

*18<sup>th</sup>  
Annual Report & Accounts  
2009-10*



**VIPPY SPINPRO LTD.**

**Board of Directors**

: Shri Piyush Mutha (Managing Director)  
Shri Praneet Mutha  
Shri M.L.Jain  
Shri Shailendra K. Jain  
Shri Subash Kocheta  
Shri M.Maruthi Rao  
Shri K.Raghuram

**Auditors**

: M/s. Sodani & Company  
Chartered Accountants

**Cost Auditors**

: M. Goyal & Company

**Bankers**

: Punjab National Bank

**Registered Office**

: 418 A, City Centre, 570, M.G. Road  
Indore (M.P.)

**Works Office**

: 14-A, Industrial Area No.1  
A. B. Road, Dewas 455001 (M.P.)

**Registrar & Share Transfer Agents**

: Ankit Consultancy Pvt. Ltd.  
2<sup>nd</sup> Floor, Alankar Point,  
Geeta Bhawan Chouraha,  
A.B. Road, Indore-452001(M.P.)

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**NOTICE**

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Company will be held on Thursday, the 30<sup>th</sup> day of September, 2010 at 10.00 A.M. at Hotel Amar Vilas, 1, Chandra Nagar, A.B. Road, Opp. Sony World, Indore - 452010 (M.P.) to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the year ended on that date and Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri M.L. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Shailendra K. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Sodani & Company, Chartered Accountants, as Auditors of the Company, from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and fix their remuneration.

By Order of the Board  
For Vippy Spinpro Ltd.

Dewas, May 29<sup>th</sup>, 2010

Piyush Mutha  
Managing Director

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company.
2. The instrument appointing proxy should be deposited at the registered office of the Company not less than forty-eight hours before commencement of the meeting.
3. The register of members and share transfer books will remain closed from Thursday, the 23<sup>rd</sup> day of September, 2010 to Thursday, the 30<sup>th</sup> day of September, 2010 (Both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to notify immediately any change of address to their Depository Participant (DPs) in respect of their electronic share accounts and to the Company's Registrar and Share Transfer Agents (RTA), M/s. Ankit Consultancy Pvt. Ltd., in respect of their physical share folio, if any.
5. Members/proxies who wish to attend the meeting are requested to bring attendance slip sent herewith, duly filled in, and the copy of the Annual Report. Copy of the Annual Report will not be distributed at the meeting.
6. Brief resume of directors seeking re-appointment are provided in the Corporate Governance Report forming part of the Annual Report.

By Order of the Board  
For Vippy Spinpro Ltd.

Dewas, May 29<sup>th</sup>, 2010

Piyush Mutha  
Managing Director

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure to present the 18<sup>th</sup> Annual Report and Audited Statement of Accounts of your Company for the financial year ended 31<sup>st</sup> March 2010.

**FINANCIAL RESULTS**

The summary of the financial results is given hereunder:

(Rs.in Lacs)

| Particulars                                      | For the year<br>Ended March 31, 2010 | For the year<br>Ended March 31, 2009 |
|--|--------------------------------------|--------------------------------------|
| <b>Total Income</b>                              | <b>5379.93</b>                       | <b>4522.21</b>                       |
| <b>Profit before interest &amp; depreciation</b> | <b>498.60</b>                        | <b>467.21</b>                        |
| Less: Interest for the year                      | 117.93                               | 121.18                               |
| Less: Depreciation                               | 228.33                               | 221.07                               |
| <b>Profit before Tax</b>                         | <b>152.34</b>                        | <b>124.96</b>                        |
| Less: Provision for Taxation                     |                                      |                                      |
| Current Tax(MAT)                                 | 54.00                                | 27.00                                |
| Deferred Tax                                     | (1.23)                               | (11.32)                              |
| Fringe Benefit Tax                               | 0                                    | 1.50                                 |
| <b>Profit after Tax</b>                          | <b>99.57</b>                         | <b>107.78</b>                        |
| (+/-) Prior period adjustment                    | (-) 2.79                             | (-) 2.23                             |
| <b>Amount available for appropriation</b>        | <b>96.78</b>                         | <b>105.55</b>                        |
| <b>Appropriation:</b>                            |                                      |                                      |
| Transferred to General Reserve                   | -                                    | -                                    |
| <b>Balance carried to Balance Sheet</b>          | <b>96.78</b>                         | <b>105.55</b>                        |

**DIVIDEND**

In view of need for conservation of resources the Directors of the company regret their inability to recommend any dividend for the year under review.

**PERFORMANCE HIGHLIGHTS**

During the year, the total income of the Company increased by 18.97% in comparison to previous year . The total income of the Company for the year under review amounted Rs.5379.93 Lacs as against Rs.4522.21Lacs of the previous year. The Profit before tax was Rs.152.34 Lacs as against Rs.124.96 Lacs of the previous year.

**PUBLIC DEPOSITS**

The Company did not accept / invite any deposits from public attracting provisions of Section 58A of the Companies Act, 1956 and rules made there under.

**INSURANCE**

The Company's buildings, plant & machineries, stocks, stores and spares are adequately insured against various risks including earth quake.

**DIRECTORS**

Shri M.L. Jain and Shri Shailendra K. Jain, Directors retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. Shri Praneet Mutha has resigned from the office of Whole-Time Directorship of the Company w.e.f. 30.03.2010 and he will continue as director of the company.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under:

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

**PARTICULARS OF EMPLOYEES**

The Company does not have any employee during the year drawing remuneration attracting the Provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 (as amended).

**CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

Information as per section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure -A, forming part of this report.

**CORPORATE GOVERNANCE**

The Company has consistently adopted high standards of Corporate Governance. As a listed company, necessary measures are taken to comply with the Listing Agreement with the Bombay Stock Exchange Ltd..

A certificate as required under Clause 49 of Listing Agreement with Bombay Stock Exchange Ltd., for compliance of conditions stipulated in the Listing Agreement with Stock Exchange, obtained from the M/s. Shilpesh Dalal & Co., Company Secretary in Practice, form a part of the Annual Report.

**AUDITORS' REPORT**

The observation made in the Auditor's Report, read together with the relevant notes to the accounts, are self explanatory and hence do not call for any comments under section 217 of the Companies Act, 1956.

**AUDITORS**

M/s. Sodani & Company, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. A Certificate under section 224(1B) has been obtained from them. The Audit Committee and the Board of Directors recommend M/s. Sodani & Company as Statutory Auditors of the Company for the financial year 2010-11.

**COST AUDIT**

Pursuant to section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's product i.e. Textiles.

Subject to the approval of the Central Government, the Board has appointed M. Goyal & Co., Cost Accountants Jaipur, as Cost Auditors of the Company for the Financial Year 2010-11. The Cost Audit is under process and the Company will submit the Cost Auditor's Report to the Central Government within stipulated statutory period.

**ENVIRONMENT AND SOCIAL CONCERN**

Your Company continues its efforts for the betterment of the environment and conservation of scarce natural resources. Your Company continues to maintain the "Rain Water Harvesting" during the current year at its Factory premises at Dewas. The 7,500 sq meters of roof area has been covered under the rain water harvesting initiative and approx. 5506 cubic meters of water has been collected at the factory at Dewas, resulted in saving water and recharged the five bore wells consequently, and also saved the costs thereof.



Electricity produced by your Company's wind mills have contributed to displace emissions from the nation's coal-fired power plants and eliminate the nation's major source of acid rain; reduce total emissions of CO<sub>2</sub>; and helps contain the spread of respiratory disease aggravated or caused by air pollution in the country.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

In line with our objective of being a committed corporate citizen, we have taken significant efforts in the area of Corporate Sustainability, encompassing Corporate Governance, Social Responsibility and Environment care. We strive towards using locally available material and resources to generate employment and business opportunity for the local community. We have involved ourselves in various welfare activities around our manufacturing location. We have focused our attentions on areas like imparting education to underprivileged children and providing employment opportunities to women and physically challenged people.

The company is generating electricity through wind mills, as a result contributed to displace emissions from the nation's coal-fired power plants and eliminates the nation's major source of acid rain; reduce total emissions of CO<sub>2</sub>; and helps contain the spread of respiratory disease aggravated or caused by air pollution in the country. During the year, uniform, school books, copies & school bags were distributed to children of the worker and staff of the company.

**COMPANY POLICY FOR PROMOTION OF EMPLOYMENT OF YOUTH COMING FROM THE UNDER-PRIVILEGED/DISADVANTAGED SECTION OF THE SOCIETY**

The employment will be solely based on eligibility and merit of the applicant without any discrimination against their gender, race, religion, caste, colour, ancestry, marital status, nationality and disability. And among equally qualified individuals, preference will be given to people from the disadvantaged groups.

The Company makes all efforts for up-skilling and continual training of employees from socially disadvantaged sections of society in order to enhance their capabilities, and competitive skills.

**HUMAN RESOURCES**

Industrial relations continued to be cordial during the year under report. Your Company firmly believes that a dedicated workforce constitutes the primary source of sustainable competitive advantage. Accordingly, human resource development continues to receive focused attention. Yours Directors wish to place on record their appreciation for the dedicated and commendable services rendered by the staff and workforce of the Company.

**ACKNOWLEDGEMENTS**

Your Directors take this opportunity to offer their sincere thanks to various departments of the central/state governments, various government agencies, bank, shareholders, customers, employees and other related organisations, who through their continued support and cooperation, have helped in your Company's progress.

For and on behalf of the Board of Directors

Dewas, May 29<sup>th</sup>, 2010.

Piyush Mutha  
Managing Director

M.Maruthi Rao  
Director/CFO

**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE - A**

Information as per section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2010.

