

JATTASHANKAR INDUSTRIES LIMITED

**23rd ANNUAL REPORT
REPORT AND ACCOUNTS - 2011**

| | | |
|---------------------------|---|--------------------------------------------------------------------------------------------|
| 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 23RD ANNUAL GENERAL MEETING OF THE MEMBERS OF JATTASHANKAR INDUSTRIES LTD. WILL BE HELD ON FRIDAY ON 30TH SEPTEMBER 2011 AT 11, PARASRAMPURIA APT. ,FILM CITI ROAD, GOKULDHAM, GOREGAON(EAST), MUMBAI 400 063 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 ,2011 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 appoint a Director in place of Udit Master 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 : 06/09/2011

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 25-09-2011 to 30-09-2011 (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 23rd Annual Report and the Audited account of the company for the year ended 31st March 2011.

FINANCIAL RESULTS

| | YEAR ENDED 31.03.11 Rs.in lacs | YEAR ENDED 31.03.10 Rs.in lacs |
|----------------------------------------|--------------------------------------|--------------------------------------|
| Sales & Services | 79.91 | 210.26 |
| Profit Before Exception item | 60.58 | 47.46 |
| Profit Before Tax | 60.58 | 47.46 |
| Less: Fringe Benefit Tax | 0.00 | 0.08 |
| Profit After Tax | 60.58 | 47.38 |
| Loss brought forward | 2530.80 | 2578.18 |
| Total Loss available for appropriation | 2470.22 | 2530.80 |

DIVIDEND

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

REVIEW OF OPERATIONS FOR 2010-11

In the year under review, the turnover of the company has decreased significantly by 61.99% as Company has stop doing any own production & sale & started doing jobwork of texturising/twisting of yarn of others after May 2009 onwards , due to expiry of sales tax exemption . Net Profit has increased to Rs. 60.58 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 2011-2012 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 20108 . 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 Udit Master 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 31.03.2011 shall be part of this report

ACKNOWLEDGMENTS

Your Directors convey their since 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 : 06.09.11

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 2011.

(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 31.03.11 | Year Ended 31.03.10 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

1. **Electricity**:-Silvassa

| | | |
|------------------------------|--------|--------|
| a) Purchased Units (in Lacs) | 11.08 | 6.90 |
| Total amount (Rs.in Lacs) | *35.35 | *27.81 |
| Rate /Unit (Rs.) | 3.19 | 4.08 |

* 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 : 06.09.11

JATTASHANKAR INDUSTRIES LIMITED

FINANCIAL YEAR 2010-11

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE ECONOMY :

India is today rated as one of the most attractive investment destinations across the globe. The UNCTAD World Investment Report (WIR) 2010, in its analysis of the global trends and sustained growth of Foreign Direct Investment (FDI) inflows, has reported India to be the second most attractive location for FDI for 2010-2012. Moreover, India attracted FDI equity inflows of US\$ 1,274 million in February 2011. The cumulative amount of FDI equity inflows from April 2000 to February 2011 stood at US\$ 193.7 billion, according to the data released by the Department of Industrial Policy and Promotion (DIPP). The humungous increase in investment mirrors the foreign investors' faith in the Indian markets. The services sector comprising financial and non-financial services attracted 21 per cent of the total FDI equity inflow into India worth US\$ 2,987 million during the period April 2010 - January 2011, while telecommunications including radio paging, cellular mobile and basic telephone services attracted the second largest amount of FDI worth US\$ 1,332 million during the same period. Automobile industry was the third highest sector attracting FDI worth US\$ 1,191 million followed by Housing and Real Estate sector which garnered US\$ 1,048 million during the period April-January 2011. The buoyancy in capital inflows continued during the second quarter of 2010-11 driven by large inflows under FII investments along with steady inflows under short-term trade credits and external commercial borrowings (ECBs), according to the report, "Macroeconomic and Monetary Developments Third Quarter Review 2010-11", released by RBI. As per preliminary data, the net capital flow from April 2010 - September 2011 is projected to reach US\$ 36.7 billion. Textile Industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of processing; it is a major contribution to the country's economy. The Company is planning up-gradation, in Texturising, Twisting and dyeing, process capacities to build on economies of scales .

