



## **NOTICE FOR THE NINETEENTH ANNUAL GENERAL MEETING:**

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Friday the 3rd September, 2010, at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Lalji Naranji Memorial Indian Merchant's Chamber Building Trust, (IMC Bldg.), Churchgate, Mumbai - 400 020, to transact the following business.

### **ORDINARY BUSINESS:**

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit & Loss Account of the Company for the year ended 31st March, 2010 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Shri A. Vivek Gangwal who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Shri Anand Agarwal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration

### **SPECIAL BUSINESS :**

5. To consider, and if thought fit, to pass with or without modifications(s) the following resolution as an **Ordinary Resolution :-**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals, as may be necessary, consent of the company be and is hereby accorded to the appointment of Shri. Pavan Agarwal as Managing Director of the Company for a period of 5 (five) years with effect from 1st February, 2010, with liberty to either party to terminate the appointment on three months notice in writing to the other and to his receiving remuneration, payments, perquisites and amenities from that date as given below:

The Managing Director shall be paid the following remuneration:

The Managing Director shall be paid Salary, Commission and perquisites restricted to 5% of the net profits of the company for any financial year.

- (a) Salary: Rs. 40, 000/- per month

In the event of inadequacy of profits or loss in any particular financial year comprised in the period of appointment, the maximum salary payable shall be Rs.40,000 per month. Under such circumstances, no commission would be payable

- (b) Perquisites: The following perquisites shall be allowed in addition to salary and commission.

For this purpose, the perquisites are classified into three categories

- Part A  
Part B  
Part C

Perquisites with regard to part B & C shall not be considered or included for the computation of the ceiling of perquisites.

### **Part - A**

1. Housing
  - i. The expenditure incurred by the Company on providing unfurnished accommodation to him will be subject to ceiling of 60% of the salary, over and above 10% payable by him.
  - ii. In case the accommodation is owned by the Company 10% of the salary shall be deducted by the Company.
  - iii. In case no accommodation is provided by the Company or the accommodation is owned or rented by him, House Rent Allowance will be 60% of the salary.
2. The expenditure on gas, electricity, water and furnishings shall be subject to a ceiling of 10% of the salary and shall be valued as per the Income-Tax Rules 1961.
3. Medical Reimbursement:  
The Company shall reimburse medical expenses incurred by the Managing Director on himself or his family subject to ceiling as may be prescribed by the Board/ Remuneration Committee from time to time.
4. Leave Travel Concession:  
For self and family, once in a year incurred in accordance with the rules of the Company.
5. Club Fees:  
Fees of the clubs subject to a maximum of two clubs. This will not include admission and Life Membership fees.
6. Personal Accident Insurance of an amount the annual premium of which does not exceed Rs. 4,000/-.

### **Part - B**

1. Company's contribution towards Provident Fund as per the rules of the Company but not exceeding 12% of the salary.
2. Company's contribution towards superannuation fund as may be provided if any, as per the rules of the Company, given together with the Provident fund not to exceed 25% of the salary as laid down under the Income-Tax Rules, 1962.
3. Gratuity not to exceed half months salary for each completed year of service or part thereof.

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### Part - C

1. The Managing Director shall be provided with a car for use of Company's business subject to the condition that the use of the car for private purposes shall be billed by the Company to him.
2. Provision for use of telephone (including payment of local and long distance official calls) facsimile and computer facility at residence.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized from time to time to amend, alter or otherwise vary the terms and conditions of the re-appointment of Shri Pavan Agarwal including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of managerial remuneration as may be admissible to him within the overall limits specified in

the Act, as existing or as amended, modified or re-enacted from time to time by the Government of India, as the Board of Directors of the Company may deem fit;

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to this resolution".

By order of the Board of Directors  
For **SUDITI INDUSTRIES LTD.**

Place: Mumbai  
Date: 28.05.2010

H. GOPALKRISHNAN  
COMPANY SECRETARY &  
V. P. FINANCE

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

#### Item No. 5

#### Appointment of Managing Director:

Pursuant to section 269 of the companies act, 1956, Shri.Pavan Agarwal was appointed as the Managing Director of the company with effect from 1st February, 2010 for a period of 5 years on the terms set out in the said Resolution. Shri. Pavan Agarwal was appointed by the Board in their meeting held on 30th January 2010 in place of Shri. Anand Agarwal who has relinquished the office of the Managing Director with effect from 1st February; 2010. Shri.Pavan Agarwal has been associated with the company from the date of incorporation. His long and dedicated service with the company in various levels resulting in considerable experience eminently qualifies him for appointment as Managing Director of the company for a period of 5 years on the terms and conditions as set out in the resolution. The proposed remuneration is well within the limit as specified in schedule XIII and other relevant amendments/provisions of the companies act, 1956.

The appointment of Shri Pavan Agarwal as Managing Director for a term of 5 years has been reviewed and recommended to the Board by the Remuneration Committee. The Board of Directors recommends this resolution for your approval.

Shri. Anand Agarwal and Shri. Pavan Agarwal who are related to each other are deemed to be interested in this resolution to the extent of his individual appointment.

By order of the Board of Directors  
For **SUDITI INDUSTRIES LTD.**

Place: Mumbai  
Date: 28.05.2010

H. GOPALKRISHNAN  
COMPANY SECRETARY &  
V. P. FINANCE

### NOTES:

1. An Explanatory statement relating to special business as set in the notice is annexed hereto, pursuant to section 173 (2) of the Companies act, 1956.
2. A member entitled to attend and vote at the above Meeting may appoint one or more Proxies to attend and vote instead of him. The Proxy need not be a member of the Company. Proxy form to be valid shall be deposited with the company not later than forty eight hours before the time for holding the meeting.
3. The relevant details in respect of Item No. 2, 3 & 5 pursuant to clause 49 of the Listing agreements with the Stock Exchanges are annexed hereto.
4. The Register of members and the Share Transfer Books of the Company will remain closed from Friday the 27th August, 2010, to Friday the 3rd September, 2010 (both days inclusive) for the purpose of Annual General Meeting.
5. Members are also requested to notify immediately of any change in their address to the Company/Share Transfer Agents.
6. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
7. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
8. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Holidays between 10.30 a.m. to 5.00 p.m. up to the date of the Annual General Meeting.

## SUDITI INDUSTRIES LTD.



Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri Vivek Gangwal	Shri Anand Agarwal	Shri Pavan Agarwal
Date of Birth	17.12.1970	02.01.1953	19.02.1965
Date of Appointment	16.06.2003	12.09.1991	12.09.1991
Expertise in specific Functional areas	Shri Vivek Gangwal has vast experience and knowledge in the various aspects of primary and secondary market operations, port folio management, equity research. His experience span over a period of more than 12 years and also traveled for enhancing and sharing his wide business experience.	Shri Anand Agarwal has more than 30 years of experience in the Textile Industry and has been closely associated with technical, commercial and other aspects of the Textile Industry. Undergone extensive training in Kobe-Japan for the manufacture of Knitted Fabrics.	Shri Pavan Agarwal has more than two decades of experience in the finance, marketing & other related matters particularly with reference to manufacture and export of garments
Qualifications	A graduate in Commerce and. Chartered Accountant	A graduate in Commerce	A graduate in Commerce
Directorships held in other companies (excluding foreign companies)	S.S.J.Finance Securities Ltd. S.S.J.Holding Ltd., Soba Inf osec P.Ltd. Soba Financial Services P.Ltd.	Black Gold Leasing Pvt. Ltd. Black Gold Holdings Pvt. Ltd. Black Gold Developers Pvt. Ltd. Black Gold Estates Pvt. Ltd. Black Gold Gardens Pvt. Ltd. Black Gold Constructions Pvt. Ltd. Black Gold Realtors Pvt. Ltd.	R.Piyarellal Pvt.Ltd. Intime Knits Pvt. Ltd
Committee position held in other companies	NIL	NIL	NIL
No.of Shares held	NIL	536500	762500

## Nineteenth Annual Report 2009-2010

### DIRECTORS' REPORT:

#### Dear Shareholders,

The Directors have pleasure in presenting the Nineteenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date.

#### Financial Results:

Particulars	(Rs. in Lakhs)	
	Current Year Ended	Previous Year Ended
	<b>31.03.2010</b>	31.03.2009
Export Sales	<b>160.03</b>	105.60
Local Sales	<b>2877.89</b>	2220.07
Other Income	<b>98.15</b>	126.77
Profit before Interest and Depreciation	<b>176.69</b>	34.37
Interest	<b>9.07</b>	-
Profit after Interest	<b>167.62</b>	34.37
Depreciation	<b>65.07</b>	48.93
Profit / (Loss) before Tax	<b>102.55</b>	(14.56)
Provision for Tax	<b>18.00</b>	6.32
Profit / (Loss) after Tax before extra ordinary items	<b>84.55</b>	(20.88)
Extra Ordinary Items (Net)	-	75.91
Net Profit	<b>84.55</b>	55.03
Add: Brought forward from the previous year	<b>525.68</b>	470.65
Transfer from General Reserve	-	-
Amount available for appropriation	<b>610.23</b>	55.03
Balance carried to Balance Sheet	<b>610.23</b>	525.68

#### Dividend:

Considering the need for conserving the resources for expansion of business activities, your Directors have decided not to recommend for payment of any dividend on the Equity Shares for the year ended 31st March 2010.

#### Operations:

There is substantial improvement in the performance during the year under review in comparison to previous year. The global economic conditions continue to remain subdued for the major part of the year. However some amount positive signs of economic recovery were seen in U.S.A and Japan. Further the performance of the Garment unit has also shown some remarkable improvement in terms of productivity and profitability. The overall turnover has registered a growth level of around 31% in comparison to previous year. Similarly the Garment unit have also recorded an increase in the turnover from Rs. 5.66 crores to Rs. 10.67 crores thus registering growth of almost 89% in comparison to last year.

The process house as well as garment units are now fully stabilized and the Company is now poised to take full advantage of its strength in the production of quality fabrics and Garments. Based on these strengths, the company is now venturing into Retail as well as Buying House activities. These business activities will enable the company to utilize

its facilities to derive the maximum benefit in terms access to market as well as synergy in the production and capacity utilization. Further regarding the pending EPCG License matter, the company continues to pursue with Joint DGFT, Mumbai to resolve the issue at the earliest.

#### Export Sales:

Even though there is some significant increase in the exports sale during the year under review in comparison to previous year, the overall export performance is not as per the anticipated levels. The recessionary trend in the U.S. and Europe had severe impact on the export performance of most of the textile units particularly in the garment sector. In spite of some stimulus measures announced by the government for the textile sector, the impact of the same is yet to reflect in the workings of the garment units in the country. Apart from this the unit value realization of the export orders are far from the breakeven levels for our units to execute under the prevailing conditions. Even the foreign exchange market is still not conducive for the exporters as the US \$ rates are not very attractive and stable.

The company is now taking all possible measures as the global conditions are showing signs of recovery particularly in the U.S.A and Japan. However Europe is still reeling under certain kind of recessionary conditions particularly in Greece, Spain etc .and the huge stimulus measures announced to bail out these economies will have some positive impact on the exports to these countries in the coming years. Considering all these aspects, the company is now directly taking exports Business from all over the world through its new Apparel Buying House division. This new division would be sourcing orders for arranging the supply through various manufacturers apart from providing business to the company's garment division on selective basis depending upon the profitability and volume of business.

Apart from this the company is also exploring the opportunities to expand its client base in African and Latin American countries including Mexico etc. to increase the scope of the export business. India is gradually becoming a global hub for sourcing Garments and Apparels by buyers from all over the world. In view of these emerging trends in the global market, the company has drawn up plans to increase its exports business by manifold in the coming years. Apart from this the company has installed some additional machinery in the printing, embroidery and other sections to cater to the requirements of some of the best international brands in the premium segments. Eventually the company is planning to export at least 50% of its production capacity to the various buyers all over the world with different product ranges.

#### Expansion:

There are no major expansion plans or any other form of investment envisaged for the company except adding some additional machineries and other balancing equipments to strengthen the production line as well as to provide some value addition to the garment division. However the company has started the following activities to enhance the market share as well as to increase the overall profitability of the company.

**1) Retail Division:**

The company has started the retail division under the Brand Name "RIOT". The Company would set up chain of Retail Stores in different part of the country to sell directly to the retail customers. Apart from this the company would also be setting up Franchise shops to sell the products directly to the retail customers. The initial investment for this new division would be made by the company and as per the projections all further investments would be generated by the division itself from its operations.

**2) Apparel Buying House:**

The Company has set up another division primarily to source the materials for various buyers from different part of the world. Apart from providing some good export business to our garment division this new division would be sourcing Apparels and Garments for various buyers against their requirements from local manufacturers. The investment for this new division is not very significant and would be made by the company from internal sources.

**Industrial Relations:**

Industrial relations with the employees at the Company's plant at MIDC, TTC Industrial Area, Pawne Village, Navi Mumbai, continue to remain healthy and cordial.

**Personnel:**

The statement showing the requisite information in compliance with the provisions of Section 217 (2A) of the Companies Act, 1956 is not furnished herewith, as there are no employees covered by that section.

**Deposits:**

The Company has not accepted any deposits within the meaning of Section 58A of Companies Act, 1956 and the rules made thereunder.

**Energy, Technology and Foreign Exchange:**

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 is given in the Annexure forming part of this report.

