

JATTASHANKAR INDUSTRIES LIMITED

22nd ANNUAL REPORT

REPORT AND ACCOUNTS - 2010

BOARD OF DIRECTORS : Shri Jatta Shankar Poddar – Chairman Cum
Managing Director
: Dr. Sharad Poddar – Director
: Shri Sandeep Modi – Director
: Shri Udit Master - Director

AUDITORS : Shankarlal Jain & Associates
Chartered Accountants

REGISTERED OFFICE : 16, Engineer Building,
265, Princess Street,
Mumbai 400 002.

WORKS : 77/78 Piparia Industrial Estate,
Dadra & Nagar Haveli,
Silvassa,
Union Territory.

NOTICE TO THE MEMBERS

NOTICE IS HEREBY GIVEN THAT THE 22ND ANNUAL GENERAL MEETING OF THE MEMBERS OF JATTASHANKAR INDUSTRIES LTD. WILL BE HELD ON THURSDAY ON 30TH SEPTEMBER 2010 AT 16, ENGINEER BUILDING, 265 PRINCESS STREET, MUMBAI 400 002 AT 10 A.M. TO TRANSACT THE FOLLOWING BUSINESS.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March ,2010 and the Profit and Loss Account for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To appoint Auditors to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.
3. To consider and if thought fit, to pass with our without modification (s) the following Resolution as an Ordinary Resolution.
4. To appoint a Director in place of Sandeep Modi who retires by rotation and being eligible, offer himself for reappointment.

By order of the Board of Director
For **JATTASHANKAR INDUSTRIES LIMITED**

SD/-
JATTA SHANKAR PODDAR
(MANAGING DIRECTOR)

Place: Mumbai
Date : 06/09/2009

Registered Offcic:
16, Engineer Building,
265, Princess Street,
Mumbai 400 002.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE PROXY NEED NOT BE A MEMBER. Proxy form should be deposited at the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting.
2. The Register of Members and share Transfer Books of the company will remain closed from 25-09-2010 to 30-09-2010 (both day inclusive).
3. All documents referred to in the Notice and the Explanatory statement are open for inspection at the Registered office of the company during office hours on all working days except Sundays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
4. Members are requested to bring copy of Annual Report as copies of Report will not be distributed again at the meeting.
5. The members are requested to notify the changes, if any, in their addresses to the company.
6. Members/Proxies should bring the Attendance Slip, duly filled in and signed for attending the meeting.
7. Shareholders seeking any information with regard to accounts are requested to write to the company at an early so as to enable the management to keep the information ready.

DIRECTOR'S REPORT

THE MEMBERS, JATTASHANKAR INDUSTRIES LIMITED.

Your Director's have pleasure in presenting 22nd Annual Report and the Audited account of the company for the year ended 31st March 2010.

FINANCIAL RESULTS

	YEAR ENDED 31.03.10 Rs.in lacs	YEAR ENDED 31.03.09 Rs.in lacs
Sales & Services	210.26	806.41
Profit Before Exception item	47.46	53.29
Profit Before Tax	47.46	141.77
Less: Fringe Benefit Tax	0.08	0.16
Profit After Tax	47.38	141.61
Loss brought forward	2578.18	2719.79
Total Loss available for appropriation	2530.80	2578.18

DIVIDEND

Your directors regret their inability to propose any dividend in view of the accumulated losses of the company.

REVIEW OF OPERATIONS FOR 2009-10

In the year under review, the turnover of the company has decreased significantly by 73.93% . From May 2009 onwards , due to expiry of sales tax exemption , Company has stop doing any own production & sale & started doing jobwork of texturising/twisting of yarn. However Profit margin has increased to Rs. 47.46 Lacs due to reduction fixed overheads& cost cutting measures & improving efficiencies in manufacturing & other areas .

The out look for the current year is expected to be better than year 2010-2011 barring any unforeseen events & the management is taking all necessary measures for revival of the company.

DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956 the directors would like to state that:-

- I) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- II) 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 at the end of the financial year and of the profit or loss of the company for the year under review;

III) 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) The directors have prepared the annual accounts on a going concern basis.

PROVISION FOR SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985 .

The company has been declared sick as per the order of BIFR dated 14.06.02 & Central Bank of India has been appointed as operating agency .As per direction of BIFR/AAIFR , Company has submitted revised DRS to CBI(OA) & BIFR in 2008 . The Company has already done OTS via Assignment of Debts with IDBI, GIIC and Central Bank of India. During current year Company is applying for Scheme of Relief under New Gujarat Govt GR for Sick Industrial unit registered with BIFR/GBIFR ,for settlement of Principal outstanding of GSFC of around Rs 358 Lacs. If OTS proposal is accepted than the revival of company will be feasible.

DIRECTOR

Shri Sandeep Modi retired by rotation at the ensuing annual general meeting and being eligible to offer himself for reappointment.

AUDITORS

M/s. Shankarlal Jain & Associates, Chartered Accountants, Auditors of the company, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The company had no employees drawing remuneration of Rs.3,00,000/- per annum or Rs.25,000/- or more per month during the year under review and hence no statement as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is required.

CONSERVATION OF ENERGY, TECHNOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

As required Under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, the relevant information is given annexure which forms part of this report.

FIXED DEPOSITS

Your company has not accepted any fixed deposits and the provisions of Section 58 A of the Companies Act, 1956 are not applicable to the company.

INSURANCE

All the properties of your company including its buildings, plant and machinery and stocks have been adequately insured.

COMPLIANCE REPORT

Compliance Certificate submitted by Practicing Secretary Kala Agarwal for the year ended 31.03.2010 shall be part of this report

ACKNOWLEDGMENTS

Your Directors convey their sincere thanks to the Government of India, The Government of Dadra & Nagar Haveli, Ltd., Gujarat State Financial Corporation, the company's customers, marketing agents and suppliers for the support and assistance provided to the company. Your Directors thank all the employees of the company for their dedicated and unstinted service and their highly valued contribution and continuing support to your company at all levels.

For and on behalf of the Board of Directors

SD/-
(JATTA SHANKAR PODDAR)
CHAIRMAN

Place: Mumbai
Date : 06.09.10

ANNEXURE TO THE DIRECTOR'S REPORT

Information as per section 217 (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Director) Rules, 1988 and forming part of the Directors report for the year ended 31st March 2010.

(A) CONSERVATION OF ENERGY:-

The company is making continuous effort to conserve energy wherever practicable by economizing on use of power and electricity in the factory and office. The total energy consumption as per prescribed Form 'A' is as under:-

Form for disclosure of particulars with respect to conservation of energy. Total energy consumption and energy consumption per unit of production.

PART A POWER AND FUEL CONSUMPTION

	Year Ended 31.03.10	Year Ended 31.03.09
1. Electricity :-Silvassa		
a) Purchased Units (in Lacs)	7.30	6.49
Total amount (Rs.in Lacs)	*29.81	24.51
Rate /Unit (Rs.)	4.08	3.78

* Electricity charges reimburse from job work party

2. Coal	0.00	0.00
3. Furnace Oil	0.00	0.00
4. Other/Internal Generation System	0.00	0.00

(B) TECHNOLOGY ABSORPTION

Research & Development:-

The company is continuously developing new shades in dyed yarn. The company is also planning to install Computer Software developed for getting various shades in Dyed Yarn which will provide great help in capturing the market.