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 continuous 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 strengthened 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: 06.09.2011**

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, 2011. 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 2010-11 8 times Board Meeting were held on 30/04/2010 , 31/07/2010 , 06/09/2010 , 15/09/2010 , 18/10/2010 , 17/11/2010 , 31/01/2011 & 31/03/2011 & AGM were held on 30.09.2010 & 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, 2011. 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 Audit Committee were held on 30/04/2010 ,31/07/2010 ,06/09/2010 , 17/11/2010 & 31/01/2011.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 only 1 Director Mr Jattashankar 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 4 meeting of Audit Committee were held on 30/04/2010 ,31/07/2010 , 17/11/2010 & 31/01/2011. All the members have attended same.

B. COMPLIANCE OFFICER:

As required by the Listing Agreement, the Company has appointed Mr. Jattashankar Poddar 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 5 complaints during the year under review from the shareholders and all 5 complaints were disposed off to their satisfaction. No share transfers were pending as on 31st March, 2011.

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 |
|---------|------------|-------------------|
| 2009-10 | 30/09/2010 | Registered office |
| 2008-09 | 30/09/2009 | Registered office |
| 2007-08 | 30/09/2008 | 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 2010 - 2011.
- 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 agreement . 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: 06.09.2011**

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 2011, & 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 31.03.2011 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 31.03.11 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.16a non provision of interest on secured loan for the year of Rs.8,85,66,848/- and accumulated interest of Rs.62,10,82,274/-(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.8,25,08,091/- (as against report the figure of Profit of Rs.60,58,757/-) and accumulated loss (including loss of earlier year unprovided for Rs.62,10,82,274/-) would have been Rs.95,66,70,944/- (as against reported figure Rs.24,70,21,822/-).

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.18.81)as against reported of Rs.1.38** 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 , 2011

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)***

**PLACE: MUMBAI
DATE: 06.09.2011**

**SD/-
S.L.AGRAWAL
(PARTNER)
Membership No. 72184**

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 2011 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. **24,70,21,822/-** (reported figure) and it has incurred no cash loss in the financial year & immediately preceding current financial year .However , as per our main report (after considering observations as stated) accumulated loss would be **Rs. 95,66,70,944/-** .

11. In our opinion and according to information and explanation given to us and with reference to Schedule ‘C’ of Balance sheet **the company has defaulted in repayment of dues of Rs 89,24,29,148/-(including interest un-provided of Rs.70,96,49,122/-) 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: 06.09.2011

SD/-
S.L.AGRAWAL
(PARTNER)

JATTASHANKAR INDUSTRIES LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

| <u>PARTICULARS</u> | <u>SCHEDULE</u> | AS AT 31.03.2011 Rs. | AS AT 31.03.2010 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 | 182,780,026 | 190,280,026 |
| | | 182,780,026 | 190,280,026 |
| | TOTAL | 268,684,026 | 276,184,026 |
| <u>APPLICATION OF FUNDS</u> | | | |
| - | | | |
| <u>FIXED ASSETS</u> | | | |
| Gross Block | | 137,246,531 | 136,521,321 |
| Less: Depreciation | | 125,376,917 | 122,849,560 |
| Net Block | D | 11,869,614 | 13,671,761 |
| INVESTMENT | E | 6,926,696 | 5,455,825 |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | F | | |
| <u>CURRENT ASSETS</u> | | | |
| Inventories | | 17,194 | 47,726 |
| Sundry Debtors | | 3,846,672 | 2,415,709 |
| Cash & Bank Balances | | 1,305,025 | 1,302,964 |
| Loans & Advances | | 678,629 | 717,933 |
| | | 5,847,520 | 4,484,332 |
| <u>LESS: CURRENT LIABILITIES & PROVISIONS</u> | G | | |
| - | | | |
| Current Liabilities | | 2,981,625 | 508,471 |
| | | 2,865,895 | 3,975,861 |
| <u>NET CURRENT ASSETS</u> | | | |
| - | | | |
| <u>DEBIT BALANCE OF PROFIT & LOSS A/C</u> | | 247,021,822 | 253,080,579 |
| | TOTAL | 268,684,026 | 276,184,026 |
| <u>NOTES TO ACCOUNTS</u> | | | |
| M | | | |

