while ensuring ethical conduct with all stakeholders and in all systems and processes.

Your Company proactively works towards strengthening relationship with constituent of system through corporate fairness, transparency and accountability. In your Company, prime importance is given to reliable financial information, integrity, transparency, fairness, empowerment and compliance with law in letter & spirit. Your Company proactively revisits its governance principles and practices as to meet the business and regulatory needs.

Detailed compliances with the provisions of Clause 49 of the Listing Agreement for the year 2009-10 has been given in Corporate governance Report, which is attached and forms part of this report. The Auditor’s certificate on compliance with Corporate governance norms is also attached thereto.

Human Resource Development and Industrial Relations

The human resources development function of the Company is guided by a strong set of values and policies. Your Company strives to provide the best work environment with ample opportunities to grow and explore. Your Company maintains a work environment that is free from physical, verbal and sexual harassment. The details of initiatives taken by the Company for development of human resources are given in Management’s discussion and analysis report.

The Company maintained healthy, cordial and harmonious industrial relations at all levels.

Recognitions & Awards

During the year under review, your Company has been conferred with following awards and recognitions:

- Gold Trophy for outstanding export performance for “Top Exporters – Madeups” in the Category of “Towels” for the year 2008-9 by ‘The Cotton Textiles Export Promotion Council (TEXPROCIL)’
- Bronze Trophy for the “Highest Global Exports” for textiles for the year 2008-9 by ‘The Cotton Textiles Export Promotion Council (TEXPROCIL)’
- IKEA ‘Best Supplier TASA (Trade Area South Asia) Quality Award for year 2008-9

- The Ministry of Commerce & Industry, Government of India, has granted the status of Star Trading House to the Company on the basis of export performance of the Company.

Auditors & Auditors’ Report

M/s Deloitte, Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from M/s Deloitte, Haskins & Sells, Chartered Accountants, under Section 224(1) of the Companies Act, 1956 confirming their eligibility and willingness to accept the office of the Statutory Auditors for the year 2010-11, if re-appointed.

The Statutory Auditors of the Company have submitted Auditors’ Report on the accounts of the Company for the accounting year ended March 31, 2010. In their report, they have made an observation that loss on valuation of open put derivative options could not be determined by the Company due to certain reasons as specified in Note 18 of the Notes to Accounts. The ultimate outcome of these transactions and their effect on these accounts cannot be ascertained at this stage.

As you are aware that a major part of revenue of your Company comes from export sales and as such Company has foreign currency fluctuation exposure. Your Company hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various foreign currency options from various banks and as at March 31, 2010, there were certain open put options outstanding having a maturity period up to January 2013. These derivative options are proprietary products of banks, which do not have a ready market and as such are marked to a model, which is usually bank specific instead of being marked to market. In the view of the significant uncertainty associated with the above derivative options whose ultimate outcome depends on future events, the loss if any, on such open derivative options cannot be determined at this stage.

The other points of Auditors’ Report are self-explanatory and needs no comments.

Cost Audit

Pursuant to the provisions of Section 233B of the Companies Act, 1956 and subject to the approval of the Central Government, the Board of Directors of your Company has re-appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditor for the accounting year 2010-11 to carry out an audit of cost accounts of the Company in respect of textile, paper and chemical divisions.



## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given as Annexure I hereto and forms part of this report.

### Disclosure on ESOP

The Abhishek Employee Stock Options Plan, 2007 has been constituted in accordance with the Securities and Exchange Board of India (Employee Stock Options Scheme & Employee Stock Purchase Scheme) Guidelines, 1999. The relevant disclosure on Company's stock options scheme as per these guidelines has been provided in Annexure II hereto and forms part of this report.

### Particulars of the Employees

As per the provisions of Section 217(2A) of the Companies Act, 1956, the statement of particulars of the employees, etc forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the abovesaid information is being sent to all the members and other entitled persons. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

## Responsibility Statement of Directors

A Directors' Responsibility Statement, setting out the requirements pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 is annexed as Annexure III hereto and forms part of this report.

### Acknowledgements

It is our strong belief that caring for our business constituents has ensured our success in the past and will do so in future. Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Central Government, Government of Punjab, Government of Madhya Pradesh, Financial Institution(s), Bank(s), Customers, Dealers, Vendors and society at large.

Your Directors also wish to convey their appreciation for collective contribution & hard work of employees across all level. The Board, also, takes this opportunity to express its deep gratitude for the continued co-operation and support received from its valued shareholders and support provided to the Company and their confidence in its management and look forward to their continued support in future too.

For and on behalf of the Board

Place : New Delhi      **S K Tuteja**      **Rajinder Gupta**  
Date : May 3, 2010      *Chairman*      *Managing Director*

# ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1) (e) read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended March 31, 2010.

## 1. Conservation of energy

### 1.1 Energy conservation measures taken:

1. Installation of high pressure FOG system in AIR washer and re-engineering of H-plant.
2. Reduction in Power Consumption by of Air Compressor by reducing line losses and continuous audit of air leakages.
3. Installation of eco ventilation in different areas.
4. Re-engineering of Humidification plants and reducing its power consumption.
5. Installation of Heat recovery system to reduce steam consumption

6. Installation of energy efficient Pumps and motors
7. Installation of Variable Frequency Drivers (VFDs), HT Capacitors, Vacuum Pump, Stabilisers, timers and monitoring their economical use
8. Installation of Cooling Tower for water Conservation.
9. Continuous Energy Audit by external & internal team as to identify the areas for energy saving.

### 1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

1. Installation of green energy equipments.
2. Installation of Vertical Sump pumps at Pump House Power

3. Replacement of Ducting in H-Plant, metal highway lamps with CFL lights, starters with drives in utility section
4. Introduction of double speed drives in NP Looms.
5. Strengthening of Energy Conservation Cell for executing energy management activities across the organisation and ensuring integration of best practices.
6. Installation of Blow Heat Recovery System at Hard Wood Pulp, Shoe Press Installation and Tail Threading System at Paper Machine.

### 1.3 Impact of measures taken at 1.1 and 1.2 above for reduction of energy consumption and consequent impact on the cost of production of goods:

On account of the abovesaid measures adopted by the Company, considerable saving in energy and reduction in cost of production has been achieved. However, the power consumption per kilogram as compared to the previous year in yarn has increased because of new technology absorption and increase in production of value added products, which requires a substantial amount of extra energy.

### 1.4 Total energy consumption and consumption per unit of production as per form A of the annexure in respect of industries specified in the schedule thereto:

	Particulars	Units	Year ended 31.03.2010	Year ended 31.03.2009
1.4.1	Power and Fuel consumption			
1.4.1.1	Electricity			
a]	Purchased			
	Units	MWH	71741	75985
	Total Amount	Rs Million	325.16	328.08
	Rate per unit	Rs/KWH	4.53	4.32
b]	Own generation			
i)	Through Diesel Generator			
	Units	MWH	96	206
	Units/litre of Diesel	KWH	3.25	3.33
	Cost per unit	Rs/KWH	9.53	9.81
ii)	Through Steam Turbine/Generator			
	Units	MWH	295089	269010
	Units per tonne of Steam	KWH	151	148
	Cost per unit	Rs/KWH	3.69	3.57
1.4.1.2	Coal			
	Quantity	MT	223304	222118
	Total amount	Rs Million	853	736
	Average	Rs/MT	3821	3312
1.4.1.3	Furnace Oil			
1.4.1.4	Other /Internal Generation			
1.4.2	Consumption per unit of Production			
	Product			
	Cotton Yarn	KWH/kg	2.63	2.43
	Towel	KWH/kg	2.47	2.49
	Yarn Processing	KWH/kg	2.20	2.23
	Paper	KWH/kg	1.14	1.34
	Sulphuric Acid	KWH/kg	0.06	0.07

## 2. Technology Absorption

Efforts made in technology absorption as per Form B

### Research & Development (R & D)

#### 2.1.1(a) Specific areas in which R & D carried out by the Company:

1. New product development in textiles – Air rich yarn, Soya cotton modal, Sarona cotton yarn, fine count core spun lycra and slub yarn, Eli twist yarn, compact yarn, rich towels, Low Twist Towels, Cotton:Remie, Cotton:Sarona Fibre, Cotton:eucalyptis, Mu Func Yarn Towel, Bleach Safe Towel, White Pro towels, Health Pro towel, Cotton Bamboo towels.
2. New product development in paper - Grade surface sized maplitho paper in diamond line brand, multi purpose high end copier, varieties of surface sized maplitho for high end publishing.
3. Introduction of high grade glue in copier packing, use of pigment dyes in place of direct dyes.
4. Development of Cartridge paper for Children drawing book and natural shade paper for publishing segment.
5. Hypo replaced with ClO<sub>2</sub> at wood street to reduce the AOX, an environment friendly initiative.

#### 2.1.1(b) Benefits derived as a result of the above R&D

1. Increase in revenue and EBITDA margin.
2. Penetration into new market / new customers.
3. Product diversification and process flexibility
4. Increase in production and OEE
5. Reduction in AOX level, hence contributed towards green environment
6. Improvement in brand image

#### 2.1.1(c) Future plan of action

1. More emphasis on value added and innovative products.
2. Planning for development of new blends fibre
3. R&D being carried out for more energy saving & environment friendly products
4. Development of A grade non surface sized maplitho
5. Pulping & bleaching studies of alternative fibrous raw materials and introduction of high purity lime to reduce solid waste in recovery.

#### 2.1.1(d) Expenditure incurred on R&D :

Expenses incurred on R&D are booked under respective general accounting heads and as such no amount can be quantified separately under the head of R&D expenses.

#### 2.1.2 Technology Absorption, Adaptation and Innovation:

##### 2.1.2 (a) Efforts, in brief, made towards technology absorption, adaption and innovation:

1. Formation of dedicated and focused product development cell
2. Installation of latest slub and amsler core spun attachment for slub yarn production
3. Roving transportation system installation for improved material handling
4. Installation of latest technology in weaving, processing, CSP, humidification plant and process house
5. Centrifugal screening system in hardwood street replaced by three stage pressure screening
6. Introduction of controller for SPM control in Recovery ESP

##### 2.1.2 (b) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc :

The Company was able to cater to a large number of Customer/Market with multiple product portfolio and better quality based on environment-friendly technology. The manufacturing costs were rationalised towards optimisation.

##### 2.1.2 (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished

###### (i) Technology imported

The latest state-of-the art technology in transporting system, winding, testing, spinning, weaving, processing, finishing, soft winding, sectional warping, sizing machine, looms, dyeing, hemming, continuous pulping digester & ECF technology from world renowned suppliers for improving production productivity and product quality, besides reducing consumption of energy and scares resources

###### (ii) Year of import

2004 to 2010

###### (iii) Has technology been fully absorbed?

Yes

###### (iv) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

Not applicable

## 3. Foreign Exchange Earnings And Outgo

#### 3.1 Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans

The Company is presently exporting its products to more than 60 countries across the globe. The Company is growing its market base. Consistent efforts are being made to capture new avenues for exports.

#### 3.2 Total foreign exchange used and earned

(Rs million)

Particulars	Current year	Previous year
Earnings (FOB value of exports)	8,391.9	6,861.5
Outgo (CIF value of imports)	1,159.6	1,356.4
Travelling expenses	3.6	3.2
Other expenses	71.9	103.6

## ANNEXURE II TO THE DIRECTORS' REPORT

Disclosure related to Employee Stock Option Scheme of the Company:

1. In financial year 2007-8, the Company had introduced Abhishek Employee Stock Options Plan, 2007. The plan was approved by the special resolution of shareholders passed on June 29, 2007 by way of postal ballot. The Company has made two grants under the scheme till the date. The first grant was made on July 9, 2007 and second grant was made on July 23, 2009 by the Compensation Committee as per the terms & conditions of Abhishek Employee Stock Options Plan, 2007. The options were granted at the latest available closing market price prior to the date of meeting. The Company calculates employee compensation cost using the intrinsic value of option.

The relevant information with respect to Company's stock options plan as on March 31, 2010 is given below:

#### Details of Options

Grant	First Grant	Second Grant
Date of Grant	July 9, 2007	July 23, 2009
Total option granted	79,01,462	39,93,000
Exercise Price	Rs 17.55	Rs 11.20
Options Vested	14,06,634	Nil
Options Exercised	Nil	Nil
Total no. of shares arising as result of exercise of Options	Nil	Nil
Options lapsed *		
(*Lapsed options include options forfeited and options cancelled / lapse)	32,92,565	6,02,250
Variation in terms of Options	None	None
Money realised by exercise of Options	Nil	Nil
Total number of options in force	46,08,897	33,90,750
Employee wise details of options granted to:		
• Senior Managerial Personnel*	13,36,376	4,78,500
(*options granted to Chief Executives those were in force on last day of financial year in which options were granted. Name of employees are not given keeping in view the sensitivity)		
• Any other employee who receives a grant in any one year of option amounting to 5 percent or more of option granted during that year	None	None
• Employees who were granted option, during any one year, equal to or exceeding 1 percent of the issued capital (excluding warrants and conversions) of the Company at the time of grant)	None	None



Difference between Intrinsic Value and Fair Value of Stock Options and impact of this difference on net profit and EPS:

Pro Forma Adjusted Net Income/(Loss) and Earning Per Share	
Net Profit/(Loss) as reported (Rs million)	564.6
Add: Intrinsic Value Compensation Cost (Rs million)	0
Less: Fair Value Compensation Cost (Rs million)	16.8
Adjusted Pro Forma Net Profit/(Loss) (Rs million)	547.8

Earning Per Share (Rs)

	Basic	Diluted
As Reported	2.54	2.53
Adjusted Pro Forma	2.47	2.46

Weighted average exercise price and Weighted average fair value of Options granted during the year

Particular	Exercise Price (Rs)	Fair Value (Rs)
Exercise price equals market price	11.20	6.25
Exercise price is greater than market price	Not applicable	Not applicable
Exercise price is less than market price	Not applicable	Not applicable

Description of method and significant assumptions used to estimate the fair value of options granted during the year

The fair value of the options granted during the financial year 2009-10 has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. For estimation of fair values of option, following weighted average values have been used for options granted:

Stock Price	11.26
Volatility	52.46 percent
Risk free Rate	6.53 percent
Exercise Price	11.20
Time To Maturity	5.50
Dividend yield	0 percent

ANNEXURE III TO THE DIRECTORS' REPORT

Directors’ responsibility statement pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 and forming part of the Directors' report for the year ended March 31, 2010.

The statement of the Directors’ responsibility on the annual accounts of the Company for the year ended March 31, 2010 is provided below:

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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 as at March 31, 2010 and of the profit/loss of the Company for the year ended March 31, 2010.
- iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 in 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.

For and on behalf of the Board

Place : New Delhi  
Date : May 3, 2010

S. K. Tuteja  
Chairman

Rajinder Gupta  
Managing Director



# MANAGEMENT'S DISCUSSION AND ANALYSIS

ABHISHEK INDUSTRIES REVIEWS THE HEALTH OF ITS BUSINESSES in real-time, covering performance, strategy and compliance. This real-time monitoring helps the management identify potential risks and opportunities leading to proactive derisking and opportunity maximisation. The Company's Audit Committee and Board of Directors strengthened governance practices to protect stakeholder interests.

The following report comprehensively analyses the business and environment impact on its performance which should be interpreted along with the audited financial statements and notes for the year ended March 31, 2009 and March 31, 2010. The report should also be read in conjunction with the business divisional overview pages of respective segments published in this Annual Report. All reference to 'AIL', 'Abhishek', 'we', 'our' or 'the Company' in this report, refer to Abhishek Industries Limited.

## Business overview

Abhishek Industries operates in two exciting segments – textile and paper. The Company manufactures yarn, terry towels, paper and sulphuric acid. The Company also has captive power plants to cater to the needs of its business segments. Over the years, the Company has evolved into a global player with

manufacturing units in Barnala (Punjab) and Budni (Madhya Pradesh). The Company progressively invested in state-of-the-art technology, equipment and quality, leading to competitiveness.

## Economic overview

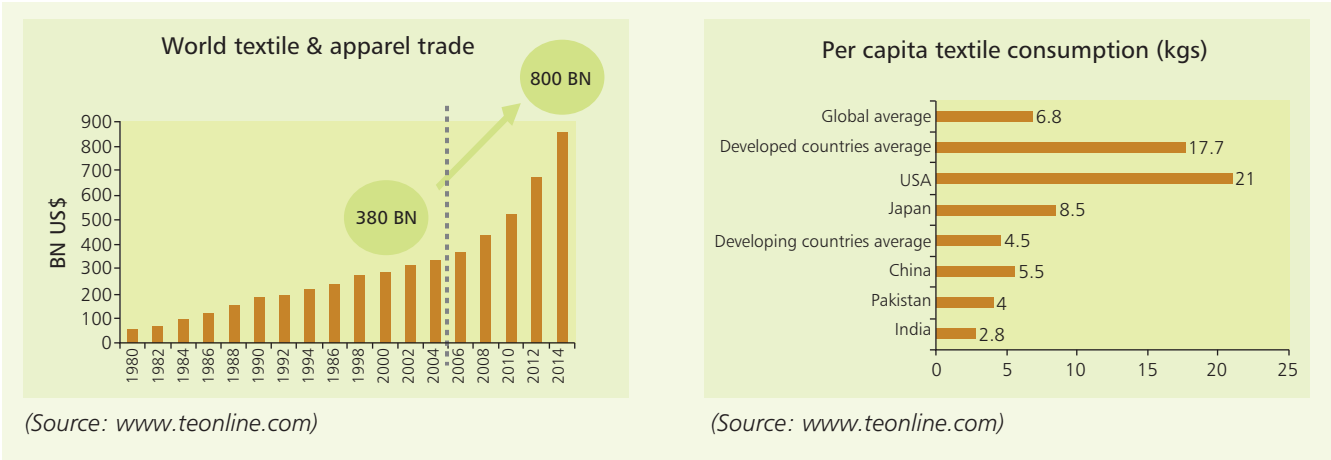
The acute financial crisis passed and a global economic recovery commenced from the second and third quarter of 2009 led by major Asian economies and developing countries. As a result, global economy is expected to grow 2.7 percent in 2010 and 3.2 percent in 2011 following a 2.2 percent degrowth in 2009. The growth of developing nations is expected to strengthen from a low 1.2 percent in 2009 to 5.2 percent in 2010 and 5.8 percent in 2011. On the contrary, developed countries – hardest hit by the financial crisis – are expected to grow 2.7 percent in 2010 and 3.6 percent in 2011 (Source: World Bank).

Despite drought and slowdown, India posted a robust 7.4 percent GDP in 2009-10. The Index of Industrial Production (IIP) stood at 10.4 percent in 2009-10, compared with 2.8 percent in 2008-9. The manufacturing sector grew 10.8 percent during 2009-10 against 8.9 percent in 2008-9. Moreover, India is projected to grow 8.5 percent in 2010-11.

## Textile industry

### Global and Indian overview

The global textile and apparel industry underwent a transformation following the elimination of quotas in 2005, enabling new players to enter the global market. China represents around 40 percent of the global trade in textiles. However, recent cost increases in China created opportunities for India, Pakistan, Vietnam, Cambodia and Bangladesh, enjoying low labour and manufacturing costs. The global textile and clothing trade is expected to grow to US\$800 billion by 2014.



The Indian textile and apparel industry contributes about 14 percent of India's industrial production, 12 percent of its export earnings, 4 percent of GDP and employs 85 million people (directly and indirectly).

India is the second-largest producer of cotton and cellulose fibre/yarn and the fifth-largest producer of synthetic fibers/yarn in the world. India accounts for 20 percent of the world spindleage, 6 percent of the world's rotors and 62 percent of the world's loomage.

The domestic textile industry covers a gamut of activities from the production of raw material like cotton, jute, silk and wool to value-added products like fabrics and garments. The industry is expected to grow from US\$55 billion in 2008-9 to US\$115 billion by 2011-12, following a projected FDI of around US\$6 billion by 2015, targeted towards the creation of greenfield units in textile machinery, fabric and garment manufacturing (Source: IBEF). The domestic market is likely to grow to US\$106 billion by 2015 while the export market is likely to grow to US\$66 billion.



Indian textile and clothing export outlook

Year	World exports of textiles and clothing (at long term projected average growth of 7 percent per annum)	India's exports of textiles and clothing (at targeted average growth of 20 percent per annum)	Share of India (percent)
2008	US\$612 billion	US\$21 billion	3.4
2015	US\$996 billion	US\$66 billion	6.6

(Source: FICCI)

Overall textile and clothing imports declined 13.26 percent from US\$2.92 billion in 2008-9 to US\$2.53 billion in 2009-10 (Source: Confederation of Indian Textile Industry). India's per capita cotton consumption is lower than in developed economies; the industry expects to enhance fibre consumption through a wider reach in rural areas and launch of new products.

Per capita consumption of cotton

Country	Per capita consumption (in kg)
India	5-6
China	14.6
North America	38
Thailand	19.8
World average	10.8

(Source: FICCI)

Further, initiatives taken by the Indian government to strengthen the textile industry are yielding positive results.

Advantage India

Following the relaxation of import restrictions on the multi-fibre arrangement (MFA) from January 2005, the market became competitive. India is attractively placed to capitalise; the country possesses abundant raw material and is one of the world's largest cotton yarn producers, enjoying a presence across the value chain and trained low-cost manpower.

The Indian textile industry, which was impacted by the global recession, is on the path of recovery, except cotton textile exporters who may face another challenging year owing to loan repayment. A probable recovery is expected to be backed by growing exports, sustained domestic demand and enhanced value-addition.

Home textile industry overview

Global and Indian overview

The world home textile market is estimated at US\$ 35 billion. The US and EU account for nearly 70 percent of the home-textile market; the other major markets comprise Japan, Australia and New Zealand. Potential growth markets in home-textile are China, Russia, South America, India and the Middle East. The industry is estimated to grow at a CAGR of 4 percent. The Company is primarily engaged in the terry towel segment of the industry.

Terry fabrics belong to the group of pile fabrics, wherein additional loose (with lesser tension) yarn is introduced to form loops, called piles, to give a distinct appearance and effect. Historically, terry towel production was predominant in developed countries like the US, Australia, Japan and Europe, among others. However, during the last few years, terry towel production in developed countries declined as these countries increasingly outsourced their requirements of home textiles (especially terry towels) to developing countries owing to lower labour costs.

The global market for terry towels is concentrated in the US and EU. India's exports declined in 2009-10, owing to a sluggish offtake of consumer products in the western markets. EU's imports declined sharply in 2009; as a result, nearly all exporting countries suffered a double-digit decline in their exports excluding India. Increasing outsourcing – as product baskets widen and the scope for value-addition increases – is expected to stabilise the realisations for low-cost producers like India, Bangladesh and China.

The Indian terry towel industry evolved from a domination by handloom and powerloom to organised automation. India's edge is derived from its large domestic market, low cost labour, cotton abundance, willingness to manufacture short runs (whereas China focuses on high output), product development and global quality. Following the entry of major players in national retail, India's terry towel consumption is likely to increase. Besides, a marked shift in consumer preference from generic products to value-added special products (quick dry and antimicrobial towels) is expected to emerge.

Abhishek Industries' response

The Company embarked on various initiatives to strengthen its working. The Company optimised production cost, enhanced capacity and overall efficiency. The division undertook several initiatives in the area of operations, marketing, quality and R&D. A detailed discussion of the Company's response is given under the business division overview published in this annual report.

The Company, in collaboration with the Natic team, developed quality products for JCP's largest-ever towel program, conducted internal process audits based on the requirements of the Deming Award (Japan) and Baldrige Quality Award (UK), and implemented the Trident Harmonised Manufacturing Process for enhanced quality.

In response to industry dynamics, the Company planned an expansion of its textile operations covering spinning, terry

towels, sheeting and power co-generation at an estimated investment of Rs 30,000 million, either directly or through any special-purpose vehicle promoted by the Company.

SWOT of the home textile division

The strength of the division lies in its being one of the world's largest terry towel manufacturers, possessing state-of-the-art technology and a strong client base. The division perceives the opportunity for carving out a larger market share of value-added products in the emerging markets of India, Latin America, the Middle East and East Europe.

The increased dumping of low quality products and dependence of raw material prices on climatic uncertainties can affect profitability. Further, a long product life cycle of towels can affect fresh demand, whereas a volatility in foreign currencies threaten margins.

Yarn industry overview

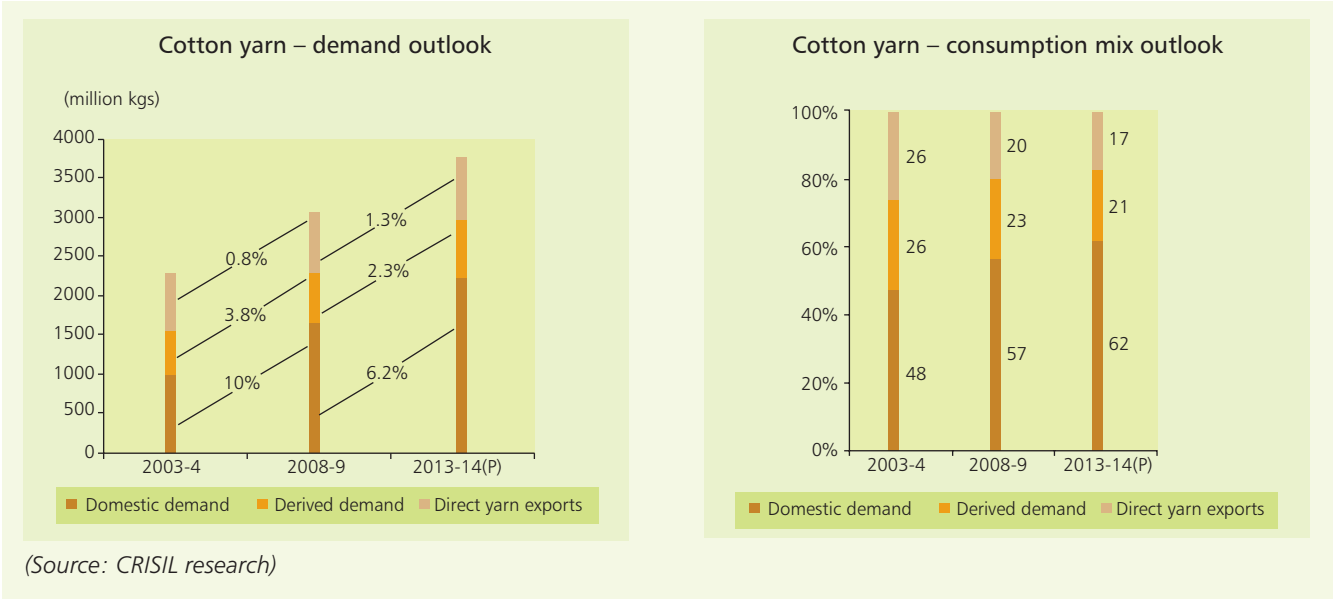
Global and Indian overview

Global fibre (cotton, wool, silk) production dropped 5.1 percent to 23.49 million tonnes in 2009-10 mainly owing to slower demand following the 2008 crisis. However, demand is expected to revive, led by emerging economies like China, Bangladesh and India.

Cotton yarn demand is derived from downstream fabric demand, which, in turn, is used to manufacture readymade garments and home textiles for domestic and exports. A bulk of the yarn demand is derived from the domestic segment (i.e. 57 percent), catalysed by rising disposable incomes and improved

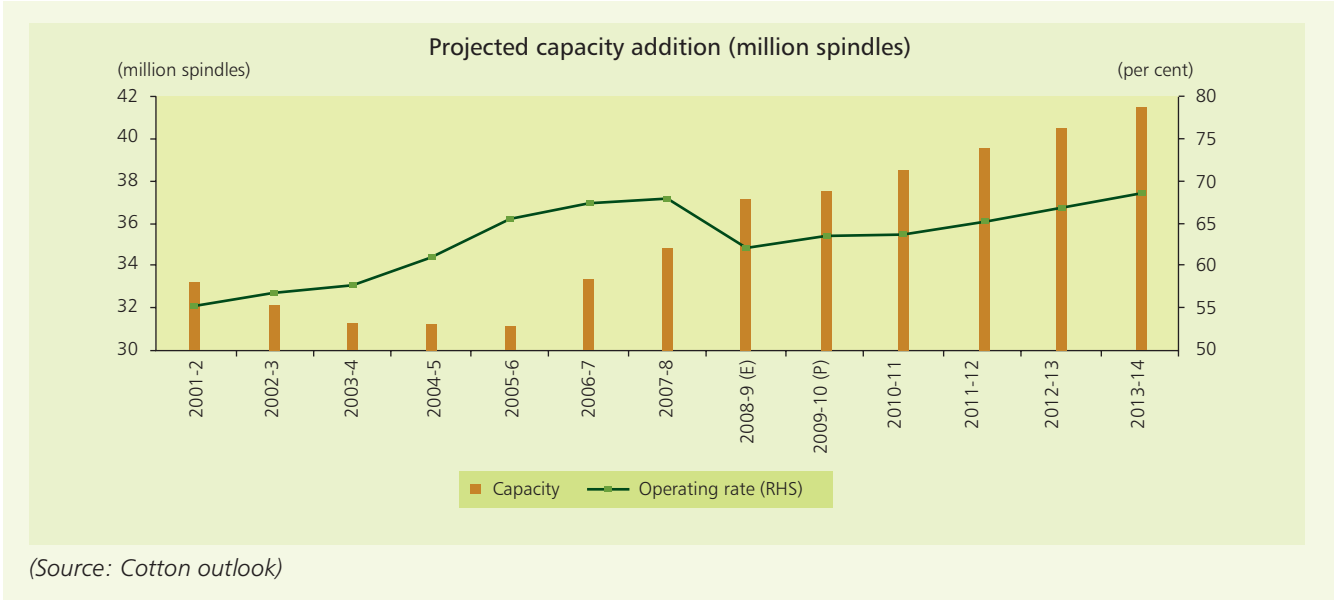
awareness regarding fashion trends. As a result, domestic yarn sales are expected to rise to 62 percent of production by 2013-14. India's cotton spinning industry performed well towards the later part of 2009-10 as the global cotton crop was low and Indian turned in a bumper crop (Source: CRISIL).