**I. CONSERVATION OF ENERGY**  
**FORM-A**

| Particulars                                  | Current Year | Previous Year |
|--|--------------|---------------|
| <b>A. Power &amp; Fuel Consumption</b>       |              |               |
| <b>1. Electricity</b>                        |              |               |
| a. Purchased                                 |              |               |
| Units  | 77,61,175    | 67,97,585     |
| Total Amt. Rs.(excluding cess)               | 3,15,46,046  | 2,72,78,767   |
| Rate/ unit Rs.                               | 4.06         | 4.01          |
| b. Own Generation                            |              |               |
| (i) Through Diesel Generator                 |              |               |
| Units  | 24,860       | 48,870        |
| Units / liter of HSD/LDO (Rs.)               | 2.89         | 3.13          |
| Cost / Unit (Rs.)                            | 13.62        | 7.15          |
| (ii) Through Steam Turbine /Generator        | -            | -             |
| <b>2. Coal</b>                               |              |               |
| Quantity Consumed (in MT)                    | -            | -             |
| Total Cost (Rs.)                             | -            | -             |
| Average Rate (Rs./MT)                        | -            | -             |
| <b>3. Furnace Oil</b>                        | -            | -             |
| <b>4. Others /internal generation</b>        | -            | -             |
| <b>B. Consumption per unit of production</b> |              |               |
| Electricity (Unit /MT)                       | 1,283        | 1,279         |
| Furnace Oil                                  | -            | -             |
| Coal (Kg/MT)                                 | -            | -             |
| Others                                       | -            | -             |

**II. TECHNOLOGY ABSORPTION:**  
**FORM -B**

Form of disclosures of particulars with respect to absorption:

(A) **RESEARCH & DEVELOPMENT:** Not Applicable

(B) **TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION:** Not Applicable

**III. FOREIGN EXCHANGE EARNING AND OUTGO**

|                  | Current Year | Previous Year |
|------------------|--------------|---------------|
| 1. Earning (Rs.) | 2,13,65,992  | 3,17,18,949   |
| 2. Outgo (Rs.)   | 3,96,29,446  | 97,61,795     |

For and on behalf of the Board of Directors

Dewas, May 29<sup>th</sup>, 2010.

Piyush Mutha  
Managing Director

M.Maruthi Rao  
Director/CFO

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****ECONOMIC OVERVIEW**

A year after what many define as global economy's worst crisis of confidence, the first signs of positive growth are in evidence in many advanced economies. Global production and trade have bounced back while financial markets have recovered faster than expected.

The Indian economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term. The growth rate of the gross domestic product (GDP) in 2009-10 was 7.2 per cent as compared to 6.7 of last year. The growth rate is expected between 8 to 8.5 per cent, India would continue being the second fastest growing economy in the world. India's income growth is continuing to increase despite of global recession. The rise in index reflects the better expectations for the coming time.

Financial crisis in Greece, Portugal and Spain reflects badly on the credibility of the euro and could lead to a substantial fall against other key currencies. The financial crisis will also affect the world economy in coming time.

**INDUSTRY STRUCTURE AND DEVELOPMENT**

The textile industry in India is the biggest revenue earners in terms of foreign exchange among all other industrial sectors in India. Moreover, it provides employment to over 35 million people with direct linkages to the rural economy and the agriculture sector. The decline in the TUFS assistance is a major negative for the textile sector and may affect the industries growth significantly.

The company is engaged in the manufacturing of cotton yarn for different applications by Rotor Spinning. Rotor spinning is economical, since the process is very short, consumes less energy and offer substantial cost benefits in the choice of raw material in comparison to Ring Spinning especially in coarse counts. The Company is also engaged in generation of power through Wind Mills for captive consumption.

**OPPORTUNITY AND THREATS**

India's cotton consumption is expected to rise in 2010-2011 owing to strong demand for textiles from domestic and overseas markets. The expected recovery in the global economy should fuel export demand for Indian textile if the value of the rupee against the US dollar remains steady. A normal 2010 monsoon would support cotton consumption by ensuring comfortable domestic cotton supplies at economical prices, augmenting the purchasing power of the rural economy comprising more than 60 per cent of the Indian Population.

Volatility in crude oil prices and exchange rate specially appreciation of rupee may have an adverse impact on the business of the Company. Bangladesh is also creating hard competition for Indian textile industry.

**OUTLOOK**

Looking at the present scenario 2010-11 would be better for the textile industry compared to 2009-10 as the most of developed markets are recovering from the recession leading to grow textile demand consequently. Industry operators are increasingly moving towards modernization and expansion as encouraged by the so-designated Textile Upgradation Fund Scheme implemented by Government. Such expansion strategies have not only had an impact on production volume, also assisted companies in better providing customised products. The expectation of growth of the GDP between 8 to 8.5 per cent in 2010-11 reflects a fairly good performance of the Indian economy.

**SEGMENTWISE PERFORMANCE**

The Company generates power through wind mill for captive use. Hence no segment reported.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Internal Control systems are implemented:

- to safeguard the company's assets from loss or damages.
- to keep constant check on the cost structure.
- to prevent revenue leakage.





-to provide adequate financial and accounting controls and implement accounting standards.

The system is improved and modified continuously to meet with changes in business conditions, statutory and accounting requirements. The management of the Company duly considers and takes appropriate action on recommendations made by the internal auditors, audit committee, if any.

#### **FINANCIAL PERFORMANCE**

The total income of the Company for the year under review amounted Rs. 5379.93 Lacs as against Rs. 4522.21 Lacs of the previous year and registering growth by 18.97% during the year in comparison to previous year. The Profit before tax was Rs. 152.34 Lacs as against Rs. 124.96 Lacs of the previous year.

#### **DEVELOPMENT IN HUMAN RESOURCE AND INDUSTRIAL RELATIONS**

A well structured training system is in place, whereby the learning need of every individual are identified in a planned way. To develop high quality and to provide adequate knowledge to the employees, the Company regularly provides necessary training, wherever required. The Company also arranged seminars for their developments and to equip them to adapt to the fast changing environment. The Company continued its endeavor in maintaining peace and harmony at all levels of employment in the organization in the year under review.

#### **RISK AND CONCERN**

Apart from the risk on account of interest rate, fluctuation in foreign exchange, increasing fuel prices & regulatory changes, the business of the company is exposed to certain operating risk, which is managed by regular monitoring and corrective actions. The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

#### **CAUTIONARY NOTE**

Statements in the "Management Discussion and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, economic conditions affecting demand/ supply and price, government regulations tax laws and other statutes and other allied factors.

**CORPORATE GOVERNANCE REPORT**

Corporate Governance has become an integral part of the business. This encompasses the value system of integrity, fairness, transparency and adoption of the highest standards of business ethics with aims to benefit all the stakeholders.

The detailed report on implementation by the Company of Corporate Governance Code as incorporated in clause 49 of the Listing Agreement with Stock Exchange is set out below:

**1. Company's Philosophy on Code of Corporate Governance**

The Company's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its inter-actions with its shareholders, employees, government and lenders. The Company is committed to achieve the highest standards of corporate governance. The Company respects the rights of its shareholders to information on the performance of the Company and its endeavor to maximize the long- term value to the shareholders of the Company. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time and to ensure that:-

1. Adequate control systems exist to enable the Board to effectively discharge its responsibilities to all stakeholders of the Company;
2. That the decision making process is fair and transparent.

**2. Board of Directors****The Composition of the Board of Directors**

The Board of Directors of the Company consists of persons having professional expertise and experience in business and industry, finance, management, technical and marketing. The composition of the Board of Directors with reference to number of executive and non executive directors, meets with requirements of clause 49 (I) of the Listing Agreement.

The composition of Board of Directors, the number of other Directorship and Committee positions held by the Director, of which the Director is a Member/Chairman, are as under:

| Name of Directors       | Category                    | Directorship in other public companies as on March, 31 <sup>st</sup> , 2010 | No. of Committee Position held in other public companies as on March, 31 <sup>st</sup> , 2010 |        |
|-------------------------|-----------------------------|---|---|--------|
|                         |                             |   | Chairman  | Member |
| Shri Piyush Mutha       | Promoter-Executive          | -   | -   | -      |
| Shri Praneet Mutha *    | Promoter -Non Executive     | 1   | -   | 1      |
| Shri M.L.Jain           | Independent -Non Executive  | -   | -   | -      |
| Shri Shailendra K. Jain | Independent -Non Executive  | 4   | -   | -      |
| Shri Subhash Kocheta    | Independent -Non Executive  | -   | -   | -      |
| Shri M. Maruthi Rao     | Non Independent-Executive   | -   | -   | -      |
| Shri. K.Raghuram        | Independent - Non Executive | -   | -   | -      |

\* ceased to be whole time director w.e.f.30.03.2010.

None of the directors is a member of board of more than fifteen companies in terms of section 275 of the Companies Act, 1956, and a member of more than ten board -level committees or a chairman of more than five such committees, as required under clause 49 of the Listing Agreement.

**Information on directors re-appointment as required under clause 49 of the Listing Agreement**

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri M.L. Jain and Shri Shailendra K. Jain, the Directors, are due to retire at the forthcoming Annual General Meeting , and being eligible , have offered themselves for re-appointment. The brief resumes are given below:

Shri M.L. Jain, aged 71, post graduate with M.Com. and has done diploma in business management. He on board since 01.04.1992 . He has vast experience in finance, production and marketing in textile sector.



Shri Shailendra K. Jain aged 66, graduate with B.Sc. & B.E. and has also done MS from Massachusetta Institute of Technology, USA. He is on board since 01.09.1992. He posses vast experience in the field of Finance and Production and Marketing. He is also on the board of Grasim Industries Ltd.

#### **Board Procedures**

The Board of Directors met 7 times during the financial year on 03.06.2009, 27.06.2009, 31.07.2009, 31.10.2009, 17.12.2009, 30.01.2010 & 30.03.2010, maximum gap between two meetings was less than four months. The Key information was placed before the Board of Directors to apprise the directors of the affairs of the Company.

The Board has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the Company and takes steps to rectify non-compliances, if any.

#### **Attendance at Board Meeting and Last AGM**

The Details of attendance of each Director at the Board Meetings and at last Annual General Meeting are given below:

| Name of Directors       | Board Meeting |          | Last Annual General Meeting |
|-------------------------|---------------|----------|-----------------------------|
|                         | Held          | Attended |                             |
| Shri Piyush Mutha       | 7             | 7        | Yes                         |
| Shri Praneet Mutha      | 7             | 7        | Yes                         |
| Shri M.L.Jain           | 7             | 5        | Yes                         |
| Shri Shailendra K. Jain | 7             | -        | No                          |
| Shri Subhash Kocheta    | 7             | 4        | No                          |
| Shri M.Maruthi Rao      | 7             | 7        | Yes                         |
| Shri. K.Raghuram        | 7             | 1        | No                          |

#### **Code of Conduct**

The Board of Directors of the Company had laid down a code of conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

#### **3. Audit Committee**

The Company has constituted an Audit Committee as per the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The terms of reference and role of Audit Committee is to overview the accounting system, financial reporting and internal control system of the company and also covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956, besides other terms and conditions as may be referred to by the Board of Directors from time to time.

#### **Composition**

The audit committee comprises of three Directors. All members of the audit committee are independent non executive directors and are financially literate.