Research and Development on improving the production process, yield and quality is ongoing exercise, Expenditure on Research and Development and its benefit is not separately quantified at present, since it is continuous exercise merged in the manufacture and quality and quality control activity.

The company has not availed any foreign technology during the year.

(C) FOREIGN EXCHANGE EARNINGS / OUTGOINGS:-

Foreign Exchange earning were Rs. Nil

Foreign Exchange outgoing were as under:

I)	Raw material	Rs. Nil
II)	Capital Goods	Rs. Nil
III)	Traveling	Rs. Nil
IV)	Interest on Foreign Currency Loan	Rs. Nil

For and on behalf of the Board of Directors

SD/-
(JATTA SHANKAR PODDAR)
CHAIRMAN

Place: Mumbai

Date : 06.09.10

JATTASHANKAR INDUSTRIES LIMITED
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FINANCIAL YEAR 2009-10

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE ECONOMY :

ECONOMIC OVERVIEW

The year 2009-10 proved to be a year of global economic resurgence. The global economy, after faltering due to recession during 2008-09, witnessed an improvement, mainly because of infusion of stimulus funds by respective countries. The US recovery remains driven by fiscal and monetary stimulus and by the end of destocking, and these forces will bring GDP growth to 2.8 per cent in 2010. China and India led the recovery from the front, on account of huge domestic demand and continued thrust on infrastructure creation, further propelling demand within the core sectors. As per the advance GDP estimates for 2009-10 released by the Central Statistical Organisation (CSO), the Indian economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7 per cent respectively, mainly driven by: rising per-capita income, urbanisation, favorable demographics, declining household size and increasing job security. Barring any problems caused by the country's fiscal vulnerability, growth is expected to strengthen in subsequent years, as it will continue to reap the benefits of ongoing economic opening and gradual improvements in infrastructure.

INDIAN TEXTILE SCENARIO

Indian textile industry contributes about 11 per cent to industrial production, four per cent to the country's GDP and 16.6 per cent to export earnings. Nearly 35 per cent of the textiles produced in the country are exported (Exports \$22 billion) and the textiles sector (US\$63 billion). The global textile and Apparel trade (a US \$600 billion market in 2009) is expected to touch US \$800 billion by 2014. High labour cost in the developed countries is driving out the textile and clothing business to low cost Asian countries such as India and China. Improving fundamentals, timely expansion from time to time, consistent modernization and the revival of the textile industry give strong visibility to revenue & Profitability going forward.

Within the textile industry, man-made- fiber (MMF) market is expected to grow at a CAGR of 7 per cent for the period between FY09 to FY14. Meanwhile, the overall demand for textiles is expected to grow at 5.8 per cent from FY09 to FY14. The share of MMF in fabrics will grow from 45 per cent in FY09 to 49 per cent in FY14, as MMF demand is expected to grow at 7 per cent CAGR during the period. Competitiveness of MMF price is set to improve vis-à-vis cotton, which will drive the growth in demand for polyester. Further, rising income levels will drive demand for the domestic textile industry. As the economy grows, increased consumer spending will drive growth in the apparel and non-apparel segments of the domestic textile market. India's average household income is expected to grow by 35- 40 per cent in FY14 over FY09 levels, which will increase disposable income. The per capita income in India is expected to grow at a CAGR of 6.5 per cent over FY09 to FY14 as compared to 7 per cent over FY04 to FY09. Higher growth in income will be driven by accelerated growth in India's GDP expected from FY09 to FY14. Although the share of per capita expenditure on clothing is decreasing with an increase in spending on items such as communication and food services, absolute expenditure on textiles is expected to grow, which will translate into demand for textiles. Man-made fiber (MMF) chain to grow at a higher rate than the cotton chain. CRISIL Research expects the MMF chain, with its stronger support from domestic demand, to

continue to grow at a higher rate than the cotton chain. MMF and blended fabrics are expected to register a CAGR of around 7 per cent over FY09 to FY14. This will lead to growth in demand for spun yarn and filament yarn. The share of MMF-based (other spun yarn and PFY) textiles in the domestic market would likely increase from 53.4 per cent in FY09 to 56.5 per cent in FY14. The price competitiveness of PV (PV is very similar to cotton in terms of characteristics) to improve vis-à-vis cotton, and consequently increase the demand for the former. While prices of polyester would decline due to the decreasing feedstock prices, cotton prices would continue to remain firm due to a higher minimum support price (MSP). Meanwhile, the domestic garment market will drive the demand in the fragmented blended fabrics market. It is expected that the demand for blended fabric to increase at a CAGR of 5-6 per cent from FY09 to FY12, with domestic consumption (shirting and suiting) largely driving it. Growing preference for apparels made from blended fabric rather than pure cotton will support the growth. A global and domestic economic slowdown caused demand for blended fabric to decline by about 2 per cent in FY09. It is expected that the demand to recover and grow at 5-6 per cent over the medium term. The fabric production sector in India is highly unorganised, with the power loom sector accounting for a large share of the market. In the blended fabrics segment, share of the mill sector is only around 6%, while that of the power loom sector is over 70%. As a result, organised blended fabric players have chosen to focus on premium products like blended suiting materials, which are close substitutes for worsted fabrics. However, the PV industry is poised to grow over the next two-three years as most of the large players have completed their capex cycle during the FY06-08 period. Concurrently, the industry slowed down during FY08-09 because of the global recession; hence, the capacity is currently underutilized. Further, decline in PSF prices coupled with firm cotton prices should push up the demand for MMF (including PV) yarn.

Forward Looking Statements:

Forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", "estimates", the negative of these terms and similar expressions to identify forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

Company's Business

The prominent business of the Company is manufacturing of Polyester Texturised, Twisted and Dyed Yarn and also dyeing of Cotton and other fancy Yarns which are used for making fabrics for Shirting, Suiting Upholstery, Knitting, Labels and Curtains etc.

Industry Structure and Developments:

The Textile industry occupies an important place in the Economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The textile industry encompasses a range of industrial units, which use a wide variety of natural and synthetic fibres to produce fabrics. On a year-on-year basis, cotton textile industry has posted a growth of around 14.8% followed by the products produced by textile industry with a growth rate of above 11%. The textile sub-sector involved in the production of silk, wool and man-made fibres has also seen a steep increase in its growth amounting to 8.2% on

a yearly basis. by textile industry with a growth rate of above 11%. The textile sub-sector involved in the production of silk, wool and man-made fibres has also seen a steep increase in its growth amounting to 8.2% on a yearly basis.

Opportunities:

The biggest growth opportunity for the textile industry arises from the changed global scenario of quota free business environment. The opening up of world market would indirectly also give the opportunity to do well in the vast domestic market due to high quality manufacturing and low cost production. The Government of India is giving the good support by giving loans at Concessional rates and further extension of TUF's scheme and Interest Subvention for Export.