Cotton yarn demand in India is expected to grow at an overall CAGR of 4.4 percent from 2,897 million kg in 2008-9 to an estimated 3,599 million kg in 2013-14. Export demand is expected to remain sluggish owing to mature growth in the US and the EU.





In India, sizeable loans disbursed under TUFs in 2006-7 resulted in a significant capacity addition in 2008-9. Although investments in the last couple of years were not as large as those in 2006-7, they translated into sizeable spinning capacity addition. With demand expected to revive, industry capacity utilisation is set to increase from 62 percent in 2008-9 to 69 percent by 2013-14.



Abhishek Industries’ response

During 2009-10, the Company commissioned new yarn units in Budni (Madhya Pradesh), developed value-added products (air rich yarn, soya-cotton-modal, core spun yarn and bamboo cotton) and modernised legacy equipment. The division took several initiatives in the area of operations, marketing, quality and R&D. A detailed discussion of the Company’s response is given under the business division overview published in this annual report.

SWOT of yarn division

The strengths and opportunities of the division are: flexible switching of capacity between finer and coarser segments, state-of-the-art technology, easy raw material availability, strong client base and geographical diversification.

Increased competition from low-cost manufacturing countries and the proposed fixation of a minimum support price of raw cotton represent divisional challenges.

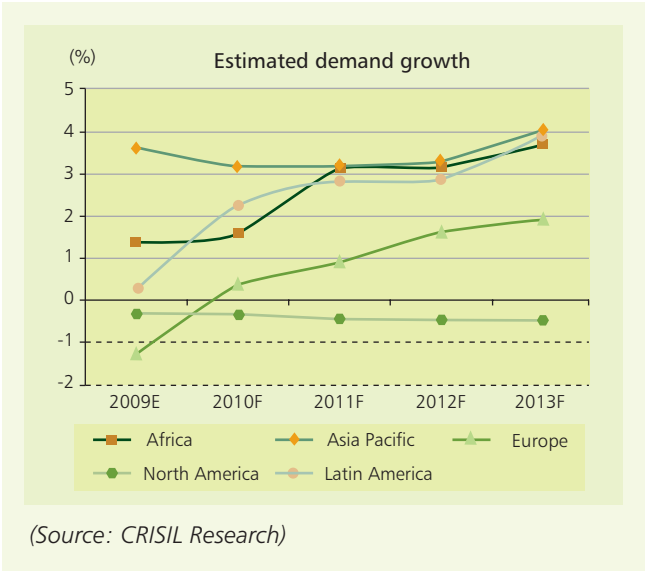
Paper industry

Global and Indian overview

The global paper industry is concentrated in North America, Europe and Asia. The US is a leading producer, producing over 100 million tonnes per annum, nearly a third of the world’s paper production. The Asian paper market is growing faster than Europe and America; Asia is expected to account for 38 percent of global paper consumption by 2015. Asia’s principal paper producing and consuming markets are Japan, China, India, Malaysia, Singapore and Thailand.

Although the overall industry’s demand/capacity ratio remained low in 2009, it is expected to increase over five years as economies revive, led by developing countries. Asia dominates the demand for paper and paperboard (P&B). Over 2003 to 2008, P&B consumption increased in Asia and Africa although the rate of increase was slower as users gradually shifted to online content.

Growth prospects of global paper industry



The cost of key raw materials (pulp and wastepaper) declined 22 percent in 2009 owing to a declining demand in certain regions. However, as demand outstrips supply, pulp and wastepaper prices are expected to increase 15-20 percent in 2010 and another 6-8 percent in 2011.

India ranks fifteenth among paper producing countries. With stable economic growth, the Indian paper industry steadily grew at a 6.5 percent CAGR from 6.8 million tonnes in 2003-4 to 9.3 million tonnes in 2008-9. The paper and paperboard demand in the Indian context is expected to grow at 6.8 percent CAGR from 7.7 million tonnes to 10.7 million tonnes across 2008-14 (Source: CRISIL).

Owing to an increased focus on quality paper, raw material imports as a proportion of domestic consumption is expected to increase from 26 percent (imported wastepaper and pulp) in 2008-9 to 28-30 percent by 2011-12. Average pulp and wastepaper prices declined in 2009, owing to low demand. However, with Asia emerging as the principal demand driver, raw material prices are expected to rise.

India’s low per capita paper consumption can also be seen as a major industry opportunity. The demand for paper (especially specialty) is expected to increase owing to increasing literacy,

investment in the education sector, expected increase in vernacular print media and increase in the standard of living and per capita income.

Abhishek Industries’ response

The Company invested in the latest technology and expanded capacity, enabling it to emerge the world’s largest wheat straw-based paper manufacturer. During the year under review, the Company focused on value-added products, innovations and quality. The division took several initiatives in the area of operations, marketing, quality and R&D. A detailed discussion of the Company’s response is given under the business division overview published in this annual report.

SWOT of paper division

The division deploys eco-friendly paper manufacturing technologies. Proximity to raw material and a large product portfolio, catering to diverse value-added requirements, represent other strengths.

On the other hand, a slow pick-up in exports coupled with planned industrywide capacity expansion and low quality ASEAN imports are perceived as challenges.

Chemicals

Overview

The chemical industry encompasses organic and inorganic chemicals, dyestuffs, paints, pesticides and specialty chemicals. Some of the prominent individual chemical industries are caustic soda, soda ash, carbon black, phenol, acetic acid, methanol and azo dyes. The established chemical industry in India has recorded a steady growth in the overall Indian industrial scenario.

Considering the modest per capita consumption of chemicals in India (relatively below the prevailing world level), there is a tremendous scope for growth of the sector.

Abhishek Industries’ response

The chemical division is capable of producing 100,000 tonnes per annum of sulphuric acid. The Company also produces battery-grade sulphuric acid. The chemical division caters to the need of leading battery manufacturers, detergent, zinc sulphate, alum manufacturing, dyes chemicals and fertiliser industries, among others.

Power

Overview

India is the world’s sixth-largest electricity consumer and Asia-Pacific’s third-largest power generator (after China and Japan). India accounts for about 3.5 percent of the world’s total annual energy consumption, with a per capita consumption of 631 kwh, compared with the world average of 2,873 kwh in 2009-10. The country traditionally depended on thermal power, which accounts for around 63 percent of the installed capacity. The transmission segment needs significant capacity additions in line with the increasing generation capacity. India’s transmission and distribution (T&D) system is a three-tier structure comprising regional grids, state grids and distribution networks.

If India’s economy continues to grow at an average 8 percent, power demand is expected to increase by 315-335 GW by 2017. This would require a five to ten-fold rise in power generation.

Abhishek Industries’ response

The Company established a 50-MW power generation unit, ensuring uninterrupted power supply leading to smooth production and reduced power costs. The power plant is equipped with the latest technology (AFBC) and multi-fuel boilers. The Company implemented fuzzy-logic technology to manage lime kiln burners.

Financial analysis with respect to operational performance

Revenues

The Company's net turnover increased 29 percent to Rs 18,033.6 million in FY 2009-10. Of the total turnover, Rs 8,394.8 million was owing to income from exports. A snapshot of the segmental financial performance for FY 2009-10 and its comparison with the preceding fiscal year are tabulated below:

Division	Current year		Previous year		Growth	
	Sales *	PBIT	Sales *	PBIT	Sales *	PBIT
Yarn	4655.8	362.2	3397.0	58.4	37 percent	520 percent
Towels	8435.4	1504.4	7560.5	(95.3)	12 percent	1679 percent
Paper and chemicals	4942.4	212.8	3023.1	326.3	64 percent	-35 percent

\* Excluding inter-segment sales

The share of the textile segment in the Company's external sales was 73 percent, which is lower, compared with 78 percent in the preceding year. During the FY 2009-10, yarn sales grew 37 percent over the preceding year. Yarn production increased 20 percent as the Company started commercial production in Unit V of the yarn division at Budni, Madhya Pradesh. The division, during the year, also concentrated on the production of value-added yarns. The proportion of external sales in the total sales of yarn increased from 71 percent in FY 2008-9 to 75 percent in FY 2009-10. The contribution of the yarn division to the net sales of the Company increased from 24 percent in FY 2008-9 to 32 percent in FY 2009-10. Following an increase in revenue and yarn realisations, the division's PBIT registered an increase of 520 percent over the preceding year.

The net sales of the terry towel division grew 12 percent in 2009-10, whereas the total production of terry towels increased 3 percent. The contribution of towels to the net sales of the Company decreased from 54 percent in FY 2008-9 to 43 percent in FY 2009-10, mainly owing to a remarkable increase in revenues of the paper and yarn divisions. The Company has taken forward contracts and option deals to hedge its exports. Owing to a reversal in the provision of losses on account of foreign currency hedging and better realisations, the division reported a PBIT of Rs 1,504.4 million against a loss of Rs 95.3 million in FY 2008-9.

The net sales of the paper and chemical divisions witnessed a significant increase of 63 percent in FY 2009-10 with an 84 percent increase in total paper production. The increase in production was in line with capacity enhancement of the paper division coupled with state-of-the-art technology, which was stabilised during the last financial year. The sale of chemicals, primarily sulphuric acid, registered growth owing to a higher production in FY 2009-10. On the overall, PBIT of the division registered a 35 percent decrease in FY 2009-10 owing to lower realisations across all segments of the paper market.

Expenditure

**Raw material cost:** Raw materials represent the largest component of total expenditure, rising 28 percent in absolute terms in FY 2009-10 against a 34 percent increase in FY 2008-9.

During the year under review, the quantity of raw material consumed increased on account of a rise in production by different business units in addition to a sharp increase in raw material prices. As a percentage of net sales, the cost of raw material remained at 51 percent in FY 2009-10. As bulk of the raw material sourced by the Company is agro-based, the Company is exposed to price fluctuations on account of the monsoons and crop performance.

**Manufacturing expenditure:** The Company's manufacturing cost, as a proportion of net sales, increased from 13 percent in FY 2008-9 to 14 percent in FY 2009-10 owing to topline growth, increase in power cost and a higher purchase of materials for resale.

**Manpower cost:** The Company's manpower cost as a proportion of net sales increased marginally from 9 percent in FY 2008-9 to 10 percent in FY 2009-10. Increase in personnel cost was mainly owing to additional requirement to service expanded capacity and performance-linked incentives.

**Selling cost:** The Company endeavoured to rationalise its distribution and supply chain costs. Selling costs remained at 5 percent of net sales in FY 2009-10.

**Administrative cost:** Administrative costs decreased from 3 percent of net sales in FY 2008-9 to 2 percent in FY 2009-10 through better asset utilisation.

**Depreciation:** A sum of Rs 1,744.40 million was provided towards depreciation during the year under review. The cost on account of depreciation in absolute terms increased by 50 percent in FY 2009-10. A significant increase in depreciation was owing to new capacities of the paper and yarn businesses and expansion in the towel business of the Company.

Profit and profitability

Earnings before depreciation, interest and taxation (PBDITA) increased 39 percent from Rs 2,569.4 million in FY 2008-9 to Rs 3,559.9 million in FY 2009-10. The Company earned a net profit of Rs 564.6 million in 2009-10 against a loss of Rs 530.4 million in FY 2008-9. The Company's earning per share stood at Rs 2.54 on a face value of Rs 10 for the year ended March 31, 2010.

Balance sheet review

The Company's balance sheet size increased to Rs 22,822.5 million, as compared with Rs 20,361.4 million during the preceding fiscal year owing to capital expenditure incurred by the Company for augmenting manufacturing capacities.

Share capital

The Company's total paid-up share capital remained Rs 2,221.9 million during the FY 2009-10. Each equity share of the Company possessed a paid-up value of Rs 10. The book value of each share stood at Rs 22.63, as on 31 March, 2010.

Reserve and surplus

The profit after tax during the year was Rs 564.6 million; the entire profit was ploughed back into the business. The Company's reserves stood at Rs 2,806.1 million as on March 31, 2010 against Rs 2,241.5 million in the preceding year.

Secured and unsecured loans

The Company's total borrowings increased from Rs 15,569.0 million in FY 2008-9 to Rs 17,110.6 million in FY 2009-10. Secured loans, which amounted to Rs 17,000.1 million, formed a predominant part of the total borrowings. The Company's diverse debt basket enabled it to minimise costs.

Fixed assets and investments

The Company's gross block stood at Rs 23,387.8 million as on March 31, 2010, compared with Rs 21,032.1 million at the end of the preceding financial year. This increase in gross block was on account of an expansion in the Company's textile business.

The Company recently (in Q1 of FY 2010-11) completed Phase II of its yarn expansion project in Budni, Madhya Pradesh, wherein 48,096 spindles were added.

Working capital

The Company's net current assets increased from Rs 2,363.7 million to Rs 5,284.9 million in FY 2009-10. The Company continued to purchase cotton at strategic points since it is available seasonally and maintained sufficient inventory, avoiding disruption in yarn production. As regards other raw materials available throughout the year, the Company deployed just-in-time (JIT) inventory management to minimise carrying costs.

Internal control system and their adequacy

The Company designed an internal control system, which is independent and has an objective assurance and consulting activity designed to add value and improve an organisation's operations. The objective of the internal control system is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal control and audit framework is robust and rigorous, considering the size of the organisation, complexities faced and overall risk profile. The internal auditors strive to assess the control and governance process for the organisation. The Company also retained management auditors to periodically review systemic adequacy and process refinement.

The internal audit report, plans, significant audit findings and compliance with accounting standards is in turn reviewed by the Company's Audit Committee to ensure proper audit coverage and adequate consideration along with execution of the auditors' recommendations.

Human resource management and industrial relations

At Abhishek, human capital management is guided by values and policies. The organisation firmly believes that its core strength is its people, adequately empowered for entrepreneurship, making the Company a great place to work in.

During the year under review, the Company continued to enhance its activities in all areas of human resource management and facilitation, including labour relations, client services, organisational development, occupational health and total compensation.

The Company's approach to leadership development, business transition, diversity and human resource planning continued to add value to organisational effectiveness. The organisational strength of people is positioned to assist the organisation attract, motivate and retain a talented workforce.

Workforce composition

The Company's organisational structure comprises Institution Builders, Development Coaches, Frontline Entrepreneurs and Facilitators. Towards the close of the financial year under review, the total strength of the Company was about 10,000 employees.

Management team	
Institution builders (IB)	7
Development coaches (DC)	49
Frontline entrepreneurs (FLE)	139

Outlook

The Company is excited in its outlook. The various initiatives coupled with process stabilisation and capacity expansion are expected to yield handsome results. The Company keeps on exploring various avenues for growth and toward this the management is exploring the possibility of restructuring the existing businesses. The eco-friendly technology, massive capacities, motivated manpower make our outlook optimistic.

Cautionary statement

This discussion contains certain forward-looking statements based on current expectations, which entail various risk and uncertainties that could cause the actual results to differ materially from those reflected in them. The actual could be materially different from the ones stated in this report. Market data and product information contained in this report is gathered from published and unpublished reports and their accuracy cannot be assured.

The management reserves every right to re-visit any predictive statement as may be deemed fit.



# CORPORATE SUSTAINABILITY REPORT



ABHISHEK INDUSTRIES RECOGNISES ITS RESPONSIBILITY OF CORPORATE CITIZENSHIP AND STRIVES TO DO THE RIGHT THING IN EVERY WAY IT TOUCHES THE WORLD.

Our self-regulating mechanism has been embedded to enable us to conduct our business with the highest ethical standard, ensuring the quality and safety of our products, simultaneously managing our environmental impact along with enduring philanthropic measures. The business framework of Abhishek entails policies so that the operations of the Company achieve success in harmony with the suppliers, vendors, stakeholders, community and the environment.

To provided a detailed insight, we have divided our sustainability measures across three broad constituents – people, planet and profit.

## People

At Abhishek, we value the community at large and endeavour for its overall wellbeing. The Company created organisational structures to support a range of activities in environmental protection, social contribution, human resource development,

- information disclosure and compliance.
- Some of the initiatives undertaken by the Company in this regard are as under:
1. Capability and competence enhancement of local technical institutes around our plants using Takshashila’s infrastructure and capability
  2. Participation in the development and orientation of students of Sacred Heart Convent School in Barnala
  3. Sponsor of International level World Cup Sports Tournament (kabaddi championship) in Punjab
  4. Formulation of ASMITA (Women Empowerment Cell) to address the concerns of female members
  5. Conducting free medical check-up camps to address issues like general health care, gynecological problems, orthopedic issues and other health problems
  6. Disaster management initiatives outside the premises of the



- Company in coordination with civil authorities
7. Organised blood donation camps on a regular basis
  8. Funding the rural economy and out sourcing 20 percent of our raw material needs from adjacent villages
  9. Imparting education to females of adjoining villages on various social issues
  10. Regular contributions to provide sponsorships to aspiring professionals within the industry

## Our employees

- The Company goes the extra mile to care for its employees. We respect the diversity of our employees and do not discriminate amongst them. At Abhishek, we provide a congenial environment for them to perform and excel in:
- Transparent working environment
  - Open forum for exchange of ideas, suggestions, 360 degree feedback
  - Social security and other medical coverage
  - Training programmes by a renowned faculty

- Endeavours to be a great place to perform in
- Member engagement initiatives linked to sports, recreation and family involvement were organised from periodically at all special occasions and festivals
- Families of all members were involved and participated in the quarterly and annual celebration days thereby strengthening the Trident parivaar
- Discussing major initiatives through Large Scale Interactive Process (LSIP) with participation of all the members
- Residential colonies for our employees at our plant site
- Extensive training programme for our employees
- Strong safety standards for our employees especially those working at plant levels
- Special emphasis on growth and enhancing the earnability of members; introduced a reward and recognition schemes as well as performance linked incentives

## Planet

The Company recognises environment protection as integral to

sustainable development. In its effort to ensure safe and green planet, the Company invested substantially to conserve finite resources.

The Company formed a SHE (Safety, Health & Environment) Committee with three task forces, viz Safety, Health & Environment. The environment Task force focuses on all parameters to improve the environments not only for employees but also to save the earth.

The Company has undertaken various initiatives in this direction which include:

1. Environment-friendly product development – paper with ECF technology
2. Practicing 3R (reduce, reuse and recycle) and waste management in industrial plants
3. Energy conservation by installing power saving technology in our equipment in the industrial plants and procurement of energy-efficient machines
4. Enhance recycle and reuse of treated effluents for plantation and maintenance activities in various sections of our industrial plants
5. Implemented rain water harvesting to recharge aquifers
6. Continuously investing in zero-effluent discharge manufacturing facilities
7. Commissioning of a water treatment plant resulting in the use of surface water by industrial plants in place of ground water
8. Proper treatment of sewerage water through sewerage treatment plant; use of treated water for plantation to reduce waste and water consumption
9. Producing organic yarn, which is totally environmental friendly with zero pesticide
10. Adoption of cost-effective clean technologies, waste minimisation techniques and appropriate pollution control / abatement technologies
11. Designing of a power plant which utilises waste heat

generated in paper unit to save coal

12. Accreditation of our manufacturing facilities in line with ISO 140001
13. Adoption of a biological system for waste treatment
14. Process alterations resulting in a lower consumption of water and effective odour control, among others

All these approaches enable us to protect our environment and enhance the sustainability attributes of our products.

Profits

The economic success of our Company is two-fold – exploiting opportunities and addressing potential risk as per our risk appetite.

The Company is continuously striving to arrive at healthier choices at every step of its operations:

- Reducing waste and making the system leaner
- Increasing re-cycled content
- New products and approaches
- Reformulation of existing products
- Eco-friendly products
- Healthy environment for future generations

Addressing risks

At Abhishek, we recognise that our economic performance can be impacted by various types of risks. The Company continually works towards making risks as manageable as possible through efficient procedures and appropriate risk awareness. The Company put in place robust approaches at multiple levels for managing various risks and adopted a defined risk management framework.

The key elements of our risk management framework include a risk management strategy, risk management structure, risk portfolio management and measuring, monitoring and optimising initiatives. The implementation of the framework is supported by a criterion for risk assessment and categorisation,

a risk escalation matrix and MIS. The Company considers risk management to be one of the most critical components of its business framework. Our approach to risk management comprises the following :

1. To continuously identify and assess the risks incurred within all important business operations using a uniform and methodical approach
2. To monitor the implementation of measures defined to counteract risks

3. To develop and continuously maintain a risk-oriented insurance strategy as a means of risk mitigation
4. Through an internal audit which has a comprehensive framework of measurement and monitoring risks

Categorisation of risk

Risks are categorised taking into consideration the factors and circumstances from which they emanate. The risks listed below may arise from external factors affecting the Company or the internal factors from within the Company.

Strategy Risk	Operational Risk	Financial Risk
<div>■ Business Segments</div> <div>■ Substitution Risk</div> <div>■ Competition Risk</div> <div>■ Concentration Risk</div>	<div>■ Force Majeure</div> <div>■ Cost Competitiveness</div> <div>■ Quality</div> <div>■ Obsolescence Risk</div> <div>■ Proprietary Risks/Contingencies</div>	<div>■ Funding Risk</div> <div>■ Foreign Currency Risk</div> <div>■ Receivable Management Risk</div> <div>■ Working Capital Cycle Risk</div>
Legal, Regulatory and Compliance Risk	Human Resource Risk	Technology and Information System Risk
<div>■ Contractual Risk</div> <div>■ Compliance and Regulatory Risk</div>	<div>■ Performance and Attrition Risk</div>	<div>■ Storage and Safety</div>

Risk management process

The process of risk management comprises:

- Identification and assessment of risks in the context of the Company's risk appetite
- Categorisation and recording of risks, which assists in prioritisation of risks
- Control and mitigation of risks keeping in view the risk appetite and development of an action plan depending upon risk retention, risk mitigation and risk transfer
- Review of risk control and mitigation measures in order to check effectiveness and updating the same, if needed

To ensure economic sustainability, the Company has adopted a proactive approach to identify and mitigate risks.





# CORPORATE GOVERNANCE REPORT

## Company’s philosophy on Corporate governance

Corporate governance at Abhishek cares for the overall well-being and welfare of all constituent of the system and takes into account the stakeholders’ interest at every business decision.

The Company is committed to pursue growth by adhering to the highest national and international standards of Corporate governance. The Company’s philosophy on Corporate governance is based on following principles:

- Lay solid foundation for management
- Structure the Board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosures
- Recognise and manage business risks
- Respect the rights of the shareholders
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interest of the stakeholders
- Legal and statutory compliances in its true spirit

The Board of the Company has adopted combined code of Corporate governance and conduct based on the principles of good Corporate governance and best management practices being followed globally besides complying with the needs of the law of land. The Combined Code of Corporate governance and Conduct is available on the official website of the Company – [www.tridentindia.com](http://www.tridentindia.com).

## Board of Directors

As on the date of report, the Board comprised of six Directors, of which more than 66 percent are Non-executive and Independent directors. The Company has a Non-executive and Independent chairman. Two Directors on the Board are Executive directors. None of the Directors on the Board is a member of more than five Board level committees as required under the Code except Mr S K Tuteja. However, he is not a member of more than ten Board level committees as required under Clause 49 of the Listing Agreement.

### Board’s definition of Independent director

Independent director shall mean Non-executive director of the Company who:

- apart from receiving Director’s remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding Company, its subsidiaries and associates which may affect independence of the Director
- is not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- has not been an executive of the Company in the immediately preceding three financial years
- is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - the statutory audit firm or the internal audit firm that is associated with the Company, and

- the legal firm(s) and consulting firm(s) that have a material association with the Company
- is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the Director
  - is not a substantial shareholder of the Company i.e. owning two percent or more of the block of voting shares
  - is not less than 21 years of age

The Board of the Company has also decided that materiality of relationship with the Directors shall be ascertained on the following basis:

- The concept of materiality is relevant from the recipient’s point of view and not from that of the Company
- The term material needs to be defined in percentage. Ten percent or more of recipient’s gross revenue/receipt for the preceding year should form a material condition affecting independence

Based on the above test of independence, Mr S K Tuteja, Ms Pallavi Shroff, Ms Ramni Ninula and Mr Rajiv Dewan are categorised as Independent Directors.

Other details relating to the Board are as follows:

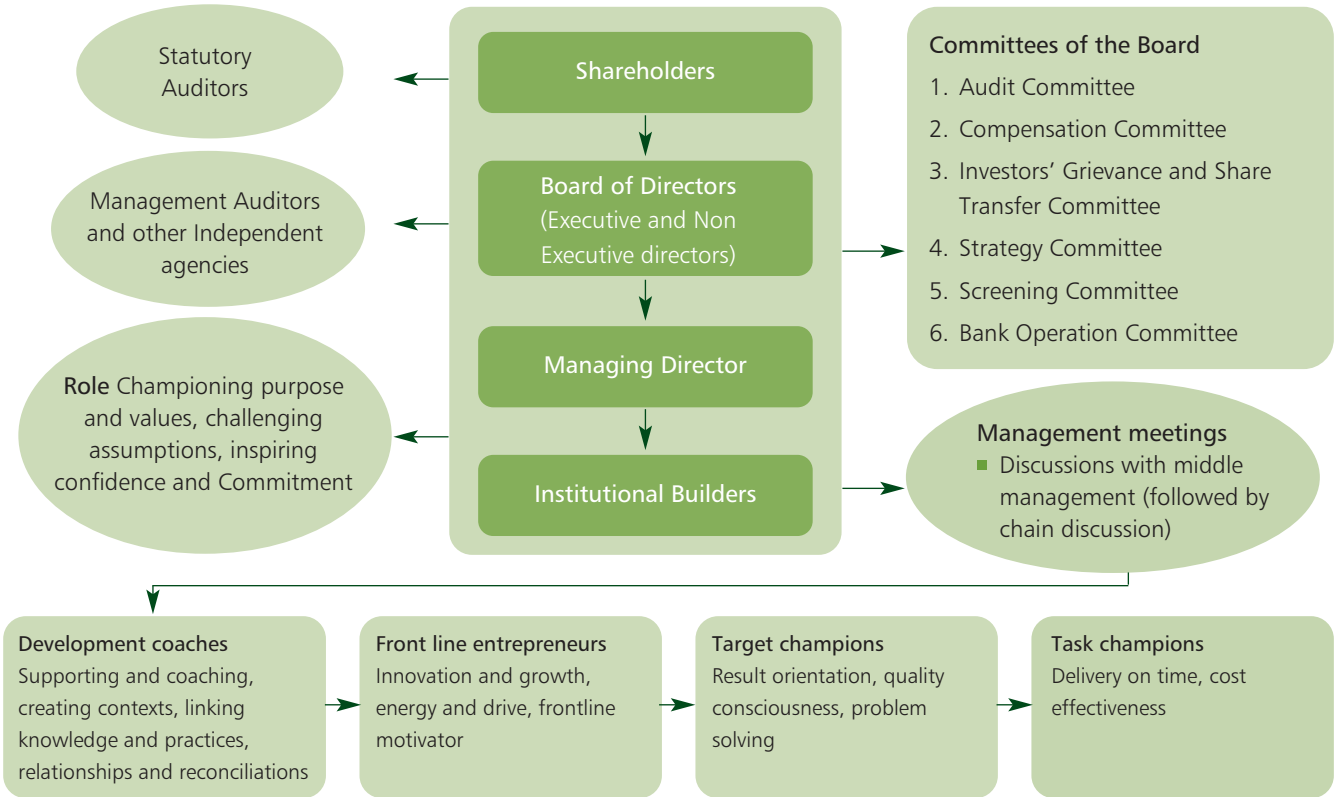
Name	Designation	Category	Shareholding in Company (No. of shares)	No. of directorships held in all public companies #	No. of Board Committees’ memberships held in all public companies @	No. of Board Committees’ chairmanships held in all public companies @
Mr S K Tuteja	Chairman	Non-Executive, Independent	–	14	10	4
Mr Rajinder Gupta	Managing Director	Executive	588,266	8	1	–
Ms Pallavi Shroff	Director	Non-Executive, Independent	–	4	2	–
Ms Ramni Nirula	Director	Non-Executive, Independent	–	5	1	–
Mr Rajiv Dewan	Director	Non-Executive, Independent	23,290	8	5	1
Mr Raman Kumar	Wholetime Director	Executive	–	5	–	–

# including Abhishek Industries Limited and excluding private and foreign companies

@ Board Committee for this purpose includes Audit Committee and Shareholders’/Investors’ Grievance Committee (including Board Committees of Abhishek Industries Limited)

Governance structure

Company has laid a strong foundation for making Corporate governance a way of life by constituting a board with balanced mix of experts of eminence and integrity, forming a core group of top level executives, inducting competent professionals across the organisation and putting in place best system, process and technology.