As per our report of even date

For SHANKARLAL JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

(Firm Reg. No. 109901W)

sd/-

S.L.AGRAWAL
PARTNER

PLACE : MUMBAI

DATE : 06.09.2011

For JATTASHANKAR INDUSTRIES LTD.

sd/-

JATTA SHANKAR PODDAR
DIRECTOR

PLACE : MUMBAI

DATE : 06.09.2011

sd/-

SHARAD PODDAR
DIRECTOR

JATTASHANKAR INDUSTRIES LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

| <u>PARTICULARS</u> | <u>SCHEDULE</u> | YEAR ENDED 31.03.2011 | YEAR ENDED 31.03.2010 |
|-----------------------------------------------------------------------|-----------------|-----------------------------|-----------------------------|
| <u>INCOME</u> | | | |
| | H | | |
| Sales | | - | 14,602,652 |
| Yarn Processing Charges (TDS Rs. 800/ PY Nil) | | 7,990,554 | 6,423,627 |
| Other Income | I | 2,366,698 | 1,908,026 |
| | | 10,357,252 | 22,934,305 |
| <u>EXPENDITURE</u> | | | |
| Decrease in Stocks | J | - | 7,149,227 |
| Raw Material Consumed | K | - | 4,248,822 |
| Operating & Other Expenses | L | 1,771,138 | 4,113,316 |
| Depreciation | | 2,527,357 | 2,677,099 |
| | | 4,298,495 | 18,188,464 |
| PROFIT BEFORE TAX | | 6,058,757 | 4,745,841 |
| - LESS: Income Tax provision | | - | - |
| - PROFIT AFTER TAX | | 6,058,757 | 4,745,841 |
| Less: Short Provision For Earlier Year FBT | | - | 8,000 |
| Less: Balance of brought forward Losses | | 253,080,579 | 257,818,420 |
| Balance Losses Carried forward to Balance Sheet | | 247,021,822 | 253,080,579 |
| Basic & Diluted Earning Per Share of RS. 10/- each (Refer Note 18) | | 1.38 | 1.08 |
| NOTES TO ACCOUNTS | M | | |

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 : 06.09.2011

For **JATTASHANKAR INDUSTRIES LTD.**

sd/-
JATTA SHANKAR PODDAR SHARAD PODDAR
DIRECTOR DIRECTOR

PLACE : MUMBAI
DATE : 06.09.2011

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

| <u>PARTICULARS</u> | AS AT 31.03.2011 | AS AT 31.03.2010 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| | 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 (As per last Balance sheet) | 41,806,500 | 41,806,500 |
| 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 -GSFC | 33,530,166 | 33,530,166 |
| Interest Accrued & Due | 12,952,256 | 12,952,256 |
| From Other-IDBI Assigned to SEPL | 40,000,000 | 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.11,11,96,745 /- (Previous Year Rs.11,46,96,745/-) | | |
| <u>II. Working Capital Facilities</u> | | |
| From Other-CBI Assigned to SEPL | 71,198,168 | 75,198,168 |
| Interest Accrued & Due | 385,113 | 385,113 |
| (Refer Note No.16 & 17 of Schedule M) | | |
| | 182,780,026 | 190,280,026 |