Threats:

Along with the opportunity that the quota free regime offers, there lies the threat of stiff global competition which indirectly would result in severe price wars and which would ultimately lead to pressure on margins. Along with this there lies the threat of domestic competition from the unorganised sector. But the Company through its quality production competes well with other players in this sector.

Insurance:

Company has insured its assets and operations against all insurable risks including fire, earthquake, flood, and etc. as part of its overall risk management strategies.

Human Resources:

Company recognizes that nurturing and developing best human resources by recruiting the best talent is vital to the long term success of the company. Employees are provided with continues opportunities for active learning and development which are viewed as the key drivers of our growth and thereby contributing to the success of the Company. The remuneration structure is linked directly with performance and reward. The Company acknowledges that, human resources are its biggest asset who have been nurtured and strengthen over the years.

Safety, Health and Environment

Safety is considered at highest priority and all the efforts are made to ensure safe working environment for employees. All probable incidents are analyzed and corrective actions are taken accordingly. Employees are trained in safe practices to be followed at work places at all the times.

Outlook:

Company is expected to achieve substantial growth both in terms of turnover and profitability. It will also have an edge over others with large variety of products under one roof. During the current year, your Company will concentrate on optimum utilisation of capacity.

Risks and concerns:

There are some areas of concerns also, which need to be stated here. Along-with recovery, the textile industry is also facing increase in input prices in sync with the global trends. In addition to appreciating rupee, free export of cotton followed by withdrawal of export incentives on cotton yarn are also causing concerns for the sustained recovery in the textile industry. In our

view, there is need for an integrated approach to be adopted for the development of the textile and clothing industry in the country. Such an approach is required to ward off any such situation where the strengths of one segment of the textile industry is being undermined for passing temporary relief to another segment of the industry leading to permanent damage to the complete textile value chain. In our views, if any segment suffers from some systemic disadvantages affecting its global competitiveness, it should be overcome through suitable incentives mechanism without affecting any other segment of the industry.

Environmental Preservation:

Quality of human life is the most important factor to sustain life and this could be achieved through preservation of natural environment. The Company's R & D Department continues to develop new shades in an environmentally sustainable manner..

Internal control systems and their adequacy:

The Company continues to have an adequate Internal Control System commensurate with the nature of its business and the size of its operations.

Discussion on financial performance with respect to operational performance:

During the year, your Company has operated wholly on jobwork basis . The financial results of the Company have been discussed at length in the Director's Report to the members.

Material developments in Human Resources / Industrial Relations front:

The Company has always considered the human resources as the driving force for progress and success and they are the main assets of the Company. Management is of firm belief that the growth of the Company is due to the continuous contribution from its manpower. The Company has the required number of skilled and semiskilled persons and it constantly tries to improve their quality and productivity and provides a congenial working environment for them. The Company is committed for continual improvement in all aspects of social standard, business and employee's welfare to grow as an ethical business. We believe that harmony amongst employees, employer and business leads to socio economic improvement. The industrial relations continued to be extremely cordial during the year.

**By order of the Board
JATTASHANKAR INDUSTRIES LIMITED**

**SD/-
Jattashankar Poddar
Managing Director**

**Place: Mumbai
Date: 06.09.2010**

JATTASHANKAR INDUSTRIES LIMITED

CORPORATE GOVERNANCE REPORT

(Under Clause 49 (VI) (i) of Listing Agreement)

I. The Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance is to strive for attaining the optimum level of transparency and accountability in all facts of its operations and all dealings with shareholders, employees, lenders, creditors, customers and the government. The Board of Directors by considering itself the trustee of its Shareholders aims at maximizing shareholders value and protecting the interest of other stakeholders

II. Board of Directors

(i) Composition and category of Director :

The strength of the Board was 4 Directors as on 31st March, 2010. The Composition and category of Directors on the Board of the Company are : 2 Executive/promoter Directors & 2 Independent Directors

II) Number of Board Meetings/ AGM held and attendance chart of each Director at the Board Meeting :

During the year 2009-10 , 7 times Board Meeting were held on 30/04/2009 , 31/07/2009 , 04/09/2009 , 30/10/2009 , 20/11/2009 , 31/01/2010 & 30/03/2010 & AGM were held on 30.09.2009 & all the 4 directors have attendend all Board Meetings & AGM

iii) Details of Directors with Memberships or Chairmanships:

Name of Director	Directorship in other Company	Chairman of Committee	Member of other Committee
Jattashankar Poddar	1	Share Holder Committee (SGC)	AC
Sharad Poddar	1	0	SGC, AC
Sandeep Modi	1	0	SGC,AC
Udit Master	0	Audit Committee(AC)	SGC

iv) Code of Conduct :

The Board has formulated a code of conduct for the Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel have affirmed their compliance with the code for the financial year ended 31st March, 2010. A declaration to this effect signed by the Managing Director of the Company is given elsewhere in the Annual Report.

III. AUDIT COMMITTEE

The Composition of the Audit Committee and their attendance at the Audit Committee Meetings are as follows :

During the year 5 meeting of Committee were held on 30/04/2009 ,31/07/2009 ,04/09/2009 , 30/10/2009 & 31/01/2010.All the members have attended same.

The Board of Directors of the Company has framed a Terms of Reference for the Audit Committee. The Terms of Reference is based on Clause 49 (II) (D) of the Listing Agreement. The Audit Committee performs its functions in accordance with the terms of reference. In addition, it exercises powers and reviews information as specified under Clause 49 (II) (C) and (E) of the Listing Agreement.

IV. REMUNERATION COMMITTEE

The Company has not constituted a separate committee to determine the terms of reference and remuneration package for its managerial personnel.

i) Remuneration Policy:

The Board of Directors determines the remuneration to be paid to Managing Director and other Directors of the Company. The same is within the limits approved by the Shareholders of the Company. Mr. Sandeep Modi Non Executive Independent Director, who was reire by Rotation, were re-appointed in AGM.

ii) Details of Remuneration paid to all the Director's:

A. The Company does not have any pecuniary relationship or transactions with the non-executive directors..

B. During the year Company has paid aggregate value of remuneration to 2 Director Mr Jattashankar Poddar & Mr Sharad Poddar amounting to Rs. 4,80,000/-,

C. The Company has not issued any stock options or paid any performance linked incentives or fixed component incentives to the Directors.

V. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

A. The Composition of the Shareholders / Investors Grievance Committee and attendance of the members of the Committee at the Shareholders/Investors Grievance Committee Meetings are as follows:

During the year 5 meeting of Committee were held on 30/04/2009 ,31/07/2009 ,04/09/2009 , 30/10/2009 & 31/01/2010.All the members have attended same.

B. COMPLIANCE OFFICER:

As required by the Listing Agreement, the Company has appointed Mr. Laxmikant as the Compliance Officer. Email address of Compliance Officer is jatta@mtnl.net.in . No Complaints were pending at the beginning of the year and the Company received 4 complaints during the year under review from the shareholders and all 4 complaints were disposed off to their satisfaction. No share transfers were pending as on 31st March, 2010.