**Directors:**

During the year under review Shri Anand Agarwal relinquished his post as Managing Director and at the request of the Board agreed to continue as the chairman of the Board. In his place Shri Pavan Agarwal is appointed as Managing Director with effect from 1st February, 2010.

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company Shri Vivek Gangwal and Shri Anand Agarwal, Directors, would retire by rotation, and being eligible, offers themselves for re-appointment.

**Directors' Responsibility Statement:**

The Directors hereby confirm: -

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

**Corporate Governance:**

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

**Cost Audit:**

The Company has appointed M/s. Ritesh & Associates as the Cost Auditor to audit the cost records maintained by the Company for the year 2009-10 as per the direction received from the Central Govt., in respect of conducting the audit of cost records maintained by the Company.

**Auditors:**

M/s. Chaturvedi & Co, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**Appreciation:**

Your Company and its Directors wish to place on record their sincere appreciation for the support and assistance extended by different Central and State Government Departments and Agencies, Banks and Financial Institutions, Insurance companies, Customers and Vendors. Your Directors are thankful to the esteemed shareholders for their continued support and confidence reposed in the company and its management. Your Directors also wish to place on record their deep sense of appreciation to all the employees of the Company for their outstanding contribution towards the operations of the Company.

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 28.05.2010

ANAND AGARWAL  
CHAIRMAN

## Nineteenth Annual Report 2009-2010

### Annexure I

Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming Part of the Directors Report for the year ended 31st March 2010.

#### A) Conservation of Energy:

##### a) Energy Conservation measures taken: -

Energy conservation is very important in today's world and Company attaches significant importance to these measures. Regular review and evaluation of all Energy conservation measures are undertaken to ensure that systems and methods followed are very effective. The Company takes adequate steps to understand and adopt the latest developments in the field of energy conservation activities, so as to ensure that energy resources are utilized in a more appropriate and economical way.

Some of the important energy conservation measures implemented/developed during the year under review by the Company are listed below:

- 1) Oxygen controller has been fitted on boilers and Thermic fluid heater which ensures optimum supply of air for efficient burning of fuel thereby increasing the efficiency of the boiler & Thermic fluid heater which results in saving of fuel
  - 2) Arel-504 programmers are installed on two dyeing machines converting them into fully Automatic and this helps in achieving optimum utilization of energy and other inputs.
  - 3) APFCR units are installed with low value capacitor for unity power factor
  - 4) Auto dosing controllers are installed on some specified dyeing machines thereby considerably reducing the process time, thus saving energy.
  - 5) Machines of different capacity are installed to ensure that there is synergy in the process quantity and capacity of the machines. This will avoid running high capacity machines for low process quantity thereby saving the energy and other utilities.
  - 6) Air driven ventilators are used instead of power driven ventilators thereby ensuring a good saving in the energy consumption.
  - 7) Apart from this, there is proper adherence to preventive maintenance schedules, usage of rain water harvesting wherever possible, vigorous quality control on inputs including steam coal has helped the Company to stream line the usage of energy in a more economical way thereby reducing the wastage significantly.
- b) Additional Investment and proposals being implemented for reduction in the Consumption of energy: -
- 1) Considering the proposal to install the programmable logic controllers on all the remaining

machines to cut down energy consumption and wastage.

- 2) Replacement of high-energy consumption equipments with energy saver equipments.
- c) Impact of measures taken at a) & b) above for reduction of energy consumption and Consequent impact on the cost of production of goods: -
- 1) Considerable reduction in the wastage of Energy resources and better utilization of energy resources thereby achieving economy in the cost of operations.
  - 2) These measures help the company to reduce the cost of production, improvement in quality standards and productivity. Further, these measures also help the Company to offer competitive rates to the buyers both in the domestic and International market.

#### B) Technology Absorption:

##### a) Research & Development:

1. Specific area in which R&D is carried out by the Company:
  - a) Development of better recipe with the objective of economizing the cost of production as well as to ensure better finishing and feel of the fabric.
  - b) Company is actively involved in the development of new products, by using specific and advanced technology. These are high end products and more of import substitutes with added features.
2. Benefits derived as a result of the above R&D:
  - a) Apart from helping the company to remain cost competitive in the market, these measures have enabled the Company to maintain high quality standards with wide product range.
3. Future Plan of Action:
  - a) The Company continues its efforts to develop some specific new products that are used under some extreme weather condition to be used by certain establishment specifically.
  - b) The Company regularly explores new avenues and methods and carries out R&D activities particularly in the utilization of input materials, better processing system, and reduction in wastage levels as well as to operate the unit on eco-friendly basis.
4. Expenditure on R&D (in Rs.lakhs)

The aggregate expenditure in R&D both in the nature of capital and revenue is not very significant. The Company continues its efforts towards improving the products quality standards, productivity levels by using very small portion of its resources.



**b) Technology absorption, adoption, & innovation**

There are no major significant incidents to mention in the company during the year with respect to technology absorption, adoption or innovation. The Company is conscious and takes necessary action wherever the need arises for the same. As a matter of policy, the existing units are always upgraded with latest superior technology machineries. There is also regular programme to study and develop new combination of chemicals, colours, etc. in collaboration with vendors. In order to remain competitive in the International market, the Company needs to upgrade its quality standards, processing techniques etc. on a regular basis as per the changing needs and trends in the International market. The Company regularly monitors the developments in these areas and timely induction/absorption of these technologies is made to maintain its competitive strength in the market.

Regarding the imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the same are not applicable.

**C) Foreign Exchange Earnings and Outgo: -**

The figure of earnings and expenditure in foreign currency during the period under report are as under:

Particulars	(Rs.in Lakhs)	
	Current Year (2009-10)	Previous Year (2008-09)
Total Foreign Exchange used	51.69	20.46
Total Foreign Exchange earned (FOB Value)	136.29	93.99

**Form - A**  
(See Rule-2)

The disclosure of particulars with respect to conservation of Energy:

**A) Power and Fuel Consumption: -**

	Current Year (2009-10)	Previous Year (2008-09)
<b>1. Electricity</b>		
Units (KWH)	3147167	2969653
Total Amount (Rs.)	16463266	13666176
Average Rate	5.23	4.60
<b>2. Diesel Oil</b>		
Quantity (Lt.)	29344	33187
Total Amount (Rs.)	1072649	1282027
Average Rate (Rs./Lt.)	36.55	38.63
<b>3. Steam Coal</b>		
Quantity (Kgs)	4568409	4704534
Total Amount (Rs.)	22091666	24005364
Average Rate (Rs./Kgs.)	4.84	5.10

**B) Consumption per unit production:**

Electricity (Unit/Kg.)	1.19	1.10
Diesel Oil (Lt. /Kg.)	0.011	0.012
Steam Coal (Kg/Kg)	1.72	1.75

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 28.05.2010

ANAND AGARWAL  
CHAIRMAN

**Corporate Governance:**

**Report of the Directors on Corporate Governance**

The Company practices the Corporate Governance policies and procedures as per the norms laid down by the Board. The Company considers it as an important tool for protection and maximization of long term values. The Company believes in conducting its business in fair and equitable manner in all respects as per the ethical, professional, and legal standards. The standard of business conduct are based on the commitment made by the management to follow fair transparent, honest and equitable business practices, respect the confidentiality entrusted, obey the law of land and rules, honest and accurate reporting to stakeholders. The Company believes that best Board practices, transparent disclosures, and Shareholders empowerment are necessary for creating Shareholders wealth.

**Board of Directors:**

The Board of Directors of the Company is constituted as per the various provisions of the Companies Act including amendments from time to time and the listing requirement of the Bombay Stock Exchange Ltd. The details of the same are furnished in the table given below. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the Companies in which he is a Director.

**Composition of Board of Directors:**

The Board has an optimum combination of Executive and Non-Executive Directors as well as Independent Directors with necessary expertise from different fields.

Name of Directors	Executive or Non-Executive	Independent	Total No. of Directorships (including SIL)	No. of other Outside Committee Membership	No. of other Outside Committee Chairperson
Anand Agarwal	Non-Executive	No	1	--	--
Pavan Agarwal	Executive	No	1	--	--
A.Indu Sekhar Rao	Non-Executive	Yes	1	--	--
Vivek Gangwal	Non-Executive	Yes	1	--	--
Sushilkumar Kasliwal	Non-Executive	Yes	1	--	--

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Note: Number of Directorship/Memberships held in other companies excludes Directorships/Memberships in Private Limited Companies, Foreign Companies, companies under section 25 of the Companies Act, 1956, membership of managing committees of various chambers/bodies and alternate Directorships.

### Responsibilities and role of Independent Directors:

The responsibilities of the Board include wide range of activities with a greater emphasis on providing strategic direction to the Company towards achieving its goal. Generally, all these activities are formal schedule of activities as laid down by various statutes & provisions. The Independent Directors plays significant role in the implementation of Corporate Governance policies and practices. They take active part in the deliberations particularly in the functioning of various committees as they enrich the Board with their vast experience and knowledge.

### Board Meetings:

The Board of Directors (The Board) meets at least once in every quarter to review the quarterly results and additional meetings are held to consider any specific agenda of items wherever necessary. The Board Meetings are conducted in accordance with the provision of Companies Act and also in accordance with the provisions of Clause 49 of Listing Agreement. The Board is apprised and informed of all important matters relating to the business of the Company including those listed in Annexure-1A of clause 49 of the listing agreement. Senior Management Personnel & Auditors are also intimated to attend the Board meeting, to provide additional inputs to the items being discussed by the Board. Notice and Agenda for the meeting alongwith relevant notes/explanations are circulated in advance to enable the Board to discharge its responsibilities effectively and take informed decisions.

Five Board Meetings were held during the year from 1st April 2009 to 31st March 2010, i.e. on 30th April 2009, 30th June, 2009, 30th July, 2009, 31st October, 2009, & 30th January, 2010. Leave of absence was granted by the Board to the Directors who were absent at the respective board meeting.

Directors	No. of Board Meetings attended	Attendance at the Last AGM
Shri Anand Agarwal	5	Yes
Shri Pavan Agarwal	4	Yes
Shri A.Indu Sekhar Rao	5	Yes
Shri Vivek Gangwal	5	Yes
Shri Sushilkumar Kasliwal	2	Yes

### Details of Directors being appointed/re-appointed:

During the year under review, no new Director has been inducted to the Board, and also no Director has resigned from the Board. Further during the year Shri. Anand Agarwal who was appointed by the board as Managing Director has

relinquished the position as Managing Director and in his place the Board has appointed Shri. Pavan Agarwal as Managing Director for a period of 5 years with effect from 1st February, 2010. However as suggested by the Board Shri. Anand Agrawal agreed to continue as chairman of the Board.

Shri. Vivek Gangwal and Shri. Anand Agarwal, Directors of the Company retires by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

### Board Committee:

Currently the Board has constituted three Committees Viz., Audit Committee, Shareholders Grievances Committee and Remuneration Committee to provide specialized and focused attention relating to all the activities falling within the terms of reference as decided by the Board including the assignments of its Members thereof.

### Audit Committee:

Shri Vivek Gangwal chairs the Audit Committee and the other members of the Committee are Shri A. Indu Sekhar Rao and Shri Pavan Agarwal. Subsequent to the appointment of Shri. Pavan Agarwal as Managing Director in place of Shri Anand Agarwal who has relinquished the position of Managing Director, the Board has nominated Shri. Anand Agarwal as the member of the Audit committee with effect from 1st February, 2010.

- Shri. Vivek Gangwal is a Chartered Accountant and an expert in Investment and Securities market operations.
- Shri A.Indu Sekhar Rao is qualified technocrat and expert in Textile Industry.
- Shri Pavan Agarwal is Commerce Graduate with expertise in Garment exports and marketing activities.
- Shri. Anand Agarwal is Commerce Graduate with technical and commercial expertise in Garment manufacturing, exports and marketing activities.

All the members of the committee are professionals and are also financially literate within the meaning of Sub-clause (ii) explanation 1 of clause 49 II (A) of the listing Agreement. The terms of reference of the Audit Committee cover the matters specified in respect of such committee under clause 49 of the Listing Agreement, as amended from time to time and Section 292A of the Companies Act, 1956.

### Brief Description and terms of reference:

- 1) Oversight of the Company's financial reporting systems and procedures and the disclosure of its financial information to ensure that the financial statement is accurate, adequate and credible;
- 2) Recommending to the Board, in respect of appointment, re-appointment, the replacement or removal of the statutory auditor if necessary and the fixation of audit fees;
- 3) Approval of all payments to the statutory auditors for any other services rendered by them;





- 4) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) 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;
  - b) Significant changes, if any, in accounting policies and practices and reasons for the same;
  - c) All major accounting entries involving estimates based on the exercise of judgements by management;
  - d) Any significant adjustments made in the financial statements arising out of audit findings;
  - e) Compliance with listing and other legal requirements relating to financial statements;
  - f) Disclosure of any related party transactions;
  - g) Qualifications in the draft Audit report.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- 6) Reviewing, with the management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems;
- 7) Reviewing the adequacy of Internal Audit function, if any, including the frequency of Internal Audit;
- 8) Discussion with Internal Auditors, Cost Auditors etc., any significant findings and follow up thereon;
- 9) Examine 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 resulting in revenue leakage etc; and reporting the matter to the Board;
- 10) Review the Audit programme 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;
- 11) To look into the reasons for any substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends)and creditors;
- 12) To examine the functioning of the Whistle Blower mechanism of the Company;
- 12A) Approval of appointment of CFO (i.e., Whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate.
- 13) Undertake any other function as may be mentioned in the terms of reference of the Audit Committee

The Audit Committee also analyses and reviews the following informations:

1. Management discussion and analysis of financial condition and status of operations;
2. Detailed statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
3. Management notes/circulars/letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports/Cost Audit observations relating to internal control weaknesses;

Audit Committee meetings are regularly attended by Statutory Auditor, Cost Auditor, and Internal Auditor, apart from Senior Executives from Finance, Operational functions of the Company. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee has met 5 times during the year under review. The attendance of the each member of the committee at the Audit Committee meeting held is as under. Apart from this, the Audit Committee also met once before the presentation of Audited Accounts to the Board.

