



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### BOARD OF DIRECTORS

Mr. C. P. Ravindranath (EXIM Bank Nominee)  
Mr. Dilip J. Thakkar  
Mr. Jagdish Prasad Mohta (upto 30-10-2009)  
Mr. Kamal Mitra  
Mr. P. N. Shah  
Mr. Prem Malik (w.e.f. 30-10-2009)  
Mr. R. Anand  
Mr. R. G. Kelkar (Union Bank of India Nominee w.e.f. 30-09-2009)  
Mr. Sushil Kumar Jiwarajka

### CHAIRMAN AND MANAGING DIRECTOR

Mr. Anil Kumar Jain

### JT. MANAGING DIRECTOR

Mr. R. N. Gupta

### COMPANY SECRETARY

Mr. Shirish S. Sule

### AUDITORS

B. K. Shroff and Co.  
Chartered Accountants  
3/7-B, Asaf Ali Road  
New Delhi - 110 002

### BANKERS

Canara Bank  
Union Bank of India  
Bank of India  
Bank of Baroda

### REGISTERED OFFICE

Village Alte : Taluka : Hatkanangale, P.B. No 3  
Dist. Kolhapur 416 109, Maharashtra

### SPINNING AND ELECTRONIC UNITS

D-1, MIDC Industrial Area, Gokul Shirgaon  
Kolhapur - 416 234, Maharashtra

### HOME TEXTILE AND

### CONSUMER DURABLE GOODS UNITS

T-2, Kagal - Hatkanangle, Five Star MIDC Area  
At post : Talandge, Taluka : Hatkanangale  
Kolhapur - 416 216, Maharashtra

### HEAD OFFICE

301, Arcadia  
Nariman Point  
Mumbai - 400 021

### DELHI OFFICE

705, Pragati Tower  
26, Rajendra Place  
New Delhi - 110 008

### KOLKATA OFFICE

1-B, Janki Shah Road  
Hastings, Kolkata - 700 022

### THANE OFFICE

Gala No. 23-25  
Vardhaman Industrial Complex  
Gokul Nagar  
Thane (W) - 400 601

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## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### NOTICE

**NOTICE** is hereby given that the 21<sup>st</sup> Annual General Meeting of **INDO COUNT INDUSTRIES LIMITED** will be held on Saturday, the 31<sup>st</sup> July, 2010 at 11.00 a.m., at the Registered Office of the Company at Village Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts for the financial year ended 31<sup>st</sup> March 2010 and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr R N Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr P N Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr Kamal Mitra, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.
6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to Sec 260 of the Companies Act, 1956, and other applicable provisions, if any, for the time being in force, Mr. Prem Malik be and is hereby appointed as the Director of the Company, whose term of office shall be determined to retire by rotation."

**By Order of the Board**

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Shirish S. Sule**  
Company Secretary

#### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid Meeting.

2. Register of Members and the Share Transfer Books of the Company will remain closed from 23-07-2010 to 31-07-2010 (both days inclusive).

3. Members are requested to:

- (i) intimate, changes, if any, in their Registered Addresses immediately;
- (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
- (iii) intimate for duplicate dividend warrants if they have not encashed their warrants for the previous year;

Pursuant to the provisions of section 205C of the Companies Act, 1956, all unpaid dividend upto financial year ended 2001-02 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Once the unpaid amount is transferred to the IEPF, no claims shall lie against the IEPF or the Company in respect of individual amounts which were unclaimed or unpaid.

- (vi) quote ledger Folio No./DPID/Client ID in all their correspondence; to the Company's Registrar & Transfer Agent:-

#### **Link Intime India Pvt Ltd.**

A-40, Naraina Industrial Area, Phase-II,  
2nd Floor, Near Batra Banquet Hall,  
New Delhi - 110 028.

Phone: +91-011-41410592, 41410593 &  
41410594 • Fax : +91-011-41410591

4. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
5. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
6. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

**By Order of the Board**

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Shirish S. Sule**  
Company Secretary



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No. 6

Mr. Prem Malik was appointed as an Additional Director of the Company on 30<sup>th</sup> October, 2009. Pursuant to Sec 260 of the Companies Act, 1956, Mr. Malik continues to hold office till the conclusion of the ensuing Annual General Meeting. The Company has received a written request from a member, under Sec 257 of the Companies Act, 1956, proposing Mr. Malik's candidature for the office of Director of the Company.

The Board recommends the shareholders to pass the resolution.

None of the Directors except Mr. Malik is in any way concerned or interested in the Resolution.

#### **Additional information: As required in terms of Para IV (G) of Clause 49 of the Listing Agreement - Brief Profile of Directors with respect to Appointment / Reappointment :**

##### 1) Mr R N Gupta (Re-appointment)

Mr R N Gupta is a B. Text and has rich experience in textile industry for more than 43 years. Mr. Gupta has been associated with the Company since inception and has been on the Board of the Company since 27<sup>th</sup> November, 1995.

**Outside Directorship:** Nil

**Committee Chairmanship/Membership:**

Name of the Company	Audit Committee	Investors' Grievances Committee	Share Transfer Committee
Indo Count Industries Ltd.	Member	Member	Member

##### 2) Mr P.N Shah (Re-appointment)

Mr P.N Shah is a Chartered Accountant by profession. Mr. Shah has been on the Board of the Company since 30<sup>th</sup> September, 1992.

**Outside Directorship :** a) P I Industries Ltd, b) Secure Meters Ltd., c) Taparia Tools Ltd., d) Lipi Data Systems Ltd., e) Wolkem India Ltd., f) LIC Mutual Fund Trustee Company Pvt. Ltd., g) Pranavdaitya Spinning Mills Ltd.

**Committee Membership/Chairmanship :**

Name of the Company	Audit Committee	Remuneration Committee
Indo Count Industries Ltd	Chairman	Member
P.I Industries Ltd	Chairman	Member
Lipi Data Systems Ltd	Chairman	Member
Taparia Tools Ltd	Member	Member
Pranavadiya Spinning Mills Ltd	Member	—
Secure Meters Ltd	Chairman	Member

##### 3) Mr Kamal Mitra (Re-appointment)

Mr Kamal Mitra, holds a Bachelor Degree in Textile Engineering and has rich experience for more than 31 years in the textile industry. Mr. Mitra has been associated with the Company since December, 2003 and has been appointed on the Board of the Company since 27<sup>th</sup> September, 2007.

**Outside Directorship:** Pranavadiya Spinning Mills Ltd.

**Committee Chairmanship/Membership:**

Name of the Company	Audit Committee	Investors' Grievances Committee	Share Transfer Committee
Indo Count Industries Ltd.	—	Member	Member
Pranavadiya Spinning Mills Ltd.	* Chairman	Member	—

\* upto 25-06-2009 and Member thereafter.

##### 4) Mr Prem Malik (Appointment)

Mr. Malik is an M.A. (Master of Arts) and possesses rich experience in the Textile field and has been on the Board of the Company since 30-10-2009.

**Outside Directorship :** a) Spentex Industries Ltd., b) GTN Textile Industries Ltd., c) Gyscoal Alloys Ltd., d) Smilesville Care Pvt Ltd., e) Alder Trading Co. Pvt Ltd., f) CLC Textiles Park Pvt. Ltd., g) Cotton Association of India, h) Cotton Textiles Export Promotion Council, i) Synthetic and Rayon Export Promotions Council of India (SRTEPC), j) Bombay Textile Research Association (BTRA).

**Committee Chairmanship/Membership:**

Name of the Company	Audit Committee
GTN Textiles Ltd.	Member
Spentex Industries Ltd.	Member

**By Order of the Board**

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Shirish S. Sule**  
Company Secretary



## DIRECTORS' REPORT

To  
The Members

### INDO COUNT INDUSTRIES LIMITED

Your Directors have pleasure in presenting the Twenty First ANNUAL REPORT and the Audited Statement of accounts of the year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

(Rs. in Crore)

Particulars	Current Year	Previous Year
<b>TOTAL INCOME</b>	<b>396.99</b>	290.23
<b>Gross Operating Profit (before exceptional items)</b>	<b>28.92</b>	37.15
Less : Interest	<b>27.32</b>	21.43
Profit/(loss) before Depreciation, Taxation and exceptional items	<b>1.60</b>	15.72
Less : Depreciation	<b>18.09</b>	18.53
<b>Profit/(loss) Before Tax</b>	<b>(16.49)</b>	(2.81)
Exceptional item – Exchange gain/(loss)	<b>(11.52)</b>	(67.72)
Provision for Taxation	<b>9.40</b>	18.02
<b>Net Profit/(loss) After Taxation</b>	<b>(18.61)</b>	(52.51)
Balance Brought Forward	<b>(15.67)</b>	(11.99)
Less: Transfer from General Reserve	<b>0.00</b>	48.83
Surplus/(deficit) Carried to Balance Sheet	<b>(34.28)</b>	(15.67)

### Performance Review

#### Company as a Whole

During the year under review, the Company has earned a total income of Rs 396.99 crore as against Rs 290.23 crore during the previous year registering a growth of about 37%

#### Textile Division

During the year under review, this Division has recorded a sales turnover of Rs. 349.24 crore as against Rs. 278.58 crore in the previous year, registering about 25% growth.

The operating profit of the Division remained moderate, despite sharp appreciation in the cost of basic inputs like Cotton, Yarn, Power, Labour etc.

At this back drop, we are privileged to inform you that during the year under review, your Company was conferred with the following prestigious awards by an apex Textile Institution in India viz. TEXPROCIL :-

1. Silver Trophy for Second highest Exports of other Cotton Made- Ups and
2. Bronze Trophy for Third highest Exports of Bed Linen/ Bed Sheets/Quilts.

#### Electronic/Consumer durable goods Division

During the year under review Electronic Division has scaled up its operations since August 2009 and has registered a sales turnover of Rs 47.75 Crore as against Rs 11.65 Crore during the previous year, registering an excellent growth of 312%.

#### Business Outlook

##### Textile Division

Stiff competition from China, prevailing in the Export market had made Indian Exports to strive more to keep their presence in the International market. However, Indian Textile Exporter will have a sharp edge over Chinese Market, as China's problems are surging raw material prices, high labour costs. The Global economy is improving, in general, which influenced the markets of USA and Europe, and these markets are on the recovery path. Management hopes that the recessionary trend will not last long and there is promising future for the Indian Textile Industry.

Costs of the major inputs have continued to escalate, exerting pressure on the margins, coupled with steep appreciation of Indian Rupee. Of late price realization of Yarn and Made Ups have started improving.

Steep rise in the Exports of cotton has caused price spiral in raw cotton and Yarn this year. Considering phenomenal increase in the costs of Raw Material and in order to boost the local sale of Yarn, the Government of India has withdrawn facility of DEPB and Duty Drawback on exports of Cotton Yarn (both for grey and dyed) with effect from 21-04-2010 and 29-04-2010, respectively, which might impact the margins of the Company in the days to come.

Your Company's Products are well accepted in the Export Market. Your Company has become a fully integrated unit having facilities from Spinning to Finished ready to use consumer goods, which is expected to create substantial value addition. Your Company believes that its scale of operations and integration across the Textile chain will, in future, offer significant advantages in both cost and revenue.



The demand for the Company's products, both from domestic and international markets is growing. The management hopes that Marketing initiatives across the world have both de-risked your Company as well as contributed healthy order book, which will enable your Company to carve out a niche market for its products in the coming years. To take advantage of this growing domestic/international markets, your Company is also planning to establish Office/Showroom/warehouses in and outside India, which would help to dent new markets for the Company's Product.

To conclude, Indo Count withstand good preparatory dispositions and determination to stay on the forefront of global competition game in reaping benefits of the opportunities.

### Electronic Division

The Consumer durable goods/Electronic Goods industry has witnessed a phenomenal growth over the past few years which can be attributed to the increasing effect of state of the art electronic devices in the market. The introduction of new technology has resulted in lower prices affordable to the masses.

### Dividend

Due to losses, the Directors regret their inability to recommend dividend for the year.

### Management & Discussion Analysis

Report of MDA is given in Annexure B forming part of this Report.

### Segment

The Company is engaged in the manufacture and export of cotton yarn, grey knitted fabrics and cotton made ups, which are governed by the same set of risks and returns and as such are in the same segment.

The performance of the Electronic/consumer durable goods Division is reported as a separate segment.

Segment reporting as per AS 17 has been complied with.

### Accounts

The Company has recognized in its books of accounts Deferred Tax Asset arising on account of tax effects of timing differences between the income tax and book depreciation. Your Directors expect that adequate profits will accrue in the future years from Company's business which will utilize the deferred tax asset fully.

### Internal control systems and their adequacy

The Company has in place an elaborate internal control system to ensure proper authorization and accounting of transactions as also for safeguarding and protecting Company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the management and the Audit Committee from time to time. The management feels that the system of internal controls is adequate considering the size of operations of the Company.

### Human Resources

During the year, labour relations continued to be cordial.

Development of employee skills and imparting knowledge on social compliance audits, quality assurance are very important to the business, for which training is conducted regularly.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

### Corporate Governance

The Corporate Governance report together with a certificate from the Company's Auditors confirming compliance of guidelines are made part of this Report as per Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a) that in the preparation of the accounts for the financial year ended on 31<sup>st</sup> March 2010, the applicable Accounting Standards have been followed and there are no material departures.
- b) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review.
- c) 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.

- d) that the Directors have prepared the Annual Accounts ended on 31<sup>st</sup> March 2010, on a 'going concern' basis.

### Directors

In accordance with the provisions of the Companies Act, 1956, Mr. R N Gupta, Mr. P N Shah, and Mr. Kamal Mitra retire by rotation and being eligible, offer themselves for reappointment.

Mr. R G Kelkar, Nominee of Union Bank of India, joined the Board of the Company with effect from 30-09-2009. Mr. Prem Malik has been appointed as an additional Director on the Board of the Company with effect from 30-10-2009.

### Auditors

M/s. B K Shroff and Co., Chartered Accountants retire at the end of this Annual General Meeting and are eligible for reappointment as auditors.

The observations of Auditors on MTM losses on outstanding derivative contracts, as referred in Auditors' Report are suitably explained in the Notes on Accounts. It is pertinent to mention that these losses are notional until they are crystallized on due dates.

Your Directors feel that the Company can meet its obligations arising out of these contracts.

### Cost Auditor

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, and subject to the approval of the Central Government, M/s S N Bawadekar & Co., Cost Accountants, Mumbai, have been appointed as Cost Auditor to conduct cost audit relating to the products manufactured by your Company.

### Company's Subsidiary

Pursuant to the provisions of Section 212 of the Companies Act, 1956, information on Company's Subsidiary viz. Pranavaditya Spinning Mills Ltd., has been attached forming part of Annual Report of the Company.

### Conservation of Energy, Technology Absorption & Foreign Exchange Earning & Outgo

Statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" forming part of this Report.

### Acknowledgements

Your Directors are grateful to the customers, suppliers, banks, financial institutions and employees for their co-operation and assistance during the year under review.

### Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments outside the country, global demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

On behalf of Board of Directors

Place: Mumbai

Date: 1<sup>st</sup> June 2010

**Anil Kumar Jain**

Chairman and Managing Director



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### ANNEXURE A

*Information Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Forming part of the Directors' Report for the financial year ended on 31<sup>st</sup> March 2010.*

#### A. CONSERVATION OF ENERGY

##### Form - A

Form for Disclosure of particulars with respect to conservation of energy

Particulars	Current Year	Previous Year
a) Power and Fuel		
<b>ELECTRICITY</b>		
a) Purchased (Units)	<b>562,75,068</b>	488,95,160
Total amount – Rs	<b>24,89,56,566</b>	20,75,56,563
Rate/unit – Rs	<b>4.42</b>	4.24
b) Own generation:		
i) through diesel generator		
Unit	120,209	—
Unit/liter of diesel oil	3.28	—
Cost per unit – Rs	11.98	—
ii) Furnace oil		
Quantity (KL)	—	—
Amount Rs in Lac	—	—
Average Rate (Rs)	—	—
b) Electricity consumption per unit of production of :-		
i) yarn per kg	4.73	6.26
ii) Fabric processed per kg	3.56	3.68

#### B. TECHNOLOGY ABSORPTION

##### Form - B

Technology Absorption, Adaptation and Innovation

1. Specific areas in which R & D was carried by the Company - **NIL**
2. Benefit derived from above R & D activities – **NIL**
3. Future plan of action – **NIL**
4. Expenditure on R & D - **NIL**
  - (i) Capital – Rs Nil

- (ii) Recurring - Expenditure has been shown under different heads in Profit & Loss Account amounting to Rs 10.10 lac. Total Research & Development expenditure as a percentage of total turnover – 0.03 %

#### 2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

#### C. FOREIGN EXCHANGE EARNINGS AND OUT-GO

- 1) Activity related to initiatives taken to increase export markets for products and services and export - plans.

Since inception, the Company has been a predominant exporter of its production and net foreign exchange earner.

- 2) Total foreign exchange used and earned  
(Rs. in Crore)

Particulars	2009-2010	2008-2009
Used	<b>9.28</b>	4.31
Earned (FOB value of export goods)	<b>290.89</b>	225.06

On behalf of Board of Directors

Place: Mumbai **Anil Kumar Jain**  
Date: 1<sup>st</sup> June 2010 Chairman and Managing Director



*ANNEXURE B*

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF DIRECTORS' REPORT**

**Textile Division**

**Industry structure and developments**

The number of Integrated textile units in the country has remained around 200 for a long time. These are in the organized sector and engaged in the complete value chain right from spinning to finishing of fabrics. Of this, about 10% is in the made up segment, rest being in the clothing segment.

Integrated mills score over others in terms of attracting large buyers as also investors who want to take exposure into and grow with the sector.

Integrated mills have their presence in domestic and export markets. Some have strong local brands.

State of the art integrated manufacturing facilities are one of the key strengths of the Company. Your Company has Integrated facilities and controls the complete value chain, having spinning, weaving, and fabric processing, cut/sew and designing facilities. Presently, majority of its production is exported. Your Company has plans to enter into domestic market either through its own brand or in partnership with existing channels. The management hopes to initiate this process at appropriate time, by establishing Office/Showroom/Warehouses domestically as well as Internationally.

**Opportunities and Threats**

Being predominantly export based, the Company's products are exposed to global economic conditions.

The joint efforts put in by the government of developed and developing (G20) countries to pull the global economy out of recession have resulted in restoration of consumer and business confidence. Hitherto, US and European countries accounted for about 65% of the global demand for home textile products. Your Directors hope that the global economic recession is on ending phase, economic recovery would be faster and Indian textile exports will soon spring back to normal level and further growth.

The initiatives taken by the Government of India to help exporters are laudable and need to be continued to remain competitive in the global market.

**Risks and Concerns**

Majority of the Indo Count's exports are denominated in US \$. Fluctuation in the exchange rate impacts both the top line and margins of the business. However, your Company has robust system and policy to monitor the risks arising out of Foreign Currency fluctuation.

**Outlook**

From the reports available in public domain, it is believed that the global economic recovery is on its way. It is only hoped that the growth momentum gathers steam soon and fast. Indian textile industry is generally competitive and considering the positive business conditions developing, outlook for cotton textiles appears to be good.

**Electronic Division**

**Industry structure and developments**

The consumer electronics industry is occupied by few branded Indian and multi national companies. Though the products are under common VAT system, non uniform tariff structure in different states and fiscal concessions granted by some state governments to local investment, have impact on the product pricing. Competition in this industry is therefore skewed.

In the retail segment, some private brands have been investing to get visibility and have established market share for their products.

**Opportunities and Threats**

The technology in consumer electronic products has been fast changing. Continuous Investment is required to adapt to the change and keep abreast with the technological development.

Your Company has plans to invest in up – gradation of facilities and manpower skills to meet the challenges.

The new product offerings in the market place have spooked interest in the consumers. Product differentiation, affordable pricing and easy financing methods have ensured reach of these products to the interior parts of the country and the OEM/ODM units have larger role to play in the business growth. Considering the nearness to market, the logistics and handling of fragile/bulky goods, regional units such as yours, are preferred by these brands.

**Risks and concerns**

The business of electronic manufacturing services units depends on the outsourcing requirement of the brand owners and is seasonal.

Your Company has developed expertise in providing complete end to end solution to the customers by offering logistic handling services, warehousing facilities, etc.

**Outlook**

The Company has established itself as a reliable electronic manufacturing services unit. Retail revolution has created new markets and the Directors believe there will be adequate opportunities for your Company to exist and expand the business.



*CORPORATE GOVERNANCE WITH RESPECT TO ANNUAL REPORT*

**Corporate ethics**

**1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

**Philosophy**

Your Company is of firm view that good Corporate Governance in the year of continuing globalization and implementation of economic reforms, is the need of time and this alone can meet the aspiration of various sections of the society closely associated with the corporate world. Therefore, since its inception, the Company has been practicing good Corporate Governance, by constituting Board, Audit, Project Management and Remuneration Committees with independent professional members disclosing periodically adequate and true information to the Board/Committee, discussing Company's affairs in open, impartial and transparent manner and ensuing decision making, keeping in mind the interests of stakeholders and other business associates.

Your Company is committed to adopt best Corporate Governance practice mandated through Regulatory Authorities. Further, your Company recognizes that good Corporate Governance practices can alone act as a tool to guarantee long term economic profits, achieves sustained growth in business, enhance the shareholder value and to ensure continuation of belief and the trust reposed in the Corporate sector.

**Status of Compliance**

Your Company has been able to make significant compliance with the revised provisions of Clause 49 of the Listing Agreement.

**2. BOARD OF DIRECTOR**

**a) Composition of the Board**

Chairman & Managing Director along with the Joint Managing Director look after the day to day affairs of the Company. The Board of Directors monitor Company's performance and approve, review policies/ strategies and evaluate the management performance. The Board ensures legal and ethical conduct of business and accurate financial reporting.

The Company presently has Ten Directors of whom Chairman & Managing Director (CMD), Joint Managing Director (Jt. MD), and Director (Works) are Executive Directors.

Promoter is the Chairman and Executive Director and Joint Managing Director (Jt. MD) and Director (Works) are Non-Promoter Executive Directors.

Of the remaining Seven Directors, five are independent Directors who are professionals/ industrialist with experience in taxation, accounts, finance and general corporate management and one is a nominee of EXIM Bank of India and other is the nominee of Union Bank of India.

The Board of Directors meet at least once a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other important business.

**b) Number of Board Meetings:**

During the current accounting year ended 31<sup>st</sup> March 2010, 6 Board meetings were held on the following dates viz. 25-05-2009, 25-06-2009, 31-07-2009, 30-10-2009, 28-01-2010 and 27-02-2010.

The maximum interval between any two Board Meetings was less than 4 months as stipulated in Clause 49 of the Listing Agreement.

The 20<sup>th</sup> Annual General Meeting was held on 29<sup>th</sup> September 2009.