VI. GENERAL BODY MEETINGS

Date time and venue for the last 3 Annual General Meetings held during the last 3 financial years are given below;

Year	Date	Place
2008-09	30/09/2009	Registered office
2007-08	30/09/2008	Registered office
2006-07	29/09/2007	Registered office

VII. DISCLOSURES

- i. The Company has not entered into any materially significant related party transactions during the financial year that may have potential conflict with the interests of the Company at large.
- ii. There has been no incidence of non-compliance by the Company of any statutory regulations nor any penalty or stricture has been imposed by the Stock Exchange or any other statutory authority, on any matter relating to the capital market over the last three financial years.
- iii. The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.
- iv. In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- v. The constitution of whistle blower policy is a non mandatory requirement. However the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2009 - 2010.
- vi. The Company has complied with all mandatory requirements of clause 49 of Listing Agreement.

VIII. GENERAL SHAREHOLDER INFORMATION

shares of Company are suspended from Trading in Bombay Stock Exchange since year 2006 due to non compliance of various listing aggrement . Company has applied to BSE for Revocation of suspension & after compliance of various pending compliances same will be relisted .

By order of the Board
JATTASHANKAR INDUSTRIES LIMITED

SD/-
Jattashankar Poddar
Managing Director

Place: Mumbai
Date: 06.09.2010

AUDITORS REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of M/s. ***Jattashankar Industries Limited*** (Formerly Known as Jatta Industries Limited.) as at 31st March 2010, & also the Profit & Loss Account and The Cash Flow Statement for the year ended on that date annexed thereto. These Financial statements are the responsibility of the company's Managements .Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable Basis for our opinion.

1. As required by the companies (Auditor's Report) order , 2003 issued by the central government in terms of Section 227 (4A) of the companies Act , 1956
2. We enclose in the annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said order.
3. Further to our comments in the annexure referred to the above , we report that
 - a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our Audit;
 - b) In our opinion , proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books;
 - c) The Balance Sheet , Profit and Loss Account & Cash Flow Statement with this report are in agreement with the books of accounts;
 - d) In our opinion Balance Sheet & Profit and Loss Account & Cash Flow Statement dealt with this report Comply with the Accounting Standards as specified in section 211 (3 C) of the Companies Act , 1956 **except Accounting Standards 15 in respect of gratuity liability and Leave encashment as referred in Note No. 5 .**
 - e) On the basis of written representations and explanations received from Directors, as on 31.03.2010 and taken on record by the Board of directors, we report that none of the Directors On the basis of the written representation received from all of them are disqualified as on 31.03.10 from being appointed as a director in terms of Clause (g) of Sub Section (1) of Section of 274 of the Companies Act, 1956.
4. In our opinion and to the best of our information and according to the explanations given to us , **the accounts subject to Note No.4 regarding sundry balances of debtors ,creditors and loan & advances are subject to confirmation and reconciliation , Note No.5 regarding non provision of gratuity & Leave Encashment liability amount is unascertained , Note No.9 regarding land purchased from the Directors for which agreement is yet to be executed , Note No.14 certain discarded assets sold of Rs.1,49,39,413/- in earlier years subject to approval of Financial Institutions , Note No.16 non provision of interest on secured loan for the year of Rs.8,85,66,848/- and accumulated interest of Rs.53,25,15,426/-(upto**

previous year) due to this loss is understated to that extent , Note No. 17 regarding Assignment deed yet to be registered and read together with the significant accounting policies and other notes of Schedule “M” accounts , give the information required by the Companies Act,1956 in the manner so required.

We further report that without considering item mentioned for Note No.4 & Note No.5 effect of which can not be determined ,had the observation made by us in Para 3 above been considered the loss for the year would have been Rs.8,38,29,007/- (as against report the figure of Profit of Rs.47,37,841/-) and accumulated loss (including loss of earlier year unprovided for Rs.53,25,15,426/-) would have been Rs.87,41,62,853/- (as against reported figure Rs.25,30,80,579/-).

Due to increase in loss for the year after considering the observations as referred in Para 3 above , Earning Per Share basic & diluted as reported in Note No.18 in Schedule “M” would be (Rs.19.11)as against reported of Rs.1.08 The information required by the Companies Act , 1956 in the manner so required give a true & fair view ;

(i) In the case of Balance Sheet of the state of affairs of the company as at 31st March , 2010

And

(ii) In the case of Profit and Loss Account of the PROFIT for the year ended on that date.

And

(iii) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

*For SHANKARLAL JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS
(Firm Reg. No. 109901W)*

SD-

*S.L.AGRAWAL
(PARTNER)*

Membership No. 72184

**PLACE: MUMBAI
DATE: 06.09.2010**

ANNEXURE TO THE AUDITORS REPORT
(Referred to its paragraph 1 thereof)

As required by the companies (Auditors Report) Order ,2003 issued by the company Central Government of India in terms of section 227 (4A) of the companies Act.,1956 On the basis of such checks as we considered appropriate ,we report that :-

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed assets **but the same is to be updated.**
 - b) **We are informed that fixed assets were not verified by the management during the year. Discrepancy if any , will be determined only after the fixed asset register is updated.**
 - c) The company has not disposed off substantial part of fixed assets during the year to effect to its going concern.
- 2.a) Inventories have been physically verified during the year by the management at reasonable intervals.
 - b) The procedure followed by the management for physical verification of stock is in our opinion reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion and according to information and explanation given to us ,the company has maintained proper records of its inventories & discrepancies were noticed on verification between the physical stock and book stock were not material & have been properly dealt with in the books of account.
3. The company has not granted or taken any loans, secured or unsecured to /from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanation given to us ,there are adequate internal control procedures commensurate with the size of the company and the nature of its business ,for the purchase & sale of inventories ,fixed assets and with regards to sale of goods and services .During the course of our audit ,We have not observed any continuing to correct the major weakness in internal controls .
- 5.a) There are transactions in the company that need to be entered in the register in pursuance of Section 301 of the Companies Act 1956 ,were duly entered .**However there transactions are subject to compliance of section 300 of the Act.**
 - b) In our opinion and according to the information and explanation given to us,the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of companies Act 1956 and aggregating during the year to 5,00,000/- or more in respect of each party ,have been made at prices seems reasonable as prevailing market prices for such goods ,materials or the price at which transactions for similar goods ,materials or services have been made with the other parties are not comparable not having similar goods or services.
6. In our opinion and according to information and explanation given to us ,the company has not accepted any deposits from public ,hence provisions of Section 58A & 58 AA of the Companies Act 1956 are not applicable.
7. **The company has no Internal Audit System during the year.**

8. We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209 (1) of the companies Act 1956 & are of the opinion that prima facie the prescribed accounts and records have been made maintained by the company .However, We have not made detailed examination of records so as to ascertain whether they are accurate and complete.
- 9.a) The company is regular in depositing statutory dues including Provident fund ,Investor Education & Protection Fund ,Employees State Insurance ,Income Tax, Wealth Tax ,Sales Tax ,Customs duty and Excise duty, Service Tax , Cess and other materials statutory dues wherever applicable with appropriate authorities . We are informed that no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31st March 2010 for the period of more than six months from the date they became payable.
- b) The disputed statutory dues in respect of excise demand ,Income Tax Liability pending before appropriate higher authorities details as under :-