Meetings

Meeting details – board and committees

The Company holds atleast four Board meetings in a year, one in each quarter to review the financial results and other items of the agenda and the gap between the two Board meetings do not exceed four calendar months. Apart from the four scheduled Board meetings, additional Board meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing resolutions

through circulation. The Company also holds atleast one Audit Committee meeting in each quarter to inter-alia review financial results. Meeting of other committees of the Board are held whenever matters falling under their terms of reference need discussion and decision. Every Director on the Board is free to suggest any item for inclusion in the agenda for the consideration of the Board/Committee. The information as required under Clause 49 of the Listing Agreement and Combined Code of Corporate governance and Conduct were made available to the members of the Board/ Committee.

Following are the details of meetings of Board of Directors and Committees thereof held between April 1, 2009 and March 31, 2010

Sr. no	Particulars	No. of meetings held during the year	Date of meetings
1	Board meeting	5	May 15, 2009, July 23, 2009, September 23, 2009, October 27, 2009, January 21, 2010
2	Audit Committee meeting	4	May 15, 2009, July 23, 2009, October 27, 2009, January 21, 2010
3	Compensation Committee	1	July 23, 2009
4	Investors' Grievance and Share Transfer Committee	4	May 30, 2009, August 8, 2009, September 15, 2009, January 21, 2010
5	Screening Committee	1	May 15, 2009

There was a maximum time gap of not more than 85 days between two consecutive Board meetings and 95 days between two consecutive Audit Committee meetings.

Attendance of each Director at the meetings of the Company

The detail of attendance of each Director of the Company in the Board and Committee meetings held during the financial year 2009-10 is given below:

Name of Director	Board		Audit Committee		Compensation Committee		Investors' Grievance and Share Transfer Committee		Screening Committee	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Mr S K Tuteja	5	4	4	4	1	1	4	4	1	1
Mr Rajinder Gupta	5	5	≈	≈	≈	≈	4	1	1	1
Ms Pallavi Shroff	5	0	≈	≈	1	0	≈	≈	1	0
Ms Ramni Nirula	5	4	4	4	1	1	≈	≈	≈	≈
Mr Rajiv Dewan	5	4	4	3	≈	≈	4	3	≈	≈
Mr Karan Avtar Singh ^	5	0	≈	≈	≈	≈	≈	≈	≈	≈
Mr Raman Kumar	5	5	≈	≈	≈	≈	≈	≈	≈	≈

- \* No. of meetings held during the tenure of respective Directors
- ≈ Not a member of the Committee
- ^ Mr Karan Avtar Singh ceased to be Director w.e.f. May 3, 2010.
- Mr S K Tuteja and Mr Rajiv Dewan were present in the Annual General Meeting of the Company held on August 27, 2009
- The Chairman of Audit Committee and Investors' Grievance and Share Transfer Committee were present in Annual General Meeting of the Company held on August 27, 2009.
- Dr M A Zahir, an HR expert and independent person who is a member of Screening Committee of the Company, has attended one meeting (out of total one meeting) of the Committee held during the financial year 2009-10

Agenda and minutes

All the departments in the Company communicate to the Company Secretary well in advance with regard to matters requiring approval of the Board/Committees of the Board to enable him to include the same in the agenda for the Board/Committee meeting(s). Agenda papers are generally circulated to the Board members well in advance before the meeting of the Board.

The Company Secretary while preparing the agenda and minutes of the Board/Committee meeting is required to ensure adherence to the applicable provisions of the law including the Companies Act, 1956. The applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) are also complied by the Company. The draft minutes of the proceedings of each meeting duly initialed by the Chairman of the meeting are circulated to the members for their comments and thereafter, confirmed by the Board/Committee in its next meeting. The Board also takes note of the minutes of the Committee meetings duly approved by their respective Chairman.

All material information is incorporated in the agenda papers

for facilitating meaningful and focused discussions at the meeting. The information regularly supplied to the Board inter-alia includes the following:

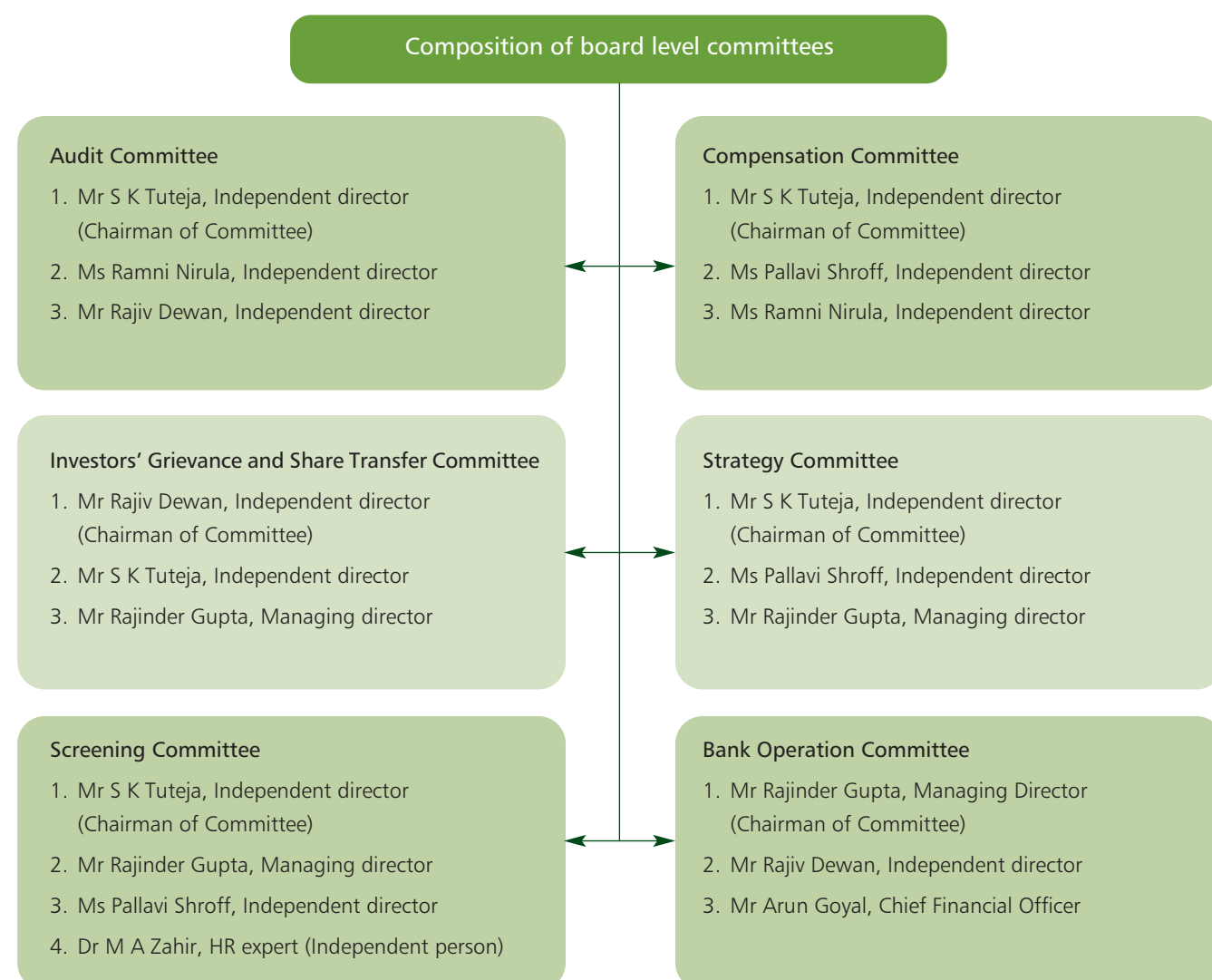
- Annual operating plans and budgets, and any updates thereon
- Capital budgets and updates
- Quarterly results for the Company and its operating divisions or business segments
- Minutes of meetings of Audit Committee and other committees of the Board
- Legal compliances report and certificate
- Accounts relating to the subsidiary companies
- Information on recruitment, resignation and remuneration of senior officers
- Show cause, demand, prosecution notices and penalty notices issued against the Company having material impact
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any
- Any material default in financial obligations to and by the Company, or substantial non-recoveries against sale, if any



- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company, if any
- Details of any joint venture or collaboration agreement, if any
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property, if any
- Significant labour problems and their proposed solutions. Any significant development in human resources/ industrial relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, if any
- Sale of material, nature of investments, subsidiaries, assets, which is not in normal course of business, if any
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as delay in share transfer

### Board level committees

The Board has constituted various Committees for smooth and efficient operation of the activities and is responsible for constituting, assigning, co-opting and fixing the terms of reference for the committees in line with the laws of land. The Chairman, quorum and the terms of reference of each committee have been approved by the Board.



### Terms of reference of board level committee

The Board while approving terms of reference of the Committees ensures that the same is in line with laws of land. The Board proactively reviews terms of reference of the Committees and modifies the same, if necessary, to meet the strategic and business needs. Following are brief terms of reference of board level committees:

#### Audit Committee

The terms of reference of Audit Committee are as per Listing Agreement and Companies Act, 1956. The broad terms of reference of Audit Committee as adopted by the Board are as under:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external Auditor, fixation of audit fee and also approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any change in the accounting policies and practices
  - Major accounting entries based on exercise of judgment by management
  - Qualification on draft audit report
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with Accounting Standards
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e. transaction of the Company of material nature, with promoters or the management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large
- Reviewing with management, external and internal Auditor, adequacy of internal control systems
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal Auditors any significant findings and follow up thereon
- Reviewing the findings of any internal investigations by the internal Auditors into matters where there is suspected fraud

or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board

- Discussion with external Auditors before the audit commences on the nature and scope of audit as well as has post audit discussion to ascertain any area of concern
- Reviewing the Company's financial and risk management policies
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payments of declared dividends) and creditors.
- To approve unaudited quarterly financial results and publish the same as required in the Listing Agreement

Apart from above, the Committee also reviews other matters as required under Clause 49 of the Listing Agreement and other laws, rules and regulations.

#### Compensation Committee

The broad terms of reference of Compensation Committee inter-alia include determination and review of remuneration package of Executive directors/CEO and formulation and administration of employee stock options plan of the Company.

#### Investors' Grievance and Share Transfer Committee

The broad terms of reference of Investors' Grievance and Share Transfer Committee inter-alia include monitoring of work related to transfer/ transmission/ conversion/ dematerialisation/ rematerialisation/ subdivision/consolidation/split of shares of the Company, approving issue of duplicate share certificate and redressing all kind of shareholders/investors complaints.

#### Strategy Committee

The broad terms of reference of Strategy Committee inter-alia include formulation of long-term and strategic planning as well as resources management, performance review and monitoring, review of projects.

#### Screening Committee

The broad terms of reference of Screening Committee inter-alia include determination of appropriate characteristics, skills and experience for the Board members and to make recommendation to the Board and to shareholders on the induction of any new Director.

#### Bank Operation Committee

The broad terms of reference of Bank Operation Committee inter-alia include bank operating powers, changes thereon and other banking related issues of the Company with the banks/financial institutions.

Directors’ remuneration

Remuneration policy of Directors

Executive director

The remuneration paid to the Executive directors is recommended by the Compensation Committee and approved by the Board of Directors subject to the approval by the shareholders in the General Meeting and such authorities, as the case may be.

Non-executive director

Non Executive directors are paid by way of sitting fee for the

meeting of the Board and the Committee (as the case may be), attended by them. The remuneration paid to the Non-executive directors is approved by the Board of Directors, subject to the approval by the shareholders in the General Meeting.

The synopsis of approvals for the remuneration paid to Mr Rajinder Gupta, Managing director, Mr Raman Kumar, Wholetime director and sitting fees paid to Non-executive directors during the year ended March 31, 2010 is given hereunder:

Sr. no	Approving authority	Date of approval		
		Executive directors		Non-executive directors
		Mr Rajinder Gupta (Managing director)	Mr Raman Kumar (Wholetime director)	
1	Compensation Committee	June 26, 2008	October 9, 2008	Not applicable
2	Board of Directors	June 27, 2008	September 24, 2008	May 15, 2009
3	Shareholders in General Meeting	September 24, 2008	August 27, 2009	December 12, 2003

During 2009-10, the Company did not advance any loan to any of its Directors. No stock options have been provided to Directors of the Company during the year under review.

The details of the remuneration paid to the Directors alongwith their relationships and business interests are detailed below:

Relationships of Directors, their business interests and remuneration (Amount in Rs)						
Name of the Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid/payable during the year ended March 31, 2010			
			Sitting fee	Salary and perks	Commission	Total
Mr S K Tuteja	None	None	280,000	–	–	280,000
Mr Rajinder Gupta	None	Promoter	–	24,000,000	1,733,182	25,733,182
Ms Pallavi Shroff	None	None	–	–	–	–
Ms Ramni Nirula	None	Nominee of ICICI, a lender to the Company	180,000*	–	–	180,000
Mr Rajiv Dewan	None	None	200,000	–	–	200,000
Mr Karan Avtar Singh ^	None	Nominee of PSIDC, an equity investor of the Company	–	–	–	–
Mr Raman Kumar	None	None	–	1,680,000	–	1,680,000

\* The sitting fee has been paid to the respective nominating institutions.

^ Mr Karan Avtar Singh ceased to be a Director w.e.f. May 3, 2010

The Company has also taken Director’s and Officer’s (D&O) Liability Insurance to protect its Directors’ personal liability for financial losses that may arise out of their unintentional wrongful acts.

Pecuniary relationship or transaction of Non-executive directors vis-à-vis the Company

The Company does not have any direct pecuniary relationship/transaction with any of its Non-executive directors. However, a sum of Rs 35,600 was paid to M/s Amarchand & Mangaldas & Suresh A Shroff & Co., during the financial year 2009-10 towards fees for legal services. Ms Pallavi Shroff, a Non-executive director of the Company is partner of M/s Amarchand & Mangaldas & Suresh A Shroff & Co. However, the above payment does not affect independence of Ms Pallavi Shroff as the same is not material as per criteria fixed by the Board.

Criteria for payment of commission

In addition to the monthly remuneration, the Managing director is also entitled to receive commission at the rate of one percent of the net profits of the Company as computed under Section 349 of the Companies Act, 1956, as per the terms of his appointment recommended by the Compensation Committee in its meeting held on June 26, 2008 and approved by the Board in its meeting held on June 27, 2008 and the shareholders in their Annual General Meeting held on September 24, 2008.

Termination of agreement with Managing director and Wholetime director and severance fees

The employment of Managing director and Wholetime director

shall terminate automatically in the event of their ceasing to be a Director of the Company in the General Meeting and/or in the event of their resignation as a Director of the Company and subsequent acceptance of the resignation by the Board.

Directorships of Board members in other companies

The Directors of the Company also hold position as Directors, committee members, partners and shareholders in other reputed companies, associations and firms. The committee memberships/ chairmanships held by the Directors in other corporate as on March 31, 2010 are in compliance with the Clause 49 of the Listing Agreement. Details of the same are as follows:

Name of Directors	Name of Companies	Position held/ interest
Mr S K Tuteja	Swaraj Mazda Limited	Chairman- Board Chairman- Audit Committee Member- Share Transfer and Investors’ Relationship Committee
	Shree Renuka Infraprojects Limited	Chairman- Board
	Adani Logistics Limited	Chairman- Board
	National Bulk Handling Corporation Limited	Chairman-Board
	AZZ Maintenance & Engineering Services Limited	Chairman-Board
	Sohrab Spinning Limited	Chairman-Board
	Tiger Cold Chain (P) Ltd	Chairman-Board
	Pegasus Assets Reconstruction (P) Ltd	Chairman-Board
	Shree Renuka Sugar Limited	Director - Board Member- Share Transfer and Investors’ Relationship Committee
	Mundra Port and Special Economic Zones Limited	Director - Board Member- Audit Committee Member- Share Transfer and Investors’ Relationship Committee
	Adani Power Limited	Director - Board Chairman- Audit Committee
	Small Industries Development Bank of India	Director - Board
	SVIL Mines Limited	Director - Board
	Indian Energy Exchange Limited	Director - Board
	Axis Private Equity Limited	Director – Board Chairman- Audit Committee
	Precision Pipes and Profiles Company Limited	Director - Board Member- Share Transfer and Investors’ Relationship Committee
	Capstone Capital Services (P) ltd	Director - Board
	Abhishek Energy Corporation Limited	Chairman - Board Shareholding > 2 percent
	Himalayan Ayurvedic & Agro Research Centre Limited	Chairman- Board
	Madhuraj Foundation Limited	Chairman- Board
	Abhishek Global Ventures Limited	Chairman- Board
Mr Rajinder Gupta	Abhishek Industries Inc.	Director - Board
	Trident Infotech Inc.	Director - Board



Name of Directors	Name of Companies	Position held/ interest
Ms Pallavi Shroff	Trineta Technologies Limited	Director - Board
	Abhishek Ventures & Projects Limited	Director - Board
	Trident Corporation Limited	Director - Board
	Trident Towels Limited	Shareholding > 2 percent
	Maruti Suzuki India Limited	Director - Board Member - Audit Committee
	Kotak Mahindra Old Mutual Life Insurance Limited	Director - Board
	Juniper Hotels Limited	Director - Board Member - Audit Committee
	PTL Enterprises Limited	Director - Board
	Artemis Health Sciences Pvt. Limited	Director - Board
Ms Ramni Nirula	Artemis Medicare Services Pvt. Limited	Director - Board
	Jindal Steel & Power Limited	Director - Board
	ICICI Comm Trade Limited	Director - Board
	Haldia Petro Chemicals Limited	Director - Board
Mr Rajiv Dewan	Jubilant Foodworks Limited	Director - Board
	Trident Agritech Limited	Chairman - Board
	Malwa Industries Limited	Director - Board Member - Audit Committee
	Punjab Communications Limited	Director - Board Member - Audit Committee Member - Investors' Grievance Committee
	Malwa Millenium Designs Limited	Director - Board
	Trineta Technologies Limited	Director - Board
	Abhishek Ventures & Projects Limited	Director - Board
	Trident Aerospace Limited	Director - Board
	R Dewan & Co.	Partner
Mr Raman Kumar	Abhishek Corporate Services Limited	Director - Board
	Rainbow Retail Limited	Director - Board
	Asian Trading Corporation Limited	Director - Board
	Himalayan Ayurvedic & Agro Research Centre Limited	Director - Board

A brief profile of the Directors is given elsewhere in this annual report, which forms part of the Corporate governance report.

## Management

The Management's discussion and analysis report is given elsewhere in this annual report, which forms part of this Corporate governance report.

## Shareholders

### a) Disclosures regarding appointment/re-appointment of Directors

Pursuant to the articles of association of the Company, all the Directors for the time being except Managing director and Wholetime director shall retire annually and accordingly Mr S K Tuteja, Ms Pallavi Shroff, Ms Ramni Nirula and Mr Rajiv Dewan, Directors are retiring at the ensuing Annual General

Meeting. All retiring Directors, offer themselves for re-appointment. The Screening Committee and Board have recommended re-appointment of Directors who are retiring and offer themselves for re-appointment.

The brief profile of the Directors being appointed and re-appointed and other relevant information is given elsewhere in this annual report, which forms part of the Corporate governance report.

### b) Means of communication

The quarterly, half yearly and annual financial results and quarterly shareholding pattern are posted on Company's official website [www.tridentindia.com](http://www.tridentindia.com). As per the requirements of the Listing Agreement, the Company also provides information to the stock exchanges and update its website on regular basis to include new developments in the Company.

All material information about the Company is promptly sent through facsimile/e-mail to the stock exchanges where the shares of the Company are listed.

Full version of the annual report including the notice of Annual General Meeting, Management's discussion and analysis, Corporate governance report, balance sheet, profit and loss account, cash flow statement along with the schedules and notes thereon, Directors' report and Auditors'

report are sent to the shareholders within the stipulated time and are also uploaded on Company's official website [www.tridentindia.com](http://www.tridentindia.com).

The Company generally publishes its financial results in the *Business Standard*, *Rozana Spokesman* and *Desh Sewak*. During the period under review, the Company published its financial results in the following newspapers:

Financial Results	Newspapers	Date of publication
Unaudited financial results for the quarter ended June 30, 2009	<ul style="list-style-type: none"> <li>Business Standard</li> <li>Desh Sewak</li> </ul>	July 24, 2009 July 24, 2009
Unaudited financial results for the quarter ended September 30, 2009	<ul style="list-style-type: none"> <li>Business Standard</li> <li>Desh Sewak</li> </ul>	October 28, 2009 October 28, 2009
Unaudited financial results for the quarter ended December 31, 2009	<ul style="list-style-type: none"> <li>Business Standard</li> <li>Rozana Spokesman</li> </ul>	January 22, 2010 January 22, 2010
Audited financial results for the quarter and year ended March 31, 2010	<ul style="list-style-type: none"> <li>Business Standard</li> <li>Rozana Spokesman</li> </ul>	May 4, 2010* May 4, 2010*

\*Proposed

### c) Compliance Officer

The Board has appointed following officials as Compliance Officers of the Company.

1. Mr Pawan Jain, Company Secretary (e-mail ID: [pawanjain@tridentindia.com](mailto:pawanjain@tridentindia.com).)
2. Mr Ratnesh P Rukhariyar, Deputy Company Secretary (e-mail ID: [ratneshrukhariyar@tridentindia.com](mailto:ratneshrukhariyar@tridentindia.com))

The Compliance Officers can be contacted for any investor related matter relating to the Company on contact no. +91-161-5039999, 5038888; and fax no. +91-161-5039900, 5038800.

### d) Annual General Body Meetings of the Company

Details of last three Annual General Meetings of the Company is given hereunder:

AGM	Day	Date	Time	Venue	Special Resolutions passed
19th	Thursday	August 27, 2009	10:30 am	Trident Complex, Raikot Road, Barnala	Following three special resolutions were passed: <ul style="list-style-type: none"> <li>Appointment of Mr Raman Kumar as Wholetime director and payment of remuneration thereof</li> <li>Increase in remuneration of Mr Abhishek Gupta</li> <li>Employees Stock Options Scheme</li> </ul>
18th	Wednesday	September 24, 2008	10:30 am	Trident Complex, Raikot Road, Barnala	Following two special resolutions were passed: <ul style="list-style-type: none"> <li>Re-appointment of Mr Rajinder Gupta as Managing director and remuneration thereof</li> <li>Appointment of Mr Abhishek Gupta, son of Managing director as an employee of the Company</li> </ul>
17th	Thursday	September 27, 2007	10:30 am	Trident Complex, Raikot Road, Barnala	None

e) Postal ballots

The following ordinary resolution was passed during the financial year 2009-10 for which the Board had appointed Mr S C Gupta, Retired District Attorney as scrutiniser:-

Sr. no.	Date of passing	Description of ordinary resolution	Voting pattern		Remarks
			For	Against	
1	August 27, 2009	Ordinary resolution under Section 293(1)(a) of the Companies Act, 1956 for creation of charge against the assets of the Company	99.99 percent	0.01 percent	Passed with requisite majority

Details of resolution to be passed through Postal ballot

The Company proposes some resolutions to be passed through Postal Ballot for wider participation of shareholders of the Company. The Postal ballot notice alongwith necessary resolutions and detailed procedure is being sent to shareholders separately.

Disclosures

a) Related party transactions

- There was no materially significant related party transaction, pecuniary transactions or relationships between the Company and its Directors, promoters or the management that may have potential conflict with the interests of the Company at large except the details of transactions annexed to the balance sheet disclosed as per Accounting Standard 18 of the Institute of Chartered Accountants of India
- All details relating to financial and commercial transactions, where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion, nor do they vote on such matters. The Audit Committee of the Company also reviews related party transactions on periodical basis.

b) Compliances made by the Company

- The Company has continued to comply with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital market during the last three years.
- No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI or any other authority on any matter related to capital market during the last three years.

Corporate ethics

As a responsible corporate citizen, the Company consciously follows corporate ethics in both business and corporate interactions. The Company has framed various codes and policies, which act as guiding principles for carrying business in ethical way. Some of our policies are:

- Code of conduct for prevention of insider trading
- Code of corporate disclosure
- Whistle Blower Policy
- Combined code of Corporate governance and conduct
- Safety, Health and Environment (SHE) Policy
- Values framework
- Risk management procedure

Compliance status with mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement

Mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of Listing Agreements entered into with Stock Exchanges.

Non-mandatory requirements

Compliance status with non-mandatory requirements is given below:

- The Chairman of the Company is entitled to seek any advice and consultancy in relation to the performance of his duties and is also entitled to claim reimbursement of the expenses incurred in this regard and other office facilities. Independent directors of the Company do not have a term exceeding a period of nine years in aggregate on the Board
- Company has set up Compensation Committee comprising of three Independent directors. Details of the Committee are given in this report under the head Board Level Committees
- Presently, half yearly financial performance is not being sent to each household of shareholders
- The performance evaluation of all Directors (executive and non-executive) is done by the Screening Committee, which comprises of two Independent directors, one Executive director and one independent person having expertise in Human Resources.
- The Company has adopted Whistle Blower Policy. No personnel is denied access to the Audit Committee.

General shareholders information

The following information would be useful to our shareholders:

a) Annual General Meeting

Date	September 25, 2010
Day	Saturday
Time	10:30 am
Venue	Trident Complex, Raikot Road, Barnala -148101

b) Financial calendar

Next financial year April 1, 2010 to March 31, 2011

c) The financial results will be adopted as per the following tentative schedule:

For the quarter ended June 30, 2010	July 2010 (3rd week)
For the quarter and half year ended September 30, 2010	November 2010 (1st week)
For the quarter and period ended December 31, 2010	February 2011 (1st week)
For the quarter and year ended March 31, 2011	May 2011 (2nd week)

g) Stock code

The Company's code at the stock exchanges and news agencies are:

Sr. no	Name of stock exchanges	Stock code	Reuters code	Bloomberg
1	Bombay Stock Exchange Limited	521064	ABHP.BO	ABIN:IN
2	National Stock Exchange of India Limited	ABSHEKINDS	ABHP.NS	NABIN:IN

h) Market price data

Monthly high and low prices of equity shares of Abhishek Industries Limited at the Bombay Stock Exchange Limited (BSE) and at the National Stock Exchange of India Limited (NSE) during the year under review in comparison to BSE (sensex) and NSE (nifty) are given hereunder:

Month	BSE					NSE				
	Share prices		Volume	Sensex		Share Prices		Volume	Nifty	
	High	Low		High	Low	High	Low		High	Low
April, 2009	10.40	6.88	849,556	11,492.10	9,546.29	10.50	6.75	1,043,597	3,517.25	2,965.70
May, 2009	14.52	8.09	844,809	14,930.54	11,621.30	14.65	8.00	1,392,901	4,509.40	3,478.70
June, 2009	15.24	10.50	1,281,034	15,600.30	14,016.95	15.40	11.00	1,669,846	4,693.20	4,143.25
July, 2009	14.30	13.61	1,428,138	15,463.46	15,240.53	14.35	13.65	1,630,917	4,599.90	4,529.15
August, 2009	15.29	14.90	2,381,768	16,002.46	15,699.13	15.30	14.80	2,276,782	4,743.75	4,659.10
September, 2009	16.75	14.16	2,362,175	16,943.49	15,356.72	16.75	14.10	3,420,426	5,036.30	4,576.60
October, 2009	17.10	14.20	3,220,521	17,457.26	15,993.83	17.00	14.15	3,986,079	5,181.95	4,738.40
November, 2009	15.60	13.25	1,647,133	17,290.48	15,330.56	15.65	13.25	3,036,798	5,138.00	4,538.50
December, 2009	16.79	14.05	3,755,832	17,486.05	16,577.78	16.70	13.90	4,707,166	5,214.60	4,942.25
January, 2010	19.34	14.85	29,983,942	17,790.33	16,182.14	19.35	14.50	31,339,119	5,310.85	4,824.95
February, 2010	16.95	13.50	3,852,981	16,552.99	15,651.99	16.65	13.55	4,677,535	4,951.15	4,675.40
March, 2010	15.54	12.50	4,171,540	17,793.01	16,249.67	15.50	13.80	4,989,307	5,329.55	4,858.45

Source: Reuters

d) Date of book closure for the purpose of Annual General Meeting:

The Share Transfer Book and Members' Register shall remain closed from Saturday, September 18, 2010 to Saturday, September 25, 2010 (both days inclusive) for the 20th Annual General Meeting of the Company.

e) Listing on stock exchanges

As on March 31, 2010, the equity shares of the Company are listed on the following exchanges:

1. Bombay Stock Exchange Limited

Phiroze Jeejeebhoy Towers  
25th Floor, Dalal Street,  
Mumbai – 400 001

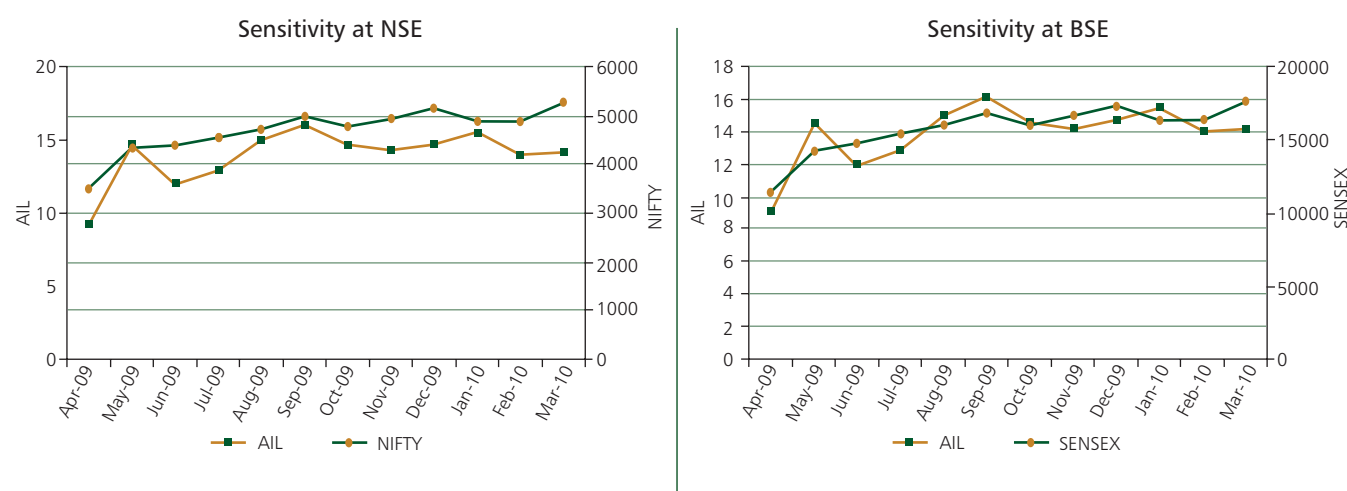
2. National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1 G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051

f) Listing fees

Listing fees for the year 2010-11 has been paid to the stock exchanges where the equity shares of the Company are listed in the month of April, 2010 i.e. within the stipulated time.