The composition of Audit Committee is as follows:

| Name                 | Position | Category                    |
|----------------------|----------|-----------------------------|
| Shri M.L.Jain        | Chairman | Independent - Non Executive |
| Shri Subhash Kocheta | Member   | Independent - Non Executive |
| Shri K.Raghuram      | Member   | Independent - Non Executive |

#### **Meetings & Attendance**

During the financial year ended March, 2010, four Audit Committee Meeting were held on 27.06.2009, 31.07.2009, 31.10.2009, & 30.01.2010. The gap between two meetings did not exceed four months.

The attendance at the Audit Committee Meeting is as under:

| Name                 | No. of Meetings Held | No. of Meetings Attended |
|----------------------|----------------------|--------------------------|
| Shri M.L.Jain        | 4                    | 4                        |
| Shri Subhash Kocheta | 4                    | 4                        |
| Shri K.Raghuram      | 4                    | 1                        |

**4. Remuneration Committee**

The broad terms of reference of the Remuneration Committee are to decide the terms of service and compensation payable to executive director and to discharge the functions as may be referred by the Board.

**Composition**

The Remuneration Committee comprises of three Directors, all of whom are independent non executive directors. The composition of Remuneration Committee is as follows:

| Name                 | Position | Category                    |
|----------------------|----------|-----------------------------|
| Shri K.Raghuram      | Chairman | Independent - Non Executive |
| Shri M.L.Jain        | Member   | Independent - Non Executive |
| Shri Subhash Kocheta | Member   | Independent - Non Executive |

**Meetings and Attendance**

During the year under review, no meeting of the Remuneration Committee was held.

**Directors Remuneration****Remuneration policy**

The Company while deciding the remuneration package takes into consideration the following:

- Present employment scenario
- Remuneration package of the industry/other industries for the requisite managerial talent.

**Remuneration of Executive Directors**

Details of remuneration paid to the executive directors during the year 2009-10 are given below:

| Name of Director         | Salary (Rs.) | Perquisites and other benefits (Rs.) | PF (Rs.) | Total (Rs.) |
|--------------------------|--------------|--------------------------------------|----------|-------------|
| Shri Piyush Mutha (M.D.) | 1200000      | 88333                                | 144000   | 1432333     |
| Shri Praneet Mutha*      | 600000       | -                                    | 72000    | 672000      |
| Shri M. Maruthi Rao      | 180000       | -                                    | -        | 180000      |

\* ceased to be whole time director w.e.f. 30.03.2010

**Remuneration to Non Executive Directors**

Remuneration were paid only to executive directors, non-executive directors were paid only sitting fees for each Board meeting attended by them. No sitting fee was paid to executive directors. The sitting fees not to exceed limit prescribed under the Companies Act, 1956.

Apart from receiving sitting fees, don't have any material relationships or transaction with the Company, its promoters, its Directors, its senior management which may affects independence of the Director.

**Criteria of Making Payments to Non -Executive Directors**

The following are the criteria of making payments to non executive directors.

- Number of Board meetings attended by such Directors.

During the financial year 2009-10 sitting fees paid to non executive directors as amounted to Rs.5000/-.

**Number of shares held by non-executive directors as on 31.03.2010**

| Name of Non-Executive Director | No. of shares held |
|--------------------------------|--------------------|
| Shri Shailendra K.Jain         | 5000               |

**5. Shareholders / Investors Grievance Committee**

The Committee looks into the Shareholders and Investors complaints on matters relating to transfer, non receipt of annual report, non receipt of declared dividends and demat of shares etc. and all other matters which can facilitate better investor services and relations. The Share Department of the Company and the Registrar and Share Transfer Agent, attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchange, Ministry of Company Affairs, Registrar of Companies, etc.

**Composition**

The Shareholders/Investors Grievance Committee is as follows:

| Name of Member       | Position | Category                  |
|----------------------|----------|---------------------------|
| Shri Subhash Kocheta | Chairman | Independent Non Executive |
| Shri M.L.Jain        | Member   | Independent Non Executive |

The Committee met 4 times during the year on 27.06.2009, 31.07.2009, 31.10.2009 and 30.01.2010

The details of the meeting and attendance during the year are given under:

| Name of Member       | No. of Meetings Held | No. of Meetings Attended |
|----------------------|----------------------|--------------------------|
| Shri Subhash Kocheta | 4                    | 4                        |
| Shri M.L.Jain        | 4                    | 4                        |

Shri Chetan Das Bairagi is the Compliance Officer.

The details of number of complaints /grievances received and resolved are as under:

| Total number of grievances complaints received during the year | Total numbers of grievances/ complaints resolved during the year | Total numbers of grievances/ complaints pending as on 31.03.2010 |
|--|--|--|
| 13   | 13   | NIL  |

There is no grievances/complaints received from shareholders remaining unresolved except disputed as every efforts is maintained to immediately redress investors grievances / complaints without loss of time. The number of pending share transfer requests as on 31<sup>st</sup> March, 2010 is Nil.

**6. General Body Meeting**

The details of last three AGM and special resolution passed therein are as under:

| AGM              | Venue   | Date and Time                           | No. of Special Resolution |
|------------------|---|---|---------------------------|
| 15 <sup>th</sup> | Hotel Amar Vilas,1, Chandra Nagar, A.B. Road, Opp. Sony World, Indore-452010 (M.P.) | Sept.29 <sup>th</sup> , 2007,9.30 a.m.  | NIL                       |
| 16 <sup>th</sup> | Hotel Amar Vilas,1, Chandra Nagar, A.B. Road, Opp. Sony World, Indore-452010 (M.P.) | Sept.27 <sup>th</sup> , 2008,10.00 a.m. | NIL                       |
| 17 <sup>th</sup> | Hotel Amar Vilas,1, Chandra Nagar, A.B. Road, Opp. Sony World, Indore-452010 (M.P.) | Sept.26 <sup>th</sup> , 2009,10.00 a.m. | NIL                       |

**Passing of resolution by postal ballot**

No special resolution proposed to be conducted through postal ballot during the financial year. At the forthcoming Annual General Meeting also, there is no item in the agenda that needs approval by postal ballot.

**7. Disclosures****I. Related Party Transactions**

During the year there were no materially significant transactions i.e. transactions of the Company of the material nature, with its promoters, directors or management, or their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The Directors, apart from drawing director's remuneration, have no other transactions, pecuniary or otherwise, or business with the Company.

**II. Disclosure of Accounting Treatment**

In preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

**III. Risk Management**

Company has established risk assessment and minimization procedures, which are reviewed by the Board periodically.

**IV. Statutory Compliance, Penalties and Strictures**

The Company has complied with all requirements of the Listing Agreement entered into with the Stock Exchange as well as the regulations and guidelines of SEBI, consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchange or any statutory authority for non compliance of any matter related to the capital markets during the last three years.

**V. Management Discussion and Analysis**

A Management Discussion and Analysis Report is given separately in the Annual Report.

**VI. Non Mandatory Requirements**

The Company is complying with all the mandatory requirements and one non mandatory requirements of clause 49 of Listing Agreement viz. Constitution of Remuneration Committee of the Directors. The Company does not have any Whistle Blower Policy, however any employees if he/she so desires, has access to meet or communicate with the Senior Management and report any matter of concern.

**8. CEO/CFO Certification**

The requisite certification from the Managing Director/CFO required to be given under Clause 49(V) was placed before the Board of Directors of the Company.

**9. Means of Communication**

The quarterly / half yearly / annual financial results of the Company were announced within the stipulated time and are published in English (Pioneer) and Hindi (Swadesh) Newspapers.

**10. General Shareholders Information**

|   |  |
|---|--|
| <b>1. Annual General Meeting</b>  |  |
| Date  | Thursday, 30 <sup>th</sup> day of Sept., 2010  |
| Venue   | Hotel Amar Vilas, 1, Chandra Nagar, A.B. Road, Opp. Sony World, Indore-452010 (M.P.)   |
| Time  | 10.00 A.M.   |
| Last Date of receipt of Proxy Forms   | 28 <sup>th</sup> Sept., 2010 before 10.00 A.M. at the registered office of the Company |
| <b>2. Financial Year</b>  |  |
| Your Company observes 01 <sup>st</sup> April to 31 <sup>st</sup> March as its financial year. |  |
| Adoption of quarterly results for the quarter ending (Tentative)                              |  |
| 30 <sup>th</sup> June 2010  | On or before 14 <sup>th</sup> August 2010  |
| 30 <sup>th</sup> September 2010   | On or before 14 <sup>th</sup> Nov. 2010  |
| 31 <sup>st</sup> December 2010  | On or before 14 <sup>th</sup> Feb. 2011  |
| 31 <sup>st</sup> March, 2011 (Audited)  | On or before 30 <sup>th</sup> May 2011   |

**Date of Book Closure**

Thursday, the 23<sup>rd</sup> day of September 2010 to Thursday, the 30<sup>th</sup> day of September, 2010 (both days inclusive)

**Listing on Stock Exchanges**

The Company's equity shares are listed on the following Stock Exchange:

Bombay Stock Exchange Ltd.

Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai-400 001.

**Stock Code**

Scrip Code:-Bombay Stock Exchange - 514302

Trading Symbol-Bombay Stock Exchange- VIPPYSP

Demat ISIN number in NSDL and CDSL for equity shares: INE660D01017

**Market Price Data**

The monthly high and low quotation of equity shares of the company at the Bombay Stock Exchange Ltd., Mumbai during the financial year 2009-10 are given below:

| Month          | High(Rs.) | Low(Rs.) |
|----------------|-----------|----------|
| April,2009     | 5.25      | 4.35     |
| May,2009       | 5.61      | 3.94     |
| June,2009      | 7.29      | 4.80     |
| July,2009      | 8.25      | 5.75     |
| August,2009    | 7.70      | 5.50     |
| September,2009 | 7.38      | 6.01     |
| October ,2009  | 7.34      | 6.34     |
| November,2009  | 7.24      | 5.73     |
| December,2009  | 7.58      | 6.00     |
| January,2010   | 8.30      | 6.32     |
| February,2010  | 8.45      | 6.61     |
| March,2010     | 7.59      | 5.64     |

**Registrar and Share Transfer Agents:**

Ankit Consultancy Pvt. Ltd.  
 2<sup>nd</sup> Floor, Alankar Point,  
 Geeta Bhawan Chouraha,  
 A.B.Road, Indore-452001  
 Ph. 0731-2491298,  
 Fax. 4065798  
 e-mail: ankitind@sancharnet.in, ankit\_4321@yahoo.com  
 Time : 10.00 a.m. to 6.00 p.m.