Name of the Statue	Nature of dues	Amount	Period to which amounts relates	Forum where the dispute is pending
Central Excise Act 1944	Differential Duty of poy purchased under EOU	11,11,073/-	F.Y.2002-03	Add.Comm.Custo ms DRI.
Central Excise Act 1944	Excise duty on stocks of yarns lost in floods	17,33,150/-	F.Y.2004-05	Deputy Commissioner
Income Tax Act 1961	Disallowance of Sundry Bal. w/off	1,54,16,891/-	F.Y.2000-01	IncomeTax Appellate Tribunal

10. The company has accumulated loss at the financial year of Rs. **25,30,80,579/-** (reported figure) and it has incurred no cash loss in the financial year & immediately preceding current financial year .However as per our main report accumulated loss would be **Rs. 87,41,62,853/-** .
11. In our opinion and according to information and explanation given to us and with reference to Schedule ‘C’ **the company has defaulted in repayment of dues of Rs 81,13,62,300/- (including interest un-provided of Rs.62,10,82,274/-) to financial institution & others.**
12. According to information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit / nidhi / mutual fund/society. Therefore the provision of Clause 4 (Xiii) of the companies (Auditors Report) orders 2003 are not applicable to the company.
14. In our opinion the company is not dealing or trading in any shares ,securities ,debentures & others investments .Accordingly the provision of Clause 4 (Xiii) of the companies (Auditors Report) order 2003 are not applicable to the company.
15. The company has not given guarantee for loans taken by others from Banks or Financial Institutions.
16. The company has not taken any term loan during the year
17. According to information and explanation given to us and an overall examination of Balance Sheet of the company, we report that no funds raised during the year, on short term basis have been used for long term investments.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of Public issue during the year.
21. According to information and explanations given to us, no frauds on or by the company has been noticed or reported during the course of our audit.

***For SHANKARLAL JAIN & SSOCIATES
CHARTERED ACCOUNTANTS
(Firm Reg. No. 109901W)***

**PLACE:MUMBAI
DATE: 06.09.2010**

**SD/-
S.L.AGRAWAL
(PARTNER)**

JATTASHANKAR INDUSTRIES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2010

<u>PARTICULARS</u>	<u>SCHEDULE</u>	AS AT 31.03.10	AS AT 31.03.09
		Rs.	Rs.
<u>SOURCES OF FUNDS</u>			
<u>- SHAREHOLDERS FUNDS</u>			
Share Capital	A	43,871,000	43,871,000
Reserves & Surplus	B	42,033,000	42,033,000
		85,904,000	85,904,000
<u>LOANS FUNDS</u>			
Secured Loans	C	190,280,026	199,280,026
		190,280,026	199,280,026
	TOTAL	276,184,026	285,184,026
<u>APPLICATION OF FUNDS</u>			
<u>- FIXED ASSETS</u>			
Gross Block	D	136,521,321	136,521,321
Less: Depreciation		122,849,560	120,172,461
Net Block		13,671,761	16,348,860
<u>INVESTMENT</u>			
	E	5,455,825	7,857,462
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
<u>CURRENT ASSETS</u>			
Inventories		47,726	9,396,286
Sundry Debtors		2,415,709	1,847,822
Cash & Bank Balances		1,302,964	1,457,086
Loans & Advances		717,933	692,984
		4,484,332	13,394,178
<u>LESS: CURRENT LIABILITIES & PROVISIONS</u>			
Current Liabilities	G	508,471	10,234,894
		3,975,861	3,159,284
<u>NET CURRENT ASSETS</u>			
		253,080,579	257,818,420
<u>- DEBIT BALANCE OF PROFIT & LOSS A/C</u>			
	TOTAL	276,184,026	285,184,026
<u>NOTES TO ACCOUNTS</u>			
	M		

As per our report of even date

For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
(Firm Reg. No. 109901W)

For **JATTASHANKAR INDUSTRIES LTD.**

Sd/-
S.L.AGRAWAL
PARTNER

Sd/-
JATTA SHANKAR PODDAR
DIRECTOR

Sd/-
SHARAD PODDAR
DIRECTOR

PLACE : MUMBAI
DATE : 06.09.2010

PLACE : MUMBAI
DATE : 06.09.2010

JATTASHANKAR INDUSTRIES LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 10

<u>PARTICULARS</u>	<u>SCHEDULE</u>	YEAR ENDED 31.03.10	YEAR ENDED 31.03.09
<u>INCOME</u>			
Sales & Services	H	21,026,279	80,640,682
Other Income	I	1,908,026	802,989
		22,934,305	81,443,671
<u>EXPENDITURE</u>			
Decrease in Stocks	J	7,149,227	4,828,125
Raw Material Consumed	K	4,248,822	34,414,059
Operating & Other Expenses	L	4,113,316	33,734,565
Depreciation		2,677,099	3,137,917
		18,188,464	76,114,666
PROFIT FOR THE YEAR		4,745,841	5,329,005
- Add: Excess Depreciation For Earlier year written back		-	8,847,495
- PROFIT BEFORE TAX		4,745,841	14,176,500
- LESS: Fringe Benefit tax		-	15,965
- PROFIT AFTER TAX		4,745,841	14,160,535
Less: Short Provision For Earlier Year FBT		8,000	-
Less: Balance of brought forward Losses		257,818,420	271,978,955
Balance Losses Carried forward to Balance Sheet		253,080,579	257,818,420
Basic & Diluted Earning Per Share of RS. 10/- each (Refer Note 18)		1.08	3.23
<u>NOTES TO ACCOUNTS</u>	M		

As per our report of even date
For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
(Firm Reg. No. 109901W)

For **JATTASHANKAR INDUSTRIES LTD.**

sd/-
S.L.AGRAWAL
PARTNER

Sd/-
JATTA SHANKAR PODDAR
DIRECTOR

Sd/-
SHARAD PODDAR
DIRECTOR

PLACE : MUMBAI
DATE : 06.09.2010

PLACE : MUMBAI
DATE : 06.09.2010

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010

<u>PARTICULARS</u>	AS AT	AS AT
	31.03.10	31.03.09
	Rs.	Rs.
<u>SCHEDULE 'A'</u>		
<u>SHARE CAPITAL</u>		
Authorised:	-	-
1,05,00,000 Equity Shares of Rs. 10/ each	105,000,000	105,000,000
<u>ISSUED, SUBSCRIBED & PAID UP:</u>		
43,87,100(43,87,100) Equity Share of of Rs.10/- each full paid.	43,871,000	43,871,000
	43,871,000	43,871,000
<u>SCHEDULE 'B'</u>		
<u>RESERVES & SURPLUS</u>		
Share Premium	41,806,500	41,806,500
(As per last Balance sheet)		
Capital Reserve on Forfeiture of Shares	226,500	226,500
	42,033,000	42,033,000
<u>SCHEDULE 'C'</u>		
<u>LOAN FUNDS</u>		
-		
<u>SECURED LOANS</u>		
<u>I. Term Loan :</u>		
From Financial Institution	33,530,166	33,530,166
Interest Accrued & Due	12,952,256	12,952,256
From Other	43,500,000	43,500,000
Interest Accrued & Due	24,714,323	24,714,323
(Refer Note No.16 & 17 of Schedule M) (Of the above loan amount repayable within next one year Rs.11,46,96,745 /- (Previous Year Rs.11,46,96,745/-)		
<u>II. Working Capital Facilities</u>		
From Other	75,198,168	84,198,168
Interest Accrued & Due	385,113	385,113
(Refer Note No.16 & 17 of Schedule M)		
	190,280,026	199,280,026