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### c) Directors Attendance record and Directorship held as under:

Name of the Director	Designation	Category	During the period No. of Board Meetings		Whether attended last AGM	Directorship in other Public limited companies incorporated in India	Overall Committee Membership/ Chairmanship across Directorship	
			Held	Attended			Chairman	Member
<b>EXECUTIVE</b>								
Mr Anil Kumar Jain	Chairman & Managing Director	Promoter	6	6	Yes	3	2	6
Mr R N Gupta	Jt. Managing Director	Non-Independent	6	6	Yes	—	—	3
Mr Deepak M Pradhan ##	Director (Marketing)	Non-Independent	6	2	NA	—	—	—
Mr Kamal Mitra	Director (Works)	Non-Independent	6	4	Yes	1	—	4
<b>NON EXECUTIVE</b>								
Mr P N Shah	Director	Independent	6	6	No	6	4	2
Mr R Anand	Director	Independent	6	5	No	4	—	4
Mr Sushilkumar Jiwrajka	Director	Independent	6	4	No	6	—	—
Mr R G Kelkar @@	UBI Nominee	Independent	6	3	NA	—	—	—
Mr Dilip Thakkar	Director	Independent	6	5	No	13	4	5
Mr Jagdish P Mohta **	Director	Independent	6	1	No	—	—	—
Mr C P Ravindranth	EXIM Nominee	Independent	6	6	NA	2	—	—
Mr Prem Malik \$\$	Director	Independent	6	2	NA	3	—	2

## Resigned since 25-06-2009, \*\* Resigned since 30-10-2009, @@ Nominated by UBI since 30-09-2009

\$\$ Appointed as an additional Director since 30-10-2009, □ Comprises only Statutory Committees

The Board has laid down and adopted Code of Conduct for all Board Members and Senior Management personnel of the Company at its meeting held on 31<sup>st</sup> January 2006.

No remuneration, other than sitting fees has been paid for attending the Board/Committee meeting. Details of sitting fees paid to the Directors are as under :-

Name of the Director	Sitting Fees Rs.	Name of the Director	Sitting Fees Rs.
Mr P N Shah	65,000/-	Mr J.P. Mohta	5,000/-
Mr R Anand	60,000/-	Mr C.P. Ravindranath (EXIM Bank Nominee)	30,000/-
Mr Sushil Kumar Jiwrajka	20,000/-	Mr R G Kelkar (Union Bank of India Nominee)	15,000/-
Mr Dilip J Thakkar	35,000/-	Mr Prem Malik	10,000/-

Chairmanship/Membership of every Director is within limits specified.

### d) Information supplied to the Board:

A detailed agenda is sent to each Director sufficiently in advance of Board and Committee meetings. At every Board meeting the Chairman briefs the members on the overall performance of the Company.

Apart from the matters statutorily requiring the Board approval, all major decisions related to investments, capital expenditure, modernization programs, mobilization of resources and planning thereof are considered by the Board.

As per SEBI's code of Corporate Governance, the following information is regularly placed before the Board:-



- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial nonpayment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

**e) Independent Audit Committee:**

The Company has constituted Audit Committee in accordance with the requirements of Clause 49 of the Listing Agreement with qualified, independent and non-executive members of the Board of Directors of the Company. The broad terms of reference of the Audit Committee are:-

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - o Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of section 217 of the Companies Act, 1956
  - o Changes, if any, in accounting policies and practices and reasons for the same
  - o Major accounting entries involving estimates based on the exercise of judgment by management
  - o Significant adjustments made in the financial statements arising out of Audit findings
  - o Compliance with listing and other legal requirements relating to financial statements
  - o Disclosure of any related party transactions
  - o Qualifications in the draft Audit Report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.



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- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee comprises 2 non-executive, independent Directors and 1 executive Director viz. Mr P N Shah, Mr R Anand and Mr R N Gupta, Jt. Managing Director of the Company.

The Company Secretary is the Secretary of the Committee.

The Audit Committee meetings are attended by Internal Auditors. Statutory/Cost Auditors are invited as and when required by the Committee.

The Chairman of the Committee Mr P N Shah, a Non-Executive Director, is a Chartered Accountant by profession.

4 Audit Committee meetings were held during the current accounting year ended 31<sup>st</sup> March, 2010, on the following dates viz: 24-06-2009, 30-10-2009, 28-01-2010 and 24-03-2010. The attendance of each member is as under:-

Name of the Member	Position	No Meetings	
		Held	Attended
Mr P N Shah	Chairman	4	4
Mr R Anand	Member	4	4
Mr R N Gupta	Member	4	4

### f) Remuneration Committee:

Though the formation of the Remuneration Committee is non-mandatory in nature, as a concern of good Corporate Governance, the Board has constituted Remuneration Committee at its meeting held on 25<sup>th</sup> October 2002, and modified its constitution from time to time. The present Remuneration Committee comprises 3 independent and non-executive members of the Board of Directors of the Company. The broad terms of reference of the Remuneration Committee are:-

- To frame a remuneration policy and consider specific remuneration package for its executive Directors including pension rights and compensation payments.
- To review remuneration policy and remuneration paid to the executive Directors from time to time.
- To approve the remuneration paid/payable to the executive Directors as require by the Companies Act, 1956 and/or Listing guidelines.



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### Composition:

The Committee comprises 3 Non-Executive, independent members of the Board of Directors viz :-

Name of the Member	Position	No Meetings	
		Held	Attended
Mr. R Anand	Chairman	1	1
Mr Dilip Thakkar	Member	1	1
Mr P N Shah	Member	1	1

The Company Secretary is the Secretary of the Committee

The meeting was held on 16-02-2010.

The remuneration paid to Executive Directors has been fixed by the resolution passed at the Board meeting, followed by approval of shareholders in the General Meeting.

Name of the Director	Date of resolution	Salary and Perquisites (Rs in Lac)
Mr Anil Kumar Jain	25-07-2008	38.52
Mr R N Gupta	27-02-2010	6.12
Mr D M Pradhan	30-04-2004	1.70
Mr Kamal Mitra	25-07-2008	10.03

No remuneration, other than sitting fees for attending the Board/Committee meetings, is paid to the non-executive Directors.

### g) Investors' Grievance Committee/Shareholders' Committee:

The Board has constituted the "Shareholder/Investor Grievances Committee" in accordance with the requirements of the Clause 49 of the Listing Agreement. The objective of the Committee is to attend to the investors' complaints pertaining to transfer/transmission/demat/remat of shares, on receipt of dividend warrants/share certificates etc and any other matter related thereto.

The committee functions under the Chairmanship of Mr Anil Kumar Jain. The other members are Mr R N Gupta and Mr. Kamal Mitra. The Committee meets once in a quarter.

### h) Compliance Officer:

The Company Secretary has been designated as Compliance Officer.

Status of the Complaints received for the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010, is as under:-

Sr.No.	Nature of Complaint	Number of complaints			
		Received		Resolved	
		SEBI	Others	SEBI	Other
1	Non receipt of share certificates	—	9	—	9
2	Non receipt of dividend warrants	—	3	—	3
3	Non receipt of Annual Reports	—	3	—	3
4	Revalidation of dividend warrants	—	—	—	—
5	Stop transfer	—	—	—	—
6	Demat/Remat of Share Certificates	—	4	—	4
7	Loss of Share Certificates	—	—	—	—



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### i) Share Transfer Committee:

The Board has also constituted Share Transfer Committee comprising three Directors viz. Mr Anil Kumar Jain, Mr R N Gupta, and Mr Kamal Mitra and the Committee is chaired by Mr Anil Kumar Jain, the Company Secretary is the Secretary of the Committee.

### j) Project Management Committee:

The Board has also constituted Project Management Committee comprising three Non Executive Directors viz. Mr Sushil Kumar Jiwrajka, Mr R Anand and Mr. Kamal Mitra and Committee is chaired by Mr R Anand, and the Company Secretary is the Secretary of the Committee.

In case of Projects implemented, it is the policy to meet once a month to monitor the progress.

## 3. MANAGEMENT

### a) Management Discussion and Analysis:

Management Discussion and Analysis forms part of the Annual Report.

### b) Disclosure by the management to the Board:

All details relating to financial and commercial transactions where Director may have a potential interest are disclosed to the Board and the interested Directors neither participate in the discussions, nor do they vote on such matters.

## 4. SHAREHOLDERS

### a) Annual General Meetings:

Details of General Meetings of the shareholders are as under:-

Year	AGM/EGM	Location	Date	Time
2006-07	AGM	Hotel Shalini Palace, Rankala, Kolhapur 416 010	28-09-2007	12.30 p.m.
2007-08	AGM	— do —	27-09-2008	12.00 noon
2008-09	EGM	Village Alte, Tal. Hatkanangale, PB No 3, Kolhapur 416 109	20-03-2009	12.00 noon
2008-09	AGM	— do —	29-09-2009	3.30 p.m.
2009-10	EGM	— do —	25-03-2010	03.00 p.m.

There were no special resolutions passed by the Company through postal ballot during 2009-10, however, a special resolution was passed for revision in the salary payable to the Jt. Managing Director.

### b) Disclosures:

#### I) Disclosure on materially significant related transactions i.e. transaction of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large:

There is no material transaction with any related party which may have potential conflict with the interests of the Company at large. However, the Company has annexed to the accounts, a list of related parties as per the Accounting Standard 18 and the transactions entered into with them.

#### II) Disclosure of Accounting treatment, if different from that prescribed in Accounting Standards with explanation:

All the accounting treatments done are in consonance with Accounting Standards.



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### III) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

Neither any non-compliance with any of the legal provisions of law has been made by the Company nor has any penalty, stricture has been imposed by the stock exchange or SEBI or any statutory authority, on any matter related to capital market, during the last three years.

### IV) Whistle Blower policy and affirmation that no personnel has been denied access to the Audit Committee:

The Company does not have whistle blower policy, as the same is not mandatory in nature.

#### c) Means of Communication:

The Company is publishing its financial results in leading newspapers viz. Free Press Journal and Nav Shakti, on a quarterly basis. The results are also displayed on the corporate website [indocount.com/financials.htm](http://indocount.com/financials.htm) AND also on SEBI's EDIFAR page.

The Annual Report is posted to every shareholder of the Company.

The Company has not made any presentation to the institution, investors/analysts.

MDA is part of the Directors' Report.

#### d) General Shareholders' Information:

<b>Annual General Meeting:</b>	
Day, Date, Time and Venue	Saturday, the 31 <sup>st</sup> July, 2010, at 11.00 a.m., at the Registered Office of the Company at Village Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra
<b>Financial Calender 2010-11</b>	
Financial reporting for the quarter ended 30-06-2010	Latest by Friday the 13-08-2010
Financial reporting for the quarter ended 30-09-2010	Latest by Friday the 12-11-2010
Financial reporting for the quarter ended 31-12-2010	Latest by Monday the 14-02-2011
Financial reporting for the quarter ended 31-03-2011	Latest by Monday the 30-05-2011
<b>Book closure dates</b>	23-07-2010 to 31-07-2010 (both days inclusive)
<b>Listing on the Stock Exchange</b>	The equity shares of the Company are listed on the Bombay and National Stock Exchange. The Company has paid the listing fees to The Mumbai Stock Exchange and National Stock Exchange for the period from 01-04-2010 to 31-03-2011
<b>Address of the Stock Exchange</b>	The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Scrip code: 521016 National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 Scrip code: ICIL
Code in respect of Company's shares traded in a DEMAT form for both NSDL and CDSL : ISIN – INE483B01018	



5. STOCK PRICE DATA FOR THE PERIOD FROM 01-04-2009 TO 31-03-2010

Month	High (Rs)	Low (Rs)	Volume	Index #
April 2009	5.55	3.75	64,380	11403.25
May 2009	7.64	4.55	59,279	14,625.25
June 2009	8.38	6.51	86,216	14,493.84
July 2009	8.50	6.10	67,070	15,670.31
August 2009	9.00	6.80	152,725	15,666.64
September 2009	11.80	7.55	368,400	17,126.84
October 2009	9.70	8.02	75,548	15,896.28
November 2009	9.95	8.06	76,516	16,926.22
December 2009	12.00	8.97	153,158	17,464.81
January 2010	14.00	10.85	154,233	16,357.96
February 2010	11.49	8.75	57,958	16,429.55
March 2010	10.10	8.18	85,476	17,527.77

# Represents Sensex at the close of the last trading day of the month.

6. REGISTRAR & SHARE TRANSFER AGENT:

**Link Intime India Pvt Ltd.**

(formerly known as Intime Spectrum Registry Ltd)

A-40, Naraina Industrial Area, Phase-II,

2nd Floor, Near Batra Banquet Hall, New Delhi - 110 028.

Phone: +91-011-41410592, 41410593 & 41410594

Fax : +91-011-41410591

**Share Transfer System**

Share Transfer Committee approves the transfer/transmission/split/consolidation/ remat/demat of share certificates at its meeting held every fortnight.

7. DISTRIBUTION OF SHAREHOLDING AS AT 31-03-2010

No. of equity shares	No of Shareholders	% of Shareholders	No of Shares held	% of Shareholding
Upto - 250	21130	83.759	1954367	5.866
251 – 500	2307	9.145	871393	2.616
501 – 1000	978	3.877	798291	2.396
1001 – 2000	407	1.613	628881	1.888
2001 – 3000	106	0.420	273959	0.822
3001 – 4000	60	0.238	216048	0.649
4001 – 5000	59	0.234	280418	0.842
5001 – 10000	76	0.301	564251	1.694
Above 10001	104	0.412	27727359	83.227
<b>Total</b>	<b>25227</b>	<b>100.00</b>	<b>33314967</b>	<b>100.00</b>



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### 8. DEMATERIALIZATION OF SHARES AND LIQUIDITY:

As at 31<sup>st</sup> March 2010, 281,10,174 equity shares being 84.37% of total equity share capital is held in electronic mode with two DPs viz. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd (CDSL). The Company's shares have to be compulsorily traded in the electronic form. Requests for dematerialization of shares are processed and confirmed within 15 – 20 days if receipt to NSDL and CDSL.

### 9. OUTSTANDING ADRS/GDRS/WARRANTS/OTHER CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON THE EQUITY:

As at 31<sup>st</sup> March 2010, there are no outstanding ADRs/GDRs/Warrants/Other Convertible instrument which has impact on the equity of the Company.

### 10. OTHER OFFICES OF THE COMPANY:

<b>Registered Office :</b> Village Alte, Taluka Hatkanangale P B No 3, Dist Kolhapur 416 109 Maharashtra	<b>Head Office :</b> 301 and 1101, Arcadia Nariman Point, Mumbai 400 021
<b>Spinning Unit and Electronic Unit :</b> D-1, Gokulshirgaon, MIDC Industrial Area Kolhapur 416 234, Maharashtra	<b>Delhi Office :</b> 705, Pragati Tower, 26, Rajendra Place, New Delhi 110 008
<b>Home Textile Unit and Consumer Durable Goods Unit :</b> T – 3, Five Star MIDC, Kagal-Hatkanangale At. Post - Talandge Taluka Hatkanangale Dist. Kolhapur 416 216 Maharashtra	<b>Kolkata Office :</b> 1 – B, Janki Shah Road Hastings, Kolkatta 700 022
	<b>For Communication :</b> Indo Count Industries Limited 301 and 1101, Arcadia Nariman Point, Mumbai 400 021

## AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

### To the shareholders of Indo Count Industries Ltd.

We have examined the compliance of conditions of corporate governance by Indo Count Industries Limited, for the year ended on 31<sup>st</sup> March, 2010, as stipulated in clause 49 of the listing agreement of the said company with stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of

Corporate Governance as stipulated in the above mentioned listing agreement.

We state that no investor grievance is pending for a period of exceeding one month against the company as per the records maintained by the shareholders / investors grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
Partner

Membership No. 6329

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010



*AUDITORS' REPORT*

To  
The Members

**INDO COUNT INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of Indo Count Industries Limited as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- iii) The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, subject to our observation in para v) below the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v) Attention is drawn to Note No. 19 (a) to the accounts regarding the non provision of MTM loss in the financial statements as AS 30 is not mandatory.
- vi) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that as on 31<sup>st</sup> March, 2010 none of the Directors is disqualified from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

Subject to the above in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
- b. in the case of the Profit & Loss Account, of the loss for the year ended on that date; and
- c. in the case of cash flow statement of the cash flows for the year ended on that date.

For **B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
*Partner*

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

Membership No. 6329



*ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE*

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the fixed assets have been physically verified by the management according to a regular program, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) During the year, the Company has not disposed off any substantial part of its fixed assets. Therefore, it has not affected the going concern concept of the Company.
- (ii) (a) Physical verification of inventory (except material in transit ) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material.
- (iii) The Company has neither granted nor taken loans, secured or unsecured to / from companies firms or other parties covered in the register maintained under section 301 of the Act and as such clauses (iii) (b), (iii) (c) and (iii) (d) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations 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 of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) Transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- a. Based upon the audit procedures applied by us and according to the information and explanations given to us , we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under the section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs.5.00 lac in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A of the Companies Act, and its Rules, and also the directives of Reserve Bank of India. Since the Company has not defaulted in repayment of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, does not arise.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.
- (ix) (a) The Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were outstanding as at 31-03-2010 for a period of more than six months from the date they became payable.



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

- (c) According to the records of the Company, dues of income-tax, wealth-tax, sales tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute are as under :

Sr. No.	Name of the statute	Nature of the dues	Amount (Rs. in lac)	Forum where dispute is pending
1	Central Excise Act	Custom Duty / Countervailing Duty	1.05	CESTAT Tribunal, Mumbai
2	Central Excise Act	Cenvat Credit availed on Service Tax paid on outward freight (Jan 05 to Jan 07)	3.89	Commissioner of (Appeals, Central Excise, Pune)
3	Central Excise Act	Cenvat Credit availed on Service Tax paid on outward freight (Feb 07 to Feb 08)	2.96	CESTAT Tribunal

- (x) The accumulated losses of the Company as at 31<sup>st</sup> March, 2010 do not exceed fifty percent of its net worth at the end of the said financial year. *The Company has not incurred cash losses during the financial year. However, it had incurred cash losses in the immediately preceding financial year.*
- (xi) The Company has defaulted in repayment of dues to banks as under-

Nature of Loan	Delay in number of days	Amount (Rs. in lac)
Rupee Term loans	0-30 days	5.64
Working Capital Term loans	0-30 days	2.07
Term loans against Forex losses	0-30 days	2.44
Non Convertible Debentures	0-30 days	1.50

- (xii) According to the information and explanations given to us, the Company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is neither a chit fund nor nidhi / mutual benefit fund / society and hence clause 4 (xii) of the Order is not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of clause 4 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion, the Company has not given guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purposes for which they were obtained.
- (xvii) During the year the Company has made a preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xviii) According to the information and explanations given to us, the Company has not issued debentures during the year.
- (xix) According to the information and explanations given to us, during the year the Company has not raised any money by public issue.
- (xx) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
Partner

Membership No. 6329

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

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

	Schedule	As at 31-03-2010 [Rs. in lac]		As at 31-03-2009 [Rs. in lac]
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	A	3,656.50		3,306.50
Reserves and Surplus	B	17,008.24		16,871.86
<b>LOAN FUNDS</b>				
Secured Loans	C	34,943.02		33,797.96
		<u>55,607.76</u>		<u>53,976.32</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	D	53,882.18	52,294.97	
Less: Depreciation		<u>14,984.94</u>	<u>12,073.92</u>	
		38,897.24	40,221.05	
Add: Capital Work in Progress		<u>62.91</u>	<u>107.91</u>	40,328.96
INVESTMENTS	E	1,808.55		1,872.92
DEFERRED TAX ASSETS ( NET )		2,620.74		1,680.29
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	F	8,076.28	4,364.89	
Sundry Debtors	G	3,462.08	2,128.74	
Cash and Bank Balances	H	530.68	1,818.92	
Loans and Advances	I	5,248.15	3,778.23	
		<u>17,317.19</u>	<u>12,090.78</u>	
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	J	8,090.26	3,113.81	
Provisions	K	436.19	449.31	
		<u>8,526.45</u>	<u>3,563.12</u>	8,527.66
PROFIT AND LOSS ACCOUNT		3,427.58		1,566.49
		<u>55,607.76</u>		<u>53,976.32</u>
<b>NOTES ON ACCOUNTS</b>				
Q				

As per our report of even date annexed  
**For B. K. Shroff and Co.,**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
*Partner*  
Membership No. 6329  
Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**  
*Chairman and Managing Director*

**R. N. Gupta**  
*Joint Managing Director*

**Shirish S. Sule**  
*Company Secretary*



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010

	Schedule	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>INCOME</b>			
Sales (Gross)		36,642.78	26,446.72
Less : Excise duty		<u>516.67</u>	<u>202.94</u>
Sales (Net)		36,126.11	26,243.78
Processing income ( Including tax deducted at source Rs. 1.76 lac, previous year 0.14 lac)		79.60	207.54
Export Incentives / Benefits		2,526.45	2,324.13
Other Income	L	967.54	246.53
Increase / (Decrease) in Stocks	M	<u>3,024.88</u>	<u>(398.69)</u>
		<u>42,724.58</u>	<u>28,623.29</u>
<b>EXPENDITURE</b>			
Material Cost	N	25,515.07	13,521.25
Manufacturing and Other Expenses	O	<u>14,317.90</u>	<u>11,387.52</u>
		<u>39,832.97</u>	<u>24,908.77</u>
Profit before Financial Charges, Depreciation Taxation and Exceptional items		2,891.61	3,714.52
Finance Charges	P	<u>2,731.68</u>	<u>2,142.65</u>
Profit / Loss before Depreciation, Taxation and Exceptional items		159.93	1,571.87
Depreciation		2,910.96	2,357.54
Less : Transfer from Revaluation Reserve		<u>1,101.69</u>	<u>504.49</u>
Loss Before Exceptional items and Taxation Exceptional items		<u>(1,649.34)</u>	<u>(281.18)</u>
Loss before Taxation		<u>1,151.59</u>	<u>6,771.76</u>
Loss before Taxation		<u>(2,800.93)</u>	<u>(7,052.94)</u>
Provision for Taxation			
Deferred Tax Asset ( Net )		(940.44)	(1,680.29)
MAT Credit Entitlement		—	(148.35)
Fringe Benefit Tax		—	25.83
Wealth Tax		0.60	0.42
Loss after Tax		<u>(1,861.09)</u>	<u>(5,250.55)</u>
Add : Balance brought forward		<u>(1,566.49)</u>	<u>(1,199.10)</u>
		<u>(3,427.58)</u>	<u>(6,449.65)</u>
Transfer from General Reserve		—	4,883.16
Balance carried forward to Balance Sheet		<u>(3,427.58)</u>	<u>(1,566.49)</u>
<b>EARNING PER SHARE</b>			
(Note 21 Schedule Q)			
Basic (Rs.)		(5.59)	(17.46)
<b>NOTES ON ACCOUNTS</b>			
<b>Q</b>			