Name	No. of Meetings Attended
Shri Vivek Gangwal	5
Shri Indu Sekhar Rao	5
Shri Pavan Agarwal	5
Shri Anand Agarwal	Nil

The Minutes of the Audit Committee Meetings were noted at the Board Meetings. The Chairman of the Audit Committee was present at the 18th Annual General Meeting held on 11th September 2009.

**Remuneration Committee:**

Shri A.Indu Sekhar Rao chairs the Remuneration Committee and the other members of the committee are Shri Vivek Gangwal and Shri Sushilkumar Kasiwal. The Remuneration Committee reviews and recommends compensation payable to the Executive/Managing Director. Further the Committee also review the overall compensation structure and policies of the Company including the incentive schemes payable to all the Senior Management personnel with a view to attract, retain and motivate employees. The Committee also ensures that the compensation payable to the Senior Management personnel are consistent, fair and transparent in motivating and rewarding employees appropriately according to their job, role size, performances, contribution, skill and competence.

During the year under review the committee meet once in January 2010. The Committee had reviewed the elements of remuneration payable to the Managing Director while considering the appointment of Shri.Pavan Agarwal as Managing Director in place of Shri.Anand Agarwal and suggested to maintain the same for the year without any

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revision as the Company is still in the process of stabilizing its operations.

Name	Attended the Meeting	Status
Shri A. Indu Sekhar Rao	Yes	Chairman
Shri Vivek Gangwal	Yes	Member
Shri Sushilkumar Kasliwal	Yes	Member

### Remuneration Policy:

The Committee regularly evaluates and reviews the compensation policy with the objective of ensuring that compensation levels of the Company vis-à-vis other units in the same industry are not detrimental to the interest of the Company in all aspects. The compensation policy of the Company provides for performance-oriented incentives for various staff and executives in the organization. Whole-time Directors compensations are recommended by the Committee in accordance with the various provisions of the Companies Act and Rules & regulations. Non Executive Directors have not drawn any remuneration from the Company except sitting fees for the Board Meetings attended by them.

### Details of Remuneration to the Directors during the financial year ended 31st March 2010

Name of the Director	Salary	Perquisites & Other benefits	Sitting Fees	Reimbursement of expenses	Total
1. Anand Agarwal	640000	7800	-	139628	787428
2. Pavan Agarwal	128000	6322	6000	3000	143322
3. A.Indu Sekhar Rao	-	-	7500	4000	11500
4. Vivek Gangwal	-	-	7500	4000	11500
5. Sushilkumar Kasliwal	-	-	3000	1000	4000

### Shareholders/Investors Grievance Committee:

The Shareholder/Investors Grievance Committee is constituted with 3 Directors chaired by Shri Pavan Agarwal. The other members are Shri A.Indu Sekhar Rao and Shri Vivek Gangwal. The Board has nominated Shri. Anand Agarwal as the member of the Shareholders/Investors Grievance committee with effect from 1st February, 2010 in place of Shri.Pavan Agarwal who has been appointed as Managing Director of the company by the Board. The Committee approves transfers, transmission, splitting, and consolidation of shares. The Committee also monitors redressal of Shareholders grievance relating to transfer of shares, non-receipt of Annual Report etc. The committee also reviews the process, standard operating procedures, and initiatives taken by the Company relating to investor services. The committee ensures that all transfer/

transmission/split/consolidation etc are promptly attended and completed within the stipulated time period.

During the year under review, the committee met 17 times and the members were present in all the meetings respectively.

Name	No. of Meetings attend During the year	Attended all the Meeting
Shri Pavan Agarwal	15	Yes
Shri A.Indu Sekhar Rao	17	Yes
Shri Vivek Gangwal	17	Yes
Shri Anand Agarwal	2	Yes

The Committee also reviews the performance of R&T Agents periodically, which includes monthly charges, fees for undertaking the services as per the contracts and review of the contract in line with the volume of work and responsibility. The Committee also reviews the grievances report submitted by the Company's Registrar / Transfer Agents, and based on the report, there are no complaints pending against the Company. Details of Shareholders complaints, compliance officer etc. are separately indicated in the Shareholders information attached herewith and forms part of this report.

### Annual General Meeting:

a) The details of the Annual General Meeting (AGM) held during the last 3 years are as under:

AGM	Financial Year	Date and Time	Venue of AGM
18th	2008-09	September 11, 2009 at 4.00 p.m.	Kilachand Conference Room, 2 <sup>nd</sup> Floor, Lalji Naranji Memorial
17th	2007-08	August 29, 2008 at 4.00 p.m.	Indian Merchants' Chamber Building Trust, (IMC Bldg.),
16th	2006-07	September 14, 2007 at 4.00 p.m.	Churchgate, Mumbai - 400 020

b) Special Resolutions passed at the last three Annual General Meetings:

There were five Special Resolutions passed in the 17th Annual General Meeting. Except these resolutions, no other Special Resolutions were passed at the last three Annual General Meetings.

c) Passing of Special Resolutions by Postal Ballot:

There were no Extra Ordinary General Meetings held during the last three years. There were no Special Resolutions required to be passed through Postal Ballot in the last three Annual General Meetings. None of the Resolutions proposed for the ensuing Annual General Meeting needs to be passed by Postal Ballot.

**Code of Conduct:**

All the Directors and Senior Management Personnel have affirmed compliance with the code of conduct/ethics as approved by the Board of Directors.

**Communication and relationship with Shareholders:**

There is a proper and regular system of communication with the Shareholders in the company. The Chairman's Statement and Annual Report which inter-alia includes the Directors Report, the Report of the Board of Directors on Corporate Governance, Management Discussion, and Analysis Report, and the Audited financial results are the important means of communications with the Shareholders. Further, Company as well as its R&T Agents promptly responds to the shareholder's request for any information or enquiry. Annual General Meeting is the principal forum for interaction with Shareholders and is a major source for face-to-face communication with the Shareholders. The Company lays great emphasis on the role played by Shareholders and therefore engages open and active dialogue with all its Shareholders.

Further Shareholders are also informed through the press on a quarterly basis while publishing the quarterly financial results in the Free Press Journal in English and Navshakti daily in Marathi as also in Financial Express (All India Edition). Apart from this, announcement of Board meeting and book closures are also published through the press as per the listing requirement. The Annual report contains general shareholder information including inter-alia, shareholding pattern, distribution of shareholding, and information about the share prices during the year at The Bombay Stock Exchange Limited, Mumbai, in accordance with the provisions of the listing agreements. The quarterly and Annual Results etc. are also available in the Company's website.

The Management discussion and analysis report is provided as part of the Directors Report on Corporate Governance.

Details of Directors proposed to be re-appointed at the 19th AGM are provided as an annexure to the notice convening the said AGM.

**Disclosures:****1) Related Party Transaction:**

There are no materially significant transactions entered during the year under review by the company, which could have a potential conflict of interest between the Company and its Promoters, Directors, Management and/or their relatives etc. other than the transactions entered into the normal course of business. The necessary disclosures are received from Key Managerial Personnel relating to material, financial, and commercial transactions where they and/or their relatives have personal interest. Further, the Company ensures that the terms and conditions in respect of related party transaction are not prejudicial to the interest of the Company. During the year under review sales/purchase transactions between associate

companies did not exceed in value in the aggregate of 10% of the total sales/purchase of the Company. The Audit Committee has reviewed the related party transactions as mandatorily required under clause 49 of the listing agreement and found them materially not significant.

- 2) The Company has not observed any significant variation in the accounting treatment from that prescribed to be followed generally in the preparation of the financial statements.
- 3) Details of non-compliance, penalties, strictures by SEBI / Statutory Authorities /Stock Exchanges on matters relating to capital markets during the last 3 years.

The Company has also complied with the requirements of regulatory authorities on capital markets and also in respect of whistle blower policy regarding access to Audit Committee. No penalties or strictures were imposed on the Company by any Stock Exchanges, SEBI or any statutory authority on any matters relating to capital markets during the last 3 years.

**General Shareholder Information:**

The required information has been furnished separately under the head "Shareholder's Information."

**Auditors Certificate on Corporate Governance:**

The Company has complied with all the requirements of code of corporate governance as stipulated under clause 49 of the Listing Agreement with The Bombay Stock Exchange Limited, Mumbai and certificate from Statutory Auditors to this effect is annexed herewith as per the requirement.

Further compliance report from Practicing Company Secretary M/s.ND & Associates is also annexed herewith in respect of compliance of various provisions, rules & regulations of Companies Act 1956 including the amendments upto this date, listing rules and regulations, SEBI requirements etc.

**Risk Management:**

The Company has in place a mechanism to inform the Board and the Audit committee about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.

**CEO/CFO Certification:**

Shri. Pavan Agarwal Managing Director and CEO/CFO has submitted necessary certificate to the Board stating the particulars specified under said clause 49 and reviewed by the Audit Committee.

**DECLARATION & CERTIFICATION BY THE MANAGING DIRECTOR AND CEO / CFO UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

I Shri. Pavan Agarwal, Managing Director of Suditi Industries Ltd., to the best of my knowledge and belief certify that:

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- a. I have reviewed the financial statement and cash flow statement for the year ended 31st March, 2010 and to the best of my knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.
- b. I also certify that to the best of our knowledge and belief, there are no transactions entered into by Suditi Industries Ltd., during the year; which are fraudulent, illegal, or violative of the Company's Code of Conduct.
- c. I am responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed to the Auditors and the Audit Committee, deficiencies, in the design or operation of such internal controls, if any, of which I am aware and the steps that I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the Auditors and the Audit Committee:
- Significant Changes, if any, in internal controls during the year.
  - Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statement and
  - Instances of significant fraud of which I have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.
- e. I affirm that I have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any).
- f. I further confirm that all Board Members and Senior Management have affirmed compliance with the Code of Conduct for the Directors and Senior Management for the financial year ended 31st March 2010, as approved by the Board.

SUDITI INDUSTRIES LTD

Place: Mumbai  
Date: 28.05.2010

PAVAN AGARWAL  
MD & CEO/CFO

### NON-MANDATORY REQUIREMENTS:

- The Company has constituted a Remuneration Committee and the details are already provided in the Corporate Governance Report.
- As regards training of Board members, the Directors on the Board are seasoned professionals having wide range of expertise in diverse fields and no separate training programme is given.
- The quarterly/half yearly and Annual Financial Results, Code of Conduct etc., are also displayed in the website of the Company for the information of Shareholders/ members and general public. The quarterly/half yearly results are also reported to Stock Exchange and published in National newspapers in English and in Marathi newspapers having wide circulation. The same are not sent separately to Shareholders of the Company.
- Maintenance of Non-Executive Chairman's Office.
  - Company is not maintaining Non-Executive Chairman's office
  - As on date no Independent Directors have a continuous tenure exceeding nine year as they are subject to retire by rotation every alternate year.
- Mechanism for evaluating Non-Executive Board Members.

Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board Members.
- Whistle Blower Policy.

Company complies with the requirements and no personnel have been denied access to the Audit Committee.
- Audit Qualifications - Nil.

### Management Discussion and Analysis Report.

Management discussion and analysis report reflecting the performance and outlook including the future prospects for the Company is presented herewith.

#### Overview:

India's economy grew at its fastest pace in six months in the quarter through March 2010, fuelled mainly by government and consumer spending. The 8.6 percent expansion in the fourth quarter of the fiscal year 2009/10 was broadly in line with a median forecast of 8.7 percent and lifted the annual average growth rate for the full fiscal year to a slightly better-than-expected 7.4 percent.

The rapid acceleration in the world's second-fastest growing major economy after China is boosting consumer demand far ahead of what can be met by existing supply capacity, which means that inflation as well as high-levels of domestically held debt is serious concerns for the



Government. According to the latest estimates available on the Index of Industrial Production (IIP), almost all sectors have registered growth in Q3 of 2009-10.

Small and medium enterprises (SMEs) are also expected to contribute 22 per cent to India's Gross Domestic Product (GDP) by 2012, up from about 17 per cent at present, according to a survey. Small and Medium Enterprises (SMEs) in the textile sector need to put efforts for increasing productivity and market share. Textile industry should devote more to decentralization and desegregation. Each and every small and medium enterprise (SMEs) that contribute to the pool of textiles should find ways for increasing productivity and the market share. Therefore the textile industry needs to look beyond the focused markets.