**Share Transfer System**

The shares lodged in physical form with the Registrar & Share Transfer Agents are reprocessed, registered and returned within a period of 30 days from the date of receipt, if the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. Delegation of the power approving the share transfer given to officers of the Company. A detail of transfer of shares of the company is placed at every shareholders/ Investors Grievance Committee.

**Distribution of Shareholding as on 31.03.2010**

| No. of equity share held | Shareholders |            | Equity Shares Held |            |
|--------------------------|--------------|------------|--------------------|------------|
|                          | Numbers      | % to total | Numbers            | % to total |
| 1-500                    | 9256         | 92.74      | 1307361            | 22.27      |
| 501-1000                 | 410          | 4.11       | 339020             | 5.77       |
| 1001-2000                | 163          | 1.63       | 244194             | 4.16       |
| 2001-3000                | 39           | 0.39       | 100305             | 1.71       |
| 3001-4000                | 19           | 0.19       | 68422              | 1.17       |
| 4001-5000                | 39           | 0.39       | 188076             | 3.20       |
| 5001-10000               | 25           | 0.25       | 180665             | 3.08       |
| 10001 & Above            | 30           | 0.30       | 3441957            | 58.64      |
| <b>Total</b>             | <b>9981</b>  | <b>100</b> | <b>5870000</b>     | <b>100</b> |

**Shareholding Pattern of the Company as on 31.03.2010**

| Category of Holders   | No. of Shares  | % of Total Shares |
|---|----------------|-------------------|
| Promoters   | 2853852        | 48.62             |
| Financial Insti./Mutual fund/Banks/FIIs/<br>Govt./Venture Capital Fund etc. | 3800           | 0.06              |
| Other Corporate bodies  | 209485         | 3.57              |
| Indian Public   | 2508208        | 42.73             |
| Non- Residents/ /OCBs   | 294403         | 5.02              |
| Any other (clearing member)   | 252            | 0.00              |
| <b>Total</b>  | <b>5870000</b> | <b>100</b>        |

**Dematerialisation of Shares and Liquidity**

The shares of the Company are in compulsory demat segment. The Company's shares are available for demat with the Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL).

As on 31<sup>st</sup> March 2010, out of total 5870000 equity shares of the Company 4498830 equity shares representing 76.64 % have been dematerialised with the following depositories:

(1) Central Depository Services (India) Ltd.(CDSL) 628369 shares.

(2) National Securities Depository Ltd. (NSDL) 3870461 shares.

**Outstanding Securities**

There is no securities outstanding at the end 31<sup>st</sup>, March, 2010.

**Unclaimed Dividends**

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unpaid/unclaimed for a period of seven years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) administrated by the Central Government. Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to IEPF:

| Financial Year | Date of declaration of Dividend | Due date for transfer to IEPF |
|----------------|---------------------------------|-------------------------------|
| 2005-06        | September 30,2006               | November 5,2013               |
| 2006-07        | September 29,2007               | November 4,2014               |

**Plant Location:**

14-A, Industrial Area No.1,  
A.B Road, Dewas-455001(M.P.)

**Address for Correspondence:**

14-A, Industrial Area No.1,  
A.B Road, Dewas-455001(M.P.)  
Phone Nos.: 07272-258251 / 258252/405352  
Fax No. 07272-400121



**CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of **Vippy Spinpro Ltd.**

We have examined the compliance of conditions of Corporate Governance by Vippy Spinpro Ltd. for the year ended 31<sup>st</sup> March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders /Investors Grievance Committee.

We further state that such compliance is neither an 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 **Shilpesh Dalal & CO.**  
Company Secretary

**Shilpesh Dalal**  
(Proprietor)

Indore, May 29<sup>th</sup>, 2010

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**Annual Declaration pursuant to clause 49(I) (d) (ii) of the Listing Agreement**

As per the requirements of clause 49 (I) (D) (ii) of the Listing Agreement, I hereby declare that all the members of the Board of Directors and Senior Management have affirmed confirmed compliance with the Code of Conduct for the year ended on 31.03.2010.

Dewas, May 29<sup>th</sup>, 2010

Piyush Mutha  
Managing Director

**AUDITOR'S REPORT**

To,  
The Members of Vippy Spinpro Ltd.,

1. We have audited the attached Balance Sheet of **VIPPY SPINPRO LTD., DEWAS** as at 31<sup>st</sup> March, 2010, the related Profit & Loss Account of the Company for the year ended on that date annexed thereto, and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in term of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we consider appropriate and according to the information and explanation given to us, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, the company has kept proper books of accounts as required by law so far as appears from our examinations of those books;
  - iii. The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give 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:
    1. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2010.
    2. In the case of the Profit & Loss Account of the Profit for the year ended on that date and
    3. In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

**For Sodani & Company**  
**Chartered Accountants**

**Rajesh Sodani**  
(Partner)  
M.No. F-77005  
FRN 000880C

Dewas, May 29<sup>th</sup>, 2010

**ANNEXURE TO THE AUDITOR'S REPORT****(Referred to in paragraph 3 of our report of even date)****We report that :**

- i.**
  - a.** The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b.** As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
  - c.** The Company has not disposed off any substantial part of fixed assets during the year.
- ii.**
  - a.** As explained to us, the Management has conducted physical verification of inventory at reasonable intervals.
  - b.** The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
  - c.** In our opinion and according to the information and explanation given to us, the company is maintaining proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
- iii.** As informed to us, The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 and as such clauses 4(iii)(a) to (g) of the order are not applicable.
- iv.** There are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- v.**
  - a.** According to the information and explanation given to us there are no transactions of contracts or arrangements that needs to be entered into the register maintained under section 301 of the Companies Act, 1956.
  - b.** Since the Company has not made the transactions of contract or arrangement exceeding the value of Rs. 5.00 Lacs from such parties, the provisions of clause 4(v)(b) of the order are not applicable.
- vi.** In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Hence, the question of compliance with the provisions of section 58A and 58AA or any other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 does not arise.
- vii.** In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- viii.** The Central Government has prescribed maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 with respect to the company's product. We have reviewed the books of accounts maintained by the Company in this connection. We are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.



- ix. a. According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, customs duty, excise-duty, Service Tax, Cess and other statutory dues except for Entry Tax Rs. 14 Lakhs is outstanding for the Financial Year 2007-2008 as on 31<sup>st</sup> March, 2010 for a period of more than six months from the date it became payable.

- b. According to the records of the Company, the dues outstanding of sales tax, income tax, cess and other statutory liability on account of any disputes are as follows :-

| Name of the Statute | Nature of The Dues | Amount outstanding As on 31.3.10 | Period to which the amount relates | Forum where dispute is pending             |
|---------------------|--------------------|----------------------------------|------------------------------------|--|
| Entry Tax Act.      | Entry Tax          | 3,38,910                         | 2004-05                            | Appeal pending with appellate Board Bhopal |
| Entry Tax Act.      | Entry Tax          | 1,50,082                         | 2005-06                            | Appeal pending with appellate Board Bhopal |
| Entry Tax Act       | Entry Tax          | Not yet assessed                 | 2007-08                            | Matter pending with High Court             |

- x. The company has no accumulated loss at the end of the financial year 31<sup>st</sup> March, 2010 and it has not incurred cash loss in the current and immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us the Company has not defaulted in re-payment of its dues to banks and debenture holders.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence provision of clause 4(xii) of the order are not applicable.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the order are not applicable.
- xiv. The Company has maintained proper records of transactions and contracts in respect of dealing in shares, securities and other investment and timely entries have generally been made therein. All shares and other securities have been held by the Company in its own name.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.
- xvii. To the best of our knowledge and belief and according to the information and explanations given to us, the fund raised on short term basis have not been used for long term investment and the fund raised on long term basis have not been used for short term investment.
- xviii. The Company has not made any preferential allotment of shares to the parties and companies listed in the register maintained under section 301 of the Companies Act, 1956 during the year. Accordingly, the provisions of clause 4(xviii) of the order are not applicable to the Company.
- xiv. No debentures have been issued by the Company and hence, the question of creating security or charges in respect thereof does not arise.



- xx.** The Company has not raised any money by way of public issues during the year.
- xxi.** On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

**For Sodani & Company**  
**Chartered Accountants**

**Rajesh Sodani**  
**(Partner)**  
**M.No. F-77005**  
**FRN 000880C**

Dewas, May 29<sup>th</sup>, 2010

**BALANCE SHEET AS AT 31ST MARCH, 2010**

|   | Schedule     | AS AT<br>31-03-2010<br>(Rs.) | AS AT<br>31-03-2009<br>(Rs.) |
|---|--------------|------------------------------|------------------------------|
| <b>SOURCES OF FUND :</b>                    |              |                              |                              |
| <b>Shareholders' Fund:</b>                  |              |                              |                              |
| (a) Share Capital                           | 1            | 5,85,91,500                  | 5,85,91,500                  |
| (b) Reserves & Surplus                      | 2            | 6,64,23,516                  | 5,67,45,072                  |
|   |              | <u>12,50,15,016</u>          | <u>11,53,36,572</u>          |
| <b>Loan Funds</b>                           |              |                              |                              |
| (a) Secured Loans                           | 3            | 20,15,84,653                 | 13,45,55,387                 |
| (b) Unsecured Loans                         |              | -                            | -                            |
|   |              | <u>20,15,84,653</u>          | <u>13,45,55,387</u>          |
| <b>Deferred Tax Liabilities</b>             |              |                              |                              |
|   |              | <u>2,23,40,377</u>           | <u>2,24,63,228</u>           |
|   | <b>TOTAL</b> | <u><b>34,89,40,046</b></u>   | <u><b>27,23,55,187</b></u>   |
| <b>APPLICATION OF FUNDS :</b>               |              |                              |                              |
| <b>Fixed Assets :</b>                       |              |                              |                              |
| Gross Block                                 | 4            | 33,35,04,146                 | 28,27,84,860                 |
| Less: Depreciation                          |              | <u>15,17,21,694</u>          | <u>13,02,43,541</u>          |
| Net Block                                   |              | <u>18,17,82,452</u>          | <u>15,25,41,319</u>          |
| Capital Work in Progress                    |              | <u>1,19,25,204</u>           | -                            |
|   |              | <u>19,37,07,656</u>          | <u>15,25,41,319</u>          |
| <b>Investments:</b>                         |              |                              |                              |
| <b>Current Assets, Loans &amp; Advances</b> | 5            | 4,30,180                     | 29,30,180                    |
| (a) Inventories                             | 6            | 11,63,31,374                 | 5,59,39,968                  |
| (b) Sundry Debtors                          | 7            | 7,67,49,103                  | 5,19,25,322                  |
| (c) Cash & Bank Balances                    | 8            | 58,94,687                    | 1,41,66,756                  |
| (d) Loans & Advances                        | 9            | 78,69,571                    | 98,67,264                    |
| (e) Other Current Assets                    | 10           | 46,28,435                    | 39,30,181                    |
|   |              | <u>21,14,73,170</u>          | <u>13,58,29,491</u>          |
| <b>Less: Current Liabilities</b>            |              |                              |                              |
| (a) Liabilities                             | 11           | 4,42,32,342                  | 95,59,796                    |
| (b) Provisions                              | 12           | 1,24,38,618                  | 93,86,007                    |
|   |              | <u>5,66,70,960</u>           | <u>1,89,45,803</u>           |
| <b>Net Current Assets</b>                   |              | <u><b>15,48,02,210</b></u>   | <u><b>11,68,83,688</b></u>   |
|   | <b>TOTAL</b> | <u><b>34,89,40,046</b></u>   | <u><b>27,23,55,187</b></u>   |

**Notes on Accounts**

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The Schedule referred to herein form an integral part of Balance Sheet.