SCHEDULE 'D' FIXED ASSETS

| Description | GROSS BLOCK | | | | DEPRECIATION | | | | | NET BLOCK | |
|---------------------------------|-------------------|-----------|------------|-------------------|-------------------|-----------------|------------|-------------------|-------------------|-------------------|--|
| | As on 01.04.10 | Additions | Deductions | As on 31.03.11 | As on 01.04.10 | For the year | Deductions | Up to 31.03.11 | As on 31.03.11 | As on 31.03.10 | |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| Freehold Land | 3,554,309 | - | 804,790 | 2,749,519 | 2,191,859 | - | - | 2,191,859 | 557,660 | 1,362,450 | |
| Buildings | 25,524,320 | - | - | 25,524,320 | 22,104,154 | 548,123 | - | 22,652,277 | 2,872,043 | 3,420,166 | |
| Office Premises | 791,280 | - | - | 791,280 | 245,061 | 12,898 | - | 257,959 | 533,321 | 546,219 | |
| Plant & Machinery * | 101,413,385 | 1,530,000 | - | 102,943,385 | 93,754,898 | 1,942,044 | - | 95,696,942 | 7,246,443 | 7,658,487 | |
| Office Equipment | 1,833,735 | - | - | 1,833,735 | 1,345,342 | 10,786 | - | 1,356,128 | 477,607 | 488,393 | |
| Furniture & Fixtures | 2,402,133 | - | - | 2,402,133 | 2,297,717 | - | - | 2,297,717 | 104,416 | 104,416 | |
| Vehicles | 1,002,159 | - | - | 1,002,159 | 910,529 | 13,506 | - | 924,035 | 78,124 | 91,630 | |
| Total Rs. | 136,521,321 | 1,530,000 | 804,790 | 137,246,531 | 122,849,560 | 2,527,357 | - | 125,376,917 | 11,869,614 | 13,671,761 | |
| Prev. Year Total | 136,521,321 | - | - | 136,521,321 | 120,172,462 | 2,677,099 | - | 122,849,561 | 13,671,760 | 16,348,859 | |

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 31ST MARCH 2011

| <u>PARTICULARS</u> | AS AT | AS AT |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| | 31.03.2011 | 31.03.2010 |
| | Rs. | Rs. |
| <u>SCHEDULE 'E'</u> | | |
| INVESTMENT (At Cost) | | |
| (Unquoted Other Than Trade) | | |
| In Mutual Fund | | |
| In 220413.606 (29218.408) Units of Birla Sun Life Savings Fund- Retail-Growth | 4,000,000 | 500,000 |
| In 163969.854 (277296.638) units of HDFC High Interest Short Term Plan-Growth (NAV Rs 71,82,473/- P.Y. RS 56,08,636) | 2,926,696 | 4,955,825 |
| | 6,926,696 | 5,455,825 |
| <u>SCHEDULE 'F'</u> | | |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | |
| <u>I. INVENTORIES</u> | | |
| (As taken, valued & certified by Management) | | |
| Stores & Packing Materials | 17,194 | 47,726 |
| | 17,194 | 47,726 |
| <u>II. SUNDRY DEBTORS</u> | | |
| (Unsecured and considered good) | | |
| over six months | 10,498 | 10,498 |
| Less than six months | 3,836,174 | 2,405,211 |
| | 3,846,672 | 2,415,709 |
| <u>III. CASH AND BANK BALANCES</u> | | |
| Cash in hand | 28,139 | 100,939 |
| Balance with Scheduled Banks | | |
| - On current Account | 40,918 | 46,225 |
| - On Fixed Deposit Account(Receipt pledge with Electricity & /SalesTax Department) (Including Accrued Interest Rs.1,09,968 (PY 29,800) | 1,235,968 | 1,155,800 |
| | 1,305,025 | 1,302,964 |
| <u>IV. LOANS AND ADVANCES</u> | | |
| (Unsecured and considered good) | | |
| Deposit | 336,430 | 351,430 |
| Advances Recoverable in cash or in kind or for value to be received | 72,482 | 75,587 |
| Advance Income Tax | 269,717 | 290,916 |
| | 678,629 | 717,933 |
| <u>SCHEDULE 'G'</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Sundry Creditors (other than SSI) | 449,922 | 499,488 |
| Advance Received (Against Land) | 2,500,000 | - |
| Other liabilities | 31,703 | 8,983 |
| | 2,981,625 | 508,471 |