The growth of garment sector, which has maximum scope for value addition, is today hampered because of number of constraints. Despite the fact that in India the total production cost of ring-spinning and knitting and weaving of ring yarn fabrics are the lowest in the world, India does not have a significant share in value added garments in global trade (only 3%). Therefore the policy, should focus on making India a manufacturing hub of value added garments and ensure that country is able to cultivate 20 internationally famous brands. The aim of the policy would be to achieve 15 to 20% share of these branded items in our exports in next five years. Since fibre consumption in India is very low compared to other countries, there is a need to encourage the domestic textile demand, expanding reach in rural areas and exploring new products. Also, the policy should try to achieve maximum consolidation of small and medium enterprises in the textiles and garment sector so that country can reap the benefits of economies of scale in the global supply chain. Currently, the domestic industry is dominated by small and medium enterprises and a number of them in the unorganized sector and consolidation will help the industry in realizing its true potential. Another important aspect of the policy would be to achieve greater energy efficiency and emission reduction in textile industry. For this, industry would require greater technological support to achieve lower emission and higher energy efficiency targets and to eliminate out dated technologies.

Concerned over the fragile recovery in textiles sector and apprehensive of the impact of Rupee appreciation in 2010, continuation of Stimulus Package for textiles industry for the year 2010 is necessary

#### **Significant Financial Events of the Year.**

The Company has recorded operating profit of Rs. 84.55 lakhs against the operating loss of Rs.20.88 lakhs in previous year. There is a substantial improvement in the performance due to stabilization in the production levels of the garment unit. Apart from this there is remarkable improvement in the performance of the process house after the completion of the up gradation programme. The Company has added some more balancing equipment and Machines in the current year to achieve optimum level of the Production capacity in the garment as well as process house.

However the Export Performance of the Company was not in line with the anticipated levels due to sluggish market conditions in USA and Europe. The company has taken some additional measures to increase the scope of Exports. However considering the current trend in the domestic market, the company is now taking some active interest to enhance the scope of local business particularly in the finished garments. The company has taken decision to set up retail chain of shops in different parts of the country to sell the garments directly to the consumers. Apart from this the company has also started Apparel Buying House division to source materials for overseas buyers apart from providing export business opportunity to the company particularly for the Garment unit. This will help the Company to expand the volume of Export sales to a considerable extend in the current year.

#### **Opportunities & Threats**

The Indian textile industry is one of the largest textile industries in the world and India earns around 27% of the foreign exchange from exports of textiles and its related products. Indian textile industry should have focused on all major sectors right from fibre to fashion and planned for an organized growth across the supply chain so as to compete with China and even countries such as Pakistan, Vietnam and Thailand. The Indian textile industry has the advantages of high operational efficiencies in spinning and weaving, low-cost skilled labor, availability of raw materials and design capabilities. The Indian textile companies are now aggressively upgrading their technology to compete in the global market. The government has streamlined the anomalies in taxation that used to exist in the textile industry, is providing subsidized loans to companies for technological up gradation, and is also acting as a facilitator to bring together the players in the industry. Further there is greater investment and FDI opportunities are available to the Indian players. Even though the global economic crisis seems to be worsening day-by-day, as long as economies are emerging and growing as those in South and South East Asia, textile industry is here to grow provided it takes competition and innovation.

The Growth rate of domestic textile industry is in the range of around 6-8% per annum. Further the Indian economy is also booming with a growth rate of around 7-8% and there is substantial increase in the disposable income and purchasing power of the middle class society. The per capita consumption of clothing is the lowest in the country compared to other nations. This particular situation is giving ample scope for our textile industry to grow and increase the business both in the domestic market as well as in the export markets. . The growing retail sector and mall culture is providing huge opportunities to the apparels and garments manufacturers all over the country. The company is also taking active participation to take advantage of these great opportunities and our objective of stepping into Retail business is totally based on these trends in the country.

The Indian industry has enriched its manufacturing capabilities and diversified its product base, emerging once

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again as an important global player. With a current market share of just over three per cent, India retains a strong and sustainable position among the top five exporters of textiles and clothing in the world. Given the current market share positions, it is unrealistic to expect India to catch up with China any time soon. However, the trend clearly is towards a reintegration of India's industry with the global trade. This will give certainly a big boost to the garment manufacturers as India is gradually becoming global manufacturing hub for garments and apparels. The company can certainly benefit from this opportunity as the company is complying with all the norms and conditions laid down by the buyers of reputed global brands both from the quality point as well as the manufacturing process followed in the company.

Apart from this there are great opportunities for entering into the luxury brands and there is huge scope for R&D to move across value chain. Even the domestic market is gradually shifting towards branded ready made garments. The Company is already there on this mission as the profitability levels on these high value added items are very attractive. Since the quality parameters observed by the company are as per international standards, the company is very much optimistic of enhancing its role as a reliable source of manufacturer in this product segment.

Alongside with these opportunities the industry is susceptible to certain threats. The major threat for the Indian textile sector is tough competition from developing countries such as China, Vietnam etc. Again the competitions is mainly focused on the value and pricing formula followed by the manufacturers of these countries. While cost of production in India is still remains very high and steadily rising, the cost structure of these countries is not affected significantly particularly in power and other inputs. The unfair competitions coupled with global economic recessionary conditions are certainly posing a big threat to the Indian industry.

There is also a need for improvement in quality on continuous basis in view of different demand patterns all over the World. There is slow improvement in matching the Quality to International standards and adoption to fast changing fashion demands. The other threat is from the stringent International Labour Laws and Environmental Laws. These laws cause severe constraints in achieving the productivity as per the International standards. The yarn prices are steadily going up and it is extremely difficult to make a balance between price and quality at the prevailing yarn prices. Unless and until yarn prices are stabilised, it would be difficult for the garment manufacturers to offer competitive rates to the buyers. Apart from this there is also threat from cheaper imports, need for a further change in FDI policy and a more liberal export import policy and procedures

However the Indian Textile Industry targets steady growth of 15% per annum of domestic textile industry and 20% per annum growth in our exports for the next five years in order to enable us to double our share in world textiles and clothing exports. Therefore there is tremendous opportunity for the industry to grow and perform and the company is

already in a strong position because of its strengths in manufacturing and its gradual entry into Retail and sourcing business. Considering all these factors the company can certainly look forward to take advantage of the new opportunities by overcoming the threats.

### Industry Structure & Development:

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. The Indian textiles industry is extremely varied, highly fragmented, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized power looms/ processing, hosiery and knitting sectors form the largest section of the textiles sector. The close linkage of the Industry to agriculture and the ancient culture, and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

The early-recorded history of textiles all over the world is the same. Every single step of preparing a textile item was manual. There was no mass Production for commercial purposes. This situation remained unchanged till the industrial revolution took place in the 18th century in Europe when the era of mass production arrived. The worst casualty of this revolution was the environment. Man has now realized this fact at the cost of wasting more than two valuable centuries. It is no longer adequate to have a finished product to be safe only to human beings, but the product has to be environmentally safe during its entire life cycle and even beyond. The challenges facing the textile industry have intensified during the last decade. Therefore the cost of complying with the environmental laws and regulations are becoming a major challenge for the industrial units particularly the processing units.

At present; the textile industry is undergoing a substantial re-orientation towards other than clothing segments of textile sector, which is commonly called as technical textiles. It is moving vertically with an average growing rate of nearly two times of textiles for clothing applications and now account for more than half of the total textile output. The processes in making technical textiles require costly machinery and skilled workers. The application that comes under technical textiles are filtration, bed sheets and abrasive materials, healthcare upholstery and furniture, blood-absorbing materials and thermal protection, adhesive tape, seatbelts, and other specialized application and products.

The export of garment and accessories and ethnic designs materials is an important factor for the global fashion industry. Thus the industries have numerous factors to carve the strength, in terms of cost-effectiveness in manufacture





and raw material, quick adjustment to what will sell, and a vast and relatively inexpensive skilled work force. India offers the international fashion houses competitive prices, shorter lead times, and a virtual monopoly in embellishments. Fashion is identified more than a dress. The recent introduction of accessories has revitalized the trends for production. The tailor-made-garments, private labels are emerging very well and manufacturing specific garments according to needs and these private labels are 25 per cent to 30 per cent cheaper than branded labels. These private labels are eyeing in retail sector. Therefore the Retail sector is likely to witness a major revolution in the coming years. The Process houses and garment units need to have adequate resources and infrastructure facilities to enter into this chain of business to take full advantage of this new business opportunity in the domestic market

With growing dependence on computers and related technologies, the industry is betting on technology as one of the major growth factors for the industry. In fact, it has evolved gradually in terms of technology adoption and has reached a critical mass today. From pedal-operated machines in the 60s, the industry moved on to power-operated machines and steam presses in the mid-80s, started assembly line manufacturing in the late 80s and then entered the phase of using computerized machines. Overall this assumes a greater importance, considering the Policy of achieving over \$25 billion garment exports from India by 2011.

The Company has already taken effective measures in anticipation of these developments and accordingly has made its entry into retail as well as apparel buying activities. Further flexibility in the manufacturing and quick response to the fast changing trends and fashions enables the Company to demonstrate its capabilities in the new emerging market conditions.

**Performance**

The Company has maintained the growth momentum in the performance levels if not as per the anticipated levels. The major reason is due to lower export sales than the projected levels. There are some significant improvements in the functioning of the garment unit. However the company is still expecting some improvement in the profitability levels which according to the current year trends and indications can be made possible once the higher end premium brand garment varieties are made in the unit. The details of revenue by segments are given below:

(Rs.in Lakhs)

	2009-10	2008-09	Percentage Change
Local Sales	2877.89	2220.07	29.63
Export Sales	160.03	105.60	51.54
Other Income	98.15	126.77	(22.58)
<b>Total:</b>	<b>3136.07</b>	<b>2452.44</b>	<b>27.88</b>

The Company has registered improvement in the income levels and correspondingly the Company has also recorded improvement in the performance by registering the operating profit of Rs. 84.55 lakhs against the operating loss of Rs. 20.88 lakhs in the previous year. With Retails operations and also based on the anticipated economic boom in the textile industry, the company is hopeful of achieving the projected levels of business in the current year.

**Earnings per share:**

The Company's earning per share for 2009-10 is Rs. 0.99 as against Rs.0.65 per share during 2008-09.

**Fixed Assets/ Investments:**

The Fixed Assets are adequately insured and maintained in good conditions. The Company continues to hold investment of 2880 Nos. of equity shares of IDBI Bank Ltd., in the demat form.

**Current Assets**

There is no significant change in the current assets levels and the current ratio position as on 31st March 2010 is 1.58.

**Human Resources**

Human Resources are vital to the growth of any organization. The Company's Productivity based incentive scheme, in-house training and orientation programme are very helpful in improving the productivity. The strength includes both direct and indirect labourers, which vary from month to month. The overall Employee Relations environment was healthy and worked well towards aligning colleagues across the organization, with the Company's business goals and mission.

**Risk and Concerns:**

Globalization has made business very competitive and challenging. Therefore Risk taking is very important and intrinsic to business growth. All business organizations are exposed to risks either from internal operations or from external environment. The success of any business organization depends on its ability to take risk. The greatest and most important challenge for an organization is to define the optimal risk level for its business to ensure that its activities produce risk adjusted returns. The risks exposed and the initiatives taken by the Company to counter such risks are given below.

Financial risks are concerned with Credit Risks, Volatile forex market and rates, asset-liability mismatch. The Company is mainly exposed to credit risks due to credit sales given in the local market. Apart from this there is also some amount of risks arising from various currency Exposures, particularly in the export sales with respect to USD, Euro exchange rates The Company has an appropriate policy in place and covers the risk partly by taking orders for shorter period instead of for long period contracts. Company has some standard method to deal with risk involved in investment of surplus funds. Since

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Company has very limited amount of borrowings from banks, the interest risk is minimal. Company always as a matter of policy ensures that at any given point of time there is adequate cover available to extinguish its liabilities.

Operational risks covers mainly systems, processes and people and includes areas such as attrition and retention of people, operational failure or difficulties, disruption in supply chain, failure of product development activities, and faulty application of information technology and non-compliance of various regulatory provisions. The Company is exposed to all such operational risks. However, the policies and procedures followed in the Company supported by the strong management information system and group business principles provide proactive approach to mitigate operational risks to a great extent. The Company's business critical software is operated on a server with regular maintenance and back-up of data. The Company adheres to legal compliance manual and certification process that ensures compliance of regulatory provisions and the same is reviewed by the Board of directors.

Strategic risks are associated with the environment from where it is operating and arises from inability to adjust to changes such as arising from competition/ threats, customer priorities, customer loyalty, trends and Fashions, acquisition or merger etc. The Company's approach in providing solution and servicing its customer, Compliance standards, transparent method of functioning in all aspects of dealing with customers, provide the Company requisite comforts to mitigate risks arising out of competition and customer loyalty.

Hazard risks are related to natural hazards arising out of manufacturing process, nature of product, accidents, fire, earthquake or cyclone etc. The Risk associated with protection of environment, safety of operations and health of people at work are regularly evaluated with reference to statutory regulations prescribed by the government authorities and local bodies. The Risk arising from product liability is protected through insurance policies or limited through contractual agreements wherever possible.

### Internal Controls & Systems

The internal control and systems are effectively placed in the company to review all the functions and procedures. These Internal Controls and Systems are regularly evaluated and this supplements the Company's efforts to check any major revenue leakage or wastage of resources. Regular reviews of systems are made by Internal Auditors through checking inspection and verification. The Internal Audit department makes a detailed Audit plan to identify the operational risk, wastage, and revenue leakages apart from identifying any non-compliance of statutory or other legal requirements. The Internal Audit process involves identification of the risks perceived for a particular function with review and evaluation of the effectiveness of the

existing controls for ensuring adherence to policies, systems, and recommendations for improvement. The recommendation and suggestions are also placed before the Audit Committee as per the requirement and necessary actions are initiated as per the Audit Action Plan.

