

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their sixty-fifth Annual Report together with the Audited Accounts of your Company for the year ended 31 March, 2011.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2011	2010
Profit/(Loss) before depreciation and taxation	(4410.42)	2219.01
Less/Add: Depreciation	2467.22	1533.58
Profit/(Loss) before taxation	(6877.64)	685.43
Less: Provision for Current Taxation	-	275.00
	(6877.64)	410.43
Less/Add: Provision for Earlier Year Taxation	0.37	(5.99)
	(6878.01)	416.42
Less/Add: Deferred Tax Liability	(1084.39)	(157.35)
Profit/(Loss) after tax	(5793.62)	573.77
Add: Balance brought forward from previous year	16935.41	16702.72
	11141.79	17276.49
Which the Directors have appropriated as follows :		
General Reserve	-	100.00
Proposed Dividend On Equity Shares	-	94.74
Proposed Dividend On Preference Shares	-	112.00
Corporate Dividend Tax	-	34.34
Balance carried forward to next year	<u>11141.79</u>	<u>16935.41</u>
	11141.79	17276.49

PERFORMANCE REVIEW

Although the sales and processing income during the year increased to Rs.62892.52 lacs as against Rs.54393.09 lacs of the previous year, profitability came down considerably due to high cost of raw materials, increased interest rates, pressure on margin due to recession in overseas markets resulting in loss during the year. Your management had to take a decision for reworking of valuation of the closing stock of finished goods due to lower realization and a sum of Rs.34.70 crores was written off during the year for lower realization in the value of stocks. This also increased the loss for the year. It was also decided to downsize the business and only concentrate on profit making products and do away with products with no margin or lower margin.

FUTURE OUTLOOK

The budget proposal for the year 2011-12 has rendered outsourcing business of the Company totally unprofitable. Your management have decided to do away outsourcing business and only concentrate on the in-house production facilities which will result in a turnover of approx. Rs.150 crores a year. With this change the benefits of the new modernization and expansion programme undertaken during the year for production of velvet fabrics and enhancing capacity of the embroidered fabrics may be reaped during the year.

Since the Company's turnover would be Rs.150 crores, there will be considerable release of current assets the value of which will be unlocked in a staggered manner over the years. To service the bank loans the Company has filed a flash report of Corporate Debt Restructuring with the CDR Empowered Committee and the same has been admitted for appraisal by the Committee. The scheme envisages a period of 8 – 10 years to bring back the Company on a strong foothold.

DIVIDEND

In view of the accumulated losses the Board of Directors does not recommend any dividend on Equity Shares. The Board of Directors does not also declare dividend on Redeemable Cumulative Preference Shares.

PUBLIC DEPOSIT SCHEME

During the year, your Company has not accepted any deposits. There are no outstanding deposits as on date.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and Management Discussion and Analysis together with the Auditors' Certificate confirming the compliance of conditions on Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchange form part of the Annual Report.

DIRECTORS

Shri O.P. Agarwal and Shri R.L. Gaggar resigned effective from 11th February, 2011. Shri Sunil V. Diwakar ceased to be a Director with effect from 4 March, 2011 on withdrawal of his nomination by IL&FS Investment (Managers) Ltd.

The Board would like to place on record the valuable contributions made by Shri O.P. Agarwal, Shri R.L. Gaggar and Shri Sunil V. Diwakar during their tenure as the Directors of the Company.

Shri G.D. Harnathka and Shri H.S. Gopalka, Directors of the Company retire from the office by rotation and are eligible for reappointment.

The term of office of Shri Sundeep Shah, Executive Director of the Company, expires on 30th August, 2011. He has expressed his intention for not to be re-appointed. He will, however, continue to act as a Promoter Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- i) That in preparation of the annual accounts, the applicable accounting standards have been duly followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2011 on a going concern basis.

DISCLOSURE OF PARTICULARS

The information required under Rule 2 of the Companies Act, 1956 (Disclosure of Particulars in the Report of Board of Directors Rules, 1988) relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed.

AUDITORS

Messrs B.K. Shroff & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Auditors have qualified that the diminution in the value of stocks has not been fully captured in the accounts. The Auditors have taken the value of the entire inventories as at 31st March 2011 at diminished value, whereas the Company adopted the prudent method of only estimating the current assets which could be sold during the next one year and diminution of the value of such stock which worked out to Rs.34.70 crores and hence provided in the books of accounts. Your management believes that there is enough market value that is left in the stock and will review the same at the end of the current year for future write offs, if any.

The Auditors have further referred to delay in payment of statutory dues amounting to Rs.42.93 lacs. Your Directors have to state that this amount pertained to a demand of Income Tax for the assessment year 2007-08 and the same was adjusted by the Income Tax authorities on 28 June 2011 against the refund due to the Company for the assessment year 2010-11.

The Auditors have also pointed out that there was delay in repayment of term loan installment of Rs.150 lacs and interest installment thereon to State Bank of India and one interest installment to Exim Bank. Your Directors have to explain that the delay in the said payments had occurred due to liquidity crisis arising from non realization of payments from the buyers in time.

COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 B of the Companies Act, 1956, the Cost account records maintained by your Company are subject to yearly audit by qualified Cost Auditors. Your Company has appointed M/s. N. Radhakrishnan & Co., a firm of Cost Auditors, for conducting the audit of such records for the financial year 2010-11.

RESEARCH & DEVELOPMENT

Your Directors are pleased to inform that in house R&D unit of the Company at both the units of Anekal, Bangalore have been accorded recognition by the Department of Scientific and Industrial Research, Government of India. The Company has always given due importance to the R&D and has been investing regularly in this area. Capital expenditure of Rs. 16.58 lacs (Previous year - Rs. 307.28 lacs) and revenue expenditure of Rs. 259.90 lacs (Previous year - Rs. 156.77 lacs) incurred by the Company's R&D unit constituting 0.44% (Previous year -0.85%) of the turnover were approved by the Board of Directors of the Company.

PERSONNEL

There was no employee employed during the financial year or a part of the financial year who was in receipt of remuneration for that year or any part of that year at a rate prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation for the co-operation and assistance received from the government, financial institutions, bankers and stakeholders of your Company. The Board wishes to place on record its deep appreciation for the integrity and hard work of its employees at all levels to meet challenging markets.

Registered Office:

19, R. N. Mukherjee Road

Kolkata 700 001

Dated: The 2nd August , 2011.

By Order of the Board

S.S. SHAH

Chairman & Managing Director