As per our report of even date annexed

For and on behalf of  
**SODANI & COMPANY**  
Chartered Accountants

**Rajesh Sodani**  
Partner

M.No. F- 77005  
Dewas, May 29<sup>th</sup>, 2010

**Piyush Mutha**  
Managing Director

**M.L. Jain**  
Director

**M. Maruthi Rao**  
Director / CFO

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

|   | Schedule   | For the Year<br>ended<br>31-03-2010<br>(Rs.) | For the Year<br>ended<br>31-03-2009<br>(Rs.) |
|---|------------|--|--|
| <b>INCOME :</b>   |            |  |  |
| Sales & Other Income                                    | 13         | <u>53,79,93,076</u>                          | <u>45,22,21,468</u>                          |
|   |            | <u>53,79,93,076</u>                          | <u>45,22,21,468</u>                          |
| <b>EXPENDITURE:</b>                                     |            |  |  |
| Raw Material Consumed                                   | 14         | 37,28,71,985                                 | 31,96,50,642                                 |
| Manufacturing Expenses                                  | 15         | 4,93,06,412                                  | 3,98,89,249                                  |
| Employees Remuneration & Benefits                       | 16         | 1,10,63,323                                  | 95,47,139                                    |
| Administrative Expences                                 | 17         | 56,12,993                                    | 58,18,777                                    |
| Selling and Distribution Exps                           | 18         | 2,73,11,703                                  | 2,31,22,614                                  |
| Purchase of Trading Materials                           |            | 2,06,90,563                                  | 25,42,154                                    |
| Interest (Net)  |            | 1,17,92,698                                  | 1,21,18,008                                  |
| Adjustment due to (increase) decrease in stock          | 19         | <u>12,75,699</u>                             | <u>49,29,602</u>                             |
|   |            | <u>49,99,25,376</u>                          | <u>41,76,18,185</u>                          |
| <b>PROFIT BEFORE DEPRICIATION &amp; TAX</b>             |            | <u>3,80,67,700</u>                           | <u>3,46,03,283</u>                           |
| <b>LESS: DEPRECIATION</b>                               |            | <u>2,28,33,150</u>                           | <u>2,21,07,453</u>                           |
| <b>PROFIT BEFORE TAXATION</b>                           |            | <u>1,52,34,550</u>                           | <u>1,24,95,830</u>                           |
| <b>LESS: PROVISION FOR TAXATION</b>                     |            |  |  |
| Current Tax   | 54,00,000  |  |  |
| Deferred Tax (Assets)/Liabilities                       | (1,22,851) |  |  |
|   |            | <u>52,77,149</u>                             | <u>17,17,235</u>                             |
| <b>PROFIT FOR THE YEAR AFTER PROVISION FOR TAXATION</b> |            | <u>99,57,401</u>                             | <u>1,07,78,595</u>                           |
| <b>LESS: PROVISION OF PRIOR YEARS</b>                   |            | <u>2,78,957</u>                              | <u>2,23,127</u>                              |
|   |            | <u>96,78,444</u>                             | <u>1,05,55,468</u>                           |
| <b>APPROPRIATIONS</b>                                   |            |  |  |
| Transferred to General Reserve                          |            | -  | -  |
| Balance carried to Balance Sheet                        |            | <u>96,78,444</u>                             | <u>1,05,55,468</u>                           |
|   |            | <u>96,78,444</u>                             | <u>1,05,55,468</u>                           |

**Notes on Accounts**

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The Schedule referred to herein form an integral part of Profit &amp; Loss A/c

As per our report of even date annexed

For and on behalf of

**SODANI & COMPANY**

Chartered Accountants

**Rajesh Sodani**

Partner

M.No. F- 77005

Dewas, May 29<sup>th</sup>, 2010**Piyush Mutha**  
Managing Director**M.L. Jain**  
Director**M. Maruthi Rao**  
Director/CFO

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010**

|  | Current Year<br>Rs.                     | Previous Year<br>Rs.                    |
|--|---|---|
| <b>SCHEDULE-1</b>  |   |   |
| <b>SHARE CAPITAL:</b>  |   |   |
| <b>Authorised :</b>  |   |   |
| 70,00,000 Equity Shares of Rs. 10/- each   | <u>7,00,00,000</u>                      | <u>7,00,00,000</u>                      |
| <b>Issued,Subscribed &amp; Paid up:</b>  |   |   |
| 58,70,000 Equity Shares of Rs. 10/- each   | 5,87,00,000                             | 5,87,00,000                             |
| Less: Allotment Money unpaid<br>(Other than Directors)   | <u>1,08,500</u>                         | <u>1,08,500</u>                         |
|  | <u>5,85,91,500</u>                      | <u>5,85,91,500</u>                      |
| <b>SCHEDULE-2</b>  |   |   |
| <b>RESERVES AND SURPLUS:</b>   |   |   |
| <b>General Reserve</b>   |   |   |
| Balance as per last year   | 25,00,000                               |   |
| Add:During the year  | <u>-</u>                                | 25,00,000                               |
|  | 25,00,000                               |   |
| <b>Profit and Loss A/c.</b>  |   |   |
| Balance as per last year   | 5,36,65,072                             |   |
| Add: Profit During the year  | <u>96,78,444</u>                        | 5,36,65,072                             |
|  | 6,33,43,516                             |   |
| <b>Capital Reserve</b>   |   |   |
|  | 5,80,000                                | 5,80,000                                |
|  | <u>6,64,23,516</u>                      | <u>5,67,45,072</u>                      |
| <b>SCHEDULE-3</b>  |   |   |
| <b>SECURED LOANS:</b>  |   |   |
| <b>1. From Scheduled Banks:</b>  |   |   |
| (a) Hyp. & Book debts Account<br>(Secured by Hypothecation of Stock of<br>of Raw Material, Semi finished goods<br>Work in Progress/Process, Stores &<br>Spares, Packing Material & Book debts) | 7,83,27,831                             | 3,41,04,727                             |
| (b) Term Loan  |   |   |
| Term Loan I  | -                                       | 47,14,442                               |
| Term Loan II   | 4,58,20,960                             | 5,61,21,373                             |
| Term Loan III  | 2,15,56,067                             | 2,51,78,191                             |
| Term Loan IV   | 5,43,31,590                             | 1,33,63,715                             |
| (Secured by a first charge on Land &<br>building and Plant & Machinery both<br>present & future.)  |   |   |
| (c) Vehicle Loan<br>(Secured by Hypothecation of Vehicles)   | <u>15,48,205</u><br><u>20,15,84,653</u> | <u>10,72,939</u><br><u>13,45,55,387</u> |





| <b>SCHEDULE - 4<br/>FIXED ASSETS:</b> |  | <b>GROSS BLOCK</b>       |             | <b>DEPRECIATION</b> |                     |                    | <b>NET BLOCK</b> |                    | <b>(Rupees)</b> |
|---------------------------------------|--|--------------------------|-------------|---------------------|---------------------|--------------------|------------------|--------------------|-----------------|
|                                       |  | Cost as on<br>01.04.2009 | Additions   | Deductions          | As on<br>31.03.2010 | Upto<br>31.03.2009 | For the<br>Year  | Upto<br>31.03.2010 |                 |
| Particulars of Assets                 |  |                          |             |                     |                     |                    |                  |                    |                 |
| 1 Leaschold Land                      |  | 8,67,683                 | -           | -                   | 8,67,683            | -                  | -                | -                  | 8,67,683        |
| 2 Plant & Machinery                   |  | 20,11,34,080             | 5,07,43,178 | 19,29,769           | 24,99,47,489        | 10,37,65,218       | 13,54,997        | 12,04,06,968       | 12,95,40,521    |
| 3 Office Equipments                   |  | 3,71,236                 | -           | -                   | 3,71,236            | 2,91,754           | -                | 3,16,921           | 54,315          |
| 4 Furniture & Fixtures                |  | 18,96,112                | 27,490      | -                   | 19,23,602           | 10,71,823          | -                | 12,39,628          | 6,83,974        |
| 5 Vehicles                            |  | 42,24,983                | 17,94,902   | -                   | 60,19,885           | 21,05,765          | -                | 29,54,227          | 30,65,658       |
| 6 Building & Site<br>Development      |  | 4,31,96,177              | -           | -                   | 4,31,96,177         | 1,70,00,190        | -                | 1,91,78,949        | 2,40,17,228     |
| 7 Computer                            |  | 19,43,099                | 83,485      | -                   | 20,26,584           | 18,00,242          | -                | 18,77,253          | 1,49,331        |
| 8 Wind Mill                           |  | 2,91,51,490              | -           | -                   | 2,91,51,490         | 42,08,549          | -                | 57,47,748          | 2,34,03,742     |
|                                       |  | 28,27,84,860             | 5,26,49,055 | 19,29,769           | 33,35,04,146        | 13,02,43,541       | 13,54,997        | 15,17,21,694       | 18,17,82,452    |
| Previous Year(2008-09)                |  | 27,08,97,994             | 1,44,26,040 | 25,39,174           | 28,27,84,860        | 10,99,94,393       | 18,58,305        | 13,02,43,541       | 15,25,41,319    |
| Capital Work In Progress              |  |                          |             |                     |                     |                    |                  |                    | 1,19,25,204     |