### Outlook

There is a sense of optimism and confidence prevailing in the industry. As a result the industry is expected to grow at the rate of 16 per cent in value terms in the next five years. The policy measures initiated by the Government are showing striking results. Investment has increased significantly in the textiles sector, and is expected to touch Rs.1,50,600 crores by 2012. This enhanced investment will generate 17.37 million jobs (comprising 12.02 million direct and 5.35 million Indirect jobs) and additional demand in the local market by 2012. Today, the industry is increasingly embracing modern technology and work processes, becoming more globally competitive, building strong brand equity for its products, and consistently achieving higher growth rates than ever in its long history. The challenges are many. The Government is committed to transform what is today an emerging or sunrise sector, into a developed industry.

Therefore the future outlook for the Textile sector particularly for Garment is very encouraging and the timely entry into the Retail sector will further enhance the scope for our company to grow and improve the profitability levels. The Company understands this situation and accordingly necessary measures are taken at various levels to take maximum benefit out of the anticipated boom in the textile sector. "Think globally, act locally" is the slogan of tomorrow for the world textile industry

### Cautionary Statement

Statements and observations stated in this Management Discussion and Analysis & other reports, describing the Company's objectives, projections, data informations and estimates 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 make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and International markets, changes in the Government regulations, tax laws, statutes, and other incidental factors.

For and on behalf of the Board of Directors

Place: Mumbai  
Date: 28.05.2010

ANAND AGARWAL  
CHAIRMAN





## Shareholders' Information

### Registered Office:

A-2, Shah, & Nahar Indl.Estate,  
Unit No.23/26, Lower Parel,  
Mumbai - 400 013.

### Factory & Admn.Office

C-253/254, MIDC, TTC Indl.Area,  
Pawne Village, Turbhe,  
Navi Mumbai-400 705.

### Knitting and Garment Division:

C3-B, MIDC, TTC Indl.Area,  
Pawne Village, Turbhe, Navi Mumbai-400 705

### Annual General Meeting:

19th A.G.M.

### Date and Time:

3rd September, 2010 - 4.00 p.m.

### Venue:

Kilachand Conference Room, 2nd Floor,  
Lalji Naranji Memorial Indian Merchants'  
Chamber Building Trust (IMC Bldg.),  
Churchgate, Mumbai - 400 020.

### Financial Calendar (Tentative)

- First Quarter : End of July
- Second Quarter/Half year : End of October
- Third Quarter : End of January
- Fourth Quarter : End of April (In case of unaudited results)  
End of May (Audited Results)

### Date of Book closure:

27.08.2010 to 03.09.2010 (both days inclusive)

### Dividend payment:

Nil

### Listing on Stock Exchanges:

Company's (SIL) equity shares are listed on The Bombay Stock Exchange Ltd. (BSE)

### Listing fees:

The annual Listing fee for the financial year 2010-11 has been paid to The Bombay Stock Exchange Ltd.

### Delisting:

Delisted from Ahmedabad Stock Exchange and applied for delisting of shares from Delhi & Calcutta Stock Exchanges.

### Dematerialisation:

The Company's Shares are dematerialised in National Securities Depository Ltd. & Central Depository Services (India) Ltd. The Company's ISIN No. is INE691D01012. The Company is taking all steps to dematerialize the entire Share capital and the members are advised to Dematerialise their holdings immediately.

## Complaints:

The Company has received a letter from its R&T Agent M/s. Sharex Dynamic (I) Pvt.Ltd. indicating that there are no complaints pending against the Company. (Refer Investor Grievances Report)

## Unclaimed Dividend:

There is no unclaimed Dividend account pending for transfer to IEPE.

Market Price Data: Source (Website - bseindia.com)

Month	The Stock Exchange, Mumbai.		
	Low (Rs.)	High (Rs.)	Monthly Volume
April 2009	3.71	4.14	10800
May 2009	3.50	4.68	16800
June 2009	4.88	5.76	27400
July 2009	4.31	5.69	29000
August 2009	5.22	9.77	38200
September,2009	5.74	8.59	22500
October, 2009	5.25	7.04	5800
November, 2009	5.51	6.90	12100
December, 2009	5.35	6.47	6400
January, 2010	5.97	9.19	424900
February, 2010	5.42	7.19	5900
March, 2010	5.31	6.99	271700

Stock Code : Stock Exchange Mumbai (521113)

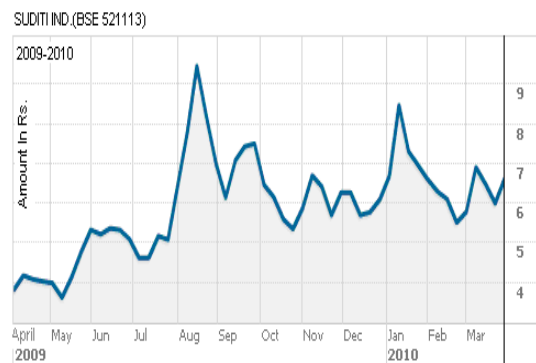
The ISIN Number is : INE691D01012 (NSDL & CDSL)

## Share Transfer Agent :-

M/s.Sharex Dynamic  
(India) Pvt.Ltd.  
17/B, Dena Bank Bldg.,  
2nd Floor, Horniman Circle,  
Fort, Mumbai - 400 001.

M/s. Sharex Dynamic  
(India) Pvt.Ltd.  
Unit-1, Luthra Ind. Premises,  
Safed Pool, Andheri Kurla Road,  
Andheri (E), Mumbai - 400 072.

## Stock Price Suditi v/s BSE Sensex (Source-Website)



## Nineteenth Annual Report 2009-2010

Plant Location:

" C-253/254, MIDC, TTC Indl.Area, Pawne Village, Navi Mumbai.

" C-3B, MIDC, TTC Indl.Area, Pawne Village, Navi Mumbai.

### Address for Correspondence:

Shareholders correspondence should be addressed to the Company's Share Transfer Agents at the address given above. In case of any difficulty, shareholders may contact Compliance Officer Mr. Deepak Naik (Tel: 67368600/10, 67368611)/or Company Secretary at the Company's Secretarial Dept. at C-253/254, MIDC, TTC Indl.Area, Pawne Village, Turbhe, Navi Mumbai - 400 705.

### SUDITI INDUSTRIES LTD.

### INVESTOR GRIEVANCE REPORT FOR THE PERIOD 01.07.2009 TO 27.05.2010

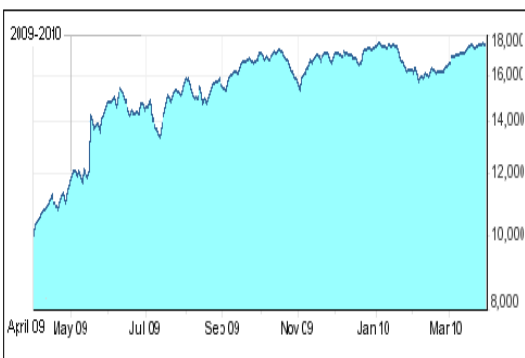
(As submitted by the R&T Agents M/s.Sharex Dynamic (I) P.Ltd. - Mumbai)

Distribution of shareholding as on 28th May 2010

Category From To	No. of Cases	% of Cases	Amount	% of Amt.
Upto 5000	10817	94.85	14339310	16.83
5001 - 10000	297	2.61	2436000	2.86
10001 - 20000	101	0.89	1595000	1.87
20001 - 30000	70	0.61	1762500	2.07
30001 - 40000	22	0.19	767000	0.90
40001 - 50000	14	0.12	667000	0.78
50001 - 100000	34	0.30	2638700	3.10
100001 and above	49	0.43	60994490	71.59
<b>Total:</b>	<b>11404</b>	<b>100.00</b>	<b>85200000</b>	<b>100.00</b>
Physical Mode	8837	77.49	46284000	54.32
Electronic Mode	2567	22.51	38916000	45.68
<b>Total:</b>	<b>11404</b>	<b>100.00</b>	<b>85200000</b>	<b>100.00</b>

Sl. Particulars	Receipt	Replied
1. REQUESTS		
A Change/Correction of address	3	3
B Receipt of dividend warrants for revalidation	—	—
C Correction of name on dividend warrants	—	—
D Change/Correction of Bank Mandate	—	—
E Receipt of IB for issue of duplicate d/w	—	—
f Letter of intimation of Bank Mandate	—	—
g Registration of Power of Attorney	—	—
h Request for ECS facility	—	—

BSE SENSEX



Shareholding Pattern as on 28th May, 2010.

Categories	No. of folios	No. of Shares	Percentage (%)
Foreign Collaborators	—	—	—
Foreign Promoters	—	—	—
Non-Resident Indians	566	182900	2.147
Nationalised Banks	5	1100	0.013
Other Bodies Corporate	110	725380	8.514
Directors	4	1299000	15.246
Company Promoters	18	2551600	29.948
Individuals / Others	10698	3759120	44.121
Overseas Corporate Bodies	—	—	—
Clearing Members	3	900	0.011
<b>Grand Total:</b>	<b>11404</b>	<b>8520000</b>	<b>100.00</b>

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

u. as fully paid Queries regarding payment of allotment money	1	1
2. COMPLAINTS		
a. Non-receipt of Dividend Warrant	—	—
b. Excess/Short payment of dividend	—	—
c. Non receipt of Annual Report	—	—
d. Correspondence/Query relating to NSDL/CSDL operations	—	—
e. Non receipt of refund order	1	1
f. Correction of name on securities	—	—
g. Non receipt of securities/complaint relating to transfer of shares	—	—
3. Others	1	1
<b>Total:-</b>	<b>12</b>	<b>12</b>

**COMPLIANCE REPORT**

To the Board of Directors  
SUDITI INDUSTRIES LIMITED

We have examined the registers, records, books and papers of Suditi Industries Ltd. (the Company), having its Registered Office at A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400013, and having Registration No.(11-63245) L19101MH1991PTC063245 as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from 1st April, 2009 to 31st March, 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify, in respect of the aforesaid financial year, that:

1. The necessary registers and records have been maintained properly and in accordance with the requirements.
2. All the requisite forms, returns, and documents have been filed with the Registrar of Companies and other authorities as per the provisions of the Act and Rules thereunder.
3. All the requirements relating to the meetings of Directors, Committees of Directors, and Shareholders as well as relating to the minutes of the proceedings thereat have been complied with.
4. All appointment/reappointment of Directors including the Managing Director have been made in accordance with the requirements of the Act.
5. Due disclosures have been made by the Directors under Section 299 and Section 274(1) (g) of the Act. The Company also complied with the requirements in pursuance of the disclosure made by its Directors.
6. Certificate of Shares and other securities have been issued and the Transfer and Transmission thereof have been registered as per requirement
7. All necessary approvals of Directors, Shareholders and other authorities as per requirement have been obtained.
8. Disclosure requirements as per listing agreements with BSE have been complied with.
9. The Company has transferred all unpaid Dividend to Investors Education & Protection Fund and there is no outstanding as on date.
10. The Company has complied with the disclosure requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

**For ND & ASSOCIATES**

Place: Mumbai  
Date: 28.05.2010

**Neeta H. Desai**  
Company Secretary  
FCS 3262 CP4741

**CERTIFICATE**

To,  
**The Members of Suditi Industries Limited**

We have examined the compliance of conditions of Corporate Governance by **Suditi Industries Limited** for the year ended 31st March, 2010 as stipulated in clause 49 of the listing Agreement of the said Company with the Stock Exchanges.

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

On the basis of representation received from The Registrars and Share Transfer Agents and as per records maintained by the Company which are presented to the Shareholders Grievances Committee, we state that, during the year ended 31st March, 2010 no investor grievances were pending for a period exceeding one month.

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 CHATURVEDI & COMPANY**  
**Chartered Accountants**

Place: Mumbai  
Date: 28.05.2010

**(S.N.CHATURVEDI)**  
**Partner**

## Nineteenth Annual Report 2009-2010

### AUDITOR'S REPORT

To,  
The Members of

#### SUDITI INDUSTRIES LIMITED

- 1) We have audited the attached Balance Sheet of SUDITI INDUSTRIES LIMITED as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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, 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 paragraph 4 & 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March 2010, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- f) In our opinion and to the best of our information and according to the explanations given and management representations made to us, the said accounts subject to what is stated in Para 4 above, read together with the accounting policies and other notes thereon, 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;
  - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2010
  - ii) In the case of the Profit and Loss account, of the "Profit" for the year ended on that date; and
  - iii) In the case of the Cash Flow statement, of the Cash Flow for the year ended on that date.

For CHATURVEDI & CO.  
Chartered Accountants  
(Registration No.302137E)

Place : Mumbai  
Date : May 28, 2010

S.N. CHATURVEDI  
(Partner)  
Membership Number: 40479

#### ANNEXURE TO THE AUDITORS' REPORT 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 except for the assets under installation.  
b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
c) As the assets disposed during the year is not very significant, it does not have any bearing on the going concern assumption followed by the company.
- 2) a) The inventory has been physically verified during the year by the management at reasonable intervals during the year.  
b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
c) The company is maintaining proper records of inventory. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
- 3) The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the companies Act, 1956
- 4) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.