#### i) Registrar and Share Transfer Agent

M/s Alankit Assignments Limited, New Delhi has been appointed as the Registrar and Share Transfer Agent of the Company for handling the share transfer work both in physical and electronic form. All correspondence relating to share transfer, transmission, dematerialisation and rematerialisation can be made at the following address:

**M/s Alankit Assignments Limited**

(Unit: Abhishek Industries Limited)

2E/21 Jhandewalan Extension

New Delhi – 110 055

Tel : +91-11-23541234, 42541234

Fax : +91-11-42541967

e-mail : rta@alankit.com

#### j) Share Transfer System

All physical share transfers and dematerialisation are handled by M/s Alankit Assignments Limited, Registrar and Share Transfer Agent of the Company at 2E/21 Jhandewalan Extension, New Delhi – 110 055. Share transfers are registered and returned within a period of seven days from the date of receipt.

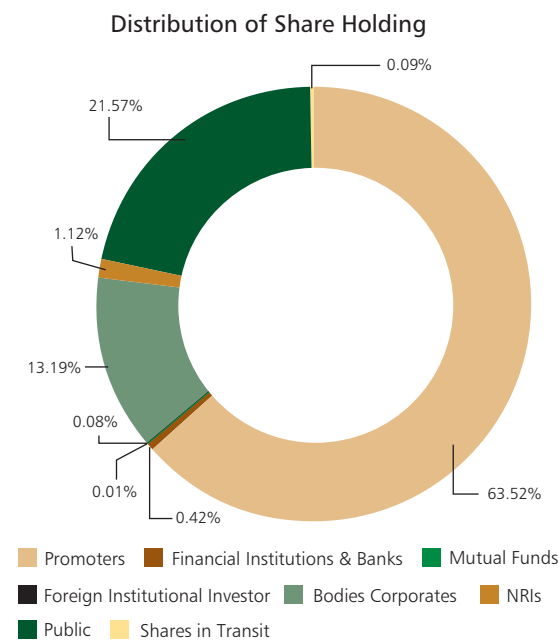
#### k) Distribution of shareholding

As on March 31, 2010 the distribution of shareholding was as follows:

Shareholding of nominal value in Rs	Shareholders		Shareholding	
	Number	Percent	Shares	Percent
up to 5,000	65,910	78.18	13,523,136	6.09
5,001 to 10,000	10,647	12.63	8,303,244	3.74
10,001 to 20,000	4,491	5.33	6,711,115	3.02
20,001 to 30,000	1,228	1.45	3,167,574	1.42
30,001 to 40,000	446	0.53	1,612,249	0.73
40,001 to 50,000	507	0.60	2,427,245	1.09
50,001 to 100,000	564	0.67	4,293,359	1.93
100,001 and above	513	0.61	182,156,753	81.98
<b>Total</b>	<b>84,306</b>	<b>100.00</b>	<b>222,194,675</b>	<b>100.00</b>

#### l) Category wise shareholding as on March 31, 2010

Category	No. of shares held	Percent of shareholding
<b>Promoters</b>		
Indian promoters	141,143,373	63.52
<b>Institutional investors</b>		
– Mutual Funds/UTI	42,065	0.02
– Banks, financial institutions	919,235	0.41
– FIIs	172,482	0.08
<b>Others</b>		
– Corporate bodies	29,297,722	13.19
– Indian public	47,921,087	21.57
– NRIs/OCBs	2,501,824	1.12
– Shares in transit	196,887	0.09
<b>Grand total</b>	<b>222,194,675</b>	<b>100.00</b>



#### m) Details of shares held more than one percent as on March 31, 2010

Name of shareholder	No. of shares held	Percent of shareholding
Madhuraj Foundation	79,538,423	35.80
Punjab State Industrial Development Corporation Limited	7,715,596	3.47
Smt Mayadevi Trust	3,879,480	1.75
Madhuraj Foundation Limited	49,421,608	22.24
Prudent Traders Private Limited	18,860,000	8.49

#### n) Dematerialisation of shares

The equity shares of the Company are compulsory traded and settled only in the dematerialised form under ISIN No. INE 064C01014.

The details of the equity shares of the Company dematerialised as on March 31, 2010 is given hereunder:

Particulars	As on March 31, 2010		As on March 31, 2009	
	No of shares	Percent	No of shares	Percent
No of shares dematerialised	93,502,729	42.08	93,275,616	41.98
– NSDL	38,592,226	17.37	45,369,268	20.42
– CDSL	54,910,503	24.71	47,906,348	21.56
No of shares in physical form	128,691,946	57.92	128,919,059	58.02
<b>Total</b>	<b>222,194,675</b>	<b>100.00</b>	<b>222,194,675</b>	<b>100.00</b>

o) Correspondence received/resolved

Nature	Number of letters (April 2009 – Mar 2010)		
	Received	Attended	Pending
Transfer of shares	30	30	Nil
Dividend/Revalidation	81	81	Nil
Duplicate shares	26	26	Nil
Loss of shares	79	79	Nil
SEBI/Stock exchange	15	15	Nil
Change of address	218	218	Nil
Conversion	128	128	Nil
Misc. like demat / mandate / nomination / POA / annual report / transmission	348	348	Nil
<b>Total</b>	<b>925</b>	<b>925</b>	<b>Nil</b>

p) Share transfer/demat requests in process

As on March 31, 2010, there were two requests for dematerialisation of 100 shares each and one request for transfer of 100 shares was in process.

q) Stock options

1. The Company has granted options to its employees under Abhishek Employee Stock Options Plan, 2007. The Company has made two grants under the scheme till the date. The first grant was made on July 9, 2007 and second grant was made on July 23, 2009 by the Compensation Committee as per the terms and conditions of Abhishek Employee Stock Options Plan, 2007. As per the terms of the plan, the Company can allot a maximum of 9,909,733 options to eligible employees from time to time. One option entitles the participant for one equity share of the Company subject to fulfillment of vesting criteria. Since these are the options given to participants, the exact impact on the paid up capital of the Company depends on exercise of rights of participants to convert these options into equity shares of the Company. As on March 31, 2010 a total of 7,999,647 options were outstanding and in force. There has not been any exercise of option during the financial year 2009-10.
2. The Company had also introduced new Abhishek Employee Stock Options Scheme, 2009 after the approval of shareholders in their meeting held on August 27, 2009. This scheme may be implemented through trust route. There has not been any grant under Abhishek Employee Stock Options Scheme, 2009 till now.

r) Exchange of shares of erstwhile Varinder Agro Chemicals Limited with Abhishek Industries Limited

After merger of Varinder Agro Chemicals Limited (VACL) with Abhishek Industries Limited (AIL), the Company has allotted 70 fully paid equity shares of AIL for every 24 fully paid equity shares of VACL. The Company sent individual letters to all the shareholders of VACL to exchange their share certificates of VACL for share certificates of AIL.

The shareholders who are still holding shares of erstwhile VACL are requested to surrender their share certificates of VACL at the corporate office of the Company at E - 212 Kitchlu Nagar, Ludhiana – 141001 to get the share certificates of AIL.

s) Unclaimed Dividend

Shareholders who have not yet encashed their dividend warrants for the year 2005-6 may approach the Company for re-validation and issue of duplicate warrants. Dividend which remains unpaid/unclaimed over a period of seven years shall be transferred to the Investor Education and Protection Fund as per the law.

t) Nomination

Shareholders holding shares in physical form and desirous of making nomination in respect of their shareholding in the Company are requested to submit their request to the Company in Form 2B.

u) Plant locations

The Company's manufacturing facilities are located at the following locations:

Yarn division		Terry towel division	Paper and chemicals division
Trident Complex, Raikot Road, Barnala - 148 101 Punjab	Trident Complex, Hoshangabad Road, Budni, Sehore-466 445 Madhya Pradesh	Trident Complex, Mansa Road, Dhaula, Barnala - 148 101 Punjab	Trident Complex, Mansa Road, Dhaula, Barnala - 148 101 Punjab

v) Address of subsidiaries

US subsidiary	Indian subsidiary
Abhishek Industries Inc. 295 Fifth Avenue Suite 909, New York NY 10016, USA	Abhishek Global Ventures Ltd. Trident Complex Raikot Road Barnala, Punjab

w) Address for correspondence

Abhishek Industries Limited  
E- 212, Kitchlu Nagar  
Ludhiana 141 001, Punjab, India  
Phone no. 91-161-5039999, 5038888;  
Fax no. 91-161-5039900, 5038800;  
e-mail ID: investor@tridentindia.com;  
website: www.tridentindia.com

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
**Abhishek Industries Limited**

We have examined the compliance of conditions of Corporate governance by Abhishek Industries Limited for the year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges.

The Compliance of conditions of Corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate governance. It is neither an audit nor an expression of opinion on 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 Agreements.

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 Deloitte Haskins & Sells  
*Chartered Accountants*  
Registration No. 015125N

Place: New Delhi  
Date : May 3, 2010

**Manjula Banerji**  
*Partner*  
Membership No. 086423



# MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER CERTIFICATION

We have reviewed financial statements and cash flow statement for the year April 1, 2009 to March 31, 2010 and to the best of our knowledge and belief:

- i) These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
- ii) These statements together present a true & fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- iii) No transaction entered into by the Company during the abovesaid period which are fraudulent, illegal or violative of the Company’s Code of Conduct.

Further, we accept that it is our responsibility to establish and maintain internal controls for financial reporting. Accordingly, we have evaluated the effectiveness of internal control systems of the Company pertaining to financial statements and have disclosed to the auditors and Audit Committee, wherever applicable:

- a) deficiencies in the design or operation of internal controls, if any, which came to our notice and steps have been taken/proposed to be taken to rectify these deficiencies;
- b) Significant changes in internal control over financial reporting during the year;
- c) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
- d) Instances of significant fraud of which we became 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 financial reporting.

Place : New Delhi  
Date : May 3, 2010

Arun Goyal  
Chief Financial Officer

Rajinder Gupta  
Managing Director

# COMPLIANCE WITH CODE OF CONDUCT

The Company has adopted “Combined Code of Corporate governance & Conduct”. This code deals with the ‘Governance Practices’ which the Company is expected to follow and ‘Code of Conduct’ for Board members and Senior Management of the Company.

It is hereby affirmed that during the year 2009-10, all the Directors and Senior Managerial personnel have complied with the Code of Conduct and have given a confirmation in this regard.

Place : New Delhi  
Date : May 3, 2010

Pawan Jain  
Company Secretary

Rajinder Gupta  
Managing Director

# AUDITORS’ REPORT

To  
The Members of  
Abhishek Industries Limited

- We have audited the attached Balance Sheet of **ABHISHEK INDUSTRIES LIMITED** (“the Company”) as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor’s Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - e) *as indicated in note 18 in Schedule 17, the possible loss on valuation of open put derivative options, in view of the reasons stated therein could not be determined by the Company. The ultimate outcome of these transactions and their effect on these accounts cannot be ascertained at this stage. This matter was subject to qualification in previous year also.*
- Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 March 31, 2010;
  - ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
  - iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

- On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

Place: New Delhi  
Date: May 3, 2010

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 015125N)

**Manjula Banerji**  
Partner  
Membership No. 086423

AUDITORS' REPORT (Contd.)  
Annexure to the Auditors' Report  
(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business/activities/result, clauses 4(x) and 4(xiii) of CARO are not applicable.

- i) In respect of its fixed assets:
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- b) The fixed assets were physically verified during the year by the Management in accordance with regular programme of verification. In our opinion, such physical verification of fixed assets is reasonable having regard to the size of the Company and nature of its business. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- ii) In respect of its inventory:
- a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. However, in respect of certain items, the inventories were verified by the management on a visual estimation which has been relied upon by us.
- b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- iii) In respect of loans, secured or unsecured, granted by the Company to Companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- a) The Company has granted unsecured loan to a party the details of which are as under:

(Rs. millions)		
	No of Parties	Amount involved
Balance at the beginning of the year.	1	145.7
Loans granted during the year.	1	27.7
Amount received/ adjusted during the year:		
– issue of equity shares		(75.0)
– in cash		(39.6)
Balance at the end of the year	1	58.8
Maximum balance outstanding during the year	1	169.3

- b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.
- c) According to the information and explanations given to us, the loan, as referred to in paragraph (iii) (a), is repayable on demand along with interest. The party has been regular in repayment of principal amount along with funded interest that has been called during the year.
- d) According to the information and explanations given to us, there are no overdue amounts in respect of the loans granted as referred to in paragraph 4(iii)(a) above and interest thereon.
- e) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) (f) and (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There is no sale of services during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of textile and paper products and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

AUDITORS' REPORT (Contd.)

- ix) a) According to the information and explanations given to us and records of the Company examined by us, the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess, value added tax and other material statutory dues applicable to it with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year end
- b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues in respect of wealth tax, customs duty and cess, which have not been deposited. Details of dues of Income-tax, Sales Tax, Service Tax and Excise Duty which have not been deposited as on March 31, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where disputes is pending	Amount involved (Rs. million)	Amount paid under protest (Rs. million)	Period to which the amount relates
Sales Tax Act	Sales Tax	Deputy Commissioner Excise and Taxation	0.2	0.1	2003-04
Central Excise Law	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal	3.7	–	2002-03
Service Tax Act	Service Tax	Commissioner (Appeals)	3.2	–	2008-09 and 2009-10
Income Tax Act	Penalty	Commissioner of Income Tax (Appeals)	80.2	0.1	(A.Y.) 1995-96, 2004-05 and 2006-07
Income Tax Act	Income Tax	Income Tax Appellate Tribunal	133.4	91.0	(A.Y.) 2004-05

The following matters have been decided in favour of the Company, although the department has preferred appeals at higher levels:

Statute	Nature of Dues	Forum where Department has preferred appeals	Amount (Rs. million)	Period to which amount relates
Central Excise Law	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal	48.6	2004-05, 2005-06 and 2006-07
Service Tax Act	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2.1	2004-05 and 2005-06
Income Tax Act	Interest	High Court	1.7	(A.Y.) 1989-90 and 1990-91

- x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- xi) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances during the year on the basis of security by way of pledge of shares, debentures and other securities.
- xii) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet,
- we report that funds raised on short-term basis have not been used during the year for long- term investment.
- xvi) The Company has not made any preferential allotment of shares during the year.
- (xvii) The Company has not issued any debentures during the year.
- (xviii) The Company has not raised any money by way of public issue during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 015125N)
- Manjula Banerji  
Partner  
Membership No. 086423
- Place: New Delhi  
Date: May 3, 2010



## Balance Sheet as at March 31, 2010

(Rs. million)

Particulars	Schedule No.	As at March 31, 2010		As at March 31, 2009	
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' funds					
a) Share capital	1	2,221.9		2,221.9	
b) Reserves and surplus	2	2,806.1	5,028.0	2,241.5	4,463.4
2. Loan funds					
a) Secured loans	3	17,000.1		15,536.9	
b) Unsecured loans	4	110.5	17,110.6	32.1	15,569.0
3. Deferred tax liability (Refer Note 8)			683.9		329.0
<b>Total</b>			<b>22,822.5</b>		<b>20,361.4</b>
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed assets	5				
a) Gross block		23,387.8		21,032.1	
b) Less : Depreciation		7,966.7		6,315.2	
c) Net block		15,421.1		14,716.9	
d) Capital work in progress	6	1,759.5	17,180.6	2,093.7	16,810.6
2. Investments	7		357.0		1,187.1
3. Current assets, loans and advances	8				
a) Inventories		3,986.9		2,110.0	
b) Sundry debtors		927.3		602.1	
c) Cash and bank balances		266.0		201.1	
d) Loans and advances		1,906.0		1,885.1	
		7,086.2		4,798.3	
<b>Less : Current liabilities and provisions</b>	9				
a) Liabilities		1,685.7		2,342.1	
b) Provisions		115.6		92.5	
		1,801.3		2,434.6	
<b>Net current assets</b>			5,284.9		2,363.7
<b>Total</b>			<b>22,822.5</b>		<b>20,361.4</b>
<b>Notes to the accounts</b>	17				

The above schedules forms an integral part of balance sheet.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Rajinder Gupta  
Managing Director

Pawan Jain  
Company Secretary

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010

## Profit and Loss Account for the year ended March 31, 2010

(Rs. million)

Particulars	Schedule No.	For the year ended March 31, 2010		For the year ended March 31, 2009	
<b>INCOME</b>					
Gross turnover		18,219.5		14,229.9	
Less: Excise duty		185.9		249.3	
Turnover			18,033.6		13,980.6
Other income	10		154.5		30.8
<b>Total</b>			<b>18,188.1</b>		<b>14,011.4</b>
<b>EXPENDITURE</b>					
Raw materials consumed			9,113.2		7,092.9
Manufacturing expenses, etc.	11		2,525.2		1,834.2
Personnel expenses	12		1,855.7		1,285.4
Administrative and other expenses	13		280.4		438.1
Selling expenses	14		986.9		716.7
(Increase) /decrease in work in process and finished goods	15		(135.9)		81.9
Increase / (decrease) in excise duty on finished goods			2.7		(7.2)
<b>Total</b>			<b>14,628.2</b>		<b>11,442.0</b>
<b>Profit before financial expenses, depreciation and tax</b>			3,559.9		2,569.4
Depreciation			1,744.4		1,159.3
Financial expenses	16		1,046.1		797.3
Foreign exchange (gain) / loss			(161.0)		–
<b>Profit for the year before exeptional item and tax</b>			<b>930.4</b>		<b>612.8</b>
Exceptional item - foreign exchange gain / (loss)			–		(1,440.7)
<b>Profit / (loss) for the year after exceptional item before tax</b>			<b>930.4</b>		<b>(827.9)</b>
<b>Less: Provision for taxation</b>					
– Current tax (Minimum alternate tax)		60.4		–	
– Deferred tax charge / (benefit)		336.4		(315.6)	
– Fringe benefit tax		–		11.5	
– MAT credit entitlement		(60.4)		–	
– Provision for income tax for earlier years		29.4	365.8	6.6	(297.5)
<b>Profit / (loss) after tax</b>			564.6		(530.4)
Balance brought forward from previous year			1,616.3		2,146.7
<b>Balance carried to balance sheet</b>			<b>2,180.9</b>		<b>1,616.3</b>
<b>Earning per share (equity shares, nominal value Rs. 10 each) (Refer note 10)</b>					
– Basic			2.54		(2.64)
– Diluted			2.53		(2.64)
<b>Notes to the accounts</b>	17				

The above schedules forms an integral part of profit and loss account.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Rajinder Gupta  
Managing Director

Pawan Jain  
Company Secretary

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010

## Cash Flow Statement for the year ended March 31, 2010

	(Rs. million)	
	Current year	Previous year
<b>A. CASH FLOW FROM / (USED) IN OPERATING ACTIVITIES</b>		
Net Profit/(loss) before tax	930.4	(827.9)
Adjustments for:		
Depreciation	1,744.4	1,159.3
Financial expenses	1,097.8	833.2
Interest received	(51.7)	(35.9)
Doubtful debts / advances written off	25.0	0.1
Provision for doubtful debts / advances	–	17.3
Provision for diminution in value of investments	–	81.7
Reversal of provision for diminution in value of investments	(110.1)	–
Provisions no longer required written back	(25.2)	(5.8)
Profit on sale of current investments (non trade)	–	(8.9)
Loss on sale of current investments (non trade)	2.3	31.1
Dividend from non-trade, unquoted current investments	(1.0)	(3.2)
Loss on sale of fixed assets	1.0	2.4
Profit on sale of fixed assets	(30.1)	(3.6)
Operating profit before working capital changes	3,582.8	1,239.8
Adjustments for:		
(Increase) /decrease in trade and other receivables	(399.1)	(520.5)
(Increase) /decrease in inventories	(1,876.9)	142.1
Increase / (decrease) in trade payables and other liabilities	(81.3)	975.0
Cash generated from operations	1,225.5	1,836.4
Income tax paid	(59.9)	(22.8)
Net cash from / (used) in Operating activities	1,165.6	1,813.6
<b>B. CASH FLOWS FROM / (USED) IN INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,046.0)	(3,904.9)
Sale of fixed assets	432.0	7.2
Purchase of investments	(704.4)	(2,035.1)
Share application money paid	–	(36.0)
Share application money earlier paid received back	1.0	–
Sale of investments	1,718.3	1,504.8
Subsidy received from Government	–	5.0
Interest received	64.1	28.8
Net cash from / (used) in Investing activities	(1,535.0)	(4,430.2)
<b>C. CASH FLOW FROM / (USED) IN FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares on conversion of warrants	–	536.4
Proceeds from long term borrowings	2,566.3	2,799.9
Repayment of long term borrowings	(2,236.0)	(1,543.8)
Changes in working capital loans/short term borrowings	1,211.3	1,457.0
Interest paid	(1,107.3)	(829.4)
Net cash from / (used) in financing activities	434.3	2,420.1
Net increase / (decrease) in cash and cash equivalents	64.9	(196.5)
Cash and cash equivalents as at April 1, 2009	201.1	397.6
Cash and cash equivalents as at March 31, 2010	266.0	201.1

Notes to the accounts Schedule 17

Note: Shares purchased in lieu of business advances given in earlier years of Rs. 75 million has been considered as non-cash item.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Pawan Jain  
Company Secretary

Rajinder Gupta  
Managing Director

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010

## Schedules annexed to and forming part of the accounts

	(Rs. million)	
Particulars	As at March 31, 2010	As at March 31, 2009
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
50,00,00,000 (Previous year 50,00,00,000) Equity shares of Rs. 10 each	5,000.0	5,000.0
10,00,00,000 (Previous year 10,00,00,000) Preference shares of Rs. 10 each	1,000.0	1,000.0
	<b>6,000.0</b>	<b>6,000.0</b>
<b>Issued, Subscribed and paid up</b>		
22,21,94,675 (Previous year 22,21,94,675) Equity shares of Rs. 10 each fully paid up	2,221.9	2,221.9
<b>Of the above :</b>		
3,46,29,630 Equity shares of Rs. 10 each have been allotted on July 28, 1999 to the Shareholders of the erstwhile Abhishek Spinfab Corporation Limited on amalgamation with the Company vide Order dated May 13, 1999 of the Hon'ble High Court for the States of Punjab and Haryana at Chandigarh without payment being received in cash; and		
9,36,97,545 Equity shares of Rs. 10 each have been allotted on March 28, 2002 to the Shareholders of the erstwhile Varinder Agro Chemicals Limited on amalgamation with the Company vide Order dated January 3, 2002 of the Hon'ble High Court for the States of Punjab and Haryana at Chandigarh without payment being received in cash		
	<b>2,221.9</b>	<b>2,221.9</b>

### Schedule 2 RESERVES AND SURPLUS

<b>Capital reserve</b>				
Opening balance	86.6		81.6	
Addition during the year	–	86.6	5.0	86.6
<b>Share premium account</b>				
Opening balance	538.6		222.2	
Addition during the year	–	538.6	316.4	538.6
<b>Surplus, being balance in profit and loss account</b>				
Opening balance	1,616.3		2,146.7	
Addition / (deduction) during the year	564.6	2,180.9	(530.4)	1,616.3
		<b>2,806.1</b>		<b>2,241.5</b>

### Schedule 3 SECURED LOANS

<b>Loans from banks</b>				
Term loans		11,607.6		11,382.2
Cash credits / working capital loans		5,141.4		4,008.5
Vehicle loans		73.8		22.2
<b>Other loans</b>				
Term loans from financial institutions		177.3		124.0
		<b>17,000.1</b>		<b>15,536.9</b>

#### Term loans

Term loans from banks and financial institutions are secured by way of equitable mortgage created or to be created on all the present and future immovable properties including all buildings, structures and all plant and machinery attached thereon of the Company and hypothecation of all the movable properties including movable machinery spares, tools and accessories, etc., present and future, subject to prior charges created and / or to be created in favour of the Company's bankers on stocks of raw materials, semi finished and finished goods, consumable stores and other movable, as may be required for working capital requirements in the ordinary course of business. The mortgages and charges referred to above rank pari-passu or otherwise as mentioned above. (Amount due within one year Rs. 2,265.4 million; Previous year Rs. 2,399.1 million)

#### Cash credits / working capital loans

Cash credit / working capital loans are secured by hypothecation of raw materials, semi finished and finished goods, stock-in-process, consumable stores, other movable assets and book debts, present and future, of the Company. The limits are further secured by way of second pari passu charge on the immovable properties of the Company.



## Schedules annexed to and forming part of the accounts (Contd.)

### Vehicles loans

Vehicle loans are secured by hypothecation of vehicles acquired against such loans. (Amount due within one year Rs. 21.3 million; Previous year Rs. 7.2 million).

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Schedule <b>4</b> UNSECURED LOANS		
Deposits from customers, vendors and others	110.5	32.1
	<b>110.5</b>	<b>32.1</b>

(Rs. million)

Schedule <b>5</b> FIXED ASSETS										
Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at March 31, 2009	Additions during the year	Sales/ Adjust- ment	As at March 31, 2010	As at March 31, 2009	For the year	Sales/ Adjust- ment	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>										
Land										
– Freehold	532.9	156.9	0.5	689.3	–	–	–	–	689.3	532.9
– Leasehold	37.0	–	–	37.0	4.0	0.6	–	4.6	32.4	33.0
Buildings	2,560.9 *	587.9	5.5	3,143.3	346.1	94.3	0.3	440.1	2,703.2	2,214.8
Plant and machinery	17,353.7 #	1,989.0	485.9	18,856.8	5,695.6	1,601.9	91.5	7,206.0	11,650.8	11,658.1
Furniture and fixtures	223.2	9.0	–	232.2	91.7	12.8	–	104.5	127.7	131.5
Computers	124.7	9.8	0.3	134.2	58.5	15.8	0.3	74.0	60.2	66.2
Vehicles	89.2	85.3	3.6	170.9	34.1	10.6	0.8	43.9	127.0	55.1
<b>Intangible Assets</b>										
Software	110.5	13.6	–	124.1	85.2	8.4	–	93.6	30.5	25.3
<b>Current year</b>	<b>21,032.1</b>	<b>2,851.5</b>	<b>495.8</b>	<b>23,387.8</b>	<b>6,315.2</b>	<b>1,744.4</b>	<b>92.9</b>	<b>7,966.7</b>	<b>15,421.1</b>	<b>14,716.9</b>
<b>Previous year</b>	<b>13,273.2</b>	<b>7,810.2</b>	<b>51.3</b>	<b>21,032.1</b>	<b>5,201.2</b>	<b>1,159.3</b>	<b>45.3</b>	<b>6,315.2</b>	<b>14,716.9</b>	<b>8,072.0</b>

### Notes:

- Additions to plant and machinery includes exchange fluctuation loss of Rs. 24.0 million (Previous year Rs. 306.1 million).
  - Sales/adjustment to plant and machinery includes exchange fluctuation gain of Rs. 335.8 million (Previous year Rs. Nil).
- \* Building includes Rs.16.0 million being expenses incurred by the Company towards construction of canal for sourcing of water, ownership of which belongs to Government of Punjab (Department of Irrigation), amortised over a period of five years.
- # Plant and machinery includes Rs. 15.5 million being expenses incurred by the Company towards laying of feeder line, ownership of which belongs to Punjab State Electricity Board, amortised over a period of five years.