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

Joint Managing Director

**Shirish S. Sule**

Company Secretary



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2010

PARTICULARS	31-03-2010 [Rs. in lac]	31-03-2009 [Rs. in lac]
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax	(2,800.93)	(7,052.94)
Adjustments for:-		
Depreciation	1,809.26	1,853.05
Interest income	(38.45)	(133.57)
Interest expenses	2,501.70	1,921.34
Insurance Claim	(66.12)	—
Provision for diminution in value of investments written back	2.62	(0.74)
Dividend received	(1.27)	(11.55)
Exceptional items	1,151.59	6,771.76
Loss/(Profit) on sale of fixed assets	—	7.66
<b>Operating profit before working capital changes</b>	<b>2,558.41</b>	<b>3,355.01</b>
<b>Adjustment for working capital changes:</b>		
Trade and other Receivables	(2,978.36)	3,645.64
Inventories	(3,711.39)	1,379.05
Trade payables	4,910.23	(4,124.33)
Taxes paid	(16.28)	104.17
Employee Benefits	(13.35)	44.52
Exceptional items	(1,151.59)	(6,771.76)
	<u>(402.33)</u>	<u>923.21</u>
		<u>(1,444.49)</u>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(123.95)	(400.53)
Sale of fixed assets	—	1.59
Investments in Mutual Fund	61.75	698.46
Interest received	48.79	20.50
Dividend received	1.27	11.55
Net cash from investing activities	<u>(12.14)</u>	<u>331.60</u>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term borrowings	—	7,996.56
Proceeds from Insurance claim	66.12	—
Increase/(decrease) in short term borrowings	2,134.89	(3,294.07)
Repayment of long term borrowings	(989.84)	(644.40)
Proceeds from issue of equity shares	350.00	300.00
Interest paid	(2,434.95)	(2,012.74)
Dividend paid	—	(4.20)
	<u>(873.77)</u>	<u>2,341.15</u>
Net increase in cash and cash equivalents	<u>(1,288.24)</u>	<u>1,228.25</u>
Cash and cash equivalents (Opening balance)	1,818.92	590.67
Cash and cash equivalents (Closing balance)	530.68	1,818.92

**Notes :** Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

Joint Managing Director

**Shirish S. Sule**

Company Secretary



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### SCHEDULES

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>A. SHARE CAPITAL</b>		
<b>Authorised</b>		
55,000,000 Equity shares of Rs.10/- each	5,500.00	5,500.00
5,000,000 Preference shares of Rs. 10/- each	500.00	500.00
	<u>6,000.00</u>	<u>6,000.00</u>
<b>Issued, Subscribed and Paid up</b>		
33,314,967 (previous year 33,064,967)	3,331.50	3,306.50
Equity shares of Rs. 10/- each, fully paid up		
Share Application Money - Pending allotment **	325.00	—
	<u>3,656.50</u>	<u>3,306.50</u>
** Refer Note No. 8 of Schedule Q - Notes on accounts		

	Balance As at As at 01-04-2009 [Rs. in lac]	Addition [Rs. in lac]	Deduction [Rs. in lac]	Balance As at 31-03-2010 [Rs. in lac]
<b>B. RESERVES AND SURPLUS</b>				
Capital Reserve	198.81	—	—	198.81
Share Premium Account	1,335.26	—	—	1,335.26
Debenture Redemption Reserve	750.00	—	—	750.00
Revaluation Reserve	14,587.79	1,238.07	1,101.69	14,724.17
	<u>16,871.86</u>	<u>1,238.07</u>	<u>1,101.69</u>	<u>17,008.24</u>



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>C. SECURED LOANS</b>		
1) Debentures		
10% (previous year 8.50%) 300 - Secured Redeemable		
Non concertible debentures of Rs. 10,00,000 each (a)	2,994.00	3,000.00
Funded Interest on Debentures (a)	249.71	196.53
2) Term Loans		
a) Rupee Loans		
-From Financial Institutions (a)	3,900.26	4,056.76
-From Banks (a)	12,377.99	12,389.44
3) Working Capital Term Loans (a)	2,994.85	3,000.00
4) Demand Term Loan (a)	3,408.07	3,414.76
5) Funded Interest on Term Loans (a)	437.50	1,385.27
6) Interest accrued and due	77.09	—
7) Packing Credit Loans		
-From Banks (b)	8,486.08	6,351.19
8) Hire Purchase Finance		
-From Banks / Others (c)	17.47	4.01
	<u>34,943.02</u>	<u>33,797.96</u>

- (a) Secured inter se on pari-passu basis by way of mortgage of all immovable properties and hypothecation of all moveable properties (save and except stocks and book debts and moveables of electronic division) both present & future subject to prior charges created / to be created in favour of the Company's bankers for working capital requirements. Loans of Rs. 26,362.38 lac (previous year Rs. 27,442.76 lac) are additionally secured by personal guarantee of the Managing Director.
- (b) Secured by hypothecation of Raw materials, Semi finished goods, Finished goods, Stores and Spares, Goods in transit and Book Debts of Spinning and Home textile divisions, and further secured by second charge on Fixed Assets both present & future and personally guaranteed by the Managing Director.
- (c) Secured against hypothecation of Vehicles acquired under Auto Loan Schemes.



[Rs. in lac]

**D. FIXED ASSETS**

PARTICULARS	G R O S S B L O C K					D E P R E C I A T I O N		N E T B L O C K	
	As at 1-04-2009 [Rs.]	Additions [Rs.]	Value added on Revaluation [Rs.]	Sales / Adjustment [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]	
Land - Leasehold	1,047.83	—	—	—	1,047.83	13.29	1,034.54	1,038.62	
Buildings *	7,244.96	108.06	—	—	7,353.02	1,388.48	5,964.54	6,018.81	
Plant and Machinery	43,396.30	196.75	## 1,238.07	—	44,831.12	13,230.29	31,600.83	32,848.57	
Furniture and Fixtures	223.82	8.21	—	—	232.03	111.28	120.75	153.00	
Factory and Office Equipments	239.47	14.02	—	—	253.49	148.45	105.04	106.75	
Vehicles	# 142.59	22.10	—	—	164.69	93.15	71.54	55.30	
<b>Total</b>	<b>52,294.97</b>	<b>349.14</b>	<b>1,238.07</b>	<b>—</b>	<b>53,882.18</b>	<b>14,984.94</b>	<b>38,897.24</b>	<b>40,221.05</b>	
Previous Year	<b>36,906.63</b>	<b>313.78</b>	<b>15,092.28</b>	<b>17.72</b>	<b>52,294.97</b>	<b>12,073.92</b>	<b>62.91</b>	<b>107.91</b>	
Capital Work-in-progress									
<b>TOTAL</b>							<b>38,960.15</b>	<b>40,328.96</b>	

Includes

- a) \* (i) 10 shares of Rs. 50 each of Arcadia Premises Co-operative Society Ltd.
- (ii) Commercial space costing Rs. 50,11,430 in Vardhaman Industrial Complex Co-op. Society Ltd. acquired in terms of sale deed dated 28-07-2000. The Company has taken possession of the property pending transfer of shares.
- b) # One vehicle costing Rs. 38.45 lac, is in the name of the Managing Director as a nominee of the Company.
- c) # Refer Note No. 14 (b) of Annexure Q, Notes on Accounts.



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

	Number	Face Value [Rs.]	As at 31-03-2010 [Rs. in lac]	Number	As at 31-03-2009 [Rs. in lac]
<b>E. INVESTMENTS</b>					
<b>Trade Investments - Long Term</b>					
<b>In Fully Paid Equity Shares</b>					
<b>- Quoted</b>					
<b>a) Subsidiary companies</b>					
Pranavaditya Spinning Mills Limited	18,041,280	10	1,804.13	18,041,280	1,804.13
<b>b) Others</b>					
Margo Finance Ltd. (Formerly Indocount Finance Ltd.)	209,902	10	20.99	410,000	41.00
Less : Provision for diminution			<u>16.58</u>		<u>27.81</u>
			<u>1,808.54</u>		<u>1,817.32</u>
<b>-Unquoted</b>					
Indocount Textile Ventures Pvt. Ltd.	100	10	0.01	100	0.01
Shiva Services Limited	10,000	10	1.00	10,000	1.00
			<u>1.01</u>		<u>1.01</u>
Less : Provision for diminution			<u>1.00</u>		<u>1.00</u>
			<u>0.01</u>		<u>0.01</u>
<b>-In Mutual Fund Units</b>					
DSP Meryl Lynch - Floating Rate Fund - Growth	—	10	—	14,354	1.63
HDFC Liquid Fund - Dividend Reinvestment Plan	—	10	—	190,296	19.38
HDFC Cash Management Fund - Savings Plan	—	10	—	320,103	34.58
			<u>—</u>		<u>55.59</u>
<b>TOTAL</b>			<u><u>1,808.55</u></u>		<u><u>1,872.92</u></u>
<b>Aggregate value of</b>					
-Quoted Investments			<u>1,808.54</u>		1,817.32
-Unquoted Investments			<u>0.01</u>		0.01
-NAV Based Units			<u>—</u>		55.59
<b>TOTAL</b>			<u><u>1,808.55</u></u>		<u><u>1,872.92</u></u>
Market value of Quoted Investments			<u>1,615.49</u>		1,208.07
NAV of Units			<u>—</u>		55.27
<b>F. INVENTORIES</b>					
(As certified & valued by the management)					
Stores, Spares & Packing material			581.47		395.82
(Includes goods in transit Rs. 1.83 lac previous year 59.30 lac)					
Raw materials (Includes goods in transit Rs. 240.37 lac, previous year NIL)			1,108.40		622.93
Dyes and Chemicals			136.11		120.72
Waste			25.28		16.36
Stock in process			3,588.89		2,043.77
Finished goods			2,636.13		1,165.29
			<u>8,076.28</u>		<u>4,364.89</u>



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>G. SUNDRY DEBTORS</b>		
(Unsecured-Considered good)		
-Exceeding six months	93.80	91.65
Less : Provision for doubtful debts	<u>22.65</u>	<u>12.65</u>
-Others	<u>3,390.93</u>	<u>2,049.74</u>
	<u><u>3,462.08</u></u>	<u><u>2,128.74</u></u>
<b>H. CASH AND BANK BALANCES</b>		
Cash in hand	5.66	10.59
Balances with Scheduled Banks		
-In Current Accounts *	514.09	724.87
-In Fixed Deposit **/ Margin Money Accounts	<u>10.93</u>	<u>1,083.46</u>
	<u><u>530.68</u></u>	<u><u>1,818.92</u></u>
* Includes balance in current account with The Kolhapur Urban Co-operative Bank Ltd. Rs. 0.82 lac (previous year Rs. 0.96 lac) maximum amount outstanding anytime during the year Rs. 3.56 lac, (previous year Rs. 3.05 lac) and The Shamrao Vittal Co-operative Bank Rs. 1.14 lac, (previous year Rs. 1.32 lac), maximum amount outstanding anytime during the year Rs. 3.76 lac , ( previous year Rs. 4.75 lac)		
** Includes receipts for Rs. 0.01 lac (previous year Rs.0.01 lac) lodged with Sales Tax Department		
<b>I. LOANS AND ADVANCES</b>		
(Unsecured - Considered good)		
Loan to Subsidiary Company	210.74	280.81
Interest accrued on Loans & Deposits	0.41	10.75
Advances (recoverable in cash or in kind or for value to be received)		
-Capital	—	180.20
-Others	2,926.67	1,951.59
Export Incentives / Claims recoverable	1,567.52	842.09
Security Deposits	67.56	52.97
Income Tax Payments ( including tax deducted at source	326.90	311.47
MAT credit entitlement	<u>148.35</u>	<u>148.35</u>
	<u><u>5,248.15</u></u>	<u><u>3,778.23</u></u>
<b>J. CURRENT LIABILITIES</b>		
Sundry Creditors		
Total outstanding dues of Micro Enterprises & Small Enterprises	2.33	2.33
Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	6,594.72	1,988.78
Other Liabilities	<u>1,493.21</u>	<u>1,122.70</u>
	<u><u>8,090.26</u></u>	<u><u>3,113.81</u></u>
<b>K. PROVISIONS</b>		
For Wealth Tax	1.15	0.91
For Income Tax	246.41	246.41
Gratuity	154.79	91.09
Leave Encashment	<u>33.84</u>	<u>110.90</u>
	<u><u>436.19</u></u>	<u><u>449.31</u></u>



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>L. OTHER INCOME</b>		
Interest		
- Banks (Including tax deducted at source Rs. 0.27 lac, previous year Rs. 0.41 lac)	4.26	2.80
- Others (Including tax deducted at source Rs. 2.24 lac, previous year Rs. 6.08 lac)	<u>34.19</u>	<u>130.76</u>
VAT Refund	671.01	133.56
Lease rent income	5.89	—
Miscellaneous Receipts and Income	8.52	32.54
Insurance claim received	66.12	1.98
Provision for diminution in value of investments	—	0.74
Exchange rate difference (Net)	25.23	—
Dividend received	1.27	11.55
Profit on sale / redemption of investments	0.73	0.47
Rent received	0.48	0.48
Previous year's income	14.09	6.33
Sundry balances / Excess provision written back (Net)	58.64	20.05
Liability no longer payable	<u>77.11</u>	<u>—</u>
	<u><u>967.54</u></u>	<u><u>246.53</u></u>
<b>M. INCREASE / (DECREASE) IN STOCKS</b>		
Closing Stock		
- Finished Goods	2,636.13	1,165.29
- Stock in Process	3,588.89	2,043.77
- Waste	<u>25.28</u>	<u>16.36</u>
Less : Opening Stock		
- Finished Goods	1,165.29	1,397.32
- Stock in Process	2,043.77	2,175.13
- Waste	<u>16.36</u>	<u>51.66</u>
	<u><u>3,225.42</u></u>	<u><u>3,624.11</u></u>
	<u><u>3,024.88</u></u>	<u><u>(398.69)</u></u>
<b>N. MATERIAL COST</b>		
Purchases - Traded Goods	—	74.92
Raw material & Components consumed		
Opening Stock	622.93	1,354.96
Add : Purchases	<u>25,885.60</u>	<u>12,714.30</u>
	<u>26,508.53</u>	<u>14,069.26</u>
Less : Cost of Sales	125.43	—
Closing Stock	<u>868.03</u>	<u>622.93</u>
	<u><u>25,515.07</u></u>	<u><u>13,446.33</u></u>
	<u><u>25,515.07</u></u>	<u><u>13,521.25</u></u>



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>O. MANUFACTURING AND OTHER EXPENSES</b>		
Stores, Spares and Packing Material consumed	2,219.21	1,546.49
Jobwork Charges	1,390.13	737.41
Service charges	159.80	70.95
Dyes and chemicals	1,862.70	1,464.72
Power, Fuel and Water	3,577.29	2,936.30
Salaries, Wages, Allowances and Bonus	2,309.26	2,012.83
Gratuity	65.70	38.50
Contribution to Provident Fund, Employees' State Insurance, etc.	149.45	138.35
Welfare expenses	51.45	52.60
Recruitment and Training expenses	10.15	2.97
Director's Remuneration	52.56	51.86
Rent	41.30	42.21
Rates, Taxes and Fees	21.94	13.10
Insurance	175.28	150.16
Repairs and Maintenance		
-Plant and Machinery	109.56	78.87
-Buildings	14.36	9.32
-Others	55.65	38.22
Travelling and Conveyance	224.22	215.38
Directors' Sitting Fees	2.40	2.05
Commission and Brokerage	704.93	474.48
Freight Outward	421.20	389.67
Other Selling expenses	299.02	260.20
Claims paid / written off	19.88	64.65
Equipment hire charges	7.97	8.34
Diminution in value of investments	2.62	—
Miscellaneous expenses	319.58	520.84
Charity and donation	0.08	0.06
Loss on sale of fixed assets	—	7.66
Loss on sale of Raw Material	2.30	—
Loss on sale of DEPB licence	7.32	—
Loss on sale of Investments	3.09	—
Exchange rate difference (Net)	—	36.06
Provision for doubtful debts	10.00	12.65
Previous year's expenses	19.17	—
Auditors' Remuneration	8.33	10.62
	<b>14,317.90</b>	<b>11,387.52</b>
<b>P. FINANCIAL CHARGES</b>		
Interest		
-On Debentures	322.50	278.81
-On Term Loans	1,576.63	933.84
-Others	602.57	708.69
L/C and Bank Charges	224.62	173.95
Finance procurement charges	5.36	47.36
	<b>2,731.68</b>	<b>2,142.65</b>



**Q. NOTES ON ACCOUNTS**

**1. Significant Accounting Policies**

**(a) Method of Accounting**

- i) The accounts are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereinafter.
- ii) Accounting policies not significantly referred to are consistent with generally accepted accounting principles.

**(b) Fixed Assets**

Fixed assets are stated at cost except for land, plant and machinery (other than of electronics division ) and buildings which have been shown at revalued amount. Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational, start-up and trial run expenses form part of the value of the assets capitalised. As per practice, expenses incurred on modernisation / debottlenecking / relocation / relining of plant and equipment are capitalised. Fixed assets, other than leasehold land, acquired on lease are not treated as assets of the Company and lease rentals are charged off as revenue expenses.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

**(c) Capital Work-in Progress**

All expenditure including interest cost incurred during the project construction period are accumulated and disclosed as capital work-in-progress until the assets are ready for commercial use. Assets under construction are not depreciated. Income earned from investment of surplus borrowed funds during construction/trial run period is reduced from capital work-in-progress. Expenditure/ income arising during trial run is added to/ reduced from capital work-in-progress.

**(d) Investments**

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

Current investments are stated at lower of cost and quoted / fair value.

**(e) Inventories**

Inventories are valued at lower of cost or net realizable value except for waste.

Cost is determined using the first-in-first-out (FIFO) basis except for inventories of home textiles division where cost is determined at weighted average.

Finished goods and stock in process include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Wastage and rejections are valued at estimated realizable value.

Obsolete, defective and unserviceable stocks are duly provided for.

The closing stock of units partly comprises of such materials lying in finished or semi-finished stage. The mode of valuation referred to 'Weighted Average Cost' represents cost worked out by taking into account the price charged by such units.



**(f) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

**(g) Excise Duty**

Provision for excise duty is made on waste and finished goods lying in bonded warehouse and meant for sale in domestic tariff area. CENVAT benefit is accounted for by reducing the purchase cost of the material / Fixed assets.

**(h) Retirement and other employee related benefits**

i) Short term Employee Benefits

All employee benefits payable only within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, etc. and the expected cost of bonus, exgratia, incentives are recognized in the period during which the employee renders the related service.

ii) Post employment Benefits

a) Defined Contribution Plans

State Government Provident Fund Scheme is a defined contribution plan. The contribution paid/ payable under the scheme is recognized in the profit and loss account during the period in which the employee renders the related service.

b) Defined Benefit Plans

The employee Gratuity Fund Scheme and Leave Encashment Scheme managed by different trusts are defined benefit plans. The present value of obligation under such defined benefit plans are determined based on actuarial valuation under the projected unit credit method which recognizes each period of service as giving rise to additional unit of employees benefits entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of future cash flows. The discount rates used for determining the present value having maturity periods approximated to the returns of related obligations.

Actuarial gains and losses are recognized immediately in the profit and loss account.

In case of funded plans, the fair value of the planned assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

**(i) Research and Development**

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

**(j) Depreciation**

Depreciation is calculated on fixed assets on straight-line method in accordance with Schedule XIV to the Companies Act 1956. Leasehold assets are depreciated over the lease period. Software system is amortized over a period of five years. Depreciation on amount of additions made to cost of fixed assets on account of foreign exchange fluctuation is provided prospectively over the residual life of the fixed assets.

Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The additional charge for depreciation on account of revaluation is withdrawn from the revaluation reserve and credited to the profit and loss account.



**(k) Foreign Currency Transactions, Derivatives instruments and hedge accounting:**

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates at the close of the year and difference arising out of the settlement are dealt with in the Profit and Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Foreign currency loans availed for acquisition of fixed assets are restated at the exchange rate prevailing at year end and exchange rate difference arising on such transactions are adjusted to the cost of fixed assets. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year end exchange rates. The fluctuations are reflected under the appropriate revenue head.

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 'Financial Instruments: Recognition and Measurement' (AS-30).

Changes in the fair value of derivatives financial instruments that do not qualify for hedge accountings are recognized in profit and loss account as they arise.

Hedging instruments are initially measured at fair value. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss is recognized in profit and loss account for the year.

**(l) Revenue Recognition**

Sales are accounted for ex-factory on despatch and do not include excise duty.

**(m) Claims and Benefits**

Claims recoverable and export incentives / benefits are accounted on accrual basis to the extent considered recoverable. Export incentives / benefits include premium on import licence, sales tax, etc.

**(n) Subsidy**

Subsidy is recognized when there is reasonable assurance that the subsidy will be received and conditions attached to it are complied with.

Government subsidy in the nature of promoter's contribution is credited to capital reserve. Subsidy received against a specific asset is reduced from the cost of the asset.

**(o) Income from Investment / Deposits**

Income from investments / deposits is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under income tax deducted at source.

**(p) Taxation**

Provision for current tax is made by applying the applicable tax rates and tax laws. Deferred Taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in the foreseeable future. Deferred tax benefits are recognized in the financial statements only when such benefits are reasonably expected to be realizable in the near future.

Fringe benefit tax is provided on the aggregate amount of fringe benefits determined in accordance with the provisions of relevant enactments at the specified rate of tax.



### (q) Earnings per share

Basic earning per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity share outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity share outstanding during the year adjusted for the effects of dilutive options.

### (r) Segment Information

The Company is currently organized into two business-operating segments viz: Textile and consumer durable / electronic goods. In line with the global trend, the Company has viewed yarn, fabrics and textiles as one integrated business. Therefore, all these products have been considered as part of a single business segment. Yarn, covers production of basic cotton yarn over a wide range of counts, which besides being primarily exported, is also used for further value addition in fabrics and textiles. While, fabrics cover value added activity relating to knitting and weaving, textiles cover value added activity relating to processed fabrics. The Company also manufactures electronic / consumer durable goods.

The accounting principles used in preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments. Revenue and direct expenses in relation to segments are categorized based on items that are individually identifiable or allocable on a reasonable basis to that segment. Certain corporate level revenue and expenses, besides financial costs and taxes are not allocated to operating segments and are included under the head as "unallocable".

Assets and Liabilities represent assets employed in operations and liabilities owed to third parties that are individually identifiable or allocable on a reasonable basis to that segment. Assets and Liabilities excluded from allocation to operating segments such as investments, corporate debt and taxes etc. are classified as "unallocable".

Segment assets employed in the Company's various business segments are all located in India. Capital expenditure includes expenditure incurred during the period of acquisition of segment fixed assets.