| <b>SCHEDULE-5</b>  | <b>Current Year<br/>Rs.</b> | <b>Previous Year<br/>Rs.</b> |
|--|-----------------------------|------------------------------|
| <b>INVESTMENTS:</b><br>(At Cost or Market Price whichever is less)                         |                             |                              |
| <b>LONG TERM INVESTMENTS (QUOTED):</b>   |                             |                              |
| i) 20,000 Shares of Asit C. Mehta Financial Services Ltd.<br>(Previous year 20,000 Shares) | 32,200                      | 32,200                       |
| ii) 7,372 Shares of Punjab National Bank<br>(Previous year 7,372 Shares)                   | 3,97,980                    | 3,97,980                     |
| iii) 2,44,498.778 Units Fidelity India Growth Fund.  | -                           | 25,00,000                    |
|  | <u>4,30,180</u>             | <u>29,30,180</u>             |
| <b>Aggregate book value of investments:</b>  |                             |                              |
| a) Quoted Investments  | 4,30,180                    | 29,30,180                    |
| b) Unquoted Investments  | -                           | -                            |
|  | <u>4,30,180</u>             | <u>29,30,180</u>             |
| <b>Aggregate market value of quoted investments</b>  | <u>83,08,993</u>            | <u>50,55,536</u>             |
| <br><b>SCHEDULE-6</b>  |                             |                              |
| <b>INVENTORIES:</b><br>(Taken as valued and certified by the management)                   |                             |                              |
| (a) Stores & Spares  | 77,24,571                   | 30,40,521                    |
| (b) Fuel   | -                           | 55,942                       |
| (c) Raw Materials  | 9,66,79,351                 | 3,96,40,354                  |
| (d) Finished Goods   |                             |                              |
| Yarn   | 85,51,683                   |                              |
| Waste  | <u>7,94,786</u>             |                              |
| (e) Goods In Process   | 93,46,469                   | 1,13,04,585                  |
|  | <u>25,80,983</u>            | <u>18,98,566</u>             |
|  | <u>11,63,31,374</u>         | <u>5,59,39,968</u>           |
| <br><b>SCHEDULE-7</b>  |                             |                              |
| <b>SUNDRY DEBTORS:</b><br>(Unsecured considered Good)                                      |                             |                              |
| Over Six months  | 21,02,994                   | 25,72,242                    |
| Less than Six months   | 7,46,46,109                 | 4,93,53,080                  |
|  | <u>7,67,49,103</u>          | <u>5,19,25,322</u>           |
| <br><b>SCHEDULE-8</b>  |                             |                              |
| <b>CASH &amp; BANK BALANCES:</b>   |                             |                              |
| (a) Cash in hand   | 3,12,463                    | 4,44,067                     |
| (b) Bank Balance with scheduled banks  |                             |                              |
| On current Accounts  | 8,49,644                    | 8,23,759                     |
| On Fixed Deposit A/c.  | <u>47,32,580</u>            | <u>1,28,98,930</u>           |
|  | <u>58,94,687</u>            | <u>1,41,66,756</u>           |

**SCHEDULE-9****LOANS & ADVANCES**

(Unsecured considered Good)

Recoverable in cash or kind for value to be received

**Advances:**

|                      | Current Year<br>Rs. | Previous Year<br>Rs. |
|----------------------|---------------------|----------------------|
| For Raw Material     | 1,03,811            | 2,12,573             |
| For Capital Goods    | 5,77,937            | 22,21,500            |
| For Stores Materials | 7,22,381            | 1,39,652             |
| For Others           | 64,65,442           | 72,93,539            |
|                      | <u>78,69,571</u>    | <u>98,67,264</u>     |

**SCHEDULE-10****OTHER CURRENT ASSETS:****(A) Deposits:**

|                            |           |           |
|----------------------------|-----------|-----------|
| District Industries Centre | 4,518     | 4,518     |
| M.P.Lghu Udyog Nigam       | 3,000     | 3,000     |
| Sales Tax office Dewas     | 10,000    | 10,000    |
| M.P.E.B. Security Deposit  | 38,32,698 | 31,29,912 |
| Others                     | 34,783    | 32,783    |

**(B) Pre-paid Expenses**

5,49,326 3,25,162

**(C) Tax Deducted At Source**

1,94,110 4,24,806

46,28,435 39,30,181**SCHEDULE-11****CURRENT LIABILITIES:****Sundry Creditors:****i) Due to Micro, Medium and Small Enterprises****ii) Due to other then Micro, Medium and Small Enterprises**

|                               |             |           |
|-------------------------------|-------------|-----------|
| a) For Supply of Raw Material | 1,63,23,621 | 38,86,278 |
| b) For Stores                 | 6,21,012    | 5,98,854  |
| c) For Capital Goods          | 22,287      | -         |
| d) For Others                 | 2,66,43,468 | 46,14,889 |

**Other Current Liability**

6,21,954 4,59,775

4,42,32,342 95,59,796**SCHEDULE-12****PROVISIONS:**

|                                  |                    |                  |
|----------------------------------|--------------------|------------------|
| Outstanding Liabilities          | 70,38,618          | 63,86,007        |
| Provision for Fringe Benefit Tax | -                  | 1,50,000         |
| Provision for Income - tax       | 54,00,000          | 28,50,000        |
|                                  | <u>1,24,38,618</u> | <u>93,86,007</u> |

**SCHEDULES FORMING PART OF THE PROFIT & LOSS A/C FOR THE YEAR ENDED  
31ST MARCH, 2010**

|                                | Current Year<br>Rs. | Previous Year<br>Rs. |
|--------------------------------|---------------------|----------------------|
| <b><u>SCHEDULE-13</u></b>      |                     |                      |
| <b>SALES AND OTHER INCOME:</b> |                     |                      |
| Sales                          | 53,39,52,667        | 44,83,88,454         |
|                                | <u>53,39,52,667</u> | <u>44,83,88,454</u>  |
| <b>Other Income:</b>           |                     |                      |
| Dividend from Investment       | 3,35,796            | 22,600               |
| Lease Rent                     | 4,75,380            | 3,59,296             |
| Long term Capital Gain         | 1,00,084            | -                    |
| Profit on sale of fixed Assets | -                   | 69,131               |
| Income from Wind Mill          | 31,29,149           | 33,81,987            |
|                                | <u>40,40,409</u>    | <u>38,33,014</u>     |
|                                | <u>53,79,93,076</u> | <u>45,22,21,468</u>  |

|                               |                     |                     |
|-------------------------------|---------------------|---------------------|
| <b><u>SCHEDULE-14</u></b>     |                     |                     |
| <b>RAW MATERIAL CONSUMED:</b> |                     |                     |
| Cotton Consumed               | 37,01,08,933        | 31,77,55,406        |
| Freight on Raw Material       | 27,63,052           | 18,95,236           |
|                               | <u>37,28,71,985</u> | <u>31,96,50,642</u> |

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| <b><u>SCHEDULE-15</u></b>      |                    |                    |
| <b>MANUFACTURING EXPENSES:</b> |                    |                    |
| Stores & Spares                | 70,90,062          | 47,05,169          |
| Power & Fuel                   | 3,16,01,988        | 2,76,28,332        |
| Repairs to Plant & Machinery   | 16,80,802          | 12,20,562          |
| Testing Charges                | 17,935             | 24,689             |
| Water Charges                  | 3,28,364           | 2,02,904           |
| Miscellaneous Exps.            | 85,87,261          | 61,07,593          |
|                                | <u>4,93,06,412</u> | <u>3,98,89,249</u> |

|   |                    |                  |
|---|--------------------|------------------|
| <b><u>SCHEDULE-16</u></b>                       |                    |                  |
| <b>EMPLOYEES REMUNERATION &amp; BENEFITS:</b>   |                    |                  |
| Salary, Wages, Bonus and Allowances             | 71,99,165          | 62,14,046        |
| Company's contribution to ESIC, PF and Gratuity | 10,72,411          | 9,13,934         |
| Directors Remuneration & Perquisite             | 22,84,333          | 20,32,592        |
| Cont.to Superannuation Scheme for Directors     | 2,70,000           | 2,43,000         |
| Labour Welfare Exps.                            | 2,37,414           | 1,43,567         |
|   | <u>1,10,63,323</u> | <u>95,47,139</u> |



|                                  | Current Year<br>Rs. | Previous Year<br>Rs. |
|----------------------------------|---------------------|----------------------|
| <b><u>SCHEDULE-17</u></b>        |                     |                      |
| <b>ADMINISTRATIVE EXPENSES:</b>  |                     |                      |
| Lease Rent                       | 7,562               | 7,562                |
| Vehicle running & Maintenance    | 6,85,222            | 6,53,191             |
| Travelling & Conveyance Expenses | 3,53,021            | 3,77,876             |
| Stationery & Printing            | 2,64,747            | 1,28,729             |
| Telephone & Trunkcall            | 1,71,285            | 1,84,427             |
| Directors Travelling             | 3,59,421            | 2,28,390             |
| Repairs & Maintance to Building  | 98,450              | 8,03,436             |
| Professional fee & Law charges   | 4,08,932            | 4,82,136             |
| Rates & Taxes                    | 1,29,170            | 76,194               |
| Bank Commission & charges        | 4,96,781            | 5,78,256             |
| Insurance                        | 16,89,476           | 14,50,300            |
| Audit Expenses                   | 1,21,164            | 1,20,757             |
| Miscellaneous Exps.              | 8,27,762            | 7,27,523             |
|                                  | <u>56,12,993</u>    | <u>58,18,777</u>     |

|   |                    |                    |
|---|--------------------|--------------------|
| <b><u>SCHEDULE-18</u></b>                   |                    |                    |
| <b>SELLING &amp; DISTRIBUTION EXPENSES:</b> |                    |                    |
| Packing material & Expenses                 | 99,79,552          | 76,04,209          |
| Brokerage & commission                      | 66,71,077          | 61,91,464          |
| Freight on sales                            | 96,51,575          | 78,63,953          |
| TCS Paid                                    | 55,596             | 77,436             |
| Export Exps                                 | 9,53,903           | 13,85,552          |
|   | <u>2,73,11,703</u> | <u>2,31,22,614</u> |

|   |                    |                    |
|---|--------------------|--------------------|
| <b><u>SCHEDULE-19</u></b>                                   |                    |                    |
| <b>ADJUSTMENT DUE TO (INCREASE) DECREASE<br/>IN STOCKS:</b> |                    |                    |
| Opening stock of Finished Goods and Stock in Process        | 1,32,03,151        | 1,81,32,753        |
| Less: Closing stock of Finished Goods and Stock in Process  | <u>1,19,27,452</u> | <u>1,32,03,151</u> |
|   | <u>12,75,699</u>   | <u>49,29,602</u>   |

**SCHEDULE - 20**

Attached to and forming part of the Accounts as at 31st March, 2010

**NOTES :****A. SIGNIFICANT ACCOUNTING POLICIES :****1. Accounting Concepts :**

The financial statement are prepared under the historical cost convention, on accrual basis, on going concern basis, in accordance with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

**2. Fixed Assets :**

Fixed assets are stated at cost of acquisition inclusive of duties (net of TED) taxes, incidental expenses and erection/commissioning expenses incurred up to the date the assets is put to use. Interest on borrowings and financing cost during the period of construction is added to the cost of fixed assets.