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Schedule <b>6</b> CAPITAL WORK IN PROGRESS		
Building under construction	274.7	469.8
Machinery under erection	1,209.5	1,224.6
Capital advances	106.0	101.7
Project and pre-operative expenses pending allocation (Refer note 12)	169.3	297.6
	<b>1,759.5</b>	<b>2,093.7</b>

## Schedules annexed to and forming part of the accounts (Contd.)

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Schedule <b>7</b> INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED)		
<b>Long Term (Trade) Subsidiaries</b>		
Nil (Previous year 1,000) equity shares of CHF 100 each fully paid up, of Abhishek Europe SA. (A subsidiary incorporated in Switzerland)*	–	3.6
50,000 (Previous year 50,000) equity shares of Rs 10 each fully paid up of Abhishek Global Ventures Limited	0.5	0.5
50,000 (Previous year 50,000) common stock of USD 1 each fully paid up of Abhishek Industries Inc. (A wholly owned subsidiary, incorporated in USA)	–	–
	<b>0.5</b>	<b>4.1</b>
<b>Long Term Others</b>		
<b>Trade</b>		
50,00,000 (Previous year 50,00,000) 7% non cumulative redeemable preference shares of Rs. 10 each fully paid up of Praneel Corporate Services Limited (formerly known as Praneel Innovations Limited) (Investment in a Company under same management as per Section 370 (1B) of the Companies Act, 1956)	50.0	50.0
50,00,000 (Previous year 50,00,000) 7% non cumulative redeemable preference shares of Rs. 10 each fully paid up of IOL Chemicals & Pharmaceuticals Limited	50.0	50.0
1,60,000 (Previous year 1,60,000) equity shares of Rs. 10 each fully paid up of Nimbua Greenfield (Punjab) Limited	1.6	1.6
75,50,000 (Previous year 50,000) equity shares of Rs. 10 each fully paid up of Trident Agritech Limited** (75,00,000 equity shares acquired during the year).	75.5	0.5
1,00,00,000 (Previous year 1,00,00,000) equity Shares of Rs. 10 each fully paid up of Lotus Integrated Texpark Limited	100.0	100.0
	<b>277.1</b>	<b>202.1</b>
<b>Non Trade</b>		
32,000 (Previous year 32,000) units of face value of Rs. 1,000 each, Rs. 350 per unit, paid up of Kotak India Venture Fund (Private Equity fund)	11.2	11.2
1,000 (Previous year 1,000) units of face value of Rs. 1,00,000 each, Rs. 3,000 per unit, paid up of Kotak India Growth fund (Private Equity fund)	3.0	3.0
Nil (Previous year 50) non convertible redeemable debentures of Citi Corp Finance, Series 195 of face value of Rs. 10,00,000 each*	–	50.0
	<b>14.2</b>	<b>64.2</b>
Less: Dimunition in value of investment	–	28.8
	<b>14.2</b>	<b>35.4</b>
<b>Current (Non Trade)</b> (Unquoted, at cost or fair value, whichever is lower)		
Equity linked mutual funds		
Nil (Previous year 10,00,000) units of face value of Rs.10 each of Kotak Dynamic Asset Allocation*	–	10.0
Nil (Previous year 10,81,410) units of face value of Rs. 10 each fully paid up of Kotak Global Emerging Market Fund*	–	10.8
Nil (Previous year 9,75,073) units of face value of Rs. 10 each fully paid up of JM Small & Mid Cap Fund-Regular Dividend Plan*	–	16.1
Nil (Previous year 6,29,752) units of face value of Rs. 10 each fully paid up of Fidelity Intl. Opportunities Fund -Growth*	–	7.0

## Schedules annexed to and forming part of the accounts (Contd.)

		(Rs. million)	
Particulars	As at March 31, 2010	As at March 31, 2009	
Schedule <b>7</b> INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED) (Contd.)			
Nil (Previous year 4,88,998) units of face value of Rs. 10 each fully paid up of JM Contra Fund Dividend plan*	–	5.0	
Nil (Previous year 5,83,470) units of face value of Rs. 10 each fully paid up of Principal Large Cap Fund*	–	13.0	
Nil (Previous year 6,18,283) units of face value of Rs. 10 each fully paid up of IDFC Premier Equity Fund -Growth*	–	13.0	
Nil (Previous year 2,44,499) units of face value of Rs. 10 each fully paid up of ICICI Prudential Indo Asia Equity Fund – Retail Growth*	–	2.5	
7,50,000 (Previous year 7,50,000) units of Rs. 10 each fully paid up of SBI Infrastructure Fund - Growth	7.5	7.5	
12,50,000 (Previous year 12,50,000) units of Rs. 10 each fully paid up of SBI Infrastructure Fund - Dividend	12.5	12.5	
37,217 (Previous year 37,217) units of face value of Rs. 10 each fully paid up of DSP India Tiger Fund - Growth	2.0	2.0	
15,00,000 (Previous year 20,00,000) units of Rs. 10 each fully paid up of Sundaram BNP Paribas-Energy Opportunities Fund - Dividend* (5,00,000 units sold during the year)	15.0	20.0	
Nil (Previous year 9,77,995) units of face value of Rs. 10 each of Reliance Natural Resources Fund Dividend Payout*	–	10.0	
1,23,602 (Previous year 1,94,035) units of face value of Rs. 10 each of Reliance Growth Fund - Dividend Plan* (70,433 units sold during the year)	8.3	13.0	
Nil (Previous year 1,50,127) units of face value of Rs. 10 each of Reliance Banking Fund*	–	10.0	
37,296 (Previous year Nil) units of face value of Rs. 10 each of SBI Magnum Sector UMBERALLA Contra - Growth**	2.0	–	
5,21,196 (Previous year Nil) units of face value of Rs. 10 each of SBI Magnum Comma Fund - Growth**	12.5	–	
Repurchase price Rs 56.2 million (Previous year Rs.75.9 million)	59.8	152.4	
Less: Diminution in value of investments	4.5	76.5	
	55.3	75.9	
<b>Debt based mutual funds</b>			
Nil (Previous year 3,46,35,779) units of face value of Rs. 10 each fully paid up of Magnum Insta Cash - Cash Option - Growth*	–	680.1	
Nil (Previous year 3,39,554 ) units of face value of Rs. 10 each fully paid up of Principal Income Fund - Dividend*	–	4.1	
Nil (Previous year 72,55,157) units of face value of Rs. 10 each fully paid up of Principal Floating Rate SMP - Growth*	–	100.0	
9,89,406 (Previous year Nil) units of face value of Rs. 10 each fully paid up of SBI SHF Ultra Short Term Fund- Institutional Plan - Daily Dividend**	9.9	–	
Repurchase price Rs 9.9 million (Previous year Rs. 784.5 million)	9.9	784.2	
	9.9	784.2	
<b>Investment under portfolio management services#</b>			
<b>Kotak Securities Limited</b>			
Nil (Previous year 30,09,103) units in Kotak Floater Long Term (G)*	–	41.3	
	–	41.3	

## Schedules annexed to and forming part of the accounts (Contd.)

		(Rs. million)	
Particulars	As at March 31, 2010	As at March 31, 2009	
Schedule <b>7</b> INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED) (Contd.)			
<b>Equity Shares- Quoted (Non Trade)</b>			
Nil (Previous year 30,455) equity shares of face value of Rs. 10 each fully paid up of ICICI Bank Limited*	–	8.3	
Nil (Previous year 1,82,246) equity shares of face value Re 1 each fully paid up of Sun Pharma Advanced Research Company Limited*	–	11.9	
Nil (Previous year 1,10,390) equity shares of face value of Rs. 10 each fully paid up of IRB Infrastructure Developers Limited*	–	15.8	
Nil (Previous year 35,353) equity shares of face value of Rs. 10 each fully paid up of Cairn India Limited*	–	5.6	
Nil (Previous year 4,03,487) equity shares of face value of Rs. 10 each fully paid up of Gujarat State Petronet Limited*	–	11.7	
Market value Rs. Nil (Previous year Rs 50.5 million)	–	53.3	
Less: Provision for diminution in value	–	9.2	
	–	44.1	
<b>Total</b>	<b>357.0</b>	<b>1,187.1</b>	

\* Sold during the year

\*\* Acquired during the year.

# Investments have been made under the Discretionary Portfolio Management Agreement entered into between the Company and Kotak Securities Limited (Portfolio Managers) and are being held in the name of the Portfolio Manager as envisaged in the aforesaid Agreement.

Repurchase price of current unquoted investments	66.1	902.2
Aggregate book value of unquoted investments	357.0	1,143.0
Aggregate book value of current quoted investments	–	44.1
Market value of current quoted investments	–	50.5

		(Rs. million)	
Particulars	As at March 31, 2010	As at March 31, 2009	
Schedule <b>8</b> CURRENT ASSETS, LOANS AND ADVANCES			
<b>A. Current assets</b>			
<b>Inventories</b>			
Stock in trade *			
– Raw materials	2,591.2	1,025.8	
– Finished goods	529.5	507.3	
– Work in process	513.0	357.2	
Stores and spares **	353.2	219.7	
	<b>3,986.9</b>	<b>2,110.0</b>	
* At cost or net realisable value, whichever is lower			
** At cost or under			
<b>Sundry debtors (Unsecured)</b>			
Debts outstanding for a period exceeding six months			
– Considered good	57.6	120.6	
– Considered doubtful	1.8	2.1	
	59.4	122.7	
Less: Provision for doubtful debts	1.8	57.6	120.6
Other debts considered good		869.7	481.5
	<b>927.3</b>	<b>602.1</b>	
<b>Cash and bank balances</b>			
Cash in hand	4.4	20.3	
Balances with scheduled banks in :			
– Current accounts	88.9	43.8	
– Deposits accounts (including Rs. 66.5 million held as margin with banks; Previous year Rs. 55.2 million)	172.7	137.0	
	<b>266.0</b>	<b>201.1</b>	



## Schedules annexed to and forming part of the accounts (Contd.)

(Rs. million)

Particulars	As at March 31, 2010		As at March 31, 2009	
Schedule <b>8</b> CURRENT ASSETS, LOANS AND ADVANCES (Contd.)				
<b>B. Loans and advances</b>				
(Unsecured, considered good, unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received (Refer note 15)				
– Considered good	962.5		932.0	
– Considered doubtful	0.2		16.7	
	962.7		948.7	
Less: Provision for doubtful debts	0.2	962.5	16.7	932.0
With customs, excise and port trust authorities		511.5		560.1
Security deposits		191.8		177.4
MAT credit entitlement		136.9		76.5
Share application money (Refer note 20)		95.0		96.0
Advances to a wholly owned subsidiary (Maximum balance outstanding during the year Rs. 45.7 million, Previous year Rs. 48.8 million)		8.3		43.1
		1,906.0		1,885.1
		7,086.2		4,798.3

Schedule **9** CURRENT LIABILITIES AND PROVISIONS

<b>A. Current liabilities</b>				
Acceptances		245.6		500.7
Sundry creditors (Refer note 9)		1,328.0		1,739.7
Trade advances		52.8		48.7
Interest accrued but not due on loans		3.0		3.1
Unclaimed dividend*		4.4		4.4
Other liabilities		51.9		45.5
		1,685.7		2,342.1
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund				
<b>B. Provisions</b>				
Taxation :				
– Current tax (net of advance tax of Rs. 521.4 million)		58.1		45.2
– Fringe benefit tax		–		1.5
Earned leaves * (Refer note 7)		54.6		43.8
Gratuity payable (Refer note 7)		2.9		2.0
		115.6		92.5
		1,801.3		2,434.6

\* Includes provision for short term compensated absences Rs. 17.2 million (Previous year Rs. 12.0 million).

(Rs. million)

Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
Schedule <b>10</b> OTHER INCOME				
Insurance claims		5.6		5.9
Profit on sale of fixed assets	30.1		3.6	
Loss on sale of fixed assets	(1.0)	29.1	(2.4)	1.2
Reversal of provision for diminution in value of investments	110.1		–	
Loss on sale of current investments (non-trade)	(2.3)	107.8	–	–
Dividend from non-trade, unquoted current investments		1.0		3.2
Liabilities no longer required written back				
Provision	25.2		5.8	
Less: Doubtful debts and advances written off	(25.0)	0.2	–	5.8
Miscellaneous receipts		10.8		14.7
		154.5		30.8

## Schedules annexed to and forming part of the accounts (Contd.)

(Rs. million)

Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
Schedule <b>11</b> MANUFACTURING EXPENSES				
Purchase for resale		54.1		4.5
Stores and spares consumed		389.1		329.6
Power and fuel		1,529.4		1,032.5
Repairs to plant and machinery		27.9		27.3
Packing material and charges		521.6		431.3
Job charges		3.1		9.0
		2,525.2		1,834.2

Schedule **12** PERSONNEL EXPENSES

Salaries, wages, bonus and allowances		1,709.9		1,178.7
Contribution to provident and other funds		116.3		89.0
Workmen and staff welfare		29.5		17.7
		1,855.7		1,285.4

Schedule **13** ADMINISTRATIVE AND OTHER EXPENSES

Rent		22.9		12.5
Rates and taxes		15.9		8.4
Insurance		53.2		40.0
Directors' sitting fees		0.7		0.9
Travelling and conveyance		41.7		41.6
Postage and telephone		18.3		20.0
Legal and professional		73.3		72.3
Buildings repairs		0.1		1.2
General repairs		17.5		13.6
Doubtful debts and advances written off		–		0.1
Provision for doubtful debts / advances		–		17.3
Software maintenance expenses		0.5		16.4
Electricity and water charges		7.7		2.3
Provision for diminution in value of investments	–		81.7	
Loss on sale of current investments (non-trade)	–		31.1	
Less: Profit on sale of current investments (non-trade)	–	–	(8.9)	103.9
Miscellaneous (Includes exchange loss of Rs. Nil; Previous year Rs. 57.9 million)		28.6		87.6
		280.4		438.1

Schedule **14** SELLING EXPENSES

Commission		189.1		157.6
Freight, clearing and octroi charges		533.5		450.8
Rebates and discount		111.1		13.5
Advertisement		4.1		5.0
Business promotion		44.9		30.3
Others		104.2		59.5
		986.9		716.7

## Schedules annexed to and forming part of the accounts (Contd.)

(Rs. million)				
Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
Schedule <b>15</b> (INCREASE)/ DECREASE IN WORK IN PROCESS AND FINISHED GOODS				
Opening Stock				
– Work-in-process	339.3		304.2	
– Finished goods	493.2	832.5	510.5	814.7
Add: Stock on commissioning of new paper plant on 01.12.2008				
– Work-in-process	–		60.6	
– Finished goods	–	–	39.1	99.7
Add: Stock on commissioning of yarn plant at Budni as on 09.04.2009				
– Work-in-process	14.3		–	
– Finished goods	18.2	32.5	–	–
Less: Closing Stock #				
– Work-in-process	492.3		339.3	
– Finished goods	508.6	1,000.9	493.2	832.5
(Increase) / decrease		(135.9)		81.9
# Excludes production of work-in-process of Rs. 20.7 million (Previous year Rs. 17.9 million) and finished goods of Rs. 20.9 million (Previous year Rs. 14.1 million) under trial run for which expense are included in project and pre-operative expenses.				

Schedule **16** FINANCIAL EXPENSES

Interest				
– On loans for fixed period		681.6		479.8
– Others	343.7		305.4	
Less: Interest received	(51.7)	292.0	(35.9)	269.5
(Tax deducted at source Rs. 6.7 million; Previous year Rs. 4.2 million)				
Bank and other charges		72.5		48.0
		1,046.1		797.3

Schedule **17** NOTES TO THE ACCOUNTS

## 1. Significant Accounting Policies

## A. Accounting convention

The accounts are prepared on accrual basis under the Historical Cost Convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant presentational requirements of the Companies Act, 1956.

## B. Revenue recognition

- The revenue in respect of sales is recognized as and when the risk and reward in the goods is transferred to the buyer.
- The revenue in respect of DEPB benefit and similar other benefits are recognized on post export basis at the rate at which the entitlement accrues and is included in the turnover.
- Insurance claims are recognized when there exists no significant uncertainty with regard to the amounts to be realized and the ultimate collection thereof.

## C. Borrowing costs

Borrowing costs that are attributable to acquisition or construction of a qualifying asset are capitalized as part of cost of such assets. Qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expenses in the period in which they are incurred.

## D. Government grants / subsidies

Government grants/ subsidies are accrued only on conclusive evidence that conditions attaching to the grants have been fulfilled and deducted from the related expenses.

## Schedules annexed to and forming part of the accounts (Contd.)

Schedule **17** NOTES TO THE ACCOUNTS (Contd.)

## E. Accounting for taxes on income

Provision for taxation for the year is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. In respect of carry forward of losses and unabsorbed depreciation, deferred tax assets are recognized based on virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

## F. Employee benefits

The Company has various schemes of retirement benefits such as provident fund, gratuity and leave encashment, which is dealt with as under:

- Contributions to provident fund are made in accordance with the provisions of Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to revenue every year.
- The gratuity liability in respect of employees of the Company is covered through trusts' group gratuity schemes managed by Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The contributions paid to trusts towards the premium of such group gratuity schemes are charged to revenue every year. (Refer note 7 also).
- Provision for leave encashment (including long term compensated absences) is made based on actuarial valuation.

Liability attributing to the long-term period of service, comprising mainly of bonus etc., is recognized on a straight-line basis to the period of service to which it relates.

Liability on account of short term employee benefits, comprising mainly compensated absences and performance incentives, is recognized on an undiscounted accrual basis during the period when the employee renders services/ vesting period of the benefit.

## G. Fixed assets

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses and interest on loan taken for the acquisition of qualifying assets up to the date of commissioning of assets.

In line with Notification No. G.S.R. 225 (E) dated March 31, 2009 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, have been added to or deducted from the cost of the asset and shall be depreciated over the balance useful life of the asset.

## H. Depreciation/amortization

- Depreciation on fixed assets [other than those referred to in (ii) to (v) below] is provided on straight line method in accordance with Schedule XIV to the Companies Act 1956, except in case of one of the Co-generation and Recovery Plants, in respect of which higher depreciation is provided on the basis of technological evaluation of a Chartered Engineer and Management's estimate of useful life of these plants
- Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.
- The depreciable amount of intangible asset is systematically allocated over its useful life. The software acquired for internal use is amortized over a period of five years.
- The leasehold land is amortized over the lease period.
- Capital Expenditure in respect of assets not owned by the Company is amortized over the period of five years.

## I. Investments

Long-term investments are carried at cost less provision, if any, for diminution in value which is other than temporary. Current investments are carried at lower of cost and fair value.

## J. Inventories

Raw materials, finished goods and work in process are valued at cost or net realisable value, whichever is lower. Stores and spares are valued at cost or under. The cost formulas adopted in respect of inventories are as under:

- Stores and spares: weighted average cost
- Raw materials: weighted average cost
- Finished goods: cost of raw materials plus conversion cost, packing cost and excise duty.
- Work in process: cost of raw materials plus conversion cost depending upon the stage of completion.

## K. Foreign currency transactions

- Foreign currency transactions are recorded at the exchange rate prevailing as at the date of transactions except export sales which are recorded at a rate notified by the customs for invoice purposes. Such rate is notified in the last week of the month and is adopted for recording export sales of the next month. The exchange fluctuation arising on billing through banker is accounted for as difference in exchange rates. The amount of such differences in exchange rate is included under turnover.
- Monetary items denominated in a foreign currency are reported at the closing rate as at the date of balance sheet. Non-monetary items, which are carried at fair value denominated in a foreign currency, are reported at the exchange rate that existed when such values were determined, otherwise on historical exchange rate that existed on the date of transaction.



## Schedules annexed to and forming part of the accounts (Contd.)

### Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

- iii) The exchange difference arising on the settlement of monetary items or on reporting these items at rate different from the rates at which these were initially recorded/reported in previous financial statements are recognized as income/expense in the period in which they arise except that such exchange differences which relate to fixed assets acquired up to March 31, 2004 and after April 1, 2007 are capitalised in the carrying amount of these assets and those exchange difference which relate to fixed assets acquired from outside India during April 1, 2004 to March 31, 2007 have been capitalized till March 31, 2007. Further, where foreign currency liabilities have been incurred in connection with fixed assets where the exchange difference during the construction period are adjusted in the cost of the concerned assets.
- iv) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortized as income or expense over the life of the contract. Further exchange difference on such contracts i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception of contract / the last reporting date, is recognized as income / expense for the period except that such exchange difference which relate to fixed assets acquired up to March 31, 2004 and after April 1, 2007 are capitalized in the carrying amount of these assets and those exchange differences which relate to fixed assets acquired from outside India during April 1, 2004 to March 31, 2007 have been capitalised till March 31, 2007. Further where such contracts have been entered in connection with fixed assets, the exchange differences arising during construction period are adjusted in the cost of concerned assets.

#### L. Impairment of assets

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss, i.e., the amount by which the carrying amount of asset exceeds its recoverable amount is provided in the books of account.

#### M. Employee Share-based Payments

Intrinsic Value Method is used to account for share based payments to employees

#### 2. Contingent liabilities not provided for:

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Claims* (excluding claims by employees where amounts are not ascertainable) not acknowledged as debt:		
– Sales tax	0.3	0.3
– Service tax	–	0.7
– Excise duty	3.7	3.7
– Income tax	25.5	16.3
– Others	7.7	7.7

\* All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the results of operations or financial position of the Company.

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
– Bills discounted	881.8	801.2
– Estimated amount of contracts remaining to be executed on capital account (Net of advances)	78.0	458.5
– Guarantees given to banks on behalf of others	106.7	–
– Amount payable under agreement	–	26.2

3. There are no disputed dues of customs duty, wealth tax and cess matters which have not been deposited by the Company. The details of disputed sales tax, income-tax, service tax and excise duty dues as at March 31, 2010 are as follows:

(Rs. million)

Statute	Nature of Dues	Forum where dispute is pending	Amount involved	Amount paid under protest	Period to which the amount relates
Sales Tax Act	Sales Tax	Deputy Commissioner Excise and Taxation	0.2	0.1	2003-04
Central Excise Law	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal	3.7	–	2002-03
Service Tax Act	Service Tax	Commissioner (Appeals)	3.2	–	2008-09 and 2009-10
Income Tax Act	Penalty	Commissioner of Income Tax (Appeals)	80.2	0.1	(A.Y.) 1995-96, 2004-05 and 2006-07
Income Tax Act	Income Tax	Income Tax Appellate Tribunal	133.4	91.0	(A.Y.) 2004-05

## Schedules annexed to and forming part of the accounts (Contd.)

### Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

The following matters have been decided in favour of the Company, although the Department has preferred appeals at higher levels:

(Rs. million)

Statute	Nature of Dues	Forum where Department has preferred appeals	Amount	Period to which amount relates
Central Excise Law	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal	48.6	2004-05, 2005-06 and 2006-07
Service Tax Act	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2.1	2004-05 and 2005-06
Income Tax Act	Interest	High Court	1.7	(A.Y.) 1989-90 and 1990-91

#### 4. Auditors' remuneration:

(Rs. million)

Particulars	Current year	Previous year
As auditors (audit fee)	3.4	2.9
In other capacities		
– Others	2.0	1.7
Reimbursement of expenses	0.2	0.2

#### 5. Managerial remuneration paid / payable to Managing Director and Whole Time Director

(Rs. million)

Particulars	Current year	Previous year
Salary	10.3	9.9
Contribution to provident and other funds	1.8	1.7
Allowances	13.4	13.2
Insurance premium	0.2	0.1
Commission	1.7	–
<b>Total</b>	<b>27.4</b>	<b>24.9</b>

#### 6. Statement showing computation of net profit in accordance with section 349 read with Section 198 of the Companies Act, 1956.

(Rs. million)

Particulars	Current year	Previous year
Profit before tax	930.4	(827.9)
Less: Brought forward loss	(773.5)	–
Add: Managerial remuneration	27.4	24.9
Directors Fee	0.7	0.9
Loss on sale of long term non trade investments	1.9	28.8
Less: Profit on sale of Fixed Assets (section 349(3)(c) of the Companies Act, 1956)	0.4	0.2
Profit on sale of long term non trade investments	13.2	–
Profit under Section 349 of the Companies Act, 1956	173.3	(773.5)
Commission @ 1% of net profit as per Section 349	1.7	–
Maximum permissible limit @ 10%	17.3	–

Total Remuneration for the current year includes remuneration paid to the Whole-time Director as minimum remuneration as approved by the Shareholders in its AGM held on August 27, 2009 and as per Schedule XIII to the Companies Act, 1956 and remuneration paid to the Managing Director as approved by the Shareholders in its AGM held on September 24, 2008 and as approved by the Central Government.

Provisions for incremental gratuity liability and leave encashment have not been considered, since the provision is based on actuarial basis for the Company as a whole.

#### 7. Employee benefits

##### a) Defined contribution plans

The Company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the schemes, the Company is required to contribute a specified percentage of payroll cost, as specified in the rules of the schemes, to these defined contribution schemes. The Company recognized Rs. 118.7 million (Previous year Rs. 98.2 million) during the year as expense towards contribution to these plans. Out of Rs. 118.7 million, Rs.2.5 million (Previous year Rs. 9.2 million) is included under Fixed assets / Capital work in progress.

(Rs. million)

Particulars	Current year	Previous year
Company's contribution to provident fund	85.3	71.1
Company's contribution to employees' state insurance scheme	25.6	20.2
Administrative Charges on above	7.8	6.9

## Schedules annexed to and forming part of the accounts (Contd.)

Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

## b) Defined benefit plans

## Gratuity scheme

The amount of gratuity has been computed based on respective employee's salary and the years of employment with the Company. Gratuity has been accrued based on actuarial valuation as at the Balance Sheet date, carried out by an independent actuary. The amount is funded through trusts' group gratuity schemes managed by Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The Company is contributing to trusts towards the payment of premium of such group gratuity schemes. The accrued liability of the Company in respect of Gratuity payable to employees is covered in the manner aforesaid.

## Earned Leaves

Long term leaves includes earned leaves and sick leaves. These have been provided on accrual basis, based on year end actuarial valuation.

(Rs. million)

Particulars	As at March 31, 2010		As at March 31, 2009	
	Gratuity Scheme	Earned leave and sick leave	Gratuity Scheme	Earned leave and sick leave
<b>A. Expenses recognized in the statement of Profit and Loss Account for the year ended March 31, 2010</b>				
Current service cost	23.7	11.0	19.4	7.6
Interest cost	6.2	2.2	4.7	2.5
Expected return on plan assets	(6.8)	–	(4.9)	–
Actuarial (gains)/ losses	12.1	(3.3)	(2.9)	(4.0)
Total expenses	35.2	9.9	16.3	6.1
<b>B. Net liabilities recognized in the balance sheet as at March 31, 2010</b>				
Present value of defined benefit obligation as at March 31, 2010	107.8	37.4	78.0	31.8
Fair value of plan assets with LIC and SBI Life Insurance Company Limited*	(96.0)	–	(65.1)	–
Funds with Employee Trust*	(8.9)	–	(10.9)	–
Net liability as at March 31, 2010 (unfunded)	2.9	37.4	2.0	31.8
<b>C. Change in the obligation during the year ended March 31, 2010</b>				
Present value of defined benefit obligation at the beginning of the year	78.0	31.8	62.3	29.3
Current service cost	23.7	11.0	19.4	7.6
Interest cost	6.2	2.2	4.7	2.5
Actuarial (gains)/losses	12.1	(3.3)	(2.9)	(4.0)
Benefits payments	(12.2)	(4.3)	(5.5)	(3.6)
Present value of defined benefit obligation at the end of the year	107.8	37.4	78.0	31.8
<b>D. Change in assets during the year ended March 31, 2010</b>				
Plan Assets at the beginning of the year	65.1	–	47.7	–
Expected return on plan assets	6.8	–	4.9	–
Contribution by the Company	36.3	–	18.0	–
Actual benefits paid	(12.2)	–	(5.5)	–
Plan Assets at the end of the year	96.0	–	65.1	–
<b>E. Main actuarial assumptions</b>				
Discount rate	8%	7.5%	7.5%	7.5%
Rate of increase in compensation levels	7%	7%	7%	7%
Rate of return on plan assets	9.3%	–	9.3%	–
Mortality rate	LIC(1994–96) Ultimate	LIC(1994–96) Ultimate	LIC(1994–96) Ultimate	LIC(1994–96) Ultimate

\* The plan assets are maintained with Life Insurance Corporation of India/ SBI Life Insurance Company Limited/ Trust. The details of the investment maintained by Life Insurance Corporation of India/ SBI Life Insurance Company Limited/ Trust are not available with the Company and have not been disclosed.