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS A/C FOR YEAR ENDED 31ST MARCH 2011

| <u>PARTICULARS</u> | CURRENT YEAR Rs. | PREVIOUS YEAR Rs. |
|-----------------------------------------------------------|------------------------|-------------------------|
| <u>SCHEDULE 'H'</u> | | |
| <u>SALES & SERVICES</u> | | |
| Sales | - | 14,602,652 |
| Yarn Processing Charges (TDS Rs. 800/ PY Nil) | 7,990,554 | 6,423,627 |
| | 7,990,554 | 21,026,279 |
| <u>SCHEDULE 'I'</u> | | |
| <u>OTHER INCOME</u> | | |
| Profit On Sale of Units of Mutual Fund | 121,385 | 151,132 |
| Rent Income (TDS Rs. 96/- PY Nil) | 960,000 | 960,000 |
| Interest - Other (TDS Rs. Nil PY Rs. 3,531/-) | 1,027 | 18,398 |
| Interest on Bank Deposit (TDS Rs. 8908/- PY Rs. 11,923/-) | 89,076 | 101,826 |
| Insurance claim Received | - | 584,117 |
| Vat Refund | - | 79,451 |
| Sundry Balance Written Back | - | 13,102 |
| Profit On Sale of Fixed Asset | 1,195,210 | - |
| | 2,366,698 | 1,908,026 |
| <u>SCHEDULE 'J'</u> | | |
| <u>DECREASE / (INCREASE) IN STOCKS</u> | | |
| <u>OPENING STOCKS</u> | | |
| Work-in-Progress | - | 2,275,801 |
| Finished Goods | - | 4,863,879 |
| Scrap Stock | - | 9,547 |
| - | - | 7,149,227 |
| <u>CLOSING STOCKS</u> | | |
| Work-in-Progress | - | - |
| Finished Goods | - | - |
| Scrap Stock | - | - |
| - | - | - |
| - | - | - |
| - | - | 7,149,227 |
| <u>SCHEDULE 'K'</u> | | |
| <u>RAW MATERIAL CONSUMED</u> | | |
| Opening Stocks | - | 998,438 |
| Add: Purchase (Net) | - | 3,250,384 |
| | - | 4,248,822 |
| Less: Closing Stock | - | - |
| | - | 4,248,822 |

JATTASHANKAR INDUSTRIES LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS A/C FOR YEAR ENDED 31ST MARCH 2011

| <u>PARTICULARS</u> | CURRENT YEAR Rs. | PREVIOUS YEAR Rs. |
|----------------------------------------------|---------------------------------|----------------------------------|
| <u>SCHEDULE 'L'</u> | | |
| <u>OPERATING & OTHER EXPENSES</u> | | |
| Salary, Wages Bonus etc. | 1,053,564 | 1,054,431 |
| Contribution to Provident Fund & Pension | 23,172 | 20,740 |
| Staff Welfare | - | 15,794 |
| Power & Fuel | - | 217,121 |
| Stores, Spares and Oil Consumed | 5,564 | 393,474 |
| Repairs & Maintenance | | |
| -Building | 84,320 | 21,684 |
| -Machinery | 12,000 | 914 |
| -Others | 19,422 | 96,607 |
| Auditors Remuneration | | |
| -Audit Fees | 44,120 | 44,120 |
| -Tax Audit Fees | 11,030 | 11,030 |
| - Income Tax & Other Matter | 58,200 | 34,100 |
| Insurance Charges | 99,748 | 79,358 |
| Freight & Forwarding Expenses | - | 87,108 |
| Packing material consumed | 25,868 | 416,451 |
| Dyes & Chemical Consumed | - | 812,301 |
| Rent,Rates & Taxes | - | 89,374 |
| Brokerage & Commission | 30,000 | 104,217 |
| Sales Tax | - | 49,609 |
| Advertising & Business Promotion | - | 20,476 |
| Miscellaneous Expenses | 304,130 | 544,407 |
| | 1,771,138 | 4,113,316 |