**3. Depreciation :**

Company has charged the Written Down Value (WDV) Method in respect of Assets acquired under Technology Upgradation Fund Scheme and all Assets acquired after 31st March 2002, excluding Wind Mill at the rate specified in Schedule XIV of the Companies Act, 1956. On Wind Mill depreciation is charged on straight line method (SLM). Depreciation on all fixed assets is provided as per the old accounting policy on the straight-line method basis at the rate specified in schedule XIV of the Companies Act. 1956. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

**4. Investments :**

Long Term Investments are valued at cost and current investments are valued at lower of cost and market price. Provision for diminution in value is considered, if in the opinion of the management, such a decline is considered permanent.

**5. Inventories :**

Finished goods and stock in process are valued at lower of cost or net realizable value. Cost includes cost of conversion and other expenses incurred in bringing the goods to their location and condition. Raw materials, packing materials, stores & spares are valued at lower of cost or net realizable value. Cost is ascertained on "Weighted Average" basis.

**6. Revenue recognition:**

Sales are recognized on delivery or on passage of title of the goods to the customer. They are accounted net of trade discounts and rebates but exclusive of CST /VAT.

**7. Foreign Currency Transactions:**

- a) Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transactions and realized exchange loss/gain are dealt with in the profit and loss account
- b) Monetary assets and liability denominated in foreign currency are re-stated at the rate of exchange as on the balance sheet date and the exchange gain/loss suitably dealt with in the profit and loss account.
- c) Gain/ loss on foreign exchange forward contract as on balance sheet date is recognized in the profit and loss account.

**8. Borrowing Cost:**

Borrowing Cost that are directly attributable to the acquisition or construction of fixed assets are capitalized until the time all substantial activities necessary to prepare such assets for their intended use are complete. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**9. Gratuity / Superannuation Scheme :**

Liabilities in respect of employee's group gratuity cash accumulation cum-life assurance scheme and Superannuation Scheme for key persons are funded by way of contribution to Life Insurance Corporation of India and are determined on the basis of actuarial valuation.

**10. Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**11. Government Grants :**

Capital grant relating to specific assets are reduced from the gross value of the fixed assets. Other revenue grant are credited to the profit and loss account as deducted from the related expenses.

**12. Contingent Liabilities :**

Contingent liabilities are determined on the basis of available information and are disclosed by way of notes to the accounts.

**13. Earning (Loss) per share :**

Basic earnings (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholder by the weighted average number of equity shares outstanding during the period.

**14. Impairment of assets :**

If internal/external indications suggest that an assets of the company may be impaired, the recoverable amount of assets/ cash generating asset is determined on the balance sheet date and ; if it is less than its carrying amount, the carrying amount of the assets / cash generating unit is reduced to the said recoverable amount. The recoverable amount is measured as the higher of the net selling price and value in use of assets / cash generating unit, which is determined by the present value of the estimated future cash flows. As at the balance sheet date, there was no such indication.

**B. NOTES ON ACCOUNTS:****1. Contingent Liabilities not provided for :****a) Counter Guarantee:**

For Rs. 69,06,900/- (64,29,400/-) given to Punjab National Bank for Guarantee given by them to Custom/DGFT department against which Company has given to bank FDR for Rs. 10,38,730/- as margin money.

**b) Demand of Entry Tax by commercial tax department Rs. 3,38,910/- for assessment year 2004-05. Case pending with M.P. Tax Tribunal Board Bhopal.****c) Demand outstanding of Income Tax Rs. 1,65,272/- for assessment year 1996-97.****d) Demand of Entry Tax by commercial tax department Rs. 1,50,082/- for assessment year 2005-06. Case pending with M.P. Tax Tribunal Board Bhopal.**



2. The break-up of Deferred Tax assets and liabilities and the effect on the reserves and the profit after tax are as under:

| Nature of timing difference                             | Deferred Tax Assets/Liabilities As at 01.04.09 | Change/Credit for the Current Year | Deferred Tax Assets/Liabilities as at 31.03.10. |
|---|--|------------------------------------|---|
| a. Deferred tax liabilities on account of: Depreciation | 2,43,01,240/-                                  | -                                  | 2,43,01,240/-                                   |
| b. Deferred tax Assets on account of: Depreciation      | 18,38,012/-                                    | 1,22,851/-                         | 19,60,863/-                                     |
| c. Net deferred tax Liabilities                         | 2,24,63,228/-                                  | 1,22,851/-                         | 2,23,40,377/-                                   |

Deferred tax Assets Rs.1,22,851/- (Rs. 11,32,765/-) arising on account of lower depreciation admissible as per Income Tax Act, 1961.

3. Income-tax assessment in respect of assessment year 1994-95 ITAT allowed the appeal of the company. Income tax department has filed the reference application to the High Court and High Court rejected the application of Income tax department. No demand is outstanding.
4. In the opinion of the management and to the best of their knowledge and belief, the value on realisation of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they are stated in the balance sheet. The provision for known liabilities is adequate and not in excess of the amount considered reasonable and necessary.
5. Balances of creditors, debtors, and advances are almost confirmed.
6. Payments against small scale and ancillary undertakings are made in accordance with the agreed credit terms and to the extent ascertained from available information, there was no amount overdue for more than 30 days as on 31<sup>st</sup> March, 2010. A Small Scale Industrial undertaking has the same meaning as assigned to it under clause (j) of section 3 of the Industries (Development and Regulation) Act, 1951.
7. Keyman insurance policy for key persons renewed by the company during the year and premium of Rs. 10,00,000/- paid.
8. In Union Budget 2004-05 textile goods have been exempted from excise duty, provided no credit under CENVAT Rule 2002 is taken. The company has decided to opt for exemption i.e. zero excise duty w.e.f. 9th July, 2004 under notification No. 30 dated 09.07.2004.
9. The Company has applied for assistance under M.P. Udyog Nivesh Samvardhan Sahayata Yojana 2004 and exemption for entry tax for its expansion programme. The application is under process.
10. Figures of the previous year have been regrouped/rearranged/reclassified wherever necessary

**11. Earning Per Shares**

|   | Current Year | Previous Year |
|---|--------------|---------------|
| a) Net Profit after Tax (Rs.)               | 99,57,401    | 1,07,78,595   |
| a) Number of Weighted Average Equity Shares | 58,70,000    | 58,70,000     |
| b) Nominal value of Share (Rs.)             | 10           | 10            |
| c) Earning per share (Rs.)                  | 1.696        | 1.836         |





12. The Company has not received the necessary information from the supplier/ service provider covered under Micro Small & Medium Enterprises Development Act 2006 with respect to their registration with the appropriate authority. Hence the information required to be disclosed U/s 22 of the said act is not given or nil.

13. Additional information required under part II 3,4 C & D of Schedule VI of the Companies Act 1956.

**A. Managerial Remuneration to Directors:**

|  | 2009-2010<br>(Rs.) | 2008-2009<br>(Rs.) |
|--|--------------------|--------------------|
| <b>1) To the Managing Director</b>   |                    |                    |
| a) Remuneration  | 12,00,000          | 10,80,000          |
| b) Contribution to P.F   | 1,44,000           | 1,29,600           |
| c) Perquisites   | 88,333             | 73,192             |
| d) Meeting Fees  | Nil                | Nil                |
| e) Commission  | Nil                | Nil                |
| <b>2) To the Directors other than Managing Director</b>  |                    |                    |
| a) Remuneration  | 7,80,000           | 6,85,000           |
| b) Contribution to P.F   | 72,000             | 64,800             |
| c) Perquisites   | Nil                | Nil                |
| d) Meeting Fees  | Nil                | Nil                |
| e) Commission  | Nil                | Nil                |
| <b>3) To the Non Executive Directors</b>   |                    |                    |
| a) Sitting Fees  | 5,000              | 5,000              |
| <b>B. Auditors Remuneration</b>  |                    |                    |
| a) Audit Fees  | 71,695             | 71,695             |
| b) Tax Audit Fees  | 17,924             | 17,924             |
| c) Certification Work  | 16,545             | 16,138             |
| d) Cost Audit Fees   | 15,000             | 15,000             |
| <b>C. Number of employees throughout the year who were in receipt of Remuneration in aggregate to Rs. 24,00,000/- per annum or more:</b> |                    |                    |
| a) Number of employee  | Nil                | Nil                |
| b) Salary & others   | Nil                | Nil                |
| c) Contribution to P.F.  | Nil                | Nil                |
| <b>D. Number of employees employed for any part of the year whose Remuneration was Rs. 2,00,000/- or more per month in aggregate:</b>    |                    |                    |
| a) Number of employee  | Nil                | Nil                |
| b) Salary & others   | Nil                | Nil                |
| c) Contribution to P.F.  | Nil                | Nil                |
| <b>E. Particulars of Licensed &amp; Installed Capacities:</b>  |                    |                    |
|  | 2009-10<br>Rotors  | 2008-09<br>Rotors  |
| a) Licensed Capacity   | NA                 | NA                 |
| b) Installed Capacity  | 2928               | 2208               |

**F. Production and Sales :**

|             | Production      |                 | Sales             |              |                   |              |
|-------------|-----------------|-----------------|-------------------|--------------|-------------------|--------------|
|             | 2009-10<br>M.T. | 2008-09<br>M.T. | 2009-2010<br>M.T. | Rs.          | 2008-2009<br>M.T. | Rs.          |
| Cotton Yarn | 6069.592        | 5354.125        | 6130.585          | 50,57,68,852 | 5421.408          | 43,34,51,673 |
| Waste       | 558.871         | 614.409         | 556.555           | 53,77,433    | 617.228           | 70,21,478    |
| Others      | -               | 45.028          | -                 | -            | 45.028            | 38,34,982    |
| Scrap etc   | -               | -               | -                 | 9,92,142     | -                 | 16,63,563    |
| Cotton      | -               | -               | -                 | -            | 41.734            | 24,16,758    |
| Soya Grits  | -               | -               | 914.50            | 2,18,14,240  | -                 | -            |