- 5) a) 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 that section.
- b) As regards transactions made in pursuance of contracts or arrangement entered into the registers maintained under Section 301 and exceeding the value of rupees five lac in respect of any party during the year, in our opinion and according to the information and explanation given to us, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) The company has not accepted any deposits during the year from the public within the meaning of the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- 7) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) a) Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise duty, Cess and other statutory dues have generally been regularly deposited with appropriate authorities though there have been occasional delays.
- b) According to the information and explanations given to us, except for the following, no undisputed amounts payable in respect of income tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March 2010 for a period of more than six months from the date they became payable.

Name of the Statute	Nature of Dues	Amount (Rs in lacs)	Period to which the amount relates
Maharashtra Industrial Development Corporation (MIDC)	Being demand raised for differential water charges for earlier years	26.27	Nov.2001 onwards
		4.90	FY 04-05
		4.77	FY 05-06
		4.75	FY 06-07
		2.62	FY 07-08

- c) According to the records of the Company, the dues outstanding of Sales Tax, Excise Duty, on account of disputes are as follows.

Name of the Statute	Nature of Dues	Amount (Rs.in lacs)	Forum where dispute is pending	
Central Excise Act, 1944	On account of interpretation of exemption notification of Excise duty for the period		Commissioner (Appeals)	
		(a) March, 2002 to November, 2002		33.78
		(b) December, 2002 to January, 2003		6.34
		(c) September, 1998 to September, 1999		0.73
Sales Tax	Interest on delayed payment of Tax Demand raised as per Revised Order for F.Y.1998-99	10.85	Asst. Commissioner, Sales Tax, (Appeals) Mumbai	
		65.17		
		80.23		

- 10) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- 11) According to the records examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- 16) On the basis of the records examined by us, and according to the information and explanations given to us, the Company has not obtained any term loan during the year.
- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that, prima facie, no funds raised on short-term basis have been used 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) During the period covered under audit, the company has not issued any debentures.
- 20) The company has not raised any money through public issue during the year.
- 21) During the course of our examination of the books and records of the company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For CHATURVEDI & CO.**  
Chartered Accountants  
(Registration No.302137E)

**S.N. CHATURVEDI**  
(Partner)  
Membership Number: 40479

Place: Mumbai  
Date: May 28, 2010

## Nineteenth Annual Report 2009-2010

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

(Amount in Rs.)

SCHEDULE		As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Equity Share Capital	<b>A</b>	<b>85,200,000</b>	85,200,000
<b>Reserves &amp; Surplus</b>	<b>B</b>	<b>61,023,357</b>	52,568,291
<b>Loan Funds</b>			
Secured Loans	<b>C</b>	<b>21,107,429</b>	-
		<u><b>167,330,786</b></u>	<u>137,768,291</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	<b>D</b>	<b>316,048,436</b>	308,680,419
b) Less : Depreciation		<u><b>254,302,686</b></u>	<u>248,241,632</u>
c) Net Block		<b>61,745,750</b>	60,438,787
d) Capital Work in Progress		<u><b>4,041,810</b></u>	<u>4,041,810</u>
		<b>65,787,560</b>	64,480,597
<b>Investments</b>	<b>E</b>	<b>234,000</b>	234,000
<b>Deferred Tax Assets</b>		<b>17,080,086</b>	17,080,086
<b>Current Assets, Loans &amp; Advances :</b>			
a) Inventories	<b>F</b>	<b>44,820,706</b>	25,787,770
b) Sundry Debtors	<b>G</b>	<b>67,530,386</b>	58,497,884
c) Cash & Bank Balance	<b>H</b>	<b>5,807,472</b>	17,715,851
d) Loans and Advances	<b>I</b>	<b>53,952,396</b>	64,832,175
		<u><b>172,110,960</b></u>	<u>166,833,680</u>
<b>Less : Current Liabilities &amp; Provisions</b>	<b>J</b>		
a) Current Liabilities		<b>87,881,820</b>	110,860,072
<b>Net Current Assets</b>		<b>84,229,140</b>	55,973,608
		<u><b>167,330,786</b></u>	<u>137,768,291</u>

Significant Accounting Policies &

Notes to the Accounts :

**R**

This is the Balance Sheet referred to in our report of even date

**For CHATURVEDI & CO.**  
CHARTERED ACCOUNTANTS

**S. N. CHATURVEDI**  
(PARTNER)

**ANAND AGARWAL**  
(CHAIRMAN)

**PAVAN AGARWAL**  
(MANAGING DIRECTOR)

**A. INDUSEKHAR RAO**  
(DIRECTOR)

**VIVEK GANGWAL**  
(DIRECTOR)

**SUSHIL KUMAR KASLIWAL**  
(DIRECTOR)

**Place :** Mumbai  
**Date :** 28.05.2010

**H.GOPALKRISHNAN**  
(V.P.FINANCE & CO.SEC)

# SUDITI INDUSTRIES LTD.



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

(Amount in Rs.)

	SCHEDULE	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>INCOME</b>			
Sales - Export		16,002,777	10,559,949
Sales - Others		287,788,719	222,006,906
Other Income	K	9,815,390	12,677,054
		<u>313,606,886</u>	<u>245,243,909</u>
Increase /(Decrease) in Stock	L	(160,348)	7,835,975
		<u>313,446,538</u>	<u>253,079,884</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed	M	118,758,557	91,123,531
Manufacturing Expenses	N	104,732,506	97,404,104
Payment to & Provisions for Employees	O	28,158,393	31,331,852
Administrative & Selling Expenses	P	44,128,129	28,480,567
Interest	Q	907,163	-
		<u>296,684,748</u>	<u>248,340,054</u>
<b>Extra Ordinary Items:-</b>			
Write-back of excess provision		-	11,618,658
Settlement of claims		-	(4,027,475)
<b>Profit before Depreciation &amp; Tax</b>		<b>16,761,790</b>	<b>12,331,013</b>
Depreciation		6,507,224	4,893,213
<b>Profit before Tax</b>		<b>10,254,566</b>	<b>7,437,800</b>
<b>Taxation for the Year</b>			
Current Tax (MAT)		1,787,000	631,909
Wealth Tax		12,500	-
Fringe Benefit Tax		-	1,302,759
<b>Profit after Tax</b>		<b>8,455,066</b>	<b>5,503,132</b>
Balance brought Forward		52,568,291	47,065,159
Balance carried to Balance Sheet		<u>61,023,357</u>	<u>52,568,291</u>
<b>Basic and diluted Earnings per share</b>		<b>0.99</b>	<b>0.65</b>
(Face value Rs 10/- per share)			
No. of equity shares		8,520,000	8,520,000
Significant Accounting Policies & Notes to the accounts	R		

This is the Profit & Loss Account referred to in our report of even date

For CHATURVEDI & CO.  
CHARTERED ACCOUNTANTS

S. N. CHATURVEDI  
(PARTNER)

ANANDAGARWAL  
(CHAIRMAN)

PAVAN AGARWAL  
(MANAGING DIRECTOR)

A. INDUSEKHAR RAO  
(DIRECTOR)

VIVEK GANGWAL  
(DIRECTOR)

SUSHIL KUMAR KASLIWAL  
(DIRECTOR)

Place : Mumbai  
Date : 28.05.2010

H.GOPALKRISHNAN  
(V.P.FINANCE & CO.SEC)

## Nineteenth Annual Report 2009-2010

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE "A" - SHARE CAPITAL</b>		
<b>Authorised</b>		
18,000,000 Equity Shares of Rs. 10 each	<u>180,000,000</u>	<u>180,000,000</u>
Issued, Subscribed & Paid up		
8,520,000 Equity Shares of Rs. 10 each, fully paid up	<u>85,200,000</u>	<u>85,200,000</u>
	<u>85,200,000</u>	<u>85,200,000</u>
<b>SCHEDULE "B" - RESERVES &amp; SURPLUS</b>		
Profit & Loss Account	<u>61,023,357</u>	<u>52,568,291</u>
	<u>61,023,357</u>	<u>52,568,291</u>
<b>SCHEDULE "C" - SECURED LOANS</b>		
<b>Loan from Banks</b>		
Cash Credit	<u>21,107,429</u>	-
	<u>21,107,429</u>	-

#### Notes:

The prime security of Cash Credit loans availed from Union Bank of India is through hypothecation of all tangible moveable assets including raw materials, semi finished goods, finished goods & present & future book debts etc. The said facility is further secured by exclusive first charge on all the Company's moveable & immovable properties both present & future.

### SCHEDULE "D" - FIXED ASSETS

(Amount in Rs.)

Sr. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2009	Additions	Deduction/ Adjustments	As at 31.03.2010	As at 01.04.2009	For the Period	Deduction/ Adjustments	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	Land (Leasehold)	1,642,190	-	-	1,642,190	-	-	-	-	1,642,190	1,642,190
2	Building	16,214,666	-	-	16,214,666	7,988,982	541,570	-	8,530,552	7,684,114	8,225,684
3	Plant & Machinery	266,415,684	3,802,099	-	270,217,783	225,729,797	4,306,616	-	230,036,413	40,181,370	40,685,887
4	Furniture & Fixtures	7,601,511	228,025	-	7,829,536	5,217,131	487,032	-	5,704,163	2,125,373	2,384,380
5	Office & Other Equip.	7,407,491	1,717,152	-	9,124,643	4,651,414	432,347	-	5,083,761	4,040,882	2,756,077
6	Electrical Installation	8,099,230	94,229	-	8,193,459	4,310,632	384,862	-	4,695,494	3,497,965	3,788,598
7	Vehicles	1,299,647	2,826,159	1,299,647	2,826,159	343,676	354,797	446,170	252,303	2,573,856	955,971
		308,680,419	8,667,664	1,299,647	316,048,436	248,241,632	6,507,224	446,170	254,302,686	61,745,750	60,438,787
	Previous Year	294,208,079	14,486,965	14,625	308,680,419	243,348,988	4,893,213	569	248,241,632	60,438,787	50,859,091
	Capital Work In Progress									4,041,810	4,041,810



# SUDITI INDUSTRIES LTD.



## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
--	---------------------	---------------------

### SCHEDULE " E" - INVESTMENTS (At Cost)

(Quoted)	234,000	234,000
Industrial Development Bank of India Ltd. [ 2880 (Including Bonus issues of 1080 shares) Equity Shares of Rs. 10/- each fully paid up ] (Aggregate Market Value Rs.3,31,200/- ; P.Y.Rs.1,30,752/-)	<u>234,000</u>	<u>234,000</u>

### SCHEDULE "F" - INVENTORIES

(As taken, valued & certified by the Management)

Stores & Spares	8,499,843	4,902,119
Raw Materials	24,519,596	8,924,036
Work in Process	11,709,683	11,828,173
Finished Goods	91,584	133,442
	<u>44,820,706</u>	<u>25,787,770</u>

### SCHEDULE "G" - SUNDRY DEBTORS

(Unsecured and considered good)

Debts outstanding for a period exceeding six months	21,815,638	21,394,702
Other Debts	45,714,748	37,103,182
	<u>67,530,386</u>	<u>58,497,884</u>

### SCHEDULE "H" - CASH & BANK BALANCES

Cash on hand	1,910,855	974,481
Balances with Scheduled banks :-		
Current Accounts	1,285,214	9,741,370
Deposit Account	2,611,403	7,000,000
	<u>5,807,472</u>	<u>17,715,851</u>

### SCHEDULE "I" - LOANS & ADVANCES

(Unsecured, considered good and  
subject to confirmation)

Receivables in cash or in kind or for values to be received	38,942,938	46,161,264
Deposits	13,867,248	13,225,648
Balance with Central Excise & Customs	1,142,210	5,445,263
	<u>53,952,396</u>	<u>64,832,175</u>

## Nineteenth Annual Report 2009-2010

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE "J" - CURRENT LIABILITIES &amp; PROVISIONS</b>		
Current Liabilities :		
Sundry Creditors	43,363,307	51,933,432
Other Liabilities	31,256,511	48,823,700
Advances from Customers	13,262,002	10,102,940
	<u>87,881,820</u>	<u>110,860,072</u>
<b>SCHEDULE "K" - OTHER INCOME</b>		
Interest received	1,257,103	766,309
Miscellaneous Income	8,558,287	11,910,745
	<u>9,815,390</u>	<u>12,677,054</u>
<b>SCHEDULE "L" - INCREASE/(DECREASE) IN STOCKS</b>		
Closing Stock		
Finished Fabric	39,809	78,513
Finished Garments	51,775	54,929
Work in Progress	11,709,683	11,828,173
	<u>11,801,267</u>	11,961,615
Less : Opening Stock		
Finished Fabric	78,513	156,848
Finished Garments	54,929	109,858
Work in Progress	11,828,173	3,858,934
	<u>11,961,615</u>	4,125,640
	<u>(160,348)</u>	<u>7,835,975</u>
<b>SCHEDULE "M" - RAW MATERIAL CONSUMED</b>		
Opening Stock	8,924,036	5,784,799
Add : Purchases	134,354,117	94,262,768
Less : Closing Stock	24,519,596	8,924,036
	<u>118,758,557</u>	<u>91,123,531</u>