The Company has considered geographical segment as secondary reporting segment for disclosure. For this purpose, revenues are bifurcated based on sales in India and outside India.

### (s) Operating Leases

Operating lease receipts and payments are recognized as income or expense in the profit and loss account on a Straight - line basis over the lease term.

### (t) Events occurring after balance date

Events occurring after the balance sheet date have been considered in the preparation of the financial statements.

### (u) Contingent Liabilities

Contingent liabilities as defined in Accounting Standard-29 are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefit will be required for an item previously dealt with as a contingent liability.

	As at 31-03-2010 (Rs. in lac)	As at 31-03-2009 (Rs. in lac)
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	—	52.30



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### 3. Contingent liabilities not provided for in respect of –

(i) Amount outstanding in respect of export bills discounted under Export Letters of Credit (Since realized Rs.1,401.71 lac, previous year Rs. 1,128.56 lac)	<b>2,641.38</b>	2,457.48
(ii) Bank Guarantees	<b>389.79</b>	213.03
(iii) Claims not acknowledged as debts	<b>10.78</b>	12.35
(iv) Income tax/Custom Duty demands disputed in appeals	<b>30.69</b>	58.31
(v) Export obligation against import of capital goods under EPCG Scheme	<b>NIL</b>	19,367.77
(vi) Corporate guarantee given to a bank for securing financial assistance to subsidiary Company.	<b>100.00</b>	NIL

### 4. (a) The names of small scale industrial undertakings to whom the Company owes any sum together with interest and outstanding for more than thirty days: Saikrupa Industries

**2.33** 2.33

Payments against supplies from small-scale industries are made in accordance with agreed terms. Besides, there are no claims from the parties for interest on overdue payments.

(b) 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, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

### 5. Amounts to be credited to Investor Education and Protection Fund –

a) Unpaid Dividend	<b>NIL</b>	NIL
b) Unpaid application monies received for allotment of securities and due for refund	<b>NIL</b>	NIL
c) Unpaid matured deposits	<b>NIL</b>	NIL
d) Unpaid matured debentures	<b>NIL</b>	NIL
e) Interest accrued on (a) to (d) above	<b>NIL</b>	NIL

### 6. (a) In terms of EPCG Licence issued, the Company has undertaken an export obligation for Rs. 32,820.19 lac, which is to be fulfilled over a period of 8 years.

(b) In terms of advance licence obtained for import of raw cotton the Company has undertaken an export obligation for Rs.24.00 lac which is to be fulfilled upto 01-05-2009. The Company has already completed this obligation and necessary application for redemption of license is being made to DGFT.

7. Under the package scheme of incentives of Government of Maharashtra for Mega Projects, the Company is eligible for VAT and Electricity duty refund benefits for its home textiles and consumer durable goods divisions. However, if it contravenes any of the conditions of the scheme or eligibility certificate or certificate of entitlement or agreement, it shall repay forthwith the entire benefits drawn / availed along with interest thereon together with costs, charges and expenses thereon.

8. The shareholders of the Company in their extra ordinary general meeting held on 25.03.2010 accorded their approval for allotment of 2166667 equity shares of Rs.10/- each at a premium of Rs.5/- per share on preferential basis to promoter group companies. However, allotment will be made on receipt of approval for the same from NSE. Pending approval, the amount received has been reflected under Share Application Money pending allotment.



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9. The 10% (Previous year 8.50%) Privately Placed Secured Redeemable Non-Convertible Debentures are redeemable in 36 quarterly installments beginning from 30-06-2009.
10. In respect of Rupee Term Loan of Rs. 750 lac availed from SICOM Ltd. (SICOM) under Technology Upgradation Fund Scheme (TUFS) SICOM has stipulated that the Company shall not declare any dividend unless it has paid to SICOM installments of interest and principal amount and SICOM shall have the right to restrain the Company from declaring any equity dividend more than 15% or the average of dividend paid in three preceding years, whichever is higher.
11. Based on reference of Union Bank of India, the Lead Bank, a financial restructuring package was approved by Empowered Group of Corporate Debt Restructuring (CDR-EG).
- While the Company had given effect of the restructuring package in its books of accounts, banks are continuing to raise demand notices for interest payment at the rate of interest charged prior to the sanction of restructuring package.
- The Company has taken up the matter with the banks and accordingly the resultant difference in interest (which is still under reconciliation /determination) between the demand notice received from banks and as per Company's books of account, has not been provided, as the liability is not payable.
12. (a) In respect of various term loan / working capital facilities availed by the Company, the lenders have first/ second / third pari passu charge on fixed assets of the Company.
- (b) The term loans are to be further secured by way of first / second charge on the existing fixed assets of Pranavaditya Spinning Mills Ltd., subject however to necessary approvals.
- Pending creation of permanent security, the Company has pledged 72,16,512 equity shares held by it in Pranavaditya Spinning Mills Ltd., as per CDR stipulation.
13. In terms of master restructuring agreement dated 30-03-2009, if the Company commits a default in payment or repayment of three consecutive installment of principal amounts of the facilities or interest thereon or any combination thereof, then, the lenders shall have the right to convert, at their option, the whole of the outstanding amount of the facilities and /or 20% of rupee equivalent of the defaulted amount into fully paid-up equity shares of the Company, at par, in the manner specified in a notice in writing to be given by the lenders to the Company prior to the date on which the conversion is to take effect, which date shall be specified in the said notice.
14. (a) The Company revalued its land, buildings and plant and machinery (except for electronics division and 2 D.G. sets of spinning division) as on 01-10-2008 based on the valuation made by an approved valuer.
- Accordingly, the original cost of such assets resulted in gross increase in the value of assets over their original cost by Rs.15,092.28 lac, increase in depreciation upto the date of revaluation by Rs.504.49 lac and thereby net increase in replacement cost by Rs.14,587.79 lac. The net increase in the value of such land, building and plant and machinery had been credited to revaluation reserve account.
- (b) Revaluation of 2 D.G. sets of spinning division was carried out on 01-04-2009 by an approved valuer. The revaluation resulted in a gross increase in the value of assets over their original cost by Rs.1,238 lac. increase in depreciation up to 31-03-2010 by Rs 65.37 lac and thereby net increase in replacement cost by Rs.1,172.70 lac which has been taken as increase in the value of plant and machinery as on 01.04.2009 by creating a revaluation reserve to that extent.
15. In the opinion of the management, the current assets, loans and advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities has been adequately made in the accounts.
16. Deferred tax assets has been recognized . The management is of the opinion that there will be sufficient profit in future against which the deferred tax asset will be fully realized.



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Particulars	As At 01-04-2009 (Rs.in lac)	Tax effect for the year (Rs.in lac)	As At 31-03-2010 (Rs.in lac)
<b>Deferred tax (liability)</b>	(3,616.90)	(18.22)	(3,635.12)
Fixed Assets			
<b>Deferred Tax Assets</b>			
Accumulated losses	5,284.69	908.51	6,193.20
	1,667.79	890.29	2,558.08
43B items	12.50	50.15	62.66
Net deferred tax Assets/ (liability)	1,680.29	940.44	2,620.74

17. a) During the year, the following contributions have been made under defined contribution plans.

	2009-10	2008-09
Employer's Contribution to provident fund	76.81	69.79
Employer's Contribution to employees' pension scheme	51.15	47.95
Employer's contribution to employees' state insurance	0.83	1.24

b) Group Gratuity and Leave encashment benefits :

i) Reconciliation of opening and Closing balances of defined benefit obligations (funded) for Gratuity and leave encashment

	2009-10 (Rs. in lac)		2008-09 (Rs. in lac)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Defined benefit obligation at the beginning of the year	226.89	66.74	251.96	154.87
Current service cost	24.95	8.03	30.85	8.05
Interest cost	18.15	5.34	19.67	4.07
Actuarial Gain/(Loss) on obligation	33.68	(2.48)	9.03	0.52
Benefits Paid	11.57	2.92	25.13	5.08
Defined benefit obligation at the end of the year	292.10	74.72	268.32	161.39
<b>ii) Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at the beginning of the year	135.60	43.11	148.14	44.34
Expected return on plan assets	12.00	3.96	12.79	3.84
Employers' Contributions	1.29	0.75	—	0.01
Benefits paid	11.57	(2.92)	25.13	5.08
Actuarial Gain/(Loss) on obligation	—	—	—	—
Fair value of plan assets at the end of the year	137.32	44.90	135.80	43.11
<b>iii) Reconciliation of Fair value of assets and obligations</b>				
Fair value of plan assets	137.32	44.90	135.60	43.11
Present value of obligation	292.10	74.72	226.89	66.75
Amount recognized in Balance Sheet	154.78	29.82	91.29	23.64



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### iv) Expenses recognized during the year

	2009-10 (Rs. in lac)		2008-09 (Rs. in lac)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Current service cost	24.95	8.03	24.47	7.30
Interest cost	18.15	5.34	16.30	3.46
Expected Return on Plan Assets	(12.00)	(3.96)	(12.59)	(3.83)
Net Actuarial Gain/(Loss) recognized in the year	33.68	(2.48)	7.50	17.75
Expenses recognized	64.78	6.93	35.68	24.68

### v) Actuarial assumptions

#### 1994-96 (duly modified)

Valuation method	Gratuity	Leave encashment
Mortality Table (LIC)	Projected Unit Credit Method	
Discount rate (per annum)	1994-96 (ultimate)	
Rate of Increase in Salaries	8%	4%

The estimates of rate of future salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of liability. The above information is certified by the actuary.

### 18. Segment data : -

#### Primary segment

(Rs. in lac)

Particulars	Textiles (including Yarn, Fabrics and Home Textiles)	Electronic/ Consumer Durable Goods	Total	Particulars	Textiles (including Yarn, Fabrics and Home Textiles)	Electronic/ Consumer Durable Goods	Total
Segment revenue	34,561.37 (27,421.31)	4,091.19 (1,146.61)	38,652.56 (28,567.92)	Segment Assets	47,340.52 (42,093.82)	1,765.37 (587.68)	49,105.89 (42,681.50)
Other income	363.04 (436.63)	684.10 (17.44)	1,047.14 (454.07)	Segment Liabilities	16,304.27 (10,200.82)	725.73 ((282.49))	17,030.00 (9,918.33)
Total income	34,924.41 (27,857.94)	4,775.29 (1,164.05)	39,699.70 (29,021.99)	Capital employed	31,292.89 (32,163.15)	1,087.14 (870.17)	32,380.03 (33,033.32)
Operating profit	2,657.62 (3,799.83)	233.99 ((85.31))	2,891.61 (3,714.52)	Capital expenditure	256.65 (270.15)	47.50 (—)	304.15 (270.15)
Financial costs	2,730.42 (2,142.63)	1.26 (0.02)	2,731.68 (2,142.65)	Depreciation	1,793.51 (1,837.31)	15.75 (15.74)	1,809.26 (1,853.05)
Taxes	(939.84) ((1,802.80))	— (0.41)	(939.84) ((1,802.39))	Exceptional Items	1,151.60 (6,771.76)	— (—)	1,151.60 (6,771.76)
<b>Net profit</b>	(2,078.07) ((5,149.07))	216.98 ((101.48))	(1,861.09) ((5,250.55))	NonCash expenditure	14,724.16 (14,587.79)	— (—)	14,724.16 (14,587.79)

Figures in bracket indicates for Previous Year.



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### B) Secondary Segment – Geographical -

The Company's operating facilities are located in India (Rs. In lac)

Particulars	Current Year	Previous Year
Domestic revenue	<b>6,998.95</b>	3,306.42
Export revenue	<b>31,653.61</b>	25,261.50
<b>Total</b>	<b>38,652.56</b>	28,567.92

19. (a) The Company has outstanding foreign currency related derivative contracts in the form of options for hedging its business related exposure which are not speculative in nature. The contracts have long dated tenor with multiple contingent/ uncertain events. As such ascertainment of fair value of these contracts is not feasible. However, banks estimate the total mark to market (MTM) of all outstanding contracts at approx Rs.1,619 lac as at 31-03-2010 ( Previous year Rs.4,835 lac).The management is of the opinion that the determination and crystallization of liability is dependent upon the outcome of uncertain future events or actions, not wholly within the control of the Company. As adoption of AS-30 is presently not mandatory, the estimated MTM loss of Rs.1,619 lac for the year ended 31-03-2010 (previous year Rs. 4,835 lac) has not been provided.

- (b) Outstanding derivatives instruments as at 31<sup>st</sup> March, 2010 entered by the Company : -

Currency	Number of Contracts	Amount in Foreign Currency	Amount (Rs. in Lac)	Buy/Sell
US \$/INR	3	US\$ 28 Mn	175.00	Sell
Previous Year (US\$ / INR)	(3)	(US \$ 48.75 Mn)	(246.70)	Sell

- (c) Foreign currency exposures recognized by the Company that have not been hedged by a derivate instrument or otherwise as at 31<sup>st</sup> March, 2010 are as under:

Currency	Number of Contracts	Amount in Foreign Currency	Amount (Rs. in Lac)	Buy/Sell
US \$/INR	19	US\$ 33 Mn	153.05	Sell
Previous Year	(Nil)	(Nil)	(Nil)	

### 20. Operating Lease:

- (a) As Lessor:

- i. The Company has entered into lease arrangements , for renting specified machinery at a rent of Rs.75,000/- per month for a period of 120 months and are renewable at the option of the lessee after the end of the term.
- ii. Disclosure in respect of assets given on operating lease: (Rs. in lac)

	Current Year	Previous Year
Gross Carrying amount of assets	<b>98.74</b>	—
Accumulated Depreciation	<b>91.87</b>	—
Depreciation for the year	<b>3.28</b>	—



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(b) As Lessee :

(Rs. in lac)

S. No.	Particulars	2009-10	2008-09
A	The total of future minimum lease payments under non-cancelable operating leases for each of the following years:		
(i)	Not later than one year	—	—
(ii)	Later than one year and not later than five years,	120.32	157.94
(iii)	Later than five years,	—	—
B	The total of future minimum sub-lease payments expected to be received under non cancelable sub leases at the balance sheet date,	—	—
C	Lease payments recognized in the statement of profit & loss	37.62	29.82

### 21. EARNINGS PER SHARE (EPS)

Basic Earning Per Share	As at 31-03-2010	As at 31-03-2009
Profit after tax as per profit & loss account (Rs. in lac)	(1,861.09)	(5,250.55)
Average no. of equity shares	33,314,282	30,073,186
Earning per share (Rs.)	(5.59)	(17.46)

Note : Diluted earning per share is not disclosed as the same is anti-dilutive.

### 22. Related Party Disclosures

Related party disclosures as required by AS – 18 “Related party disclosures” are given below: -

#### A. Relationship

##### (i) Key management personnel

1. Shri Anil Kumar Jain - Chairman and Managing Director
2. Shri R. N. Gupta - Joint Managing Director
3. Shri D. M. Pradhan - Director (Marketing) ( upto 30.06.2009)
4. Shri Kamal Mitra - Director (Works)

##### (ii) Relatives of key management personnel

1. Smt. G.D. Jain
2. Smt. Shikha Jain
3. Miss Neha Jain
4. Shri Mohit Jain

##### (iii) Parties where control exists

1. Margo Finance Ltd. (Formerly Indocount Finance Ltd.)
2. Indocount Securities Ltd.
3. Rini Investment and Finance Pvt. Ltd.
4. Pranavaditya Spinning Mills Ltd.
5. Skyrise Properties Pvt. Ltd.
6. Unic Consultants
7. Yartex Exports Ltd.



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B. The following transactions were carried out with related parties in the ordinary course of business :

(Rs. in lac)

Nature of transaction	Associates/ Subsidiary		Relatives of Key Management Personnel		Key Management Personnel		Total	
	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009
Remuneration	—	—	4.63	4.63	56.37	55.17	61.00	59.80
Consultancy fees	—	1.08	1.08	—	—	—	1.08	1.08
Rent received	0.48	0.48	—	—	—	—	0.48	0.48
Expenses reimbursed	12.53	7.01	—	—	—	—	12.53	7.01
Expenses incurred on their behalf	27.22	—	—	—	—	—	27.22	—
Sales	32.05	15.76	—	—	—	—	32.05	15.76
Interest Income	20.00	26.65	—	—	—	—	20.00	26.65
Lease Rental Income	5.89	—	—	—	—	—	5.89	—
Job Work Income	—	5.73	—	—	—	—	—	5.73
Purchases	632.90	292.16	—	—	—	—	632.90	292.16
<b>Balance outstanding:</b>								
Investments	1,825	1,845	—	—	—	—	1,825	1,845
Loans to Subsidiary	210.74	280.81	—	—	—	—	210.74	280.81
Sundry Creditors	64.96	65.38	—	—	—	—	64.96	65.38
Sundry Debtors	2.43	—	—	—	—	—	2.43	—

Note : Related party relationship is as identified by the Company and relied upon by the auditors.

### 23. Disclosure of loans / advances and investment in its own shares by the Company, its subsidiaries, associates, etc., as per requirement of Clause 32 of the listing agreement

(Rs. in lac)

Sr. No.	Particulars	Name of borrower	As at 31-03-2010		As at 31-03-2009	
			Year end balance	Maximum amount outstanding during the period	Year end balance	Maximum amount outstanding during the year
1.	Loans and advances in the nature of loans to (a) Associates (b) Subsidiary	Skyrise Properties Pvt. Ltd. Pranavaditya Spinning Mills Ltd.	NIL 211	NIL 281	NIL 281	300 281
2.	Loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years (a) Associates (b) Subsidiary	Skyrise Properties Pvt. Ltd. Pranavaditya Spinning Mills Ltd.	NIL 211	NIL 281	NIL 281	300 281
3.	Loans and advances in the nature of loans to firms/companies in which Directors are interested		NIL	NIL	NIL	NIL
4.	Investments by the loanee in the shares of the Company when the Company has made a loan or advance in the nature of loan (a) Associates (b) Subsidiary	NIL Pranavaditya Spinning Mills Ltd.	NIL 1804	NIL 1804	NIL 1804	NIL 1804

24. Previous years figures have been regrouped and / or rearranged wherever considered necessary.

25. Figures have been rounded off to the nearest lac rupees.



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

26. a) Particulars of managerial remuneration are as under :-

(Rs. in lac)

Particulars	Chairman and Managing Director		Joint Managing Director		Director (Marketing) **		Director (Works)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Salaries and Allowances	33.60	33.60	5.79	4.74	1.51	5.97	8.89	4.23
Other Perquisites *	2.40	2.40	0.33	0.33	0.04	0.51	0.15	0.08
Contribution to Provident fund	2.52	2.52	-	-	0.15	0.31	0.99	0.48
<b>Total</b>	<b>38.52</b>	<b>38.52</b>	<b>6.12</b>	<b>5.07</b>	<b>1.70</b>	<b>6.79</b>	<b>10.03</b>	<b># 4.79</b>

\* Does not include premium paid to L.I.C. towards group gratuity / Leave encashment scheme.

\*\* Resigned on 30-06-2009

# w.e.f. 01-10-2008

b) Computation of net profit for calculation of managerial remuneration u/s. 349 of the Companies Act, 1956, has not been enumerated since no commission is paid / payable to the Managing Director.

### 27. Auditors' Remuneration

**31-03-2010**

31-03-2009

(Rs. in lac)

(Rs. in lac)

As Statutory Audit Fees	3.00	3.00
As quarterly Audit / Limited Review Fees	2.40	2.40
As Tax Audit Fees	0.90	0.90
For Tax representations	1.10	1.14
For Certification	0.10	0.12
In other capacity	0.61	1.27
For reimbursement of expenses	0.22	1.79
	<u>8.33</u>	<u>10.62</u>

28. a) Sundry debtors include debts due from the subsidiary Company Rs. Nil (Previous year Rs. 65.38 lac)

b) Sundry creditors include amount due to the subsidiary Company Rs. 56.61 lac (Previous year Rs. Nil)

29. Additional Information (Pursuant to the provisions of Part II and Part IV of Schedule VI to the Companies Act, 1956 :-

### a) Production Capacity

Product	Unit	Licensed Capacity*		Installed Capacity**		Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cotton Yarn ***	Spindles	64,512	64,512	59,520	59,520	@ 6869487	2,779,472
Cotton Knitted Fabrics #	Machine Nos.	20	20	8	8	2,959	187,510
Readymade garments	Pcs.	2,430,000	2,430,000	Not ascertained	Not ascertained	-	-
Cotton woven and processed fabric	Looms / million Mtrs	324	324	128	128	15.06	12.69
Cotton woven and processed fabric ****	Million Meters	## 94.10	94.60	36.50	36.50	16.40	14.27
Television receivers (CTV) & assemblies & sub-assemblies thereof	Nos.	500,000	500,000	500,000	500,000	109,520	28,337
Speaker units & assemblies & sub-assemblies thereof	Nos.	150,000	150,000	150,000	150,000	-	-
Domestic Airconditioners	Nos.	250,000	250,000	250,000	250,000	-	2
Home Appliances	Nos.	250,000	250,000	250,000	250,000	3,483	32



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

- \* Based upon memorandum of information filed with the Secretariat of Industrial Approvals/Secretariat for Industrial Assistance, Govt of India
  - \*\* As certified by the management
  - \*\*\* Includes 2650 Kgs (Previous year 199,959 Kgs) of cotton yarn used for captive consumption.
  - \*\*\*\* Represents conversion by outside parties 533,100 Mtrs. (Previous year 226,364 Mtrs.) against fabric supplied by the Company
  - # Relates to Gokul Shirgaon Spinning Unit
  - ## Relates to Kagal Unit and based upon registration with Director of Industries, Government of Maharashtra
- Note : In production column Yarn and Fabric are measured in "Kgs.", Woven / Processed Fabric in "Million Meters" and others in "Nos."
- @ Includes stock transfer to Home Textiles 1,211,751 Kgs (Previous Year 1,717,930 Kgs)

### b) Purchases, Sales and Stocks

(Rs. in lac)

Product	Unit	Opening Stock		Purchases		Turnover		Closing Stock	
		Qty	Value [Rs.]	Qty	Value [Rs.]	Qty	Value [Rs.]	Qty	Value [Rs.]
Cotton Yarn *	Kgs	53,522 (142,099)	109.33 (248.21)	— (—)	— (—)	5,661,973 (2,868,049)	7,321.28 (3,517.32)	49,285 (53,522)	111.00 (109.33)
Cotton Knitted Fabrics	Kgs	24,158 (16,577)	31.82 (21.62)	— (—)	— (—)	20,525 (179,929)	27.50 (268.97)	6,592 (24,158)	9.10 (31.82)
Cotton Waste & Frc	Kgs	53,784 (190,889)	16.36 (51.66)	— (—)	— (—)	2,987,532 (2,276,449)	1,026.16 (697.02)	71,709 (53,784)	25.28 (16.36)
Woven Fabric	Mn. Mtrs	0.83 (0.87)	1,024.14 (1,127.07)	— (—)	— (—)	** 15.07 (13.11)	23,596.85 (20,194.79)	0.82 (0.83)	2,515.35 (1,024.14)
Colour Television	Nos.	— (13)	— (0.42)	— (2,352)	— (74.92)	109,511 (30,702)	4,588.58 (1,401.03)	9.00 (—)	0.68 (—)
Other Domestic Appliances	Nos.	— (—)	— (—)	— (—)	— (—)	3,483 (34)	6.22 (176.15)	— (—)	— (—)
Others							(—)		
Scrap							76.19 (191.44)		
<b>Total</b>			<b>1,181.65</b> (1,448.98)		<b>—</b> (74.92)		<b>36,642.78</b> (26,446.72)		<b>2,661.41</b> (1,181.65)

(\*) Includes 2,650 Kgs (Previous year 199,959 Kgs) of cotton yarn used for captive consumption.