SCHEDULE 'D' FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As on 01.04.09	Additions	Deductions	As on 31.03.10	As on 01.04.09	For the year	Deductions	Excess Depreciation Written back	Up to 31.03.10	As on 31.03.10	As on 31.03.09
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	3554309	0	0	3554309	2191859	0	0	0	2191859	1362450	1362450
Buildings	25524320	0	0	25524320	21556031	548123		0	22104154	3420166	3968289
Office Premises	791280	0	0	791280	232163	12898	0	0	245061	546219	559117
Plant & Machinery *	101413385	0	0	101413385	91701580	2053318	0	0	93754898	7658487	9711805
Office Equipment	1833735	0	0	1833735	1320435	24907	0	0	1345342	488393	513300
Furniture & Fixtures	2402133	0	0	2402133	2297717	0	0	0	2297717	104416	104416
Vehicles	1002159	0	0	1002159	872677	37853	0	0	910530	91629	129482
Total Rs.	136521321	0	0	136521321	120172462	2677099	0	0	122849561	13671760	16348859
Prev. Year Total	136521321	0	0	136521321	125882040	3137917	0	(8847495)	120172462	16348859	10639281

Note :- 1) Plant & Machinery includes Machinery of Rs.15,86,520/- given on operating lease(P.Y.15,86,520/-)

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31.03.2010

PARTICULARS	AS AT	AS AT
	31.03.10	31.03.09
	Rs.	Rs.
<u>SCHEDULE 'E'</u>		
INVESTMENT (At Cost)		
(Unquoted Other Than Trade)		
In Mutual Fund		
In Nil (297116.855) Units of Birla Cash Plus Retail Growth Scheme	-	6,967,436
In 29218.408 (52611.381) Units of Birla Sun Life Savings Fund- Retail-Growth	500,000	850,000
In Nil (2459.486) units of HDFC Liquid Plus Growth Scheme	-	40,026
In 277296.638 (Nil) units of HDFC High Interest Short Term Plan-Growth	4,955,825	-
(NAV Rs 56,08,636/- P.Y. RS 79,04,500)		
	5,455,825	7,857,462
<u>SCHEDULE 'F'</u>		
CURRENT ASSETS, LOANS & ADVANCES		
I. INVENTORIES		
(As taken, valued & certified by Management)		
Finished Goods	-	4,863,879
Work-in-Progress	-	2,275,801
Raw Materials	-	998,438
Stores & Packing Materials	47,726	1,248,621
Scrap Stock	-	9,547
	47,726	9,396,286
II. SUNDRY DEBTORS		
(Unsecured and considered good)		
over six months	10,498	-
Less than six months	2,405,211	1,847,822
	2,415,709	1,847,822
III. CASH AND BANK BALANCES		
Cash in hand	100,939	40,595
Balance with Scheduled Banks		
- On current Account	46,225	289,389
- On Fixed Deposit Account(Receipt pledge with Electricity & /SalesTax Department) (Including Accued Interest Rs.29,800/- (PY 1,388/-)	1,155,800	1,127,102
	1,302,964	1,457,086
IV. LOANS AND ADVANCES		
(Unsecured and considered good)		
Deposit	351,430	351,430
Advances Recoverable in cash or in kind or for value to be received	75,587	70,212
Advance Income Tax	290,916	271,342
	717,933	692,984
SCHEDULE 'G'		
CURRENT LIABILITIES		
Sundry Creditors	499,488	9,848,777
(includes payable to SSI Rs. NIL (P.Y. Rs. 5,90,175/-)		
Advance From Customer	-	282,104
Other liabilities	8,983	104,013
	508,471	10,234,894

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS A/C FOR THE YEAR ENDED ON 31.03.10

<u>PARTICULARS</u>	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
<u>SCHEDULE 'H'</u>	-	-
<u>SALES & SERVICES</u>	-	-
Sales(net)	14,602,652	80,448,341
Yarn Processing Charges (TDS Nil P.Y.Rs. 1,296 /-)	6,423,627	192,341
	21,026,279	80,640,682
<u>SCHEDULE 'I'</u>		
<u>OTHER INCOME</u>		
Profit On Sale of Units of Mutual Fund	151,132	329,161
Rent Income	960,000	180,000
Interest - Other (TDS Rs. 3,531 /- P.Y. Rs. 8,349 /-)	18,398	36,843
Interest on Bank Deposit (TDS Rs. 11,923 /- P.Y Rs. 21,358 /-)	101,826	103,675
Insurance claim Received	584,117	-
Vat Refund	79,451	-
Sundry Balance Written Back(Net)	13,102	153,310
	1,908,026	802,989
<u>SCHEDULE 'J'</u>		
<u>DECREASE / (INCREASE) IN STOCKS</u>	-	-
<u>OPENING STOCKS</u>		
Work-in-Progress	2,275,801	4,842,273
Finished Goods	4,863,879	7,124,825
Scrap Stock	9,547	10,254
	7,149,227	11,977,352
<u>CLOSING STOCKS</u>		
Work-in-Progress	-	2,275,801
Finished Goods	-	4,863,879
Scrap Stock	-	9,547
	-	7,149,227
	7,149,227	4,828,125
<u>SCHEDULE 'K'</u>		
<u>RAW MATERIAL CONSUMED</u>		
Opening Stocks	998,438	935,216
Add: Purchase (Net)	3,250,384	34,477,281
	4,248,822	35,412,497
Less: Closing Stock	-	998,438
	4,248,822	34,414,059

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS A/C FOR THE YEAR ENDED 31.03.10

<u>PARTICULARS</u>	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
<u>SCHEDULE 'L'</u>		
<u>OPERATING & OTHER EXPENSES</u>		
Salary, Wages Bonus etc.	1,054,431	1,790,259
Contribution to Provident Fund & Pension	20,740	18,475
Gratuity	-	23,798
Staff Welfare	15,794	122,022
Job Charges	-	16,276,636
Power & Fuel (Net Of Recovery Rs 27,81,771)	217,121	2,561,008
Stores, Spares and Oil Consumed	393,474	2,023,672
Repairs & Maintenance		
-Building	21,684	195,707
-Machinery	914	179,408
-Others	96,607	105,649
Auditors Remuneration		
-Audit Fees	44,120	44,120
-Tax Audit Fees	11,030	11,030
- Income Tax & Other Matter	34,100	60,000
Insurance Charges	79,358	125,264
Freight & Forwarding Expenses	87,108	535,475
Packing material consumed	416,451	2,969,287
Dyes & Chemical Consumed	812,301	3,663,675
Rent,Rates & Taxes	89,374	-
Brokerage & Commission	104,217	993,521
Sales Tax	49,609	350,407
Advertising & Business Promotion	20,476	10,008
Miscellaneous Expenses	544,407	1,675,144
	4,113,316	33,734,565

SCHEDULE 'M'-- NOTES FORMING PART OF THE ACCOUNTS
SIGNIFICANT ACCOUNTING POLICIES :

(a) Basis of preparation of financial statement

The financial statement has been prepared under the historical cost convention.