# SUDITI INDUSTRIES LTD.



## SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE "N" - MANUFACTURING EXPENSES</b>		
Stores & Spares Consumption	26,793,375	20,247,247
Stiching & Processing Charges	2,837,836	2,909,038
Fuel & Oil	23,164,315	25,287,391
Water Charges	5,831,763	6,052,151
Electricity Charges	16,463,266	13,666,176
Labour Charges	21,482,992	21,795,275
Jobwork-Garments	2,233,515	2,862,445
Knitting Charges	5,925,444	4,584,381
	<u>104,732,506</u>	<u>97,404,104</u>
<b>SCHEDULE "O" - PAYMENT TO &amp; PROVISIONS FOR EMPLOYEES</b>		
Salary, Wages & Bonus	20,628,349	11,473,853
Contribution to Gratuity Fund	134,555	491,256
Welfare Expenses	6,891,567	18,875,608
Contribution to Provident Fund	503,922	491,135
	<u>28,158,393</u>	<u>31,331,852</u>
<b>SCHEDULE "P" - ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Transportation	5,053,107	4,274,416
Travelling & Conveyance Expenses		
Conveyance Expenses	1,917,171	1,276,219
Travelling Expenses-Directors	1,329,659	389,294
Travelling Expenses-Others	308,900	311,064
Security Charges	1,951,086	1,864,148
Rates & Taxes	5,210,153	2,234,154
Electricity Expenses	135,010	153,296
Repairs and Maintenance :		
Building	706,977	458,429
Machinery	2,412,920	2,079,827
Others	2,901,297	3,247,632
Export Clearing & Forwarding Expenses	1,746,023	168,207
Motor Car Expenses	1,492,233	1,623,418
Printing & Stationery	1,383,704	951,376
Bank Charges, Commission & Others	3,160,692	982,021
Telephone/Telex & Postage Expenses	1,001,452	1,044,529
Advertisement Expenses	137,071	124,993
Sales Promotion Expenses	1,141,642	771,695
Registrar & Transfer Expenses	47,741	45,852
Insurance	240,909	260,668
Subscription & Membership	117,196	29,115
Licence & Fees	113,709	660,262
Remuneration to Managing Director	774,322	672,000
Consultancy Charges	2,464,872	1,471,540
Statutory Auditors Remuneration	165,450	165,450
Cost Auditors Remuneration	30,310	30,060
General Expenses	3,351,717	2,033,826
Loss on Sale of Assets	453,477	-
Sundry Balance (W.Off)	4,328,306	1,105,223
Prior Period Expenses	51,023	51,853
	<u>44,128,129</u>	<u>28,480,567</u>
<b>SCHEDULE "Q" - INTEREST</b>		
Bank Interest	907,163	-
	<u>907,163</u>	<u>-</u>

## Nineteenth Annual Report 2009-2010

### SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

#### SCHEDULE - R

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS:

##### A) SIGNIFICANT ACCOUNTING POLICIES:

recognised in the Profit & Loss account.

##### (i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS: -

- b) Foreign Currency liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last working day of the accounting year. The resulting gain/loss is recognised in the Profit & Loss account.

- a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

- b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles. The company follows the mercantile system of Accounting and recognises Income & Expenditure on accrual basis.

##### (vi) INVESTMENTS:

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

##### (ii) FIXED ASSETS:

##### (vii) INVENTORIES:

Inventories are valued as under: -

- a) Fixed Assets are stated at cost less accumulated depreciation. All costs relating to acquisition and installation of Fixed Assets including financing costs up to the date the Assets are put to use and adjustment arising from exchange rate variation relating to specific borrowings attributable to the Fixed Assets are allocated to the respective fixed assets.

- a) Raw materials, Stores, Spares, Dyes & Chemicals : At cost.

- b) Stock in process : At cost.

- c) Finished goods : At lower of cost or net realisable value.

- b) Capital Work In Progress: All expenditure incurred and interest cost during the project construction period, on projects which are not abandoned, are accumulated and shown as Capital Work-in-Progress until the assets are ready for use. Assets under construction are not depreciated.

Due allowance is estimated and made for defective and obsolete items, wherever necessary, based on the past experience of the company. The cost formulae used for determination of cost are on FIFO basis.

##### (iii) DEPRECIATION:

##### (viii) REVENUE RECOGNITION:

Revenue is recognised at the point of despatch of finished goods, which are exempted from excise duty. Sales value is net of returns and sales tax.

- a) Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified under Schedule XIV of the Companies Act, 1956.

- b) Depreciation on fixed assets added/disposed off during the year has been provided on pro-rata basis with reference to the date of addition/disposal.

##### (ix) CUSTOM DUTY:

Custom duty payable on imported Raw materials, components, stores/spares etc. is recognised to the extent assessed and charged by the customs department.

##### (iv) IMPAIRMENT:

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognized immediately as income in the profit and loss account.

##### (x) CUSTOM DUTY BENEFITS:

Custom duty entitlements eligible under Duty Entitlement Pass Book Scheme/Duty Draw Back benefit scheme is accounted in the year in which the exports are made.

##### (v) FOREIGN CURRENCIES:

- a) Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Foreign currency denominated current assets and current liabilities are translated at the year-end exchange rates. The resulting gain/loss is

##### (xi) EXCISE DUTY:

Excise duty is not applicable for the subject goods as the same is exempted from excise duty.

##### (xii) CENVAT:

Cenvat benefit was accounted for in the past by reducing the purchase cost of the material/fixed asset. However, no cenvat is considered for the year under review as the finished goods are exempted from Excise duty as per the Department's notification.

##### (xiii) EMPLOYEE BENEFITS :

###### Short-term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include



compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period.

**Long-term employee benefits:**

(i) Defined benefit plans:

**Provident Fund:**  
Provident Fund contributions are made to P.F. authorities administered by the Central Government. P.F. authorities make investment and are settling members claims.

**Gratuity Plan:**  
The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; such benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The present value of the obligation under such defined plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The appropriate discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

(ii) Other Long-term employment benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the long term risk free investments as at the balance sheet date.

**(xiv) BORROWING COST:**

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard (AS) - 16 on "Borrowing Costs" are capitalized as part of the cost of such assets up to the date when the asset is ready for its intended use. Other borrowing costs are expensed as incurred.

**(xv) CASH FLOW:**

The cash flow statement is prepared by the "Indirect Method" set out in Accounting Standard (AS) -3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company. Cash and cash equivalents presented in the Cash Flow Statement consists of cash on hand and deposits with banks.

**(xvi) CONTINGENT LIABILITIES:**

Contingent liabilities as defined in Accounting Standard (AS) - 29 on "Provisions, contingent liabilities and contingent assets" are disclosed by way of notes to the accounts. Provision is made if it is probable that an outflow of future economic benefit will be required for an item previously dealt with as a contingent liability.

**(xvii) EARNINGS PER SHARE:**

Basic and diluted earnings per share have been computed by dividing net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding for the period in accordance with AS-20, "Earning Per Share" issued by The Institute of Chartered Accountants of India.

**(xviii) INCOME TAX:**

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year. The deferred tax assets and liabilities are calculated on the accumulated timing difference at the end of an accounting period based on prevailing enacted tax rates. Deferred tax assets are not recognised on un-absorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xix) SEGMENT REPORTING:**

The company is presently engaged in the business of carrying out job work for processing of textile fabrics and manufacture/export of garments. Disclosure relating to primary and secondary business segments under the Accounting Standard on Segment Reporting (AS) - 17 issued by the Institute of Chartered Accountants of India have been made for a single product and for two geographical segments-local & exports.

**(xx) DEFERRED REVENUE EXPENSES:**

Preliminary expenses are written off in installments over a period of ten years.

**B) NOTES TO THE ACCOUNTS :**

- 1) I) **Contingent Liabilities not provided for:**
  - a) In respect of Bonds executed in favour of:
    - i Asst. Commissioner of Customs under EPCG scheme towards export obligation-Rs.169.07 lacs. (Previous Year Rs.169.07 lacs)
  - b) Disputed matters in appeal

Contested in respect of	<b>Current year 31.03.2010 (Rs. in lacs)</b>	Previous year 31.03.2009 (Rs. in lacs)
Excise Duty including penalties	<b>40.85</b>	40.85
Sales Tax	<b>156.25</b>	156.25

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 2.50 lakhs (Previous year Rs. Nil)

- 2) The Company's Sales Tax assessment is completed upto the accounting year 2002-2003 and the disputed demand outstanding upto the said assessment year is Rs.156.25 lacs. Based on the opinion received by the company, the demands made are likely to be either deleted or substantially reduced and accordingly no provision has been made in the accounts.
- 3) Some of the Balances in the customers and suppliers, deposit accounts are taken as per books and are subject to confirmation/reconciliation and consequent adjustments.
- 4) The company has computed Net Deferred Tax Asset for the current financial year F.Y. 2009-10. The management does not consider it appropriate to account for the Net Deferred Tax Asset due to the uncertainty of future profits.
- 5) a) The Company makes contribution towards Provident Fund administered by the Central Government. The

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contribution towards the Fund are made as per the Provident Fund Act and Rules amended from time to time. The amount of contribution is directly charged to the Profit and Loss account as revenue expense. Since the contribution is paid to the Provident Fund authorities of the Central Government as per rules & regulations, there are no further liabilities on the Company towards this obligation.

b) The Company makes annual contribution to the Employees Group Gratuity cum Life Assurance Scheme of Life Insurance Corporation of India, a funded "Defined Benefit Plan" for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Gratuity Scheme. Vesting occurs upon completion of five years of service. There are no other schemes, apart from the above, that are administered by the company for the benefit of employees.

c) The Company has also computed and made necessary provisions on account of leave encashment benefits based on actuarial valuation as per Accounting Standard-15(Revised) "Employee Benefits". The total service eligibility as per the Company's leave rules are estimated and provided in the books as a revenue expenditure after making adjustment towards the benefit paid on this account. The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 31st March, 2010. The following tables set out the funded status and amounts recognized in the Company's financial statement as at 31st March, 2010 for the defined benefit plans.

	(Rs.in lacs) Gratuity	(Rs.in lacs) Leave encashment benefits
	As at 31.3.2010	As at 31.3.2010
a) Changes in the defined benefit Obligation		
Projected defined benefit obligation, beginning of the year (1st April, 2009)	18.56	7.24
Current service cost	1.44	1.40
Interest Cost	1.18	0.59
Actuarial (gain)/loss	0.02	(1.14)
Benefits paid	(6.35)	(0.40)
Projected defined benefit obligation, end of the year	14.85	7.69
b) Changes in the fair value of plan assets		
Fair value of plan assets, beginning of the year (1st April, 2009)	15.21	-
Expected return on plan assets	1.29	-
Employer's contributions	0.79	-
Actuarial gain/(loss)	-	-
Benefits paid	(6.35)	-
Fair value of plan assets, end of the year	10.94	-
Liability (net)	3.91	7.69
c) Net employee benefit expense (recognized in		

Employee cost) for the year ended 31.3.2010)		
Current service cost	1.44	1.40
Interest defined benefit obligation	1.18	0.59
Expected return on plan assets	(1.29)	-
Net actuarial (gain)/loss recognized in the year	0.02	(1.14)
Past service cost	(0.79)	-
Net benefit expense	0.56	0.85
Actual return on plan assets	-	-

d) Assumptions used in accounting for gratuity And post-employment medical benefit Obligations		
Discount rate	7.5%	7.5%
Expected rate of return on plan assets	9%	8%
Increase in compensation cost	5%	5%

i) Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

ii) Expected rate of return on plan assets is based on the average long-term rate of return expected on Investments of the fund during the estimated term of the obligations.

iii) The estimates of future salary increases, considered in actuarial valuation, take account the inflation, seniority, promotion and other relevant factors.

	(Rs. in Lacs) Year ended (March 31, 2010)	(Rs. in Lacs) Year ended (March 31, 2009)
6) <b>Managerial Remuneration:</b>		
Managing Director's Remuneration Salary & Allowances	9.14	6.99
Company's contribution to PF	0.09	0.09
7) <b>Auditors Remuneration:</b>		
Audit Fees		
- Statutory	1.38	1.38
- Tax Audit Fees	0.27	0.27
Certification work	0.27	0.27
Reimbursement of Expenses	0.14	0.15
Cost Audit	0.30	0.30
8) <b>CIF Value of Imports</b>		
Capital Goods	25.46	7.91
Spares	18.50	12.55
9) <b>Expenditure in Foreign Currency</b>		
Travelling	7.73	-
Other	-	-
10) <b>Earnings in Foreign Currency</b>		
Export of Goods (FOB Value)	136.29	93.99

11) There are no Micro, Small and Medium Enterprises, to whom the Companies owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the company has neither paid nor is any interest payable to any Micro, Small and Medium Enterprises on the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

# SUDITI INDUSTRIES LTD.



## 12) Capacity and Production:

Class of Goods	Unit of Measurement	Installed capacity		Actual production	
		Current Yr.	Previous. Yr.	Current Yr.	Previous. Yr.
Processed fabrics	MT	4050	4050	2651.02	2695.60
Garments	PCS	1200000	1200000	1114654	681783

Production includes Job work done for third parties.  
(As certified by the management and being a technical matter accepted by the Auditor.)

## 13) Raw Materials consumed:

Unit of Measurement		Year ended (March 31, 2010)		Year ended (March 31, 2009)	
		Qty.	Value (Rs.in lacs)	Qty.	Value (Rs.in lacs)
Yarn & Fabric	MT	548.71	748.69	303.13	390.09
Dyes & Chemicals		--	438.90	--	521.14

## 14) Consumption of Imported and indigenous raw materials, stores and spare parts and percentage of each to the consumption .