(\*\*) Includes 1,211,751 kgs (Previous Year 1,717,930 kgs) of Cotton yarn used for captive consumption for woven fabrics. Figures in brackets indicates for Previous Year.

### c) Consumption of Raw material and Components

Product	Unit	Current Year		Previous Year	
		Qty	Value [Rs. in lac]	Qty	Value [Rs. in lac]
<b>Cotton</b>	<b>Kgs.</b>	<b>9,590,962</b>	<b>6,552</b>	6,284,752	4,538
<b>Cotton Yarn</b>	<b>Kgs.</b>	<b>2,560,898</b>	<b>4,123</b>	1,418,761	2,623
<b>Woven Fabric *</b>	<b>Mtrs.</b>	<b>6,929,164</b>	<b>10,640</b>	5,905,796	5,384
<b>Picture Tubes</b>	<b>Nos.</b>	<b>109,520</b>	<b>1,920</b>	19,302	440
<b>Printed Circuit Board</b>	<b>Nos.</b>	<b>109,520</b>	<b>1,354</b>	19,302	265
<b>Others **</b>			<b>925</b>		196
<b>Total</b>		<b>19,300,064</b>	<b>25,515</b>		13,446



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

\* Includes conversion by outside parties

\*\* It is not practicable to furnish quantitative information of components consumed in view of considerable number of items, diverse in size and number.

**d) Consumption of imported and indigenous raw material, components, stores and spares, etc.**

	Raw Material and Components				Stores, Spares, Packing Material and Fuel			
	Current Year		Previous Year		Current Year		Previous Year	
Particulars	(%)	[Rs. in lac]	(%)	[Rs. in lac]	(%)	[Rs. in lac]	(%)	[Rs. in lac]
Imported	6%	1,431	1%	75.07	39%	857.51	20%	303.36
Indigenous	94%	24,084	99%	13,371.26	61%	1,361.69	80%	1,243.13
<b>Total</b>	<b>100%</b>	<b>25,515</b>	<b>100%</b>	<b>13,446.33</b>	<b>100%</b>	<b>2,219.20</b>	<b>100%</b>	<b>1,546.49</b>

**e) Value of Imports on CIF basis**

	31-03-2010	31-03-2009
	[Rs. in lac]	[Rs. in lac]
Capital goods	—	29.27
Stores, spares and fuel	857.51	53.96
Raw material and components	1,565.00	228.90

**f) Expenditure in foreign currency**

- Travelling	45.28	47.32
- Selling commission / claims	815.35	373.03
- Others	67.49	10.48

**g) Earnings in foreign currency**

- FOB value of exports *	29,089.17	22,505.74
--------------------------	-----------	-----------

\* Includes deemed exports

**h) Remittance in Foreign Currency on account of dividend to non-resident shareholders**

Current Year			Previous Year		
No. of Shareholders	Shares held	Net Amount of Dividend [Rs.]	No. of Shareholders	Shares held	Net Amount of Dividend [Rs.]
1	12,400,491	NIL	1	12,400,491	NIL

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

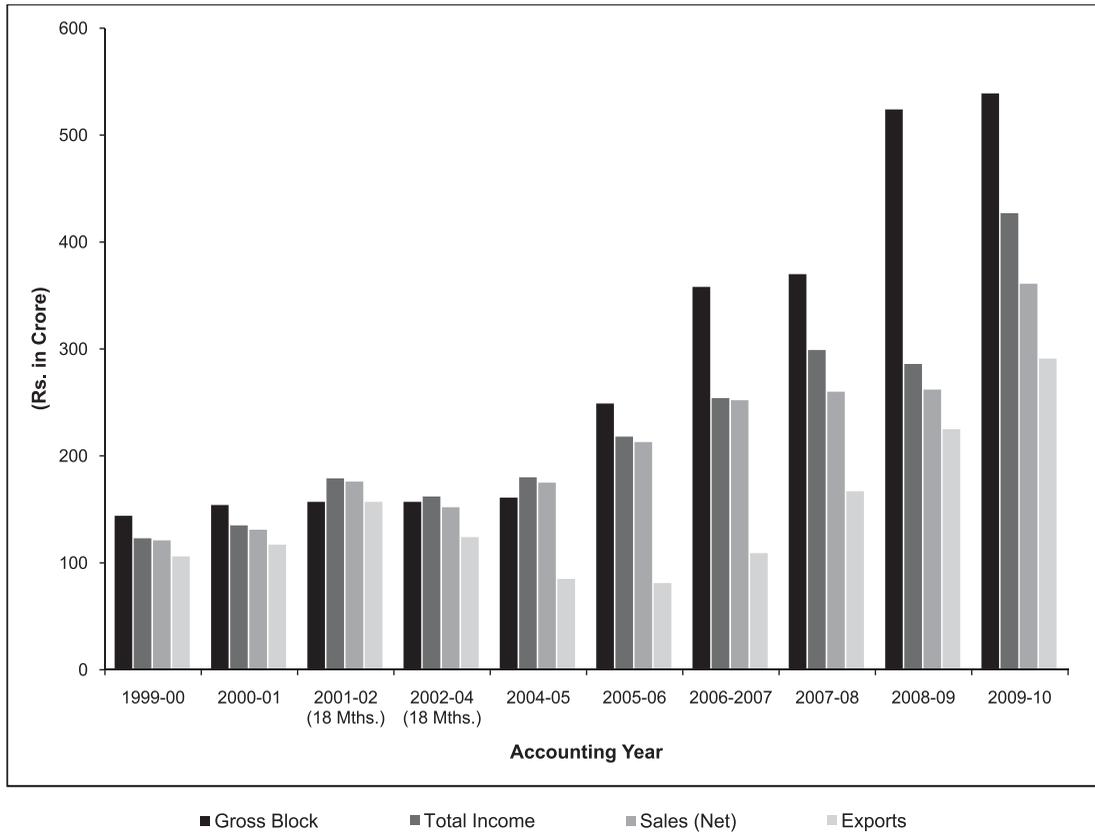
Joint Managing Director

**Shirish S. Sule**

Company Secretary



Performance for Previous Ten Years



(Rs. in Crore)

Particulars	1999-00	2000-01	2001-02	2002-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
			(18 Months)							
Gross Block	144	154	157	157	161	249	358	370	524	539
Total Income	123	135	179	162	180	218	254	299	286	427
Sales (Net)	121	131	176	152	175	213	252	260	262	361
Exports	106	117	157	124	85	81	109	167	225	291



## Indo Count Industries Limited - Consolidated Financial Statement

### AUDITORS REPORT TO THE BOARD OF DIRECTORS OF INDO COUNT INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDO COUNT INDUSTRIES LIMITED AND ITS SUBSIDIARY NAMED PRANAVADITYA SPINNING MILLS LIMITED

We have examined the attached Consolidated Balance Sheet of Indo Count Industries Limited and its subsidiary as at 31<sup>st</sup> March, 2010 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date.

These financial statements are the responsibility of the Indo Count Industries Limited management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance that whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statements of the Subsidiary Company viz. Pranavaditya Spinning Mills Limited, whose audit has been carried out by us, the details of assets and revenues in respect of the subsidiary to the extent to which they are reflected in the consolidated financial statements are given below: -

	(Rs. in Lac)	
	Total assets	Total revenue
Indian Subsidiary	4,284.25	3,343.16

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Indo Count Industries Limited and its subsidiary, namely Pranavaditya Spinning Mills Limited included in the Consolidated Financial Statements.

Attention is drawn to Note No. 18 (a) to the accounts regarding the non provision of MTM loss in the financial statements as AS 30 is not mandatory.

Subject to the above, on the basis of the information and explanation given to us and on the consideration of separate audit reports on individual audited financial statements of Indo Count Industries Limited and its subsidiary, we are of the opinion that:

- a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Indo Count Industries Limited and its subsidiary as at 31<sup>st</sup> March 2010.
- b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Indo Count Industries Limited and its subsidiary for the year ended on 31<sup>st</sup> March 2010; and
- c) the consolidated Cash Flow statements gives a true and fair view of the consolidated Cash Flow of Indo Count Industries Limited and its subsidiary for the year ended on 31<sup>st</sup> March 2010.

For **B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**O. P. Shroff**  
*Partner*  
Membership No. 6329



## Indo Count Industries Limited - Consolidated Financial Statement

*BALANCE SHEET AS AT 31ST MARCH, 2010*

	Schedule	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	A	3,656.50	3,306.50
Reserves and Surplus	B	18,995.40	16,870.77
Minority Interest		117.23	104.36
<b>LOAN FUNDS</b>			
Secured Loans	C	<u>35,079.14</u>	<u>33,800.61</u>
		<u>57,848.27</u>	<u>54,082.24</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	D	59,870.29	56,171.50
Less: Depreciation		<u>18,102.15</u>	<u>14,930.88</u>
		41,768.14	41,240.62
Add: Capital Work in progress		<u>62.91</u>	107.91
		41,831.05	41,384.53
<b>INVESTMENTS</b>	E	4.58	68.95
<b>DEFERRED TAX ASSETS ( NET )</b>		3,218.61	2,287.47
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	F	8,474.38	4,500.25
Sundry Debtors	G	3,687.96	5,421.26
Cash and Bank Balances	H	680.84	1,937.22
Loans and Advances	I	<u>5,157.96</u>	<u>3,622.21</u>
		<u>18,001.14</u>	<u>15,480.94</u>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	J	8,117.74	6,333.39
Provisions	K	<u>485.60</u>	<u>499.99</u>
		<u>8,603.34</u>	<u>6,833.38</u>
<b>PROFIT AND LOSS ACCOUNT</b>		3,396.23	1,729.73
(As per contra)		<u>57,848.27</u>	<u>54,082.24</u>
<b>NOTES ON ACCOUNT</b>			
Q			

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

Joint Managing Director

**Shirish S. Sule**

Company Secretary



## Indo Count Industries Limited - Consolidated Financial Statement

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010

	Schedule	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>INCOME</b>			
Sales (Gross)		39,234.74	27,753.52
Less : Excise duty		<u>5,16.66</u>	<u>202.94</u>
Sales (Net)		38,718.08	27,550.58
Processing income ( Including tax deducted at source Rs. 1.76 lac (previous year Rs. 0.14 lac)		79.60	207.45
Export Incentives / Benefits		2,540.95	2,324.14
Other Income	L	961.92	234.95
Increase / (Decrease) in Stocks	M	<u>3,074.13</u>	<u>(488.16)</u>
		<u>45,374.68</u>	<u>29,828.96</u>
<b>EXPENDITURE</b>			
Material Cost	N	26,745.01	14,275.90
Purchases - Traded goods		147.55	—
Manufacturing & Other expenses	O	<u>15,179.53</u>	<u>11,862.65</u>
		<u>42,072.09</u>	<u>26,138.55</u>
Profit before financial charges, depreciation taxation & exceptional items		3,302.59	3,690.41
Finance Charges	P	<u>2,732.39</u>	<u>2,142.65</u>
Profit / loss before depreciation, taxation & exceptional items		570.20	1,547.76
Depreciation		3,171.20	2,480.03
Less : Transfer from revaluation reserve		<u>1,168.58</u>	<u>504.49</u>
Loss before exceptional items & taxation		(1,432.42)	(427.78)
Exceptional items [ ( Foreign exchange losses / (gains)]		<u>1,151.59</u>	<u>6,771.76</u>
Loss before taxation		<u>(2,584.01)</u>	<u>(7,199.54)</u>
Provision for Taxation			
Deferred Tax Asset ( Net )		(931.13)	(1,680.29)
MAT Credit recoverable		—	(148.35)
Fringe Benefit Tax		0.15	26.66
Wealth Tax		0.60	0.42
Loss after Tax		(1,653.63)	(5,397.98)
share of minority interest		(12.87)	9.20
Add : Balance brought forward		<u>(1,729.73)</u>	<u>(1,224.11)</u>
		<u>(3,396.23)</u>	<u>(6,612.89)</u>
Transfer from General Reserve		—	4,883.16
Balance carried forward to Balance Sheet		<u>(3,396.23)</u>	<u>(1,729.73)</u>
<b>EARNING PER SHARE</b>			
Basic (Rs.)		(3.15)	(12.64)
(Note 19 Schedule Q )			

#### NOTES ON ACCOUNTS

Q

As per our report of even date annexed  
**For B. K. Shroff and Co.,**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
Partner  
Membership No. 6329  
Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**  
Chairman and Managing Director

**R. N. Gupta**  
Joint Managing Director

**Shirish S. Sule**  
Company Secretary



## Indo Count Industries Limited - Consolidated Financial Statement

### CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2010

PARTICULARS	31-03-2010 [Rs. in lac]	31-03-2009 [Rs. in lac]
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax	(2584.02)	(7199.55)
Adjustments for:-		
Depreciation	2002.62	1975.54
Interest income	(18.64)	(120.06)
Dividend received	(1.27)	(11.55)
Diminution in value of investments written back	—	(0.74)
Diminution in value of investments written off	2.62	—
Insurance Claim	(66.12)	—
Loss on sale of Investments	3.09	—
Interest expenses	2732.39	2142.65
Loss/(Profit) on sale of fixed assets	—	38.19
Liability no longer payable	(77.12)	—
Exceptional Items	1151.59	6771.76
<b>Operating profit before working capital changes</b>	<b>3145.16</b>	<b>3596.25</b>
<b>Adjustment for working capital changes:</b>		
Trade and other Receivables	212.42	3343.48
Inventories	(3974.12)	1504.28
Trade payables	1778.39	(4164.52)
Taxes paid	(13.25)	102.28
Employee Benefits	64.35	44.52
Exceptional Items	(1151.59)	(6771.76)
Transfer from reserves	—	923.21
	<b>61.36</b>	<b>(1422.27)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(360.58)	(409.68)
Sale of fixed assets	—	17.92
Investments in Mutual Fund	58.65	698.47
Interest received	18.64	120.06
Dividend received	1.27	11.55
Net cash from investing activities	<b>(282.02)</b>	<b>438.33</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares	350.00	299.11
Proceeds from long term borrowings	—	7996.56
Repayment of long term borrowings	(989.84)	(644.40)
Proceeds from Insurance claim	66.12	—
Increase/(decrease) in short term borrowings	2269.13	(3343.04)
Interest paid	(2732.39)	(2040.39)
Dividend Received	1.27	(4.20)
Net cash from Investing communities	<b>(1035.71)</b>	<b>2263.64</b>
Net increase in cash and cash equivalents	<b>(1256.36)</b>	<b>1279.70</b>
Cash and cash equivalents (Opening balance)	1937.21	657.51
Cash and cash equivalents (Closing balance)	680.84	1937.21

**Notes :** Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report of even date annexed

**For B. K. Shroff and Co.,**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
Partner  
Membership No. 6329  
Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**  
Chairman and Managing Director

**R. N. Gupta**  
Joint Managing Director

**Shirish S. Sule**  
Company Secretary



## Indo Count Industries Limited - Consolidated Financial Statement

### SCHEDULES

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>A. SHARE CAPITAL</b>		
<b>Authorised</b>		
55,000,000 Equity shares of Rs.10/- each	5,500.00	5,500.00
5,000,000 Preference shares of Rs. 10/- each	500.00	500.00
	<u>6,000.00</u>	<u>6,000.00</u>
<b>Issued, Subscribed and Paid up</b>		
33,314,967 (previous year 33,064,967)	3,331.50	3,306.50
Equity shares of Rs. 10/- each, fully paid up		
Share Application Money - Pending allotment **	325.00	—
	<u>3,656.50</u>	<u>3,306.50</u>

\*\* Refer Note No. 8 of Schedule Q - Notes on consolidated accounts

	Balance As at As at 01-04-2009 [Rs. in lac]	Addition [Rs. in lac]	Deduction [Rs. in lac]	Balance As at 31-03-2010 [Rs. in lac]
<b>B. RESERVES AND SURPLUS</b>				
Capital Reserve	198.81	—	—	198.81
Share Premium Account	1,335.26	—	—	1,335.26
Debenture Redemption Reserve	750.00	—	—	750.00
General Reserve	(1.09)	—	—	(1.09)
Revaluation Reserve	14,587.79	3,293.21	1,168.58	16,712.42
	<u>16,870.77</u>	<u>3,293.21</u>	<u>1,168.58</u>	<u>18,995.40</u>



## Indo Count Industries Limited - Consolidated Financial Statement

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>C. SECURED LOANS</b>		
1) Debentures		
10% (previous year 8.50%) 300 - Secured Redeemable		
Non concertible debentures of Rs. 10,00,000 each (a)	2,994.00	3,000.00
Funded Interest on Debentures (a)	249.71	196.53
2) Term Loans		
a) Rupee Loans		
-From Financial Institutions (a)	3,900.26	4,056.76
-From Banks (a)	12,377.99	12,389.44
3) Working Capital Term Loans (a)	2,994.85	3,000.00
4) Demand Term Loan (a)	3,408.07	3,414.76
5) Funded Interest on Term Loans (a)	437.50	1,385.27
6) Interest accrued and due	77.09	—
7) Bank Overdraft (b)	134.23	—
8) Packing Credit Loans		
-From Banks - In Indian Rupees (b)	8,486.08	6,351.19
9) Hire Purchase Finance		
-From Banks / Others (c)	19.36	6.66
	<u>35,079.14</u>	<u>33,800.61</u>

- (a) Secured inter se on pari-passu basis by way of mortgage of all immovable properties and hypothecation of all moveable properties (save and except stocks and book debts) both present & future subject to prior charges created / to be created in favour of the Company's bankers for working capital requirements. Loans of Rs. 26,362.38 lac (previous year Rs. 27,442.76 lac) are additionally secured by personal guarantee of the Managing Director.
- (b) Secured by hypothecation of Raw materials, Semi finished goods, Finished goods, Stores and Spares, Goods in transit and Book Debts of Spinning and Home textile divisions, and further secured by second charge on Fixed Assets both present & future and personally guaranteed by the Managing Director.
- (c) Secured against hypothecation of Vehicles acquired under Auto Loan Schemes.



## Indo Count Industries Limited - Consolidated Financial Statement

[Rs. in lac]

**D. FIXED ASSETS**

PARTICULARS	G R O S S B L O C K						D E P R E C I A T I O N		N E T B L O C K	
	As at 1-04-2009 [Rs.]	@ Additions [Rs.]	Value added on Revaluation [Rs.]	Sales / Adjustment [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]	
Land - Leasehold	1,047.83	—	—	—	1,047.83	13.29	1,034.54	1,038.62		
Land - Freehold	28.75	—	## 817.46	—	846.21	—	846.21	28.75		
Buildings *	7,670.75	108.06	## 540.47	—	8,319.28	1,556.69	6,762.59	6,295.48		
Plant and Machinery	46,569.41	252.87	## 1,921.64	—	48,743.92	16,011.45	32,732.47	33,449.60		
Furniture and Fixtures	284.05	8.21	—	—	292.26	161.65	130.61	166.07		
Factory and Office Equipments	345.23	14.34	## 13.63	—	373.20	259.43	113.77	129.91		
Vehicles	# 153.64	22.11	—	—	175.75	99.64	76.11	60.35		
Goodwill	71.84	—	—	—	71.84	—	71.84	71.84		
<b>Total</b>	<b>56,171.50</b>	<b>405.59</b>	<b>3,293.20</b>	<b>—</b>	<b>59,870.29</b>	<b>18,102.15</b>	<b>41,768.14</b>	<b>41,240.62</b>		
<b>Previous Year</b>	<b>36,906.63</b>	<b>4,417.31</b>	<b>15,092.28</b>	<b>244.72</b>	<b>56,171.50</b>	<b>14,930.88</b>				
<b>Capital Work-in-progress</b>							<b>62.91</b>	<b>107.91</b>		
<b>TOTAL</b>							<b>41,831.05</b>	<b>41,348.53</b>		

Includes

- a) \* (i) 10 shares of Rs. 50 each of Arcadia Premises Co-operative Society Ltd.
- (ii) Commercial space costing Rs. 50,11,430 in Vardhaman Industrial Complex Co-op. Society Ltd. acquired in terms of sale deed dated 28-07-2000. The Company has taken possession of the property pending transfer of shares.
- b) # One vehicle costing Rs. 38.45 lac, is in the name of the Managing Director as a nominee of the Company.
- c) @ Includes opening balances and additions to gross block of subsidiary Company.
- d) # Refer Note No. 12 of Schedule Q, Notes on consolidated accounts



## Indo Count Industries Limited - Consolidated Financial Statement

	Number	Face Value [Rs.]	As at 31-03-2010 [Rs. in lac]	Number	As at 31-03-2009 [Rs. in lac]
<b>E. INVESTMENTS</b>					
<b>Trade Investments - Long Term</b>					
<b>In Fully Paid Equity Shares</b>					
<b>- Quoted</b>					
<b>Others</b>					
Margo Finance Limited (Formerly Indocount Finance Limited)	209,902	10	20.99	410,000	41.00
Less : Provision for diminution			<u>16.58</u>		<u>27.81</u>
			<u>4.41</u>		<u>13.19</u>
<b>-Unquoted</b>					
Shri Datta Nagari Sahakari Pat Sanstha Ltd.	1,050	10	0.11	1,050	0.11
Choudeshwari Co-op. Bank Ltd.	200	25	0.05	200	0.05
Indocount Textile Ventures Pvt. Ltd.	100	10	0.01	100	0.01
Shiva Services Limited	10,000	10	1.00	10,000	1.00
			<u>1.17</u>		<u>1.17</u>
Less : Provision for diminution			<u>1.00</u>		<u>1.00</u>
			<u>0.17</u>		<u>0.17</u>
<b>-In Mutual Fund Units</b>					
DSP Meryl Lynch - Floating Rate Fund - Growth	—	10	—	14,354	1.63
HDFC Liquid Fund - Dividend Reinvestment Plan	—	10	—	190,296	19.38
HDFC Cash Management Fund - Savings Plan	—	10	—	320,103	34.58
			—		<u>55.59</u>
<b>TOTAL</b>			<u><u>4.58</u></u>		<u><u>68.95</u></u>
<b>Aggregate value of</b>					
-Quoted Investments			4.41		13.19
-Unquoted Investments			0.17		0.17
-NAV Based Units			—		55.59
<b>TOTAL</b>			<u><u>4.58</u></u>		<u><u>68.95</u></u>
Market value of Quoted Investments			<u>4.41</u>		<u>13.74</u>
NAV of Units			—		<u><u>55.27</u></u>
<b>F. INVENTORIES</b>					
(As certified & valued by the management)					
Stores, Spares & Packing material			600.74		409.60
(Includes goods in transit Rs. 1.83 lac previous year 59.30 lac)					
Raw materials (Includes goods in transit Rs. 240.37 lac, previous year NIL)			1,388.66		695.18
Dyes and Chemicals			136.11		120.72
Waste			37.11		18.44
Stock in process			3,652.94		2,085.82
Finished goods			2,658.82		1,170.49
			<u><u>8,474.38</u></u>		<u><u>4,500.25</u></u>