(b) Fixed Assets :

Fixed Assets are stated at cost net of Excise Duty Cenvat availed on capital goods less depreciation .All pre-operative expenses including financing cost till the commencement of commercial production are capitalized to fixed asset on appropriate basis.

(c) Depreciation :

Depreciation is provided on all depreciable assets on Straight Line Method at the rates and in the manner prescribed in schedule XIV of the Companies Act , 1956.

(d) Inventories :

- i) Raw Material ,stores & spares are valued at cost .
- ii) Finished goods are valued at lower of cost or net realizable value.
- iii) Work in Progress are valued at estimated cost.

(e) Provision for retirement benefits

The company has not made provision for estimated liability of gratuity for its employees as the same is treated on cash basis (Please refer Note No.5 also) .Contribution to Provident fund and pension funds are monthly determined and paid by the company.

(f) Recognition of Income and Expenditure

All expenditure and income are accounted on accrual basis and to the extent company is reasonably certain of ultimate realization of income except interest on call money due from share holders, Leave encashment & gratuity liability which is accounted for on cash basis.

(g) Sale

Sale are inclusive of excise duty and net of rebate ,discount ,claims and sales tax collected on sales .Sales is recognized on the basis of invoice or dispatch to the customer.

(h) Write off of miscellaneous expenditure

Preliminary expenses, share issue expenses and Increase in Authorised Share capital expenses are written off over a period of 10 years.

(i) Borrowing Cost that are directly attributable to the acquisition , construction or production of a qualifying assets is capitalized and other borrowing cost are recognized as an expenses in the period in which they are incurred.

(j) Use of Estimates

The preparation of financial statements in conformity with the Accounting Standards generally accepted in India requires ,the management to make estimates and assumption in respect of certain items like provision for doubtful debts ,provision for impairment of fixed assets etc. that affect the reported amount of assets and liability & disclosure of contingent liability as at the date of the financial statement and reported amount of revenue and expenses for the year. Actual result could differ from these estimates .Any revision to accounting estimates is recognized in current and future period.

(k) Impairment of Assets

The company assesses at each balance sheet date whether there is any indication of impairment of any assets .If such indication exist , assets are impaired by comparing carrying amount of each asset to the recoverable amount being higher of net selling price.

2. Contingent liabilities not provided for in the accounts

- a) Disputed excise demand for the appeal is pending before higher authorities amounting to Rs.11,11,073/- (P.Y.Rs.11,11,073/-)
 - b) The company has received notice from Excise department for debiting excise duty of Rs.17,33,150/- (P.Y. Rs.17,33,150/-) on yarns lost in floods .The company has made application with the deputy Commissioner Excise for remission of excise duty on same .
 - c) Disputed Income Tax matters relating to disallowance of sundry balance written off of Rs. 1,54,16,891/- (P.Y.Rs.1,82,18,307/-) for the assessment year 2001-02 .
3. i) Term loan excluding interest accrued and due from I.D.B.I , which has been assigned to Shivkripa Enterprises Private Limited under One Time Settlement Scheme as per Assignment Deed dated 23.09.05 , to the extent of Rs.2,85,00,000/- (Previous Year Rs.2,85,00,000/-) is secured by mortgage of all the immovable property of the company situated at plot no.77,admeasuring 1000 sq meter at Silvassa and hypothecation of movable properties of the company including movable plant and machinery ,machinery spares ,fools and accessories and other movables ,both present and future (Save and except book debts) subject to prior charges created /to be created on specified current assets in favor of company 's bankers for securing the borrowing for working capital and also personal guarantee of the promoter Directors of the company.
- ii) Terms loans excluding interest accrued & due from G.S.F.C. to the extent of Rs.3,35,30,166/- (Previous year Rs.3,35,30,166/-) are secured by first charge of hypothecation of specific plant and machineries and personal guarantee of the promoter directors of the company.
- iii) Term loan excluding interest accrued and due from I.D.B.I., which has been assigned to Shivkripa Enterprises Private Limited under One Time Settlement Scheme as per Assignment Deed dated 23.09.05 , to the extent of Rs.2,50,00,000/- (Previous Year Rs.2,50,00,000/-) is secured by mortgage of all the immovable property of the company situated at plot no.77,admeasuring 1000 sq meter at Silvassa and hypothecation of specified movable assets , present & future acquired under Asset Credit Scheme and also by hypothecation of other movable plant and machinery ,machinery spares ,fools and accessories and other movables ,both present and future (Save and except book debts) subject to prior charges created /to be created on specified current assets in favor of company 's bankers for securing the borrowing for working capital and also personal guarantee of the promoter Directors of the company.
- iv) Working capital facility from Central Bank Of India, which has been assigned to Shivkripa Enterprises Private Ltd. under One Time Settlement Scheme as Per Assignment Deeds dated 10.04.07, are secured by hypothecation of Raw materials, Work in Progress, Finished goods, Book Debts and other assets and personal guarantee of the promoter directors of the company and second charge on block of fixed assets of the company.
4. Balance of sundry debtors, Creditors and loans and advances including loan from G.S.F.C. are subject to confirmation, reconciliation and adjustment required ,if any.
5. Provision for gratuity & Leave Encashment Liability has not been actuarially determined. Amount is unascertained, as the same is treated on cash basis.

6. In the opinion of management, sundry debtors, Loans and advances are approximately of the value stated, if realized in the ordinary course of business. The provisions of all liabilities are adequate and not in excess of the amount reasonably necessary .There are no contingent liabilities other than those stated above.
7. Sales is shown net of claims , Rate difference & Discount of Rs.44,607 /- (P.Y. Rs. 8, 17,792/-)
8. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures as required by Notification dated 16th November, 2007 issued by Ministry of Corporate Affairs have not been made.
9. Land at Vapi , purchased from Directors of Rs.8,57,452/- during 1999-2000 for which agreement is yet to be executed.

10.(a) Salary included in schedule of operating & other expenses include managerial remuneration :

Particulars	Current Year (Amt. in Rs.)	Previous Year(Amt. In Rs.)
Salary	4,80,000/-	4,80,000/-
Total	4,80,000/-	4,80,000/-

- b) Commission on net profit is not payable to managing director and the whole time director for the year; hence computation of net profit in accordance with section 198 of the companies Act, 1956 is not required.

11. Pursuant to requirement of Accounting Standard -18 ,issued by the ICAI ,the details of transactions carried out during the year with related parties are disclosed as under :-

Name of Party	I. Relationship	Nature of Transaction	Amount of Current year	Amount of Previous year.
Sunrise Colours Ltd.	Associate Co.	Job Work Exps.	-	1,62,76,636/-
		Job work Income	64,23,627/-	-
		Sale Of Yarn	78,33,625/-	-
		Rent Income	9,60,000/-	1,20,000/-
		Receivable O/S	24,05,211	-
		Payable O/S	-	74,97,546/-
		Inventory held for Job work		62,95,923/-
Jattashankar Poddar	Director	Remuneration	2,40,000/-	2,40,000/-
Sharad Poddar	Director	Remuneration	2,40,000/-	2,40,000/-

12. The company mainly deals in texturised /twisted yarns which are considered only one segment therefore, disclosure of segment reporting pursuant to Accounting Standards –17 issued by the ICAI is not required.