## Schedules annexed to and forming part of the accounts (Contd.)

Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

(Rs. million)

Particulars	As at March 31, 2008	
	Gratuity Scheme	Earned leave and sick leave
Net liabilities recognized in the balance sheet		
Present value of defined benefit obligation	62.3	29.3
Fair value of plan assets with LIC	(47.7)	–
Net liabilities recognized in the balance sheet	14.6	29.3

The experience adjustments arising on plan liabilities and plan assets and the employer's best estimate of contributions expected to be paid in next financial year is not ascertained and has accordingly not disclosed above.

## 8. Deferred Taxation

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Deferred Tax liability (DTL) on account of accelerated depreciation	1206.4	1093.9
Less: Deferred Tax Asset (DTA) arising on		
– expenses deductible on payment	(50.6)	(279.7)
– unabsorbed depreciation (to the extent DTL)	(471.9)	(485.2)
<b>Net deferred tax liability</b>	<b>683.9</b>	<b>329.0</b>

9. Sundry Creditors includes Rs. 9.6 million (Previous year Rs. 5.6 million) being principal amount due to suppliers covered under "The Micro, Small and Medium Enterprises Development Act, 2006" (MSMED Act) to the extent such parties have been identified from the available information.

## 10. The earnings per share (EPS) disclosed in the Profit and Loss Account have been calculated as under:

(Rs. million)

Particulars	Current year	Previous year
Profit/Loss attributable to equity shareholders (Rs. in million) (A)	564.6	(530.4)
Weighted average number of equity shares (Nos) (B)	22,21,94,675	20,09,45,360
Potential dilutive equity shares on Employee Stock Options outstanding (Nos) (C)	847,906	–
<b>Weighted average number of equity shares in computing diluted earning per share (D) = (B + C)</b>	<b>22,30,42,581</b>	<b>20,09,45,360</b>
<b>Basic Earnings per share (Rs per share) (face value of Rs 10 each) (A)/(B)</b>	<b>2.54</b>	<b>(2.64)</b>
<b>Diluted Earnings per share (Rs per share) (face value of Rs 10 each) (A)/(D)</b>	<b>2.53</b>	<b>(2.64)</b>

11. Borrowing cost capitalized (including capital work in progress) during the year amounts to Rs. 109.3 million (Previous year Rs 436.7 million).

## 12. Project and pre operative expenses pending allocation includes:

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Opening Balance	297.6	751.1
<b>Add: Expenses incurred during the year:</b>		
– Project & Pre-Operatives Expenses		
Loss on foreign exchange fluctuation	–	285.1
Interest expenses	68.4	167.3
Salary, wages and bonus etc.	80.1	74.4
Legal and professional	14.9	61.4
Electricity and water charges	1.0	7.4
Travelling and conveyance	0.7	6.6
Bank charges	0.7	4.9
Stores and spares consumed	1.6	2.0
Others	12.1	7.1
	<b>179.5</b>	<b>616.2</b>



## Schedules annexed to and forming part of the accounts (Contd.)

## Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

## 12. Project and pre operative expenses pending allocation includes: (Contd.)

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
<b>– Expenses incurred during Trial Run period</b>		
Raw material consumed	127.6	737.0
Steam consumed	–	377.8
Interest expenses	40.9	269.4
Electricity and water charges	21.3	246.6
Salary, wages and bonus etc.	8.3	154.8
Store & spares consumed	2.3	63.6
Rebates & discount	–	43.8
Freight, clearing and octroi charges	2.0	29.7
Other selling expenses	1.0	21.7
Commission	1.2	17.2
Legal and professional	0.1	5.0
Repair and maintenance	0.1	3.0
Travelling and conveyance	0.3	1.8
Others	6.7	16.0
(Increase)/decrease in Work in Progress and Finished Goods	(46.6)	(131.7)
(Increase) /decrease in Excise Duty	–	4.5
	165.2	1860.2
<b>Less: Income earned during trial run period</b>		
Sales	128.9	1377.8
Other incomes	1.2	0.3
	130.1	1378.1
<b>Grand Total</b>	<b>512.2</b>	<b>1849.4</b>
Less: Allocated to fixed assets and capital work in progress	342.9	1551.8
Closing Balance	169.3	297.6

## 13. The following current investments in the units of mutual funds were purchased and sold during the year:

98,93,972	units of Rs. 10 each fully paid up of Magnum Insta Cash Fund Cash Option - Growth
1,82,21,682	units of Rs. 10 each fully paid up of Principal Ultra Short Term Fund - Growth
32,77,335	units of Rs. 10 each fully paid up of Principal Income Short Term Fund - Institutional Plan - Growth
1,22,68,360	units of Rs. 10 each fully paid up of Kotak Liquid (Institutional Premium) - Daily Dividend
1,90,61,298	units of Rs. 10 each fully paid up of Kotak Flexi Debt Scheme Institutional Plan - Growth
2,45,761	units of Rs. 10 each fully paid up of Principal Monthly Income Plan Growth Accumulation Plan
3,383	units of Rs. 1,000 each fully paid up of SBI Gold ETF Mutual Fund

## 14. The related party disclosures as per Accounting Standard- 18 are as under:

## i) Enterprises where control exists

- Enterprise that controls the Company
  - Madhuraj Foundation (directly or indirectly holds majority voting power)
- Enterprises that are controlled by the Company, i.e. subsidiary Companies
  - Abhishek Industries Inc.
  - Abhishek Global Ventures Limited
  - Abhishek Europe SA (ceases w.e.f. May 18, 2009)

## ii) Other related parties where transactions have taken place during the year:

- Enterprises under the common control as the Company
  - Madhuraj Foundation Limited
  - Praneel Corporate Services Limited
  - Rainbow Retail Limited
- Enterprise on which Company exercise significant influence
  - Lotus Integrated Texpark Limited
  - Trident Agritech Limited
- Key management personnel
  - Mr. Rajinder Gupta
  - Mr. Raman Kumar
- Relative of Key management personnel
  - Mr. Abhishek Gupta

## Schedules annexed to and forming part of the accounts (Contd.)

## Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

Disclosure of transactions between the Company and related parties during the year and outstanding balances as on March 31, 2010.

(Rs. million)

Particulars	Enterprise that controls the Company		Subsidiaries		Enterprises that are under common control as the Company		Significant Influence		Key Management Personnel		Relative of Key Management Personnel	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
<b>Purchase of Goods/Services</b>												
– Praneel Corporate Services Limited					8.8	22.8						
– Abhishek Global Ventures Limited			–	3.4								
– Madhuraj Foundation Limited					–	0.3						
– Madhuraj Foundation	–	0.1										
– Lotus Integrated Texpark Limited							14.8	2.3				
<b>Purchase of Fixed Assets</b>												
– Madhuraj Foundation	24.0	–										
<b>Sale of Goods/Services</b>												
– Rainbow Retail Limited					–	1.2						
<b>Rent received</b>												
– Mr. Rajinder Gupta									0.6	0.6		
– Lotus Integrated Texpark Limited							0.4	0.2				
<b>Rent paid</b>												
– Madhuraj Foundation	1.0	0.5										
– Lotus Integrated Texpark Limited							7.6	–				
<b>Interest received</b>												
– Trident Agritech Limited							8.0	7.4				
<b>Security Deposit made</b>												
– Madhuraj Foundation	–	80.0										
<b>Security Deposit received</b>												
– Lotus Integrated Texpark Limited							30.0	–				
– Praneel Corporate Services Limited					–	0.2						
<b>Remuneration paid</b>												
– Mr. Rajinder Gupta (Also refer note 5)									25.7	24.0		
– Mr. Raman Kumar									1.7	0.9		
– Mr. Abhishek Gupta											1.2	0.7
<b>Investments made:</b>												
– Trident Agritech Limited							75.0	–				
<b>Expenses incurred on behalf of:</b>												
– Rainbow Retail Limited					4.7	16.2						
– Abhishek Global Ventures Limited			2.8	0.1								
– Lotus Integrated Texpark Limited							5.3	–				
– Praneel Corporate Services Limited					0.2	0.3						
<b>Loans and advances given:</b>												
– Madhuraj Foundation	–	2.7										
– Abhishek Global Ventures Limited			–	2.5								
– Trident Agritech Limited							20.5	28.6				
– Lotus Integrated Texpark Limited							3.3	–				
– Praneel Corporate Services Limited					–	13.9						
<b>Balances as at March 31, 2010:</b>												
Share Application Money Paid												
– Abhishek Global Ventures Limited			65.0	65.0								
– Lotus Integrated Texpark Limited							–	1.0				
– Rainbow Retail Limited					30.0	30.0						

## Schedules annexed to and forming part of the accounts (Contd.)

## Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

(Rs. million)

Particulars	Enterprise that controls the Company		Subsidiaries		Enterprise that are under common control as the Company		Significant Influence		Key Management Personnel		Relative of Key Management Personnel	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Security Deposit receivable:												
– Madhuraj Foundation	82.5	82.5										
Amounts receivable (net of provisions)												
– Trident Agritech Limited							58.8	145.7				
– Abhishek Global Ventures Limited			8.3	43.1								
– Madhuraj Foundation	–	0.5										
– Praneel Corporate Services Limited					1.0	10.0						
– Rainbow Retail Limited					4.9	6.1						
– Mr. Abhishek Gupta											0.1	–
Security Deposit payable:												
– Praneel Corporate Services Limited					0.2	0.2						
– Lotus Integrated Texpark Limited							30.0	–				
Amounts payable												
– Madhuraj Foundation	0.2	–										
– Lotus Integrated Texpark Limited							0.7	0.8				
– Mr. Rajinder Gupta									2.9	25.4		
– Mr. Raman Kumar									0.1	0.1		
– Mr. Abhishek Gupta											–	0.1

15. a) Loans and advances includes amounts given to Companies under the same management referred to in section 370 (1B) of the Companies Act, 1956 of Rs. 4.9 million (Previous year Rs. 6.1 million), Rs. 1.0 million (Previous year Rs. 10.0 million) and Rs. Nil (Previous year Rs. Nil), recoverable from Rainbow Retail Limited, Praneel Corporate Services Limited and Madhuraj Foundation Limited respectively {maximum amount outstanding during the year Rs. 9.9 million (Previous year Rs. 16.1 million), Rs. 18.4 million (Previous year Rs.16.2 million) and Rs. Nil (Previous year Rs. 0.2 million) respectively}.

b) Further, as on March 31, 2010, the loans and advances given to entities under clause 32 of the listing agreement includes loans and advances to Abhishek Global Ventures Limited (a wholly owned subsidiary) of Rs 8.3 million (Previous year Rs. 43.1 million) {maximum balance outstanding during the year Rs 45.7 million (Previous year Rs. 48.8 million)} and to Trident Agritech Limited and Lotus Integrated Texpark Limited (both associates) amounting to Rs 58.8 million (Previous year Rs. 145.7 million) and Rs Nil (Previous year Rs. Nil) respectively {maximum balance outstanding during the year Rs 169.3 million (Previous year Rs. 147.3 million) and Rs 3.5 million (Previous year Rs. 5.0 million) respectively}.

## 16. Segment information:

## I. Segment Accounting Policies

a. The business segments comprise of the following:

- Yarn : Yarn manufacturing
- Towel : Towel, Dyed Yarn manufacturing
- Paper and Chemical : Paper and Sulphuric Acid

b. Business segments have been identified based on the nature and class of products and services, their customers and assessment of differential risks and returns and financial reporting system within the Company

c. The geographical segments considered for disclosure are based on markets, broadly as under:

- Sale in the USA
- Sale in rest of the world

d. Segment accounting policies: In addition to the significant accounting policies, applicable to the business as set out in note 1 of schedule 17 “Notes to the Accounts”; the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of cash, debtors, inventories and fixed assets including capital work in progress, net of allowances and provisions, which are reported as direct offset in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

## Schedules annexed to and forming part of the accounts (Contd.)

## Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

ii. Segment revenue and expenses:

Joint revenue and expenses of segments are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

iii. Inter segment sales: Inter segment sales are accounted for at cost and are eliminated in consolidation.

## II. Details of primary business segments:

(Rs. million)

Particulars	Yarn		Towel		Paper & Chemical		Unallocable		Eliminations		Consolidated Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
1. Segment Revenue												
– External sales	4,655.8	3,397.0	8,435.4	7,560.5	4,942.4	3,023.1					18,033.6	13,980.6
– Inter-segment sales	1,530.4	1,211.3	15.9	1.3	2.7	13.7			(1,549.0)	(1,226.3)	–	–
– Other Income	0.8	0.2	31.2	21.5	6.7	10.1	115.8	3.4	–	(4.4)	154.5	30.8
<b>Total Revenue</b>	<b>6,187.0</b>	<b>4,608.5</b>	<b>8,482.5</b>	<b>7,583.3</b>	<b>4,951.8</b>	<b>3,046.9</b>	<b>115.8</b>	<b>3.4</b>	<b>(1,549.0)</b>	<b>(1,230.7)</b>	<b>18,188.1</b>	<b>14,011.4</b>
2. Segment Results	362.2	58.4	1,504.4	(95.3)	212.8	326.3					2,079.4	289.4
Unallocated corporate expenses (net of unallocated income)											(102.9)	(320.0)
Profit before interest and tax											1,976.5	(30.6)
Interest expense											(1,046.1)	(797.3)
Provision for taxation											(365.8)	297.5
3. Profit/(Loss) after tax											564.6	(530.4)
4. Other Information												
a) Segment assets	10,270.5	6,797.6	6,216.8	5,797.3	8,217.7	8,891.2			(1,750.9)	(783.1)	22,954.1	20,703.0
Unallocated corporate assets							1,669.7	2,093.0			1,669.7	2,093.0
<b>Total assets</b>	<b>10,270.5</b>	<b>6,797.6</b>	<b>6,216.8</b>	<b>5,797.3</b>	<b>8,217.7</b>	<b>8,891.2</b>	<b>1,669.7</b>	<b>2,093.0</b>	<b>(1,750.9)</b>	<b>(783.1)</b>	<b>24,623.8</b>	<b>22,796.0</b>
b) Segment liabilities	1,432.5	640.8	578.4	783.6	1,456.0	1,635.8			(1,750.9)	(783.1)	1,716.0	2,277.1
Unallocated corporate liabilities							22,907.8	20,518.9			22,907.8	20,518.9
<b>Total liabilities</b>	<b>1,432.5</b>	<b>640.8</b>	<b>578.4</b>	<b>783.6</b>	<b>1,456.0</b>	<b>1,635.8</b>	<b>22,907.8</b>	<b>20,518.9</b>	<b>(1,750.9)</b>	<b>(783.1)</b>	<b>24,623.8</b>	<b>22,796.0</b>
Capital Expenditure	1,565.1	1,775.1	216.2	371.6	136.6	1,354.2	103.6	13.1			2,021.5	3,514.0
Depreciation	425.0	275.8	547.5	520.5	750.7	337.0	21.2	26.0			1,744.4	1,159.3
Non-cash expenses other than depreciation	4.1	2.4	16.6	14.0	4.3	1.1	–	81.7			25.0	99.2

## III. Secondary Segment – Geographical:

(Rs. million)

Particulars	Current year	Previous year
Sale in USA	5,227.5	5,150.7
India and other countries	12,806.1	8,829.9
<b>Total Sales</b>	<b>18,033.6</b>	<b>13,980.6</b>
Segment Assets in:		
USA	266.1	6.9
India and other countries	24,438.9	21,479.2
Capital expenditure:		
USA	–	–
India and other countries	2,021.5	3,514.0



## Schedules annexed to and forming part of the accounts (Contd.)

### Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

17. The foreign currency exposure of the Company as on March 31, 2010 is as under:

a) Category wise quantitative data

(Rs. million)

	Nos.	Amounts	
		Current year	Previous year
Put and Call Option contracts	17	From USD 5.0 million to 6.4 million per month (Total from USD 145.0 million to USD 185.5 million) and one time of USD 8 million	From USD 5.0 million to 6.4 million per month (Total from USD 205.0 million to USD 262.3 million)
Forward contracts against exports	126	USD 69.5 million Euro 0.2 million GBP 0.1 million	USD 106.9 million Euro 0.1 million GBP 0.2 million
Forward contracts against imports	5	USD 0.2 million Euro 1.1 million	Nil
Forward contracts against foreign currency loans	1	USD 8.3 million	Nil

b) Derivative instruments are for hedging foreign exchange risk arising from underlined transaction, firm commitments and/or highly probable forecast transactions.

c) Foreign currency exposures remaining unhedged at the year end:

Against Imports (Creditors)	– Euro 1.7 million (Previous year Euro 2.1 million)
	– Swedish Kroner 16.3 million (Previous year SEK 16.6 million)
	– USD 0.7 million (Previous year USD 0.1 million)
	– JPY 11.0 million (Previous year Nil)
Foreign Currency Loans	– USD 60.1 million (Previous year USD 51.3 million)
Acceptances	– USD 5.8 million (Previous year USD 8.8 million)
	– Euro 8.3 million (Previous year Euro 1.4 million)

18. The Company hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various USD/INR options from various banks and as at March 31, 2010, there are 17 open put options having a maturity period up to January 2013. These derivative options are proprietary products of banks, which do not have a ready market and as such are marked to a model, which is usually bank specific instead of being marked to market. Based on marked to a model concept the loss on valuation amounts to Rs. 885.4 million (net) (Previous year Rs. 2,707.8 million). However, in the view of the management due to significant uncertainty associated with the above derivative options whose ultimate outcome depends on future events, the loss on such open derivative options cannot be determined at this stage

19. The Compensation Committee of Board of Directors of the Company has granted options to the employees pursuant to Abhishek Employees Stock Options Plan 2007 ('the Plan') on July 23, 2009, this being the second grant under the Plan. These options were granted at Rs. 11.20 per option, being the latest available closing market price prior to the date of grant of options in accordance with SEBI guidelines. The quoted price of share on grant and the exercise price of option is equal and therefore there is no impact on profit and loss account due to Employee Share-based options as the Company is following intrinsic value method.

20. Share application money includes Rs. 65.0 million (Previous year Rs. 65.0 million) paid to wholly owned subsidiary.

21. Raw material consumed is net of cash discount of Rs. 18.4 million (Previous year Rs. 12.7 million).

## Schedules annexed to and forming part of the accounts (Contd.)

### Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

22. Additional Information:

a) Licensed and installed capacity: Annual Capacity

(Rs. million)

Particulars	Unit	Licensed capacity		Installed capacity*	
		As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
Cotton spindles	Nos.	NA	NA	1,76,352	1,25,952
Rotors	Nos.	NA	NA	1,920	1,920
Processed yarn	TPA	NA	NA	6,825	6,825
Towel	LOOMS	NA	NA	374	350
Paper	TPA	NA	NA	1,75,000	1,75,000
Sulphuric acid	TPA	NA	NA	1,00,000	1,00,000

NA is not applicable

\* Installed capacity has been certified by the management and relied on by the auditors being a technical matter and are on annual basis.

b) Actual Production

(Rs. million)

Particulars	Unit	Current year Qty.	Previous year Qty.
Yarn*	MT	48,115	40,072
Processed yarn**	MT	4,770	5,236
Towel***	MT	29,152	28,311
Paper****	MT	1,23,639	67,302
Sulphuric acid*****	MT	84,038	60,968
Greigh Towel #	MT	326	–

\* Includes 13,107 MT (Previous year 11,819 MT) for captive consumption and also excludes trial run production of 892 MT in Budni (Unit V and VI).

\*\* Includes 3,566 MT (Previous year 3,767 MT) for captive consumption.

\*\*\* Includes 54 MT (Previous year 8 MT) for captive consumption.

\*\*\*\*Includes 33 MT (Previous year 22 MT) for captive consumption

\*\*\*\*\*Includes 3,533 MT (Previous year 4,220 MT) for captive consumption.

# excludes trial run production of 188 MT.

c) Opening stock of finished goods

Particulars	Unit	Current year		Previous year	
		Qty.	Value (Rs. million)	Qty.	Value (Rs. million)
Yarns*	MT	655	63.5	973	104.5
Processed yarn**	MT	41	7.8	37	7.1
Towel ***	MT	1,854	372.6	1,842	361.2
Paper	MT	1,268	43.9	40	1.0
Sulphuric acid	MT	1,326	1.6	1,968	18.8
Others			17.9		17.9
<b>Total</b>			<b>507.3</b>		<b>510.5</b>

\* Includes stock in transit 110.1 MT and 87 MT stock of yarn at Budni (Unit-V) generated during trial run and excludes 127 MT of yarn at Budni (Unit-V) as on April 9, 2009.

\*\* Includes stock in transit 5.7 MT

\*\*\* Includes stock in transit 1093.7 MT

## Schedules annexed to and forming part of the accounts (Contd.)

Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

## d) Closing stock of finished goods

Particulars	Unit	Current year		Previous year	
		Qty.	Value (Rs. million)	Qty.	Value (Rs. million)
Yarns *	MT	1,188	146.2	655	63.5
Processed yarn**	MT	55	13.1	41	7.8
Towel ***	MT	1,369	290.3	1,854	372.6
Paper****	MT	1,212	42.6	1,268	43.9
Sulphuric acid	MT	366	1.0	1,326	1.6
Greigh Towel	MT	27	4.3	—	—
Others			32.0		17.8
<b>Total</b>			<b>529.5</b>		<b>507.3</b>

\* Includes stock in transit 609.9 MT (including 105 MT stock of yarn at Budni (Unit-VI) generated during trial run).

\*\* Includes stock in transit 26.9 MT

\*\*\* Includes stock in transit 522.3MT

\*\*\*\* Includes stock in transit 499.8 MT

## e) Turnover\*

Particulars	Unit	Current year		Previous year	
		Qty.	Value (Rs. million)	Qty.	Value (Rs. million)
Yarn **	MT	34,620	4,334.5	28,658	3,155.8
Processed yarn	MT	1,190	291.1	1,465	290.6
Towel ***	MT	29,583	8,048.8	28,291	7,224.4
Paper	MT	1,23,662	4,894.6	66,950	2,837.6
Sulphuric acid	MT	81,465	176.7	57,390	382.8
Greigh Towel****	MT	309	56.6	—	—
Others			417.2		338.6
<b>Total</b>			<b>18,219.5</b>		<b>14,229.8</b>

\* Net off inter division transfer but inclusive of excise duty and export benefits of Rs. 706.6 million (Previous year Rs. 518.2 million).

\*\* Excludes trial run sale of 744.8 MT of yarn expansion projects at Budni (Unit V and VI).

\*\*\* Towel includes bathrobes, wash-mats and beach bags.

\*\*\*\* Excludes trial run sale of 178 MT of AHT expansion project.

## f) Goods purchased for resale

Particulars	Unit	Current year		Previous year	
		Qty.	Purchase Value (Rs. million)	Qty.	Purchase Value (Rs. million)
Towel	MT	415	54.1	—	—
Others		—	—	—	4.5

## g) Raw material consumed

Particulars	Unit	Current year		Previous year	
		Qty.	Value (Rs. million)	Qty.	Value (Rs. million)
Cotton	MT	57,963	3,854.2	48,266	3,026.2
Man made fiber	MT	1,903	195.1	676	116.0
Yarn *	MT	21,315	2,456.4	21,412	2,146.2
Agro straw	MT	1,77,389	643.5	1,15,101	207.9
Wood pulp	MT	1,097	78.1	2,313	114.0
Sulphur	MT	28,641	103.7	20,829	303.5
Wood & Wood Species	MT	1,08,356	366.8	29,695	94.3
Dyes and chemicals			1,228.5		1,064.7
Others			186.9		20.1
<b>Total</b>			<b>9,113.2</b>		<b>7,092.9</b>

\* Excluding 61 MT used for captive consumption.

## Schedules annexed to and forming part of the accounts (Contd.)

Schedule 17 NOTES TO THE ACCOUNTS (Contd.)

## h) CIF value of imports

Particulars	(Rs. million)	
	Current year	Previous year
Capital goods	582.6	795.3
Store and spares	127.6	103.4
Raw materials	449.4	457.7

## i) Expenditure in foreign currency

Particulars	(Rs. million)	
	Current year	Previous year
Traveling	3.6	3.2
Others	71.9	103.6

## j) Value of raw material / stores and spares consumed

Particulars	(Rs. million)			
	Current year		Previous year	
	Imported	Indigenous	Imported	Indigenous
Raw materials	449.4	8,663.8	433.0	6,659.9
Percentage %	4.9	95.1	6.1	93.9
Components, store and spares and packing material	127.6	783.1	103.4	657.5
Percentage %	14.0	86.0	13.6	86.4

## k) Earnings in foreign exchange

Particulars	(Rs. million)	
	Current year	Previous year
Export of goods calculated on FOB value	8,394.8	6,861.5

23. The figures of the previous year have been rearranged / regrouped, wherever considered necessary to facilitate comparison.

For and on behalf of the Board

S K Tuteja  
ChairmanRajinder Gupta  
Managing DirectorPawan Jain  
Company SecretaryArun Goyal  
Chief Financial OfficerPlace : New Delhi  
Date : May 3, 2010



Balance Sheet Abstract and Company’s General Business Profile

The information required as part IV of Schedule VI of the Company’s Act, 1956

I. Registration Details

Registration No. 

1

0

3

0

7

State Code 

1

6

Balance Sheet Date 

3

1

0

3

2

0

1

0

DateMonthYear

II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue 

N

I

L

Bonus Issue 

N

I

L

Rights Issue 

N

I

L

Private Placement 

N

I

L

III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities 

2

2

8

2

2

4

2

3

Total Assets 

2

2

8

2

2

4

2

3

Sources of Funds

Paid-up Capital 

2

2

2

1

9

4

7

Equity Warrant 

N

I

L

Reserve & Surplus\* 

3

4

8

9

8

1

5

Secured Loans 

1

7

0

0

0

1

5

7

Unsecured Loans 

1

1

0

5

0

4

\*Includes Deferred Tax Liability.

Application of Funds

Net Fixed Assets 

1

7

1

8

0

5

3

8

Investments 

3

5

7

0

2

7

Net Current Assets 

5

2

8

4

8

5

8

Miscellaneous Expenditure 

N

I

L

Accumulated Losses 

N

I

L

IV. Performance of Company (Amount in Rupees Thousands)

Turnover 

1

8

1

8

8

0

6

4

Total Expenditure 

1

7

2

5

7

6

0

6

Profit/(Loss) Before Tax 

9

3

0

4

5

8

Profit/(Loss) After Tax 

5

6

4

6

5

0

Earnings Per Share in Rupee 

2

.

5

4

Dividend Rate (%) 

N

I

L

V. Generic Names of three Principal Products / Services of Company

Item Code No. (ITC Code) 

5

2

.

0

5

Product Description 

C

O

T

T

O

N

Y

A

R

N

T

E

R

R

Y

T

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W

E

L

S

Item Code No. (ITC Code) 

4

8

.

0

2

Product Description 

W

R

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T

I

N

G

&

P

R

I

N

T

I

N

G

P

A

P

E

R

Item Code No. (ITC Code) 

2

8

.

0

7

Product Description 

S

U

L

P

H

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A

C

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D

For and on behalf of the Board

S K Tuteja  
Chairman

Rajinder Gupta  
Managing Director

Place : New Delhi  
Date : May 3, 2010

Pawan Jain  
Company Secretary

Arun Goyal  
Chief Financial Officer

AUDITORS’ REPORT

Auditors’ Report on the Consolidated Financial Statements to the Board of Directors of Abhishek Industries Limited

1. We have audited the attached Consolidated Balance Sheet of ABHISHEK INDUSTRIES LIMITED (“the Company”) and its subsidiaries (the Company and its subsidiaries constitute “the Group”) as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company’s Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect the Group’s share of total assets of Rs. 396.7 million as at March 31, 2010, and the Group’s share of total revenues of Rs. 0.7 million for the year ended on that date, and net cash outflows amounting to Rs. 2.6 million for the year ended on that date and associates whose financial statements reflect the Group’s share of loss upto March 31, 2010 of Rs. 3.2 million and Group’s share of loss of Rs. 3.0 million for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion

in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. As indicated in note 14 in Schedule 18, the possible loss on valuation of open put derivative options, in view of the reasons stated therein could not be determined by the Company. The ultimate outcome of these transactions and their effect on these accounts cannot be ascertained at this stage. This matter was subject to qualification in previous year also.