	Year ended March 31, 2010 (Rs. in lacs)		Year ended March 31, 2009 (Rs. in lacs)	
	Value	%	Value	%
i) Raw Materials				
a) Imported	--	--	--	--
b) Indigenous	1187.59	100	911.23	100.00
ii) Stores & Spare parts				
a) Imported	18.50	6.90	12.55	6.20
b) Indigenous	249.43	93.10	189.92	93.80

## 15) Sales:

		Year ended March 31, 2010 (Rs. in lacs)		Year ended March 31, 2009 (Rs. In lacs)	
		Qty.	Value	Qty.	Value
Processed Fabrics	MT	2446.15	1964.55	2576.96	1753.62
Ready-made Garments	PCS	1114654	1067.31	681783	565.50

## 16) Stock of finished goods:

		Current year March 31, 2010 (Rs. in lacs)		Previous year March 31, 2009 (Rs. in lacs)	
		Qty.	Value	Qty.	Value
Knitted Fabrics					
Opening Stock	MT	0.94	0.78	0.94	1.57
Closing Stock	MT	0.89	0.40	0.94	0.78
Ready-made Garments & Made ups					
Opening Stock	PCS	2891	0.55	2891	1.10
Closing Stock	PCS	2725	0.52	2891	0.55

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<b>17) Name of Related Parties and nature of related party relationships</b>		Loans & Advances (net)			
As per AS-18 issued by The Institute of Chartered Accountants of India, the Companies related parties are disclosed below.		Credit	11.87	(-)	
<b>a) KEY MANAGEMENT PERSONNEL</b>			(-)		
1) Mr.Anand Agarwal - Chairman, Mr. Pavan Agarwal - Managing Director		Sale of Fixed Assets (Building)	-	(-)	
2) Relatives of Key Management Personnel : Mr.Kishorilal Agarwal (Father), Mr.Govind Agarwal (Brother), Mr. Rajendra Agarwal (Brother), Mrs.Pramila Agarwal (Wife of Anand Agarwal), Mrs.Shalini Agarwal (Wife of Pavan Agarwal)		Payments for Services Rendered	29.32	(-)	
<b>b) Enterprises under Common Control of the Promoters</b>		Managing Director's Remuneration	(22.62)	9.23 (7.08)	
1. BLR Knits Pvt. Ltd.		Note:			
2. Intime Knits Pvt. Ltd.		• Figures in bracket represents corresponding amount of previous year.			
3. Black Gold Leasing Pvt. Ltd.		• Related party relationships have been identified by the management and relied upon by the auditors.			
<b>Transactions with Related Parties: During the year the following transactions were carried out with the related parties in the ordinary course of business.</b>		<b>18) The Computation of Earnings Per Share</b>			
Particulars	(Rs .in lacs)	(Rs .in lacs)	<b>Particulars</b>	<b>Current Year 2009-10</b>	<b>Previous Year 2008-09</b>
	Associate concerns & companies referred to in 17(b) above	<b>Key Management Personnel</b>	Profit after tax (Excluding extraordinary item)	<b>8455066</b>	(2088051)
Sales of Goods	331.48	(-)	Nominal value of shares	<b>Rs.10/- each</b>	Rs.10/- each
	(192.79)		Number of equity shares	<b>8520000</b>	8520000
<b>Balance outstanding as at the year end :</b>			Basic & Diluted Earnings Per Share	<b>0.99</b>	(0.25)
Sundry Debtors	69.81	(-)	Basic & Diluted Earnings Per Share (Inclusive of extraordinary items)	<b>0.99</b>	0.65
	(29.69)	(-)			
Deposits	100.80	(-)	19) The previous year's figures have been regrouped & rearranged wherever necessary.		
	(100.80)	(-)			
<b>For CHATURVEDI &amp; CO.</b>			<b>For and on behalf of Board</b>		
CHARTERED ACCOUNTANTS					
<b>S. N. CHATURVEDI</b> (PARTNER)		<b>ANAND AGARWAL</b> (CHAIRMAN)		<b>PAVAN AGARWAL</b> (MANAGING DIRECTOR)	
		<b>A. INDUSEKHAR RAO</b> (DIRECTOR)		<b>VIVEK GANGWAL</b> (DIRECTOR)	
		<b>SUSHIL KUMAR KASLIWAL</b> (DIRECTOR)			
<b>Place : Mumbai</b>		<b>H.GOPALKRISHNAN</b> (V.P.FINANCE & CO.SEC)			
<b>Date : 28.05.2010</b>					





**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH 2010**  
(Pursuant to amendment to clause 32 of the Listing Agreement)

(Rs. in Lakhs)

	2009-10	2008-09
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	102.55	(14.56)
ADJUSTED FOR:		
DEPRECIATION	65.07	48.93
FOREIGN EXCHANGE	-	-
INVESTMENTS	-	-
INTEREST	9.07	-
LOSS ON SALE OF ASSETS	4.53	-
PRE-OPERATIVE EXPENSES WRITTEN OFF	-	-
LOSS DUE TO FIRE	-	-
CAPITAL ADVANCES WRITTEN OFF	-	48.93
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>181.22</u>	<u>34.37</u>
ADJUSTED FOR:		
TRADE AND OTHER RECEIVABLES	18.47	(291.27)
INVENTORIES	(190.33)	(122.22)
TRADE PAYABLES	(85.70)	95.88
PROVISION & OTHER LIABILITIES	<u>(144.07)</u>	<u>8.63</u>
CASH GENERATED FROM OPERATIONS	<u>(220.41)</u>	<u>(274.61)</u>
DIRECT TAXES PAID	<u>(18.00)</u>	<u>(6.32)</u>
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	<u>(238.41)</u>	<u>(280.93)</u>
EXTRA ORDINARY ITEMS		
LOSS DUE TO FIRE	-	-
LOSS ON DISPOSAL OF STRUCTURE	-	-
ECGC OLD SETTLEMENT	-	(40.27)
WRITE BACK OF EXCESS PROVISION	-	116.19
<b>NET CASH FROM OPERATING ACTIVITIES (a)</b>	<u>(238.41)</u>	<u>(205.01)</u>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
PURCHASE OF FIXED ASSETS	(86.68)	(144.35)
SALE OF FIXED ASSETS	4.00	-
ACQUISITIONS OF COMPANIES	-	-
PURCHASE OF INVESTMENTS	-	-
SALE OF INVESTMENTS	-	-
INTEREST RECEIVED	-	-
DIVIDEND RECEIVED	-	-
CAPITAL ADVANCE	-	-
DISPOSAL OF ASSETS (DUE TO FIRE)	-	-
<b>NET CASH USED IN INVESTING ACTIVITIES (b)</b>	<u>(82.68)</u>	<u>(144.35)</u>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	-	-
PROCEEDS FROM LONG TERM BORROWINGS	211.07	-
REPAYMENT OF FINANCE LEASE LIABILITIES	-	-
DIVIDEND PAID	-	-
INTEREST PAID	<u>(9.07)</u>	-
<b>NET CASH USED IN FINANCING ACTIVITIES (c)</b>	<u>202.00</u>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (a+b+c)</b>	<u>(119.09)</u>	<u>(349.36)</u>
CASH AND CASH EQUIVALENTS AS AT 1ST APRIL 2009	177.16	526.52
(OPENING BALANCE)		
<b>CASH AND CASH EQUIVALENTS AS AT 31<sup>ST</sup> MARCH 2010</b>	<b>58.07</b>	<b>177.16</b>
(CLOSING BALANCE)		

Negative figures (-) represent cash outflows.

This is the Cash Flow Statement referred to in our report of even date

For **CHATURVEDI & CO.**  
CHARTERED ACCOUNTANTS

On behalf of the Board  
For **SUDITI INDUSTRIES LTD.**

**S.N.CHATURVEDI**  
(PARTNER)

**ANAND AGARWAL**  
(CHAIRMAN)

Place : Mumbai  
Date : 28.05.2010

# Nineteenth Annual Report 2009-2010

## Balance Sheet abstract and Company's General Business Profile as per Schedule VI. Part-(IV) of the Companies Act, 1956.

### I. Registration Details

Registration No.      State Code    
 Balance Sheet Date          
 Date Month Year

### II. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue          
 Right Issue          
 Bonus Issue          
 Private Placement

### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousand)

Total Liabilities           
 Total Assets

#### Source of funds

Paid-up Capital           
 Reserves & Surplus           
 Secured Loans           
 Unsecured Loans

#### Application of Funds

Net Fixed Assets           
 Investments           
 Net Current Assets           
 Miscellaneous Expenditure  
 (including deferred tax assets)           
 Accumulated Losses

### IV. Performance of the Company

(Amount in Rs. Thousand)

Turnover (Income)           
 Total Expenditure           
 Profit before Tax           
 Profit after Tax          
 Earnings per share (Rs.)          
 Dividend rate (%)

### V. Generic names of Two principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
<input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/>	<b>Knitted Cotton Fabric</b>
Item Code No. (ITC Code)	Product Description
<input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>	<b>Knitted Man Made Fabric</b>

**ANAND AGARWAL**  
(CHAIRMAN)

**PAVAN AGARWAL**  
(MANAGING DIRECTOR)

**A. INDU SEKSHAR RAO**  
(DIRECTOR)

**VIVEK GANGWAL**  
(DIRECTOR)

Place : Mumbai  
Date : 28.05.2010

**SUSHIL KUMAR KASILWAL**  
(DIRECTOR)

**H.GOPALKRISHNAN**  
(V.P.FINANCE & CO.SEC)

# SUDITI INDUSTRIES LIMITED

Registered Office : A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400 013.

## PROXY FORM

Folio No.: ...../DP ID No.\* ..... & Client No.\* ..... No. of Shares held.....

\* Applicable for members holding shares in electronic form.

I/We..... of.....

..... in the district of.....

..... being a Member/Members of the above name Company hereby

appoint..... of..... in

the district of..... or failing him.....

of..... in the district of.....

as my/our proxy to vote for me/us on my/our behalf at the NINETEENTH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 3rd September, 2010 and at any adjournment thereof.

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

Affix 1 Rupee Revenue Stamp
--------------------------------------

**Note : The proxy form should be deposited at the Registered Office of the Company forty-eight hours before the meeting.**

# SUDITI INDUSTRIES LIMITED

Registered Office : A-2, Shah & Nahar Indl. Estate, Unit No.23/26, Lower Parel, Mumbai-400 013.

## ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

Nineteenth Annual General Meeting - September 3rd, 2010

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company on Friday, 3rd September, 2010 at 4.00 p.m. at Kilachand Conference Room, 2nd Floor, Laji Naranji Memorial Indian Merchant's Chamber Building Trust (IMC Bldg.), Churchgate, Mumbai – 400 020.

Full name of Member (In Block Letters) .....

Folio No.: ...../DP ID No.\* ..... & Client No.\* ..... No. of Shares held .....

\* Applicable for members holding shares in electronic form.

Full name of Proxy (In block letters) .....

Member's/Proxy Signature .....

**BOARD OF DIRECTORS**

**Anand Agarwal**  
(Chairman)

**Pavan Agarwal**  
(Managing Director)

**A. Indu Sekhar Rao**

**Sushil Kumar Kasliwal**

**Vivek Gangwal**

**H. Gopalkrishnan**

V. P. Finance & Company Secretary

**Registered Office**

A-2, Shah & Nahar Estate, Unit No. 23/26,  
Lower Parel, Mumbai 400 013.

**Factory & Admn. Office**

C-253/254, MIDC, TTC Industrial Area, Turbhe,  
Pawane Village, Navi Mumbai 400 705.

**Works****Unit No. 1**

C-253/254, M.I.D.C., T.T.C. Indl. Area,  
Pawne Village, Navi Mumbai 400 705

**Unit No. 2**

C-3/B, M.I.D.C.,  
T.T.C. Indl. Area  
Navi Mumbai 400 705.

**Auditors**

Chaturvedi & Co.  
81, Mittal Chambers, 228 Nariman Point,  
Mumbai 400 021.

**Legal Advisor****A. Ramkrishna**

75, Laxmi Insurance Bldg.,  
4th Floor, Sir P. M. Road,  
Fort, Mumbai 400 001.

**Bankers****Union Bank of India****HDFC Bank Ltd.****Indian Overseas Bank****Registrar & Share Transfer Agents****Sharex Dynamic (India) Pvt. Ltd.**

17/B, Dena Bank Bldg., 2nd Floor,  
Horniman Circle, Fort, Mumbai - 400 001.

or

Unit-1, Luthra Indl. Premises, Safed Pool,  
Andheri Kurla Rd., Andheri (E),

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**NINETEENTH ANNUAL GENERAL MEETING**

On Friday, the 3rd day of September, 2010 at  
4.00 p.m. at Kilachand Conference Room,  
2nd Floor, Laliji Naranji Memorial Indian  
Merchants' Chamber Building Trust, (IMC Bldg.),  
Churchgate, Mumbai - 400 020.

As a measure of economy, copies of the  
Annual Report will not be distributed at the  
Annual General Meeting. Shareholders are  
requested to kindly bring their copies to  
the meeting

**SHAREHOLDER'S PLANT VISIT ON 20TH DECEMBER, 2009**



Visiting the  
Knitting & Garment Unit

Interactive session with  
plant officials.



Visiting the  
Process House