13. a) In view of the applicability of Accounting Standards –22 accounting for taxes on income issued by the ICAI , company does not have current tax as well as deferred tax liability due to carried forward losses. In the opinion of the management deferred tax asset is not recognized in view of uncertainty of future taxable profits.

- b) No provision for Tax has been made under provision of Income tax Act, 1961, as there are no tax liability likely to arise in view of company declared sick by BIFR & having huge accumulated losses .

14. The company had sold certain assets including plant & machinery of Rs.1,49,39,413/-(Net block) in earlier years which were discarded from operation .However the same is subject to approval from Financial Institutions .
15. The company has been declared sick as per the order of BIFR dtd.14.06.02 & Central bank of India has been appointed as Operating Agency.. Rehabilitation proposal is under process.The company has done Techno Economic Viability Study (TEVS) of the Rehabilitation proposal and submitted the said report to the bank and same is under review by the lenders. However the accounts are prepared on going concern basis.
16. a) Interest for the year on secured loan taken from financial institutions and others of Rs.8,85,66,848/-(P.Y.Rs.8,85,66,848/-) has not provided for during the year. Accumulated interest not provided for Rs.62,10,82,274/-(P.Y.Rs.53,25,15,426/-) Due to, this loss for the year and secured loan are understated to that extent.
- b) Loans from the financial institutions & others are shown secured of Rs19,02,80,026/- including interest provided up to 31.03.2001. However the same are secured to Rs.1,61,35,196/-. Therefore the said loans are unsecured by Rs.17, 41, 44,830/-.
17. The Company has done One Time Settlement with Central Bank of India via Assignment of Debts in favour of Strategic Promoter Investor Shivkripa Enterprises Private Limited as per Board Resolution dated 28.03.07 and Assignment Deeds dated 10.04.07 which is yet to be registered .

18. earning Per Share (EPS) pursuant to Accounting Standard –20 issued by the ICAI as under:

Particulars	Current Year	Previous Year
Net Profit available for Equity shareholders	47,37,841	1,41,60,535
Average Equity shares Rs.10/- each	4,38,71,000	4,38,71,000
Basic EPS of Rs. 10/- each	1.08	3.23
Diluted EPS of Rs.10/- each	1.08	3.23

19. There were no Impairment of Fixed Assets during the year pursuant to requirement of Accounting Standard 28 issued by ICAI.
20. Inventory of Finished goods and work in progress include stock lying with third party for job work Rs Nil (P. Y. 62,95,923/-) .
- 21 Sundry Debtor includes Rs. 24,05,211/- (P.Y.Rs. NIL) due from M/s Sunrise Colours Ltd. A company under the same management within the meaning of sub section (1-B) of section 370 of the companies Act 1956.
22. Additional information as required under schedule VI of companies' act 1956 as certified by the management is as under:-

A. Details of licensed capacity and installed capacity:-

	J. Licensed capacity	K. Installed Capacity
Texturising	N.A. (N.A.)	1104 spindles (1104 spindles)
Twisting	N.A. (N.A.)	8800 spindles (8800 spindles)

Note: The company is getting dyed yarn produced on job from outside.

B. Details of Opening Stock , Production ,Sales ,Closing Stock in respect of finished goods.

Item	Opening Stock		Production	Sales		Closing Stock	
	Qty. (kgs)	Value (Rs.)	Qty. (kgs)	Qty. (kgs)	Value (Rs.)	Qty. (kgs)	Value (Rs.)
Yarn Texturised Grey & Dyed	41857 (39197)	3454816 (3954167)	68694 (430224)	110551 (427564)	11278270 (66190852)	- (41857)	- (3454816)
Twisted Grey & Dyed	20408 (28403)	1409063 (3170658)	9249 (96967)	29657 (104962)	3368989 (15075281)	- (20408)	- (1409063)
TOTAL	62265 (67600)	4863879 (7124825)	77943 (527191)	140208 (532526)	1,46,47,259 (81266133)	- (62265)	- (4863879)

- Excludes Job Production 612053 kg (Previous Year 3643 kg)
- Excludes captive consumption 6401 kg. (Previous year 539241 kg)
- Sales does not include rate difference , claims and discount given of Rs.44,607/- (P.Y. Rs.8,17,792/-)

C) Details of Raw Material consumed

Items	Qty.(Kgs)	Value (Rs.)
Partially Oriented Yarn	43056 (441855)	28,14,915 (3,11,45,245)
Texturised /Twisted Yarn	19710 (48743)	14,33,907 (39,42,406)
TOTAL	62766 (490598)	42,48,822 (3,50,87,651)

* The above does not include Rate difference ,Claims & discount received of Rs Nil /- (P.Y. Rs.6,73,592/-).

D) Raw Material consumed

Items	% of total consumption	Value (Rs.)
Imported	Nil (Nil)	Nil (Nil)
Indigenous	100 % (100%)	42,48,822 (3,50,87,651)
Total	100 % (100%)	42,48,822 (3,50,87,651)

E) Stores & spares consumed are wholly indigenous during the current year and previous year.

23. Previous years figures have been regrouped / rearranged wherever is necessary .

24. Figures shown in bracket are for the previous year .

25. **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I Registration Details .

Registration number : 11 - 48451

Balance Sheet Date : 31/03/2010

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

Public Issue Nil	Rights Issue Nil
Bonus Issue Nil	Private Placement Nil

III Position of Mobilisation and Deployment of Funds **(Amount in Rs.)**

Total Liabilities 27, 61, 84,026	Total Assets 27, 61, 84,026	
Paid Up Capital 4, 38, 71,000	Reserve & Surplus 4, 20, 33,000	
Secured Loan 19, 02, 80,026	Unsecured Loan --	
Application of Funds	Net fixed Assets 1, 36,71,761	Investments 54, 55,825
	Net Current Assets 39,75,861	Misc Expenditure --
	Accumulated Losses 25, 30, 80,579	

IV. Performance of the company **(Amount in Rs.)**

Turnover	Total Expenditure
2,10,26,279	1,62,80,438
Profit before Tax	Profit after Tax
47,45,841	47,37,841
Earning per share in Rs.	Dividend rate (%)
1.08	--

V Generic Names of three principal products of the company (as per monetary term)

a) Item Code No. (as per ITC Code) Product Description	540232-001 Texturised Polyester Yarn
b) Item Code no. (As per ITC code) Product Description	540252-00 Twisted Polyester yarn

As per our report of even date
for **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS

(Firm Reg. No. 109901W)

SD/-
S.L.AGRAWAL
(PARTNER)

PLACE : MUMBAI
DATE : 06.09.2009

SD/-
JATTASHANKAR PODDAR- DIRECTOR
SD/-
SHARAD PODDAR - DIRECTOR

PLACE : MUMBAI
DATE : 06.09.2009