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.1,54,16,891/-) 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 ,tools 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 ,tools 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.NIL (P.Y. Rs. 44,607/-)
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 Income | 79,90,554/- | 64,23,627/- |
| | | Sale Of Yarn | - | 78,33,625/- |
| | | Rent Income | 9,60,000/- | 9,60,000/- |
| | | Receivable O/S | 38,36,174 | 24,05,211 |
| Jattashankar Poddar | Director | Remuneration | 4,80,000/- | 2,40,000/- |
| Sharad Poddar | Director | Remuneration | - | 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. Draft Rehabilitation Scheme has been submitted to BIFR as per direction of AAIFR considering OTS with GSFC in same line with other secured Lenders. In BIFR Hearing held on 04.08.2011 ,Hon. Bench has given direction to Company to submit again modified Draft Rehabilitation Scheme after considering OTS with GSFC @ 100% of Principal Outstanding . In view of same , 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.70,96,49,122/-(P.Y.Rs.62,10,82,274/-) . 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 Rs 18,27,80,026/- including interest provided up to 31.03.2001. However the same are secured to Rs.1,57,33,480/-.Therefore the said loans are unsecured by Rs.16,70,46,546/-.

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 | 60,58,757 | 47,37,841 |
| Average Equity shares Rs.10/- each | 43,87,100 | 43,87,100 |
| Basic EPS of Rs. 10/- each | 1.38 | 1.08 |
| Diluted EPS of Rs.10/- each | 1.38 | 1.08 |

19. There were no Impairment of Fixed Assets during the year pursuant to requirement of Accounting Standard 28 issued by ICAI.

20 Sundry Debtor includes Rs. 38,36,174/- (P.Y.Rs. 24,05,211/-) 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.

21. 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) | -- (3454816) | -- (68694) | -- (110551) | -- (11278270) | -- (--) | -- (--) |
| Twisted Grey & Dyed | -- (20408) | -- (1409063) | -- (9249) | -- (29657) | -- (3368989) | -- (--) | -- (- -) |
| TOTAL | -- (62265) | -- (4863879) | -- (77943) | -- (140208) | -- (14647259) | -- (--) | -- (--) |

- Excludes Job Production 784272 kg (Previous Year 612053 kg)

- Excludes captive consumption Nil (Previous year 6401 kg)
- Sales does not include rate difference , claims and discount given of Rs.Nil (P.Y. Rs.44,607/-)

C) Details of Raw Material consumed

| Items | Qty.(Kgs) | Value (Rs.) |
|--------------------------|----------------------|----------------------------------|
| Partially Oriented Yarn | -- (43056) | Nil (28,14,915) |
| Texturised /Twisted Yarn | -- (19710) | Nil (14,33,907) |
| TOTAL | -- (62766) | Nil (42,48,822) |

* 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%) | Nil (42,48,822) |
| Total | 100 % (100%) | Nil (42,48,822) |

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 : 31/03/2011

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 26,86,84,026 | Total Assets 26,86,84,026 |
|-----------------------------------|------------------------------|

| | |
|---------------------------------|-----------------------------------|
| Paid Up Capital 4, 38,71,000 | Reserve & Surplus 4, 20,33,000 |
|---------------------------------|-----------------------------------|

| | |
|------------------------------|----------------------|
| Secured Loan 18,27,80,026 | Unsecured Loan -- |
|------------------------------|----------------------|

| | | |
|----------------------|---------------------------------|--------------------------|
| Application of Funds | Net fixed Assets 1,18,69,614 | Investments 69,26,696 |
|----------------------|---------------------------------|--------------------------|

| | | |
|--|---------------------------------|------------------------|
| | Net Current Assets 28,65,895 | Misc Expenditure -- |
|--|---------------------------------|------------------------|

| | | |
|--|------------------------------------|--|
| | Accumulated Losses 24,70,21,821 | |
|--|------------------------------------|--|

IV. Performance of the company

(Amount in Rs.)

| | | |
|--|----------|-------------------|
| | Turnover | Total Expenditure |
|--|----------|-------------------|

| | |
|----------------------------------|---------------------------|
| 79,90,554 | 19,31,797 |
| Profit before Tax | Profit after Tax |
| 60,58,757 | 60,58,757 |
| Earning per share in Rs. 1.38 | Dividend rate (%) -- |

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/-

JATTASHANKAR PODDAR- DIRECTOR

SD/-
S.L.AGRAWAL
(PARTNER)

SD/-
SHARAD PODDAR - DIRECTOR

PLACE : MUMBAI
DATE : 06.09.2011

PLACE : MUMBAI
DATE : 06.09.2011