## Indo Count Industries Limited - Consolidated Financial Statement

	As at 31-03-2010 [Rs. in lac]	As at 31-03-2009 [Rs. in lac]
<b>G. SUNDRY DEBTORS</b>		
(Unsecured-Considered good)		
-Exceeding six months	94.97	91.65
Less : Provision for doubtful debts	<u>22.65</u>	<u>12.65</u>
-Others	<u>3,615.64</u>	79.00
	<u>3,687.96</u>	<u>5,342.26</u>
	<u>3,687.96</u>	<u>5,421.26</u>
<b>H. CASH AND BANK BALANCES</b>		
Cash in hand	5.90	10.68
Balances with Scheduled Banks		
-In Current Accounts *	664.01	766.77
-In Fixed Deposit **/ Margin Money Accounts	<u>10.93</u>	<u>1,159.77</u>
	<u>680.84</u>	<u>1,937.22</u>
	<u>680.84</u>	<u>1,937.22</u>
* Includes balance in current account with (i) The Kolhapur Urban Co-operative Bank Ltd. Rs. 0.82 lac (previous year Rs. 0.96 lac) maximum balance anytime during the year Rs. 3.56 lac, (previous year Rs. 3.05 lac) (ii) The Shamrao Vittal Co-operative Bank Rs. 1.14 lac, (previous year Rs. 1.32 lac), maximum balance anytime during the year Rs. 3.76 lac, (previous year Rs. 4.75 lac)		
** Includes receipts for Rs. 0.01 lac lodged with Sales Tax Department		
<b>I. LOANS AND ADVANCES</b>		
(Unsecured - Considered good)		
Interest accrued on Loans & Deposits	0.41	10.75
Advances (recoverable in cash or in kind or for value to be received)		
-Capital	—	180.20
-Others	2,983.27	2,031.51
Export Incentives / Claims recoverable	1,582.03	842.09
Security Deposits	104.45	84.74
Income Tax Payments ( including tax deducted at source	339.45	324.57
MAT credit entitlement	<u>148.35</u>	<u>148.35</u>
	<u>5,157.96</u>	<u>3,622.21</u>
	<u>5,157.96</u>	<u>3,622.21</u>
<b>J. CURRENT LIABILITIES</b>		
Acceptance	—	217.28
Sundry Creditors		
Total outstanding dues of Micro Enterprises & Small Enterprises	2.33	2.33
Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	6,559.68	4,929.41
Other Liabilities	<u>1,555.73</u>	<u>1,184.37</u>
	<u>8,117.74</u>	<u>6,333.39</u>
	<u>8,117.74</u>	<u>6,333.39</u>
<b>K. PROVISIONS</b>		
For Fringe Benefit Tax	—	1.86
For Wealth Tax	1.15	0.91
For Income Tax	246.41	246.41
Gratuity	197.34	132.53
Leave Encashment	<u>40.70</u>	<u>118.28</u>
	<u>485.60</u>	<u>499.99</u>
	<u>485.60</u>	<u>499.99</u>



## Indo Count Industries Limited - Consolidated Financial Statement

	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>L. OTHER INCOME</b>		
Interest		
- Banks (Including tax deducted at source Rs. 0.27 lac, previous year Rs. 0.41 lac)	4.26	6.72
- Others (Including tax deducted at source Rs. 2.67 lac, previous year Rs. 6.08 lac)	<u>14.38</u>	<u>113.34</u>
VAT Refund	671.01	38.83
Miscellaneous Receipts and Income	8.53	35.70
Insurance claim received	66.12	—
Provision for diminution in value of investments	—	0.74
Excess depreciation written back	—	0.59
Exchange rate difference (Net)	26.00	—
Dividend received	1.27	11.55
Profit on sale / redemption of investments	0.73	0.47
Rent received	0.49	—
Previous year's income	14.09	6.33
Sundry balances / Excess provision written back (Net)	77.93	20.68
Liability no longer payable	<u>77.11</u>	<u>—</u>
	<u><b>961.92</b></u>	<u><b>234.95</b></u>
<b>M. INCREASE / (DECREASE) IN STOCKS</b>		
Closing Stock		
- Finished Goods	2,658.82	1,170.48
- Stock in Process	3,652.94	2,085.82
- Waste	<u>37.11</u>	<u>18.44</u>
Less : Opening Stock		
- Finished Goods	1,170.48	1,484.64
- Stock in Process	2,085.82	2,222.10
- Waste	<u>18.44</u>	<u>56.16</u>
	<u><b>3,274.74</b></u>	<u><b>3,762.90</b></u>
	<u><b>3,074.13</b></u>	<u><b>(488.16)</b></u>
<b>N. MATERIAL COST</b>		
Purchases - Traded Goods	—	74.92
Raw material & Components consumed		
Opening Stock	669.15	1,389.60
Add : Purchases	<u>27,349.57</u>	<u>13,480.53</u>
	<u>28,018.72</u>	<u>14,870.13</u>
Less : Cost of Sales	125.43	—
Closing Stock	<u>1,148.28</u>	<u>669.15</u>
	<u><b>26,745.01</b></u>	<u><b>14,200.98</b></u>
	<u><b>26,745.01</b></u>	<u><b>14,275.90</b></u>



## Indo Count Industries Limited - Consolidated Financial Statement

	For the year ended on 31-03-2010 [Rs. in lac]	For the year ended on 31-03-2009 [Rs. in lac]
<b>O. MANUFACTURING AND OTHER EXPENSES</b>		
Stores, Spares and Packing Material consumed	2,290.99	1,572.86
Jobwork Charges	1,390.13	740.95
Service charges	159.80	70.95
Dyes and chemicals	1,862.69	1,464.72
Power, Fuel and Water	4,024.71	3,173.91
Salaries, Wages, Allowances and Bonus	2,550.54	2,124.37
Gratuity	73.02	56.54
Contribution to Provident Fund, Employees' State Insurance, etc.	166.97	147.72
Welfare expenses	53.97	53.79
Recruitment and Training expenses	10.14	3.07
Director's Remuneration	52.56	51.86
Rent	41.31	42.21
Rates, Taxes and Fees	27.70	16.49
Insurance	177.63	152.06
Repairs and Maintenance		
-Plant and Machinery	113.88	79.38
-Buildings	19.13	10.69
-Others	56.95	38.74
Travelling and Conveyance	226.76	215.98
Directors' Sitting Fees	3.00	2.48
Commission and Brokerage	714.76	481.41
Freight Outward	421.20	389.67
Other Selling expenses	308.11	263.42
Claims paid / written off	20.49	66.37
Equipment hire charges	7.97	—
Diminution in value of investments	2.62	—
Miscellaneous expenses	349.87	543.93
Charity and donation	0.08	—
Loss on sale of fixed assets	—	38.19
Loss on sale of Raw Material	2.30	—
Loss on sale of DEPB licence	7.32	—
Loss on sale of Investments	3.10	—
Exchange rate difference (Net)	—	36.06
Provision for doubtful debts	10.00	12.65
Previous year's expenses	19.17	0.46
Auditors' Remuneration	10.66	11.72
	<b>15,179.53</b>	<b>11,862.65</b>
<b>P. FINANCIAL CHARGES</b>		
Interest		
-On Debentures	322.50	278.81
-On Term Loans	1,576.63	933.84
-Others	603.28	708.69
L/C and Bank Charges	224.62	173.95
Finance procurement charges	5.36	47.36
	<b>2,732.39</b>	<b>2,142.65</b>



## Indo Count Industries Limited - Consolidated Financial Statement

### Q. Notes on Consolidated Accounts

#### 1. Basis of consolidation

- (i) The accounts have been prepared to comply with all material aspects applicable to accounting policies of Indo Count Industries Limited. Goodwill arising on investments made in subsidiary Company has been treated as intangible asset and capital reserve arising on investments made in subsidiary Company has been treated as reserve and surplus.
- (ii) The consolidated accounts have been prepared based on a line by line consolidation of the profit and loss account and balance sheet of Indo Count Industries Limited and its subsidiary. For the purpose of consolidation, adjustments have been made in respect of shareholdings in subsidiary Company, amounts owed from/to Company within group and in respect of intra group transactions, as per Accounting Standard (AS-21) "Consolidated Financial Accounts".
- (iii) The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding Company.
- (iv) Indo Count Industries Limited holds 93.76 % shareholding in Pranavadiya Spinning Mills Limited (PSML). PSML is incorporated in India and is engaged in the business of manufacture of cotton yarn.

#### 2. Significant Accounting Policies

##### (a) Method of Accounting

- i) The accounts are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereinafter.
- ii) Accounting policies not significantly referred to are consistent with generally accepted accounting principles.

##### (b) Fixed Assets

Fixed assets are stated at cost except for land, plant and machinery (other than of electronics division) and buildings which have been shown at revalued amount. Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational, start-up and trial run expenses form part of the value of the assets capitalised. As per practice, expenses incurred on modernisation / debottlenecking / relocation / relining of plant and equipment are capitalised. Fixed assets, other than leasehold land, acquired on lease are not treated as assets of the Company and lease rentals are charged off as revenue expenses.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

##### (c) Capital Work-in Progress

All expenditure including interest cost incurred during the project construction period are accumulated and disclosed as capital work-in-progress until the assets are ready for commercial use. Assets under construction are not depreciated. Income earned from investment of surplus borrowed funds during construction/trial run period is reduced from capital work-in-progress. Expenditure/ income arising during trial run is added to/ reduced from capital work-in-progress.



## Indo Count Industries Limited - Consolidated Financial Statement

### (d) Investments

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

Current investments are stated at lower of cost and quoted / fair value.

### (e) Inventories

Inventories are valued at lower of cost or net realizable value except for waste.

Cost is determined using the first-in-first-out (FIFO) basis except for inventories of home textiles division where cost is determined at weighted average.

Finished goods and stock in process include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Wastage and rejections are valued at estimated realizable value.

Obsolete, defective and unserviceable stocks are duly provided for.

The closing stock of units partly comprises of such materials lying in finished or semi-finished stage. The mode of valuation referred to ' Weighted Average Cost' represents cost worked out by taking into account the price charged by such units.

### (f) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### (g) Excise Duty

Provision for excise duty is made on waste and finished goods lying in bonded warehouse and meant for sale in domestic tariff area. CENVAT benefit is accounted for by reducing the purchase cost of the material / Fixed assets.

### (h) Retirement and other employee related benefits

#### i) Short term Employee Benefits

All employee benefits payable only within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc and the expected cost of bonus, exgratia, incentives are recognized in the period during which the employee renders the related service.

#### ii) Post employment Benefits

##### a) Defined Contribution Plans

State Government Provident Fund Scheme is a defined contribution plan. The contribution paid/ payable under the scheme is recognized in the profit and loss account during the period in which the employee renders the related service.

##### b) Defined Benefit Plans

The employee Gratuity Fund Scheme and Leave Encashment Scheme managed by different trusts are defined benefit plans. The present value of obligation under such defined benefit plans are determined based on actuarial valuation under the projected unit credit method which recognizes each period of service as giving rise to additional unit of employees benefits entitlement and measures each unit separately to build up the final obligation.



## Indo Count Industries Limited - Consolidated Financial Statement

The obligations are measured at the present value of future cash flows. The discount rates used for determining the present value having maturity periods approximated to the returns of related obligations.

Actuarial gains and losses are recognized immediately in the profit and loss account.

In case of funded plans, the fair value of the planned assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

### **(i) Research and Development**

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

### **(j) Depreciation**

Depreciation is calculated on fixed assets on straight-line method in accordance with Schedule XIV to the Companies Act 1956. Leasehold assets are depreciated over the lease period. Software system is amortized over a period of five years. Depreciation on amount of additions made to cost of fixed assets on account of foreign exchange fluctuation is provided prospectively over the residual life of the fixed assets.

Depreciation on revalued assets is calculated on straight line method over the residual life of the respective assets as estimated by the valuer. The additional charge for depreciation on account of revaluation is withdrawn from the revaluation reserve and credited to the profit and loss account.

### **(k) Foreign Currency Transactions, Derivatives instruments and hedge accounting:**

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates at the close of the year and difference arising out of the settlement are dealt with in the Profit and Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Foreign currency loans availed for acquisition of fixed assets are restated at the exchange rate prevailing at year end and exchange rate difference arising on such transactions are adjusted to the cost of fixed assets. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year end exchange rates. The fluctuations are reflected under the appropriate revenue head.

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 'Financial Instruments: Recognition and Measurement' (AS-30).

Changes in the fair value of derivatives financial instruments that do not qualify for hedge accountings are recognized in profit and loss account as they arise.

Hedging instruments are initially measured at fair value. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss is recognized in profit and loss account for the year.

### **(l) Revenue Recognition**

Sales are accounted for ex-factory on despatch and do not include excise duty.

### **(m) Claims and Benefits**

Claims recoverable and export incentives / benefits are accounted on accrual basis to the extent considered recoverable. Export incentives / benefits include premium on import licence, sales tax, etc.



## Indo Count Industries Limited - Consolidated Financial Statement

### (n) Subsidy

Subsidy is recognized when there is reasonable assurance that the subsidy will be received and conditions attached to it are complied with.

Government subsidy in the nature of promoter's contribution is credited to capital reserve. Subsidy received against a specific asset is reduced from the cost of the asset.

### (o) Income from Investment / Deposits

Income from investments / deposits is credited to revenue in the year in which it accrues. Income is stated in full with the tax thereon being accounted for under income tax deducted at source.

### (p) Taxation

Provision for current tax is made by applying the applicable tax rates and tax laws. Deferred Taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallize in the foreseeable future. Deferred tax benefits are recognized in the financial statements only when such benefits are reasonably expected to be realizable in the near future.

Fringe benefit tax is provided on the aggregate amount of fringe benefits determined in accordance with the provisions of relevant enactments at the specified rate of tax.

### (q) Earnings per share

Basic earning per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity share outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity share outstanding during the year adjusted for the effects of dilutive options.

### (r) Segment Information

The Company is currently organized into two business-operating segments viz: Textile and consumer durable / electronic goods. In line with the global trend, the Company has viewed yarn, fabrics and textiles as one integrated business. Therefore, all these products have been considered as part of a single business segment. Yarn, covers production of basic cotton yarn over a wide range of counts, which besides being primarily exported, is also used for further value addition in fabrics and textiles. While, fabrics cover value added activity relating to knitting and weaving, textiles cover value added activity relating to processed fabrics. The Company also manufactures electronic / consumer durable goods.

The accounting principles used in preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments. Revenue and direct expenses in relation to segments are categorized based on items that are individually identifiable or allocable on a reasonable basis to that segment. Certain corporate level revenue and expenses, besides financial costs and taxes are not allocated to operating segments and are included under the head "unallocable".

Assets and Liabilities represent assets employed in operations and liabilities owed to third parties that are individually identifiable or allocable on a reasonable basis to that segment. Assets and Liabilities excluded from allocation to operating segments such as investments, corporate debt and taxes etc. are classified as "unallocable".

Segment assets employed in the Company's various business segments are all located in India. Capital expenditure includes expenditure incurred during the period of acquisition of segment fixed assets.

The Company has considered geographical segment as secondary reporting segment for disclosure. For this purpose, revenues are bifurcated based on sales in India and outside India.



## Indo Count Industries Limited - Consolidated Financial Statement

### (s) Operating Leases

Operating lease receipts and payments are recognized as income or expenses in the profit and loss account on a Straight - line basis over the lease term.

### (t) Events occurring after balance date

Events occurring after the balance sheet date have been considered in the preparation of the financial statements.

### (u) Contingent Liabilities

Contingent liabilities as defined in Accounting Standard-29 are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefit will be required for an item previously dealt with as a contingent liability.

	<b>As at 31-03-2010</b>	<b>As at 31-03-2009</b>
	<b>(Rs. in lac)</b>	<b>(Rs. in lac)</b>
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	—	<b>52.30</b>
4. Contingent liabilities not provided for in respect of –		
(i) Amount outstanding in respect of export bills discounted under Export Letters of Credit (Since realized Rs.1,401.71 lac, previous year Rs. 1,128.56 lac)	<b>2,641.38</b>	2,457.48
(ii) Bank Guarantees	<b>389.79</b>	213.03
(iii) Claims not acknowledged as debts	<b>10.78</b>	12.35
(iv) Income tax/Custom Duty/Excise Duty demands disputed in appeals	<b>36.15</b>	63.77
(v) Export obligation against import of capital goods under EPCG Scheme	<b>NIL</b>	19,367.77
(vi) Corporate guarantee given to a bank for securing financial assistance to subsidiary Company.	<b>100.00</b>	NIL
5. (a) The names of small scale industrial undertakings to whom the Company owes any sum together with interest and outstanding for more than thirty days: Saikrupa Industries	<b>2.33</b>	2.33
<p>Payments against supplies from small-scale industries are made in accordance with agreed terms. Besides, there are no claims from the parties for interest on overdue payments.</p>		
<p>(b) 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, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.</p>		
6. (a) In terms of EPCG Licence issued, the Company has undertaken an export obligation for Rs. 32,820.19 lac, which is to be fulfilled over a period of 8 years.		
<p>(b) In terms of advance licence obtained for import of raw cotton the Company has undertaken an export obligation for Rs.24.00 lac which is to be fulfilled upto 01-05-2009. The Company has already completed this obligation and necessary application for redemption of license is being made to DGFT.</p>		
7. Under the package scheme of incentives of Government of Maharashtra for mega projects the Company is eligible for VAT and electricity duty refund benefit for its home textiles and consumer durable goods divisions.		



## Indo Count Industries Limited - Consolidated Financial Statement

However, if it contravenes any of the conditions of the scheme or eligibility certificate or certificate of entitlement or agreement, it shall repay forthwith the entire benefits drawn / availed alongwith interest thereon together with costs, charges and expenses thereon.

8. The shareholders of the Company in their extra ordinary general meeting held on 25-03-2010 accorded their approval for allotment of 2166667 equity shares of Rs.10/- each at a premium of Rs.5/- per share on preferential basis to promoter group companies. However, allotment will be made on receipt of approval for the same from NSE. Pending approval, the amount received has been reflected under Share Application for Money pending allotment.
9. 10% ( Previous Year 8.50% ) Privately Placed Secured Redeemable Non-Convertible Debentures are redeemable in 36 quarterly installments beginning from 30-06-2009.
10. In respect of Rupee Term Loan of Rs. 750 lac availed from SICOM Ltd. (SICOM) under Technology Upgradation Fund Scheme (TUFS) SICOM has stipulated that the Company shall not declare any dividend unless it has paid to SICOM installments of interest and principal amount and SICOM shall have the right to restrain the Company from declaring any equity dividend more than 15% or the average of dividend paid in three preceding years, whichever is higher.
11. (i) Based on reference of Union Bank of India, the lead Bank, a financial restructuring package was approved by Empowered Group of Corporate Debt Restructuring (CDR-EG).  
(ii) While the Company has given effect of the restructuring package in its books of accounts, banks are continuing to raise demand notices for interest payment at the rate of interest charged prior to the sanction of restructuring package.  

The Company is taking up the matter with the banks and accordingly the resultant difference in interest amount (which is still under reconciliation /determination) between the demand notice received from banks and as per Company's books of accounts, has not been provided as the liability is not payable.

  
(iii) In respect of various term loan/ working capital facilities availed by the Company, the lenders have first/ second / third pari passu charge on fixed assets and current assets of the Company.  
(iv) The term loans are to be further secured by way of first/second charge on the existing fixed assets of Pranavaditya Spinning Mills Ltd., subject however to necessary approvals.  

Pending creation of permanent security, the Company has pledged 7,216,512 equity shares held by it in Pranavaditya Spinning Mills Ltd., as per CDR stipulation.

  
(v) In terms of master restructuring agreement dated 30-03-2009, if the Company commits a default in payment or repayment of three consecutive installment of principal amounts of the facilities or interest thereon or any combination thereof, then, the lenders shall have the right to convert at their option the whole of the outstanding amount of the facilities and /or 20% of rupee equivalent of the defaulted amount into fully paid-up equity shares of the Company, at par, in the manner specified in a notice in writing to be given by the lenders to the Company prior to the date on which the conversion is to take effect, which date shall be specified in the said notice.
12. (a) The holding Company revalued its land, buildings and plant and machinery (except for electronics division and 2D.G. sets of spinning division ) as on 01-10-2008 based on the valuation made by an approved valuer.



## Indo Count Industries Limited - Consolidated Financial Statement

Accordingly, the original cost of such assets resulted in gross increase in the value of assets over their original cost by Rs.15,092.28 lac, increase in depreciation upto the date of revaluation by Rs.504.49 lac and thereby net increase in replacement cost by Rs.14,587.79 lac. The net increase in the value of such land, building and plant and machinery has been credited to revaluation reserve account.

- (b) Revaluation of 2 D.G. sets of spinning division of the holding Company was carried out on 01-04-2009 by an approved valuer. The revaluation resulted in gross increase in the value of assets over their original cost by Rs. 1,238 lacs. Increase in depreciation up to 31-03-2010 by Rs. 65.37 lac and thereby net increase in replacement cost by Rs.1,172.70 lac which has been taken as increase in the value of plant and machinery as on 01-04-2009 by creating revaluation reserve to that extent.
- (c) The subsidiary Company revalued its land, building and plant and machinery as on 01-04-2009 based on the valuation made by an approved valuer. Accordingly, the original cost of such assets resulted in gross increase in the value of assets over their original cost by Rs. 2,055.14 lac increase in depreciation upto the date of revaluation by Rs. 66.89 lac and thereby net increase in replacement cost by Rs. 1,988.26 lac. The net increase in the value of such land, building and plant and machinery has been credited to revaluation reserve account.

13. In the opinion of the management, the current assets, loans and advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities has been adequately made in the accounts.