**G. Raw Material Consumed:**

|           | 2009-2010 |              | 2008-2009 |              |
|-----------|-----------|--------------|-----------|--------------|
|           | M.T.      | Rs.          | M.T.      | Rs.          |
| a) Cotton | 6692.266  | 37,28,71,985 | 6072.571  | 31,96,50,642 |
| b) Yarn   | -         | -            | -         | -            |

**H. Closing Stock of Finished Products:**

|                | 2009-2010<br>M.T. | 2008-2009<br>M.T. |
|----------------|-------------------|-------------------|
|                |                   |                   |
| 1) Cotton Yarn | 120.144           | 181.137           |
| 2) Waste       | 46.754            | 44.438            |

**I. Value of Imports:**

|                           | Current<br>Year | Previous<br>Year |
|---------------------------|-----------------|------------------|
| Capital Goods (CIF Value) | 3,93,03,294     | 92,32,240        |

**J. Expenditure in Foreign Exchange :**

|  |          |          |
|--|----------|----------|
|  | 3,26,152 | 5,29,555 |
|--|----------|----------|

**K. Earnings in Foreign Exchange :**

|                             |             |             |
|-----------------------------|-------------|-------------|
| Export of goods (FOB basis) | 2,13,65,992 | 3,17,18,949 |
|-----------------------------|-------------|-------------|

**L. Value of Imports and Indigenous Raw Materials Stores, Components and Spare parts Consumed:**

|                    | Value in Rs. |              | Percentage |           |
|--------------------|--------------|--------------|------------|-----------|
|                    | 2009-2010    | 2008-2009    | 2009-2010  | 2008-2009 |
| a) Raw Materials   |              |              |            |           |
| 1) Imported        | -            | -            | -          | -         |
| 2) Indigenous      | 37,28,71,985 | 31,96,50,642 | 100%       | 100%      |
| b) Stores & Spares |              |              |            |           |
| 1) Imported        | 26,51,829    | -            | 37.40%     | -         |
| 2) Indigenous      | 44,38,233    | 47,05,169    | 62.60%     | 100%      |

14. Figures have been rounded off to the nearest rupees.

**PART IV**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE** (Pursuant to provisions of Part IV of the Schedule VI of the Companies Act, 1956 as amended vide Notification No. G.S.R. 388 (E) dated 15.05.1995)

|            |  |             |                          |
|------------|--|-------------|--------------------------|
| <b>I</b>   | <b>Registration Details</b>  |             |                          |
|            | Registration No.   | 10-07043    | State Code 10            |
|            | Balance Sheet Date   | 31-03-2010  |                          |
| <b>II</b>  | <b>Capital Raised during the year (Amount in Rs. Thousands)</b>                  |             |                          |
|            | Public Issue   | N11         | Right Issue N11          |
|            | Bonus Issue  | N11         | Private Placement N11    |
| <b>III</b> | <b>Position of Mobilizations &amp; Deployment of Funds (Amount in Thousands)</b> |             |                          |
|            | Total Liabilities  | 405611      | Total Assets 405611      |
|            | <b>Sources of Funds</b>  |             |                          |
|            | Paid up Capital  | 58592       | Reserve & Surplus 66424  |
|            | Secured Loan   | 201584      | Unsecured Loan N11       |
|            | Other Liabilities  | 22340       |                          |
|            | <b>Application of Funds</b>  |             |                          |
|            | Net Fixed Assets   | 193708      | Investment 430           |
|            | Net Current Assets   | 154802      | Misc. Expenditure -      |
|            | Accumulated Losses   | N11         |                          |
| <b>IV</b>  | <b>Performance of Company (Amount in Thousands)</b>                              |             |                          |
|            | Turnover & other Income  | 537993      | Total Expenditure 522759 |
|            | Profit before Tax  | 15234       | Profit after Tax 9957    |
|            | Earning per Share (Rs.)  | 1696        |                          |
|            | Dividend Rate %  | N11         |                          |
| <b>V</b>   | <b>Generic Name of Principle Product of Company (as per monetary terms)</b>      |             |                          |
|            | Item Code No. (ITC)  | 520511101   |                          |
|            | Product Description  | COTTON YARN |                          |

Signature of Schedule 1 to 20 forms an integral part of Balance Sheet and Profit & Loss Account.

As per our report of even date annexed.

For and on behalf of

**SODANI & COMPANY**

Chartered Accountants

Rajesh Sodani

Partner

M.No.F-77005

Dewas, May 29<sup>th</sup>, 2010

Piyush Mutha  
Managing Director

M.L. Jain  
Director

M. Maruthi Rao  
Director/CFO

**CASH FLOW STATEMENT**

| <b>PARTICULARS</b>  | <b>For the Year ended<br/>on 31.03.2010</b> | <b>For the Year ended<br/>on 31.03.2009</b> |
|---|---|---|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                         |   |   |
| Net Profit before Tax and extraordinary items:                        | 1,52,34,550                                 | 1,24,95,830                                 |
| Adjustment For :  |   |   |
| Depreciation & Write offs   | 2,28,33,150                                 | 2,21,07,453                                 |
| Loss/ (Profit) on sale of Fixed assets                                | 74,772                                      | (69,131)                                    |
| Interest (Net)  | 1,17,92,698                                 | 1,21,18,008                                 |
| Dividend (Received)   | (3,35,796)                                  | (22,600)                                    |
| Dividend Paid   | -   | -   |
| Prior period Adjustment   | (2,78,957)                                  | (2,23,127)                                  |
| <b>Operating Profit before Working Capital Changes</b>                | <b>4,93,20,417</b>                          | <b>4,64,06,433</b>                          |
| Adjustment For :  |   |   |
| Decrease / (Increase) in Debtors Loans & Adv.                         | (1,87,10,712)                               | (74,23,106)                                 |
| Decrease / (Increase) in Inventories                                  | (6,03,91,406)                               | 5,71,37,402                                 |
| Increase / (Decrease) in current Liabilities                          | 3,23,25,157                                 | (56,02,490)                                 |
| <b>Cash Generated from operation</b>                                  | <b>25,43,456</b>                            | <b>9,05,18,239</b>                          |
| Interest (Net)  | (1,17,92,698)                               | (1,21,18,008)                               |
| Direct Taxes paid   | (48,13,630)                                 | (19,71,140)                                 |
| <b>NET CASH FROM OPERATING ACTIVITIES:</b>                            | <b>(1,40,62,872)</b>                        | <b>7,64,29,091</b>                          |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                         |   |   |
| Purchase of Fixed Assets  | (6,45,74,259)                               | (1,15,56,431)                               |
| Sale of Fixed Assets  | 5,00,000                                    | 7,50,000                                    |
| Sale / (Purchase) of Investment                                       | 25,00,000                                   | -   |
| Dividend Received   | 3,35,796                                    | 22,600                                      |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                          | <b>(6,12,38,463)</b>                        | <b>(1,07,83,831)</b>                        |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                        |   |   |
| Proceeds from Allotment Money   | -   | -   |
| Proceeds from long term borrowings                                    | 4,80,04,141                                 | 1,03,07,993                                 |
| Repayment of long term borrowings                                     | (2,51,97,979)                               | (2,07,11,783)                               |
| Proceeds from Short term borrowing                                    | 4,42,23,104                                 | (4,34,85,573)                               |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>                        | <b>6,70,29,266</b>                          | <b>(5,38,89,363)</b>                        |
| <b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b> | <b>(82,72,069)</b>                          | <b>1,17,55,897</b>                          |
| Cash and Cash Equivalents as at 1/4/2009 (Opening Balance)            | 1,41,66,756                                 | 24,10,859                                   |
| Cash and Cash Equivalents as at 31/3/2010 (Closing Balance)           | 58,94,687                                   | 1,41,66,756                                 |

Dewas, May 29th, 2010

Piyush Mutha  
Managing DirectorM.L. Jain  
DirectorM. Maruthi Rao  
Director/CFO**Auditor's Certificate**

We have examined the Cash Flow Statement of Vippy Spinpro Ltd. for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirement of listing Agreement Clause 32 with the Stock Exchange and is based on and in agreement with the books and record of the Company and also the Profit & Loss Account and Balance Sheet of the Company covered by our report of even date addressed to the members of the Company

**For Sodani & Company**  
Chartered Accountants

**Rajesh Sodani**  
Partner  
M.No. F-77005  
FRN 000880C

Dewas, May 29<sup>th</sup>, 2010

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**VIPPY SPINPRO LTD.**

Regd. Office : 418 A, City Centre, 570, M.G. Road, Indore-452001 (M.P.)

**ATTENDANCE SLIP****18<sup>th</sup> Annual General Meeting 30<sup>th</sup> September, 2010**

DP Id\*.....

Folio No.....

Client Id\*.....

No. of Shares.....

Full Name of the Shareholder/Proxy attending the meeting

(First Name)

(Middle Name)

(Surname)

I hereby record my presence at the Annual General Meeting on Thursday, the 30<sup>th</sup> day of September 2010 at 10.00 A.M at Hotel Amar Vilas, I, Chandra Nagar, A.B. Road, Opp. Sony World, Indore-452010 (M.P.)

Signature of Member/Proxy

\*Applicable for investors holding shares in electronic form

Note: Member/Proxy attending the meeting must fill in this attendance slip and hand it over at the entrance of the meeting hall.

**VIPPY SPINPRO LTD.**

Regd. Office : 418 A, City Centre, 570, M.G. Road, Indore-452001 (M.P.)

**PROXY FORM****18<sup>th</sup> Annual General Meeting 30<sup>th</sup> September, 2010**

DP Id\*.....

Folio No.....

Client Id\*.....

No. of Shares.....

I/WE..... of.....

in the district of.....being a Member/Members of

Vippy Spinpro Ltd., 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 and on my/our behalf at the Annual General Meeting of the

Company to be held on Thursday, the 30<sup>th</sup> day of September, 2010 at 10.00 A.M. Hotel Amar Vilas, I, Chandra Nagar,

A.B. Road, Opp. Sony World, Indore-452010 (M.P.) and at any adjournment thereof.

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

Affix  
Re.1/-  
Revenue  
Stamp

Signature

\*Applicable for investors holding shares in electronic form.

Note: This Proxy form, in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

**BOOK - POST**

To, \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*If undelivered Please return to:*  
**VIPPY SPINPRO LTD.**  
14-A, Industrial Area, A.B. Road,  
Dewas 455 001 (M.P.) India