Subject to Paragraph 5 above, based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries and associates and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
- ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 015125N)

Place: New Delhi  
Date: May 3, 2010

Manjula Banerji  
Partner  
Membership No. 086423

## Consolidated Balance Sheet as at March 31, 2010

(Rs. million)

	Schedule No.	As at March 31, 2010	As at March 31, 2009
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' funds			
a) Share capital	1	2,221.9	2,221.9
b) Reserves and surplus	2	2,789.1	5,011.0
2. Loan funds			
a) Secured loans	3	17,000.1	15,537.0
b) Unsecured loans	4	110.5	17,110.6
3. Deferred tax liability (Refer Note 6 )		683.9	329.0
4. Minority Interest (Previous year Rs 3,131)		20.0	–
<b>Total</b>		<b>22,825.5</b>	<b>20,345.9</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed assets	5		
a) Gross block		23,648.4	21,284.9
b) Less : Depreciation		7,967.0	6,315.5
c) Net block		15,681.4	14,969.4
d) Capital work in progress	6	1,759.5	2,096.4
2. Investments	7	353.3	1,182.8
3. Current assets, loans and advances	8		
a) Inventories		3,990.4	2,110.0
b) Sundry debtors		927.4	602.1
c) Cash and bank balances		266.3	204.0
d) Loans and advances		1,960.7	1,799.7
		7,144.8	4,715.8
Less : Current liabilities and provisions	9		
a) Liabilities		1,998.0	2,526.1
b) Provisions		115.6	92.5
		2,113.6	2,618.6
Net current assets		5,031.2	2,097.2
4. Miscellaneous expenditure (To the extent not written off or adjusted)	10	0.1	0.1
<b>Total</b>		<b>22,825.5</b>	<b>20,345.9</b>
Notes to the accounts	18		

The above schedules forms an integral part of Consolidated Balance Sheet.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Pawan Jain  
Company Secretary

Rajinder Gupta  
Managing Director

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010

## Consolidated Profit and Loss Account for the year ended March 31, 2010

(Rs. million)

	Schedule No.	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>INCOME</b>			
Gross turnover		18,219.5	14,229.9
Less: Excise duty		185.9	249.3
Turnover		18,033.6	13,980.6
Other income	11	157.5	25.9
<b>Total</b>		<b>18,191.1</b>	<b>14,006.5</b>
<b>EXPENDITURE</b>			
Raw materials consumed		9,113.2	7,092.9
Manufacturing expenses, etc.	12	2,528.9	1,837.5
Personnel expenses	13	1,856.2	1,286.0
Administrative and other expenses	14	283.9	432.0
Selling expenses	15	986.9	716.7
(Increase)/decrease in work in process and finished goods	16	(139.4)	81.9
Increase/(decrease) in excise duty on finished goods		2.7	(7.2)
<b>Total</b>		<b>14,632.4</b>	<b>11,439.8</b>
<b>Profit before financial expenses, depreciation and tax</b>		<b>3,558.7</b>	<b>2,566.7</b>
Depreciation		1,744.5	1,159.4
Financial expenses	17	1,046.1	797.3
Foreign exchange (gain)/loss		(160.9)	–
<b>Profit for the year before exceptional item and tax</b>		<b>929.0</b>	<b>610.0</b>
Exceptional item - foreign exchange gain/(loss)		–	(1,440.7)
<b>Profit / (loss) for the year after exceptional item before tax</b>		<b>929.0</b>	<b>(830.7)</b>
Less: Provision for taxation			
– Current tax (Minimum alternate tax)		60.4	–
– Deferred tax charge / (benefit)		336.4	(315.6)
– Fringe benefit tax		–	11.5
– MAT credit entitlement		(60.4)	–
– Provision for income tax for earlier years		29.4	6.6
<b>Profit / (loss) after tax</b>		<b>563.2</b>	<b>(533.2)</b>
Balance brought forward from previous year		1,600.7	2,133.9
<b>Balance carried to balance sheet</b>		<b>2,163.9</b>	<b>1,600.7</b>
<b>Earning per share (equity shares, nominal value Rs 10 each) (Note 8 )</b>			
– Basic		2.53	(2.65)
– Diluted		2.52	(2.65)
Notes to the accounts	18		

The above schedules forms an integral part of Consolidated Profit and Loss account.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Pawan Jain  
Company Secretary

Rajinder Gupta  
Managing Director

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010



## Consolidated Cash Flow Statement for the year ended March 31, 2010

(Rs. million)

	Current year		Previous year	
<b>A. CASH FLOW FROM / (USED) IN OPERATING ACTIVITIES</b>				
Net Profit before tax		929.0		(830.7)
Adjustments for:				
Depreciation	1,744.5		1,159.4	
Financial expenses	1,097.8		833.2	
Interest received	(51.7)		(35.9)	
Doubtful debts/ advances written off	25.4		0.1	
Provision for doubtful debts/ advances	–		17.3	
Provision for diminution in value of investments	–		81.7	
Reversal of provision for diminution in value of investments	(110.1)		–	
Provisions no longer required written back	(25.2)		(7.6)	
Profit on sale of current investments (non trade)	0.4		(8.9)	
Loss on sale of current investments (non trade)	–		31.1	
Dividend from, non-trade, unquoted, current investments	(1.0)		(3.2)	
Loss on sale of fixed assets	1.0		2.4	
Profit on sale of fixed assets	(30.1)	2,651.0	(3.6)	2,066.0
<b>Operating profit before working capital changes</b>		<b>3,580.0</b>		<b>1,235.3</b>
Adjustments for:				
(Increase)/decrease in trade and other receivables	(538.1)		(453.0)	
(Increase)/decrease in inventories	(1,880.4)		142.0	
Increase/(decrease) in trade payables and other liabilities	47.0	(2,371.5)	1,156.2	845.2
<b>Cash generated from operations</b>		<b>1,208.5</b>		<b>2,080.5</b>
Income tax paid		(59.9)		(27.8)
<b>Net cash from /(used) in Operating activities</b>		<b>1,148.6</b>		<b>2,052.7</b>
<b>B. CASH FLOWS FROM / (USED) IN INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(3,051.6)		(3,905.9)	
Sale of fixed assets	432.0		7.2	
Purchase of investments	(704.4)		(2,035.1)	
Share application money paid	–		(31.5)	
Share application money earlier paid received back	1.5		–	
Sale of investments	1,719.9		1,504.8	
Subsidy received from government	–		5.0	
Interest received	62.0		30.9	
<b>Net cash from /(used) in Investing activities</b>		<b>(1,540.6)</b>		<b>(4,424.6)</b>
<b>C. CASH FLOW FROM / (USED) IN FINANCING ACTIVITIES</b>				
Proceeds from issue of equity shares on conversion of warrants	–		536.4	
Minority interest (Issue of Preferential Shares)	20.0		–	
Proceeds from long term borrowings	2,566.3		2,799.9	
Repayment of long term borrowings	(2,236.1)		(1,789.9)	
Changes in working capital loans/short term borrowings	1,211.3		1,457.0	
Interest paid	(1,107.2)		(829.4)	
<b>Net cash from /(used) in financing activities</b>		<b>454.3</b>		<b>2,174.0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>62.3</b>		<b>(197.9)</b>
Cash and cash equivalents as at April 1, 2009		204.0		401.9
Cash and cash equivalents as at March 31, 2010		266.3		204.0
<b>Notes to the accounts</b>	Schedule 18			

**Note:** Shares purchased in lieu of business advances given in earlier years of Rs. 75 million has been considered as non-cash item.

In terms of our report attached  
For DELOITTE HASKINS & SELLS  
Chartered Accountants

For and on behalf of the Board

Manjula Banerji  
Partner  
Membership No. 086423

S K Tuteja  
Chairman

Pawan Jain  
Company Secretary

Rajinder Gupta  
Managing Director

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

Place : New Delhi  
Date : May 3, 2010

## Schedules annexed to and forming part of the Consolidated accounts

(Rs. million)

Particulars	As at March 31, 2010		As at March 31, 2009	
<b>Schedule 1 SHARE CAPITAL</b>				
<b>Authorised</b>				
50,00,00,000 (Previous year 50,00,00,000) Equity shares of Rs. 10 each		5,000.0		5,000.0
10,00,00,000 (Previous year 10,00,00,000) Preference shares of Rs. 10 each		1,000.0		1,000.0
		<b>6,000.0</b>		<b>6,000.0</b>
<b>Issued, Subscribed and paid up</b>				
22,21,94,675 (Previous year 22,21,94,675) Equity shares of Rs. 10 each fully paid up.		2,221.9		2,221.9
<b>Of the above :</b>				
3,46,29,630 Equity shares of Rs. 10 each have been allotted on July 28, 1999 to the Shareholders of the erstwhile Abhishek Spinfab Corporation Limited on amalgamation with the Company vide Order dated May 13, 1999 of the Hon'ble High Court for the States of Punjab and Haryana at Chandigarh without payment being received in cash; and 9,36,97,545 Equity shares of Rs. 10 each have been allotted on March 28, 2002 to the Shareholders of the erstwhile Varinder Agro Chemicals Limited on amalgamation with the Company vide Order dated January 3, 2002 of the Hon'ble High Court for the States of Punjab and Haryana at Chandigarh without payment being received in cash				
		<b>2,221.9</b>		<b>2,221.9</b>

### Schedule 2 RESERVES AND SURPLUS

<b>Capital reserve</b>				
Opening balance	86.6		81.6	
Addition during the year	–	86.6	5.0	86.6
<b>Share premium account</b>				
Opening balance	538.6		222.2	
Addition during the year	–	538.6	316.4	538.6
<b>Surplus, being balance in profit and loss account</b>				
Opening balance	1,600.7		2,133.9	
Addition / (deduction) during the year	563.2	2,163.9	(533.2)	1,600.7
		<b>2,789.1</b>		<b>2,225.9</b>

### Schedule 3 SECURED LOANS

<b>Loans from banks</b>				
Term loans		11,607.6		11,382.2
Cash credits / working capital loans		5,141.4		4,008.5
Vehicle loans		73.8		22.3
<b>Other loans</b>				
Term loans from financial institutions		177.3		124.0
		<b>17,000.1</b>		<b>15,537.0</b>

#### Term loans

Term loans from banks and financial institutions are secured by way of equitable mortgage created or to be created on all the present and future immovable properties including all buildings, structures and all plant and machinery attached thereon of the Company and hypothecation of all the movable properties including movable machinery spares, tools and accessories, etc., present and future, subject to prior charges created and/or to be created in favour of the Company's bankers on stocks of raw materials, semi finished and finished goods, consumable stores and other movable, as may be required for working capital requirements in the ordinary course of business. The mortgages and charges referred to above rank pari-passu or otherwise as mentioned above. (Amount due within one year Rs. 2265.4 million; Previous year Rs. 2399.1 million)

#### Cash credits / working capital loans

Cash credit / working capital loans are secured by hypothecation of raw materials, semi finished and finished goods, stock-in-process, consumable stores, other movable assets and book debts, present and future, of the Company. The limits are further secured by way of second pari passu charge on the immovable properties of the Company.

#### Vehicles loans

Vehicle loans are secured by hypothecation of vehicles acquired against such loans. (Amount due within one year Rs. 21.3 million; Previous year Rs. 7.2 million).

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

(Rs. million)

Particulars	As at March 31, 2010	As atP March 31, 2009
Schedule <b>4</b> UNSECURED LOANS		
Deposits from customers, vendors and others	110.5	32.1
	<b>110.5</b>	<b>32.1</b>

(Rs. million)

Schedule <b>5</b> FIXED ASSETS										
Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at March 31, 2009	Additions during the year	Sales/ Adjust- ment	As at March 31, 2010	As at March 31, 2009	For the year	Sales/ Adjust- ment	Upto March 31, 2010	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>										
Land										
– Freehold	784.4	164.6	0.5	948.5	–	–	–	–	948.5	784.4
– Leasehold	37.0	–	–	37.0	4.0	0.6	–	4.6	32.4	33.0
Buildings	2,560.9 *	587.9	5.5	3,143.3	346.2	94.3	0.4	440.1	2,703.2	2,214.7
Plant and machinery	17,354.4 #	1,989.1	486.0	18,857.5	5,695.4	1,601.9	91.2	7,206.1	11,651.4	11,659.0
Furniture and fixtures	223.7	9.0	0.1	232.6	92.0	12.8	0.2	104.6	128.0	131.7
Computers	124.7	9.8	0.1	134.4	58.5	15.7	0.2	74.0	60.4	66.2
Vehicles	89.3	85.3	3.6	171.0	34.2	10.7	1.0	43.9	127.1	55.1
<b>Intangible Assets</b>										
Software	110.5	13.6	–	124.1	85.2	8.5	–	93.7	30.4	25.3
<b>Current year</b>	<b>21,284.9</b>	<b>2,859.3</b>	<b>495.8</b>	<b>23,648.4</b>	<b>6,315.5</b>	<b>1,744.5</b>	<b>93.0</b>	<b>7,967.0</b>	<b>15,681.4</b>	<b>14,969.4</b>
Previous year	13,525.2	7,811.0	51.3	21,284.9	5,201.4	1,159.4	45.3	6,315.5	14,969.4	8,323.8

## Notes:

- Additions to plant and machinery includes exchange fluctuation loss of Rs. 24.0 million (Previous year Rs. 306.1 million).
  - Sales /adjustment to plant and machinery includes exchange fluctuation gain of Rs. 335.8 million (Previous year Rs. Nil).
- \* Building includes Rs.16.0 million being expenses incurred by the Company towards construction of canal for sourcing of water, ownership of which belongs to Government of Punjab (Department of Irrigation), amortised over a period of five years.
- # Plant and machinery includes Rs. 15.5 million being expenses incurred by the Company towards laying of feeder line, ownership of which belongs to Punjab State Electricity Board, amortised over a period of five years.

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Schedule <b>6</b> CAPITAL WORK IN PROGRESS		
Building under construction	274.7	470.2
Machinery under erection	1,209.5	1,224.5
Capital advances	106.0	101.7
Project and pre-operative expenses pending allocation (refer note 10)	169.3	300.0
	<b>1,759.5</b>	<b>2,096.4</b>

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

(Rs. million)

Particulars	As at March 31, 2010	As at March 31, 2009
Schedule <b>7</b> INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED)		
<b>Long Term (Trade) Associates</b>		
75,50,000 (Previous year 50,000) equity shares of Rs. 10 each fully paid up of Trident Agritech Limited** (75,00,000 equity shares acquired during the year). (Includes Goodwill of Rs. 1.0 million)	75.5	0.5
1,00,00,000 (Previous year 1,00,00,000) equity Shares of Rs. 10 each fully paid up of Lotus Integrated Texpark Limited (Includes capital reserve of Rs. 29.2 million which diluted to Rs. 18.3 million on further issue of share capital to third party)	100.0	100.0
Less: Group share of losses up to March 31,2010	(3.2)	(0.2)
	<b>172.3</b>	<b>99.8</b>
<b>Long Term Others</b>		
<b>Trade</b>		
50,00,000 (Previous year 50,00,000) 7% non cumulative redeemable preference shares of Rs. 10 each fully paid up of Praneel Corporate Services Limited (formerly known as Praneel Innovations Limited) (Investment in a company under same management as per Section 370 (1B) of the Companies Act, 1956)	50.0	50.0
50,00,000 (Previous year 50,00,000) 7% non cumulative redeemable preference shares of Rs. 10 each fully paid up of IOL Chemicals & Pharmaceuticals Limited	50.0	50.0
1,60,000 (Previous year 1,60,000) equity shares of Rs. 10 each fully paid up of Nimbua Greenfield (Punjab) Limited	1.6	1.6
	<b>101.6</b>	<b>101.6</b>
<b>Non Trade</b>		
32,000 (Previous year 32,000) units of face value of Rs. 1,000 each, Rs. 350 per unit, paid up of Kotak India Venture Fund (Private Equity fund)	11.2	11.2
1,000 (Previous year 1,000) units of face value of Rs. 1,00,000 each, Rs. 3,000 per unit, paid up of Kotak India Growth Fund (Private Equity fund)	3.0	3.0
Nil (Previous year 50) non convertible redeemable debentures of Citi Corp Finance, Series 195 of face value of Rs. 10,00,000 each*	–	50.0
Less: Dimunition in value of investment	–	28.8
	<b>14.2</b>	<b>35.4</b>
<b>Current (Non Trade)</b> (Unquoted, at cost or fair value, whichever is lower).		
Equity linked mutual funds		
Nil (Previous year 10,00,000 ) units of face value of Rs.10 each of Kotak Dynamic Asset Allocation*	–	10.0
Nil (Previous year 10,81,410) units of face value of Rs. 10 each fully paid up of Kotak Global Emerging Market Fund*	–	10.8
Nil (Previous year 9,75,073) units of face value of Rs. 10 each fully paid up of JM Small & Mid Cap Fund-Regular Dividend Plan*	–	16.1
Nil (Previous year 6,29,752) units of face value of Rs. 10 each fully paid up of Fidelity Intl. Opportunities Fund -Growth*	–	7.0
Nil (Previous year 4,88,998) units of face value of Rs. 10 each fully paid up of JM Contra Fund Dividend plan*	–	5.0
Nil (Previous year 5,83,470) units of face value of Rs.10 each fully paid up of Principal Large Cap Fund*	–	13.0
Nil (Previous year 6,18,283) units of face value of Rs. 10 each fully paid up of IDFC Premier Equity Fund –Growth*	–	13.0
Nil (Previous year 2,44,499) units of face value of Rs. 10 each fully paid up of ICICI Prudential Indo Asia Equity Fund – Retail Growth*	–	2.5
7,50,000 (Previous year 7,50,000) units of Rs. 10 each fully paid up of SBI Infrastructure Fund – Growth	7.5	7.5



## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Particulars	(Rs. million)	
	As at March 31, 2010	As at March 31, 2009
<b>Schedule 7 INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED) (Contd.)</b>		
12,50,000 (Previous year 12,50,000) units of Rs. 10 each fully paid up of SBI Infrastructure Fund – Dividend	12.5	12.5
37,217 (Previous year 37,217) units of face value of Rs. 10 each fully paid up of DSP India Tiger Fund – Growth	2.0	2.0
15,00,000 (Previous year 20,00,000) units of Rs. 10 each fully paid up of Sundaram BNP Paribas–Energy Opportunities Fund – Dividend* (5,00,000 units sold during the year)	15.0	20.0
Nil (Previous year 9,77,995) units of face value of Rs. 10 each of Reliance Natural Resources Fund Dividend Payout*	–	10.0
1,23,602 (Previous year 1,94,035) units of face value of Rs. 10 each of Reliance Growth Fund - Dividend Plan* (70,433 units sold during the year)	8.3	13.0
Nil (Previous year 1,50,127) units of face value of Rs. 10 each of Reliance Banking Fund*	–	10.0
37,296 (Previous year Nil) units of face value of Rs. 10 each of SBI Magnum Sector Umberalla Contra - Growth**	2.0	–
5,21,196 (Previous year Nil) units of face value of Rs. 10 each of SBI Magnum Comma Fund - Growth**	12.5	–
Repurchase price Rs 56.2 million (Previous year Rs.75.9 million)	59.8	152.4
Less: Diminution in value of investments	4.5	76.5
	55.3	75.9
<b>Debt based mutual funds</b>		
Nil (Previous year 3,46,35,779) units of face value of Rs. 10 each fully paid up of Magnum Insta Cash - Cash Option - Growth*	–	680.1
Nil (Previous year 3,39,554 ) units of face value of Rs. 10 each fully paid up of Principal Income Fund - Dividend*	–	4.1
Nil (Previous year 72,55,157 ) units of face value of Rs. 10 each fully paid up of Principal Floating Rate SMP - Growth*	–	100.0
9,89,406 (Previous year Nil) units of face value of Rs. 10 each fully paid up of SBI SHF Ultra Short Term Fund- Institutional Plan - Daily Dividend**	9.9	–
Repurchase price Rs 9.9 million (Previous year Rs. 784.5 million)	9.9	784.2
	9.9	784.2
<b>Investment under portfolio management services#</b>		
<b>Kotak Securities Limited</b>		
Nil (Previous year 30,09,103) units in Kotak Floater Long Term (G)*	–	41.3
	–	41.3
<b>Equity Shares- Quoted (Non Trade)</b>		
Nil (Previous year 30,455) equity shares of face value of Rs. 10 each fully paid up of ICICI Bank Limited*	–	8.3
Nil (Previous year 1,82,246) equity shares of face value Re 1 each fully paid up of Sun Pharma Advanced Research Company Limited*	–	11.9
Nil (Previous year 1,10,390) equity shares of face value of Rs. 10 each fully paid up of IRB Infrastructure Developers Limited*	–	15.8
Nil (Previous year 35,353) equity shares of face value of Rs. 10 each fully paid up of Cairn India Limited*	–	5.6
Nil (Previous year 4,03,487) equity shares of face value of Rs. 10 each fully paid up of Gujarat State Petronet Limited*	–	11.7
	–	–

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Particulars	(Rs. million)	
	As at March 31, 2010	As at March 31, 2009
<b>Schedule 7 INVESTMENTS (UNQUOTED, AT COST UNLESS OTHERWISE STATED) (Contd.)</b>		
Market value Rs. Nil (Previous year Rs. 50.5 million)	–	53.3
Less: Provision for diminution in value	–	9.2
	–	44.1
<b>Total</b>	<b>353.3</b>	<b>1,182.8</b>
* Sold during the year		
** Acquired during the year.		
# Investments have been made under the Discretionary Portfolio Management Agreement entered into between the Company and Kotak Securities Limited (Portfolio Managers) and are being held in the name of the Porfolio Manager as envisaged in the aforesaid Agreement.		
Repurchase price of current unquoted investments	66.1	902.2
Aggregate book value of unquoted investments	353.3	1,138.7
Aggregate book value of current quoted investments	–	44.1
Market value of current quoted investments	–	50.5
<b>Schedule 8 CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. Current assets</b>		
<b>Inventories</b>		
Stock in trade *		
– Raw materials	2,591.2	1,025.8
– Finished goods	529.5	507.3
– Work in process	516.5	357.2
Stores and spares **	353.2	219.7
	3,990.4	2,110.0
* At cost or net realizable value, whichever is lower		
** At cost or under		
<b>Sundry debtors (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
– Considered good	57.6	120.6
– Considered doubtful	1.8	2.1
	59.4	122.7
Less: Provision for doubtful debts	1.8	2.1
Other debts considered good	869.8	481.5
	927.4	602.1
<b>Cash and bank balances</b>		
Cash in hand	4.4	20.4
Balances with scheduled banks in :		
– Current accounts	89.1	46.6
– Deposits accounts (including Rs. 66.5 million held as margin with banks; Previous year Rs. 55.2 million)	172.8	137.0
	266.3	204.0
<b>B. Loans and advances</b>		
<b>(Unsecured, considered good, unless otherwise stated)</b>		
Advances recoverable in cash or in kind or for value to be received (Refer note 12)		
– Considered good	1,090.5	954.2
– Considered doubtful	0.2	16.7
	1,090.7	970.9
Less: Provision for doubtful debts	0.2	16.7
With customs, excise and port trust authorities	511.5	560.1
Security deposits	191.8	177.4
MAT credit entitlement	136.9	76.5
Share application money to others	30.0	31.5
	1,960.7	1,799.7
	7,144.8	4,715.8

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Particulars	(Rs. million)	
	As at March 31, 2010	As at March 31, 2009
<b>Schedule 9 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current liabilities</b>		
Acceptances	245.6	500.7
Sundry creditors (Refer note 7)	1,485.2	1,922.8
Trade advances	207.0	49.2
Interest accrued but not due on loans	3.0	3.1
Unclaimed dividend*	4.4	4.4
Other liabilities	52.8	45.9
	<b>1,998.0</b>	<b>2,526.1</b>
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
<b>B. Provisions</b>		
Taxation :		
– Current tax (net of advance tax of Rs. 521.4 million)	58.1	45.2
– Fringe benefit tax	–	1.5
Earned leaves * (Refer note 5)	54.6	43.8
Gratuity payable (Refer note 5)	2.9	2.0
	<b>115.6</b>	<b>92.5</b>
	<b>2,113.6</b>	<b>2,618.6</b>

\* Includes provision for short term compensated absences Rs.17.2 million (Previous year Rs. 12.0 million).

**Schedule 10 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Preliminary expenses	0.1	0.1
	<b>0.1</b>	<b>0.1</b>

Particulars	(Rs. million)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Schedule 11 OTHER INCOME</b>		
Insurance claims	5.6	5.9
Profit on sale of fixed assets	30.1	3.6
Loss on sale of fixed assets	(1.0)	(2.4)
Reversal of provision for diminution in value of investments	110.1	–
Profit on sale of Subsidiary	0.2	–
Loss on sale of current investments (non-trade)	(0.4)	–
Dividend from, non-trade, unquoted, current investments	1.0	3.2
Exchange gain	–	0.2
Miscellaneous receipts	11.9	15.4
	<b>157.5</b>	<b>25.9</b>

**Schedule 12 MANUFACTURING EXPENSES**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Purchase for resale	54.1	4.5
Stores and spares consumed	390.7	330.9
Power and fuel	1,529.5	1,032.9
Repairs to plant and machinery	27.9	27.4
Packing material and charges	521.6	431.3
Job charges	5.1	10.5
	<b>2,528.9</b>	<b>1,837.5</b>

**Schedule 13 PERSONNEL EXPENSES**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Salaries, wages, bonus and allowances	1,710.4	1,179.3
Contribution to provident and other funds	116.3	89.0
Workmen and staff welfare	29.5	17.7
	<b>1,856.2</b>	<b>1,286.0</b>

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Particulars	(Rs. million)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Schedule 14 ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	22.9	12.6
Rates and taxes	16.0	8.5
Insurance	53.2	40.0
Directors' sitting fees	0.7	1.2
Travelling and conveyance	41.7	41.8
Postage and telephone	18.4	20.2
Legal and professional	73.3	72.5
Buildings repairs	0.1	1.2
General repairs	17.5	13.6
Doubtful debts and advances written off	25.4	0.1
Provision for doubtful debts/advances	–	17.3
Less: Liabilities no longer required written back	(25.2)	(7.6)
Software maintenance expenses	0.5	16.4
Electricity and water charges	7.7	2.3
Provision for diminution in value of investments	–	81.7
Loss on sale of current investments (non-trade)	–	31.1
Profit on sale of current investments (non-trade)	–	(8.9)
Miscellaneous (Includes exchange loss of Rs. Nil; Previous year Rs. 57.9 million)	28.7	88.0
Loss from Associate (Previous year Rs. 41,277)	3.0	–
	<b>283.9</b>	<b>432.0</b>

**Schedule 15 SELLING EXPENSES**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Commission	189.1	157.6
Freight, clearing and octroi charges	533.5	450.8
Rebates and discount	111.1	13.5
Advertisement	4.1	5.0
Business promotion	44.9	30.3
Others	104.2	59.5
	<b>986.9</b>	<b>716.7</b>

**Schedule 16 (INCREASE)/ DECREASE IN WORK IN PROCESS AND FINISHED GOODS**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Opening Stock</b>		
– Work-in-process	339.3	304.2
– Finished goods	493.2	510.5
<b>Add: Stock on commissioning of new paper plant on 01.12.2008</b>		
– Work-in-process	–	60.6
– Finished goods	–	39.1
<b>Add: Stock on commissioning of yarn plant at Budni as on 09.04.2009</b>		
– Work-in-process	14.3	–
– Finished goods	18.2	–
<b>Less : Closing Stock #</b>		
– Work-in-process	495.8	339.3
– Finished goods	508.6	493.2
<b>(Increase) / decrease</b>	<b>(139.4)</b>	<b>81.9</b>

# Excludes production of work-in-process of Rs. 20.7 million (Previous year Rs. 17.9 million) and finished goods of Rs. 20.9 million (Previous year Rs. 14.1 million) under trial run for which expense are included in project and pre-operative expenses.



## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

(Rs. million)

Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
Schedule 17 FINANCIAL EXPENSES				
Interest				
– On loans for fixed period		681.6		479.8
– Others	343.7		305.4	
Less: Interest received on fixed deposits and customers (Tax deducted at source Rs. 6.7 million; Previous year Rs. 4.2 million)	(51.7)	292.0	(35.9)	269.5
Bank and other charges		72.5		48.0
		1,046.1		797.3

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS

## 1. Significant Accounting Policies

## A. Accounting convention

The accounts are prepared on accrual basis under the Historical Cost Convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant presentational requirements of the Companies Act, 1956.

## B. Basis of consolidation

The consolidated financial statements present the consolidated accounts of Abhishek Industries Limited with its following subsidiaries.

Name of Subsidiary	Country of Incorporation	Proportion of ownership interest as at	
		March 31, 2010	March 31, 2009
Abhishek Industries Inc	USA	100%	100%
Abhishek Global Ventures Limited	India	100%	100%

In preparing consolidated financial statements, the financial statements of parent and subsidiaries are combined on a line by line basis by adding together the book value of assets, liabilities, income and expenses. The intra-group balances and transactions and unrealized profit and losses are fully eliminated.

During the year, the Company has disinvested its entire holding in Abhishek Europe SA, a subsidiary company situated at Neuchatel by way of transferring its holding in equity shares on May 18, 2009. Since the latest available "Fit for consolidation" accounts of Abhishek Europe SA is for the year ended March 31, 2009 (which has already been considered for consolidation last year) and there are no significant transactions in the subsidiary company during the period April 1, 2009 to May 18, 2009, therefore the same have not been considered for consolidation in these financial statements.