14. As required under Accounting standard (AS) 22, 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, the Company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under:

Particulars	As At 01-04-2009 (Rs.in lac)	Tax effect for the year (Rs.in lac)	As At 31-03-2010 (Rs.in lac)
<b>Deferred Tax (liability)</b>			
Fixed Assets Others	(3,912.32)	118.40	(3,793.92)
<b>Deferred Tax Assets</b>			
Accumulated Losses	6,177.14	768.99	6,946.39
43B items Others	22.66	43.74	66.14
Net deferred tax Assets / (liability)	2,287.48	931.13	3,218.61

15. a) During the year, the following contributions have been made under defined contribution plans.

	(Rs. In lac)	
	2009-10	2008-09
Employer's Contribution to provident fund	94.32	82.93
Employer's Contribution to employees' pension scheme	51.15	47.95
Employer's contribution to employees' state insurance	0.83	1.24



## Indo Count Industries Limited - Consolidated Financial Statement

b) Group Gratuity and Leave encashment benefits :

i) Reconciliation of opening and Closing balances of defined benefit obligations (funded) for Gratuity and leave encashment

	2009-10 (Rs. in lac)		2008-09 (Rs. in lac)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Defined benefit obligation at the beginning of the year	268.33	74.13	300.17	163.55
Current service cost	31.42	9.18	37.23	8.80
Interest cost	21.67	5.97	23.04	4.68
Actuarial Gain/(Loss) on obligation	30.05	4.78	25.56	3.17
Benefits Paid	11.57	2.92	25.13	5.08
Defined benefit obligation at the end of the year	<b>339.90</b>	<b>81.58</b>	<b>309.75</b>	<b>168.77</b>
<b>ii) Reconciliation of opening and closing balances of fair value of plan assets</b>				
Fair value of plan assets at the beginning of the year	135.60	43.11	148.14	44.34
Expected return on plan assets	12.23	3.96	12.79	3.84
Employers' Contributions	6.32	0.75	—	0.01
Benefits paid	(11.57)	(2.92)	(25.13)	(5.08)
Actuarial Gain/(Loss) on plan assets	(0.02)	—	—	—
Fair value of plan assets at the end of the year	<b>142.56</b>	<b>44.90</b>	135.80	43.11
<b>iii) Reconciliation of Fair value of assets and obligations</b>				
Fair value of plan assets	137.32	44.90	135.60	43.11
Present value of obligation	339.90	74.72	268.32	74.14
Amount recognized in Balance Sheet	<b>197.34</b>	<b>40.70</b>	132.72	31.03
<b>iv) Expenses recognized during the year</b>				
Current service cost	31.42	9.18	30.85	8.05
Interest cost	21.67	5.97	19.67	4.07
Expected Return on Plan Assets	(12.23)	(3.96)	(12.59)	(3.83)
Net Actuarial Gain/(Loss) recognized in the year	30.07	(4.78)	(9.03)	15.10
Expenses recognized	<b>70.93</b>	<b>6.40</b>	28.90	23.39

v) Actuarial assumptions

**1994-96 (duly modified)**

Gratuity	Leave encashment
Projected Unit Credit Method	
1994-96 (ultimate)	
	8%
	4%

Valuation method

Mortality Table (LIC)

Discount rate (per annum)

Rate of Increase in Salaries

The estimates of rate of future salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of liability. The above information is certified by the actuary.



## Indo Count Industries Limited - Consolidated Financial Statement

### 16. Segment data –

#### A. Primary Segment

(Rs. in lac)

Particulars	Textiles (including Yarn, Fabrics and Home Textiles)	Electronic/ Consumer Durable Goods	Total	Particulars	Textiles (including Yarn, Fabrics and Home Textiles)	Electronic/ Consumer Durable Goods	Total
Segment revenue	37,167.84 (28,728.11)	4,091.19 (1,146.61)	41,259.03 (29,874.72)	Segment Assets	47,613.25 (41,459.64)	1,765.37 (587.68)	49,378.62 (42,047.32)
Other income	357.04 (424.97)	684.10 (17.44)	1,041.14 (442.41)	Segment Liabilities	17,292.40 (13,467.06)	725.73 (282.49)	18,018.13 (13,184.57)
Total income	37,525.26 (29,153.08)	4,775.29 (1,164.05)	42,300.55 (30,317.13)	Capital employed	31,409.04 (32,266.43)	1,087.14 (870.17)	32,496.18 (33,136.60)
Operating profit	3,068.62 (3,605.10)	233.97 (85.31)	3,302.59 (36,90.41)	Capital expenditure	313.07 (4,280.50)	47.50 (—)	360.57 (4,280.50)
Financial costs	2,731.13 (2,142.63)	1.26 (0.02)	2,732.39 (2,142.65)	Depreciation	1,986.86 (1,959.80)	15.76 (15.74)	2,002.62 (1,975.54)
Taxes	(930.39) (1,801.15)	— (0.41)	(930.39) (1,801.56)	Exceptional Items	1,151.59 (6,771.76)	— (—)	1,151.59 (6,771.76)
<b>Net profit</b>	<b>(1,870.60)</b> <b>((5,296.50))</b>	<b>216.98</b> <b>((101.48))</b>	<b>(1,653.62)</b> <b>((5,397.98))</b>	NonCash expenditure	1,6712.41 (14,587.79)	— (—)	16,712.41 (14,587.79)

Figures in bracket indicates for Previous Year.

#### B. Secondary Segment – Geographical -

The Company's operating facilities are located in India (Rs. In lac)

Particulars	Current Year	Previous Year
Domestic revenue	<b>9,417.38</b>	4,613.22
Export revenue	<b>31,841.65</b>	25,261.50
<b>Total</b>	<b>41,259.03</b>	29,874.72

### 17. Accounting for Leases:

#### A. In respect of the Parent Company:

##### (a) As Lessor:

Lease income from non cancellable operating leases is recognized in the statement of Profit and Loss Account, on straight line basis, over the non cancellable lease term.

- i. The Company has entered into lease arrangements, for renting specified machinery at a rent of Rs.75,000/- per month for a period of 120 months and are renewable at the option of the lessee after the end of the term.
- ii. Disclosure in respect of assets given on operating lease: (Rs. in lac)

	Current Year	Previous Year
Gross Carrying amount of assets	<b>98.74</b>	—
Accumulated Depreciation	<b>91.87</b>	—
Depreciation for the year	<b>3.28</b>	—



## Indo Count Industries Limited - Consolidated Financial Statement

(b) As Lessee:

Operating lease payments including expenses incurred for bringing the leased asset to its working condition for intended use are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(Rs. in lac)

S. No.	Particulars	2009-10	2008-09
A	The total of future minimum lease payments under non-cancelable operating leases for each of the following years:		
(i)	Not latter than one year	—	—
(ii)	Later than one year and not later than five years,	<b>120.32</b>	157.94
(iii)	Later than five years,	—	—
B	The total of future minimum sub-lease payments expected to be received under non cancelable sub leases at the balance sheet date,	—	—
C	Lease payments recognized in the statement of profit & loss	<b>37.62</b>	29.82

B. In respect of subsidiary:

(a) As Lessee:

Operating lease payments including expenses incurred for bringing the leased asset to its working condition for intended use are recognized as an expense in the Profit and Loss Account on a straight line basis over the lease term.

(Rs. in lac)

S. No.	Particulars	2009-10	2008-09
A	The total of future minimum lease payments under non-cancelable operating leases for each of the following years:		
(i)	Not latter than one year	—	—
(ii)	Later than one year and not later than five years,	—	—
(iii)	Later than five years,	<b>84.11</b>	—
B	The total of future minimum sub-lease payments expected to be received under non cancelable sub leases at the balance sheet date,	—	—
C	Lease payments recognized in the statement of profit & loss	<b>5.89</b>	—

18. (a) The Company has outstanding foreign currency related derivative contracts in the form of options for hedging its business related exposure which are not speculative in nature. The contracts have long dated tenor with multiple contingent / uncertain events. As such ascertainment of fair value of these contracts is not feasible. However, banks estimate the total mark to market (MTM) of all outstanding contracts at approx. Rs. 1,619 lac as at 31-03-2010 (Previous year Rs. 4,835 lac). The management is of the opinion that the determination and crystallization of liability is dependent upon the outcome of uncertain future events or actions, not wholly within the control of the Company. As adoption of AS-30 is presently not mandatory, the estimated MTM loss of Rs.1,619 lac for the year ended 31-03-2010 (Previous year Rs. 4,835 lac) has not been provided.



## Indo Count Industries Limited - Consolidated Financial Statement

(b) Outstanding derivatives instruments as at 31<sup>st</sup> March, 2010 entered by the Company.

Currency	Number of Contracts	Amount in Foreign Currency	Amount (Rs. in lac)	Buy/Sell
US \$/INR	3	US\$ 28 Mn	175.00	Sell
Previous Year (US\$ / INR)	(3)	(US \$ 48.75 Mn)	(246.70)	Sell

(c) Foreign currency exposures recognized by the Company that have not been hedged by a derivative instrument or otherwise as at 31<sup>st</sup> March, 2010 are as under:-

Currency	Number of Contracts	Amount in Foreign Currency	Amount (Rs. in lac)	Buy/Sell
US \$/INR	23	US\$ 33.535 Mn	393.10	Sell
Previous Year	(Nil)	(Nil)	(Nil)	

### 19. EARNINGS PER SHARE (EPS)

Basic Earning Per Share	As at 31-03-2010	As at 31-03-2009
Profit /(loss) after tax as per profit & loss account (Rs. in lac)	<b>(1,653.63)</b>	(5,397.98)
Average no. of equity shares	<b>52,555,562</b>	42,691,092
Earning per share (Rs.)	<b>(3.15)</b>	(12.64)

Note : Diluted earning per share is not disclosed as the same is anti-dilutive.

20. Figures have been rounded off to the nearest lac rupees.

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

Joint Managing Director

**Shirish S. Sule**

Company Secretary



## AUDITORS' REPORT

To

The Members

### PRANAVADITYA SPINNING MILLS LIMITED

1. We have audited the attached Balance Sheet of Pranavaditya Spinning Mills Limited as at 31st March, 2010 and also the annexed Profit & Loss Account and the cash flow statement of the company for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of books and records of the Company as are considered appropriate and on the basis of information and explanations given to us during the course of our audit, we enclose in the annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order to the extent applicable to the company.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
  - iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
  - iv) In our opinion and to the best of our information, the Balance Sheet, Profit and loss Account and Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
  - v) On the basis of written representations made by the Directors as on March 31, 2010 and taken on record by the Board of Directors of Company and information and explanations given to us, none of the Directors is prima-facia disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of the sub-section (1) of section 274 of the Companies Act, 1956
  - vi) In our opinion and to the best of our information and according to the explanations given to us the said accounts and subject to and read together with the notes appearing in schedule S give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2010;
    - b. in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - c. in the case of cash flow statement of the cash flows for the year ended on that date.

For **B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

Membership No. 6329



*ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE*

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) All the fixed assets have been physically verified by the management according to a regular program, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.  
(c) During the year, the company has not disposed off any substantial part of its fixed assets. Therefore, it has not affected the going concern concept of the company.
2. (a) Physical verification of inventory (except material in transit) has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.  
(c) The company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material
3. According to the information and explanations given to us, the company has not granted any loans during the year to the parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations 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 of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. Transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.  
(a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under the section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registered maintained section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A of the Companies Act, and its Rules, and also the directives of Reserve Bank of India. Since the company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, does not arise.
7. In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.
9. (a) The company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it.



**Pranavaditya Spinning Mills Limited**  
**Information on Subsidiary Company U/S 212 of the Companies Act, 1956**

- (b) *Dues on account of penalty levied by excise authorities amounting to Rs.1 lac for the earlier year have not been deposited and appeal for the same is pending before CESTAT. There are no dues in the nature of sales tax, income tax, custom tax, wealth tax, excise duty and cess which are disputed and outstanding.*
- (c) *A demand of Rs.4,45,967/- has been raised by Excise authorities which has been disputed by the company for classification of fancy yarn. No provision for the same is made in accounts.*
10. *The accumulated losses of the company as at 31<sup>st</sup> March, 2010 do not exceed fifty percent of its net worth at the end of the financial year. The company has not incurred cash losses during the financial year. However it had incurred cash losses in the immediately preceding financial year.*
  11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
  12. According to the information and explanations given to us, the company has not granted any loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
  13. In our opinion, the company is neither a chit fund nor nidhi / mutual benefit fund / society and hence clause 4 (xii) of the Order is not applicable to the company.
  14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of clause 4 (xiv) of the Order is not applicable to the company.
  15. In our opinion, the company has not given guarantee for loans taken by others from banks or financial institutions.
  16. The company has not obtained any fresh term loans during the year under review. Accordingly, the provisions of clause 16 of Para 4 of the Companies (Auditors Report) Order are not applicable to the company.
  17. As per the information and explanations given to us and on an overall examination of the Balance Sheet of company, we report the company has not used funds raised during the year on short-term basis for long term investment.
  18. During the year, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
  19. According to the information and explanations given to us, the Company has not issued debentures during the year.
  20. According to the information and explanations given to us, during the year the Company has not raised any money by public issue.
  21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For B. K. Shroff and Co.**  
Chartered Accountants  
Reg. No. 302166E

Place : Mumbai  
Date : 1<sup>st</sup> June, 2010

**O. P. Shroff**  
*Partner*  
Membership No. 6329



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

*BALANCE SHEET AS AT 31ST MARCH, 2010*

	Schedule	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	A	192,412,800	192,412,800
Reserves and Surplus	B	201,325,634	2,500,000
LOAN FUNDS			
Secured Loans	C	13,612,443	264,480
Unsecured Loans	D	21,073,778	28,080,914
		<u>428,424,655</u>	<u>223,258,194</u>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
Gross Block	E	591,626,857	380,469,666
Less: Depreciation		<u>311,719,871</u>	<u>285,695,520</u>
		279,906,986	94,774,146
INVESTMENTS	F	15,504	15,504
DEFERRED TAX ASSETS		59,786,883	60,717,849
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	39,809,930	13,645,428
Sundry Debtors	H	34,652,927	15,476,523
Cash and Bank Balances	I	15,016,594	11,828,771
Loans and Advances	J	12,055,406	12,479,989
		<u>101,534,857</u>	<u>53,430,711</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	14,811,805	8,183,451
Provisions	L	4,941,692	5,068,721
		<u>19,753,497</u>	<u>13,252,172</u>
PROFIT AND LOSS ACCOUNT		6,933,922	27,572,156
		<u>428,424,655</u>	<u>223,258,194</u>
<b>NOTES ON ACCOUNTS</b>			
	R		

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**S. K. Agrawal**

Chairman

**Anil Kumar Jain**

Director



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

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

	Schedule	Year Ended on 31-03-2010 [Rs.]	Year Ended on 31-03-2009 [Rs.]
<b>INCOME</b>			
Sales (Gross)		325,691,452	254,602,042
Less : Excise duty		—	—
Sales (Net)		<u>325,691,452</u>	<u>254,602,042</u>
Export Incentives/Benefits		1,450,774	—
Other Income	M	2,249,060	927,392
Increase / (Decrease) in Stocks	N	4,924,420	(14,200,068)
		<u>334,315,706</u>	<u>241,329,366</u>
<b>EXPENDITURE</b>			
Material Cost	O	189,488,406	166,583,361
Purchases -Traded goods		14,754,786	—
Manufacturing and Other expenses	P	86,860,323	75,809,701
		<u>291,103,515</u>	<u>242,393,062</u>
Profit/Loss before financial charges, depreciation and taxation		43,212,191	(1,063,696)
Finance Charges	Q	2,292,632	2,764,378
Profit/Loss before depreciation and taxation		40,919,559	(3,828,074)
Depreciation		26,024,349	19,438,318
Less : Transfer from Revaluation Reserve		<u>6,688,724</u>	—
		19,335,625	19,438,318
Profit/(Loss) before taxation		21,583,934	(23,266,392)
Provision for Taxation			
- Deferred Tax asset		(930,966)	60,717,849
- Earlier years adjustments		—	—
- Fringe Benefit Tax		(14,734)	(131,232)
Profit /(Loss) after Tax		<u>20,638,234</u>	<u>37,320,225</u>
Balance brought forward		<u>(27,572,156)</u>	<u>(64,892,381)</u>
Balance carried forward		<u>(6,933,922)</u>	<u>(27,572,156)</u>
<b>EARNING PER SHARE</b>		1.07	2.96

(Note 14 Schedule R)

Basic

**NOTES ON ACCOUNTS** R

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**S. K. Agrawal**

Chairman

**Anil Kumar Jain**

Director



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

*CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2010*

<b>Particulars</b>	<b>Current Year 31.03.2010 [Rs.]</b>	<b>Previous Year 31.03.2009 [Rs.]</b>
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	21,583,934	(23,266,392)
Add : Adjustments for		
Depreciation	19,335,625	19,438,318
Loss on sale of fixed assets	—	4,844,990
Preliminary Expenditure written off	—	4,173,115
Interest	2,264,147	2,764,378
Operating Profit before Working Capital changes	<u>43,183,706</u>	<u>7,954,409</u>
<b>Adjustments for change in Working Capital</b>		
Change in Inventories	(26,164,502)	12,522,815
Trade and Other Receivables	(18,807,926)	(4,093,375)
Trade and Other Payables	6,687,558	(4,018,167)
Cash generated from operations	4,898,837	12,365,682
Direct Taxes paid	(144,861)	(188,633)
Net Cash from Operating Activities	<u>4,753,976</u>	<u>12,177,049</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(5,642,833)	(915,762)
Revaluation of Fixed Assets	(205,514,358)	—
Sale of Fixed Assets	—	1,632,778
Reduction in Revaluation Reserve	6,688,724	—
Net Cash from Investing Activities	<u>(204,468,467)</u>	<u>717,016</u>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Share Application Money (net of allotment)	—	(88,999)
Revaluation Reserve	198,825,634	
Proceeds from Working Capital Borrowings	6,340,827	(4,896,026)
Interest paid	(2,264,147)	(2,764,378)
Net Cash from Financing activities	<u>202,902,314</u>	<u>(7,749,403)</u>
Net increase in cash or cash equivalents	3,187,823	5,144,662
Cash or cash equivalents (Opening balance)	11,828,771	6,684,109
Cash or cash equivalents (Closing balance)	15,016,594	11,828,771

NOTE : Figures in bracket represents cash outflow.

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants

Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**S. K. Agrawal**

Chairman

**Anil Kumar Jain**

Director



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

*SCHEDULES*

	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]
<b>A. SHARE CAPITAL</b>		
<b>Authorised</b>		
192,70,000 Equity shares of Rs.10/- each	192,700,000	192,700,000
	<u>192,700,000</u>	<u>192,700,000</u>
<b>Issued Subscribed &amp; Paid up</b>		
1,92,41,280 Equity Shares of Rs. 10/- each fully paid up	192,412,800	192,412,800
	<u>192,412,800</u>	<u>192,412,800</u>
* out of the above 1,80,41,280 equity shares are held by the holding company, Indo Count Industries Limited.		
	<b>Balance As at 01-04-2009 [Rs.]</b>	<b>Balance As at 31-03-2010 [Rs.]</b>
	<b>Additions [Rs.]</b>	<b>Deductions [Rs.]</b>
<b>B. RESERVES AND SURPLUS</b>		
Capital Subsidy	2,500,000	—
Revaluation of Reserve	—	6,688,724
	<u>2,500,000</u>	<u>6,688,724</u>
	<u>205,514,358</u>	<u>198,825,634</u>
	<u>205,514,358</u>	<u>201,325,634</u>
<b>C. SECURED LOANS</b>		
<b>Hire Purchase Finance</b>		
Axis Bank Ltd Sangli - Cotton Pleade A/c (Secured against pledge of stocks of cotton bales together with corporate - gurantee of the holding company M/s Indo Count Industries Ltd.)	13,423,408	—
-From Others - (Secured against hypothecation of vehicle acquired under auto loan scheme.)	189,035	264,480
	<u>13,612,443</u>	<u>264,480</u>
<b>D. UNSECURED LOANS</b>		
- From Holding Company (including interest accrued)	21,073,778	28,080,914
	<u>21,073,778</u>	<u>28,080,914</u>



**Pranavadiya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

**E. FIXED ASSETS**

PARTICULARS	GROSS BLOCK				Depreciation	NET BLOCK		
	As at 1-04-2009 [Rs.]	Additions [Rs.]	Value Added on Revaluation [Rs.]	Sales / Adjustment [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]
Land - Freehold	2,874,768	—	81,746,232	—	84,621,000	—	84,621,000	2,874,768
Buildings	44,933,156	—	54,047,181	—	98,980,337	16,820,695	82,159,642	30,021,272
Plant & Machinery	312,602,984	5,611,767	68,357,578	—	386,572,329	278,116,018	108,456,311	57,448,644
Furniture & Fixtures	6,023,581	—	—	—	6,023,581	5,036,280	987,301	1,307,327
Factory & Office Equipment	10,576,245	31,066	1,363,367	—	11,970,678	8,957,982	3,012,696	2,315,349
Electrical Installation	2,353,615	—	—	—	2,353,615	2,140,069	213,546	300,756
Vehicles	1,105,317	—	—	—	1,105,317	648,827	456,490	506,030
<b>Total</b>	<b>380,469,666</b>	<b>5,642,833</b>	<b>205,514,358</b>	<b>—</b>	<b>591,626,857</b>	<b>311,719,871</b>	<b>279,906,986</b>	<b>94,774,146</b>
Previous Year	402,253,557	915,762	—	22,699,653	380,469,666	285,695,520	94,774,146	

Number of Shares	Face Value [Rs.]	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]
---------------------	------------------------	------------------------------	------------------------------

**F. INVESTMENTS**

**-At Cost**

**Non Trade - Long Term**

**- Unquoted**

Shri Datta Nagari Sahakari Pat Sanstha Ltd.	1,050	10	10,500	10,500
Choudeswari Co-op. Bank Ltd.	200	25	5,004	5,004
			<u>15,504</u>	<u>15,504</u>

**G. INVENTORIES**

(as certified and valued by the management)

Stores, Spares and Packing material	1,927,088	1,378,818
Raw materials	28,025,871	7,334,059
Waste	1,182,764	207,716
Stock in process	6,405,111	4,205,061
Finished goods	2,269,096	519,774
	<u>39,809,930</u>	<u>13,645,428</u>

**H. SUNDRY DEBTORS**

(Unsecured-Considered good)

- Exceeding six months	116,874	—
- Others	34,536,053	15,476,523
	<u>34,652,927</u>	<u>15,476,523</u>



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

	As at 31-03-2010 [Rs.]	As at 31-03-2009 [Rs.]
<b>I. CASH AND BANK BALANCES</b>		
Cash in hand	24,614	8,269
Balances with Scheduled Banks		
- In Current Accounts	14,991,980	4,189,209
- In Fixed Deposit Accounts	—	7,631,293
	<u>15,016,594</u>	<u>11,828,771</u>
<b>J. LOANS AND ADVANCES</b>		
(Unsecured - Considered good)		
Advances		
(recoverable in cash or in kind or for value to be received)	5,660,759	7,992,511
Security Deposits	3,689,400	3,176,900
Income Tax Payments ( including tax deducted at source)	1,254,473	1,310,578
Export Incentives/Claims recoverable	1,450,774	—
	<u>12,055,406</u>	<u>12,479,989</u>
<b>K. CURRENT LIABILITIES</b>		
Sundry Creditors		
Total outstanding dues of Micro Enterprises and Small Enterprises	—	—
Total outstanding dues of creditors other than Micro and Small Enterprises	8,560,238	2,015,869
Other Liabilities	6,251,567	6,167,582
	<u>14,811,805</u>	<u>8,183,451</u>
<b>L. PROVISIONS</b>		
Fringe Benefit tax	—	186,232
Gratuity	4,255,597	4,143,664
Leave Encashment	686,095	738,825
	<u>4,941,692</u>	<u>5,068,721</u>
	<b>For the year ended on 31-03-2010 [Rs.]</b>	<b>For the year ended on 31-03-2009 [Rs.]</b>
<b>M. OTHER INCOME</b>		
Interest		
- Banks (Including tax deducted at source Rs. 34,063 previous year nil)	—	621,613
- Others (Including tax deducted at source nil, previous year nil)	240,982	—
Excess depreciation written back	—	93,664
Miscellaneous Receipts and Incomes	1,573	111,355
Rent received	1,000	—
Gain Exchange Rate Difference	77,333	—
Sundry balances / Excess provision written back (Net)	1,928,172	100,760
	<u>2,249,060</u>	<u>927,392</u>



**Pranavaditya Spinning Mills Limited**  
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	For the year ended on 31-03-2010 [Rs.]	For the year ended on 31-03-2009 [Rs.]
<b>N. INCREASE / (DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
- Finished goods	2,269,096	519,774
- Stock in process	6,405,111	4,205,061
- Waste	<u>1,182,764</u>	<u>207,716</u>
	9,856,971	4,932,551
<b>Less : Opening Stock</b>		
- Finished goods	519,774	13,984,098
- Stock in process	4,205,061	4,697,279
- Waste	<u>207,716</u>	<u>451,242</u>
	<u>4,932,551</u>	<u>19,132,619</u>
	<u>4,924,420</u>	<u>(14,200,068)</u>
<b>O. MATERIAL COST</b>		
<b>Raw material and Components consumed</b>		
Opening Stock	7,334,059	5,497,323
Add : Purchases	<u>210,180,218</u>	<u>168,420,097</u>
	217,514,277	173,917,420
Less : Closing Stock	<u>28,025,871</u>	<u>7,334,059</u>
	<u>189,488,406</u>	<u>166,583,361</u>
<b>P. MANUFACTURING AND OTHER EXPENSES</b>		
Stores, Spares and Packing Material consumed	7,178,896	4,581,669
Jobwork Charges	—	572,792
Power, Fuel and Water	44,741,691	37,708,302
Salaries, Wages, Allowances and Bonus	24,128,520	17,700,660
Gratuity	731,731	2,862,134
Contribution to Provident Fund, Employees' State Insurance etc.	1,751,274	1,487,243
Welfare expenses	250,605	189,515
Recruitment and Training expenses	—	15,988
Rent of Lease Machineries	588,667	
Rates, Taxes and Fees	576,682	507,952
Insurance	235,924	302,170
Repairs and Maintenance		
-Plant and Machinery	432,918	81,382
-Buildings	476,948	217,599
-Others	129,249	81,817
Travelling and Conveyance	253,996	95,664
Directors' Sitting Fees	60,000	68,000
Commission and Brokerage	983,153	1,099,062
Other Selling expenses	908,701	511,664
Claims paid / written off	60,812	272,163
Miscellaneous expenses	3,137,056	2,361,081
Auditors' Remuneration	233,500	175,000
Loss on sale of fixed assets	—	4,844,990
Previous year's expenses	—	72,854
	<u>86,860,323</u>	<u>75,809,701</u>
<b>Q. FINANCIAL CHARGES</b>		
Interest		
Banks	28,485	—
Others	<u>2,264,147</u>	<u>2,764,378</u>
	<u>2,292,632</u>	<u>2,764,378</u>



## **R. NOTES ON ACCOUNTS**

### **1. Significant Accounting Policies adopted by the company**

#### **Method of Accounting**

- i) The accounts are prepared under the historical cost convention using the accrual method of accounting unless otherwise stated hereinafter.
- ii) Accounting policies not significantly referred to are consistent with generally accepted accounting principles.

#### **iii) Fixed Assets**

Fixed assets are stated at cost except for land, plant & machinery and buildings which have been shown at revalued amount. Cost is inclusive of inward freight, duties & taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational, start-up and trial run expenses form part of the value of the assets capitalised. As per practice, expenses incurred on modernisation / debottlenecking / relocation / relining of plant & equipment are capitalised. Fixed assets, other than leasehold land, acquired on lease are not treated as assets of the company and lease rentals are charged off as revenue expenses.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

#### **iv) Depreciation**

Depreciation is calculated on fixed assets on straight line method in accordance with Schedule XIV to the Companies Act 1956. Software system is amortized over a period of five years.

#### **v) Investments**

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

Current investments are stated at lower of cost and quoted / fair value.

#### **vi) Inventories**

Inventories are valued at lower of cost or net realizable value except for waste.

Cost is determined using the first-in-first-out (FIFO) basis.

Finished goods and stock in process include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Wastage and rejections are valued at estimated realisable value.

Obsolete, defective and unserviceable stocks are duly provided for.

#### **vii) Excise and other Duties**

Excise duty in respect of finished goods lying in factory premises is provided and included in the valuation of inventories. CENVAT benefit is accounted for by reducing the purchase cost of the fixed assets.

#### **viii) Retirement and other employee related benefits**

##### **i) Short term Employee Benefits**

All employee benefits payable only within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc. and the expected cost of bonus, exgratia, and incentives are recognized in the period during in which the employee renders the related service.



ii) Post employment Benefits

a) Defined Contribution Plans

State Government Provident Fund Scheme is a defined contribution plan. The contribution paid/payable under the scheme is recognized in the profit & loss account during the period, in which the employee renders the related service.

b) Defined Benefit Plans

Gratuity and Leave Encashment are defined benefit plans. The present value of obligation under such defined benefit plans are determined based on actuarial valuation under the projected unit credit method which recognizes each period of service as giving rise to additional unit of employees benefits entitlement and measures each unit separately to build up the final obligation.

The obligations are measured at the present value of future cash flows. The discount rates used for determining the present value having maturity periods approximated to the returns of related obligations.

ix) **Foreign Currency Transactions, Derivatives instruments and hedge accounting:**

Transactions in foreign currency other than those covered by forward contracts are accounted for at the prevailing conversion rates at the close of the year and difference arising out of the settlement are dealt with in the Profit & Loss account. Outstanding export documents when covered by foreign exchange forward contracts are translated at contracted rates. Other foreign currency current assets and liabilities outstanding at the close of the year are valued at the year end exchange rates. The fluctuations are reflected under the appropriate revenue head.

The company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions and not for trading or speculation purpose.

x) **Research and Development**

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research & development is shown as an addition to fixed assets.

xi) **Earnings per share**

Basic earning per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity share outstanding during the year.

Diluted earning per share is calculated by dividing the net profit attributable to equity shareholders by the weighted average number of equity share outstanding during the year (adjusted for the effects of dilative options).

xii) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

xiii) **Operating Leases**

Operating lease payments are recognized as expense in the profit & loss account on a straight-line basis over the lease term.

xiv) **Events occurring after Balance Sheet date**

Events occurring after the Balance Sheet date have been considered in the preparation of the Financial Statements.



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xv) **Contingent Liabilities**

Contingent liabilities as defined in Accounting Standard-29 are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefit will be required for an item previously dealt with as a contingent liability.

**As at 31-03-2010**      As at 31-03-2009

2. Contingent liabilities not provided for in respect of  
Excise duty demand disputed in appeals (Rupees) 5,45,967 5,45,967

3. In view of accumulated losses incurred by the company exceeding its net worth the company had made a reference to the Board for Industrial and Financial Reconstruction (BIFR) on 15-10-2005, which was registered as Case No. 157/ 2005 vide reference no F.3 (P-9)/ BC 2005 dated 14-11-2005. The company had since been declared as a "Sick Company" by BIFR vide its order dated 5<sup>th</sup> October 2006.

Consequently, the company filed a draft rehabilitation scheme (DRS) with BIFR on 10<sup>th</sup> January, 2007 for its approval. As per said DRS, M/s. Indo Count Industries Ltd., agreed to join the company as co-promoter. The Hon'ble Board then passed an order approving the DRS vide their order dated 5<sup>th</sup> July, 2007 and issued directions towards implementation of the scheme. With the implementation of the rehabilitation scheme, as per sanctioned scheme, though the company's net worth has become positive, the earnings are below the estimates. The company will be guided by further directions from BIFR based on annual review of performance.

4. Sundry Debtors include amount due from holding company Rs. 5,660,898 (Rs. 6,538,856 Previous year).

5. During the year, the following contributions have been made under defined contribution plans.

	2009-10 (Rs.)	2008-09 (Rs.)
a) Employer's Contribution to Provident Fund	1,751,274	1,314,294
b) Gratuity and Leave encashment benefits :	5,03,000	—

i) <b>Reconciliation of opening and closing balances of defined benefit obligations (funded) for gratuity and leave encashment</b>	2009-10 (Rs.)		2008-09 (Rs.)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Defined benefit obligation at the beginning of the year	41,43,664	7,38,825	4,821,034	868,371
Current service cost	6,46,644	1,14,600	637,665	74,767
Interest cost	3,52,211	62,800	337,472	60,786
Actuarial (gain)/Loss on obligation	(3,62,545)	(2,30,130)	(1,652,507)	265,099
Benefits Paid	—	—	—	—
Defined benefit obligation at the end of the year	47,79,974	6,86,095	4,143,664	738,825

ii) **Reconciliation of opening and closing balances of fair value of plan assets**

Fair value of plan assets at the beginning of the year	—	—	—	—
Expected return on plan assets	22,635	—	—	—
Employers' Contributions	5,03,000	—	—	—
Benefits paid	—	—	—	—
Actuarial gain/(loss) on plan assets	(1,258)	—	—	—
Fair value of plan assets at the end of the year	5,24,377	—	—	—



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iii) Reconciliation of Fair value of assets and obligations	2009-10 (Rs.)		2008-09 (Rs.)	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Fair value of plan assets	—	—	—	—
Present value of obligation	47,79,974	—	41,43,664	7,38,825
Amount recognized in Balance Sheet	42,55,597	6,86,095	—	7,38,825

**iv) Expenses recognized during the year**

Current service cost	6,46,644	1,14,600	6,37,665	74,767
Interest cost	3,52,211	62,800	3,37,472	60,786
Expected Return on Plan Assets	(22,635)	—	—	—
Actuarial (gain)/loss recognized in the period	(3,61,287)	(2,30,130)	(16,52,507)	(2,65,099)
Expenses recognized in P & L	6,14,933	(52,730)	(6,77,370)	1,29,546

**v) Actuarial assumptions**

	1994-96 (duly modified)	
	Gratuity	Leave encashment
Valuation method	Projected Unit Credit Method	
Mortality Table (LIC)	1994-96 (ultimate)	
Discount rate (per annum)	8.50 %	
Rate of Increase in Salaries	7.50 %	

The estimates of rate of future salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis. The discount rate is generally based upon the market yields available on Government bonds at the accounting date with a term that matches that of liability. The above information is certified by the actuary.

6. Foreign currency exposures recognized by the company that have been hedged as at 31<sup>st</sup> March, 2010 are as under:

Currency	Number of Contracts	Amount in Foreign Currency	Amount(Rs.)	Buy / Sell
US \$ / INR	4	535,000	24,005,450	Sell

7. As required under Accounting standard (AS) 22, 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India, the company is required to account for deferred taxation while preparing its accounts. The details of deferred tax assets / liabilities are as under:

Particulars	As At 01-04-2009 [Rs.]	Tax effect For the year [Rs.]	As At 31-03-2010 [Rs.]
<b>Deferred Tax (liability)</b>			
Fixed Assets Others	(29,542,465)	13,662,125	(15,880,340)
<b>Deferred Tax Assets</b>			
Accumulated Losses	89,245,365	(13,952,464)	75,292,901
43B items Others	1,014,949	(640,627)	374,322
Net deferred tax Assets / (liability)	60,717,849	(930,966)	59,786,883



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8. The term loans and working capital loans obtained by the Indo Count Industries Limited are to be secured by way of first / second / third charge of the existing fixed assets of the company, subject to company obtaining necessary approvals.
9. 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, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.
10. In the opinion of the management, the current assets, loans and advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business. Provision for all known liabilities have been adequately made in the accounts.

**11. Lease**

Disclosures in respect of operating lease are given as follows:

S. No.	Particulars	2009-10 [Rs]	2008-09 [Rs]
A	The total of future minimum lease payments under non-cancelable operating lease for each of the following years :		
(i)	Not later than one year;	—	—
(ii)	Later than one year and not later than five years;	—	—
(iii)	Later than five years;	<b>8,411,333</b>	—
B	Lease payments recognized in the statement of profit and loss for the year.	<b>588,667</b>	—
C	A general description of the lessee's significant leasing arrangements :- Lease rent agreement for specifications of machineries. There is no escalation clause in agreement. There are no subleases. The lease is renewable at the option of the lessee after the end of the term.	—	—

**12. Remuneration to Auditors**

Particulars	2009-10 [Rs]	2008-09 [Rs]
Statutory Audit Fees	<b>100,000</b>	100,000
Tax audit fees	<b>50,000</b>	—
Fees for Limited Review	<b>60,000</b>	60,000
Certification Fees	<b>3,500</b>	5,000
Other Matters	<b>20,000</b>	10,000
<b>TOTAL</b>	<b>2,33,500</b>	175,000

13. The company revalued its land, buildings and plant & machinery as on 01-04-2009 based on the valuation made by an approved valuer. Accordingly, the original cost of such assets resulted in gross increase in the value of assets over their original cost by Rs. 2,055,14,358, increase in depreciation upto the date of revaluation by Rs. 66,88,724 and thereby net increase in replacement cost by Rs.19,88,25,634. The net increase in the value of such land, building and plant & machinery has been credited to revaluation reserve account.



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

14. Related party disclosure as required under Accounting Standard – 18 (AS – 18):

Related Parties where transactions have taken place during the year.

A. Holding Company :

i) Indo Count Industries Ltd.

B. Directors

i) Shri Anil Kumar Jain

ii) Shri Kamal Mitra

Transactions with Related Parties during the year and balances at the end of the year.

[Rs.]

Nature of transaction	Holding		Total	
	31-03-2010	31-03-2009	31-03-2010	31-03-2009
<b>i) Unsecured Loans</b>				
- Opening balance	<b>2,80,80,914</b>	3,32,41,420	<b>2,80,80,914</b>	3,32,41,420
- Taken during year	<b>40,00,205</b>	26,64,699	<b>40,00,205</b>	26,64,699
- Repaid during year	<b>1,10,07,341</b>	78,25,205	<b>1,10,07,341</b>	78,25,205
- Closing balance	<b>2,10,73,778</b>	2,80,80,914	<b>2,10,73,778</b>	2,80,80,914
<b>ii) Debtors</b>	<b>56,60,898</b>	65,38,856	<b>56,60,898</b>	65,38,856
<b>iii) Expenses</b>				
- Purchases	<b>32,04,561</b>	15,76,022	<b>32,04,561</b>	15,76,022
- Interest	<b>20,00,205</b>	26,64,699	<b>20,00,205</b>	26,64,699
- Lease Rental	<b>5,88,667</b>	—	<b>5,88,667</b>	—
- Other Expenses	<b>27,21,736</b>	—	<b>27,21,736</b>	—
- Jobwork Charges	—	5,72,792	—	5,72,792
<b>iv) Income</b>				
- Sales during the year	<b>6,32,90,225</b>	2,92,16,692	<b>6,32,90,225</b>	2,92,16,692

15. Earning per per Share:

Particulars	2009-2010	2008-2009
a) Profit / (loss) after tax and prior period items as per Profit & Loss Account (in Rupees)	<b>2,06,38,234</b>	3,73,20,225
b) Weighted average number of equity shares outstanding	<b>1,92,41,280</b>	1,26,17,906
c) Basic and diluted earnings per share (in Rupees) (Face Value Rs. 10/- per share)	<b>1.07</b>	2.96

16. Previous years figures have been regrouped and / or rearranged wherever considered necessary.

17. Figures have been rounded off to the nearest Rupees.



**Pranavaditya Spinning Mills Limited**  
Information on Subsidiary Company U/S 212 of the Companies Act, 1956

18. Additional Information (Pursuant to the provisions of Part II & Part IV of Schedule VI to the Companies Act 1956)

Product	Unit	Licensed Capacity		Installed Capacity		Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cotton Yarn	Spindles Machine Nos.	<b>16,608</b> <b>18</b>	16,608 18	<b>16,608</b> <b>18</b>	16,608 18	<b>2,449,774</b>	2,015,915

**a) Production Capacity**

Product	Unit	Opening Stock		Purchases		Turnover		Closing Stock	
		Qty.	Value [Rs.]	Qty.	Value [Rs.]	Qty.	Value [Rs.]	Qty.	Value [Rs.]
Cotton Yarn	Kgs.	4,852	519,774	—	—	2,436,845	297,740,333	17,781	2,269,096
Cotton	Kgs.	—	—	218,993	14,754,786	218,993	14,755,417	—	—
Cotton Waste / Scrap	Kgs.	9,033	207,716	—	—	433,223	13,460,702	52,133	1,182,764
<b>Total</b>		13,885	727,490	218993	14754786	<b>3,089,061</b>	<b>325,956,452</b>	<b>69,914</b>	<b>3,451,860</b>

**b) Purchases, Sales and Stocks**

Product	Unit	Current Year		Previous Year	
		Qty.	Value [Rs.]	Qty.	Value [Rs.]
Cotton	Kgs.	<b>2,927,449</b>	<b>189,488,406</b>	2,331,285	166,583,361
<b>Total</b>		<b>2,927,449</b>	<b>189,488,406</b>	2,331,285	166,583,361

**c) Consumption of Raw Material and Components**

Particulars	Raw Material & Components				Stores, Spares, Packing Material & Fuel			
	Current Year		Previous Year		Current Year		Previous Year	
	(%)	[Rs.]	(%)	[Rs.]	(%)	[Rs.]	(%)	[Rs.]
Imported	—	—	—	—	—	—	—	—
Indigenous	<b>100.00</b>	<b>189,488,406</b>	100.00	166,583,361	<b>100.00</b>	<b>7,178,896</b>	100.00	4,581,669
<b>Total</b>	<b>100.00</b>	<b>189,488,406</b>	100.00	166,583,361	<b>100.00</b>	<b>7,178,896</b>	100.00	4,581,669

**d) Consumption of imported and indigenous Raw material, Components, Stores and spares, etc.**

	2009-2010 (Rs.)	2008-2009 (Rs.)
<b>e) Earning in foreign Currency</b>		
F.O.B. value of Exports	19,031,348	—
<b>f) Expenditure in Foreign Currency</b>		
Export Commission	360,648	—
Others	93,754	—



## Indo Count Industries Limited - 21<sup>st</sup> Annual Report 2009-2010

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (As per Part IV, Schedule VI to the Companies Act, 1956)

#### I. REGISTRATION DETAILS

Registration No.	11-68972 / 92	State Code	11
Balance Sheet Date	31-03-2010		

#### II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	32,500

#### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	5,560,776	Total Assets	5,560,776
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##### Source of Funds

Paid-Up Capital	3,65,650	Reserves and Surplus	1,700,824
Secured Loans	3,494,302	Unsecured Loans	NIL

##### Application of Funds

Net Fixed Assets	3,896,015	Investments	180,855
Deferred Tax Assets	262,074	Net Current Assets	879,074
Accumulated losses	(342,757)		

#### IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover	4,272,456	Total Expenditure	4,552,551
Profit Before Tax	(280,093)	Profit After Tax	(186,109)
Earning per Share in Rs.	(5.59)	Dividend	NIL

#### V) GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No.	5205	Product Description	Cotton Yarn
Item Code No.	6002	Product Description	Cotton Knitted Fabric
Item Code No.	8528.00	Product Description	Television Receiver
Item Code No.	2523	Product Description	Cotton Woven and Processed Fabrics

**Schedules A to Q annexed to and forming part of the statement of accounts have been duly authenticated.**

As per our report of even date annexed

**For B. K. Shroff and Co.,**

Chartered Accountants  
Reg. No. 302166E

**O. P. Shroff**

Partner

Membership No. 6329

Place : Mumbai

Date : 1<sup>st</sup> June, 2010

**Anil Kumar Jain**

Chairman and Managing Director

**R. N. Gupta**

Joint Managing Director

**Shirish S. Sule**

Company Secretary



# INDO COUNT INDUSTRIES LIMITED

Regd. Office : Village Alte, Taluka Hatkanangale, Dist. Kolhapur - 416 109.

## PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member/member(s) of the above named Company hereby appoint Mr./Miss/Mrs. \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
in the District of \_\_\_\_\_ or failing him her Mr./Miss/Mrs. \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our proxy  
to vote for me/us on my/our behalf at the **21<sup>st</sup> ANNUAL GENERAL MEETING** of the Company to be held at Village  
Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra, On **Saturday, the 31<sup>st</sup> July, 2010 at 11.00 a.m.**  
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

DP ID * / Folio No.	
Client ID *	

No. of Shares	
---------------	--

Affix a Re. 1/- Revenue Stamp
--

Address : .....  
.....  
.....

Signature (s) .....

**NOTE :** The Proxy Form duly completed, stamped and signed must be deposited at the Registered Office of the Company not less than Forty Eight hours before the time of holding the meeting.



# INDO COUNT INDUSTRIES LIMITED

Regd. Office : Village Alte, Taluka Hatkanangale, Dist. Kolhapur - 416 109.

## ATTENDANCE SLIP

DP ID * / Folio No.	
Client ID *	

No. of Shares	
---------------	--

I/We hereby record my/our presence at the **21<sup>st</sup> ANNUAL GENERAL MEETING** being held On **Saturday, the 31<sup>st</sup> July, 2010 at 11.00 a.m.** at Village Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra,

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Name of the Shareholder/Proxy .....

.....  
Signature of Shareholder/Proxy

**NOTE :** 1. Please complete this attendance slip and hand it over at the entrance of the venue of the meeting.  
2. Please bring your copy of Annual Report at the time of Annual General Meeting.  
3. \* Applicable for members holding shares in Demat Mode.