Investments in associate have been accounted as per equity method whereby the investment is initially recorded at cost. Identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition change in investor's share of net assets of investee.

Name of Associate	Country of Incorporation	Proportion of ownership interest as at	
		March 31, 2010	March 31, 2009
Lotus Integrated Texpark Limited	India	45.9%	47.5%
Trident Agritech Limited	India	37.2%	–

## C. Revenue recognition

- The revenue in respect of sales is recognized as and when the risk and reward in the goods is transferred to the buyer.
- The revenue in respect of DEPB benefit and similar other benefits are recognized on post export basis at the rate at which the entitlement accrues and is included in the turnover.
- Insurance claims are recognized when there exists no significant uncertainty with regard to the amounts to be realized and the ultimate collection thereof.

## D. Borrowing costs

Borrowing costs that are attributable to acquisition or construction of a qualifying asset are capitalized as part of cost of such assets. Qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expenses in the period in which they are incurred.

## E. Government grants / subsidies

Government grants / subsidies are accrued only on conclusive evidence that conditions attaching to the grants have been fulfilled and deducted from the related expenses.

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

## F. Accounting for taxes on income

Provision for taxation for the year is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. In respect of carry forward of losses and unabsorbed depreciation, deferred tax assets are recognized based on virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

## G. Employee benefits

The Company has various schemes of retirement benefits such as provident fund, gratuity and leave encashment, which is dealt with as under:

- Contributions to provident fund are made in accordance with the provisions of Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and are charged to revenue every year.
- The gratuity liability in respect of employees of the Company is covered through trusts' group gratuity schemes managed by Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The Contributions paid to trusts towards the premium of such group gratuity schemes are charged to revenue every year. (Refer note 7 also).
- Provision for leave encashment (including long term compensated absences) is made based on actuarial valuation.

Liability attributing to the long-term period of service, comprising mainly of bonus etc., is recognized on a straight line basis to the period of service to which it relates.

Liability on account of short term employee benefits, comprising mainly compensated absences and performance incentives, is recognized on an undiscounted accrual basis during the period when the employee renders services/ vesting period of the benefit.

## H. FIXED ASSETS

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses and interest on loan taken for the acquisition of qualifying assets up to the date of commissioning of assets.

In line with Notification No. G.S.R. 225 (E) dated March 31, 2009 issued by The Ministry of Corporate Affairs, Government of India, the exchange differences arising after April 1, 2007 on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, have been added to or deducted from the cost of the asset and shall be depreciated over the balance useful life of the asset.

## I. Depreciation/amortization

- Depreciation on fixed assets [other than those referred to in (ii) to (v) below] is provided on straight line method in accordance with Schedule XIV to the Companies Act, 1956, except in case of one of the Co-generation and Recovery Plants, in respect of which higher depreciation is provided on the basis of technological evaluation of a Chartered Engineer and Management's estimate of useful life of these plants
- Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.
- The depreciable amount of intangible asset is systematically allocated over its useful life. The software acquired for internal use is amortized over a period of five years.
- The leasehold land is amortized over the lease period.
- Capital Expenditure in respect of assets not owned by the Company is amortized over the period of five years.

## J. Investments

Long-term investments are carried at cost less provision, if any, for diminution in value which is other than temporary. Current investments are carried at lower of cost and fair value.

## K. Inventories

Raw materials, finished goods and work in process are valued at cost or net realizable value, whichever is lower. Stores and spares are valued at cost or under. The cost formulas adopted in respect of inventories are as under:

- Stores and spares: weighted average cost
- Raw materials: weighted average cost
- Finished goods: cost of raw materials plus conversion cost, packing cost and excise duty.
- Work in process: cost of raw materials plus conversion cost depending upon the stage of completion.

## L. Foreign currency transactions

- Foreign currency transactions are recorded at the exchange rate prevailing as at the date of transactions except export sales which are recorded at a rate notified by the customs for invoice purposes. Such rate is notified in the last week of the month and is

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

adopted for recording export sales of the next month. The exchange fluctuation arising on billing through banker is accounted for as difference in exchange rates. The amount of such differences in exchange rate is included under turnover.

- ii) Monetary items denominated in a foreign currency are reported at the closing rate as at the date of balance sheet. Non-monetary items, which are carried at fair value denominated in a foreign currency, are reported at the exchange rate that existed when such values were determined, otherwise on historical exchange rate that existed on the date of transaction.
- iii) The exchange difference arising on the settlement of monetary items or on reporting these items at rate different from the rates at which these were initially recorded/reported in previous financial statements are recognized as income/expense in the period in which they arise except that such exchange differences which relate to fixed assets acquired up to March 31, 2004 and after April 1, 2007 are capitalized in the carrying amount of these assets and those exchange difference which relate to fixed assets acquired from outside India during April 1, 2004 to March 31, 2007 have been capitalized till March 31, 2007. Further, where foreign currency liabilities have been incurred in connection with fixed assets where the exchange difference during the construction period are adjusted in the cost of the concerned assets.
- iv) In case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortized as income or expense over the life of the contract. Further exchange difference on such contracts i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception of contract / the last reporting date, is recognized as income / expense for the period except that such exchange difference which relate to fixed assets acquired up to March 31, 2004 and after April 1, 2007 are capitalized in the carrying amount of these assets and those exchange differences which relate to fixed assets acquired from outside India during April 1, 2004 to March 31, 2007 have been capitalized till March 31, 2007. Further where such contracts have been entered in connection with fixed assets, the exchange differences arising during construction period are adjusted in the cost of concerned assets.
- v) For the purpose of financial statements, the operations of subsidiary companies are treated as integral part to the operations of the company. All revenue transactions of foreign subsidiaries are recorded, on initial recognition at exchange rate which is average yearly rate since it is not practicable to determine the prevailing rate as at date of transaction. Such revenue transactions are insignificant to the total revenue transactions of the group. Monetary items thereof reported at the closing rate as on the date of balance sheet. Non-monetary items which are carried in terms of historical costs are reported using the exchange rate at the date of transaction. Non-monetary items which are carried at fair value are reported using the exchange rate that existed when the values were determined.

**M. Impairment of assets**

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss, i.e., the amount by which the carrying amount of asset exceeds its recoverable amount is provided in the books of account.

**N. Employee share-based payments**

Intrinsic Value Method is used to account for share based payments to employees.

**2. Contingent liabilities not provided for:**

Particulars	(Rs. million)	
	As at March 31, 2010	As at March 31, 2009
Claims* (excluding claims by employees where amounts are not ascertainable) not acknowledged as debt:		
– Sales tax	0.3	0.3
– Service tax	–	0.7
– Excise duty	3.7	3.7
– Income tax	25.5	16.3
– Others	7.7	7.7

\* All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the results of operations or financial position of the Company.

– Bills discounted	881.8	801.2
– Estimated amount of contracts remaining to be executed on capital account (Net of advances)	78.0	458.5
– Guarantees given to banks on behalf of others	106.7	–
– Amount payable under agreement	–	26.2

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

**3. Auditors' remuneration:**

Particulars	(Rs. million)	
	Current year	Previous year
As auditors (audit fee) #	3.5	2.9
In other capacities		
– Others	2.0	1.7
Reimbursement of expenses	0.2	0.2

# includes remuneration of the auditors of the Company and its subsidiaries.

**4. Managerial remuneration paid / payable to Managing Director and Whole Time Director**

Particulars	(Rs. million)	
	Current year	Previous year
Salary	10.3	9.9
Contribution to provident and other funds	1.8	1.7
Allowances	13.4	13.2
Insurance premium	0.2	0.1
Commission	1.7	–
<b>Total</b>	<b>27.4</b>	<b>24.9</b>

Provision for incremental gratuity and leave encashment have not been considered, since the provision is based on actuarial basis for the Company as a whole.

**5. Employee benefits****a) Defined contribution plans**

The Company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the schemes, the Company is required to contribute a specified percentage of payroll cost, as specified in the rules of the schemes, to these defined contribution schemes. The Company recognized Rs.118.7 million (Previous year Rs. 98.2 million) during the year as expense towards contribution to these plans. Out of Rs. 118.7 million, Rs.2.5 million (Previous year Rs. 9.2 million) is included under Fixed assets / Capital work in progress.

Particulars	(Rs. million)	
	Current year	Previous year
Company's contribution to provident fund	85.3	71.1
Company's contribution to employees' state insurance scheme	25.6	20.2
Administrative Charges on above	7.8	6.9

**b) Defined benefit plans****Gratuity scheme**

The amount of gratuity has been computed based on respective employee's salary and the years of employment with the Company. Gratuity has been accrued based on actuarial valuation as at the Balance Sheet date, carried out by an independent actuary. The amount is funded through trusts' group gratuity schemes managed by Life Insurance Corporation of India and SBI Life Insurance Company Ltd. The Company is contributing to trusts towards the payment of premium of such group gratuity schemes. The accrued liability of the Company in respect of Gratuity payable to employees is covered in the manner aforesaid.

**Earned Leaves**

Long term leaves includes earned leaves and sick leaves. These have been provided on accrual basis, based on year end actuarial valuation.

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

Particulars	As at March 31, 2010		As at March 31, 2009	
	Gratuity Scheme	Earned leave and sick leave	Gratuity Scheme	Earned leave and sick leave
<b>A. Expenses recognized in the statement of Profit and Loss Account for the year ended March 31, 2010</b>				
Current service cost	23.7	11.0	19.4	7.6
Interest cost	6.2	2.2	4.7	2.5
Expected return on plan assets	(6.8)	–	(4.9)	–
Actuarial (gains)/ losses	12.1	(3.3)	(2.9)	(4.0)
<b>Total expenses</b>	<b>35.2</b>	<b>9.9</b>	<b>16.3</b>	<b>6.1</b>
<b>B. Net liabilities recognized in the balance sheet as at March 31, 2010</b>				
Present value of defined benefit obligation as at March 31, 2010	107.8	37.4	78.0	31.8
Fair value of plan assets with LIC and SBI Life Insurance Company Limited*	(96.0)	–	(65.1)	–
Funds with Employee Trust*	(8.9)	–	(10.9)	–
<b>Net liability as at March 31, 2010 (unfunded)</b>	<b>2.9</b>	<b>37.4</b>	<b>2.0</b>	<b>31.8</b>
<b>C. Change in the obligation during the year ended March 31, 2010</b>				
Present value of defined benefit obligation at the beginning of the year	78.0	31.8	62.3	29.3
Current service cost	23.7	11.0	19.4	7.6
Interest cost	6.2	2.2	4.7	2.5
Actuarial (gains)/losses	12.1	(3.3)	(2.9)	(4.0)
Benefits payments	(12.2)	(4.3)	(5.5)	(3.6)
Present value of defined benefit obligation at the end of the year	107.8	37.4	78.0	31.8
<b>D. Change in assets during the year ended March 31, 2010</b>				
Plan Assets at the beginning of the year	65.1	–	47.7	–
Expected return on plan assets	6.8	–	4.9	–
Contribution by the Company	36.3	–	18.0	–
Actual benefits paid	(12.2)	–	(5.5)	–
<b>Plan Assets at the end of the year</b>	<b>96.0</b>	<b>–</b>	<b>65.1</b>	<b>–</b>
<b>E. Main actuarial assumptions</b>				
Discount rate	8%	7.5%	7.5%	7.5%
Rate of increase in compensation levels	7%	7%	7%	7%
Rate of return on plan assets	9.3%	–	9.3%	–
Mortality rate	LIC(1994 –96) Ultimate	LIC(1994 –96) Ultimate	LIC(1994 –96) Ultimate	LIC(1994 –96) Ultimate

\* The plan assets are maintained with Life Insurance Corporation of India/ SBI Life Insurance Company Limited/ Trust. The details of the investment maintained by Life Insurance Corporation of India/ SBI Life Insurance Company Limited/ Trust are not available with the company and have not been disclosed.

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

Particulars	As at March 31, 2008	
	Gratuity Scheme	Earned leave and sick leave
<b>Net liabilities recognized in the balance sheet</b>		
Present value of defined benefit obligation	62.3	29.3
Fair value of plan assets with LIC	(47.7)	–
<b>Net liabilities recognized in the balance sheet</b>	<b>14.6</b>	<b>29.3</b>

The experience adjustments arising on plan liabilities and plan assets and the employer's best estimate of contributions expected to be paid in next financial year is not ascertained and has accordingly not disclosed above.

## 6. Deferred taxation

Particulars	As at	
	March 31, 2010	March 31, 2009
Deferred Tax liability (DTL) on account of accelerated depreciation	1206.4	1093.9
Less: Deferred Tax Asset (DTA) arising on		
– expenses deductible on payment	(50.6)	(279.7)
– unabsorbed depreciation (to the extent DTL)	(471.9)	(485.2)
<b>Net deferred tax liability</b>	<b>683.9</b>	<b>329.0</b>

7. Sundry Creditors includes Rs. 9.6 million (Previous year Rs. 5.6 million) being principal amount due to suppliers covered under "The Micro, Small and Medium Enterprises Development Act, 2006" (MSMED Act) to the extent such parties have been identified from the available information.

## 8. The earnings per share (EPS) disclosed in the profit and loss account have been calculated as under:

Particulars	As at	
	Current year	Previous year
Profit/Loss attributable to equity shareholders (Rs. in million) (A)	563.2	(533.2)
Weighted average number of equity shares (Nos) (B)	22,21,94,675	20,09,45,360
Potential dilutive equity shares on Employee Stock Options outstanding (Nos) (C)	847,906	–
Weighted average number of equity shares in computing diluted earning per share (D) = (B+C)	22,30,42,581	20,09,45,360
Basic Earnings per share (Rs per share) (face value of Rs 10 each) (A)/(B)	2.53	(2.65)
Diluted Earnings per share (Rs per share) (face value of Rs 10 each) (A)/(D)	2.52	(2.65)

9. Borrowing cost capitalized (including capital work in progress) during the year amounts to Rs. 109.3 million (Previous year Rs 436.7 million).

## 10. Project and pre operative expenses pending allocation includes:

Particulars	As at	
	March 31, 2010	March 31, 2009
Opening Balance	300.0	753.5
<b>Add: Expenses incurred during the year:</b>		
– Project & Pre-Operatives Expenses		
Loss on Foreign Exchange Fluctuation	–	285.1
Interest expenses	68.4	167.3
Salary, wages and bonus etc.	80.1	74.4
Legal and professional	14.9	61.4
Electricity and water charges	1.0	7.4
Travelling and conveyance	0.7	6.6
Bank charges	0.7	4.9
Stores and spares consumed	1.6	2.0
Others	12.1	7.1
	<b>179.5</b>	<b>616.2</b>



## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

## 10. Project and pre operative expenses pending allocation includes: (Contd.)

(Rs. million)

Particulars	As at March 31, 2010		As at March 31, 2009	
– Expenses incurred during Trial Run period				
Raw material consumed	127.6		737.0	
Steam consumed	–		377.8	
Interest expenses	40.9		269.4	
Electricity and water charges	21.3		246.6	
Salary, wages and bonus etc.	8.3		154.8	
Store & spares consumed	2.3		63.6	
Rebates & discount	–		43.8	
Freight, clearing and octroi charges	2.0		29.7	
Other selling expenses	1.0		21.7	
Commission	1.2		17.2	
Legal and professional	0.1		5.0	
Repair and maintenance	0.1		3.0	
Travelling and conveyance	0.3		1.8	
Others	6.7		16.0	
(Increase) /decrease in work in progress and finished goods	(46.6)		(131.7)	
(Increase) /decrease in Excise Duty	–		4.5	
	165.2		1860.2	
Less: Income earned during trial run period				
Sales	128.9		1377.8	
Other incomes	1.2		0.3	
	130.1	35.1	1378.1	482.1
<b>Grand Total</b>		<b>514.6</b>		<b>1851.8</b>
Less: Allocated to fixed assets and capital work in progress		345.3		1551.8
Closing Balance		169.3		300.0

## 11. The related party disclosures as per Accounting Standard– 18 are as under:

## i) Enterprises where control exists

- a) Enterprise that controls the Company  
– Madhuraj Foundation (directly or indirectly holds majority voting power)

## ii) Other related parties where transactions have taken place during the year:

- a) Enterprises under the common control as the Company  
– Madhuraj Foundation Limited  
– Praneel Corporate Services Limited  
– Rainbow Retail Limited
- b) Enterprise on which Company exercise significant influence  
– Lotus Integrated Texpark Limited  
– Trident Agritech Limited
- c) Key management personnel  
– Mr. Rajinder Gupta  
– Mr. Raman Kumar
- d) Relative of Key management personnel  
– Mr. Abhishek Gupta

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

## Disclosure of transactions between the Company and related parties during the year and outstanding balances as on March 31, 2010.

(Rs. million)

Particulars	Enterprise that controls the Company		Enterprises that are under common control as the Company		Significant Influence		Key Management Personnel		Relative of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Purchase of Goods/Services</b>										
– Praneel Corporate Services Limited			8.8	22.8						
– Madhuraj Foundation Limited			–	0.3						
– Madhuraj Foundation	–	0.1								
– Lotus Integrated Texpark Limited					14.8	2.3				
<b>Purchase of Fixed Assets</b>										
– Madhuraj Foundation	24.0	–								
<b>Sale of Goods/Services</b>										
– Rainbow Retail Limited			–	1.2						
<b>Rent received</b>										
– Mr. Rajinder Gupta							0.6	0.6		
– Lotus Integrated Texpark Limited					0.4	0.2				
<b>Rent paid</b>										
– Madhuraj Foundation	1.0	0.5								
– Lotus Integrated Texpark Limited					7.6	–				
<b>Interest received</b>										
– Trident Agritech Limited					8.0	7.4				
<b>Security Deposit made</b>										
– Madhuraj Foundation	–	80.0								
<b>Security Deposit received</b>										
– Lotus Integrated Texpark Limited					30.0	–				
– Praneel Corporate Services Limited			–	0.2						
<b>Remuneration paid</b>										
– Mr. Rajinder Gupta (Also refer note 5)							25.7	24.0		
– Mr. Raman Kumar							1.7	0.9		
– Mr. Abhishek Gupta									1.2	0.7
<b>Investments made:</b>										
– Trident Agritech Limited					75.0	–				
<b>Expenses incurred on behalf of:</b>										
– Rainbow Retail Limited			4.7	16.2						
– Lotus Integrated Texpark Limited					5.3	–				
– Praneel Corporate Services Limited			0.2	0.3						
<b>Loans and advances taken</b>										
– Trident Agritech Limited					–	190.6				
– Praneel Corporate Services Limited			132.0	–						
<b>Loans and advances given:</b>										
– Madhuraj Foundation	–	2.7								
– Trident Agritech Limited					20.5	–				
– Lotus Integrated Texpark Limited					3.3	–				
– Praneel Corporate Services Limited			–	14.1						

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

Disclosure of transactions between the Company and related parties during the year and outstanding balances as on March 31, 2010 (Contd.) (Rs. million)

Particulars	Enterprise that controls the Company		Enterprises that are under common control as the Company		Significant Influence		Key Management Personnel		Relative of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Balances as at March 31, 2010:</b>										
Share Application Money Paid										
– Lotus Integrated Texpark Limited					–	1.0				
– Rainbow Retail Limited			30.0	30.0						
<b>Security Deposit receivable:</b>										
– Madhuraj Foundation	82.5	82.5								
<b>Amounts receivable (net of provisions)</b>										
– Madhuraj Foundation	–	0.5								
– Praneel Corporate Services Limited			–	30.0						
– Rainbow Retail Limited			4.9	6.1						
– Mr. Abhishek Gupta									0.1	–
<b>Security Deposit payable:</b>										
– Praneel Corporate Services Limited			0.2	0.2						
– Lotus Integrated Texpark Limited					30.0	–				
<b>Amounts payable</b>										
– Madhuraj Foundation	0.2	–								
– Lotus Integrated Texpark Limited					0.7	0.8				
– Praneel Corporate Services Limited			131.0	–						
– Trident Agritech Limited					98.2	36.8				
– Mr. Rajinder Gupta							2.9	25.4		
– Mr. Raman Kumar							0.1	0.1		
– Mr. Abhishek Gupta									–	0.1

12. a. Loans and advances includes amounts given to Companies under the same management referred to in Section 370 (1B) of the Companies Act, 1956 of Rs. 4.9 million (Previous year Rs. 6.1 million), Rs. 1.0 million (Previous year Rs. 30.0 million) and Rs. Nil (Previous year Rs. Nil), recoverable from Rainbow Retail Limited, Praneel Corporate Services Limited and Madhuraj Foundation Limited respectively {maximum amount outstanding during the year Rs. 9.9 million (Previous year Rs. 16.1 million), Rs. 38.4 million (Previous year Rs. 45.3 million) and Rs. Nil (Previous year Rs. 0.2 million) respectively}.

b. Further as on March 31, 2010, the loans and advances given to entities referred under Clause 32 of listing agreement includes loans and advances to Trident Agritech Limited and Lotus Integrated Texpark Limited (both associates) amounting to Rs. 58.8 million (Previous year Rs. 145.7 million) and Rs. Nil (Previous year Rs. Nil) respectively {maximum balance outstanding during the year Rs 169.3 million (Previous year Rs 147.3 million) and Rs 3.3 million (Previous year Rs. 5.0 million) respectively}.

## 13. Segment information:

## I. Segment Accounting Policies

a. The business segments comprise of the following:

- Yarn : Yarn manufacturing
- Towel : Towel , Dyed Yarn manufacturing
- Paper and Chemical : Paper and Sulphuric Acid

b. Business segments have been identified based on the nature and class of products and services, their customers and assessment of differential risks and returns and financial reporting system within the Company

c. The geographical segments considered for disclosure are based on markets, broadly as under:

- Sale in the USA
- Sale in rest of the world

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

d. Segment accounting policies: In addition to the significant accounting policies, applicable to the business as set out in note 1 of schedule 18 “Notes to the Accounts”; the accounting policies in relation to segment accounting are as under:

i. Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of cash, debtors, inventories and fixed assets including capital work in progress, net of allowances and provisions, which are reported as direct offset in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities.

ii. Segment revenue and expenses:

Joint revenue and expenses of segments are allocated amongst them on reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

iii. Inter segment sales: Inter segment sales are accounted for at cost and are eliminated in consolidation.

## II. Details of primary business segments:

(Rs. million)

Particulars	Yarn		Towel		Paper & Chemical		Unallocable		Eliminations		Consolidated Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
<b>1. Segment Revenue</b>												
– External sales	4,655.8	3,397.0	8,435.4	7,560.5	4,942.4	3,023.1					18,033.6	13,980.6
– Inter-segment sales	1,530.4	1,211.3	15.9	1.3	2.7	13.7			(1,549.0)	(1,226.3)	–	–
– Other Income	0.8	0.2	31.2	15.9	6.7	10.1	118.8	4.1	–	(4.4)	157.5	25.9
<b>Total Revenue</b>	<b>6,187.0</b>	<b>4,608.5</b>	<b>8,482.5</b>	<b>7,577.7</b>	<b>4,951.8</b>	<b>3,046.9</b>	<b>118.8</b>	<b>4.1</b>	<b>(1,549.0)</b>	<b>(1,230.7)</b>	<b>18,191.1</b>	<b>14,006.5</b>
<b>2. Segment Results</b>	<b>362.2</b>	<b>58.4</b>	<b>1,504.2</b>	<b>(94.2)</b>	<b>212.8</b>	<b>326.3</b>					<b>2,079.2</b>	<b>290.5</b>
Unallocated corporate expenses (net of unallocated income)											(104.1)	(323.9)
Profit before interest and tax											1,975.1	(33.4)
Interest expense											(1,046.1)	(797.3)
Provision for taxation											(365.8)	297.5
<b>3. Profit/(Loss) after tax</b>											<b>563.2</b>	<b>(533.2)</b>
<b>4. Other Information</b>												
a) Segment assets	10,257.9	6,748.5	6,218.0	5,800.6	8,213.3	8,886.6			(1,821.4)	(852.6)	22,867.8	20583.1
Unallocated corporate assets							2,071.3	2381.3			2,071.3	2381.3
<b>Total assets</b>	<b>10,257.9</b>	<b>6,748.5</b>	<b>6,218.0</b>	<b>5,800.6</b>	<b>8,213.3</b>	<b>8,886.6</b>	<b>2,071.3</b>	<b>2381.3</b>	<b>(1,821.4)</b>	<b>(852.6)</b>	<b>24,939.1</b>	<b>22964.4</b>
b) Segment liabilities	1,432.5	640.8	579.6	786.9	1,456.0	1,635.3			(1,838.4)	(905.8)	1,629.7	2,157.2
Unallocated corporate liabilities							23,309.4	20,807.2			23,309.4	20,807.2
<b>Total liabilities</b>	<b>1,432.5</b>	<b>640.8</b>	<b>579.6</b>	<b>786.9</b>	<b>1,456.0</b>	<b>1,635.3</b>	<b>23,309.4</b>	<b>20,807.2</b>	<b>(1,838.4)</b>	<b>(905.8)</b>	<b>24,939.1</b>	<b>22,964.4</b>
Capital Expenditure	1,565.1	1,775.1	216.2	371.6	136.6	1,354.2	108.7	14.1			2,026.6	3,515.0
Depreciation	425.0	275.8	547.5	520.6	750.7	337.0	21.3	26.0			1,744.5	1,159.4
Non-cash expenses other than depreciation	4.1	2.4	16.6	14.0	4.3	1.1	–	81.7			25.0	99.2

## Schedules annexed to and forming part of the Consolidated accounts (Contd.)

## Schedule 18 NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

## III. Secondary Segment – Geographical:

Particulars	(Rs. million)	
	Current year	Previous year
Sale in USA	5,227.5	5,150.7
India and other countries	12,806.1	8,829.9
Total Sales	18,033.6	13,980.6
Segment Assets in:		
USA	267.3	8.2
India and other countries	24,421.9	21,427.5
Capital expenditure:		
USA	—	—
India and other countries	2,026.6	3,515.0

14. The Company hedges its foreign currency fluctuation exposure by way of foreign currency derivative options. The Company has taken various USD/INR options from various banks and as at March 31, 2010, there are 17 open put options having a maturity period up to January 2013. These derivative options are proprietary products of banks, which do not have a ready market and as such are marked to a model, which is usually bank specific instead of being marked to market. Based on marked to a model concept the loss on valuation amounts to Rs. 885.4 million (net) (Previous year Rs. 2,707.8 million). However, in the view of the management due to significant uncertainty associated with the above derivative options whose ultimate outcome depends on future events, the loss on such open derivative options cannot be determined at this stage.

15. The Compensation Committee of Board of Directors of the Company has granted options to the employees pursuant to Abhishek Employees Stock Options Plan 2007 ('the Plan') on July 23, 2009, this being the second grant under the Plan. These options were granted at Rs. 11.20 per option, being the latest available closing market price prior to the date of grant of options in accordance with SEBI guidelines. The quoted price of share on grant and the exercise price of option is equal and therefore there is no impact on profit and loss account due to Employee Share-based options as the Company is following intrinsic value method.

16. Raw material consumed is net of cash discount of Rs. 18.4 million (Previous year Rs. 12.7 million).

17. The figures of the previous year have been rearranged / regrouped, wherever considered necessary to facilitate comparison.

For and on behalf of the Board

S K Tuteja  
Chairman

Rajinder Gupta  
Managing Director

Pawan Jain  
Company Secretary

Arun Goyal  
Chief Financial Officer

Place : New Delhi  
Date : May 3, 2010

## Information related to Subsidiaries for the year ended March 31, 2010

(Figures in Indian Rupees\*)

Name of subsidiary Company	Abhishek Industries Inc.	Abhishek Global Ventures Limited
Country of Incorporation	USA	India
Financial year ended on	March 31, 2010	March 31, 2010
No. of shares held in subsidiary Company	50000 equity shares of USD 1 each	50000 equity shares of Rs 10 each
Extent of Holding Company's interest (%)	100.00	100.00
<b>Financials</b>		
a) Capital	22,44,750.00	2,05,00,000.00
b) Reserves	(12,07,221.61)	(42,65,222.60)
c) Total Assets	11,67,723.89	8,56,82,516.00
d) Total Liabilities	11,67,723.89	8,56,82,516.00
e) Details of Investments	NIL	NIL
f) Turnover	NIL	10,97,414.37
g) Profit/(Loss) before taxation	(91,265.25)	(3,08,758.83)
h) Provision for Taxation (includes fringe benefit tax)	NIL	17,710.00
i) Profit/(Loss) after taxation	(91,265.25)	(3,26,468.83)
j) Proposed dividend	NIL	NIL

\* Exchange rate as on March 31, 2010

For Abhishek Industries Inc - 1 USD = Rs 44.895

**Note:** The Company had disinvested its entire holding in Abhishek Europe SA. Accordingly, Abhishek Europe SA has ceased to be a subsidiary of the Company w.e.f. May 18, 2009.



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## Abhishek Industries Limited

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